Trusted Global Innovator
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 environmental, social, and governance (ESG) data. We consider this report as an integrated report to explain NTT DATA Group’s initiatives in creating sustainable value.

For more information, please see the investors and sustainability sections on our website.

The names of NTT DATA’s products and services referred to in this annual report are trademarks or registered trademarks of NTT DATA in Japan and other countries. The names of other companies, products, services, etc., are the trade names, trademarks, or registered trademarks of the companies concerned.

Cautionary Statement Regarding Forward-Looking Statements

This annual report contains forward-looking statements concerning the NTT DATA Group’s future plans, strategies, and performance. These forward-looking statements are not historical facts; rather, they represent assumptions and beliefs based on economic, financial, and competitive data currently available. Forward-looking statements include information preceded by, followed by, or that include the words “predict,” “expects,” “anticipates,” “could,” “may,” or similar expressions.

Furthermore, they are subject to a number of risks and uncertainties that without limitation, relate to the COVID-19 pandemic, economic conditions, fierce competition in the information service industry, client demand, tax rules, regulations, and other factors. Readers of this annual report are cautioned not to place undue reliance on these forward-looking statements. The NTT DATA Group therefore wishes to caution readers that actual results may differ materially.
Mission Statement / Group Vision / Values

Mission Statement

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

Group Vision – What We Aim to Become in 10 Years –

Trusted Global Innovator

A partner trusted by clients over the long term

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

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

We enhance our creativity by respecting diversity.

Values

Clients First

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

Foresight

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

Teamwork

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

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

Yo Honma
President and Chief Executive Officer,
Representative Director
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.

To Create a Better Society

“Aiming for an optimum mixture of real and online”

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 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), a comprehensive payment platform, 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, 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.”

“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.”*1 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 when 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

The Challenge of Creating “Paradigms” for a New Era

“The path ahead will demand advanced design capabilities”
providers and clients alike will need to have advanced design capabilities with insight into system utilization and data utilization. For example, schools are 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 trusted 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 pigsties. 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.

The foundation of sustainable growth is Long-Term Relationships

4D Value Cycle

4D Value Cycle

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

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 rigorously 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 income 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 FY 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 structural transformation, 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 schedules, 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.

The Courage to Change

“Building unrivaled strengths and implementing genre-leading strategies”

After building up long years of experience in the Financial Segment, in 2010 I took charge of the Enterprise Segment (currently the Enterprise & Solutions Segment) for the first time as Head of the Retail & Services Sector. Even at that time, in contrast to the high market share and competitiveness we had in the Financial Segment, we had low market share and struggling earning power in the much larger enterprise market. We held rigorous discussions about how to strengthen our competitiveness, and decided to pinpoint our areas of strength, such as EC, and carry out selectivity and concentration on those areas. We also took the robust business model that brought us success in the Financial Segment and applied it to other clients and sectors, and from there we were able to spread out into other layers of information and communications technology (ICT). By applying this strategy to the Enterprise Segment as well, we succeeded in honing our strengths and enhancing our earning power. We also created a virtuous cycle in which the results of our employees’ original brainstorming and hard work help build confidence and lead to still further success.

And even now, as president, I have been working to build unrivaled strengths by enhancing global cross-functional collaboration, and implementing “genre top strategies,” with which we aim to be No. 1 in our strong-suit areas. One of those is to “expand global digital offerings,” which is Strategy 1 of our current medium-term management plan. We are working to bring together the collective strengths of the NTT DATA Group around the world to generate synergies and create tools with which to compete globally as well as step up our game.

We are building “Global One Teams” for each of our strong-suit industries and providing services to clients with whom we collaborate on global business development. We have already won strong praise from our clients in the auto industry, in addition to which we have been successful in providing integral services in various industries such as telecommunications through our Group companies. Under our Digital Strategy Office (DSO), we are also working to create tools to give us a competitive advantage all around the world through concentrated investment in areas that combine our strong-suit industries with digital technologies. One example of this is our global platform for the insurance industry. We have enabled the provision of prompt and low-cost service by combining the insurance solutions of our Group companies and offering them in micro-service format. In FY2019, we had success in obtaining orders particularly in North America, and in FY2020 we will deploy our strategies to EMEA and Latin America as well.

Furthermore, we have formed Centers of Excellence (CoE) to gather and globally apply our Group’s technologies and wisdom. At our seven CoEs covering Blockchain, Digital Design, Agile/DevOps, AI, IoT, Intelligent Automation, and Software Engineering Automation, we have over 2,000 members supporting prompt creation and rollout of offerings utilizing cutting-edge technologies.
Delivering Greater Value to Clients Based on Regional Needs

“Steadily producing results from our existing strengths × 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, CAFIS 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 stores. These are the results of combining digital technologies with the strengths we have built up via Long-Term Relationships with our clients. 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, centered on EMEA and Latin America, we reshaped and reskilled our human resources by optimizing resources through means such as early retirement programs 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*2 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 heavily 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 buttressed by order backlogs and sales as well as recurring business, and we will minimize the impact of COVID-19. 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 groupwide 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 (ADP) 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 technologies 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 Konosuke Matsushita (the founder of Panasonic Corporation) 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 resource-related challenges in the 12 material ESG issues 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 workstyle reform initiatives.

To address our material ESG issues, in FY2020 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 trusted 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.

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*1 Source: Tokyo Midtown SCENE, August 2020 issue

*2 Source: Gartner “Market Share: IT Services, Worldwide 2019, Dean Blackmore et al., 13 April 2020”


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

### Customers in Wide-Ranging Industries

<table>
<thead>
<tr>
<th>Industry</th>
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<tbody>
<tr>
<td>Public Sector</td>
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<tr>
<td>Energy and Utilities</td>
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<tr>
<td>Telecommunications</td>
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<tr>
<td>Healthcare and Life Sciences</td>
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<tr>
<td>Banking and Financial Services</td>
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<tr>
<td>Insurance</td>
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<tr>
<td>Manufacturing</td>
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<tr>
<td>Retail</td>
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<tr>
<td>Service Industry</td>
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<tr>
<td>Transportation and Logistics</td>
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<td>Education</td>
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<tr>
<td>Media</td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Segment</th>
<th>Net Sales (FY2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA* &amp; LATAM Segment</td>
<td>¥455.4 billion</td>
</tr>
<tr>
<td>*Europe, the Middle East, and Africa</td>
<td>17.0%</td>
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<tr>
<td>North America Segment</td>
<td>¥426.0 billion</td>
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<td></td>
<td>15.9%</td>
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<tr>
<td>Government ministries, local governments, telecommunications, electricity, gas, and medicine</td>
<td></td>
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<tr>
<td>Financial Segment</td>
<td>¥580.4 billion</td>
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<td></td>
<td>21.6%</td>
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<tr>
<td>Megabanks, regional banks, cooperative financial institutions, insurance, securities, and financial infrastructure and networks</td>
<td></td>
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<tr>
<td>Enterprise &amp; Solutions Segment</td>
<td>¥588.6 billion</td>
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<td></td>
<td>21.9%</td>
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<tr>
<td>Retail, services, manufacturing, payment services, networks, and data centers</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>¥131.9 billion</td>
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<tr>
<td></td>
<td>4.9%</td>
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</tbody>
</table>

### Outside Partnerships

- **Hardware manufacturers**
  - Fujitsu
  - NEC
  - Hitachi
  - Dell Technologies, etc.
- **Software developers**
  - Microsoft
  - Oracle
  - SAP, etc.
- **Programming companies**
  - System companies, etc.
- **Telecommunications carriers**
  - NTT Communications, etc.
The NTT DATA Group's Performance (FY2019)

Operating Income ¥130.9 billion
Net Sales ¥2,266.8 billion
Total Assets ¥2,686.0 billion
Employees 133,196 people
Consolidated Subsidiaries 318 companies

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

Revenue growth for 31 consecutive years since our founding

Rankings in the IT Services Market in 2019* (Net Sales)

<table>
<thead>
<tr>
<th>Country</th>
<th>Overall</th>
<th>Financial</th>
<th>Public &amp; Social Infrastructure</th>
<th>Enterprise &amp; Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>2nd</td>
<td>1st</td>
<td>2nd</td>
<td>4th</td>
</tr>
<tr>
<td>Global</td>
<td>8th</td>
<td>4th</td>
<td>8th</td>
<td>10th</td>
</tr>
<tr>
<td>Financial</td>
<td>Spain</td>
<td>3rd</td>
<td>Italy</td>
<td>Germany</td>
</tr>
<tr>
<td>Public &amp; Social Infrastructure</td>
<td>9th</td>
<td>8th</td>
<td>Manufacturing</td>
<td></td>
</tr>
</tbody>
</table>

External Recognition

ESG Index
Dow Jones Sustainability World Index / Asia Pacific Index

Cutting-Edge Technologies

* Graphs / charts are created by NTT DATA based on Gartner Research.
Source: Gartner “Market Share: IT Services, Worldwide 2019, Dean Blackmore et al., 13 April 2020”
Rankings in the global IT services market: Financial = Banking & Securities / Public = Government / Manufacturing = Manufacturing & Natural Resources based on vendor revenue
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Annual Report 2020
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.

Business Expansion Centered on the Public and Financial Sectors
Increased Global Coverage
Expanding geographical coverage to 185 cities in 45 countries and regions
The NTT DATA Group employed approximately 80,000 people

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

Reputation as Trusted Brand
Aiming to become a company trusted by clients worldwide with Global Top 5 status

Global 1st Stage
FY2005–2015

Global 2nd Stage
FY2016–2018

Global 3rd Stage
FY2019–2025

Operating income ¥100 billion
Operating income ¥200 billion

Operating income ¥200 billion

11

Annual Report 2020
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 aware 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.

NTT DATA’s Positioning to Maximize the Effect of Long-Term Relationships

As NTT DATA has constantly served as a multi-vendor, which does not solely provide certain hardware / software products or services, remained flexible, and pursued advanced and innovative technologies:

• Through NTT DATA Group’s sophisticated solutions and the partnership with players in various products and services segments, we can introduce a wide range of advanced products and technologies in the world and provide the most suitable solutions for clients;
• As many industries experienced digital transformation, we can deal with changes that markets and clients face, capture business opportunities in a broad range of fields, and create a new business model utilizing information technologies with clients;
• We can develop a social infrastructure system that would require coordination of a lot of vendors and deploy businesses beyond boundaries of industries;
• Through collaborations with other companies, by avoiding unnecessary investments, we can improve investment efficiency and reduce risks.

NTT DATA’s Competitive Advantage Brought about by Long-Term Relationships

- Provision of high added value / client satisfaction
  The accumulation of knowledge in clients’ business through Long-Term Relationships enables us to understand their needs accurately and make high-value-added proposals that are unique to us.

- Sharing knowledge with Group companies
  By sharing knowledge in business accumulated through long-term business relationships with specific clients with Group companies, we can take an approach incorporating the Group’s expertise in various industries and sectors around the world.

- Stability
  Long-Term Relationships with clients lead to stable earnings for a long period and allow us to make investments from a long-term perspective and improve the corporate value sustainably.

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 continued 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.

- 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.
Examples of Long-Term Relationships

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

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><em>Automobile registration and inspection system</em></td>
<td><em>Government accounting system</em></td>
<td><em>Social insurance online system</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Emergency medical care information system</em></td>
<td><em>Nippon Automated Cargo and Port Consolidated system</em></td>
<td><em>Japan Patent Office system</em></td>
</tr>
</tbody>
</table>

Over 35 years ago, we developed ANSER, a service that enables financial transactions, which used to be conducted over the counters of financial institutions or through ATM, at office, at home, and away from home. To meet the needs of the times, we worked with clients to add new services. Today, ANSER, a trusted and proven service, is used by over 500 financial institutions.

ANSER

- **1981** Commencement of ANSER Service
  - ANSER was born as an epoch-making joint use service that enables users to conduct financial transactions via telephone or fax without visiting a financial institution. NTT DATA designed it upon requests from financial institutions and clients who used the financial institutions.

- **1984** Commencement of CAFIS Service
  - CAFIS was born at the dawn of cashless payments as a proprietary NTT DATA joint-use service that transmitted credit data to offer increased convenience to credit card companies and member stores.

- **1986** PC Banking Service
  - Since its commencement, more major companies started to use the PC banking service.

- **2013** Illegal Transaction Detection Service
  - With the spread of e-commerce, illegal transactions via the internet became a major issue. NTT DATA began providing services that detect such illegal transactions to realize greater convenience and peace of mind when shopping online.

Systems That Were Designed by NTT DATA and Have Been Used by Many Clients for a Long Time

- **1970–** Social insurance online system
- **1977–** Japan Patent Office system
- **1978–** Nippon Automated Cargo and Port Consolidated system
- **1980–** Government accounting system
- **1981–** ANSER Service
- **1984–** CAFIS Brain
- **1986–** PC Banking Service
- **1990–** Emergency medical care information system
- **1997–** Internet Banking Service
  - Amid the spread of the internet, NTT DATA began providing the internet banking service that did not require dedicated software, unlike with the PC banking service.
- **1999–** Mobile Banking Service
  - Amid the full-scale spread of mobile phones, NTT DATA began providing the mobile banking service.
- **2002–** TOP IP Connectivity
  - CAFIS was quick to be made compatible with TCP IP protocol, the same protocol used by the internet, which was showing signs of its future spread at the time. This move made the service convenient while offering greater processing speeds coupled with reduced burden on connected entities.
- **2015–** Application Banking Service
  - Amid the growing use of digital channels, NTT DATA began providing a banking application that allows users to check the balance, etc., easily without making an internet banking contract.
- **2019–** Code Payment Services
  - As numerous code payment services appear on the market, NTT DATA began providing a solution that enables various code payment services to be processed through a single payment terminal.
- **2020–** BizHawkEye
  - NTT DATA began providing BizHawkEye, a multi-banking service for corporations that will increase the efficiency of financial and accounting operations at companies.

CAFIS, a proprietarily developed NTT DATA business, is a platform for transmitting credit card and other cashless payment credit and transaction data. This platform has been used for years since its introduction in 1984 as credit card companies, financial institutions, and member stores and even individuals have embraced this payment infrastructure for its convenience.
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 future society with its customers. This is the very embodiment of our mission statement.
Realizing a More Affluent and Harmonious Society

Resolving social issues
- Realizing a social foundation with convenience, safety, and reliability
- Creating sustainable cities and regions
- Lowering environmental burdens
- 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

Enhancing Corporate Value

Targets of Medium-Term Management Plan (FY2019–2021)

<table>
<thead>
<tr>
<th>Financial Capital</th>
<th>Non-Financial Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Net Sales</strong></td>
<td><strong>Overseas EBITA Margin</strong></td>
</tr>
<tr>
<td>¥2.5 trillion</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Consolidated Operating Income Margin</strong></td>
<td><strong>Client Base</strong></td>
</tr>
<tr>
<td>8%</td>
<td>Over 80</td>
</tr>
</tbody>
</table>

*3 Excluding temporary costs such as M&As and structural transformation
*4 Clients with annual sales of over ¥5 billion (Japan) or US$50 million (ex-Japan)

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

<table>
<thead>
<tr>
<th>Non-Financial Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human Resources and Organizational Capabilities</strong></td>
</tr>
<tr>
<td>- Unleash our employees’ potential that maximizes organizational strengths</td>
</tr>
<tr>
<td>1. Unleash employees’ potential</td>
</tr>
<tr>
<td>2. Digitize our work environment</td>
</tr>
<tr>
<td>3. Enhance our governance processes</td>
</tr>
<tr>
<td><strong>Technologies</strong></td>
</tr>
<tr>
<td>- Expand global digital offerings</td>
</tr>
<tr>
<td>1. Accelerate global marketing</td>
</tr>
<tr>
<td>2. Develop digital offerings</td>
</tr>
<tr>
<td>3. Expand Center of Excellence (CoE)</td>
</tr>
<tr>
<td><strong>Partners</strong></td>
</tr>
<tr>
<td>- Collaboration with the NTT Group through cutting-edge R&amp;D, economies of scale, etc.</td>
</tr>
<tr>
<td>- Enhance resources and solutions lineups by reinforcing partnerships with vendors</td>
</tr>
<tr>
<td><strong>NTT DATA Brand</strong></td>
</tr>
<tr>
<td>- Reputation as “Trusted Global Innovator”</td>
</tr>
<tr>
<td>- Aiming for Global Top 5 in 2025</td>
</tr>
</tbody>
</table>

Reinvestment

P34: Message from the CFO

Outcome

Shaping the future society with our clients

Annual Report 2020

15
### Management Resources That Support NTT DATA’s Growth

#### Human Resources and Organizational Capabilities

**Significance of management resources**

To capture both clients’ needs and technological trends and continue to produce innovations in the IT services industry with remarkable technological evolution, diverse and talented human resources are indispensable. Accumulated in people and the 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.

**Strengths**

- Professional human resources with advanced expertise (over 133,000 professionals in 53 countries and regions)
- High employment and training capabilities (top employer for new graduates in Japan*1; over 30,000 global employees, excellent human resources training programs)
- High-quality approach to diversity and inclusion (with a female employee rate of 29% for the entire Group; selected for Nadeshiko Brand in FY2019; and obtained the Platinum Kurumin Certification)
- Approach to sexual minorities including LGBT (won the Gold Award of PRIDE Index 2019)
- Employees’ high engagement (The rate of highly engaged employees is 71.1%*2)

**Goals**

- Unleash our employees’ potential that maximizes organizational strengths
  - Unleash employees’ potential
  - Digitize our work environment
  - Enhance our governance processes
- Expand global digital offerings
  - Accelerate global marketing
  - Develop digital offerings
  - Expand Center of Excellence (CoE)

#### Technologies

Technology is a base 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.

**Significant achievements**

- Top-class technological and project management capabilities that facilitate development and operation of mission-critical systems supporting social infrastructure
- One of the world’s best digital technology capabilities:
  - A Leader in NelsonHall NEAT report for Digital Experience Consulting Services
  - HFS Top 10: Agile Software Development, 2020
  - Selected for the DX Issue 2020
- Forecasting and discovering new technologies NTT DATA has delivered the NTT DATA Technology Foresight (trend information that predicts prospective changes initiated by technologies) for approximately 10 years.
- Research and development in collaboration with the NTT Group
  - The entire NTT Group invests approximately ¥220 billion annually in research and development, including NTT Laboratories, one of the world’s leading research institutes and NTT Research, Inc. NTT DATA can utilize its findings.

#### Partners

In order to provide optimal services to our clients, we have to widely incorporate great products and technologies from our partners across the world. Good relationships with our partners enable us to build a stable and flexible delivery system.

- We won the SAP AWARD OF EXCELLENCE for our partnership with IT companies worldwide for the fifth consecutive year. We are among AWS Partner Network (APN) Premier Tier Consulting Partners.
- We work together with Dell Technologies on several projects including OpenCanvas in Japan and healthcare and smart city projects overseas.
- We have accumulated our unique resources and know-how through the Global Open Innovation Contest that we have hosted since 2013.
- We have a number of business partners*3 (with about 49,000 people from some 160 companies).
- We collaborate with the NTT Group in research and development in advanced areas and utilize economies of scale.

