

Analyst Meet 2006

July 19, 2006 - Tokyo

Introduction

We thank you very much for taking time off to attend the meeting today. Now we would like to start Infosys Top Meeting. First, we would like to have a few words from Yamazaki, Operating Officer of Equity Group.

Yamazaki-san

I thank you very much for taking your time to attend this meeting. I am Yamazaki who is in charge of Equity. Thank you very much for coming in today. We feel very much honored to have many of you to attend this meeting in such a bad weather.

As you may have known, probably much more than we do, it is our great pleasure to invite people from Infosys Technologies Limited, Chairman, COO, and CFO of Infosys as part of the 6 member senior management team.

We have this team today and I hope all of us can take this opportunity, including QA session, to deepen the understanding.

If you feel that you need something, please feel free to tell us anytime.

Thank you very much.

Welcome Address by Sriram-san

Good afternoon. I am Sriram, representative of the Asia Division of Infosys Technologies.

Thank you very much for attending the meeting despite the rain.

Today, as you can see in the program, Chief Mentor Murthy will make opening remarks, followed by COO Kris Gopalakrishnan, who will give you a business update. As the forum is being held in Japan, Usami, representative of the Japan Branch, will explain our efforts in Japan.

The timing of the meeting is very good for us for various reasons. One reason is that we celebrate the 25th anniversary of the establishment of the company this year. So this is a very good opportunity for us to talk about our efforts during the past 25 years and in the future.

First I would like to introduce the chairman and one of the founders of the company.

Address by Chairman and Chief Mentor, N. R. Narayana Murthy-san

Well first of all, a warm welcome to all of you, I wish I could speak Japanese, but unfortunately I am not able to, kindly excuse me

On behalf of all Infoscions, that is, the people who work for Infosys, I thank you for your continued support.

We have completed 25 years on the 2nd of July 2006. Completing 25 years is a watershed event in a person's life. It signals the arrival of strong, confident and young individual ready to take on bigger challenges, energy, enthusiasm, confidence, idealism, daring, openness and curiosity. Find utterance and fruition in such a person, nothing seems impossible.

This is the time to move on to higher aspirations and learn to accept failures with equanimity. We need all of this and more for Infosys to achieve bigger and more ambitious targets. The Infosys's journey of 25 years has been a symphonic marathon. It has been symphonic because every Infoscion a maestro in his or her own right subordinated individual interests to work as part of a fine team and produce exceptional results year after year after year. It is a marathon since we have a long way to go before we hit the tape.

There have been many happy events during these 25 years, prominent among them are the arrival of the first computer, the arrival of first employee, signing of the first million dollar contract, opening of the first sales office abroad, installation of our first computer, enrolling of our first customer, the Inauguration of our campus in Bangalore, the global education center in Mysore and Infosys leadership institute. Of course, CMM level 5 certification is another important mark. Listing in India as well as on NASDAQ and POWL here, these are the important events. Our first acquisition in Australia is another important event. Founding of Infosys foundation, Progeon - our BPO subsidiary and Infosys Consulting and of course reaching the magical figure of a billion dollars in 2004 and 2 billion dollars in 2006 are very important events. There have been a few sad moments, too, the departure of valued colleagues, death of a few young Infoscions and loss of a few major contracts despite our best efforts.

What are the lessons we have learnt in running this company for the last 25 years. First, we believe that a great company must live for hundreds of years. Hence we are still very young, but these initial years have indeed taught us several lessons. These lessons are valuable

not just for our future journey but for other corporations in the country and perhaps the world. Let me recount a few major ones. Aspiration is the main fuel for progress. Aspirations transform a set of ordinary people into extraordinary achievers. They provide the mental and physical energy, for people to convert plausible impossibilities to convincing possibilities. An enduring value system based on openness, honesty, integrity, meritocracy, fairness, transparency, and excellence in execution, helps raise the confidence of all of us and of course the confidence of our customers and investors in the company. It gives us courage to handle tough situations with equanimity and make sacrifices that look easy and natural.

Our experience has demonstrated that respect and dignity, challenging work, and promising career growth path are more important motivators than just money. People want to be part of a defining moment that transforms the society and the world. Emotional energy I believe is an invaluable asset for a corporation. Performance leads to recognition, recognition brings respect, respect enhances power. Humility and grace in one's moments of power enhances the dignity of an organization. Leadership by example I believe is perhaps the most essential instrument to encourage youngsters to demonstrate commitment and education towards any cause. Role models are powerful catalysts in raising the confidence, enthusiasm and energy of an entire generation. An environment of openness, meritocracy, speed, imagination, and excellence in execution of the file context invariant, and time invariant attributes for the success of any corporation whether it is Infosys or Nomura or Microsoft.

