

Note: This document is the English translation of “Dai 29kai teiji kabunushisokai shoshu gotsuchi ni saishite no internet kaiji jouhou” (Internet Disclosure of the Notice of Convocation of the 29th Ordinary General Meeting of Shareholders) 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 prevail.

To Our Shareholders

**INTERNET DISCLOSURE OF
THE NOTICE OF CONVOCATION OF
THE 29TH ORDINARY GENERAL MEETING OF
SHAREHOLDERS**

**May 31, 2017
NTT DATA CORPORATION**

Systems for ensuring appropriate operations and Overview of the State of Operation of the System

1. Overview of resolution for improvement of Systems for ensuring appropriate operations
NTT DATA is moving forward with efforts to ensure appropriate operations of internal control systems and its Board of Directors' meeting has adopted a resolution on the basic policy for establishing internal control systems for the NTT DATA Group in compliance with Article 362 of the Companies Act. Details of the said resolution are as follows:

● Basic Policy for Establishing Internal Control Systems

- (1) In building its internal control systems, NTT DATA will further the basic policy that it will take various measures to efficiently conduct fair and transparent business activities in compliance with applicable laws and its Articles of Incorporation, as a matter of course, and at all times being aware of risks increasing as its business expands.
- (2) The president, as the chief executive officer, takes responsibility and improves and operates the internal control systems.
- (3) In order to make its internal control systems function smoothly and efficiently, NTT DATA will establish an internal control promotion committee that will hold meetings on a regular basis.
- (4) NTT DATA sets up the Internal Audit Department, which verifies whether or not the activities of each Sector are performed in compliance with applicable laws, its Articles of Incorporation, internal rules, and management policies and plans and gives practical advice and recommendations from a position independent of operations of businesses for the purpose of sound performance of businesses.
- (5) NTT DATA appoints an officer who supervises the risk management structure from the entire group's point of view and at the compliance division, conduct review for the purpose of ensuring the legality of business activities.
- (6) NTT DATA is taking appropriate measures to realize high reliability of its internal control systems over financial reporting under the Financial Instruments and Exchange Act and other related laws.

● Individual Systems for Establishing Internal Control Systems

- (1) Systems to ensure that the directors and employees are performing their duties in compliance with applicable laws and the Articles of Incorporation

Setting our sights on becoming a reliable company and raising the basic policy to conduct sound business activities by establishing corporate ethics, NTT DATA proceeds with the following activities:

- Establish the "Global Compliance Policy", which is the guideline for behaviors including compliance with applicable laws, for the directors and employees.
 - Raise employees' consciousness of compliance through educational and training programs concerning the corporate ethics.
 - Check the business activities by the compliance division and give advice, guidance, and other assistance to Sectors in order for legal and appropriate business activities.
 - Have no relation or transaction with antisocial forces, and reject illegal demands in a resolute attitude.
 - For sound management, establish 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 establish a system to ensure that employees and other parties who made those reports through the whistle-blowing system and will not receive disadvantageous treatment for having made such reports.
 - Have the Internal Audit Department and submit an annual plan to the Board of Directors independently to the department for the internal audit and regularly report the results to the Board of Directors.
- (2) Systems for storage and management of information concerning execution of duties by directors

While NTT DATA appropriately stores, manages, and willingly shares information for

effective uses according to the policy that it will protect personal and confidential information from leakage or unauthorized use, it proceeds with the following activities:

- Record and store information concerning the performance of duties by directors in writing or electromagnetic media and appropriately manage them in compliance with applicable laws, the Articles of Incorporation and internal rules.
- Improve the internal information system in order to timely and properly use information arising out of business activities.
- Establish internal rules for the purpose of formulating rules required for the appropriate handling of information and efficient clerical work.
- Establish an information security committee to expedite measures for the entire group concerning the handling of information and hold a meeting regularly.

(3) Rules and other systems concerning risk management

Assuming various business risks, NTT DATA has a policy that each division shall improve its own voluntary risk management system by risk so that it may take the best measure upon occurrence of any of such risks and proceeds with the following activities:

- Organize a system to continuously monitor and supervise the situation of risk management in each Sector and evaluate the effectiveness to organize and promote the risk management from the entire group's point of view.
- Work on the business risks after the prioritization considering the frequency and the impact of occurrence.
- Organize a system in accordance with the internal rules based on our quality management point of view, etc. for the risks assumed to be related to our system development as our main business.

(4) Systems to ensure efficient performance of duties by directors

Having the basic policy that it shall enhance each of the functions of making important decisions, supervision of performance of duties, and performance of operations, and that it shall work for vitalization of operations, NTT DATA proceeds with the following activities:

- In order for the Board of Directors to make important decisions and appropriately supervise the performance of duties, it will appoint executive officers as responsible persons who specialize in the performance of duties and, by transferring substantial part of authority from directors to the executive officers, expedite decision making to pursue speedy operations.
- Include outside directors who are in a position independent of the Board of Directors in order to strengthen the function to supervise the fairness of business execution.
- Establish a management meeting for the president to make appropriate decisions pertaining to the basic policy of a business or other important matters.
- For the purpose of appropriate and efficient performance of affairs, improve the systems to clarify the official authority and exercise appropriate restraints by setting internal rules pertaining to the decision making for, and performance of, business affairs.

(5) Systems to ensure appropriate operations of NTT DATA Group, etc.

Having the basic policy that it shall ensure appropriate operations of the entire NTT DATA Group through consultations, reports, instructions and requests concerning important matters, NTT DATA and its Group proceed with the following activities:

- Establish a division responsible for coordination with each group company and improve the coordination system including the related divisions.
- Monitor the activities by the Internal Audit Department for the purpose of ensuring the soundness of businesses of the group companies.
- Oversee and promote the situation of risk management of the entire group by the internal control promotion committee of NTT DATA and at the same time, each group company will appoint an officer in charge of risk management for the purpose of improvement of the risk management system.
- In order to prevent the occurrence of scandals, conduct employee education and training and establish a whistle-blowing system that receives information from identified and anonymous employees of the Group and other parties as well as establish a system to ensure that employees and other parties who have made reports using the whistle-blowing

system and other channels will not receive disadvantageous treatment on account of having made such reports.

- Organize a system with Group companies with compliance with the laws to submit appropriate financial status reports.
- Group companies conduct autonomous management by company-wise based on the basic policy of group business and at the same time the Corporate Management Committee of NTT DATA will monitor the management situation of the entire group in order to promote efficient and effective group management.

Furthermore, in between with NTT, the parent company, there is the basic policy that either party will coordinate with the other, respecting the other party's independency and autonomy and the parties appropriately have dealings with the other in compliance with the laws.

- (6) Matters concerning employees who assist corporate audits' duties and independence of such employees from directors

Having the basic policy to establish a system to assist the corporate audits' duties in order to ensure the effective audits by corporate audits, NTT DATA will proceed with the following activities:

- NTT DATA sets up the Corporate Audits' Office to appropriately assist the duties of its audits as an important organization under the Companies Act.
- Allocate the number of employees required for conducting audits according to the auditing standards determined by the audits.
- The Corporate Audits' Office shall be an organization independent from the directors and the employees assisting the audits' duties shall perform their duties under instructions and directions from the audits.
- Handle the matters concerning personnel changes and evaluation of the employees assisting the audits' duties respecting the audits' opinions.

- (7) Systems for directors and employees to report to audits and for ensuring effective auditing by audits

Having a basic policy to improve the systems for directors and employees to report material matters regarding the execution of business to corporate audits and other systems in order to ensure the effective audits by corporate audits, NTT DATA will proceed with the following activities:

- The directors and corporate audits shall determine after consultation the meetings that the corporate audits shall attend, materials that the corporate audits shall review, and the matters regarding NTT DATA and its Group companies that the corporate audits shall report to the directors regularly or when necessary and the corporate audits shall report to the directors from time to time as determined between the directors and corporate audits.
- Upon request of each audit for a report on the performance of duties, the directors and employees shall promptly report to the audit about their performance of duties.
- In addition to the above, the directors, independent audit, and Internal Audit Department shall respectively have an exchange of opinions with each audit regularly and when necessary upon request of the audit.
- The corporate audits may independently engage external experts and receive advice on audit operations.
- The corporate audits may claim payment for expenses necessary for the execution of duties and NTT DATA will make payments based on such claims.

2. Overview of the State of Operation of the System to Ensure Appropriate Business Operations

The following is the overview of the state of operation of the system to ensure appropriate business operations within the NTT DATA Group based on the basic policy concerning the establishment of internal control systems within the NTT DATA Group.