**Solid human resources and organization with advanced digital technologies and expertise (2,060 CoE employees)**

#### Relevant Medium-Term Management Plan Strategies

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Unleash our employees’ potential that maximizes organizational strengths</th>
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</thead>
<tbody>
<tr>
<td>Strategy 1</td>
<td>Expand global digital offerings</td>
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<tr>
<td>Drive NTT Group collaboration</td>
<td></td>
</tr>
<tr>
<td>Strategy 3</td>
<td>Unleash our employees’ potential</td>
</tr>
</tbody>
</table>

#### Relevant 12 Material ESG Issues

<table>
<thead>
<tr>
<th>P41: 12 Material ESG Issues</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Secure and develop IT human resources</td>
</tr>
<tr>
<td>2</td>
<td>Promote diversity and inclusion</td>
</tr>
<tr>
<td>3</td>
<td>Promote workstyle reform</td>
</tr>
</tbody>
</table>

#### Efforts in FY2019

- P31: Strategy 3, Unleash our employees’ potential that maximizes organizational strengths
- P46: Human Resources
- P32: Drive NTT Group collaboration

*1 “Total ranking” of “Ranking of Popular IT Companies for Job Hunting New Graduates 2021” by Rakuten Minshu
*2 Achievement in FY2019 of One Voice, an engagement survey on the employees, including those working for overseas Group companies
*3 Our business partnership system that evaluates management status from multiple angles to certify excellent partners as Business Partner Companies
*4 Clients with annual sales of over ¥5 billion (Japan) or US$50 million (ex-Japan).
### 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.

- Long-Term Relationships with numerous clients and our deep understanding of their operations, which we have built over a long period of time by way of constructing and stably running mega-scale systems in national projects, etc., that support social infrastructure (Client base*: 74 companies)

### NTT DATA Brand

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.

- High market shares
  - Ranked second in domestic net sales in the IT services market
  - Ranked eighth in global net sales in the IT services market
- Achievements we have made over a long period of time by constructing and stably running mega-scale systems in national projects, etc., that support social infrastructure.

### Finance

Besides creating cash to invest in businesses required for profitable global growth, the maintenance of a sound financial base is an important issue to stably operate information infrastructures that support society, finance, and economy.

- Robust financial base (ratings: AA (R&I); AA+ (JCR))
- Abilities to create cash that enable investment required for growth
  (A consolidated free cash flow of ¥22.8 billion)

### Strategy 1: Expand global digital offerings

<table>
<thead>
<tr>
<th>Strategy 1</th>
<th>Expand global digital offerings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy 2</td>
<td>Deliver greater value to clients based on regional needs</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Strategy 1</th>
<th>Expand global digital offerings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy 2</td>
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</tr>
</tbody>
</table>

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

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*5 Source: Gartner, “Market Share: IT Services, Worldwide 2019, Dean Blackmore et al., 13 April 2020.”

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*6 Excluding temporary costs such as M&As and structural transformation
Financial / Non-Financial Highlights

Order Backlog / Net Sales
Both new orders received and net sales have grown steadily due to the robust domestic business and expansion of scale in the overseas business. As a result, net sales has grown for 31 consecutive fiscal years. Order backlogs also increased due to strong orders and remained at a high level.

Operating Income / Operating Income Margin
Operating income fell due to growth investments and structural transformation which were scheduled at the beginning of the term as well as review of businesses with low profitability overseas and others.

Overseas Net Sales*1 / Overseas EBITA Margin*1,2
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 yen appreciation in foreign exchange. The overseas EBITA margin declined due mainly 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.

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

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

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

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

Return on Invested Capital (ROIC)*3, 4 / Return on Equity (ROE)*5
ROIC and ROE both dropped due to a decrease in operating income and net income attributable to shareholders of NTT DATA.

Return on equity (ROE)
ROIC and ROE both dropped due to a decrease in operating income and net income attributable to shareholders of NTT DATA.

5-Year Average Consolidated Cash Flow Dividend Payout Ratio*3, 4 / Annual Dividends per Share*6
NTT DATA’s basic policy is to pay stable dividends focusing on maintaining the consolidated cash flow dividend payout ratio over the medium to long term. For the annual dividends per share for FY2019, we increased the ordinary dividends by ¥1.

Total Shareholder Return (TSR)
The rate of return for holding our company’s share for the most recent 5 years is 107%, which is slightly higher than TOPIX (with dividend).

*1 Net sales to clients outside the NTT DATA Group. The figures for the periods until FY2016 are those for the former Global Segment, and from FY2017 and later, are the total of North America/EMEA & LATAM Segments and China & APAC.
*2 EBITA (JGAAP) = operating income (JGAAP) + amortization of goodwill and intangible assets subject to purchase price allocation (PPA) arising from acquisition and others
EBITA (IFRS) = operating income (IFRS) + amortization of intangible assets subject to PPA arising from acquisition and others
*3 ROIC = (operating income × (1 – effective tax rate)) / (average net assets during the period + average interest-bearing liabilities during the period)
*4 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.
*5 ROE = net income attributable to shareholders of NTT DATA / average equity during the period.
*6 In October 2013, a 100-for-1 stock split of common shares was conducted and the unit share system was adopted. Dividend per share is recorded with an amount considering this stock split. In July 2017, a 5-for-1 stock split of common shares was conducted. Dividend per share is recorded with an amount considering this stock split.
*7 Total dividends / (net income attributable to shareholders of NTT DATA + depreciation expense + loss on retirement of fixed assets – capital investment). In FY2019, this was calculated excluding lease amortization expense (¥38.3 billion in FY2019).
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.

The number of female managers and the ratio of female new graduates hired are on an increase in recent years.

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

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

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.

The number of employees increased significantly in the past 10 years mainly due to expansion of scale of business including M&As. Especially in FY2016, the number of overseas employees increased significantly due to the acquisition of the former Dell Services.

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

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.

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Risks</th>
<th>Actions</th>
</tr>
</thead>
</table>
| **Technology innovations**                                                   | Risk that a delay in response to unexpected disruptive technology innovations could reduce competitiveness in markets and brand value | Medium-Term Management Plan  
Strategy 1 Expand global digital offerings  
Strategy 2 Deliver greater value to clients based on regional needs  
Drive NTT Group collaboration  
Enhanced Response to Individual Management Issues  
(Enhancement of Efforts to Curtail Unprofitable Projects) |
| **System development**                                                       | Risk that a project could become unprofitable                        |                                                                          |
| **System operation**                                                         | Risk that a failure is caused on a system in operation               |                                                                        |
| **Investments / M&A**                                                        | Risk that expected returns would not be realized                     | M&A Strategy  
Message from CFO (Investment Management) |
| **Large-scale disasters, serious outbreak of an infectious disease, etc.** | Risk that providing services would become more difficult when a huge earthquake, climate change, other large-scale natural disasters, and serious outbreak of an infectious disease, etc. | NTT DATA’s Response to COVID-19  
NTT DATA’s ESG Management; Disaster Risk |
| **Changes in economic situations, societies, and systems**                  | Risk that 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, politic and economic situations in various countries, and climate change | Medium-Term Management Plan  
Strategy 2 Deliver greater value to clients based on regional needs  
NTT DATA’s ESG Management; Environment |
| **Securing human resources**                                                 | Risk that providing services would become more difficult if excellent human resources are not secured or fostered | NTT DATA’s ESG Management; Human Resources  
Medium-Term Management Plan  
Strategy 3 Unleash our employees’ potential that maximizes organizational strengths  
NTT DATA’s ESG Management; Protection of Minority Shareholders |
| **Influence of parent companies**                                            | Risk that NTT would take actions that might be best for itself but not necessarily beneficial to other shareholders | Drive NTT Group collaboration  
NTT DATA’s ESG Management; Corporate Governance (Protection of Minority Shareholders) |
| **Information security**                                                     | Risk that a security incident would occur as a result of a cyberattack | NTT DATA’s ESG Management; Security |
| **Compliance**                                                              | Risk of compliance violation in Japan and overseas countries         | NTT DATA’s ESG Management; Compliance  
NTT DATA’s ESG Management; Corporate Governance (Group Governance; Internal control / risk management) |
| **Intellectual property**                                                    | Risk of being unable to provide certain services due to a failure to obtain a necessary license, etc. | Medium-Term Management Plan  
Strategy 1 Expand global digital offerings  
Establishment of an organization responsible for the promotion of intellectual property-related activities |
| **Increased competition**                                                    | Risk of being claimed for damages from violating other parties’ intellectual properties |                                                                        |
| **Foreign exchange fluctuations**                                            | Risk of foreign exchange fluctuations                                | Measures including closing foreign exchange contracts  
(Enhancement of Efforts to Curtail Unprofitable Projects) |

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.
NTT DATA’s Response to 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 segment, 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.

Impact on NTT DATA’s Business

Although the outbreak of COVID-19 inside and outside Japan still does not allow optimism, we expect that most of the economic and corporate activities will recover gradually from the second half and onward as the government repeatedly issues and lifts lockdowns and stay-at-home requests in specific limited areas, based on the fact that countries around the world reopened economic activities.

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, downsizing, 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 markets both in Japan and abroad, since those businesses are likely to reduce IT spend.

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.
• 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.

For business impacts on each segment, please see P74.

Forecasted net sales in FY2020

(Billions of yen)

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2020 (Forecast)</th>
<th>YoY 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>505.0</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>

Figure showing sources of net sales

- Net sales from businesses related to new services, consulting, and T&M
- Net sales from continuous investments in significant IT systems
- Net sales from traffic systems
- Net sales from the order backlog
NTT DATA's Vision for a New Society and Efforts to Realize It

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.

### NTT DATA INSTITUTE OF MANAGEMENT CONSULTING

released the “Recommendations for the Digital Society to Fight the Disaster of COVID-19” as the first step toward the creation of a new society.

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 where we coexist 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 evolve online into a “New Reality” that demonstrates exactly the same value as real human activity.

NTT DATA INSTITUTE OF MANAGEMENT CONSULTING proposes an early realization of a society in which people have a clear understanding of both real as a “living human activity” and “new realities” of online and use them freely according to their purposes, so-called “online first society.”

The business model of globalization continued to generate widespread, rapid, and frequent human mobility, and the unipolar concentration of resources in cities resulted in a dense and efficient society. 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 at 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.

For details, please refer to the website of NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, [https://www.nttdata-strategy.com/newsrelease/200722.html](https://www.nttdata-strategy.com/newsrelease/200722.html) (in Japanese only)

### 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

everis Group, one of NTT DATA’s subsidiaries, developed “ehCOS Remote Health,” a cloud-based telemedicine solution for medical institutions in April 2020 and provides it in Europe and South America. This solution enables diagnoses and recommendations related to COVID-19 by collecting information on symptoms and other healthcare information input by patients. Patients 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.

### Accelerating Social Contribution through Business: Example of Our Efforts

<table>
<thead>
<tr>
<th>Real as a “living human activity”</th>
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<tbody>
<tr>
<td>“New Realities” of online</td>
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<table>
<thead>
<tr>
<th>NTT DATA</th>
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<tbody>
<tr>
<td>New society</td>
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<tr>
<td>New nation</td>
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<tr>
<td>Solving issues through business</td>
</tr>
<tr>
<td>New life</td>
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<tr>
<td>Consumer behavior</td>
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<tr>
<td>New industry</td>
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<td>Corporate structure</td>
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<table>
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<tr>
<th>Self innovation</th>
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<tr>
<td>Diverse ways of working</td>
</tr>
<tr>
<td>Advanced business processes</td>
</tr>
<tr>
<td>Safe and secure workplace environment</td>
</tr>
</tbody>
</table>

#### COVID-19 dedicated function

- COVID-19 specific self-triage feature
- COVID-19 specific monitoring capabilities
- Chatbot function for patients
- COVID-19 data analysis for healthcare and government

#### Timely diagnosis and care

- Provide timely diagnosis and treatment by self-triage, videoconference, and chat

#### Continuous multichannel care

- Health management of positive and negative patients
- Communication channels to medical centers and professionals

#### Data collection and analysis

- Analyze the clinical evolution and the resilience of patients
- The elaboration of epidemiological clusters
Accelerating Social Contribution through Business: Example of Our Efforts 2

Save work and advance non-face-to-face customer service by using AI and avatars
Create a new store experience in a society coexisting with COVID-19

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 ultraviolet (UV) 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 service customers in person.

In addition, we successfully collected data regarding customers’ gender and age, data from which we assume how they felt, and dialogue data 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

Accelerating Social Contribution through Business: Example of Our Efforts 3

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,” an AI-OCR service to digitalize paper-based documents, and “WinActor*2,” 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 text data, and RPA assisted them in inputting text and 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 domestically developed RPA solution based on a technology developed by NTT Advanced Technology Corporation for commercial use in 2013. Since it was made available, approximately 5,000 companies and local governments have introduced it.

Annual Report 2020
**Changes in the Growth Strategy and Positioning of the Medium-Term Management Plan**

### Management Targets

**Net Sales**
- Over ¥1.5 trillion
- **Achieved**

**EPS**
- ¥200
- **Achieved**

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

**Expansion, enhancement, and reinforcement of global business**
- We achieved an overseas sales ratio of more than 30%, and overseas sales exceeded ¥500.0 billion.

**Pursuit of overall optimization**
- By introducing shared service centers, we reduced management expenses by more than ¥10.0 billion compared with FY2011.

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

### Strategy Overview and Major Achievements

- **Increased Global Coverage**
- **Overseas sales ratio 30%**

- **Recognized Global Brand**
- **Overseas sales ratio Approx. 50%**

#### Global 1st Stage (FY2012–2015)

#### Global 2nd Stage (FY2016–2018)

### Issues

**Prevent unprofitable projects**
- The Company has introduced a variety of measures to curtail unprofitable projects, including the establishment of the Project Review Committee in FY2013. However, we recognize the need for further curtailment efforts, as a large amount of loss from unprofitable projects occurred in FY2015.

**Prevent unprofitable projects**
- With the exception of a specific project, we succeeded in reducing the number below our target level*7 through such methods as establishing the Project Review Committee. Due in particular to increasingly complex technologies, we need to further step up curtailment efforts.

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

*7 0.3%–0.5% of consolidated net sales

### Changes in the Medium-Term Management Plan

#### Two Previous Medium-Term Management Plans

**Evolving into a corporate group that can efficiently provide diverse IT services worldwide**

#### Previous Medium-Term Management Plan

**NTT DATA : ASCEND**

**Rise and grow our global brand**

### Changes in the Growth Strategy and Positioning of the Medium-Term Management Plan

#### Net Sales
- Over ¥2 trillion
- **Achieved**

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

*1 Compared to FY2015 (adjusted item: incremental investment in new areas)

### Strategy Overview and Major Achievements

- **Strengthen local presence**
  - In the IT services market, we increased our presence in 8 of 10 countries.

- **Game-changing approach**
  - We built a stronger client base and established a stable business foundation (client base*6: 70 companies).

- **Breakthrough technology**
  - We reduced costs through standardization, automation, and other production technology innovations, and formed globally consistent R&D facilities to support client digitalization initiatives.

*6 Clients with annual sales of over ¥5 billion (Japan) or US$50 million (ex-Japan)
Global 3rd Stage

Reputation as Trusted Brand

FY2019–2021

Medium-Term Management Plan

—Midpoint to Global 3rd Stage—

Pursuing profitable global growth with consistent belief and courage to change

Maximize Value for Clients

COURAGE TO CHANGE

Transformation & Synergy

Strategy 1

Expand global digital offerings

Strategy 2

Deliver greater value to clients based on regional needs

Drive NTT Group collaboration

Strategy 3

Unleash our employees’ potential that maximizes organizational strengths

Shape the Future Society with Our Clients

CONSISTENT BELIEF

2025

Japan & APAC

North America

EMEA & LATAM

Trusted Global Innovator

Aiming to become a company trusted by clients worldwide with

Global Top 5 status

Client base* more than 100 companies

Rank in Top 10 in major countries

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

Net Sales

Client Base**

Operating Income Margin***

Overseas EBIT**

Over 80 companies

¥2.5 trillion

Over 100 companies

8%

7%

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

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

 valuation

Financials and Others

Management Strategies

Message from the CEO

Value Creation by NTT DATA

Business Strategies by Segment

ESG Management

Financials and Others
—Midpoint to Global 3rd Stage—
Pursuing profitable global growth with consistent belief and courage to change

• Medium-term management plan positioned as an 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>
<thead>
<tr>
<th>Profitable Global Growth: FY2021 Business Goals</th>
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<tbody>
<tr>
<td>Growth</td>
</tr>
<tr>
<td>Net Sales</td>
</tr>
</tbody>
</table>

*1 Clients with annual sales of over ¥5 billion (Japan) or US$50 million (ex-Japan)
*2 Excluding temporary costs such as M&As and structural transformation

Maximize Value for Our Clients

Transformation & Synergy

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

Drive NTT Group collaboration

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

To this end, 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 maximizes organizational strengths.

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

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

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

Shape the Future Society with Our Clients

Constant increase in corporate value

SUSTAINABLE DEVELOPMENT GOALS

Clients

Contributions to society through business

Value creation based on Long-Term Relationships

NTT DATA

Four Strategies for Maximizing Value for Our Clients

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

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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 maximizes organizational strengths.

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

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.

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

We will unleash our employees’ potential that maximizes organizational strengths to support Strategy 1 and Strategy 2.

Medium-Term Management Plan (FY2019 –)

- FY2018

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

Strategy 1: Expand global digital offerings

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

P40: NTT DATA’s ESG Management
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 CoE.

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.
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

Overseas remittance
International money transfer platform

Interbank payment
ABI Spunta Project

Trade finance
Trade platform
TradeWaltz
Develop Digital Offers

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.

Future Projections

Market trends
- Technology trends

Areas of Strength

Market shares by industry
- Major customers / business models
- Focus technology fields

9 Strategy Fields

- Data & Intelligence
  - AI, machine learning, other technologies
- Intelligent Automation
  - RPA, robotics, other technologies
- Customer Experience
  - Digital design, VR / AR, other technologies
- Internet of Things
  - Sensing technology, edge computing, other technologies
- IT Optimization
  - Agile / DevOps, legacy modernization, other technologies
- Cybersecurity
  - Blockchain, advanced cyber threat detection, other technologies

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 store 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 designs focused on customer experience and digital technologies, 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 CAFIS 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 boasting 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.

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.

Entry

- Facial recognition upon entering store
- Entry by displaying QR code via dedicated smartphone app

Shopping

- Selected items added automatically to online shopping cart
- Dynamic pricing linked to store inventories used
- Returned items automatically deleted from online shopping cart

Payment / Exit

- No need for payment, just leave
- Receipt sent to smartphone within seconds

Note: The Catch&Go service was launched in September 2019, and we have been gradually adding functions and revising the service since.
In addition to providing the digital offerings we have created through Strategy 1, “Expand global digital offerings,” we will further enhance the value we provide to clients by continuing to utilize the 4D Value Cycle (a value offering model shared throughout NTT DATA), taking into account market characteristics that differ by region and leveraging the Company’s strengths.