Progress is possible only if we measure improvements in every dimension of our operation and take timely and corrective.. correct decisions. Openness to new ideas, encouraging the youth, shunning biases, and using data in every decision, and learning and adopting good practices from other cultures help a company become confident and effective.

Global bench marking had indeed helped us emulate the best companies in the world in specific attributes and in some cases improve up on them to serve our customers better. Staying relevant in a changing market place and creating greater impact on our customers are the only means of strengthening our relationships with our clients. Innovation is an important instrument for this. Proactively obsoleting our own innovation by widely disseminating them creates good incentives for our employees to continue innovation.

Following the best practices of corporate governance attracts the best investors. Investors understand that every corporation will go through lean days. Bringing bad news to the

investors early and proactively enhances their trust in us. We have realized that it is better to focus on growing the wealth pipe for every one of us, rather than focusing on how to preserve it for only a few. That is why Infosys created the largest experimenting democratization of wealth in India and perhaps one of the largest in the world. In fact this has been the main motivation in our effort to democratize wealth through stock options. Profit in my opinion is just an opinion. To me real wealth is the cash in the bank. Cutting the coat according to the cloth is extremely important to be financially strong. Ships are safest in the harbor, but they are not meant to be there. Hence, they have to sail long and hard, and face stormy seas to reach the comfort of a desirable destination. Hence, progress requires us to take calculated risks and make bold measures. We have realized that corporations must reach out to society, if they want longevity.

Finally, what is it that I want Infosys to achieve in the next 25 years? It is not enough for us to achieve our financial targets and it is not enough to achieve our operational targets or our targets in innovation and other areas. I would like Infosys to be a place where people of different genders, nationalities, races and religious beliefs, work together in an environment of intense competition, but at most harmony, courtesy and dignity to add more and more value to our customers day after day after day.

I want it to be a place that practices Voltaire's much celebrated statement. Let me quote it, "I disapprove of what you say but I will defend till death your right to say so". I would like Infosys to have more women leaders. I would urge Infosys to choose a worthy dream and to go after it confidently and to play a role that will make all of us proud in the years to come. But always without doubt, without failure, she should follow her bliss. Thousands of people from all over the world, inside and outside Infosys have enabled the company to reach this stage. There is no better way for Infosys to acknowledge their contributions than to express her appreciation by borrowing words of my favorite soprano Russell Watson. And I quote him. He says,

"You raise me up, so I can stand on mountains.

You raise me up, to walk on stormy seas.

I am so strong, when I am on your shoulders.

You raise me up to be more than what I can be."

Thank you very much.

Introduction by Sriram-san

I hope we have introduced our company's philosophy that we cherish or our code of conduct and our direction in the future. Now COO - Kris Gopalakrishnan, who is also a founder of the company, will talk about the current situation of our business and our plan.

Business Update by Kris Gopalakrishnan-san

Thank you Sriram, and good afternoon to every one of you. Thank you very much for coming for this presentation. As Murthy said, I also apologize for making this presentation in English. Unfortunately I can not speak Japanese.

What I want to do over the next 20 minutes is to take you through a business update. We just finished our first quarter in fiscal 2007. At the beginning of the quarter ... at the beginning of the fiscal year, we had given a guidance of 28 to 30 % growth for the entire year. And we did 660 million in the first quarter which is a growth of 11.3% over the previous quarter. Quarter upon quarter growth was 11.3 %. We see all round opportunity in the business be it in the different services we have, in the different vertical industry segments we have, especially in the stronger industrial vertical like financial services, manufacturing, telecom, etc. And we also see that Europe, which is growth geography for us, is also growing very rapidly.

Consequently we have revised our guidance for the entire year to grow by 36%. So last year we did 2.15 billion dollars, and this year we are projecting to do about 2.9 billion dollars. In terms of number of employees, we have reached about 58 thousand employees. In the last one quarter we have added 8,000 employees and a net about 5,000 employees. Our annual attrition currently is about 11.2%. It has gone up slightly but still it is one of the lowest in the industry. And some of this attrition is a decided attrition because this includes people who are performing not so well.

So, having said that let me take you through our business model and a business update. Our business model has certain characteristics. The first being it's based on what we call "Global Delivery Model". Global Delivery Model is about distributing work across geography, across our centers of excellence based on modularizing, breaking down the task into individual sub-tasks and doing it where it is appropriate to be done, where it's economical to be done. Now we have systematically applied this principle to application development, maintenance, business process outsourcing, infrastructure management, and consulting etc., - broad spectrum of services that we are constantly added to our services.

