NTT DATA
Trusted Global Innovator

ANNUAL REPORT 2020

Report as at March 31, 2020

Registered Office: Milan, Viale Cassala, 14/A
Share Capital: Euro 33.107.160 fully paid up

Subject to direction and coordination by NTT DATA EMEA Ltd
Tax Code and registration in Companies Register of Milan: 00513990010

Courtesy translation

About us

NTT DATA – Trusted Global Innovator

We are a global company providing a wide range of IT services and solutions, including consultancy, system integration and outsourcing. Established in 1967 in Tokyo and listed on the stock exchange in 1995, today we employ over 110,000 professionals in 50 countries worldwide, including Italy.
We are therefore a key strategic partner for all our customers, combining a global presence with an ability to pay special attention to the local requirements of our customers.

People are central to our mission

Every day we make our contribution to a society ever more focused on wellbeing and harmony.
We are committed to exploring new paths and creating new opportunities using technology as a tool for improving our lives.

Our vision

We do more than oversee projects for our customers: we build a relationship with them and help them to achieve their goals. We use the most advanced technology to create ecosystems in continuous evolution, embracing all cultures, encouraging inclusion and respecting diversity at all levels within our company.

Our values

Clients First

First, and above all else, we place the needs of our clients. We continuously work to understand your business and strive to resolve every concern to your satisfaction. We feel a responsibility to ensure your success. We let this obligation set the direction of our work and guide our actions.

Foresight

We never settle for the status quo. Instead, with speed and foresight, we anticipate challenges that lay ahead. We consider the future of IT as well as the future of your business, work to enhance our ability to picture the future, and with our ecosystems, adapt to the changing business environment. In this way, we help you to meet your goals and create a brighter future for society.

Teamwork

We put great importance on enabling our employees to achieve their best through their work with each other. We believe that when a diverse group of individuals brings their unique worldviews together, shares their wisdom, and works toward a common goal, the results are extraordinary and far beyond what can be achieved by any one person.

CONTENTS

Group results

Group results
March 2020

REVENUES
€ thousand

431.895

EBIT before non recurring items
€ thousand

11.129

EBIT
€ thousand

(22.960)

NET RESULT
€ thousand

(20.871)

