

## Business Briefing (Public & Social Infrastructure Segment)

Q1

Regarding the telecommunication and utilities segments, what is your forecast for each segment for the next few years?

A1

Basically, the utilities segment can be divided into power and gas businesses. The smart meter management system NTT DATA has developed for electric power providers has not been widely used by gas suppliers yet, which means that our business focus will be on diffusing this system to other segments. As the deregulation of the electric power industry moves forward, there will be a growing demand for the development of various system infrastructures and platform services, etc. for the potential separation of power generation and distribution in the future. We believe that there will still be many things to be prepared for the future and will aim to handle them by capturing demands.

In the utilities segment, as various information has been collected through the smart meter, the so-called utilization of big data has been a hot topic. Companies are starting to study how to establish a link to different segments, business categories, and business types and create new services by utilizing such data, based on which we recognize that there will still be business opportunities for the next generation.

Regarding the telecommunication segment, NTT DATA has developed telecommunication platforms and successfully responded to demands for system upgrades. Clients have also examined how they should challenge new Over The Top (OTT) services; we are making various proposals to the clients and conducting deliberations together to follow their shifts.

Especially, we recognize that it is necessary to study new businesses under the condition where 5G services are provided and new services that can be realized through connection to various IoT devices, and believe that our value in the telecommunication segment can be improved greatly.

Q2

Telecommunication carriers have shifted their focus to business in the OTT segment. Do you have something that will make you successful in the segment?

A2

Of course, we have a framework of solutions that will contribute to our business in the OTT segment and are sure that we will be successful. Also, we think that as a wide variety of data is exchanged in the OTT segment, the key point will be how personal information is protected. On the assumption that a secured information platform will be needed in the future, we are making efforts.

Q3

The new orders received are expected to increase from the previous fiscal year. Please tell me what has contributed to the increase. What is your forecast for the market, especially the public segment, for the next few years? What is the ratio of the existing projects and the cutting-edge technology projects? Is it possible for you to generate demand in the public segment, too, by using cutting-edge technologies?

A3

We do not draw a clear distinction between the existing projects and the cutting-edge projects. We believe that we have successfully and steadily won contracts for upgrading, operating and maintaining existing large-scale systems, but as a matter of course, new technologies need to be used for the upgrade of the existing systems. The public sector intends to promote automation of their systems to prepare for the population and workforce decline in the future. NTT DATA is making active proposals for new technologies such as RPA and AI we have developed in recent years.

We have increasingly won contracts for public-private partnership projects including PoC projects.

The My Number utilization project is the one expected to grow in the public-private partnership segment in the near future. Also, there is an idea to develop a mechanism of import/export information distribution that allows various stakeholders including shippers to exchange data in a seamless manner by using the blockchain technology. We believe that we can use our strength in acting as a mediator between the public sector and private companies and have an idea of making them use a platform developed by us.

We have dealt with other projects that can be classified as cutting-edge projects. RPA projects I mentioned earlier are in good shape. WinActor, a solution developed by the NTT group, has been widely used in various segments including the financial and private sectors. We also provide a mechanism to control a drone. We will aim to broaden and expand new business with the diversification of results and technological competence we achieved in various segments and utilize these in the private sector in a positive manner.

Q4

While more profitable projects like an IT operation project will decrease, you are expected to win contracts for more new projects in the future. I think that the producing technology will be improved through automation, etc. within a company. What is your forecast for the profit margin for the next five years? Do you expect that the current profit margin will be maintained?

A4

I think that this is a good question, but I would like you to understand our segment's business composition. The segment is composed of three sectors: public sector, telecommunication/utilities sector, and regional business sector.

The profit margin of the public sector and the telecommunication/utilities sector is about 10% of the overall business. The reduced costs for existing system upgrade and operation impose pressure on the profit margin as a matter of course, but we will aim to maintain this level of the profit margin as a basis by taking initiatives to use new technologies like automation, etc., and if possible, improve it. One of the potential approaches we will take is to provide a platform we develop, as I said before. In addition, we intend to adopt a business model of developing and providing a packaged solution using new technologies in the future.