The second is the relationship model that we have with our client, which means that we look at long term relationship with our clients, 95% of our businesses are repeat businesses;

more than 65% of our revenue comes from relationships which is more than 3 years old.

We also need to broaden our services footprints such that we can cross-sell, we can be relevant to our client, we can leverage our existing relationships, and you will see in my presentation that about 41% of our revenue comes from services which have been introduced in the last 5-6 years.

So let me quickly take you through this presentation. In this slide you can see that from '99 to '06 onward when we are primary offering application development maintenance reengineering service, every year we have been adding services, enterprise solutions or package implementation, technology-enabled business process reengineering, consulting, system integration, outsourcing, business process management, management consulting etc. And 42 % of our revenues come from services which have been introduced in the last 5 years. So, we are leveraging our ability to add the services to improve our relationship with our clients.

This also increases the addressable market for Infosys. Currently, we believe that our market is anywhere between 600 to 800 billion dollars. IT outsourcing, infrastructure management, business process management etc are significant opportunities which could actually be even bigger than just application development and maintenance.

When we introduce these services, we look at how uniquely we can add this to our service portfolio. We look at applying the global delivery model principles to these services. So, application development and maintenance is the service we started with, we look at how do you.....how can we disrupt this, how can we distribute application development maintenance across multiple geographies. The same principle has been applied to BPM, BPO, SI, ES, or PI, Consulting etc.

Now what happens for example in a service like package implementation? Traditionally, these services were delivered at client location. Now, today 50% of the effort in our package implementation can be done remotely from a center in China or India. So, suddenly you have a lot more flexibility, you have higher quality because distributing work requires lot of discipline and lower cost. The reason why this model is catching on is because it is a faster, better, cheaper way of doing work. And that is how we are able to disrupt systematically each of the services, which form part of the total IT services footprint. And we have constantly been adding these services. And it allows us also to create multiple growth engines, allows us to cross-sell these services to our existing clients.

This model has been studied now by many analysts and AMR is one of the first analysts who said that there is a convergence happening in the industry today. The consulting companies who have relationships - that is the strength. They have strategic business expertise. They are trying to create the offshore engine today. For example Accenture or Cpgemini is creating the offshore capability. So they are trying to create the back end. Outsourcing companies like EDS, HP or CSC including IBM also who have very broad services footprint, long term engagement models etc. They are also creating offshore capabilities. And companies like Infosys or Wipro, who are coming from strong focus on process, quality, and offshore model, are trying to create the consulting capabilities at the front-end. And the leaders will be those companies which can execute very well on integrating global delivery model with consulting, what is called next generation outsourcing services companies. These analysts believe that Infosys is one of the leaders in this, and has the opportunity to become a leader in the next generation outsourcing services industry.

This gives you our strategy from a services perspective, our goal is to provide end-to-end services all the way going from operational strategy, operation design and development, people process implementation, process operation, this is on the BPO side, and we have different solutions and different objectives in each of these services, I will not get into too much of details, but for example under technology implementation we are looking at application development, package implementation, and in technology strategy , portfolio assessment, technology evaluation, sourcing strategy, how do you deploy this across the globe, and things like that.

And we have a unique framework. This is developed by our consulting group, which looks at customer operations, product operations, corporate operations, divide the different processes within the company into these three sets. And for each of these we can look at how do you enable better profits, how do you look at better return on assets, how do you look at better position for the future from a strategy perspective. And any investment can be divided into these three. We can look at connecting the investment to business's results and thing like that. We have a unique value proposition and unique consulting model. And this is gaining tremendous traction in the market today.

So, this gives you an idea of our strategy of increasing the services footprint, how do you leverage the global delivery model, position ourselves uniquely, and how do you occupy the leadership position going forward.

Now, let me look at the actual results by geography, industry services, you know, how we manage our operation itself. From a geographic perspective, currently, 64% of revenue comes from North America, 26% from Europe. We have been proactively investing in Europe over the last few years. And you can see that it is yielding results. In fact, if you go further back, actually Europe has gone from 9% of revenues to 26% of revenues over the last 6 - 7 years. We are investing in China. From a service delivery perspective, China is servicing 32 clients with about actually 800 employees as we speak. This is as of the month end. It is also certified on BS7799 from a security standpoint of view. Our Australian operation is doing very well. So from a geographic perspective, from market as well as delivery capabilities we are expanding. Finacle, our universal banking solution is also finding traction in developed markets like Australia and Switzerland, etc.