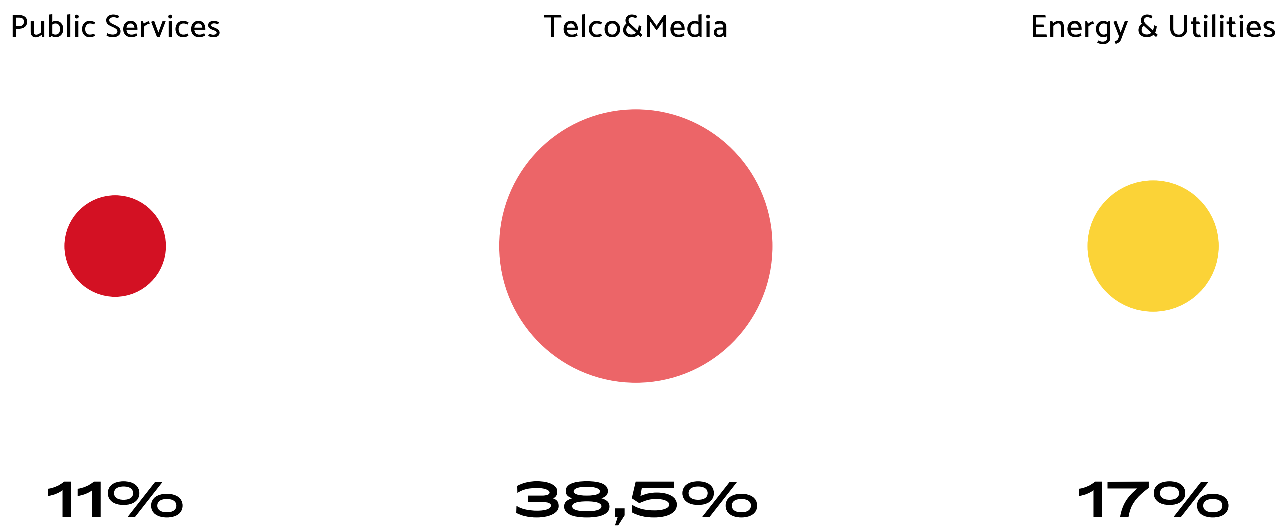
OPERATING CASH FLOW
€ thousand

19.319

EMPLOYEES
employees, number

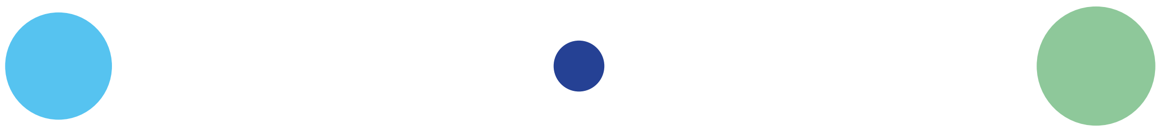
3.990

Industry footprint

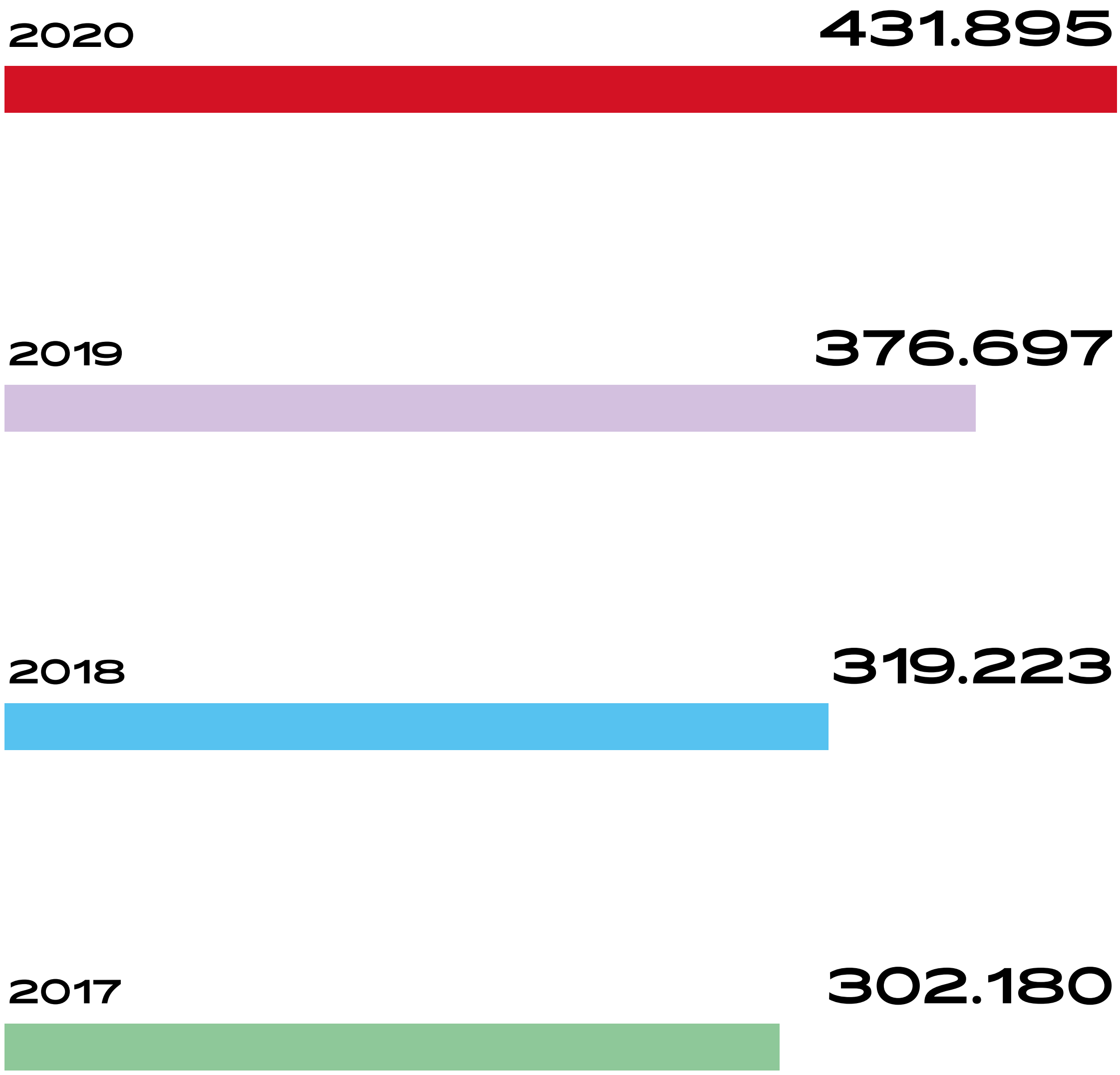


% total revenues 2020

Banking	Insurance	Manufacturing, Retail & Services
13,7%	5%	14,8%

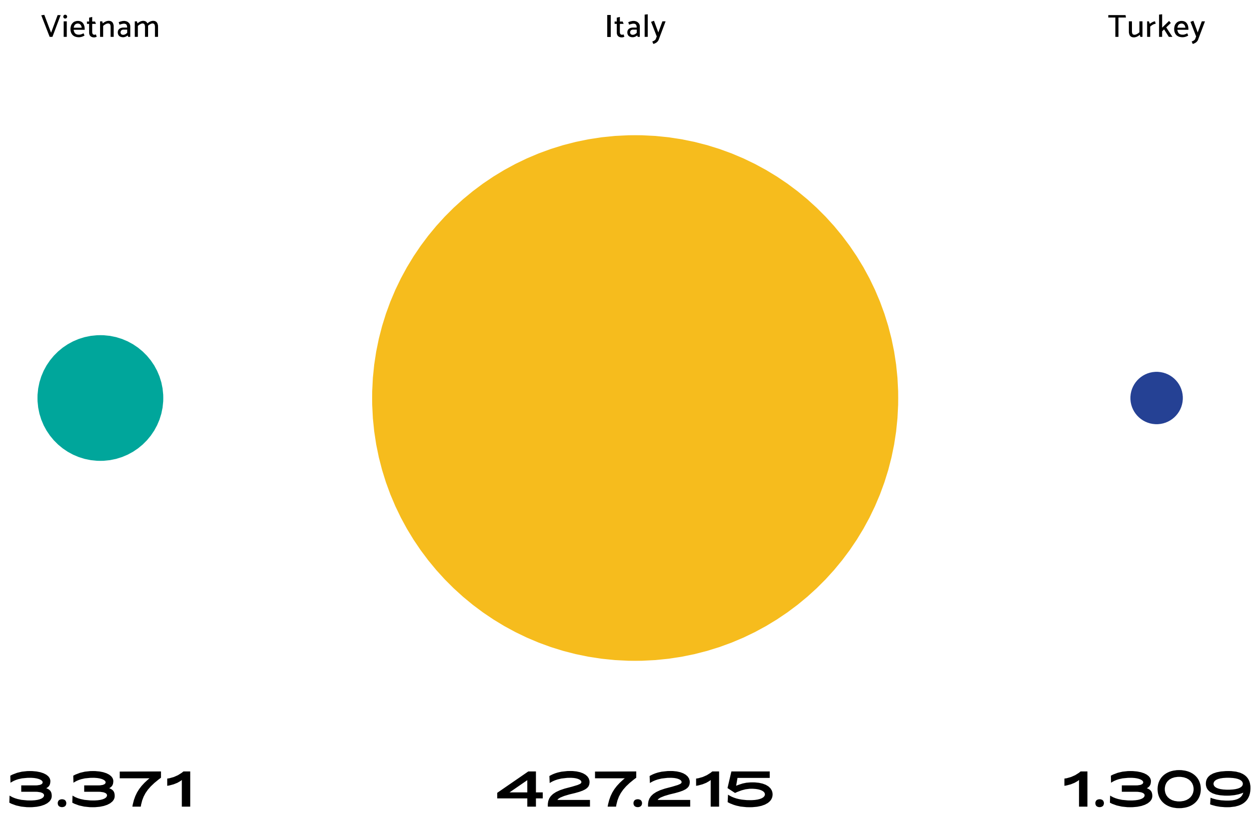


Revenues
by year



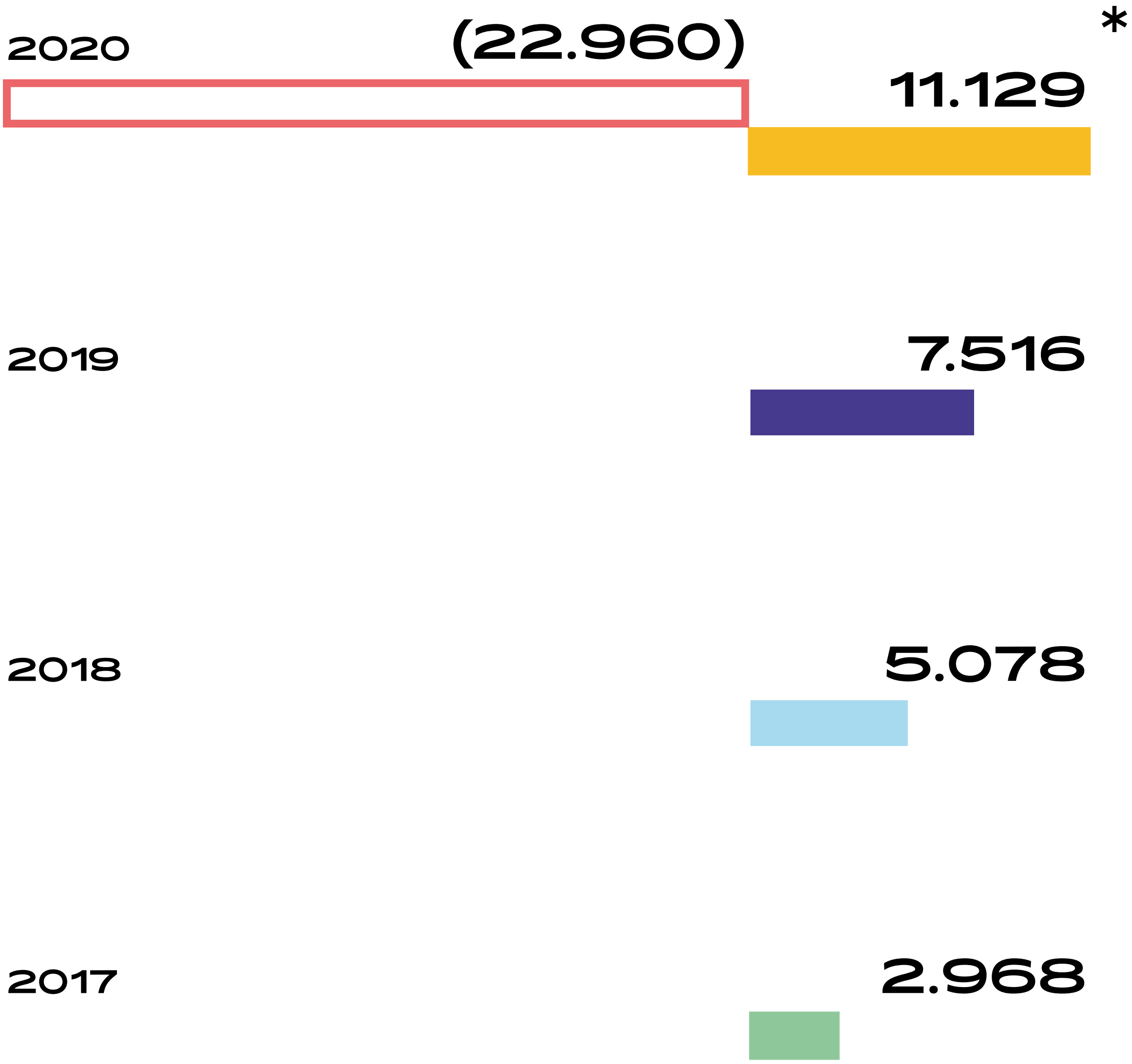
€ thousand group results

by geography



€ thousand group results 2020

EBIT
by year

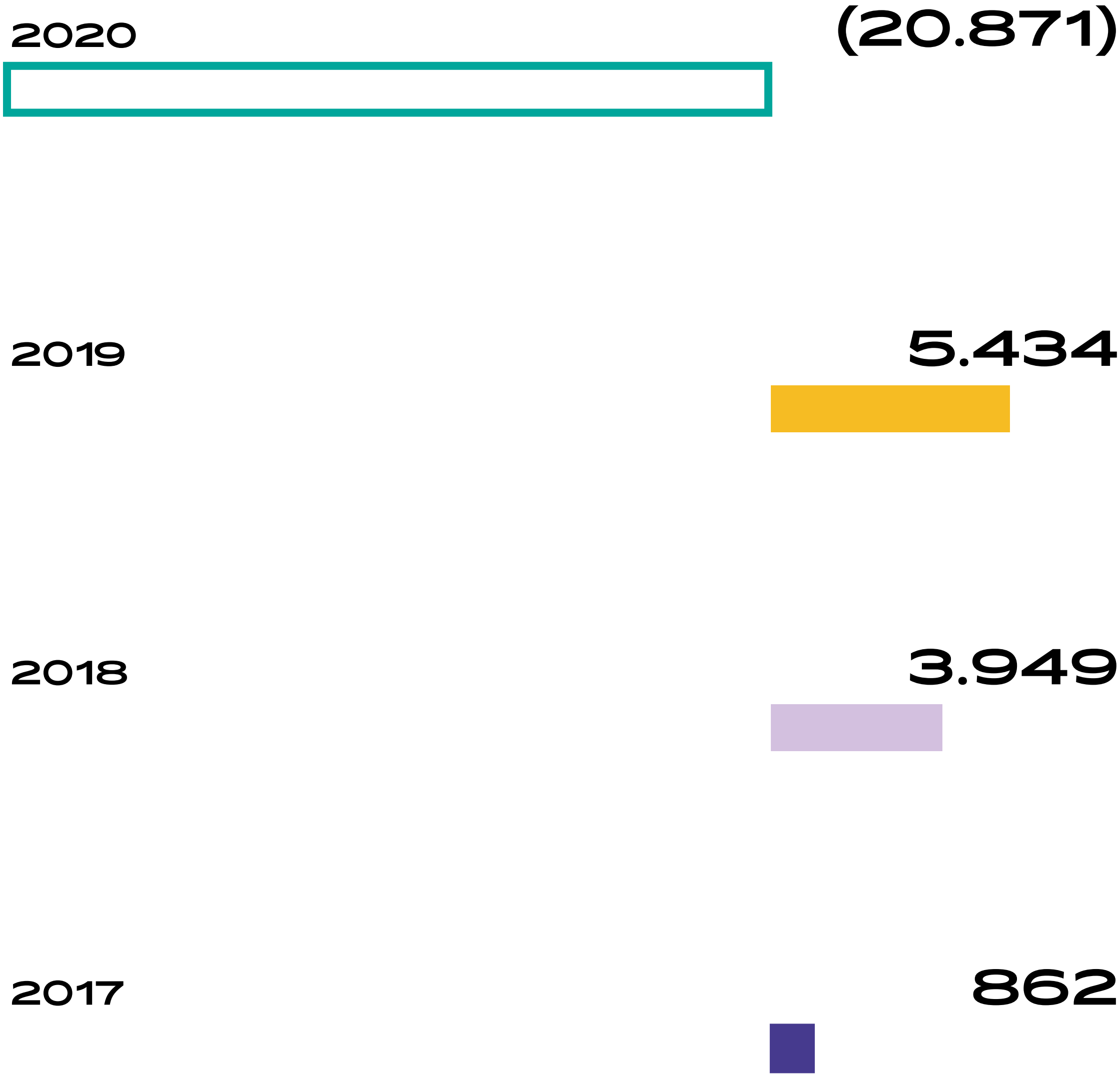


€ thousand group results

* EBIT before non recurring items

by geography

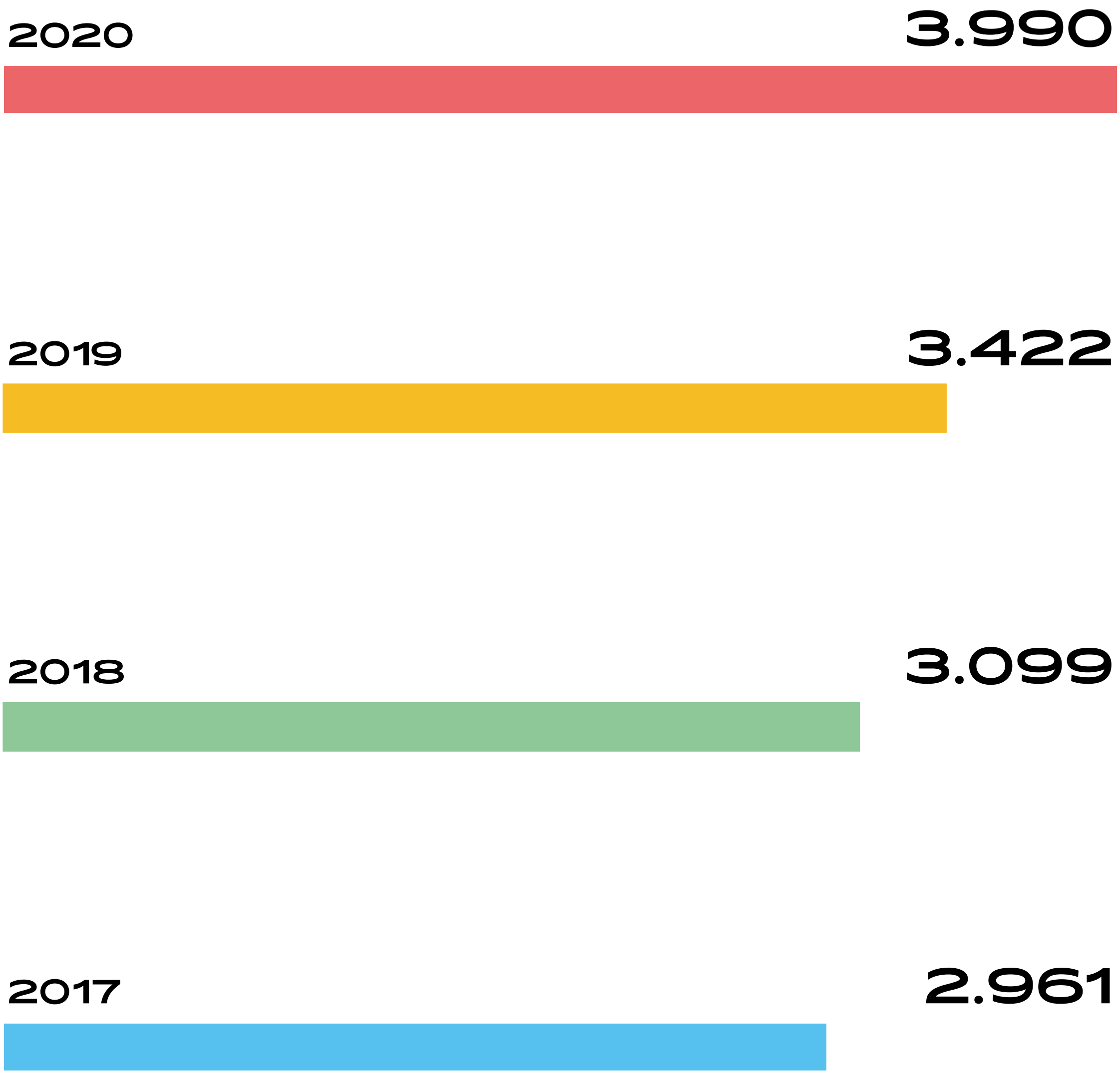
Net result
by year



€ thousand group results

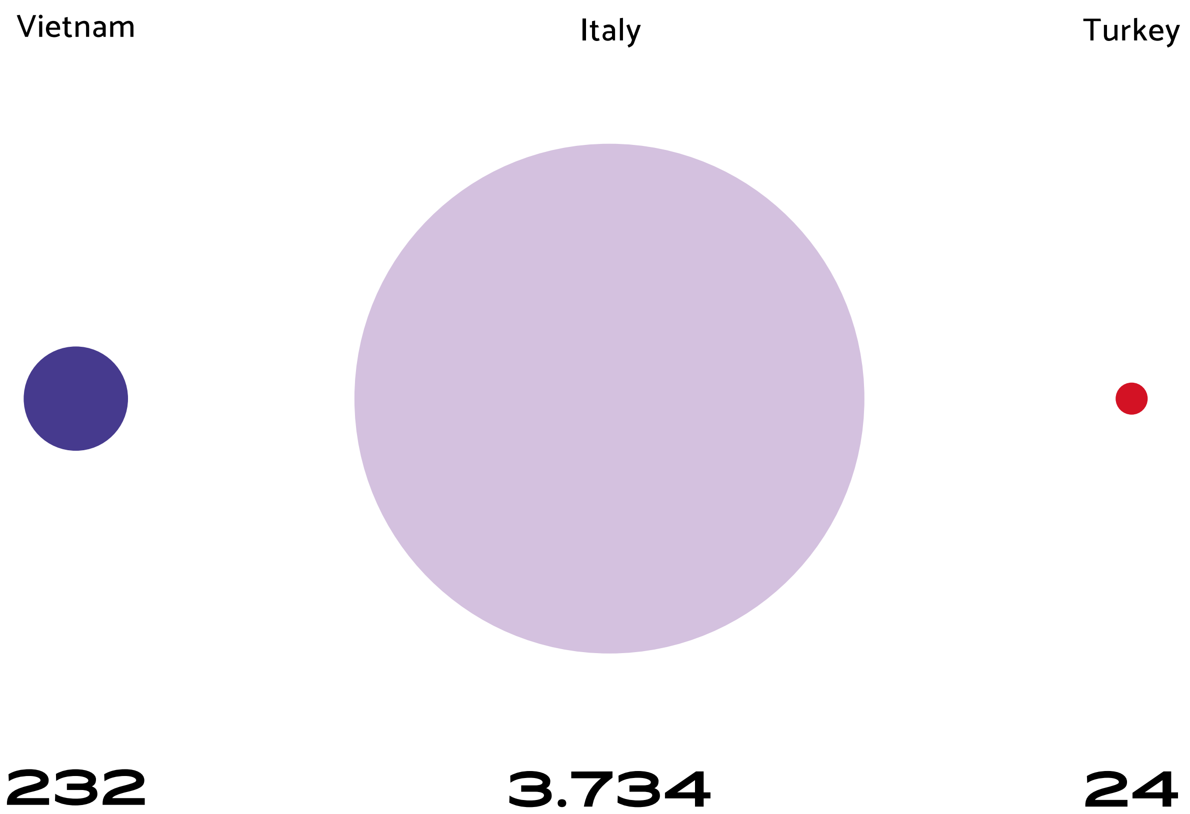
by geography

Employees
by year



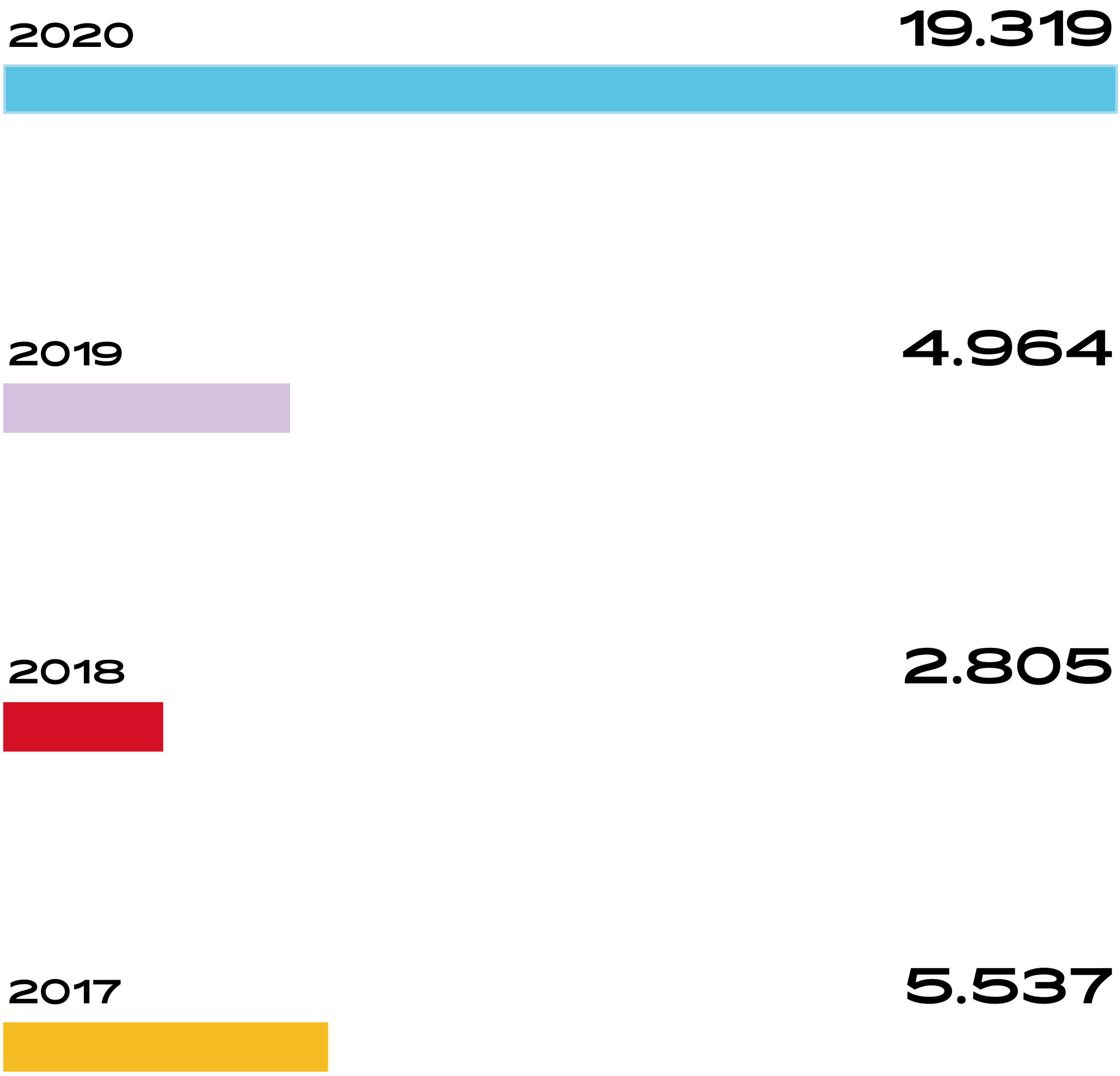
employees, number, group

by geography



employees, number, group 2020

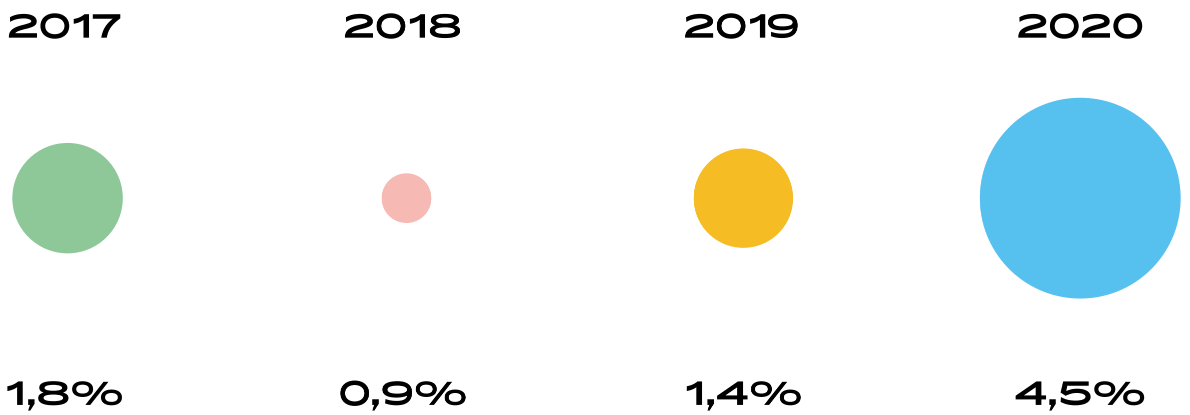
Operating cash flow
by year



€ thousand group results

by geography

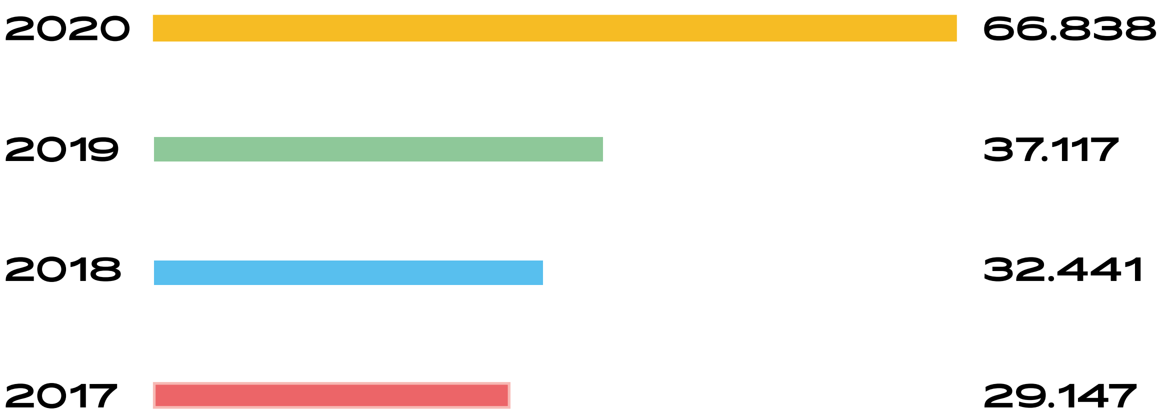
Operating Cashflow/Total assets ratio

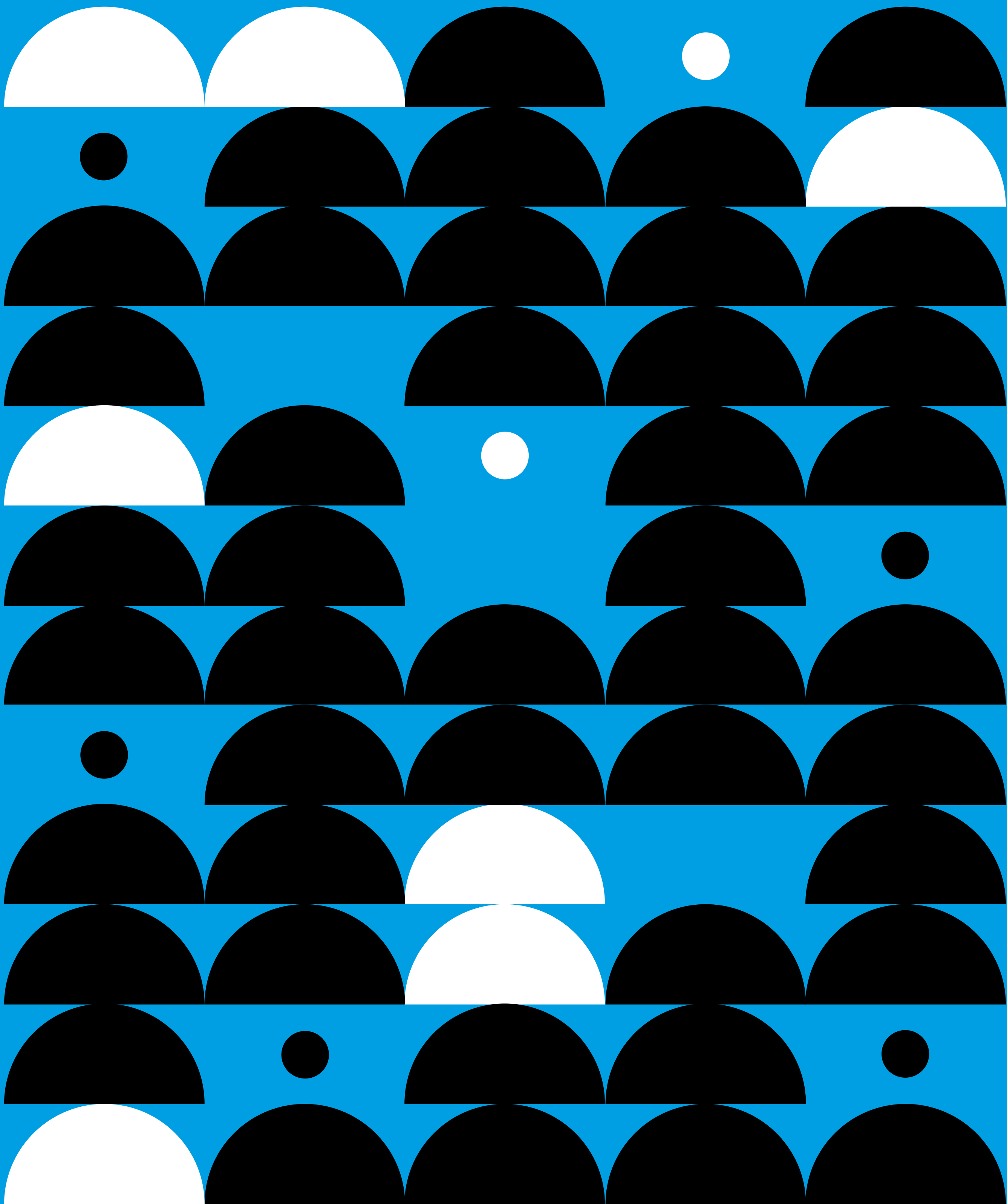


NFP (€ thousand)

Debt/Equity ratio

Net Equity (€ thousand)





Board of Directors and Auditors

Board of Directors and Auditors

Board of Directors

Patrizio Mapelli *
Chairman

Walter Ruffinoni
CEO

Koji Miyajima
Mark Baker
Directors

Board of statutory auditors

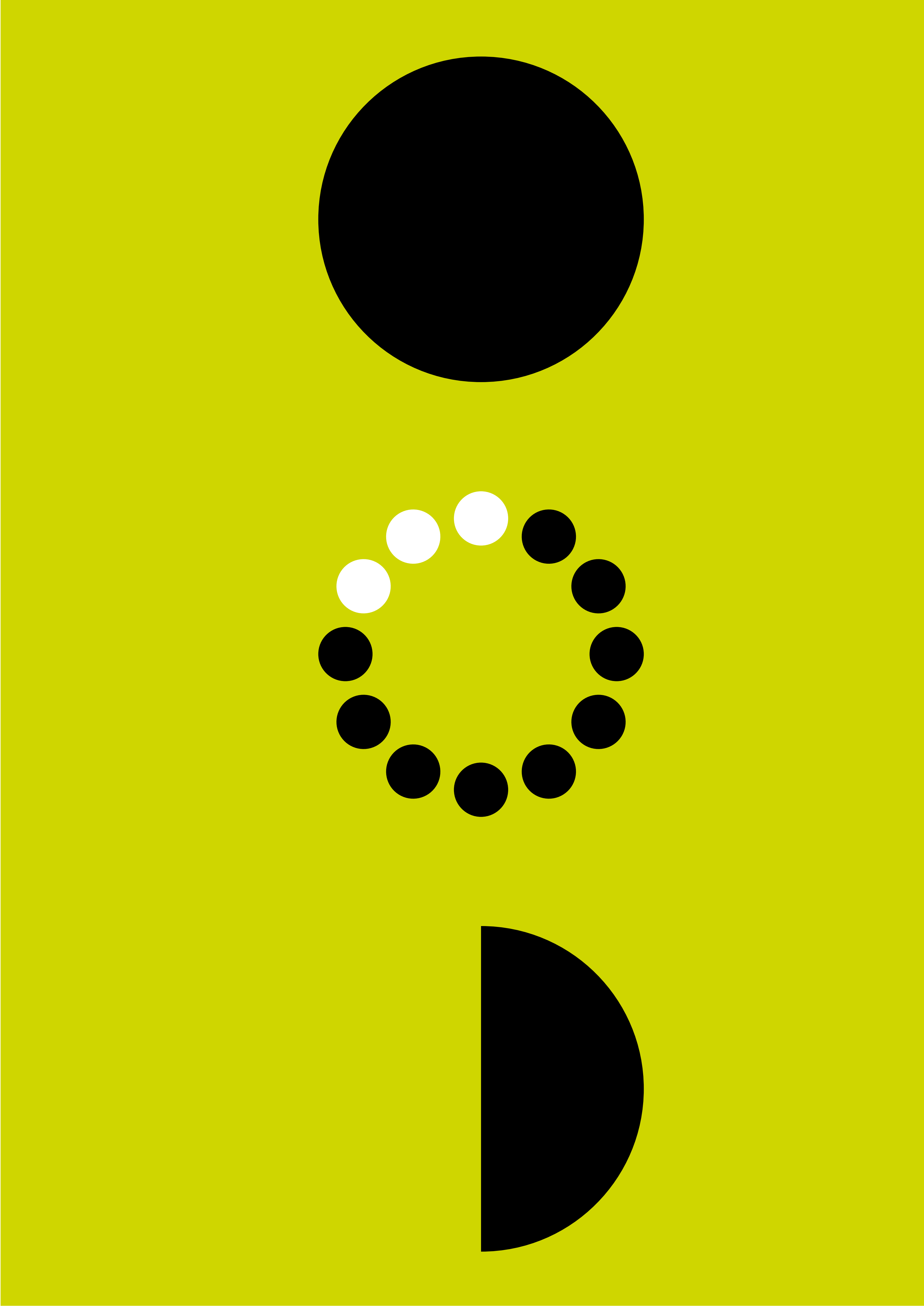
Nicola Broggi
Chairman of the Board of Statutory Auditors

Barbara Ferri
Stefano Poretti
Statutory Auditors

* The Chairman resigned with effect from May, 1 2020
On June 29, 2020 the Shareholders' Meeting appointed Mr Koji Miyajima as Chairman of the Board of Directors.

Independent auditor

KPMG S.p.A.



Letter to the Shareholders

Letter to the Shareholders

The year just ended was only marginally affected by the advent of Covid-19 virus, which has hit economies all over the world and whose real, profound implications are yet to be fully understood. Our sector seems to be holding up better than others but it is still too early to understand what and how deep the impacts will be on our economy and our customers' ability to confirm previously planned investments.
The year 2019 was an important year in terms of the results achieved, and confirmed the positive trend of the past 5 years; in particular **revenues** amounting to **€ 431.9 million** (**+14.7%** compared to last year) with a positive performance of the Telco, Media and Energy markets, the consolidation of the Banks Market and the strong increase of the Public Sector Market.. At the same time, the company's **profitability** increased (Operating Result +48.1% before the effects of non-recurring expenses), and financial solidity was considerably reinforced (Shareholders' equity + € 27.9 million).

Our people grew together with our results, arriving at a total of nearly 4,000 units and, at the same time., the average age fell below 40 years. Growth was focused on young people and women, confirming the strategy of diversity inclusion that is by now part of our DNA.

In June 2019, the management team met to share the fundamental elements of the new strategic plan for the coming years; a plan that was presented and approved by our Shareholder. The company's leaders once again showed their personal commitment by signing the **"Road to 2023" Manifesto**, which lists the challenges that lie ahead of the Company and the Group in the next 5 years, focusing on the goals and the results to be achieved.

The year 2019 was characterized by several events of an exceptional nature, fully consistent with the objectives defined in the 5-year strategic plan and the **“Road to 2023”** manifesto and aimed at improving long-term profitability and sustaining growth.

In particular:

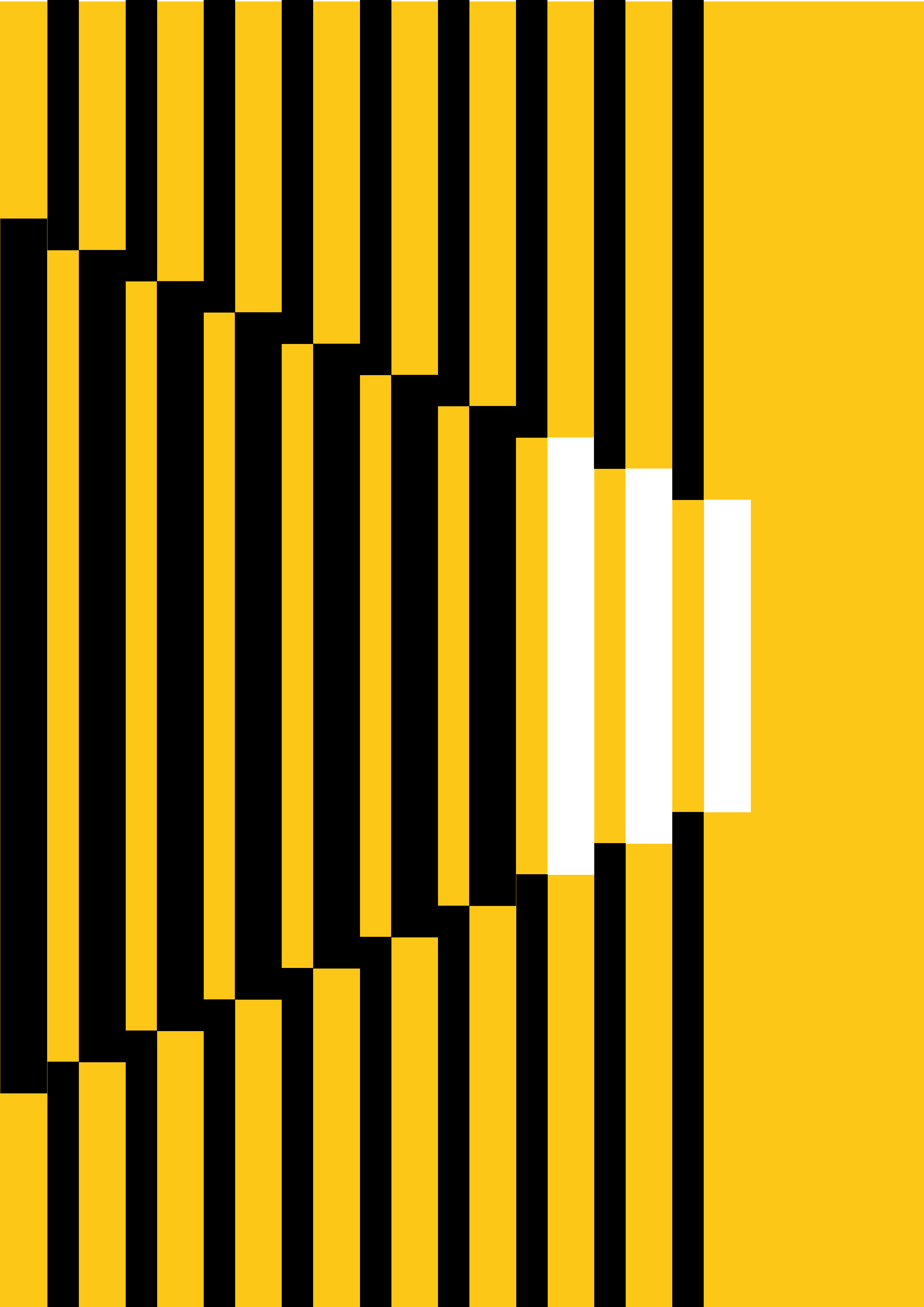
- The Company acquired 100% of the company XSfera S.r.l. (formerly NTT DATA Solutions S.r.l.), operating in the market of insurance and bank services, with about 65 employees and a yearly turnover of about 4.0 million Euros. This acquisition will enable us to consolidate in the core areas of the insurance market with the input of valuable skills and distinctive assets.
- We have developed a strategic technical and commercial partnership with the company Tolemaica S.r.l., an innovative startup founded in Naples in 2015. The transaction took place through the acquisition of 10% of the share capital.
- An early retirement project was launched (“isopensione” programme, provided for under the Fornero Law), along with incentives to leave on a voluntary basis, for a total value of € 30 million; the plan is aimed at facilitating the process of generational turnover.
- On June 2019 the company’s financial solidity was reinforced through a € 50 million capital contribution made by the parent company NTT DATA EMEA and € 20 million was paid out as partial repayment of the intercompany loan.

We are confident of having created, over the course of 2019, the bases for sustaining the profitable growth of our Company in the coming years and at the same time the ability to deliver cutting-edge services to our customers.

NTT DATA Italia represents a partner of choice when it comes to supporting customers in transforming their processes and we have earned this position of prestige with the daily work of all our employees who have believed in this ambitious project.

The CEO

Walter Ruffinoni



Towards a smart people-centred society

"Road to 2023": the goals reached and the new challenges awaiting us

The fiscal year ended March 31, 2020 completed a growth circle which began 5 years ago and that allows us to achieve unthinkable results only a short time ago: CAGR on revenues for +11.9%, positive margins (before non recurring items). We have grown more than the market, innovation has become one of our driver and pride in being part of the company increased.

In order to arrive at exceptional results like these, we started off from a radical change, a courageous leadership that saw communication, sharing and transparency as the tool for changing things and the adoption of a new organisational model, which allowed us to reach an unprecedented level of efficiency.

From 2013 till now we hired over 1,800 people (achieving a workforce of 3,990 employees), and it was in those years that our commitment in the South of Italy also began to grow through major investments, hiring more than 600 young professionals and the collaboration with many universities, in addition to our historical partnership with the University of Calabria. Now a further challenge awaits us to achieve the even more ambitious goals set out in the Business Plan to 2023. To do this we have decided to ask our leaders and talents to write together the goals of tomorrow and so over 200 of them have gathered to draw together “Road to 2023”.

The ideas at the basis of the “Road to 2023” manifesto are focused on society and people

The ideas at the basis of the “Road to 2023” manifesto are focused on society and people, demonstrating that the vision of NTT DATA Italia is employee-centred and environmentally sustainable and aims to offer women, young people and the South of Italy the space they deserve.

We plan to have 80% of our workforce made up of women and young people by 2023, we want 30% of the women to occupy decision-making roles and we aim to have 20% of personnel in our divisions in the South of Italy. Our commitment is also an environmental one: we aim at being a zero emission, plastic-free company.
One of our goals is to be the best place to work at and a smiling company with the best smart working model in the country. We intend to set up dedicated recreational facilities in our offices, enable an enterprise culture among young talents by assigning leadership roles to 50 of them and share our best practices at an international level with dedicated programs.

Because of Covid-19, in just a few months the whole world has gone through a veritable shock. NTT DATA Italia was able to react and manage the situation in complete safety, guaranteeeing our customers the continuity they need, showing great reliability even in critical moments on a global level. Beside this, in such a complex and delicate time as the first month of lockdown, NTT DATA Italia has wanted its employees to know it was by their side. We launched several programmes to support our colleagues, such as, “Coaching without barriers”, to transform difficulties into opportunities, the “e-Meet Walter” programme to allow an exchange with the CEO, remote pilates and yoga courses for healing the mind and body, and thanks to the “Stay home stay creative” campaign, we guaranteed delivery of a medical kit to support the monitoring of patient data.

Our people are always at the centre of all NTT DATA Italia’s activities, so this year we will not be talking about projects, but about all the initiatives our employees are pursuing with so much passion and commitment. Only in this manner we can build a smart society, through people, using technology as the “enabler of opportunities”, as Walter Ruffinoni says in his book “Italia 5.0”.

AIDA: AI at the service of the most

AIDA, Artificial Intelligence Design for Autism, originated from the idea of one of our designer with a passion for artificial intelligence. A project whose goal is to help families and caregivers to manage autistic children in the best possible way and improve their quality of life thanks to artificial intelligence.

At present, the first stage of research and concept definition has concluded; it will be followed by development activities and tests with users in order to refine it. The AIDA team is a multidisciplinary one made up of designers, artificial intelligence experts and developers. The project sets a new perspective on the theme of artificial intelligence: it starts from people for the collection of data and the design of the AI model, bringing human beings back to the centre of the solution.

Although the project is still at an early stage, the efforts of our colleagues have already yielded results: UNESCO has issued an official certificate recognising the contribution of AIDA to greater inclusion and equity in education.

Harmonic Innovation Week: the digital transformation meets the community

One of the commitments of NTT DATA Italia, which we have affirmed in our “Road to 2023” manifesto, is to increasingly give a boost to innovation and to young people.
This commitment has given rise to the Harmonic Innovation Week, which has the goal of enabling start-ups, spin-offs and innovative SMEs to meet with top players, investors and research centres. The aim is to create a platform for collaboration among all stakeholders interested in people-centred social and technological innovation.

From 16 to 20 September 2019, the participants had an opportunity to promote their innovative ideas to investors and experts against the splendid backdrop of Castrolibero, a small town in the province of Cosenza. During the week, alongside conferences on the challenges posed by technology in a perspective of sustainable growth, 9 start-ups presented their projects. Moreover, all the participants were divided into multidisciplinary teams in order to start working on a business model and a respective value proposition using the spaces offered by the town’s craft workshops, symbolic places where innovation meets tradition.

Harmonic Innovation Week

The Harmonic Innovation Week was able to unite the social and cultural wealth of a community with digital transformation

The Harmonic Innovation Week was able to unite the social and cultural wealth of a community with digital transformation so as to guide innovation capable of improving the quality of life of people and their territory in a cohesive, integrated manner.

NDDN a strengthening of collaboration among different countries

The very essence of the NTT DATA Design Network (NDDN) is present in one of the objectives of "Road to 2023": sharing best practices at an international level. The network has pursued this objective by following different directions, starting from projects. NDDN has in fact redesigned the Innovation Hub, a collaborative platform containing all of NTT DATA's most innovative projects.
The Tokyo headquarters, together with Digital Entity, Chazz and NTT DATA Deutschland have made their contribution to improving internal processes by offering colleagues a tool for reducing work times while ensuring easy access to an in-depth knowledge of projects. NDDN has engaged in an exchange program aimed at achieving greater cohesion among the studios around the world. The colleagues involved have exchanged working methods and techniques and gained a better understanding of the organisation's vision at an international level.

NDDN is also active in the training realm: three courses were organised in 2019 with the support of the Polytechnic University of Milan, all focused on design as a business tool. Colleagues from many different countries and with different competences took part in the training courses.

The network also established its presence as a leader in design during major international events dedicated to this theme, such as "Interaction 20", a conference where every year designers, researchers and innovators from all over the world give expression to a diversified range of design perspectives.

Here NDDN designed an interactive stand open to visitors and organised two workshops, both based on the strength of design as a tool for supporting the development of a more inclusive and fair society and an instrument whereby we can imagine a people-friendly future.

Coding in schools to provide tomorrow’s skills to the young

One of the goals of our “Road to 2023” manifesto speaks clearly about devoting space to young people.

And where should we begin, if not from schools?

For the fourth consecutive year, NTT DATA Italia is renewing its active commitment to promoting the teaching of programming in primary schools.
The goal is to disseminate the fundamental principles of software development in order to build problem-solving skills already in the first years of school. We initially offered hardware and educators free of charge to many schools in Milan, Turin, Rome and Cosenza, which were joined over the years by Naples, Genoa, Treviso and Pisa.

Moreover, remote lessons were started for the earthquake-affected areas of Arquata del Tronto and meetings with children in special residences to undergo therapies. In the various editions, the range of the services made available has also grown: basic notions of robotics with practical workshops, special training programmes for educators to render them autonomous in their teaching and pilot lessons to teach kids to write a code for making a drone fly.

With the "Coding in schools" project we participated in a series of events of an international character, such as the Europe Code Week, the RosaDigitale Week and a project organised by UNESCO to promote diversity.

In 2019 the offerings were also extended to middle schools, where we proposed workshops focused on programming and robotics and programming with the App Inventor of MIT in Boston. In the year just ended NTT DATA Italia provided 580 hours of lessons involving 51 teachers in 47 schools of various Italian regions and organised 203 meetings.

Gender equality: the commitment of NTT DATA Italia

“Road to 2023” aims to have 80% of the workforce made up of women and young people, and intends to increase the percentage of female employees in management roles. The initiatives that NTT DATA Italia dedicates to the growth of women have different directions and aims: to increase women’s awareness and their ability to balance life and work, combat prejudice and the lack of female role models to draw inspiration from, and promote women’s leadership. NTT DATA Italia decided to create “NTT Donna” on 25 November, 2016, the International Day for the Elimination of Violence against Women. This symbolic date marked the beginning of a process including a series of initiatives aimed at involving, promoting and enhancing the female resources present in the company.

Smart working began with **“NTT Donna**” to enable our employees to balance their working life with their private life.

Over the years, meetings have been organised with prominent personalities from various fields (literature, journalism, business, associations) to discuss leadership and the perception of women’s role in society so as to raise awareness among all employees concerning the issue of gender equality.

In these years NTT DATA Italia has also strengthened partnerships and collaborations:

- With **“Valore D**”, an association of businesses – the first in Italy to promote diversity and the talent and leadership of women – NTT DATA Italia has promoted employee training packages provided by the association. There is another collaborative initiative with the “30% Club”, a non-profit project that aims to reach at least 30% participation of women in executive positions; NTT DATA Italia took part with them in a roundtable on the subject of female leadership.
- With the “**Professional Women Network**”, an independent association that promotes merit and gender balanced leadership in the world of work, we participate in training events such as webinars. The “Young Women Network” was established with the aim of helping young women build a successful personal and professional career. Our younger female employees have participated with them in mentoring, networking and coaching events organised by the association with distinguished guests.

The road is still long, but NTT DATA Italia’s commitment has started to yield concrete results: **in 2019 30% of employees were women, they represented 12.5% of those in front-line positions and 20% occupied executive roles**.

Act for society, social responsibility starts off from employees

“**Act for Society**” is one of the initiatives of Corporate Social Responsibility that NTT DATA Italia has been pursuing since 2018 with the aim of making a contribution to improving society with micro-volunteering activities. This initiative, too, developed thanks to the enterprising spirit of several employees: “Act for Society” grew out of an exchange among them within the framework of the company leadership programme, their desire being to do something as a company for the community. Eighty took part in the “pilot” event: **cleaning the Park of the Aqueducts in Rome**. Here, with the help of park personnel the volunteers removed waste and planted out shrubs and a small linden tree. The success of the initiative also got other divisions involved: after Rome, Milan and Genoa also joined in. In the city of Milan we collaborated with **the association Opera San Francesco** to offer a canteen service to those in financial difficulty; in Genoa NTT DATA Italia participated with two teams and a freediver in “**SpazzApnea – Operazione fondali puliti**”, a team competition involving separate collection of the waste on the beach and on the seabed.

A game aimed at making the participants more aware of the impact of every single item of waste in the environment. The NTT DATA Italia divisions showing interest in participating in the initiative are on the rise and a growing number of activities lie ahead in the year to come.

NTT DATA

X

the new environment to develop new ideas and conquer alternative markets

NTT DATA X was born in 2019 as the new organizational unit that acts as an innovation incubator in NTT DATA Italy, the first country in the world where the Tokyo headquarters have chosen to launch the initiative.

The "X" represents the desire to offer value added, it expresses the convergence between the company's skills and customer needs and it is the unknown factor dictated by the opportunity to provide important exponential solutions in the future.

The goal is to give space and shape to new ideas that respond quickly to customer needs, the ability to move up trends in order to conquer alternative markets, within a structured and consolidated reality such as that of NTT DATA Italia.

Report on operations

Report on operations to the Consolidated Financial Statements

The 2020 fiscal period closed with a significant growth in revenues (+14.7%) and a strong improvement in the consolidated economic performance before non recurring items

The consolidated financial statements for the year ended March 31, 2020 were prepared in accordance with the IFRS (International Financial Reporting Standards) adopted by the European Union.

The 2020 fiscal period closed with a significant growth in revenues (+14.7%) and a strong improvement in the consolidated economic performance (operating result +48.1% before nonrecurring items) thanks to the positive contribution of all Group companies.

Revenues in the period stood at **€ 431,895 thousand**, an increase of **€ 55,197 thousand** (+14.7%) compared to the previous period, with the following breakdown by geographical area:

• **Italy**: € 428,273 thousand, € +56,290 thousand compared to the previous period.

• **Foreign** subsidiaries: € 5,417 thousand, € +156 thousand compared to the previous period.

• Consolidation adjustments: € -1,795 thousand.

The operating result before non-recurring items amounted to € 11,129 thousand, up € 3,613 (+48.1%) thousand compared to the previous year.

The **cash flow from operating activities** was positive and equal to **€ 19,319 thousand** (€ 4,964 thousand in the previous year); the **investing activities** to support business amounted to **€ 9,840 thousand** (€ 5,341 thousand in the previous year), while **financing activities** amounted to **€ 21,885 thousand**. The **net financial position** (excluding the effects of the application of IFRS 16) improved by **€ 51,366 thousand** compared to the previous year.

The operating result before non-recurring items amounted to €11,129 thousand, an improvement over last year

Economic performance

A breakdown of the stand-alone Income Statement of NTT DATA Italia S.p.A. is provided below, along with the contribution of subsidiaries to the results. In particular, we can observe that:

• **Revenues** in the period stood at € 431,895 thousand, growing by € 55,197 thousand compared to the same period of the previous year (+14.7%).

• **The operating result before non-recurring items** amounted to € 11,129 thousand, an improvement over last year both in comparative terms (+ € 3,613 thousand) and in terms of percentage of revenues (2.6% versus 2.0% of last year).

• **Non-recurring expenses** pertaining to the Parent Company amounted to € 34,088 thousand.

• **Net financial expenses** amounted to € 1,789 thousand; the increase compared to the previous period (€ 1,336 thousand) was mainly due to the adoption of the new accounting standard IFRS 16.

• The Group's **net result** is negative, **€ -20,871 thousand**; the decrease compared to last year (+ € 5,434 thousand) was influenced by the above-mentioned non-recurring expenses totalling € 34,088 thousand.

Consolidated Profit & Loss

(€ thousand)	31 March 2019				31 March 2020				
	Parent company	Subsidiaries	Adjustments	Total	Parent company	Subsidiaries	Adjustments	Total	Δ %
Total revenues	**371.983**	**5.261**	**(546)**	**376.698**	**426.315**	**7.375**	**(1.795)**	**431.895**	**14,7%**
Increases in fixed assets for internal work	960	-	-	960	696	-	-	696	(27,5%)
Cost of materials and services	(173.404)	(1.863)	951	(174.316)	(189.594)	(1.843)	2.067	(189.370)	8,6%
Cost of personnel and managers	(185.587)	(2.941)	(405)	(188.933)	(213.129)	(4.594)	(273)	(217.995)	15,4%
Other operating costs	(1.168)	(14)	-	(1.182)	(1.938)	(7)	-	(1.945)	64,6%
EBITDA before non recurring items	**12.784**	**443**	**-**	**13.227**	**22.350**	**931**	**(0)**	**23.281**	**76,0%**
Depreciation and value adjustments	(5.702)	(9)	-	(5.711)	(11.947)	(205)	-	(12.152)	112,8%
EBIT before non recurring items	**7.082**	**434**	**-**	**7.516**	**10.403**	**725**	**(0)**	**11.129**	**48,1%**
Non recurring items (*)	-	-	-	-	(34.088)	-	-	(34.088)	-
EBIT	**7.082**	**434**	**-**	**7.516**	**(23.685)**	**725**	**(0)**	**(22.960)**	**(405,5%)**
Net financial charges	(1.457)	121	-	(1.336)	(3.824)	30	2.004	(1.789)	33,9%
Result before taxes	**5.625**	**555**	**-**	**6.180**	**(27.509)**	**755**	**2.004**	**(24.749)**	**(500,5%)**
Income taxes	(658)	(88)	-	(746)	4.014	(135)	-	3.878	(619,9%)
Net result	**4.967**	**467**	**-**	**5.434**	**(23.495)**	**620**	**2.004**	**(20.871)**	**(484,1%)**

(*) To facilitate reconciliation with the financial statements, here below we provide a breakdown of non-recurring items with a specification of the nature of the cost they refer to:

(€ thousand)	31 March 2019	31 March 2020
Costs for materials and services	-	(1.022)
Costs for personnel and directors	-	(30.002)
Other operating costs	-	(2.000)
Depreciations and value adjustments	-	(1.065)
Total	**-**	**(34.088)**

(**) the data for the 2020 fiscal period include the following impacts related to the application of the new accounting standard IFRS 16:

- restatement of lease and rental expenses, with an impact on EBITDA of + € 7,665 thousand;
- increase of € 7,516 thousand in amortisation/depreciation charges, with a positive impact of + € 149 thousand on the operating result;
- € 274 thousand increase in financial expenses with a negative impact of € -125 thousand on the pre-tax result.

