

Note; This document is an English translation of “Kessan Tanshin” for the Third Quarter of the Fiscal Year Ending March 31, 2018 and is provided solely for reference purposes. In the event of any inconsistency between the Japanese version and any English translation of it, the Japanese version will govern.

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2018

February 6, 2018

Company name	: NTT DATA CORPORATION
Stock exchange on which the Company's shares are listed	: Tokyo Stock Exchange 1st Section
Code number	: 9613
URL	: http://www.nttdata.com/
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Scheduled date of filing of Quarterly Business Report	: February 14, 2018
Scheduled date of dividend payment	: -
Supplemental material on quarterly results	: Yes
Presentation on quarterly results	: Yes (for institutional investors and financial analysts)

(Amounts are rounded off to the nearest 1 million yen)

1. Consolidated Financial Results in Q3 of FY2017 (From April 1, 2017 to December 31, 2017)

(1) Consolidated Results of Operations

(% of change from the corresponding quarterly period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2017 Q3	1,536,271	30.1	82,065	10.1	80,060	9.5	36,025	-20.1
FY2016 Q3	1,180,894	3.1	74,535	16.0	73,145	20.0	45,062	2.6

Note: Comprehensive income: FY2017 Q3 70,249 million yen (393.0%) FY2016 Q3 14,250 million yen (-35.9%)

	Net income per share	Net income per share (diluted)
	¥	¥
FY2017 Q3	25.69	—
FY2016 Q3	32.13	—

Note: Conducted stock split which shall split of common stock at a ratio of 1:5 as the effective date of July 1, 2017. For net income per share, calculated based on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

Note: Operating Income w/o goodwill amortization: FY2017 Q3 102,812 million yen

FY2016 Q3 86,462 million yen

Net income attributable to owners of parent w/o goodwill amortization: FY2017 Q3 56,772 million yen

FY2016 Q3 56,988 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
FY2017 Q3	2,251,797	881,690	37.6
FY2016	2,238,941	833,715	35.8

Note: Equity FY2017 Q3 847,526 million yen FY2016 802,148 million yen

Note: As indicated in “2. Matters on Summary Information (Notes) – (Changes in Accounting Policies)”, the value disclosed for the fiscal year ending March, 2018 has been changed from the one which was disclosed on May 10, 2018.

2. Dividends

	Cash dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	Year-end	Total
FY2016 (Prior to Stock Split)	¥ —	¥ 35.00	¥ —	¥ 40.00	¥ 75.00
(Reference) FY2016 (After Stock Split)	—	7.00	—	8.00	15.00
FY2017	—	7.50	—		
FY2017 (Forecast)				7.50	15.00

Note: Revisions to the forecasts of dividends: No

Note: Conducted stock split which shall split of common stock at a ratio of 1:5 as the effective date of July 1, 2017. Cash dividends per share forecasted at the consolidated financial forecast of the fiscal year ending March, 2018 is referring the amount after the stock split.

3. Forecasts of Consolidated Results for FY2017 (From April 1, 2017 to March 31, 2018)

(% of change from the corresponding the previous fiscal year)

	Net sales		Operating income		Ordinary Income		Net income attributable to owners of parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
FY2017	2,060,000	18.9	120,000	2.5	116,000	2.7	59,000	-10.2	42.07

Note: Revisions to the forecasts of consolidated financial results: No

Note: Conducted stock split which shall split of common stock at a ratio of 1:5 as the effective date of July 1, 2017. Net income per share forecasted at the consolidated financial forecast of the fiscal year ending March, 2018 is referring the amount after the stock split.

* Notes:

(1) Changes in significant subsidiaries during the period : No
(Changes in specified subsidiaries resulting in the change in consolidation scope)

(2) Adoption of special accounting treatments for quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and restatements

- 1) Changes in accounting policies due to revisions of accounting standards etc : No
- 2) Changes in accounting policies other than 1) : Yes
- 3) Changes in accounting estimates : No
- 4) Restatements : No

(4) Number of shares outstanding (common stock)

- 1) Number of shares outstanding (inclusive of treasury stock) FY2017 Q3 1,402,500,000shares FY2016 1,402,500,000shares
- 2) Number of treasury stock FY2017 Q3 953shares FY2016 495shares
- 3) Average number of shares over period (consolidated total for quarter) FY2017 Q3 1,402,499,219shares FY2016 Q3 1,402,499,505shares

Note: Conducted stock split which shall split of common stock at a ratio of 1:5 as the effective date of July 1, 2017. The number of the shares are calculated on the assumption of that the stock split was conducted at the beginning of the previous consolidated fiscal year.

* “Kessan Tanshin” is an unaudited financial report.

* Explanations relating to the appropriate use of results forecasts, and other noteworthy items

- 1. Conducted stock split which shall split of common stock at a ratio of 1:5 as the effective date of July 1, 2017.
- 2. The results forecasts contained in this document are based on certain premises derived from information available to

the NTT DATA Group at this time. As a result of various factors that may arise in the future, actual results may differ from the Group's forecasts. For details please refer to "(3) Qualitative Information on the Consolidated Results Forecast" in "1. Qualitative Information for the Third Quarter of the Fiscal Year Ending March 31, 2018" section on page 12.

3. Supplemental material on quarterly results will be uploaded on TDnet today, and will also be uploaded on our homepage. Presentation on quarterly results will be held today. This report will be uploaded on our homepage soon.
4. The names of NTT DATA's products and services referred to on this report (including the attachment) 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.

