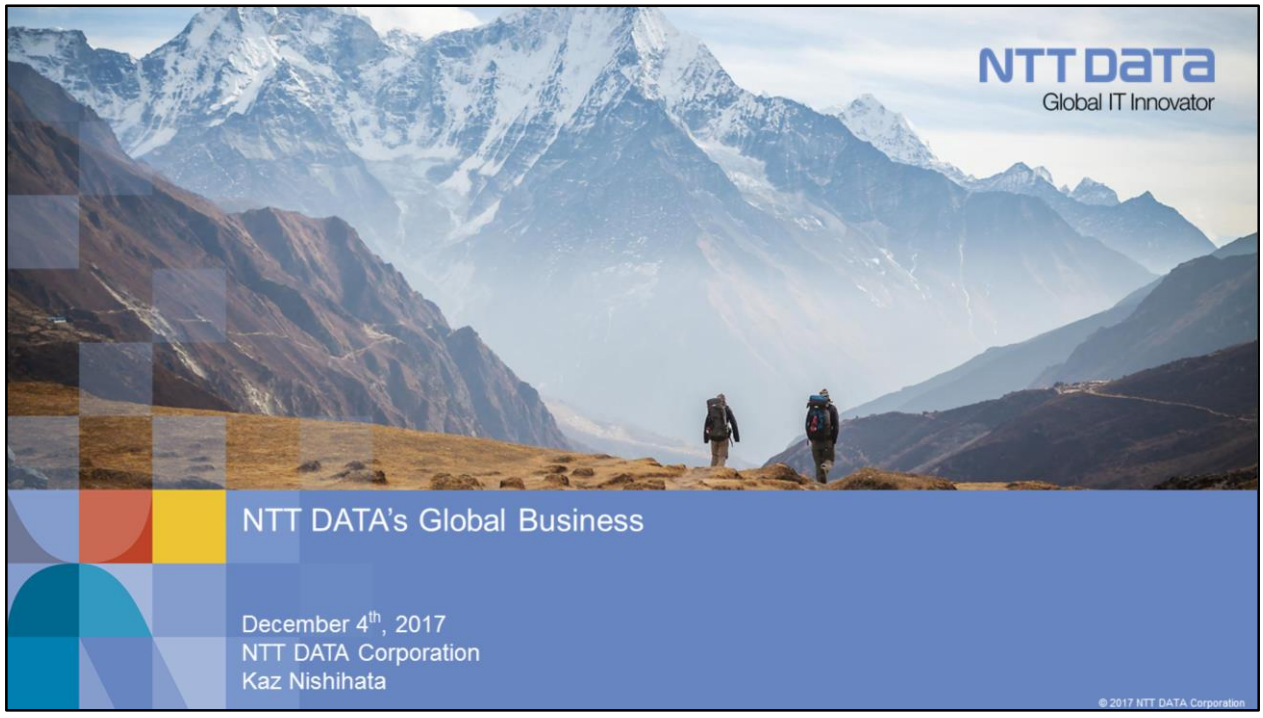
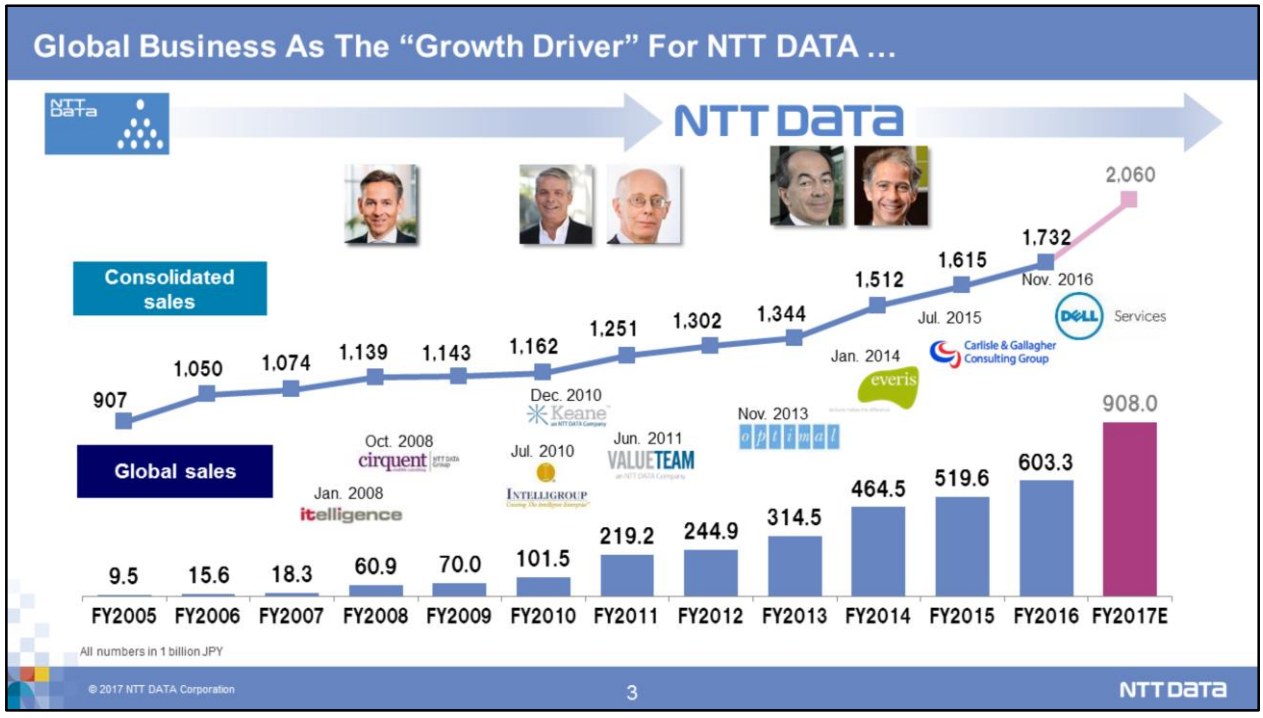


I am Kaz Nishihata. Thank you for your continued cooperation. Since July 2017, Mr. Yamaguchi, who made the previous presentation, has been responsible for the China and APAC segment, but as I was responsible for all global businesses including the China and APAC segment until then, I am going to explain the history of the global business segment and our future vision.

(Description abbreviated)



This slide shows the trend of NTT DATA's net sales. The line chart above shows the consolidated net sales, and the bar chart below shows global net sales outside of Japan. In 2005, the global net sales were 9.5 billion yen and accounted for only 1% of the consolidated net sales, which were approximately 900 billion yen. In this fiscal year, we are expecting that the consolidated net sales will exceed 2 trillion yen and that the global sales will reach to more than 900 billion yen.

Let me introduce myself as a very lucky man. I joined NTT in 1981, was engaged in global business at NTT Communications (NTT Com) from 1997, and between 2006 and 2009, I served as the managing director of NTT Europe that was responsible for NTT Com's business in the EMEA region, and have been involved in NTT DATA's global business since 2009. When I was engaged in global business at NTT Com, my first mission was to serve globally for Japanese companies, specifically speaking, to establish subsidiaries and to develop network connectivity and data centers in cities where JAL or ANA ran international flights, which was very easy to understand. However, after the burst of the Japanese bubble economy, JAL and ANA discontinued flights to and from some cities. I then learned that even some of the companies NTT Com had established after significant hard work ended up losing money because they provided services for only Japanese companies. I also experienced many things after NTT Com acquired Verio. With such experiences, I joined NTT DATA in 2009.

All the logos shown in this slide are a part of the companies which joined NTT DATA group. When itelligence joined NTT DATA group in 2008, Mr. Norbert Rotter, whom you can see in the upper left photo, was a CFO of the company. As this was the first M&A deal in tens of billions of yen for us, we adopted a scheme in which NTT Com made a 10% investment, while NTT DATA acquired the majority shares. I was the managing director of NTT Europe. In 2014, itelligence delisted itself to become a wholly owned subsidiary of NTT DATA.

Only the company names of itelligence, which was a listed company, and everis, which was a Spanish company we acquired in 2014, have remained unchanged after the acquisition. For other group companies, we ensured that "NTT DATA" was incorporated in their names in 2012. However, if you ask me whether we have succeeded in fully integrating them, I have to say "No" and that the actual status still looks like a mosaic.

The person in the second photo from the left is Mr. John McCain, the CEO of NTT DATA Services. The person in the photo on his right is Mr. Patrizio Mapelli, who is now the CEO of NTT EMEA but was the CEO of an Italian company, Value Team, when we acquired it. The person in the second photo from the right is Mr. Fernando Francés, the chairman and founder of everis, and the person in the rightmost photo is Mr. Benito Vázquez, the CEO of the company. I said earlier that I am a lucky man. It is because I have the good fortune of having excellent management leaders like them. They have been working with me for a long time.

