

Note; This document is in English translation of “Kessan Tanshin” for the Second Quarter of the Fiscal Year Ending March 31, 2023, 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, 2023 [IFRS]

November 7, 2022

Company name	: NTT DATA CORPORATION (“NTT DATA”)
Stock exchange on which the Company’s shares are listed	: Tokyo Stock Exchange Prime Segment
Code number	: 9613
URL	: https://www.nttdata.com/global/en/
Representative	: Yo Honma, President and Chief Executive Officer, Representative Director
Contact	: Sota Endo, Senior Executive Manager, Investor Relations Office Tel.:+81-3-5546-8119
Scheduled date of filing of Quarterly Business Report	: November 9, 2022
Scheduled date of dividend payment	: December 1, 2022
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 FY2022 (From April 1, 2022 to September 30, 2022)

(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	%
FY2022 Q2	1,371,423	13.1	107,929	(1.1)	110,627	(0.4)	72,771	1.3	189,342	70.8
FY2021 Q2	1,212,079	12.2	109,138	71.0	111,047	76.9	71,869	74.4	110,857	77.0

	Net income per share	Net income per share (diluted)
FY2022 Q2	¥ 51.89	¥ -
FY2021 Q2	¥ 51.24	¥ -

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to shareholders of NTT DATA	Equity ratio attributable to shareholders of NTT DATA
	¥ million	¥ million	¥ million	%
FY2022 Q2	3,353,785	1,501,092	1,437,954	42.9
FY2021	3,084,513	1,328,267	1,270,874	41.2

2. Dividends

	Cash dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	Year-end	Total
FY2021	¥ -	¥ 9.50	¥ -	¥ 11.50	¥ 21.00
FY2022	-	10.50			
FY2022 (Forecast)			-	10.50	21.00

(Notes) • Revisions to the forecasts of dividends announced most recently: No
 • The year-end dividend of 11.50 yen for FY2021 includes a special dividend of 2.0 yen.

3. Forecasts of Consolidated Results for FY2022 (From April 1, 2022 to March 31, 2023)

(% 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	3,270,000	28.1	236,000	11.0	230,000	6.6	136,000	(4.9)	96.97

(Notes) • Revisions to the forecasts of consolidated results announced most recently: No
 • The above figures are forecasts of consolidated results (including PMI cost) assuming the combination of overseas businesses between NTT DATA Group and former NTT, Inc. Group.
 • Regarding former NTT, Inc. Group's overseas business, the forecasts include estimates based on certain premises derived from information available at this time. (The consolidation is scheduled to take place in October 2022.)

* Notes:

(1) Changes in significant subsidiaries in Q2 of FY2022 (From April 1, 2022 to September 30, 2022) : 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 : No
 2) Changes in accounting policies other than 1) : No
 3) Changes in accounting estimates : Yes

(3) Number of shares outstanding (common stock)
 1) Number of shares outstanding (inclusive of treasury stock)
 FY2022 Q2 (September 30, 2022) 1,402,500,000 shares
 FY2021 (March 31, 2022) 1,402,500,000 shares
 2) Number of treasury stock
 FY2022 Q2 (September 30, 2022) 498,065 shares
 FY2021 (March 31, 2022) 116,349 shares
 3) Average number of shares over the period (consolidated total for quarter)
 FY2022 Q2 (From April 1, 2022 to September 30, 2022) 1,402,302,820 shares
 FY2021 Q2 (From April 1, 2021 to September 30, 2021) 1,402,471,237 shares

Note: NTT DATA introduced a performance-based stock remuneration plan from the second quarter of FY2021.

The number of treasury stock at the end of the period and the number of treasury stock deducted when calculating average number of shares over the period include 496,900 treasury shares held by the stock delivery trust under the performance-based stock remuneration plan.

* “Kessan Tanshin” is an unaudited financial report.