Balance Sheet and Financial Structure

Below we provide a reclassification of the Balance Sheet and a comparison with the previous period, from which the following trends may be observed:

- Continuous commitment to containing working capital; the strong decrease compared to the previous year is mainly attributable in full to payables to employees and social security institutions recognized as a result of the early retirement and leaving incentive schemes.
- Elimination of financial exposure to third parties.
- Financial solidity assured by the financial support of the NTT DATA Group.

Consolidated Balance Sheet

(€ thousand)	31 March 2017	31 March 2018	31 March 2019	31 March 2020
Fixed assets (*)	**120.763**	**119.299**	**119.931**	**142.877**
Work in progress	19.308	12.375	21.818	23.503
Trade receivables	115.858	131.573	169.248	176.451
Trade payables	(60.603)	(65.988)	(94.715)	(90.696)
TWC	**74.563**	**77.960**	**96.351**	**109.258**
Other assets (*)	14.885	14.910	17.879	17.179
Other payables (*)	(77.068)	(74.719)	(91.680)	(121.287)
NWC	**12.380**	**18.151**	**22.550**	**5.149**
Deferred taxes	5.630	5.244	5.381	9.676
Retirement employee benefit plan	(19.909)	(19.390)	(19.651)	(18.213)
Provisions	(911)	(818)	(672)	(15.958)
Capital employed	**117.953**	**122.487**	**127.539**	**123.532**
Net payables towards third parties	28.694	27.454	27.077	58.443
Financial liabilities IFRS 16	-	-	-	(17.637)
Net capital employed	**146.647**	**149.941**	**154.617**	**164.338**
Loan from Parent Company	*117.500*	*117.500*	*117.500*	*97.500*
Shareholders' Equity	*29.147*	*32.441*	*37.117*	*66.838*
NTT DATA resources	**146.647**	**149.941**	**154.617**	**164.338**

(*) A reconciliation with the financial statements for the 2020 fiscal period is provided below:
• Non-current assets: they do not include deferred tax assets amounting to € 9,964 thousand (value explained separately).
• Other receivables: they are composed of "Tax receivables" amounting to € 3,938 thousand and "Other receivables and current assets" amounting to € 13,979 thousand.
• Other payables: these are composed of "Tax payables and social security" amounting to € 8,177 thousand and "Other current liabilities" amounting to € 113,244 thousand.
• Deferred tax assets: the value reported is the net amount between "Deferred tax assets", amounting to € 9,964 thousand and "Deferred tax liabilities" equal to € 7 thousand.

The Cash Flow Statement shows a positive **cash flow from operating activities** of € 19,319 thousand whereas at March 31, 2019 it stood at € 4,964 thousand.

Investing activities, which amounted to € 9,840 thousand, were up on the previous year (+ € 4,499 thousand) mainly as a result of the investments. Totalling € 3,359 thousand. For the acquisition of shares (for further comments on the acquisitions see the section on "Corporate transactions");

Financing activities showed a positive balance of € 21,885 thousand, mainly in relation to a € 50 million capital contribution from NTT DATA EMEA and a partial loan repayment of € 20 million to NTT DATA EMEA (both the operations have been performed in June 2019) and the adoption of IFRS 16 for € -8 million.

The Group **Cash flow** was positive and amounted to € 31,365 thousand, in contrast with the previous year, when it stood at € -377 thousand.

Consolidated Cash Flow statement

(€ thousand)	31 March 2019	31 March 2020
Cash Flow from P&L	11.759	(8.942)
Working capital variation	(6.796)	28.261
Cash Flows generated from operating activities	**4.964**	**19.319**
Investing Activities	(5.341)	(9.840)
Cash Flow generated from operating and investing activities	**(377)**	**9.480**
Cash Flow generated from financing activities	-	21.885
Increase/(Decrease) in cash and cash equivalents	**(377)**	**31.365**
Cash available at the beginning of the period	27.454	27.077
Cash available at the end of the period	27.077	58.443

The Group's **net financial position** as of March 31, 2020 stood at € -56,694 thousand (€ -39,057 thousand excluding the application of IFRS 16), a significant improvement compared to the previous year (€ -90,423 thousand as of March 31, 2019). Net of the application of IFRS 16, the trend in the year was characterized by the € 50 million capital contribution provided by the controlling company NTT DATA EMEA to the Group's parent company and the partial repayment of the intercompany loan provided to the parent company, resulting in € -20 million.

Consolidated Net Financial Position

(€ thousand)	31 March 2019			31 March 2020			
	Short	Med.-long	Total	Short	Med.-long	Total	Difference
Cash and cash equivalents	27.077	-	27.077	58.443	-	58.443	31.366
Total financial assets	**27.077**	**-**	**27.077**	**58.443**	**-**	**58.443**	**31.366**
NTT DATA Emea Ltd loans	-	(117.500)	(117.500)	-	(97.500)	(97.500)	20.000
Financial liabilities IFRS 16	-	-	-	(6.159)	(11.478)	(17.637)	(17.637)
Total financial liabilities	**-**	**(117.500)**	**(117.500)**	**(6.159)**	**(108.978)**	**(115.137)**	**2.363**
Net financial position	**27.077**	**(117.500)**	**(90.423)**	**52.283**	**(108.978)**	**(56.694)**	**33.729**

With regard to subsidiary companies, we note that they achieved positive results in terms of revenue and profit margins, albeit in very different operating and local geopolitical contexts

Subsidiaries

With regard to subsidiary companies, we note that they achieved positive results in terms of revenue and profit margins, albeit in very different operating and local geopolitical contexts.

In particular:

- **NTT DATA Danismanlik (Turkey)**: despite a significant decrease in revenue (**-25.4%**), which stood at **€ 1,309 thousand**, the company succeeded in increasing its net profit for the year to **€ 174 thousand**. In a political and economic context that does not facilitate the development of business, NTT DATA Danismanlik managed to maintain its position with historical customers (in the Banks market in particular).
- **IFI Solution (Vietnam)**: the economic performance achieved in the fiscal period was solid; in particular, **revenues** stood at **€ 4,108 thousand**, up from the previous year (€ + 603 thousand). The margin (**operating result**) stood at **€ 530 thousand** and the **net result** was equal to **€ 292 thousand**.
The activities geared to supporting the off-shoring strategies of the parent company NTT DATA Italia continued and at the same time the weight of the revenue of third party customers increased, enabling a diversification of business.
- **Xsfera (Italy)**: in the period of consolidation (November 2019 – March 2020) the company generated **€ 1,958 thousand** in revenues, essentially from the insurance and bank market and the parent company. In the same period, the company generated a margin (operating result) of **€ 216 thousand**, whilst the net profit amounted to **€ 154 thousand**.

Statement of reconciliation between Parent Company's and Consolidated Financial Statements

(€ thousand)	31 March 2019		31 March 2020	
	Shareholders' equity	Result of the year	Shareholders' equity	Result of the year
NTT DATA Italia S.p.A. Financial Statement	**34.839**	**4.968**	**62.129**	**(23.495)**
Shareholders' equity and results of subsidiaries	4.296	466	5.513	620
Adjustments of consolidation	(2.019)	-	(804)	2.004
Consolidated Financial Statement	**37.117**	**5.434**	**66.838**	**(20.871)**

Workforce by geographical area

The Group **workforce** as of March 31, 2020 reached **3,990 employees** versus 3,422 as of March 31, 2019 (+16.6%), an increase of 568 employees compared to the previous period, 491 of which ascribable to the parent company and 62 to Xsfera. In particular, the breakdown of the workforce by geographical area is as follows:

- Italy: 3,734 employees (+553 compared to March 2019);
- Vietnam: 232 employees (+15 compared to March 2019);
- Turkey: 24 employees (unchanged from March 2019).

Business outlook

The business outlook of our company could be influenced at least partially by the consequences of the health emergency that emerged following the spread of Coronavirus in early 2020.
It is still difficult to quantify the impact on the economy resulting from the closure of production activities on Italian and international markets. As of today, we note that the economic and financial situation of the company in the first months following the end of this fiscal year and coinciding with the "lockdown" months resulting from Covid-19 has not suffered negative impacts compared to the same period of the previous fiscal year.

Economic performance of the parent company NTT DATA Italia S.p.A.

Revenues stood at € 426,315 thousand, up € 54,331 thousand

The 2020 fiscal period (April 2019 – March 2020) was marked by a strong growth in revenues, with an improvement in the positive trend recorded in the previous years: **€ +54,331 thousand in revenues** compared to the previous period.

The economic indicators before non-recurring items are decidedly positive and show a strong improvement compared to the previous year:

- **Revenues** amounted to **€ 426,315 thousand**, up 14.6% compared to last year.
- **EBITDA before non-recurring items** stood at **€ 22,350 thousand** with a 74.8% increase compared to last year (including the positive effect deriving from the application of IFRS 16, for an amount of € 6,261 thousand).
- **The Operating result before non-recurring items** amounted to € 10,403 thousand, an improvement over last year both in comparative terms (+ € 3,320 thousand) and in terms of percentage of revenues (2.4% versus 1.9% last year).

Economic performance

Revenues in the period stood at € 426,315 thousand, growing by € 54,331 thousand compared to the same period of the previous year.

EBITDA before non-recurring items was positive for € 22,350 thousand

Fixed assets from internal work accounted for 0.16% (€ 696 thousand) of revenues, a slight decrease compared to the previous year (0.26% of revenues and equal to € 960 thousand).

EBITDA before non-recurring items was **positive for € 22,350 thousand**, with a decisive improvement in the margin compared to the same period of last year (+74.8%), thanks above all to the increase in revenues and a slight improvement in the "**cost for materials and services**" as a percentage of revenues (44.5% versus 46.6% of the previous year), whereas the impact of the "**cost of personnel**" remained substantially stable (50% vs 49.9% of the previous period). **Net financial expenses** amounted to € 3,824 thousand, and included a € 2,004 thousand write-down of the equity investment in the Turkish subsidiary NTT DATA Danismanlik.

The **net result** for the year is **negative, € -23,495 thousand** (versus € 4,968 thousand last year) and was influenced by non-recurring expenses amounting to € 34,088 thousand.

Profit & Loss

(€ thousand)	31 March 2019	% VPT	31 March 2020	% VPT	Δ %
Total Revenues	**371.983**	**100,0%**	**426.315**	**100,0%**	**14,6%**
Increases in fixed assets for internal work	960	0,3%	696	0,2%	
Cost of materials and services	(173.404)	(46,6%)	(189.594)	(44,5%)	
Cost of personnel and managers	(185.587)	(49,9%)	(213.129)	(50,0%)	
Other operating costs	(1.168)	(0,3%)	(1.938)	(0,5%)	
Ebitda before non recurrent items	**12.785**	**3,4%**	**22.350**	**5,2%**	**74,8%**
Depreciations and value adjustments	(5.702)	(1,5%)	(11.947)	(2,8%)	
Operating result before non recurrent items	**7.083**	**1,9%**	**10.403**	**2,4%**	**46,9%**
Non recurrent charges (*)	-	0,00%	(34.088)	-8,00%	
Operating result	**7.083**	**1,9%**	**(23.685)**	**(5,6%)**	**(434,4%)**
Net financial costs	(1.457)	(0,4%)	(3.824)	(0,9%)	
Result before taxes	**5.626**	**1,5%**	**(27.509)**	**(6,5%)**	**(589,0%)**
Income taxes	(658)	(0,2%)	4.014	0,9%	
Net result	**4.968**	**1,3%**	**(23.495)**	**(5,5%)**	**(572,9%)**

(*) To facilitate reconciliation with the financial statements, here below we provide a breakdown of non-recurring items with a specification of the nature of the cost they refer to:

(€ thousand)	31 March 2019	31 March 2020
Costs for materials and services	-	(1.022)
Costs for personnel and directors	-	(30.002)
Other operating costs	-	(2.000)
Depreciations and value adjustments	-	(1.065)
Total	**-**	**(34.088)**

(**) the data for the 2020 fiscal period include the following impacts related to the application of the new accounting standard IFRS 16:

- restatement of lease and rental expenses, with a positive impact on EBITDA of + € 7,476 thousand;
- increase of € 7,326 thousand in amortisation/depreciation charges, with a positive impact of + € 151 thousand on the operating result;
- € 270 thousand increase in financial expenses with a negative impact of € -119 thousand on the pre-tax result.

As pointed out earlier, the significant decrease in the net result reflected non-recurring expenses attributable mainly to:

- for an amount of € 30,002 thousand, mainly to the early retirement plan (“isopensione”) implemented during the year. Adhesion to the “isopensione” scheme as of March 31, 2020 was voluntary and regarded employees reaching the minimum requirements in terms either of contributions (early retirement) or age (old-age pension) within 7 years after termination of employment, as established by law for the years 2018-2020. Eighty-three employees adhered to the scheme.
- for an amount of € 4,077 thousand, non-recurring expenses related to work on offices, M&A initiatives, and coverage of risks following the Covid-19 emergency in the period January–March 2020.

Balance sheet and financial data

Below we provide a reclassification of the Balance Sheet along with the changes over time.
In particular, the following trends may be observed:

- ongoing commitment to limiting working capital despite the negative effect tied to the early retirement scheme;
- elimination of financial exposure to third parties;
- capital solidity ensured by financial support of the NTT DATA Group.

Balance Sheet

(€ thousand)	31 March 2017	31 March 2018	31 March 2019	31 March 2020
Fixed assets (*)	**122.731**	**121.277**	**121.910**	**142.905**
Work in progress	19.308	12.375	21.818	23.524
Trade receivables	114.778	130.821	167.990	173.659
Trade payables	(60.917)	(66.008)	(94.539)	(91.961)
TWC	**73.169**	**77.187**	**95.269**	**105.221**
Other assets (*)	14.043	14.039	16.819	15.945
Other payables (*)	(76.739)	(74.413)	(91.282)	(119.983)
NWC	**10.473**	**16.813**	**20.806**	**1.183**
Deferred taxes	5.647	5.252	5.388	9.964
Leaving indemnity provision	(19.909)	(19.390)	(19.651)	(17.769)
Provisions	(832)	(818)	(672)	(15.958)
Capital employed	**118.110**	**123.133**	**127.780**	**120.326**
Net Credits/(Debts) towards third parties	26.542	24.730	24.559	56.554
Financial liabilities IFRS 16	-	-	-	(17.251)
Net capital employed	**144.652**	**147.863**	**152.339**	**159.629**
Loan from Parent Company	*117.500*	*117.500*	*117.500*	*97.500*
Net equity	*27.152*	*30.363*	*34.839*	*62.129*
NTT DATA resources	**144.652**	**147.863**	**152.339**	**159.629**

(*) A brief reconciliation with the financial statements for the 2020 fiscal period is provided below:

- Non-current assets: they do not include deferred tax assets amounting to € 9,964 thousand (value explained separately).
- Other receivables: they are composed of "Tax receivables" amounting to € 2,364 thousand and "Other receivables and current assets" amounting to € 13,580 thousand.
- Other payables: these are composed of "Tax payables and social security" amounting to € 34,142 thousand (including payables of € 14,970 thousand for the retirement scheme) and "Other current liabilities" amounting to € 85,841 thousand.
- Miscellaneous provisions: they consist of provisions for risks and charges amounting to € 1,804 thousand, provisions for restoration amounting to € 2,077 thousand and provisions for early retirement and leaving incentives amounting to € 12,077 thousand.

Positive Cash Flow of € 20,031 thousand from Operating Activities

As regards the Company's financial situation, this year we further extended the **"Supply Chain Finance"** solution aimed at our trade partners increasing the number of partners involved, simplifying our suppliers' access to credit and enabling NTT DATA Italia to improve the management of working capital.

The **Cash Flow** Statement shows a positive Cash Flow from operating activities amounting to **€ 20,031 thousand**, whereas as of March 31, 2019 it totalled € 5,161 thousand.

Investing activities, which amounted to € 10,108 thousand, were up on the previous year (€ +4,776) thousand) mainly as a result of the investments in the companies Xsfera and Tolemaica.

Financing activities amounted to € 22,073 thousand and were related to: capital contribution of € 50,000 thousand from the Group's parent company NTT DATA EMEA, partial repayment of the loan from the parent company NTT DATA EMEA for an amount of € 20,000 thousand (both the operations have been performed in June 2019) and the adoption of IFRS 16 (€ -7,927 thousand).

Net of investing activities, the company's cash flow showed a positive balance of € 31,996 thousand, an improvement compared to the previous year, when it was a negative € -171 thousand

Cash Flow Statement

(€ thousand)	31 March 2019	31 March 2020
Cash flow from PL	11.196	(9.903)
Variance in working capital	(6.035)	29.934
Cash flows from operating activities	**5.161**	**20.031**
Investing activities	(5.332)	(10.108)
Cash flows from operating and investing activities	**(171)**	**9.923**
Financing activities	-	22.073
Increase/(Decrease) in cash and cash equivalents	**(171)**	**31.996**
Cash available as of Juanuary, 1st	*24.730*	*24.558*
Cash available at the end of the period	*24.558*	*56.554*

The company's **net financial position** as of March 31, 2020 was equal to € -58.2 million, an improvement compared to the previous year (€ -92.9 million as of March 31, 2019).
Net of the application of IFRS 16, the trend in the year was characterized by the € 50 million capital contribution provided by the controlling company NTT DATA EMEA and the partial repayment of the intercompany loan , resulting in € -20 million.

We shall note that since June 2016 NTT DATA Italia has been included in the **cash pooling scheme of NTT DATA EMEA**. As of that date, all short-term liquidity needs have been met through lines of credit made available by EMEA.

Net Financial Position

(€ thousand)	31 March 2019			31 March 2020			
	Short	Med.-long	Total	Short	Med.-long	Total	Difference
Cash	24.559	-	24.559	56.554	-	56.554	31.996
Total financial assets	**24.559**	**-**	**24.559**	**56.554**	**-**	**56.554**	**31.996**
NTT DATA Emea Ltd loans	-	(117.500)	(117.500)	-	(97.500)	(97.500)	20.000
Financial liabilities IFRS 16	-	-	-	(5.936)	(11.316)	(17.251)	(17.251)
Total financial liabilities	**-**	**(117.500)**	**(117.500)**	**(5.936)**	**(108.816)**	**(114.751)**	**2.749**
Net financial position	**24.559**	**(117.500)**	**(92.941)**	**50.619**	**(108.816)**	**(58.197)**	**34.744**

The workforce grew by 491 people, focus on young talents

Workforce and presence across the territory

The **workforce** as of March 31, 2020 was made up of 3,672 people, an **increase of 491 employees** (+15.4%) compared to March 31, 2019.

Growth was focused on younger people with high professional qualifications (office personnel and managers). Women stably represent 30% of the workforce. During the year, 851 people were hired, 258 of them women.

Growth occurred mainly in the following geographical areas:

- **Naples**, where important design activities for our customers are being concentrated (+64%).
- **Milan** (+8.8%) **and Rome** (+19.4%), consistently with the increase in the activities of our key customers.
- **Cosenza** (+12.4%).

In addition to the headquarters in Milan, NTT DATA Italia S.p.A. has the following secondary and operating branches:

- Turin, Corso Svizzera, 185 – 10149 Turin
- Villorba, Viale of the Repubblica, 12 – 31050 Treviso
- Genoa, Via De Marini, 1 – 16149 Genoa
- Pisa, Via U. Forti 6, Loc. Montacchiello - 56121 Pisa
- Rome, Via Sant' Evaristo, 167 – 00165 Rome
- Naples, Centro Direzionale Isola, F8 – 80143 Naples
- Rende (CS), Via Spagna 50 and Via Spagna 240-242, Contrada Cutura - 87036 Rende (Cosenza)

Innovation Expenses

During the course of 2020, the company has continued to invest in the development of solutions to be proposed to its customers, in particular:

- **Encoding platform** for compressing the video transmission bandwidth;
- **BlockTrace Evolution** for tracing end-to-end development of products and services within the Supply Chain;
- **AI Sales Assistant** for supporting customers during the online buying process, generating the same sensations as purchases made in a brick-and-mortar store;

The total value of the capitalized development activities recognized in the balance sheet was € 696 thousand.

- **Instant ManuAR** for creating augmented reality manuals;
- **AI Ethical Hacking** for assessing the degree of security of Web applications against hacking activities;
- **IoT Multiprotocol Gateway,** for assessing the degree of security of Web applications against hacking activities;
- **Extended Reality Field Operator** for the development of drones with high capabilities of interacting with users and an ability to perform complex activities;
- **Smart Water Management** for the control and management of water distribution networks.

The total value of the capitalized development activities recognized in the balance sheet was **€ 696 thousand**.

Business outlook

The business outlook of our company could be influenced at least partially by the consequences of the health emergency that emerged following the spread of Coronavirus in early 2020.
It is still difficult to quantify the impact on the economy resulting from the closure of production activities on Italian and international markets.
As of today, we note that the economic and financial situation of the company in the first months following the end of this fiscal year and coinciding with the "lockdown" months resulting from Covid-19 has not suffered negative impacts compared to the same period of the previous fiscal year.

Corporate transactions

During the course of fiscal year 2020, the parent company continued its growth plan by carrying out strategic acquisitions

During the course of 2020, the parent company continued its growth plan by carrying out the following acquisitions:

- in the month of June 2019 NTT DATA Italia acquired a 10% stake in Tolemaica S.r.l., an innovative startup for the legal certification of data and photographs founded in Naples in 2015. The transaction took place through a capital increase and a strategic partnership in both technical and commercial areas. Thanks to this transaction, NTT DATA Italia has expanded its offerings with an innovative technological solution that offers new opportunities to its customers;
- in the month of November 2019, a 100% stake was acquired in the newly established company Xsfera S.r.l., created following the transfer of a business unit of the company Xtphere whose activities include consultancy and the supply of IT services and Acerate software used to calculate insurance premiums. This acquisition, besides confirming the strategic priority of the insurance market for NTT DATA Italia and the Group, will allow them to consolidate in the core areas of insurance companies with the input of valuable skills and distinctive assets. Through this transaction NTT DATA Italia will also reinforce the national synergies of the two hubs in Milan and Turin by supporting the development of a new centre of technological competences, in addition to the ones already existing in Naples and Cosenza.

Other information

Relationships with subsidiary, associated and parent companies and other companies of the NTT DATA Italia S.p.A. group

As concerns the relations during the year with Group companies, reference may be made to the details contained in the Explanatory Notes; we shall note that they regarded the supply of services and loan arrangements falling within the scope of the respective company activities, governed by normal market conditions and aimed at best exploiting the synergies of the Group to which the Company belongs.

Oversight and coordination activities

The Board of Directors has acknowledged that, given the nature of the oversight and coordination functions exercised over the Company by the direct controlling company (NTT DATA EMEA Ltd.), it fulfilled the public disclosure requirements under Article 2497-bis of the Civil Code by entering this information within due time in the relevant section of the Companies' Register and updating its documents and correspondence accordingly.

Models of Governance

On December 10, 2018 the Company's Board of Directors approved the current versions of the Organization, Management, and Control Model established pursuant to Legislative Decree 231/2001 (the "Model"), following the updating of the Model in the light of the predicate offences that had been introduced under 231/2001 Legislative Decree

231/2001 (i.e. in respect of money laundering and self-laundering).

The Model places greater emphasis on the policies, company procedures and specific measures aimed at monitoring the sensitive areas most greatly exposed, in concrete terms, to the commission of the predicate offences of the greatest relevance for the company.

From the standpoint of company practice, the Company has adopted a protected, confidential communication tool (so-called "whistleblowing") based on the use of a web portal managed by an independent firm, in order to facilitate reporting – in good faith and based on direct knowledge – of any conducts, facts and/or events reasonably deemed to constitute criminal offences according to Art. 6, para. 2-bis, of Legislative Decree 231/2001 introduced by Law no. 179 of November 30, 2017. In this specific regard, we note that during the company's fiscal year the Supervisory Body received no reports that fall within the cases defined by the above-mentioned law.

The current Supervisory Body is a collegial body chaired by an outside professional included in the Register of Certified Accountants and Auditors.

We note that during the Company's fiscal year the Supervisory Body met on a quarterly basis and carried out its oversight activity with independence of judgment and continuity of action, periodically reporting to the Company's Board of Directors and providing updates to the Board of Statutory Auditors.

Based on the yearly report to the Board of Directors, illustrated during the meeting of December 20, 2019, no facts occurred and no reports were received such as to affect the application of the Model.

During the year a series of specific initiatives were undertaken, aimed at individuals in the company who operate in the areas at greatest risk of the potential commission of predicate offences, according to the company's operational situation.

The Company has also continued to implement the plan aimed at bringing its policies progressively into line with those applied at the NTT DATA Group level, including the application and gradual strengthening of the parent company's J-SOX compliance requirements, as well as Group policies. Finally, we report that the NTT DATA Italia S.p.A. Quality Management System, certified according to standard ISO 9001:2015, has been designed and implemented adopting a "Risk-Based Approach", in accordance with the current version of the standard, which places particular emphasis on determining the risks and opportunities to be addressed in order to achieve the results expected by the organization, prevent or reduce undesired effects and continually improve.

The Company has concluded the process of completing the Quality Management System with the requirements established by standard ISO 37001:2016, Anti-bribery management systems, which provides support in defining and implementing measures for combating corruption and reinforcing a culture of integrity, transparency and compliance within the company, in line with what has already been provided for in the Model pursuant to Legislative Decree no. 231/2001 and other Group policies.
At the end of 2019, the Company also obtained the relevant certification issued by an independent third-party certifying body; maintaining the certificate is conditional upon passing the routine yearly audits or a complete review of the system upon expiry of the three-year period of validity.

Compliance: General Data Protection Regulation [1]

On December 20, 2019 the Company's Board of Directors was updated on the progress of the programme of compliance with the General Data Protection Regulation (the "Regulation") following its entry into force (May 25, 2018).

The Board of Directors thus found that the Programme of Compliance with the Regulation is in the process of being implemented and that the Company has achieved significant progress towards meeting the schedule and carrying out the required actions, as also demonstrated by the audits performed by various customers, who have expressed appreciation for the level of GDPR compliance reached by NTT DATA Italia.

The SIEM project (Security Incident Event Management Project), sponsored by the central headquarters in Japan to increase the level of security against cyber and security attacks and which requires close collaboration between the IT, human resources and privacy divisions, is currently underway and the activities are in line with planning.
The Data Protection Officer, who reports directly to the Board of Directors, will remain in office until the approval of the financial statements as at March 31, 2021 and will have to report to the Board of Directors regarding the activities she is responsible for under the GDPR and her appointment.

1 REGULATION (EU) 2016/679 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL (UE) OF 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC.

Legality Rating

In June 2019 the Company successfully concluded the procedure for the renewal of the legality rating (Law no. 62 of May 18, 2012, and subsequent amendments and implementing measures) assigned to the Company by the Italian Competition and Market Authority, with recognition of a rating of 2 stars and 2 ++, valid for 2019 and 2020 (the first awarding of the rating was obtained in 2017).

Health & Safety [2]

In continuity with the preceding years, in 2018 NTT DATA Italia invested considerable resources in the management of occupational health and safety. The attention towards its employees continues and working conditions are explicitly addressed through careful management of all legal obligations relating to safety and through continuous improvement of work environments.

The management of health & safety is organized into the following macro areas of intervention, in line with the provisions of law and the reference standards:

1) Identification of work activity and risk analysis; this activity relies on the support of the Manager of the Prevention and Protection Service for workplace safety), the Company's Medical Officer, outside consultants with specific training and certification and Supervisors, with the informed participation of workers (through the workers' safety representative). At NTT DATA Italia, the Supervisor function is performed by the persons in charge of company functions/Project Manager/ Client Manager;

2) Definition and implementation of Emergency Plans for managing fire hazards and first aid for workers and any consultants working in the divisions of NTT DATA Italia;

3) Appointment and training of the **Fire Emergency and First Aid Officer**; management of fire drills;

4) Verification and issue of c**ertificates of fitness** for all workers of NTT DATA Italia;

5) Verification and control/upgrading of equipment and facilities to safety regulations for the buildings occupied by NTT DATA Italia.

6) Management of the cooperation and coordination in terms of safety at works with Clients of NTT DATA Italia;

7) Drafting of DUVRI (Interference Risk Assessment Document) together with customers and suppliers of NTT DATA Italia.

In the 2019-2020 fiscal period, during which 851 new workers were hired, the following took place:

- **1,106 medical check-ups** for the issue of certificates of fitness (newly hired workers) and renewal of certificates of fitness (workers already employed at NTT DATA Italia in previous years);
- **4,896 hours of training** (general training, training on specific risks, updating of previously issued certifications);
- **over 30 courses** for the issue of certification of personnel involved in the Company Prevention and Protection Service for Workplace Safety.

Operating and financial risks

As required under Article 2428 of the Civil Code, the main risks and uncertainties to which the Company is exposed are described below:

2 2. Ref. Legislative Decree 81/08 Consolidated Act on Health and Safety in the workplace

- operating risks;
- financial risks: credit, liquidity, exchange and interest rates.

Operating risks

The ICT strategic consulting and professional services market is linked to the performance of the economy, particularly in industrialized countries where the demand for quality and/ or high-tech products and services is greater. In this context, pressures on prices and margins are high, mitigated by the fact that NTT DATA Italia is part of the NTT DATA Group, one of the world's leading corporations. The Company NTT DATA Italia also boasts a management team with years of experience in the industry and capable of offering quality services and competitive solutions to customers.

Credit risk

Credit risk is the risk that a customer might cause financial loss by failing to meet obligations and mainly involves trade receivables.
The risk is connected to the possibility that customers might not honour their financial commitments to the company on the agreed due dates. Our Company's customer base consists mainly of medium and large enterprises which do not pose particular risks in terms of collecting receivables. The ten largest customers represent about 60% of all receivables.
Our Company has long-term business relations with most of its customers and losses on receivables have not had any major effect on turnover in the past. Monitoring of customer credit risk is performed on the basis of reports involving periodic assessment of exposure.
The Company sets aside provisions to cover estimated losses on trade receivables and other receivables. Pursuant to the provisions of Article 2428 (6-bis) of the Civil Code, it is noted that no derivatives or similar instruments are used or held by the Company within the framework of financial risk management activities.
All procedures and guidelines regarding risk management operations are managed by NTT DATA EMEA as a service for subsidiary companies.

Liquidity risk

Liquidity risk is the risk that the Company may have difficulty in meeting obligations associated with financial liabilities.
The Company's approach to managing liquidity is to ensure, insofar as possible, that there are always sufficient funds to meet obligations as they fall due, both under normal circumstances and in times of financial stress, without incurring high additional costs or risking damage to its reputation.
Our Company ensures that sufficient cash on demand is available to meet the needs generated by the operating cycle and investments, including costs relating to financial liabilities. Our Company's treasury services make ongoing financial forecasts based on income and expenditure for the months ahead and adopt corrective measures accordingly.
As already noted, since June 2016 our Company has belonged to the EMEA cash pooling scheme and has access to the credit lines provided by the parent company EMEA.

Exchange rate risk

Exchange rate risk is the risk that the Company might incur costs due to currency fluctuations on business or financial transactions. With rare exceptions, our Company operates in its target market using the Euro as the main currency for its business transactions.
For any transactions in a different currency it relies on the support of EMEA to manage exchange rate risk.

Interest rate risk

The interest rate risk to which our Company is exposed stems mainly from use of credit lines with a floating rate (Euribor), although this risk is significantly offset by liquidity provided by the parent company EMEA and paid back with interest at very competitive conditions (in line with the rating of the NTT Data/ NTT Group).

Going concern

Based on the results and on the Industrial Plan, there is no financial or management indication that would cast doubt on the ability of the Group to continue to operate as a going concern.

Equity investments in subsidiary and associated companies and own shares

With regard to the company transactions made during the fiscal year, please refer to the paragraph headed "Corporate transactions"
Pursuant to Article 2428 of the Civil Code, we report that the Company does not possess, nor did it either buy or sell any own shares, or interests or shares in parent companies during the fiscal period, either directly or through a trust company or third party.

Alternative performance indicators

In addition to the conventional financial statements and indicators required under IFRS, this document presents certain alternative indicators to enable a better assessment of the Company's operating and financial performance.
Among the alternative indicators used in the Report on Operations to comment on results, we shall note the following in particular:

- NTT DATA Italia resources: includes the Company's Shareholders' Equity and loans repayable to NTT DATA EMEA.
- Net financial position: the result of summing current and non-current financial liabilities, cash and cash equivalents and current financial receivables.

On behalf of the Board of Directors
The CEO
Walter Ruffinoni

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated financial information of the Group for the business periods ending on March 31, 2019 and 31 March 2020, prepared in accordance with the IFRS adopted by the European Union.

