Mission Statement / Group Vision / Values

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

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.

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Editorial Policy for NTT DATA Annual Report 2020

NTT DATA Annual Report 2020 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 sustainable enhancement of corporate value through constructive dialogue.

The report integrates information particularly important to shareholders and investors, such as business strategies, business performance trends, etc. as well as environment, social, and governance (ESG) data. We consider this report as an integrated report to explain NTT DATA's initiatives in creating sustainable value.

For more information, please see IR/sustainability information on our website.
I would like to express my deepest sympathies to all victims of the COVID-19 pandemic, those who have tragically succumbed to the disease and to their families. My thoughts and prayers are also with all those currently struggling to overcome the infection, and I would like to express my sincerest appreciation to the healthcare workers fighting on the front lines to protect us, as well as government and municipal workers and all those helping to keep our lifeline infrastructure running.

Message from the CEO

Yo Honma
President and Chief Executive Officer, Representative Director

Shaping the future society with our clients as a genuine partner.

Humanity is facing unprecedented challenges due to the COVID-19 pandemic. More than half a year has now elapsed since the outbreak, and the daily constraints on our lives have given us newfound appreciation for the ability to live normal lives and reminded us of the importance of the ties that bind people together.

Under the Pandemic Response Headquarters established in February, we have endeavored to ascertain the ever-changing situation at our offices and facilities. Faced with unprecedented challenges, with major cities around the world going into lockdown, each of our individual offices have responded to their specific circumstances to minimize the threat to human life and health. I would like to express my gratitude to all NTT DATA Group team members working around the world.

While COVID-19 has wrought drastic changes on the lives of people across the globe, it has also given us a chance to stop and contemplate social issues such as climate change, global population explosion, and food resource problems. Particularly in Japan, amid the scramble to ensure social distancing, several social issues have been brought into the spotlight, such as teleworking, online teaching, and online healthcare.

All over the world, the situation has provided an impetus for undertakings to build a better society and provide solutions to a range of social issues. I am firmly determined to make an even greater contribution to these efforts to build our future.

Over the more than half a century since our days as the data communications unit of NIPPON TELEGRAPH AND TELEPHONE PUBLIC CORPORATION (currently NIPPON TELEGRAPH AND TELEPHONE CORPORATION, “NTT”), NTT DATA has utilized IT to build up a wide range of social infrastructure. The new “paradigms” that we have produced for society are almost too numerous to mention, including payment settlement infrastructure such as the Credit And Finance Information Switching system (CAFIS) platform for cashless payments, and public infrastructure such as the “Social Insurance Online System.” We have faithfully carried out our mission statement to “use information technology to create new paradigms and values, which help contribute to a more affluent and harmonious society,” and as such, as I am convinced that we now have an even greater role to play in resolving the various social issues around the world.

Now then, precisely what kind of new “paradigms” need to be created? Now that COVID-19 is entrenched in society, there has been a rapid online transition, with the use of online conferencing tools for example; but there is no doubt that there will still be the need for physical human activity. In my view, the kind of society we ought to aim for is one that evolves the online world into a “new reality” that preserves the conventional real world of flesh-and-blood human activity, while also providing an “optimum mixture” of both worlds perfect for all sorts of purposes. And above all, the most important ingredient for achieving that society will be “design thinking.”

To Create a Better Society

“Aiming for an optimum mixture of real and online”

The future of architecture will be less about simply constructing buildings and more about what kind of human use or enjoyment those buildings can offer. The way I see it, what I do is design townscapes and lifestyles.”* Those are the words of the famous Japanese architect Kengo Kuma, and I believe that philosophy translates into an approach for creating a new society utilizing digital technologies.

Over the past ten years, the status of IT has undergone dramatic change. We have now transitioned from an era where IT was used as a means of rationalization and efficiency to an era where IT is used to create new services and business models, and in addition to the integration of development methods such as agile development, there is also an essential need for “design thinking,” focused on client experience (CX) and user experience (UX). Specifically, to achieve the “optimum mixture of real and online,” we must adopt the perspectives of various stakeholders and create comprehensively integrated products. In addition, for the sake of continuous use and improvement, both IT service
providers and clients alike will need to have advanced design capabilities with insight into system utilization and data utilization. For example, schools now being pressed to provide support for online teaching, and this entails not merely infrastructure upgrades, such as the distribution of PCs and tablets. It will also be important to design an ideal configuration for the field of education as a whole. If we can combine physical and online activities and make thorough use of data to provide optimum curricula for each and every student, I have no doubt that the quality of education will improve. I believe that by keeping the cycle going, from this sort of design through system and data utilization, we will be able to provide greater added value to our clients and pave the way for the creation of a new society. I call this cycle the “4D Value Cycle.”

The prototype for the “4D Value Cycle” was the “3D Value Cycle.” This goes beyond the conventional contracted development business model, and molds the notion of providing our clients with added value into a concept covering the entire IT service life cycle. We work hand in hand with our clients as a true partner from the planning (“Design”) stage through system integration (“Develop”) and system utilization (“Drive”). We have kept this cycle going on a variety of projects up until now. Digital technology today is undergoing dramatic evolution, and it has become extremely difficult to predict the future of social and economic environments or the future of our clients’ business environments. We must be able to anticipate a promising future image by analyzing trends in society, industry, and technology, and then be able to ascertain new ideal technologies for the realization of that image. Our 4D Value Cycle adds this kind of foresight (Discover) to our original 3D Value Cycle. We have positioned this 4D Value Cycle as a standard model for providing value throughout the NTT DATA Group, and we continue to run this cycle on numerous projects. One example of this is the “smart hog farming project” that we run together with NH Foods Ltd. and Interfarm Co., Ltd. This project aims to develop AI-based technology to ascertain the condition of swine livestock in real time using cameras and temperature, humidity, and other climate sensors installed within piglets. To help solve the challenges not only of this particular pig farm but also challenges faced by the livestock industry as a whole, such as labor shortages and ensuring the passing on of trade skills, we are expanding the scope of the project to include building models for integrating smart technologies into the entire hog farming industry. And the foundation for keeping this cycle going is “Long-Term Relationships” with the client, which is our forte.

Message from the CEO

**4D Value Cycle**

“The foundation of sustainable growth is Long-Term Relationships”

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Progressing toward Global 3rd Stage Attainment

“We will achieve profitable global growth”

It is a true joy to hear our clients give us top marks for “carrying it through to the end,” because it really shows how we are deepening our strength in Long-Term Relationships. I am convinced that this strength will continue to be a major differentiating factor in co-creating new value with our clients by utilizing new technologies such as AI, the Internet of Things (IoT), and blockchain. We must continue to safeguard our mission statement and our Long-Term Relationships as the foundation for the ongoing enhancement of the NTT DATA Group’s corporate value. With this in mind, we have integrated these assets into the basis of our current medium-term management plan (for FY2019 to FY2021) as “consistent belief.” By 2025, we aim to reach the Global 3rd Stage, at which we will attain Global Top 5 status and become a company relied upon by our clients around the world as a “Trusted Global Innovator.” We have designated the three years of our current medium-term management plan as the crucial halfway point on the path to that accomplishment. In order to elevate our “Growth” and “Earnings” abilities amid the tide of digital transformation, we ourselves must also have the courage to change and vigorously bolster our “Transformation” and “Synergy” abilities to continue to provide high added value to our clients.

We are aiming to achieve “profitable global growth” by setting our consolidated operating margin and our overseas EBITA margin as management objectives of the current medium-term management plan, and we are working to improve “GETS,” which is an acronym for these four abilities.

In fiscal 2019, the inaugural year of our current medium-term management plan, we took in record-high orders as we expanded the scale of both our domestic and overseas businesses, and we succeeded in achieving consolidated sales growth for 31 consecutive fiscal years. Operating income was down due to initially planned growth investments and business restructuring, as well as the reworking of a number of low-profit overseas businesses.

In contrast to FY2019, when the COVID-19 pandemic had almost no impact on business performance, in FY2020, we must be wary of negative impacts such as cutbacks or postponement of IT investments by our clients, delays in development schedule reductions, in the scale of projects, or discontinuation of development. At the same time, now that COVID-19 is entrenched in society, we believe we will see acceleration in businesses that contribute to new lifestyle formats, and opportunities for us to contribute are growing dramatically. NTT DATA will firmly seize such opportunities, overcome this current phase of hardship, and move forward with even greater momentum toward reaching the Global 3rd Stage.

4 5

Annual Report 2020 NTT DATA
The great Konosuke Matsushita famously said: “Develop people before making products.” For businesses like NTT DATA, where human resources and intellectual property make up the ... key ESG challenges, in fiscal 2020 we established specific goals and project management protocols for each part of our organization, and we place particular emphasis on contributing to solutions for societal challenges through our ... achievement of the Sustainable Development Goals (SDGs) and achieve ongoing enhancement of corporate value for NTT DATA.

Today, the digital workforce shortage has become a problem, and in Japan it is estimated that, without progress on ... in the Financial Segment, and fourth*2 in the Enterprise & Solutions Segment. In FY2020, although the impact of the COVID-19 pandemic may be relatively heavy felt in the Enterprise & Solutions Segment, which has many projects for which orders and sales are recorded in the same fiscal year, in our Public & Social Infrastructure Segment and Financial Segment we are leveraging the true value of our strengths in the form of resilience to changes in our environment, as these segments are buttered by order backlogs and sales as well as recurring business, and we will minimize the impact of COVID. Meanwhile, turning our attention to overseas, although we have focused on improving our local presence and expanded our market share in Spain, Italy, etc., we rank eighth*2 in terms of global market share, and in order to reach the Global Top 5, we must further build up our strengths in Long-Term Relationships overseas and become a more efficient and profitable digital company on a group-wide basis. To that end, in addition to Strategies 1 and 2, we must carry out a third strategy, to “unleash our employees” potential that maximizes organizational strengths” so as to more effectively implement our first two strategies.

Delivering Greater Value to Clients Based on Regional Needs

“Steadily producing results from our existing strengths x digital technologies”

Strategy 2, “delivering greater value to clients based on regional needs,” aims to deliver greater value to our clients by using strategies optimized to different market characteristics and strengths and continuing to run our 4D Value Cycle. We have attained various results by combining strengths in existing areas with digital technologies.

Domestically in Japan, together with TEPCO Power Grid, Incorporated, Chubu Electric Power Company, Incorporated, and Kansai Transmission and Distribution, Inc., we have established Grid Data Bank Lab to promote “lab-based co-creation,” and we have begun providing services combining electric power data with a variety of industry data. In addition, CAPIS has begun providing a code payment gateway service that offers one-stop processing of international and domestic code payments, which is now in use by over 10,000 merchants. These are the results of combining digital technologies with the strengths we have built up via Long-Term Relationships with our clients.

Our overseas as well, we have been steadily accumulating results by combining our strengths in areas such as IT outsourcing with digital technologies. Examples include the ITO and consulting service contract obtained from the Oklahoma State Government in the United States, a major outsourcing contract from Spanish gas and electricity major Naturgy Energy Group S.A., and a major SAP integration service contract obtained from German railway company Deutsche Bahn AG.

We have positioned profitability improvement in overseas businesses as a key challenge, and we carry out structural transformation to shift our business portfolio to digital domains. In FY2019, we reshaped and reskilled our human resources by optimizing resources through means such as early retirement programs largely in EMEA and Latin America and the digitization of our workforce. We also restructured low-profit businesses, and exercised selectivity and concentration in our digital offerings, and these efforts have been delivering results in the form of orders obtained in digital domains. In FY2020, I aim to accelerate structural transformation, particularly in North America, and fast track our transition to digital-focused business domains.

In our domestic business, we have built up strengths in the form of Long-Term Relationships with the potential for expansion into digital investments, as illustrated by our high market share rankings. We rank second*1 in the Public & Social Infrastructure Segment, first*1 in the Financial Segment, and fourth*1 in the Enterprise & Solutions Segment. In FY2020, although the impact of the COVID-19 pandemic may be relatively heavy felt in the Enterprise & Solutions Segment, which has many projects for which orders and sales are recorded in the same fiscal year, in our Public & Social Infrastructure Segment and Financial Segment we are leveraging the true value of our strengths in the form of resilience to changes in our environment, as these segments are buttered by order backlogs and sales as well as recurring business, and we will minimize the impact of COVID. Meanwhile, turning our attention to overseas, although we have focused on improving our local presence and expanded our market share in Spain, Italy, etc., we rank eighth*2 in terms of global market share, and in order to reach the Global Top 5, we must further build up our strengths in Long-Term Relationships overseas and become a more efficient and profitable digital company on a group-wide basis. To that end, in addition to Strategies 1 and 2, we must carry out a third strategy, to “unleash our employees” potential that maximizes organizational strengths” so as to more effectively implement our first two strategies.

Unleashing Our Global Employees’ Potential that Maximizes Organizational Strengths

“Aiming for a 100% digital workforce”

Today, the digital workforce shortage has become a problem, and in Japan it is estimated that, without progress on reskilling, there will be a shortage of up to 550,000 workers in the digital workforce by 2030. At NTT DATA, we have made “unleashing our employees’ potential that maximizes organizational strengths” our third strategy, and we are working to enhance each and every one of our employees’ ability to respond digitally and globally. We have sorted our workforce into three categories depending on their depth of technological knowledge: “Human resources that utilize digital technology,” “Digital specialists,” and “Core digital human resources,” and we are aiming for a 100% digital workforce by promoting reskilling through various human resource development programs and an in-house leave system. We have an Advanced Professional (AOP) system for externally recruiting human resources with outstanding expertise in advanced IT, in addition to which we established a “Technical Grade (TG)” system in October 2019 to determine employees’ compensation based on the degree of their specialty-driven contributions.

People like Kengo Kuma are known in the architecture industry as “top architects.” Society is going to require the utilization of digital technologies to achieve broad-spectrum integration of the “smart city” kind, and in order to create paradigms for that society, I believe our industry too will need “top architects” to visualize the future of society and industry. However, such top architects are a rare breed and not easily cultivated. The overall industry, and the client’s side as well, will need to nurture architects that are well versed in both the client’s business as well as technological capabilities and be able to design the right kind of paradigms for overall integration. We at NTT DATA intend to cultivate our worldwide design workforce into such architects.

ESG Management

“Shaping the future society with our clients”

The great Kanesuke Matsushita famously said: “Develop people before making products.” For businesses like NTT DATA, where human resources and intellectual property make up the majority of corporate value, “developing people” is the most valuable foundation for sustained business development. That is why, as a company devoted to environmental, social, and governance (ESG) management, we have included three human resources-related challenges in the 12 key ESG challenges we instituted in FY2019. Recruiting and developing IT human resources is of course a core part of these undertakings, but our ambitions go much further. We pursue women’s empowerment and other diversity and inclusion goals as part of our management strategy to prevail over the global competition, and we are a pioneering force in workforce reform initiatives.

To address our key ESG challenges, in fiscal 2020 we established specific goals and project management protocols for each part of our organization, and we place particular emphasis on contributing to solutions for societal challenges through our business. During the COVID-19 pandemic, we have provided remote medical care solutions to support healthcare workers in Europe and South America, while in Japan we also provided AI optical character recognition (AI-OCR) and robotic process automation (RPA) to local governments to help them fast track the payment of COVID-19 relief cash handouts. Thus, our business is the business of solving the challenges faced by our clients and society through the power of IT. We will integrally implement ESG management and operational strategies, and shape the future society with our clients as a genuine partner. In so doing, I hope to contribute to achievement of the Sustainable Development Goals (SDGs) and achieve ongoing enhancement of corporate value for NTT DATA.

In closing

“Going the full distance”

It was about 30 years ago that the internet first appeared on the “real world” scene. The early 2000s saw services start to go online, and after that came smartphones and then social media. And today, the real world is on the cusp of a digital transformation. Once the “optimum mixture of real and online” is achieved, the evolution of technologies such as 5G and AI will likely propel us toward an “augmented real world” with total digital – physical fusion.

We take pride in having constructed social infrastructure using IT. And I want us to remain at the forefront in shaping a new society as well. To that end, I intend to go the full distance on the strategies that we have devised. If our entire workforce unites to undertake these initiatives with rigorous determination, I am absolutely convinced that we will succeed.

I ask our shareholders and investors for your continued understanding and support.

*1 Source: Tokyo Midtown SCENE, August 2020 issue
*2 Source: Gartner “Market Share: IT Services, Worldwide 2019, Dean Blackmore et al., 13 April 2020”

NTT DATA Annual Report 2020
NTT DATA combines various IT services to deliver the optimal services to customers around the world.
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 31 consecutive years since our founding.

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.

Major Indicators

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Growth Driven by Group Companies through IT Partner Strategies

Increased Global Coverage

Expanded geographical coverage to 185 cities in 45 countries and regions

Enterprise Business Expansion

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

Enterprise 33%
Financial 43%
Public 20%
Others 4%
Fostered Strengths

Long-Term Relationships —Unwavering Bonds of Trust—

Established in 1988, for more than 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.” For the implementation of our mission statement, we have continued to adhere to our clients’ first principle, never becoming preoccupied with short-term gains or shying away from the challenges we face. 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

Many Large-scale Systems We Have Developed and Operated with Clients for a Long Time

1970–Automobile registration and inspection system
1977–Government accounting system
1980–Social insurance online system

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Association between Long-Term Relationships and NTT DATA’s Value-Offering Model “4D Value Cycle”

We believe that our ideal way of providing value to pursue is to take our business model a step beyond that of a traditional system integrator, which develops systems according to clients’ requests, and take responsibility for the entire IT service life cycle. This belief is incorporated in the 4D Value Cycle (a value offering model shared throughout NTT DATA). We continue operating under this cycle for cases of Long-Term Relationships for clients’ significant systems including the social insurance online system and a lot of systems such as ANSER and CAFIS that were designed by us and are used by many clients, which has increased clients’ trust in NTT DATA.

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

**Value Co-Innovation Model**

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

- Integrated IT Solutions (Order-Based)
- Integrated IT Solutions (Planned by NTT DATA)
- Systems Software Development (System Integration)
- Consulting
- Maintenance Support

**Capital Usage**

Consolidated Operating Income ¥130.9 billion
Consolidated Total Equity ¥987.4 billion
D/E Ratio 0.64 times

**Reinvestment**

- 74 clients (number of clients with annual sales of over ¥50 billion (Japan) or US$500 million (ex-Japan))
- Global IT service ranking (Net Service Value) 2020
- Ranked among top 10 market share leaders in 3 of 10 major countries of operation

**Outcome**

Realizing a More Affluent and Harmonious Society

- Resolving social issues
- Developing public sector infrastructure to lower burdens amid the COVID-19 pandemic
- Ensuring stable and efficient energy provision
- Creating sustainable health and longevity
- Fostering a new society ahead of the COVID-19 pandemic

**Enhancing Corporate Value**

- Targets of Medium-Term Management Plan (FY2019 - 2021)
  - Consolidated Net Sales
  - Consolidated Operating Income
  - Overseas EBITA Margin

**Human Resources and Organizational Capabilities**

- Employees More than 133,000
- Ratio of employees working overseas: Approx. 70%
- Worldwide offshore and near-shore development personnel: More than 44,000

- Application of higher evaluations for advanced technology fields from third-party evaluation institutions
- Staff of 2,000 people in seven advanced digital technology fields

**Technologies**

- Frameworks for global business development through collaboration with the NTT Group
- 74 clients (number of clients with annual sales of over ¥50 billion (Japan) or US$500 million (ex-Japan))

**Partners**

- Global IT service ranking (Net Service Value) 2020
- Ranked among top 10 market share leaders in 3 of 10 major countries of operation

**NTT DATA Brand**

- Acquisition of higher evaluations for advanced technology fields from third-party evaluation institutions
- Staff of 2,000 people in seven advanced digital technology fields

**Foresight**

- Message from the CFO
- Financial Resources That Support NTT DATA’s Growth
- Message to Shareholders and Stakeholders
- Financial Highlights
- Financial Models of Principal Businesses

**NTT DATA’s Value Creation Process**

- Technology
- Value
- Clients
- Financial

**Non-Financial Capital**

- Human resources
- Technologies
- Partners

- Collaboration with the NTT Group through cutting-edge R&D, ecosystem of value, etc.
- Enhance resources and business growth by reinforcing partnerships with vendors

**Financial Capital**

- Financial Highlights
- Financial Models of Principal Businesses

- More than 44,000
- Employees More than 133,000
- Ratio of employees working overseas: Approx. 70%
- Worldwide offshore and near-shore development personnel: More than 44,000

**Input**

- Consolidated Net Sales
- Consolidated Operating Income
- Overseas EBITA Margin

**Non-Financial Capital**

- Financial Resources That Support NTT DATA’s Growth
- Message to Shareholders and Stakeholders
- Financial Highlights
- Financial Models of Principal Businesses

Please refer to the following section for information on material ESG issues and KPIs.

**P40: NTT DATA’s ESG Management**

- Foresight
- Financial Resources That Support NTT DATA’s Growth
- Message to Shareholders and Stakeholders
- Financial Highlights
- Financial Models of Principal Businesses

**P34: Message from the CFO**

- Message to Shareholders and Stakeholders
- Financial Highlights
- Financial Models of Principal Businesses

**P16: Management Resources That Support NTT DATA’s Growth**

- Human Resources
- Technologies
- Partners

- Collaboration with the NTT Group through cutting-edge R&D, ecosystem of value, etc.
- Enhance resources and business growth by reinforcing partnerships with vendors

**P12: Financial / Non-Financial Highlights**

- Message to Shareholders and Stakeholders
- Financial Highlights
- Financial Models of Principal Businesses

**P8: NTT DATA’s Businesses**

- Net Sales
- Operating Income Margin

**P4: NTT DATA’s Value Creation Process**

- Technology
- Value
- Clients
- Financial

**P1: Mission Statement / Group Vision / Values**

- Values
- Clients First
- Foresight

**P2: History / Vision**

- Historical Milestones
- Vision for the Future

**P3: Management Resources That Support NTT DATA’s Growth**

- Human Resources
- Technologies
- Partners

- Collaboration with the NTT Group through cutting-edge R&D, ecosystem of value, etc.
- Enhance resources and business growth by reinforcing partnerships with vendors

**P5: Management Resources That Support NTT DATA’s Growth**

- Financial Resources That Support NTT DATA’s Growth
- Message to Shareholders and Stakeholders
- Financial Highlights
- Financial Models of Principal Businesses

**P30: Long-Term Relationships**

- Financial Capital
- Non-Financial Capital

**P4: NTT DATA’s Value Creation Process**

- Technology
- Value
- Clients
- Financial
Significance of management resources

- Professional human resources with advanced expertise (over 330,000 professionals in 13 countries and regions)
- High reliability and scalability capabilities (20-year employment for new graduates in Japan)*1, over 30,000 global employees, excellent human resource training programs
- High-quality approach to diversity and inclusion
- Promoting active participation of women (with a female employee rate of 25%) for the entire Group (selected for MathWorks Brand F1000 and obtained the Platinum Kurumin Certification)
- Approach to sexual minorities including LQBT (won the Gold Award of PRIDE Index 2019)
- Employees’ high engagement (The rate of highly engaged employees in 71%)*2

Strengths

- Technology: basic from which we propose optimal solutions for our clients. It is also important for producing innovations and continuously providing competitive services. Recently, digital technologies, such as AI and IoT, particularly have rapidly evolved. Digital technology-based competitiveness must be reinforced, and there is an increased need for responding to changing business models. Enhanced digital capability is one of our significant themes.
- Partners: In order to provide optimal services to our clients, we have to widely incorporate great products and technologies from partners across the world. Good relationships with our partners enable us to build a stable and flexible delivery system. Our strong partnership with the NTT Group is also important to increase our presence in the global market.
- Finance: Because it is our business to provide the invisible values of “IT services” and specialize in building systems that support social infrastructure, our clients focus on our reputation and reliability. Spreading a brand of NTT DATA across the world is one of our extremely important themes in acquiring new business opportunities. It is also an extremely critical management resource for higher profitability.