For example, John had not worked for a single company for longer than 5 years before he joined the NTT DATA group. However, he has worked with me for 7 years since 2010 when Keane joined the NTT DATA group. I have worked with him for a long time, and I am sure that I am blessed to have such excellent leaders. When we started global business almost from scratch, we thought that we could not successfully do global business without excellent leaders who had good clients and employees.

As I said before, I had an experience of losing money due to the Japanese economic crisis because we looked only at Japanese companies. From this experience, we realized that we needed to put great effort into local business with local management team. We needed to involve excellent leaders who had local expertise and clients in our management team. I think that I am lucky because I am still working with them since these companies have continued to grow after they joined the group.

Last year, members from the former Dell Services joined us. When Mr. Michael Dell was deciding on a company to which he would sell the former Dell Services in order to acquire EMC, NTT DATA was not in the original list of candidates of buyers, but was finally asked to participate in the deal. The same members of Citibank who served as advisors to Keane for our acquisition deal suggested that Mr. Dell add NTT DATA in the list of possible buyers. Eventually, we succeeded in the acquisition, but we were not the most likely candidate at first.

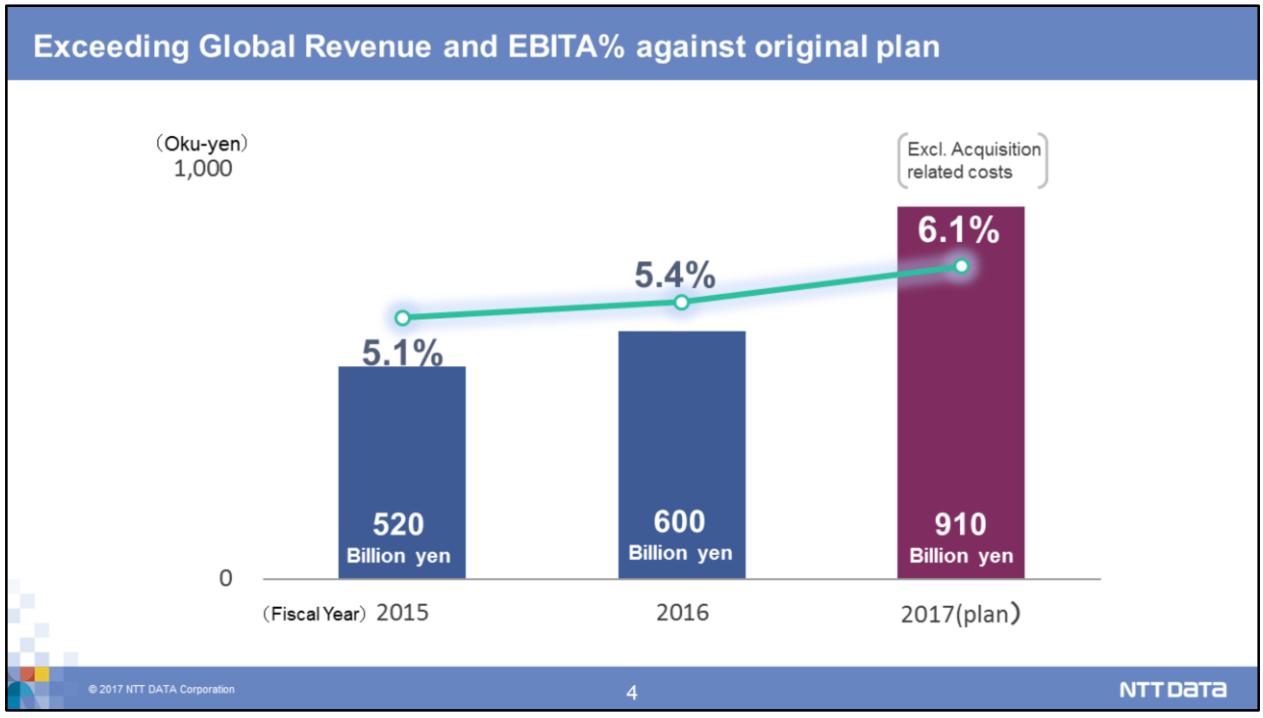
Acquisition of the carve-out business of the former Dell Services was quite a challenge for us. Mr. Dell acquired a company that was a forerunner of the former Dell Services and fully integrated it into one firm, and the entire firm used a single system. For example, all group companies used a single system to transfer payrolls to employees' bank accounts. After the acquisition, some employees were transferred to NTT DATA and the others to Dell EMC. As a result, we needed to register all bank information, such as account information, every time an employee was transferred to NTT DATA from the former Dell Services. We also split client contracts with Dell EMC. It was very challenging to divide all Dell's assets into NTT DATA and Dell EMC, but these works are going well.

I am going to explain why these companies joined the NTT DATA group. They established a certain position in their countries, but their clients expanded into other countries as they grew. For example, when an automaker expands globally, parts suppliers also need to support globally for the clients. This applies to us too. Regardless of how strong they were in their original countries, they had to partner with other companies to provide global services for clients who were expanding globally. These companies selected NTT DATA as the buyer because they preferred to partner with a company that had a similar management direction and set of values.

In addition, there are other major reasons why they selected NTT DATA as the buyer. We have 3 future potentials. First, the sellers thought that NTT DATA had future potential as a Japanese company that tended not to cut jobs easily and was considered trustworthy.

Second, NTT DATA will not easily fail because we have the parent company, NTT. As the IT industry has been changing significantly, everyone including clients worry about how it would change in five or 10 years. If a system provider fails, its clients face a big difficulty. It is important to find a company that is financially stable and capable of continuing to provide services without failing. We were selected also because they were sure that we would work together to expand business globally.

The third reason is NTT's R&D capability. Especially, the U.S. IT industry, which has players including IBM, Accenture, Google and Amazon, has been growing rapidly. To compete against these players and defeat them, the companies wanted to join the NTT DATA group. As we are expected to continue to grow for five years and for a decade, we will make great efforts to meet expectations.

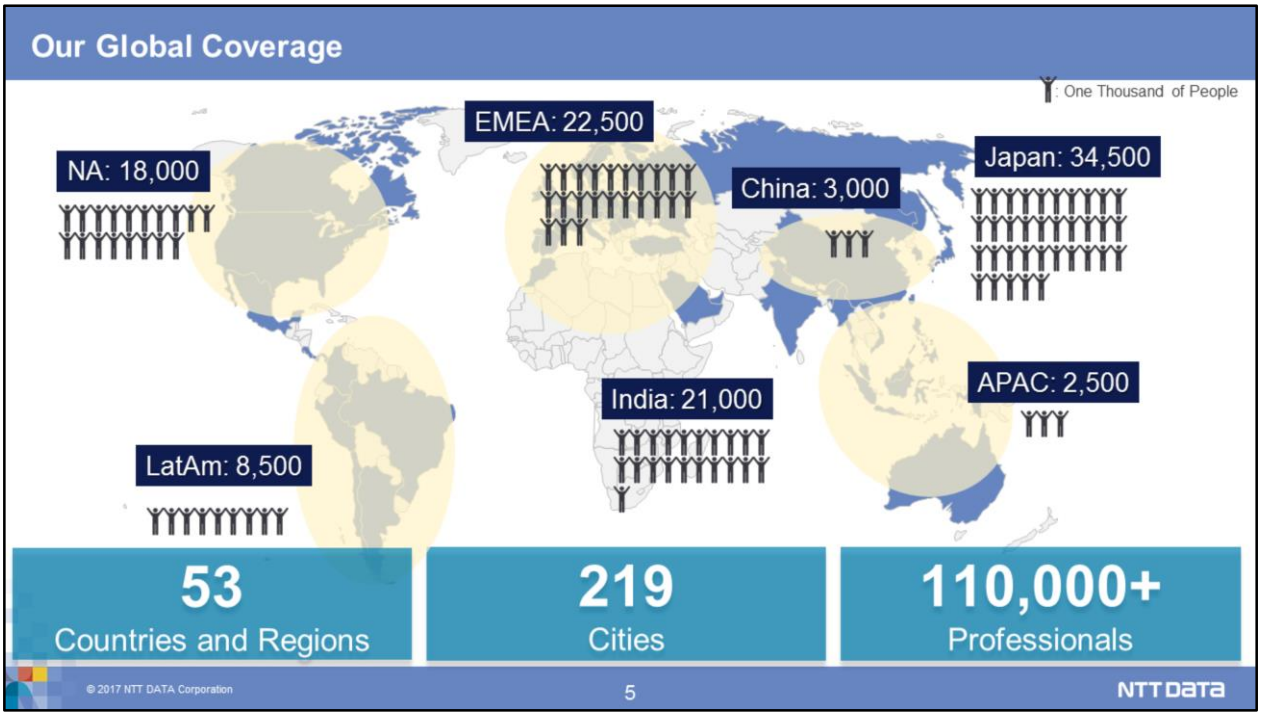


This slide shows changes in profit margin for global business for three years, which is recognized as a low level.

