

Questioner 1

Q1

Please explain the situation regarding overseas businesses. In the North America Segment, the net income is expected to increase in the fiscal year ending March 31, 2022 (“this fiscal year”) due to the cost decrease associated with the structural transformation implemented in the fiscal year ending March 31, 2021 (“the first preceding fiscal year”) and their effects. However, it seems to me that the number of new orders received is slow to recover and that order backlog is decreasing. This fiscal year, you will sell part of your business and this is one of the causes for declining sales. When do you expect the net sales to turn around as a result of increasing competitiveness by recruiting human resources capable of using digital technologies and other means? You said that you had also overhauled low profit projects in the EMEA & LATAM Segment in the first preceding fiscal year and I would like to know the details and the outlook for this fiscal year.

A1

For the North America Segment, we spent 16 billion yen on the structural transformation in the first preceding fiscal year, and the costs will be reduced by the amount this fiscal year. More specifically, we focused on the three main pillars: enhancing and re-skilling digital talents, optimizing resources, and transforming work styles. Teleworking is expanding worldwide, and we reduced the number of offices by 62. Also, we optimized resources and enhanced digital talents. Through these measures, we expect effects worth 15 billion yen this fiscal year.

Conversely, we actually forecast a drop in order backlog in the North America Segment this fiscal year. However, also owing to the digital transformation that we implemented, we have received an increasing number of orders for digital-related projects, and they now account for 75% of the total. Since the number of orders for digital and consulting projects is increasing, the gross profit margin ratio of projects we won in the first preceding fiscal year was up 3% compared with the year ending March 31, 2020 (“the second preceding fiscal year”). As the characteristics of the digital projects include an increasing number of small-scale projects and shorter development cycles, the number of orders received in the current fiscal year which will be recorded as net sales in the current fiscal year is expected to increase. This fiscal year, we plan to increase the total value of such projects by approximately 25 billion yen. We plan to sell part of our non-core, non-digital business this fiscal year. While this sell-off will cause a sales decline, we will work to increase both net sales and net income moving forward.

For the EMEA & LATAM Segment, we spent approximately 10 billion yen in the second preceding fiscal year and approximately 4 billion yen in the first preceding fiscal year on the structural transformation. We have enhanced and re-skilled digital talents, implemented the early-retirement program, strengthened offerings, improved the efficiency of operations, and automated development. In particular, the reshaping of human resources that we implemented mainly in Germany and Italy in the second preceding fiscal year has produced outcomes, which were worth approximately 2.5 billion yen in the first preceding fiscal year. Furthermore, the effects of the structural transformation implemented in the first preceding fiscal year also produced effects worth hundreds of millions of yen in the same year and the effects totaled approximately

3 billion yen. We expect that the effects will continue this fiscal year and will be worth approximately 4 billion yen. Also, we have received numerous orders for digital projects due to the digital shift in Europe. For example, we received an order for a digital project utilizing the next-generation smart meter from a major Italian energy company as well as digital consulting projects. Furthermore, we received orders for digital projects related to 5G and for call center operations from Britain-based Telefónica and Germany-based Deutsche Telekom AG.

Q2

I would like to ask about this fiscal year's operating income plan. In the Public & Social Infrastructure Segment, the amount of operating income increase is smaller compared with that of net sales increase due to several reasons, such as cost increases for strengthening proposal activities. Please tell me the details of this matter. In addition, according to the staircase chart showing the operating income on Page 18 of your Company Presentation, a simple calculation shows that the "Others" category reports a decrease of approximately 8.7 billion yen in net income. Could you explain this in more detail?

A2

As for the Public & Social Infrastructure Segment, unprofitable projects have caused large costs over the past 3 years; thus, we limited new growth investments and sales/planning initiatives. The Digital Agency will be officially launched in September this year, and we believe that public administrations will be more digitalized, administrative services will be more sophisticated, and the entire society will be more digitalized in the future. Public services, financial services, and services provided by ordinary corporations are likely to be linked and collaborated, and the plan incorporates upfront investments in these services.

Let me explain the causes of the income decline in the "Others" category. The main cause of this is that we expect an income decline of approximately 3 billion yen due to the increase in growth investments across the Company. In addition, the effects of adjustment items on accounting that are generated when consolidating all company financial statements are also included.