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

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

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

Value Offering Model

Trusted

Discover

Forecasting

New technologies

Design

Strategic planning

Develop

Business reforms

Drive

4D Value Cycle

Regional Strategies

Japan
Leverage strengths in existing areas to create new value

China & APAC
Capitalize on market growth to dramatically expand business

North America
Expand our focused service portfolio and secure high-potential customers

EMEA & LATAM
Enhance value for clients through unification

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

- Enhance digital capabilities
  With a view to the Global 3rd Stage, we aim for all employees to develop the ability to leverage digital capabilities. We will tailor our measures 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 anyone in the Company can use for quick access to necessary information and employees.

- Transform the system development process through next-generation production technology
  To bolster productivity further, we are encouraging further concentration toward the integrated development cloud, a system development environment, and expanding the scope of applicability for the automation of software development.

Enhance Our Governance Processes

- Enhance risk management
  With a view toward sustainable growth, we will reinforce our overall risk management system globally.

- Advance project management
  We aim to curtail unprofitable projects through initiatives such as strengthening our early response to risks, further enhancing on-site capabilities, and bolstering 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 ¥220.0 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.* The 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.

* FY2019

** This on-site verification is part of a FY2019 project, Research on Smart City Model for Solving Social Problems in Malaysia, of the Ministry of Internal Affairs and Communications.
Enhanced Response to Individual Management Issues

Enhancement of Efforts to Curb 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 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.

* Total losses from unprofitable projects in FY2019: ¥10.3 billion (0.45% of consolidated net sales)

Tasks for Restraining Unprofitable Projects

Further control for complex projects

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

Moving the third-party check forward

Status of Initiatives for Addressing Issues

Strengthen on-site capabilities
Optimal allocation of project managers according to project complexity and characteristics

Enhance management process
Review of standards for accepting projects that have a tendency to present issues Early-stage, companywide support for projects that are expected to generate additional losses

Further accumulation and leveraging of knowledge
Accumulation and increased utilization of knowledge such as companywide utilization of expertise and know-how on projects that were unprofitable in the past and highly complicated projects

Improvement of Profitability of Overseas Businesses

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

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

Improvement of productivity in existing businesses Selection and concentration of offerings and services Expansion of operations in high-value-added consulting and digital fields Strengthening of solutions and technologies

Tasks for Improving Profitability

North America Segment
Enhancing and Reskilling Digital Talent Simplifying & Optimizing Operations Consolidating Offices and Data Centers

EMEA & LATAM Segment
Reshaping / Reskilling Digital Talent Strengthen Vertical Digital Skills Human Resource Optimization (Early Retirement Program) Review Businesses with Low Profitability

Status of Initiatives for Addressing Issues: Structural Transformations

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

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

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 others requiring 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.
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 Segment 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.

**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.

**Maintaining a Sound Financial Base**

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 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&A 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 backup funds in case the environment deteriorates due to the COVID-19 pandemic or other factors.

<table>
<thead>
<tr>
<th>D/E Ratio (Times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>JGAAP 0.63 0.58 0.61 0.58 0.55 0.81 0.71 0.65 0.64</td>
</tr>
<tr>
<td>IFRS 0.71 0.65 0.64</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)
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), earnout (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 companywide 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.

*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)

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*5, 6 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*5, 6 equation) through the achievement of growth that accompanies quality, rather than by decreasing invested capital (the denominator in the ROIC*5, 6 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.

*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
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 companies that share the same values and have affinity with the Group.

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

Time of acquisition

Business performance

Acquisition price

Earnout
Paid additionally in the event that the company to be acquired meets business performance targets after the acquisition

Initial payment amount
Paid at the time of acquisition

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

United States
- IBM Software Group
  2005
- Keane
  2010
- Sybes
  2013
- Cohn & Cohn
  2015
- The former Dell Services
  2016
- Cognosante Consulting, LLC
  2019

Germany
- itelligence
  2008
- cirquent
  2008

Italy
- VALUE TEAM
  2011

Spain / LATAM
- everis
  2014
NTT DATA, in conducting M&A activities, considers it important that top management including the CEO share the same values and have affinity with the Group.

Retaining top management of acquired companies for a certain period of time at the NTT DATA Group helps enhance competitiveness as one group.

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.

Strengthen Local Presence

Flag sizes approximately represent our scale of sales.

Indicates countries where our presence increased from FY2018 to FY2019**

*1 Graphs / charts are created by NTT DATA based on Gartner Research. Source: Gartner “Market Share: IT Services, Worldwide 2019,” Duan Blackmore et al., 13 April 2020.
*2 The Gartner Report(s) described herein (the “Gartner Report(s)”) represent(s) opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. “Gartner®”, (registered trademark of Gartner, Inc. and/or its affiliates in the U.S. and other countries.) and are not representations of fact. Each Gartner Report speaks as of its original publication date and not as of the date of this Prospectus and the opinions expressed in the Gartner Report(s) are subject to change without notice.
*3 Countries where our market share ranking increased or, if our ranking remained the same, where sales increased

** Countries where our market share ranking decreased or, if our ranking remained the same, where sales decreased
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 sustainably increasing our corporate value.

**NTT DATA’s ESG Management**

Although we promote ESG management from both business and corporate activities, we specifically focus on social contribution and enhanced corporate value through business.

- We established 12 Material ESG Issues after discussions at the Board of Directors’ meeting in FY2019.
- In FY2020, we set KPIs for the 12 Material ESG Issues.

**Points**

**Contribution to society through business and corporate activities**

Constant increase in corporate value

- Using know-how we have cultivated through our corporate activities in business, we will also resolve issues faced by our clients and society through business and increase corporate value.

- By resolving each of our material ESG issues and making use of know-how we have cultivated through our corporate activities in business, we will also resolve issues faced by our clients and society through business and increase corporate value.

**Concepts of ESG Management**

- ** Contributing to society and increasing corporate value through “business”**
  Resolve social issues with our clients and enhance our corporate value through our services and solutions

- **Contributing to society and increasing corporate value through “corporate activities”**

**Reinforce corporate governance**

Aiming for more effective corporate governance, we are working on the reinforcement of our governance system and a more effective Board of Directors. We thereby promote the creation of an ESG management base in the NTT DATA Group as a whole, including overseas Group companies.
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, the employee 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.

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set issues</td>
<td>Select issues</td>
<td>Determine issues</td>
</tr>
<tr>
<td>NTT DATA Technology Foresight 2019 (important issues that will change the world) as social issues.</td>
<td>Consider materiality from the following two axes: “social significance” and “corporate significance.” Select issues relevant to us, and prioritize them.</td>
<td>The Board of Directors composed of our key decision-makers judges and determines the adequacy of the identified material issues.</td>
</tr>
</tbody>
</table>

12 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 to realize 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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Material ESG Issues</th>
<th>KPIs (FY2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business (Innovation)</td>
<td>Offer social infrastructure and business category-specific solutions based on advanced technologies</td>
<td>• 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</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Build and ensure stable management / operation of IT infrastructure</td>
<td>• The number of digital human resources • The number of mid-career hires • Improvement of the human resources system • The ratio of career interviews conducted • The number of digital training programs (that thematize advanced technologies) offered • The number of hours spent on self-innovation</td>
</tr>
<tr>
<td>Security</td>
<td>Promote diversity and inclusion</td>
<td>• The number of measures taken, contributing to “active participation of diverse human resources” • Increase in the number of female executives and managers • Improved scores of One Voice (the employee engagement survey)</td>
</tr>
<tr>
<td>Environment</td>
<td>Secure and develop IT human resources</td>
<td>• The number of measures taken, contributing to “active participation of diverse human resources” • Increase in the number of female executives and managers • Improved scores of One Voice (the employee engagement survey)</td>
</tr>
<tr>
<td>Community</td>
<td>Build and ensure stable management / operation of IT infrastructure</td>
<td>• The number of measures taken, contributing to “active participation of diverse human resources” • Increase in the number of female executives and managers • Improved scores of One Voice (the employee engagement survey)</td>
</tr>
<tr>
<td>Disaster Risk</td>
<td>Promote workstyle reform</td>
<td>• The number of proposed projects and new orders received that contribute to the clients’ workstyle reform • The number of measures taken for workstyle reform and improved organizational capabilities • The ratio of Digital Work Place utilization</td>
</tr>
<tr>
<td>Compliance</td>
<td>Ensure information security</td>
<td>• The number of new orders received that contribute to clients’ reinforced security • The number of secure public cloud services provided • The number of measures for enhanced internal security level</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>Protect data privacy</td>
<td>• The number of new orders received that contribute to clients’ reinforced security • The number of secure public cloud services provided • The number of measures for enhanced internal security level</td>
</tr>
<tr>
<td>Environment</td>
<td>Respond to climate change</td>
<td>• The number of measures taken, contributing to resolving the clients’ environmental issues • Efforts to reduce greenhouse gas emissions based on SBT<em>1 and approach to TCFD</em>2 recommendations</td>
</tr>
<tr>
<td>Community</td>
<td>Promote IT education</td>
<td>• The number of contributory activities through IT education opportunities created and realized in local communities • Creation of IT opportunities for primary education through NTT DATA Academia (the total number of participants and the number of sessions held)</td>
</tr>
<tr>
<td>Disaster Risk</td>
<td>Respond to disaster risk</td>
<td>• The number of new orders received for business continuity plan (BCP)-related solutions • Upgrading the business continuity plan (BCP) to mitigate disaster risk</td>
</tr>
<tr>
<td>Compliance</td>
<td>Ensure compliance</td>
<td>• The number of new orders received contributing to resolving the clients’ environmental issues • Efforts to reduce greenhouse gas emissions based on SBT<em>1 and approach to TCFD</em>2 recommendations</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>Promote responsible supply chain</td>
<td>• Expanded procurement coverage from partners who give a pledge on the NTT DATA Guidelines for CSR in Supply Chain • The recognition level of the social contribution policy among employees</td>
</tr>
</tbody>
</table>

*1 SBT (Science-Based Targets): Corporate targets for reducing the effect of greenhouse gas emissions in compliance with the Paris Agreement.
*2 TCFD: Task Force on Climate-related Financial Disclosures.
We manage all ESG activities under the supervision of the Senior Executive Vice President and Representative Director and Senior Vice Presidents. By implementing the following plan–do–check–act (PDCA) cycle, we promote ESG management.

### Promotion of ESG Management

#### Plan

- **Determine approaches and KPIs**
  - Create a companywide 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 to employees

#### Act

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

#### Check

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

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

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

- **Create a companywide policy (Corporate)**
  - Consider the entire NTT DATA Group’s ESG management philosophy, policy, and management evaluation rules

- **Create a policy and targets (Business sectors and units)**
  - In light of the companywide policy, social issues beyond clients, and the organization's strategies, create a social contribution policy and targets

- **Check and approve (Corporate)**
  - Policies and targets established by business sectors are checked in terms of “consistency with strategies,” “adequacy of indices,” and “adequacy of targets” and approved by the Senior Executive Vice President and Representative Director.

#### The percentage of organizations that have set KPIs for social contribution and enhancement of corporate values through business*

*The percentage of profit-center organizations such as business sectors

- 87%

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### 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.

- **Messages from the CEO and top management**
  - Top management or heads of organizations communicate policies and case studies at internal events such as the commencement of a business plan
  - Internally communicate excellent case studies that contribute to society through business

- **Messages from each organization**
  - Each organization creates an ESG management-conscious social contribution policy in light of business strategies to take measures for spreading it at the organization’s events

- **Check the recognition level among employees**
  - Check the recognition level among employees in the form of a questionnaire
  - (A certain level of the organizational policy’s recognition among employees is regarded as a management evaluation index)
KPI Case Studies on “Social Contribution and Enhanced Corporate Value through Business” Set by Business Sectors

Social Infrastructure Solution Sector

KPI Measure

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

<table>
<thead>
<tr>
<th>Relevant Material ESG Issues</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Offer social infrastructure and business category-specific solutions based on advanced technologies</td>
<td></td>
</tr>
<tr>
<td>5 Promote workstyle reform</td>
<td></td>
</tr>
<tr>
<td>8 Respond to climate change</td>
<td></td>
</tr>
</tbody>
</table>

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

KPI Measure

Promoted stable operation of CAFIS services

<table>
<thead>
<tr>
<th>Relevant Material ESG Issues</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Build and ensure stable management / operation of IT infrastructure</td>
<td></td>
</tr>
</tbody>
</table>

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 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.

### Material ESG Issues

<table>
<thead>
<tr>
<th>Overview</th>
<th>P41: 12 Material ESG Issues</th>
</tr>
</thead>
</table>

**1.** Offer social infrastructure and business category-specific solutions based on advanced technologies

**2.** Build and ensure stable management / operation of IT infrastructure

### 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 earthquakes, 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 tax and various regulations, political and economic trends in different countries, and climate change

### 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 earthquakes, climate change, and other large-scale natural disasters as well as occurrence of serious infectious diseases
- Risk of decreased business opportunities due to various factors and changes including social infrastructures such as electricity and communication, legal systems such as tax 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 operation and maintenance processes
- The rate of systems in operation

### Relevant Management Resources

#### Strategy 1

**Expand global digital offerings**

#### Strategy 2

**Deliver greater value to clients based on regional needs**

### Social Values Provided

- Contribute to the resolution of clients’ issues and social issues that goes 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
Example of NTT DATA Group’s Contributions in Resolving Social Issues Using IT

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

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

Catch & Go cash register-free digital store opening service

Providing smart city solutions in the city of Las Vegas

Solutions for workstyle innovations utilizing digital technology
- BizXaaS Office
- WinActor / WinDirector

Security solution CAFIS Brain

Contributing to sustainably securing and supplying clean water with “origAMI” in Italy

Contribution of Mitaka Data Center EAST, a center with state-of-the-art equipment, in reducing environmental impact

Annual Report 2020
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 “unleashing our employees’ potential that maximizes 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 workstyle 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 workstyle innovations, and to continuously enhance corporate value.

### Material ESG Issues

<table>
<thead>
<tr>
<th>ESG Issues</th>
<th>P31: 12 Material ESG Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3.</strong> Secure and develop IT human resources</td>
<td></td>
</tr>
<tr>
<td><strong>4.</strong> Promote diversity and inclusion</td>
<td></td>
</tr>
<tr>
<td><strong>5.</strong> Promote workstyle reform</td>
<td></td>
</tr>
</tbody>
</table>

### Social Values Provided

- **Contributing to society through corporate activities**
  - Recruit and train diverse and excellent IT human resources who, in turn, will provide high-value-added IT services to contribute to resolving various clients’ issues as well as social issues.

- **Contributing to society through business**
  - Taking advantage of the know-how that we have cultivated through our efforts to train IT human resources and innovate workstyles, we help clients to train IT human resources or innovate workstyles, thereby contributing to resolving clients’ issues as well as social issues.

### 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 workstyle innovations

### 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 workstyle 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

### KPIs (FY2020)

- **Contributing to society through corporate activities**
  - Secure and develop IT human resources
    - The number of digital human resources
    - The number of mid-career hires
    - Improvement of the human resources system
  - The ratio of career interviews conducted
  - The number of digital training programs that themeatize advanced technologies
  - The number of hours spent on self-innovation

- **Promote diversity and inclusion**
  - The number of measures taken, contributing to “active participation of diverse human resources”
  - Increase in the number of female executives and managers
  - Improved scores of One Voice (the employee engagement survey)

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

### Relevant Medium-Term Management Plan Strategy

- **Strategy 3** Unleash our employees’ potential that maximizes organizational strengths
Recruit Diverse Human Resources

Achievements in Global Recruitment
- Over 30,000 hires groupwide 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 by 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

* EVP: Values, as conceived by the Company, that our employees acquire by working for us

NTT DATA’s Non-Consolidated Achievements in Recruiting

Overall rankings in recruitment of new graduates by Rakuten Minshu
No. 1

Mid-career hires 96 (FY2018)
199 (FY2019)

- 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).

Retain Diverse Human Resources

Global
NTT DATA believes that human resources are its valuable asset. Particularly in overseas markets with higher labor mobility, we are actively working to make human resources acquired through mid-career recruitment or M&As settle early and retain employees.

We hold on-boarding sessions as appropriate in various places for mid-career hires. We also provide diverse opportunities where all employees can interact with one another on equal footing across the world beyond the border of a single organization through our efforts, including Values Week workshops and NTT DATA Awards.

With regard to M&A, the top management ensures that they visit major offices to hold town hall meetings to resolve employees’ anxiety at an early stage, thus promoting the creation of a better workplace.

In a recent social environment with an uncertain future, we conducted mental checks and provided online training and consultation as appropriate to encourage our employees.

NTT DATA (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 up 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 in advanced technology areas.

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.
Employee Skills Development

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 / Relearning 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-innovation time that allows employees to strengthen their skills and share knowledge with other organizations as part of their working hours, targeting continuous improvement / relearning of their skills. In FY2020, we are working to enhance its quality and create groupwide collaboration.

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

<table>
<thead>
<tr>
<th>IT Vendors</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Human resources that utilize digital technology</td>
<td>Create new value through knowledge of business and utilization of digital technologies</td>
</tr>
<tr>
<td>2 Digital specialists</td>
<td>Design and develop digitally enabled services with high expertise on digital technology</td>
</tr>
<tr>
<td>3 Core digital human resources</td>
<td>Lead R&amp;D in advanced digital technologies</td>
</tr>
</tbody>
</table>

1 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.)

2 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.

3 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.

- Githohon Academy
  Enlisting trainees companywide, the academy educates next-generation top engineers who are directly taught by top engineers that 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 and out of 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.

Human Resource Types at NTT DATA

| System development and operation | Project Managers |
| Technology | Application Specialists |
| IT Service Specialists | IT Architects |
| IT Specialists | R&D Specialists |
| Data Scientists | Added in FY2019 |
| Sales | Clients Sales |
| Solution Sales | Consultants |
| Business Developers | Added in FY2019 |
| Staff | |

80 hours (FY2019)
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 826 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 response capabilities for young and mid-level employees (accepting 200 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
Accelerating Promotion of Diversity Worldwide
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.

Our General Employer Action Plan (Published in March 2016)

<table>
<thead>
<tr>
<th>Goal</th>
<th>Description</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal 1</td>
<td>Continuously aim to achieve a female employment rate of over 30% by the end of FY2020</td>
<td>Achieved. We have achieved this goal with over 30% continuously since FY2016. A female recruitment rate of 34.4% in April 2020.</td>
</tr>
<tr>
<td>Goal 2</td>
<td>Achieve average 1,890 hours / year of total working hours per employee by the end of 2018</td>
<td>Achieved. We achieved the goal with 1,890.6 hours in FY2018. 1,876 hours in FY2019</td>
</tr>
<tr>
<td>Goal 3</td>
<td>Aim to have over 200 female managers by the end of FY2020</td>
<td>Achieved. We achieved the goal with 200 as of April 1, 2020.</td>
</tr>
<tr>
<td>Goal 4</td>
<td>Aim to have over 10 female executives (officers and heads of organizations) by the end of FY2020</td>
<td>Achieved. We achieved the goal with 12 executives as of July 1, 2020.</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.

Goals for Promoting Active Participation of Women

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.
NTT DATA's ESG Management

Workstyle Innovations

Workstyle Innovations Utilizing Digital Technology
We not only promote employees' diverse workstyles but also improve their productivity through workstyle innovations utilizing digital technology.