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1. Qualitative Information for the Third Quarter of the Fiscal Year Ending March 31, 2018

(1) Qualitative Information on the Consolidated Business Results

The economy and business environment for the information services industry in the third quarter of the consolidated fiscal year are as follows.

The Japanese economy continues gradual recovery and shows a continuous growth in corporate profitability as well as the trend of capital investment increase. The future domestic economy is expected to maintain a gradual recovery.

In domestic information services industry, the market shows a gradual recovery due to the enforcement of new law and regulations and the correspondence to the indication modification active IT investment for the purpose of responding to the new system and the enforcement of legal restrictions, enhancing the end user's contact point in our clients' companies, and the business growth brought by new services. Meanwhile, needs for reducing the maintenance and operation costs and also the price competition still remain.

The overseas economy also has maintained a gradual recovery. Regarding the future economic trends, the impact and increasing uncertainty of overseas economies—such as fluctuations in the financial capital market, future economic trends in China and other emerging Asian countries, geopolitical risks, and possible changes in governmental policies—must be kept in mind, but the economy is expected to maintain this moderate recovery in the future.

In the international information service industry, continuation of moderate growth is expected in the U.S. market. Furthermore, although the European market is still strong, it is required to carefully watch over the impact of increasing uncertainty of the macro economy on IT investment. As for China, the demand for IT industry has remained stable, and high demand especially for digital-related investment is expected.

Circumstances around the NTT DATA Group and the issues requiring attention

NTT DATA Group has attempted to expand its business in Global market, broadened the global coverage(*), and established the business base. On the other hand, excluding Japan, Germany, Spain and Italy, our presence in local markets is still weak. In order for us to continue to grow in the steadily expanding global market, it will be necessary for us to enhance our local presence, and to establish a global brand that will be recognized by our clients around the world. To that end, with our sights set on the year 2020, the NTT DATA Group has launched the Global 2nd Stage, which aims for NTT DATA Group to be recognized as a global brand and to attain consolidated net sales of over 2 trillion yen and an approximately 50-50 net sales ratio of domestic to international sales. Capitalizing on the effects of recent large-scale M&A, our aim is to promote a steady improvement of our local presence in national markets, and to achieve the Global 2nd Stage by FY 2018.

Additionally, the wave of digitization has arrived in the wake of the accelerated progress of technology, with ever growing needs to expand existing businesses and create new ones through the strategic leveraging of IT. We recognize that sufficient correspondence to those needs is also our issue. To that end, we plan to aggressively apply innovation technologies to deliver solutions that can meet the needs of digitization, and the utilization of advanced technologies, thereby reinforcing our value delivery capability in new markets.

*Expanded to 219 cities in 53 countries and regions as of September 30, 2017.

[Medium-term Management Plan]

Given the circumstances mentioned above, the NTT DATA Group has set the following three-year Medium-Term Management Plan “FY 2016 to FY 2018”.

<Key principles>

With NTT DATA: ASCEND (Rise and grow our global brand) as our keyword, the NTT DATA Group plans to pursue business growth in regions around the world and, by strengthening our local presence, to improve our brand value as a global brand.

<Global strategy>

■ Game-Changing Approach

For “Game-Changing Approach”, capture the environmental change and breakthrough technologies, expand the existing market share and create new markets that anticipate the customers’ needs, we have steadily achieved them by entering the electric industry, the system construction of Omni channel, and the expansion of our digital archiving business and so on in our previous Medium-Term Management Plan.

Going forward, taking the continued acceleration of market trends and breakthrough technology as opportunities to be grasped, we will continue to work to accelerate the expansion of existing markets and the creation of new market, according to market environments in countries around the world, and strengthen our local presence. In addition, we will work to leverage our global coverage and take full advantage of our synergies in order to expand the solutions and services that we provide, forge ahead with the improvement of our response capabilities to undertake our clients’ global projects, and increase our competitive strength around the world.

■ Breakthrough Technology

In order to enable our clients to enhance core competencies by applying innovative technologies to deliver solutions with agility and flexibility as they face tough changes in their environments, we will push ahead with further innovation in production technology, combining the production technology that we have developed to date with new production technology that respond to the needs of the digital society.

In addition, we will strengthen our technological capabilities in the digital field to respond to our clients’ growing needs for a strategic use of IT, by placing the right resources for research and development—including our expertise, personnel and bases—in the right place globally. We will also continue to adopt cutting-edge technologies by closely cooperating with other companies that have advanced technological capabilities. Through these initiatives, NTT DATA is determined to create new frameworks and value that did not exist before, by enabling the application of the cutting-edge technologies to business operations through co-innovation with our clients.

< Medium-Term Management Plan >

We intend to make aggressive investment in new business areas, targeting the transition to the digital society, and pursue business growth geared towards the achievement of the Global 2nd Stage by the further deepening of “Game-Changing Approach” and value creation through breakthrough technology.

Net Sales	>2 trillion yen
Operating Income	+50% *

*Compared to FY2015 (After adjustment for incremental investments in new fields)

After setting the above Medium-Term Management Plan, we have steadily achieved the deepening of remarketing efforts through the entry to the new business areas including IoT-related, the system construction of Omni channel, and the expansion of the banking business. Based on those achievements, we have reinforced customer base through the establishment of long-term relationships with customers while setting up stable business foundation. Also regarding “Breakthrough Technology,” steady progress has made with our R&D efforts on “innovation of production technology” such as the rapid and high quality system

development, and working on the “utilization of advanced technology” which proactively adopts the new technological trends.