Balance Sheet Statement

(€ thousand)	Note	31 March 2019	31 March 2020
Property, plant and equipment	**4.1.1**	6.589	10.048
Right of use assets	**4.1.2**	-	18.235
Goodwill	**4.1.3**	106.185	109.031
Other intangible assets	**4.1.4**	5.635	4.107
Investments	**4.1.5**	18	38
Other non current assets	**4.1.6**	1.267	874
Other financial assets	**4.1.7**	236	262
Deferred tax assets	**4.1.8**	5.388	9.964
Non current assets		**125.318**	**152.560**
Work in progress	**4.2.1**	21.818	23.503
Trade receivables	**4.2.2**	169.248	176.451
Tax receivables	**4.2.3**	4.911	3.200
Other receivables	**4.2.4**	12.969	13.979
Cash and cash equivalents	**4.2.5**	27.077	58.443
Current assets		**236.023**	**275.575**
TOTAL ASSETS		**361.341**	**428.135**
Share capital	**4.3.1**	33.107	33.107
Legal reserve	**4.3.2**	2.039	2.039
Other reserves	**4.3.2**	(3.463)	52.562
Net result for the year		5.434	(20.871)
Shareholders' Equity		**37.117**	**66.838**
Employee benefits	**4.4.1**	19.651	18.213
Provisions	**4.4.2**	672	3.881
Deferred tax liabilities	**4.1.8**	6	7
Financial liabilities IFRS 16	**4.4.3**	-	11.478
Mid and long term financial liabilities	**4.4.3**	117.500	97.500
Non current liabilities		**137.829**	**131.078**
Trade payables	**4.5.1**	94.715	90.696
Tax and social security payables	**4.5.2**	15.968	34.486
Financial liabilities IFRS 16	**4.4.3**	-	6.159
Provisions	**4.4.2**	-	12.077
Other payables and current liabilities	**4.5.3**	75.711	86.801
Current liabilities		**186.395**	**230.219**
Total liabilities		**324.224**	**361.298**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**361.341**	**428.135**

Comprehensive income/(losses)

(€ thousand)	Note	31 march 2019	31 march 2020
Sales of goods and services	**4.6.1**	367.231	430.189
Other income	**4.6.2**	23	-
Change in work in progress	**4.6.3**	9.444	1.705
Total revenues		**376.697**	**431.895**
Increases in fixed assets for internal work	**4.6.4**	960	696
Costs for materials and services	**4.6.5**	(174.316)	(190.392)
Costs for personnel and directors	**4.6.6**	(188.932)	(247.997)
Amortization, depreciation and write-downs	**4.6.7**	(5.711)	(13.216)
Other operating costs	**4.6.8**	(1.182)	(3.945)
Operating income		**7.516**	**(22.960)**
Net financial income/(expenses)	**4.6.9**	(1.337)	(1.789)
Income before taxes		**6.180**	**(24.749)**
Income taxes	**4.6.10**	(746)	3.878
Net income		**5.434**	**(20.871)**
Other comprehensive income or losses			
Income or losses that may subsequently be reclassified in profit/(loss) for the period			
Foreign currency translation differences		(266)	(193)
Income or losses that will never be reclassified in profit/(loss) for the period			
Liabilities/(assets) revaluation related to defined benefit funds		(648)	1.033
Taxes on income or losses that will never be reclassified in profit/(loss)		155	(248)
Total other comprehensive income or losses		**(758)**	**592**
Total comprehensive income		**4.676**	**(20.279)**

Statement of changes in Shareholder's equity

(€ thousand)	Share capital	Legal reserve	Currency Conversion reserve	Employee Benefits Plan reserve	Other reserves	Retained earning	Total
As of 1 April 2018	**33.107**	**2.039**	**(1.519)**	**(451)**	**(242)**	**(494)**	**32.441**
Result of the year	-	-	-	-	-	5.434	5.434
Other comprehensive income/(losses) for the period	-	-	(266)	(492)	-	-	(758)
As of 31 March 2019	**33.107**	**2.039**	**(1.785)**	**(943)**	**(242)**	**4.940**	**37.117**
Result of the year	-	-	-	-	-	(20.871)	(20.871)
Other comprehensive income/(losses) for the period	-	-	(193)	785	-	-	592
Capital injection	-	-	-	-	50.000	-	50.000
As of 31 March 2020	**33.107**	**2.039**	**(1.978)**	**(158)**	**49.758**	**(15.931)**	**66.838**

Cash Flow Statement

(€ thousand)	31 March 2019	31 March 2020
Income before taxes	**6.180**	**(24.749)**
Amortizations, depreciations and write-downs	5.711	13.216
Severance indemnity	196	115
Increases in fixed assets for internal work	(960)	(696)
Provisions	633	3.172
(increase)/Decrease in trade receivables	(37.674)	(5.057)
(Increase)/Decrease in other receivables	563	(3.362)
Increase/(Decrease) in trade payables	25.975	(5.189)
Increase/(decrease) in other payables	5.105	43.420
Taxes paid	(182)	(606)
Severance indemnity paid	(582)	(945)
Net cash flow from operating activities (A)	**4.964**	**19.319**
Purchase of tangible assets	(4.209)	(6.666)
Purchase of intangible assets	(279)	(206)
(Increase)/Decrease in other non current assets	(853)	392
Payments for the acquisition of subsidiaries net of cash acquired	-	(3.359)
Net cash flow from investing activities (B)	**(5.341)**	**(9.840)**
Proceeds from increase in capital	-	50.000
Increase/(Decrease) in loan payables	-	(8.115)
Financial liabilities for leasing	-	(20.000)
Net cash flows from financing activities (C)	**-**	**21.885**
Net cash flows (D) = (A+B+C)	**(377)**	**31.366**
Cash available at the beginning of the period	*27.454*	*27.077*
Cash available at the end of the period	*27.077*	*58.443*
Total change in cash and cash equivalents (D)	**(377)**	**31.366**

Explanatory Notes

1 Introduction

The Group NTT DATA Italia operates in the "IT Consulting & Solution" market, developing integrated IT solutions for medium and large companies and offering architecture and technology consultancy services, with a focus on high-impact platforms i.e. Security, Customer Relationship Management and Knowledge Management.

These consolidated financial statements for the period ending on March 31, 2020, are presented in Euro, since the Euro is the currency with which the Group mainly operates, and consist of the Balance Sheet, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Shareholders' Equity, and the Explanatory Notes. All of the values reported in the consolidated financial statements are expressed in thousands of Euro. These Financial Statements were approved and their publication authorised by the Board of Directors on June 29, 2020 and will be presented at the General Meeting of Shareholders.
The Financial Statements are subject to statutory audit by KPMG S.p.A..

The Parent Company NTT DATA Italia S.p.A. (hereinafter also "Parent Company") is a joint-stock company with headquarters in Milan, Italy. As at March 31, 2020, it is 100% owned by NTT DATA EMEA Ltd, a company incorporated on March 16, 2012, and belonging to the Japanese NTT Group.

1.1 Method of presenting the financial statements

These financial statements were prepared assuming the company is a going concern, since the Directors have verified that there are no financial, operating or other indicators of situations suggesting the Company's inability to satisfy its obligations in the foreseeable future.

The health emergency resulting from the Covid-19 pandemic that hit China at the end of the year 2019 and Italy from February 2020, resulted in the mandatory closure of production activities and non-essential services with significant economic and social impacts.

The Group, operating in the IT sector, has not undergone the lockdown as an activity deemed essential by the DPCM.

The performance of the activity during the lockdown period took place in complete safety for staff and users through the establishment of a task force to monitor the identified critical areas and through the adoption of agile working methods for the whole workforce.

The possibility of continuing to carry out the activities during the closing period has allowed the Company to maintain the expected level of marginality.

All of the above allows the Group to draw up the Financial Statements for the year ended March 31, 2020 by applying the principle of business continuity without having to resort to the exceptions introduced by law decree no. 23/2020.

The **Balance Sheet** was prepared by classifying assets and liabilities according to "current/non-current" criteria. An asset / liability is classified as "current" when:

- It is expected that an asset / liability will either be realised / extinguished or sold or used in the normal operating cycle of the business;
- It is held principally for trading;
- It is expected that it will be either realised or extinguished within 12 months after the balance

sheet date;

- It falls in the category of cash and cash equivalents, unless it is precluded from being traded or used to settle a liability for at least 12 months after the balance sheet date;
- The entity does not have an unconditional right to defer payment of the liability for at least 12 months after the balance sheet date.

If these conditions are not met, the assets/liabilities are classified as non-current;

the **Statement of Comprehensive** Income was prepared by classifying operating costs by type, since the company decided that this was more closely representative than presenting costs by destination, and more suitable for representing the specific business of the Group; this includes revenues and costs that are not stated under profits (losses) for the accounting period, or income and charges stated directly under shareholders' equity and deriving from business activities other than transactions with shareholders;

the **Cash Flow Statement** was prepared showing cash flows from operating activities, using the "indirect method", as authorised by IAS 7.

The **Statement of Changes in Shareholders' Equity** includes not only the result of the statement of comprehensive income, but also the business transactions carried out directly with shareholders acting in that capacity and the details of each individual item.

For each significant item listed on the above tables, reference is made to the subsequent explanatory notes which provide the relevant information, details and changes compared to the previous financial year.

1.2 Seasonal nature of the business

On the basis of our historical data, the activity of the Group is not subject to significant seasonal phenomena..

2 Accounting standards adopted

2.1 Consolidation principles

The consolidated financial statements include those of NTT DATA Italia S.p.A. and its subsidiaries as of March 31, 2020.

The subsidiaries are fully consolidated from the date of purchase, i.e. the date in which the Group obtains control, and they cease to be consolidated when the control is transferred outside the Group.

The financial statements of the subsidiaries are prepared using the same accounting standards as used for the holding company.

It should be pointed out that "IFRS 10 – Consolidated Financial Statements", issued in May 2011 and mandatorily adopted in the financial statements for the years beginning on or after January 1, 2014, replaced, for the part concerning consolidated financial statements, "IAS 27 – Consolidated and separate financial statements", and introduced a new approach to determining whether an entity controls another, without modifying the consolidation procedures envisaged in the current. While current accounting standards give priority – where control does not derive from holding a majority of actual or potential voting rights – to an assessment of the risks/benefits associated with the holding in the investee, IFRS 10 focuses the determination on three elements to be considered in each assessment: power over the investee; exposure to variable returns from the involvement in the investee; and the link between power and returns, i.e. the ability to use that decision-making power over the investee to affect the amount of returns.

Specifically, the standard sets forth the following definition of "control": "An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, an investor controls an investee if and only if the investor has all the following:

a) power over the investee (see paragraphs 10-14);

b) exposure, or rights, to variable returns from its involvement with the investee (see paragraphs 15 and 16); and

c) the ability to use its power over the investee to affect the amount of the investor's returns (see paragraphs 17 and 18)".

All the intercompany balances and transactions, including any unrealised gains and losses from transactions between Group companies and dividends, are completely eliminated.

Losses are attributed to minority interests, even if this means that they will have a negative balance.

Changes in the holding company's stakes in a subsidiary that do not involve a loss of control are stated as equity transactions.

If the holding company loses control of a subsidiary, it:

- eliminates the assets (including any goodwill) and liabilities of the subsidiary:
- eliminates the book values of any minority stake in the former subsidiary;
- eliminates the cumulative exchange differences identified in equity;
- states the fair value of the consideration received;
- states the fair value of any shares maintained in the former subsidiary;

- states all profits or losses in the income statement;
- reclassifies the portion attributable to the holding company of the components previously identified in the comprehensive income statement in the income statement or in the retained earnings, as appropriate.

The following table includes a list of subsidiaries as of March 31, 2020, included within the scope of consolidation and consolidated on a line-by-line basis:

Consolidation area

Company	Currency	Share Capital	Number of Shares	Par Value Shares/quotas	Shares/quotas held directly (No.)	Shares/quotas held indirectly (No.)	Ownership (%)
NTT DATA Italia S.p.A.	EUR	33.107.160	13.242.864	2,50	13.242.864	-	100,00%
Xsfera S.r.l.	EUR	50.000	1	50.000,00	1	-	100,00%
NTT DATA Danismalik Ltd	TRY	8.506.050	340.242	25,00	340.140	-	99,97%
Ifi Solution Co., Ltd	VND	3.052.500.000	305.249	10.000,03	304.948,02	-	99,90%

2.2 Summary of the principal accounting standards

The accounting standards described below have been applied consistently throughout all periods presented in these consolidated financial statements and by all entities of the Group.

Business combinations

Business combinations are stated using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are stated on the Statement of Comprehensive Income and included in administrative expenses.

When the Group acquires a business, it classifies any financial assets acquired and liabilities assumed in accordance with the contractual terms, financial conditions and other relevant conditions existing at the date of purchase. This includes establishing whether embedded derivatives should be separated from the host contracts.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is stated as a profit or loss on the Statement of Comprehensive Income.

Any potential contingent consideration is stated at fair value at the acquisition date. Any change in fair value of the contingent consideration classified as an asset or liability is stated as a profit or loss for the year, according to IAS 39, on the Statement of Comprehensive Income. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is stated under equity.

Goodwill is initially stated at cost, being the excess of the aggregate of the consideration paid and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired is in excess of the aggregate consideration paid, the gain is stated on the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed of operation is included in the book value of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Investments in companies accounted for using the equity method

The investments accounted for using the equity method are represented by associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interests in associates and in joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss of the equity accounted investees until the date on which said significant influence or joint control cease.

Where the loss pertaining to the Group exceeds the carrying amount of the investment and the investor is required to fulfil legal or implicit obligations of the investee, or in any case cover its losses, any excess over the carrying amount is recognised among liabilities in the provision for risks and charges.

Non-current assets held for sale and discontinued operations

Non-current assets and discontinued units classified as held for sale are valued at the lower of the book value and fair value less costs to sell. The non-current assets and discontinued units are classified as held for sale if their book value will be recovered principally through a sale transaction rather than through their continuing use. This condition is considered to be satisfied when the sale is highly probable and the asset is available for an immediate sale in its current condition; management is committed to the sale and completion is expected within a year from the

date of classification.
In the consolidated statement of comprehensive income of the current and comparative period, the profit and loss from discontinued operations are represented separately from operational activities, under the line profits after taxes. The resulting profit or loss, after tax, is stated separately on the statement of comprehensive income.
Once classified as held for sale, tangible and intangible fixed assets are no longer depreciated or amortised.

Foreign currency translation

The consolidated financial statements are presented in Euro, which is the operating and reporting currency used by the Group, and each company within the Group determines its own operating currency, which is used to measure items entries in the individual financial statements.

(i) Transactions and balances

A foreign currency transaction is recorded, when initially identified, by applying to the foreign currency the spot exchange rate between the operating currency and the foreign currency of the date of the transaction.

The monetary assets and liabilities, indicated in foreign currencies, are converted into operating currency using the exchange rate in effect at the end of the reporting period.

Differences are identified in the income statement with the exception of monetary items that form part of a net investment in foreign operations. These differences are identified initially in the comprehensive income statement until the net investment is sold, and they are stated on the income statement. Taxes and tax credits attributable to exchange rate differences on monetary items, are also indicated on the statement of comprehensive income.

Non-monetary items with a historical cost in foreign currency are translated using the exchange rates in force on the date the transaction was initially identified. Non-monetary items carried at fair value in foreign currency are translated using the exchange rate in effect on the date that value was established.

(ii) Group Companies

At the end of the reporting period, assets and liabilities of Group companies are translated into the reporting currency of NTT DATA Italia S.p.A.(Euro) using the exchange rate in effect on that date, and their profit and loss data are translated using the average exchange rate on the date of the related transactions.

Exchange rate differences resulting from the translation are reported under shareholders' equity. When a foreign transaction is completed, the item in the statement of comprehensive income that refers to that foreign transaction is reclassified under profits and or losses for the year.

Any goodwill arising from the purchase of a foreign operation after January 1, 2005, and any adjustment to the fair value of assets or liabilities arising from the purchase of that foreign operation are calculated as assets and liabilities from foreign operations. Therefore, the amounts are expressed in the operating currency of the foreign operation and translated at the exchange rate in effect at the closure of the financial year.

The exchange rates used in the year considered and in the preceding year are shown below:

		Timely exchange		Average exchange	
		31 march 2019	31 march 2020	2019	2020
TRY	Turkish lira	6,3446	7,2063	6,0586	6,5150
VND	Vietnamese dong	26.064,0000	25.893,0000	26.786,7569	25.827,4570

Source: Bank of Italy

2.3 Summary of the principal accounting standards

The financial statements were prepared on a cost basis, except in the cases specifically described in the following notes, for which the "fair value" principle was applied.
The main measurement methods used for the individual items of the financial statements are described below.

A. Tangible fixed assets

Tangible fixed assets are measured at the purchase or production cost, net of accumulated depreciation and any impairment losses. The cost includes all expenses directly incurred to prepare the assets for use and any removal and disposal costs that will be incurred as a result of contractual obligations requiring that the asset be restored to its original condition.
The costs incurred for routine and/or scheduled maintenance and repairs are directly charged to the income statement as incurred. Costs relating to the expansion, modernization or improvement of facilities owned or used by third parties are capitalised only insofar as they satisfy the requirements for being separately classified as an asset or part of an asset by applying the "component approach". Similarly, replacement costs for identifiable components of complex assets are capitalised and depreciated over their estimated useful life; the residual value of the replaced component is reported in the income statement.
The book value of plant and machinery is adjusted by systematic depreciation, calculated on a straight-line basis from the time the asset becomes available and ready to use, depending on the estimated useful life.

The useful life estimated by the NTT DATA Italia Group, for the various categories of assets, is the following:
Plant, machinery and equipment 4 - 8 years
Furniture, office machinery and vehicles 4 - 8 years
The useful life of tangible assets and the residual values are reviewed and adjusted annually and, where applicable, at the end of each financial year.
If the asset to be depreciated is composed of distinct elements with a useful life that significantly differs from that of other parts that compose the asset, the depreciation is calculated separately for each of the parts that make up the asset, according to the "component approach".

Improvements to leased assets are classified under "Plant and machinery", based on the nature of the cost incurred. The depreciation period corresponds to the lesser between the remaining useful life of the asset and the duration of the lease agreement.
The profit or loss arising from the sale of tangible fixed assets is determined as the difference between the selling price and the book value of the asset and is recorded under profit and loss of the current year respectively as "Other income" or "Other operating costs".

B. Leased assets

The Group applied IFRS 16 using the modified retrospective approach. Accordingly the comparative information is not restated.

The Group determinates at the contract inception whether an arrangement was or contained a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leasing contracts are accounted according with IFRS 16: the present value of the residual payments are booked in the Balance Sheet within the financial liabilities. At the same time an equal value is accounted within the "Right of use assets".

The discounted rated applied is the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The "Right of use" assets is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term and eventually adjusted during the life of the contract for certain remeasurements of the lease liability.

The Group identified the following categories that fall within the application of IFRS 16:

- Office rents
- Long term car rents.

The Group applied a number of practical expedients when applying the IFRS 16. In particular, the Group:

- Did not recognize right of use assets and liabilities for leases of low value assets (lower than € 5 thousand) and for short-term contract leasing. Payments related to these categories are shown on a straight-line basis in the Income Statement for the life of the leasing contract.
- Excludes from the initial evaluation any service component eventually embedded within the leasing contract where recognizable.

C. Intangible assets

Intangible assets consist of non-cash items, identifiable and without physical substance, controlled and capable of generating future economic benefits. These elements are measured at purchase and/or production cost, including costs directly attributable to preparation of the asset for use, net of accumulated amortisation and any impairment losses. Amortisation begins when the asset is available for use and is calculated over its remaining useful life.

The recoverability of intangible assets in progress is assessed annually.

(i) Goodwill

Goodwill is represented by the excess purchase cost incurred compared to the net fair value, on the date of acquisition of the assets and liabilities of companies. Goodwill is not subject to systematic amortisation but to an annual test to verify the adequacy of the relative value recorded in the balance sheet (impairment test). This test is carried out with reference to the organisational unit generating cash flows ("Cash Generating Unit") to which goodwill is attributed. Any reduction in the value of the goodwill is noted if the recoverable amount of goodwill is lower than its carrying value on the balance sheet. Recoverable amount means the greater amount between the fair value of the cash generating unit, less sales costs, and the relative value in use (refer to section D below for further details regarding the calculation of the value in use).

In the event that the impairment resulting from the test is higher than the value of the goodwill allocated to the cash generating unit, the remaining surplus is allocated to the assets included in the cash generating unit in proportion to their carrying value. The lowest limit for the allocated amount is the greatest between:

- the fair value of the assets, net of costs of sale;
- the value in use, as defined above.

(ii) Industrial patent rights and use of intellectual property, licenses and similar rights

The expenses related to the purchase of industrial patent rights and the use of intellectual property, of licenses and similar rights are capitalised based on purchase costs.

Amortisation is computed using a straight-line method so that the cost sustained for purchasing the right is allocated over the shortest period between the expected use and the duration of the related contracts, starting from the moment the right purchased is exercisable.

(iii) Others

These relate mainly to expenses for registering trademarks, amortised over a 10-year period.

(iv) Development Assets

An intangible asset arising from the development (or from a stage of development of an internal project) is recognised when:

- the technical feasibility of completing the asset so that it will be available for use or sale is demonstrated;
- it is shown that the intangible asset will generate future economic benefits;
- there is an availability of technical, financial and other resources sufficient to complete the development and for the use or sale of the intangible asset;
- it is possible to reliably calculate the cost attributable to the intangible asset during development.

D. Impairment of assets

At each balance sheet date, tangible and intangible assets with a defined life are analysed in order to identify the existence of any indicators, originating from either external sources or sources within the NTT DATA Italia Group, of a reduction in their value. In circumstances where these indicators are identified, an estimate is made of the recoverable value of these assets and any impairment is accounted for in the income statement. In the case of goodwill and other intangible assets with an indefinite useful life, this assessment is performed at least on a yearly basis. The recoverable value of an asset is either its fair value less sales cost, or its value in use, whichever is greater, where the latter is the current value of future estimated cash flows arising from the use of the asset and those deriving from disposal at the end of its useful life. In determining the value in use, the anticipated future cash flows are obtained using a pre-tax discount rate that reflects current market assessments of the value of the money compared to the investment period and the specific risks. For an asset that does not generate largely independent cash flows the realisable value is determined in relation to the cash generating unit to which the asset belongs.

An impairment loss is recognised in the income statement when the book value of the asset, or the cash generating unit to which it is allocated, exceeds the recoverable amount. If the conditions for the previous write-down cease to exist, the book value for the asset is restored and the adjustment accounted for in the income statement, within the limits of the net carrying value the asset concerned would have had if it had not been written down and amortisation or depreciation charges had been applied.

E. Financial instruments

(i) Financial assets

When first entered, financial assets are classified in one of the following categories and measured as follows:

- **loans and receivable**s: these are financial instruments, primarily related to trade receivables, non-derivatives and not listed in an active market, from which fixed or determinable payments are expected. They are included under current assets, except for those that fall due more than twelve months after the balance sheet date, which are classified as non-current. When initially recorded, these assets are recorded at the fair value and subsequently at the amortised cost using the effective interest rate method. If there is objective evidence of impairment, the asset is reduced accordingly, so that it is equal to the current value of future cash flows. Impairment losses are reported in the income statement. If in subsequent periods, the reasons for previous write-downs no longer exist, the value of the asset is restored to the value that would have been derived by applying the amortised cost, if no write-down had taken place.

- **Investments available** for sale: these are non-derivative financial instruments specifically assigned to this category, which cannot be classified in the above categories. These financial instruments are initially measured at fair value and the profits or losses accounted for in an equity reserve are reflected in the income statement only when the financial assets are actually sold or, in the case of accumulated negative changes, when there is evidence that the reduction in value already accounted for in equity cannot be recovered. Solely in the case of debt securities, if, in a subsequent period, the fair value increases and the increase can be related objectively to an event occurring after the impairment loss was reported in the income statement, the impairment loss must be reversed, with the amount of the reversal recognised in the income statement. Furthermore, with respect to debt securities, the returns measured based on the amortised cost method are accounted for with an offsetting entry in the income statement, as in the case of effects related to changes in exchange rates. The changes in exchange rates relating to capital instruments available for sale are accounted for in a specific equity reserve**.**

- **Investments in associates**: the operating results along with the assets and liabilities of associates are accounted for in the consolidated financial statements using the equity method, unless they are held for sale. Investments in associates are measured at cost and then adjusted to reflect variations, following the acquisition, in the net assets of the associates and any impairment in the value of individual investments.

The amount by which the acquisition cost exceeds the percentage of the current value of the assets, liabilities and potential liabilities of the associate ascribable to the Group at the time of acquisition is recognised as goodwill. If an investment shows indications of permanent impairment, the possible reduction in value is verified by performing an impairment test and any losses are accounted for in the income statement. When the reasons which led to the write-down no longer exist, the book value of the investment is restored to its original

cost. This recovery is accounted for in the income statement.
Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument have been extinguished and the NTT DATA Italia Group has substantially transferred all risks and benefits tied to the instrument and the control thereof.

(ii) Financial Liabilities

Financial liabilities are related to loans, trade payables and other payment obligations and are measured at fair value during initial recognition and subsequently at the amortised cost, using the effective interest rate criteria. If there is a change in expected cash flows and it is possible to obtain a reliable estimate, the value of the loans is recalculated to reflect this change on the basis of the present value of the new expected cash flows and internal rate of return initially determined. Financial liabilities are classified as current liabilities unless the NTT DATA Italia Group has an unconditional right to defer payment for at least 12 months after the balance sheet date.
Financial liabilities are removed from the Balance Sheet at the time of their settlement and when the NTT DATA Italia Group has transferred all the risks and charges related to the instrument itself.

(iii) Determining the fair value of financial instruments

In order to determine the fair value of financial instruments listed on active markets, the relative market price (bid price) in effect on the closing date of the period of observation is used. In the absence of an active market, the fair value is determined using measurement models that rely primarily on objective financial variables, and by taking into account, where possible, prices observed in recent transactions and the market prices for similar financial instruments.

F. Contract work in progress

Contract work in progress is represented by specific projects commissioned by customers and currently underway.
If the outcome of an ongoing project can be reliably estimated, contract revenue and the related costs are identified based on the percentage-of-completion method. The percentage of completion is determined with reference to the relationship between the costs incurred for activities performed as of the reporting date and the estimated total costs upon completion.
If the outcome of an ongoing project cannot be reliably estimated, contract revenues are stated in the amount of the costs incurred, provided that it is likely that these costs will be recovered.
The sum of the costs incurred and results stated on each project are compared with the invoices issued as of the reporting date. If the costs incurred and the stated profits (less losses) are in excess of the advance billings, the difference is classified as current assets under “Contract work in progress”. If the advance billings exceed the costs incurred plus measured earnings (less losses), the difference is classified among current liabilities under the heading “Other payables and current liabilities”.
Any losses on contracts are recorded in the income statement, when it is likely that the estimated total costs will exceed the expected total revenues.

G. Cash and cash equivalents

Cash and cash equivalents consist of cash, bank and postal current accounts, short-term demand deposits and other short-term highly liquid investments that in any case are payable and due within ninety days of the acquisition date and promptly convertible into cash. For the purposes of determining the net cash for the preparation of the cash-flow statement, the current accounts payable, included under "short-term financial liabilities", are accounted for as a reduction in cash and cash equivalents. Items included in net cash are measured at fair value and any changes are accounted for in the income statement.

H. Shareholders' equity

(i) Share capital

The share capital is represented by the capital subscribed and paid up.

(ii) Legal reserve

It includes the amounts set aside for the legal reserve as per art. 2430 of the Civil Code, which is increased by an amount equivalent to one twentieth of the net profits made, until the reserve itself has reached one fifth of the share capital. Once one fifth of the share capital is reached, if for whatever reason the reserve is decreased, it will be replenished in minimum annual allocations equal to the one indicated above.

(iii) Currency translation reserve

It reflects the translations into Euro of the financial statements of foreign-based companies that have an operating currency other than the Euro.

(iv) Other reserves including profits/losses for the year

They include the operating results for the current period and the previous financial years for the part not distributed or allocated to reserves (in the case of profits) or covered (in the case of losses) and the accumulated effects following the conversion to IFRS.

I. Provisions for risks and charges

Provisions for risks and charges are stated only when there is a current obligation (legal or implicit) for a future outflow of economic resources as a result of past events and it is likely that this outflow will be required to settle the obligation. This amount represents the best estimate of the amount required to settle the obligation. When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provisions are discounted.
The rate used to determine the present value of the liabilities reflects current market values and includes the additional effects of the specific risk associated with each liability. Changes in the value of the provision, due to the passage of time, are accounted for in the income statement under "Financial expenses".

The costs that the company expects to incur in order to carry out restructuring plans are charged to the financial year in which the program is officially defined and in which the parties concerned can reasonably expect the restructuring to take place.
The risks related to liabilities whose occurrence is only possible are described in the section on commitments and risks, and no provisions are made.

J. Defined benefit plans

With the adoption/implementation of IFRS, the severance indemnity accrued up to December 31 2006 is considered a defined benefit obligation that must be accounted for in accordance with IAS 19 – Employee Benefits. Consequently, it must be measured on the basis of actuarial assumptions at the end of each period by applying the projected unit credit method.

The measurement process, based on demographic and financial factors, is entrusted to independent professional actuaries.

Actuarial gains and losses, returns on plan assets (excluding interest) and the effect of the asset ceiling (excluding any interest) which emerge following the remeasurement of the net defined benefit liability are immediately accounted for in OCI. The net interest for the period on the defined benefit liability/(asset) is calculated by applying to the net liability/(asset) the discount rate used to discount the defined benefit obligation, as determined at the beginning of the period, taking into account any changes in the net defined benefit liability/(asset) taking place during the period as a result of contributions collected and benefits paid. Net interest expense and other expenses related to defined benefit plans are recognised in profit/(loss) for the year.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gains or losses deriving from curtailment of the plan are recognised in the profit or loss for the year at the moment in which the adjustment or curtailment takes place.

K. Recognition of revenues from sales and services

The company has adopted in advance the accounting standard IFRS 15 - Revenue from Contracts with Customers.

IFRS 15 has replaced the criteria for the recognition of revenue defined by IAS 18 'Revenue' and IAS 11 'Construction Contracts' and introduced a single general model for establishing if, when and to what extent revenue should be recognised, and which is based on the transfer of control over the goods and services to the customer. In particular, IFRS 15 outlines a model for the recognition of revenue which entails carrying out the following 5 steps:

- Step 1 – Identify the contract with a customer;
- Step 2 – Identify the performance obligations in the contract with the customer;
- Step 3 – Determine the transaction price;
- Step 4 – Allocate the transaction price to the performance obligations in the contract;
- Step5 – Recognise revenue when (or as) the entity satisfies a performance obligation (revenue is recognised over time or at a point in time).

Revenue from the sale of goods arising in the course of ordinary activities is measured at the fair value of the amount received or receivable, taking into account any rights of return and the value of rebates, trade discounts and bonuses linked to volume. If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognised as a reduction of revenue concurrently with the recognition of sales.

Revenue from services provided includes the initial amount of revenue agreed in the contract and any variants agreed with the customer, requested price adjustments and payments of incentives to the extent that they are likely to give rise to revenue and can be reliably estimated.

When the outcome of a project can be reliably estimated according to the guidelines laid down by accounting standard IFRS 15, the corresponding revenue is recognised in proportion to progress (over time). Progress is determined on the basis of an estimate of the hours expended and the final balance for each project underway. When the outcome of a project cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are expected to be recovered.

The related costs are stated as incurred unless they relate to future activity on the contract. An expected loss on a project in progress is

immediately recognised as an expense in profit or loss.
The chargebacks to third parties for costs sustained on their behalf are accounted for by writing off the costs to which they relate.

L. Recognition of costs

Purchases of goods are recognised at the time of the transfer of ownership and are appraised at the fair value of the price due, net of any refunds, rebates, trade discounts and year-end bonuses.
The costs for services are recognised based on the progress of the service being provided as of the end of the reporting period. Interest payable is measured on an accrual basis.

Financial costs are recognised in the comprehensive income as they are accrued, with the exception of borrowing costs directly ascribable to the acquisition, construction or production of assets that require a substantial amount of time before they are ready to be used or sold. With reference to such assets, capitalisation of which began on or after January 1, 2009, the applicable date of accounting standard IAS 23- Borrowing Costs (revised), the associated financial charges are capitalised as part of such assets.