(1) Systems to ensure that the directors and employees are performing their duties in compliance with applicable laws and regulations and the Articles of Incorporation

NTT DATA makes efforts to maintain and improve the awareness of corporate ethics and compliance in order to operate businesses with a strong sense of ethics, let alone compliance with laws and regulations.

With regard to corporate ethics, the Global Compliance Policy is available on the in-house website.

To maintain and improve the awareness of compliance, NTT DATA implements compliance training sessions for officers and employees, and introduces cases that have problems in terms of corporate ethics on the in-house website to help officers and employees improve their understanding.

The Compliance Department conducted a preliminary check on 73 cases before being discussed by important organs such as the Board of Directors. With regard to transactions with antisocial forces, NTT DATA made it mandatory under the company's sales provisions and detailed purchase rules to conduct a credit investigation on business partners. In addition, when an organization subscribes to our services, NTT DATA thoroughly examines the state of activities of the organization, the purpose of the subscription, etc. to prevent us from engaging in any relations with antisocial forces.

The NTT DATA's Corporate Ethics Committee is held once in a business year to examine reports submitted to the section in charge of receiving reports made using the whistle-blowing system, and report the results of the examination to the Board of Directors, along with a report on how these reports were handled. In the current business year, 85 cases were reported to the section. Meanwhile, it is stipulated in the rules for administering the whistle-blowing system that employees should not receive disadvantageous treatment on account of having made such reports, and this rule is administered appropriately.

The Internal Auditing Department reports interim and annual audit results and the annual audit plan to the Board of Directors appropriately.

(2) Systems for storage and management of information concerning execution of duties by directors

With regard to the management of in-house information, including the handling of information concerning the execution of duties by directors, rules for the handling of documents and the information security policies are instituted, and they are available on the in-house website. Concerning the storage of documents (including those recorded electronically,) besides the storage based on types of documents specified by laws and regulations, they are stored for a term necessary for the completion of duties. In addition, NTT DATA appropriately administers the maintenance and storage of documents by appointing personnel in charge of promoting information security to each section and introducing a system to enable the management of documents (files) in accordance with applicable rules, among other measures.

Setting up the information security committee to report and discuss the company-wide security subjects under the Chief Information Security Officer and this committee held the meeting twice during the fiscal year and the members discussed the partial revision of the policy and the enhancement of resource for human securities and so on.

(3) Rules and other systems concerning risk management

For risk management, NTT DATA assumes and prevents the occurrence of familiar potential risks. NTT DATA has a risk management system to minimize the damage in the event of risks becoming obvious, and for other purposes. The Internal Control Promotion Committee, chaired by Senior Executive Vice President, plays a central role in establishing and administering the PDCA cycle for risk management. Meanwhile, the committee held 3

meetings in the business year and discussed measures to specify risks that could influence the whole Company and to reduce such risks. In addition, the committee also examined the levels of progress and achievement of goals and evaluated the effectiveness while reflecting the results of the examination in each measure.

NTT DATA appropriately handles risks concerning system developments and operational security, etc. within the quality management system (QMS) that was established based on the quality management rules.

(4) Systems to ensure efficient performance of duties by directors

The Company's duties are executed based on the organizational rules that specify jurisdictional tasks for each organ, and under the supervision of the Board of Directors, 25 executive officers are appointed and decision-making is made based on the authority regulations that stipulate the distribution of authorities.

The Board of Directors decides the issues prescribed in laws and regulations and important issues set forth in the rules for the Board of Directors such as those concerning management strategies, company management including investment, the management of the NTT DATA Group, etc. In addition, the Board of Directors supervises the performance of duties by directors by having them report the state of performance of their duties on a regular basis and by other means. The Board of Directors comprises 11 directors including 2 outside directors, and held 18 meetings in the current business year. The Corporate Management Committee, which discusses important decision-making for NTT DATA, held 41 meetings in the current business year.

(5) Systems to ensure appropriate operations of NTT DATA Group, etc.

With regard to an important issues for the management of the NTT DATA Group, such as the occurrence of emergencies that could influence the whole group, NTT DATA establishes an organization in the Company to promote businesses in cooperation with respective group companies and created systems to consult these matters with, and report them to, NTT DATA, and the systems are administered appropriately.

NTT DATA's Internal Auditing Department implemented an internal audit on group companies in a unified manner by reflecting important risks common to the whole group and risks specific to each group company in the audit.

Group companies set the important risks every year and the Internal Control Promotion Committee confirms the state of implementation of risk management led by risk management promotion officers in each company.

To maintain and improve the awareness of compliance in the whole NTT DATA Group, NTT DATA instructs group companies to implement compliance training sessions and monitors the state of implementation of such training sessions. In the rules for administering the whistle-blowing system, group companies, the same as NTT DATA, ensure that employees and other parties who have made reports using the whistle-blowing system and other channels will not receive disadvantageous treatment on account of having made such reports, and the rule is administered appropriately.

The fiscal conditions of group companies are appropriately reported to NTT DATA on a monthly basis, in addition to quarterly financial reports. The results are also reported to the Board of Directors as a monthly monitoring status.

Financial conditions of the NTT DATA Group are reported to the Corporate Management Committee on a quarterly basis.

(6) Matters concerning employees who assist corporate audits' duties and independence of such employees from directors

As a system to assist corporate audits' duties, NTT DATA has the Corporate Audits' Office comprising 4 full-time employees and duties are performed appropriately based on the instructions and orders of corporate audits. Meanwhile, the transfer of employees at the Corporate Audits' Office, evaluations on the employees, etc. shall be conducted by making adjustments with corporate audits.

(7) Systems for directors and employees to report to corporate audits and for ensuring

effective auditing by corporate audits

Corporate audits attend important meetings such as the Board of Directors' meetings, view important documents, exchange opinions with the Representative Director on a regular basis and have discussions on specific topics with directors and other parties. On these occasions, the state of performance of duties shown in the basic policy is reported to corporate audits while they make recommendations as needed.

Moreover, corporate audits exchange opinions with accounting audits and the Internal Auditing Department on a regular basis. The explanation of an audit plan, the status of internal control systems and other matters are reported to corporate audits while they make recommendations as needed.

In addition, NTT DATA uniquely contracts with outside experts such as lawyers to receive advice on auditing duties. Including the costs necessary for them, NTT DATA bears the costs needed to perform auditing duties.

Consolidated Statements of Shareholders' Equity ^{29th}FY (FY ended 31, March 2017)

(Unit: ¥ million)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	142,520	139,295	452,458	(0)	734,273
Cumulative effects of changes in accounting policies			387		387
Restated balance	142,520	139,295	452,845	(0)	734,660
Changes of items during period					
Dividends of surplus (Note 1)			(11,219)		(11,219)
Dividends of surplus (Note 2)			(9,817)		(9,817)
Net income attributable to owners of parent			65,686		65,686
Change of scope of consolidation					—
Net changes in owning subsidiaries' stocks		1,753			1,753
Other		(0)	427		426
Net changes of items other than shareholders' equity					
Total changes of items during period	—	1,752	45,076	—	46,829
Balance at end of current period	142,520	141,048	497,922	(0)	781,490

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Other	Total accumulated other comprehensive income		
Balance at beginning of current period	32,522	(7,527)	36,552	(38,805)	(16,107)	6,635	32,762	773,670
Cumulative effects of changes in accounting policies								387
Restated balance	32,522	(7,527)	36,552	(38,805)	(16,107)	6,635	32,762	774,058
Changes of items during period								
Dividends of surplus (Note 1)								(11,219)
Dividends of surplus (Note 2)								(9,817)
Net income attributable to owners of parent								65,686
Change of scope of consolidation								—
Net changes in owning subsidiaries' stocks								1,753
Other								426
Net changes of items other than shareholders' equity	7,359	7,371	(12,662)	8,721	(213)	10,575	(1,194)	9,381
Total changes of items during period	7,359	7,371	(12,662)	8,721	(213)	10,575	(1,194)	56,210
Balance at end of current period	39,881	(155)	23,889	(30,083)	(16,320)	17,211	31,567	830,268

Notes:

1. This is the item of appropriation of retained earnings resolved at the ordinary general meeting of shareholders held in June 2016.
2. This is the item resolved at the meeting of the Board of Directors held in November 2016.
3. Amounts less than one million yen are rounded down.

Notes to Consolidated Financial Statements

(Important Basic Matters for Preparation of Consolidated Financial Statements)

1. Matters related to the scope of consolidation

All of our 302 subsidiaries are included in the scope of consolidation.

Major consolidated subsidiaries are NTT DATA, Inc., EVERIS PARTICIPACIONES, S.L.U., intelligence AG, NTT DATA EMEA LTD., etc.

In addition, due to new investments, the establishment of new companies, conversion of companies into subsidiaries after an increase of ownership due to transfer of shares and satisfying the criteria for effective control, from the current consolidated fiscal year, 52 companies have been newly added to the consolidated subsidiaries.

