

Note; This document is in English translation of “Kessan Tanshin” for the First Quarter of the Fiscal Year Ending March 31, 2020 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 First Quarter of the Fiscal Year Ending March 31, 2020 [IFRS]

August 2, 2019

Company name : NTT DATA CORPORATION (“NTTDATA”)
 Stock exchange on which the Company’s shares are listed : Tokyo Stock Exchange 1st Section
 Code number : 9613
 URL : <https://www.nttdata.com/global/en/>
 Contacts Company representative : Yo Honma, President and Chief Executive Officer
 Person in charge : Hiroshi Setoguchi, Senior Executive Manager,
 Investor Relations Office
 Tel.:+81-3-5546-8119

Scheduled date of filing of Quarterly Business Report : August 9 2019
 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 to the nearest 1 million yen)

1. Consolidated Financial Results in Q1 of FY2019 (From April 1, 2019 to June 30, 2019)

(1) Consolidated Results of Operations (accumulated total)

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

	Net sales		Operating income		Income before income taxes		Net income attributable to shareholders of NTT DATA		Comprehensive income attributable to shareholders of NTT DATA	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2019 Q1	527,276	4.4	29,838	2.4	30,802	2.0	20,975	0.8	11,048	(74.9)
FY2018 Q1	505,240	7.4	29,141	10.8	30,204	12.1	20,809	23.1	43,948	87.4

	Net income per share	Net income per share (diluted)
FY2019 Q1	¥ 14.96	-
FY2018 Q1	14.84	-

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to shareholders of NTT DATA	Equity ratio attributable to shareholders of NTT DATA
FY2019 Q1	¥ million 2,562,459	¥ million 967,306	¥ million 924,354	% 36.1
FY2018	2,476,062	966,809	925,667	37.4

2. Dividends

	Cash dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	Year-end	Total
FY2018	¥ —	¥ 8.50	¥ —	¥ 8.50	¥ 17.00
FY2019	—				
FY2019 (Forecast)		9.00	—	9.00	18.00

Notes: Revisions to the forecasts of dividends announced most recently: No

3. Forecasts of Consolidated Results for FY2019 (From April 1, 2019 to March 31, 2020)

(% of change from the previous fiscal year)

	Net sales		Operating income		Income before income taxes		Net income attributable to shareholders of NTT DATA		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	2,240,000	3.5	148,000	0.2	145,000	(1.3)	92,000	(1.7)	65.60

Notes: Revisions to the forecasts of consolidated results announced most recently: No

* Notes:

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

(2) Changes in accounting policies, changes in accounting estimates

- 1) Changes in accounting policies required by IFRS : Yes
- 2) Changes in accounting policies other than 1) : No
- 3) Changes in accounting estimates : No

(3) Number of shares outstanding (common stock)

- 1) Number of shares outstanding (inclusive of treasury stock) FY2019 Q1 1,402,500,000shares FY2018 1,402,500,000shares
- 2) Number of treasury stock FY2019 Q1 953shares FY2018 953shares
- 3) Average number of shares over period (consolidated total for quarter) FY2019 Q1 1,402,499,047shares FY2018 Q1 1,402,499,047shares

* “Kessan Tanshin” is an unaudited financial report.

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

1. 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.
2. 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.
3. Products and services referred to on this report (including the attachment) are trademarks or registered trademarks of NTT DATA or other companies.

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1. Matters on Summary Information (Notes)

(1) Changes in accounting policies

From the first quarter of the current consolidated fiscal year, NTT DATA Group has adopted IFRS 16 “Leases” (hereinafter, IFRS 16).

When adopting IFRS 16, we newly recognized right-of-use assets of 127,223 million yen and lease liabilities of 127,187 million yen for the leases which were formerly classified as operating leases, at the beginning of the first quarter of the current consolidated fiscal year. The adoption did not have an impact on the balance of retained earnings at the beginning of the current term.