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

- The results forecasts contained in this document are based on certain premises derived from information available to the NTT DATA Group at this time. As a result of various factors that may arise in the future, actual results may differ from the Group's forecasts.
- 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.
- 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. Items Regarding Summary Information (Notes)

(1) Changes in Accounting Estimates

In the consolidated cumulative second quarter of the current fiscal year, a defect was found that had newly occurred after the time of the previous review of total costs. As a result, the possibility of outflow of economic benefits has increased and we have changed the estimated costs. Accordingly, the cost of sales, including provision for loss on order received, increased by 7,046 million yen in the Public & Social Infrastructure Segment.

2. Condensed Quarterly Consolidated Financial Statements and Major Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Unit: ¥ million)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	246,941	298,375
Trade and other receivables	672,665	604,829
Contract asset	105,477	150,738
Inventories	25,429	32,988
Other financial assets	79,342	40,734
Other current assets	117,187	250,851
Total current assets	1,247,041	1,378,515
Non-current assets		
Property, plant and equipment	332,225	327,936
Right-of-use assets	151,794	161,538
Goodwill	493,769	589,003
Intangible assets	506,705	536,515
Investment property	29,423	26,715
Investments accounted for using the equity method	5,570	6,206
Other financial assets	123,049	127,526
Deferred tax assets	123,268	126,783
Other non-current assets	71,669	73,048
Total non-current assets	1,837,472	1,975,269
Total assets	3,084,513	3,353,785

(Unit: ¥ million)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Trade and other payables	462,231	417,373
Contract liabilities	283,854	278,530
Bonds and borrowings	102,829	191,450
Lease liabilities	42,560	46,695
Other financial liabilities	3,572	4,356
Income taxes payable	47,319	27,987
Provisions	7,650	10,149
Other current liabilities	37,781	28,036
Total current liabilities	987,797	1,004,577
Non-current liabilities		
Bonds and borrowings	393,651	443,552
Lease liabilities	124,004	135,597
Other financial liabilities	15,098	20,723
Retirement benefit liability	193,170	199,586
Provisions	5,863	6,046
Deferred tax liabilities	22,764	25,125
Other non-current liabilities	13,898	17,487
Total non-current liabilities	768,449	848,116
Total liabilities	1,756,246	1,852,693
Equity		
Equity attributable to shareholders of NTT DATA		
Capital stock	142,520	142,520
Capital surplus	102,340	97,016
Retained earnings	915,853	972,478
Treasury shares	(205)	(1,014)
Other components of equity	110,365	226,954
Total equity attributable to shareholders of NTT DATA	1,270,874	1,437,954
Non-controlling interests	57,393	63,138
Total equity	1,328,267	1,501,092
Total liabilities and equity	3,084,513	3,353,785

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

Condensed Quarterly Consolidated Statement of Income

(Unit: ¥ million)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	1,212,079	1,371,423
Cost of sales	892,838	1,017,628
Gross profit	319,241	353,795
Selling, general and administrative expenses	210,103	245,867
Operating income	109,138	107,929
Financial income	4,832	5,799
Financial costs	2,892	3,173
Share of profit/loss of entities accounted for using equity method	(31)	72
Income before income taxes	111,047	110,627
Income taxes	35,638	33,539
Net income	75,409	77,088
Net income attributable to:		
Shareholders of NTT DATA	71,869	72,771
Non-controlling interests	3,540	4,317
Total	75,409	77,088
Net income per share attributable to shareholders of NTT DATA		
Net income per share (yen)	51.24	51.89

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Unit: ¥ million)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net income	75,409	77,088
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	30,123	(6,325)
Remeasurements of defined benefit plans	(10)	(166)
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Items that may be reclassified subsequently to profit/loss		
Effective portion of cash flow hedges	293	379
Hedge cost	436	(359)
Foreign currency translation adjustment	8,418	124,657
Share of other comprehensive income of entities accounted for using equity method	31	92
Total other comprehensive income (after taxes)	39,291	118,279
Comprehensive income	114,700	195,366
Comprehensive income attributable to:		
Shareholders of NTT DATA	110,857	189,342
Non-controlling interests	3,842	6,024
Total	114,700	195,366