Last year, the profit margin (EBITA margin) was 5.4%. Given the profit margin for the NTT DATA group at 7–8%, I should say it was a low figure. It was calculated by adding the figures of local units without goodwill amortization, which shows our real capability. In the U.S., the profit margin was approximately 9% before the acquisition of the former Dell Services. Even though the former Dell Services is recognized to carry low margins because it is a large-scale unit and handles a lot of IT outsourcing and infrastructure services including Dell computer maintenance, the profit margin is 6–7%. Our European units carry lower margins, which decreases the profit margin of our global business.

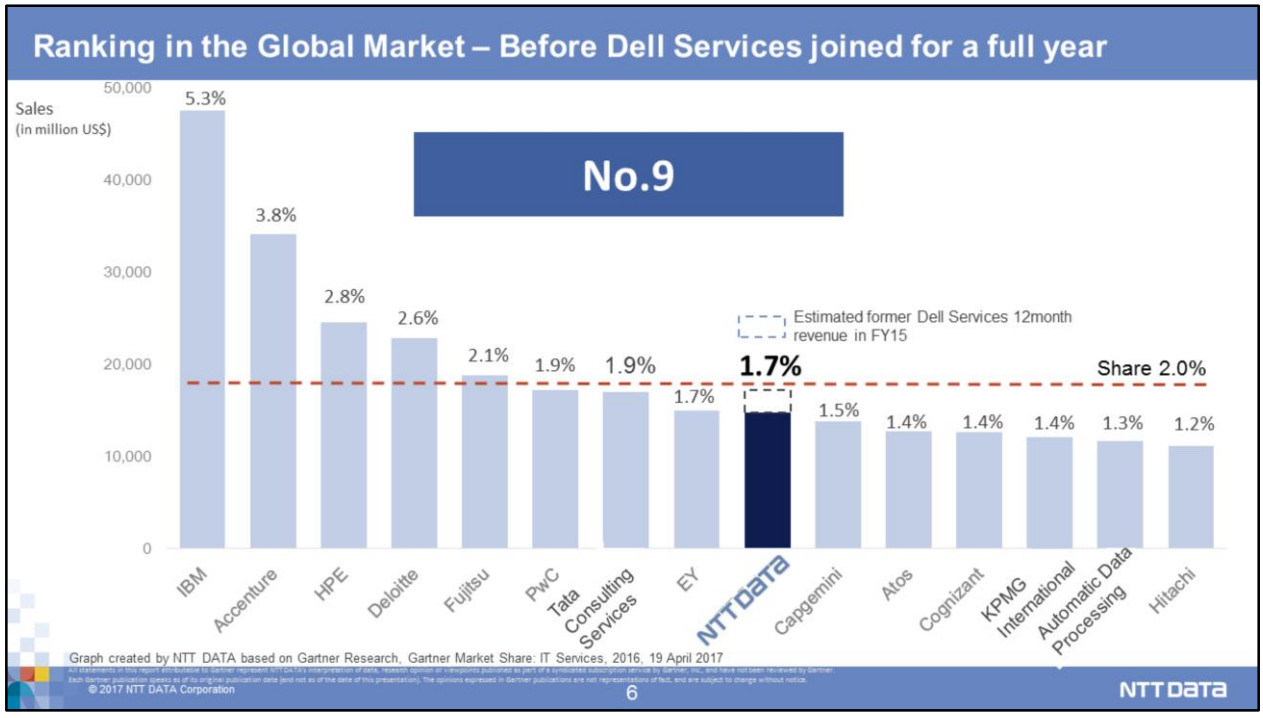
The net sales target for our global business in this fiscal year is about 900 billion yen and target profit margin is around 6%. The U.S. and European regions aim to earn about 500 billion yen and 300–400 billion yen, respectively. The China and APAC region accounts for only a small portion of the total sales.

In order to increase the profit margin, I prioritize ensuring steady improvement the most. It is easy to increase the profit margin temporarily by cutting jobs. For example, we have three units in Europe: NTT DATA EMEA, itelligence, and everis; the administrative costs can be reduced through integration. However, we have adopted a cautious stance for this. With regard to when the current profit margin, 6%, will increase to 9 or 10%, we will take a steady approach rather than a quick one.



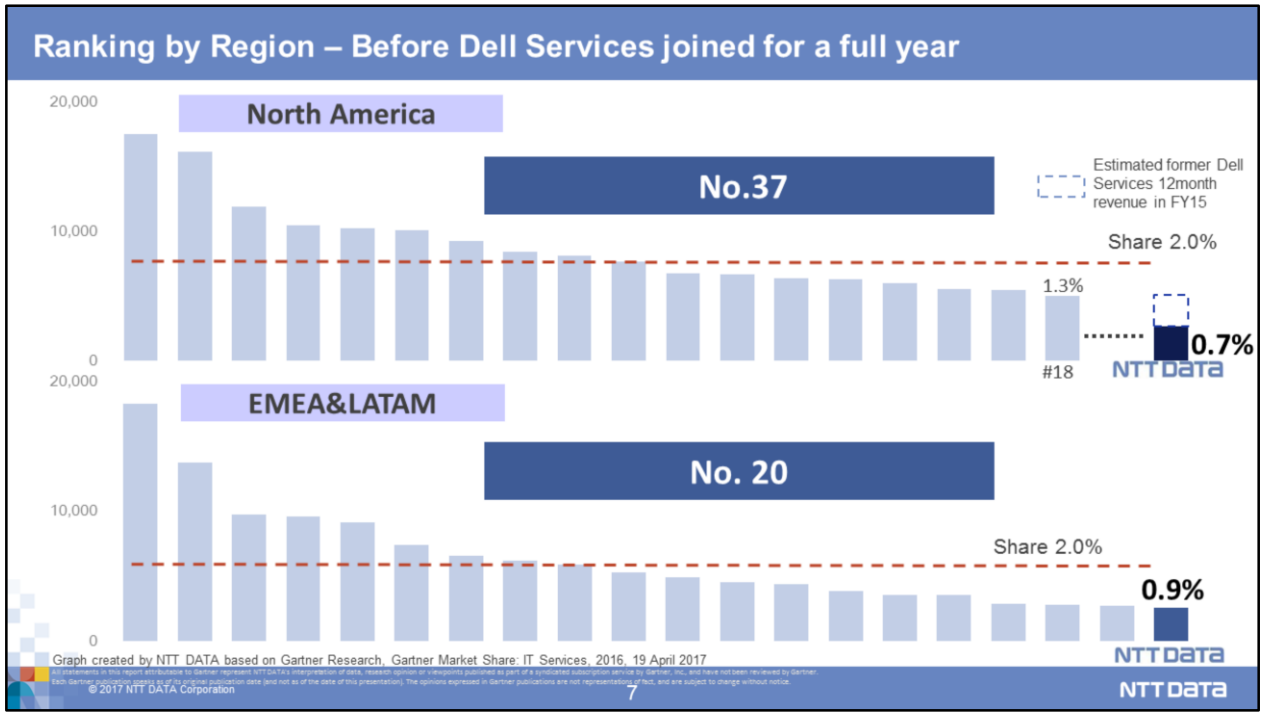
Now, NTT DATA has approximately 110,000 employees, including about 34,500 in Japan, more than 26,000 in North America and Latin America, about 22,500 in Europe, about 21,000 in India, and about 5,000 in Asia. Each region has 5,000 – 20,000 employees. Given about 30,000 employees in Japan, our personnel distribution is well-balanced.

Our biggest competitors are US and Indian companies. The number of our employees in India is one tenth of that of IBM, about 200,000, which means that NTT DATA is not a company with human resource concentration in India. We want to turn this fact into our strength, which will be explained later.