Meanwhile, with regard to our high-priority issues for the management, the restraint on unprofitable projects and the improvement in the profitability of overseas business was the most significant management subject for us. Although we took more rigorous countermeasures against unprofitable projects through the Project Review Committee and promoted initiatives, we are aware that more restraint is needed. We are also working to increase profits overseas, but have not reached the target level yet. Therefore, we acknowledge that these issues will remain as our significant management agendas.

To seek further globalization toward the Global 3rd Stage and achieve a new goal of “Trusted Global Innovator”, we decided to improve our local presence in market, strengthen our relationships with global clients and better understand the business in a timely manner under our organization redesigned to enhance our promotion and management of global business on the date of July, 1 2017.

Specifically, we transferred the current global operational functions under the Global Business Sector, such as the global account service (which provides support for global and key Accounts) and offering service (which provides cross-regional solutions), to the newly established Global Marketing Headquarters. Also we established the China & APAC Sector, and transferred our businesses in China and the APAC region from the Global Sector to the new sector. At the same time, we would manage to create collaborations between the three existing domestic business fields (Public & Social Infrastructure Segment, Financial Segment, and Enterprise & Solutions Segment) and the China & APAC Business.

With this organizational change, four segments classified for reporting (i.e., “Public & Social Infrastructure,” “Financial,” “Enterprise & Solutions” and “Global”) were reclassified into five segments as follows.

- Public & Social Infrastructure Segment

This business segment provides high-value added IT services that play important roles in social infrastructure, such as government, medical, communication, and utility systems as well as in regional development.

- Financial Segment

This business segment provides high-value added IT services that help financial institutions to improve their business efficiency and offer good services.

- Enterprise & Solutions Segment

This business segment provides high-value added IT services that support manufacturers, distributors, and service providers as well as payment services such as credit cards and platform solutions services, provided in collaboration with other IT services.

- North America Segment

This business segment provides high-value added IT services taking into consideration the market characteristics and affinity for North America business.

- EMEA & LATAM Segment

This business segment provides high-value added IT services taking into consideration the market characteristics and affinity for EMEA/Latin America business.

Since our overseas business has expanded and the scope of our business and geographic coverage have also been expanded, we seek to grow our business for reaching the Global 2nd Stage and for the Global 3rd Stage by enhancing the promotion and management system of our global business.

Status of business activities and performance of each segment

Through the above measures, we strove to expand businesses in the global market in order to cope with clients' acceleration of business expansion into the global market and meet their diversified and sophisticated needs. We also made efforts to expand diverse IT services in response to market changes and stably provide such services.

The following sections present descriptions of efforts made in each of its segments.

[Public & Social Infrastructure Segment]

We aim for receiving system renewal orders for core businesses from governments and infrastructure companies, and made efforts to grow our business through the following methods: creating new domestic and overseas businesses by utilizing the results and know-how that our group has cultivated; and responding to new businesses including those utilizing "My Number" and concerning IoT and the change in the utility industry system (the power and gas system reform)

<Commenced the provision of services of the sixth NACCS and the fourth CIS>

• In October 2017, NTT DATA provided the services of "the sixth NACCS," an online processing system shared between public and private sectors that processes customs clearance and ports-related procedures, and "the fourth CIS," a customs system. With "the sixth NACCS", the largest upgrade of NACCS ever, we succeeded in improving the stability and reliability of the system, enabled it to respond to institutional changes, and enhanced functions and convenience of the public and private sectors' comprehensive logistics information platform. For "the fourth CIS," we achieved optimization through the enhancement of functions designed to facilitate trading and intensify crackdown on crimes at borders, and integration of system platforms. We will continue to place top priority on stable operations and make efforts to improve services for users by improving convenience of the systems.

<Efforts for a society with self-driving cars>

• In October 2017, NTT DATA conducted the first ever demonstration of automated driving on a public road in the center of Sapporo City in cooperation with No Maps ^(Note 1), Sapporo City, Nippon Telegraph and Telephone Corporation (NTT) and National University Corporation Gunma University. Since November 2017, we have also been participating in the demonstration experiment of autonomous driving of regular bus services in Maebashi city, Gunma prefecture, to provide a system that controls self-driving buses and to verify the technology and business feasibility of giving instructions for operation and implementing emergency responses when trouble occurs. It would be the first successful case in Japan, if we realize an autonomous driving service on a bus line while collecting fares. We will continue to study on highly-convenient, safe and secure services and functions required for societies with self-driving cars and aim to build and provide new public transportation services most suitable for the actual conditions of local governments.

<ECONO-CREA won the "Minister of Internal Affairs and Communications Award" and the "Grand Prize in the ASP/SaaS Category" in the 11th ASPIC IoT/Cloud Award 2017>

• In November 2017, ECONO-CREA, a cloud service provided by NTT DATA for electric power providers, won the "Minister of Internal Affairs and Communications Award" ^(Note 3) and the "Grand Prize in the ASP/SaaS Category" in the 11th ASPIC IoT/Cloud Award ^(Note 2) 2017 that is managed by the specified

non-profit organization, ASP-SaaS-IoT Cloud Consortium (ASPIC). This great honor reflects “ECONO-CREA’s” ability to provide a one-stop solution for customer management, demand-and-supply management, portal functions, business-intelligence, and data-warehouse functions, which are necessary for electric power businesses, and the fact that it is a service platform that will contribute in creating services as an intermediary between various industries in the future. We will continue to expand the service menu in a step-by-step fashion depending on the electric power providers’ value chain and needs, and will try new things, including creating new services and support businesses for the electricity industry and our clients in the industry.

