

# Corporate Governance of NTT DATA Corporation

June 21, 2017

## Chapter 1 Basic View

### 1. Basic View

The NTT DATA Group aims to establish a business structure that produces stable profits through continuous growth by carrying out the mission to create new systems and values with information technology for a more affluent and harmonious society, and also by forecasting future trends to swiftly and accurately respond to the changing market environment, client needs and the cutting-edge technology trend.

Under this management philosophy, the NTT DATA Group has set the Medium-Term Management Plan from FY2016 to FY2018, pursued business growth in regions around the world, had key principles, NTT DATA: ASCEND Rise and grow our global brand to enhance our brand value as a global brand by strengthening our local presence and using global synergy effects, and carried out the global strategy: “Game-Changing Approach” and “Breakthrough Technology.”

The NTT DATA Group will play an active role in overcoming the various issues that face society through the appropriate provision of various information services by the Group’s officers and employees based on common sense, as well as in complying with laws and contracts at home and abroad and in respecting international standards including those of human rights.

Under these concepts, NTT DATA is working on the following basic policies in accordance with the purpose of each principle of the Corporate Governance Code to ensure that corporate governance will effectively function: (1) to ensure transparency and soundness in business management; (2) to achieve appropriate and swift decision making and business execution; and (3) to implement compliance thoroughly. The purpose of working on such basic policies is to meet the various expectations of stakeholders, including shareholders, investors, clients, business partners and employees, and to maximize enterprise value.

#### (1) Ensuring transparency and soundness in business management

NTT DATA strives to disclose information in a just, fair and timely manner in accordance with the “Disclosure Policy,” based on the “Disclosure Guidelines.” Such disclosure is important in that it enables the market to appraise NTT DATA appropriately. For this reason, NTT DATA holds a meeting for explanation of financial results when financial results are announced quarterly, and often holds other meetings for domestic and international investors and analysts, in order to ensure transparency in business management. To reinforce the function of supervising and auditing the fairness in business execution, NTT DATA places outside directors and outside audits to supervise and audit the Board of Directors

and the Audit & Supervisory Board and to ensure soundness in its business management. NTT DATA also pays attention to maximize the profit of its shareholders when transacting business with NIPPON TELEGRAPH AND TELEPHONE CORPORATION (hereinafter referred to as “NTT”), the parent company of NTT DATA, and the companies in NTT Group.

(2) Achievement of appropriate and swift decision making and business execution

Decision making at NTT DATA is carried out under the supervision of the Board of Directors in accordance with “Authority Rules,” which stipulate the responsibility and authority of the President and CEO, the Senior Executive Vice President, the Officers in charge of each segment and the Heads of each Section or Group. For smooth and swift decision making and supervision in its business operations, NTT DATA has established the “Corporate Management Committee,” which is made up of the President and CEO, the Senior Executive Vice President, Officers in charge of each segment and other Heads of important Section or Group, and has prior discussions at such “Corporate Management Committee” for effective deliberations about the items to be resolved at the Board of Directors. In addition, NTT DATA pursues appropriate and swift decision making and business execution by placing Senior Vice Presidents in charge of business execution, assigning most of the authority relating to business execution to such Senior Vice President from directors, with each Section or Group executing business operations independently and responsibly in accordance with the “Organizational Regulations.”

(3) Thorough implementation of compliance

NTT DATA is determined to operate its business in accordance with high ethical standards as well as compliance by setting up “Global Compliance Policy,” targeted at all officers and employees of NTT DATA Group, in order to clarify its basic policy and specific behavior guidelines relating to corporate ethics. To make such business operation effective, NTT DATA consider it necessary to implement a continuous educational campaign to promote the awareness of such ethics and compliance. Therefore, it has been holding training sessions on compliance targeted at employees and conducting employees’ attitude surveys. Aiming for more openness in its corporate culture, NTT DATA has placed reception desks for “the Whistle Line,” which is cross-sectional in the Group as an internal and external point to receive any declaration, whether anonymous or named. NTT DATA ensures that any declarer to the reception desk through “the Whistle Line” is not unfavorably treated because of his or her declaration.