From an industry perspective, our strong industry verticals are financial services which include banking and insurance, the second largest is telecom, and the third is manufacturing. We are seeing growth in all the verticals. Further some of the other verticals which are emerging verticals like energy & utility and transportation could be engines for growth in the future. We have reorganized the company along industry lines. And this is creating multiple engines of growth for us.

The other important initiative from the company perspective is that we are going for industry certifications. See, the primary growth of employee capability is through promotions and training internally. These certifications give you an indication of how this is progressing within the company. From a services point of view, application development has seen some growth in the last quarter. Package implementation, if you look at, is showing significant growth. And in package implementation our overlap with the traditional consulting firms is significant. And this is where we are gaining market share from them including other services like testing and things like that where we are gaining market share from our competitors. Infrastructure management service is now ISO 2000 certified from an IT management perspective.

We are also seeing significant growth for our business process management group, which is Progeon. I talked about a relationship model, so you can see that we have 221 relationships which are yielding more than 1 million dollars of revenue, 19 relationships which are yielding 30 million dollars plus, and we have for the first time , two 100 million dollar relationships. Top ten clients represent 31% of revenues. Top client is about 5% of revenues. And repeat

business is 92% of our revenues.

This is one of our growth engines and we constantly endeavor to deepen our relationships. And all the strategies we have are to try and grow our client relationships. The brand is also finding significant traction in the market. It is today well known in the target market, which are really the global 200 companies. For example, Gartner had put out a magic quadrant. And we are positioned as one of the six leaders. And you also saw that from the AMR report, from offshore application services perspective. We are covered by most of the leading journals, magazines, TV media, etc. We were covered in a world economic forum as one of the leaders. We have instituted a business transformation award. And, every year we select one company and one individual including in Japan.

From utilization perspective, currently our utilization is 78.6%. This is on an annualized basis, and our target is to be between 76 to 82%, and this is well within that. Onsite-offshore ratio is about 29.2% onsite 70.8% offshore that is also within the range we want. And there are several initiatives which we have taken to strengthen our process and system implementation within this company. Because of high growth we need to make sure that our processes are continuously strengthened, so that our quality does not suffer. In fact, in the last 12 months, our customer satisfaction index has gone up in spite of the growth of the company.

As I said we have ended with 58,000 employees, this is as end of 2006. Infosys received 1.4 million applications in the last 12 months. This is in ...in lacs actually. We recruit from top 20 best schools in the country. Of this we have interviewed 48,000 and given offers for about 21,600 employees. There is a global education center in Mysore where we can train large number of people, currently the capacity of 4,500 people in a given day. This is a competitive differentiator for the company because the industry is growing so rapidly, you need to grow the employees from within the company. You can only get about 30% of your requirement from other firms. So, 70% have to be grown within the company. Having this infrastructure is a competitive advantage for the company, which again our global competitor will have to replicate in India. They do not have it yet.

From an intellectual property perspective, as we focus on solutions, as we focus on adding more value to our clients, we have to make sure that we increase the intellectual property content delivered to our clients. One measure is how many patent applications we are filing, over 82 invention disclosures and 20 patents applications this year. We have also

announced R&D partnership with Alstom, with Spirit AeroSystems, which is part of Boeing till now, so we have development center with Spirit.

Infosys has 4.6 million square feet under construction. And, this will accommodate another 16,250 employees. So, you know the need is to scale up because business opportunity exists. And scaling up means providing the infrastructure to house these employees, recruiting in large numbers so we have recruited 8,000 employees in the last quarter, training these employees, having the systems and processes which can make sure that the quality is sustained etc. This gives you an idea of how we are scaling up the business.

These are some of the awards that we received in the last one year. I will not go through all of them. You can just go through while I briefly read it. Infosys has been added to the global MAKE (Most Admired Knowledge Enterprise) Hall of Fame. We are the first company from India to be inducted in the global MAKE Hall of Fame for our knowledge management practices. This is again important because that allows us to sustain the quality and knowledge, use of knowledge within the company.

Thank you very much.

Introduction by Sriram-san

Thank you, Kris. I hope the presentation gives you a good understanding of our strategy and ability to execute, and how far we have come. Next representative of Infosys Japan, Usami will explain about our efforts here in Japan.

Japan Update by Usami-san

Good afternoon. I am a representative of Japan Branch Office, Kohji Usami. I am not very good at English, so unfortunately I will make this presentation in Japanese. Kindly excuse me.

First of all, I would like to mention that Infosys Technologies Limited in Japan is a branch office. It is not operating as a corporation in Japan. And I would like to present an overview of Japan Branch, our journey so far, performance and future direction.