The following is a breakdown of business results for the third quarter of the consolidated fiscal year by business segment.

The net sales were 286.7 billion yen (3.2% decrease compared to the previous year) due mainly to a reactionary decline in the services for the utility industry and government ministries in the previous fiscal year.

The operating income was 17.1 billion yen (35.3% decrease compared to the previous year) due mainly to a decline in sales and the increase in the amount of unprofitable projects.

[Financial Segment]

We aim for the growth by expanding businesses with the background of our clients’ environmental changes such as increased needs for advanced settlement systems in domestic and overseas markets, creating new services at the timing of technological innovations and easing of regulation, new change in services for integrated services for banks and securities companies, and accelerated overseas advancement by major financial institutions.

<Commenced the provision of the Shinkin industry’s first smartphone application with banking functions to 9 Shinkin banks>

• In October 2017, NTT DATA commenced the provision of “Appli Banking,” a smartphone application with banking functions for nationwide Shinkin banks using Shinkin’s shared system for the first nine users: Johoku Shinkin Bank, The Tama Shinkin Bank, Hamamatsu Shinkin Bank, The Mishima Shinkin Bank, Seto Shinkin Bank, The Toyota Shinkin Bank, The Hekikai Shinkin Bank, The Nishio Shinkin Bank, and Fukuoka Hibiki Shinkin Bank. Shinkin bank customers using this service can check their account balance and transaction details on a real-time basis without subscribing to an Internet banking service, and can receive information such as changes in their account balance, as well as useful campaign closely related to daily life. A Shinkin bank can enhance touchpoints with its customers like sending them helpful information at an effective timing. We will continue to support Shinkin Banks’ efforts to strengthen ties with their customers by expanding services to help them live a comfortable life.

<Commenced a demonstration experiment on linking the trade data sharing platform using blockchain technology with Singapore’s trade platform>

• In November 2017, NTT DATA and The Bank of Tokyo-Mitsubishi UFJ, Ltd. agreed on a start of a demonstration experiment with a view to linking NTT DATA’s “trade data sharing platform using blockchain technology” ^(Note 4) with Singapore’s National Trade Platform ^(Note 5) (hereinafter referred to as NTP) with NTP Project Office, an organization promoting NTP. We will identify issues and seek for solutions to make electronic exchange of trade documents for cross-border trading between Japan and

Singapore more secure, efficient, and transparent through this experiment and seek to contribute to the facilitation of domestic and international trade for the entire trade industry, not only in Japan, but also in Asia.

The following is a breakdown of business results for the third quarter of the consolidated fiscal year by business segment.

The net sales were 400.0 billion yen (7.9% increase compared to the previous year) due mainly to the expansion of businesses for banks.

The operating income was 37.4 billion yen (34.6% increase compared to the previous year) due mainly to growth in sales and the improvement in cost of sales ratio mainly attributable to a decrease in depreciation of some systems.

[Enterprise & Solutions Segment]

We aim at our business expansion as business partner who works with the clients such as the retailers, distributors, service providers and manufacturers who are actively promoting IT investment in response to the changes in value chains brought by digitization and the global development, to solve those problems utilizing our advantages in the areas of enterprise & solutions corresponding to those clients' needs.

<The Tokyu group's development of a shared accounting system on a cloud platform using "Biz[">

• The NTT DATA group built the ERP-packaged software "Biz[" which is distributed by a subsidiary NTT DATA Biz Integral Corporation, on a cloud platform for a shared accounting system of the Tokyu group, with Tokyu Corporation as the core company. In November 2017, six Tokyu group companies, including Tokyu Department Store Co., Ltd., started to use it on a full scale. While capitalizing on its strength of serving various business types and categories, the Tokyu group will be able to optimize business allocation across the group of companies and standardize their accounting operations by adopting a common accounting system utilizing "Biz[" They will improve the efficiency and sophistication of operations and increase management control quality by leveraging ICT such as RPA (Robotic Process Automation). Our group will continue to support the Tokyu group as they introduce and incorporate the shared accounting system to 121 group companies (*) by FY2020.

(*) As of the end of September 2017, the subject companies to which the shared accounting system would be introduced were Tokyu Corporation and its consolidated subsidiaries, except for certain subsidiaries. The list of subject companies may be added to or changed.

<Developed a long-term partnership with the Mitsubishi Heavy Industries group>

• NTT DATA developed a partnership with Mitsubishi Heavy Industries, Ltd. and jointly established NTT DATA MHI Systems Corporation in October 2017. By utilizing the technological and organizational capabilities of the NTT DATA group, which has achieved a great deal in network services and system integration businesses, we will be able to more promptly and efficiently advance IT services such as IT infrastructure building, operation, and maintenance, and business applications development, as well as enhance the ability to address global issues for the Mitsubishi Heavy Industries group. Besides, NTT DATA and Mitsubishi Heavy Industries Aero Engines, Ltd. conducted demonstration experiments on solutions to detect non-conforming products early and improve processes of manufacturing aero-engine blades from 2016 to 2017 by using "AICYCLE," (Note 6) a framework that automates analysis operations at companies by utilizing AI. As the experiments showed, effects included reduction of the occurrence possibility of

non-conforming products by 47%. Mitsubishi Heavy Industries Aero Engines, Ltd. will work with us and examine the application of “AICYCLE” to more areas in order to advance supply chain management and realize a smart factory by leveraging IoT and AI. Through a long-term partnership with the Mitsubishi Heavy Industries group, we will aim to contribute to its efforts toward the advancement, digitalization, and globalization of IT services.