## **Chapter 2 Securing Rights and Equality of Shareholders**

### **2. Shareholders’ Meeting**

NTT DATA recognizes that the Shareholders’ Meeting is the highest decision-making body in our company, protects the rights of shareholders, considers the execution of rights, and attempts to secure substantial equality for every shareholder.

(1) When the exercise status of voting rights is confirmed and there is a resolution with a certain amount of opposition

votes, the causes will be analyzed. Based on the cause analysis results, the need to hold dialogues with shareholders and to take other measures will be considered as appropriate.

(2) The way to send a notice of convocation early will be considered every time in order to ensure sufficient time is secured for considering the resolutions. Information stated in the notice of convocation is disclosed by electric measures during the time between the day of conducting the Board of Directors' resolution and the day of sending the notice.

(3) The date of the Shareholders' Meeting will be set outside the so-called concentrated days.

(4) The exercise of voting rights via the internet will be enabled for individual and corporate investors for facilitating the exercise of voting rights by shareholders.

(5) The notice of convocation of the Shareholders' Meeting will be translated into English.

### **3. Basic policies in the capital policy**

NTT DATA holds a basic policy of applying the cash acquired by our business activities to business investment for mid- and long-term profit development.

With regards to the shareholders' return, based on a comprehensive assessment of the balance with the expenditures for business investment, technology development and maintenance and reinforcement of financial strength, and with the dividends, NTT DATA proposes a stable return to shareholders. For determining the amount of a dividend, NTT DATA values the maintenance of the consolidated cash flow dividend payout ratio (\*) in the mid- and long-term.

\*Cash flow dividend payout ratio

Total amount of dividends/ (net income attributable to owners of parent + depreciation cost + loss on retirement of fixed assets + depreciation of goodwill – capital investment)

### **4. Policies concerning cross-shareholdings and execution of voting rights of cross-held shares, etc.**

For purposes other than net investment, NTT DATA holds shares that enable us to maintain the medium- to long-term relationship, to expand the trading volume and to create synergy with clients and business partners by holding shares issued by them. It is our policy to hold such shares if holding them is likely to enhance NTT DATA's enterprise value and lead to profit for our shareholders.

NTT DATA judges in a comprehensive manner whether the exercise of its voting right in relation to cross-shareholdings will lead to continuous growth and improvement in the medium- to long-term enterprise value of an issuing company. NTT DATA considers that such comprehensive judgement will enhance its own enterprise value and medium- to long-term profit for its shareholders and investors.

## **5. Protection of minor shareholders and transactions between related stakeholders**

With regards to the relationship between NTT DATA and our parent company, NTT, NTT DATA's basic policies shall respect each other's autonomy and independence while cooperating, and shall adequately conduct transactions, etc., between the companies complying with the laws and regulations.

When conducting transactions with NTT and NTT Group companies, NTT DATA considers the maximization of profit for NTT DATA's entire shareholders. Specifically, NTT DATA confirms the rationality and adequacy of transactions, and gives approval in accordance with "Authority Rules" after preliminary screening, with the Legal Sector considering the opinions of the third-party specialists when necessary. When NTT DATA conducts a business transaction with those companies, the transaction condition and its determination method are the same as those of other business partners.

Important agreements contracted with NTT shall be legally reviewed by the Legal Sector and audited by the audits. Especially important agreements require approval by the Board of Directors' meeting that independent outside directors and independent outside audits attend.

With respect to transactions involving a conflict of interest stipulated in Companies Act, including direct transactions between NTT DATA and its own individual officers and transactions between NTT DATA and other organizations or companies represented by directors of NTT DATA, it stipulates that prior approval is necessary in accordance with its "Regulations of the Board of Directors." Such approval from the Board of Directors is first examined by the Legal Department and then looked into in terms of appropriateness and economic practicality, including whether the said transaction is in the same condition as general trade terms. After obtaining such approval, the status of the said transaction is regularly reported to the Board of Directors.

