FY2019 Business Briefing (NTT DATA's Digital Strategy)

December 10, 2019
NTT DATA Corporation
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Notes
※ Descriptions and predictions in this document are based on the current information and may change due to domestic and international economy, trends in the information service industry, development of new services and technologies. Therefore, our Group will not guarantee its certainty.
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I am Suzuki, a Senior Vice President of NTT DATA.
I am going to explain the overview of “Strategy 1” of the Mid-term Management Plan.
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<tr>
<th>Date</th>
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<tr>
<td>April 1988</td>
<td>Joined NTT DATA Communications Systems Corporation</td>
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<td>August 1990</td>
<td>The Company’s name was changed to NTT DATA Corporation</td>
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<td>July 2003</td>
<td>Head of Financial System Sector</td>
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<td>May 2004</td>
<td>Head of Regional Banking System Sector</td>
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<td>April 2008</td>
<td>Head of BeSTA Planning Section, General Banking Business Unit, Regional Banking System Sector</td>
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<td>July 2009</td>
<td>Head of First Banking Section, First Regional Banking Business Unit, Second Financial Sector</td>
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<td>June 2012</td>
<td>Head of New Business Planning Headquarters</td>
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<td>October 2012</td>
<td>Head of New Business Planning Headquarters, Second Financial Sector</td>
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<td>April 2013</td>
<td>Head of First Banking Division and Head of Planning Department, Second Financial Sector</td>
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<tr>
<td>July 2016</td>
<td>Head of Business Strategy Department, Financial Segment</td>
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<td>June 2016</td>
<td>Head of Second Financial Sector and Senior Vice President</td>
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<tr>
<td>June 2019</td>
<td>Head of Strategy Office and Senior Vice President (current post)</td>
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Masanori Suzuki  
Head of Strategy Office  
and Senior Vice President
1. Global 3rd Stage Overview and Positioning of Current Mid-Term Management Plan
I will explain the positioning of the Mid-term Management Plan in our global strategy. We have executed the global strategy for more than 10 years. We have achieved a certain level of success in establishing our global brand—the goal for the Global 2nd Stage—by FY2018. Therefore, starting from this fiscal year, we are aiming to become one of the global top 5 companies, which is our goal for the Global 3rd Stage.
Our vision for the Global 3rd Stage is to have a well-balanced portfolio among Japan & APAC, North America, and Europe.
The first 3 years of the Global 3rd Stage are covered by the new Mid-Term Management Plan, which has started in this fiscal year. With the consistent belief and the courage to change, we will aim to achieve profitable global growth.
Based on our corporate philosophy, long-term relationships which is a strength that we have built and our consistent belief, we will aim to achieve profitable global growth with the courage to change.
Overview of Mid-Term Management Plan

Profitable global growth

Growth  Earnings

COURAGE TO CHANGE

Transformation  Synergy

Pursue profitable global growth with courage to change underpinned by consistent belief
With the courage to change, we will execute digital strategies. In particular, we will implement three strategies with the aim of maximizing the value we provide to our clients.
Strategy 1, which is one of the three strategies, is a strategy to further accelerate the maximization of global synergy and digital transformation, using global and digital as key words.
2. Overview of Strategy 1
(Expand Global Digital Offerings)
Maximize value for our clients

Further accelerate digital transformation
Maximize global synergy

**Strategy 1**
Expand global digital offerings

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

**Strategy 3**
Unleash our employees’ potential that maximize organizational strengths
To compete with our global competitors, we need to make efforts by focusing on three factors: Accelerate Global Marketing, Develop Digital Offerings, and Expanding CoE (Center of Excellence). I will explain these factors one by one.
The first factor is to Accelerate Global Marketing.
We will identify globally common target industries and accounts and approach them by collaborating as Global One Team to accelerate global marketing.
We aim to achieve Global Top 5 in total consolidated net sales by becoming one of the leading companies in industries where we have a competitive advantage.
We identified six industries—automotive, banking, insurance, healthcare, telco/media, and retail—where we have competitive advantages. Then we formed a Global One Team for each industry to accelerate marketing activities.
This is a case in which we won back a contract for an existing business of a leading global reinsurance company after we had once lost it. This was accomplished by reforming the team as Global One Team and submitting a new proposal. Now that we can take such action, we intend to use the power to further accelerate global expansion.
The second factor is to Develop Digital Offerings.
We established the Digital Strategy Office (DSO) to aggressively make digital investments in eight fields. We will be explaining DSO in Part 2 afterwards, so I will skip it for now.
The third factor is to Expand CoE. Here, we globally gather and promote the use of expertise on cutting-edge technologies.
Currently, there are CoEs working on four themes: blockchain, design, DevOps, and AI. Among them, the blockchain and design CoEs were named leaders in a global analyst report.
Blockchain CoE is currently working as an organization of about 500 members from 24 countries and regions, which is an increase from 300 members upon its establishment. In the UK, Italy, and Japan, our blockchain solutions will be commercialized very soon.
Design CoE, under the organizational structure consisting of more than 450 people across eight countries, has established design studios in each country for design-focused development.
In Italy, for example, we developed a system after designing business details/processes and mechanism for “ho” the second brand of Vodafone Italia. The service was launched in a short period of just eight months after we started considering the development. We received high praise from the client.