Meanwhile, the plan also includes the costs that we had not decided where to allocate at the time of formulating performance forecasts, and we will control costs for company-wide growth investments while deciding where to allocate them and watching updates on the progress of achieving performance estimates for fiscal 2021. Therefore, even though there is no change to the total figure of the entire company, the "Others" category is highly likely to change.

Q3

I think the structural transformation for the North America Segment has been completed. Please let me know if you plan to carry out the structural transformation and the overhaul of less profit projects in the EMEA & LATAM Segment this fiscal year?

A3

As you pointed out, we have completed the structural transformation in the North America Segment. However, in the EMEA & LATAM Segment, the manufacturing industry, especially the German automobile

industry, has been heavily impacted by the COVID-19 pandemic (“the impact of COVID-19”). For that reason, there are demands for cutting, delaying, and suspending IT investments and reducing prices for existing systems. To handle such demands, we are required to further speed up digitalization, so we expect to spend slightly less than 6 billion yen this fiscal year on enhancing and re-skilling digital talents, integrating scattered facilities, abolishing or consolidating small offices, and promoting nearshore and offshore services. We united our European regional brands under the NTT DATA brand on April 1, which generates additional costs for changing the email address domain and signs, etc. In addition, we expect to invest approximately 6 billion yen to integrate EMEA and everis’s operating companies for the purpose of enhancing synergies and improving the efficiency of back office.

Q4

You said your Company aims to become one of the global top 5 companies. I would like to know specific numerical targets.

A4

We have been aiming to become one of the global top 5 companies in 2025 when we reach the Global 3rd Stage. To be more specific, our goal is to be qualified to be one of the top 5 best-selling companies in the IT service division of Gartner’s global ranking of IT vendors. Since the situation of other companies also has impact, it is difficult to show specific numerical targets, but we believe it is needed to increase sales to 2.5 to 3 trillion yen at the moment to achieve the goal.

Q5

Do you mean that you aim to become one of the global top 5 companies while maintaining profitability?

A5

Under the current Mid-term Management Plan, we are working to achieve the goal of the consolidated operating income margin at 8% and overseas EBITA margin at 7%. Also, due to the impact of COVID-19, we are having a hard time in Europe. However, we have been aiming for profitable growth, and we do not plan to reduce profitability. On the Global 3rd Stage, we will look to higher goals.

Questioner 2

Q1

As for the operating income of the EMEA & LATAM Segment in the first preceding fiscal year, I would like to know why you booked full-year operating income loss despite that you posted a quarterly operating income growth in the 3Q. Also, you said you plan to sell some business in the North America Segment this fiscal year, and please tell me if that sell-off will generate any temporary cost.

A1

In the EMEA & LATAM Segment, we overhauled low profit projects in the 4Q of the first preceding fiscal year. In the second preceding fiscal year, we spent approximately 4 billion yen on the overhaul, while we conducted additional reviews in the first preceding fiscal year partly due to the COVID-19 impact. In the first preceding fiscal year, we posted a loss of approximately 8 billion yen in operating income and equity in net losses of affiliates of approximately 4 billion yen. Consequently, we failed to achieve the plan. Impairment losses of assets associated with the business overhauls were all booked in the first and second preceding fiscal years, and we do not expect additional overhauls at the moment.

The sell-off of some business of the North America Segment will have an effect of slightly more than 20 billion yen on net sales. The business is a non-core, non-digital business. Since it is not highly profitable but produces profit, the sell-off would not cause losses. Rather, we are negotiating to make it profitable.

Q2

Let me confirm the improvement of profitability of overseas businesses. For the North America Segment, you plan to achieve the EBITA margin of 7% this fiscal year. Do you think there is a room for further improvement? The adjusted target for the EMEA & LATAM Segment is 5%, according to your plan, and what is important to achieve the 7% goal? Can you achieve it if sales grow along with market recovery? I also would like to know if you need any other additional measures.

A2

The business in North America Segment to be sold this fiscal year is a non-core, non-digital business, and the sell-off is for achieving the EBITA margin of 7%. North America is increasingly shifting to digital, and we plan to first achieve the 7% goal by strengthening digital and consulting services. After that, we are going to aim for further improvement.