## **Chapter 3 Collaboration with stakeholders**

### **6. Philosophy and vision**

The NTT DATA Group has established our management philosophy and vision as "Our Way".

"Our Way" is based on the corporate philosophy showing our Group's mission to create new systems and values with information technology for a more affluent and harmonious society", and consists of the "Employee Creed", "Group Vision" and "Values" showing the pursuit of our mission in a changing business environment, and the "Global Compliance Policy" showing the criteria that guide our daily actions with regard to ethics, laws, regulations, etc..

## ■ Our Way



## 7. Correspondence to the issues on Sustainability

NTT DATA sets “Our Way” as the guideline for CSR activities, proposing the “Material CSR Challenges” consisting of three “paradigms” for “society and regional communities,” for “people at work” and for “the global environment”, identifying and focusing on the important issues for making the Group’s activity promotion more effective.

As well as the activities in accordance with the Material CSR Challenges, NTT DATA advances the development of CSR management infrastructure that meets the expectation of global society including corporate governance.

## ■ Material CSR Issues of the NTT DATA Group

Material CSR Challenges			CSR Infrastructure
Society and regional communities	People at work	Global environment	
<ul style="list-style-type: none"> <li>● Contribute to the realization of a fair society</li> <li>● Develop IT human resources</li> </ul>	<ul style="list-style-type: none"> <li>● Realize diversity in hiring and promotion</li> <li>● Eliminate illegal labor practices (child labor, forced labor, extended work hours)</li> </ul>	<ul style="list-style-type: none"> <li>● Conservation of biodiversity (response to climate change)</li> </ul>	<ul style="list-style-type: none"> <li>● Broadly establish safe and secure IT infrastructure</li> <li>● Innovate advanced IT technologies</li> <li>● Ensure information security</li> <li>● Ensure compliance</li> <li>● Respond to disaster risks</li> </ul>

## 8. Diversity

In order to correspond diverse social needs and sustainable growth, NTT DATA raises “diversity and inclusion” as one of the management strategies for the global competition, and aims to create new enterprise value with the two

core concepts of “advancing diverse human resources” and “work style reform”. To realize these aims, the NTT DATA Group promotes development of an organization which creates high value, not only enhancing various systems such as a personnel treatment system by his/her capability and transparent personnel evaluation, but also promoting work-life balance for each employee to work dynamically and bring his/her capability maximum.

## **9. Whistle-blowing system**

NTT DATA has set our sights on becoming a reliable company and raised the basic policy to conduct sound business activities by establishing corporate ethics.

For sound management, we established a whistle-blowing system to receive information from the identified and anonymous employees and other parties to ensure a channel of communication which is different from the ordinary execution of business, and established a system to ensure that employees and other parties who made those reports through the whistle-blowing system will not receive disadvantageous treatment for having made such reports.

## **Chapter 4 Appropriate information disclosure**

### **10. Enhancement of information disclosure**

With regard to the management of information relating to important matters, NTT DATA pays attention to timely, just and fair disclosure of the information relating to NTT DATA Group by having established “Policy (Rules) for Information Security,” “Disclosure Guidelines,” and “Rules for Prevention of Insider Trading” for appropriate operations.

NTT DATA has opened an office specializing in IR (the Investor Relations and Finance Office). It has also set up the Disclosure Committee, which is made up of the President and CEO, the Head of Finance Department and also the heads of all significant organizations which are required to join by the Head of Finance etc. The said Committee is operated by the Investor Relations and Finance Office and has regular discussion on the formation of the disclosure policy relating to, and disclosure of, the following management information:

- (1) Quantitative information, such as the Medium-term Management Plan, the background to the formation of the Management Plan, the trend of clients and solutions by area, and the business scale of individual businesses;
- (2) Qualitative information, such as the Medium-term Management Policy, the policy for returning profit to shareholders (including dividend policy), and the trend in each industry; and
- (3) Any information considered important for investors etc. other than (1) and (2).

The timely disclosure of important management information is made public through the stock exchange on which the shares of NTT DATA are listed, the press, and NTT DATA’s website after consultation at the Corporate Management Committee and determination by the President and CEO.