2. Condensed Quarterly Consolidated Financial Statements and major notes

(1) Condensed Quarterly Statement of Financial Position

(Unit: ¥ million)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and cash equivalents	251,309	280,012
Trade and other receivables	549,126	435,716
Contract asset	81,929	88,670
Inventories	15,294	18,639
Other financial assets	9,440	10,716
Other current assets	67,369	71,164
Total current assets	974,467	904,917
Non-current assets		
Property, plant and equipment	355,717	336,839
Right-of-use assets	—	138,418
Goodwill	357,014	365,895
Intangible assets	444,444	456,731
Investment property	27,331	27,185
Investments accounted for using the equity method	6,573	6,800
Other financial assets	168,803	182,354
Deferred tax assets	98,220	96,133
Other non-current assets	43,493	47,187
Total non-current assets	1,501,595	1,657,542
Total assets	2,476,062	2,562,459

(Unit: ¥ million)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Trade and other payables	359,013	336,692
Contract liabilities	218,774	266,609
Bonds and borrowings	134,586	111,961
Lease liabilities	—	33,564
Other financial liabilities	28,717	1,085
Income taxes payable	30,437	10,868
Provisions	12,434	8,760
Other current liabilities	32,898	23,927
Total current liabilities	816,859	793,466
Non-current liabilities		
Bonds and borrowings	446,437	454,838
Lease liabilities	—	105,752
Other financial liabilities	21,908	13,205
Defined benefit liabilities	202,491	207,549
Provisions	3,562	3,684
Deferred tax liabilities	5,532	7,814
Other non-current liabilities	12,463	8,846
Total non-current liabilities	692,394	801,687
Total liabilities	1,509,253	1,595,153
Equity		
Equity attributable to shareholders of NTT DATA		
Capital stock	142,520	142,520
Capital surplus	115,740	115,126
Retained earnings	603,171	611,205
Treasury shares	(1)	(1)
Other components of equity	64,236	55,505
Total equity attributable to shareholders of NTT DATA	925,667	924,354
Non-controlling interests	41,143	42,952
Total equity	966,809	967,306
Total liabilities and equity	2,476,062	2,562,459

**(2) Condensed Quarterly Statement of Income and
Condensed Quarterly Statement of Comprehensive Income**

Condensed Quarterly Statement of Income

(Unit: ¥ million)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	505,240	527,276
Cost of sales	378,416	395,106
Gross profit	126,824	132,169
Selling, general and administrative expenses	97,683	102,331
Operating income	29,141	29,838
Financial income	2,381	2,821
Financial costs	1,499	1,912
Share of profit/loss of entities for using equity method	181	55
Income before income taxes	30,204	30,802
Income taxes	9,215	9,198
Net income	20,989	21,604
Net income attributable to		
Shareholders of NTT DATA	20,809	20,975
Non-controlling interests	180	629
Total	20,989	21,604
Net income per share attributable to shareholders of NTT DATA		
Net income per share (yen)	14.84	14.96

Condensed Quarterly Statement of Comprehensive Income

(Unit: ¥ million)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net income	20,989	21,604
Other comprehensive income (after taxes)		
Items that will not be reclassified to profit/loss		
Profit/Loss from investments in equity instruments designated at fair value through other comprehensive income	9,782	9,162
Remeasurements of defined benefit plans	129	(1,196)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Items that may be reclassified subsequently to profit/loss		
Cash flow hedges	(324)	74
Hedges cost	268	(230)
Foreign currency translation adjustment	13,237	(17,790)
Share of other comprehensive income of entities accounted for using equity method	(86)	1
Total other comprehensive income (after taxes)	23,006	(9,980)
Comprehensive income	43,995	11,624
Comprehensive income attributable to:		
Shareholders of NTT DATA	43,948	11,048
Non-controlling interests	46	577
Total	43,995	11,624

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

(Three months ended June 30, 2018)

(Unit: ¥ million)

	Equity attributable to shareholders of NTT DATA						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2018	142,520	116,193	528,601	(1)	38,865	826,179	34,327	860,506
Cumulative effect of first-time adoption of IFRS 9	—	—	3,416	—	3,354	6,770	328	7,099
Restarted balance (As of April 1, 2018)	142,520	116,193	532,018	(1)	42,220	832,949	34,656	867,605
Comprehensive income								
Net income	—	—	20,809	—	—	20,809	180	20,989
Other comprehensive income	—	—	—	—	23,139	23,139	(134)	23,006
Comprehensive income	—	—	20,809	—	23,139	43,948	46	43,995
Transactions with shareholders								
Dividends of surplus	—	—	(10,519)	—	—	(10,519)	(682)	(11,201)
Transfer to retained earnings	—	—	153	—	(153)	—	—	—
Net changes in controlled subsidiaries' stocks	—	(272)	—	—	—	(272)	(627)	(899)
Put options written on non-controlling interests	—	283	—	—	—	283	—	283
Other	—	—	660	—	—	660	14	674
Total transactions with shareholders	—	11	(9,706)	—	(153)	(9,847)	(1,295)	(11,143)
As of June 30, 2018	142,520	116,205	543,120	(1)	65,206	867,050	33,407	900,457

(Three months ended June 30, 2019)