We take advantage of our know-how on workstyle innovations that we have cultivated through internal initiatives to propose solutions that support clients' workstyle reform, including provision of BizXaas Office to clients or promoting extended application of integrated development cloud to clients' commercial environments.

• 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 in and out of Japan).

We have a system and internal infrastructure environment in place so that all employees can utilize telework. Under the recent state of emergency amid the spread of COVID-19, over 80% of our employees worked at home or mainly worked at home*1, and we were able to reduce office work rate to 20% or less. While working at home, our employees realized business continuation at an almost similar level to ordinary times.

*1 From April 2020 to June 30, 2020, we periodically conducted a questionnaire survey on workstyles and health conditions for all employees on a weekly basis to timely capture the situation.

• 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 Know-how and 9,700 employees Know-who content globally, which has proven effective in numerous proposal activities.

Extended White 500 Certification to the Entire Group
NTT DATA and its Group companies in Japan are working on health management. As a result, NTT DATA and six Group companies have acquired White 500 certification, a program that awards companies with excellent health management or initiatives that address local health issues, jointly hosted by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

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.
As COVID-19 has recently been widespread, remote work has become an indispensable means for continuing business and social and economic activities. We have been providing solutions that contribute to workstyle innovations, such as eliminating long working hours, responding to shortage of system engineers, and creating new values and innovations within a limited time frame. We will contribute to our clients’ workstyle innovations by providing advanced solutions utilizing digital technology.

### Case Studies 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 an 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 reform, 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 resolving 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).

---

**Before implementation**

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

**After implementation**

| 24-hour operation  
| No fatigue and errors  
| Work performed via centralized processing |
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 be exceptionally careful 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.

### Material ESG Issues

| 6 | Ensure information security |
| 7 | Protect data privacy |

### Social Values Provided

- Contributing to society through corporate activities
  - Fulfillment of obligations to clients and society as a service provider through implementation of comprehensive internal security measures as a leading company in terms of security

- Contributing to society through business
  - Contribution to the resolution of clients’ and social security issues through provision of highly secure systems and security solutions

### Opportunities

- Expansion of business opportunities as clients position security as investments in risk management or for digital technology-driven growth
- Increased business opportunities related to observance of new privacy laws, social expectations for business ethics, etc.
- Growing business opportunities to be claimed by becoming recognized as an IT company excelling in security and privacy

### Risks

- Security incidents stemming from cyberattacks
- Loss of business opportunities due to clients postponing security- and privacy-related investment
- Deterioration of credibility as an IT company due to becoming recognized for lacking sufficient security measures or deploying systems and solutions that violate privacy or other human rights

### KPIs (FY2020)

- Contributing to society through corporate activities
  - The number of measures for enhanced internal security level

- Contributing to society through business
  - The number of new orders received that contribute to clients’ reinforced security
  - The number of secure public cloud services provided

### Relevant Medium-Term Management Plan Strategies

- **Strategy 1** Expand global digital offerings
- **Strategy 2** Deliver greater value to clients based on regional needs
- **Strategy 3** Unleash our employees’ potential that maximizes organizational strengths
The Information Security Policy was established in 1998 as guidance for appropriately handling clients’ and Company information assets and protecting information security, and the Personal Information Protection Policy was formulated in 2001. These policies are revised and improved in response to IT progress and social changes. The NTT DATA Group Security Policy (GSP) was also formulated in an effort to ensure the secure distribution of information throughout the entire Group.

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

**Global Information Security Governance Points**
- Created a structure to promote the establishment of three levels of information security steering organizations: Head Office, regional headquarters, and other companies
- Close cooperation among information security steering organizations
- Head Office conducts quarterly monitoring of control status at regional headquarters

**Structure of Information Security Governance**

**Initiatives Aimed at Strengthening Security**

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

**Policy Development and Promulgation**

NTT DATA has established the GSP and the aforementioned information security management system, based on which it practices global-level control centered on regional headquarters. Furthermore, the Group has formulated and is spreading awareness of the NTT DATA Group Network Access Infrastructure Security Measure Standards to protect against information leaks, etc., resulting from cyberattacks via the internet and malware, which are becoming increasingly more frequent around the world in recent years.
NTT DATA’s ESG Management

Education and Awareness-raising 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 is 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

<table>
<thead>
<tr>
<th>Strategy 1</th>
<th>Strategy 2</th>
<th>Strategy 3</th>
<th>Collaboration with NTT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand global digital offerings</td>
<td>Deliver greater value to clients based on regional needs</td>
<td>Unleash our employees’ potential that maximizes organizational strengths</td>
<td>Drive NTT Group collaboration</td>
</tr>
<tr>
<td>Creation of AI offering, expansion of AI CoE</td>
<td>Combining existing systems and services with AI</td>
<td>Training and acquisition of AI talent</td>
<td>Improving AI technology through R&amp;D</td>
</tr>
</tbody>
</table>

For more information on the NTT Data’s AI Guidelines, please visit NTT DATA’s corporate website. https://www.nttdata.com/global/es/about%20us/Company%20Profile/AI%20Guidelines

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 Experts
With information security threats getting more diverse and sophisticated, there are concerns about the shortage of human resources with the information security expertise required. Against this backdrop, the NTT DATA Group develops security experts and improves their skills actively. As of April 2020, 9,382 experts with the “Security Expert Qualification” offered internally by the NTT Group were active in Japan and overseas.
As cyberattacks against information systems become increasingly more intense, the information security market is expected to continue to grow. NTT DATA recognizes that effective security and emergency response measures in the services it provides to clients are 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.

### Business Conditions and Security Quality Improvement Initiatives

**Security Market Size (Global)**

![Security Market Size Chart](chart)

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Size (Billions of USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>100</td>
</tr>
<tr>
<td>2019</td>
<td>150</td>
</tr>
<tr>
<td>2020</td>
<td>200</td>
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<td>2021</td>
<td>250</td>
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<td>2022</td>
<td>300</td>
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<tr>
<td>2023</td>
<td>350</td>
</tr>
<tr>
<td>2024</td>
<td>400</td>
</tr>
</tbody>
</table>

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

**Contributing to Society and Improving Corporate Value through Business**

**Case Study—CAFIS Brain**

CAFIS Brain is a cloud service that analyzes the nature of transactions and related behavior to detect suspicious transactions with a high degree of accuracy. This service performs these analyses by combining transaction data from the terminals (computers, smartphones, etc.) of end users of smartphone payment services and other, which are becoming increasingly important in conjunction with the acceleration of online shopping, internet banking, and, more recently, cashless payments.

**Application Layer Security Measures**

Increasingly insidious are the methodologies used in performing illegal transactions by impersonating others using personal information, etc., obtained illegitimately via information leaks, phishing, and others. The implementation of security measures for preventing illegal transactions and unauthorized logins is becoming a pressing task as online transactions and smartphone payments grow more popular.

CAFIS Brain helps contribute to efficient business transactions by increasing the safety and security of internet transactions and minimizing the monetary damages of illegal transactions.

**Hardware and Middleware Security Measures**

The CAFIS Brain cloud service utilizes NTT DATA’s high-level security and data centers. For this reason, we are able to realize strong security while also reducing the burden of system development and operation at adopting companies.
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 burden. 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 Group and to take measures.

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

### Material ESG Issues:

#### Overview

<table>
<thead>
<tr>
<th>P41</th>
<th>Material ESG Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Respond to climate change</td>
</tr>
</tbody>
</table>

### Social Values Provided

#### Contributing to society through corporate activities

- Advance Greening the Group, use renewable energy, and actually 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 to respond to reinforced 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 own activities and has excellent environmental solutions.

### Risks

- Loss of business opportunities in failing to proactively respond to decarbonization in which society and clients take an increasing interest.
- Loss of business opportunities due to increased running costs in light of reinforced environmental laws and regulations or the delayed use of renewable energy.
- As the average temperature rises and abnormal weather increases, disaster costs will increase to maintain assets such as data centers or loss may be incurred.
- NTT DATA may destroy its credibility as an IT company if it fails to address environmental issues sufficiently or take due measures in rolling out solutions.

### KPIs (FY2020)

#### Contributing to society through corporate activities

- Efforts to reduce greenhouse gas emissions based on SBT*1 and approach to TCFD*2 recommendations.

#### Contributing to society through business

- The number of new orders received contributing to resolving the clients’ environmental issues.

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*SBT (Science Based Targets): Targeted reduction of greenhouse gas emissions in compliance with the Paris Agreement.*

*TCFD (Task Force on Climate-related Financial Disclosures): Framework for disclosing climate-related financial information.*

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**NTT DATA Group’s Action Plan**

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

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

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

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

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

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

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

**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 also have environment promoters to reinforce the Group’s environmental management promotion system. Material agenda particularly are reported to the Board of Directors.

The chairperson 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.

**Quantitative Targets and Results**

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 water 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 involved in its business activities, leading to various improvement activities.

<table>
<thead>
<tr>
<th>Scope</th>
<th>Target Definitions</th>
<th>Base Value (Base fiscal year)</th>
<th>FY2019</th>
<th>Results</th>
<th>Base Value (Base fiscal year)</th>
<th>FY2020 Targets</th>
<th>FY2021 Targets</th>
<th>FY2022 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce the environmental impact of society through the promotion of green IT*1</td>
<td>NTT DATA Group’s contribution to reducing CO₂ emissions in society will be at least X times more than the amount of its own emissions</td>
<td>—</td>
<td>4 times or more</td>
<td>5.0 times</td>
<td>—</td>
<td>4 times or more</td>
<td>4 times or more</td>
<td>4 times or more</td>
</tr>
<tr>
<td>Reduce greenhouse gas (GHG) emissions*2</td>
<td>GHG emissions (Scope 1 and 2)</td>
<td>244,081 t-CO₂e (FY2013)</td>
<td>5% increase or less (256,285 t-CO₂e or less)</td>
<td>12% reduction (214,098 t-CO₂e)</td>
<td>—</td>
<td>378,546 t-CO₂e (FY2016)</td>
<td>25% reduction or more</td>
<td>28% reduction or more</td>
</tr>
<tr>
<td>Reduce the amount of copy paper purchased*3</td>
<td>Amount of copy paper purchased (Gross amount calculated on a number-of-sheets basis)</td>
<td>201.22million sheets (FY2013)</td>
<td>4% reduction or more (193.17 million sheets or less)</td>
<td>44.3% reduction (111.99 million sheets)</td>
<td>—</td>
<td>Fewer than previous fiscal year’s results</td>
<td>Fewer than previous fiscal year’s results</td>
<td>Fewer than previous fiscal year’s results</td>
</tr>
<tr>
<td>Reduce the amount of waste for final disposal</td>
<td>Amount of waste for final disposal (Gross amount: t)</td>
<td>207 t (FY2013)</td>
<td>80% reduction or more (41.5 t or less)</td>
<td>95% reduction (10.5 t or less)</td>
<td>207 t (FY2013)</td>
<td>90% reduction or more</td>
<td>90% reduction or more</td>
<td>90% reduction or more</td>
</tr>
<tr>
<td>Social and environmental contribution activities*4</td>
<td>Number of activity participants</td>
<td>—</td>
<td>1.0% or less</td>
<td>0.23%</td>
<td>—</td>
<td>1.0% or less</td>
<td>1.0% or less</td>
<td>1.0% or less</td>
</tr>
</tbody>
</table>

*1 Scope of data collection: Targets for NTT DATA, an integrated ISO 14001 Group certification company, and a total of 30 Group companies: NTT DATA and 72 Group companies (domestic only)
*2 Based value of FY2013 is recalculated with NTT DATA, an integrated ISO 14001 group certification company, and a total of 29 group companies upon selling 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 72 group companies (domestic only).
*3 Scope of data collection: Targets from FY2020 onward and value (base value) of FY2016 are consolidated figures of NTT DATA Group companies (including inside and outside Japan).
*4 Scope of data collection: NTT DATA and 30 group companies that have acquired ISO 14001 group integrated certification for both targets and results (including base value)
*5 Figures exclude the effective use of thermal energy (thermal recycling) generated by incineration at the time of final disposal.
*6 Numbers guaranteed by a third party. For details, please see P61 “Independent Practitioner’s Assurance.”
*7 For data of FY2018 and earlier, please also refer to P94: Financial / Non-Financial Values (Historical Changes).
Contributing to Sustainability and Improving Corporate Value through Business

Solution Case 1
Contributing to sustainably securing and supplying clean water with “origAMI” in Italy

origAMI is a fully integrated platform that enables modeling, monitoring, and controlling of water distribution systems and provides technical and management tools for citizens, designers, water utilities operators, and administrators. It is developed by NTT DATA Italy, a subsidiary of NTT DATA Corporation.

In Italy, the rate of non-revenue water from losses, such as those caused by deteriorated water pipes or fraud, is up to 40%. Therefore, optimal management of limited water resources is essential. origAMI makes it possible to manage water distribution operations in an integrated manner, including monitoring of the consumption, flow, pressure and quality of water, automated billing, and water pipes or other facility maintenance.

Ensuring safe water and water supply sustainably is a priority environmental issue that requires actions not only in Italy but also globally. The demands for the systems like origAMI are expected to grow, and we are aiming to contribute to sustainably securing and supplying clean water, by tightly working together with our local and global partners and rolling out origAMI.

Solution Case 2
Contribution of Mitaka Data Center EAST, a center with state-of-the-art equipment, in reducing environmental impact

Mitaka Data Center EAST, with total floor space of approximately 38,000 m², accommodating approximately 5,600 server racks, is one of the largest buildings dedicated to data center in Japan. While the building is capable of managing a heavy power load, it is also environmentally friendly and takes advantage of clean energy options, which include wall-mounted air conditioning that enables outside-air cooling, natural lighting in common areas, and a solar panel power supply. It has taken measures for minimizing the impact of environmental issues. It is designed to operate with good energy efficiency and is built in an area with very few disaster risks such as flood damage or earthquakes. Its building structure is earthquake proof, capable of withstanding big earthquakes (with a seismic intensity of 6 to 7). It receives electricity from multiple substations and is equipped with an emergency electric generator that can run unfueled for 72 hours. It has enhanced disaster recovery in place.

We will provide our clients with high value using Mitaka Data Center EAST as our digital business base.

External Evaluations
September 2018: Awarded the Gold certification in the latest version of the data center category of the Leadership in Energy and Environmental Design (LEED), a green building rating system by the U.S. Green Building Council, as the first Japanese company.
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 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 value, 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 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 gas emissions by 2030 and obtained certification from the SBT Initiative.

<table>
<thead>
<tr>
<th>Scope and Scope</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 and 2</td>
<td>Reduce emissions to 60% by FY2030 from FY2016 (with a target of 1.5°C)</td>
</tr>
<tr>
<td>3</td>
<td>Reduce emissions to 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 recommendations. For more information, please refer to NTT DATA Sustainability Report 2020 Data Book.


### Governance and Risk Management

| Status | PS7: Management System | PS9: Internal Control / Risk Management |

### Indices and Targets

For our targets for reducing corporate greenhouse effect gas emissions in compliance with the Paris Agreement (SBT), see above.

### Strategies

For the overall strategies, see NTT DATA Sustainability Report 2020 Data Book. For individual strategies, see the items for risks and opportunities in the table below.

### Opportunities

In addition to the risks mentioned above, we identify the following opportunities to take progressive action:
- Increased costs of running IT assets and equipment due to rising average temperature
- Increased running costs of reducing total CO2 to comply with the Tokyo Cap-and-Trade Program
- Lower social evaluation or employee satisfaction in ESG leading to lower employee retention, thus the loss of good human resources
- Risk of falling share price if we fail to respond to ESG information disclosure request from investors timely, leading to lower valuation

- **Increased demand for energy-efficient data centers**
  As the Paris Agreement comes into effect, IT systems accounting for a large percentage of corporate energy consumption are increasingly made efficient, leading to the increased demand for data centers.

- **Increased demand for cloud services as countermeasures for increasing abnormal weather**
  To avoid the loss of data due to abnormal weather, the utilization of cloud-based data centers that enable corporate data to be secured in a highly secure environment will be accelerated.
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 literacy.

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.

NTT DATA provides a lot of information systems and services that support social infrastructures. For us, disaster risk is one of the most significant risks because a failure to provide our systems or services during a disaster would drastically affect clients’ operations and general users’ life. We will establish and continuously upgrade the “Business Continuity Plan (BCP) for a disaster” and utilize our know-how to develop and operate clients’ IT systems.

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 established a Global Compliance Policy, targeting 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 activities 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.

* As of March 2020

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 that we manage corporate activities not only of the NTT DATA Group but also of 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.
Third-Party Evaluation (As of March 2020)

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

ISS ESG Prime
RobecoSAM Sustainability Award
MSCI Japan Empowering Women Index

Independent Practitioner’s Assurance

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 practitioner. Check mark is attached to the data subject to independent assurance.

Data Subject to Independent Assurance

P19, P7, P94: GHG emissions data  P94: Water consumption  P19: 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 ensure 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 supervising 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.

**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 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 age, gender, 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**

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Non-Japanese</th>
<th>Appointment of non-Japanese director</th>
<th>Percentage of independent outside directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018/6/20</td>
<td>9</td>
<td>2</td>
<td>2</td>
<td>Appointment of outside director (female)</td>
<td>18%</td>
</tr>
<tr>
<td>2019/6/21</td>
<td>10</td>
<td>3</td>
<td>3</td>
<td>Transition to a company with an Audit and Supervisory Committee</td>
<td>23%</td>
</tr>
<tr>
<td>2020/6/18</td>
<td>10</td>
<td>5</td>
<td>5</td>
<td></td>
<td>33%</td>
</tr>
</tbody>
</table>

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

**Q. What changes will occur due to the transition from the prior company with corporate auditors to the company with Audit and Supervisory Committee?**

**A.** Major changes between the company with corporate auditors structure and the company with Audit and Supervisory Committee structure are as follows:

1. Under the company with corporate auditors structure, corporate auditors 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 nomination and remuneration. Accordingly, Audit and Supervisory Committee members can make it known at the General Meeting of Shareholders if their opinion with regard to the nomination and remuneration of directors differs from the decisions made by the executive team and the Board of Directors.

3. The transition allows for increased coordination between internal auditing divisions and Audit and Supervisory Committee members. In cases of compliance violations by directors, for example, Audit and Supervisory Committee members are anticipated to be able to coordinate directly with internal auditing divisions or use external agencies to investigate and determine the facts of the incident.

Based on these factors, the transition will strengthen the supervisory function of the Board of Directors. Another factor considered when deciding to transition to the company with Audit and Supervisory Committee was the increased ease of understanding of the Company’s corporate governance system for overseas stakeholders. The company with corporate auditors structure is a system that is unique to Japan and is therefore difficult to understand for overseas subsidiaries and investors. The transition to the company with Audit and Supervisory Committee structure will thus help deepen understanding of the Company’s corporate governance system among overseas stakeholders.
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 legal sector considering the opinions of the third-party specialists when necessary. When NTT DATA conducts a business transaction with those companies, the transaction condition and its determination method are the same as those of other business partners.