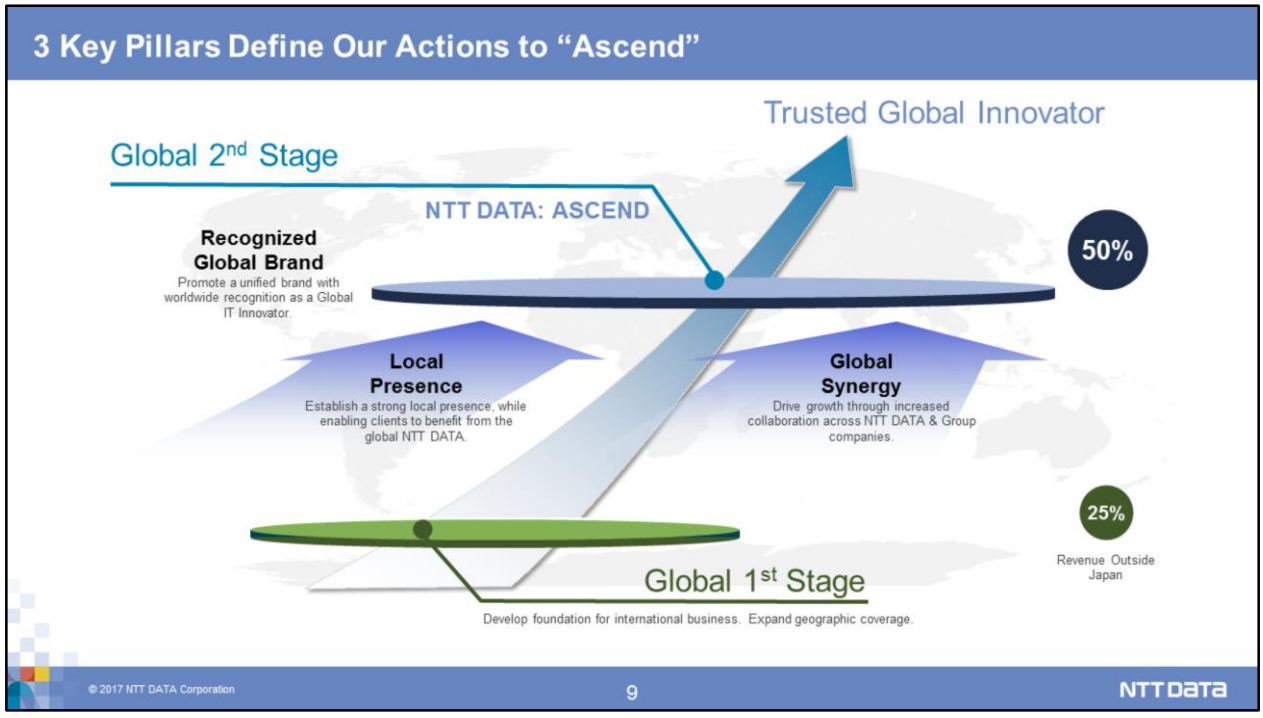
This slide shows the ranking in the global market announced by Gartner Research. Gartner defines IT services as consulting, software development, software maintenance, and BPO without taking into consideration hardware sales. Before the acquisition of the former Dell Services, NTT DATA was ranked 9th. If the net sales of the former Dell Services, which is about 2.8 billion dollars, are added, we assume that our rank would rise to 6th or so.

As you can see, there is difference between the top 2 companies and others, but no major differences among the remaining companies. The companies we actually need to pay attention to are Amazon, Google, Microsoft, etc. that are not included in this list. We think that the ranking 5 or 10 years later will be much different, but this is what we have today.



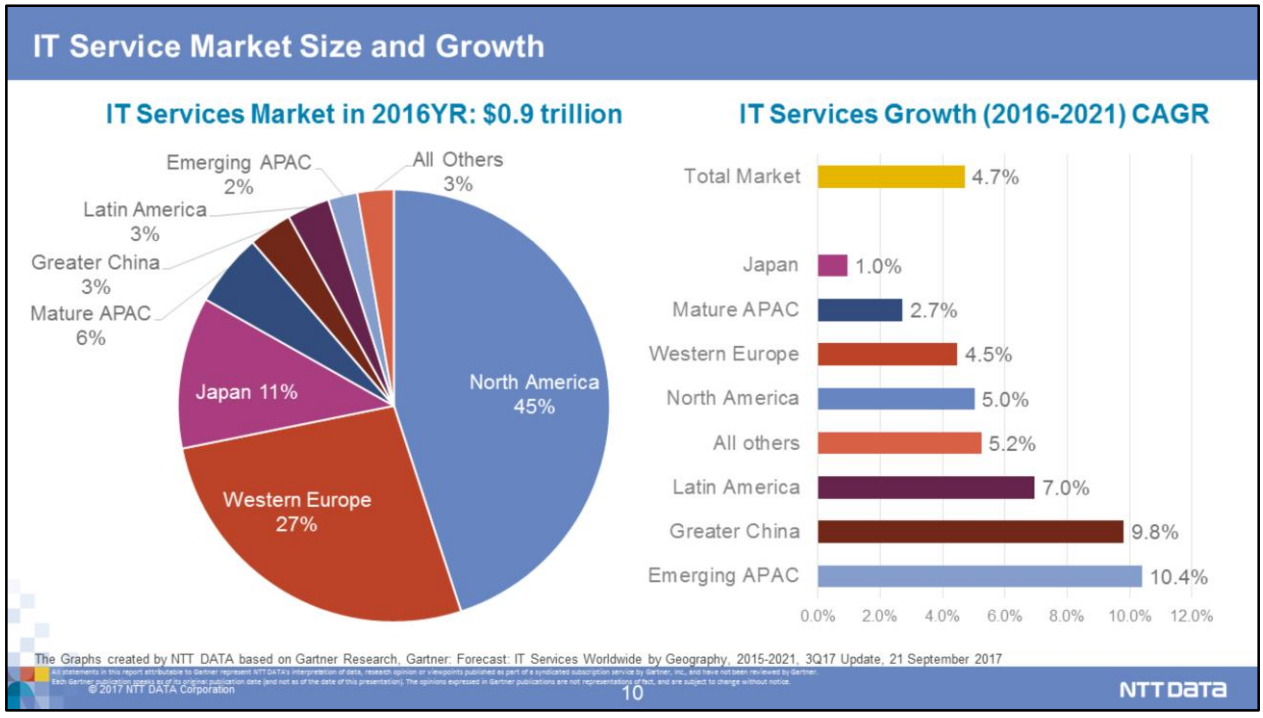
Speaking of the ranking by region, NTT DATA was ranked 37th in the U.S. before the acquisition of the former Dell Services. While Gartner has not announced this year's ranking yet, based on our estimate calculated by adding the sales of the former Dell Services, we expect that NTT DATA will be ranked 18th or so. In Latin America and EMEA, the rank will be 20th or so.

(Description abbreviated)



When NTT DATA announced the Global 2nd Stage, we formulated three key phrases of growth: Local Presence, Global Synergy, and Global Brand. Four or five years ago, when visiting potential clients, we were often asked, "What is NTT DATA?" In Japan, NTT DATA has a high profile, but we still need to explain "What NTT DATA is" first outside of Japan.