The profit margin of the regional business sector is lower than that of the other two sectors. We employ a strategy of placing a priority on increasing the top line.

We have not determined what approach to use in the medium- and long-term, but we aim to be capable of earning at least 10% of net sales from the sectors I mentioned five years later.

Q5

Regarding business for the public sector, as the sector says that it intends to reduce operation costs by 30% in the medium term, I fear that NTT DATA that has a high share in the sector would probably be affected by the move. What strategy do you employ to cover the loss?

A5

The government set a target of reducing operation costs by 30% to improve the cost efficiency of system operation and aims to achieve the target by introducing the Government Shared Platform, which is a very new approach.

Actually, operation costs for the overall systems are declining, which naturally affects our business. However, as NTT DATA is involved in the Government Shared Platform project that is a key government policy as a service provider, we do not strongly feel that we are affected by the cost reduction by 30% on the whole. For an ordinary system upgrade that requires a less added value, we are asked by a client to reduce operation costs in the natural course of events. However, the overall IT budget is not reduced significantly, based on which we think that clients allocate the saved amount to create added values.

NTT DATA is positioned near clients. We will continue to take seriously our client's intention of cutting operation costs, etc., but make proposals to grow added values steadily. We aim to run the business properly by maintaining the overall business at this level or growing it slightly.

Q6

I understand that the business related to the Government Shared Platform is being reflected in the performance little by little and covering the loss. Is my understanding correct?

A6

Our understanding is the same as yours.

Q7

I think that the healthcare segment has a potential for growth through the introduction of IT. What do you think about the growth potential of NTT DATA's healthcare business? Also, I understand that the former Dell Services you acquired has strength in the healthcare segment. Do you have any ideas regarding taking advantage of the strength in Japan? Please tell me about your view.

A7

Personal Healthcare Data (PHD) serves as a foundation for the healthcare segment. We assume that information on medical charts, statement of medical expenses, etc. will be actively utilized in the aging society with fewer children. We think that this is a very big segment and the key point will be how we should distribute healthcare data by linking a secured environment to personal information.

As the former Dell Services became one of NTT DATA's group companies, we can use a variety of their solutions and share solutions that were domestically used by us with them. With a big difference in systems between Japan and North America, we are discussing on what points the two parties can collaborate with each other.

Q8

Among projects including AW3D, a digital 3D map, and subjects for the next-generation mobility society implementation research, what project do you think will have a great impact on NTT DATA's future business performance? What is the project that you do not want investors to overlook?

A8

There are various projects that have impacts on business performance in the segment. Speaking of the business performance three or five years later, BizPICO, a solution I introduced earlier, may be changed to a personal information platform for the public-private partnership. BizPICO is the segment we focus on.

Q9

You mean that NTT DATA is overwhelmingly stronger than other vendors like NEC and Fujitsu in BizPICO?

A9

We cannot say that NTT DATA is overwhelmingly stronger than other vendors, but we were the first major vendor to provide the service. My Number card contains electronic certificate data that is allowed to be used by private companies, and BizPICO is a service using the data. This is a highly versatile service that allows users to obtain individual certification information on a network via the government. Thus, all services that require user identification, for example, opening a bank or securities account can be covered by BizPICO. This service covers a wide range of operations and we aim to take time to develop it into a big service by making appropriate proposals of its utilization for not only the public sector, but also the private sector. I would like all attendees to obtain a My Number card.

In the future, we think that the health insurance card and the driver's license will be integrated into the My Number card. Also, the mobile phone service will be linked to the card. Under such circumstances, we believe that finding a way of controlling the mechanism of ID authentication and handling of associated data will be the key part of the business in the future. Regardless of the existence of the My Number card, a mechanism related to individual certification will not disappear completely. We think that the most important thing is to comprehensively control the mechanism to some extent.