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

(Six months ended September 30, 2021)

(Unit: ¥ million)

	Equity attributable to shareholders of NTT DATA						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2021	142,520	105,988	721,565	(1)	102,827	1,072,899	53,648	1,126,548
Comprehensive income								
Net income	—	—	71,869	—	—	71,869	3,540	75,409
Other comprehensive income	—	—	—	—	38,989	38,989	302	39,291
Comprehensive income	—	—	71,869	—	38,989	110,857	3,842	114,700
Transactions with shareholders								
Dividends of surplus	—	—	(12,622)	—	—	(12,622)	(1,568)	(14,190)
Transfer to retained earnings	—	—	(9)	—	9	—	—	—
Acquisition and disposal of treasury stocks	—	—	—	(204)	—	(204)	—	(204)
Net changes in controlled subsidiaries' stocks	—	(1,047)	—	—	—	(1,047)	(623)	(1,670)
Stock-based remuneration transaction	—	32	—	—	—	32	—	32
Put options written on non-controlling interests	—	(2,187)	—	—	—	(2,187)	—	(2,187)
Other	—	(145)	—	—	—	(145)	(409)	(554)
Total transactions with shareholders	—	(3,347)	(12,631)	(204)	9	(16,173)	(2,600)	(18,773)
As of September 30, 2021	142,520	102,641	780,803	(205)	141,824	1,167,584	54,890	1,222,474

(Six months ended September 30, 2022)

(Unit: ¥ million)

	Equity attributable to shareholders of NTT DATA						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
As of April 1, 2022	142,520	102,340	915,853	(205)	110,365	1,270,874	57,393	1,328,267
Comprehensive income								
Net income	—	—	72,771	—	—	72,771	4,317	77,088
Other comprehensive income	—	—	—	—	116,572	116,572	1,707	118,279
Comprehensive income	—	—	72,771	—	116,572	189,342	6,024	195,366
Transactions with shareholders								
Dividends of surplus	—	—	(16,129)	—	—	(16,129)	(2,343)	(18,472)
Transfer to retained earnings	—	—	(17)	—	17	—	—	—
Acquisition and disposal of treasury stocks	—	—	—	(809)	—	(809)	—	(809)
Net changes in controlled subsidiaries' stocks	—	(579)	—	—	—	(579)	2,157	1,578
Stock-based remuneration transaction	—	60	—	—	—	60	—	60
Put options written on non-controlling interests	—	(3,779)	—	—	—	(3,779)	—	(3,779)
Other	—	(1,026)	—	—	—	(1,026)	(93)	(1,119)
Total transactions with shareholders	—	(5,325)	(16,146)	(809)	17	(22,263)	(279)	(22,542)
As of September 30, 2022	142,520	97,016	972,478	(1,014)	226,954	1,437,954	63,138	1,501,092

(4) Notes to Condensed Quarterly Consolidated Financial Statements

(Material subsequent events)

Consolidation of Apisero Holdings Corporation as a subsidiary of NTT DATA Group

(1) Outline of the Business Combination

On October 27, 2022, NTT DATA, the company submitting consolidated financial statements, concluded an agreement to acquire Apisero Holdings Corporation (headquartered in Arizona, USA; hereinafter “Apisero”) through the Company’s North American subsidiary NTT DATA Services.

The details of the transaction are as follows.