The following is a breakdown of business results for the third quarter of the consolidated fiscal year by business segment.

The net sales were 339.7 billion yen (11.8% increase compared to the previous year) due mainly to growth in the businesses for the manufacturing industry in addition to the expansion of digital-related businesses including M&A in the previous fiscal year.

The operating income was 33.3 billion yen (32.0% increase compared to the previous year) due mainly to growth in sales.

[North America Segment]

Under the new structure of NTT DATA Services that was launched in April 2017, by steadily promoting PMI (Post Merger Integration, integration process after M&A) for the former Dell Services and integrating businesses in North America and other regions, we will aim to expand business especially in healthcare, public and financial segments through the utilization of our wealth of achievements and expertise in outsourcing, etc., and enhance the capability to respond to the digital field, etc. to increase our local presence further.

<Announcement of the new Unified Clinical Analytics and Management Platform based on AI and analytics in the healthcare segment>

• Our U.S. subsidiary, NTT DATA Services, announced the new Unified Clinical Analytics and Management Platform based on AI and analytics in November 2017. The platform is designed to integrate imaging analytics in the workflows of clinical teams and radiologists to meet the new standards of “value-based care” requirements for achievement of both goals of having a good therapeutic outcome (value for a patient) and reducing costs. Specifically, the platform has various functions, including the one to add an annotation as a care guideline to a medical image stored in the digital image storage and communication system. Through the development and provision of solutions such as this, we will continue to support our clients, like medical organizations, in providing medical services of a higher quality.

The following is a breakdown of business results for the third quarter of the consolidated fiscal year by business segment.

The net sales were 370.4 billion yen (184.4% increase compared to the previous year) due mainly to the expansion of businesses as a result of the acquisition of the former Dell Services and the increase in months to be consolidated associated with the unification of accounting periods of the Group companies.

The Operating Income w/o goodwill amortization was 12.9 billion yen (385.1% increase compared to the previous year) due mainly to contribution by the acquisition of the former Dell Services, and the increase in months to be consolidated associated with the unification of accounting periods of the Group companies.

The operating income was -1.6 billion yen (38.7% increase compared to the previous year).

[EMEA & LATAM Segment]

By expanding the existing business, promoting the M&A strategy and strengthening the capability to provide services especially in new fields such as the digital field, we will aim to increase the local presence in EMEA and Latin America, and create a source of competitiveness by gathering the strength and resources of group companies and exerting synergy effects for further growth.

<Opened hub offices to promote innovation and digital transformation in Germany and Chile>

- NTT DATA and its subsidiary, NTT DATA EMEA LTD., opened the Innovation Lab “Ensō” in Munich, Germany in October 2017. The lab will investigate the potential for local applications of research and development outcomes and facilitate open innovation activities across EMEA, working with leading business partners, as well as managing best practices among all of the innovation teams within the NTT DATA group of companies. Furthermore, the lab will work very closely with NTT DATA’s other regional research and development teams in Madrid, Spain, and Cosenza, Italy, as well as research centers in Japan and Silicon Valley, U.S.A, and play the role of a co-working place where we can try out new technologies with clients and business partners in an innovative manner.
- NTT DATA’s subsidiary, everis Group in Spain, opened the Industrialization and Digitization Competency Center (hereinafter referred to as CCI&D) in Chile in November 2017. CCI&D will support clients in digital transformation by organizing the reference model of capability maturity levels for continuous provision of services, including CMMI ^(Note 7) and utilizing the technological platform. Furthermore, we will work very closely with the Quality and Testing Competence Center in Brazil, which has the same functions as CCI&D, to play a core role in the Latin American ecosystem.

<Commenced the provision of the first VMS product that includes the biometrics technology>

- NTT DATA’s subsidiary, everis Group in Spain (hereinafter referred to as everis) and Mirasys Ltd. in Finland (hereinafter referred to as Mirasys), one of the key providers of Video Management Software (VMS), commenced the provision of the first VMS product that includes the biometrics technology developed by everis Aerospace, Defense, and Security group. Thanks to the use of high-performance GPU technology ^(Note 8), the system works promptly and accurately for facial recognition, even in situations in which a face is not clearly registered due to partial screening, lighting, glasses, beard, etc. By combining everis technologies like this and Mirasys’s know-how in the VMS area, we will provide highly reliable and advanced security solutions.

The following is a breakdown of business results for the third quarter of the consolidated fiscal year by business segment.

The net sales were 317.3 billion yen (27.2% increase compared to the previous year) due mainly to the increase in months to be consolidated associated with the unification of accounting periods of some Group companies, and the growth in businesses in Spain and Germany.

The Operating Income w/o goodwill amortization was 4.0 billion yen (14.0% increase compared to the previous year) due to the increase in months to be consolidated associated with the unification of accounting periods of some Group companies.

