

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

November 1, 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 : November 11, 2019
 Scheduled date of dividend payment : December 2, 2019
 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 Q2 of FY2019 (From April 1, 2019 to September 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 Q2	1,077,819	5.4	63,757	6.1	62,941	3.1	40,181	3.9	17,159	(81.6)
FY2018 Q2	1,022,722	6.5	60,069	6.6	61,046	10.7	38,664	9.4	93,380	55.9

	Net income per share	Net income per share (diluted)
FY2019 Q2	¥ 28.65	-
FY2018 Q2	27.57	-

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to shareholders of NTT DATA	Equity ratio attributable to shareholders of NTT DATA
FY2019 Q2	¥ million 2,557,441	¥ million 973,939	¥ million 929,666	% 36.4
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	—	9.00			
FY2019 (Forecast)			—	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 Q2 1,402,500,000 shares

FY2018 1,402,500,000 shares

2) Number of treasury stock

FY2019 Q2 953 shares

FY2018 953 shares

3) Average number of shares over period (Cumulative from the beginning of each fiscal year)

FY2019 Q2 1,402,499,047 shares

FY2018 Q2 1,402,499,047 shares

* “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 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 Mar 31, 2019	As of Sep 30, 2019
Assets		
Current assets		
Cash and cash equivalents	251,309	223,579
Trade and other receivables	549,126	465,826
Contract asset	81,929	98,237
Inventories	15,294	18,486
Other financial assets	9,440	11,734
Other current assets	67,369	69,195
Total current assets	974,467	887,058
Non-current assets		
Property, plant and equipment	355,717	334,591
Right-of-use assets	—	162,349
Goodwill	357,014	363,462
Intangible assets	444,444	458,948
Investment property	27,331	27,086
Investments accounted for using the equity method	6,573	7,804
Other financial assets	168,803	166,297
Deferred tax assets	98,220	100,786
Other non-current assets	43,493	49,061
Total non-current assets	1,501,595	1,670,383
Total assets	2,476,062	2,557,441

(Unit: ¥ million)

	As of Mar 31, 2019	As of Sep 30, 2019
Liabilities		
Current liabilities		
Trade and other payables	359,013	313,301
Contract liabilities	218,774	254,774
Bonds and borrowings	134,586	103,112
Lease liabilities	—	36,863
Other financial liabilities	28,717	1,226
Income taxes payable	30,437	25,953
Provisions	12,434	10,737
Other current liabilities	32,898	15,769
Total current liabilities	816,859	761,736
Non-current liabilities		
Bonds and borrowings	446,437	454,502
Lease liabilities	—	126,500
Other financial liabilities	21,908	11,226
Defined benefit liabilities	202,491	210,166
Provisions	3,562	3,731
Deferred tax liabilities	5,532	5,486
Other non-current liabilities	12,463	10,155
Total non-current liabilities	692,394	821,766
Total liabilities	1,509,253	1,583,502
Equity		
Equity attributable to shareholders of NTT DATA		
Capital stock	142,520	142,520
Capital surplus	115,740	115,382
Retained earnings	603,171	635,391
Treasury shares	(1)	(1)
Other components of equity	64,236	36,375
Total equity attributable to shareholders of NTT DATA	925,667	929,666
Non-controlling interests	41,143	44,273
Total equity	966,809	973,939
Total liabilities and equity	2,476,062	2,557,441

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

Condensed Quarterly Statement of Income

(Unit: ¥ million)

	Six months ended Sep 30, 2018	Six months ended Sep 30, 2019
Net sales	1,022,722	1,077,819
Cost of sales	772,986	809,574
Gross profit	249,736	268,245
Selling, general and administrative expenses	189,667	204,488
Operating income	60,069	63,757
Financial income	3,393	3,493
Financial costs	2,813	4,276
Share of profit/loss of entities for using equity method	397	(33)
Income before income taxes	61,046	62,941
Income taxes	21,371	20,803
Net income	39,675	42,137
Net income attributable to		
Shareholders of NTT DATA	38,664	40,181
Non-controlling interests	1,011	1,956
Total	39,675	42,137
Net income per share attributable to shareholders of NTT DATA		
Net income per share (yen)	27.57	28.65