M. Taxes

Current taxes are calculated on the basis of taxable income for the financial year. The taxable income differs from the result reported in the statement of comprehensive income due to the fact that it excludes positive or negative components that are taxable or deductible in other accounting periods and because it excludes components that are not taxable or deductible. The current tax liabilities are calculated using the rates in force or actually applicable on the balance sheet date
Deferred tax liabilities are generally recognised for all taxable temporary differences, whilst deferred tax assets are recognised to the extent that it may be assumed that future taxable income will be sufficient to allow these deductible temporary differences to be exploited. In particular, the value of the deferred tax assets for accounting purposes is reviewed at the end of every reporting period based on the updated forecasts of future taxable income.

Deferred tax assets and liabilities are not recognised if the temporary differences derive from the initial entry of goodwill or, in the case of transactions other than business combinations, of other assets or liabilities in operations that do not have any influence on either the result for accounting purposes or the result for tax purposes. Furthermore, deferred tax liabilities are recognised for temporary taxable differences related to investments in subsidiaries, associates, and jointly controlled companies; except where the Group is capable of controlling the annulment of such temporary differences and where it is probable that the latter differences will not be annulled in the foreseeable future.

Deferred tax assets and liabilities are calculated based on the tax percentage that will most likely be in force at the moment of realisation of the asset or extinguishment of the liability, keeping in mind the tax percentages in force at the balance sheet date.
Deferred tax assets and liabilities are offset where there is a legal right to offset current tax receivables against current tax payables and when they refer to taxes due to the same revenue authority and the Group intends to pay current taxes due net of tax

receivables.

N. Financial income and expenses

Financial income includes interest earned on cash invested (including all financial assets available for sale), dividend income, income from the sale of financial assets available for sale, changes in the fair value of financial assets recognised in the income statement, income from a business combination for the remeasurement of the fair value of the previous investment, if any, in the acquired company, gains on hedging instruments recognised/recorded in profit or loss and reclassification of net income previously recognised/recorded in other comprehensive income. Interest income is recognised in profit or loss on an accrual basis using the effective interest method. Dividend income is recognised when the Group's right to receive payment is established; in the case of listed securities it is normally on the payment due date.

Financial expenses comprise interest payable on loans, the release of the discounting of funds and the corresponding deferred amounts, losses from the sale of financial assets available for sale, changes in the fair value of financial assets at the fair value stated in the income statement and the potential corresponding amounts, losses due to impairment of financial assets (other than trade receivables), losses on hedging instruments recognised in the profit or loss for the year and reclassification of net losses previously recognised in other components of comprehensive income.

Costs related to loans that are not directly attributable to the cost of acquisition, construction or production of an asset that justifies capitalisation are recognised in profit or loss using the effective interest method.

Exchange gains and losses on financial assets and liabilities are shown at the net between income and expenses based on the position of profits or net losses deriving from currency transactions.

2.4 Use of estimates

The preparation of financial statements requires the management to apply accounting standards and methods that, in some cases, are based on difficult and subjective judgments and estimates based on historical experience and assumptions that are from time to time considered reasonable and realistic depending on the circumstances. The application of these estimates and assumptions affects the amounts reported in the financial statements, namely, the consolidated balance sheet, statement of comprehensive income, statement of changes in shareholders' equity and consolidated cash flow statement. The final balances shown in the financial statements, for which the above-mentioned estimates and assumptions were used, may differ from those reported in financial statements that disclose the actual effects of the occurrence of the event under consideration, due to the uncertainty surrounding the assumptions and conditions upon which the estimates are based.

Below is a brief description of the main items requiring a more subjective assessment by management when formulating estimates, and for which a change in the conditions underlying the assumptions made could have a significant impact on the balance sheet values of assets and liabilities.

Revenues and costs

The determination of revenues, costs, and hence the margin of earnings for the year from projects in progress, is based on the best estimates made by management regarding the work completion schedule. Such estimates entail forecasting the costs upon completion of the different projects underway. The assessments may undergo adjustment in the months following the balance sheet date.

Goodwill

In accordance with the accounting standards adopted in preparing the financial statements, the company annually reviews goodwill in order to establish the existence of any impairment to be reported in the income statement. In particular, this involves the allocation of goodwill to cash generating units and subsequent determination of its recoverable amount. Whenever the recoverable amount is lower than the book value of cash generating units, it will be necessary to write down the goodwill allocated to them. Allocating goodwill to cash generating units and determining the recoverable amount thereof involves using estimates that depend on factors that may change over time and produce significant effects on the assessments made by management.

Deferred tax assets

Accounting of deferred tax assets is based on the expected income for future accounting periods. Assessing expected income in order to account for deferred taxes depends on factors that may vary over time and significantly impact the assessment of deferred tax assets.

Provisions for risks and charges

To meet legal and tax risks, provisions are made to cover the risk of a negative outcome in legal proceedings. The amount of funds set aside for such risks represents the best estimate made by management at the balance sheet date. This estimate requires assumptions that depend on factors that may change over time and which could therefore have a significant impact on current estimates made by management in preparing the Group's consolidated financial statements.

Reserve for bad debts

The reserve for bad debts reflects estimates of losses on the Group's receivables portfolio. Provisions have been made against expected losses calculated on the basis of historical experience with receivables with similar credit risk profiles, as well as the careful monitoring of the quality of the receivables portfolio and current and forecast conditions in the target markets.

2.5 Accounting standards adopted since the current Financial Statement

Shown below are the accounting standards, amendments and interpretations issued by the IASB and approved by the European Union, to be adopted mandatorily in the financial statements for the years beginning on or after January 1, 2019:

- IFRS 16, Leases;
- Amendment to IFRS 9, Prepayment features with negative compensation;
- IFRIC 23, Uncertainty over Income Tax Treatments;
- Amendment to IAS 28, long-term interests in associates and joint ventures;
- Amendment to IAS 19, plan amendment, curtailment or settlement;
- Annual improvements to IFRSs 2015 – 2017 cycle.

Excluding the IFRS 16, the adoption of the above-mentioned amendments and interpretations had no significant impact on the Financial Statements as of March 31st 2020.

The impacts of the IFRS 16 adoption on the Profit and Loss are following summarized:

		31-mar-20		
(€ migliaia)	31 march 2019	Pre-IFRS 16	31 march 2020	Var
(€ thousand) and services	(174.316)	(195.777)	(189.370)	6.407
Cost of personnel	(188.933)	(219.253)	(217.995)	1.258
EBITDA before non recurring items	**13.227**	**15.615**	**23.281**	**7.665**
Depreciation and write downs	(5.711)	(4.636)	(12.152)	(7.516)
EBIT before non recurring items	**7.516**	**10.980**	**11.129**	**149**
Non recurring items	-	(34.088)	(34.088)	-
EBIT	**7.516**	**(23.109)**	**(22.960)**	**149**
Net financial costs	(1.336)	(1.515)	(1.789)	(274)
Result before taxes	**6.180**	**(24.624)**	**(24.749)**	**(125)**

For further details about the effects on Balance Sheet, reference should be made to the following explanatory notes.

The reconciliation between the commitments existing on March 31st, 2019 and the commitments recognized at April 1st, 2019, is the following:

(€ thousand)	
Commitments at March 31 2019	**19.574**
Short term leases	(1.171)
Discounting effect	(867)
Commitments at April 1 2019	**17.537**

2.6 Accounting standards of future introductions

Shown below are the accounting standards, amendments and interpretations issued by the IASB and approved by the European Union, to be adopted mandatorily in the Financial Statements for the years beginning on or after January 1, 2019:

- Amendments to reference to conceptual framework in IFRS standards, in force as of January 1, 2020;
- Amendments to IAS 1 and IAS 8, Definition of "material", in force as of January 1, 2020;
- Amendments to IFRS 9, IAS 39 and IFRS 7, interest rate benchmark reform, in force since January 1, 2020.

2.7 Risk management

General principles of risk management

The founding principles of the risk policy are based on the prevention of major risks related to group objectives and concern strategic, operational and financial areas. These risks also include dependence on key personnel.

The main risks are reported and discussed at the top management level in order to create the conditions for their coverage, insurance and evaluation of the residual risk.

In addition to the guidelines for risk management, there are specific guidelines for financial risks such as exchange and interest rate risks and credit risks.

Operating risks

The market for strategic consulting and ICT professional services is related to the performance of the economy, especially of the developed countries where the demand for quality products and services and/or high technological content is higher.

An economic downturn at a national and/or international level could have an impact.

The NTT DATA Italia Group has joined the prestigious Japanese NTT DATA Group, which is among the world's leading IT companies.

The NTT DATA Italia Group may further boast a management team with extensive experience in the industry, enabling it to offer top quality, competitive services and solutions to customers.

Financial risks

(i) Credit risk

Credit risk is the risk that a customer will cause a financial loss by failing to fulfil an obligation and mainly derives from trade receivables. This credit risk is primarily related to the possibility that customers will not honour their debts to the company on the agreed upon dates.

The customer base consists mainly of medium to large firms for which there are no special risks in terms of collecting receivables. The first 10 customers account for about 60% of receivables. With the majority of customers, the Group has been conducting business now for a long time and bad debts have not had adverse effects on turnover over time. The activity of monitoring credit with respect to customers takes place on the basis of a periodic report that provides an analysis of exposures. The Group companies allocate amounts to the reserve for bad debts that reflect the estimate of the possible losses on trade receivables and other receivables.

(ii) Liquidity risk

Liquidity risk is the risk that the Group's companies have difficulty in meeting obligations associated with financial liabilities. The Group's approach to cash management is to ensure, as much as possible, that there are always sufficient funds to meet its obligations at maturity, both under normal conditions and conditions of financial stress, without incurring exorbitant costs or risk of harming its reputation.

Generally, the Group ensures that there is sufficient cash on demand to meet the needs generated by the operating cycle and investment, including costs related to financial liabilities. The Group treasury services engage in continuous financial forecasting based on expenditure and income expectations in the months ahead and take corrective measures accordingly.

It should be noted that cash flows, funding requirements and liquidity are managed centrally at the EMEA level in contact with the headquarters in Tokyo, in order to ensure the optimisation of resources. The strategic goal is to ensure that in every moment the Group has sufficient credit lines to cope with the financial needs for next twelve months. Moreover, it must be pointed out that the Japanese Group NTT DATA boasts a prestigious rating, essential for assessing current risk.

(iii) Exchange rate risk

Exchange rate risk is the risk that the Group might incur costs due to currency fluctuations on business or financial transactions.

With certain exceptions, the Group companies operate in their respective markets using local currencies. Any operations in a currency other than the local currency are monitored centrally at a Group level. Intercompany loans (bearing interest at the market rate) are disbursed in Euro and are therefore not subject to a foreign exchange risk.

(iv) Interest rate risk

The interest rate risk to which the Group is exposed originates mainly from financial debts at variable rates (Euribor), even if this risk is significantly reduced considering that NTT DATA Italia has paid off its short and medium-term loans from credit institutions, which have been replaced with intercompany loans at a fixed rate received from the parent companies NTT DATA EMEA Ltd and NTT DATA Corporation.

The Group has not, for the time being, entered into any derivative contracts to hedge interest rate changes, and thus bears the risk of an increase in interest rates.

2.8 Business combinations

On November 4, 2019, a 100% stake was acquired by the Parent Company in the newly established company Xsfera S.r.l., created following the transfer of a business unit of the company Xtphere whose activities include consultancy and the supply of IT services and Acerate software used to calculate insurance premiums.
The purchase price for the investment amounted to € 3,635 thousand, of which € 1,200 thousand as Earn-out to be paid to the previous owners upon the achievement of certain contractually agreed income targets.
This acquisition, besides confirming the strategic priority of the insurance market for NTT DATA Italia and the Group, will allow them to consolidate in the core areas of insurance companies with the input of valuable skills and distinctive assets. Through this transaction NTT DATA Italia will also reinforce the national synergies of the two hubs in Milan and Turin by supporting the development of a new centre of technological competences, in addition to the ones already existing in Naples and Cosenza.

The following table summarizes the assets and liabilities of Xsfera at the acquisition date:

(€ thousand)	November 04, 2019
Property, plan and equipment	48
Other intangible assets	15
Non current assets	**63**
Trade receivables	1.914
Other receivables	11
Cash and cash equivalents	296
Current assets	**2.221**
TOTAL ASSETS	**2.284**
Employees benefits	(425)
Non current liabilities	**(425)**
Trade payables	(378)
Other payables	(692)
Current liabilities	**(1.070)**
TOTAL LIABILITIES	**(1.494)**
Net purchases	790
Goodwill	2.845
Price paid for purchase	3.635

3 Information by sector

A breakdown by operating sector is not provided because not significant, as the NTT DATA Group operates exclusively in the field of 'IT Consulting & Solutions'.

Shown below is a breakdown of revenues and trade receivables and payables by geographical area, as this information is required by the Civil Code:

(€ thousand)	Italy	Europe (excluding Italy)	Rest of the world	Total
31 March 2020				
Revenues	409.303	11.865	10.727	**431.895**
Trade receivables	166.042	4.976	5.433	**176.451**
Total Assets	414.540	5.053	8.543	**428.135**
Trade payables	81.533	8.078	1.086	**90.696**
31 march 2019				
Revenues	354.022	12.926	9.749	**376.697**
Trade receivables	157.246	6.634	5.367	**169.248**
Total Assets	345.718	6.637	8.986	**361.341**
Trade payables	84.239	8.263	2.213	**94.715**

4 Comments on the items included in the consolidated balance sheet and consolidated statement of comprehensive income

4.1 Non-current Assets

4.1.1 Tangible fixed assets

The item “Tangible fixed assets” and relevant changes break down as follows:

(€ thousand)		Plant and equipment	Other tangible assets	Total
Book value		9.459	24.623	34.082
Accumulated depreciation		(9.004)	(18.489)	(27.493)
As of 31 March 2019		**455**	**6.134**	**6.589**
Book value	Increases	128	6.539	6.667
	Change in consolidation perimeter	-	113	113
	Disposals	-	(1)	(1)
	Exchange differences	-	(1)	(1)
Accumulated depreciation	Increases	(219)	(3.036)	(3.255)
	Change in consolidation perimeter	-	(65)	(65)
	Disposals	-	-	-
	Exchange differences	-	-	-
Book value		9.587	31.274	40.860
Accumulated depreciation		(9.223)	(21.590)	(30.813)
As of 31 March 2020		**364**	**9.684**	**10.048**

The increases in the item “Plant and machinery”, amounting to € 128 thousand, mostly reflect purchases of computer equipment for expanding and modernizing the equipment base and upgrading the parent company’s infrastructure.

The increases in the item “Other assets”, amounting to € 6,539 thousand, mainly relate to the purchase of capital goods (€ 2,790 thousand), in particular the EDP equipment necessary for the Group’s core activities, the purchase of furniture and fittings (€ 3,042 thousand) related to the modernization and expansion of the parent’s company offices in Naples and Cosenza and the improvements to third-party assets (€ 679 thousand).

4.1.2 Right of use assets

The IFRS 16 adoption entailed the booking of a right of use for an amount equal to the lease liability at the commencement date. The changes occurred during the fiscal year are following described:

(€ thousand)	As of 01 April 2019	Net changes	Depreciations	As of 31 March 2020
Buildings	15.116	6.516	(6.303)	15.328
Vehicles	2.421	1.699	(1.213)	2.907
Total	**17.537**	**8.215**	**(7.516)**	**18.235**

Net changes are mainly related to the signing of new leasing contract, the redetermination of certain liabilities and the renegotiation of existing contracts.

4.1.3 Goodwill

The item "Goodwill" breaks down as follows:

(€ thousand)	VP-Tec/VP-Web/SWF	Etnoteam S.p.A.	Agorà	Net Value S.r.l.	Xsfera S.r.l.	Total
As of 1 April 2018	**40.540**	**65.139**	**197**	**309**	**-**	**106.185**
Increase	-	-	-	-	-	**-**
Decrease	-	-	-	-	-	**-**
As of 31 March 2019	**40.540**	**65.139**	**197**	**309**	**-**	**106.185**
Increase	-	-	-	-	2.845	2.845
Decrease	-	-	-	-	-	**-**
As of 31 March 2020	**40.540**	**65.139**	**197**	**309**	**2.845**	**109.031**

At March 31, 2020 a number of impairment tests had been carried out, with the assistance of independent experts, in order to detect the existence of any loss in value of the recorded goodwill.

The cash-generating units ("CGU") are identified based on the geographical area to which goodwill has been allocated, which coincides with Italy, consistently with the lowest level at which goodwill is monitored for internal management purposes.

The Group decided not to perform an impairment test on the investment value in Xsfera as it believes that the assumption made at the acquisition date (signed at November 4, 2019) have not changed.

The recoverability of the value of goodwill allocated to the CGU is verified by estimating the value in use of the same, understood as the present value of the expected cash flows.

For the purpose of determining the discount rate, reference was made to the Capital Assets Pricing Model, based, to the extent possible, on indicators and parameters observable on the market.

The expected cash flows were determined on the basis of the Business Plan 2021-2024 approved by the Board of Directors.
The main basic assumptions used in the impairment test are illustrated below.
With reference to the year ended March 31, 2020, no reductions in the value of goodwill as reported emerged from the impairment test.

Specifically, the impairment test set up by the Company takes into consideration the following aspects:

- **Cash flows for the explicit period**: they are constructed on the basis of the Business Plan drawn up by the Company management. In particular, the forecasts included in the plan predict an increase in revenues at a CAGR (Compounded Average Growth Rate) of 3.9% and a concurrent marginality increase in the last years of projection. Working capital turnover ratios are forecast to remain stable as a result of the excellent results achieved in 2020, with a substantial stability of turnover ratios both in respect of trade receivables (thanks also to reliance on factoring schemes) and trade payables.

- **Time extension of cash flows and "Terminal Value":** the terminal value was determined based on the normalisation of cash flows for 2023, to which a normalised growth rate of 1% which is aligned with main companies comparable and coherent with long term growth expectations of the reference market.

- **Investments:** an estimate of investments over the period of the plan was formulated, taking into account the investments made up to now by the Group.

- **WACC**: the discount rate was determined by the company taking into consideration the beta coefficients and rates used for companies comparable to the NTT DATA Italia Group and amount to 9.2%.

The WACC level where there would be a cancellation of the existing difference between the value in use of the CGU and its carrying amount is equal to 20.9%, while the g rate that would lead to the annulment of a value greater than the book value would be equal to -28.1%.

To better assess the results of the impairment test carried out with the "value in use" method, an alternative revenue-based method of evaluation was adopted; it uses specific multipliers on revenues of companies operating in the Italian Information Technology sector. The application of the alternative method confirmed the results of the application of the method described above.

4.1.4 Other intangible assets

The item “Other intangible assets” has the following composition and changes:

(€ thousand)	Industrial patent rights and use of intellectual property	Concessions, licenses, trademarks and similar rights	Software in progress	Total
As of 31 March 2019	**4.597**	**6**	**1.032**	**5.635**
Internal works	696	-	-	696
Purchases	17	-	256	273
Change in consolidation perimeter	15	-	-	15
Adjustments	(66)	-	-	(66)
Depreciations	(2.443)	(2)	-	(2.445)
Exchange differences	(1)	-	-	(1)
As of 31 March 2020	**2.815**	**3**	**1.288**	**4.107**

The increase in the item “Patent rights” for internal work, amounting to € 696 thousand, refers to development activities related to the “encoding” project (€ 157 thousand), the “docspa” project (€ 140 thousand), the “Extended reality” project (€ 131 thousand), the “SWM” project (€ 70 thousand), the “AI Ethical Hacking” project (€ 45 thousand), the “BlockTrace Evolution” project (€ 44 thousand) and the “AI Ethical Hacking” project (€ 39 thousand).

For further details, please refer to the section headed “Research and development costs” in the Report on Operations.
The increase in the item “Patent rights” for acquisitions relates mainly to purchases of software used in the Group’s ordinary activities.

4.1.5 Investments

The item “Equity investments”, amounting to € 38 thousand, refers to stakes in consortiums operating in the Group’s sector of business. The increase of € 20 thousand compared with the previous fiscal year refers to the acquisition of a 10% stake in Tolemaica S.r.l., an innovative startup for the legal certification of data and photographs founded in Naples in 2015. The transaction took place through a capital increase and a strategic partnership in both technical and commercial areas.

4.1.6 Other non-current Assets

The balance of the item "Other non-current Assets" as of March 31, 2020 amounted to € 874 thousand (€ 1,267 thousand as of March 31, 2019) and refers to the capitalisation of costs incurred by the parent company in the acquisition of some new projects from customers and resulting from the application of the accounting standard IFRS 15.

For further details, please refer to the section headed 2.3.K - Recognition of revenues from sales and services.

4.1.7 Other financial assets

The balance of the item "Other financial assets" as of March 31, 2020 was equal to € 262 thousand (€ 236 thousand as of March 31, 2019) and mainly relates to guarantee deposits of the parent company and of NTT DATA Danismanlik.

4.1.8 Deferred tax

Deferred tax assets amounted to € 9,964 thousand and are ascribable to the parent company.
The deferred tax liabilities amounted to a total of € 7 thousand, of which € 5 thousand attributable to NTT DATA Danismanlik and € 2 thousand to IFI Solution.
Deferred tax assets and liabilities break down as follows:

(€ thousand)	31 March 2019	31 March 2020
Deferred tax assets		
Funds	3.661	7.857
Deductible costs for cash	61	61
Value adjustments	520	996
Depreciations (New tax laws)	660	816
Tax losses	3	-
Severance pay adjustment as per IAS 19	831	583
Deferred tax assets	**5.735**	**10.312**
Deferred tax liabilities		
Severance indemnity adjustment as per IAS 19	(348)	(348)
Net deferred tax assets	**5.388**	**9.964**
Other deferred tax liabilities		
Acruals not taxable in the current fiscal period	(6)	(7)
Deferred tax liabilities	**(6)**	**(7)**

The Company management judges the amount of deferred tax assets to be entirely recoverable in light of the company's income expectations as documented in the business plan.

4.2 Current Assets

4.2.1 Work in progress

The item "Work in progress" breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Work in progress	21.818	23.503
Total	**21.818**	**23.503**

The increase compared to March 31, 2019 is mainly ascribable both to the larger number of projects started in the last quarter of the fiscal year and still in place as of March 31, 2020 and to the higher revenues compared with the previous fiscal year.

4.2.2 Trade receivables

The item "Trade receivables" breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Receivables from third parties	164.585	174.318
Receivables from parent companies	5.778	4.721
Receivables from affiliates companies	2.297	753
Bad debt provision	(3.412)	(3.341)
Total	**169.248**	**176.451**

The increase in trade receivables is largely tied to higher revenues of the 2019 fiscal period compared with the ones generated in the previous fiscal period. In fact, revenues increased by € 55,198 thousand between the two fiscal years..

Changes in the Reserve for bad debts are summarised below:

(€ thousand)	31 March 2019	31 March 2020
Beginning balance	**5.631**	**3.412**
Accruals	492	-
Change in consolidation perimeter	-	24
Uses/releases	(2.711)	(95)
Ending balance	**3.412**	**3.341**

A breakdown of trade receivables by age is provided below:

(€ thousand)		Expired but not devaluated				
	Not due	0-30 days	30-90 days	90-180 days	>180 days	**Total**
31 March 2020	162.107	9.826	3.598	920	-	**176.451**
31 March 2019	148.450	16.631	3.842	324	-	**169.248**

With regard to the geographical distribution of receivables, please refer to the paragraph headed "Information by sector" (section 3).

4.2.3 Tax receivables

The item “Tax receivables” breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Income tax advances	30	674
VAT credit	1.704	731
Other	3.177	1.795
Total	**4.911**	**3.200**

The item “Others” mainly refers to the withholdings applied at the time of payment to invoices issued by the parent company to customers residing in certain foreign countries, in particular Brazil and Turkey.
These withholdings will be recovered in future years.
The change in the item “Tax receivables” compared to the previous year is mainly attributable to the reduction of the VAT credit and to the partial use of the tax credit for withholding taxes suffered to offset the payment of the balance and the first IRAP advance of the Parent Company.

4.2.4 Other receivables and current assets

The item “Other receivables and current assets” breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Receivables from employees	625	864
Receivables from social security institutions	53	88
Accrued income and prepaid expenses	11.619	12.406
Advances	293	435
Other receivables	3.519	3.186
Provision for other bad debts	(3.141)	(3.000)
Total	**12.969**	**13.979**

The increase in the item “Accrued income and deferred liabilities” is mainly attributable to greater billing, by the parent company’s suppliers, of maintenance charges which cover future periods and for which the cost has thus been deferred, as it does not pertain to the present fiscal period.

The item refers also to a tax credit due from the former parent company of NTT DATA Italia S.p.A., Value Partners S.p.A. (now Invest Tre S.r.l.), prudentially written down in the year 2012 through a provision for risks of an equal amount.

4.2.5 Cash and cash equivalents

The item “Cash and cash equivalents” breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Cash at banks	27.076	58.437
Cash on hand	2	6
Total	**27.077**	**58.443**

Please refer to the cash flow statement for details on the cash flows for the two years and their effects on the net financial position.

4.3 Equity

4.3.1 Share capital

As of March 31, 2020 the share capital amounted to € 33,107 thousand.

4.3.2 Other reserves including the profit for the year

The item “Other reserves including Profit for the year” breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Legal reserve	2.039	2.039
Other reserves	(3.224)	52.801
Merger reserves	(239)	(239)
Net result	5.434	(20.871)
Total	**4.010**	**33.730**

The changes in the item “Other reserves”, amounting to € 56,025 thousand, may be detailed as follows:

- Capital injection (€ 50,000 thousand) made by NTT DATA EMEA to the parent company;
- allocation of the positive result for the year 2019 (€ 5,434 thousand) to profit/(loss) carried forward;
- increase of € 785 thousand in the IAS reserve as a result of the application of Accounting Standard IAS 19 and the consequent results of actuarial measurement;
- decrease of € 193 thousand in the currency translation reserve compared to the previous period.

For further details, reference may be made to the statement of changes in shareholders’ equity.

4.4 Non-current liabilities

4.4.1 Retirement benefit plan

The item “Retirement benefit plan” includes severance indemnity (TFR). It refers exclusively to the parent company NTT DATA Italia S.p.A..

(€ thousand)	31 March 2019	31 March 2020
Severance indemnity	19.651	18.213
Total	**19.651**	**18.213**

In applying Accounting Standard IAS 19, the method called “Projected Unit Credit Cost” was used to calculate the TFR, with the following assumptions:

	2019	2020
Economic assumptions		
Annual inflaction rate	1,50%	1,00%
Annual discount rate	0,60%	1,17%
Annual increases in salaries	2,63%	2,63%
Annual growth rate of the employee severance indemnity	2,63%	2,25%
Demographic assumptions		
Likelihood of death	RG 48 survival tables of the Italian population	
Likelihood of disability	INPS table divided by agen and gender	
Likelihood of resignation	8,0%	8,0%
Likelihood of retirement	Fullfilment of the minimum requisites provided by General Insurance	
Likelihood of advances	3%	3%

The changes in severance indemnity break down as follows:

(€ thousand)	31 March 2019	31 March 2020
Beginning balance	**19.390**	**19.651**
Change in consolidation perimeter	-	444
Interest Cost	196	115
Actuarial (gain)/loss	648	(1.033)
Payments	(582)	(964)
Ending balance	**19.651**	**18.213**

It should be noted that the assessment of the liabilities related to severance indemnity was carried out with the assistance of an independent actuarial firm.

4.4.2 Provisions

The item "Provisions" and the respective changes break down as follows:

(€ thousand)	Mid long term				Short term	
	Disputes	Other	Restoration costs	Total	Restructuring costs	Total
As of 1 April 2018	**818**	**-**	**-**	**818**	**-**	**-**
Increases	-	-		-	-	-
Uses	(146)	-	-	(146)	-	-
As of 31 March 2019	**672**	**-**	**-**	**672**	**-**	**-**
Increases	1.172	-	2.077	3.249	12.077	12.077
Uses	(40)	-	-	(40)	-	-
As of 31 March 2020	**1.804**	**-**	**2.077**	**3.881**	**12.077**	**12.077**

The medium/long-term provisions for risks and charges mainly relate to:

- Disputes: the accrual of € 1,172 thousand is related to the penalty risk on a lawsuit occurred for violation occurred on a specific project. The uses in 2020 refer to payments made mainly in fulfilment of settlement agreements concluded during the year and are strictly ascribable to the parent company;
- Restoration costs related to Milan and Rome offices.

Short-term provisions for risks refer to the entitlements related to the restructuring process started by the parent company. The amount of € 12,077 thousand, booked in a dedicated fund, refers for € 7,254 thousand to the so-called "Isopensione" program and for € 4,283 thousand for retirement incentives and it relates to transactions not yet signed as at March 31, 2020.
For further comments about the "Isopensione" program, reference should be made to the Report on Operation

4.4.3 Medium and long-term and current financial liabilities

The item "Medium and long-term and current financial liabilities" breaks down as follows:

(€ thousand)	31 March 2019			31 March 2020		
	Short	Mid-long	Total	Short	Mid-long	Total
Loans from parent company	-	117.500	117.500	-	97.500	97.500
Loans from thirs parties	-	-	-	-	-	-
Financial liabilities IFRS 16			-	6.159	11.478	17.637
Total financial liabilities	**-**	**117.500**	**117.500**	**6.159**	**108.978**	**115.137**

During the fiscal year 2020, the loan granted by NTT DATA EMEA to NTT DATA Italia was renewed for further 3 years and for an amount of € 97.5 million. The decrease of € 20.0 million compared with the previous fiscal year refers to the reimbursement made on June 2019 by NTT DATA Italia to NTT DATA EMEA
The Financial liabilities IFRS 16 refers to the outstanding debt as of March 31, 2020 related to the adoption of IFRS 16 since April 1, 2019.
The parent company NTT DATA Italia continued to benefit from the "notional cash pooling" treasury scheme started up in 2017 and coordinated by NTT DATA EMEA with JP Morgan, a leading banking group.
The "notional cash pooling" scheme provides for interest rates in line with market rates and those currently paid by NTT DATA Italia to other banks in Italy. It is underlined that the structure of the cash pooling scheme is "notional", meaning that the balance of funds between positive and negative positions of participating companies will not involve any physical transfer of funds.

4.5 Current liabilities

4.5.1 Trade payables

The item "Trade payables" breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Payables to third parties	90.228	84.385
Payables to parent companies	3.469	5.408
Payables to affiliate companies	1.018	902
Total	**94.715**	**90.696**

A breakdown of trade payables by due date is provided below:

(€ thousand)		Expired				
	Not due	0-30 days	30-90 days	90-180 days	>180 days	**Total**
31 March 2020	87.085	274	1.010	1.597	730	**90.696**
31 March 2019	83.844	9.383	722	60	706	**94.715**

The aging reported above shows a significant decrease of the overdue debts, which falls from € 10,871 thousand as of March 31, 2019 to € 3,610 thousand as of March 31, 2020.

The amounts over 180 days past due mainly refer to invoices that were disputed or are under dispute.

4.5.2 Tax and social security payables

The item “Tax and social security payables” breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Payables to Social Security Institutions	12.313	30.723
Withholding tax	2.973	3.453
Income tax payables	497	73
VAT payables	12	52
Others	173	185
Total	**15.968**	**34.486**

The increase in the item “Payables to Social Security Institutions” is mainly due to the accrual of costs made by the parent company for the “Isopensione” program.
For further comments about the “Isopensione” program, reference should be made to the Report on Operation

4.5.3 Other payables and current liabilities

The item “Other payables and current liabilities” breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Payables to employees	27.477	33.544
Advances from customers	46.974	50.370
Accrued expenses and deferred income	131	1.093
Others	1.130	1.794
Total	**75.711**	**86.801**

The increase in the item “Payables to employees and staff” is mainly attributable to the allocation of costs made by the parent company related to bonus to be paid to be paid to employees as well as costs related to holidays and permits accrued and not yet used by the employees as of the balance
The item “Advances from customers” refers to billing of customers by the parent company for activities that will be carried out and revenues that will accrue in the year 2020.

The increase in the item “Accrued expenses and deferred income” mainly refers to the accrual for the parent company interest debt related to the loan in place with NTT DATA EMEA.