The operating income was -1.6 billion yen (38.3% increase compared to the previous year).

Notes:

1. No Maps

An organization that runs convention, exhibition, entertainment, exchange, and experiment businesses under the name

“Sapporo Creative Convention.” The organization is operated by the executive committee, in which leading private companies, public sectors, and universities in Hokkaido participate as committee members and advisors.

2. ASPIC IoT/Cloud Award

“ASPIC IoT/Cloud Award” is an event to honor excellent and socially valuable IoT/Cloud services in Japan and support IoT/Cloud service providers and users in expanding their businesses for the purpose of growing and establishing cloud services as social information infrastructure.

3. Minister of Internal Affairs and Communications Award

An award that is given to the top-ranked service among services winning the grand prize in each category.

4. Trade data sharing platform using blockchain technology

A trade data sharing platform used to examine solutions for issues across companies and business categories that is examined by the “Consortium to develop trade data sharing platform using blockchain technology” that was launched in August 2017 by NTT DATA as the secretariat and 13 major companies from various sectors involved in trade-related business, including banking, insurance, integrated logistics, and import and export.

5. National Trade Platform

This is a one-stop trade information ecosystem that enables companies and the Singapore government to share and reuse digital data of trade transactions between them. Digitalization of paper documents and trade/supply chain data will improve productivity and minimize risks of frauds inherent in operations assuming paper exchange.

6. AICYCLE

A technology to maintain the prediction accuracy (quality of a prediction model) by automatically evaluating and updating the “prediction model,” which is a judgment logic used by AI for prediction, using various business-related data, results of AI prediction and actual results (whether predictions and actual results matched or not).

7. CMMI (Capability Maturity Model Integration)

An indicator to evaluate the maturity level of a software development process, which is widely used as an international standard model for the development process.

8. GPU (Graphics Processing Unit)

An arithmetic unit specializing in real-time image processing.

Progress of Technical development

The Group’s main business, system integration (SI), is seeing some improvement with the gradual recovery of the Japanese economy, but is still exposed to a very tough competitive environment. In order to beat the competition in this kind of environment, we are focusing our R&D efforts on “innovation technologies to deliver solutions”, for faster and higher quality system development. In addition, we are also working on the “utilization of advanced technologies” that proactively incorporates new technological trends. With these two initiatives we combine a development capability that can respond flexibly to changes in circumstances, and are working to strengthen our R&D so that we can propose and deliver winning systems to our clients.

[Innovation technologies to deliver solutions]

We have been working on achieving the high speed and high quality development by the automation of software development and this has been our superiority in competition. Against this backdrop, in addition to further advancement in automation technology, we have undertaken legacy modernization ^(Note1) and the speeding up of innovation in our development processes so that we can respond with agility to changes in development environments, and changes in our clients’ business environments. In addition, we are promoting standardization initiatives on a global level.

<Commenced collaboration with Red Hat, Inc. and EMC Japan Corporation for the purpose of promoting digitalization of existing IT assets>

•NTT DATA commenced collaboration with Red Hat, Inc. and EMC Japan Corporation and started to provide a platform to encourage digitalization of existing IT assets for companies in October 2017. The purpose of this initiative is to enable a system development with high speed and in easy-to-migrate environment, while securing high reliability and performance, etc., and to contribute to digitalization of existing IT assets. With a cloud platform whose performance was fully verified based on Integrated Development Cloud used by NTT DATA group companies and OpenCanvas, a cloud service for financial institutions, our clients will be able to migrate their existing IT assets to the cloud platform safely in a short

time. In addition, the development of a structure in which the three companies collaborate in providing the platform will promote smooth and secure system implementation and allow us to provide total client support, from system development to maintenance.

<Closed a business partnership agreement with Pivotal Japan K.K.>

- In November 2017, NTT DATA closed a business partner agreement with Pivotal Japan K.K. (hereinafter referred to as Pivotal). Under this agreement, the NTT DATA group will foster about 1,000 cloud-native technical persons ^(Note 2) by using fostering programs, including Pivotal's Platform Acceleration Lab, and enhance sales to external parties of "Altemista Cloud" ^(Note 3), NTT DATA's cloud-based open service development platform utilizing Pivotal's "Pivotal Cloud Foundry." These initiatives will ease the administrative work for system development and operation, and support companies in accelerating the creation of a new service and continuously improving such service.

[Utilization of advanced technologies]

NTT DATA has particularly focused on the technology themes of AI, IoT and advanced technology of IT infrastructure (e.g., blockchain) and put priority on investment in PoCs for applicable research topics and clients. As a means of discerning research topics for the mid- to- long term, we try to grab the changes in the future with four perspectives such as politics, economy, society and technology in order to derive the "information society trends" and "technology trends" of near-future and formulate and publish these as NTT DATA Technology Foresight ^(Note 4).

<Joined "Enterprise Ethereum Alliance," an organization for blockchain technology>

- In order to utilize blockchain technology in the enterprise segment involving companies and public organizations, we will be required to control accesses for the improvement of security of business data and securing scalability, not to disclose all information on a network like BitCoin. To meet these needs, NTT DATA joined "Enterprise Ethereum Alliance," an organization studying the utilization of Ethereum ^(Note 5) in the enterprise segment in October 2017. Through this move, we will promote business examinations with many Japanese and overseas clients who study the utilization of Ethereum, and contribute to the development and standardization of a blockchain platform that can be applied to a highly reliable system based on our many years of knowledge and experience in building and operating core systems.