Due to the merger, selling off and liquidation of subsidiaries, and conversion of subsidiaries into companies to which the equity method is applied after satisfying the criteria for effective control, 8 companies have been excluded from the scope of consolidation.

Major newly added consolidated subsidiaries are as follows:

NTT DATA Services Corporation;

NTT DATA SERVICES IRELAND LIMITED;

NTT DATA SERVICES SINGAPORE PTE.LTD.; and

NTT DATA Services, L.L.C

2. Matters related to application of the equity method

The equity method is applied to all of the 32 affiliated companies including KIRIN BUSINESS SYSTEM COMPANY, LIMITED.

In addition, due to the establishment of a company and conversion of a subsidiary into a company to which the equity method is applied after satisfying the criteria for effective control, the equity method has been extensively applied to 2 companies; and due to the sale of shares, transfer of ownership, liquidation, and conversion of companies into consolidated subsidiaries due to the transfer of shares and after satisfying the criteria for effective control, 5 companies have been excluded from the scope to which the equity method is applied.

Among the companies to which the equity method is applied, for those companies whose accounting closing date is different from the consolidated accounting closing date, financial statements based on each company's fiscal year are used.

3. Matters related to the fiscal year of the consolidated subsidiaries

Among consolidated subsidiaries, the settlement date of 137 companies is December 31st.

When preparing for consolidated financial statements, among the companies whose settlement date is December 31st, for 51 companies, financial statements based on the temporary settlement implemented on the consolidated settlement date are used, and for other companies, financial statements as of the settlement date are used. However, for important transactions occurring between the settlement date and the consolidated settlement date, necessary adjustments have been made for the purpose of consolidation.

From the current consolidated fiscal year, 19 companies including NTT DATA EMEA LTD. changed their settlement date to March 31st, which is the same as the consolidated settlement date. Therefore, the accounting period in the current consolidated fiscal year is 15 months.

4. Matters related to accounting standards

(1) Basis and method of valuation of important assets

1) Securities

Held-to-maturity debt securities:

Amortized cost method is used.

Other securities:

a. Those with fair value:

The fair market value method on the fair value, etc. at the end of the fiscal year is used (the valuation difference is recognized directly as net assets in full and the cost of securities sold is calculated using the moving average method).

b. Those without fair value:

The cost method based on the moving average method is used.

2) Inventories

Work in process: At cost based on the specific identification method (the balance sheet amount is calculated at the lowered book values reflecting a potential decline).

Stores: Principally at cost based on the first-in-first-out method (the balance sheet amount is calculated at the lowered book values reflecting a potential decline).

(2) Method of depreciation of important depreciable assets

1) Property, plant and equipment (excluding lease assets)

The straight-line method is applied.

2) Intangible fixed assets (excluding lease assets)

The straight-line method is applied for intangible fixed assets (excluding software).

The depreciation methods for software are as follows:

a. Marketable software:

Comparing the depreciated amount based on the estimated sales revenue over the estimated sales period (within 3 years) and an equal distribution amount based on the length of the remaining period available for sale, the larger one is presented.

b. Software for internal use:

Depreciated using the straight-line method based on its estimated usable period in the Company (within 5 years).

However, among software for service provision purposes, for data communication service software based on a contract with specific customers, the equal installment method is used over the contracted fee payment period.

3) Lease assets

a. Lease assets related to ownership-transfer finance lease transactions

The same depreciation method which is used for self-owned fixed assets is applied.

b. Lease assets related to finance lease transactions without the transfer of ownership:

Mainly the straight-line method of computing depreciation costs assuming the lease term is its useful life and the residual value is 0 is applied.

(3) Valuation basis of superior allowances

1) Allowance for doubtful receivables

In order to provide for possible losses due to the uncollectibility of general account receivables, such an allowance is calculated based on historical collection losses. There is an allowance for specific account receivables such as doubtful accounts receivables, a case-by-case review for collectability is conducted and an estimation of the uncollectible amount is booked.

2) Allowance for losses on contracts

In order to provide for possible future losses related to contracts of orders on hand at the end of the current consolidated fiscal year, those with a high probability of generating losses and where it is possible to reasonably estimate the amount of such losses, the estimated amount of losses to be incurred in the future is provided as an allowance for losses on contracts and presented by offsetting with corresponding work in process.

3) Allowance for retirement benefits for directors

Some consolidated subsidiaries book the necessary amount for a year-end payment based on their internal rules to appropriate the payment for retirement benefits for their directors.

(4) Valuation basis of superior revenue and expenses

1) Valuation basis for contract revenue and the cost of completed work

The percentage-of-completion method has been applied for construction work for which the completion of a certain percentage of the entire work by the date of current consolidated fiscal year end is clearly recognizable (the percentage of completion is estimated by the cost proportion method) and the completed-contract method and expenses has been applied for other contracts.

2) Valuation basis for revenues and expenses related to finance lease transactions

Revenues and expenses related to finance lease transactions are accounted for by a method in which sales and the cost of sales are booked when lease expenses are acquired.

(5) Method of important hedge accounting

Deferred hedge accounting is applied.

However, with regard to foreign currency monetary receivables and payables with forward exchange contracts, designated hedge accounting (“furiate-shori”) is applied.

Among the interest-rate swap transactions, for the transactions which meet the requirements for exceptional accounting (“tokurei-shori”), exceptional accounting is applied.

(6) Accounting policy for retirement benefits

In order to provide for retirement benefits for employees, the Company books the retirement benefits obligations based on the estimated amount at the end of the current consolidated fiscal year by deducting pension assets from the estimated retirement benefits. For consolidated subsidiaries, except for some companies, the simplified method is applied.

1) Period allocation of projected retirement benefits to be incurred

In calculating the retirement benefit obligations, the method based on the benefit formula is used to allocate the projected retirement benefits to the years of service up to the end of the consolidated fiscal year under review.

2) The recognition method for actuarial differences, and prior service cost

The actuarial gains and losses are mainly recognized in the expenses of a proportionally divided amount calculated by the straight-line method over the period of the average remaining service years of employees at the time of recognition of each consolidated fiscal year, commencing with the year following their fiscal year.

The prior service cost is mainly recognized in expenses by the straight-line method over the average remaining service years of employees at the time of recognition of each consolidated fiscal year.

Unrecognized actuarial differences and unrecognized prior service costs are adjusted for tax impacts, and then presented as the re-measurements of retirement benefits of other accumulated comprehensive income under net assets.

(7) Accounting for consumption tax, etc.

Consumption tax, etc. are accounted for by the tax-excluded method.

(Changes in Accounting Policy)

(1) Changes in Accounting Policy

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

Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26 dated March 28, 2016; hereinafter referred to as “Implementation Guidance on Recoverability”) has been applied since the current consolidated fiscal year 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 Item 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 Item 49 (3) 1 to 3 of the Implementation Guidance on Recoverability at the beginning of the current consolidated fiscal year, and the amount of deferred tax assets and deferred tax liabilities at the end of the previous consolidated fiscal year is added to the retained earnings at the beginning of the current consolidated fiscal year.

The impact on the retained earnings and deferred tax assets at the beginning of the current consolidated fiscal year due to this change is minor.

(2) Change of accounting policy which is difficult to distinguish from a change of accounting estimate

(Change in depreciation method of tangible fixed assets)

NTT DATA Corporation, the company preparing consolidated financial statements, and domestic consolidated subsidiaries had mainly applied the declining-balance method; however, since the current consolidated fiscal year, we have changed it to the straight-line method.

NTT DATA Group has conducted research on the use of tangible fixed assets from the viewpoint of accounting policy integration in our active global development based on the Medium-term Management Strategy starting the current consolidated

fiscal year; stable use of hardware for service providing, such as the provision of a combination service with software, etc.

Therefore, we have judged the depreciation method to equally allocate cost over useful lives more appropriately which shows the reality of use of the above fixed assets, employing the straight-line method from the current consolidated fiscal year.

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.

The impact on the adjusted consolidated operating income, ordinary income and net income before tax in the current consolidated fiscal year due to the above change is minor.

(Changes in the Manner of Presentation)

(Matters related to the consolidated statement of income)

The account items “Loss on retirement of non-current assets” and “Compensation for damage,” which were classified in Non-Operating Expenses for the previous consolidated fiscal year, have become less superior in its amount and are therefore included in “Others” from the current consolidated fiscal year.

In addition, 3,502 million yen presented as “Others” of Non-Operating Expenses for the previous fiscal year includes “Loss on retirement of non-current assets,” 523 million yen and “Compensation for damage,” 299 million yen.