(Unit: ¥ million)

	Equity attributable to shareholders of NTT DATA						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2019	142,520	115,740	603,171	(1)	64,236	925,667	41,143	966,809
Comprehensive income								
Net income	—	—	20,975	—	—	20,975	629	21,604
Other comprehensive income	—	—	—	—	(9,928)	(9,928)	(52)	(9,980)
Comprehensive income	—	—	20,975	—	(9,928)	11,048	577	11,624
Transactions with shareholders								
Dividends of surplus	—	—	(11,921)	—	—	(11,921)	(1,107)	(13,028)
Transfer to retained earnings	—	—	(1,196)	—	1,196	—	—	—
Increase/decrease by business combination	—	—	—	—	—	—	2,751	2,751
Net changes in controlled subsidiaries' stocks	—	201	—	—	—	201	(303)	(102)
Put options written on non-controlling interests	—	(815)	—	—	—	(815)	—	(815)
Other	—	(0)	176	—	—	176	(109)	67
Total transactions with shareholders	—	(614)	(12,942)	—	1,196	(12,360)	1,233	(11,127)
As of June 30, 2019	142,520	115,126	611,205	(1)	55,505	924,354	42,952	967,306

(4) Notes to Condensed Quarterly Consolidated Financial Statements

Business combination

Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

1) Outline of business combination

On April 1, 2019, NTT DATA, the company submitting consolidated financial statements, acquired equity interest of Cognosante Consulting, LLC, the consulting division of Cognosante based in Virginia, U.S.A., to obtain 100% of voting rights and control of the company through NTT DATA Services, the subsidiary in North America. The outline of this deal is shown below.

Name of the acquired company	Cognosante Consulting, LLC
Name of the company after business combination	NTT DATA State Health Consulting, LLC
Main business	Providing healthcare-related agencies of the U.S. state governments with support for development of IT strategies and planning, quality assurance services, services to assist their project management, and others
Main reason for the business combination	The acquisition will enable NTT DATA Services to provide industry-focused professional consulting services in the healthcare-related field to which state governments allocate the largest portion of their budgets. Also, NTT DATA Services will accelerate its efforts to roll out services by acquiring the expertise of Cognosante Consulting, LLC based on their enriched experience of providing services for 48 state governments for nearly 30 years through the business combination.
Date of acquisition	April 1, 2019
Method adopted by the acquirer company to take control of the acquired company	Acquisition of equity interest in exchange for cash payment
Percentage of the voting rights acquired	100%

2) Consideration of the transfer

The fair value in consideration of the transfer as of the day of acquisition is as follows.

	(Unit: million yen)
	Date of acquisition (April 1, 2019)
Cash	31,553
Total acquisition price	31,553

(Note) The share transfer agreement consists of a clause that requires the price to be adjusted when the transfer is completed. Under this agreement, NTT DATA Group will revise the acquisition price and the goodwill amount by deeming that such payment was made upon the acquisition.

3) Amount and item of acquisition-related costs

The item and amount of acquisition-related costs are as follows.

	(Unit: million yen)
Item	Amount
Advisory expenses	2
Legal expenses	177
Others	61
Total acquisition-related cost	241

The expenses are included and processed in "selling general and administrative expenses" on Condensed Quarterly Consolidated Statement of Income.

4) Fair value of goodwill, acquired assets, and assumed liabilities on the day of acquisition

The details and fair value of goodwill, acquired assets and assumed liabilities on the day of acquisition is as follows.

	(Unit: million yen)
	Date of acquisition (April 1, 2019)
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Assets	
Trade and other receivables (Note 1)	1,748
Intangible assets (Note 2)	11,106
Other	148
Liabilities	
Trade and other payables	453
Contract liabilities	218
Other	46
Net assets	12,285
Goodwill (Note 3)	19,268
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Total	31,553
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Since identifiable assets and liabilities are now under evaluation and acquisition cost allocation is not completed, the value of goodwill and assets which were recorded at the end of this quarter is provisional based on the estimation with currently accessible information.

(Note 1) They are all accounts receivable, out of which nothing significant is estimated as unrecoverable.

(Note 2) They include identifiable assets of 11,081 million yen.

(Note 3) Goodwill mainly represents the synergy effect and excess earning power expected to be obtained by integrating with NTT DATA Group.

5) Impact on NTT DATA Group's performance

The period for which the performance is recognized in the three months ended June 30, 2019, is from April 1, 2019 to June 30, 2019, with net sales of 2,367 million yen and quarterly net income of 528 million yen.

(5) Notes to Going Concern Assumptions

N/A