<Commenced a demonstration experiment on AI-based analysis of English speaking levels>

- NTT DATA commenced a demonstration experiment on a new English conversation learning method based on the analysis of English speaking levels with GABA Corporation in December 2017. The purpose of the experiment was to determine whether the company could propose learning methods and materials appropriate to a student's level with greater accuracy by analyzing conversation between a student and an instructor during a lesson through a voice recognition engine using the voice analysis technology of "corevo," the NTT group's AI-based technology, mechanically identifying the individual's vocabulary skills, which is difficult to quantitatively measure, with AI, and providing the feedback to the student. After FY2018, we plan to link the results of the demonstration experiment with the existing services to build a mechanism that can be used for preparing and reviewing a lesson, as well as during a lesson, and will work with GABA for examination of a new service and a demonstration experiment to contribute to the improvement of English learners' skills.

Notes:

1. Legacy Modernization

The entire operations realized by the current system, which has been maintained for a long period of time (legacy system), are becoming difficult to understand with the system becoming increasingly enlarged, complex, and

dependent on individual skills. The aim of legacy modernization is to clear those specifications of such black-box systems, utilize existing assets, and renovate them into new systems.

2. Cloud-native technical person

A developer of an application that can utilize advantages of a cloud platform and an infrastructure technical person who builds and operates the cloud platform.

3. Altemista Cloud

This is a cloud-based open service development platform that collectively supports the next generation ecosystem. It collectively supports a service lifecycle and speeds up service development.

4. NTT DATA Technology Foresight

The near-future vision of the information society (information society trend) and IT-related technology trends. It is derived through comprehensive surveys of the trend relating to IT that are implemented from the perspectives of politics, economy, society and technology, as well as through hearings and discussions with domestic and foreign intellectuals. Trend information has been released since 2012, and is yearly updated.

5. Ethereum

A platform for distributed applications using blockchain technology that has been developed under an open source project since 2013.

As a result of these activities, business performance during the third quarter of the consolidated fiscal year under review was as follows.

• Net Sales	1,536.2 billion yen	(up	30.1% year-on-year)
• Operating Income	82.0 billion yen	(up	10.1% year-on-year)
• Ordinary Income	80.0 billion yen	(up	9.5% year-on-year)
• Income before Income Taxes	66.1 billion yen	(down	7.4% year-on-year)
• Net income attributable to owners of parent	36.0 billion yen	(down	20.1% year-on-year)
• Operating Income w/o goodwill amortization	102.8 billion yen	(up	18.9% year-on-year)
• Net income attributable to owners of parent w/o goodwill amortization	56.7 billion yen	(down	0.4% year-on-year)

(2) Qualitative Information on the Consolidated Financial Position

The assets as of the end of the third quarter of the consolidated fiscal year under review were 2,251.7 billion yen, an increase of 12.8 billion yen or 0.6% as compared to the end of the previous consolidated fiscal year due to the increase of assets including inventories in spite of the decrease due to the payment of interest bearing liabilities, corporate taxes, etc. from the assets that had been increased by the progress in the collection of accounts receivable. The liabilities were 1,370.1 billion yen, a decrease of 35.1 billion yen or 2.5% as compared to the end of the previous consolidated fiscal year.

(3) Qualitative Information on the Consolidated Results Forecast

In domestic information services industry, the market shows a gradual recovery due to the enforcement of new law and regulations and the correspondence to the indication modification active IT investment for the purpose of responding to the new system and the enforcement of legal restrictions, enhancing the end user's contact point in our clients' companies, and the business growth brought by new services. Meanwhile, needs for reducing the maintenance and operation costs and also the price competition still remain.

As for overseas markets, although a gradual continued growth in the U.S. market and a stable IT investment demand in China are expected, need to carefully monitor the impact of the increasing uncertainty of the

world economy on IT investment in European market.

Under these business circumstances, since the NTT DATA Group continues to work on controlling the unprofitable projects, improving the profitability of overseas subsidiaries, and reducing the cost of whole group etc., adding to secure orders steadily capturing the IT investment needs in Japan and abroad. Therefore, no revision for the Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018 (announced on May 10, 2017) has been planned at the moment.

2. Matters on Summary Information (Notes)

(1) Changes in accounting policies, changes in accounting estimates and restatements

(Changes in accounting policies)

For financial lease transactions by the lessor, NTT DATA Corporation, a company that submits consolidated quarterly financial statements, and its domestic consolidated subsidiaries used a method in which sales and the cost of sales were recognized on the receipt of lease fees, but adopted a new treatment method in which sales and the costs of sales are recognized on the day that the finance lease transaction commences from the first quarter of the consolidated accounting period.

As proactively promoting global expansion, the NTT DATA Group updated systems for leasing in order to unify the accounting policies, which enabled the company to adopt an accounting treatment method that is better suited to actual conditions. We, therefore, adopted a treatment method in which sales and the costs of sales are recognized on the day that the finance lease transaction commences from the first quarter of the consolidated accounting period.