(Notes to the Consolidated Balance Sheet)

1. Breakdown of inventories

Merchandise and manufactured goods	2,126 million yen
Work in progress	26,668 million yen
Raw materials and supplies	2,416 million yen

2. Assets offered as security and liabilities related to security

(1) Assets offered as security

Lease receivables investment assets	1,338 million yen
Buildings and structures	12,128 million yen
Machinery, equipment and vehicles	557 million yen
Furniture, fixtures and tools	51 million yen
Land	36 million yen
Software	0 million yen
Investment securities	270 million yen
Investment and other assets (Long-term loans receivables)	540 million yen

(2) Secured liabilities

Corporate bonds	100 million yen
Long-term debt (including those repayable within one year)	2,437 million yen

3. Accumulated depreciation of tangible fixed assets 529,594 million yen

4. Guarantee obligation

Financial warranties for system development/operation contracts	
Prosimulador Tecnología de Tránsito, S.A.	5,101 million yen

5. Others

For stock purchase options for minority interests in foreign consolidated subsidiaries possessed by non-controlling shareholders of such subsidiaries, expected exercise prices are recognized as a debt, and at the same time, the book values of the non-controlling interest for such interests are deducted from "Non-controlling interests" under net assets and the remaining amount is presented in "Others" in accumulated other comprehensive income under net assets.

6. In inventories related to construction contracts for which potential losses are expected, the amount is presented by offsetting with the corresponding allowance for losses on contracts, 10,887 million yen (all of them are an allowance for losses on contracts related to work in progress).

(Notes to the Consolidated Statement of Income)

1. Transfer to allowance for loss on contracts included in cost of sales 5,394 million yen

2. Principal categories and amounts of selling and general administrative expenses

Employees' salaries and allowances	124,523 million yen
Retirement benefits expenses	7,707 million yen
Subcontractor expenses	47,058 million yen
Research and development expenses	12,359 million yen

3. Acquisition expenses under extraordinary losses are expenses which are decided to be paid to key officers and employees of global companies in the Global Segment depending on project performance for a certain period, expecting for anticipation of continuous growth of such companies in the future when a contract of acquisition of shares was closed.

4. Loss on restructuring of subsidiaries and affiliates under extraordinary losses are costs incurred during the integration and restructuring of group companies in the Global Segment and the breakdown is as follows.

	(Unit: million yen)
Labor costs for the integration of IT-related projects, etc.	3,868
Subcontractor expenses for consulting, etc. for the integration of IT-related projects, etc.	3,829
Restructuring costs	1,442
Others	120
<hr/>	
Total	9,260

5. Loss due to impairment of goodwill presented as Non-Operating Expenses and extraordinary loss is as follows:

For a part of the group companies in Global and Financial Segments, we had presented their goodwill of the acquired projects based on its excess earning power. However, as the earnings expected at the beginning can no longer be expected, the said deducted amount of the book value is presented in Others under Non-Operating Expenses (equity in net income/loss of affiliates) at 683 million yen and in extraordinary loss at 2,844 million yen as an impairment loss. Also, the collectible amounts of the asset group including goodwill are calculated principally based on values in use, and the discount rate for such calculation is from 8 to 10%.

The goodwill grouping in NTT DATA and NTT DATA Group was made based on the project of the Company and the Company Group as a minimum unit.

6. As for impairment losses of fixed assets under extraordinary losses, mainly due to the superior deterioration of the profitability of the assets used by the Public & Social Infrastructure Segment, the Company can no longer expect to collect the invested amounts, so the Company decided to apply impairment accounting and reduced the book values of such assets to the future collectible level and the reduced amount is presented.

Breakdowns of impairment losses of fixed assets are 1,162 million yen for software, 168 million yen for data communication facilities, etc.

The asset grouping for NTT DATA and NTT DATA Group was made mainly based on a minimum unit which can be united and function as a system.

The collectible amounts of the asset group are calculated based on the values in use, and the discount rate used for such calculation is mainly 5%.

(Notes to the Consolidated Statement of Shareholder's Equity)

1. Class and number of shares outstanding at the consolidated fiscal year-end

Common stock 280,500,000 shares

2. Class and number of treasury stock at the consolidated fiscal year-end

Common stock 99 shares

3. Dividends

(1) Dividends paid

Approval	Class of Shares	Total Amount of Dividends (million yen)	Dividend per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders on June 22, 2016	Common stock	11,219	40	March 31, 2016	June 23, 2016
The Board of Directors on November 4, 2016	Common stock	9,817	35	September 30, 2016	December 1, 2016

(2) Dividends whose record date is within the consolidated fiscal year ended March 31, 2017, but to be effective in the following consolidated fiscal year.

Approval	Class of Shares	Dividend Source	Total Amount of Dividends (million yen)	Dividend per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders on June 20, 2017	Common stock	Retained earnings	11,219	40	March 31, 2017	June 21, 2017

(Notes related to Financial Instruments)

1. Matters related to the status of financial instruments

(1) Policy for handling financial instruments

For fund management, NTT DATA Group uses highly safe monetary assets and they are also used for NTT and NTT DATA Group finance. The necessary funds for running projects are procured by bank loans payable and the issuance of corporate bonds as well as commercial papers. Derivatives are used to hedge the fluctuation risks of future fair market value (foreign exchange rates and interest rates) (market risk) and the Group does not engage in derivatives for the purpose of speculative trading.

(2) Components and risks of financial instruments

Trade receivables, i.e., notes and accounts receivables, are exposed to customers' credit risk.

Investment securities are mostly corporate shares related to services or capital participation, etc. with customers and are exposed to fair market value fluctuation risk.

Most trade payables, i.e., accounts payable, are due within one year.

The main purpose of short-term loans payable is to procure the necessary operating funds. The main purpose of long-term loans payable and corporate bonds is to procure the necessary funds, etc. for capital investment and the maturity dates are for a maximum of 13 years from the closing date.

The derivative transactions are limited to forward exchange contracts and currency swap transactions, which are aimed at hedging the fluctuation risks of future fair market value (foreign exchange rates and interest rates) (market risk) for the payments of foreign currency payments, etc., and interest rate swap transactions, which is aimed at converting variable rate debts into fixed rate debts.

(3) Financial instrument-related risk control structure

1) Credit risk control (risk related to customers' default of contracts)

In the Company, with regard to trade receivables, the person in charge of the trade receivables of each sector, etc., conducts regular monitoring of the collection status of individual customers to manage due dates as well as the credit balance in accordance with credit management rules, etc., and at the same time, delays in trade receivables are reported to the Corporate Management Committee on a quarterly basis so that early and secured collections can be achieved. Consolidated subsidiaries also conduct credit risk control using similar methods to those of the Company.

When using derivatives, the Company conducts transactions only with highly rated financial institutions, believing there is little default risk (credit risk) of the counterparties.

The greatest credit risk amount as of the date of current consolidated settlement is presented in the balance sheet values of the financial assets which are exposed to credit risks.

2) Management of market risks (exchange and interest rate fluctuation risk)

With regard to foreign currency denominated assets and liabilities, NTT DATA Group basically hedges foreign exchange risk by possessing foreign currency liability in the same currency or other currency which links with the currency in question, making forward exchange contracts, currency swap transactions, currency option transactions, or combinations of them. With regard to variable rate assets and liabilities, the Company basically hedges interest rate risk by possessing liabilities which are linked to the industry interest rate, interest rate swap transactions, interest rate option transactions, or combinations of them.

With regard to investment securities, their market risk is managed by grasping their fair value and checking the financial position of the issuers regularly.

Derivatives are used in accordance with risk control rules and the Finance Department of the Company manages them centrally.

Additionally, the use of derivatives by consolidated subsidiaries is subject to prior discussion with the Company.

3) Fund procurement related liquidity risk management (risk of being unable to pay on the due date)

NTT DATA Group manages liquidity risks by certain means, for example, individual group companies formulate and update monthly funding plans.

(4) Supplementary explanation on items related to fair values of financial instruments

Amounts recorded as the fair values of financial instruments include values based on the fair market value, and when there are

no fair market value, reasonably calculated values are included. Since variable factors are included in such calculations, sometimes the values fluctuate when different assumptions are applied.

2. Matters related to methods of calculating fair values of financial instruments, and securities and derivatives transactions

The amounts recognized on the consolidated balance sheet, fair values and corresponding differences at the end of the current consolidated fiscal year are listed below. Items for which identifying the fair values have been deemed extremely difficult are not included in the table below. (See (Note 2)).