Name of acquired company	Apisero Holdings Corporation
Details of business	Provision of full lifecycle support for MuleSoft products
Main reason for the business combination	<p>Apisero is a leading global MuleSoft consulting firm and one of the largest partners of MuleSoft with over 1,500 certified MuleSoft consultants. MuleSoft is part of the Salesforce family and is a cloud-based integration platform that connects multiple systems under different environments via API. As a leader in the iPaaS market, which offers solutions to support the digital transformation, MuleSoft has been introduced by many leading global companies. Apisero provides full lifecycle support for MuleSoft products to help customers promote digital strategies and differentiate themselves from competitors.</p> <p>The acquisition adds approximately 2,100 personnel of Apisero, including certified MuleSoft and Salesforce consultants, to the Company. By combining them with digital response capabilities that we have acquired through past acquisitions, we will be able to further strengthen our competitiveness. For that reason, NTT DATA conducts the business combination.</p>
Date of acquisition	October 27, 2022
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

Cash USD 176 million

Contingent consideration USD 25 million

(3) Amount and Item of Acquisition-Related Costs

Not determined at this time

(4) Goodwill, Recognizable Acquired Assets and Assumed Liabilities

Not determined at this time

Consolidation of Aspirent Consulting, LLC as a subsidiary of NTT DATA Group

(1) Outline of the Business Combination

On October 14, 2022, NTT DATA, the company submitting consolidated financial statements, concluded an agreement to acquire Aspirent Consulting, LLC (headquartered in Georgia, USA; hereinafter “Aspirent”) through the Company’s subsidiary NTT DATA Inc. The details of the transaction are as follows.

Name of acquired company	Aspirent Consulting, LLC
Details of business	Data analytics services (advisory services, introduction of solutions, integration, etc.)
Main reason for the business combination	Aspirent supports customers in data utilization and digital transformation by taking advantage of their strength in advisory services in the field of data analytics. This acquisition will add approximately 230 staff of Aspirent to the Company, which will enable us to significantly expand the delivery capability in this field and further strengthen the ability to offer cloud-based data solutions such as Microsoft Azure, AWS, Databricks, and Snowflake. For these reasons, NTT DATA executes the business combination.
Date of acquisition	Scheduled in November 2022
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 to be acquired	100%

(2) Consideration of the Transfer

Cash USD 210 million (estimated amount)

(3) Amount and Item of Acquisition-Related Costs

Not determined at this time

(4) Goodwill, Recognizable Acquired Assets and Assumed Liabilities

Not determined at this time

Consolidation as a subsidiary through an absorption-type company split

(1) Outline of the Business Combination

Based on an absorption-type company split agreement concluded on May 9, 2022, NTT DATA has executed an absorption-type company split in which the rights and obligations of the overseas business operated by NTT DATA will be succeeded to NTT, Inc. (the “Overseas Business Split”), effective as of October 1, 2022.

Since the Overseas Business Split constitutes a transaction, etc., under common control based on the Company Group’s accounting policy and NTT, Inc. will meet the control criteria under the accounting standards related to consolidated financial statements, NTT, Inc. will become a subsidiary of the Company.

After the execution of the Overseas Business Split, the name of the succeeding company will be NTT DATA, Inc. (“NTT DATA, Inc.”)

(2) Method of the Overseas Business Split

This is an absorption-type company split of the overseas business operated by the Company, where the Company is the splitting company and NTT, Inc. is the succeeding company.

(3) Terms of the Allotment Under the Overseas Business Split

NTT, Inc. has issued 3,315 shares of common stock as consideration for the Overseas Business Split and allotted and delivered those shares in NTT, Inc. to NTT DATA. As a result, the holding ratios of NTT, Inc. shares after the Overseas Business Split, as of the effective date of the Overseas Business Split, are 51% (number of shares held: 3,315 shares) as to the Company and 49% (number of shares held: 3,185 shares) as to Nippon Telegraph and Telephone Corporation (“NTT”). Please note that we acquired additional 260 shares (equivalent to 4% of the total number of issued shares on the same date) of common stock of NTT, Inc. held by NTT for a total amount of 112 billion yen as of the effective date of the Overseas Business Split (the “Additional Share Acquisition”). As a result, the holding ratios of NTT, Inc. shares are 55% (number of shares held: 3,575 shares) as to the Company and 45% (number of shares held: 2,925 shares) as to NTT.

The Additional Share Acquisition was executed on September 30, 2022, because the effective date is not a business day, while the additional share acquisition shall take effect on October 1, 2022. Payment for the additional share acquisition is included in “Other current assets” on the condensed quarterly consolidated statement of financial position as of September 30, 2022.