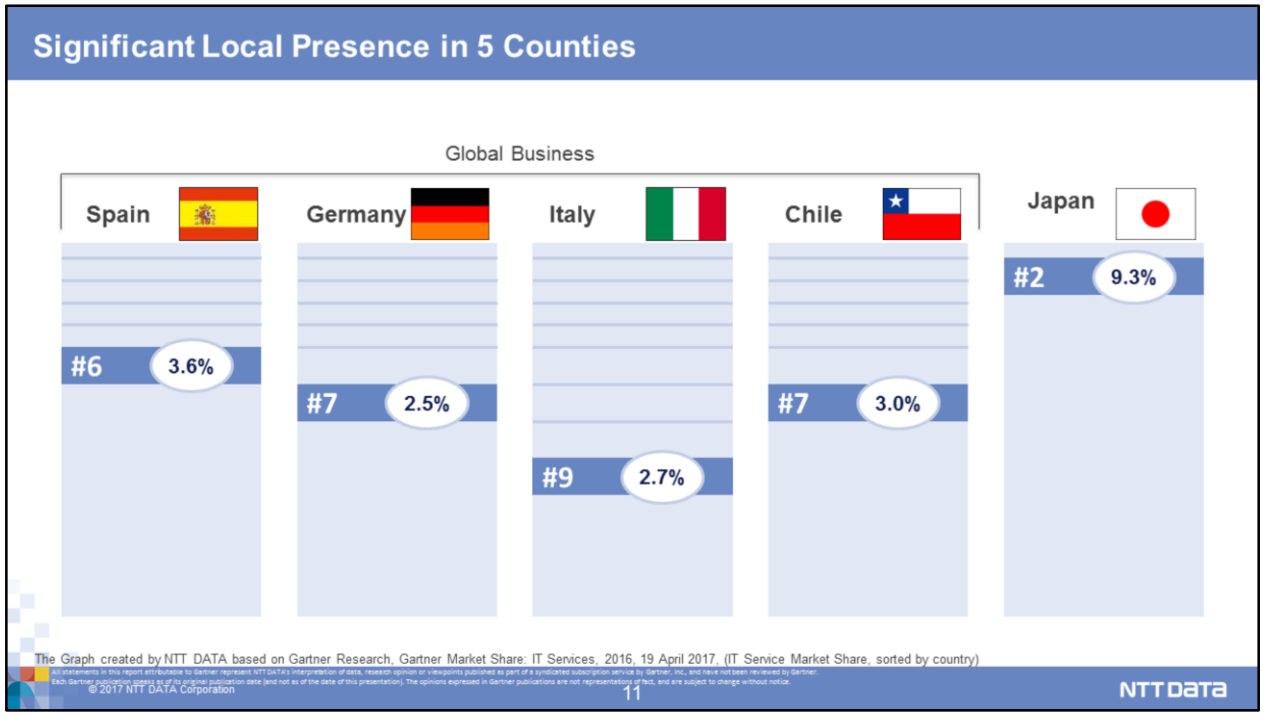
However, in the last two years, NTT DATA has gained name recognition even outside of Japan. The biggest reason for it is the acquisition of the former Dell Services. In Japan, media reported that "NTT DATA acquired the former Dell Services," but in the U.S., the media reported that "the former Dell Services joined the NTT DATA group." Because of the acquisition, our name is being increasingly recognized, but we are more frequently asked by clients, "What is NTT DATA's strength? Tell me your differentiator compared to Accenture."



I am going to explain how we will improve things expressed in the three key phrases for the Global 2nd Stage. The center of today's global IT market is the U.S. The left graph shows the size of the IT services market as of the end of FY2016. The market size is about 100 trillion yen, though it does not include hardware as this is based on Gartner's data. The U.S. accounts for about 50%, and Europe has 27% share. Japan has 11% share, at more than 10 trillion yen.

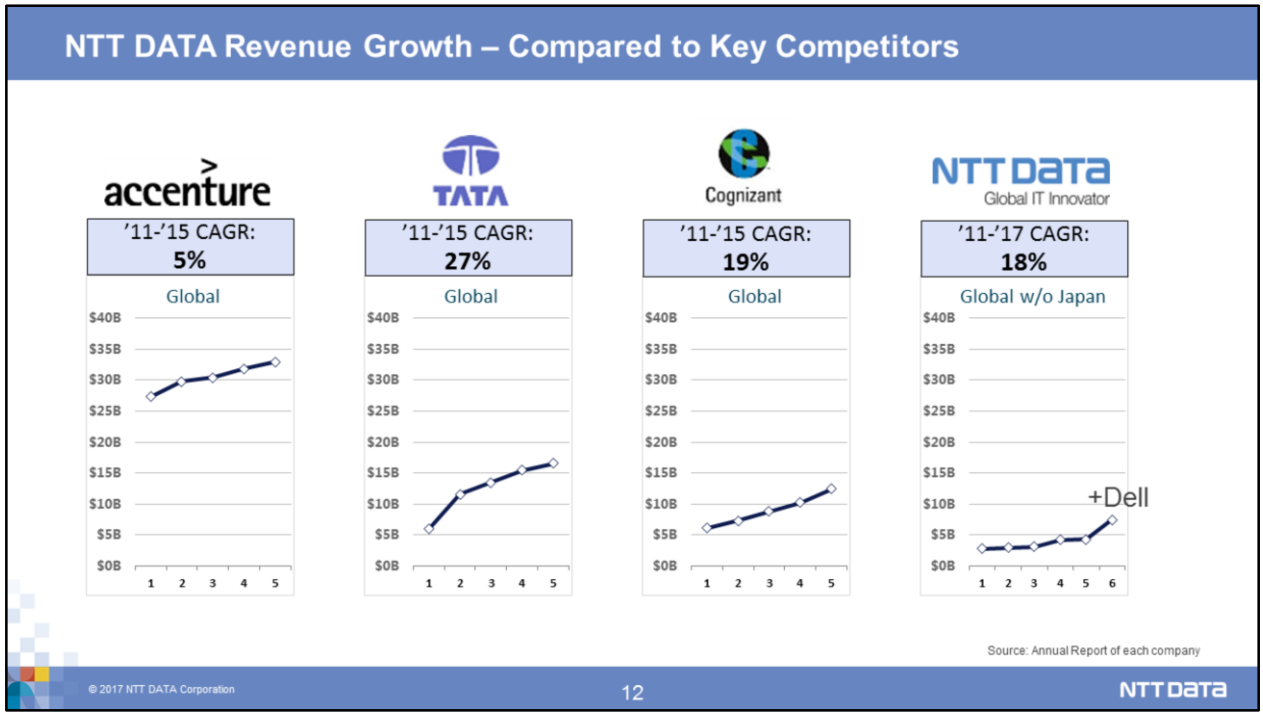
The right graph is more important. This shows regions that are expected to grow from 2016 to 2021. You can see that the growth rates of Greater China and emerging APAC are higher than those of other regions. Therefore, NTT DATA will classify China/APAC and Japan into one unit and adopt a long-term strategy to achieve a goal 10 years later.

Now, I am responsible for the Global Marketing Headquarters too. The market sizes of North America, Latin America, and EMEA are large and their CAGRs are high, even though they are lower than those of China and APAC. We aim to build a certain presence in these markets in the short and medium term. I think it is important to have a presence outside Japan because Japanese CAGR is lower and the sizes of other markets will expand further.



Countries where NTT DATA is ranked in the top 10 in Gartner's ranking by country are Spain, Germany, Italy, Chile, and Japan. I think that the acquisitions of everis in Spain, two companies in Germany, and Value Team, etc. in Italy are the key factors. Moreover, according to local team, NTT DATA is high on the list in Peru, although Gartner does not report the ranking for the country.

I am going to explain why we need to be ranked in the top 10. In other industries where only a few companies hold the majority of the market share, a company cannot be recognized in the market without a market share as high as 10%. However, in a special world of the IT industry, a company which ranked in the top 10 in the country with a market share of about 2% can be recognized in the market. This means that there are a variety of players in the IT industry including a considerable number of players in Japan, as languages and business practices vary in each country. A company holding a market share of 2% can be a top 10 company in a country. As a top 10 company can receive RFP (Request For Proposal) from a public sector client in the country, we set a goal to reach the top 10. It is difficult for us to achieve this goal in every country where we have a presence, but we aim to be ranked high in major countries.



NTT DATA's global net sales have increased, but competitors' growth rates are even higher than ours. The rightmost graph shows NTT DATA's net sales outside Japan. With net sales in Japan that remain at the same level, the growth rate of the global units including the former Dell Services acquisition outside Japan is 18%.

Indian IT companies, Tata Consultancy Services and Cognizant have grown faster than NTT DATA in the past four years. Under such circumstances, we are willing to continue M&A activity in the future. M&A depends on luck, and I consider it as marketing. It goes without saying that we need to constantly watch the market and competitors' moves on a routine basis and with any luck, we'll succeed in acquiring a good company. However, we always try to be courteous, as we could close a deal only when we and a partner like each other. There are a lot of opportunities. If we are lucky enough to find a good partner, we will proceed with M&A.