In the EMEA & LATAM Segment, we will accelerate the digital shift in Germany, which faces a tough situation also due to the impact of COVID-19. Our businesses combined with outsourcing services for infrastructure and applications, where our Company has strength as a whole, are important to contribute to our clients' business. We are going to implement measures to increase profitability through transforming existing outsourcing services into highly sophisticated ones by using automation and digital technologies such as AI and RPA, as we did in North America. While digital and consulting services have high added values and are highly profitable, we would like to enhance profitability of our outsourcing services, too.

Questioner 3

Q1

As for this fiscal year's sales plan for the Enterprise & Solutions Segment, the rate of growth from the first preceding fiscal year remains low at 1.2%. Please explain the reason for such low growth rate. Are there any reasons specific to your Company? Or will the industries of your clients take time to recover?

A1

Regarding the Enterprise & Solutions Segment, clients in the manufacturing, service, tourism, and traffic industries are facing tough business conditions, as they were in the first preceding fiscal year, and the reduction, suspension, and postponement of IT investments have prolonged effects. Under such circumstances, our Company's plan for the first preceding fiscal year assumed a drastic fall due to the impact of COVID-19. However, the actual impact of COVID-19 was less than expected as we steadily won orders for system -upgrading projects from existing clients in the first preceding fiscal year and orders for various projects, such as digital projects from clients in the distribution and service industries. As a result, the net sales increased. The net sales decrease was not big in the first preceding fiscal year, and the impact of COVID-19 seems to continue for a while. For these reasons, the growth rate in this fiscal year's sales plan looks low.

Q2

I think that digital knowledge sharing will help improve profitability if shared content is reused well. I would like to know if you have systems to promote the use of shared content, such as one to help evaluate on-site workers who improve profitability by making use of shared content.

A2

We started the initiative in the second preceding fiscal year, and more and more employees are using it and producing results. We made the usage record of shared content into a KPI internally in the first preceding fiscal year and this fiscal year. We have introduced a system to allow content users to evaluate each content, in addition to having the perspective of how much the "Know-who" information, which is information on the contents and skills of human resources in respective organizations, is registered. Actual effects of the initiative on our businesses are yet to be measured, but we believe that it will ultimately contribute to our Company's performance. So, we would like to have a solid grasp of the matter.

Questioner 4

Q1

The gross profit margin ratio for the 4Q (3 months) of the first preceding fiscal year is approximately 1% down from the 4Q (3 months) of the second preceding fiscal year. Please explain why. You said the ratio is expected to dramatically improve this fiscal year. Why is that?

A1

It is difficult to compare 3-month figures due to the difference between operating income margins of respective projects. For the next fiscal year, we plan to increase the number of digital projects on a global basis, and we will shift to more profitable projects, even though their scale is small. We incorporated this idea into the plan, and that is why the gross profit margin ratio is high.

Q2

Do you mean that the gross profit margin ratio set out in this fiscal year's plan is slightly bullish?

A2

The plan was created in communication with respective business departments and overseas subsidiaries, and so the figures in the plan reflect their efforts. Especially, the gross profit margin ratio is expected to increase in overseas countries, not in Japan. Given that our Company is now making efforts to improve profitability of overseas businesses, I would like you to understand that the efforts are reflected in the figures.

Q3

You just said that the operating income margin in the Public & Social Infrastructure Segment will not increase this fiscal year due to upfront investments for digitalization. And, in my understanding, digital projects are of higher-margin than non-digital ones. Then, I would like to know why the operating income margin in the Public & Social Infrastructure Segment will not increase this fiscal year despite the upfront investments.

A3

As for the Public & Social Infrastructure Segment, we have strictly limited measures over the past few years partly due to the existence of unprofitable projects. This fiscal year, however, we will make investments so that we can handle projects related to the Digital Agency and new other projects. Therefore, estimates on net income in the plan are moderate. As for domestic projects, we have maintained the operating income margin of approximately 10% and we would like to keep that level in the future. If we assume that there will be no large-scale unprofitable projects, we believe the margin level will be maintained or improved.

Q4

On April 28, 2021, Japan Post Holdings Co., Ltd. announced that it will make a strategic IT investment worth approximately 430 billion yen to promote digital transformation and for other purposes over the next

5 years (from fiscal 2021 to fiscal 2025). I would like to know its impact on your Company's performance. Are there any possibilities of your sales dramatically increasing this fiscal year or the next fiscal year?

A4

I believe what is important is to contribute to our clients' businesses by making use of our strengths. We would like to actively make proposals in the fields of our expertise to win more orders.