Our office in Japan is located in Izumi Garden Wing at Roppongi 1cchome station. In front of our office there is a building of IBM headquarters, which can be seen from our office window. So, we execute everyday business operation looking at IBM and its size of business, as our future goal, that we wish to become in the near future.

Our business activities, as mentioned earlier vary from provision of IT service consulting to development and maintenance. Sales for the last year are unfortunately 4.9 billion yen which officially comes to 42 million dollars.

Now we have total of 250 employees which consist of Japanese, Indian and foreign staff in Japan. As Kris mentioned, these 250 employees are handling the upstream operations and negotiation with customers in Japan and actual development activities are done in offshore. We have total of around 1000 employees working for Japan operation.

I would like to explain broadly about our 8 years of journey in Japanese market since the Japanese Branch was established in the year of '97. Currently our large customers are from high-tech industry, manufacturing, automotive and computers. And, growing market is finance as similar to oversea markets. Especially we have growing number of customers in the area of mortgage or in launching of new product from abroad or in the new finance model like captive finance. Currently we receive lot of inquiries from customers. I take pride that this is the area that we have know-how including products and business models but other Japanese IT companies do not.

Another growing number of inquiries we are receiving are from Japanese IT service companies who run the same business as we do. The reason behind this will be mentioned later, but there is an issue of population composition, essential skill of IT, and education. Also as Kris mentioned earlier we have excellent staffs and training systems, and I would like to talk about these aspects later.

Since Infosys recognizes the importance of Japanese market, we have invested strategically in long term and educating our people. Therefore, we expect to see further growth in the market.

Speaking of the value propositions that we have delivered to Japanese market, which is

led by the manufacturing industry, our relationships with our current customers are deepening since Infosys's DNA as a tech-head of India and the Japanese manufacturers' DNA are very similar.

This is the picture which depicts the DNA characteristics comparison between Infosys and Japanese manufacturing industry represented by Toyota. And I think what the most similar characteristics of DNA between the two are being obsessive to product-making which is represented by the development methodology of GDM, one of the models that Kris had mentioned earlier.

Based on this comparison diagram, I think that we have affinity to each other in terms of culture and ethnicity.

Since I joined the company, I feel that our global delivery model, which is now-a-days mentioned by various offshore vendors but invented first by Infosys, is very good indeed. I have found two fantastic merits in the GDM since I joined the company.

The market does recognize the merit of GDM but I feel that the framework of GDM which employees strictly follow is also very good.

This framework is built on every possible issue that may occur under the business management seeking for the transparency. For example it addresses the issues of corporate governance, SOX and other possible issues that may occur, for example when starting the business without concluding a contract (which may result in a huge deficit, and there are many court cases in Japan) and so on. This model considers not only the developer but also the sales persons and what they can offer to our customers.

Secondly, we have 5000 projects being executed all over world and these are supported by 55,000 engineers. Another fantastic thing about this GDM is that the framework of customer billing in these projects, in other words, how these projects are billed to our customers and how appropriately the customer billing is executed. Those are the very strong point of GDM.

In terms of quality, I take pride that we have been maintaining very high-quality in running our operation as per CMM level 5 early on and now-a-days this has become a standard practice in entire IT industry.

Though I mentioned that manufacturing industry is the main driving force in Japanese economy, there is one more thing that provides great value, which is Global Support.

The global support is like the framework of spokes and a hub of a bicycle. What this means is that companies in India provide development and systems and Japan Branch plans and deploys strategy and policy, which can be represented as hubs. The plan comes from the headquarters, and they head India, China, US in search of support.

I believe that our contribution will achieve wide recognition in this area of global support

going forward.

Then, I would like to talk about the evaluation we have received so far. Eight years have passed since we established our office in 1997. The first 3 years was spent in understanding the Japanese market. We tried to find out what is the Japanese proficiency level required for carrying out our operations and how we could have Indian staff understand Japanese culture.

Until now we have been trying to build a framework or a mechanism for making further contributions in Japan. As a result, we have now 200 bilingual staff who can speak both English and Japanese like native speakers. These 200 people consist of not only Japanese but also Indians. We have been trying to have Indians to understand Japanese culture and created a mechanism for doing that. For example, in our office we have created a “Japan Office” with a library, where Indian staff can watch Japanese broadcast satellite TV programs and read books any time. Now we are ready to provide full-fledged services to Japanese customers and make substantial progress.