Elevating Our Position By Key Market Analysts

(Leaders Position Only)

Category		Report	Ranking	Trend
Healthcare		Everest PEAK Report 2016 - Everest Group PEAK Matrix for Provider IT Services	Leader	↑
		Everest PEAK Report 2017 - Everest Group PEAK Matrix for Healthcare Payer IT Services	Leader	★
		Everest PEAK Report 2016 - Everest Group PEAK Matrix for Healthcare Payer BPO	Leader	↑
SAP		NelsonHall - NEAT Vendor Evaluation for SAP HANA and S/4HANA Services	Leader	★
		HfS Blueprint - SAP Success Factors Services 2017	Winner's Circle	→
Professional Services		IDC Market Scape: Worldwide Cloud Professional Services 2016 Vendor Assessment	Leader	↑
ITO	Workplace Services	Everest Workplace Services – Market Trends and PEAK Matrix™ Assessment: "End Users are no Less than Customers!"	Leader & Star Performer	↑
		ISG Provider Lens™ Quadrant Report - Digital Workplace Services	Leader	★
	Cloud	HfS Blueprint - IT Infrastructure Management and Enterprise Cloud Services 2017	Winner's Circle	★

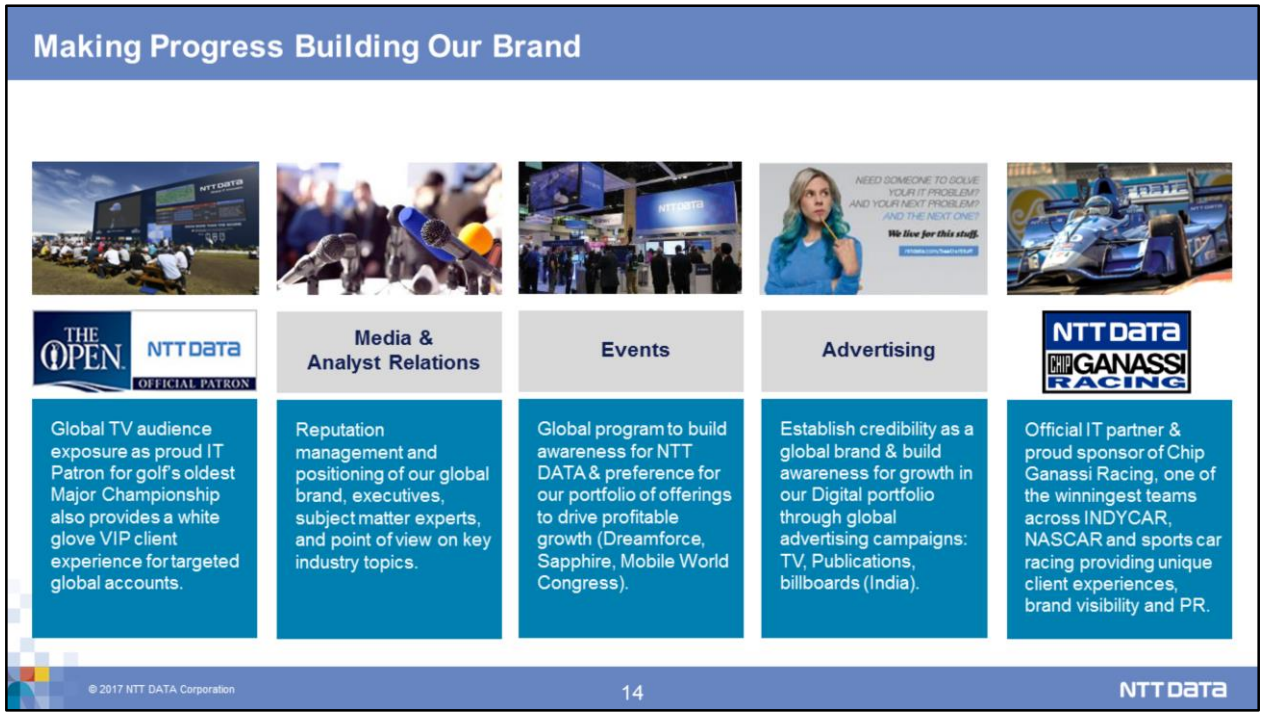
↑ = Upward movement in the report ★ = First time to be included in the report

13

NTT DATA

Speaking of the ranking by client industry, I think that NTT DATA is ranked high among service providers for banks, insurance, healthcare providerss, and manufacturers. We have an advantage in the banking industry in Japan, Europe, and the U.S. We are pretty advantageous in the insurance industry in Europe and the U.S. Our high position among the healthcare providers can be attributed to the former Dell Services. The manufacturing industry all over the world including German automakers is an area where we display strengths.

This slide shows the areas identified by a third party research company as those in which NTT DATA has advantages. I am sorry that it is difficult to understand because of the unorganized genres and categories, but the findings of the research company suggest that we are reputed to be a company with strengths in healthcare, SAP, professional services, and ITO.



As I said before, although we are working on a wide variety of initiatives to enhance our brand, what we put the most importance on is receiving compliments from clients, such as "NTT DATA is amazing." Of course, some employees leave NTT DATA for higher paying jobs, but if such ex-employees become our clients and tell their new colleagues that "NTT DATA's services are excellent," our brand will be most significantly enhanced by word of mouth. We have gained excellent human resources because of the acquisition of the former Dell Services and the growing sales in Europe. I heard a new employee say, "I decided to work for NTT DATA because an ex-employee told me that it was a good company." It is important to have our reputation spread by word of mouth as we put emphasis on receiving an inquiry from a potential client.

While we will be making efforts to enhance our brand throughevents, etc., we still need to try to be more competitive in a step-by-step fashion and gain recognition from clients, and be ranked high in reports released by third parties including Gartner. Word of mouth among our clients is important. As the mobility of labor market in the U.S, Europe and Latin America is much higher than that in Japan and an employee of a client may work for its competitor, word of mouth has a big influence on clients' views.

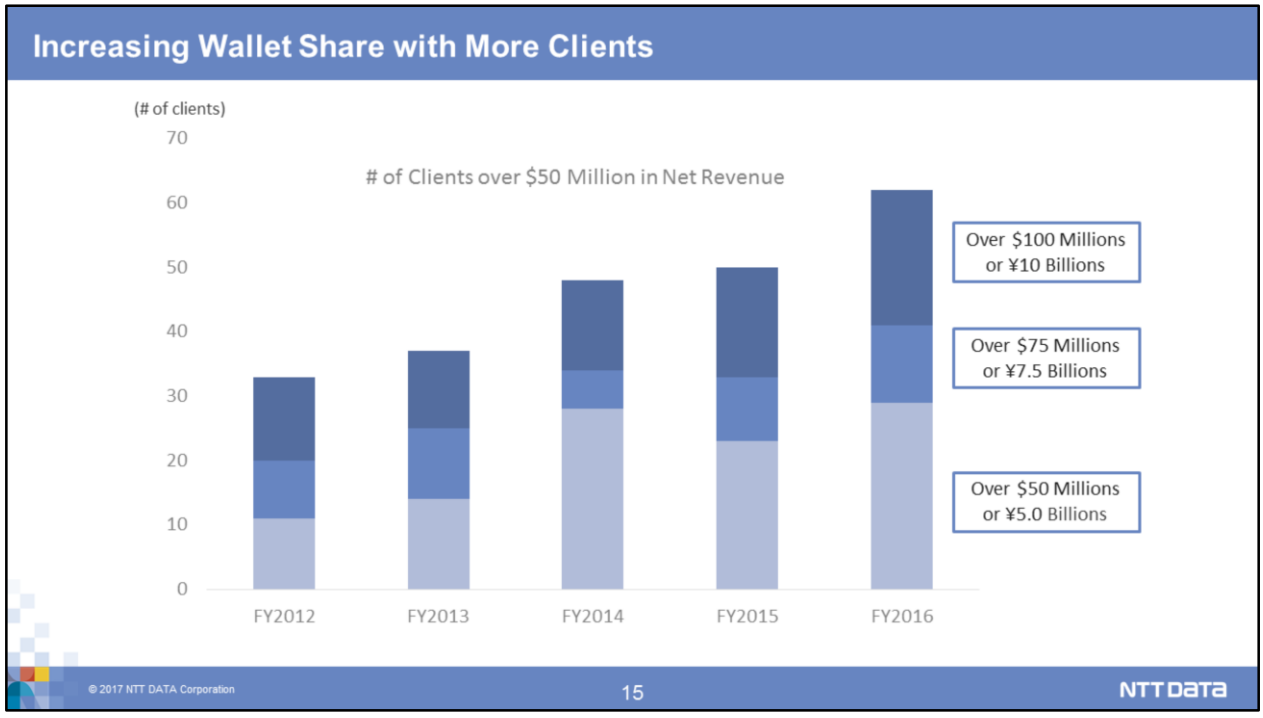
For example, the current CIO of BMW used to be the CIO of Audi. As Audi is a group company of Volkswagen, if our good reputation is spread within the industry, our business will head in a positive direction. On the contrary, if our project fails, our business will head in a negative direction, and some excellent employees may leave us. So, I think that it is important to achieve results in a step-by-step fashion.

This year, we held the first global private event, New Tomorrow Together Event, in Florida, U.S.A. Clients of the former Dell Services did not know about NTT DATA at all, and most of them were worried about our acquisition. The event was a meaningful opportunity to get them to know more about NTT DATA and NTT.

