

Note; This document is in English translation of “Kessan Tanshin” for the Third Quarter of the Fiscal Year Ending March 31, 2017 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, 2017

February 7, 2017

Company name	: NTT DATA CORPORATION
Stock exchange on which the Company's shares are listed	: Tokyo Stock Exchange 1st Section
Code number	: 9613
URL	: <a href="http://www.nttdata.com/">http://www.nttdata.com/</a>
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	Tel.:+81-3-5546-9962
Scheduled date of filing of Quarterly Business Report	: February 13, 2017
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 FY2016 (From April 1, 2016 to December 31, 2016)

#### (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	%
<b>FY2016 Q3</b>	1,180,894	3.1	74,535	16.0	73,145	20.0	45,062	2.6
FY2015 Q3	1,145,323	7.3	64,271	32.3	60,971	34.5	43,927	102.1

Note: Comprehensive income: FY2016 Q3 14,250million yen (-35.9%) FY2015 Q3 22,220million yen (-70.8%)

	Net income per share	Net income per share (diluted)
	¥	¥
<b>FY2016 Q3</b>	160.65	—
FY2015 Q3	156.60	—

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
<b>FY2016 Q3</b>	2,091,379	764,909	35.1
FY2015	1,860,319	773,670	39.8

Note: Equity: FY2016 Q3 734,928million yen FY2015 740,908 million yen

### 2. Dividends

	Cash dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	Year-end	Total
	¥	¥	¥	¥	¥
FY2015	—	30.00	—	40.00	70.00
<b>FY2016</b>	—	35.00	—		
<b>FY2016 (Forecast)</b>				35.00	70.00

Notes: Revisions to the forecasts of dividends: No

### 3. Forecasts of Consolidated Results for FY2016 (From April 1, 2016 to March 31, 2017)

(% 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	%	¥
<b>FY2016</b>	1,670,000	3.4	105,000	4.1	98,000	(0.2)	49,000	(22.7)	174.69

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

#### \* Notes:

- (1) Changes in significant subsidiaries during the period : Yes  
(Changes in specified subsidiaries resulting in the change in consolidation scope)

Newly consolidated : Two Company NTT DATA Services Corporation , NTT DATA Services, LLC

- (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 : Yes  
2) Changes in accounting policies other than 1) : Yes  
3) Changes in accounting estimates : Yes  
4) Restatements : No

(Note) For more details, please see "2. Matters on Summary Information (Notes)" section on page 11.

- (4) Number of shares outstanding (common stock)

- 1) Number of shares outstanding FY2016 Q3 280,500,000shares FY2015 280,500,000shares  
(inclusive of treasury stock)  
2) Number of treasury stock FY2016 Q3 99shares FY2015 99shares  
3) Average number of shares over period FY2016 Q3 280,499,901shares FY2015 Q3 280,499,901shares  
(consolidated total for quarter)

#### \* Indication of quarterly review procedure implementation status

This quarterly earnings report is exempt from quarterly review procedure based upon the Financial Instruments and Exchange Act. It is under the review procedure process at the time of disclosure of this report.

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

- 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, 2017" section on page 10.
- 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.
- 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, 2017**

### **(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 continued to be on track for moderate recovery, there was a continuous improvement in corporate profitability as well as an increasing trend in capital investment. It is important to keep in mind that the economic slowdown in emerging countries and other downturns in overseas economies represent a major factor that could serve to weaken the Japanese economy, but its economy is expected to maintain this moderate recovery.

As for the domestic information service industry, the market is showing signs of gradual recovery owing to the promotion of IT investment in response to system revisions and new enforcement of legal restraints, clients' effort to enhance contact with end users, and their effort towards business growth with new services. On the other hand, the needs for reducing maintenance and operation costs are likely to grow continuously and price competition still seems to remain fierce.

Overseas economy is, although showing some weakness, picking up at a moderate pace. With regard to future economic trends, the impact and increasing uncertainty of overseas economies—such as fluctuations in the financial capital market, normalization of US monetary policy, 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 American 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 investment in the IT industry has remained stable. However, the market growth rate is expected to slow down slightly in response to the real economy.