Goals

- Unlock our employees’ potential that maximizes organizational strengths
- Unleash employees’ potential
- Improve our work environment
- Enhance our governance processes
- Expand global digital offerings
- Expand global digital offerings
- Enhance resources and solutions lines by structuring partnerships with IT companies around the world
- Drive NTT Group collaboration
- Expand global digital offerings
- Drive NTT Group collaboration
- Drive NTT Group collaboration
- Drive NTT Group collaboration
- Build and ensure stable management / operation of IT infrastructure
- Promote responsible supply chain
- Offer social infrastructure and business category-specific solutions based on advanced technologies
- Build and ensure stable management / operation of IT infrastructure
- Offer social infrastructure and business category-specific solutions based on advanced technologies
- Build and ensure stable management / operation of IT infrastructure
- Offer digital solutions and technologies based on advanced technologies
- Build and ensure stable management / operation of IT infrastructure

Relevant Mid-Term Management Plan Strategies

- Strategy 1: Expand global digital offerings
- Strategy 1: Deliver greater value to clients based on regional needs
- Strategy 1: Expand global digital offerings
- Strategy 2: Deliver greater value to clients based on regional needs
- Strategy 1: Expand global digital offerings
- Strategy 2: Deliver greater value to clients based on regional needs
- Strategy 1: Expand global digital offerings
- Strategy 2: Deliver greater value to clients based on regional needs

Relevant 2 Material ESG Issues

- Secure and develop IT human resources
- Promote diversity and inclusion
- Promote workplace innovation
- Other social infrastructure and business category-specific solutions based on advanced technologies
- Build and ensure stable management / operation of IT infrastructure
- Offer social infrastructure and business category-specific solutions based on advanced technologies
- Build and ensure stable management / operation of IT infrastructure
- Offer social infrastructure and business category-specific solutions based on advanced technologies
- Build and ensure stable management / operation of IT infrastructure

Efforts in FY2019

- Strategy 1: Unlock our employees’ potential that maximizes organizational strengths
- Strategy 1: Expand global digital offerings
- Strategy 1: Deliver greater value to clients based on regional needs
- Strategy 1: Expand global digital offerings
- Strategy 1: Deliver greater value to clients based on regional needs
- Strategy 1: Expand global digital offerings
- Strategy 1: Deliver greater value to clients based on regional needs
- Strategy 1: Deliver greater value to clients based on regional needs

Technologies

- A solid client base, which has been created through Long-Term Relationships with our clients, is indispensable for providing our unique and highly value-added IT services that accurately reflect the clients’ needs. It also enhances our business stability and enables us to stably invest in the future.

Client Base

- A solid client base, which has been created through Long-Term Relationships with our clients, is indispensable for providing our unique and highly value-added IT services that accurately reflect the clients’ needs. It also enhances our business stability and enables us to stably invest in the future.

Finance

- A solid client base, which has been created through Long-Term Relationships with our clients, is indispensable for providing our unique and highly value-added IT services that accurately reflect the clients’ needs. It also enhances our business stability and enables us to stably invest in the future.

Brand

- A solid client base, which has been created through Long-Term Relationships with our clients, is indispensable for providing our unique and highly value-added IT services that accurately reflect the clients’ needs. It also enhances our business stability and enables us to stably invest in the future.
The number of countries, regions, and cities we operate in increased as a result of especially focusing on increasing global coverage until FY2015 (Global 1 due to the acquisition of the former Dell Services.

As a result of our efforts in the medium-term management plan, we have 4 more clients with annual net sales of ¥5 billion or more (Japan) or US$50 million (ex-Japan) compared to 70 as of the end of FY2018.

Overseas net sales grew mainly due to expansion of business scale especially in the EMEA & LATAM Segment, despite a decrease due to negative impact from Brexit and exchange rate fluctuation. The overseas EBITA margin declined mainly due to an increase of structural transformation cost including the review on less profitable businesses in the EMEA & LATAM Segment and evaluation of some projects in Brazil.

Evaluating business performance in the EMEA & LATAM Segment, we have been implementing structural transformation to achieve greater profitability and more steady profit growth.

Additional response to individual management issues...

As a result, net sales has grown for 31 consecutive fiscal years.

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

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 on an increase in recent years.

Return on invested capital increased to 9.0% in FY2019 from 7.0% in FY2018.

Return on Equity (ROE) increased to 15.5% in FY2019 from 14.5% in FY2018.

The rate of return for holding our company’s share for the most recent 5 years is 72.3%, which is slightly higher than Topix (with dividend).

Client Base

Total Shareholder Return (TSR)

Value Creation by NTT DATA

Non-Financial Highlights

Financial Highlights

Operating Income / Operating Income Margin

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

5-Year Average Consolidated Cash Flow Dividend Payout Ratio*1,4 / Annual Dividends per Share*6

Total shareholder return (including dividend) in the last 5 years.

Return on invested capital (ROIC)*7,6 / Return on Equity (ROE)*7

Return on equity (ROE) increased to 15.5% in FY2019 from 14.5% in FY2018.

Return on invested capital (ROIC) increased to 9.0% in FY2019 from 7.0% in FY2018.

ROIC and ROE both dropped due to a decrease in working capital income and net income attributable to shareholders of NTT DATA.

ROIC (Return on Invested Capital) increased to 9.0% in FY2019 from 7.0% in FY2018.

ROE (Return on Equity) increased to 15.5% in FY2019 from 14.5% in FY2018.

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Return on equity (ROE) increased to 15.5% in FY2019 from 14.5% in FY2018.
The NTT DATA Group aims to grow sustainably by understanding the constantly changing business environment, and opportunities and risks to the Company, and maintaining the “courage to change” things that need to be changed for flexible change and adaptation.

### Opportunities and Risks

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• For a business model reform utilizing digital technologies</td>
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<td>• For business opportunities would diminish due to changes in numerous factors including social infrastructures, such as electricity and telecommunication infrastructures, laws and regulations, such as tax acts and other regulations, political and economic situations in various countries, and climate change</td>
<td>• Risk that business opportunities would become more difficult when a huge earthquake, climate change, other large-scale natural disasters, and serious outbreak of an infectious disease, etc. occur</td>
</tr>
<tr>
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</tbody>
</table>

### NTT DATA’s Response to the COVID-19

**NTT DATA’s Business Structure**

NTT DATA earned most of the revenue from “large-scale system / software development in Japan (e.g., systems of government ministries in the public sector, core and settlement systems in the financial segment, etc.), outsourcing services inside and outside Japan, and businesses centered on maintenance and support business that remained in the order backlog,” “traffic systems that promise stable income,” and “IT investments necessary for clients’ business promotion or maintenance of social infrastructures.” Therefore, we expect that we will be less affected by the COVID-19 pandemic.

**Forecasted net sales in FY2020**

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2020 (Forecast)</th>
<th>Yr change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entire company</td>
<td>2,170.0</td>
<td>4.3%</td>
</tr>
<tr>
<td>Public &amp; Social Infrastructure</td>
<td>506.0</td>
<td>+1.0%</td>
</tr>
<tr>
<td>Financial</td>
<td>574.0</td>
<td>(1.1%)</td>
</tr>
<tr>
<td>Enterprise &amp; Solutions</td>
<td>563.0</td>
<td>(4.3%)</td>
</tr>
<tr>
<td>North America</td>
<td>368.0</td>
<td>(13.6%)</td>
</tr>
<tr>
<td>EMEA &amp; LATAM</td>
<td>422.0</td>
<td>(7.3%)</td>
</tr>
</tbody>
</table>

**Vulnerable businesses**

The NTT DATA Group has provided various services for a wide range of clients and industries around the world, and each business unit faces a different business environment. Therefore, we delegate significant authorities to heads of each sector, presidents of Group companies inside and outside Japan, and others, to enable each unit to appropriately understand relationships with clients as well as opportunities and risks related to market environments and take immediate actions. For opportunities and risks for each segment, please refer to the pages of each segment.

For business impacts on each segment, please see FFs

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**Impact on NTT DATA’s business**

**Negative influence**

- Negative impact is expected broadly, although the level varies by country and by industry, since investment appetite is likely to decline due to deterioration in business confidence and restrained investment on the side of clients who would strive to maintain and improve their businesses.
- Delays, downgrading, or suspension of development are expected mainly with existing expanded projects and additional projects.
- Greater negative impact is expected on the enterprise market, new projects, and business targeting SMEs businesses leveraging digital technologies to build a new society are expected to accelerate, which would provide more business opportunities for NTT DATA to contribute to.
- Since clients would start to consider and spend for such projects from FY2020, many of such businesses would be recognized in our business performance from FY2021 and onward.

**Positive influence**

- Conversely, in order to build back better, during the new normal with COVID-19 or in the Post-COVID-19 era, businesses leveraging digital technologies to build a new society are expected to accelerate, which would provide more business opportunities for NTT DATA to contribute to.

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**For business impacts on each segment, please see FFs**

**For business impacts on each segment, please see FFs**

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**For business impacts on each segment, please see FFs**
NTT DATA's Response to the COVID-19

The COVID-19 pandemic accelerated the move to create new societies around the world. NTT DATA expects an optimum mixed society where going online which is rapidly advancing evolve into a "new reality" which will be fused harmoniously with the "reality" of traditional activities of human beings, and people can use both of them freely according to their purposes. An era of coexisting with COVID-19 will continue for a while. NTT DATA will always imagine a better society and aim to realize it by utilizing the strengths and digital technologies it gained. Under our consistent belief to "create a better society by utilizing information technology," we will cooperate with colleagues around the world and take a company-wide approach.

New daily life of “online first society” – Toward a society where the online and the real are fused –

NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.

"Online first society." It is a society in which online is a natural part of all human social activities. Of course, real human activities are important, and their value will not change. However, conducting all activities physically in the era we crossed with COVID-19 is not realistic, as nobody really knows when the end of this pandemic will come. That's why we are required to work online into a "new reality" that demonstrates exactly the same rules as real human activity.

The COVID-19 pandemic accelerated the move to create new societies around the world. NTT DATA INSTITUTE OF MANAGEMENT CONSULTING proposes an early realization of a society in which people can use both real as a "living human activity" and "new realities" of online freely according to their purposes, the so-called "online first society." The business model of globalization continued to generate widespread, rapid, and frequent human mobility, and the unoptimal concentration of resources in cities resulted in a demand for efficient societies. It may be true that these factors contributed to the rapid spread of COVID-19. It goes without saying that self-restraint in social activities as a measure against infection will lead directly to a contraction of the market and a recession.

However, our mission is not to create a society in which we can endure and reconcile the calamities of COVID-19. Under the concept of the BBB (Build Back Better), building a better society in which even the various social issues of modern age can be resolved simultaneously is necessary.

If you look back on history, in 14th-century Europe, after the plague, a great social change called the Renaissance occurred. Now is the time to embark on the creation of an epoch-making society.

Save work and advance non-face-to-face customer service by using AI and avatars

Create a new store experience in coexisting with COVID-19 society

Recently, the retail industry has experienced difficulty in increasing the number of brick-and-mortar stores due to the decrease in the workforce and a shortage of favorable places for new stores to open. Also, in order to prevent the spread of COVID-19, companies are forced to have their shop staff avoid direct physical contact with customers as much as possible and reform the working styles, for example, by allowing staff to work at home. In this market environment, NTT DATA conducted a proof of concept (PoC) on a digital store where an operator can propose and promote products remotely via an avatar, which moves exactly the same way as the operator, in cooperation with TOKYU HANDS INC. (TOKYU HANDS).

For this PoC, we set up a special booth for the avatar at the section of ultrawide (ux) blocking products where staff demonstrating expertise in such products remotely asked customers about their purpose of use and skin conditions and recommended suitable products that would meet their needs. As a result of the PoC, we received favorable feedback such as “I could talk to the avatar more easily” and “As a description and an image of a product were displayed on the same screen, it was easy to understand.” Therefore, we expect companies to provide new options of working style for their staff without adhering to common knowledge that staff must serve customers in person.

In addition, we successfully collected data regarding custom- ers’ needs and age data from which we can assume how the PoC is growing and dialog at the brick-and-mortar store. Based on such data, we expect companies to know what kinds of customers visit the store by time of day and understand customers’ needs from dialogues with them. In the future, this data is expected to contribute to the improvement of the quality of customer services, product development, and promotions.

Based on the results of this PoC, NTT DATA will work with TOKYU HANDS to create a brand-new store experience that is more convenient and exciting for customers.

Overview of the PoC at the Health and Beauty Corner

Free provision of AI-OCR and RPA to automate local government grant operations

Contributing to the prompt issuance of “special fixed benefits”

As part of its social contribution activities, NTT DATA provided local governments that dealt with operations of granting “special fixed benefits” with “NaNaTsu AI-OCR with DX Suite*1, *2, an AI-OCR service to digitize paper-based documents, and “WinActor*3, an RPA solution, and e-learning of the RPA solution during the period of benefit payment commencing on May 1, 2020, and ending on July 31, 2020, for free of charge.

In order to grant special fixed benefits, local governments were required to receive applications for the benefits from residents in an electronic or paper format, input data into a system, assess the eligibility for the benefits, and complete payment procedures. These automation technologies helped local governments. For example, AI-OCR converted information on paper-based applications to test data, and RPA assisted them in inputting of test data to systems, comparison checking for the eligibility assessment, creating data for account transfer, and so on. These technologies automated the operation of granting the benefits. Local government staff were required to perform just simple operations for the introduction.

NTT DATA will help clients reduce operational burdens on them by providing technologies to automate operations.

Accelerating Social Contribution through Business: Example of Our Efforts 1

Accelarating Social Contribution through Business: Example of Our Efforts 2

Free provision of AI-OCR and RPA to automate local government grant operations

Contributing to the prompt issuance of “special fixed benefits”

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NTT DATA will help clients reduce operational burdens on them by providing technologies to automate operations.

Accelerating Social Contribution through Business: Example of Our Efforts 1

COVID-19 dedicated function enables remote medical care for patients with mild symptoms

Reducing the burden on medical institutions and contributing to the prevention of the spread of infection

events, one of NTT DATA’s subsidiaries, developed “onCO2 Remote Health,” a cloud-based telemedicine solution for medical institutions in April 2020 and provides it in Europe and South America. This solution analyzes diagnoses and recommendations related to COVID-19 to collecting information on symptoms and other healthcare information input by patients. Patients presenting with a mild to moderate case of COVID-19 can be diagnosed remotely through this solution, which will reduce the congestion of patients who need to see a physician in person at medical institutions. Additionally, this solution helps medical institutions find clinical changes in patients’ conditions and make an appropriate decision by collecting and analyzing a massive amount of input data. In order to help resolve issues caused by the pandemic, we will take further measures.

COVID-19 dedicated function

- Triage diagnosis and care
  - Provide triage diagnosis and treatment for tele-triage, videoconferences, and chat

- Continuous outbreak control
  - Health management of persons and negative patients
  - Communicable disease to prevent users and professionals

- Data collection and analysis
  - Assay of clinical evaluation and identification of patients
  - The elaboration of epidemiological clusters

A remote beauty concierge will guide you to recommended products while displaying additional images to each customer.

The avatar calling screen integrated with the product display makes contact easier.

As part of its social contribution activities, NTT DATA provided local governments that dealt with operations of granting “special fixed benefits” with “NaNaTsu AI-OCR with DX Suite*1, *2, an AI-OCR service to digitize paper-based documents, and “WinActor*3, an RPA solution, and e-learning of the RPA solution during the period of benefit payment commencing on May 1, 2020, and ending on July 31, 2020, for free of charge. In order to grant special fixed benefits, local governments were required to receive applications for the benefits from residents in an electronic or paper format, input data into a system, assess the eligibility for the benefits, and complete payment procedures. These automation technologies helped local governments. For example, AI-OCR converted information on paper-based applications to test data, and RPA assisted them in inputting of test data to systems, comparison checking for the eligibility assessment, creating data for account transfer, and so on. These technologies automated the operation of granting the benefits. Local government staff were required to perform just simple operations for the introduction.

NTT DATA will help clients reduce operational burdens on them by providing technologies to automate operations.


*1 NaNaTsu AI-OCR with DX Suite is an AI-OCR service for local governments used by over 100 organizations (as of April 23, 2020).

*2 WinActor is a commercial AI-based system designed for corporate use in 2013. Since it was made available, approximately 5,000 companies and local governments have introduced it.

*3 Copyright © 2013 Advanced Technology Corporation for commercial use in 2013. Selected AI technologies, approximately 500 companies and local governments have introduced it.
Changes in the Growth Strategy and Positioning of the Medium-Term Management Plan

### Global 1st Stage
- **Increased Global Coverage**
  - Over $1.5 trillion
  - Achieved

### Global 2nd Stage
- **Recognized Global Brand**
  - Over $2 trillion
  - Achieved
  - Adjusted Operating Income: -50%*1:
    - (-Operating Income ¥142 billion)
  - Achieved

### Global 3rd Stage
- **Reputation as Trusted Brand**
  - Over $2.5 trillion
  - Client Base**3:
    - Over 80 companies
  - Operating Income Margin**3:
    - 8%
  - Overseas EBITA**3:
    - 7%

---

**NTT DATA : ASCEND**
Rise and grow our global brand

**Strategy Overview and Major Achievements**

**Management Targets**

**Changes in the Medium-Term Management Plan**
- Evolving into a corporate group that can efficiently provide diverse IT services worldwide
- Net Sales: Over ¥1.5 trillion
- EPS: ¥200

**Net Sales**
- Achieved

**Adjusted Operating Income**
- -50%*1:
  - (-Operating Income ¥142 billion)
- Achieved

**Earnings**
- Operating Income Margin**3:
  - 8%
- Overseas EBITA**3:
  - 7%

**Two Previous Medium-Term Management Plans**
- NTT DATA : ASCEND
  - Rise and grow our global brand

**Previous Medium-Term Management Plan**
- NTT DATA : ASCEND
  - Pursuing profitable global growth with consistent belief and courage to change

**Medium-Term Management Plan**
- Midpoint to Global 3rd Stage
- Aiming to become a company trusted by clients worldwide with Global Top 5 status
- Client base**3:
  - More than 100 companies
  - Rank Top 10 in major countries

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**Strategy 1**
Maximize Value for Clients
- Strategy 1: Transform & Synergy
- Expand global digital offerings
- Deliver greater value to clients based on regional needs
- Drive NTT Group Collaboration

**Strategy 2**
- Strategy 2: Unleash our employees’ potential that maximizes organizational strengths
- Strategy 3: Unleash our employees’ potential that maximizes organizational strengths

**Strategy 3**
- Strategy 3: Unleash our employees’ potential that maximizes organizational strengths
- Drive NTT Group Collaboration

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**Issues**
- Expansions of new business fields and reinforcement of product competitiveness
- Weakened global presence in IT services market
- Weakened IT services market
- Weakened digital transformation
- Weakened digital transformation

**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.

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**CONSISTENT BELIEF**
Shape the Future Society with Our Clients

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*Source: NTT DATA Annual Report 2020*
Pursuing profitable global growth with consistent belief and courage to change

- Medium-term management plan positioned as incredibly important three-year period for accomplishing Global 3rd Stage vision by 2025.
- Promote profitable growth through enhancement of the four strengths that we call “GETS” (growth, earnings, transformation, and synergy).
- Consolidated net sales of ¥2.5 trillion and client base*1 of more than 80 companies as growth targets and consolidated operating income margin*2 of 8% and overseas EBITA margin*2 of 7% as earnings reinforcement targets for becoming Global Top 5 company.

Overview of the Medium-Term Management Plan

<table>
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<tr>
<th>Strategy</th>
<th>Description</th>
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<tr>
<td>Strategy 1</td>
<td>Expand global digital offerings</td>
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CONSISTENT BELIEF
Shape the Future Society with Our Clients

Four Strategies for Maximizing Value for Our Clients

- Medium-Term Management Plan (FY2019–2021)

Strategy 1: Expand global digital offerings
- We will create offerings we can roll out globally and strategically approach global accounts. At the same time, we will bolster our global strengths overall by using our CoE to provide support for the offerings we have created and deploying the offerings into individual regions.

Strategy 2: Deliver greater value to clients based on regional needs
- We will unleash our employees’ potential that maximizes organizational strengths to support Strategy 1 and Strategy 2.

Strategy 3: Unleash our employees’ potential that maximizes organizational strengths
- In addition to providing the digital offerings we have created through Strategy 1, 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).

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

### Strategy 1: Expand global digital offerings

- **Enhance client loyalty program and collaborate throughout focus industries.**
- **Improve external relations activities (such as public relations and analyst relations).**
- **Leverage digital success stories.**

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

- **Accelerate Global Marketing**
  - Enhance client loyalty program and collaborate throughout focus industries.
  - Improve external relations activities (such as public relations and analyst relations).
  - Leverage digital success stories.

- **Develop Digital Offerings**
  - Formulate offering strategy based on our industry expertise.
  - Drive collaboration with clients and create offerings with open innovation initiatives.

- **Drive Agile Development and Provide Support on Better Utilization**

**New CoEs established in June 2020 to bolster CoE network**

### Strategy 2: Collaboration with NTT

### Strategy 3: 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 Coordination in Focus Industries**

- **Focus Industry: Global Industries & Accounts**
- **Coordination: Global One Team**

**Overseas NTT DATA Group companies coordinate as a Global One Team to formulate and implement strategies for growing global businesses in the telecommunications industry.**

**Partnership Contract with No. 1 U.K. Telecommunications Provider Telefónica UK Acquired through Global Coordination and Teamwork**

- Provide support and quality management resource to some of Telefónica’s most significant projects including its digitalization program to enhance its operations and customer offerings.
- Based on a trusted Long Term Relationship with the Telefónica Group, OpCos collaboration as a Global Account and leveraging delivery partnerships.
- Commitment to deliver service improvements and add value, underpinned by relevant focus technology fields.

**Expansion of CoE Network**

Support for Swift Creation and Deployment of Global Digital Offerings by Consolidating Cutting-Edge Digital Technologies and Expertise

NTT DATA is expanding its CoE network to consolidate the technical functions for supplying digital technology-related insight, training, technical support, and assets (intellectual property) to support the global expansion of digital businesses. To complement the prior four CoEs, three additional CoEs were established in June 2020 for the IoT, intelligent automation, and software engineering automation fields. With this expanded network, we will support the swift creation of global offerings and their deployment to different regions.