Condensed Quarterly Statement of Comprehensive Income

(Unit: ¥ million)

	Six months ended Sep 30, 2018	Six months ended Sep 30, 2019
Net income	39,675	42,137
Other comprehensive income (after taxes)		
Items that will not be reclassified to profit/loss		
Net change in fair value of financial assets measured at fair value through other comprehensive income	26,409	2,002
Remeasurements of defined benefit plans	24	(1,145)
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	78	(95)
Hedges cost	(21)	(261)
Foreign currency translation adjustment	28,240	(23,624)
Share of other comprehensive income of entities accounted for using equity method	(31)	(138)
Total other comprehensive income (after taxes)	54,699	(23,261)
Comprehensive income	94,374	18,876
Comprehensive income attributable to:		
Shareholders of NTT DATA	93,380	17,159
Non-controlling interests	994	1,717
Total	94,374	18,876

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

(Six months ended Sep 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 Apr 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 Apr 1, 2018)	142,520	116,193	532,018	(1)	42,220	832,949	34,656	867,605
Comprehensive income								
Net income	—	—	38,664	—	—	38,664	1,011	39,675
Other comprehensive income	—	—	—	—	54,716	54,716	(17)	54,699
Comprehensive income	—	—	38,664	—	54,716	93,380	994	94,374
Transactions with shareholders								
Dividends of surplus	—	—	(10,519)	—	—	(10,519)	(682)	(11,201)
Transfer to retained earnings	—	—	301	—	(301)	—	—	—
Net changes in controlled subsidiaries' stocks	—	(1,119)	—	—	—	(1,119)	416	(703)
Put options written on non-controlling interests	—	(184)	—	—	—	(184)	—	(184)
Other	—	—	751	—	—	751	(39)	712
Total transactions with shareholders	—	(1,303)	(9,467)	—	(301)	(11,071)	(305)	(11,376)
As of Sep 30, 2018	142,520	114,891	561,214	(1)	96,634	915,258	35,344	950,602

(Six months ended Sep 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 Apr 1, 2019	142,520	115,740	603,171	(1)	64,236	925,667	41,143	966,809
Comprehensive income								
Net income	—	—	40,181	—	—	40,181	1,956	42,137
Other comprehensive income	—	—	—	—	(23,022)	(23,022)	(239)	(23,261)
Comprehensive income	—	—	40,181	—	(23,022)	17,159	1,717	18,876
Transactions with shareholders								
Dividends of surplus	—	—	(11,921)	—	—	(11,921)	(1,114)	(13,036)
Transfer to retained earnings	—	—	4,838	—	(4,838)	—	—	—
Increase/decrease by business combination	—	—	—	—	—	—	2,751	2,751
Net changes in controlled subsidiaries' stocks	—	(79)	—	—	—	(79)	(118)	(197)
Put options written on non-controlling interests	—	(280)	—	—	—	(280)	—	(280)
Other	—	(0)	(879)	—	—	(879)	(106)	(985)
Total transactions with shareholders	—	(359)	(7,962)	—	(4,838)	(13,159)	1,413	(11,746)
As of Sep 30, 2019	142,520	115,382	635,391	(1)	36,375	929,666	44,273	973,939

(4) Notes to Condensed Quarterly Consolidated Financial Statements

Business combination

Six months ended September 30, 2019 (From April 1, 2019 to September 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	176
Others	61
Total acquisition-related cost	239

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)
<hr/>	
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 six months ended September 30, 2019, is from April 1, 2019 to September 30, 2019, with net sales of 4,679 million yen and net income of 1,261 million yen.

As the business combination took place at the beginning of a fiscal year, pro forma information does not exist.

(5) Notes to Going Concern Assumptions

N/A