#### **[Circumstance around the NTT DATA Group and challenges to address]**

In order to expand our business in the global market place, the NTT DATA Group, as part of the previous Medium-Term Management Plan (ended March 31, 2016), has expanded its global coverage to 45 countries and regions, 185 cities, and has established a global business base. However, 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 place, 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 2<sup>nd</sup> 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 2<sup>nd</sup> Stage by fiscal 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. To that end, we plan to aggressively apply innovative technologies to deliver solutions that can meet the needs of digitization, and the utilization of cutting-edge technologies, thereby reinforcing our value delivery capability in new markets.

## [Medium-term Management Plan]

Given the circumstances explained above, the NTT DATA Group has set the following three-year Medium-Term Management Plan “Fiscal 2016 (period ending March, 2017) to fiscal 2018 (period ending March, 2019)”.

### <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 enhance our brand value as a global brand.

### <Global Strategy>

#### ■Game-Changing Approach

With regard to “Game-Changing Approach”, in which we work to capture market trends and technological innovations, expand the market share in existing markets and create new markets that anticipate customer needs, we have made steady progress with our entry into the electricity market, the construction of our omnichannel system, the expansion of our digital archive business, etc.

Going forward, taking the continued acceleration of market trends and technological innovation 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 ability to undertake global projects, and increase our competitive strength around the world.

#### ■Breakthrough Technology

So that we are able to 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 technologies that we have developed to date with new production technologies that respond to the needs of the digital society.

In addition, NTT DATA 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 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 2<sup>nd</sup> Stage by the further deepening of remarketing and value creation through technological innovation.

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

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

## [Implementation of business activities]

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 >

We aim to expand our business by creating business utilizing “My Number” (the Social Security and Tax Number), and new business concerning IoT<sup>(Note1)</sup>, by creating overseas projects utilizing our performances /know-how gained in our group's domestic business, and by preparing for the market changes according to the system changes in the utility industry (the electronic power/gas system reformation).

### (Major case examples)

- NTT DATA and NTT DATA Financial Solutions Corporation, one of NTT DATA's subsidiaries, have begun providing Tokyo Gas Co., Ltd. with the ETRM (Energy Trading and Risk Management) integrated package product “Allegro,” in partnership with Allegro Development Corporation. This initiative represents the first case in Japan that employs “Allegro” in the electric industry. “Allegro” conducts increasingly efficient trading as well as income and risk management through the control of spot and financial transactions in various products encompassing electricity, gas, coal and petroleum, and of schedules, dispatching <sup>(Note 2)</sup> and position risks (market and credit) in an integrated manner. The NTT DATA Group will actively promote the proposal and deployment of “Allegro” and will swiftly respond to the various needs of energy providers to assist them in enhancing their business performance.
- As part of a grant-aid project of the Japan International Cooperation Agency (JICA), NTT DATA has developed NACCS<sup>(Note3)</sup> and CIS<sup>(Note4)</sup>—the Japanese systems for trading and customs clearance. The Myanmar versions are called the Myanmar Automated Cargo Clearance System (MACCS) and Myanmar Customs Intelligence System (MCIS) respectively, and are now in service. The development and deployment of those systems have contributed to increased efficiency and swiftness in Myanmar's trading and logistics, which previously relied on human resources. The system has also enabled speedier trading procedures for Japanese companies than before because NTT DATA has developed those NACCS-type systems by targeting Southeast Asia, where numerous Japanese companies have expanded to, and the system has allowed operation similar to that of how it is carried out in Japan. NTT DATA intends to export the NACCS and CIS system infrastructures of Japan under the similar scheme to countries mainly in the ASEAN region.

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

The net sales were 296.3 billion yen (6.8% increase compared to the previous year) due to the expansion of business scale for national government, etc. despite a decrease in business for the utility industry. The operating income was 26.5 billion yen (40.6% increase compared to the previous year) mainly due to sales growth and a decrease in unprofitable projects.