**Case Study: Blockchain CoE Initiatives**

- Established team of 300+ professionals in 24 countries
- World’s 1st commercialized blockchain technology
Develop Digital Offerings
Nine Focus Industries Defined to Create Tools to Compete at the Global Level

NTT DATA has defined nine focus industries based on consideration for future projections for market and technology trends, etc., and the fields in which the Company can exercise strength on the global stage. In these fields, we aim to create solutions and services that boast competitiveness at the global level.

Strategy 2: Deliver greater value to clients based on regional needs

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

- Common model to further enhance the value we provide to clients
- Providing the value at all four D (Discover, Design, Develop, and Drive) stages
- Continuing to utilize the 4D Value Cycle = Long-Term Relationships with clients
- This will result in NTT DATA’s differentiation from competitors and increased competitive advantage.

Value Offering Model

- Discover
- Design
- Develop
- Drive

- Forecasting
- Real-time technologies

Regional Strategies

- Japan
  - Leverage strengths in existing areas to create new value
  - Status of Initiatives
    - PTN: Public & General Infrastructure Segment
    - PTB: Financial Segment
    - PBD: Enterprise & Workforce Segment

- China & APAC
  - Capitalize on market growth to dramatically expand business
  - Status of Initiatives
    - PBD North America Segment

- EMEA & LATAM
  - Enhance value for clients through unification
  - Status of Initiatives
    - PAB: EMEA & LATAM Segment

Strategy 3: Unleash our employees’ potential that maximizes organizational strengths

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

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

- Digitize Our Work Environment
  - Share knowledge, promote collaboration, and transform business processes leveraging digital technologies
    - By accumulating “know how” and “know who” information related to daily operations on a digital information platform, we will create a framework that allows NTT DATA to use for quick access to necessary information and employees.
    - By sharing knowledge and promoting collaboration in this way, we aim to cultivate our culture as a knowledge-driven company.

- Enhance Our Governance Processes
  - Enhance risk management
    - With a view toward sustainable growth, we will reinforce our overall risk management system globally.
  - Advance project management
    - We aim to carry out projects through initiatives such as strengthening our early response to risks, further enhancing on-site capabilities, and streamlining administrative processes.

Experience Value Provided by Catch&Go Cash Register-Free Digital Store Opening Service

Purchase products by entering a store with a dedicated smartphone app or undergoing facial recognition, picking up the product, and then leaving.

Purchase products by entering a store with a dedicated smartphone app or undergoing facial recognition, picking up the product, and then leaving.

Catch&Go

Case Study: Retail Industry Initiatives

The retail industry has been suffering in recent years as labor shortfalls, rising personnel expenses, long working hours, and other issues have become serious, making it difficult to sustain the operation of physical stores. Meanwhile, competition in the retail industry is becoming more complicated and multifaceted, as exemplified by the growth companies with a focus on online sales and others. Accordingly, companies are increasingly being required to design retail business models oriented toward digital stores while capitalizing on their strengths in relation to physical stores. At the same time, consumers are coming to expect more convenient and enjoyable shopping experiences that offer savings in shorter periods of time. This trend is being stimulated by the popularization of smartphones, anticipations for new information-driven services models, changes in behavior patterns, and other factors. New services utilizing digital technologies are arising in response to this trend.

NTT DATA has traditionally gone beyond offering payment solutions that facilitate in-store purchases to supply solutions for omnichannel retailing, e-commerce websites, etc., acquiring a diverse range of business expertise for serving the retailing industry in the process. By combining this expertise with service design and digital technologies focused on customer experience, NTT DATA is endeavoring to create new offerings.

For example, Catch&Go, our service for opening cash register-free digital stores, allows consumers to make purchases simply by picking up a product and leaving the store, without having to pay at a register, so long as they enter the store using a dedicated smartphone app. Moreover, this service makes it possible for store operators to accumulate data on customer behavior in physical stores to be utilized for marketing.

To further enhance this service, it is being coordinated with NTT DATA’s comprehensive cashless payment platform. Through this coordination, we aim to realize a next-generation digital store platform that allows for the provision of payment points in both physical and e-commerce retail venues that accommodate a diverse range of payment methods, devices, etc. Furthermore, we are collaborating with start-ups boosting advanced technologies to expand the range of functions of this service beyond the ability to purchase products without paying at a register. We aim to introduce Catch&Go at 1,000 retail venues by March 31, 2023.

Service fees added automatically to online shopping cart

Purchase products by entering a store with a dedicated smartphone app or undergoing facial recognition, picking up the product, and then leaving.

Catch&Go

Value Offering Model

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- Design
- Develop
- Drive

- Forecasting
- Real-time technologies

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  - Advance project management
    - We aim to carry out projects through initiatives such as strengthening our early response to risks, further enhancing on-site capabilities, and streamlining administrative processes.
**Drive NTT Group Collaboration**

There are significant benefits for NTT DATA to capitalize on as a member of the NTT Group. These benefits include the ability to utilize the research results from the NTT Group’s world-leading research institutions, to achieve lower procurement costs by virtue of economies of scale, to expand its business through cross-selling and provision of total services in regions around the world, and so on. NTT DATA maintains its original management and brand and enhances collaboration with NTT Group to increase its presence in the global market.

**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. R&D expenses at NTT DATA total approximately ¥22.0 billion* on an annual basis. In comparison, the annual budget for the entire NTT Group, which includes such world-leading research institutions as NTT Research, Inc. and NTT Laboratories, is roughly ¥220.0 billion.* The privilege to utilize the results of the efforts of these research institutions is a major benefit of belonging to the NTT Group.

**Collaboration in Each Region**

The NTT Group began providing smart city solutions, which contribute to public safety, to Las Vegas, in the U.S. state of Nevada, in February 2019.¹ This solution entails collecting information from sensors installed within the area and integrating this information with historic crime statistics, weather data, social media information, and other data at micro data centers near the sensor (edge) and at the central data center (core). This data is then analyzed to track the status of the area. Moreover, the system can detect patterns deemed to be abnormal and report these to the appropriate authorities to expedite initial responses and facilitate more accurate response decisions. This project entails services provided by NTT DATA Services as a prime system integrator.

The technologies and expertise developed through the provision of this solution in Las Vegas is being utilized to jointly examine the creation of a smart campus solution with Denenchofu Gakuen University. This examination began in February 2020. In the same month, we also commenced an on-site verification in Cyberjaya, Malaysia, together with local stakeholders. NTT DATA will continue to coordinate with other members of the NTT Group as well as with regional stakeholders going forward in its quest to build sustainable business models and contribute to the realization of a sustainable society.

¹ Joint PoC was commenced in September 2018 before the start of commercial service.
² This on-site verification is part of a FY2019 project. Research on Smart City Model for Saving Social Problems in Malaysia, the Ministry of Internal Affairs and Communications.

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**Enhanced Response to Individual Management Issues**

**Reinforce Prevention of Unprofitable Projects**

Losses from unprofitable projects totaled ¥34.2 billion under the previous medium-term management plan (FY2016–2018) and ¥62.9 billion under the plan before that (FY2013–2015). We fully recognize the importance of restraining unprofitable projects. However, as we take on new, ambitious projects, we cannot completely eliminate the risk of such projects turning out to be unprofitable. Accordingly, if the annual amount of losses from unprofitable projects is between 0.3% and 0.5% of consolidated net sales, we believe management can be judged to be effectively controlling risks.

The October 2013 establishment of the Project Review Committee and our various other initiatives had generated a certain degree of success in preventing losses on unprofitable projects. However, we have been unable to prevent projects with incredibly sophisticated technical requirements from turning unprofitable, and limiting losses from these technologically challenging projects is a thus a pressing task. In FY2019, steps for addressing this included responding promptly to risks, further strengthening on-site capabilities, enhancing management processes, and ramping up other measures for restraining unprofitable projects. By implementing these steps, we were able to keep the amount of such losses lower than we had targeted.* Going forward, we will continue to step up efforts for restraining unprofitable projects.

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**Status of Initiatives for Addressing Issues**

**Enhancement of EBITA Margins**

The overseas EBITA margin* remains low (2.3%*¹ in FY2017, 3.2%*¹ in FY2018, and 0.7%*¹ in FY2019), and we recognize that improving the profitability of overseas businesses is an important management task. In the North America and EMEA & LATAM segments, we are advancing structural transformations that entail strategically shifting our existing business portfolio toward consulting and digital fields. Through these efforts, we aim to achieve one of the management targets of the medium-term management plan—an overseas EBITA margin of 7%.*²

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**Tasks for Restraining Unprofitable Projects**

- **Cooperation**
  - With NTT Group
  - With local stakeholders

**Further accumulation and leveraging of knowledge**

Accumulated and increased utilization of knowledge such as company-wide utilization of expertise and know-how on projects that were unprofitable in the past and highly complicated projects.
We expect the COVID-19 pandemic will have especially bigger impacts on the North America, EMEA & LATAM and Enterprise & Solutions segments. The North America Segment will see a sharp decline in profits because net sales will decrease significantly due to cancelled and postponed projects mainly for manufacturing and logistics industries as well as medical institutions and a smaller number of projects for which we would receive orders and record net sales in this fiscal year. In the EMEA & LATAM Segment, profits will decrease due to significant negative impacts on Germany’s auto industry and Spain’s financial and manufacturing industries. In the Enterprise & Solutions Segments as some projects for manufacturing and logistics industries have already been postponed, we forecast a decline in net sales due to lasting impacts of clients’ restraint on IT investment, which would lead to a decline in profit. On the other hand, we expect that the COVID-19 pandemic will accelerate business for building a new society utilizing digital technologies. In FY2020, we will strive to shift our business domain to focusing on digital technologies as early as possible to steadily approach new business opportunities. We plan to spend approximately ¥15.0 billion for structural transformation, particularly in the North America Segment to finish it ahead of the original schedule. We will also continue investing for growth in digital-related areas that we started in the previous fiscal year and make efforts to develop digital offerings and solutions globally.

We have begun considering and spending on new businesses for a society coexisting with COVID-19 this fiscal year. Hopefully, we will see the results reflected in our business performance during and after FY2021. We will continue transforming ourselves to accelerate social contribution through our businesses and technologies to help resolve various social issues and realize a new society.

Even in a difficult situation where COVID-19 is spreading, we will take measures for future growth and become more competitive while maintaining a sound financial base.

Senior Executive Vice President and Representative Director
Toshi Fujiwara

Business Performance Review

Results for FY2019

In FY2019, the first year of the current medium-term management plan (FY2019 - 2021), we recorded the most new orders received thanks to the expanded scale of operations in Japan and overseas. FY2019 also marked the 31st consecutive year of an increase in net sales, dating back to our founding. Operating income decreased partly because the increased profit due to sales growth was offset by the increased investments for growth under the medium-term management plan and impacts of the structural transformation and others in the EMEA & LATAM Segment. Especially, operating income of the EMEA & LATAM Segment decreased significantly due to spending of approximately ¥14.0 billion for structural transformation, including spending as a result of the review of projects with low profitability and additional costs of roughly ¥5 billion as a result of the evaluation of some projects in Brazil. However, as we have expanded the pool of digital human resources and finished streamlining less profitable projects, largely as expected, we believe we implemented measures necessary to improve profitability in the future.

Also, despite some project delays and cancellations in overseas countries, especially in the North America Segment, the COVID-19 pandemic had minor impacts on our business performance in FY2019 because we were affected by lockdowns, etc., for only a short period.

Forecasts for FY2020

Although the spread of COVID-19, inside and outside Japan, still does not allow optimism, countries worldwide are reopening economic activities. Therefore, our FY2020 forecasts assume most economic and corporate activities will gradually recover from the second half onward as governments repeat cycles of lockdowns/self-restraint requests and relaxations limited to certain areas.

We project that new orders received will decline significantly, mainly because of fewer orders for large-scale projects than the previous fiscal year and clients’ unwillingness to make IT investments because of the COVID-19 pandemic. Especially, new orders received by the North America Segment are forecasted to decrease significantly by more than ¥150.0 billion from the previous fiscal year due mainly to clients’ unwillingness to make IT investments because of the COVID-19 pandemic and delays in decision-making that would result in cancellations, postponement, etc., of projects.

Despite the stable conversion from the order backlog, net sales are projected to decline mainly because the number of projects and orders other than a shorter development period for which we receive new orders and record net sales in this fiscal year would decrease significantly compared to the previous fiscal year due to the COVID-19 pandemic. Operating income will decline, mostly because of a decrease in net sales and carrying out of structural transformation especially in the North America Segment.

Financial and Capital Strategy

Our policy regarding the use of funds is to prioritize essential business investment that focuses on profitable global growth to achieve the objectives in our new medium-term management plan, structural transformation to enhance digital capabilities, M&As, and others. This policy will help us maintain a sound financial base, even though we need to watch the impacts of the COVID-19 pandemic closely.

As a company tasked with developing and operating large-scale systems that support society, finance, and the economy, we believe it is essential to maintain a robust financial base to enhance corporate value over the medium to long term and stably continue business activities. 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, considering it as our critical mission to secure funds for such purposes favorably, flexibly, and reliably. As a general guideline, we maintain an awareness of whether or not we are achieving levels that allow us to maintain an AA credit rating while focusing on our financial base’s soundness.

We believe the FY2019 D/E ratio of 0.64 times is within an appropriate range, and we have also maintained our credit ratings (AA [R&I] and AA+ [JCR]). While remaining aware of the credit ratings, if the D/E ratio rises due to M&As or other activities, we will prioritize management activities targeting a healthier balance sheet.

We developed a mechanism that allows us to procure necessary funds flexibly from NTT FINANCE CORPORATION, a core financial company of the NTT Group, through participation in the NTT Group’s cash management system in addition to borrowing from financial institutions and issuance of corporate bonds. The mechanism will allow us to secure funds favorably and stably. We have also secured sufficient back up funds in case the environment deteriorates due to the COVID-19 pandemic or other factors.

Maintaining a Sound Financial Base

<table>
<thead>
<tr>
<th>FY</th>
<th>D/E Ratio (Times)</th>
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<tbody>
<tr>
<td>2018-2021</td>
<td>0.64</td>
</tr>
<tr>
<td>2012-2017</td>
<td>0.89</td>
</tr>
<tr>
<td>2009-2011</td>
<td>0.66</td>
</tr>
</tbody>
</table>

1) The figures for the interest-bearing liabilities based on JGAAP are the total of borrowings, bonds, and lease payables. Figures based on IFRS are the total of borrowings and bonds.
2) D/E ratio = interest-bearing liabilities / (net assets – non-controlling interests)
Although we need to monitor the spread of COVID-19 closely, under the current medium-term management plan, we will allocate cash for growth investment in digital domains and others, structural transformation to improve profitability in overseas countries, and business investments necessary for growth including M&A activities. Basically, we intend to keep such investments 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 maintaining a sound financial base.

Value

IFRS

Bus

ESG

IFRS

F

IFRS

plan, which conflicts with a predetermined standard, we draw out a management improvement plan for the individual company, seek company-wide approval, and conduct focused monitoring. With the countermeasures indicated above, we strive to prevent risks from occurring by carrying out close verifications and developing an appropriate governance structure so that such risks do not significantly affect the NTT DATA Group’s business performance results and financial position.

Investment Management

To acquire new technologies, solutions, and development resources, develop strategic partnerships, and so on, the NTT DATA Group has invested in companies and organizations inside and outside Japan. Against this backdrop, if an expected return is not realized, we need to take actions, including recording impairment loss on goodwill and others which could have large impacts on the Group’s business performance results and financial position. We consider it one of the greatest risks.

To mitigate the above risks, we make it mandatory to assess investment effectiveness using indicators including return on investment (ROI) and undergo a third-party assessment by external experts such as a financial advisor, accountant, and lawyer as well as to conduct due diligence including internal and external experts. Then, we make decisions based on the verification of identified risks and countermeasures against them to reduce such risks. For risks that expected return is not realized, for example, net sales or operating income are much lower than expected due to a lack of synergy with the NTT DATA Group, we focus on the continuous growth of acquired companies by creating synergy with the Group and using long-term incentives (compensation for a predetermined period of service), earnings (payment of acquisition price in installments), etc., depending on the project scale and contents. We also make it mandatory to draw out a post-merger integration (PMI) plan when making a decision. Thus, we strive to reduce risks by starting the integration process at an early stage to maximize M&A effects.

For appropriate management after the acquisition, we intensively monitor synergy with the NTT DATA Group and PMI’s progress, including the integration plan for a certain period. If any of the above risks becomes explicit after the acquisition and the acquired company records poorer business results or reviews its business plan, which conflicts with a predetermined standard, we draw out a management improvement plan for the individual company, seek company-wide approval, and conduct focused monitoring. With the countermeasures indicated above, we strive to prevent risks from occurring by carrying out close verifications and developing an appropriate governance structure so that such risks do not significantly affect the NTT DATA Group’s business performance results and financial position.

Shareholder Return Policy

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

We intend to provide stable 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 emphasize maintaining the medium- to long-term consolidated cash flow dividend payout ratio.*1 In FY2020, we plan to issue a dividend of ¥18 per share, which is the same as the previous fiscal year’s dividend.

Going forward, in the event of changes to the balance between the scale 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 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, even though we need to monitor the impacts of the COVID-19 pandemic closely, we are currently in a growth stage and will allocate cash to the business investment necessary for achieving growth as we move forward, in principle. 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 current 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.

*1 Consolidated cash flow payout ratio = total dividends / net income attributable to shareholders of NTT DATA + depreciation cost + loss on retirement of fixed assets – capital investment

*2 Figures for FY2019 and onward were calculated excluding the share allotment (¥33.8 billion as actual result of FY2019 and ¥27.5 billion as estimated at a break of FY2020).

*3 For weighted average of past 5 yrs. in IFRS, figures based on JGAAP are used in FY2016 and earlier.

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

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

*6 The figures for the interest-bearing liabilities based on JGAAP are the total of borrowings, bonds, and lease payables. Figures based on IFRS are the total of borrowings and bonds.

*7 Excluding temporary costs such as M&As and structural transformation

Message from the CFO (Business Performance Review, Financial and Capital Strategy)
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

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

- **Offering (Service provision capability)**
  Reinforcing capabilities that are lacking
  - Reinforcing consulting capability
  - Reinforcing ability to offer digital service
  - Expanding client base in focused industries

We will reduce acquisition risk by 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)

Example of Acquisition Scheme

![Image](image_url)

<table>
<thead>
<tr>
<th>Time of acquisition</th>
<th>Acquisition price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnout</td>
<td>Paid additionally in the event that the company to be acquired meets business performance targets</td>
</tr>
<tr>
<td>Initial payment amount</td>
<td>Paid at the time of acquisition</td>
</tr>
</tbody>
</table>

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

**United States**
- **2013**
  - Keane
  - Offering (Service provision capability)
- **2015**
  - Bigroup
  - Business services
- **2016**
  - The former Dell Services
  - Business services
- **2019**
  - Cognosante Consulting, LLC
  - Business services

**Germany**
- **2013**
  - cirqunt
  - Bizual
- **2016**
  - Diacon GmbH
  - Business services

**Spain / LATAM**
- **2011**
  - Events

**Italy**
- **2013**
  - Jeppesen

**Japan**
- **2008 - 2018**
  - itelligence
  - Business Solutions

**Transition of CEOs at Companies Acquired through M&As**

<table>
<thead>
<tr>
<th>Name</th>
<th>Year</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>John McCain</td>
<td>2010 - 2019</td>
<td>CEO of NTT DATA Services</td>
</tr>
<tr>
<td>Benito Vázquez</td>
<td>2013 - 2018</td>
<td>CEO of NTT DATA EMEA</td>
</tr>
<tr>
<td>Patrizio Mapelli</td>
<td>2011 - present</td>
<td>CEO of everis</td>
</tr>
<tr>
<td>Herbert Vogel</td>
<td>2008 - present</td>
<td>CEO of NTT DATA Business Solutions</td>
</tr>
<tr>
<td>Bob Pryor</td>
<td>2016 - present</td>
<td>Global CEO of events</td>
</tr>
<tr>
<td>Jamie McGregor</td>
<td>2019* - 2020</td>
<td>Co-CEO of NTT DATA Group</td>
</tr>
<tr>
<td>Steve Boland</td>
<td>2019* - 2020</td>
<td>CEO of NTT DATA Italy</td>
</tr>
<tr>
<td>Steve Boland</td>
<td>2019* - 2020</td>
<td>CEO of NTT DATA UK</td>
</tr>
<tr>
<td>Steve Boland</td>
<td>2019* - 2020</td>
<td>CEO of NTT DATA France</td>
</tr>
</tbody>
</table>

* 2019* - 2020: Acting Chief Executive Officer of NTT DATA Services
* 2019* - 2020: Acting Chief Executive Officer of NTT DATA Europe
* 2019* - 2020: Acting Chief Executive Officer of NTT DATA
* 2019* - 2020: Acting Chairman of the supervisory board of NTT DATA Deutschland
* 2019* - 2020: Acting Chairman of the supervisory board of NTT DATA

**FY2019 Market Scale and Market Share in Each Country**

<table>
<thead>
<tr>
<th>Country</th>
<th>Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey 5th</td>
<td>5.3%</td>
</tr>
<tr>
<td>China 4th</td>
<td>4.9%</td>
</tr>
<tr>
<td>Japan 2nd</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

**Growing our presence in the top 10 in major countries**

- **United States**
  - 30th
- **Germany**
  - 12th
- **Japan**
  - 2nd
- **Spain**
  - 3rd

**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.
**NTT DATA's ESG Management**

In recent years, there has been a growing movement to evaluate companies and their relationship with society in terms of ESG factors that stems from a demand that companies make a global response to social and environmental issues as represented by the 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 the resolution of social issues through our corporate activities, which take into account cultivating IT talent, implementing workstyle transformation, and respecting diversity, etc., and sustaining our corporate value.

---

**Material ESG Issues Identification Process**

We investigate advanced technologies and social trends that will hugely impact society and business in the next three to 10 years to publish the NTT DATA Technology Foresight that predicts future changes every year. In setting the Material ESG Issues in FY2019, we used the NTT DATA Technology Foresight as input and set 12 new Material ESG Issues based on the client satisfaction survey, individual hearings with shareholders, ESG institutional investors, and experts from NPOs, taking into account socially-important issues and expectations toward us, after discussions at the Board of Directors’ meeting.

**Step 1: Set issues**
- Set the NTT DATA Technology Foresight (important issues that will change the world) as social issues.

**Step 2: Select issues**
- Consider materiality from the following two axes: “social significance” and “corporate significance.” Select issues relevant to us, and prioritize them.

**Step 3: Determine issues**
- The Board of Directors composed of our key decision makers judges and determines the adequacy of the identified material issues.

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**Material ESG Issues**

In FY2019, we set 12 new Material ESG Issues after discussions at the Board of Directors’ meeting. In FY2020, we set KPIs for the Material ESG Issues so that each employee becomes aware of ESG management and helps realizing the SDGs in their business and corporate activities. By making these KPIs each organization’s management evaluation indices, we aim to further promote our ESG management.

---

**Concepts of ESG Management**

- **Contributing to society and enhancing corporate values through “business”**
  - Resolve social issues with our clients and enhance our corporate values through our service solutions.