4.6 Income Statement

4.6.1 Revenues from sales of goods and services

As of March 31, 2020 the item "Revenues from sales of goods and services" amounted to € 430,189 thousand. Reference may be made to the Directors' Report on Operations for comments relating to the breakdown of revenue from sales and services by geographical area.

(€ thousand)	31 March 2019	31 March 2020
Professional services	326.263	396.410
Hardware and software	26.073	19.426
Maintenance	14.895	14.353
Total	**367.231**	**430.189**

4.6.2 Other income

The item "Other income" is zero as of March 31, 2020.

4.6.3 Change in work in progress

(€ thousand)	31 March 2019	31 March 2020
Change in work in progress	9.444	1.705
Total	**9.444**	**1.705**

See paragraph 4.2.1. for further details.

4.6.4 Increase in assets for internal work

(€ thousand)	31 March 2019	31 March 2020
Increased assets for internal work	960	696
Total	**960**	**696**

See paragraph 4.1.4 for further details.

4.6.5 Costs for materials and services

The item “Costs for materials and services” breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Professional services	120.873	141.156
Travel expenses	6.872	7.406
Purchase of materials	22.226	15.928
Leases and rentals	6.752	3.657
Maintenance	2.202	2.190
Utilities	2.896	3.024
Others	12.494	17.031
Total	**174.316**	**190.392**

The item “Costs of collaborations and professional services” is mainly related to consulting and maintenance activities performed by third parties on currently ongoing projects for customers of NTT DATA Italia.. The increase of € 20,283 thousand compared to the previous year is mainly related to higher revenues of the parent company for services provided to third parties.

The item “Purchases of materials” relates mainly to hardware and software products intended for sale to customers of the parent company.

The item “Leases and rentals” increases by € 3,471 thousand thanks to the adoption of the IFRS 16 accounting principle on the Group office rent contract. See paragraph 2.5 for further details about the effects generated by the IFRS 16 adoption.

The item “Other services and miscellaneous services” mainly includes:

- insurance: € 2,437 thousand (€ 2,089 thousand as of March 31, 2019);
- management fees: € 4,964 thousand (€ 3,587 thousand as of March 31, 2019);
- personnel training costs: € 1,631 thousand (€ 1,124 thousand as of March 31, 2019);
- services provided by professionals (tax and legal consultants, etc.): € 4,923 thousand (€ 3,835 thousand as of March 31, 2019);
- IT costs: € 3,076 thousand, of which € 2,668 thousand in Group company chargebacks (€ 1,859 thousand as of March 31, 2019, of which € 1,728 thousand in Group company chargebacks).

4.6.6 Costs for personnel and directors

The item "Costs for personnel and directors" breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Wages and salaries	133.405	155.712
Social Secutity Contributions	37.914	42.905
Severance indemnity	8.873	10.166
Others	6.175	37.522
Car rentals	2.565	1.692
Total	**188.932**	**247.997**

The increase of the items "Wages and salaries", "Social Security Contributions" and "Severance indemnity" mainly refer to the increase of workforce that involved the parent company.

The increase of the item "Others" refers for € 30,002 thousand to the accrual of costs mainly related to the "Isopensione" program put in place by the parent company during the fiscal year. For further comments about the "Isopensione" program, reference should be made to the Report on Operation.

The decrease in the item "Car rentals" is mainly related to the IFRS 16 adoption on long-term car rent contracts. See paragraph 2.5 for further details about the effects generated by the IFRS 16 adoption.
The following table shows the data concerning the Group's workforce:

(No. of units)	As of		Average	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
Executives	187	201	184	205
Managers	552	604	529	584
Employees	2.335	2.666	2.262	2.557
Apprentices	348	519	267	440
Total	**3.422**	**3.990**	**3.242**	**3.786**

4.6.7 Amortisation, depreciation and value adjustments

The item "Amortisation, depreciation and value adjustments" breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Depreciation of intangible assets	3.211	2.445
Depreciation of tangible assets	2.500	3.255
Depreciations right of use	-	7.516
Total	**5.711**	**13.216**

The item "Depreciation right of use" is related to the IFRS 16 adoption. See paragraph 2.3.B for further details about.

4.6.8 Other operating costs

The item “Other operating costs” breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Other taxes	39	33
Other operating costs	510	740
Bad debt provision	633	2.000
Other provisions	-	1.172
Total	**1.182**	**3.945**

The item “Other operating expenses” consists mainly of association membership fees and costs for the waste collection tax.

The item “Bad debt provision” refers to a provision set by the parent company for the coverage of risks on customer projects following the Covid 19 emergency.

The item “Other provision” refers to a provision set by the parent company for a penalty risk about open procedure for violations that happened on a specific project.

4.6.9 Net financial income/expenses and Equity method measurement

The main components of this item are detailed in the following table.

(€ thousand)	31 March 2019			31 March 2020		
	Charges	Income	Net charges/(income)	Charges	Income	Net charges/(income)
Exchange rate differences	384	(251)	133	352	(150)	202
Others	267	-	267	396	-	396
Interest (income)/expenses	1.312	(375)	937	1.553	(361)	1.191
Total	**1.963**	**(626)**	**1.337**	**2.301**	**(512)**	**1.789**

Reference may be made to the Directors’ Report on Operations for comments regarding changes in the net financial charges.

4.6.10 Income Taxes

Taxes for the fiscal period ending on March 31, 2020 amounted to € +3,878 thousand and reflect current taxes totalling € -135 thousand, an increase in deferred tax assets of € 4,825 thousand and to an adjustment of previous years taxes of € -811 thousand.

(€ thousand)	Amount	Tax	%
Income before taxes	(24.790)		
Theoretical income tax		5.961	24,0%
Income tax based on different taxable income (IRAP)		-	-
Temporary differences		(996)	4,0%
Other permanent differences and tax from previous years		(1.087)	4,4%
Actual income tax		**3.878**	**(15,6%)**

At March 31, 2019 the taxes for the year amounted to a total of € 746 thousand, reflecting current taxes totalling € 818 thousand, a decrease in deferred tax assets of € 19 thousand and to a positive adjustment of previous years taxes of € 91 thousand.

5 Related-party transactions

In the accounting periods ended on March 31, 2019 and March 31, 2020 the NTT DATA Italia Group entered into transactions with NTT DATA EMEA, the company responsible for oversight and coordination, and other related entities as follows:

(€ thousand)	Relationship	31 March 2019	31 March 2020
Trade receivables			
NTT DATA Corporation	Parent company	2.659	2.726
NTT DATA EMEA Ltd	Parent company	3.118	1.996
NTT DATA Deutschland Gmbh	Affiliate	314	91
NTT DATA UK Limited	Affiliate	372	452
NTT DATA Consulting & IT Solutiom	Affiliate	237	-
NTT DATA Deutschland GmbH-ZNL Wien	Affiliate	154	-
itelligence a/s, Denmark	Affiliate	48	48
NTT DATA MSE Corporation	Affiliate	122	61
NTT DATA Intellilink Corporation	Affiliate	-	4
itelligence Inc	Affiliate	4	-
NTT DATA FA Insurance Systems Pte Ltd	Affiliate	1	1
Everis Italia S.p.A.	Affiliate	78	-
NTT Com Managed Services, S.A.U.	Affiliate	85	25
itelligence France SAS	Affiliate	-	12
itelligence AG	Affiliate	29	23
Everisconsultancy, Limited	Affiliate	110	-
NTT DATA Inc.	Affiliate	642	35
Everis Spain, S.L.U.	Affiliate	4	-
NTT DATA Global Delivery Services Limited	Affiliate	98	-
Work in progress			
NTT DATA Corporation	Parent company	-	99
NTT DATA EMEA Ltd	Parent company	1	4
NTT DATA Deutschland GmbH-ZNL Wien	Affiliate	-	10
NTT DATA UK Limited	Affiliate	1	69
NTT DATA Inc.	Affiliate	49	-
NTT DATA Deutschland Gmbh Gmbh	Affiliate	-	5
Other receivables			
NTT Italia S.p.A.	Affiliate	119	69

(€ thousand)	Relationship	31 March 2019	31 March 2020
Trade payables			
NTT DATA Corporation	Parent company	84	57
NTT DATA EMEA Ltd	Parent company	3.385	5.351
Servicios Informaticos itelligence S.A.	Affiliate	3	-
NTT DATA Global Delivery Services Limited	Affiliate	175	135
NTT DATA Deutschland Gmbh	Affiliate	15	114
itelligence AG	Affiliate	2	11
Everis Italia S.p.A.	Affiliate	213	232
Dimension DATA China/Hong Kong Ltd	Affiliate	13	2
NTT Italia S.p.A.	Affiliate	454	212
NTT DATA UK Limited	Affiliate	-	13
NTT DATA Romania	Affiliate	13	21
NTT DATA Services Italy S.r.l.	Affiliate	8	12
NTT Security (Germany) GmbH	Affiliate	124	120
NTT DATA UK Consulting & IT Solutions Ltd	Affiliate	-	50
itelligence Bilgi Sistemleri A.S.	Affiliate	-	39
Everis Spain, S.L.U.	Affiliate	-	13
NTT Advanced Technology Corporation	Affiliate	-	1
Other payables			
NTT DATA Corporation	Parent company	679	1.180
NTT DATA EMEA Ltd	Parent company	535	1.340
NTT DATA Deutschland Gmbh Gmbh	Affiliate	125	25
NTT DATA Deutschland GmbH-ZNL Wien	Affiliate	204	-
NTT DATA Consulting & IT Solutiom	Affiliate	85	-
itelligence AG	Affiliate	494	293
itelligence AB	Affiliate	13	13
NTT DATA UK Limited	Affiliate	-	130
Financial liabilities			
NTT DATA EMEA Ltd	Parent company	117.500	97.500
itelligence Bilgi Sistemleri A.S.	Affiliate	-	60

(€ thousand)	Relationship	31 March 2019	31 March 2020
Revenues and other income			
NTT DATA Corporation	Parent Company	3.864	5.401
NTT DATA EMEA Ltd	Parent Company	766	1.056
NTT DATA Deutschland Gmbh Gmbh	Affiliate	900	1.624
NTT DATA UK Limited	Affiliate	524	787
NTT DATA Deutschland GmbH-ZNL Wien	Affiliate	812	626
NTT DATA UK Consulting & IT Solutions	Affiliate	208	233
itelligence AG	Affiliate	122	438
NTT DATA MSE Corporation	Affiliate	757	702
Everisconsultancy, Limited	Affiliate	110	-
itelligence Inc.	Affiliate	4	-
Everis Italia S.p.A.	Affiliate	193	-
NTT DATA Global Technology Services Japan Co., Ltd.	Affiliate	3	-
NTT Com Managed Services, S.A.U.	Affiliate	492	410
Everis BPO Brasil Serviços Complementares a Empresas Ltda.	Affiliate	16	-
NTT DATA Inc.	Affiliate	876	132
Itelligence France S.a.S.	Affiliate	-	12
NTT DATA Services Italy S.r.l.	Affiliate	-	21
Qunie Corporation	Affiliate	-	75
Operating costs and financial charges			
NTT DATA Corporation	Parent Company	(316)	(422)
NTT DATA EMEA Ltd	Parent Company	2.584	4.728
NTT DATA Deutschland Gmbh Gmbh	Affiliate	(21)	78
Servicios Informaticos itelligence S.A.	Affiliate	5	-
Everis Spain, S.L.U.	Affiliate	(6)	13
NTT DATA Global Delivery Services Limited	Affiliate	224	110
NTT DATA UK Consulting & IT Solutions	Affiliate	(4)	118
itelligence AG	Affiliate	2	10
Everis Italia S.p.A.	Affiliate	419	184
NTT Europe Ltd	Affiliate	33	33
Dimension DATA China/Hong Kong Ltd	Affiliate	77	4
NTT Italia S.p.A.	Affiliate	318	341
NTT DATA Deutschland GmbH-ZNL Wien	Affiliate	-	30
NTT DATA UK Limited	Affiliate	-	(2)
NTT DATA Inc.	Affiliate	(2)	-
NTT DATA Services Italy S.r.l.	Affiliate	212	2
NTT DATA Intellilink Corporation	Affiliate	-	(4)
NTT Security (Germany) GmbH	Affiliate	304	710
NTT Advanced Technology Corporation	Affiliate	-	1
NTT DATA Romania	Affiliate	64	96
itelligence Bilgi Sistemleri A.S.	Affiliate	-	364

Transactions with related parties are carried out under normal market conditions in the interest of the NTT DATA Italia Group and refer to both commercial transactions and financial transactions.
The Directors of the parent company did not accrue remuneration during the year.
The accrued fees due to the Independent Auditor amount to € 178 thousand.

6 Commitments

As of March 31, 2020 there were no irrevocable commitments to purchase materials or services of a long-term nature.

(€ thousand)	31 March 2019	31 March 2020
Guarantees to third parties	33.546	45.895
Total	**33.546**	**45.895**

The guarantees provided to third parties refer to the parent company and are related mainly to bank and insurance sureties for the successful completion of work in progress and for contracts underway and for the participation of NTT DATA Italia in tendering for public works contracts.

7 Subsequent Events

There were no events subsequent to the date of publication of the financial statements that could require an adjustment of the values reported in the financial statements or an inclusion of further information.

Other events:

- On April 21, 2020 the parent company signed with the subsidiary Xsfera a lease of business unit contract with retrospective effects as of April 1, 2020. The three-year agreement concerned the commercial assets and liabilities of Xsfera as well as its workforce at that date.
- The spread of the Covid-19 virus is strongly affecting the Group's operating methods and the lifestyle of the global population. The Company, in connection with the evolution of the situation, carried out an assessment of the economic and financial impacts observable up to the date of preparation of these financial statements purely in relation to the recoverability of receivables from third parties by registering a specific fund, as already described in the previous notes. Currently no further effects are expected on the accounting estimates contained in these financial statements, although given the uncertainty of the situation and the unpredictability of future developments, further future impacts cannot be excluded. The Group's structure and business model should encourage the minimization of impacts on an economic level.

Based on our best knowledge and currently available information, we do not anticipate that the effects of Covid-19 may raise doubts about the Company's ability to continue operating as an entity operating in the foreseeable future.

8 List of subsidiaries and other equity investments

A) List of companies included in the consolidation using the in line-by-line method

Company name	Head office	Share capital (€ thousand)	Shareholders' equity (€ thousand)	Shares owned (%)	Parent company	Carrying value (€ thousand)
NTT DATA Italia S.p.A.	Milan	33.700				
Subsidiaries						
NTT DATA Danismanlik Ltd Şti	Istanbul	3.193	1.582	99,970%	NTT DATA Italia S.p.A.	1.188
			0	0,030%	NTT DATA Emea Ltd	4
IFI Solution Co., Ltd	Hanoi	113	2.983	99,901%	NTT DATA Italia S.p.A.	747
			3	0,099%	NTT DATA Corporation	-
Xsfera S.r.l.	Milan	50	944	100%	NTT DATA Italia S.p.A.	3.635

B) List of other investments at cost value

Company name	Head office	Currency	Carrying value (€ thousand)
Consortium ABI Lab	Rome	Eur	2
Consortium IDC	Milan	Eur	10
Consortium KS	Milan	Eur	6
Tolemaica S.r.l.	Naples	Eur	20

On behalf of the Board of Directors

The CEO

Walter Ruffinoni

(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
NTT DATA Italia S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the NTT DATA Italia Group (the "Group"), which comprise the statement of financial position as at 31 March 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the NTT DATA Italia Group as at 31 March 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of NTT DATA Italia S.p.A. (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters – Management and coordination

As required by the law, the Company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own consolidated financial statements. Our opinion on the consolidated financial statements of the NTT DATA Italia Group does not extend to such data.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of NTT DATA Italia S.p.A. for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The _Collegio Sindacale_ is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The directors of NTT DATA Italia S.p.A. are responsible for the preparation of the Group's directors' report at 31 March 2020 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the Group's consolidated financial statements at 31 March 2020 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the consolidated financial statements of the NTT DATA Italia Group at 31 March 2020 and has been prepared in compliance with the applicable law.

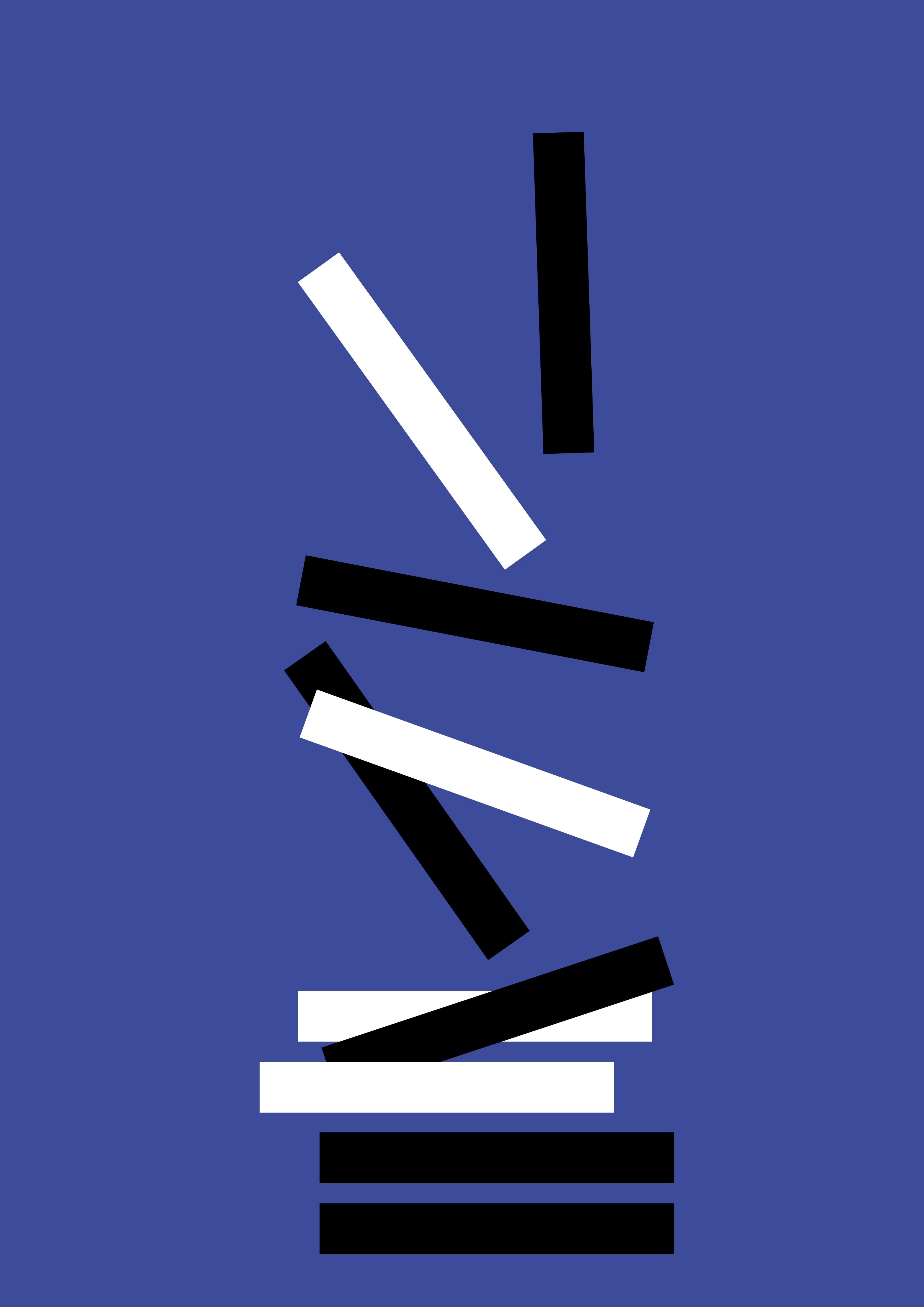
With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 3 July 2020

KPMG S.p.A.

(signed on the original)

Cristina Quarleri
Director of Audit



Financial Statements of NTT DATA Italia S.p.a.

Financial Statements of NTT DATA Italia S.p.a.

Balance sheet statement

(€)	Note	31 March 2019	31 March 2020
Property, plant and equipment	**3.1.1**	6.580.557	9.978.201
Right of use assets	**3.1.2**	-	17.852.932
Goodwill	**3.1.3**	104.264.553	104.264.553
Other intangible assets	**3.1.4**	5.627.533	4.085.627
Investments	**3.1.5**	3.956.897	5.608.075
Other financial assets	**3.1.6**	213.719	241.416
Other non current assets	**3.1.7**	1.266.512	874.484
Deferred tax assets	**3.1.8**	5.387.503	9.964.474
Non current assets		**127.297.274**	**152.869.762**
Work in progress	**3.2.1**	21.818.193	23.523.506
Trade receivables	**3.2.2**	167.990.071	173.658.526
Tax receivables	**2.2.3**	4.148.200	2.364.498
Other receivables and current assets	**3.2.4**	12.670.460	13.580.098
Cash and cash equivalents	**3.2.5**	24.558.625	56.554.196
Current assets		**231.185.550**	**269.680.824**
TOTAL ASSETS		**358.482.824**	**422.550.586**
Share capital	**3.3.1**	33.107.160	33.107.160
Legal reserve	**3.3.2**	2.039.076	2.039.076
Other reserves	**3.3.2**	(5.275.604)	50.477.510
Net result of the year		4.968.026	(23.495.059)
Shareholders' equity		**34.838.658**	**62.128.688**
Employee benefits	**3.4.1**	19.651.456	17.769.135
Provisions	**3.4.2**	671.703	3.880.587
Financial liabilities IFRS 16	**3.4.3**	-	11.315.749
Financial liabilities	**3.4.3**	117.500.000	97.500.000
Non current liabilities		**137.823.159**	**130.465.472**
Trade payables	**3.5.1**	94.538.898	91.960.769
Tax and social security payables	**3.5.2**	15.892.371	34.141.852
Financial liabilities IFRS 16	**3.4.3**	-	5.935.565
Provisions	**3.4.2**	-	12.077.000
Other payables and current liabilities	**3.5.3**	75.389.737	85.841.241
Current liabilities		**185.821.007**	**229.956.427**
Total liabilities		**323.644.166**	**360.421.898**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**358.482.824**	**422.550.586**

(a) Information prepared in accordance with IFRS approved by the European Commission.

Comprehensive income/ (losses)

(€)	Note	31 March 2019	31 March 2020
Sales of goods and services	**3.6.1**	362.539.612	424.609.211
Other income	**3.6.2**	-	-
Change in work in progress	**3.6.3**	9.443.659	1.705.312
Total revenues		**371.983.271**	**426.314.524**
Increases in fixed assets for internal work	**3.6.4**	960.420	696.303
Costs for materials and services	**3.6.5**	(173.404.141)	(190.616.152)
Costs for personnel and directors	**3.6.6**	(185.586.678)	(243.130.352)
Amortization, depreciation and write-downs	**3.6.7**	(5.701.578)	(13.011.093)
Other operating costs	**3.6.8**	(1.168.056)	(3.938.349)
Operating income		**7.083.238**	**(23.685.119)**
Net financial income/(expenses)	**3.6.9**	(1.457.192)	(3.823.584)
Income before taxes		**5.626.046**	**(27.508.702)**
Income taxes	**3.6.10**	(658.020)	4.013.644
Net income		**4.968.026**	**(23.495.059)**
Other comprehensive income or losses:			
Income or losses that will never be reclassified in profit/(loss) for the period:			
Liabilities/(assets) revaluation related to defined benefit funds		(647.771)	1.033.011
Taxes on income or losses that will never be reclassified in profit/(loss)		155.465	(247.923)
Total other comprehensive income or losses		**(492.306)**	**785.088**
Total comprehensive income		**4.475.720**	**(22.709.970)**

Cash Flows statement

(€ thousand)	31 March 2019	31 March 2020
Income/(Loss) before taxes	5.626.046	(27.508.702)
Amortization, depreciation and write-downs	5.701.578	13.011.093
Severance indemnity	196.144	115.016
Increases in fixed assets for internal work	(960.420)	(696.303)
Provisions	632.999	3.172.000
Impairment losses on investments	-	2.004.300
(Increase)/Decrease in trade receivables	(37.286.855)	(5.201.652)
(Increase)/Decrease in other receivables	(181.881)	(3.220.407)
Increase/(Decrease) in trade payables	25.768.688	(3.336.249)
Increase/(Decrease) in other payables	6.247.142	43.150.449
Income taxes paid	-	(494.053)
Severance indemnity paid	(582.451)	(964.326)
Net cash flows from operating activities (A)	**5.160.989**	**20.031.165**
Purchase of tangible assets	(4.200.536)	(6.639.445)
Purchase of intangible assets	(278.564)	(205.467)
(Increase)/Decrease in other non current assets	(853.203)	392.028
Payments for the acquisition of subsidiaries net of cash acquired	-	(3.655.478)
Net cash flows from investing activities (B)	**(5.332.303)**	**(10.108.362)**
Proceeds from increase in capital	-	50.000.000
Payment of lease liabilities	-	(7.927.233)
Increase/(Decrease) in loan payables	-	(20.000.000)
Net cash flows from financing activities (C)	**-**	**22.072.767**
Net cash flows (D) = (A+B+C)	**(171.313)**	**31.995.570**
Cash available at the beginning of the period	24.729.939	24.558.625
Cash available at the end of the period	24.558.625	56.554.196
Total change in cash and cash equivalents (D)	**(171.313)**	**31.995.570**

Statement of changes in equity

(€ thousand)	Shared Capital	Sharepremium Reserve	Employee Benefits Plan Reserve	Other reserves	Retained earnings	Total
As of April 1, 2018	**33.107.160**	**-**	**(450.656)**	**(239.046)**	**(4.093.596)**	**30.362.938**
Result of the year	-	-	-	-	4.968.026	4.968.026
Other comprehensive income/(losses) for the period	-	-	(492.306)	-	-	(492.306)
As of March 31, 2019	**33.107.160**	**-**	**(942.962)**	**(239.046)**	**874.430**	**34.838.658**
Result of the year	-	-	-	-	(23.495.059)	(23.495.059)
Other comprehensive income/(losses) for the period	-	-	785.088	-	-	785.088
Capital injection	-	-	-	50.000.000	-	50.000.000
As of March 31, 2020	**33.107.160**	**-**	**(157.874)**	**49.760.954**	**(22.620.629)**	**62.128.688**

Explanatory Notes

1 Introduction

NTT DATA Italia S.p.A. (hereinafter also "the Company") is a joint-stock company with headquarters in Milan, viale Cassala 14/A and operates in the IT Consulting & Solutions sector, engaging in particular in the development of integrated IT solutions for large and medium-sized enterprises, as well as consultancy on technological and architectural aspects, with a focus on high-impact platforms such as, for example, Security, Customer Relationship Management and Knowledge Management.

The financial statements for the year ended on March 31, 2020, prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS"), are presented in Euro and consist of the Balance Sheet, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Shareholders' Equity, and the Explanatory Notes. All of the values reported in the Explanatory Notes are expressed in thousands of Euro, unless otherwise specified.

These Financial Statements were approved and their publication authorised by the Board of Directors on June 29, 2020. On the same date, the Board of Directors approved the Consolidated Financial Statements of the NTT DATA Italia Group S.p.A.. The General Meeting of Shareholders called to approve the separate Financial Statements may request amendments to these Financial Statements.

The Financial Statements are subject to statutory audit by KPMG S.p.A..

As at March 31, 2020, the Company is 100% owned by NTT DATA EMEA Ltd., a company incorporated on March 16, 2012, and belonging to the Japanese NTT DATA Group. NTT DATA EMEA Ltd. performs activities of oversight and coordination.

The essential data of the last financial statements approved by NTT DATA EMEA, for the period from April 1, 2018 – March 31, 2019 are the following:

Profit & Loss - NTT DATA EMEA Ltd

(€)	31 March 2018	31 March 2019
Other income	13.423.473	23.101.775
Administrative expenses	(16.356.179)	(27.268.913)
Operating income/(loss)	**(2.932.706)**	**(4.167.138)**
Net financial income/(expenses)	607.895	678.755
Dividends	3.596.798	7.003.376
Financial assets impairment	(3.735.618)	(2.501.002)
Earn out on investments	-	759.473,0
Restructuring costs	(605.000)	
Income/(Loss) before taxes	**(3.068.631)**	**1.773.464**
Income taxes	478.353	474.641
Net income/(loss)	**(2.590.278)**	**2.248.105**

Balance Sheet - NTT DATA EMEA Ltd

(€)	31 March 2018	31 March 2019
Intangible assets	2.050.602	571.001
Financial assets	483.390.177	387.736.608
Non current assets	**485.440.779**	**388.307.609**
Other receivables and current assets	22.543.362	159.022.718
Accrued income	328.217	484.427
Cash and cash equivalents	584.074	4.284.314
Deferred taxes	41.424	187.243
Current assets	**23.497.077**	**163.978.702**
TOTAL ASSETS	**508.937.856**	**552.286.311**
Share capital	19	22
Sharepremium reserve	409.995.460	441.385.479
Other reserves and net result of the year	(123.113.842)	(120.865.737)
Shareholders' equity	**286.881.637**	**320.519.764**
Financial liabilities	161.634.530	3.100.439
Non current liabilities	**161.634.530**	**3.100.439**
Trade payables	4.048.315	4.207.218
Tax and social security payables	2.951.851	1.747.831
Financial liabilities	12.096.787	40.913.585
Other payables and current liabilities	41.324.736	181.797.474
Current liabilities	**60.421.689**	**228.666.108**
Total liabilities	**222.056.219**	**231.766.547**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**508.937.856**	**552.286.311**

1.1. Method of presenting the financial statements

These financial statements were prepared assuming the company is a going concern, since the Directors have verified that there are no financial, operating or other indicators of situations suggesting the Company's inability to satisfy its obligations in the foreseeable future.

The health emergency resulting from the Covid-19 pandemic that hit China at the end of the year 2019 and Italy from February 2020, resulted in the mandatory closure of production activities and non-essential services with significant economic and social impacts .

The Group, operating in the IT sector, has not undergone the lockdown as an activity deemed essential by the DPCM.

The performance of the activity during the lockdown period took place in complete safety for staff and users through the establishment of a task force to monitor the identified critical areas and through the adoption of agile working methods for the whole workforce.

The possibility of continuing to carry out the activities during the closing period has allowed the Company to maintain the expected level of marginality.

All of the above allows the Group to draw up the Financial Statements for the year ended March 31, 2020 by applying the principle of business continuity without having to resort to the exceptions introduced by law decree no. 23/2020

Risks and uncertainties relating to the business are described in the dedicated section of explanatory notes and in the Directors' Report to which reference is made.

As of January 1, 2005 the Company has prepared its financial statements according to the IFRS adopted by the European Union.

The financial statements for the year ended March 31, 2019 were prepared using the IFRS in force on that date, including the International Auditing Standards (IAS), the interpretations issued by the Standard Interpretation Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) adopted by the European Union.

The formats used for the financial statement are consistent with those envisaged by the revised IAS 1, in particular:

The **Balance Sheet** was prepared by classifying assets and liabilities according to "current/ non-current" criteria.

An asset / liability is classified as "current" when:

- It is expected that an asset / liability will either be realised / extinguished or sold or used in the normal operating cycle of the business;
- It is held principally for trading;
- It is expected that it will be either realised or extinguished within 12 months after the balance sheet date;
- It falls in the category of cash and cash equivalents, unless it is precluded from being traded or used to settle a liability for at least 12 months after the balance sheet date;
- The entity does not have an unconditional right to defer payment of the liability for at least 12 months after the balance sheet date.

If these conditions are not met, the assets/liabilities are classified as non-current;

the **Statement of Comprehensive Income** was prepared by classifying operating costs by type, since the Company decided that this was more closely representative than presenting costs by destination, and more suitable for representing the specific business of the Company; this includes revenues and costs that are not stated under profits (losses) for the accounting period, or income and charges stated directly under shareholders' equity and deriving from business activities other than transactions with shareholder;

the **Cash Flow Statement** was prepared showing cash flows from operating activities, using the "indirect method", as authorised by IAS 7;

the **Statement of Changes in Shareholders'** Equity includes not only the result of the statement of comprehensive income, but also the business transactions carried out directly with shareholders acting in that capacity and the details of each individual item.

For each significant item listed on the above tables, reference is made to the subsequent explanatory notes which provide the relevant information, details and changes compared to the previous financial year.

1.2 Seasonal nature of the business

On the basis of our historical data, the activity of the Group is not subject to significant seasonal phenomena.