We had a US client last week who was associated with the healthcare industry. I think that we have to let the client know about us at first. They are worried about the future, instead of the present situation. What our advantage will be in the future. As I said before, the R&D and technological capabilities of the whole NTT group are highly evaluated.

In addition to holding events such as the New Tomorrow Event, we aim to gain more confidence in a step-by-step fashion by implementing POC for the future with clients, and achieving their goals.

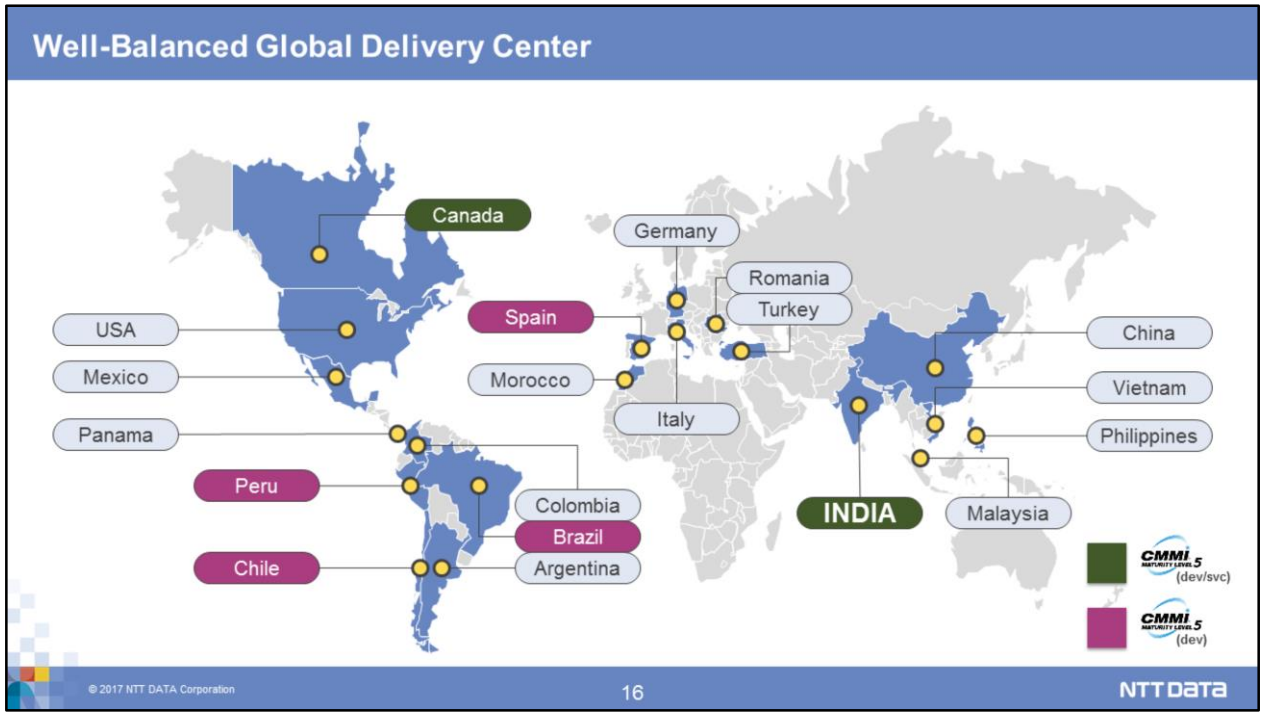
In the Global 3rd Stage, we aim to be a Trusted Partner globally. We are willing to conduct numerous activities for the future to make clients feel that NTT DATA is a really trusted partner.



This slide shows the number of clients from whom we generate sales revenue of more than 5 billion yen in Japan or more than 50 million USD or EUR in the U.S. and Europe. The number of our global clients is largely the same as the number obtained by subtracting the number in 2012 from that in 2016. We aim to increase such large clients like them on a constant basis.

Originally, we did not have many clients from whom we generated sales revenue of more than 50 million USD or EUR, as companies in each country were not large enough.

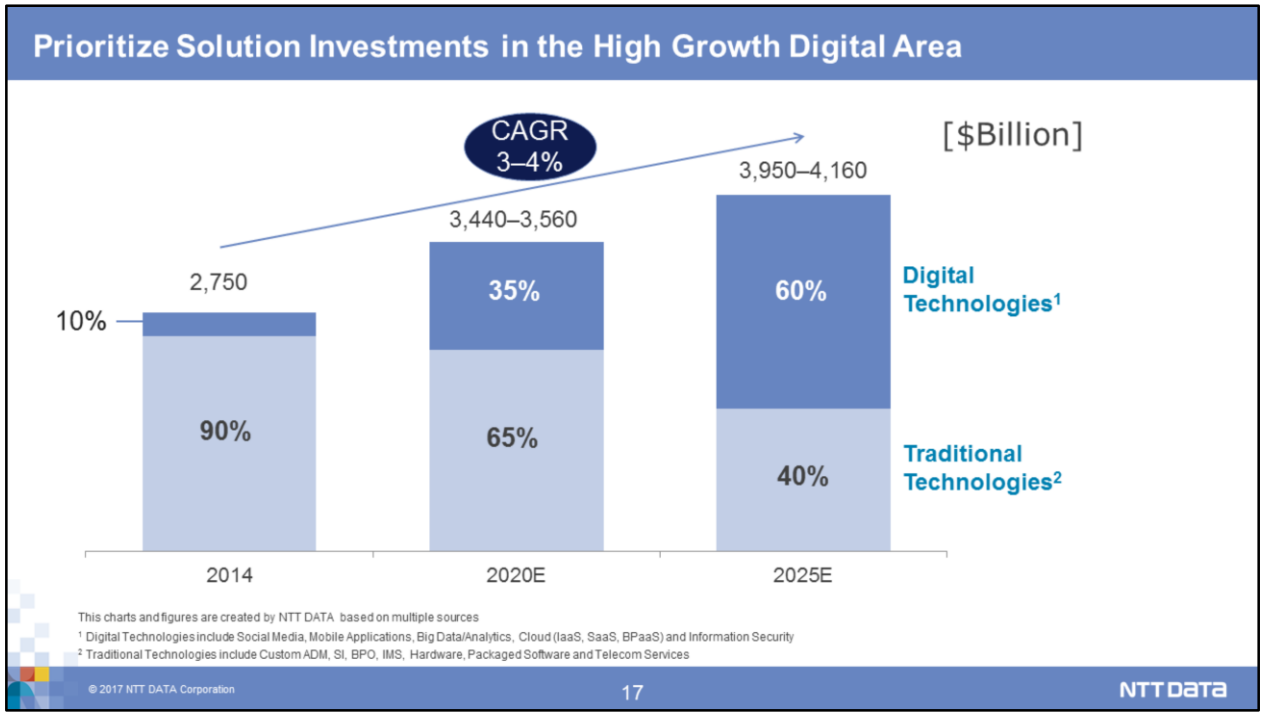
There are only a few clients from whom we generate sales revenue of more than 50 million USD in a country except the U.S. We aim to increase the number of such clients because they are regarded as companies that operate globally.



I said earlier that our personnel distribution is well balanced. This means that we are not over-dependent on India. Each region has different advantages. Spain, Italy, and the U.S. have their own advantages. Of course, each region has disadvantages. This is not easy to address, but I think that we can be much stronger if regions share advantages with each other. This is what we are working on now.