(Unit: million yen)

	Amounts in Consolidated Balance Sheet	Fair Value	Differences
(1) Cash on hand and at banks	212,459	212,459	—
(2) Notes receivable and accounts receivable	458,767	458,767	—
(3) Securities	4,302	4,300	(2)
(4) Deposits	55,808	55,808	—
(5) Investment securities	75,523	75,538	15
Total assets	806,861	806,874	12
(1) Accounts payable	138,453	138,453	—
(2) Short-term borrowings	213,160	213,160	—
(3) Current portion of long-term debt	53,461	53,461	—
(4) Current portion of bonds	49,996	49,996	—
(5) Income taxes payable	35,916	35,916	—
(6) Corporate bonds	160,075	166,283	6,208
(7) Long-term borrowings	168,618	175,213	6,595
Total liabilities	819,681	832,484	12,803
Derivatives transactions (*1)	13,287	13,287	—

(*1) Net claims and liabilities arising on derivatives transactions are stated as a single net amount. If the total is negative figure, the amount is shown in brackets.

(Note 1) Calculation method for the fair value of financial instruments

Assets

(1) Cash on hand and at banks, (2) Notes receivables and accounts receivable, and (4) Deposits

Since these are settled in the short term, the fair value is almost equal to the book values. Therefore, the book values have been adopted.

(3) Securities and (5) Investment securities

For the fair values of these securities, stock exchange prices are used for shares and published based prices are used for investment funds.

Since negotiable deposits are settled in the short term, the fair value is almost equal to the book values. Therefore, the book values have been adopted.

Liabilities

(1) Accounts payable, (2) Short-term borrowings, (3) Current portion of long-term debt, (4) Current portion of bonds, and (5) Income taxes payable

Since these are settled in the short term, the fair value is almost equal to the book values, and therefore, the book values have been adopted.

(6) Corporate bonds

The fair market value of corporate bonds issued by the Company is based on the fair market value, and when there are no fair market value, it is based on the current value which is calculated by discounting the total of the principal and interest using an interest rate which reflects the corporate bond's remaining period.

(7) Long-term borrowings

The fair value of long-term borrowings is based on the current value calculated by discounting the total of the principal and interest using an interest rate which is reasonably estimated, should similar new borrowings be made.

Derivatives transactions

The fair value of derivatives is based on the values presented by the financial institutions with which the Company has transactions. For details of the derivative transactions, see “Note to Derivatives transactions.”

(Note 2) Unlisted shares (amount presented in the consolidated balance sheet, 11,310 million yen) have no fair market value and are deemed to require excessive cost to calculate their future cash flow. Therefore, identifying their fair value is deemed extremely difficult and they are not included in “Assets (5) Investment securities.”

(Note 3) Scheduled redemption amount of monetary receivables and securities with maturity dates after the consolidated fiscal year end date.

	1 year or less (million yen)	More than 1 year, less than 5 years (million yen)	More than 5 years, less than 10 years (million yen)	More than 10 years (million yen)
Cash on hand and at banks	212,459	—	—	—
Notes and accounts receivable	458,767	—	—	—
Deposits	55,808	—	—	—
Securities and investment securities				
Negotiable certificate of deposit	4,000	—	—	—
Bonds held to maturity	302	512	2,395	300
Available-for-sale securities with maturity	—	98	—	66
Total	731,338	610	2,395	366

(Note 4) Amounts of corporate bonds, long-term borrowings and other interest-bearing liabilities due for repayment after the consolidated fiscal year end date.

	1 year or less (million yen)	More than 1 year, less than 5 years (million yen)	More than 5 years, less than 10 years (million yen)	More than 10 years (million yen)
Short-term borrowings	213,160	—	—	—
Current portion of long-term debt	53,461	—	—	—
Current portion of bonds	49,996	—	—	—
Corporate bonds	—	110,089	49,985	—
Long-term borrowings	—	102,688	64,671	1,258
Total	316,618	212,778	114,657	1,258

(Notes to Derivatives transactions)

1. Derivatives transactions not subject to hedge accounting

Currency-related

Category	Transaction type	Contract amounts (million yen)	Contracts for over 1 year (million yen)	Fair value (million yen)	Valuation gain/loss (million yen)
Transactions other than industry transactions	Foreign exchange contract				
	Euro selling/ Swiss franc buying	105	52	(22)	(22)
	Euro selling/ US dollar buying	6,219	350	(192)	(192)
	Great Britain pound selling/ Japanese yen buying	1,805	—	6	6
	Euro selling/ Japanese yen buying	10,798	—	(2)	(2)
	AU dollar selling/ Japanese yen buying	171	—	0	0
	US dollar selling/ Japanese yen buying	330	—	1	1
	Brazilian real selling/ Japanese yen buying	323	—	(1)	(1)
	Swiss franc selling/ Japanese yen buying	112	—	0	0
	Taiwan dollar selling/ Japanese yen buying	127	—	(1)	(1)
	Thai baht selling/ Japanese yen buying	202	—	0	0
	Euro selling/ Indian rupee buying	158	—	5	5
Japanese yen selling/ Chinese yuan buying	1,750	—	(134)	(134)	
Industry transactions	Foreign exchange contract				
	Brazilian real selling/ Euro buying	577	—	(26)	(26)
	Great Britain pound selling/ Euro buying	514	—	21	21
	US dollar selling/ Euro buying	130	—	(7)	(7)
	Peruvian nuevo sol selling/ Euro buying	951	—	2	2
	Euro selling/ US dollar buying	1,030	—	55	55
Brazilian real selling/ US dollar buying	326	—	(3)	(3)	
Total		25,637	403	(297)	(297)

(Note) Fair value is calculated on the basis of the values stated by the financial institutions involved in the transactions.

2. Derivatives transactions subject to hedge accounting

Currency-related

Hedge accounting method	Transaction type	Main items hedged	Contract amounts (million yen)	Contracts for over 1 year (million yen)	Fair value (million yen)
Deferral method	Foreign exchange contract US dollar selling/ Indian rupee buying	Foreign-currency-denominated forecast transactions	8,751	—	504
	Japanese yen selling/ Chinese yuan buying		6,000	1,000	(220)
Total			14,751	1,000	284

(Note) Fair value is calculated on the basis of the values stated by the financial institutions involved in the transactions.

Currency-and-interest-rate-related

Hedge accounting method	Transaction type	Main items hedged	Contract amounts (million yen)	Contracts for over 1 year (million yen)	Fair value (million yen)
Integral accounting for currency and interest rate contracts	Currency and interest rate swap contracts Floating rate receiving/ Fixed rate paying	Long-term borrowings Foreign-currency-denominated forecast transactions	93,687	39,270	12,116
	US dollar receiving/ Euro paying Floating rate receiving/ Fixed rate paying		74,052	74,052	1,282
Total			167,739	113,322	13,398

(Note) Fair value is calculated on the basis of the values stated by the financial institutions involved in the transactions.

Interest-rate-related

Hedge accounting method	Transaction type	Main items hedged	Contract amounts (million yen)	Contracts for over 1 year (million yen)	Fair value (million yen)
Exceptional accounting method for interest rate swap contracts	Interest rate swap contracts Floating rate receiving/ Fixed rate paying	Long-term borrowings	8,976	8,976	(97)
	Total		8,976	8,976	(97)

(Note) Fair value is calculated on the basis of the values stated by the financial institutions involved in the transactions.

(Notes related to project combinations)

(Conversion of Dell Systems Corporation into subsidiaries and acceptance of transfer of IT services related projects)

The Company, a company preparing consolidated financial statements, acquired all of the shares outstanding of Dell Systems Corporation by our U.S. subsidiary, NTT DATA, Inc. The Company also acquired all of the shares outstanding of DELL TECHNOLOGY & SOLUTIONS LIMITED and DELL SERVICES PTE.LTD. by our Netherlands subsidiary, NTT DATA Services International Holdings B.V.

The Company also acquired all of the stakes of U.S. Services, L.L.C. by our U.S. subsidiary, NTT Data International L.L.C. and NTT DATA, Inc.

Additionally, the Company acquired the Dell Group's IT services related projects mainly in North America by NTT Data International L.L.C., NTT DATA, Inc. and NTT DATA Services International Holdings B.V.

1. Overview of the project combination

(1) Names of the acquired companies

Dell Systems Corporation

(The company name was changed to NTT DATA Services Corporation.)

DELL TECHNOLOGY & SOLUTIONS LIMITED

(The company name was changed to NTT DATA SERVICES IRELAND LIMITED.)

DELL SERVICES PTE.LTD.

(The company name was changed to NTT DATA SERVICES SINGAPORE PTE.LTD.)

U.S. Services L.L.C.

(The company name was changed to NTT DATA Services, L.L.C.)

(2) Name of the company associated with project transfer

Dell Inc.

(3) Project lines of the acquired companies and details of the acquired project

IT outsourcing, BPO, application development/management, etc.