## < Financial >

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

(Major case examples)

- Since September 2013, we have been working various activities, including holding business contests such as “From the Toyosu Port (Toyosu no minato kara),” which are aimed at swiftly creating new business through open innovation by connecting our client companies from a wide range of business fields, venture companies, and NTT DATA. As part of such efforts, NTT DATA has launched the “BeSTA FinTech Lab” to create new financial related services. The purpose of “BeSTA FinTech Lab” is to assist regional banks that use our core application “BeSTA” in putting more energy into the setup and use of open innovation, and in creating new financial related services. Of the systems and services employing “BeSTA,” NTT DATA is starting with the service to the banks participating in “the NTT DATA Regional Bank Integrated Services Center.” In this service, NTT DATA provides the latest information such as the trends in industries and regulations, conducts joint experiments on business ideas offered by the Lab, and introduces hopeful venture companies that NTT DATA has come to know through its open innovation activities. In the future, the Lab intends to create a large number of ideas and improve services by verifying such ideas through trial and error. It is also planning to make more attractive the spaces provided to the participating banks based on their demand to boost the cooperation with the regional banks.
- Higashi-Nippon Bank, Ltd. has pledged to take part in a joint BeSTA-based system that has been in use by the following four banks: Bank of Yokohama, Ltd.; Hokuriku Bank, Ltd.; Hokkaido Bank, Ltd.; and The 77 Bank, Ltd. Accordingly, NTT DATA has signed a master agreement with those five banks with respect to the joint system use. Similarly, THE SAN-IN GODO BANK, LTD. has decided to join “the NTT DATA Regional Bank Integrated Services Center,” a BeSTA-based shared system that targets first- and second-tier regional banks. Thus, a total of 15 banks are now participating in this system. Both systems acquired a favorable reputation as a next-generation accounting system indispensable for carrying into practice future business strategies, thanks to their potential, progressiveness, expandability and flexibility. NTT DATA will continue to work on these advanced BeSTA-based systems for more extensive and improved functions. We will also strive to increase the number of banks participating in these systems by offering optimum solutions to a wide range of financial institutions.

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

The net sales were 370.7 billion yen (0.5% decrease compared to the previous year), reflecting a decline against the large-scale projects ordered in the previous period, which partially offset the increased size of projects for banks. The operating income was 27.8 billion yen (16.0% increase compared to the previous year) mainly due to decrease in unprofitable projects.

## < Enterprise & Solutions >

Some retailers, distributors, service providers and manufacturers are actively promoting IT investment to

respond to changes in value chains digitization will trigger and to enhance global development. To meet their needs, we will strengthen our advantages in the Enterprise & Solutions Segment. We also aim to grow to be a business partner, not an IT partner, by using our “Total Services” as the synergy of our advantages in the segment.

(Major case examples)

- As a business partner of our clients that are actively working on new initiatives employing digital technology, we are providing the following technological support and services: (1) We have begun providing the service that supports our clients’ preventive maintenance work with a solution that can detect abnormal sounds, by visualizing the sounds of operating equipment at production sites. Detection of any changes in the sounds (abnormal sounds) of operating equipment has been enabled by the technology of analyzing audio signals that has been developed in the NTT Group and the artificial intelligence (AI) technology. This solution contributes to the visualization of skilled workers’ know-how in maintenance, less-frequent equipment failures, and improved operating rates. (2) NTT DATA has formed a capital tie-up with SOLAIRO, INC., which has strength in the customer service that employs interactive chat systems on websites. This tie-up aims to increase sales to our clients by combining Solairo’s services and NTT DATA’s omnichannel platform. (3) NTT DATA has commenced providing the service that stores and manages video files of the Japan e-Sports League <sup>(Note 5)</sup>. The use of this service enables user teams and athletes to train players and strengthen their teams. NTT DATA will conduct a more detailed analysis by multiplying the images and the data of games, including those of tournaments, teams, players and their careers. Through these initiatives, we intend to improve the e-Sports market condition and to contribute to further development of the market.
- We have reached an agreement with Sharp Corporation to make Sharp Business Computer Software Inc.—known for its strong technical skills in embedded software development—a subsidiary of ours. Accordingly, the company has been renamed NTT DATA SBC Corporation and started its operations in January 2017 under a new structure. NTT DATA has also agreed to form a capital tie-up with Seltech Corporation, which is recognized for its advanced technology in the security for embedded equipment and AI. Previously, NTT DATA had been working mainly with its group companies such as NTT DATA MSE CORPORATION and NJK Corporation. However, we will put more effort into bolstering the embedded software development system, aiming to further grow the IoT and connected vehicle businesses <sup>(Note 6)</sup>.