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 independent 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 energetic, for improvement in the enterprise value of the entire NTT DATA Group. The size of the Board of Directors is in direct proportion to the scale of business, and it is composed with consideration of having diversity from various standpoints including internationality, and the balance of specializations.*

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

* 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

The candidates for directors that are Audit and Supervisory Committee members are to be appointed from personnel NTT 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 submitted to the General Meeting of Shareholders. The procedure for nominating directors that are not Audit and Supervisory Committee members follows the above procedure, 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, nominations are made by the Board of Directors after discussion and consensus by the Audit and Supervisory Committee, which is members 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 partner of NTT DATA’s business partner with a trading amount exceeding the standards set forth by NTT DATA*1;
2. A business executor of NTT DATA’s lender with an amount of lending exceeding the standards set forth by NTT DATA*2;
3. An individual providing specialized services, such as a consultant, accountant, or lawyer, who has received from NTT DATA any money or other property profit that is worth ¥10 million or more per year other than executive remuneration in any year of the three most recent financial years; or
4. A business executor of an organization that has received contributions exceeding NTT DATA’s standards*3.

Even if a person falls under any of the conditions from (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 NTT DATA’s business partner with a trading amount exceeding the standards set forth by NTT DATA refers to a business partner whose trading amount with NTT DATA is 2% of NTT DATA’s consolidated annual sales or larger in any financial year out of the three most recent financial years.

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

*3 An organization that has received contributions exceeding the standards set forth by NTT DATA refers to an organization that has received contributions from NTT DATA that exceed ¥10 million per year or 2% of the total annual revenue of such organization, whichever is larger in amount, in any financial year out of the 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>Eiji Hirano</td>
<td>4</td>
<td>13/13</td>
<td>Mr. Hirano has extensive experience in the financial sector, and wide perspectives concerning financial administration and international finance. He has been appointed based on the fact 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.</td>
</tr>
<tr>
<td>Mariko Fujii</td>
<td>1</td>
<td>10/10</td>
<td>Ms. Fujii has keen discernment and extensive experience accumulated through her career in public administration, research on economics, and foreign affairs. Based on this, she is expected to contribute to the enhancement of supervisory functions in executing management and the provision of opinions from broad viewpoints and has been appointed. Note that she has no experience of engagement in management of a company in any other manner than serving as an outside officer. However, based on the above reasons, the Company judges that she can perform the duties of outside director properly.</td>
</tr>
<tr>
<td>Fumihiko Ike</td>
<td></td>
<td></td>
<td>Mr. Ike has extensive management experience pertaining to global business and exceptional IT insight. 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.</td>
</tr>
</tbody>
</table>

### Outside Directors That Are 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>Tetsuro Yamaguchi</td>
<td>5</td>
<td>13/13</td>
<td>In the past, Mr. Yamaguchi acted as a business executor at NIPPON 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 help the Company ensure corporate soundness and to establish a highly transparent and fair system to monitor management through audits and supervision of business execution by utilizing his broad viewpoints and experience.</td>
</tr>
<tr>
<td>Tetsuya Obata</td>
<td>2</td>
<td>13/13</td>
<td>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 executor at NIPPON 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 help the Company ensure corporate soundness and to establish a highly transparent and fair system to monitor management through audits and supervision of business execution by utilizing his wide range of perspectives and experience.</td>
</tr>
<tr>
<td>Katsura Sakurada</td>
<td>2</td>
<td>13/13</td>
<td>Mr. Sakurada has extensive experience and wide perspectives concerning audits for finance, accounting, and business execution based on his long years of 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 of business execution, he has been appointed. Note that he has no experience of engagement in management of a company in any other manner than serving as an outside officer. However, based on the above reasons, the Company judges that he can perform the duties of outside director properly.</td>
</tr>
<tr>
<td>Rieko Sato</td>
<td>8</td>
<td>13/13</td>
<td>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 corporate 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 highly transparent and fair system to monitor management through audits and supervision of business execution by utilizing this 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 officer. However, based on the above reasons, the Company judges that she can perform the duties of outside director properly.</td>
</tr>
</tbody>
</table>

* Attendance at the Board of Directors’ meetings in FY2019. Figures in ( ) indicate the number of times in attendance at the Audit & Supervisory Board meetings.
Corporate Governance

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.

<table>
<thead>
<tr>
<th>Key Matters for Resolution / Reported</th>
<th>Matters to Be Discussed</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Matters related to financing</td>
<td>• New medium-term management plan</td>
</tr>
<tr>
<td>• Matters related to receiving orders and on investments</td>
<td>• Transition to a company with an Audit and Supervisory Committee</td>
</tr>
<tr>
<td>• Result / plan of efforts on internal control</td>
<td>• Evaluation of the Board’s effectiveness</td>
</tr>
<tr>
<td>• Result / plan of internal audit</td>
<td>• Review of material ESG issues</td>
</tr>
<tr>
<td>• Monitoring of key projects</td>
<td>• Development of NTT DATA’s AI Guidelines</td>
</tr>
<tr>
<td>• Report on IR activities / investor opinions</td>
<td></td>
</tr>
<tr>
<td>• Assessment of the meaningfulness of cross-shareholding</td>
<td></td>
</tr>
</tbody>
</table>

Cross-Shareholdings

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

NTT DATA assesses the meaningfulness of cross-shareholdings for each stock every year, in a comprehensive manner, from the viewpoint of whether benefits and risks from holding the shares are commensurate with capital costs and in line with the purposes of holding, 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.

<table>
<thead>
<tr>
<th>Questionnaire for all directors / corporate auditors</th>
<th>Tabulation of results by external organization</th>
<th>Analysis discussion evaluation</th>
<th>Add to agenda at the Board meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Answered on a scale of 1 to 5 with space available for free comments</td>
<td>• Answers are sent directly to an external organization in order to secure anonymity</td>
<td>• Analysis / discussion / evaluation made internally based on the report from the external organization</td>
<td>• Discussion for verification of details and further improvement</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Result of Measurement of Effectiveness Measures in the Current Fiscal Year</th>
<th>Key Measures for the Next Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017 With regard to the Board’s approach to increase the weight of discussion on corporate strategy at the Board meeting, we received a certain level of evaluation that improvements are being made such as a review of the standard to determine discussion matters at the Board of Directors and set-up of a place for discussion.</td>
<td>• Enhanced discussions at the planning stage for corporate strategy, plans, etc.</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2018 With regard to further deepening and enhancement of discussions concerning corporate strategy and further improvement of report details concerning investors’ opinions, we had better evaluation scores and received a certain level of evaluation that improvements were being made.</td>
<td>• Further deepening and enhancement of discussions on corporate strategy (continued).</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2019 With regard to the enhancement of communication opportunities between outside directors and corporate auditors, our evaluation score increased, representing an evaluation that improvements were being made.</td>
<td>• Increasing amount of discussion devoted to strategies and risk management</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.
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.

**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 level for the President and CEO is 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, thedeferred 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.

*1 Indicator of the number of projects in the digital field that support or promote businesses targeting corporate clients

<table>
<thead>
<tr>
<th>Directors that are not Audit and Supervisory Committee members</th>
<th>Directors that are Audit and Supervisory Committee members</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;Performance-linked remuneration&gt; Bonus</td>
<td>In case of standard performance</td>
</tr>
<tr>
<td>Monthly remuneration</td>
<td>Performance-linked</td>
</tr>
<tr>
<td></td>
<td>Fixed</td>
</tr>
<tr>
<td></td>
<td>Approx. 30%</td>
</tr>
<tr>
<td></td>
<td>Approx. 70%</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;Fixed remuneration&gt;</td>
<td></td>
</tr>
<tr>
<td>Monthly remuneration</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Directors</th>
<th>Outside</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inside</td>
<td>Approx. 30%</td>
</tr>
<tr>
<td>Outside</td>
<td>Approx. 70%</td>
</tr>
</tbody>
</table>

**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>64.3%</td>
<td>35.7%</td>
<td>47.1%</td>
</tr>
</tbody>
</table>
| 45.8%        | 54.2%            | **Note:** Explanation time is the time spent discussing items to provide a clear understanding of the matter, while discussion time is the time spent debating items to ensure a thorough examination.

*2 The above includes one director who retired on November 5, 2019.
Group Governance

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.

Particularly in recent 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 Toyosu and each of the two axes including five operating regions—North America, EMEA (Europe, the Middle East, and Africa), APAC (Asia-Pacific), China, and Spain and Latin America—and business solutions.

Furthermore, NTT DATA has established nomination and compensation committees and audit committees within regional 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

Governance for Regional Headquarters

<table>
<thead>
<tr>
<th>NTT DATA (Corporate / Liaison Organizations)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
</tr>
<tr>
<td>Executive Officers</td>
</tr>
<tr>
<td>Executive Team</td>
</tr>
</tbody>
</table>

Regional Headquarters, etc

- Board of Directors
- Nomination and Compensation Committees
- Audit Committees
- Internal Auditor
- Financial Auditor

Note: The organizational structures of regional integrated companies adhere to the laws of the respective countries and regions.
In building its internal control systems, NTT DATA will further the basic policy that it will take various measures to efficiently conduct fair and transparent business activities in compliance with applicable laws and its Articles of Incorporation, as a matter of course, and at all times being aware of risks increasing as its business expands.

The NTT DATA Group seeks to ascertain all risks associated with business activities to minimize the frequency of occurrence of these risks and limit their impact on operations should they materialize. To facilitate this effort, in 2002 we appointed an officer in charge of supervising and promoting risk management from a companywide perspective. In addition, risk management promotion officers were appointed to the Risk Management Division as well as other divisions and Group companies to enable them to respond proactively and independently to various risks.

NTT DATA defines material risks, reviews progress toward addressing these and achieving related targets, and reflects the results of such reviews in various measures.

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

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

**Global-Control Risks of NTT DATA**

<table>
<thead>
<tr>
<th>Material Risks</th>
<th>Major Improvements, etc.</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss or leakage of personal and confidential information</td>
<td>• Enhance countermeasures against increasingly sophisticated cyberattacks</td>
<td>• Stimulate awareness through training</td>
</tr>
<tr>
<td>Cyberattacks</td>
<td></td>
<td>• Revise rules for security measures globally</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Enhance organization to support minimization of damages when incidents occur</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Completely comply with General Data Protection Regulation</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></td>
<td>• Expand scope for risk indication auditing</td>
<td>• Stimulate awareness through training</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Expand the scope of illegal activities detected by risk indication auditing and promote risk indication auditing at Group companies</td>
</tr>
<tr>
<td>Bribery</td>
<td>• Continue strengthening compliance education</td>
<td>• Stimulate awareness through training (Japan: Implement compliance IBT and position-based training Overseas: Conduct training at individual locations)</td>
</tr>
<tr>
<td>Pandemic</td>
<td></td>
<td>• Creation of global compliance promotion organization</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Examination of global measures for combating the COVID-19 pandemic</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 prioritizing 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 activities, 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 a Global Top 5 IT company 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.
Enhancing Corporate Value

NTT DATA has achieved 31 consecutive years of higher sales since it separated from NTT in 1988. 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. NTT DATA has been successful in expanding its operations quantitatively. It is therefore now faced with a need to improve profitability in overseas operations, which seem lacking from a qualitative perspective. Business expansion via M&A activities can be conducted so long as a company has enough funds. Practicing high-quality management after acquisitions, meanwhile, requires corporate governance that allows for the exercise of an effective global headquarter function.

As a new independent outside director at NTT DATA, I hope to utilize my experience managing operating companies to participate in the Company’s management in a manner that contributes to enhancing corporate value.

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 capital efficiency while also living up to the expectations of shareholders and the rest of society.

It was in the midst of pursuing this target that NTT DATA transitioned to the company with Audit and Supervisory Committee in 2020. As a member of the Audit and Supervisory Committee, and the Company’s only full-time independent outside director, I endeavor to make judgments in my everyday decisions and while executing business by comparing the circumstances to a wide range of social norms and standards from an outside perspective. I also look to go further than simply pointing out issues to drive the Company to develop frameworks for preventing issues or, in other words, effective internal control systems.

Calling upon my diverse range of auditing experience and specialized knowledge gained over my long career, I hope to make contributions to the ensuring of healthy corporate governance, the prevention of corporate value diminishment, and the constant enhancement of corporate value.

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 repeatedly 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. This situation has recently changed the type of corporate governance issues that we face, resulting in more multifaceted issues being raised and input being offered from a wider range of perspectives by outside officers at meetings of the Board of Directors, which is the central proponent of corporate governance. The executive team is thus pressed to furnish more complicated responses and initiatives to address these issues. It is possible that issues or opinions may arise in the future that are completely unprecedented, and I therefore hope that the Company will be thorough and earnest in its response to such input.
Corporate Governance

Directors, Audit & Supervisory Committee Members, Executive Vice Presidents, and Senior Vice Presidents

(As of June 18, 2020)

Directors*1

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

Senior Executive Vice President and Representative Director
Shigeki Yamaguchi
1984 Joined NIPPON TELEGRAPH AND TELEPHONE PUBLIC CORPORATION
2013 Senior Vice President, Head of Enterprise Business Consulting Marketing Division of NTT DATA
2015 Senior Vice President, Head of IT Services & Payments Services Sector of NTT DATA
2016 Executive Vice President, Head of IT Services & Payments Services Sector of NTT DATA
2017 Executive Vice President and Director of NTT DATA
2018 Senior Executive Vice President and Representative Director of NTT DATA

Senior Executive Vice President and Representative Director
Toshi Fujiiwara
2018 Chairman of the Board of NTT DATA Italia S.p.A.
2015 Senior Executive Vice President and Representative Director of NTT DATA
2020 Senior Executive Vice President and Representative Director, Head of HR Headquarters of NTT DATA (present post)

Executive Vice President and Director
Hisahiti Matsunaga
1990 Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION
2015 Senior Vice President, Head of Group Strategy Headquarters of NTT DATA
2017 Executive Vice President and Director of NTT DATA
2018 Senior Executive Vice President and Representative Director of NTT DATA
2019 Executive Vice President and Director, Head of Third Financial Sector of NTT DATA (present post)

Executive Vice President and Director
Takeshi Arimoto
1993 Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION
2015 Deputy Manager of the Corporate Strategy Planning Department of NTT DATA
2015 Author of NTT FINANCE CORPORATION
2018 Author of NTT Urban Development Corporation
2020 Director of NTT DATA (present post)

Executive Vice Presidents*1

Yutaka Sasaki
Head of Manufacturing IT Innovation Sector
Head of Business Solutions Sector

Hidenori Chihara
Head of Public Sector 2
Deputy responsible for Public & Social Infrastructure Segment

Takashi Nakamura
Head of Finance Department

Ken Tsuchishiri
Head of China & APAC Sector
Chairman & Chief Executive Officer, NTT DATA Asia Pacific Pte. Ltd.

Koji Miyajima
Chair of the Board, NTT DATA EMER Ltd.

Bob Pryor
NTT DATA Services Chief Executive Officer

Hiroshi Tomiyasu
Head of Technology and Innovation General Headquarters

Kenji Nagai
Chair of the Board, NTT DATA (CHINA) INVESTMENT Co., Ltd.
Chair of the Board, NTT DATA (CHINA) Co., Ltd.
Chair of the Board, NTT DATA Taiwan Co., Ltd.

*1 Titles as of October 1, 2020.
*2 Corporate Management includes responsibilities for business strategy, human resources (CHRO), finance and investor relations (COO), ESG promotion, legal, risk management (CRO), and public relations.
*3 Technology Management includes responsibilities for technology development and research (CTO), purchasing, quality assurance, information management and intellectual property (CKO), information security (CISO), and IT systems.
Outside Directors

Eiji Hirano
1973  Joined Bank of Japan
2006  Vice President and Director of Toyota Financial Services Corporation
2014  Special Advisor to Toyota Financial Services Corporation
Vice Chairman and Director of MeliLife Insurance K.K.
Vice Chairman and Representative Executive Officer, Director of MeliLife Insurance K.K.
Director of RIKEN CORPORATION (present post)
2016  Director of NTT DATA (present post)
Adviser of Toyota Financial Services Corporation
2017  Vice Chairman and Director of MeliLife Insurance K.K. (present post)
Chairperson of the Board of Governor, Government Pension Investment Fund (GPIF) (present post)

Fumihiko Ikehara
1982  Joined Honda Motor Co., Ltd.
2003  Chief Director of Multi-purpose Business and Director of Honda Motor Co., Ltd.
2006  Chief Director of Business Administration and Director of Honda Motor Co., Ltd.
2007  Chief Director of Business Administration and Managing Director of Honda Motor Co., Ltd.
2008  Chief Director of Asia and Pacific and Managing Director of Honda Motor Co., Ltd.
2011  Chief Director of Business Administration, Senior Management Officer, and Director concurrently serving as Risk Management Office and General Director of Information Systems of Honda Motor Co., Ltd.
2012  Chief Director of Business Administration, Senior Management Officer, and Director concurrently serving as Chief Director of IT, Risks Management Officer and General Manager of Honda Motor Co., Ltd.
2013  Chairman and Representative Director of Honda Motor Co., Ltd.
2014  Chairman of JAPAN AUTOMOBILE FEDERATION, a general incorporated association
2020  Director of NTT DATA (present post)

Tetsuro Yamaguchi
1979  Joined NTT TELECOMMUNICATIONS CORPORATION
2006  Director of Global Business Division of NTT Communications Corporation
President & CEO of NTT America, Inc.
2010  Director of Global Strategy Department, Global Business Division of NTT Communications Corporation
2011  Director of the Board, Group Executive, Joint Business Development of Dimension Data Holdings plc
2015  Standing Audit & Supervisory Board Member of NTT DATA
2020  Director, Audit and Supervisory Committee member (Full-Time) of NTT DATA (present post)

Katsura Sakurada
1980  Joined the Board of Audit of Japan
2014  General Manager of Secretariat K, General Executive Bureau of Audit of Japan
2015  General Manager of Audit Office of the Board of Audit of Japan
2016  Deputy Secretary General of the Board of Audit of Japan
2017  Secretary General of the Board of Audit of Japan
2018  Standing Audit & Supervisory Board Member of NTT DATA
2020  Director, Audit and Supervisory Committee member (Full-Time) of NTT DATA (present post)

Outside Directors (Audit and Supervisory Committee Members)

Tetsuya Obata
1980  Joined NTT TELECOMMUNICATIONS CORPORATION
2004  Managing Director and Director of NTT TELECOMMUNICATIONS CORPORATION
2011  Head of R&D, Director of NTT TELECOMMUNICATIONS CORPORATION
2013  Chairperson of the Board of Directors and General Manager Department and Head of Sales Headquarters of NTT BUSINESS ASSOCIATION CORPORATION
2015  Representative Managing Director, Head of Planning and General Management Department, and Head of BPM Promotion Department of NTT BUSINESS ASSOCIATION CORPORATION
2017  Representative Managing Director, Head of Planning and General Management Department, Head of Business Cooperation Promotion Department of NTT BUSINESS ASSOCIATION CORPORATION
2017  Director of NTT LEARNING SYSTEM CORPORATION
2018  Standing Audit & Supervisory Board Member of NTT DATA
2020  Director, Audit and Supervisory Committee member (Full-Time) of NTT DATA (present post)