(4) Reasons for the project combination

Dell Services Division provides cloud services, application-related services and BPO services mainly in North America, with a strong customer base encompassing healthcare, manufacturing and service sectors, financial institutions, the federal government, etc. In particular, the division has been highly valued for its sector-specific digital solution and BPO services for the healthcare sector, mainly medical institutions and health insurers. By the transfer of the Dell Services, NTT DATA Group will expand the group's projects in various sectors mainly in North America and aim to strengthen cloud services and BPO services by utilizing cutting-edge technologies.

(5) Project combination date

November 2, 2016 (U.S. time)

(6) Legal form of the project combination

Acquisition of shares and equity interests and project transfer in consideration for cash

(7) Basis for determination of the acquiring company

Due to the purchase of shares/equity interests and project transfer in consideration for cash

(8) Names of the companies after the combination

NTT DATA Services Corporation

NTT DATA SERVICES IRELAND LIMITED

NTT DATA SERVICES SINGAPORE PTE.LTD.

NTT DATA Services, L.L.C

(9) Acquired ratio of the voting rights

NTT DATA Services Corporation	100%
NTT DATA SERVICES IRELAND LIMITED	100%
NTT DATA SERVICES SINGAPORE PTE.LTD.	100%
NTT DATA Services, L.L.C	100%

2. The record period of the acquired companies and projects which is included in the consolidated statement of income related to the consolidated accounting period

From November 2, 2016 to January 31, 2017

3. Breakdowns of types of the acquisition costs and the consideration of the acquired companies and projects

Cash	350,188 million yen
Acquisition cost	350,188 million yen

4. Contents and the amounts of major costs related to the acquisition

Advisory fee, etc.	1,949 million yen
Attorney's fee	1,984 million yen
Others	404 million yen
Costs related to the acquisition	4,338 million yen

5. Amount of goodwill occurred, reasons of occurrence, method and period of amortization

(1) Amount of goodwill occurred

149,671 million yen (an estimation)

The amount of goodwill is provisionally calculated due to the incompleteness of realization of recognizable assets and liabilities and calculation of fair values as of the date of the project combination, and therefore, the allocation of the acquisition cost.

(2) Reasons of occurrence

It occurred on the basis of reasonable estimation of future excess earning power expected from the project development by NTT DATA Services (former Dell Services Division).

(3) Method and period of amortization

Equal-installment depreciation over 20 years

6. Acquired assets and liabilities on the date of project combination and the major breakdowns

Assets

Current assets	52,415 million yen
Fixed assets	150,748 million yen

Liabilities

Current liabilities	21,209 million yen
Fixed liabilities	14,445 million yen

7. Allocation of acquisition cost

The provisional accounting process is adopted based on reasonable available information at the fiscal year-end due to the incompleteness of realization of recognizable assets and liabilities and calculation of fair values at the end of the current consolidated fiscal year, and therefore, the allocation of the acquisition cost.

8. Estimated amount and the method of calculation of the impact on the consolidated statement of income for the current consolidated fiscal year, should the project combination be completed on the start day of the consolidated fiscal year.

Estimated amount

Sales	224,978 million yen
Net profit before tax, etc.	13,134 million yen

(Calculation method of the estimated amount)

The estimated amount of the impact is the difference between the sales amount, profit and loss calculated on the supposition which the project combination was completed on the start day of the consolidated fiscal year and the sales amount, profit and loss on the Company's consolidated financial statements. The audit certification has not been acquired for this estimated amount.

(Notes to Rental Real Estate)

The Company and some of our consolidated subsidiaries hold office buildings (including land) for rent in Tokyo and other areas.

Leasing and gain or loss on sales related to the real estate for lease assets in the current consolidated fiscal year was 113 million yen (mainly leasing profit and expenses are recorded in consolidated net sales and cost of goods sold, respectively).

The amount of the real estate for lease assets recorded in the consolidated balance sheet, the amount of change during the period, and fair values are as follows.

(Unit: million yen)

Amount recorded in the consolidated balance sheet			Fair value at the end of the period
Beginning balance	Change during the period	Ending balance	
27,844	(1,236)	26,608	64,864

(Note 1) Amount recorded in the consolidated balance sheet refers to an amount with the amount of accumulated depreciation deducted from the acquisition cost.

(Note 2) Change during the period mainly includes the depreciation (- 1,179 million yen).

(Note 3) Fair value at the end of the period mainly includes the amount calculated by the Company based on "The Real Estate Appraisal Standards" (including the amount calculated and adjusted by the Company using indexes).

(Note to the Per-Share Information)

1. Net assets per share	2,847.42 yen
2. Net income per share	234.18 yen

Non-Consolidated Statements of Shareholders' Equity 29thFY (FY ended 31, March 2017)

(Unit: ¥ million)

	Net assets										
	Shareholders' equity						Valuation and translation adjustments			Total	
	Capital stock	Capital surplus	Retained earnings			Treasury shares	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges		Total
		Legal capital surplus	Legal retained earnings	Other retained earnings	Total						
Balance at beginning of current period	142,520	139,300	2,287	445,368	447,656	(0)	729,476	32,007	(7,208)		24,798
Cumulative effects of changes in accounting policies				275	275		275				275
Restated balance	142,520	139,300	2,287	445,644	447,931	(0)	729,751	32,007	(7,208)	24,798	754,549
Changes of items during period											
Dividends of surplus(Note 1)				(11,219)	(11,219)		(11,219)				(11,219)
Dividends of surplus(Note 2)				(9,817)	(9,817)		(9,817)				(9,817)
Net income				74,513	74,513		74,513				74,513
Net changes of items other than shareholders' equity								7,512	7,096	14,609	14,609
Total changes of items during period	—	—	—	53,476	53,476	—	53,476	7,512	7,096	14,609	68,085
Balance at end of current period	142,520	139,300	2,287	499,120	501,408	(0)	783,227	39,519	(112)	39,407	822,635

Breakdown of Other Retained Earnings

	Other retained earnings				Total
	Reserve for special depreciation	Reserve for reduction entry	General reserve	Retained earnings brought forward	
Balance at beginning of current period	98	233	288,000	157,037	445,368
Cumulative effects of changes in accounting policies				275	275
Restated balance	98	233	288,000	157,312	445,644
Changes of items during period					
Dividends of surplus(Note1)				(11,219)	(11,219)
Dividends of surplus(Note2)				(9,817)	(9,817)
Reversal of reserve for special depreciation	(33)			33	—
Reversal of reserve for reduction entry		(66)		66	—
Net income				74,513	74,513
Total changes of items during period	(33)	(66)	—	53,576	53,476
Balance at end of current period	64	166	288,000	210,888	499,120

Notes:

1. This is the item of appropriation of retained earnings resolved at the ordinary general meeting of shareholders held in June 2016.
2. This is the item resolved at the meeting of the Board of Directors held in November 2016.
3. Amounts less than one million yen are rounded down.

Notes to Non-Consolidated Financial Statements

(Matters related to important accounting policy)

1. Basis and method of valuation of securities

Held-to-maturity debt bonds: amortized cost method is used.

Shares of subsidiaries and affiliates: the cost method based on the moving average method is used.

Other securities:

(1) Those with fair value:

The fair value method based on the fair market value, etc. at the end of the fiscal year is used (valuation difference is recognized directly as net assets in full and the cost of securities sold is calculated using the moving average method).

(2) Those without fair value:

The cost method based on the moving average method is used.

2. Basis and method of valuation of inventories

Work in progress: At cost based on the specific identification method (the balance sheet amount is calculated at the lowered book values reflecting a potential decline)

Stores: At cost based on the first-in-first-out method (the balance sheet amount is calculated at the lowered book values reflecting a potential decline)

3. Method of depreciation of fixed assets

(1) Property, plant and equipment (excluding lease assets)

The straight-line method is applied.

(2) Intangible fixed assets (excluding lease assets)

The straight-line method is applied for intangible fixed assets (excluding software).

The depreciation methods for software are as follows:

1) Marketable software:

Comparing the depreciated amount based on the estimated sales revenue over the estimated sales period (within 3 years) and an equal distribution amount based on the length of the remaining period available for sale, the larger one is presented.

2) Software for internal use:

Depreciated using the straight-line method based on its estimated usable period in the Company (within 5 years).

However, among software for service provision purposes, for data communication service software based on a contract with specific customers, the equal installment method is used over the contracted fee payment period.

(3) Lease assets

a. Tangible lease assets

For the leased assets related to finance lease transactions without the transfer of ownership, mainly the straight-line method of computing depreciation costs assuming the lease term is its useful life and the residual value of 0 is applied.

b. Intangible lease assets

The straight-line method is used.