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

The net sales were 304.0 billion yen (8.3% increase compared to the previous year) mainly due to reflecting the expansion of businesses for the retail, logistics, and services industry. The operating income was 25.2 billion yen (13.3% increase compared to the previous year) mainly due to growth in sales.

< Global >

For the Global 2<sup>nd</sup> Stage, we continuously aim to strengthen our presence in each area and each business area by expanding business and enforcing our competitiveness by the existing business growth and M&A, to create the source of further competitiveness by globally cooperating with the group companies and integrating strengths and resources of each company, and to strengthen our profitability.



(Major case examples)

- More than 98% of the assets of the Dell Services Division—based on the transferred asset value—has completed the acquisition on November 2, 2016, U.S. time, through our U.S. subsidiary NTT DATA International L.L.C., etc. As a result, the Dell Services Division has been renamed NTT DATA Services, LLC and has taken over existing operations. NTT DATA Services (the Dell Services Division) has a strong business base with their major clients including healthcare, manufacturing and service industries as well as financial institutions and the Federal Government. In particular, the Division has gained a reputation for its industry-specific digital solutions with the healthcare business and provision of BPO services. Through the acquisition of this Division, we will expand our businesses in the relevant industries of North America. At the same time, we will also strengthen our services that utilize our cutting-edge technology in cloud and BPO 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 396.7 billion yen (3.7% increase compared to the previous year) due to a result of the unification of accounting periods of European subsidiaries and the expansion of businesses, etc., despite the impact of a decrease due to foreign exchange. The operating income (before amortization of goodwill) was 6.2 billion yen (21.8% decrease compared to the previous year) due to factors such as advisory expenses associated with the large-scale business acquisition which more than offset revenue-increasing factors.

Notes:

1. IoT (Internet of Things)

Just in the same way as people exchange information and do activities on the Internet, “things” connected via the Internet also share information, provide beneficial information, and even move without anyone’s help.

2. Dispatching

Generally, this term refers to prioritizing and allotting tasks to be done. When it comes to “Allegro”, this term means that energy providers judge what materials to purchase and to which customers to deliver and adjust the amounts of electricity output and supply in a timely manner to meet the continuously changing demand for energy.

3. NACCS (Nippon Automated Cargo and Port Consolidated System)

This term refers to an electronic application system shared by the public and private sectors to process governmental procedures (such as import and export declarations and arrival and departure procedures of vessels and airplanes) and non-governmental procedures relating to import and export procedures.

4. CIS (Customs Intelligence Database System)

This is an information system that centrally stores historical records of import and export customs clearance as well as information on importers and exporters.

5. JAPAN e-SPORTS LEAGUE

This is a national league of “e-Sports” for multiplayer games on a computer or TV.

6. Connected Vehicles

This term refers to a system that connects vehicles to the Internet around the clock and improves the safety and comfort of such vehicles.

### **[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 “innovative 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 >

With regard to “innovation technologies to deliver solutions”, until now we have been working on high speed and high quality development through the automation of software development. This has been a very significant element for us in terms of competition. Against this backdrop, in addition to further advancement in automation technology, we have undertaken legacy modernization <sup>(Note1)</sup> 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.

#### (Major case examples)

- NTT DATA has reached an agreement with Goodpatch Inc. to collaborate in the user experience (UX) design <sup>(Note 2)</sup> field to provide an early-stage assist to our clients in creating new services. Under a UX-design category, one of the elements that matter most is the user interface (UI) design, which constitutes an interface between users and services. For this reason, highly valuable services require excellent UI design. NTT DATA and Goodpatch Inc. will make full use of NTT DATA’s UX design processes for agile development and Goodpatch’s UX design know-how focusing on its own UI design, as well as its prototyping tool “Prott.” By doing so, we intend to provide the UX design processes and solutions that will achieve our clients’ high satisfaction and their early service provision.
- We have joined forces with NTT DATA INTELLILINK CORPORATION, one of our subsidiaries, and Oracle Corporation Japan in the hybrid cloud field, utilizing “Oracle Cloud at Customer.” These days, the situation surrounding system development has changed drastically, with IT investment made not only to maintain and enhance the existing systems-of-record (SoR) <sup>(Note 3)</sup> area, but to create new business value in the systems-of-engagement (SoE) <sup>(Note 4)</sup> area and to connect both areas seamlessly. Given this background, we, a group of the three companies, are intending to provide a platform that reduces the total cost of ownership (TCO) of the existing systems while creating new business value, by embracing different system characteristics of SoR and SoE. Thus, we would like to assist our clients in creating new business value with the use of X-Tech <sup>(Note 5)</sup>.