I would like to talk about our relationship with a major Japanese consumer-electronics manufacturer as just one example among many to show our progress. We started from helping the customer with the production of the semiconductor, which is its key product. Now we are providing our services in the development and maintenance of big screen television sets, which are becoming its main source of revenues, and home electric appliances, which used to be the customer’s main products. As the customer is expanding its operations to Australia, France, Germany, etc., we will make plans with the head office of the manufacturer, and staff in India will fly to the counties where the customer is operating. This is an example of a mechanism that I likened to the relationship between the hub and spokes.

Our customers include many famous Japanese companies as you can see here. In fact there are some major customers that we could not write here but have allowed us to mention verbally, including a major global consumer-electronics manufacturer that developed Walkman and the greatest non-life insurance company in Japan. We are also working with Nomura Securities, which have kindly invited us to this meeting, so that we will be able to place the company in the center of the chart. Thank you very much. We appreciate your cooperation.

In the past seven years, we have established our credibility in the market. At the same time, I have had a very pleasant experience during the period, working for the company. The seriousness and diligence that Indian staff has shown is comparable to those that Japanese had in the high-growth period, and I feel as if I was experiencing the high-growth period again.

Kris said in his presentation that a mechanism for building relationships with customers as well as the Global Delivery Model is very valuable. I would like to touch upon this topic here. We hold a seminar called Infosys Leadership Forum every year in Japan. You can see a list of lecturers who attended last year's seminar. We omitted the names of the attendees but stated the company names. The attendees fall into three categories. The first category is people from the business community, who have led the Japanese economy and companies. They consider what the Japanese economy ought to be. The second is economists who examine the direction where Japan should go. The third is administration officials who consider what kinds of systems should be created for Japan and India, cooperating with each other and how to solve tax and grant issues. In the forum our top executives discuss with these people in a friendly atmosphere.

This seminar is highly patronized by esteemed guests and people associated with them partly because we invite eminent scholars such as Professor C.K. Prahalad.

Various missions visit Infosys, thinking that the company will play a leading role in the IT industry. This is a list of missions from the Japanese government. Starting from a visit by Former Prime Minister Mori, missions from the Ministry of International Trade and Industry, Financial Services Agency, etc. visited the company when they came to India.

Last year Mr. Okuda, chairman of the Federation of Economic Organization, and his party visited India and the company. As Mr. Mitarai was taking over Mr. Okuda as chairman of the federation, they considered that they should study IT more seriously. The federation had an Asia Office but did not have an India Office and discussed whether they should create an India Office or not. In the East Asia Summit last year, there was discussion as to which countries can be partners in relation to discussion about the relationship between Japan and China. Against the background the Japan Association of Corporate Executives suggested that the federation should visit India. These are the details of the visit by Mr. Okuda's team.

We have received various commendations. Murthy here received an Asia Award from a financial paper of Japan. Last month CEO Nandan Nilekani attended an Asian version of the Davos Forum, the economic forum, held in Japan as a leader in the business world. Mr. Ujiie of Nomura Securities also attended the forum as a co-chairperson.

Now I would like talk about what we are going to do based on the performance up to the present. First, I will touch on the population issue, which is the most serious issue in Japan. The birthrate is falling, and college students majoring in science tend not to choose challenging work. Against the background, I wonder how on earth we can support corporate applications and services. The Federation of Economic Organization has been discussing the same issue. Many of our customers have IT subsidiaries. However I doubt they are given enough money to support their operations. Furthermore, baby boomers will begin to

retire from companies in 2007. Will we really be able to support corporate applications, which are the core of the customers' operations, under such circumstances. In relation to the issue of IT subsidiaries, global support for IT divisions that will assist the innovation of business processes amid the globalization of corporations including Japanese manufacturers is becoming a big issue.

Japanese companies have exported their mechanisms and systems and requested foreign companies to adopt them. However, now companies abroad do not use Japanese systems any more if they do not meet global standards. How can Japanese companies handle the globalization issue? I believe Indian companies including us can give support and help resolve the issue. As you might know, some statistics show the population of Japan will decrease by half. I suspect the pace of decrease will be faster than this. The statistics I mentioned were taken two years ago.

In contrast, how many Indians engage in the IT industry? There will be one million and five hundred thousand people engaging in the industry in 2010. In case of our company, the skill of the average new Indian employee is comparable to that of students of the Graduate School of Tokyo Institute of Technology. Moreover only one percent of the applicants can enter the company. They have majored in IT and have learned the subject very seriously. After entering the company, they receive training in our education center where we can educate about 1,000 at one time. Then they work and learn new skills, then receive training again.

System development mechanisms of blue-chip U.S. firms already exist in India. For example, the development of .NET and Oracle is being carried out in India. In other words, India has all the core technologies. Our challenge is to consider how we can provide the technological ability to Japan.