- **Contributing to society and improving corporate value through “corporate activities”**
  - By resolving each of our material ESG issues and making use of how we have cultivated through our corporate activities in business, we will also resolve issues that our clients and society have and enhance our corporate values through business.

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**Material ESG Issues**

<table>
<thead>
<tr>
<th>Category</th>
<th>Material ESG Issues</th>
<th>KPIs (FY2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Innovation</td>
<td>• Present the number of new or extended businesses created, originating in social issues</td>
<td>The number of new or extended businesses created, originating in social issues</td>
</tr>
<tr>
<td></td>
<td>• The number of proposed solutions, new orders received and their amounts, and launched services that contribute to social issues</td>
<td>The number of proposed solutions, new orders received and their amounts, and launched services that contribute to social issues</td>
</tr>
<tr>
<td>Business Innovation</td>
<td>• Build and ensure stable management, operation of IT infrastructure</td>
<td>The number of improved operations and maintenance processes</td>
</tr>
<tr>
<td>Human Resource</td>
<td>• The number of digital human resources</td>
<td>The role of systems in operation</td>
</tr>
<tr>
<td>Human Resource</td>
<td>• The number of managers who have the role of digital human resources</td>
<td>The role of systems in operation</td>
</tr>
<tr>
<td>Human Resource</td>
<td>• The number of managers who have the role of mid-career hires</td>
<td>The role of systems in operation</td>
</tr>
<tr>
<td>Human Resource</td>
<td>• The number of managers who have the role of IT training programs that enhance the ability to innovate</td>
<td>The number of managers who have the role of IT training programs that enhance the ability to innovate</td>
</tr>
<tr>
<td>Human Resource</td>
<td>• The number of managers who have the role of innovation in the company</td>
<td>The number of managers who have the role of innovation in the company</td>
</tr>
<tr>
<td>Human Resource</td>
<td>• The number of managers who have the role of innovation in the company</td>
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<td>• The number of managers who have the role of innovation in the company</td>
<td>The number of managers who have the role of innovation in the company</td>
</tr>
</tbody>
</table>

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**Concurrent Issues**

- **Environment**
  - • The number of measures taken for workstyle reform and improved organizational capabilities | The ratio of Digital Work Place utilization |

---

**Supply Chain**

- • The number of contributory activities through IT education opportunities created and realized in local communities | The number of contributory activities through IT education opportunities created and realized in local communities |

---

**Compliance**

- • The number of measures taken for workstyle reform and improved organizational capabilities | The number of measures taken for workstyle reform and improved organizational capabilities |

---

**Common to F1:**

- • The recognition level of the social contribution policy among employees | The recognition level of the social contribution policy among employees |

---

> *SBT (Science-based Targets): Corporate targets for reducing the effect of greenhouse gas emissions in compliance with the Paris Agreement.*

> *TCD: Task Force on Climate-related Financial Disclosures.*
Promotion of ESG Management

We manage all ESG activities under the supervision of the Senior Executive Vice President and Representative Directors and Senior Vice Presidents. By implementing the following Plan-do-check-act (PDCA) cycle, we promote ESG management.

Plan
- Determine approaches and KPIs
  - Create a company-wide policy at the corporate level
  - Determine approaches and KPIs at each organization

Do
- Do, Promote, and Spread
  - Make efforts to achieve KPIs
  - Take action to spread ESG management in employees

Check
- Review and improve
  - Evaluate the results of each organization’s efforts and the achievement degree of KPIs
  - Check external evaluation based on interviews with investors, rating agencies’ evaluation, etc.
  - Extract issues and points of improvement

Act
- Monitor progress
  - The Executive Committee monitors the progress status
  - Check the recognition level among employees

Create a Social Contribution Policy at Each Business Sector and Others to Set Targets

Instead of a corporate top-down method, each business unit such as a sector sets its own social contribution policy and targets based on the company-wide policy. We specifically focus on social contribution and enhanced corporate value through business. Almost every business sector has set its KPIs for social contribution and enhanced corporate value through business.

Take Measures to Spread ESG Management to Employees

We believe that to root ESG in management, it is necessary for each employee to understand their organization’s policy for promoting its ESG management and reflect it on their actions. Therefore, we focus on measures to spread ESG management to employees and make various efforts.

KPI Case Studies on “Social Contribution and Enhanced Corporate Value through Business” Set by Business Sectors

Social Infrastructure Solution Sector

Proposed a solution that contributed to client’s achieving their SDGs

1. Offer social infrastructure and business-category-specific solutions based on advanced technologies
2. Promote workstyle reform
3. Respond to climate change

Relevant Material
- ESG Issues
- KPI Measure
- Proposed a solution that contributed to client’s achieving their SDGs

Background of the measure

The Social Infrastructure Solution Sector’s vision is to “provide socially valuable solutions to contribute to the digitalization of society as a whole.”

Each employee is aware of “SDGs sought by the client” in making a proposal so that they can contribute to the client in achieving their SDGs. This will lead, we believe, to the Group’s social contribution.

Our solutions for automating routine tasks, “WinActor / WinDirector” has contributed to the reform of the client’s workstyle.

The worldwide digital 3D map provision service called “AW3D” has contributed to creating a convenient, safe, and secure society.

Thus, we will contribute to society by helping the clients to achieve their SDGs in various areas.

What we aim to become

Aware of the client’s SDGs, all employees take action and provide highly valuable solutions to contribute to society.

IT Services & Payments Services Sector

Promoted stable operation of CAFIS services

KPI Measure

Relevant Material
- ESG Issues
- KPI Measure
- Promoted stable operation of CAFIS services

IT Services & Payments Services Sector

Background of the measure

The payment infrastructure, “CAFIS,” that the IT Services & Payments Services Sector provides is aligned with many diverse payment systems that have been recently on the rise and has a significantly increasing number of users. Its materiality in society is growing higher and higher.

We promote the stable operation of the CAFIS / CDS* core services, support the advancement of payment methods in Japan, and accelerate the promotion of a cashless society to contribute to society.

What we aim to become

We will run the payment infrastructure stably to provide a sense of security in the use of new payment services and realize a society with diversified payment methods.

* CDS: Connecting member stores with credit card operators online, CDS is a system that promptly and accurately transmits data files of sales, invalid notifications, validity checks, gift coupons, etc.
Recently, a move to create a sustainable society, environment, and economy, including SDGs, is expanding globally. There is a wide range of areas in which IT can contribute in building the sustainable society, environment, and economy, and we think that there is a large potential as a market. In NTT DATA, as per our mission statement of “NTT DATA uses information technology to create new paradigms and values, which help contribute to a more affluent and harmonious society,” the business itself resolves clients’ and social issues using the power of IT.

Going forward, we will use digital technologies for innovation together with clients, continuously and stably provide high-quality IT infrastructure services to contribute to the resolution of clients’ and social issues and to sustainably enhance our corporate value.

**Business (Innovation)**

Realizing a more affluent and harmonious society

- Realizing a social foundation with convenience, safety, and reliability
- Creating sustainable cities and regions
- Lowering environmental burdens
- Ensuring stable and efficient energy provision
- Realizing a society of health and longevity
- Eliminating labor shortages
- Shaping a new society amid the COVID-19 pandemic

**Material ESG Issues**

1. Offer social infrastructure and business category-specific solutions based on advanced technologies
2. Build and ensure stable management / operation of IT infrastructure

**Social Value Provided**

- Contributing to society through business
  - Contribute to the resolution of clients’ issues and social issues that go beyond that by providing services to clients using state-of-the-art technologies including digital technology
  - Contribute to creating a society where people can live with a sense of security by providing high-quality services and stable operation as a company that provides social infrastructures

**Opportunities**

- Needs to transform business models using digital technologies
- Needs to improve efficiency of existing operations and systems using digital technologies
- Needs to invest in systems to overcome huge natural disasters such as climate change, and other large-scale natural disasters as well as serious infectious diseases, and others
- Needs to invest in systems to respond to various factors and changes including social infrastructures such as electricity and communication, legal systems such as law and various regulations, political and economic trends in different countries, and climate changes

**Risks**

- Risk of reducing competitiveness and brand value in the market in case of delay in response to unexpected disruptive technological innovation
- Risk of unprofitable projects
- Risk of system failure
- Risk of services becoming difficult to provide in case of huge natural disasters, climate change, and other large-scale natural disasters as well as occurrence of serious infectious diseases
- Risk of depressed business opportunities due to various factors and changes including social infrastructures such as electricity and communication, legal systems such as law and various regulations, and political and economic trends in different countries

**KPIs (FY2020)**

- Contributing to society through business
  - The number of new or extended businesses created, originating in social issues
  - The number of proposed solutions, new orders received and their amounts, and launched services that contribute to resolving social issues
  - The number of improved operations and maintenance efficiency
  - The rate of systems in operation

- **Strategy 1**: Expand global digital offerings
  - Relevant Management Resources: Human Resources and Organizational Capital
  - Relevant Technologies: Artificial Intelligence, Analytics, Cloud, Internet of Things, and others
  - Relevant Partners: Clients, Suppliers, and Others

- **Strategy 2**: Deliver greater value to clients based on regional needs
  - Relevant Management Resources: Client Business, Brand, Finance

**Example of NTT DATA Group’s Contributions in Resolving Social Issues Using IT**

- **COVID-19 dedicated function** enables remote medical care for patients with mild symptoms: Reducing the burden on medical institutions and contributing to the prevention of the spread of infection
- **Free provision of AI-OCR and RPA** to automate local government grant operations: Contributing to the prompt issuance of “special fixed benefits”
- **Save work and advance non-face-to-face customer service by using AI and avatars**
- **Providing smart city solutions in the city of Las Vegas**
- **Security solution CAFIS Brain**
- **Contribution of Mitaka Data Center EAST, a center with state-of-the-art equipment, in reducing environmental impact**
In order to capture both clients’ needs and technological trends and continue to produce innovations in the IT services industry with remarkable technological evolution, diverse and excellent human resources are indispensable. Accumulated in people and organization, our know-how on both clients’ businesses and applications, which we have acquired from our solid client base over a long period of time, is the source of our competitiveness and the most important management resource. As our Group Vision states, we aim to “enhance our creativity by respecting diversity” from a long-term perspective.

Against this background, the medium-term management plan that started in FY2019 recognizes “unlocking our employees’ potential to maximize organizational strengths” as one of our growth strategies. To maximize the professionalism 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 work style innovations.

We will also utilize our know-how that was cultivated through these efforts to contribute to solving the issues of both clients and society, including the recruitment and training of IT human resources and the promotion of work style innovations, and to continuously enhance corporate values.

### Recruitment and Retention of Human Resources

#### Achievements in global recruitment
- Over 30,000 hires grouped in FY2019
- Enhanced recruitment of highly professional human resources necessary for business growth as IT workforce is highly mobile
- Established a global career site that unifies overseas Group company recruitment sites along with advancing recruitment activities utilizing LinkedIn and other means
- Highly recognized from external parties, such as receiving awards, as a company that utilizes LinkedIn for effective employer branding
- Established and delivered EVP (Employee Values Proposition*) based on actual voices of employees, including those who work for overseas Group companies. Working together with the overseas Group, we performed branding on our global career site

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

- No. 1 in overall rankings as first ever IT company in the most popular employer among new graduates in 2021 by Rakuten Minshu, a word-of-mouth job-finding site. We remain No. 1 in the IT industry rankings for the 11th consecutive year.
- Specialists interview candidates to check their competency in “AI and other advanced technologies” and “consulting” to reinforce the recruitment of industry-ready human resources.
- Strengthened recruitment of human resources with high global aptitude through overseas career forums (in London and Boston).
- Recruited seven through the Advanced Professional (ADP) system for recruiting professional human resources.
- Increased the number of female executives from overseas Group (in London and Boston).
- Launched UpToData, a recruitment brand common to new graduates and mid-career professionals recruitment to introduce fascinating sites and human resources externally.

### Risks
- Our capabilities to serve our clients may deteriorate if we fail to recruit or educate excellent IT human resources and diverse human resources.
- Our productivity may deteriorate if we fail to accelerate work style innovations or maintain employees’ mental and physical health.
- Opportunities to provide IT services to solve human resource-related issues may decrease due to external environmental changes.

### Opportunities
- Globally competitive and excellent IT human resources and diverse human resources produce innovations to create competitive services.
- Improve productivity by taking advantage of our digital technology-enabled strengths.
- Expand opportunities to provide IT services to solve human resource-related issues, based on our know-how on IT human resources development and work style innovations.

### NTT DATA’s ESG Management

#### Value

- Secure and develop IT human resources
- Promote diversity and inclusion
- Promote workstyle reform

#### Contributing to society through corporate activities
- Promote diversity and inclusion
- Promote workstyle reform

#### Contributing to society through business
- Taking advantage of the know-how that we have cultivated through our efforts to train IT human resources and promote work style innovation, we help clients to train IT human resources or introduce workstyle changes, thereby contributing to resolving clients’ issues as well as social issues.

#### Recruitment and Retention of Human Resources

- Increasing the number of female executives from overseas Group
- Recruited seven through the Advanced Professional (ADP) system for recruiting professional human resources.

#### Relevant Management Resources

- Promote diversity in our workforce
- Ensure we have the human resource to support our business
- Implement measures to ensure workstyle innovations

#### NTT DATA’s Non-Consolidated

- Labor mobility among IT human resources has been increasing. Even in Japan, we see so much interest in not just conventional membership-type employment but also job-type employment.
- More and more workers are oriented toward a workstyle that allows them to actively use their skills anywhere and anytime. We also believe that our employees can use their diverse skills better if we adopt a mechanism for matching people with jobs.

This led us to establish the Advanced Professional (ADP) system in December 2018, enabling us to recruit industry-ready human resources with outstanding expertise who can lead new business from outside.

In October 2019, we established the Technical Grade system to realize a career path for specialists. In July 2020, we also set up the Flexible Grade system for adequately appointing and compensating diverse business contributors, including those with management skills.

By organizing such human resources systems, we enable our employees to exercise and deepen their ability so that we can retain human resources. But this is not all. By maximizing our employees’ professionalism, we intend to maximize value provided to our clients.

### Relevant Management Resources

- Management
- Human Resources
- Financial
- Technology
- Management
- Human Resources
- Financial
- Technology

### P3I

- Professional Management
- Creative Innovation
- Sustainable Growth

### P3A Strategy

- Promote workstyle innovation
- Enhance workstyle innovation

### Strategy 3

- Unlock employees’ potential that maximizes organizational strength

### Non-consolidated

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of graduate hires</th>
<th>Number of experienced hires</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
<td>379</td>
<td>20</td>
</tr>
<tr>
<td>FY2015</td>
<td>379</td>
<td>8</td>
</tr>
<tr>
<td>FY2016</td>
<td>378</td>
<td>15</td>
</tr>
<tr>
<td>FY2017</td>
<td>385</td>
<td>26</td>
</tr>
<tr>
<td>FY2018</td>
<td>418</td>
<td>96</td>
</tr>
<tr>
<td>FY2019</td>
<td>430</td>
<td>199</td>
</tr>
</tbody>
</table>
We are working to develop employee skills by enhancing digital capabilities and global capabilities, the two components of the 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.

Employee skills development and continuous improvement / relaarning of skills

We offer a system of educational programs to support employee skills development. Each employee receives training for 80 hours annually. Since FY2019, we have implemented self-improvement time that allows employees to strengthen their skills and share knowledge with other organizations as part of their working hours, targeting continuous improvement / relaarning of their skills. In FY2020, we are working to enhance its quality and create Groupwide collaboration.

Enhance Global Capabilities

In order to cultivate global human resources, we provide opportunities for international business exchanges targeting employees from management to younger employees. A cumulative total of 8,266 employees have participated in the Global Leadership Program, a discussion forum for executive trainees from around the world, and others. In addition, we provide a wealth of growth opportunities, including the Readiness Drive Program that is intended to nurture global resource capabilities for young and mid-level employees (accepting 300 people a year) and deployment to overseas subsidiaries for training.

Expanding the Circle of Globalization Drivers

We aim to increase the number of human resources at the Company headquarters with long-term experience in global business to 1,000 in FY2021. We also work on online human resources development amid COVID-19 as a new initiative and carry out community activities, including the overseas Group companies.

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

Following the signing of the Women’s Empowerment Principles (WEPs) in March 2019, we used the United Nations (UN) WEPs gender-gap analytical tool to measure each organization’s diversity promotion status in global sites in February 2020, where 19 sites in 16 countries responded (with a coverage rate of about 50% when converted to the number of employees worldwide). Capitalizing on these measures, we are actively working to promote diversity and inclusion globally.

Human Resource Types at NTT DATA

<table>
<thead>
<tr>
<th>Types of Employees</th>
<th>Percentage of female employees Groupwide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>71%</td>
</tr>
<tr>
<td>Women</td>
<td>29%</td>
</tr>
</tbody>
</table>

Goals for Promoting Active Participation of Women

As the Act on Promotion of Women’s Participation and Advancement in the Workplace has come into force, NTT DATA has created an action plan to prepare a fuller environment to promote the active participation of women in the workplace, in addition to its existing programs. We achieved all goals in FY2020 through Groupwide concerted efforts to do so.

Initiatives for Active Participation of Diverse Human Resources

We have continuously promoted initiatives for gender minorities such as LGBT through human rights awareness, seminars for employees, participation in the Tokyo Rainbow Pride, and system administration development. Since April 2018, we have applied, in principle, all spouse-related systems to same-sex partners recognized as equivalent to the spouse. As a result of these initiatives, we won the gold award in the PRIDE Index from work with Pride, the private institution, in 2019, marking the third consecutive year to receive this award. In December 2019, we set up a prayer space in the headquarters building in light of employees’ need. Thus, we are actively working to create an environment where diverse human resources can exercise their abilities to the fullest and continue to play an active role.

Employee Skills Development

The medium-term management plan focuses on the reinforcement of digital capabilities of all employees and promotes a variety of system designs.

Definition of NTT DATA’s digital human resources and their development

1. Human resources that utilize digital technology
   - Create new value through knowledge of business and utilization of digital technologies

2. Digital specialists
   - Design and develop digitally enabled services with high expertise on digital technology

3. Core digital human resources
   - Lead R&D in advanced digital technologies

Develop human resources that utilize digital technology

In order to reinforce the digital capabilities of all employees, since FY2017 we have hosted numerous training courses and seminars on design-based thinking, creative ideas, and state-of-the-art technologies, to make them acquire an unconventional way of thinking and perspective. In FY2019, approximately 12,800 employees participated. (The seminars were held, targeting all new recruits, mid and leader tiers.)

Develop digital specialists

- Launched the Digital Acceleration Program
  - Since FY2019, we have implemented a series of development programs that combine off-the-job training in advanced areas with actual experience in diverse, advanced projects to develop and strengthen core digital human resources Groupwide.

- Training Programs such as Digital Boot Camp
  - We have developed a skills system and methodologies to develop digital human resources and offered training programs to develop digital human resources. In FY2017 through FY2019, we held training sessions and others for approximately 14,000 employees in the areas of design, AI, Agile, IoT, cloud, IT architecture, and security.

Develop core digital human resources

- Center of Excellence (CoE)
  - We have expanded CoE (in the following seven areas: blockchain, digital design, Agile / DevOps, AI, IoT, intelligent automation, and software engineering automation), a site to accumulate expertise on state-of-the-art technologies across the globe as part of global digital strategic activities, which form the backbone of the medium-term management plan. We intend to hire approximately 5,000 human resources with advanced digital technology skills in the entire CoE through our CoE activities by the end of FY2021.

- GitLab Academy
  - Enlisting trainees companywide, the academy educates next-generation top engineers who are directly taught by top-engineers who represent NTT DATA.

Our unique digital human resources development program

We have implemented our unique human resources development program, Professional Career Development Program (CDP), including Group companies. In FY2019, 14,300 employees in Japan were certified, with over 55,000 certified employees in total. The Professional CDP has established phased human resource types in response to business requirements, as well as changes in technology and business. “Business Developers” and “Data Scientists” were added as human resource types in FY2019, and “Cloud” was recently added as IT specialists’ area of expertise in FY2020.

We aim to increase the number of human resources at the Company headquarters with long-term experience in global business to 1,000 in FY2021. We also work on online human resources development amid COVID-19 as a new initiative and carry out community activities, including overseas Group companies.

Enhance Digital Capabilities

The medium-term management plan focuses on the reinforcement of digital capabilities of all employees and promotes a variety of system designs.

Definition of NTT DATA’s digital human resources and their development

1. Human resources that utilize digital technology
   - Create new value through knowledge of business and utilization of digital technologies

2. Digital specialists
   - Design and develop digitally enabled services with high expertise on digital technology

3. Core digital human resources
   - Lead R&D in advanced digital technologies

Develop human resources that utilize digital technology

In order to reinforce the digital capabilities of all employees, since FY2017 we have hosted numerous training courses and seminars on design-based thinking, creative ideas, and state-of-the-art technologies, to make them acquire an unconventional way of thinking and perspective. In FY2019, approximately 12,800 employees participated. (The seminars were held, targeting all new recruits, mid and leader tiers.)

Develop digital specialists

- Launched the Digital Acceleration Program
  - Since FY2019, we have implemented a series of development programs that combine off-the-job training in advanced areas with actual experience in diverse, advanced projects to develop and strengthen core digital human resources Groupwide.

- Training Programs such as Digital Boot Camp
  - We have developed a skills system and methodologies to develop digital human resources and offered training programs to develop digital human resources. In FY2017 through FY2019, we held training sessions and others for approximately 14,000 employees in the areas of design, AI, Agile, IoT, cloud, IT architecture, and security.

Develop core digital human resources

- Center of Excellence (CoE)
  - We have expanded CoE (in the following seven areas: blockchain, digital design, Agile / DevOps, AI, IoT, intelligent automation, and software engineering automation), a site to accumulate expertise on state-of-the-art technologies across the globe as part of global digital strategic activities, which form the backbone of the medium-term management plan. We intend to hire approximately 5,000 human resources with advanced digital technology skills in the entire CoE through our CoE activities by the end of FY2021.

- GitLab Academy
  - Enlisting trainees companywide, the academy educates next-generation top engineers who are directly taught by top-engineers who represent NTT DATA.

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NTT DATA’s ESG Management

Workstyle Innovations

We not only promote employees’ diverse workstyles but also improve their productivity through workstyle innovations utilizing digital technology.

- **Work anywhere**
  
  We enable employees to work at office on the go, or at home by using thin-client terminals and cloud-based development environments (extended application of the integrated development cloud to clients’ commercial environments).

- **Effective Workstyle**
  
  We maximize value provided to our clients by utilizing RPA such as WinActor and AI in business to improve work efficiency and quality and to focus on more value-adding operations.

- **Digital Knowledge Sharing**
  
  We have implemented a digital system for sharing expertise and know-how across the globe to promote collaboration and innovate business processes. We share about 24,000 pieces of know-how and 9,700 employees’ Know-Who content globally, which has proven effective in numerous proposal activities.

   

### Typical Solutions for Workstyle Innovations Utilizing Digital Technology

**Solution Case 1**

**BizXaas Office**

NTT DATA provides BizXaas Office service available anywhere, in and out of the office, by providing a cloud office environment required for basic operations on the cloud. This service allows the user to work anywhere and activate communications between teams and the organization through Web meetings. It also ensures security at the same level as the office environment and can be used from any equipment safely. For these reasons, it has acquired over 150 corporate clients (as of July 31, 2020).