#### <Utilization of advanced technologies>

With regard to the “utilization of advanced technologies”, as a means of discerning the research topics that we should be challenging in the mid to long term, we try to understand future changes from a variety of perspectives in order to derive near-future “information society trends” and “technology trends” and then formulate and publish these as NTT DATA Technology Foresight <sup>(Note6)</sup>. By collaborating in various ways with the advanced partners that we identify through these activities, we will continue to reinforce our efforts to create innovative systems through co-innovating activities with our clients.

#### (Major case examples)

- NTT DATA and NEWSON CO., LTD. have jointly developed and released in the market “the Remote Assist System,” which employs smart glasses. NTT DATA has worked on research and development for the utilization of wearable devices, and studied a system that supported remote operations. Aiming to put the system to practical use, both companies performed joint verification tests with numerous companies in the communications, electricity and manufacturing industries, which all require maintenance and inspection work as part of their operations. Having completed the development of functions necessary for

the work-site operations using smart glasses, we have successfully verified the effectiveness of those functions on site. In the future, we will endeavor to achieve compatibility with other operational systems at companies that have adopted the system, and also compatibility with other technologies that constitute the IoT system, such as AI, robotics, and sensors.

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. User Experience Design (UX design)

This means designing the entire services from the upper to lower processes based on users' experience and incidental feelings obtained through the services.

3. Systems of Record (SoR)

This term refers to all conventional operational systems, such as core systems.

4. Systems of Engagement (SoE)

This term refers to a system that enables digital innovation, such as the innovation in corporate business processes and the creation of new business.

5. X-Tech

This refers to the trend in various industries in which sophisticated IT technology, in conjunction with other elements, offers new values or frameworks that did not exist before.

6. 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 updated every year.

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

• Net Sales	1,180.8 billion yen	(up	3.1% year-on-year)
• Operating Income	74.5 billion yen	(up	16.0% year-on-year)
• Ordinary Income	73.1 billion yen	(up	20.0% year-on-year)
• Income before Income Taxes and Minority Interests	71.4 billion yen	(down	6.0% year-on-year)
• Net income attributable to owners of parent	45.0 billion yen	(up	2.6% year-on-year)

## **(2) Qualitative Information on the Consolidated Financial Position**

During the current consolidated third quarter, NTT DATA has acquired the Dell Services Division by transfer from Dell Inc. using cash reserves and short-term loans. As a result, the assets at the end of the current consolidated third quarter posted 2,091.3 billion yen, up by 12.4%, or 231 billion yen, as compared with those at the end of the previous consolidated fiscal year. PPE (property, plant, and equipment), goodwill, and other intangible assets have increased.

Debts stood at 1,326.4 billion yen, higher by 22.1%, or 239.8 billion yen, as compared with those at the end of the previous consolidated fiscal year, due to the short-term loans.

## **(3) Qualitative Information on the Consolidated Results Forecast**

With regard to IT investment in Japan, while there is investment for the purposes of responding to institutional changes and new regulatory transitions, the reinforcement of our clients' points of contact with their end users, and growing new businesses, and the market is showing signs of a gradual recovery, we expect that the need to cut maintenance and operating costs, and stiff price competition, will continue as before. Overseas, while we need to be aware of financial market fluctuations, monetary policy normalization in the US, the future economic performance of China and other Asian emerging economies, as well as growing geopolitical risk and other uncertainties in overseas economies, IT investment in Europe is strong, and in the US is showing signs of a gradual, sustained growth.

Based on these circumstances, the NTT DATA Group will continue to secure income and reduce costs by controlling unprofitable projects and having a firm grasp on the needs for IT investment in both Japan and abroad. For this reason, currently, there are no changes in the full-year business forecast since it has been released on November 4, 2016.