## **Chapter 5 Corporate governance structure**

### **11. Roles and responsibility of Board of Directors**

The Board of Directors recognizes the stewardship responsibility to shareholders and promotes the structure development based on the basic concepts of corporate governance in order to grow sustainable the Company and increase the Medium to Long-term enterprise value.

The Board of Directors determines any matter stipulated in the “Regulations of the Board of Directors,” including matters stipulated by law and important matters relating to management of the company and the Group, and supervises the performance of directors’ duties by regularly receiving reports on the status of such performance from directors.

The Board of Directors grants to NTT DATA’s management the authority to determine business based on the direction of the management strategy and the management plan formulation discussed in the Board of Directors.

Specifically, NTT DATA has placed Senior Vice Presidents specializing in and responsible for business execution to ensure that the Board of Directors properly implements important decision making and supervises the execution, and has been expediting decision making by granting most of the authority to engage in business execution to such Senior Vice Presidents from directors. Also, in order for the President and CEO to make proper decisions about the basic policy of business and any other important matters relating to management, the “Corporate Management Committee”, which is made up of the President and CEO, the Senior Executive Vice President, the Officers in charge of each segment and other Heads of important Sections or Groups, has been established for smooth and swift decision making and supervision relating to business operations.

Further, the Board of Directors organizes the structures concerning compliance, risk management and financial reports and other internal control systems defined by the laws and regulations, and monitors whether their operations are being conducted effectively.

### **12. Election policy of independent outside directors**

To strengthen the supervising function of business execution, NTT DATA elects and appoints as independent outside directors personnel who do not have any possibility of causing a conflict of interest with general shareholders. In principle, plural independent outside directors are to be elected.

### **13. Independency judgement standard**

NTT DATA designates outside directors who satisfy the following conditions, in addition to the criteria for independence stipulated by Tokyo Stock Exchange, Inc., as its independent officers.

- A person who does not fall under any of the following items for the most recent 3 financial years:

(1) A business executor of NTT DATA’s business partner with a trading amount exceeding the standards set forth by NTT DATA (\*1);

(2) A business executor of NTT DATA’s lender with an amount of lending exceeding the standards set forth by NTT DATA (\*2);

(3) An individual providing specialized services, such as a consultant, accountant or lawyer, who has received from NTT DATA any money or other property profit that is worth 10 million yen or more per year other than executive remuneration in any year of the most recent 3 financial years; or

(4) A business executor of an organization that has received contributions exceeding NTT DATA's standards (\*3).

Even if a person falls under any of the conditions from (1) through (4) as stipulated above, any reason for judging that such person still has independence is required to be explained and disclosed when such person is appointed as an independent officer.

\*1 Trading exceeding the standards set forth by NTT DATA refers to a business partner whose trading amount with NTT DATA is 2% of NTT DATA's non-consolidated annual sales or larger in any financial year out of the most recent 3 financial years.

\*2 Lending exceeding the standards set forth by NTT DATA refers to a lender who lends to NTT DATA 2% or a larger percentage of NTT DATA's total assets in any financial year out of the most recent 3 financial years.

\*3 An organization that has received contributions exceeding the standards set forth by NTT DATA refers to an organization that has received contributions from NTT DATA that exceed 10 million yen per year or 2% of the total annual revenue of such organization, whichever is larger in amount, in any financial year out of the most recent 3 financial years.

#### **14. Formation, election and qualification of Board of Directors**

The size of the Board of Directors is in direct proportion to the scale of business, and it is composed with consideration of having diversity in various standpoints, and the balance of specializations.

The candidates for directors have been elected from personnel who have broad perspectives and experience and can contribute to the development of the entire Group, excel in management ability and leadership, and are sophisticated in business management and energetic, for improvement in the enterprise value of the entire NTT DATA Group.

The procedures for electing candidates for directors are to be carried out as follows: the backgrounds of candidates are first explained to the parent company and independent outside directors prior to the Board of Directors; then the parent company and independent outside directors provide appropriate advice and the Board of Directors adopts the resolution, and such resolution is referred to at a shareholders' meeting.