Rieko Sato
1984  Register as an attorney at law (present post)
1989  Partner of Shearman & Sterling LLP
1996  Partner of Shearman & Sterling LLP (present post)
2004  Auditor ofArgumentException Co., Ltd.
2006  Auditor of Argument in Japan, Inc.
2008  Auditor of Argument in Japan, Inc.
2010  Director of The Dai-ichi Life Insurance Co., Ltd.
2013  Director of the Board of Audit & Supervisory Committee member of Dai-ichi Life Insurance, Inc. (present post)
2018  Director of JAPAN REINSURANCE CO., LTD. (present post)
2019  Director of Digital Business Development Corporation (present post)
2020  Director, Audit and Supervisory Committee member of NTT DATA (present post)

Yoshiharu Kouno
Head of Telecom & Utility Business Sector

Tomofumi Murayama
Head of Public Sector 1

Naoyuki Mori
Head of First Financial Sector

Kazuko Inamura
Head of Second Financial Sector, Banking Headquarters

Asako Toyota
Head of Global Strategy Office, Strategy Headquarters

Yoko Tomioka
Head of ESG Promotion Department

Katsufumi Fukunishi
Head of Social Infrastructure Solution Sector

Chieri Kimura
Head of North America Sector
Head of EMMA & LATAM Sector

Annual Report 2020

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NTT DATA Group (Results for FY2019)

**Net Sales**
¥2,266.8 billion

**Operating Income**
¥130.9 billion

### Ranking by Segment / NTT DATA’s Market Share

#### IT Services Vendor Ranking in Global IT Services Market*
- **Ranking:** 8th
- **Market Share:** 1.9%
- **2019 Revenue:** ¥113.4 trillion

#### Public & Social Infrastructure Market (Japan)*
- **Ranking:** 2nd
- **NTT DATA’s Market Share:** 13.4%
- **2019 Revenue:** ¥2.5 trillion

#### Financial Market (Japan)*
- **Ranking:** 1st
- **NTT DATA’s Market Share:** 17.3%
- **2019 Revenue:** ¥3.2 trillion

### Business Overview by Segment (FY2019 Results)

#### Entire Company

- **Net Sales:** ¥2,266.8 billion
- **Operating Income:** ¥130.9 billion

#### Public & Social Infrastructure

- **Net Sales:** ¥600 billion (2018: ¥579.1 billion, 2019: ¥580.2 billion, 2020: ¥574.0 billion)
- **Operating Income:** ¥75 billion (2018: ¥75 billion, 2019: ¥72.9 billion, 2020: ¥74.0 billion)

#### Financial

- **Net Sales:** ¥750 billion (2018: ¥570.9 billion, 2019: ¥580.4 billion, 2020: ¥574.0 billion)
- **Operating Income:** ¥75 billion (2018: ¥75 billion, 2019: ¥72.9 billion, 2020: ¥74.0 billion)

### Impacts of the COVID-19 pandemic

- **Public & Social Infrastructure**
  - Positive effects are expected particularly in government ministries and local governments due to projects providing IT support for emergency measures such as tax moratorium and various subsidy programs.
  - Negative impact has started to appear mainly in the banking sector, due to delays in commencement of system development or go-live date amidst market uncertainties.

- **Financial**
  - Positive effects are expected in banking, insurance and securities, driven by projects providing new digital services and accelerated initiatives to shift to "paperless" and "cashless" operations.
  - On the other hand, negative impact has started to appear mainly in the banking sector, due to delays in commencement of system development or go-live date amid market uncertainties.

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

P21: NTT DATA’s Response to COVID-19

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Ranking by Segment / NTT DATA’s Market Share

Enterprise & Solutions Market (Japan)*

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (Billions of yen)</td>
<td>¥568.6</td>
<td>¥580.4</td>
<td>¥588.6</td>
</tr>
<tr>
<td>Operating Income (Billions of yen)</td>
<td>¥35.0</td>
<td>¥34.0</td>
<td>¥36.1</td>
</tr>
</tbody>
</table>

Enterprise & Solutions

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (Billions of yen)</td>
<td>¥426.0</td>
<td>¥455.4</td>
<td></td>
</tr>
<tr>
<td>Operating Income (Billions of yen)</td>
<td>¥19.9</td>
<td>¥21.0</td>
<td></td>
</tr>
</tbody>
</table>

Net Sales by Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public &amp; Social Infrastructure</td>
<td>¥14.4 billion</td>
<td>(-9.7%)</td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td>¥500.2 billion</td>
<td>(18.7%)</td>
<td></td>
</tr>
<tr>
<td>Enterprise &amp; Solutions</td>
<td>¥580.4 billion</td>
<td>(21.6%)</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>¥426.0 billion</td>
<td>(15.9%)</td>
<td></td>
</tr>
<tr>
<td>EMEA &amp; LATAM</td>
<td>¥455.4 billion</td>
<td>(17.0%)</td>
<td></td>
</tr>
</tbody>
</table>

Operating Income by Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public &amp; Social Infrastructure</td>
<td>¥52.8 billion</td>
<td>(35.7%)</td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td>¥50.4 billion</td>
<td>(34.0%)</td>
<td></td>
</tr>
<tr>
<td>Enterprise &amp; Solutions</td>
<td>¥50.4 billion</td>
<td>(34.0%)</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>¥53.5 billion</td>
<td>(36.1%)</td>
<td></td>
</tr>
<tr>
<td>EMEA &amp; LATAM</td>
<td>¥3.2 billion</td>
<td>(2.2%)</td>
<td></td>
</tr>
</tbody>
</table>

Impacts of the COVID-19 pandemic

- In the payment area, demand is expected to grow, fueled by people using more e-commerce sites, while shopping / cashing would be less used due to a reduced number of inbound tourists to Japan, thus the YOY performance is expected to remain flat.
- 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.
- Situations largely depend on the future recovery of the domestic economy and demand trend for IT spend.

North America Market and NTT DATA’s Market Share*

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (Billions of yen)</td>
<td>¥368.0</td>
<td>¥426.0</td>
<td>¥432.0</td>
</tr>
<tr>
<td>Operating Income (Billions of yen)</td>
<td>¥10.0</td>
<td>¥7.9</td>
<td>¥14.4</td>
</tr>
</tbody>
</table>

EMEA & LATAM Market and NTT DATA’s Market Share*

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (Billions of yen)</td>
<td>¥455.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Income (Billions of yen)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Public & Social Infrastructure

Impacts of the COVID-19 pandemic

- The public sector remains solid, while digital-related projects have become more active. Advanced outsourcing opportunities leveraging digital technology are likely to increase for the medium to long term.
- Negative impact is expected to be substantial, since large ITO and BPO deals would temporarily drop since clients would curb their investment or delay decision-making in the manufacturing industry due to reduced demand amid stay-at-home advisory and restrained IT investment.
- Business impact largely depends on the future recovery of the economy and business activities in North America, as the number of infected cases continue to rise.

Financial

EMEA & LATAM

Impacts of the COVID-19 pandemic

- Public and utility sectors, particularly in Spain, remain firm, while digital projects are revitalized.
- The negative impact is significant in the automobile 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.
- Business impact is largely dependent on whether the number of infected cases will re surge or not, as it will impact the economic and business recovery.

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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 digitalize government operations and to realize Society 5.0, 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 xEMS, 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 field, 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.

Strengths / Achievements

- Top-class technological and project 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

Long History of Developing and Operating Multiple Large-Scale Systems

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

Focus Areas

* A human-centered society that balances economic development with the resolution of social issues by using highly integrated systems that combine cyberspace with physical 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 as the ideal future society that Japan should aim for under the 5th Science and Technology Basic Plan.

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

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

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* Aiming to deepen proposal activities and increase places of activities by combining activities toward the realization of an ideal social system and the designing of a legal system, conceptual structure, standard model of the entire social system, etc.
## Opportunities and Threats

### Opportunities

<table>
<thead>
<tr>
<th>Government Ministries</th>
<th>Local Governments</th>
<th>Healthcare</th>
<th>Telecom</th>
<th>Utilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 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</td>
<td>• Investment targeting public infrastructure reforms and enhancements</td>
<td>• Acceleration of trend toward ICT in medical and other fields and effective utilization of medical information</td>
<td>• Business initiatives aimed at collaborations between non-communications businesses and other industries</td>
<td>• Legal unbundling, expansion of business for retail consumers</td>
</tr>
<tr>
<td></td>
<td>• 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</td>
<td>• Increased need to use AI, IoT, and other digital technologies</td>
<td>• Shift from investment in infrastructure and network system equipment to IT investments in new services</td>
<td>• IT investment to boost competitiveness in conjunction with changes in the energy market environment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Transformation of government services to improve work process reforms and convenience through coordination with government ministries</td>
<td>• Growing IT investment in new solution development, etc., driven by the spread of 5G networks</td>
<td>• Shift toward IT investment in line with themes such as responses to regulations and the reinforcement of facility safety</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Investment aimed at improving resident services focused on users and at realizing efficient government operation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Threats

<table>
<thead>
<tr>
<th>Government Ministries</th>
<th>Local Governments</th>
<th>Healthcare</th>
<th>Telecom</th>
<th>Utilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Changes in government systems and institutions owing to rapid social changes</td>
<td>• Changes in government systems and institutions owing to rapid social changes</td>
<td>• Increased demand for cost reduction in the existing system integration (SI) areas</td>
<td>• Increased demand for cost reduction in the existing system integration (SI) areas</td>
<td>• Return to normal level of IT investments following market changes such as electric power and gas system reforms</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## 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 businesses to develop new social systems through public–private integration in accordance with the growth strategies and digital government action plans based on Society 5.0.

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

## Focus Areas of the 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 / smart 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

<table>
<thead>
<tr>
<th>Government</th>
<th>Ministry A</th>
<th>Ministry B</th>
<th>Ministry C</th>
<th>Private companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use an easy-to-use UI anytime you like</td>
<td>Smarter government</td>
<td>AI-based assessment / judgment</td>
<td>Cloud service utilization</td>
<td>System modularization</td>
</tr>
</tbody>
</table>

### Initiatives in Medium-Term Focused Fields 2

**Digital healthcare**

Keeping the social issues faced during the COVID-19 pandemic in mind, we will consider digitalization to create a high-value-added service for the medical field

**Interactive image-based diagnosis**

- **Medical institution**
  - Electronic prescription
  - Remote consultation
  - Online consultation
  - More efficient image-based diagnosis
- **Medical equipment dealer**
  - Remote technologies in a hospital
  - IoT for medical materials
- **Pharmacy**
  - Receiving drugs without the need to visit a pharmacy
  - Electronic prescription
- **Patient**
  - Remote health management
  - Shin & HealthDataBank

**Integrated control of various energy sources utilizing IT**

- **Resource management platform**
- **Aggregation platform**
- **Service platform**

**Next-generation energy business**

- **Energy resource**
- **Individual / Corporation**

## Annual Report 2020

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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 payment 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.

![Graph](image)

Scale and Growth Rates of Financial Market (Japan) **

<table>
<thead>
<tr>
<th>Year</th>
<th>CAGR</th>
<th>2018</th>
<th>2023 (Estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.6%</td>
<td>¥3.0 trillion</td>
<td>¥3.7 trillion</td>
</tr>
</tbody>
</table>

Strengths / Achievements

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

| Number of financial institutions connected to “Integrated ATMs”, which connects financial institutions nationwide | More than 1,200 |
| Connecting banks and fintech providers via API | Share related to “OpenCanvas” API ** |
| For individuals: Approx. | 55% |
| For companies: Approx. | 71% |
| Number of companies using the common gateway service for insurance companies, which connects life and non-life insurance companies and agencies | Approx. 55 insurance companies |
| Approx. 10,500 agencies |

Strong Trusting Relationships with Clients

Client coverage ratio (core banking systems)

- Having strong trusting relationships with clients over long years by providing high-quality and highly reliable systems
- Major banks / Japan Post Bank (5) 40%
- Regional banks (102) 38%
- Shinkin (255) 92%
- Credit unions (145) 98%
- Labor banks (13) 100%
- JA Bank (584) 100%

As of June 2020

Focus Areas

- Creating new businesses leveraging NTT DATA’s strengths for the financial industry that is reaching a turning point (in coexisting with 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

*1 Graphs / charts are created by NTT DATA based on Gartner Research.
Source: Gartner “Prediction of 2020 Q1 IT Service Market (Japan) Size by Industry,” M. Sawai, 31 August 2020
Use “Moderated Case.” Financial Market = Financial based on vendor revenue
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*2 According to NTT DATA’s research as of April 2020: Banks that disclose the names of vendors that provide API infrastructure (ratio of megabanks, regional banks, and second-tier regional banks)
Opportunities and Threats

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Banking</strong></td>
<td>• Concerns regarding curbed IT investment to strengthen management foundations</td>
</tr>
<tr>
<td>• Push for system revisions in light of rising need to provide services using digital technologies and Banking Act revision</td>
<td>• Concerns regarding curbed IT investment to strengthen management foundations</td>
</tr>
<tr>
<td>• Brisk investments to promote the spread of cashless payments</td>
<td>• Decreasing need for investment in the conventional system domain</td>
</tr>
<tr>
<td>• Increased need for operational efficiency, automation, and other cost reduction measures</td>
<td>• Concerns regarding the curtailment of IT investment as a result of a review of the existing sales channels and business models</td>
</tr>
<tr>
<td>• Active IT investment in light of business integration, restructuring, and alliances</td>
<td>• Concerns regarding the curtailment of IT investment as a result of a review of the existing sales channels and business models</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td>• Concerns regarding curbed IT investment to strengthen management foundations</td>
</tr>
<tr>
<td>• Increased need for cost reductions through the automation of back office processes, etc.</td>
<td>• Concerns regarding the curtailment of IT investment as a result of a review of the existing sales channels and business models</td>
</tr>
<tr>
<td>• Diversification of insurance sales channels</td>
<td>• Intensification of service competition due to the diversification of payment methods</td>
</tr>
<tr>
<td>• Rise in IT investment to realize more sophisticated information use</td>
<td>• Concerns regarding curbed IT investment to strengthen management foundations</td>
</tr>
<tr>
<td>• Exploration of health improvement and other new businesses</td>
<td>• Concerns regarding the curtailment of IT investment as a result of a review of the existing sales channels and business models</td>
</tr>
<tr>
<td><strong>Securities</strong></td>
<td>• Concerns regarding the curtailment of IT investment as a result of a review of the existing sales channels and business models</td>
</tr>
<tr>
<td>• Active IT investment in expanding business through asset formation in the retail sector (supporting shift from savings to investment)</td>
<td>• Concerns regarding curbed IT investment to strengthen management foundations</td>
</tr>
<tr>
<td>• Investment motivation to address system changes</td>
<td>• Concerns regarding the curtailment of IT investment as a result of a review of the existing sales channels and business models</td>
</tr>
<tr>
<td><strong>Credit</strong></td>
<td>• Concerns regarding curbed IT investment to strengthen management foundations</td>
</tr>
<tr>
<td>• Increased IT investment to promote cashless payments</td>
<td>• Concerns regarding the curtailment of IT investment as a result of a review of the existing sales channels and business models</td>
</tr>
<tr>
<td>• Expanded IT investment aimed at strengthening security measures</td>
<td>• Concerns regarding the curtailment of IT investment as a result of a review of the existing sales channels and business models</td>
</tr>
<tr>
<td><strong>Common to all areas (impacts of the COVID-19 pandemic)</strong></td>
<td>• Concerns regarding curbed IT investment to strengthen management foundations</td>
</tr>
<tr>
<td>• Increased IT investment to facilitate the remote working of employees and to increase operational efficiency</td>
<td>• Concerns regarding the curtailment of IT investment as a result of a review of the existing sales channels and business models</td>
</tr>
<tr>
<td>• Increased IT investment to strengthen the internet / mobile channels for clients</td>
<td>• Concerns regarding the curtailment of IT investment as a result of a review of the existing sales channels and business models</td>
</tr>
</tbody>
</table>

Growth Strategy

1. Development and advancement of the existing services

2. Technology initiative

Providing new services through co-creation

Contributing to the realization of a brand new and better society

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

**Sources**

- Existing system
- Documents
- Image, voice, video, external data, etc.

**Total consultation**

Underlying technologies:

- Character recognition, image recognition, voice recognition, NLP, ontology, LOD, AI, and IoT

**Intelligent Data Fusion**

Data collection / cleansing

**Intelligent Analysis**

- Support for call center operations
- Support for corporate assessment / sales

**Intelligent Search**

- Advanced document search
- 360° search of products

**Intelligent KY3P**

- Client information integration
- Sophisticated marketing

**Platform**

- Single view

Providing new services through data utilization area

** ABLER Initiative**

ABLER is a service and a solution to provide total support for sophisticated data management. By combining underlying technologies such as ontology 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.

We will expand ABLER services and solution lines serially and support clients in their business transformation and creation of new value through sophisticated data utilization.

**OpenCanvas initiatives**

OpenCanvas is a delivery platform for digital services created using the system platform of ANSER, which is employed by nearly every financial institution in Japan, and our related operational know-how. OpenCanvas enables financial institutions to coordinate their financial services with those of external service providers possessing fintech technologies through APIs, thereby allowing for new digital services to be provided swiftly and efficiently.

Going forward, 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 digitalization throughout society.

Annual Report 2020
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 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.
- With 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.