By making a “usual office environment” available from internal or external terminals, we will contribute to the clients’ workstyle innovations, including the promotion of telework.

**Solution Case 2**

**WinActor / WinDirector**

WinActor / WinDirector are software robots that automate operations performed using Windows applications. These tools can handle a wide variety of tasks ranging from those related to Excel and browsers to workflows and other business systems, making it easy to create scenarios without modifying the entire system.

Besides solving human resource shortage as a social issue, it can contribute to labor-saving routine work and improved work efficiency and quality in a variety of industries and sectors. It has been highly appreciated by many clients as a means for optimally deploying human resources to value-added work. Since it is easy to implement and is stably usable after being implemented, it is used by over 3,150 corporate clients (as of June 30, 2020).

### Improving Employee Engagement

"To be a No. 1 employer, for the best talent worldwide," we conduct One Voice, an engagement survey on all employees, including those who work for overseas Group companies, and make concerted efforts to create satisfying workplace.

The survey in FY2019 resulted in a high engagement rate of 71%, in excess of 68%, the average rate of participants.

Each organization accurately understands employees’ situations, obtained through the survey, from the result report, to consider action plans and take initiatives for future improvement. This will lead to maintaining and improving engagement and creating a better workplace.

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*As of April 2020 to June 30, 2020, we periodically conduct a questionnaire survey on work styles and health conditions for all employees on a weekly basis to timely capture the situation.
*As of August 31, 2020
*As of September 15, 2020
The number of cyberthreats to information systems has increased dramatically in recent years such as unauthorized access via the internet and targeted attacks, which involve the insertion of malware. Accordingly, it is becoming increasingly important for companies to develop robust information security systems and to exceptionally care in protecting the privacy of customers as they proactively utilize and share information to heighten their competitiveness. Information security and privacy have been designated as important risk areas with the potential to impact corporate management that need to be addressed if the Company is to remain a trusted partner to clients. Accordingly, NTT DATA is devoting effort to countering these risks.

NTT DATA believes it is important to both ensure information security and proactively utilize and share information at the same time. Specific measures with this regard are based on two axes, which are managerial countermeasures, such as the establishment of internal rules and education and awareness-raising activities, and technological countermeasures, such as the introduction of information security solutions.

Ensuring security and furnishing appropriate responses in the event of an emergency are important obligations as a service provider. Accordingly, we view security as an important aspect of systems and are working to improve quality with this regard. In addition, we provide security-related solutions to help address clients’ and social security issues in pursuit of ongoing improvements in corporate value.

The Information Security Committee ascertains the Companywide status of information security activities and areas requiring improvement and formulates necessary initiatives. In addition, NTT DATA-CERT was established as a specialized organization for preventing information security incidents* 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 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 measures to avoid incidents.

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.

**Notes**

1. For the ten information security incidents measured at the end of the fiscal year, threats to information management and system operations, such as computer malware infection, unauthorized access, and information leakage
2. 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.
3. FIRST is a global community consisting of 535 (as of July 2020) CSIRTs from government agencies, educational institutions, companies, and other organizations.
NTT DATA's ESG Management

Promulgation Education and Awareness Activities

We issue a multilingual information security handbook in six languages: Japanese, English, Chinese, Vietnamese, Portuguese, and Spanish (internet-based training (IBT) on information security are conducted in three languages: Japanese, English, and Chinese).

At NTT DATA (Non-consolidated), information security and personal information protection 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.

Establishment and Utilization of NTT DATA's AI Guidelines

The rapid development of AI technologies has the potential to shape society, and it can therefore be expected that these technologies will continue to permeate society going forward, eventually coming to influence people’s behavior and decisions. Based on this outlook, we established NTT DATA’s AI Guidelines in May 2019 to indicate our stance toward contributing to the realization of a more affluent and harmonious society in which people coexist alongside AI (an “AI-infused society”).

NTT DATA believes that the potential for AI goes beyond simply ensuring efficiency. We therefore aim to utilize AI to contribute to the realization of an AI-infused society in which clients and all other stakeholders are able to receive the benefits of AI with safety and security. This goal is to be accomplished by paying due consideration to security and to privacy and other human rights.

Framework of NTT DATA’s AI Guidelines

1. Realizing well-being and sustainability of society
2. Co-creating new values by AI
3. Fair, reliable, and explainable AI
4. Data protection
5. Contribution to dissemination of sound AI

For more information on the NTT DATA’s AI Guidelines, please visit NTT DATA’s corporate website. https://www.nttdata.com/global/en/About%20Us/Corporate%20Value/ESG

Development of Security Platforms

To counter increasingly sophisticated cyberattacks, the NTT DATA Group is working to improve global security governance by development, implementation, etc. of globally standardized security platforms. The security platform for ensuring safety in connecting to Company networks, one of these platforms, is capable of swiftly detecting incidents and incident precursors through the consolidation and automated analysis of logs from bases worldwide.

Security Expert Qualification

Security Expert Qualification

<table>
<thead>
<tr>
<th>Level</th>
<th>Job Classification</th>
<th>Security Expert Qualification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced (12 or more years of security experience)</td>
<td>Security management / strategy</td>
<td>Produces threat reports with the best performance in the industry</td>
</tr>
<tr>
<td>Intermediate (5-12 years of security experience)</td>
<td>Security development</td>
<td>Produces threat reports with deep experience and judgment</td>
</tr>
<tr>
<td>Beginner (less than 5 years of experience)</td>
<td>Security operations</td>
<td>Produces threat reports that can do work with the required knowledge</td>
</tr>
</tbody>
</table>

Business Conditions and Security Quality Improvement Initiatives

As cyberattacks against information systems become increasingly more intense, the information security market is expected to continue to grow. NTT DATA recognizes that effective secure and emergency response measures and services provide important obligations as a service provider. We are therefore working to improve the quality of security as an important element of systems while also providing security-related solutions to contribute to the resolution of the security issues of clients and society.

Promoting Education and Awareness Activities

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Security Market Size (Global)* (Billions of USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>13.8</td>
<td>14.5</td>
<td>15.5</td>
<td>17.5</td>
<td>20.0</td>
<td>22.0</td>
</tr>
</tbody>
</table>

Initiatives for Improving Security Quality

- Analyze status and risks of upstream system processes and incorporate expert insight
- Expand scope of systems to which security quality standards apply
- Enhance system for globally coordinated responses in preparation for incidents to combat increasingly more diverse and insidious cyberattacks
- Cultivate and develop security personnel

* Source: Gartner “Forecast: Enterprise IT Spending by Vertical Industry Market, Worldwide, 2018-2024, 2Q20 Update”, Inna Agamirzian et al., 7 July 2020

For more information on the NTT DATA’s AI Guidelines, please visit NTT DATA’s corporate website. https://www.nttdata.com/global/en/About%20Us/Company%20Profile%20-%20AI

Contributing to Society and Improving Corporate Value Through Business

In the information security market, sales tend to focus on standalone products. NTT DATA, however, views these products as components of larger systems. Our strengths thus include our ability to provide optimal services for entire systems, including hardware, middleware, and application layers; to supply comprehensive solutions that encompass operating procedures; and to combine products from different vendors to meet customer needs, etc.

In addition, NTT DATA is collaborating with NTT as a member of the NTT Group in business activities and utilizes the results of R&D projects related to security and other things. Furthermore, we will pursue the business strategies of Incident Response and Security Teams (FIRST)*1, the Nippon CSIRT Association, and other global security-related organizations to acquire the latest security-related information from around the world. This diligence enables us to utilize cutting-edge technologies in client businesses.

*1 FIRST is a global community consisting of approximately 80 as of July 2020 CSIRTs from government agencies, educational institutions, companies, and other organizations.

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NTT DATA’s ESG Management

Environment

In addressing global environmental issues, it is important nowadays to ensure sustainability from a wider perspective, which includes responding to climate change and conserving biodiversity and water resources. The NTT DATA Group recognizes its responsibility for its corporate activities and businesses that may affect environmental burdens. It also finds it important to understand the influence of environmental issues on its corporate management, as well as its various systems that support social infrastructure provided by the Company and to take measures.

In addition to “Pursuing the Group,” an approach giving due consideration to the external environment in every aspect of the corporate activities, the Group is continuing to promote progressive initiatives in the “Caring for Clients and Society” through its products and services. It contributes to resolving various environmental issues and sustains its corporate value.

Contributing to society through corporate activities
- Advance Greening the Group, use renewable energy, and actively reduce environmental burden to contribute to the creation of a sustainable society

Contributing to society through business
- Provide environmental solutions that contribute to reduced environmental burden or minimize the impact of environmental issues to contribute to resolving issues of both clients and society through IT

Opportunities
- Expand business opportunities in which clients recognize IT costs of addressing environmental issues, such as climate change, as an investment
- Expand business opportunities for responding to environmental laws and regulations, social demand, etc., pertaining to environmental issues
- Expand business opportunities by becoming an acclaimed IT company that takes great environmental measures for its IT activities and has excellent environmental solutions

Risks
- Lost business opportunities in failing to proactively respond to decentralization in which society and clients take an increasing interest
- Lost business opportunities due to increased running costs in light of reinforced environmental laws and regulations or the obliteration of renewable energy
- As the average temperature rises and abnormal weather increases, standby costs will increase to maintain assets such as data centers or less may be available

KPIs (FY2020)

Environment
- Greenhouse gas emissions based on SBT1 and a target to TCFD2
- The number of new orders received constituting environmental issues

Strategy 2 Deliver greater value to clients based on regional needs

Relevant Management Plan Strategy

Material ESG Issue

Social Values Provided

Respond to climate change

NTT DATA Group’s Action Plan

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.

NTT DATA Group’s Action Plan

- Promote the utilization 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

Management System

The NTT DATA Group has built an environmental management system across the Group, with both the Eco Activity Promotion Committee led by the Senior Executive Vice President and Representative Director and the Eco Activity Liaison Committee composed of ISO 14001-certified departments, environmental managers, and promoters from Group companies. ISO 14001-certified Group companies have environment promoters to reinforce the Group’s environmental management promotion system. Material agenda particularly are reported to the Board of Directors.

The chairman of the Environmental Protection Promotion Committee is responsible for business strategies, risk management, and IR, and manages risks relevant to climate change in groupwide risk management under the supervision of the Board of Directors on a half-yearly basis.

Environmental burden involved in the NTT DATA Group’s business activities mainly consists of greenhouse gas emissions caused by electric energy consumption. In addition, the Group affects the natural environment on a varying scale by using paper and other resources or constructing data centers. We cannot ignore energy consumption and other environmental burden when we run systems at our clients.

Therefore, the NTT DATA Group accurately understands and analyzes environmental burden in its business activities, leading to various improvement activities.

Quantitative Targets and Results

<table>
<thead>
<tr>
<th>Scope</th>
<th>Target Definition</th>
<th>FY2019 Value</th>
<th>FY2022 Targets</th>
<th>FY2021 Targets</th>
<th>FY2020 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce the environmental impact of society through the promotion of green IT1</td>
<td>Through its contributions, the NTT Group aims to reduce the reduction of GHG emissions in society, and this year, the Group set 2050 as its long-term target to achieve a 30% reduction in GHG emissions compared to FY2013.</td>
<td>4 t CO2e or more</td>
<td>4 t CO2e or more</td>
<td>4 t CO2e or more</td>
<td></td>
</tr>
<tr>
<td>Reduce greenhouse gas (GHG) emissions1,2</td>
<td>GHG emissions (Scope 1 and 2)</td>
<td>244,801 t CO2e (FY2013)</td>
<td>5% reduction (234,486 t CO2e)</td>
<td>378,546 t CO2e (FY2013)</td>
<td>28% reduction (282,046 t CO2e)</td>
</tr>
<tr>
<td>Reduce the amount of waste for final disposal1,2</td>
<td>Amount of waste for final disposal (Gross amount)</td>
<td>291,250,000 t (FY2013)</td>
<td>4% reduction (279,351 t)</td>
<td>257,189 t (FY2013)</td>
<td>5% reduction (228,635 t)</td>
</tr>
<tr>
<td>Reduce the amount of waste for final disposal1,2</td>
<td>Amount of waste for final disposal (Gross amount)</td>
<td>257,189 t (FY2013)</td>
<td>85% reduction (41 t or less)</td>
<td>207 t (FY2013)</td>
<td>Fewer than previous fiscal year’s results</td>
</tr>
<tr>
<td>Reduce the amount of waste for final disposal1,2</td>
<td>Amount of waste for final disposal (Gross amount)</td>
<td>207 t (FY2013)</td>
<td>95% reduction (10.5 t or less)</td>
<td>Fewer than previous fiscal year’s results</td>
<td></td>
</tr>
<tr>
<td>Social and environmental contribution activities2</td>
<td>Number of activity participants</td>
<td>4,700</td>
<td>4,800</td>
<td>4,800</td>
<td></td>
</tr>
</tbody>
</table>

*1 Scope of data collection: Targets for NTT DATA, as an integrated ISO 14001 Group certification company, and a total of 30 Group companies. NTT DATA and the Group companies (Domestic only) have acquired an integrated ISO 14001 certification.
*2 Base value of FY2013 was recalculated with NTT DATA, an integrated ISO 14001 group certification company, and a total of 29 Group companies upon setting the target of 2018. FY2019 target follows the base value. For FY2019 value, scope of data collection was expanded including NTT DATA and a total of 32 Group companies (International only).
*3 Scope of data collection: Targets for FY2022 are referred to value of FY2018 and are consolidated figures of NTT DATA Group (including indirect and outside purchase).
*4 Scope of data collection: NTT DATA and 32 Group companies that have acquired ISO 14001 Group certification. Scope for both targets and results (including base value).
*5 Scope of data collection: NTT DATA and 32 Group companies that have acquired ISO 14001 Group certification and NTT DATA Group companies that have acquired ISO 14001 Group certification.
*6 Scope of data collection: NTT DATA and 32 Group companies that have acquired ISO 14001 Group certification and NTT DATA Group companies that have acquired ISO 14001 Group certification.
*7 Scope of data collection: NTT DATA and 32 Group companies that have acquired ISO 14001 Group certification and NTT DATA Group companies that have acquired ISO 14001 Group certification.

NTT DATA’s Action Plan

- 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 contribu- tion activities across a range of fields both as an organization and individuals
- Promote proactive environmental communication, within and outside the Group
Climate change caused by higher concentration of greenhouse gas emissions causes natural disasters, including typhoons and floods, occurring more seriously and frequently. It also hugely impacts people’s lives in many aspects of society and industry.

Environmental load involved in the Group’s business activities mainly consists of greenhouse effect gas emissions through electric energy consumption, two-thirds of which come from our data centers. The Group is responsible for its corporate activities and business that impacts environmental load. To sustainably enhance its corporate values, it also finds it important to understand the impact of environmental issues, such as climate change, on its corporate management and various systems that support social infrastructure it provides and to take measures. This approach has resulted in our legal compliance, ISO 14001 certification, and disclosure of relevant information to external parties. To accelerate our initiatives further, we have worked to set targets for reducing corporate greenhouse effect gas emissions (SBT: Science Based Targets) in accordance with the Paris Agreement and have been awarded certification. In FY2020, we are taking action in compliance with the TCFD.

**Targets for Reducing Corporate Greenhouse Effect Gas Emissions in Accordance with the Paris Agreement (SBT)**

We have set targets for reducing greenhouse effect gas emissions by 2030 and obtained certification from the SBT Initiative.

<table>
<thead>
<tr>
<th>Scope</th>
<th>Reduction Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Reduce emissions by 60% by FY2030 from FY2016 (with a target of 1.5°C)</td>
</tr>
<tr>
<td>2</td>
<td>Reduce emissions by 55% by FY2030 from FY2016</td>
</tr>
</tbody>
</table>

**Disclosures of Climate-related Information**

NTT DATA is working to disclose information in line with the TCFD recommendations. The Company’s important information related to the climate is disclosed below respectively by referring to the TCFD proposal. For more information, please refer to NTT DATA Sustainability Report 2020 Data Book.

## Governance and Risk Management

**Risks**

**Overview of risk item**

<table>
<thead>
<tr>
<th>Financial impact of assumed risk occurrence</th>
<th>Countermeasures and investments for assumed risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increased costs of using renewable energy</strong></td>
<td>Reduced costs by installing renewable energy sources in our buildings, participating in the regional air-conditioning system, etc. We will gradually switch to low-carbon energy including renewable energy to achieve our SBT targets.</td>
</tr>
<tr>
<td><strong>Abnormal weather damage or stop of IT assets and equipment</strong></td>
<td>Increased costs of running IT assets and equipment due to rising average temperature, increased running costs of reducing total CO₂ emissions, lower social evaluation or employee satisfaction in ESG leading to lower employee retention, thus the loss of good human resources.</td>
</tr>
<tr>
<td><strong>Non-disclosure</strong></td>
<td>Risks of failing to respond to ESG information disclosure requests from investors timely, leading to lower valuation of stock price.</td>
</tr>
</tbody>
</table>

**Opportunities**

**Overview of opportunity item**

<table>
<thead>
<tr>
<th>Financial impact of opportunity occurrence</th>
<th>Means of getting opportunities and investment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increased demand for energy-efficient data centers</strong></td>
<td>As the Paris Agreement comes into effect, IT systems accounting for a large percentage of corporate energy consumption are becoming more efficient, leading to the increased demand for energy-efficient data centers.</td>
</tr>
<tr>
<td><strong>Increased demand for online financial services</strong></td>
<td>We are working on the use of NTT DATA’s cloud-related services to create new and highly environmentally effective data centers, including the Mitaka Data Center EAST. We have invested in cloud-related solutions, such as cloud computing and online research and development.</td>
</tr>
<tr>
<td><strong>Increased demand for cloud services as countermeasures for increasing demand for weather</strong></td>
<td>To avoid the loss of data due to abnormal weather, we are providing online data centers that enable corporate data to be recovered in a highly secure environment after a natural disaster is accelerated.</td>
</tr>
</tbody>
</table>

**Strategies**

For the overall strategies, see NTT Group ESG Data Book 2020. For individual strategies, see the items for risks and opportunities in the table below.
NTT DATA's ESG Management

Other Material Issues

Community
NTT DATA has set “Promotion of IT Education” as the central theme of social contribution activities we should commit to globally. Through volunteer activities leveraging the employees’ expertise and financial and technological support in the IT field, where we have an advantage, we will support children and NPOs / NGOs in improving their IT skills and know-how.

Employees who have worked with NPOs addressing social issues every day will learn about specific events behind the issues and relevant stakeholders. This knowledge will help them improve their design capabilities to help resolve social issues and develop a discerning eye, for example, about which IT technology is useful. We will create businesses that help resolve social issues by becoming more sensitive to and capable of understanding social issues as an organization.

Monitoring through ESG management*  THE INCLUSION OF NTT DATA IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS, OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, OR PROMOTION OF NTT DATA BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Bus

Third-Party Evaluation (As of March 2020)
The 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 a number of indexes.

- Dow Jones Sustainability World Index / Asia Pacific Index
- FTSE4Good Index Series
- FTSE Blossom Japan
- S&P/JPX Carbon Efficient Index
- RobecoSAM Sustainability Award
- MSCI Japan Empowering Women Index*

As NTT DATA has actively expanded the business globally and is operating in 53 countries and regions*, it is crucial to comply with laws and regulations worldwide. Against this backdrop, we are determined to operate our business following high ethical standards and compliance. We are establishing a Global Compliance Policy, targeted at all officers and employees of the NTT DATA Group, to clarify its basic policy and specific behavior guidelines related to corporate ethics. To make such business operation effective, we consider it necessary to implement a continuous educational campaign to promote ethics and compliance. Therefore, we have been holding training sessions on compliance for employees and conducting employee attitude surveys. Through these efforts, we will raise the compliance level and enhance the base of ESG management.

Compliance

* As of March 2020

Supply Chain

It is necessary to adopt a wide range of excellent products and technologies from our global partners to provide clients with the most suitable services. Also, good relationships with the partners enable us to develop a stable and flexible delivery structure.

On the other hand, to comply with laws and regulations and practice corporate ethics, it is necessary we manage corporate activities not only of the NTT DATA Group but also our business partners. Against this backdrop, we try to spread the NTT DATA Guidelines for CSR in Supply Chain, which stipulate appropriate procurement rules and promote open and fair transactions. We will aim to develop together with our business partners by improving quality and creating a better work environment through active communication.

Material ESG Issues

Promote responsible supply chain

KPI: (FY2020)

Material ESG Issues

Promote IT education

KPI: (FY2020)

Material ESG Issues

Ensure compliance

KPI: (FY2020)

P41: 12 Material ESG Issues

Social contribution through corporate activities
• Number of contribution activities through the promotion and provision of IT education opportuni-
ties for communities
• Creation of IT opportunities for children in the elementary education stage through NTT DATA Academia (Total number of participants and sessions held)

Social contribution through corporate activities
• Number of orders received for BCP-related solutions

For detailed information on Community, Disaster Risks, Compliance, and Supply Chain, please refer to NTT DATA Sustainability Report 2020 Data Book.

For data subject to independent assurance other than GHG Emission Data, Water Consumption, and Number of Female Managers, please refer to NTT DATA Sustainability Report 2020 Data Book.

Independent Practitioner's Assurances—
To enhance the reliability of the information presented in Annual Report 2020, the following information associated with social and environmental performance data provided herein has been reviewed by independent third parties. Check mark is attached to the data subject to independent assurance.

Data Subject to Independent Assurance

P10, 57, 94: GHG emissions data
P94: Water consumption
P13: Number of Female Managers

For data subject to independent assurance other than GHG Emission Data, Water Consumption, and Number of Female Managers, please refer to NTT DATA Sustainability Report 2020 Data Book.
Corporate Governance

**Basic Policy**

The NTT DATA Group aims to establish a business structure that produces stable profits through continuous growth by carrying out its mission to use information technology to create new paradigms and values, which help contribute to 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.

**Corporate Governance Systems**

After receiving approval for the necessary revisions to the articles of incorporation at the 32nd Ordinary General Meeting of Shareholders held on June 17, 2020, NTT DATA transitioned to the company with audit and supervisory committee structure described in the Companies Act of Japan. This transition was undertaken as it was judged that the resulting system, which will entail the establishment of audit and supervisory committee members with audit and supervisory duties and voting rights at meetings of the Board of Directors as well as an audit and supervisory committee comprised of a majority of outside directors, would be most effective for enhancing the supervisory function of the Board of Directors and other aspects of corporate governance and subsequently for heightening managerial efficiency and health. Accordingly, Company corporate governance organizations now include the General Meeting of Shareholders, the Board of Directors, and the Audit and Supervisory Committee. 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 resolutions by the Board of Directors, we provide independent outside directors and directors that serve as Audit and Supervisory Committee members with explanations of the proposals to be submitted to the General Meeting of Shareholders on matters such as remuneration for members of management and appointment of director candidates. We are thus able to receive effective advice on these subjects. For this reason, we believe that independence and objectivity of the functions and accountability of the Board of Directors are fully assured.

**Transition to Company with Audit and Supervisory Committee**

Q. What changes will occur due to the transition from the prior company with corporate audit(s) to the company with audit and supervisory committee?