As I already mentioned, Japanese companies have problems in their subsidiaries. IT experts are aging, and people as old as I are carrying out coding and testing. This is a real waste in terms of cost. They should know how to change the existing corporate systems and should transfer their knowledge about the core business to younger generations. In this way companies can renew their business models. Who will build IT systems then? They can use young IT experts from India or Infosys, thereby improving efficiency.

I would like to talk about global support next. To cite just one example, head offices in Japan are wondering how to provide global support. We used to hear that Japan IBM is a global company or that Nihon Unisys is a global company. However customers wonder whether they have really been able to provide global support, and many customers demanding real global support.

We do not think we are just so called IT technicians. While studying Japanese culture and

providing high repeat-rate services, we try to understand the business content of customers and support changes in business models as best we can, considering if we fail to make the same changes in the existing business models that have already happened in the world, the Japanese economy will fall. We always want to work with our customers as a partner to reform business models and to find out what we can do to avoid Japan's risks.

I would like to conclude my quick explanation about the development of Infosys in Japan and its direction in the future. Thank you very much.

Introduction by Sriram-san

Thank you very much. Now the floor is open for questions. We have one request. Please give your name and your company' name before asking your questions. We still have a plenty of time.

We will be happy to answer to your questions.

Open House

Question 1:

I am from Nomura Securities, and I would like to start the first question. In the page 11 of the green hand-out, I found your client relationship. The number of your clients at fiscal year 2006 increased from 438 to 450 while the clients added during the year were 144. Can I understand that only 22 of 144 remained , that is additional clients, or that means, simply , most of them are sleeping or moving from your company clients to other company's' clients, how can I understand?

Answer:

KRIS

Good question. See this includes our clients for Finacle which is our product group, so that is mostly transaction driven. You know, they buy the products from us and then they move off. Second, the way we look at active clients, that is active clients - is we must have invoiced them once in the last 12 months. So it is possible that some of the clients stopped working with Infosys because transactions are over. Lastly we are also pruning our clients, looking at clients who are not been growing, and reducing some of our exposure to some of these clients because year after year they have not been growing, they have been small. So it includes that also. We are not showing here the number of inactive clients. So if you put that it adds up actually.

Question 2:

Which type of clients are more favorable clients for you? I guess the clients with longer relationship may be quite profitable clients for you. But, how about the size of your clients? Which type of clients is more profitable for you - larger or smaller or middle and so on?

Answer:**Kris**

There is no pattern possible because it depends on services we offer to our clients. You know some of the services are more profitable than other services. It also depends on how much onsite and offshore work is being done. At the start of a relationship, it is typically onsite because we are doing requirements definition, defining the project, then it moves to offshore. Lastly it also depends on the location and the services we are performing for the clients. So there is lot more complexity, so there is no pattern. Heaving said that, the longer the relationship and the larger the relationship, it is more profitable because less investment in sales and marketing and less investment in the overhead involved because we are providing multiple services to those clients.

Murty:

You know, if you notice 221 out of 469 bring us at least a million dollars, most of them bring more than that. So, these are people that we have had at least a year or two relationships. That means we know them a little bit, we are entrenched with them. So they tend to be obviously more profitable.

Question 3:

Can you perhaps update us the latest performance of Infosys Consulting, and also comment on the future prospect of this business?

Answer:**Kris:**

The last quarter was a very good quarter for Infosys Consulting. We started 21 new engagements out of which 10 were new clients for Infosys. So they brought in 10 new clients for Infosys. Last quarter also saw us win a 10 million dollar engagement. Last quarter also saw us winning against some of the entrenched consulting companies. It was a very successful quarter and we hope that that trend will continue. The opportunity in front offers is significant for consulting because we believe that our entire client base of all the large companies will have to go through a transformation over the next few years to take advantage of two things. One is the globalization itself, second the significant progress made in technology. We have gone from computer-centric to network-centric to ubiquitous-pervasive computing. So to take advantage these companies will have to go through significant transformation. We believe we are in the best place because we understand globalization very well, we understand technology very well. We are bringing both these trends. We are the company which has been pioneering the global delivery model. So we call this flat world, you know, as per Thomas Friedman, and transforming to this flat world is significant opportunity for Infosys and consulting in particular

Murty:

You know our whole focus on founding Infosys Consulting was to do more and more of end-to-end business solutions that is to connect the ball room with the boiler room. Start with the problem definition and actually solve the problem.... like that. We expect this year that Infosys Consulting revenues plus the down stream software revenues for us.... we expect it to be around 120 to 130 million dollars, probably slightly more. And that of course as you see is probably about 4% of our revenue overall revenue.... 4 to 4.2%. But we believe that since it has been increasing over the last three years, we think that it will become more and more accretive, more and more adding to the bottom line. Because that is the way a good consulting company should go, end-to-end business solutions.