### Scale and Growth Rates of Enterprise & Solutions Market (Japan) *

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>¥6.5 trillion</td>
</tr>
<tr>
<td>2023 (Estimate)</td>
<td>¥7.8 trillion</td>
</tr>
<tr>
<td>CAGR</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

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

### Changes in Client Expectations with Respect to IT

<table>
<thead>
<tr>
<th>Enhanced efficiency</th>
<th>Strategic applications</th>
<th>Business model innovations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimization</td>
<td>Strongly supported</td>
<td>Strongly supported</td>
</tr>
<tr>
<td>Replace manual processes</td>
<td>Focused on business intelligence</td>
<td>Focused on business intelligence</td>
</tr>
</tbody>
</table>

### Areas of Expectation for NTT DATA

- Customer touchpoints
- Connected
- Marketing
- Smart value chains

### Strengths / Achievements

<table>
<thead>
<tr>
<th>Offerings</th>
<th>Strengths</th>
<th>Achievements</th>
</tr>
</thead>
</table>
| Digital Commerce / Digital Marketing | - Track record in developing digital commerce systems combining payment services with omni-channel systems  
- Experience supporting corporate transformations through user experience design | - Transformation of purchasing experience realized through the aggressive promotion of omni-channel retailing from the planning to execution phases (multiple major retailers)  
- Whole new purchase experience utilizing digital technologies (e.g., services to support opening a digital store without a cashier, product mapping services, and services to enable customers to pay in a fitting room) |
| Payment                    | - Leading Japanese comprehensive cashless payment platform that is compatible with multiple payment methods | - History of 37 years of operating the CAFIS payment platform to promote cashless payments, which now processes more than 900 million transactions each month  
- Full support for adoption of cashless payment systems at JAPAN POST Co., Ltd.  
- Providing payment functions for Mobile PASMO |
| AI / IoT                   | - Human resources capable of using AI, IoT, and data to offer support from concept planning through to platform development and finally the creation of business results and experience in this regard  
- Leading domestic embedded software engineer staff (1,500 people) | - Having started to provide Trusted Data Foundation, a cloud-based big data analysis platform, solutions to facilitate decision-making and business transformation based on AI and data  
- Developing an AI-based beer filtration planning system for three factories of Kirin Brewery |
| SAP Global Platform        | - Around 1,000 SAP experts in Japan alone  
- Global SAP delivery capabilities | - Receipt of SAP AWARD OF EXCELLENCE 2020  
- Providing core systems for globally operating manufacturers |
| Advanced Outsourcing - Cloud - Network | - Successful implementation of numerous integration and comprehensive outsourcing projects in the infrastructure domain | - Having started to provide a service using digital technologies to consolidate IT infrastructure operations aimed at automated and autonomous operations |
| Design and Data-driven Business Transformation | - Business consulting and technology utilization based on our strengths in designs and data | - Expanding collaboration in the design field through investments in Star in the United States |
| CRM / Salesforce           | - Creation of new customer experience and service improvements based on data collection and analysis utilizing Salesforce and Tableau | - Receipt of award for Salesforce Innovation Partner of the Year |
| Workspace as a Service     | - Track records related to BiXaaS Office, a solution for workstyle reforms | - Introduction of the zero trust architecture  
- Provision of digital working spaces |

* Graphs / charts are created by NTT DATA based on Gartner Research. Source: Gartner. "Prediction of 2020 2Q IT Service Market (Japan) Size by Industry." M. Sawai, 31 August 2020

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

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Focus Areas

• Contribution to clients’ businesses through the promotion of digital transformation
• Creation of new value through the combination of work processes and advanced technologies
• Expansion of a pool of professional human resources with expertise in both work processes and advanced technologies

Opportunities and Threats

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>• Curtailment of IT investment and postponement of projects because of the impacts of the COVID-19 pandemic</td>
</tr>
<tr>
<td>• Shift toward and increased need for EC and remote working</td>
<td>• Rapid changes in logistics and retail business models</td>
</tr>
<tr>
<td>• Continued proactive investment for the enhancement of competitiveness and business model innovations using digital technologies</td>
<td>• Entry of new payment system players</td>
</tr>
<tr>
<td>• Diversifying needs related to expanding settlement methods and settlement functions supporting inbound tourism and the spread of code payment services</td>
<td>• Entry of players from other industries</td>
</tr>
<tr>
<td>• Promotion of cashless payments by the Japanese government</td>
<td></td>
</tr>
<tr>
<td>• Development of systems to address labor shortages (trend toward digital stores)</td>
<td></td>
</tr>
<tr>
<td>Retail, Services, and Payment</td>
<td></td>
</tr>
<tr>
<td>• Growth in IT investment aimed at expanding sales through the utilization of digitalization to strengthen customer touchpoints</td>
<td></td>
</tr>
<tr>
<td>• Expanding demand for core systems, ERP restructuring, and corporate group integration</td>
<td></td>
</tr>
<tr>
<td>• Marketing Technology</td>
<td>• Curtailment of IT investment due to changes in the business environment</td>
</tr>
<tr>
<td>• Real / Digital Stores</td>
<td>• Limited overseas investment due to trade friction between the United States and China</td>
</tr>
<tr>
<td>• Streamlining of platforms through cloud computing and other approaches</td>
<td></td>
</tr>
<tr>
<td>• Growth of businesses that reconstruct platforms for digital and global compatibility</td>
<td></td>
</tr>
<tr>
<td>AI / IoT</td>
<td>• Rise of players with new technologies</td>
</tr>
<tr>
<td>• Rising need for corporate transformations utilizing AI and data</td>
<td>• Network commoditization</td>
</tr>
<tr>
<td>Networks, Data Centers, and Cloud Services</td>
<td>• Intensified competition among vendors providing cloud services</td>
</tr>
<tr>
<td>• Streamlining of platforms through cloud computing and other approaches</td>
<td></td>
</tr>
<tr>
<td>• Growth of businesses that reconstruct platforms for digital and global compatibility</td>
<td></td>
</tr>
</tbody>
</table>

Growth Strategy
In the Enterprise & Solutions Segment, we are promoting business enhancements and expansion based on the following policies.
• Focus on areas of clients’ transformation and contribute to business growth
• 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.

Areas of Strength

Digital Commerce
• Payment
• Payment Automation Technology
• Marketing Technology

IoT Platform
• Blockchain
• CRM / ERP

Opportunities
Real / Digital Stores
• Development of new corporate marketing approaches based on customer experience

Digital Marketing

Smart Value Chains
• Work process enhancements and business transformations between companies through real-time coordination of supply chain management and IoT information

Coordination with Core Systems
• Enhancement of data utilization through the combination of core system data and IoT platform data

Concrete Examples
Opportunities Threats

North America

• 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 the post-COVID-19 era

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

North America is the world’s largest market for IT services representing approximately 44% of the total global market.\textsuperscript{1} Although this market is expected to show negative growth in 2020, it is expected to grow by around 7% annually from 2021.\textsuperscript{2}

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

Market Environment

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 the post-COVID-19 era

Threats

• Contraction in the legacy IT services market
• Business insourcing of IT support
• Vendor consolidation to reduce outsourcing costs and number of suppliers
• Impact on IT spending due to the 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 and IT modernization, and managed services.

Third-Party Evaluation

Digital Transformation: A Leader
Everest Group, “Healthcare Payer Digital Services PEAK Matrix Assessment with Service Provider Landscape-2020”

Workplace Services: A Leader\textsuperscript{3}
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
Growth Strategy

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.

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 resilience and profitability

Continue Transformation into a Digital-Centric Provider

1. Deliver Advanced Outsourcing Services
   - Digital
     - Automation
     - Cloud
     - AI
   - ITO / BPO

2. Strengthen Digital Capabilities
   - 15 “Digital Offerings”
     - Marketing
     - Consulting
     - Delivery

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

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.

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*1 Source: Gartner “Market Share: IT Services, Worldwide 2019, Dean Blackmore et al., 13 April 2020
*2 North America Market = North America
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*3 Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner’s research organization and should not be construed as statements of fact. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.
*4 Temporary costs such as M&A, structural transformation, etc. are excluded.
Opportunities Threats

EMEA & LATAM

- The onward march of business innovation due to digitization
- 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

Impacts of COVID-19 on IT spending
- IT investment restraint of companies and others due to U.S.–China trade friction and the uncertainty of the future in the European market from Brexit
- Increasingly robust regulation, including that of personal information protection
- Impact on clients’ investment decisions of uncertainty surrounding the political and economic future in certain parts of Latin America

Market Environment
The scale of the EMEA and Latin America IT market accounts for approximately 32% of the global IT market.*1 Although this market is projected to show negative growth in 2020, it is expected to grow by 3–9% annually from 2021.*2

We provide IT services globally for large companies, especially those in the German automotive industry, and have robust client relationships.

For small and medium-sized German companies, we also provide consulting services for introduction of SAP software (SAP being the ERP market leader) and have a solid base.

Our delivery capabilities take advantage of our development base in Romania, which has excellent German-speaking human resources.

Opportunities

- The onward march of business innovation due to digitization
- 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
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- Increased demand to Build Back Better looking ahead to the Post-COVID-19 era

Threats

- Impacts of COVID-19 on IT spending
- IT investment restraint of companies and others due to U.S.–China trade friction and the uncertainty of the future in the European market from Brexit
- Increasingly robust regulation, including that of personal information protection
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Strengths

Germany (12th)
We provide IT services globally for large companies, especially those in the German automotive industry, and have robust client relationships.

For small and medium-sized German companies, we also provide consulting services for introduction of SAP software (SAP being the ERP market leader) and have a solid base.

Our delivery capabilities take advantage of our development base in Romania, which has excellent German-speaking human resources.

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

Italy (9th)
We provide IT services that mainly target telecom & media, energy & utility, and financial services companies headquartered in Italy and other parts of Europe, and have strong client relationships.

We respond to a wide range of needs for digitization with a design-oriented method, our strength, according to market trend and speed.

In addition, in response to demands for digitization for our clients, we have human resources skilled in digital technologies and strong delivery capabilities across the country.

Focus Areas

- Improving profitability in the EMEA & LATAM Segment business
- Further progress for cultivating top-level capabilities globally in the digital domain
- Further increasing local presence
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 margin*3 of 7% in FY2021.

**Existing Strengths × Digital Investment –Top-Line Growth–**

The EMEA & LATAM Segment has achieved more than 10% growth for three consecutive years since FY2016. 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 ①**

| Naturgy, a gas and electricity provider operating in Europe and Latin America, selects everis as its strategic partner |

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

- Total sales in the next 10 years is estimated to exceed 500 million euros

**Example of Initiatives ②**

| 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 |

Won 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

**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, mainly on unleashing 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)**

<table>
<thead>
<tr>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural transformation</td>
<td>Seize business opportunities</td>
<td>Continue structural transformation</td>
</tr>
</tbody>
</table>

**Items Carried Out in FY2019**

1. Reshaping / reskilling digital talent
   - Accelerate reskilling of employees to work in digital areas and continue to aggressively hire young talents in order to enhance sales and service delivery capabilities in terms of human resources
2. Strengthen vertical digital skills
   - Create strengths with the two axes of digital offerings by industry and solution products that are cross-industry offerings
   - Enhance sales and service delivery capabilities to deal with advanced SAP technologies
3. Human resource optimization (early retirement program)
   - Optimize human resources by carrying out an early retirement program mainly in Germany and Italy
4. Review businesses with low profitability
   - Closely examine and decide on withdrawal of businesses whose profitability is declining among various upfront investment businesses in divisions aiming to create new services

**Achievements**

1. Accelerated shift to digital talent
2. Increased digital transformation projects
3. Improved profitability

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*1 Source: Gartner “Market Share: IT Services, Worldwide 2019, Dean Blackmore et al., 13 April 2020
EMEA/LATAM Market = Western Europe, Eastern Europe, Middle East and North Africa, Sub-Saharan Africa, Latin America
The Gartner Report(s) described herein (the “Gartner Report(s)”) represent(s) opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. (“Gartner”), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Prospectus) and the opinions expressed in the Gartner Report(s) are subject to change without notice.
*2 Graphics/charts are created by NTT DATA based on Gartner Research.
*3 Temporary costs such as M&A, structural transformation, etc. are excluded.

Annual Report 2020
We would like to introduce the messages of CEOs of overseas operating companies regarding the impacts of the spread of COVID-19, growth strategies in coexisting with COVID-19, and strategies for achieving the EBITA margin*1 of 7%, which is one of the targets of the medium-term management plan.

**NTT DATA Services**

**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 Americas, 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*1 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 divest underperforming areas of our business to deliver profitable growth.

**NTT DATA EMEA**

The impacts 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*1 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.

**Military Ruffinon**

CEO for NTT DATA EMEA

Since 2013, Ruffinon has been CEO of NTT DATA Italy overseeing the company turnaround. In April 2020 he was appointed Co-CEO of NTT DATA EMEA. He brings to this role more than 25 years of experience in the IT consulting sector. He is the author of Code of Future published with Marsilio in 2016 and Italy 5.0 published in 2020 with Mondadori.
In a world where COVID-19 is changing our everyday lives, our No.1 priority from the very beginning has been to protect our people. After just one week, 97% of events employees were working from home, which amounts to more than 28,000 people in 17 countries.

Despite such a situation, we are confident that we will improve our profitability in FY2020, which is a preparation period for achieving the medium-term management plan target of EBITA margin*1 of 7%.

Of course, there is a high degree of uncertainty, but there are also opportunities:

- COVID-19 will force the acceleration of digital transformation in our clients.
- Consulting services in complying to the fast-changing environment will be required more than before.
- Our clients are more open to exploring new strategic outsourcing deals with events.

In the last three years, we have grown our business organically by over 50%. So, our strong performance reflects the successful execution of a healthy growth strategy.

Our key drivers for profitability improvement remain in place:

- Improving managed services profitability through automation and digital industrialization
- Reinforcing sales process control and reducing underperforming projects
- Meeting clients’ expectations by combining deep industry knowledge with advanced technological capabilities
- Increasing competitiveness through delivery automation based on everis-CAD (Cognitive Assisted Development) architecture*

Finally, I would like to thank all our stakeholders including everis and NTT DATA people around the world for their commitment and for their contribution to help in the communities where we live and work. I am fully confident in our ability to continue creating value for our stakeholders.

* Low-code platform solution which everis has

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**EMEA & LATAM Segment**

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* Low-code platform solution which everis has
Financial Models of Principal Businesses

### Integrated IT Solutions (Order-Based)

#### Business Model
- After receiving an order from a client, the Company makes capital expenditures to build IT systems, etc., that are held by us as our company 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.

#### Financial Model
- An order amount corresponding to several years of expected sales recorded once every few years as new orders received.
- Net sales is recorded over multiple years after the service starts.
- This model accounts for the largest portion of the Company’s capital expenditure.
- Upfront investments are necessary, but the model ensures stable earnings.

### Integrated IT Solutions (Planned by NTT DATA)

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

#### Financial Model
- 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.

---

### 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 24/7 service.

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### Main Example: Enterprise & Solutions Segment

#### Financial Model Image

### Relation between Business Models and Products / Service

<table>
<thead>
<tr>
<th>Business Model</th>
<th>Products / Service</th>
<th>FY2019 Results (Net Sales to Clients Outside the NTT DATA Group)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated IT Solutions (Order-Based)</td>
<td>Integrated IT Solutions</td>
<td>613.0</td>
</tr>
<tr>
<td>Integrated IT Solutions (Planned by NTT DATA)</td>
<td>System / Software Development</td>
<td>587.9</td>
</tr>
<tr>
<td></td>
<td>Consulting</td>
<td>272.3</td>
</tr>
<tr>
<td></td>
<td>Maintenance Support</td>
<td>706.6</td>
</tr>
<tr>
<td></td>
<td>Other Services</td>
<td>87.0</td>
</tr>
</tbody>
</table>
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.)

Main Example: North America Segment
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 built 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.

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

<table>
<thead>
<tr>
<th>Product/Service</th>
<th>Public &amp; Social Infrastructure</th>
<th>Financial</th>
<th>Enterprise &amp; Solutions</th>
<th>North America</th>
<th>EMEA &amp; LATAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated IT Solutions</td>
<td>72.6</td>
<td>280.7</td>
<td>97.1</td>
<td>116.9</td>
<td>45.4</td>
</tr>
<tr>
<td>System / Software Development</td>
<td>152.5</td>
<td>83.0</td>
<td>124.3</td>
<td>112.3</td>
<td>84.6</td>
</tr>
<tr>
<td>Consulting</td>
<td>7.5</td>
<td>13.9</td>
<td>22.0</td>
<td>40.4</td>
<td>182.3</td>
</tr>
<tr>
<td>Maintenance Support</td>
<td>171.8</td>
<td>122.0</td>
<td>138.5</td>
<td>149.7</td>
<td>112.6</td>
</tr>
<tr>
<td>Other Services</td>
<td>9.4</td>
<td>5.9</td>
<td>46.1</td>
<td>—</td>
<td>24.8</td>
</tr>
</tbody>
</table>

Annual Report 2020
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 compared to the previous fiscal year, to ¥987.4 billion, primarily due to an increase in retained earnings, despite a decrease primarily due to the effects of foreign exchange.

### Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>2,476.1</td>
<td>2,686.0</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>974.5</td>
<td>1,192.0</td>
</tr>
<tr>
<td>- Property, plant and equipment</td>
<td>357.0</td>
<td>477.7</td>
</tr>
<tr>
<td>- Goodwill</td>
<td>344.4</td>
<td>505.5</td>
</tr>
<tr>
<td>Current assets</td>
<td>444.4</td>
<td>557.7</td>
</tr>
<tr>
<td>- Current liabilities</td>
<td>391.0</td>
<td>517.0</td>
</tr>
<tr>
<td>Equity</td>
<td>355.7</td>
<td>446.4</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>444.4</td>
<td>505.5</td>
</tr>
<tr>
<td>- Other</td>
<td>344.9</td>
<td>446.4</td>
</tr>
</tbody>
</table>

### (Consolidated) New Orders Received / Order Backlog

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. 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.
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 in financial expenses from the reviewing of overseas projects with lower profitability.

Income taxes and others decreased by ¥8.3 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 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.

<table>
<thead>
<tr>
<th>Impact of Loss from Unprofitable Projects and Changes in the Ratio of Consolidated Net Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Billions of yen)</td>
</tr>
<tr>
<td>FY2018</td>
</tr>
<tr>
<td>Net sales</td>
</tr>
<tr>
<td>Cost of sales</td>
</tr>
<tr>
<td>Gross profit</td>
</tr>
<tr>
<td>SG&amp;A expenses</td>
</tr>
<tr>
<td>Selling expenses</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
</tr>
<tr>
<td>Other administrative expenses</td>
</tr>
<tr>
<td>Operating income</td>
</tr>
<tr>
<td>Operating income margin (%)</td>
</tr>
<tr>
<td>Financial income and costs / share of profit / loss of entities accounted for using equity method</td>
</tr>
<tr>
<td>Income before income taxes</td>
</tr>
<tr>
<td>Income taxes and others*</td>
</tr>
<tr>
<td>Net income attributable to shareholders of NTT DATA</td>
</tr>
</tbody>
</table>

* "Income taxes and others" includes corporate income taxes and net income attributable to non-controlling interests.
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 reviewing of some projects in Brazil, despite an increase attributable to sales growth.