A. Major changes between the company with corporate audit(s) structure and the company with audit and supervisory committee structure are as follows:

1. Under the company with company auditor(s) structure, audits have the right to voice opinions at meetings of the Board of Directors but do not have voting rights. Under the company with audit and supervisory committee structure, Audit and Supervisory Committee members are also directors, and therefore have voting rights at meetings of the Board of Directors. As the ratio of independent directors on the Board of Directors has been raised to one-third, it should now be easier to reflect the perspective of shareholders other than the parent companies into resolutions by the Board of Directors.

2. Audit and Supervisory Committee members have the authority to voice opinions regarding remuneration. Accordingly, Audit and Supervisory Committee members can make it known at the General Meeting of Shareholders if their opinion with regard to the remuneration is different from management’s decision.

**Corporate Management Committee Number of Times Held in FY2019: 40**

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. A director that is an Audit and Supervisory Committee member also participates in such meetings to enhance the transparency of decision-making.

**Initiatives to Strengthen Governance**

NTT DATA appoints human resources to management positions in line with the human resource policy of selecting candidates on the basis of superior character, insight, and management ability regardless of gender, age, or nationality.

In conjunction with the transition to the company with audit and supervisory committee following the 32nd Ordinary General Meeting of Shareholders held on June 17, 2020, the Company appointed five independent outside directors (including two female directors) and one non-Japanese director. As a result, independent outside directors now represent more than one-third of all directors.

**Changes in the Composition of the Board of Directors**

![Bar chart showing changes in the composition of the Board of Directors from 2018/6/20 to 2020/6/18]

![Table showing the number of directors and their roles]

**Board of Directors Number of Times Held in FY2019: 13**

Made up of all 15 directors including five independent outside directors. There are two female directors and one non-Japanese director among these 15 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.

**Audit and Supervisory Committee Number of Times Held in FY2019 (Audit & Supervisory Board): 15**

Made up of four Audit and Supervisory Committee members, including one female member. A committee meeting is held once every month in principle for decision-making of policies, plans, methods of audits, and other important matters related to audits. All Audit and Supervisory Committee members attend important meetings including Board of Directors’ meetings and audit the status of business execution as necessary. A dedicated organization (Office for Audit and Supervisory Committee Members) to support this is in place. Audit and Supervisory Committee Members appropriately use the authority to voice opinions regarding nomination and remuneration.
## Corporate Governance

### 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 local securities 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 shall be the same as those of other business partners.

Decisions regarding important agreements contracted with the parent companies shall be made after legal reviews by the legal sector. Particularly important agreements require approval by the Board of Directors, and steps will be taken to ensure that decisions are made independently from the parent companies. The Board of Directors is comprised of 15 directors, including five independent outside directors who comprise one-third of all directors.

### Nomination Policies / Procedures of Candidates for Positions as Director

#### Matters Regarding Appointment and Nomination

**Nomination Policy for Candidates for Positions as Directors That Are Not Audit and Supervisory Committee Members**

The candidates for directors that are not Audit and Supervisory Committee members 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 strategic, 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 comprised with consideration of having diversity from various standpoints, including internationally, and the balance of specializations*.

To strengthen the supervisory 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.

* Includes diversity in terms of gender, race, ethnicity, and cultural background

**Nomination Policy for Candidates for Positions as Directors That Are Audit and Supervisory Committee Members**

NDT DATA can expect to conduct audits from the viewpoints of specialized experience and knowledge.

To ensure impartiality in audits and supervision of the business execution of directors that are not Audit and Supervisory Committee members, NTT DATA appoints outside directors to represent a majority of directors that are Audit and Supervisory Committee members in accordance with the Companies Act.

**Procedures for Appointment**

The procedures for nominating candidates for directors are to be carried out as follows: the backgrounds of candidates are first explained to the parent companies, independent outside directors, and directors that are Audit and Supervisory Committee members prior to the meetings of the Board of Directors, then the parent companies, independent outside directors, and directors that are Audit and Supervisory Committee members provide appropriate advice, based on which the Board of Directors makes a resolution, and the resolution is proposed to the General Meeting of Shareholders. The procedure for nominating directors that are not Audit and Supervisory Committee members follows the above procedures, and directors that are audit and supervisory committee members are able to exercise authority in voicing opinions in regard to these decisions.

For directors that are Audit and Supervisory Committee members, the nomination resolution is made by the Board of Directors after discussion and consensus by the Audit and Supervisory Committee, which is confirmed by a majority of outside directors that are Audit and Supervisory Committee members, and this proposal is submitted to the General Meeting of Shareholders.

### Independence Standards and Qualification

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 three most recent financial years:

1. A business executive of NTD DATA's business partner with a trading amount exceeding the standards set forth by NTD DATA*;

2. A business executive of NTD DATA's lender with an amount of lending exceeding the standards set forth by NTD DATA*;

3. An individual providing specialized services, such as a consultant, accountant, or lawyer, who has received from NTD DATA any money or other property profit that is worth ¥10 million or more per year other than executive remuneration in any of the three most recent financial years; or

4. A business executive of an organization that has received contributions exceeding NTD DATA's standards*.

Even if a person falls under any of the conditions from (1) through (4), 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 NTD DATA's business partner with a trading amount exceeding the standards set forth by NTD DATA refers to a business partner where trading amount with NTD DATA is 2% of NTD DATA's non-consolidated annual sales, or there is an entity that more than 2% of NTD DATA's non-consolidated annual sales are traded.

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

*3 An organization that has received contributions exceeding the standards set forth by NTD DATA when it use organizations that have received contributions from NTD DATA that exceed ¥10 million per year or 2% of the total annual revenue of such organization, whichever is larger in amount, at any financial year out of the three most recent financial years.

### Reason for Appointment and Status of Independence

#### Outside Directors That Are Not Audit and Supervisory Committee Members

<table>
<thead>
<tr>
<th>Years Served</th>
<th>Attendance*</th>
<th>Independence</th>
<th>Reasons for Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Fujii</td>
<td>1</td>
<td>10/10</td>
<td></td>
</tr>
</tbody>
</table>

Ms. Fujii has been and continues to be engaged in business activity in the financial sector, and is widely recognized in terms of her expertise and experience. She has been appointed based on the judgment that she has no experience of engagement in management of a company in any other manner than serving as an outside director.

**Mr. Hirano**

Mr. Hirano has extensive experience in the financial sector, and is widely recognized in terms of her expertise and experience. She has been appointed based on the judgment that she has no experience of engagement in management of a company in any other manner than serving as an outside director.

**Nomination Policies / Procedures of Candidates for Positions as Director**

The candidates for directors that are not Audit and Supervisory Committee members 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 strategic, 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 comprised with consideration of having diversity from various standpoints, including internationally, and the balance of specializations*.

To strengthen the supervisory 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.

* Includes diversity in terms of gender, race, ethnicity, and cultural background

In the past, Mr. Yamaguchi acted as a business executive at NIPPO TELEGRAPH AND TELEPHONE CORPORATION, the ultimate parent company, and at related companies. He has been appointed based on the fact that he is expected to contribute, as an outside director, to the enhancement of supervisory function of business execution as well as the provision of advice using his wide range of perspectives.

**Mr. Obata**

Mr. Obata has experience in the finance and general affairs sectors as well as a tremendous track record in corporate management in the NTT Group, and in the past acted as a business executive at NIPPO TELEGRAPH AND TELEPHONE CORPORATION, the ultimate parent company, and at related companies. He has been appointed based on the fact that he is expected to contribute, as an outside director, to the enhancement of supervisory function of business execution as well as the provision of advice using his wide range of perspectives.

**Mr. Sakurada**

Mr. Sakurada has extensive experience and wide perspectives concerning audits for financial, accounting, and business execution based on his long-term professional experience in the Board of Audit of Japan. Since he is expected to help the Company ensure corporate soundness and establish a transparent and fair system to monitor management through audits and supervision of business execution by utilizing his wide range of perspectives and experience.

**Ms. Sato**

Ms. Sato has specialized legal insight based on her long career as a lawyer as well as a wealth of experience as a director and auditor of other companies. She was appointed based on the fact that she is expected to help the Company ensure corporate soundness and to establish a transparent and fair system to monitor management through audits and supervision of business execution by utilizing the Company's hands-on experience and insight. Note that she has no experience of engagement in management of a company in any other manner than serving as an outside director. However, based on the above reasons, the Company judges that she can perform the duties of outside director properly.

* Attendance at the Board of Directors’ meetings in FY2020: Figures in ( ) indicate the number of times in attendance at the Audit & Supervisory Board meetings.
Furthermore, authority for business operation is delegated to directors and executive officers to enable the Board of Directors to focus on discussion of items with a particularly large impact on the management of the Company and thereby secure sufficient discussion time by narrowing the scope of the agenda items discussed. In addition, agenda items are categorized based on whether they are items for reports, resolutions, or deliberation to guarantee that enough time is secured to discuss the more important resolution and deliberation items.

**Ratio of Explanation Time and Discussion Time for Agenda Items by Category in FY2019 Board of Directors’ Meetings**

<table>
<thead>
<tr>
<th>Report Items</th>
<th>Resolution Items</th>
<th>Deliberation Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explanation time</td>
<td>Discussion time</td>
<td>Explanation time</td>
</tr>
<tr>
<td>33.7%</td>
<td>47.1%</td>
<td>53.8%</td>
</tr>
</tbody>
</table>

**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 strategies, investment, and other aspects of the management of the Company and the Group, and supervises the performance of directors’ duties by regularly receiving reports on the status of such performance from directors. Additionally, since FY2017 the Board has been enhancing discussions on strategic management matters. In FY2019, it held active discussions on formulating the new medium-term management plan, transitioning to the company with audit and supervisory committee, and improving the effectiveness of the Board of Directors.

**Cross-Shareholdings**

NTT DATAs 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 DATAs 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 view-point of whether benefits and risks from holding the shares are commensurate with capital costs and in line with the purposes of holding, which include maintaining medium-to-long-term relationships, expanding trading volume, and creating synergy with clients and business partners, and reports to the Board of Directors and then decides whether to hold or sell such shares. In FY2019, through such an assessment, we confirmed the adequacy of holding for all the listed shares held. If the reason for a given holding proves to be inadequate due to changes in situations, NTT DATA will take measures including reduction of the number of shares.

**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.

**Initiatives for Active Discussion at Board of Directors’ Meetings**

To ensure meaningful discussion at meetings of the Board of Directors, annual schedules and rough overviews of agenda items for discussion are decided in advance of Board of Directors’ meetings. In addition, briefings on important agenda items are provided to outside directors prior to each meeting to allow for discussions to be held after any questions have been addressed and items have been fully understood.

**Policies Regarding Executive Remuneration**

As for policies, composition, and standards for remuneration of directors that are not Audit and Supervisory Committee members, NTT DATA explains the policy for determining the remuneration for directors to the parent companies, independent outside directors, and directors that are Audit and Supervisory Committee members. Upon receiving appropriate advice from them, the Board of Directors determines the amount of remuneration to such extent as resolved at a shareholders’ meeting.

- The remuneration for directors that are not Audit and Supervisory Committee members (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 the position of a given director. Bonuses are determined and provided in consideration of the Company’s achievement level of performance indicators such as operating income for a relevant period. Performance indicators are set based on the financial targets described in the medium-term management plan. Specifically, evaluations are performed based on operating income, ROIC, overseas net sales, overseas operating income margin, capital expenditure, and the B2B2X project factor.*

As for standing directors residing in Japan, in order to reflect medium-to-long-term performance, each director is required to purchase the Company’s stock through the officers’ shareholding association by paying a certain portion of their own monthly remuneration and bonuses. Each director is also required to retain all the shares purchased by himself or herself during their term of office. The remuneration composition, in a standard performance case, is approximately 70% for fixed remuneration and 30% for performance-linked remuneration. Remuneration levels for the president and CEO are determined after receiving advice from independent outside directors and directors that are Audit and Supervisory Committee members. For directors performing business execution at overseas consolidated subsidiaries, the deferred portion of performance-linked remuneration is paid by the respective consolidated subsidiary.

The Audit and Supervisory Committee appropriately uses the authority to state opinions with regard to remuneration. Also, with the aim of achieving both the targets of the medium-term management plan and sustainable growth and with a strong awareness of the need to enhance corporate value in the medium to long term, we will consider increasing the percentage of performance-linked remuneration, such as stock compensation, of total remuneration.

- Outside directors that are not Audit and Supervisory Committee members are paid only monthly remuneration, unrelated to business performance, in order to ensure a high degree of independence. The remuneration for directors that are Audit and Supervisory Committee members shall be determined through discussion among directors that are Audit and Supervisory Committee members. For the purpose of securing a high degree of independence of directors that are Audit and Supervisory Committee members, their remuneration is not linked to the business results and they receive monthly compensation only.

- The Audit and Supervisory Committee appropriately uses the authority to state opinions with regard to remuneration.

**Initiatives for Active Discussion at Board of Directors’ Meetings**

To ensure meaningful discussion at meetings of the Board of Directors, annual schedules and rough overviews of agenda items for discussion are decided in advance of Board of Directors’ meetings. In addition, briefings on important agenda items are provided to outside directors prior to each meeting to allow for discussions to be held after any questions have been addressed and items have been fully understood.
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 establishing rules for consultation and reporting between the Company and 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.

Recently in particular years, Group governance has been reinforced in response to the rapid expansion of overseas operations through M&As 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 Tokyo and each of the two axes—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 headquarters’ 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.

### Overseas Group Governance System

**NTT DATA (Corporate / Liaison Organizations)**

- **Risk Management Division**
  - Overseas Group Governance System
  - Global-Control Risks of NTT DATA
  - Creation of global compliance promotion organization

**Organizations responsible for implementation**

- Presidents/Managing Directors of Group companies
- Global Compliance Promotion Officer

**Note:** The organizational structures of regional integrated companies adhere to the laws of the respective countries and regions.

### Governance for Regional Headquarters

**NTT DATA (Corporate / Liaison Organizations)**

- **Establishment of effective corporate governance systems with boards of directors comprised of directors dispatched from NTT DATA, local outside directors, etc.**
- **Quarterly monitoring by Strategy Planning Division / Finance Division**
- **Audit by Audit Division**
- **Internal control promotion**
- **Maintenance of compliance structure (appointment of officer in charge), training**
- **Business plan hearings lead by the President and CEO**
- **Conclusion of agreement for important projects requiring consultation with NTT DATA**

**Executive Officers**

- **CEO**
- **Executive Officers**

**Note:** The organizational structures of regional integrated companies adhere to the laws of the respective countries and regions.

### Initiatives to Inculcate Our Group Vision “Values Week”

The NTT DATA Group strives to entrench the values that express the principles we cherish to realize our Group Vision, “Trusted Global Innovator.” Specifically, these efforts include Values Week, held annually in May to commemorate our founding, and other events that facilitate discussions pertaining to the exercise of our values.

In the 2019 Values Week, roughly 30,000 employees from over 100 cities in approximately 30 countries and regions participated in workshops for discussing our values, sparking vigorous discussion across the globe.

### Internal Control / Risk Management

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 meetings.

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

Groupwide measure implementation status is analyzed, evaluated, and monitored by the Risk Management Division. In addition, risks determined to have the potential to impact the entire Group are defined as “global-control risks,” and are managed on a Groupwide basis.

Global-control risks are identified by the Internal Control Committee based on changes in social trends and opinions from outside specialists.

### Risk Management Structure

**Board of Directors**

- **President and CEO (Corporate Management Committee)**
- **Executive Officers**

**Risk Management Division**

- **Internal Control Committee**
- **Internal Audit Department**
- **Operations responsible for implementation**
  - Group companies, risk management promotion officers

**Monitoring**

**Global-Control Risks of NTT DATA**

<table>
<thead>
<tr>
<th>Material Risks</th>
<th>Major Improvements, etc.</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information leakage</td>
<td>Enhance countermeasures against increasingly sophisticated cyberattacks</td>
<td>Stimulate awareness through training</td>
</tr>
<tr>
<td>Accounting fraud (including window dressing)</td>
<td>Completely apply rules consistent with IFRS</td>
<td>Promote introduction of consistent rules related to accounting, verify structure and use of financial processes (control activity)</td>
</tr>
<tr>
<td>Bribery</td>
<td>Continue strengthening compliance education</td>
<td>Stimulate awareness through training</td>
</tr>
<tr>
<td>Pandemic</td>
<td>Examination of global measures for combating the COVID-19 pandemic</td>
<td></td>
</tr>
</tbody>
</table>
NTT DATA has appointed five independent outside directors for the purpose of reflecting a diverse range of insight into the management of the Company.

Creating Value Out of the Parent-Child Listing
Being listed on the stock market together with the parent company is often thought to be contrary to the spirit of corporate governance reforms and therefore undesirable. This is because such a situation presents the risk of the listed subsidiary prioritising the interests of the parent company at the expense of the interests of its minority shareholders. Regardless, one might question if this is actually true.

To answer this question, we could look to the situation of NTT DATA. When I think of the atmosphere at meetings of the Board of Directors, I have never felt as though people are constantly guessing about the intent of the parent company in a manner that is impeding open discussion. The textbook definition of an independent outside director is that they are a representative of minority shareholders and are thus charged with protecting the interest of these shareholders. However, I am more keenly focused on how NTT DATA can best capitalize on the resources of the NTT Group and generate synergies to compete in the global market. If the Company can manage itself in a manner that achieves these objectives, there will be more advantage than disadvantage from the parent-child listing, which in turn will contribute to the interests of minority shareholders.

Progress toward Global 3rd Stage
We are currently facing a crisis in the form of the global COVID-19 pandemic. At the same time, we are seeing a need to make economic contributions, society, and lifestyles smarter, increasing the importance of the role played by digital technologies. In the face of a crisis, NTT DATA must make even greater contributions by living up to the trust of customers and swiftly proposing the necessary solutions.

At the moment, NTT DATA is working toward what it calls the Global 3rd Stage, its vision for becoming one of the Global Top 5 IT companies by 2025. Business environments vary by country and region. Accordingly, achieving success in different markets requires a propensity for ambitiously tackling new challenges after having identified the risks to be taken, high-level insight and technological capabilities, and decisiveness that ensures the ideal timing is not lost. I hope to engage in thorough discussion at meetings of the Board of Directors so that we can support such ambition and enable NTT DATA to exercise its true value as a trusted global brand.

Improvement of Corporate Value
NTT DATA has achieved 31 consecutive years of higher sales since it separated from NTT in 1998. The Company began full-fledged global expansion around 2005, realizing massive growth in its overseas operations through bold and aggressive M&A activities. As a result, NTT DATA has grown to become a company that is extremely impressive in terms of its distribution of domestic and overseas sales and the balance of its portfolio by segment. However, this only applies to top-line indicators. When looking at bottom-line profit, this portfolio will appear distorted with issues.

Quest for Effective Internal Control and Healthy Corporate Governance
One of NTT DATA’s medium-term management targets is to achieve an operating income margin of 8%. Accomplishing this target will require that the Group increase its profitability and cash flow efficiency while also living up to the expectations of shareholders and the rest of society.

Evolution of Corporate Governance
Counting my time as an Audit & Supervisory Board member, I am now in my ninth year of being an outside officer at NTT DATA. During this time, I have watched the Company’s net sales and operating income more than double as it continued to regularly engage in M&A activities overseas. However, this process has also led to an increase in second-tier subsidiaries and affiliates that are located far from NTT DATA’s Head Office in the Toyosu area of Tokyo and that do not have strong capital ties to the Company.

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### Executive Vice Presidents

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<tr>
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</thead>
<tbody>
<tr>
<td>Takashi Nakamura</td>
<td>Head of Public Sector 2</td>
</tr>
<tr>
<td>Ken Touchihashi</td>
<td>Head of China &amp; APC Sector</td>
</tr>
<tr>
<td>Hiroshi Tomiyasu</td>
<td>Head of Technology and Innovation General Headquarters</td>
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</table>

### Directors

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<tr>
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<tbody>
<tr>
<td>Yo Homma</td>
<td>President and Chief Executive Officer, Representative Director</td>
</tr>
<tr>
<td>Mariko Fujii</td>
<td>Director, Advisor of Toyota Financial Services Corporation</td>
</tr>
<tr>
<td>Toshi Fujiwara</td>
<td>Director, Executive Vice President, Representative Director</td>
</tr>
<tr>
<td>Misao Kato</td>
<td>Director, Chairman of the Board of Directors of NTT DATA</td>
</tr>
<tr>
<td>Katsufumi Fukunishi</td>
<td>Director, Corporate Management (CFO, CHRO, CRO) and Investor Relations</td>
</tr>
<tr>
<td>Chieri Kimura</td>
<td>Director, Audit and Supervisory Committee Member</td>
</tr>
<tr>
<td>Patrizio Mapelli</td>
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<td>Hidekazu Yamasaki</td>
<td>Director, Head of NTT DATA Asia Investment Co., Ltd.</td>
</tr>
<tr>
<td>Kenji Nakagawa</td>
<td>Director, National Institute of Health and Nutrition</td>
</tr>
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<td>Hiroshi Oda</td>
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The Gartner Report(s) described herein (the “Gartner Report(s)”) represent(s) opinion or viewpoints published, as part of Gartner’s regular market research, and the opinions expressed in the Gartner Report(s) are subject to change without notice.

1. In this segment, the financial services sector includes banking, securities, insurance, and asset management.

2. The negative impact is significant in the automotive sector in Germany and the hospitality and retail sectors in Spain, while Latin America is impacted by exchange rates due to the depreciation of currencies.

3. Significant impact is expected in the retail, transportation, and travel sectors in the retail distribution service industry and the automobile and machinery sector in the manufacturing industry due to reduced demand amid stay-at-home advisory and restrained IT investment.

4. Please refer to the following section for information on impacts of the COVID-19 pandemic on the entire company.

Business Strategies by Segment

Public & Social Infrastructure Segment

We provide high-value-added IT services that support government, medical, telecommunication, electric power, and other social infrastructures that revitalize regions, centered on Japan.

Market Environment

Going forward, the Japanese government’s IT investment will remain nearly unchanged for existing IT operations, but it is expected to increase as a whole as a result of IT investments in new measures to digitize government operations and to realize Society 5.0,1 a concept advocating a new image for the future of society.

Although IT investment in the energy market is on a downward trend for electric power and gas system innovations, and there is near-term uncertainty owing to impacts of the COVID-19 pandemic, it is expected to increase generally over a long period of time because of IT investments aimed at achieving xMES2,3,4, smart cities, etc.

The COVID-19 pandemic highlights various social issues and reveals that Japan lags behind in digitalizing and putting things online, especially in the government-related fields, as pointed out in the Basic Policies on Economic and Fiscal Management and Reform 2020. Therefore, all initiatives toward the realization of Society 5.0 are expected to accelerate.