Directors have allotted the time and effort necessary to fulfill their roles and responsibilities in carrying out the tasks imposed on them as directors, and therefore NTT DATA considers that the number of positions they are holding is appropriate. The status of holding other positions at other listed companies by directors is disclosed on business reports and the reference documents for shareholders' meetings.

#### **15. Director bonus**

NTT DATA explains the policy for determining the remuneration for directors to the parent company and independent outside directors and, upon receiving appropriate advice from them, determines the amount of remuneration to such

extent as resolved at a shareholders' meeting at the Board of Directors.

The remuneration for directors (excluding outside directors) is composed of monthly remuneration and bonuses. The amount of monthly remuneration is determined and provided in accordance with the responsibility and extent of the role of his or her position. Bonuses are determined and provided with the company performance for a relevant period. To reflect the medium- to long-term performance, each director is required to purchase the company's stock through the officers' shareholding association by paying a certain amount of money from each of their own monthly remuneration. Each director is also required to retain all the shares purchased by himself or herself during his or her term of office.

Outside directors are paid only monthly remuneration, unrelated to business performance in order to ensure a high degree of independence.

## **16. Operation and evaluation of Board of Directors**

The meeting of Board of Directors is held in monthly basis and the matters to be deliberated is prepared in advance with no limitation in the number of items for consideration, the length of time for consideration, and achieve the revitalization of consideration.

Also distribution of the materials beforehand the meeting of Board of Directors and the prior explanations of agenda are provided as required.

Additionally, the Board of Directors started to conduct self-assessment/analysis for its effectiveness in FY2016 for the purpose of improving the function of the Board of Directors and maximizing the enterprise value.

We conducted FY2016 self-assessment/analysis based on advice given by the external organization as follows.

Period: from October to December 2016

Assessment method: Sending out a questionnaire to all directors and corporate audits who are members of the Board of Directors.

Response method: All respondents sent answers directly to the external organization to assure anonymity.

We analyzed, discussed and evaluated the results compiled by the external organization in January and February 2017. As a result, the Board of Directors received a largely positive evaluation for its composition and management, and we recognize that the effectiveness is assured.

However, the assessment highlighted issues we will need to deal with, for example, there were opinions from some members who expect enhanced strategy discussions. Thus, we decided to take some measures including spending more time for strategic discussions at the meeting.

We will assess the effectiveness of the Board of Directors on a continuous basis and make efforts to enhance its functions.

## **17. Roles and responsibilities of audits and Board of Corporate Audits**

The audits and Board of Corporate Audits recognize the stewardship responsibility to shareholders, audit the executions of duties by directors as an independent institution, and execute duties without prejudice of the Company's and

shareholders' interest.

The audits and Board of Corporate Audits closely exchange information through the information meeting with the representative directors and outside directors.

## **18. Formation, election and qualification of Board of Corporate Audits**

(1) The Board of Corporate Audits shall consist of 4 members or less according to the provisions in the articles of incorporation, including persons who have the financial and accounting knowledge acquired through the experience of corporate management.

(2) The audits of NTT DATA shall be elected by the following policies and processes:

1) Audit candidates shall be elected from human resources who are expected to conduct audits based on his/her viewpoint of specialized experience and knowledge, etc.

Further, with the objective of fair audit of directors' execution of duties, personnel with no conflict of interest with general shareholders shall be outside audits and half the number of audits or more shall be elected in accordance with the Companies Act.

2) Resolution on the audits' election shall be resolved by the Board of Directors after discussion and approval of the Board of Corporate Audits with at least half of the outside audits, and shall be referred to the Shareholders' Meeting.

3) Audits spend time and labor required to perform their appropriate roles and duties for the operations, and therefore, the number of their concurrent posts shall be within reasonable extent. Concurrent posts of audits at different listed companies are disclosed in the business report and the reference documents for the Shareholders' Meeting.