In this way, we intend to steadily drive various efforts based on digital strategy and aim to achieve the goals of the new mid-term management plan and Global 3rd Stage.

This is the end of my presentation. Thank you.
I am Sasaki, Senior Vice President. I will be explaining our “DSO Efforts.”

As we are already seeing some results, I would like to talk about that too.
Profile

Yutaka Sasaki
Senior Vice President
※Leader of the digital strategy at DSO since 2017

- Career History
  - April 1990: Joined NTT DATA Communications Systems Corporation
  - August 1998: The Company’s name was changed to NTT DATA Corporation
  - April 2003: Head of Enterprise System Sector
  - July 2008: Head of Enterprise Business Promotion Department
  - July 2009: Head of Global IT Services Business Promotion Department
  - October 2010: Head of Logistics Services Sector
  - November 2011: Head of Planning Promotion Department, manufacturing Business Sector
  - April 2012: Head of KIRIN Business Division, Fourth Enterprise Sector
  - July 2015: Head of KIRIN Business Division, Manufacturing IT Innovation Sector
  - June 2016: Head of Business Solutions Sector and Senior Vice President
  - June 2018: Head of Manufacturing IT Innovation Sector and Senior Vice President
1. DSO Overview
DSO stands for Digital Strategy Office, which was launched in July 2017. Up until now, we have conducted many M&As and each of the companies that we acquired had been dealing with digital businesses. DSO however, is a team established to further accelerate digital businesses by well understanding the global digital capability of NTT DATA Group to contribute to clients in a market where digital technologies are expanding and to globally promote a consistent strategy. I was appointed as a leader of this team.
DSO is promoting efforts based on three major pillars: Direct Investments, Strategic Partnerships, and Talent Transformation. With Direct Investments, we provide financial support to various digital projects that are ongoing globally, especially to those that are carried out jointly with advanced clients.

For Strategic Partnerships, we deliberate on the manner in which we can collaborate with universities, ventures, and IT giants, and also on how we should develop an open innovation business model. With Talent Transformation, we are working to enhance our employees’ digital skills. The main focus of this pillar is how to develop digital talents.

We aim to become a leading company in the digital field through these efforts.
2. Example of DSO Efforts
Direct Investments

> For the first plank of "Direct Investments," it is important to make co-investments and speedily promote projects with them.

### Digital Leading Company

|   | 1 | Direct Investments | 1. Co-investments with clients  
|   |   |                    | 2. Corporate funding for strategic digital initiatives  
|   | 2 | Strategic Partnerships | 1. Collaborate with Universities, Ventures and IT Giants  
|   |   |                        | 2. Digital business models (DSO Silicon Valley)  
|   | 3 | Talent Transformation | 1. Enhance digital business skills  
|   |   |                        | 2. Become a destination for 'digital natives'  

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I would first like to explain the focus areas of Direct Investments. We defined these focus areas based on two inputs. The first input is the trend of future market and technology captured by Technology and Innovation General Headquarters from the various surveys they conducted. The second input consists of industries where we have a competitive advantage, key clients, our self-developed business models, and technology fields such as AI, IoT, and CX that are defined as Digital Focus Areas (DFAs). Based on these two inputs, we have defined eight strategic focus areas. Five of them are focused on industries and three of them on technology fields.
From here, I would like to give several examples of Direct Investments. The first example is our investment in an auto-insurance global platform. The companies we acquired had and have possessed platforms such as LIFESYS, First Gen and First Life. We migrated the parts that were developed using existing technologies to a common cloud-native platform and are providing global microservices. Going forward, we will provide various services for insurance businesses on this platform. We are currently enhancing the effort mainly in North America, South America, and EMEA.
The second example is NTT Group’s R&D collaboration with Toyota in the automotive field. We have conducted R&D for the fundamental areas of connected cars. As connected cars are increasing these days, the volume and quality of data collected from the vehicles are changing significantly.

In terms of volume, we are now able to collect sensor data called CAN data. In terms of quality, there is a move to gather drive-recorder images at the centers. As a large volume of data must be processed at the centers in the future, we are studying on architecture, etc. for implementation.
The third example is “Catch&Go,” a digital store with no cash register. We launched a trial run of this service for the retail industry. We set up a demo store of “Catch&Go” at “AQUAIR,” our design studio in Roppongi, using a start-up’s technology. Here, we had several retailers observe the operations and are now working to provide full-scale service with some of them.
The fourth example is a case of healthcare, an industry where we have a considerable track record of success in North America and Japan. We are currently developing an algorithm to detect multiple diseases from one medical image at the same time, which is different from the existing AI technology that judges whether a person’s condition falls into a certain disease category.

As a result of PoC with University of Miyazaki from March to August 2019, we verified that the technology has a high detection accuracy especially for detecting renal cancer. We plan to further proceed with the PoC and to complete it some time during fiscal 2020.
## Strategic Partnerships

- For the second plank of “Strategic Partnerships,” it is important to collaborate with a wide range of partners from start-ups and universities to IT giants in the digital business field which is evolving exponentially.