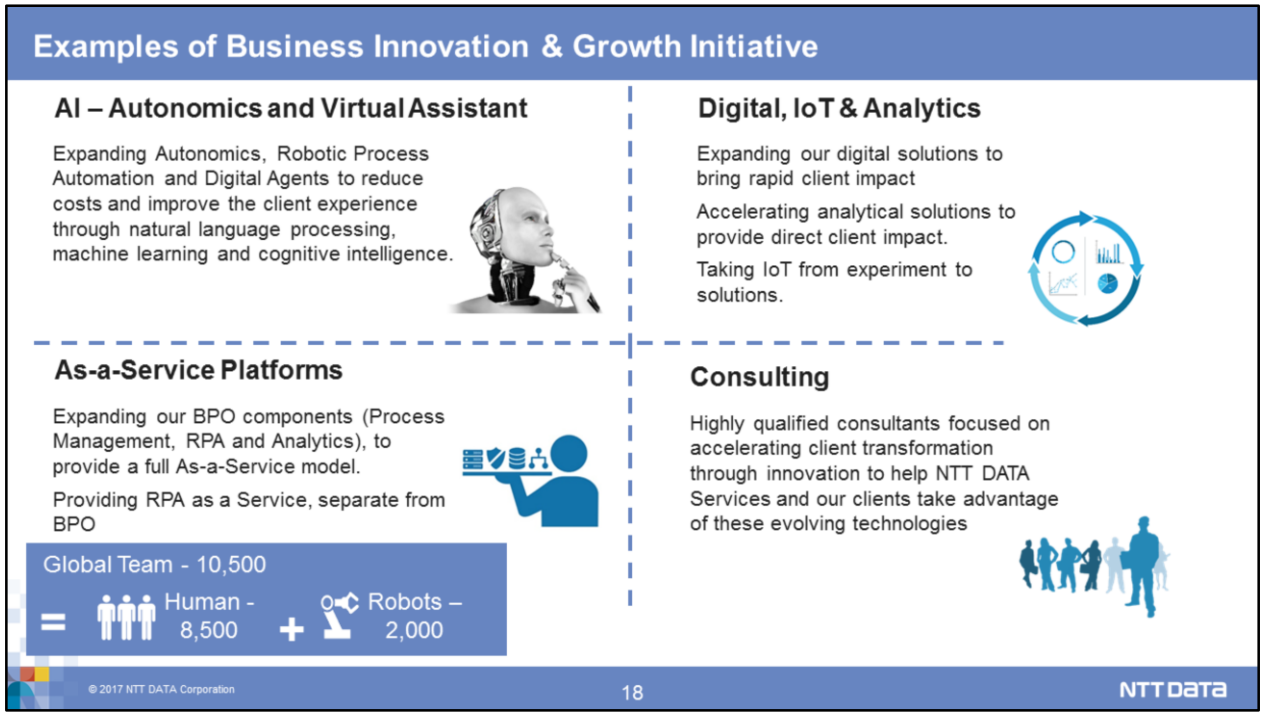
Also, each client has different demands. Some want to be served from near-shore, instead of fully depending on India, whereas others want to be served on-site in the U.S.

As we can provide a flexible approach, the uniform development and maintenance processes allow us to provide services without being restricted by geography. If a client wants to reduce costs, we can develop solutions in countries like India. While our initiatives have not been fully blended together and look like a mosaic, we will try to turn it to one of our advantages in a step-by-step fashion. It is very challenging, but we will spend a long time, not one or two years, to flexibly combine resources to suit our clients' needs and assure quality.



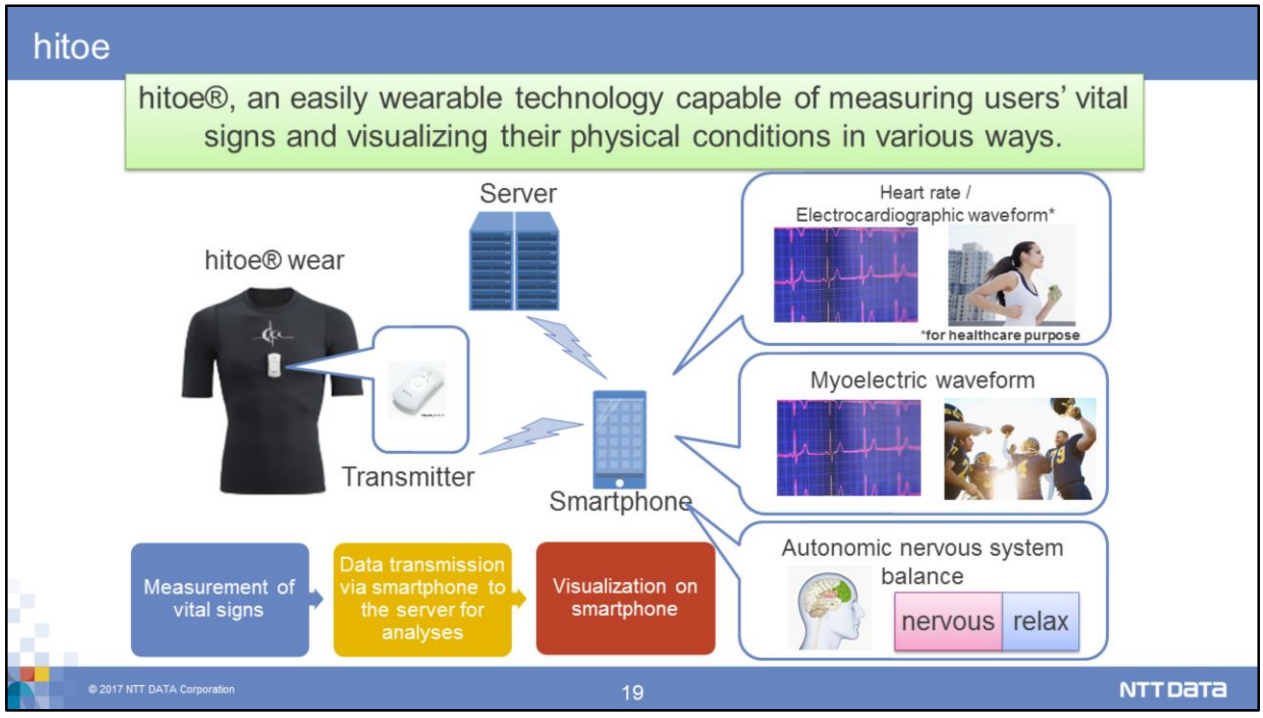
Another focus area is digitalization. We are sure that digitalization will be promoted overwhelmingly faster outside of Japan. Especially in the U.S. and China, it will be accelerated. NTT DATA is a well-known company in Japan, but a challenger in other countries. In an overseas market, we cannot win a contract for a simple upgrade project for an existing system unless a competitor makes a mistake. In other words, we can do something new.

I think that Japan will be introducing digital technologies slower than other countries. We will adopt what is successful in the U.S. and other countries for the Japanese market while making certain investments.



As we cannot suddenly become a strong player in an area we are not good at, we will make investments in digital area as well as in regions where we have advantages and industries where we can display our strengths such as the healthcare, manufacturing, and financial industries, as shown before, and develop our strengths further based on consultation with clients.

We are asked to reduce costs by most of our clients. Automation is an area to which we devote ourselves. The healthcare industry in particular is becoming increasingly automated. In India, where BPO and development are carried out, 2,000 jobs out of 15,000 jobs have been replaced by robots. Using that as a KPI, we developed a scheme in which Indian employees can get a bonus every time robotization is achieved. In addition, Japanese units started to introduce new technologies ahead of other countries.



Let me take for instance, hitoe, which is sensing wear jointly invented by the NTT Holdings and Toray. The human body is an aggregate of big data. We have advantages in the healthcare industry including hospitals. In U.S. hospitals, doctors and nurses are very busy because they have to record conversation with a patient in an electronic clinical record and collect information from various devices put on the patient's body. If a patient wears hitoe and all information is collected by it as around-the-clock big data, the burden on doctors and nurses may be reduced. We are willing to disseminate such solutions as an achievement of Japanese R&D.

For the IndyCar race, drivers of a team sponsored by NTT DATA have been wearing hitoe for two years. All information, including when a driver applied brakes and was overtaken by a competitor's car, and all data about the driver's muscles and heartbeat, are collected. In Japan, for the demonstration experiment of the NTT group, drivers of a bus company in Fukui wore hitoe. We aim to utilize these Japanese R&D achievements further.

NTT DATA has acquired numerous companies, but we are not monolithic. What I devote myself to is turning these acquired companies into a monolith and leading it.

To achieve this, people are essential, and we have adopted a variety of related initiatives. Values Week is an example. This is an opportunity for everyone to discuss what kind of a company NTT DATA is or should be every year. We conduct an employee survey called One Voice. We think that women will be more valued in the future in IT industry that is currently dominated by men, and conduct an activity called Women's initiative.

Global Talent Management

Global Conference

- NTT DATA leaders meet together to discuss our business strategy twice a year.
- At the last conference in Oct. 2017, 150+ global leaders gathered in Bangalore, India for 2 days session

We held a global conference in a campus of the former Dell Services in Bangalore that is 1.5 times as large as the Tokyo Dome. We will hold a global conference on a semi-annual basis in Tokyo and in a venue outside Japan for discussion.

As NTT DATA has expanded largely through M&A, each employee has a different background. If a company tries to satisfy its own ego, it will become a domestic-oriented company. To avoid this, I am asking our people to see the earth from the moon or take bird's-eye view, think together, and respect each other's differences. It is important to communicate with love to build credibility. We cannot simply become a monolith. Each region needs to address its own clients seriously. We aim to globally integrate for a global purpose and have local units address local matters if necessary to tackle strong competitors. I appreciate your support.

NTT DATA

Global IT Innovator