4. Valuation basis for superior allowances

(1) Allowance for doubtful receivables

In order to provide for possible losses due to the uncollectibility of general account receivables, such an allowance is calculated based on historical collection losses. There is an allowance for specific account receivables such as doubtful accounts receivables, a case-by-case review for collectability is conducted and an estimation of the uncollectible amount is booked.

(2) Allowance for losses on contracts

In order to provide for possible future losses related to contracts of orders on hand at the end of the current fiscal year, those with a high probability of generating losses and where it is possible to reasonably estimate the amount of such losses, the

estimated amount of losses to be incurred in the future is provided as an allowance for losses on contracts and presented by offsetting with corresponding work in progress.

(3) Allowance for retirement benefits

The Company books the necessary amount for a year-end payment based on the estimated amount of retirement benefit obligations and the pension assets at the end of the current fiscal year to appropriate the payment for retirement benefit for our employees.

1) Period allocation of projected retirement benefits to be incurred

In calculating the retirement benefit obligations, a method based on the benefit formula is used to allocate the projected retirement benefits to the year of service up to the end of the fiscal year under review.

2) The recognition method for actuarial differences, and prior service cost

The actuarial gains and losses are mainly recognized in the expenses of the proportionally divided amount calculated by the straight-line method over a period of the average remaining service years of employees at the time of recognition of each fiscal year, commencing with the year following their fiscal year.

The prior service cost is mainly recognized in expenses by the straight-line method over the average remaining service years of employees at the time of recognition of each fiscal year.

5. Valuation basis for superior revenues and expenses

(1) Valuation basis for contract revenue and the cost of completed work

The percentage-of-completion method has been applied for construction work for which the completion of a certain percentage of the entire work by the date of current consolidated fiscal year end is clearly recognizable (the percentage of completion is estimated by the cost proportion method) and the completed-contract method has been applied for other contracts.

(2) Valuation basis for revenues and expenses related to finance lease transactions

Revenues and expenses related to finance lease transactions are accounted for by a method in which sales and the cost of sales are booked when lease expenses are acquired.

6. Method of hedge accounting

Deferred hedge accounting is applied.

However, with regard to foreign currency monetary receivables and payables with forward exchange contracts, designated hedge accounting (“firiate-shori”) is applied.

Among the interest-rate swap transactions, for the transactions which meet the requirements for exceptional accounting (“tokurei-shori”), exceptional accounting is applied.

7. Accounting for consumption tax, etc.

Consumption tax, etc. are accounted for by the tax-excluded method.

8. Accounting method related to retirement benefits

In the financial statements, unrecognized actuarial gains and losses and unprocessed amount of unrecognized prior services cost in the balance sheet are processed differently from the consolidated financial statements. In the non-consolidated balance sheet, the amount for which unrecognized actuarial gains and losses and unprocessed amount of unrecognized prior services cost is added or deducted from the retirement benefit obligation, and the amount of pension asset is deducted, is presented as the allowance for retirement benefit.

(Changes in Accounting Policy)

(1) Changes in Accounting Policy

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

Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26 dated March 28, 2016; hereinafter referred to as “Implementation Guidance on Recoverability”) has been applied since the current fiscal year and some of the accounting methods concerning the recoverability of deferred tax assets have been revised.

Application of Implementation Guidance on Recoverability is based on transitional handling specified in Item 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 Item 49 (3) 1 to 3 of the Implementation Guidance on Recoverability at the beginning of the current fiscal year, and the amount of deferred tax assets and deferred tax liabilities at the end of the previous fiscal year is added to the retained earnings at the beginning of the current fiscal year.

The impact on the retained earnings and deferred tax assets at the beginning of the current fiscal year due to this change is minor.

(2) Change of accounting policy which is difficult to distinguish from a change of accounting estimate

(Change in depreciation method of tangible fixed assets)

NTT DATA Corporation, the company submitting financial statements, had mainly applied the declining-balance method; however, since the current fiscal year, we have changed it to the straight-line method.

The Company has conducted research on the use of tangible fixed assets from the viewpoint of accounting policy integration in our active global development based on the Medium-term Management Strategy starting the current fiscal year; stable use of hardware for service providing, such as the provision of a 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 applied the straight-line method from the current fiscal year.

Additionally, 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 have been revised.

The impact on the adjusted consolidated operating income, ordinary income and net income before tax in the current fiscal year due to the above change is minor.

(Changes in the Manner of Presentation)

(Matters related to the balance sheet)

The account item “Lease and guarantee deposits,” which was classified in Investments and other assets for the previous fiscal year, has become less superior in its amount and is therefore included in “Others” from the current fiscal year.

In addition, 25,135 million yen presented as “Others” of Investments and other assets for the previous fiscal year includes “Lease and guarantee deposits,” 9,393 million yen.

(Matters related to the income statement)

The account item “Gain on sales of subsidiaries’ and affiliates’ stocks,” which was included in “Others” of Non- Adjusted Consolidated Operating Income for the previous fiscal year, has become superior in its amount and is therefore classified and reported separately from the current fiscal year.

In addition, 1,812 million yen presented as “Others” of Non-Adjusted Consolidated Operating Income for the previous fiscal year has been restated as “Gain on sales of subsidiaries’ and affiliates’ stocks,” 81 million yen and “Others,” 1,731 million yen.

(Notes to the Balance Sheet)

1. Breakdown of inventories

Merchandise	1,568 million yen
Work in progress	18,179 million yen
Supplies	914 million yen

2. Assets offered as security and liabilities related to security

(1) Assets offered as security

Notes receivable and accounts receivable	17 million yen
Investment securities	270 million yen
Stocks of subsidiaries and affiliates	12 million yen
Other current, current assets (short-term loans receivable from subsidiaries and affiliates)	3 million yen
Long-term loans receivable	540 million yen
Long-term loans receivable from subsidiaries and affiliates	43 million yen

(2) Secured liabilities

Long-term borrowings of subsidiaries (including those repayable within one year)	1,309 million yen
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3. Accumulated depreciation of tangible fixed assets 466,940 million yen

4. Guarantee obligation

Performance warranties for system development/operation contracts

NTT DATA Services, L.L.C	153,040 million yen
NTT DATA Payment Services Victoria Pty Ltd.	69,844 million yen
Others	7,412 million yen

5. Monetary claims/liabilities against affiliated companies (excluding those presented separately)

Short-term monetary claims	55,577 million yen
Short-term monetary liabilities	122,026 million yen
Long-term monetary liabilities	6,534 million yen

6. In inventories related to construction for which potential losses are expected, the amount is presented by offsetting with the corresponding allowance for losses on contracts (9,850 million yen [all of them are an allowance for losses on contracts related to work in progress]).

(Notes to the Income Statement)

1. Transactions with subsidiaries and affiliated companies

Consolidated net sales	13,882 million yen
Cost of sales, etc.	236,126 million yen
Selling, general and administrative expenses	31,460 million yen
Non-trade transactions	9,531 million yen

2. Transfer to allowance for loss on contracts included in cost of sales 3,568 million yen

3. As for impairment losses of fixed assets under extraordinary losses, mainly due to the superior deterioration of the profitability of the assets used by the Public & Social Infrastructure Segment, the Company can no longer expect to collect the investment amounts, so the Company decided to apply impairment accounting and reduced the book values of such assets to the future collectible level and the reduced amount is presented.

Breakdowns of impairment losses of fixed assets are 1,050 million yen for software, 168 million yen for data communication facilities.

The asset grouping was made mainly based on a minimum unit which can be united and function as a system.

The collectible amounts of the asset group are calculated based on values in use, and the discount rate used for such calculation is 5%.

4. Loss on restructuring of subsidiaries and affiliates under extraordinary losses are costs incurred during the integration and restructuring of group companies in the Global Segment: consulting fee, etc. for the integration.

(Notes to the Statement of Shareholders' Equity)

1. Class and number of treasury stock at the current fiscal year-end

Common stock	99 shares
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(Notes to Tax impact Accounting)

1. Breakdown of deferred income taxes and liabilities by major cause

Deferred income taxes

Provision for retirement benefits	25,501 million yen
Accounts receivable	12,392 million yen
Depreciation in excess of limit	10,854 million yen
Long-term borrowings (Repurchase of noncurrent assets)	2,533 million yen
Adjustment to the percentage-of-completion method	2,751 million yen
Others	15,635 million yen
Deferred income taxes subtotal	69,667 million yen
Valuation allowance	(8,515) million yen
Total deferred income taxes	61,152 million yen
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(17,429) million yen
Fixed assets	(13,413) million yen
Difference on book value of affiliates' shares by restructuring	(3,400) million yen
Others	(4,188) million yen
Total deferred tax liabilities	(38,431) million yen
Net deferred income taxes	22,720 million yen

2. Breakdown of major items which caused differences between the statutory effective tax rate and the income tax and other burden rates after tax impact accounting

Statutory effective tax rate	30.86%
(Adjustments)	
Entertainment and other expenses which are permanently nondeductible	0.33%
Dividends income	(2.44)%
Per-capita inhabitant tax	0.08%
Tax credit by R&D tax reduction	(0.69)%
Valuation allowance increase/(decrease)	1.41%
Others	(0.84)%
Income tax and other burden rates after tax impact accounting	28.71%

(Notes to Related-Party Transactions)

Directors and Principal Individual Shareholders, etc.