The effect of this change on operating income, ordinary income and income before income taxes of the current consolidated fiscal year is minor. The retained earnings at the beginning of the previous consolidated fiscal year increased by 3,447 million yen.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: ¥ million)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	212,459	200,522
Notes and accounts receivable - trade	458,085	453,016
Lease receivables and investment assets	28,085	29,719
Securities	4,302	2,315
Inventories	31,211	68,335
Deferred tax assets	32,061	28,540
Deposits paid	55,808	10,000
Other	79,635	86,986
Allowance for doubtful accounts	(3,740)	(3,407)
Total current assets	897,910	876,029
Non-current assets		
Property, plant and equipment		
Data communication facilities, net	89,760	90,048
Buildings and structures, net	114,995	104,450
Machinery, equipment and vehicles, net	31,034	33,952
Tools, furniture and fixtures, net	16,666	19,001
Land	63,835	66,604
Construction in progress	35,609	54,031
Other, net	4,957	5,247
Total property, plant and equipment	356,860	373,336
Intangible assets		
Software	240,304	243,185
Software in progress	61,168	68,364
Goodwill	315,261	334,914
Other	160,549	122,775
Total intangible assets	777,283	769,240
Investments and other assets		
Investment securities	86,834	117,885
Net defined benefit asset	5,603	5,928
Deferred tax assets	60,802	50,895
Other	54,419	59,228
Allowance for doubtful accounts	(772)	(745)
Total investments and other assets	206,887	233,191
Total non-current assets	1,341,031	1,375,768
Total assets	2,238,941	2,251,797

Consolidated Balance Sheets-continued

(Unit: ¥ million)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	138,453	121,011
Short-term loans payable	213,160	47,651
Current portion of long-term loans payable	53,461	8,635
Current portion of bonds	49,996	79,999
Income taxes payable	35,916	18,802
Advances received	180,827	224,407
Provision for loss on order received	3,452	7,544
Other	158,351	175,947
Total current liabilities	833,619	683,999
Non-current liabilities		
Bonds payable	160,075	130,079
Long-term loans payable	168,618	326,186
Deferred tax liabilities	30,367	8,010
Net defined benefit liability	186,788	197,959
Provision for directors' retirement benefits	876	877
Other	24,880	22,994
Total non-current liabilities	571,605	686,107
Total liabilities	1,405,225	1,370,107
Net assets		
Shareholders' equity		
Capital stock	142,520	142,520
Capital surplus	141,048	141,022
Retained earnings	501,369	515,200
Treasury shares	(0)	(1)
Total shareholders' equity	784,937	798,741
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39,881	61,770
Deferred gains or losses on hedges	(155)	(2)
Foreign currency translation adjustment	23,889	32,275
Remeasurements of defined benefit plans	(30,083)	(28,681)
Other	(16,320)	(16,576)
Total accumulated other comprehensive income	17,211	48,785
Non-controlling interests	31,567	34,163
Total net assets	833,715	881,690
Total liabilities and net assets	2,238,941	2,251,797

(2) Consolidated Statements of Income and Comprehensive Income

(Unit: ¥ million)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	1,180,894	1,536,271
Cost of sales	874,996	1,156,003
Gross profit	305,898	380,268
Selling, general and administrative expenses	231,362	298,202
Operating income	74,535	82,065
Non-operating income		
Interest income	1,072	1,504
Dividend income	1,562	1,757
Gain on step acquisitions	1,354	—
Other	2,129	4,085
Total non-operating income	6,118	7,348
Non-operating expenses		
Interest expenses	3,990	4,562
Foreign exchange losses	1,218	2,232
Other	2,298	2,559
Total non-operating expenses	7,508	9,353
Ordinary income	73,145	80,060
Extraordinary income		
Gain on sales of investment securities	15,079	—
Total extraordinary income	15,079	—
Extraordinary losses		
Acquisition expenses	12,742	—
Loss on restructuring of subsidiaries and affiliates	4,043	13,883
Total extraordinary losses	16,785	13,883
Income before income taxes	71,439	66,176
Income taxes	24,842	27,679
Net income	46,596	38,497
Net income attributable to		
Net income attributable to owners of parent	45,062	36,025
Net income attributable to non-controlling interests	1,534	2,471

Consolidated Statements of Income and Comprehensive Income-continued

(Unit: ¥ million)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Other comprehensive income		
Valuation difference on available-for-sale securities	652	21,809
Deferred gains or losses on hedges	6,712	153
Foreign currency translation adjustment	(42,680)	8,530
Remeasurements of defined benefit plans, net of tax	2,650	1,441
Share of other comprehensive income of entities accounted for using equity method	(504)	73
Other	823	(255)
Total other comprehensive income	(32,346)	31,751
Comprehensive income	14,250	70,249
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,916	67,599
Comprehensive income attributable to non-controlling interests	1,333	2,649

(3) Notes to quarterly consolidated financial statements

(Notes to Going Concern Assumptions)

N/A

(Notes to Significant Changes in Shareholder's Equity)

Resolution	Stock Type	Total amount of Dividend (¥ million)	Dividends per share (¥)	Record Date	Effective Date	Dividend Sources
Ordinary General Meeting of Shareholders on June 20, 2017	Common stock	11,219	40 ^(*)	March 31, 2017	June 21, 2017	Retained earnings
Board of Directors Meeting on November 7, 2017	Common stock	10,518	7.5	September 30, 2017	December 1, 2017	Retained earnings

Note: Conducted stock split which shall split of common stock at a ratio of 1:5 as the effective date of July 1, 2017.
Dividend per share is before the stock split. Dividend per share after stock split is 8 yen.