Opportunities and Threats

Opportunities

Government

- Growing and accelerating business opportunities in accordance with the digital government action plan to be promoted under the Basic Policies on Economic and Fiscal Management and Reform 2020
- Transformation of government services to improve work process reforms and convenience through coordination with government ministries
- Investment aimed at improving resident services focused on users and at realizing efficient government operations

Local Governments

- Changes in government systems and institutions owing to rapid social changes
- Increasing demand to reduce the cost of the existing government information systems
- Acceleration of trend toward ICT in medical and other fields and effective utilization of medical information
- Growing need to increase AIs, IoT, and other digital technologies
- Responses to the practical application of nationwide medical information networks and other fields

Healthcare

- Shift from investment in infrastructure and network system equipment to IT investments in new services
- Responses to the practical application of nationwide medical information networks and other fields
- Shift toward IT investment in line with themes such as responses to regulations and the reinforcement of facility safety

Utilities

- Acceleration of trend toward ICT in medical and other fields and effective utilization of medical information
- Growing need to increase AIs, IoT, and other digital technologies
- Responses to the practical application of nationwide medical information networks and other fields
- Shift from investment in infrastructure and network system equipment to IT investments in new services

Threats

- Increased demand to reduce the cost of the existing government information systems
- Further cost reductions of IT investment in existing domains

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 achievements, know-how, and other strengths cultivated thus far. In addition, operations in this segment will be grown by creating new projects and developing new social systems through public-private integration in accordance with the growth strategies and digital government action plans based on Society 5.0.

We 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 Medium-Term Management Plan (FY2019–2021)

The medium-term management plan focuses on the expansion of digital businesses that capitalize on existing strengths to facilitate the implementation of growth strategies to reach the Global 3rd Stage (around 2025). To realize a remote and digital society after the COVID-19 crisis, we will concentrate on the fields of digital government, utilization of the My Number system, digital healthcare, and smart energy/small cities, and draw out specific action plans to accelerate these initiatives.

Initiatives in Medium-Term Focused Fields 1

Related to digital government and the My Number system

Keeping the grand design of a digital government drawn up by the government in mind, supporting government services to increase the value citizens receive

Long History of Developing and Operating Multiple Large-Scale Systems

1967– Emergency medical information system
1978– Japan Automated Cargo and Port Consolidated system
1990– Japan Patient Office system
2004– e-Tax
2016– Smart meter operation management system

Focus Areas

- Strengthening management capabilities to curtail unprofitable projects
- Accelerating social design activities

Strengths / Achievements

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

1 A human-centered society that balances economic development with the minimization of social issues by utilizing highly sophisticated systems that combine physical space with cyber space. This refers to a new society following the 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 in the 1980s to show that Japan should be on the path to the fifth society. 2 An energy management system for electricity, gas, etc., not仅 for 3 A new management system for electricity, gas, etc., not for 4 A new energy management system for electricity, gas, etc., not for

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Business Strategies by Segment

Financial Segment

We provide high-value-added IT services that contribute to increased service and operational efficiency, with a focus on domestic financial institutions in Japan.

Market Environment

In Japan, the Financial Segment’s market environment is undergoing substantial changes, including policy trends such as negative interest rate policies and the promotion of the spread of next-generation payment methods including cashless payments as well as the entry of new players from other industries into the financial industry. In addition, because of the impacts of the COVID-19 pandemic, the segment faces substantial changes in people’s sense of value for an ideal way of providing services and lifestyles.

Strengths / Achievements

Providing Large-Scale Financial Infrastructure Systems That Link and Support Financial Industry

- Connecting financial institutions nationwide
- Number of financial institutions connected to “integrated ATMs” connecting financial institutions nationwide

More than 1,200

Connecting banks and thrifts using the open gateway service for insurance companies

- Number of companies using the common gateway service for insurance companies
- Approx. 5,100 insurance companies

Focus Areas

- Creating new businesses leveraging NTT DATA’s strengths for the financial industry that is reaching a turning point (involving COVID-19 and after the COVID-19 crisis, and the entry of players from other industries into the industry)
- Strengthening management to curtail unprofitable projects

Financial Market

Scale and Growth Rates of Financial Market (Japan) *

<table>
<thead>
<tr>
<th>Year</th>
<th>CAGR</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>4.6%</td>
<td>$3.0 trillion</td>
</tr>
<tr>
<td>2020</td>
<td>3.7%</td>
<td>$3.7 trillion</td>
</tr>
</tbody>
</table>

Economics
- Emergence of new financial services
- Changes in the financial sector
- Availability of service offerings
- Increased investment for data utilization

Politics
- Government promotion of financial innovation and business environment changes
- Public in the networking and the Payment Services Act (repealing deregulation)
- Mega-projects (collaboration between governments and financial institutions)

Society
- Adaptation to new values and lifestyles
- New trends after the COVID-19 crisis
- Diverse populations and birth rates, and an aging population

Technology
- Evolutionary advances in technology
- Advancements in technologies of networking, mobility, and enhancing quality of life
- Enhanced use of protocols using digital technologies, such as AI, RPA, and blockchain
- Earth-based changes in service delivery through progress in cloud and open application programming interfaces (APIs)

Main External Environment

Major Changes in the Financial Market

- Client coverage rate (core banking systems)
- Having strong trading relationships with clients over long terms by providing high-quality and highly reliable systems

<table>
<thead>
<tr>
<th>Major banks / Japan Post Bank (5)</th>
<th>Regional banks (102)</th>
<th>Shinkin (255)</th>
<th>Credit unions (145)</th>
<th>Labor banks (13)</th>
<th>JA Bank (584)</th>
</tr>
</thead>
<tbody>
<tr>
<td>40%</td>
<td>38%</td>
<td>92%</td>
<td>98%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

High Technology Capabilities

Utilization of cloud-based technologies:
- A-Gate
  - A service that helps firms design and maintain security governance for their sales and services of public cloud services

AI (voice and image recognition):
- A service utilizing AI to interact with users on a speaker-based interface in their audio expression

Blockchain: TradeWaltz
- A service utilizing blockchain technology to digitize trade procedures

Portfolio

- Service offerings through co-creation
- Providing new services through co-creation

Opportunities and Threats

Opportunities
- Push for system revivals in light of rising need to provide services using digital technologies and Banking Act revision
- Bank investments to promote the spread of cashless payments
- Increasing need for operational efficiency, automation, and other cost reduction measures
- Active IT investment in light of business integration, restructuring, and alliances
- Increased need for cost reductions through the automation of back office processes, etc.
- Diversification of insurance sales channels
- Focus of IT investment to realize more sophisticated information use
- Exploration of health improvement and other new businesses

Threats
- Concerns regarding the curtailment of IT investment as a result of a review of the existing sales channels and business models
- Concerns regarding the curtailment of IT investment due to a lack of profitability
- Diversification of service competition due to the diversification of payment methods
- High security
- Intensification of service competition due to the diversification of payment methods

Growth Strategy

1. Development and advancement of the existing services
2. Technology initiatives
3. Providing new services through co-creation

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

- Technology initiatives
- Business expansion in the data utilization area

ABLER is a service and a solution to provide total support for sophisticated data management by combining underlying technologies such as imaging and semantic technology, we can actively utilize unstructured data including natural sentences, SNS posts, and voice data, which were difficult for machines to process. Also, we can automate some data management processes to save substantial time for the preparation of data utilization.

OpenCanvas is a delivery platform for digital services created using the system platform of ANSER, which is deployed 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 a flexible technology interface APIs, thereby allowing for new digital services to be provided swiftly and efficiently.

In the future, we will continue to proactively expand the lineup of available services at layers of SaaS, PaaS, and IaaS to supply OpenCanvas as a system of engagement (SoE) platform that promotes digitization throughout society.

ABLER

- A service and a solution to provide total support for
- Technologies for financial institutions (since 2018)
- Utilizing AI to visualize the impression of a speaker based on information on their facial expression, etc.

OpenCanvas:

- A delivery platform for digital services
- Creating new businesses leveraging NTT DATA’s strengths for the financial industry that is reaching a turning point (involving COVID-19 and after the COVID-19 crisis, and the entry of players from other industries into the industry)
- Strengthening management to curtail unprofitable projects
**Business Strategies by Segment**

**Enterprise & Solutions Segment**

Centering on Japan, we provide high-value-added IT services that support manufacturing, distribution, and service industries and other business activities, as well as payment services and platform solutions linked in with IT services in different 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 those proactively using IT to strengthen competitiveness and to innovate business models. Such market changes are occurring at an increasingly rapid pace.
- While more and more clients curtail IT investments and postpone projects because of the impacts of the COVID-19 pandemic, there has been increased business opportunities for solutions that would help people live a “new daily life,” such as those that facilitate EC and remote working that does not require human mobility.

**Opportunities and Threats**

**Opportunities**

- Shift toward and increased need for EC and remote working
- Continued proactive investment for the enhancement of competitiveness and business model innovations using digital technologies
- Expansion of demand for core systems, ERP restructuring, and corporate group integration
- Growing needs for visualization, improvement of efficiency, and advancement through the supply chain aimed at enhancing global competitiveness
- Trend toward the sharing and development of services driven by the advent of connected cars
- Increased demand for embedded software to control equipment
- Rising need for corporate transformations utilizing AI and data
- Rising of players with new technologies
- Coordination with clients from concept planning through to the development, operation, and finally business results and experience in this regard
- Swift development and operation in conjunction with our strengths in designs and data

**Threats**

- Curtailment of IT investment and postponement of projects because of the impacts of the COVID-19 pandemic
- Rapid changes in logistics and retail business models
- Entry of new payment system players
- Entry of players from other industries
- Limited overseas investment due to trade friction between the United States and China

**Growth Strategy**

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

- **Focus on areas of clients’ transformation and contribution to business growth**
- **Provide high levels of value by combining work process and cutting-edge technology expertise**
- **Cultivate the 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 Medium-Term Management Plan (FY2019–2021)**

In the Enterprise & Solutions Segment, we will combine its existing strengths with cutting-edge technologies to deliver a new value that contributes to client businesses.
Become a Leader in Client Modernization and Transformation by Delivering Advanced Digital Services and Outsourcing Services

The North America Segment rapidly developed and deployed comprehensive digital offerings, and these capabilities now lead a majority of new sales, including numerous large-scale projects. Orders received in fourth-quarter FY2019 exceeded US$1 billion for a fifth consecutive quarter. Conversely, while the impacts of the COVID-19 pandemic have accelerated the market's shift to digital, it also has led many businesses to delay discretionary investments. To achieve target EBITA margin*4 of 7% in FY2021, we continue to drive market penetration of high-value digital capabilities, and have accelerated plans for cost reductions and structural transformation of the business.

### Business Strategies by Segment

#### North America Segment

We provide high-value-added IT services for large enterprises and government entities primarily headquartered in North America.

#### Market Environment

North America is the world’s largest market for IT services representing approximately 44% of the total global market.** Although this market is expected to show negative growth in 2020, it is expected to grow by around 8% annually from 2021***.

#### Opportunities and Threats

**Opportunities**

- Ongoing shift toward business innovation through digitized operations
- Increased market demand for services that support remote-work, supply-chain resilience and efficiency
- Increased market investment in productivity improvements and cost take-out strategies, encompassing AI, IoT, big data analytics, mobile technology, cloud computing, and automation
- Increased demand for outsourcing using cutting-edge technologies
- Increased demand to rebuild strengths in anticipation of post-COVID-19 era

**Threats**

- Contraction in the legacy IT services market
- Business insuring of IT support
- Vendor consolidation to reduce outsourcing costs and number of suppliers
- Impact on IT spending due to COVID-19 pandemic and U.S.-China trade friction
- Pressure on IT services pricing and contract terms due to economic pressure from COVID-19

#### Strengths

We build long-term client relationships based on trust, and leverage our deep industry expertise and leading-edge technologies to help clients transform through consulting, industry solutions, business process services, digital IT modernization, and managed services.

**Healthcare**
- 6 of the 10 largest U.S. hospital systems
- 20 of the top U.S. health insurers

**Public Sector**
- More than 10 U.S. federal agencies and military commands
- 34 states and 17 municipalities

**Financial Services and Insurance**
- 25 leading financial institutions in North America
- 30 issuers and millions of policies

**Manufacturing**
- Leading automotive companies worldwide

#### Third-Party Evaluations

**Digital Transformation: A Leader**

Everest Group, “Healthcare Payor Digital Services PEAK Matrix Assessment with Service Provider Landscape - 2020.”

**Workplace Services: A Leader**

Gartner Magic Quadrant for Managed Workplace Services, North America report.

### Focus Areas

- Improving profitability of the North America Segment
- Responding effectively to market uncertainty created by COVID-19
- Further increasing market penetration and share of digital services

### Example of Initiative

Upgrading and creating more efficient data center operations, and enhancing client capabilities through automation and cloud transformation.

NTT DATA will leverage global partnerships with Microsoft Azure, Google Cloud, and AWS as well as local private cloud options to provide cloud transformation support and operate RSA’s data center, which provides hosting services for more than 50 companies.

#### Structural Transformation

**Enhancing and Reskilling Digital Talent**
- Enhance sales & delivery skills for digital offerings
- Accelerate reskilling and aggressive acquisition of digital talent to increase expertise and agile delivery

**Simplifying & Optimizing Operations**
- Further simplify and optimize operations, including optimal team structures and sizes

**Consolidating Offices and Data Centers**
- Consolidate facilities and adopt remote working as a standard workstyle for a substantial number of employees, which increases residence and profitability

**Continue Transformation into a Digital-Centric Provider**

1. Deliver Advanced Outsourcing Services

#### 15 “Digital Offerings”

- Digital
- Automation
- Cloud
- AI

2. Strengthen Digital Capabilities

- Prioritizing digital offerings deployed in FY2019 is enabling our sales success with higher value-added services.

#### Example of Initiative

- Upgrading legacy strengths in outsourcing to new digital technologies and higher value-added services drives our capabilities to deliver client modernization and transformation.

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Business Strategies by Segment

EMEA & LATAM Segment

We provide high-value-added IT services for enterprises and government entities primarily headquartered in the EMEA & Latin America.

Market Environment

The scale of the EMEA and Latin America IT market accounts for approximately 32% of the global IT market. Although this market is projected to show negative growth in 2020, it is expected to grow by 4-5% annually from 2021.

Opportunities and Threats

Opportunities
- The current market situation of business innovation due to digitalization
- Increased investment in AI, IoT, big data analytics, mobile technology, cloud computing, etc.
- Growing security consulting and other needs in response to personal information protection regulations and a growing number of cyberattacks
- Diversified needs according to market characteristics of each country
- Increased demand for outsourcing using cutting-edge technologies
- Increased demand to Build Back Better looking ahead to the Post-COVID-19 era

Threats
- Impact of COVID-19 on IT spending
- IT investment restraint of companies and others due to the uncertainty of the future in the European market from U.S.-China trade friction and Brexit
- Every year, increased regulatory challenges, including those of personal information protection
- Impact on clients’ investment decisions of uncertainty surrounding the political and economic future in certain parts of Latin America

EMEA & LATAM

 Industry and Domains of Strength

Germany (13th)
Spain (3rd)
Italy (10th)

Focus Areas
- Improving profitability in the EMEA & LATAM Segment business
- Further progression for cultivating top-level capabilities globally in the digital domain
- Further increasing local presence

Growth Strategy

Aiming for Further Growth through Active Digital Investment and Structural Transformation

The EMEA & LATAM Segment aims for profitable growth increasing top-line revenue by combining existing strengths with aggressive digital investment and improving efficiency through structural transformation to achieve EBITA margins*3 of 7% in FY2021.

Existing Strengths x Digital Investment —Top-Line Growth—

The EMEA & LATAM Segment has achieved more than 20% growth for three consecutive years since FY2016, when the segment started to disclose its results on new orders received. This was achieved by combining existing strengths with digital investment. Going forward, the segment will accelerate these initiatives and aim to increase its top-line revenue in the medium to long term. span

Example of Initiatives

Natura, a gas and electricity provider operating in Europe and Latin America, selects ehrs as its strategic partner

Aiming to advance streamline services mainly through automation of processes using digital technologies, upgrading peripheral systems, and efficient delivery structure, based on close relationships of trust with clients.

Win an SAP project of the largest scale in NTT DATA Group history, highly recognized for its strengths, such as its track record and reliability of providing SAP-related services over a long period of time, its rich talent pool of experts, along with its flexibility to answer clients' needs

Eight-year contract duration for SAP S/4HANA Digital Transformation

Efficiency Improvement through Structural Transformation —Improving Profitability—

The EMEA & LATAM Segment is faced with challenges such as improving productivity in the existing business and enhancing high-value-added consulting and digital capabilities. In FY2019, the segment carried out a structural transformation in Italy and Germany, mainly on unloading employees’ potential as a digital workforce and reviewing businesses with low profitability. As a result of such, the segment is seeing an “accelerated shift to digital talent,” “increased digital transformation projects,” and “improved profitability base.” In FY2020, the segment will aim to enhance profitability by accelerating business over those achievements made in 2019 and by responding to new business opportunities, including those resulting from the impacts of COVID-19 and by continuing necessary structural transformation.

New Business Opportunities Which COVID-19 Created (more vibrant demand for digital business)

Example of Initiatives

Signing a large-scale contract for SAP services with Deutsche Bahn AG, the NTT DATA Group works together to support clients from consulting to implementation

Items Carried Out in FY2019

- Accelerated shift to digital talent
- Increased digital transformation projects
- Improved profitability

Earnings

- accentuate the value of businesses whose profitability is declining among various upfront investment businesses in divisions aiming to create new services

Achievements

- Investment in AI, IoT, big data analytics, mobile technology, cloud computing, etc.
- Growing security consulting and other needs in response to personal information protection regulations and a growing number of cyberattacks
- Diversified needs according to market characteristics of each country
- Increased demand for outsourcing using cutting-edge technologies
- Increased demand to Build Back Better looking ahead to the Post-COVID-19 era

*1 Source: Gartner "Quarterly IT Services Tracker, Worldwide 2020", December 2020
*2 M&A and early retirement program mainly in Germany and Italy

*3 Temporary costs such as M&A, structural transformation, etc. are excluded.
We would like to introduce the messages of CEOs of overseas operating companies regarding the impact of the spread of the COVID-19, growth strategies in coexisting with COVID-19, and strategies for achieving the EBITA margin of 7%, which is one of the targets of the medium-term management plan.

Bob Pryor
CEO of NTT DATA Services

Bob Pryor has been serving as CEO of NTT DATA Services since 2018. From 2016 to 2018, he served as COO and CIO (Chief Integration Officer) of the Company, overseeing the 22-month integration of the former Dell Services into NTT DATA. Before joining NTT DATA Services, he was CEO of Fujitsu America, Inc. He has also held senior leadership positions at EY, Capgemini, HP, and Genpact.

We prioritized employee safety by shifting over 90% of our team to work from home while honoring client trust by delivering on commitments. For some key clients, we accommodated their changing financial requirements and revised project schedules. In addition, we prioritized our Digital Offerings to support client resilience, especially Dynamic Workplace, cloud, automation, and security.

Even if we are in the “With COVID-19 world,” our growth strategy remains the same. In fact, the pandemic has validated our focus on helping clients modernize operations through digital, cloud, analytics, automation, and security. We expect that many millions of people will continue working remotely for a prolonged period. This situation aligns well with the investments we’ve made, particularly in cloud and digital offerings.

We are committed to the medium-term management plan target, and intend to deliver 7% EBITA margin in FY2021. We are accelerating our shift from legacy to digital services and generating a majority of our new sales by incorporating our Digital Offerings. In addition, we are restructuring our business to further simplify and optimize operations, attract and retain the talent and skills mix we need for long-term success, reduce our office space, and improve or direct underperforming areas of our business to deliver profitable growth.

Walter Ruffinoni
CEO of NTT DATA EMEA

Walter Ruffinoni has been a leader of NTT DATA EMEA since 2018. He joined NTT DATA in 2007 and was appointed CEO of NTT DATA Switzerland and then of NTT DATA Spain. He has a degree in Telecommunications Engineering and a degree in Economics.

The impact of COVID-19 has been quite intense in EMEA although with different intensity across market sectors. On the positive side, this “new normal” has definitely changed executives’ priorities and focus on digital technology investments, creating new opportunities and new ways of collaborating with our clients to sustain future growth.

Our strategy remains focused on existing strengths in leading-edge technologies while boosting investments in digital-native offerings to further support our clients’ journeys to transformation as well as improving efficiency through further automation and structural transformation to achieve our 7% EBITA margin target. We ended last year with strong sales momentum and we have the right building blocks, i.e., Digital Design, Cybersecurity, Big Data, Blockchain, and Cloud to further grow our business footprint and to establish ourselves as a Trusted Global Innovator for all our clients.

I’m confident about making our clients successful in their digital transformation, counting on our talented and committed people as well as on the game-changing collaboration across NTT DATA Group companies.

Norbert Rotter
CEO of NTT DATA Business Solutions

Norbert Rotter has been a member of the Management Board of Argena AG since January 1, 2008. At Argena, he was also in charge of the EMEA region. In the course of the acquisition of Argena AG by NTT DATA, he has assumed full responsibility for the companies that have been successfully integrated into the group. On July 1, 2018, he was appointed CEO of Argena AG and, since December 1, 2019, he has been CEO of NTT DATA Business Solutions.

When we budgeted FY2020, we planned strong organic growth and agreed to invest in strategic initiatives to boost future growth and reach 7% profitability. However, due to COVID-19 global lockdowns, we had to adapt our forecast. Due to these circumstances, we reshaped our growth program combined with cost-reduction actions. Profitability is our focus in 2020. We are moderately optimistic as our business model proved to be resilient and robust—and will remain so in the coming years.

Even in the “With COVID-19 world,” our customers remain our priority. The customer is at the center of our company. In nearly all of our 28 operating countries, remote work packages or emergency solutions were provided and very well received by our clients. We also created new offerings for fast-growing industries, such as pharmaceutical/life sciences and higher education.

Further, we expanded our portfolio regarding RPA and Chatbot solutions based on AI to drive our customers’ digitization.

Besides creating new innovative solutions, we foster new ways of consulting and collaboration. Already, we realized various remote go lives. As part of the internal global collaboration project, we have started to improve our country concepts, i.e., by looking into nearshoring centers, e.g., in Europe. We are streamlining our organizational structure and transforming our cost and cash management to centralize our organization. With these measures, NTT DATA Business Solutions accelerates its own transformation to add even more value and achieve the set targets.
Financial Models of Principal Businesses

### Business Model
- **Integrated IT Solution (Order-Based)**
  - After receiving an order from a client, the Company makes capital expenditures to build IT systems, etc., that are held by the Company as its asset, and provides full-cycle services from requirements definition to maintenance and operation with such asset.
  - This model primarily targets Japanese central government offices and financial institutions.

- **Integrated IT Solution (Planned by NTT DATA)**
  - NTT DATA makes capital expenditure in anticipation of multiple clients using our services, holds IT systems, etc., that we build as assets, and receives commissions when the services are used.
  - The services are mainly for domestic financial institutions and payments, such as systems shared among regional banks, ANSER, CAFIS, various package software, etc.

### Financial Model
- **Integrated IT Solution (Order-Based)**
  - An order amount corresponding to several years of expected sales is 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.

- **Integrated IT Solution (Planned by NTT DATA)**
  - 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.