## **19. Operation of Board of Corporate Audits**

In order to perform their roles and duties, the audits and Board of Corporate Audits shall increase their awareness of management issues from the viewpoint of general management, collect information through daily communication with directors and management executives, and conduct business audits and accounting audits cooperating with the Internal Audit Department and utilizing outside specialists.

## **20. Training policy, etc. of the directors and audits**

Directors and audits are elected from those who have broad knowledge about business, financial affairs and organizations, etc., and they are trained if necessary. After taking office, the training program targeted at directors and audits continues with a wide range of training sessions on market trends and economic and social issues at home and abroad.

## **21. Independent audit**

(1) NTT DATA recognizes that the accounting audit plays the important role of securing the reliability and transparency of the Company's management from the shareholders by conducting the audit of financial documents, and adequately collaborates to secure appropriate audit.

(2) The Board of Corporate Audits shall receive the report of the audit plan and interim and final audit results from the independent audits, interview and confirm the quality management system concerning the independent audits' audit, as well as exchange opinions with independent audits for enhancing cooperation.

In addition to the above, concerning the audit activities by the independent audits, the Board of Corporate Audits shall establish the independent audits' evaluation/election standard from the viewpoint of independence, specialty, and appropriateness/adequacy; in addition, the audits shall not correspond with the removal conditions defined by the Companies Act, and shall evaluate their activities' adequacy. Further, the Board shall receive the evaluation results of independent audits from the management leadership and shall elect/evaluate independent audits appropriately as the Board of Corporate Audits.

(3) The Board of Directors and Board of Corporate Audits shall take necessary measures for securing high-quality and appropriate audits.

## **Chapter 6 Dialogue with shareholders**

### **22. Dialogue with shareholders**

NTT DATA promotes constructive communication with shareholders and investors. To contribute to continuous growth and improvement in the Medium-to Long-term enterprise value of NTT DATA, our policy takes the following measures:

(1) Appointment of a director in charge of communication with shareholders

To achieve constructive communication with shareholders and investors, a director responsible for Investor Relations (IR) is appointed.

(2) Policy for systematic cooperation among internal offices

NTT DATA has opened an office specializing in IR (the Investor Relations and Finance Office). It has also set up the Disclosure Committee, which is made up of the President and CEO, the Head of Finance Department and also the heads of all significant organizations which are required to join by the Head of Finance etc. The said Committee is operated by the Investor Relations and Finance Office and has regular discussion on the formation of the disclosure policy relating to, and disclosure of, the following management information:

1) Quantitative information, such as the Medium-term Management Plan, the background to the formation of the

Management Plan, the trend of clients and solutions by area, and the business scale of individual businesses;

2) Qualitative information, such as the Medium-term Management Policy, the policy for returning profit to shareholders (including dividend policy), and the trend in each industry; and

3) Any information considered important for investors etc. other than 1) and 2).

(3) Efforts for the sufficiency of conversational procedure except for individual interviews

NTT DATA has established and disclosed “Disclosure Policy” and holds the briefing sessions on company overview and strength, growth strategy, and shareholders return etc.

(4) Policy for effective feedback on shareholders’ opinions and concerns

NTT DATA has established an office specializing in IR under the direct control of the President and CEO, and properly reports on feedback such as the opinions or concerns of shareholders and investors to the Board of Directors, a regular meeting participated in by the President and CEO etc., and the Disclosure Committee. NTT DATA also creates opportunities for NTT DATA’s directors and Senior Vice Presidents to directly communicate with shareholders and investors to understand their opinions and concerns.

(5) Policy for the management of inside information in communication

NTT DATA has established the provisions for handling the matters of the company’s significant information before disclosed in such as “Rules for Prevention of Insider Trading” and “Policy (Rules) for Information Security”, and strictly control the information, and also provides the periodical training to the all employees based on our same rules, and strive to prevent the occurrence of insider trading.

Also NTT DATA has established the “Disclosure Guidelines” striving to provide timely and fair disclosure of information with the purpose of contribution for the shareholders and investors’ fair and appropriate investment decision, and disclose the information with the purpose of clarifying our position toward the information disclosure to the outside by establishing and disclosing “Disclosure Policy”.