## **2. Matters on Summary Information (Notes)**

### **Change of accounting policy, change of accounting estimate, redisplay of modification**

(Changes in accounting policy)

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

Implementation Guidance on Recoverability of Deferred Tax Asset (Accounting Standards Board of Japan Application Guideline No. 26, March 28, 2016; hereinafter called “Implementation Guidance on Recoverability”) is applied in the first quarter of the consolidated accounting period, and some of the accounting methods concerning recoverability of deferred tax assets have been revised.

Application of Implementation Guidance on Recoverability is based on transitional handling specified in Section 49 (4) of the Implementation Guidance on Recoverability; the difference between the amount of deferred tax assets and deferred tax liabilities prescribed by the regulations in Section 49 (3) 1 to 3 of the Implementation Guidance on Recoverability at the beginning of the first quarter of the consolidated accounting period, and the amount of deferred tax assets and deferred tax liabilities at the end of the previous consolidated accounting period is added to the retained earnings at the beginning of the first quarter of the consolidated accounting period.

The effect on retained earnings and deferred tax assets at the beginning of the first quarter of the consolidated accounting period due to this change is minor.

(A change of accounting policy that is difficult to distinguish from a change of accounting estimate)

(Change in depreciation method of tangible fixed assets)

The NTT DATA Corporation, the company submitting quarterly consolidated financial statements, and consolidated domestic subsidiaries had mainly employed the declining-balance method; however, from the first quarter of the consolidated accounting period, we have changed it to the straight-line method.

The NTT DATA Group has conducted research on the use of the tangible fixed assets from the viewpoint of accounting policy integration in our active global development based on the Medium-term Management Plan starting this Consolidated Fiscal Year; stable use of hardware for service providing, such as the provision of combination service with software, etc.

Therefore, we have judged that the depreciation method to equally allocate cost over useful lives more appropriately shows the reality of use of the above fixed assets, and employed the straight-line method from the first quarter of the consolidated accounting period.

Useful lives have been reviewed along with the change of the depreciation method of the tangible fixed assets and, for a part of the tangible fixed assets, the useful lives are revised.

Effect on the operating income, ordinary income and quarterly net income before tax in the third quarter of the consolidated accounting period due to the above change is minor.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Unit: ¥ million)

	As of March 31, 2016	As of December 31, 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	148,495	185,335
Notes and accounts receivable - trade	403,146	392,532
Lease receivables and investment assets	14,477	19,837
Securities	26,000	4,100
Inventories	26,676	63,843
Deferred tax assets	39,382	38,917
Deposits paid	121,646	27
Other	65,490	83,370
Allowance for doubtful accounts	(2,614)	(4,969)
<b>Total current assets</b>	<b>842,701</b>	<b>782,995</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Data communication facilities, net	89,503	85,666
Buildings and structures, net	89,890	112,274
Machinery, equipment and vehicles, net	19,019	30,607
Tools, furniture and fixtures, net	16,995	16,124
Land	60,576	63,580
Construction in progress	21,548	31,582
Other, net	5,041	5,299
<b>Total property, plant and equipment</b>	<b>302,575</b>	<b>345,134</b>
<b>Intangible assets</b>		
Software	250,668	240,317
Software in progress	48,295	57,784
Goodwill	168,879	312,682
Other	67,494	155,745
<b>Total intangible assets</b>	<b>535,337</b>	<b>766,530</b>
<b>Investments and other assets</b>		
Investment securities	83,599	78,537
Net defined benefit asset	1,508	1,647
Deferred tax assets	44,735	57,891
Other	50,531	59,303
Allowance for doubtful accounts	(669)	(660)
<b>Total investments and other assets</b>	<b>179,704</b>	<b>196,719</b>
<b>Total non-current assets</b>	<b>1,017,618</b>	<b>1,308,384</b>
<b>Total assets</b>	<b>1,860,319</b>	<b>2,091,379</b>

## Consolidated Balance Sheets-continued

(Unit: ¥ million)