### Consulting Maintenance Support
- Consulting: The Company defines the concept of IT system by considering client’s business together with the client.
- Maintenance support: The Company provides technology support for system development, etc. that does not involve transfer of deliverables to clients, such as AMD, ITO, and BPO services, or services in which we perform maintenance and operation.
- AMD: An outsourcing service in which the Company operates and provides maintenance on a client’s custom applications.
- ITO: One-stop maintenance and operation services for client’s IT system.
- BPO: An outsourcing service in which a client company outsources certain operations to achieve operational efficiency.

### System / Software Development
- **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**
  - 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.)

### Credit Card Payment System CAFIS
- CAFIS is one of the major integrated cashless payment platforms in Japan. Since it was launched in 1984, the platform has supported credit card payment services in Japan for over 36 years. It is connected with various types of merchants and almost all the credit card companies and financial institutions in Japan, providing ACI service.

### Financial Enterprise & Solutions North America EMEA & LATAM

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<tr>
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<tbody>
<tr>
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<td>System / Software Development</td>
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<td>Consulting</td>
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<td>Operating Expenses</td>
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<tr>
<td>Profit</td>
<td>136.9</td>
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</table>

### Examples of Long-Term Relationships
- **Main Example: Enterprise & Solutions Segment**
- **Main Example: North America Segment**

### Results by Product and Service per Segment (Net Sales to Clients Outside the NTT DATA Group)

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### New Large-scale IT Service Contract with United States Agency for International Development
- **Awarded a new large-scale IT service contract with the United States Agency for International Development leveraging government experience and exceptional expertise**
- We won a new five-year, US$218 million contract with the United States Agency for International Development (USAID). We will provide infrastructure and application management services across the USAID.
- We build a strong relationship with the client by leveraging a deep understanding of the USAID environment, years of government expertise, and proven performance with public-sector clients. We also leveraged our corporate capabilities to infuse innovation and automation to help improve overall efficiencies of USAID’s operations.

### 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.
As of March 31, 2020, total assets increased by ¥209.9 billion compared to the previous fiscal year, to ¥2,686.0 billion, primarily due to the recognition of right-of-use assets under IFRS 16 Leases, although the market value of equity decreased.

Total liabilities increased by ¥189.3 billion compared to the previous fiscal year to ¥1,698.6 billion, primarily due to the recognition of lease obligations under IFRS 16 Leases.

Equity increased by ¥20.6 billion primarily compared to the previous fiscal year to ¥987.4 billion due to an increase in retained earnings, despite a decrease primarily due to the effects of foreign exchange.

New orders received for FY2019 increased by ¥199.1 billion compared to the previous fiscal year, to ¥2,275.2 billion.

The Public & Social Infrastructure Segment that acquired multiple projects, including large-scale projects from government ministries, concluded with significantly positive results. While the Financial Segment saw less orders compared to the previous fiscal year such as for large-scale projects for banks, it managed to greatly decelerate decline as it won renewal and other orders from cooperative financial institutions. The Enterprise & Solutions Segment continued to steadily expand orders, mainly from the manufacturing industry. The North America Segment received large-scale projects and continued to remain strong. The EMEA & LATAM Segment won a large-scale contract in Spain, leading to a significant growth.

Order Backlog and Recognition Period of Net Sales (Forecast)

As of March 31, 2020, the order backlog increased by ¥179.2 billion, to ¥2,636.3 billion, primarily due to an increase in orders in each segment. As the scale of our business expanded, the order backlog tended to steadily increase. We have secured the size in excess of a year’s net sales.

The size of the order backlog grew in the order of the North America Segment, the Financial Segment, and the Public & Social Infrastructure Segment, reflecting the tendency to receive many large-scale and long-term projects.

As for the forecasted timing of the recognition of the order backlog as of March 31, 2020, as net sales, a little less than half is expected to be recognized within a year. We then plan to sequentially recognize net sales in FY2021, FY2022, and FY2023 onward.

We then plan to sequentially recognize net sales in 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, the North America Segment, followed by the Public & Social Infrastructure Segment, also reflecting the tendency in which each segment has many large-scale and long-term projects.
Financials and Others
Financial Position and Business Results Analysis

Consolidated Statement of Income

Net sales increased by ¥103.2 billion compared to the previous fiscal year due to the expansion in the scale of robust domestic business and overseas business.

Operating income decreased by ¥16.8 billion and the operating income margin also decreased by 1.0 point due to the review of overseas projects with lower profitability, besides investments in growth and the structural transformation as planned at the beginning of the fiscal year.

Financial income and costs / share of profit / loss of entities accounted for using equity method decreased by ¥10.0 billion primarily due to an increase of financial expenses from the reviewing of overseas projects with lower profitability.

Income taxes and others decreased by ¥6.3 billion as impacted mainly by a decrease in income before income taxes of overseas subsidiaries and the utilization of deficit carried forward in the U.S. subsidiary.

In FY2019, net sales in the Public & Social Infrastructure Segment increased primarily due to the expanded scale of services for government ministries and telecom and utility industries. Net sales in the Financial Segment increased primarily due to the expanded scale of services for financial institutions. Net sales in the Enterprise & Solutions Segment also increased primarily due to the expanded scale of services for the manufacturing industry and payment industry including M&A. The North America Segment saw an increase primarily due to the expanded scale from M&A, despite a decrease due to foreign exchange losses.

The EMEA & LATAM Segment also recorded an increase primarily due to the expanded scale mainly in Spain and Italy, regardless of a decrease due to foreign exchange losses.

Operating income in the Public & Social Infrastructure Segment increased primarily due to an increase attributable to sales growth and a decrease in the amount of loss from an unprofitable project. The Financial Segment saw a decrease primarily due to an unprofitable project, despite an increase attributable to sales growth. The Enterprise & Solutions Segment recorded an increase primarily due to sales growth. The North America Segment remained at the same level as the previous fiscal year due to decreased PMI expenses and the expanded scale through M&A, although it saw an increase primarily in costs of business expansion and purchase price allocation (PPA) amortization. The EMEA & LATAM Segment recorded a decrease primarily due to increased expenses on structural transformation, including the reviewing of projects with lower profitability, and the expanding of some projects in Brazil, despite an increase attributable to sales growth.

Impact of Loss from Unprofitable Projects

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

In FY2019, the Financial Segment and the Public & Social Infrastructure Segment each had a project that recognized a large amount of loss from unprofitable projects, resulting in a loss impact of ¥10.3 billion.

We will work on the following four initiatives to prevent new unprofitable projects from arising, enhanced early response to risk, further enhancement of field capabilities, enhanced management processes, and further accumulation and utilization of knowledge.

Net Sales and Operating Income by Segment

Consolidated Statement of Cash Flows

Cash flows from operating activities in FY2019 were positive at ¥280.0 billion (up ¥38.0 billion from the previous fiscal year) as we recognized net income of ¥79.8 billion and depreciation and amortization, which is an item of noncash expense, of ¥199.2 billion, while we paid corporate tax of ¥69.2 billion. Cash flows from investing activities was negative at ¥257.2 billion (up ¥70.4 billion from the previous fiscal year) due to payment for acquisition of property, plant and equipment, intangible assets, and subsidiaries.

Free cash flow for the fiscal year was positive at ¥22.8 billion (down ¥32.3 billion from the previous fiscal year).

Cash flows from financing activities was negative at ¥66.1 billion (down ¥71.5 billion from the previous fiscal year) primarily due to repayments of lease obligations and dividends payments.

As of March 31, 2020, cash and cash equivalents decreased by ¥46.0 billion compared to the previous fiscal year, to ¥205.4 billion.
<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Orders received</th>
<th>Net sales</th>
<th>Cost of sales</th>
<th>Cost of sales ratio</th>
<th>Selling, general, and administrative expenses</th>
<th>R&amp;D (excluding amortization)</th>
<th>Operating income</th>
<th>Operating income margin</th>
<th>Operating income (w/o goodwill amortization)**</th>
<th>Net income attributable to shareholders of NTT DATA**</th>
<th>Overseas net sales**</th>
<th>Overseas EBITA margin**</th>
<th>Loss from unprofitable projects</th>
<th>Loss from unprofitable projects to consolidated net sales ratio</th>
<th>Capital expenditure</th>
<th>Depreciation and amortization / Loss on disposal of property and equipment and intangibles</th>
<th>R&amp;D expenses</th>
<th>Free cash flow</th>
<th>EBITA**</th>
<th>Total shareholder return (TSR, holding period of 5 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009</td>
<td>1,181.5</td>
<td>1,142.9</td>
<td>870.5</td>
<td>67.2</td>
<td>419.4</td>
<td>16.7</td>
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<td>4.8</td>
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<td>FY2010</td>
<td>988.4</td>
<td>1,141.9</td>
<td>582.3</td>
<td>76.0</td>
<td>201.3</td>
<td>17.3</td>
<td>83.0</td>
<td>6.4</td>
<td>8.2</td>
<td>37.3</td>
<td>139.0</td>
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<td>5.3</td>
<td>3.2</td>
<td>231.3</td>
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<td>158.5</td>
<td>58.3</td>
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<td>FY2011</td>
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<td>941.8</td>
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<td>3.1</td>
<td>241.3</td>
<td>12.1</td>
<td>152.3</td>
<td>58.6</td>
<td>113.4</td>
<td>1,401.9</td>
</tr>
<tr>
<td>FY2012</td>
<td>1,197.1</td>
<td>1,402.1</td>
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<td>18.1</td>
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</tr>
<tr>
<td>FY2013</td>
<td>1,429.1</td>
<td>1,402.1</td>
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</tr>
<tr>
<td>FY2014</td>
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</tr>
<tr>
<td>FY2015</td>
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</tr>
<tr>
<td>FY2016</td>
<td>1,429.1</td>
<td>1,402.1</td>
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<td>57.3</td>
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<td>58.6</td>
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<td>FY2017</td>
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<td>1,051.1</td>
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<td>152.3</td>
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<td>113.4</td>
<td>1,401.9</td>
</tr>
</tbody>
</table>

** Figures based on JGAAP (except for goodwill amortization and other impairments, including others).**

*The US dollar exchange rates of the items based on IFRS is "Net income attributable to owners of parent."*
## Financials and Others

### Comparison of Financial Statements of Two Years

#### Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>251,309</td>
<td>205,356</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>549,126</td>
<td>572,175</td>
</tr>
<tr>
<td>Contract assets</td>
<td>81,509</td>
<td>74,828</td>
</tr>
<tr>
<td>Inventories</td>
<td>15,204</td>
<td>13,727</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>9,440</td>
<td>13,296</td>
</tr>
<tr>
<td>Other current assets</td>
<td>67,369</td>
<td>87,509</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>974,467</td>
<td>966,890</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>355,717</td>
<td>344,922</td>
</tr>
<tr>
<td>Goodwill</td>
<td>357,014</td>
<td>391,017</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>444,444</td>
<td>477,716</td>
</tr>
<tr>
<td>Investment property</td>
<td>27,331</td>
<td>27,113</td>
</tr>
<tr>
<td>Investments accounted for using equity method</td>
<td>6,573</td>
<td>8,366</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>168,803</td>
<td>142,211</td>
</tr>
<tr>
<td>Defined tax assets</td>
<td>98,220</td>
<td>110,946</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>43,493</td>
<td>56,823</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>1,501,595</td>
<td>1,719,118</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>2,476,062</td>
<td>2,686,008</td>
</tr>
</tbody>
</table>

| **Liabilities**      |                 |                 |
| Current liabilities  |                 |                 |
| Trade and other payables | 359,013         | 359,508         |
| Contract liabilities | 218,774         | 256,740         |
| Bonds and borrowings | 134,586         | 157,094         |
| Lease liabilities    | 39,143          | 39,143          |
| Other financial liabilities | 28,717         | 4,040          |
| Income taxes payable | 30,437          | 32,002          |
| Provisions           | 12,434          | 6,968           |
| Other current liabilities | 32,898          | 29,674          |
| **Total current liabilities** | 816,859         | 883,038         |
| Non-current liabilities |             |                 |
| Bonds and borrowings | 446,437         | 440,861         |
| Lease liabilities    | 39,143          | 39,143          |
| Other financial liabilities | 21,908         | 12,155         |
| Defined benefit liabilities | 202,491        | 207,854        |
| Provisions           | 3,562           | 4,131           |
| Deferred tax liabilities | 5,532           | 18,868         |
| Other non-current liabilities | 12,434         | 9,468          |
| **Total non-current liabilities** | 692,394         | 815,599         |
| **Total liabilities** | 1,509,253       | 1,698,638       |

| **Equity**           |                 |                 |
| Equity attributable to shareholders of NTT DATA |             |                 |
| Capital stock        | 142,520         | 142,520         |
| Capital surplus      | 115,740         | 113,596         |
| Retained earnings    | 603,171         | 659,563         |
| Treasury shares      | (1)             | (1)             |
| Other components of equity | 64,234         | 64,234         |
| **Total equity**     | 974,467         | 987,415         |
| **Total liabilities and equity** | 2,476,062       | 2,686,008       |

#### Consolidated Statement of Income

<table>
<thead>
<tr>
<th></th>
<th>FY2018 (Millions of yen)</th>
<th>FY2019 (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>2,163,625</td>
<td>2,266,808</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>1,618,636</td>
<td>1,694,577</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>544,988</td>
<td>572,231</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>397,272</td>
<td>441,294</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>147,716</td>
<td>150,937</td>
</tr>
<tr>
<td><strong>Financial income</strong></td>
<td>6,848</td>
<td>6,026</td>
</tr>
<tr>
<td><strong>Financial costs</strong></td>
<td>7,825</td>
<td>17,117</td>
</tr>
<tr>
<td><strong>Share of profit / loss of entities accounted for using equity method</strong></td>
<td>175</td>
<td>108</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>146,914</td>
<td>120,155</td>
</tr>
<tr>
<td><strong>Income taxes</strong></td>
<td>49,210</td>
<td>40,383</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>97,704</td>
<td>79,772</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Net income attributable to:</strong>*</th>
<th><strong>FY2018 (Millions of yen)</strong></th>
<th><strong>FY2019 (Millions of yen)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders of NTT DATA</td>
<td>93,616</td>
<td>75,148</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>4,088</td>
<td>4,624</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>97,704</td>
<td>79,772</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Net income per share attributable to shareholders of NTT DATA</strong>:</th>
<th><strong>FY2018 (Yen)</strong></th>
<th><strong>FY2019 (Yen)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income per share</td>
<td>66.75</td>
<td>53.58</td>
</tr>
</tbody>
</table>

#### Consolidated Statement of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>FY2018 (Millions of yen)</th>
<th>FY2019 (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong></td>
<td>97,704</td>
<td>79,772</td>
</tr>
<tr>
<td><strong>Other comprehensive income (after taxes)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit / loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in fair value of financial assets measured at fair value through other comprehensive income</td>
<td>11,756</td>
<td>(8,328)</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>(1,271)</td>
<td>1,076</td>
</tr>
<tr>
<td>Share of other comprehensive income of entities accounted for using equity method</td>
<td>(0)</td>
<td>(0)</td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit / loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>(731)</td>
<td>(142)</td>
</tr>
<tr>
<td>Hedges cost</td>
<td>100</td>
<td>18</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>11,273</td>
<td>(23,723)</td>
</tr>
<tr>
<td>Share of other comprehensive income of entities accounted for using equity method</td>
<td>(213)</td>
<td>(122)</td>
</tr>
<tr>
<td><strong>Total other comprehensive income (after taxes)</strong></td>
<td>20,913</td>
<td>(31,222)</td>
</tr>
<tr>
<td><strong>Comprehensive income</strong></td>
<td>118,617</td>
<td>48,550</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Comprehensive income attributable to:</strong>*</th>
<th><strong>FY2018 (Millions of yen)</strong></th>
<th><strong>FY2019 (Millions of yen)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders of NTT DATA</td>
<td>114,859</td>
<td>44,140</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>3,758</td>
<td>4,411</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>118,617</td>
<td>48,550</td>
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</table>
## Financials and Others

### Comparison of Financial Statements of Two Years

#### Consolidated Statement of Changes in Equity

<table>
<thead>
<tr>
<th>Equity attributable to shareholders of NTT DATA</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital stock</td>
<td>142,520</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>115,193</td>
</tr>
<tr>
<td>Balance</td>
<td>528,601</td>
</tr>
<tr>
<td>Treasury shares</td>
<td></td>
</tr>
<tr>
<td>Other components of equity</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>826,179</td>
</tr>
<tr>
<td>Total equity</td>
<td>34,327</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>860,506</td>
</tr>
</tbody>
</table>

**FY2018**

As of April 3, 2018

<table>
<thead>
<tr>
<th>Capital stock</th>
<th>142,520</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital surplus</td>
<td>115,193</td>
</tr>
<tr>
<td>Balance</td>
<td>528,601</td>
</tr>
<tr>
<td>Treasury shares</td>
<td></td>
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<td>Total equity</td>
<td>34,327</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>860,506</td>
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</table>

**FY2019**

As of April 1, 2019

<table>
<thead>
<tr>
<th>Capital stock</th>
<th>142,520</th>
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<tbody>
<tr>
<td>Capital surplus</td>
<td>115,740</td>
</tr>
<tr>
<td>Balance</td>
<td>603,171</td>
</tr>
<tr>
<td>Treasury shares</td>
<td></td>
</tr>
<tr>
<td>Other components of equity</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>925,667</td>
</tr>
<tr>
<td>Total equity</td>
<td>41,143</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>966,809</td>
</tr>
</tbody>
</table>

#### Consolidated Statement of Cash Flows

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>97,704</td>
<td>79,772</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>158,038</td>
<td>199,180</td>
</tr>
<tr>
<td>Interest and dividends received</td>
<td>(4,546)</td>
<td>(4,859)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>4,756</td>
<td>7,733</td>
</tr>
<tr>
<td>Share of (profit) / loss of entities accounted for using equity method</td>
<td>(175)</td>
<td>(308)</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>49,210</td>
<td>40,383</td>
</tr>
<tr>
<td>(Increase) / decrease in trade and other receivables</td>
<td>(42,177)</td>
<td>(22,481)</td>
</tr>
<tr>
<td>(Increase) / decrease in contract assets</td>
<td>(1,113)</td>
<td>6,304</td>
</tr>
<tr>
<td>(Increase) / decrease in inventories</td>
<td>6,257</td>
<td>1,563</td>
</tr>
<tr>
<td>(Increase) / decrease in trade and other payables</td>
<td>25,380</td>
<td>4,469</td>
</tr>
<tr>
<td>(Increase) / decrease in contract liabilities</td>
<td>7,385</td>
<td>31,590</td>
</tr>
<tr>
<td>(Increase) / decrease in allowance for contract losses</td>
<td>4,205</td>
<td>(6,490)</td>
</tr>
<tr>
<td>Other</td>
<td>4,992</td>
<td>4,051</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>242,009</td>
<td>280,509</td>
</tr>
</tbody>
</table>

**Cash Flows from Investing Activities**

| Payments for acquisition of property, plant, equipment, and intangible fixed assets | (179,986) | (191,294) |
| Payments from acquisition of other financial assets | (20,122) | (20,849) |
| Proceeds from sales and redemption of other financial assets ( ( ) shows redemption) | 23,130 | 21,052 |
| Payments for investments in subsidiaries | (4,927) | (65,965) |
| Other                                | (645)  | 184    |
| Net cash provided by (used in) investing activities | (186,879) | (257,240) |

**Cash Flows from Financing Activities**

| Net increase / (decrease) in commercial papers | 4,000 | (24,000) |
| Net increase / (decrease) in short-term borrowings | 27,674 | (500) |
| Proceeds from issuance of bonds and long-term borrowings | 40,508 | 83,466 |
| Redemption of bonds and repayments of long-term borrowings | (50,967) | (61,686) |
| Repayments of lease liabilities | (35,702) |
| Purchase of equity interests of subsidiaries from non-controlling interests | (1,312) | (2,432) |
| Proceeds from sale-and-leaseback | 11,799 |
| Cash dividends paid | (22,438) | (34,549) |
| Cash dividends paid to non-controlling interests | (751) | (1,178) |
| Other                                | (2,612) | 501    |
| Net cash provided by (used in) financing activities | 5,451 | (66,081) |

Net increase / (decrease) in cash and cash equivalents | 60,581 | (43,292) |
Cash and cash equivalents at beginning of period | 190,070 | 251,309 |
Effect of exchange rate changes on cash and cash equivalents ( ( ) shows, decreased) | 658 | (2,661) |
Cash and cash equivalents at end of period | 251,309 | 205,356 |
Company Information (As of March 31, 2020)

Company Name
NTT DATA Corporation

Head Office
Toysu Center Bldg., 3-3, Toysu 3-chome, Koto-ku, Tokyo 135-6033, Japan
Telephone: +81-3-5546-8202

Date of Establishment
May 23, 1988

Ordinary General Meeting of Shareholders
June

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

Administrator of Register of Shareholders
Sumitomo Mitsui Trust Bank, Limited

Independent Auditors
KPMG AZSA LLC

Number of Employees
Consolidated: 133,196
Non-consolidated: 11,515

Fiscal Year
April 1 to March 31 of the following year

Financials and Others

Stock / Credit Rating Information (As of March 31, 2020)

Number of Shares Issued and Number of Shareholders

| Total Number of Shares Authorized to be Issued by the Company | 5,610,000,000 shares |
| Total Number of Shares Issued | 1,402,500,000 shares |
| Number of Share Units | 100 shares |
| Number of Shareholders | 78,353 people |

Principal Shareholders

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Held</th>
<th>Ratio of Shareholding (as of March 31, 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTT, Inc.</td>
<td>760,000,000</td>
<td>54.19%</td>
</tr>
<tr>
<td>Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>134,699,900</td>
<td>9.60%</td>
</tr>
<tr>
<td>Japan Trust Services Bank, Ltd. (Trust Account)</td>
<td>12,732,300</td>
<td>0.91%</td>
</tr>
<tr>
<td>NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY</td>
<td>21,075,600</td>
<td>1.50%</td>
</tr>
<tr>
<td>Goldman, Sachs &amp; Co. REG</td>
<td>11,157,325</td>
<td>0.80%</td>
</tr>
<tr>
<td>JP MORGAN CHASE BANK</td>
<td>11,049,038</td>
<td>0.79%</td>
</tr>
<tr>
<td>Japan Trust Services Bank, Ltd. (Trust Account 9)</td>
<td>10,640,600</td>
<td>0.76%</td>
</tr>
</tbody>
</table>

Credit Rating Information

<table>
<thead>
<tr>
<th>Name</th>
<th>Rating and Investment Information, Inc.</th>
<th>Long-Term Bond</th>
<th>Commercial Paper</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTT DATA Employee Share-Holding Association</td>
<td>BB+</td>
<td>a-1+</td>
<td></td>
</tr>
<tr>
<td>Trust &amp; Custody Services Bank, Ltd (Investment Trust Account)</td>
<td>AA+</td>
<td>a-1+</td>
<td></td>
</tr>
<tr>
<td>Japan Trust Services Bank, Ltd (Trust Account 5)</td>
<td>A3</td>
<td>a-1+</td>
<td></td>
</tr>
<tr>
<td>Japan Trust Services Bank, Ltd (Trust Account 6)</td>
<td>A2</td>
<td>a-1+</td>
<td></td>
</tr>
</tbody>
</table>

Stock Price Chart

Relative value of stock price, assuming the closing price of stock on March 31, 2015, was set at 100.

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