2 Accounting standards adopted

The accounting standards described below were applied homogeneously for all the periods included in these financial statements.

2.1 Description of the main accounting standards and measurement methods adopted

The financial statements were prepared on a cost basis, except in the cases specifically described in the following notes, for which the “fair value” principle was applied.
The main measurement methods used for the individual items of the financial statements are described below.

A. Tangible fixed assets

Tangible fixed assets are measured at the purchase or production cost, net of accumulated depreciation and any impairment losses. The cost includes all expenses directly incurred to prepare the assets for use and any removal and disposal costs that will be incurred as a result of contractual obligations requiring that the asset be restored to its original condition.

The costs incurred for routine and/or scheduled maintenance and repairs are directly charged to the income statement as incurred. Costs relating to the expansion, modernization or improvement of facilities owned or used by third parties are capitalised only insofar as they satisfy the requirements for being separately classified as an asset or part of an asset by applying the “component approach”.

Similarly, replacement costs for identifiable components of complex assets are capitalised and depreciated over their estimated useful life; the residual value of the replaced component is reported in the income statement.

The book value of plant and machinery is adjusted by systematic depreciation, calculated on a straight-line basis from the time the asset becomes available and ready to use, depending on the estimated useful life.
The estimated useful for the various categories of assets, is the following:

- Plant, machinery and equipment 4 - 8 years;
- Furniture, office machinery and vehicles 4 - 8 years.

The useful life of tangible assets and the residual values are reviewed and adjusted annually and, where applicable, at the end of each financial year. If the asset to be depreciated is composed of distinct elements with a useful life that significantly differs from that of other parts that compose the asset, the depreciation is calculated separately for each of the parts that make up the asset, according to the “component approach”.

Improvements to leased assets are classified under “Plant and machinery”, based on the nature of the cost incurred. The depreciation period corresponds to the lesser between the remaining useful life of the asset and the duration of the lease agreement. The profit or loss arising from the sale of tangible fixed assets is determined as the difference between the selling price and the book value of the asset and is recorded under profit and loss of the current year respectively as “Other income” or “Other operating costs”.

B. Leased assets

The Company applied IFRS 16 using the modified retrospective approach. Accordingly the comparative information is not restated.
The Company determinates at the contract inception whether an arrangement was or contained a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leasing contracts are accounted according with IFRS 16: the present value of the residual payments are booked in the Balance Sheet within the financial liabilities. At the same time an equal value is accounted within the "Right of use assets".
The discounted rated applied is the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The "Right of use" assets is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term and adjusted during the life of the contract for certain remeasurements of the lease liability.
The activity for the right of use is amortized on a straight-line basis from the effective date for the duration of the lease and adjusted during the life of the contract in order to reflect any changes resulting from subsequent assessments of the leasing liability.The Group identified the following categories that fall within the application of IFRS 16:

- Office rents
- Long term car rents.

The Group applied a number of practical expedients when applying the IFRS 16. In particular, the Group:

- Did not recognize right of use assets and liabilities for leases of low value assets and for short-term contract leasing. Payments related to these categories are shown on a straight-line basis in the Income Statement for the life of the leasing contract.
- Excludes from the initial evaluation any service component eventually embedded within the leasing contract.

C. Intangible assets

Intangible assets consist of non-cash items, identifiable and without physical substance, controlled and capable of generating future economic benefits. These elements are measured at purchase and/or production cost, including costs directly attributable to preparation of the asset for use, net of accumulated amortisation and any impairment losses. Amortisation begins when the asset is available for use and is calculated over its remaining useful life.
The recoverability of intangible assets is assessed annually.

(i) Goodwill

Goodwill is represented by the excess purchase cost incurred compared to the net fair value, on the date of acquisition of the assets and liabilities of companies. Goodwill is not subject to systematic amortisation but to an annual test to verify the adequacy of the relative value recorded in the balance sheet (impairment test). This test is carried out with reference to the organisational unit generating cash flows ("cash generating unit") to which goodwill is attributed. Any reduction in the value of the goodwill is noted if the recoverable amount of goodwill is lower than its carrying value on the balance sheet. Recoverable amount means the greater amount between the fair value of the cash generating unit, less sales costs, and the relative value in use (refer to section D below for further details regarding the calculation of the value in use).

In the event that the impairment resulting from the test is higher than the value of the goodwill allocated to the cash generating unit, the remaining surplus is allocated to the assets included in the cash generating unit in proportion to their carrying value. The lowest limit for the allocated amount is the greatest between:

- the fair value of the assets, net of costs of sale;
- the value in use, as defined above.

(ii) Industrial patent rights and use of intellectual property, licenses and similar rights

The expenses related to the purchase of industrial patent rights and the use of intellectual property, of licenses and similar rights are capitalised based on purchase costs.

Amortisation is computed using a straight-line method so that the cost sustained for purchasing the right is allocated over the shortest period between the expected use and the duration of the related contracts, starting from the moment the right purchased is exercisable.

(iii) Others

These relate mainly to expenses for registering trademarks, amortised over a 10-year period.

(iv) Development Assets

An intangible asset arising from the development (or from a stage of development of an internal project) is recognised when:

- the technical feasibility of completing the asset so that it will be available for use or sale is demonstrated;
- it is shown that the intangible asset will generate future economic benefits;
- there is an availability of technical, financial and other resources sufficient to complete the development and for the use or sale of the intangible asset;
- it is possible to reliably calculate the cost attributable to the intangible asset during development.

D. Impairment of assets

At each balance sheet date, tangible and intangible assets with a defined life are analysed in order to identify the existence of any indicators, originating from either external sources or sources within the Company, of a reduction in their value. In circumstances where these indicators are identified, an estimate is made of the recoverable value of these assets and any impairment is accounted for in the income statement. In the case of goodwill and other intangible assets with an indefinite useful life, this assessment is performed at least on a yearly basis. The recoverable value of an asset is either its fair value less sales cost, or its value in use, whichever is greater, where the latter is the current value of future estimated cash flows arising from the use of the asset and those deriving from disposal at the end of its useful life.

In determining the value in use, the anticipated future cash flows are obtained using a pre-tax discount rate that reflects current market assessments of the value of the money compared to the investment period and the specific risks. For an asset that does not generate largely independent cash flows the realisable value is determined in relation to the cash generating unit to which the asset belongs.

An impairment loss is recognised in the income statement when the book value of the asset, or the cash generating unit to which it is allocated, exceeds the recoverable amount. If the conditions for the previous write-down cease to exist, the book value for the asset is restored and the adjustment accounted for in the income statement, within the limits of the net carrying value the asset concerned would have had if it had not been written down and amortisation or depreciation charges had been applied.

E. Financial instruments

(i) Financial assets

When first entered, financial assets are classified in one of the following categories and measured as follows:

- **loans and receivables**: these are financial instruments, primarily related to trade receivables, non-derivatives and not listed in an active market, from which fixed or determinable payments are expected. They are included under current assets, except for those that fall due more than twelve months after the balance sheet date, which are classified as non-current. When initially recorded, these assets are recorded at the fair value and subsequently at the amortised cost using the effective interest rate method. If there is objective evidence of impairment, the asset is reduced accordingly, so that it is equal to the current value of future cash flows. Impairment losses are reported in the income statement. If in subsequent periods, the reasons for previous write-downs no longer exist, the value of the asset is restored to the value that would have been derived by applying the amortised cost, if no write-down had taken place;
- **investments available for sale**: these are non-derivative financial instruments specifically assigned to this category, which cannot be classified in the above categories. These financial instruments are initially measured at fair value and the profits or losses accounted for in an equity reserve are reflected in the income statement only when the financial assets are actually sold or, in the case of accumulated negative changes, when there is evidence that the reduction in value already accounted for in equity cannot be recovered. Solely in the case of debt securities, if, in a subsequent period, the fair value increases and the increase can be related objectively to an event occurring after the impairment loss was reported in the income statement, the impairment loss must be reversed, with the amount of the reversal recognised in the income statement. Furthermore, with respect to debt securities, the returns measured based on the amortised cost method are accounted for with an offsetting entry in the income statement, as in the case of effects related to changes in exchange rates. The changes in exchange rates relating to capital instruments available for sale are accounted for in a specific equity reserve;
- **equity investments in subsidiary and associated companies**: investments in subsidiaries and associates are measured at the purchase and/or subscription cost and adjusted for any impairment. If an investment shows indications of impairment, the possible reduction in value is verified by performing an impairment test and any losses are accounted for in the income statement. When the reasons which led to the write-down no longer exist, the book value of the investment is restored to its original cost. This recovery is accounted for in the income statement.

Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument have been extinguished and the Company has substantially transferred all risks and benefits tied to the instrument and the control thereof.

(ii) Financial liabilities

Financial liabilities are related to loans, trade payables and other payment obligations and are measured at fair value during initial recognition and subsequently at the amortised cost, using the effective interest rate criteria. If there is a change in expected cash flows and it is possible to obtain a reliable estimate, the value of the loans is recalculated to reflect this change on the basis of the present value of the new expected cash flows and internal rate of return initially determined. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer payment for at least 12 months after the balance sheet date.

Financial liabilities are removed from the Balance Sheet at the time of their settlement.

(iii) Determining the fair value of financial instruments

In order to determine the fair value of financial instruments listed on active markets, the relative market price (bid price) in effect on the closing date of the period of observation is used. In the absence of an active market, the fair value is determined using measurement models that rely primarily on objective financial variables, and by taking into account, where possible, prices observed in recent transactions and the market prices for similar financial instruments.

F. Contract work in progress

Contract work in progress is represented by specific projects commissioned by customers and currently underway.

If the outcome of an ongoing project can be reliably estimated, contract revenue and the related costs are identified based on the percentage-of-completion method. The percentage of completion is determined with reference to the relationship between the costs incurred for activities performed as of the reporting date and the estimated total costs upon completion.

If the outcome of an ongoing project cannot be reliably estimated, contract revenues are stated in the amount of the costs incurred, provided that it is likely that these costs will be recovered.

The sum of the costs incurred and results stated on each project are compared with the invoices issued as of the reporting date. If the costs incurred and the stated profits (less losses) are in excess of the advance billings, the difference is classified as current assets under “Contract work in progress”. If the advance billings exceed the costs incurred plus measured earnings (less losses), the difference is classified among current liabilities under the heading “Other payables and current liabilities”.

Any losses on contracts are recorded in the income statement, when it is likely that the estimated total costs will exceed the expected total revenues.

G. Cash and cash equivalents

Cash and cash equivalents consist of cash, bank and postal current accounts, short-term demand deposits and other short-term highly liquid investments that in any case are payable and due within ninety days of the acquisition date and promptly convertible into cash. Items included in net cash are measured at fair value and any changes are accounted for in the income statement.

H. Shareholders’ equity

(i) Share capital

The share capital is represented by the capital subscribed and paid up.

(ii) Legal reserve

It includes the amounts set aside for the legal reserve as per art. 2430 of the Civil Code, which is increased by an amount equivalent to one twentieth of the net profits made, until the reserve itself has reached one fifth of the share capital. Once one fifth of the share capital is reached, if for whatever reason the reserve is decreased, it will be replenished in minimum annual allocations equal to the one indicated above.

(iii) Other reserves including profits/losses for the year

They include the operating results for the current period and the previous financial years for the part not distributed or allocated to reserves (in the case of profits) or covered (in the case of losses) and the accumulated effects following the conversion to IFRS.

I. Provisions for risks and charges

Provisions for risks and charges are stated only when there is a current obligation (legal or implicit) for a future outflow of economic resources as a result of past events and it is likely that this outflow will be required to settle the obligation. This amount represents the best estimate of the amount required to settle the obligation. When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provisions are discounted. The rate used to determine the present value of the liabilities reflects current market values and includes the additional effects of the specific risk associated with each liability. Changes in the value of the provision, due to the passage of time, are accounted for in the income statement under "Financial expenses".

The costs that the company expects to incur in order to carry out restructuring plans are charged to the financial year in which the program is officially defined and in which the parties concerned can reasonably expect the restructuring to take place.

The risks related to liabilities whose occurrence is only possible are described in the section on commitments and risks, and no provisions are made.

J. Defined benefit plans

With the adoption/implementation of IFRS, the severance indemnity accrued up to December 31 2006 is considered a defined benefit obligation that must be accounted for in accordance with IAS 19 – Employee Benefits. Consequently, it must be measured on the basis of actuarial assumptions at the end of each period by applying the projected unit credit method.

The measurement process, based on demographic and financial factors, is entrusted to independent professional actuaries.

Actuarial gains and losses, returns on plan assets (excluding interest) and the effect of the asset ceiling (excluding any interest) which emerge following the remeasurement of the net defined benefit liability are immediately accounted for in OCI. The net interest for the period on the defined benefit liability/(asset) is calculated by applying to the net liability/(asset) the discount rate used to discount the defined benefit obligation, as determined at the beginning of the period, taking into account any changes in the net defined benefit liability/(asset) taking place during the period as a result of contributions collected and benefits paid. Net interest expense and other expenses related to defined benefit plans are recognised in profit/(loss) for the year.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gains or losses deriving from curtailment of the plan are recognised in the profit or loss for the year at the moment in which the adjustment or curtailment takes place.

K. Recognition of revenues from sales of goods and services

The company has adopted in advance the accounting standard IFRS 15 - Revenue from Contracts with Customers.
IFRS 15 has replaced the criteria for the recognition of revenue defined by IAS 18 'Revenue' and IAS 11 'Construction Contracts' and introduced a single general model for establishing if, when and to what extent revenue should be recognised, and which is based on the transfer of control over the goods and services to the customer. In particular, IFRS 15 outlines a model for the recognition of revenue which entails carrying out the following 5 steps:
• Step 1 – Identify the contract with a customer;
• Step 2 – Identify the performance obligations in the contract with the customer;
• Step 3 – Determine the transaction price;
• Step 4 – Allocate the transaction price to the performance obligations in the contract;
• Step 5 – Recognise revenue when the entity satisfies a performance obligation (revenue is recognised over time or at a point in time).
Revenue from the sale of goods arising in the course of ordinary activities is measured at the fair value of the amount received or receivable, taking into account any rights of return and the value of rebates, trade discounts and bonuses linked to volume. If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognised as a reduction of revenue concurrently with the recognition of sales.
Revenue from services provided includes the initial amount of revenue agreed in the contract and any variants agreed with the customer, requested price adjustments and payments of incentives to the extent that they are likely to give rise to revenue and can be reliably estimated.
When the outcome of a project can be reliably estimated according to the guidelines laid down by accounting standard IFRS 15, the corresponding revenue is recognised in proportion to progress (over time). Progress is determined on the basis of an estimate of the hours expended and the final balance for each project underway. When the outcome of a project cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are expected to be recovered.
The related costs are stated as incurred unless they relate to future activity on the contract. An expected loss on a project in progress is immediately recognised as an expense in profit or loss.
The chargebacks to third parties for costs sustained on their behalf are accounted for by writing off the costs to which they relate.

L. Recognition of costs

Purchases of goods are recognised at the time of the transfer of ownership and are appraised at the fair value of the price due, net of any refunds, allowances, commercial discounts and year-end bonuses.
The costs for services are recognised based on the progress of the service being provided as of the end of the reporting period. Interest payable is measured on an accrual basis.
Financial costs are recognised in the comprehensive income as they are accrued, with the exception of borrowing costs directly ascribable to the acquisition, construction or production of assets that require a substantial amount of time before

they are ready to be used or sold. With reference to such assets, capitalisation of which began on January 1, 2009, the applicable date of accounting standard IAS 23- Borrowing Costs (revised), the associated financial charges are capitalised as part of such assets.

M. Taxes

Current taxes are calculated on the basis of taxable income for the financial year. The taxable income differs from the result reported in the statement of comprehensive income due to the fact that it excludes positive or negative components that are taxable or deductible in other accounting periods and because it excludes components that are not taxable or deductible.
The current tax liabilities are calculated using the rates in force or actually applicable on the balance sheet date.
Deferred tax liabilities are generally recognised for all taxable temporary differences, whilst deferred tax assets are recognised to the extent that it may be assumed that future taxable income will be sufficient to allow these deductible temporary differences to be exploited.
In particular, the value of the deferred tax assets for accounting purposes is reviewed at the end of every reporting period based on the updated forecasts of future taxable income.
Deferred tax assets and liabilities are not recognised if the temporary differences derive from the initial entry of goodwill or, in the case of transactions other than business combinations, of other assets or liabilities in operations that do not have any influence on either the result for accounting purposes or the result for tax purposes. Furthermore, deferred tax liabilities are recognised for temporary taxable differences related to investments in subsidiaries, associates, and jointly controlled companies; except where the Group is capable of controlling the annulment of such temporary differences and where it is probable that the latter differences will not be annulled in the foreseeable future.
The deferred tax assets and liabilities are calculated based on the tax percentage that will most likely be in force at the moment of realization of the asset or extinguishment of the liability, keeping in mind the tax percentages in force at the balance sheet date.
The deferred tax assets and liabilities are offset where there is a legal right to offset current tax receivables against current tax payables and when they refer to taxes due to the same revenue authority and the Group intends to pay current taxes due net of tax receivables.

N. Financial income and expenses

Financial income includes interest earned on cash invested (including all financial assets available for sale), dividend income, income from the sale of financial assets available for sale, changes in the fair value of financial assets recognised in the income statement, income from a business combination for the remeasurement of the fair value of the previous investment, if any, in the acquired company, gains on hedging instruments recognised/recorded in profit or loss and reclassification of net income previously recognised/recorded in other comprehensive income. Interest income is recognised in profit or loss on an accrual basis using the effective interest method. Dividend income is recognised when the Group's right to receive payment is established; in the case of listed securities it is normally on the payment due date.
Financial expenses comprise interest payable on loans, the release of the discounting of funds and the corresponding deferred amounts, losses

from the sale of financial assets available for sale, changes in the fair value of financial assets at the fair value stated in the income statement and the potential corresponding amounts, losses due to impairment of financial assets (other than trade receivables), losses on hedging instruments recognised in the profit or loss for the year and reclassification of net losses previously recognised in other components of comprehensive income.
The costs related to loans that are not directly attributable to the cost of acquisition, construction or production of an asset that justifies capitalisation are recognised in profit or loss using the effective interest method.
Exchange gains and losses on financial assets and liabilities are shown at the net between income and expenses based on the position of profits or net losses deriving from currency transactions.

O. Translation of items expressed in currencies other than the Euro

Transactions in foreign currencies are converted into € at the exchange rate in force on the date of the transaction. Monetary items stated in foreign currencies at the balance sheet date are converted into € at the exchange rate effective on that date. Currency translation gains or losses are reported under profit or loss for the year.

2.2 Use of estimates

The preparation of financial statements requires the management to apply accounting standards and methods that, in some cases, are based on difficult and subjective judgments and estimates based on historical experience and assumptions that are from time to time considered reasonable and realistic depending on the circumstances. The application of these estimates and assumptions affects the amounts reported in the financial statements, namely, the balance sheet, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement, as well as other information provided.
The final balances shown in the financial statements, for which the above-mentioned estimates and assumptions were used, may differ from those reported in financial statements that disclose the actual effects of the occurrence of the event under consideration, due to the uncertainty surrounding the assumptions and conditions upon which the estimates are based.
Below is a brief description of the main items requiring a more subjective assessment by management when formulating estimates, and for which a change in the conditions underlying the assumptions made could have a significant impact on the balance sheet values of assets and liabilities.

Revenues and costs

The determination of revenues, costs, and hence the margin of earnings for the year from projects in progress, is based on the best estimates made by management regarding the work completion schedule. Such estimates entail forecasting the costs upon completion of the different projects underway. The assessments may undergo adjustment in the months following the balance sheet date.

Goodwill

IIn accordance with the accounting standards adopted in preparing the financial statements, the Company annually reviews goodwill in order to establish the existence of any impairment to be reported in the income statement. In particular, this involves the allocation of goodwill to cash generating units and subsequent determination of its recoverable amount. Whenever the recoverable amount is lower than the book value of cash generating units, it will be necessary to write down the goodwill allocated to them. Allocating goodwill to cash generating units and determining the recoverable amount thereof involves using estimates that depend on factors that may change over time and produce significant effects on the assessments made by management.

Deferred tax assets

Accounting of deferred tax assets is based on the expected income for future accounting periods. Assessing expected income in order to account for deferred taxes depends on factors that may vary over time and significantly impact the assessment of deferred tax assets.

Provisions for risks and charges

To meet legal and tax risks, provisions are made to cover the risk of a negative outcome in legal proceedings. The amount of funds set aside for such risks represents the best estimate made by Company management at the balance sheet date. This estimate requires assumptions that depend on factors that may change over time and which could therefore have a significant impact on current estimates made by management in preparing the consolidated financial statements.

Reserve for bad debts

The reserve for bad debts reflects estimates of losses on the Company's receivables portfolio. Provisions have been made against expected losses calculated on the basis of historical experience with receivables with similar credit risk profiles, as well as the careful monitoring of the quality of the receivables portfolio and current and forecast conditions in the target markets.

2.3 Accounting standards adopted since the current Financial Statement

Shown below are the accounting standards, amendments and interpretations issued by the IASB and approved by the European Union, to be adopted mandatorily in the financial statements for the years beginning on or after January 1, 2019:

- IFRS 16, Leases;
- Amendment to IFRS 9, Prepayment features with negative compensation;
- IFRIC 23, Uncertainty over Income Tax Treatments;
- Amendment to IAS 28, long-term interests in associates and joint ventures;
- Amendment to IAS 19, plan amendment, curtailment or settlement;
- Annual improvements to IFRSs 2015 – 2017 cycle.

Excluding the IFRS 16, the adoption of the above-mentioned amendments and interpretations had no significant impact on the Financial Statements as of March 31st 2020.

The impacts of the IFRS 16 adoption on the Profit and Loss are following summarized:

(€ thousand)	31 March 2019	31 March 2020		
		Pre-IFRS 16	IFRS 16	Var
Costs for materials and services	(173.404)	(195.812)	(189.594)	(6.218)
Costs for personnel and directors	(185.587)	(214.387)	(213.129)	(1.258)
EBITDA before non recurring items	**12.785**	**14.874**	**22.350**	**(7.476)**
Amortization, depreciation and write-downs	(5.702)	(4.621)	(11.947)	7.326
EBIT before non recurring items	**7.083**	**10.253**	**10.403**	**(150)**
Non rucurring items	-	(34.088)	(34.088)	-
EBIT	**7.083**	**(23.835)**	**(23.685)**	**(150)**
Net financial income/(expenses)	(1.457)	(3.554)	(3.824)	270
Income before taxes	**5.626**	**(27.389)**	**(27.509)**	**120**

For further details about the effects on Balance Sheet, reference should be made to the following explanatory notes.

The reconciliation between the commitments existing on March 31, 2019 and the commitments recognized at April 1, 2019, is the following:

(€ thousand)	
Commitments at March 31, 2019	**18.986**
Short-term leases	(1.171)
Discounting effects	(858)
Commitments at April 1, 2019	**16.957**

2.4 Accounting Standards of future introduction

Shown below are the accounting standards, amendments and interpretations which, at the date of preparation of the financial statements, had already been issued but were not yet in force are listed below. The Company intends to adopt these principles when they come into force:

- Amendments to reference to conceptual framework in IFRS standards, in force as of January 1, 2020;
- Amendments to IAS 1 and IAS 8, Definition of "material", in force as of January 1, 2020;
- Amendments to IFRS 9, IAS 39 and IFRS 7, interest rate benchmark reform, in force since January 1, 2020.

2.5 Risk management

General principles of risk management

The founding principles of the risk policy are based on the prevention of major risks related to group objectives and concern strategic, operational and financial areas. These risks also include dependence on key personnel.
The main risks are reported and discussed at the top management level in order to create the conditions for their coverage, insurance and evaluation of the residual risk.
In addition to the guidelines for risk management, there are specific guidelines for financial risks such as exchange and interest rate risks and credit risks.

Operating risks

The market for strategic consulting and ICT professional services is related to the performance of the economy, especially of the developed countries where the demand for quality products and services and/or high technological content is higher.
An economic downturn at a national and/or international level could have an impact.
The Company has joined the prestigious Japanese NTT DATA Group, which is among the world's leading IT companies.
The Company may further boast a management team with extensive experience in the industry, enabling it to offer top quality, competitive services and solutions to customers.

Financial risks

(i) Credit Risk

Credit risk is the risk that a customer will cause a financial loss by failing to fulfil an obligation and mainly derives from trade receivables. This credit risk is primarily related to the possibility that customers will not honour their debts to the Company on the agreed upon dates.
The customer base consists mainly of medium to large firms for which there are no special risks in terms of collecting receivables. The first 10 customers account for about 60% of receivables. With the majority of customers, the Group has been conducting business now for a long time and bad debts have not had adverse effects on turnover over time. The activity of monitoring credit with respect to customers takes place on the basis of a periodic report that provides an analysis of exposures. The Group companies allocate amounts to the reserve for bad debts that reflect the estimate of the possible losses on trade receivables and other receivables.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company has difficulty in meeting obligations associated with financial liabilities. The Company's approach to cash management is to ensure, as much as possible, that there are always sufficient funds to meet its obligations at maturity, both under normal conditions and conditions of financial stress, without incurring exorbitant costs or risk of harming its reputation.

Generally, the Company ensures that there is sufficient cash on demand to meet the needs generated by the operating cycle and investment, including costs related to financial liabilities. The treasury service engages in continuous financial forecasting based on expenditure and income expectations in the months ahead and takes corrective measures accordingly.

It should be noted that cash flows, funding requirements and liquidity are managed centrally at the EMEA level in contact with the headquarters in Tokyo, in order to ensure the optimisation of resources.

The strategic goal is to ensure that in every moment the Company has sufficient credit lines to cope with the financial needs for next twelve month.

Moreover, it must be pointed out that the Japanese Group NTT DATA boasts a prestigious rating, essential for assessing current risk.

(iii) Exchange rate Risk

Exchange rate risk is the risk that the Company might incur costs due to currency fluctuations on business or financial transactions.

(iv) Interest rate Risk

The interest rate risk to which the Company is exposed originates mainly from financial debts at variable rates (Euribor), even if this risk is significantly reduced considering that the Company has paid off its short and medium-term loans from credit institutions, which have been replaced with intercompany loans at a fixed rate received from the parent companies NTT DATA EMEA Ltd and NTT DATA Corporation.

3 Comments on the items included in the Balance Sheet and the Income Statement

3.1 Non-current Assets

3.1.1 Property, plant and equipment

The item “Property, Plant and equipment” and relevant changes as of March 31, 2019 are as follows:

(€ thousand)		Plant and equipment	Other tangible assets	Total
Book value		9.479	24.287	33.766
Accumulated depreciation		(9.023)	(18.163)	(27.186)
As of 31 March 2019		**456**	**6.124**	**6.581**
Book value	Increases	128	6.512	6.640
	Disposals	-	(1)	(1)
Accumulated depreciation	Depreciation	(219)	(3.023)	(3.242)
	Disposals	-	1	1
Book value		9.608	30.798	40.405
Accumulated depreciation		(9.242)	(21.185)	(30.427)
As of 31 March 2020		**365**	**9.613**	**9.978**

The increase in item “Plant and equipment”, amounting to € 128 thousand, mostly reflect purchases of office equipment.
The increases in the item “Other assets” amounting to € 6,512 thousand refer for € 2,790 thousand to the purchase of capital goods, in particular the EDP equipment, necessary for the Company’s core activities, for € 3,042 thousand to the purchase of furniture and fittings following the modernization and expansion of the Cosenza and Naples offices and for € 679 thousand to capitalized costs for improvements to third party assets.

3.1.2 Right of use assets

The adoption, starting from 1 April 2019, of the accounting standard IFRS 16 entailed the recognition of a right of use equal to the value of the financial liability at the transition date.
The following table shows the fixed assets by category:

(€ thousand)	01/04/19	Net changes	Amortization	31/03/20
Buildings	14.536	6.523	(6.113)	14.946
Vehicles	2.421	1.699	(1.213)	2.907
Total	**16.957**	**8.222**	**(7.326)**	**17.853**

The net changes mainly refer to the signing of new leasing contracts with a consequent increase in the right of use value, to the redetermination of some liabilities and renegotiations of existing contracts.

3.1.3 Goodwill

The item "Goodwill" amounted to € 104,265 thousand and was generated as follows: € 40,539 thousand in 2004 as a result of the merger of VP Technologies Srl, V.P. Web S.p.A. and Software Factory S.p.A; € 63,220 thousand in 2008 as a result of the merger of Etnoteam S.p.A; € 197 thousand in the course of the 2009 financial year as a result of the merger of the company Agora S.r.l. and € 309 thousand in 2010 as a result of the merger of the company Net Value S.r.l..
At March 31, 2020 impairment tests had been carried out, with the assistance of independent experts, in order to detect the existence of any loss in value of the recorded goodwill.
The cash-generating units ("CGU") are identified based on the geographical area to which goodwill has been allocated, which coincides with Italy, consistently with the lowest level at which goodwill is monitored for internal management purposes.
The recoverability of the value of goodwill allocated to the CGU is verified by estimating the value in use of the same, understood as the present value of the expected cash flows.
For the purpose of determining the discount rate, reference was made to the Capital Assets Pricing Model, based, to the extent possible, on indicators and parameters observable on the market.
The expected cash flows were determined on the basis of the Business Plan approved by the Board of Directors.
The main basic assumptions used in the impairment test are illustrated below.
With reference to the year ended March 31, 2020, the impairment tests did not reveal any impairment of the goodwill recorded.
Specifically, the impairment test set up by the Company takes into consideration the following aspects:

- **Cash flows** for the explicit period: they are constructed on the basis of the Business Plan drawn up by the Company management. In particular, the forecasts included in the plan predict an increase in revenues at a CAGR (Compounded Average Growth Rate) of 3.9% and a concurrent marginality increase in the last years of projection. Working capital turnover ratios are forecast to remain stable as a result of the excellent results achieved in 2020, with a substantial stability of turnover ratios both in respect of trade receivables (thanks also to reliance on factoring schemes) and trade payables.

- **Time extension of cash flows and "Terminal Value**": the terminal value was determined based on the normalisation of cash flows for 2024, to which a normalised growth rate of 1% was applied, in line with main comparable companies and consistent with long-term growth expectations of the reference market.

- **Investments**: an estimate of investments over the period of the plan was formulated, taking into account the investments made up to now by the Company.

- **WACC**: the discount rate was determined by the Company taking into consideration the beta coefficients and rates used for companies comparable to the NTT DATA Italia Group and amount to 9.2%.

The WACC level where there would be a cancellation of the existing difference between the value in use of the CGU and its carrying amount is equal to 20.9%, while the g rate that would lead to the annulment of a value greater than the book value would be equal to -28.1%.

To better assess the results of the impairment test carried out with the "value in use" method, an alternative revenue-based method of evaluation was adopted; it uses specific multipliers on revenues of companies operating in the Italian Information Technology sector.
The application of the alternative method confirmed the results of the application of the method described above.

3.1.4 Other intangible assets

The item "Other intangible assets" has the following composition and changes:

(€ thousand)	Industrial patent rights and use of intellectual property	Concessions, licenses, trademarks and similar rights	Software in progress	Total
As of 31 March 2019	**4.590**	**6**	**1.032**	**5.628**
Internal works	696	-	-	696
Purchases	17	-	254	271
Adjustments	(66)	-	-	(66)
Depreciations	(2.441)	(2)	-	(2.444)
As of 31 March 2020	**2.796**	**4**	**1.286**	**4.086**

The increase in the item "Patent rights" for internal work, amounting to € 696 thousand, mainly refers to development activities related to the "Encoding" project (€ 157 thousand), the "Docspa" project (€ 140 thousand), the "Extended Reality" project (€ 131 thousand), the "SWM" project (€ 70 thousand), the "AI Sales Assistant" project (€ 45 thousand), the "Block Trace Evolution" project (€ 44 thousand), the "AI Ethical Hacking" project (€ 39 thousand), the "IOT Multiprotocol Gateaway" project (€ 60 thousand), the "Instant ManuAR" project (€ 11 thousand).
For additional information please refer to paragraph "Investments in innovation" in the Report on Operation section.
The increase in the item "Patent rights" for acquisitions relates mainly to purchases of software.