	As of March 31, 2016	As of December 31, 2016
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	121,688	90,675
Short-term loans payable	51,627	271,634
Current portion of long-term loans payable	29,245	50,235
Income taxes payable	33,158	27,049
Advances received	167,738	189,655
Provision for loss on order received	5,356	2,748
Other	128,442	154,155
<b>Total current liabilities</b>	<b>537,258</b>	<b>786,154</b>
<b>Non-current liabilities</b>		
Bonds payable	210,062	210,069
Long-term loans payable	109,451	83,357
Deferred tax liabilities	23,327	30,486
Net defined benefit liability	185,992	193,065
Provision for directors' retirement benefits	934	850
Other	19,621	22,486
<b>Total non-current liabilities</b>	<b>549,390</b>	<b>540,316</b>
<b>Total liabilities</b>	<b>1,086,648</b>	<b>1,326,470</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	142,520	142,520
Capital surplus	139,295	141,048
Retained earnings	452,458	476,744
Treasury shares	(0)	(0)
<b>Total shareholders' equity</b>	<b>734,273</b>	<b>760,311</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	32,522	33,099
Deferred gains or losses on hedges	(7,527)	(817)
Foreign currency translation adjustment	36,552	(6,347)
Remeasurements of defined benefit plans	(38,805)	(36,034)
Other	(16,107)	(15,283)
<b>Total accumulated other comprehensive income</b>	<b>6,635</b>	<b>(25,383)</b>
<b>Non-controlling interests</b>	<b>32,762</b>	<b>29,981</b>
<b>Total net assets</b>	<b>773,670</b>	<b>764,909</b>
<b>Total liabilities and net assets</b>	<b>1,860,319</b>	<b>2,091,379</b>

**(2) Consolidated Statements of Income and Comprehensive Income**

(Unit: ¥ million)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
<b>Net sales</b>	<b>1,145,323</b>	<b>1,180,894</b>
<b>Cost of sales</b>	<b>862,383</b>	<b>874,996</b>
<b>Gross profit</b>	<b>282,939</b>	<b>305,898</b>
<b>Selling, general and administrative expenses</b>	<b>218,667</b>	<b>231,362</b>
<b>Operating income</b>	<b>64,271</b>	<b>74,535</b>
<b>Non-operating income</b>		
Interest income	806	1,072
Dividend income	1,757	1,562
Other	1,579	3,483
<b>Total non-operating income</b>	<b>4,143</b>	<b>6,118</b>
<b>Non-operating expenses</b>		
Interest expenses	4,110	3,990
Other	3,333	3,517
<b>Total non-operating expenses</b>	<b>7,443</b>	<b>7,508</b>
<b>Ordinary income</b>	<b>60,971</b>	<b>73,145</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities	15,049	15,079
<b>Total extraordinary income</b>	<b>15,049</b>	<b>15,079</b>
<b>Extraordinary losses</b>		
Acquisition expenses	—	12,742
Loss on restructuring of subsidiaries and affiliates	—	4,043
<b>Total extraordinary losses</b>	<b>—</b>	<b>16,785</b>
<b>Net income before income taxes</b>	<b>76,020</b>	<b>71,439</b>
<b>Income taxes</b>	<b>30,479</b>	<b>24,842</b>
<b>Net income</b>	<b>45,540</b>	<b>46,596</b>
<b>Net income attributable to</b>		
Net income attributable to owners of parent	43,927	45,062
Net income (loss) attributable to non-controlling interests	1,613	1,534
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(11,549)	652
Deferred gains or losses on hedges	(458)	6,712
Foreign currency translation adjustment	(12,483)	(42,680)
Remeasurements of defined benefit plans, net of tax	1,810	2,650
Share of other comprehensive income of entities accounted for using equity method	(112)	(504)
Other	(526)	823
<b>Total other comprehensive income</b>	<b>(23,320)</b>	<b>(32,346)</b>
<b>Comprehensive income</b>	<b>22,220</b>	<b>14,250</b>
<b>Comprehensive income attributable to</b>		
Comprehensive income attributable to owners of parent	20,503	12,916
Comprehensive income attributable to non-controlling interests	1,716	1,333



### (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 22, 2016	Common stock	11,219	40	March 31, 2016	June 23, 2016	Retained earnings
Board of Directors Meeting on November 4, 2016	Common stock	9,817	35	September 30, 2016	December 1, 2016	Retained earnings