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<td><strong>3 Talent Transformation</strong></td>
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<td>• Enhance digital business skills</td>
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Next I will talk about the Strategic Partnership. I am sure you often hear the word “open innovation.” Nowadays, in the current era, it is said that one company does not do everything. Various start-ups are emerging particularly in the digital field. European and American vendors are demonstrating strong performance in the cloud field. We are collaborating with such companies and university research centers to examine new digital businesses.

We are working on three initiatives for the Strategic Partnership. First, in the Open Innovation Contest, we have start-up companies make presentations and are promoting collaboration. The Open Innovation Camp is a program for holding meetings to closely match businesses together. We also set up an office in Silicon Valley to research start-up companies and support funding.
The Open Innovation Contest is an activity for creating new businesses that would lead to “Win-Win-Win” situations for start-ups, clients, and NTT DATA. What makes it special is that we hold regular monthly meetings where we exchange information, etc. and annual business contests.
The business contests for this fiscal year are held globally in 16 cities. The Grande Finale, which is a world conference called Innovation Conference, is scheduled on January 24 in Tokyo. Winner companies from each region will gather in this conference to decide on the final winner company.
Various collaborative projects have already been created in the past. There are total of more than 10 projects that can be roughly divided into: 1) “platform linkage type” that works together by combining various platforms on the Internet; and 2) “disruptive type” which applies unique technologies in NTT DATA’s businesses.
In the Open Innovation Camp, we have venture capitals search for companies that specialize in certain industries and business areas, interview these companies and develop collaboration.
Specifically, we identified target industries such as healthcare, banking, and automotive and had meetings with some of the companies in those industries in Silicon Valley, London, etc. to explore opportunities for collaboration. To give you an example, as a result of this effort, we closed a partnership contract with DataRobot in Boston in the first half of 2017, and have expanded the business for numerous clients.
In April 2019, we set up an office in Silicon Valley to accelerate our efforts to enhance the function to collect information on alliances and to promote the alliances. This fiscal year, we analyzed the gap between As-Is and To-Be and considered which fields we should promote strategic partnerships in. There are several patterns of partnership. One of them is “Buy” which indicates M&A, and “Build” is a pattern where we create a solution together. “Partner” is a pattern where we collaborate by building partnership. We intend to drive Co-Investments and Co-Development with these patterns.
This is an example of using gap analysis in the automotive industry. We analyze the gap between our current capability and the capability that we should have in the future, and discuss what kind of start-up we should partner with. Going forward, we will push forward with a specific alliance plan based on the result of gap visualization.
For the third plank of "Talent Transformation," we will promote transformation of human resources into digital talents in collaboration with HR Headquarters.

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For talent transformation, how we develop human resources suitable for digital businesses is important. NTT DATA classifies digital talents into three types: “digital core talents” with deep expertise who have capabilities to lead R&D of advanced digital technologies; “digital talents” who have sophisticated expertise in digital technologies and capabilities to design and develop services utilizing such technologies; and “digital utilization talents” who work with clients and deliberate how to apply digital technologies to businesses with them.

We define and develop these three types of human resources as digital talents.
In developing the talents, we take various approaches. One of the approaches is our system that we have established called Advanced Professional (ADP) System, which is a flexible remuneration system. We added a career path for specialists called Technical Grade (TG) in October.

We also added and are nurturing a type of talent suitable for the digital era in Professional Career Development Program (P-CDP).

Moreover, under the self-innovation time program, we encourage all employees to take time to learn digital technologies voluntarily.
In the education field, we also use global best practices. An Italian group company held a business workshop in which Japanese staff participated to study together. This workshop was held in the form of a week-long training program which also involved our clients. What I would like to stress here is that now we have overseas group companies taking initiatives in using global best practices while involving staff from Japan.
3. Future Outlook
Finally, I would like to talk a bit about what will happen to the future digital market. Until now, businesses completed within each vertical. However, a digital business has a characteristic of getting connected with all sorts of things. It is said that in the future, markets will be created with digital technologies connecting various industries horizontally. Therefore, business opportunities will inevitably arise in “cross-industry” areas that do not belong to a specific industry. We take various approaches when such opportunities arise.
I would like to introduce examples of our cutting-edge initiatives. The first example is a case of supply chain finance market. In cases where there is a finished goods manufacturer, a factory (its business partner), and a supplier providing parts and components, each company normally holds stock and deals with the finances. However, financial institutions are eying an opportunity to provide a new financial service. They are now working to create a new financial service by conducting real-time inventory management and physical distribution management.
The next example is a case of neuroscience marketing. NeuroAI analyzes what sorts of things people think and the words they recall when they see an image from the way their brains react, after which they create a model. By using that model, we can assess the impressions that commercials give to people of each generation in advance. We are currently rolling out this service for the advertising market.
This is the third example. We have started working on the initial stage of an information banking business. Although various companies are collecting personal data, NTT DATA thinks that those data originally belong to consumers. Based on this concept, we are operating personal data store (PDS) where data is centrally managed for seamless usage. We are now in the stage of conducting PoC with several clients.

This concludes my presentation. Thank you.