3.1.5 Investments

The item “Investments” has the following composition and changes:

(€ thousand)	Investments in subsidiares	Investments in associates	Other investments	Total
A of April 1, 2018	**3.939**	**-**	**18**	**3.957**
Increases	-	-	-	-
Decreases	-	-	-	-
As of March 31, 2019	**3.939**	**-**	**18**	**3.957**
Increases	3.635	-	20	3.655
Decreases	-	-	-	-
Impairment	(2.004)	-	-	(2.004)
As of March 31, 2020	**5.570**	**-**	**38**	**5.608**

The increase of € 3,655 thousand refers to:

- For € 3,635 thousand to purchase 100% of the newly established company Xsfera S.r.l. born as a result of the transfer of the company branch of the company XTphere which includes the consulting activities and supply of IT services and the Acerate software used for the calculation of insurance premiums;
- For € 20 thousand to purchase of a 10% stake in Tolemaica S.r.l., an innovative start up for the legal certification of data and photographs founded in Naples in 2015. The transaction took place through a capital increase and a strategic partnership both in technical and commercial areas.

The impairment of € 2,004 thousand is due to the prudential devaluation of the investment in the Turkish subsidiary NTT DATA Danismanlik, which was necessary considering the unstable economic and political situation of the country in which the company is located.

The Company did not carry out impairment tests on the value of the investment in Xsfera considering that the assumptions made at the time of the acquisition (November 4, 2019) have not changed.

The table below provides a list of the companies in which the Company had an investment as of March 31, 2020:

Company name	Head office	% Shares held	Total equity (€ thousand)	Share of equity	Carrying value (€ thousand)
Investments in Subsidiares					
NTT Data Danismalik Ltd Sirketi	Istanbul	99,97%	1.583	1.582	1.188
Ifi Solution Co., Ltd	Hanoi	99,90%	2.677	2.675	747
Xsfera S.r.l.	Milano	100,00%	944	944	3.635
Other investments					
Consortium ABI Lab	Rome				2
Consortium IDC	Milan				10
Consortium KS	Milan				6
Tolemaica S.r.l.	Naples				20

3.1.6 Other financial assets

The item "Other financial assets" as of March 31, 2020 and as o f March 31, 2019 breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Security deposits	214	241
Total	**214**	**241**

3.1.7 Other non-current Assets

The balance of the item "Other non-current Assets" as of March 31, 2020 is equal to € 874 thousand and refers to the capitalisation of costs incurred by the Company in the acquisition of some new projects from customers and resulting from the application of the accounting standard IFRS 15.
For further details, please refer to the section headed 2.1.K - Recognition of revenues from sales and services.

3.1.8 Deferred tax assets and liabilities

Deferred tax assets, equal to € 9,964 thousand at March 31, 2020 (€ 5,388 thousand at March 31, 2019), include the fiscal charge corresponding to the temporary differences originating among the ante-tax result and the taxable income in relation to items with deferred deductibility.
Detail of Deferred tax assets is provided at the table below:

(€ thousand)	31 March 2019	31 March 2020
Deferred tax assets	5.388	9.964
Total	**5.388**	**9.964**

Deferred tax assets and liabilities as of March 31, 2020 and as of March 31, 2019 break down as follows:

	Deferred tax assets		Deferred tax liabilities	
(€ thousand)	31 March 2019	31 March 2020	31 March 2019	31 March 2020
Temporary difference generated by:				
- Bad debt provision	568	482	-	-
- Other non deductible funds	3.093	7.375	-	-
- Tax losses	3	-	-	-
- Cash deductible costs	61	61	-	-
- Depreciation (New tax law)	660	816	-	-
- Value adjustments	520	996	-	-
Differences generated by IFRS transition:				
- Severance pay adjustment as per IAS 19	831	583	(348)	(348)
Total	**5.735**	**10.312**	**(348)**	**(348)**

The Directors of the Company evaluate the amount of deferred tax assets fully recoverable in light of the Company's income expectations documented in the business plan.

3.2 Current assets

3.2.1 Work in progress

Work in progress consists of projects in progress as of March 31, 2020. These projects are accounted for according to the percentage of completion method, net of any losses.

(€ thousand)	31 March 2019	31 March 2020
Work in progress	21.818	23.524
Total	**21.818**	**23.524**

The increase compared to March 31, 2019 is mainly due to the greater number of projects that started in the first quarter of 2020 and are underway on March 31, 2020.

3.2.2 Trade receivables

The item "Trade receivables" breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Receivables from third parties	163.279	171.501
Receivables from subsidiares	162	149
Receivables from parent companies	5.778	4.721
Receivables from affiliate companies	2.173	600
Bad debt provision	(3.402)	(3.313)
Total	**167.990**	**173.659**

The increase in trade receivables is basically linked to the higher revenues of the 2020 financial year compared to those of the previous year, the increase in revenues is, in fact, equal to € 54,331 thousand.
The breakdown of receivables as of March 31, 2020 is as follows:

(€ thousand)		Expired but not devalued				
	Not due	0-30 days	30-90 days	90-180 days	>180 days	Total
31 March 2020	159.315	9.826	3.598	920	-	**173.659**
31 March 2019	147.084	16.636	3.941	329	-	**167.990**

Trade receivables as of March 31, 2020 break down as follows by geographical area:

(€ thousand)	v/Subsidiares	v/Parent Companies	v/Affiliate Companies	v/Third Parties	Total
Italia	32	-	-	165.300	165.332
Europe (excluding Italy)	-	1.996	561	2.327	4.885
Rest of the world	117	2.726	39	561	3.442
Total	**149**	**4.721**	**600**	**168.188**	**173.659**

Changes in the Reserve for bad debts are summarised below:

(€ thousand)	31 March 2019	31 March 2020
Beginning balance	**5.622**	**3.402**
Increases	492	-
Uses/releases	(2.712)	(89)
Ending balance	**3.402**	**3.313**

The use of the year, amounting to € 89 thousand, is mainly related to the closure of old credits prescribed or subject to insolvency proceedings that are now definitively closed.

3.2.3 Tax receivables

The item "Tax receivables" breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Income tax advances	30	671
Reimbursement requested for taxes paid	3	3
Other	4.116	1.690
Total	**4.148**	**2.364**

The item "Others" mainly refers to:

- tax receivables for withholding taxes suffered, equal to € 1,668 thousand (€ 3,030 at March 31, 2019);
- tax receivables for VAT, equal to € 22 thousand (€ 1,088 thousand at March 31, 2019).
-

The change, compared to the previous year, is mainly attributable to the reduction in the VAT receivables and to the partial use of the tax credit for withholding taxes suffered to compensate the payment of the IRAP balance and the first advance.

3.2.4 Other receivables and current assets

The item "Other receivables and current assets" breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Receivables from employees	625	864
Receivables from social security institutions	53	88
Accrued income and prepaid expenses	11.545	12.303
Other receivables	3.588	3.325
Provision for other bad debts	(3.141)	(3.000)
Total	**12.670**	**13.580**

The increase in the item "Accrued income and prepaid expenses" is mainly attributable to invoicing by part of the suppliers of maintenance fees that cover future periods and for which the cost was therefore suspended as it is not related to the current financial year.
The item "Other receivables" includes, for € 3,000 thousand, a receivable from the former parent company, Value Partners S.p.A. (now Invest Tre S.r.l.) prudently written down by entering a risk provision of the same amount in the 2012 financial year.

3.2.5 Cash and cash equivalents

The item "Cash and cash equivalents" breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Cash at banks	24.557	56.553
Cash on hand	2	1
Total	**24.559**	**56.554**

Please refer to the statement of cash flows for details on the cash flows of the two years.

3.3 Equity

3.3.1 Share capital

As of March 31, 2020 the share capital amounted to € 33,107,160 and was made up of 13,242,864 ordinary shares with a face value of € 2.50 each.
As of March 31, 2020 all of the issued shares were subscribed and paid up.

3.3.2 Other reserves including Profit of the year

The item "Other reserves including Profit for the year" breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Legal reserve	2.039	2.039
Other reserves	(5.037)	50.717
Merger reserves	(239)	(239)
Net result	4.968	(23.495)
Total	**1.731**	**29.022**

The changes in the "Other reserves" may be detailed as follows:

- capital injection by the parent NTT DATA EMEA for € 50,000 thousand;
- allocation of the positive result for the year 2019 (€ 4,968 thousand) to profit/(loss) carried forward, as per the resolution of the General Meeting of Shareholders that approved the financial statements for the year 2019 on July 15, 2019;
- change in the IAS reserve of € 785 thousand following the application of Accounting Standard IAS 19 and the consequent results of actuarial valuation results.

For further details, please refer to the statement of changes in shareholders' equity.

3.3.3 Breakdown of distributable reserves

Nature/Description		Amount (€)	Possibility of utilization	Available (€)	Summary of the uses in the prior three fiscal years: for coverage of losses (€)	Summary of the uses in the prior three fiscal years: for other reasons (€)
Share capital		**33.107.160**				
Capital reserve						
	Capital injection reserve	50.000.000	**A,B,C**			
Income reserves						
	Legal reserve	2.039.076	**B**			
	Deficit merger reserve	(239.046)				
	IAS 19 reserve	(157.874)				
	Retained earnings/(losses)	874.430	**A,B,C**			
Total reserves		**52.516.587**		-		
Not available amount				-		
Residual available amount				-		
Profit/(loss) of the year		**(23.495.059)**				
Total Equity		**62.128.688**				

Legenda

A: for share capital increase

B: for coverage of losses

C: distribution to shareholders

3.4 Non-current liabilities

3.4.1 Employee benefits

The item "Employee benefits" refers to severance indemnity (TFR):

(€ thousand)	31 March 2019	31 March 2020
Severance indemnity	19.651	17.769
Total	**19.651**	**17.769**

In application of the IAS 19 Accounting Standard for the valuation of the severance indemnity (TFR), the method called "Projected Unit Credit Cost" was used, with the following assumptions:

	31 March 2019	31 March 2020
Economic assumptions:		
Annual inflation rate	1,50%	1,00%
Annual discount rate	0,60%	1,17%
Annual increase in salaries	2,63%	2,63%
Annual growth rate of the employee severance indemnities	2,63%	2,25%
Demographic assumptions:		
Likelihood of death	RG 48 survival tables of the Italian population	
Likelihood of disability	INPS tables divided by age and gender	
Likelihood of resignation	8,0%	8,0%
Likelihood of retirement	Fulfilment of the minimum requisites provided by the General Insurance	
Likelihood of advances	3,0%	3,0%

The changes in the Severance Indemnity can be summarized as follows:

(€ thousand)	31 March 2019	31 March 2020
Beginning balance	**19.390**	**19.651**
Interest cost	196	115
Actuarial (gain)/loss	648	(1.033)
Payments	(582)	(964)
Ending balance	**19.651**	**17.769**

It should be noted that the assessment of the liabilities relating to the severance indemnity was carried out with the support of an independent firm expert in actuarial matters.

3.4.2 Provisions

The item "Provisions" and the related changes can be detailed as follows:

	Mid-long term				Short term	
(€ thousand)	Disputes	Other	Restoration costs	Total	Restructuring costs	Total
As of 1° April 2018	**818**	**-**	**-**	**818**	**-**	**-**
Increases	-	-	-	**-**	-	**-**
Uses	(146)	-	-	(146)	-	**-**
As of 31 March 2019	**672**	**-**	**-**	**672**	**-**	**-**
Increases	1.172	-	2.077	3.249	12.077	12.077
Uses	(40)	-	-	(40)	-	-
As of 31 March 2020	**1.804**	**-**	**2.077**	**3.881**	**12.077**	**12.077**

Mid-long term provisions mainly refer to:

- disputes: the increase of € 1,172 thousand refers to the sanctioning risk arising as a result of an open procedure for violations that occurred on a specific Client; the uses made during the year are due to payments made in execution of settlement agreements finalized during the year;
- Restoration charges relating to the Milan and Rome offices.

Short-term provisions refer to the entitlements related to the restructuring process started by the Company. In particular, the amount of € 12,077 thousand, booked in a dedicated fund, refers for € 7,254 thousand to the so-called "isopensione" program and for € 4,823 thousand to retirement incentives. This amount relates to transactions not yet closed at the date of this financial statements.

For further comments about the "Isopensione" program, reference should be made to the Report on Operation.

3.4.3 Financial liabilities

The item "Financial liabilities" breaks down as follows:

(€ thousand)	31 March 2019			31 March 2020		
	Short	Mid-long	Total	Short	Mid-long	Total
Loans from Parent Company	-	117.500	117.500	-	97.500	97.500
Loans from third parties	-	-	-	-	-	-
Financial liabilities IFRS 16	-	-	-	5.936	11.316	17.251
Total financial liabilities	**-**	**117.500**	**117.500**	**5.936**	**108.816**	**114.751**

During the fiscal year 2020, the loan granted by NTT DATA EMEA to NTT DATA Italia was renewed for further 3 years and for an amount of € 97.5 million. The decrease of € 20.0 million compared with the previous fiscal year refers to the reimbursement made on June 2019 by NTT DATA Italia to NTT DATA EMEA .

The Financial liabilities IFRS 16 refers to the outstanding debt as of March 31, 2020 related to the adoption of IFRS 16 since April 1, 2019.

NTT DATA Italia continued to benefit from the "notional cash pooling" project, started in 2017 and coordinated by NTT DATA EMEA with JP Morgan, a leading Banking Group.

This treasury project ("notional cash pooling") envisages interest rates in line with the market and with what is currently applied to NTT DATA Italia by other banks in Italy. It should be noted that the compensation of creditors and debtors balances on the accounts linked to the same pool takes place without physical movement or transfer of money balances ("notional").

3.5 Current liabilities

3.5.1 Trade payables

The item “Trade payables” breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Payables to third parties	89.866	84.085
Payables to subsidiares	248	1.607
Payables to parent companies	3.407	5.295
Payables to affiliate companies	1.018	974
Total	**94.539**	**91.961**

As of March 31, 2020 the breakdown of payables in terms of due date is the following:

(€ thousand)		Expired				
	Not due	0-30 days	30-90 days	90-180 days	>180 days	Total
31 March 2020	87.564	728	1.342	1.597	730	**91.961**
31 March 2019	83.595	9.383	801	60	700	**94.539**

The aging reported above shows a significant decrease of the overdue debts, which fall from € 10,944 thousand at March 31, 2019 to € 4,397 thousand at March 31, 2020.

The amounts over 180 past due mainly refer to invoices that were disputed or are under dispute.

As of March 31, 2020, trade payables could be broken down geographically as follows:

(€ thousand)	v/Subsidiaries	v/Parent companies	v/Affiliate companies	V/others	Total
Italia	1.453	-	455	80.851	82.760
Europe (Italy excluded)	-	5.238	342	2.385	7.965
The rest of the world	155	57	177	848	1.236
Total	**1.607**	**5.295**	**974**	**84.085**	**91.961**

Italy

3.5.2 Tax and social security payables

The item “Tax and social security payables” breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Payables to Social Security Institutions	12.298	30.562
Withholding tax	2.966	3.417
Income tax payables	442	-
VAT payables	12	(22)
Others	173	185
Total	**15.892**	**34.142**

The increase in the item "Payables to Social Security Institutions" item is mainly attributable to the "Isopensione" plan signed by employees.
For further comments about the "Isopensione" program, reference should be made to the Report on Operation.

3.5.3 Other payables and current liabilities

The item "Other payables and current liabilities" breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Payables to employees	27.332	33.123
Advances from customers	46.855	50.066
Accrued expenses and deferred income	131	1.092
Others	1.072	1.560
Total	**75.390**	**85.841**

The increase in the item "Payables to employees" for € 5,791 thousand, is mainly attributable to the allocation of costs related to bonuses to be paid to employees as well as costs related to holidays and permits accrued and not yet used by the employees as of the balance sheet date.

The increase in the "Advances from customers" item is due to the greater billing to customers for activities that will be rendered and will accrue revenues during the 2021 financial year compared to similar operations carried out at the end of the previous year.

The increase in the item "Accrued expenses and deferred income" mainly refers to the accrual of interest expenses related to the loan in place with the parent company NTT DATA EMEA.

3.6 Income Statement

3.6.1 Revenues from sales of goods and services

The revenues from sales of goods and services amounted to € 424,609 thousand. Reference may be made to the Directors' Report on Operations for comments relating to revenue trends.

(€ thousand)	31 March 2019	31 March 2020
Professional services	322.178	390.830
Hardware and software	25.467	19.426
Maintenance	14.895	14.353
Total	**362.540**	**424.609**

The breakdown by geographical area is as follows:

(€ thousand)	31 March 2019	31 March 2020
Italy	344.219	406.846
Europe (excluding Italy)	13.199	11.675
Rest of the world	5.121	6.088
Total	**362.540**	**424.609**

3.6.2 Other income

The item "Other income" is zero as of March 31, 2020.

3.6.3 Change in work in progress

(€ thousand)	31 March 2019	31 March 2020
Change in work in progress	9.444	1.705
Total	**9.444**	**1.705**

See paragraph 3.2.1 "Work in progress" for further details.

3.6.4 Increase in fixed assets for internal work

See paragraph 3.1.3 for further details.

(€ thousand)	31 March 2019	31 March 2020
Increased assets for internal work	960	696
Total	**960**	**696**

3.6.5 Costs for materials and services

The item "Costs for materials and services" breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Professional services	119.589	139.895
Travel expenses	6.782	7.289
Purchases of materials	21.692	15.441
Leases and rentals	6.515	3.558
Utilities	2.847	2.934
Others	15.978	21.499
Total	**173.404**	**190.616**

The costs of collaborations and professional services mainly refer to consultancy and maintenance activities performed by third party suppliers on currently ongoing projects for customers of NTT DATA Italy. The increase of € 20,306 thousand, compared to the previous year, is mainly related to higher revenues for services to third parties and confirms the Company's tendency to increase cost flexibility to support revenue growth.

The item "Purchases of materials" mainly refers to Hardware and Software products intended for resale to customers and the decrease of € 6,251 thousand is directly related to the decrease in revenues from the sale of products and software usage licenses.

The item "Leases and rentals" decreased by € 2,957 thousand mainly in relation to the application of the accounting principle IFRS 16 on rental contracts for offices. Please refer to paragraph 2.3 for more details about the effects generated by the application of the aforementioned principle.

The item "Other services and miscellaneous services" mainly includes:

- maintenance costs: € 2,177 thousand (€ 2,202 thousand as of March 31, 2019);
- insurance costs: € 2,381 thousand (€ 2,038 thousand as of March 31, 2019);
- management fees: € 4,898 thousand (€ 3,526 thousand as of March 31, 2019);
- services provided by professionals (tax and legal consultants, etc.): € 2,582 thousand (€ 1,522 thousand as of March 31, 2019);
- IT costs: € 3,031 thousand, of which € 2,638 thousand of Group companies' chargebacks (€ 1,786 thousand as of March 31, 2019, of which € 1,655 thousand of Group companies' chargebacks).

3.6.6 Costs for personnel and directors

The item "Costs for personnel and directors" breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Wages and salaries	130.563	151.681
Social Security Contibutions	37.686	42.421
Severance indemnity	8.873	10.122
Others	5.927	37.248
Car rentals	2.538	1.659
Total	**185.587**	**243.130**

The increase of the items "Wages and salaries", "Social Security Contributions" and "Severance indemnity" for € 27,102 thousand mainly refer to the strengthening of the company workforce which became necessary following the significant increase in projects and therefore in revenues.
The increase of the item "Others" refers for € 30,002 thousand to the accrual of costs mainly related to the "Isopensione" program put in place by Company during the fiscal year. For further comments about the "Isopensione" program, reference should be made to the Report on Operation.

The decrease in the item “Car rentals” is mainly related to the IFRS 16 adoption on long-term car rent contracts. See paragraph 2.3 for further details about the effects generated by the IFRS 16 adoption.
The following table shows the data concerning the workforce, with a breakdown of changes:

(No. of units)	As of		Average	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
Executives	182	196	179	200
Managers	552	603	529	583
Employees	2.099	2.354	2.015	2.241
Apprentices	348	519	267	440
Total	**3.181**	**3.672**	**2.990**	**3.464**

3.6.7 Amortisation, depreciation and write-downs

The item “Amortisation, depreciation and write-downs” breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Depreciations of intangible assets	3.208	2.444
Depreciations of tangible assets	2.494	3.242
Depreciations right of use	-	7.326
Total	**5.702**	**13.011**

For further details see paragraph 3.1.1. “Property, plant and equipment”, 3.1.2 “Right of use assets” and paragraph 3.1.4 “Other intangible assets”.

3.6.8 Other operating costs

The item “Other operating costs” breaks down as follows:

(€ thousand)	31 March 2019	31 March 2020
Other operating costs	492	712
Bad debt provision	633	2.000
Other provisions	-	1.172
Other operating costs	43	54
Total	**1.168**	**3.938**

The item “Other operating expenses” consists mainly of association membership fees and costs for the waste collection tax.
The item “Bad debt provision” refers to a provision set for the coverage of risks on customer projects following the Covid 19 emergency.
The item “Other provision” refers to a provision set for a penalty risk about open procedure for violations that happened on a specific customer.

3.6.9 Net financial charges

The table below provides a breakdown of the main components of the item in question:

(€ thousand)	31 March 2019			31 March 2020		
	Charges	Income	Net charges/ (income)	Charges	Income	Net charges/ (income)
Exchange rate differences	140	(87)	53	137	(84)	53
Others	262	0	262	391	0	392
Interest (income)/expenses	1.312	(170)	1.142	1.548	(173)	1.375
Impairment of investments	-	-	-	2.004	-	2.004
Total	**1.714**	**(257)**	**1.457**	**4.081**	**(258)**	**3.824**

Reference may be made to the Directors' Report on Operations for comments regarding changes in the net financial charges.

3.6.10 Income taxes

Taxes for the year ended March 31, 2020 amount to € +4,014 thousand and refer to the increase in prepaid taxes for € 4,825 thousand and the negative adjustment of taxes of previous years for € 811 thousand.

(€ thousand)	Amount	Tax	%
Income before taxes	(27.509)		
Theoretical income taxes		6.602	24,0%
Income tax based on different taxable income (IRAP)		-	0,0%
Temporary differences		(996)	3,6%
Other permanent differences and tax from previous years		(1.593)	5,8%
ACTUAL INCOME TAX		**4.014**	**-14,6%**

At March 31, 2019 the taxes for the year amounted to a total of € 658 thousand and refer to current taxes for € 730 thousand, to a decrease in deferred tax assets of € 70 thousand, to a decrease in deferred tax liabilities of € 51 thousand and to a positive adjustment of previous years taxes of € 91 thousand.

4 Related-party transactions

In the accounting periods ended on March 31, 2020 and March 31, 2019 the Company entered into transactions with NTT DATA EMEA, the company responsible for oversight and coordination, and other related entities as follows:

(€ thousand)	Relationship	31 March 2019	31 March 2020
Trade receivables:			
NTT DATA Danismanlik VeBilisim Cozumleri Ltd Sirketi	Subsidiary	42	60
NTT DATA Corporation	Parent Company	2.659	2.726
NTT DATA Deutschland Gmbh	Affiliate	312	-
NTT DATA UK Limited	Affiliate	372	452
NTT DATA UK Consulting and IT Solutions	Affiliate	237	-
NTT DATA Emea Ltd	Parent Company	3.118	1.996
NTT DATA Deutschland GmbH-ZNL Wien	Affiliate	154	-
Itelligence a/s, Danmark	Affiliate	48	48
IFI Solution Co., Ltd	Subsidiary	120	58
Itelligence Inc.	Affiliate	4	-
Itelligence AG	Affiliate	29	23
Everis Italia S.p.A.	Affiliate	78	-
NTT Com Managed Services, S.A.U.	Affiliate	85	25
NTT DATA Inc.	Affiliate	642	35
Everis Spain, S.L.U.	Affiliate	4	-
Everisconsultancy, Limited	Affiliate	110	-
NTT Data Global Delivery Services Limited	Affiliate	98	-
Xsfera S.r.l.	Subsidiary	-	32
NTT DATA INTELLILINK CORPORATION	Affiliate	-	4
Itelligence France SAS	Affiliate	-	12
Work in progress:			
NTT DATA UK Limited	Affiliate	1	69
NTT DATA Emea Ltd	Parent Company	1	4
NTT DATA Corporation	Parent Company	-	99
NTT DATA Inc.	Affiliate	49	-
NTT DATA Deutschland Gmbh	Affiliate	-	5
NTT DATA Deutschland GmbH-ZNL Wien	Affiliate	-	10
Xsfera S.r.l.	Subsidiary	-	21
Other receivables:			
NTT Italia S.p.A.	Affiliate	119	69

(€ thousand)	Relationship	31 March 2019	31 March 2020
Trade payables:			
NTT DATA Emea Ltd	Parent Company	3.322	5.238
IFI Solution Co., Ltd	Subsidiary	228	138
NTT Data Global Delivery Services Limited	Affiliate	175	135
NTT DATA UK Limited	Affiliate	-	13
NTT DATA Danismanlik VeBilisim Cozumleri Ltd Sirketi	Subsidiary	20	17
NTT DATA Corporation	Parent Company	84	57
Servicios Informaticos itelligence S.A.	Affiliate	3	-
NTT DATA Deutschland Gmbh	Affiliate	15	114
Itelligence AG	Affiliate	2	11
Everis Italia S.p.A.	Affiliate	213	232
NTT DATA Romania	Affiliate	13	21
NTT DATA Services Italy S.r.l.	Affiliate	8	12
NTT Europe Ltd	Affiliate	0	0
NTT Security (Germany) GmbH	Affiliate	124	120
Dimension Data China/Hong Kong Ltd	Affiliate	13	2
NTT Italia S.p.A.	Affiliate	454	212
Xsfera S.r.l.	Subsidiary	-	1.453
NTT DATA Deutschland GmbH-ZNL Wien	Affiliate	-	0
NTT DATA UK Consulting & IT Solutions Ltd	Affiliate	-	50
Itelligence Bilgi Sistemleri A.S.	Affiliate	-	39
Everis Spain, S.L.U.	Affiliate	-	13
NTT Advanced Technology Corporation	Affiliate	-	1
Other paybles:			
NTT DATA Corporation	Parent Company	679	1.180
NTT DATA Deutschland GmbH-ZNL Wien	Affiliate	204	-
NTT DATA UK Consulting and IT Solutions	Affiliate	85	-
Itelligence AG	Affiliate	494	293
Itelligence AB	Affiliate	13	13
NTT DATA Deutschland Gmbh	Affiliate	125	25
NTT DATA Emea Ltd	Parent Company	535	1.340
NTT DATA UK Limited	Affiliate	-	130
Financial Liabilities:			
NTT DATA Emea Ltd	Parent Company	117.500	97.500

(€ thousand)	Relationship	31 March 2019	31 March 2020
Revenues and other income:			
NTT DATA Emea Ltd	Parent Company	766	1.056
NTT DATA Deutschland Gmbh	Affiliate	875	1.533
NTT DATA UK Limited	Affiliate	524	787
NTT DATA Deutschland GmbH-ZNL Wien	Affiliate	812	626
NTT DATA UK Consulting and IT Solutions	Affiliate	208	233
NTT DATA Corporation	Parent Company	3.864	5.401
Itelligence Inc.	Affiliate	4	-
Everis Italia S.p.A.	Affiliate	193	-
Itelligence AG	Affiliate	122	438
NTT DATA Global Technology Services Japan Co., Ltd.	Affiliate	3	-
NTT Com Managed Services, S.A.U.	Affiliate	492	410
Everisconsultancy, Limited	Affiliate	110	-
Everis BPO Brasil Serviços Complementares a Empresas Ltda.	Affiliate	16	-
Itelligence AB	Affiliate	0	0
NTT DATA Inc.	Affiliate	876	132
Itelligence France S.a.S.	Affiliate	-	12
NTT DATA Services Italy S.r.l.	Affiliate	-	21
Qunie Corporation	Affiliate	-	75
Operating costs and financial charges			
IFI Solution Co., Ltd	Subsidiary	298	544
NTT DATA Danismanlik VeBilisim Cozumleri Ltd Sirketi	Subsidiary	(180)	(100)
Xsfera S.r.l.	Subsidiary	-	1.005
NTT DATA Emea Ltd	Parent Company	2.450	4.632
NTT DATA Deutschland Gmbh	Affiliate	(21)	78
NTT DATA Deutschland GmbH-ZNL Wien	Affiliate	-	30
NTT DATA Romania	Affiliate	64	96
NTT Data Global Delivery Services Limited	Affiliate	224	110
NTT DATA UK Limited	Affiliate	-	(2)
NTT DATA Inc.	Affiliate	(2)	-
NTT DATA UK Consulting and IT Solutions	Affiliate	(4)	118
NTT DATA Corporation	Parent Company	(316)	(422)
Intelligence AG	Affiliate	2	10
Servicios Informaticos itelligence S.A.	Affiliate	5	0
NTT DATA Services Italy S.r.l.	Affiliate	212	2
Everis Spain, S.L.U.	Affiliate	(6)	13
Everis Italia S.p.A.	Affiliate	419	184
NTT Europe Ltd	Affiliate	33	33
NTT Security (Germany) GmbH	Affiliate	304	710
NTT Security France	Affiliate	-	
NTT Electronic Corporation	Affiliate	-	
Dimension Data China/Hong Kong Ltd	Affiliate	77	4
NTT Italia S.p.A.	Affiliate	318	341
NTT DATA INTELLILINK CORPORATION	Affiliate	-	(4)
NTT Advanced Technology Corporation	Affiliate	-	1
itelligence Bilgi Sistemleri A.S.	Affiliate	-	363

Transactions with related parties are carried out under normal market conditions in the interest of the Company and refer to both commercial transactions and financial transactions.
The Directors of the Company did not accrue remuneration during the year. The fees accrued against independent auditing firm amount to € 152 thousand.

5 Commitments

The item Commitments includes:

(€ thousand)	31 March 2019	31 March 2020
Guarantees to third parties	33.546	45.895
Total	**33.546**	**45.895**

Guarantees given in favour of third parties mainly relate to bank and insurance guarantees given for the proper execution of contract work in progress and for the Company's participation in tenders for public works.

6 Subsequent Events

There were no events subsequent to the date of publication of the financial statements that could require an adjustment of the values reported in the financial statements or an inclusion of further information.

- On April 21, 2020 the Company entered into, with the subsidiary Xsfera S.r.l. a lease of the company as a whole with retroactive effect on April 1, 2020 in order to strengthen commercial synergies within the Group. The three-year agreement concerned the commercial assets and liabilities of Xsfera, as well as the staff existing on that date.
- The spread of the Covid-19 virus is strongly affecting the Group's operating methods and the lifestyle of the global population. The Company, in connection with the evolution of the situation, carried out an assessment of the economic and financial impacts observable up to the date of preparation of these financial statements purely in relation to the recoverability of receivables from third parties by registering a specific fund, as already described in the previous notes. Currently no further effects are expected on the accounting estimates contained in these financial statements, although given the uncertainty of the situation and the unpredictability of future developments, further future impacts cannot be excluded. The Group's structure and business model should encourage the minimization of impacts on an economic level.

Based on our best knowledge and currently available information, we do not anticipate that the effects of Covid-19 may raise doubts about the Company's ability to continue operating as an entity operating in the foreseeable future.

PROPOSAL OF THE BOARD OF DIRECTORS

Dear Shareholder,

While we thank you for placing your trust in us, we ask you to approve the financial statements for the year ended March 31, 2020, with a negative net result of € 23,495,059 and to carry forward this loss.

On behalf of the Board of Directors
The CEO
Walter Ruffinoni

(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
NTT DATA Italia S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of NTT DATA Italia S.p.A. (the "Company"), which comprise the statement of financial position as at 31 March 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto.

In our opinion, the separate financial statements give a true and fair view of the financial position of the NTT DATA Italia S.p.A. as at 31 March 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of NTT DATA Italia S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters – Management and coordination

As required by the law, the Company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the separate financial statements of NTT DATA Italia S.p.A. does not extend to such data.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of NTT DATA Italia S.p.A. for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The directors of NTT DATA Italia S.p.A. are responsible for the preparation of the Company's directors' report at 31 March 2018 and for the consistency of such report with the related separate financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the Company's separate financial statements at 31 March 2020 and its compliance with the applicable law and to express a statement on any material misstatements.

In our opinion, the directors' report is consistent with the separate financial statements of NTT DATA Italia S.p.A. at 31 March 2020 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 3 July 2020

KPMG S.p.A.

(signed on the original)

Cristina Quarleri
Director of Audit