(4) Outline of Business Subject to Split

Details of business for divisions subject to split

Formulation of strategies, business management, and governance management, etc., regarding overseas business operated by NTT DATA Group

(5) Fair Value of Acquired Assets and Assumed Liabilities

Being calculated at this moment

(6) Future Outlook

We are currently investigating the impact this transaction will have on the financial results.

As described in the “Additional Information,” NTT DATA plans to shift to a holding company with two subsidiaries, i.e., NTT DATA, Inc. and the business split preparation company (the “Domestic Business Split Preparation Company”) that was established as a wholly-owned subsidiary of the Company on November 1, 2022.

Change of Largest and Major Shareholder

NTT, Inc. has carried out a share split in which each 1 share of its common stock was divided into 49 shares (the “Share Split”) and distributed all of 760,000,000 shares of common stock of the Company held by NTT, Inc. (54.2% of the total number of voting rights) in kind to NTT (the “Distribution in Kind”), effective as of October 1, 2022. As a result of the Distribution in Kind, NTT, Inc. is no longer the parent company of the Company or the largest and major shareholder of the Company, and NTT has become the largest and major shareholder of the Company.

Change of Subsidiaries

As a result of the acquisition of 3,315 NTT, Inc. shares by the Company as consideration for the Overseas Business Split, NTT, Inc. and its subsidiaries have newly become subsidiaries of the Company. On the effective date of the Overseas Business Split, the Company acquired 260 NTT, Inc. shares held by NTT through the Additional Share Acquisition. The shares of the subsidiary for overseas business of the Company Group will be succeeded by NTT, Inc. by way of the Overseas Business Split, but as detailed above, since the Company will acquire NTT, Inc. shares, the subsidiary for overseas business of the Company Group continues to be the subsidiary of the Company.

(Additional Information)

Transition to Holding Company structure

NTT DATA has resolved at the Board of Directors meeting on May 9, 2022, to establish a Domestic Business Split Preparation Company as a wholly-owned subsidiary of the Company and by having the Domestic Business Split Preparation Company take over the domestic business of the Company by or around July 1, 2023, through an absorption-type company split (the “Domestic Business Split”), shift to a holding company with two subsidiaries, i.e., NTT DATA, Inc. and the Domestic Business Split Preparation Company (the “Transition to Holding Company Structure”).

1. Purpose and Effects of the Transition to Holding Company Structure

Given the overseas business combination against the backdrop of accelerating efforts towards digital transformation on a global scale and more complex and diverse customer needs, we consider it necessary to reconstruct the group management structure and further strengthen governance through speedy decision-making in responding to changes in the external environment and local markets, improved mobility, flexible system designs, etc., and have decided to execute the Transition to Holding Company Structure.

After transitioning to a holding company structure, NTT DATA, as a holding company, will specialize in the formulation and implementation of growth strategies from the perspective of optimizing the entire Group, business management, etc., in order to increase the corporate value of the entire Group.

2. Outline of the Transition to Holding Company Structure

(1) Schedule for the Domestic Business Split

Board of directors meeting to approve the establishment of the Domestic Business Split Preparation Company	May 9, 2022
Establishment of the Domestic Business Split Preparation Company	November 1, 2022
Board of directors meeting to approve execution of the absorption-type company split agreement	May 2023 (scheduled)
Execution of the absorption-type company split agreement	May 2023 (scheduled)
Resolution at general shareholders meeting regarding the absorption-type company split agreement	June 2023 (scheduled)
Effective date of the Domestic Business Split	July 1, 2023 (scheduled)

(2) Method of the Domestic Business Split

The method of the Domestic Business Split is expected to be an absorption-type company split where the Company is the splitting company and the Domestic Business Split Preparation Company, a wholly-owned subsidiary of the Company, is the succeeding company.

(5) Notes to Going Concern Assumptions

N/A