### 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 ¥59.2 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 dividend 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.
## Financials and Others

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

#### NTT DATA Corporation and Subsidiaries

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Units</th>
<th>FY2009</th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
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</thead>
<tbody>
<tr>
<td>New orders received</td>
<td>Billions of yen</td>
<td>1,181.5</td>
<td>988.4</td>
<td>1,098.4</td>
<td>1,197.1</td>
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<tr>
<td>Net sales</td>
<td>Billions of yen</td>
<td>1,142.9</td>
<td>1,161.9</td>
<td>1,251.1</td>
<td>1,301.9</td>
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<tr>
<td>Cost of sales</td>
<td>Billions of yen</td>
<td>870.5</td>
<td>882.3</td>
<td>941.8</td>
<td>980.5</td>
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<td>Cost of sales ratio</td>
<td>%</td>
<td>76.2</td>
<td>76.0</td>
<td>75.3</td>
<td>75.3</td>
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<tr>
<td>Selling, general and administrative expenses</td>
<td>Billions of yen</td>
<td>190.6</td>
<td>201.3</td>
<td>228.8</td>
<td>235.7</td>
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<tr>
<td>SG&amp;A ratio</td>
<td>%</td>
<td>16.7</td>
<td>17.3</td>
<td>18.3</td>
<td>18.1</td>
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<tr>
<td>Operating income</td>
<td>Billions of yen</td>
<td>81.6</td>
<td>83.4</td>
<td>80.4</td>
<td>85.6</td>
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<tr>
<td>Operating income margin</td>
<td>%</td>
<td>7.1</td>
<td>6.7</td>
<td>6.4</td>
<td>6.6</td>
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<tr>
<td>Operating income (w/o goodwill amortization)*1</td>
<td>Billions of yen</td>
<td>85.9</td>
<td>82.2</td>
<td>87.5</td>
<td>96.4</td>
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<tr>
<td>Net income attributable to shareholders of NTT DATA*2</td>
<td>Billions of yen</td>
<td>35.6</td>
<td>37.3</td>
<td>30.4</td>
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<td>Overseas net sales*3</td>
<td>Billions of yen</td>
<td></td>
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<td>231.3</td>
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<tr>
<td>Overseas EBITA margin*1, 4</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
<td>4.7</td>
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<tr>
<td>Loss from unprofitable projects</td>
<td>Billions of yen</td>
<td></td>
<td></td>
<td></td>
<td>5.3</td>
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<tr>
<td>Loss from unprofitable projects to consolidated net sales ratio</td>
<td>%</td>
<td></td>
<td></td>
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<td>0.41</td>
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<tr>
<td>Capital expenditure</td>
<td>Billions of yen</td>
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<td>139.0</td>
<td>133.9</td>
<td>122.1</td>
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<td>Depreciation and amortization / Loss on disposal of property and equipment and intangibles</td>
<td>Billions of yen</td>
<td>161.9</td>
<td>158.5</td>
<td>159.7</td>
<td>153.8</td>
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<tr>
<td>R&amp;D expenses</td>
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<td>10.7</td>
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<td>12.1</td>
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<tr>
<td>Equity ratio</td>
<td>%</td>
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<td>41.0</td>
<td>41.1</td>
<td>42.7</td>
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<tr>
<td>Invested capital</td>
<td>Billions of yen</td>
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<td>846.1</td>
<td>858.8</td>
<td>885.6</td>
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<td>D/E ratio</td>
<td>Times</td>
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<td>0.69</td>
<td>0.69</td>
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<td>Other information</td>
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<td></td>
<td></td>
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<tr>
<td>Return on invested capital (ROIC)*6, 7</td>
<td>%</td>
<td>5.3</td>
<td>4.8</td>
<td>4.6</td>
<td>5.1</td>
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<tr>
<td>Return on assets (ROA)*8</td>
<td>%</td>
<td>2.8</td>
<td>2.7</td>
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<tr>
<td>Return on equity (ROE)*9</td>
<td>%</td>
<td>6.2</td>
<td>6.3</td>
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<tr>
<td>Net income per share*10</td>
<td>Yen</td>
<td>25.4</td>
<td>26.6</td>
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<td>Net assets per share*10</td>
<td>Yen</td>
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<td>428.9</td>
<td>431.9</td>
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<td>Net dividend per share*10</td>
<td>Yen</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Consolidated cash flow payout ratio*11</td>
<td>%</td>
<td>39.5</td>
<td>26.9</td>
<td>26.1</td>
<td>19.6</td>
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<tr>
<td>5-year average consolidated cash flow dividend payout ratio*11, 12</td>
<td>%</td>
<td>28.8</td>
<td>34.1</td>
<td>35.9</td>
<td>28.4</td>
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<tr>
<td>Total shareholder return (TSR) (holding period of 5 years)</td>
<td>%</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Number of countries and regions</td>
<td></td>
<td>25</td>
<td>34</td>
<td>35</td>
<td>34</td>
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<tr>
<td>Number of cities</td>
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<td>145</td>
<td>136</td>
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<td>Number of employees</td>
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<td>34,543</td>
<td>49,991</td>
<td>58,668</td>
<td>61,369</td>
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<td>Number of overseas employees</td>
<td></td>
<td>5,622</td>
<td>20,855</td>
<td>26,007</td>
<td>28,820</td>
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<tr>
<td>Workhours*14</td>
<td>Hours</td>
<td>2,003</td>
<td>1,991</td>
<td>1,991</td>
<td>1,996</td>
</tr>
<tr>
<td>Percentage of employees who return to work after childcare leave*14</td>
<td>%</td>
<td>97.8</td>
<td>93.8</td>
<td>95.5</td>
<td>92.5</td>
</tr>
<tr>
<td>Purchased power*15</td>
<td>10,000 kWh</td>
<td>59,717</td>
<td>56,618</td>
<td>52,213</td>
<td>48,878</td>
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<tr>
<td>Water consumption*15</td>
<td>10,000 m³</td>
<td>60</td>
<td>59</td>
<td>59</td>
<td>59</td>
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<tr>
<td>Paper usage*15</td>
<td>t</td>
<td>1,485</td>
<td>1,181</td>
<td>1,019</td>
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<tr>
<td>Greenhouse gas (GHG) emissions*15, 16, 17</td>
<td>10 Kt-CO₂e</td>
<td>26.0</td>
<td>22.3</td>
<td>21.5</td>
<td>23.9</td>
</tr>
</tbody>
</table>

*1 Figures based on JGAAP include adjustments for goodwill amortization and others (including impairment loss).
*2 The name of the item based on IFRS is “net income attributable to owners of parent.”
*3 Net sales to clients outside the NTT DATA Group. Figures for the former Global Segment is used until FY2016, and the total of the North America Segment, EMEA & LATAM Segment, and China & APAC is used from FY2017 onward.
*4 EBITDA (JGAAP) = operating income (JGAAP) + amortization of goodwill and intangible assets subject to purchase price allocation (PPA) arising from acquisition and others.
*5 EBIT (IFRS) = operating income (IFRS) + amortization and loss on retirement of fixed asset + goodwill amortization, etc.
*6 Figures for the interest-bearing liabilities based on JGAAP are the total of loans, corporate bonds, and lease obligations. Figures based on IFRS are the total of loans and corporate bonds.
*7 ROIC = (operating income x (1 – effective tax rate)) / (average net assets during the period + average interest-bearing liabilities during the period)
*8 ROA = net income attributable to shareholders of NTT DATA / average total assets during the period
*9 ROE = net income attributable to shareholders of NTT DATA / average equity during the period
<table>
<thead>
<tr>
<th>JGAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,400.2</td>
<td>1,429.1</td>
</tr>
<tr>
<td>1,343.7</td>
<td>1,511.8</td>
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<tr>
<td>1,031.2</td>
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<td>1,341.4</td>
<td>1,355.8</td>
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<td>676.8</td>
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<td>48,342</td>
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<tr>
<td>936</td>
<td>905</td>
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<tr>
<td>25.9</td>
<td>26.1</td>
</tr>
</tbody>
</table>

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

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

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

*13 Clients from which NTT DATA earns ¥5 billion or more per year in Japan (in Japan) or US$50 million per year (ex-Japan)

*14 Figures for NTT DATA (unconsolidated)

*15 Total of NTT DATA (unconsolidated) and Group companies (only in Japan) / all subsidiaries (including joint ventures and associates)

*16 Total of direct gas emissions by use of fuels (Scope 1) and indirect gas emissions by use of purchased electricity / heat (Scope 2) is converted to CO2. The unit is CO2e (CO2 equivalent).

*17 Numbers guaranteed by a third party. For details, please see P62 “Independent Practitioner’s Assurance.”
# 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><strong>Current assets</strong></td>
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</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>
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<tr>
<td>Contract assets</td>
<td>81,929</td>
<td>74,828</td>
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<tr>
<td>Inventories</td>
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<td>13,727</td>
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<td>Other financial assets</td>
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<td>13,296</td>
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<tr>
<td>Other current assets</td>
<td>67,369</td>
<td>87,509</td>
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<td><strong>Total current assets</strong></td>
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<td>966,890</td>
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<tr>
<td><strong>Non-current assets</strong></td>
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<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
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<td>344,922</td>
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<tr>
<td>Right-of-use assets</td>
<td>357,014</td>
<td>391,017</td>
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<tr>
<td>Goodwill</td>
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<td>Intangible assets</td>
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<td>Investment property</td>
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<td>27,113</td>
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<tr>
<td>Investments accounted for using equity method</td>
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<td>Deferred tax assets</td>
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<td><strong>Total non-current assets</strong></td>
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<td>1,719,118</td>
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<tr>
<td><strong>Total assets</strong></td>
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<td>2,686,008</td>
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<tr>
<td><strong>Liabilities</strong></td>
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<td>359,508</td>
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<tr>
<td>Bonds and borrowings</td>
<td>134,586</td>
<td>157,094</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>6,573</td>
<td>39,143</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>28,717</td>
<td>4,604</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>30,437</td>
<td>32,002</td>
</tr>
<tr>
<td>Provisions</td>
<td>12,434</td>
<td>4,273</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>32,898</td>
<td>29,674</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>816,859</td>
<td>883,038</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and borrowings</td>
<td>446,437</td>
<td>440,861</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>12,434</td>
<td>122,219</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>21,908</td>
<td>12,155</td>
</tr>
<tr>
<td>Defined benefit liabilities</td>
<td>202,491</td>
<td>207,854</td>
</tr>
<tr>
<td>Provisions</td>
<td>3,562</td>
<td>4,131</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>5,532</td>
<td>18,868</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>12,463</td>
<td>9,466</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>692,394</td>
<td>815,555</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>1,509,253</td>
<td>1,698,593</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to shareholders of NTT DATA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td>142,520</td>
<td>142,520</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>115,740</td>
<td>111,596</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>603,171</td>
<td>659,563</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Other components of equity</td>
<td>64,236</td>
<td>26,005</td>
</tr>
<tr>
<td><strong>Total equity attributable to shareholders of NTT DATA</strong></td>
<td>925,667</td>
<td>939,883</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>41,143</td>
<td>47,732</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>966,809</td>
<td>987,415</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>2,476,062</td>
<td>2,686,008</td>
</tr>
</tbody>
</table>
**Consolidated Statement of Income**

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>2,163,625</td>
<td>2,266,808</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>1,618,636</td>
<td>1,694,577</td>
</tr>
<tr>
<td>Gross profit</td>
<td>544,988</td>
<td>572,231</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>397,272</td>
<td>441,294</td>
</tr>
<tr>
<td>Operating income</td>
<td>147,716</td>
<td>130,937</td>
</tr>
<tr>
<td>Financial income</td>
<td>6,848</td>
<td>6,026</td>
</tr>
<tr>
<td>Financial costs</td>
<td>7,825</td>
<td>17,117</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 before income taxes</td>
<td>146,914</td>
<td>120,155</td>
</tr>
<tr>
<td>Income taxes</td>
<td>49,210</td>
<td>40,383</td>
</tr>
<tr>
<td>Net income</td>
<td>97,704</td>
<td>79,772</td>
</tr>
</tbody>
</table>

Net income attributable to:
- Shareholders of NTT DATA: 93,616
- Non-controlling interests: 4,088
- Total: 97,704

Net income per share attributable to shareholders of NTT DATA:
- Net income per share (Yen): 66.75
- FY2019: 53.58

**Consolidated Statement of Comprehensive Income**

<table>
<thead>
<tr>
<th></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>Other comprehensive income (after taxes)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit / loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in fair value of financial assets measured at fair value through other comprehensive income</td>
<td>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>Total other comprehensive income (after taxes)</td>
<td>20,913</td>
<td>(31,222)</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>118,617</td>
<td>48,550</td>
</tr>
</tbody>
</table>

Comprehensive income attributable to:
- Shareholders of NTT DATA: 114,859
- Non-controlling interests: 3,758
- Total: 118,617
## Consolidated Statement of Changes in Equity

(Millions of yen)

### FY2018

<table>
<thead>
<tr>
<th></th>
<th>Capital stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Treasury shares</th>
<th>Other components of equity</th>
<th>Total</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2018</td>
<td>142,520</td>
<td>116,193</td>
<td>(1) 288,601</td>
<td>(1) 38,865</td>
<td>826,179</td>
<td>34,327</td>
<td>860,506</td>
<td></td>
</tr>
<tr>
<td>Cumulative effect of adoption of IFRS 9</td>
<td>—</td>
<td>—</td>
<td>3,416</td>
<td>—</td>
<td>3,354</td>
<td>6,770</td>
<td>328</td>
<td>7,099</td>
</tr>
<tr>
<td>Restarted balance (As of April 1, 2018)</td>
<td>142,520</td>
<td>116,193</td>
<td>532,018</td>
<td>(1) 42,220</td>
<td>832,949</td>
<td>34,656</td>
<td>867,605</td>
<td></td>
</tr>
<tr>
<td>Comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>93,616</td>
<td></td>
<td>93,616</td>
<td>4,088</td>
<td>97,704</td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>—</td>
<td>—</td>
<td>93,616</td>
<td>21,243</td>
<td>114,859</td>
<td>3,758</td>
<td>118,617</td>
<td></td>
</tr>
<tr>
<td>Transactions with shareholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends of surplus</td>
<td>—</td>
<td>—</td>
<td>(22,440)</td>
<td></td>
<td>(22,440)</td>
<td>(751)</td>
<td>(23,191)</td>
<td></td>
</tr>
<tr>
<td>Transfer to retained earnings</td>
<td>—</td>
<td>—</td>
<td>(773)</td>
<td></td>
<td>773</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase / decrease by business combination</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net changes in controlled subsidiaries’ stocks</td>
<td>—</td>
<td>(1,369)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(1,369)</td>
<td>308</td>
<td>(1,062)</td>
</tr>
<tr>
<td>Put options granted to non-controlling interests</td>
<td>—</td>
<td>914</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>914</td>
<td>—</td>
<td>914</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>2</td>
<td>751</td>
<td></td>
<td>753</td>
<td>(207)</td>
<td>546</td>
<td></td>
</tr>
<tr>
<td>Total transactions with shareholders</td>
<td>—</td>
<td>(453)</td>
<td>(22,462)</td>
<td>—</td>
<td>773</td>
<td>(22,142)</td>
<td>2,729</td>
<td>(19,413)</td>
</tr>
<tr>
<td>As of March 31, 2019</td>
<td>142,520</td>
<td>111,596</td>
<td>603,171</td>
<td>(1) 64,236</td>
<td>925,667</td>
<td>41,143</td>
<td>966,809</td>
<td></td>
</tr>
</tbody>
</table>

### FY2019

<table>
<thead>
<tr>
<th></th>
<th>Capital stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Treasury shares</th>
<th>Other components of equity</th>
<th>Total</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2019</td>
<td>142,520</td>
<td>115,740</td>
<td>603,171</td>
<td>(1) 64,236</td>
<td>925,667</td>
<td>41,143</td>
<td>966,809</td>
<td></td>
</tr>
<tr>
<td>Comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>75,148</td>
<td></td>
<td>75,148</td>
<td>4,624</td>
<td>79,772</td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>—</td>
<td>—</td>
<td>75,148</td>
<td>(31,008)</td>
<td>44,140</td>
<td>4,411</td>
<td>48,550</td>
<td></td>
</tr>
<tr>
<td>Transactions with shareholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends of surplus</td>
<td>—</td>
<td>—</td>
<td>(24,544)</td>
<td></td>
<td>(24,544)</td>
<td>(1,415)</td>
<td>(25,959)</td>
<td></td>
</tr>
<tr>
<td>Transfer to retained earnings</td>
<td>—</td>
<td>—</td>
<td>7,223</td>
<td></td>
<td>(7,223)</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase / decrease by business combination</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>6,017</td>
<td>—</td>
<td>6,017</td>
</tr>
<tr>
<td>Net changes in controlled subsidiaries’ stocks</td>
<td>—</td>
<td>(156)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(156)</td>
<td>(1,754)</td>
<td>(1,909)</td>
</tr>
<tr>
<td>Put options granted to non-controlling interests</td>
<td>—</td>
<td>(4,497)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(4,497)</td>
<td>—</td>
<td>(4,497)</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>508</td>
<td>(1,435)</td>
<td></td>
<td>(927)</td>
<td>(670)</td>
<td>(1,597)</td>
<td></td>
</tr>
<tr>
<td>Total transaction with shareholders</td>
<td>—</td>
<td>(4,144)</td>
<td>(18,756)</td>
<td>—</td>
<td>(7,223)</td>
<td>(30,123)</td>
<td>2,178</td>
<td>(27,945)</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>142,520</td>
<td>111,596</td>
<td>659,563</td>
<td>(1) 26,005</td>
<td>939,683</td>
<td>47,732</td>
<td>987,415</td>
<td></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>199,182</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>(17,777)</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>(8,505)</td>
<td>5,378</td>
</tr>
<tr>
<td><strong>Sub total</strong></td>
<td>296,420</td>
<td>342,235</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>242,009</td>
<td>280,029</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 |
| 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 | 40,058 | 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) | (24,549) |
| 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 decrease) | 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
Toyosu Center Bldg., 3-3, Toyosu 3-chome, Koto-ku, Tokyo 135-6033, Japan
Telephone: +81-3-5546-8202

Date of Establishment
May 23, 1988

Common Stock
¥142,520 million

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

Fiscal Year
April 1 to March 31 of the following year

Ordinary General Meeting of Shareholders
June

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

Administrator of Register of Shareholders
Sumitomo Mitsui Trust Bank, Limited

Independent Auditors
KPMG AZSA LLC

Organizational Structure (As of July 1, 2020)

Offices (As of March 31, 2020)

1,000

North America: 16,800
Latin America: 12,900
EMEA: 32,300
China: 4,700
Japan: 38,700
APAC: 4,000

53 countries and regions
225 cities
133,000+ people
Stock / Credit Rating Information
(As of March 31, 2020)

Number of Shares Issued and Number of Shareholders

<table>
<thead>
<tr>
<th>Total Number of Shares Authorized to be Issued by the Company</th>
<th>5,610,000,000 shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Shares Issued</td>
<td>1,402,500,000 shares</td>
</tr>
<tr>
<td>Number of Share Units</td>
<td>100 shares</td>
</tr>
<tr>
<td>Number of Shareholders</td>
<td>78,353 people</td>
</tr>
</tbody>
</table>

Principal Shareholders

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Held</th>
<th>Ratio of Shareholding (%)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTT, Inc.</td>
<td>760,000,000</td>
<td>54.19</td>
</tr>
<tr>
<td>Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>134,699,900</td>
<td>9.60</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>69,816,600</td>
<td>4.98</td>
</tr>
<tr>
<td>NORTHERN TRUST CO. (AVFC) SUB A/C NON TRENDY</td>
<td>21,075,600</td>
<td>1.50</td>
</tr>
<tr>
<td>NTT DATA Employee Share-Holding Association</td>
<td>14,095,900</td>
<td>1.01</td>
</tr>
<tr>
<td>Trust &amp; Custody Services Bank, Ltd (Investment Trust Account)</td>
<td>13,470,700</td>
<td>0.96</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 9)</td>
<td>12,732,300</td>
<td>0.91</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 385151</td>
<td>11,049,038</td>
<td>0.79</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 5)</td>
<td>10,640,600</td>
<td>0.76</td>
</tr>
</tbody>
</table>

* Ratio of shareholding is calculated excluding the treasury stock (953)

Credit Rating Information

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

Stock Price Chart

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

Stock Split of NTT DATA

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1998</td>
<td>10-for-1 stock split of common shares</td>
</tr>
<tr>
<td>October 2013</td>
<td>100-for-1 stock split of common shares and adoption of the unit share system</td>
</tr>
<tr>
<td>July 2017</td>
<td>5-for-1 stock split of common shares</td>
</tr>
</tbody>
</table>