Attribute	Name of the related party	Address	Common stock (million yen)	Type of project	% of held voting rights, etc., (owned)	Relationship between the related parties		Transaction details	Transaction amount (million yen)	Account items	Year-end balance (million yen)
						Additional posts held by the directors	Operating relation				
Officer	Toshio Iwamoto	—	—	President and Chief Executive Officer of NTT DATA Corporation Chairman of the Japan Electronic Payment Promotion Organization	(owned) Direct 0.0	—	—	Project rental income and other project income	28	—	—
								Payment of annual fees	3	—	—

(Note) 1. Transaction amounts do not include consumption taxes, etc.

(Note) 2. The terms and conditions of the transactions above and the determination policies for such conditions are the same as those for other project partners.

Affiliated companies, etc.

Attribute	Company name	% of held voting rights, etc., (owned)	Relationship between the related parties	Transaction details	Transaction amount (million yen)	Account item	Year-end balance (million yen)
Affiliated company	NTT DATA, Inc.	(Held) Indirect 100.0 (Owned) Direct 0.0	Entering into contract of term loan	Lending of funds	7,758	Other current assets, current assets (short-term loans receivable from subsidiaries and affiliates)	35,791
				Repayment of funds	6,795		
	EVERIS PARTICIPACIONES, S.L.U.	(Held) Direct 100.0 (Owned) Direct 0.0	Entering into contract of term loan	Lending of funds	8,136	Long-term loans receivable from subsidiaries and affiliates	23,596
	NTT DATA EMEA LTD.	(Held) Direct 100.0 (Owned) Direct 0.0	Entering into contract of term loan	Lending of funds	21,584	Long-term loans receivable from subsidiaries and affiliates	20,818
				Repayment of funds	134		
	NTT Data International L.L.C	(Held) Direct 100.0 (Owned) Direct 0.0	Subscription of this company's capital increase	Subscription of capital increase (Note 2)	333,595	—	—
	NTT DATA Services International Holdings B.V.	(Held) Direct 100.0 (Owned) Direct 0.0	Subscription of this company's capital increase	Subscription of capital increase (Note 2)	30,029	—	—
	NTT DATA Services, L.L.C	(Held) Indirect 100.0 (Owned) Direct 0.0	Performance warranties for system development/operation contracts, etc.	Performance warranties for system development/operation contracts, etc.	153,040	—	—
NTT DATA Payment Services Victoria Pty Ltd.	(Held) Indirect 100.0 (Owned) Direct 0.0	Performance warranties for system development/operation contracts, etc.	Performance warranties for system development/operation contracts, etc.	69,844	—	—	

(Note)1. With regard to the lending of funds, interest rates are determined rationally by taking industry interest rates into consideration. No collateral is obtained.

(Note)2. The capital increase was executed by the affiliate company.

Group companies

Attribute	Company name	% of held voting rights, etc., (owned)	Relationship between the related parties	Transaction details	Transaction amount (million yen)	Account item	Year-end balance (million yen)
Subsidiary of parent company	NTT Finance Corporation	(Held) Direct 3.1 (Owned) Direct 0.0	Transactions among NTT Group companies	Transactions among NTT Group companies	45,248	Accounts due	12,020
			Fund deposit, etc.	Fund deposit (Note 3)	114,277	Deposits paid	55,808
				Interest revenue accompanying the fund deposit	18		
			Fund borrowing	Fund borrowing	40,000	Long-term borrowings	40,000
				Fund borrowing (Note 3)	98,195	Short-term borrowings	183,464

(Note) 1. Transaction amounts do not include consumption taxes, but amounts of the year-end balance include them.

(Note) 2. The terms and conditions of the transactions above and the determination policies for such conditions are the same as those for other project partners.

(Note) 3. As the transaction amounts of fund deposits and borrowings, the average balances of the deposits paid and short-term borrowings are presented.

(Notes to the per-share information)

- | | |
|-------------------------|--------------|
| 1. Net asset per share | 2,932.75 yen |
| 2. Net income per share | 265.65 yen |

[Reference] Consolidated Statements of Income and Comprehensive Income

(Unit: ¥ million)

	29 th FY (2016/4/1-2017/3/31)	28 th FY (2015/4/1-2016/3/31)
Net sales	1,732,473	1,614,897
Cost of sales	1,293,600	1,216,795
Gross profit	438,872	398,101
Selling, general and administrative expenses	321,763	297,216
Operating income	117,109	100,885
Non-operating income	7,542	7,844
Non-operating expenses	11,658	10,571
Ordinary income	112,993	98,158
Extraordinary income	18,325	15,237
Extraordinary losses	25,986	5,607
Income before income taxes	105,332	107,789
Income taxes - current	52,525	46,925
Income taxes - deferred	(15,705)	(4,570)
Total income taxes	36,820	42,354
Net income	68,512	65,434
Net income (loss) attributable to non-controlling interests	2,825	2,061
Net income attributable to owners of parent	65,686	63,373
Other comprehensive income		
Valuation difference on available-for-sale securities	7,323	(14,349)
Deferred gains or losses on hedges	7,373	(8,186)
Foreign currency translation adjustment	(12,525)	(25,975)
Remeasurements of defined benefit plans, net of tax	8,769	(29,872)
Share of other comprehensive income of entities accounted for using equity method	(243)	(208)
Other	(213)	480
Total other comprehensive income	10,485	(78,110)
Comprehensive income	78,997	(12,676)
Comprehensive income attributable to owners of parent	76,135	(13,371)
Comprehensive income attributable to non-controlling interests	2,862	695

Note: Amounts less than one million yen are rounded down.

[Reference] Consolidated Statements of Cash Flows

(Unit: ¥ million)

	29 th FY (2016/4/1-2017/3/31)	28 th FY (2015/4/1-2016/3/31)
Cash flows from operating activities		
Income before income taxes	105,332	107,789
Depreciation	154,542	147,961
Loss on retirement of non-current assets	5,467	7,250
Increase (decrease) in net defined benefit liability	21,801	8,292
Interest expenses	5,372	5,492
Impairment loss of noncurrent assets	1,579	1,620
Decrease (increase) in notes and accounts receivable - trade	(9,032)	(43,052)
Decrease (increase) in inventories	(4,497)	5,373
Increase (decrease) in notes and accounts payable - trade	16,609	9,574
Increase (decrease) in advances received	14,908	27,954
Increase (decrease) in accrued consumption taxes	2,355	(11,123)
Other, net	(5,443)	(205)
Subtotal	308,995	266,928
Interest and dividend income received	3,131	3,175
Interest expenses paid	(5,377)	(5,544)
Income taxes (paid) refund	(68,197)	(31,808)
Net cash provided by (used in) operating activities	238,552	232,751
Cash flows from investing activities		
Purchase of property, plant and equipment	(67,141)	(47,440)
Purchase of intangible assets	(90,939)	(77,922)
Proceeds from sales of investment securities	22,036	23,014
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(6,930)	(28,351)
Purchase of equity interests of subsidiaries resulting in change in scope of consolidation	(348,431)	—
Net decrease (increase) in time deposits	1,402	(294)
Net decrease (increase) in short-term deposits paid	50,000	(50,000)
Other, net	11,650	(7,735)
Net cash provided by (used in) investing activities	(428,354)	(188,730)

Note: Amounts less than one million yen are rounded down.

	29 th FY (2016/4/1-2017/3/31)	28 th FY (2015/4/1-2016/3/31)
Cash flows from financing activities		
Redemption of bonds	—	(40,000)
Proceeds from long-term loans payable	115,512	523
Repayments of long-term loans payable	(29,331)	(595)
Net increase (decrease) in short-term loans payable	163,145	1,198
Repayments of lease obligations	(3,129)	(1,625)
Cash dividends paid	(21,037)	(16,834)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(5,180)	(461)
Other, net	2,097	(385)
Net cash provided by (used in) financing activities	222,076	(58,179)
Effect of exchange rate change on cash and cash equivalents	(5,789)	(3,131)
Net increase (decrease) in cash and cash equivalents	26,485	(17,290)
Cash and cash equivalents at beginning of period	233,553	250,843
Cash and cash equivalents at end of period	260,038	233,553

Note: Amounts less than one million yen are rounded down.