Kris:

Just to add, we have 200 business management consultants, and if I include our package implementation consultants, the total number of consultants we would have increases to

about 2000 people. Because you know those footprints overlap with Accenture and IBM etc where they include package implementation as part of their consulting services.

Question 4:

I am Hosoya from Nomura Securities.

Could I have your comment on your assessment on European market? Do you expect another ABN AMRO type order? Or ABN AMRO type of order is a rare case or not?

Answer:**Kris**

As I said in my presentation, Europe is one of the fastest growing markets for us geographically. One because we are proactively investing over the last few years, we have added significant sales and marketing people in Europe. Second, it is because Europe is now actually ready and willing to accept global delivery model as a better way of taking care of their IT requirement, IT service requirement. And, ABN AMRO deal, we believe will be the first of many where companies in Europe will be looking at splitting the infrastructure from applications using a multi-vendor strategy to provide IT services to companies in Europe. We are seeing financial services companies, telecom companies, as well as manufacturing companies look at the global delivery model very seriously.

Now, ABN AMRO deal is a multi-year deal with a large value associated with the deal. If you look at some of our larger relationships, they may not be single contract like this but they have grown to actual ABN AMRO size in terms of annual billing. So both these models are possible from Europe. In our guidance and our projections we have not included any large deals primary because they are still unpredictable. You know either win or you do not win. So what we have included is our traditional growth model, which is starting small and growing into significant large relationships. And when we get one of these it will actually add to our growth to some extent. But it will not significantly change because there is a limitation of how many resources we can bring to bear. But definitely we expect more of these deals to happen in the future.

Murty:

But you know I mean in some sense, summing up I must say, this company has been the fastest growing amongst all Indian companies, perhaps amongst all software companies. Year on year last quarter we grew by 55%. We have upped our guidance from 30% to 42% this year. We have been the most profitable company amongst all software services companies in the world. There is tremendous focus on giving value for money to our customers. There is tremendous focus on transparency with the investors. There is tremendous focus on ensuring that there is annuity in the revenue. So, I would say that on all counts. This is a company that has demonstrated in the last 53 quarters, since we got

listed in India, and in the last 25 quarters since we got listed in NASDAQ, that way we have not missed a single quarter. We have always delivered what we promised. And the investors have benefited tremendously.

Bala, when we listed on NASDAQ what was the market capitalization on NASDAQ? The part that we listed there...? Approximately it was about 74...74 right?

It was 74 million yen, and today it is approximately about ...

Yes 300 million. Closer to 300 million

300 million, no, no, no, total, the shares listed at 80 to enter....

Oh, 34 million which is...

34 million, it is about approximately, It is... you know I think when we listed it was 156 million right? 34 into 4 million.

The value of our listing on NASDAQ in 1999 was 156 million dollars. And today the value on NASDAQ is approximately about 2.6 billion.

So, I think you know there has been, we have had many bonus issues or stock dividend as it is called in America. We have had many dividends. So I think we have demonstrated that this company follows the finest principles of corporate governance. Because at the end of the day I think that is what is most important, having trust and making sure that we redeem that trust.

Question 5

I have one question on human resource management. How do you choose a senior manager who can manage super smart people in your company?

Answer:**Kris**

So, we have a multiple training and education opportunity within the company to grow people. First and foremost we look at how the person has progressed in each of these training programs. For example on project management we have to pass the PMI, Project Management Institute certification, which certifies project managers. We have right now about 1800 people certified under the PMI certification program. Second they must have taken the people management, project management courses within the company and internally also they must be certified. And lastly consistent track record of growth within the organization. These are the some the people who are getting promoted into project management roles.

Question 6:

My name is Adachi from Asset Management. I have questions about the wage inflations control. First of all, in order to keep the 20% growth and also including top 20 students, how much wage increase will be supporting to such growth rate?

Answer:**Kris**

See, in India today the salaries are going up by 14 to 15% annually. Outside India we are giving about 3% salary increase because compared to other Indian companies Infosys is probably the highest outside India in terms of compensation. Now the salaries in India constitute about 13% for our revenues, salaries outside India constitute about 30% of our revenues. So, overall impact is about 3% about 2.2% considering Indian salaries and remaining outside India, so total 3%. This is what we have to make up if you want to sustain the margin.

There multiple ways in which we can do this, as the company grows and currently we are growing at 35% compounded, our SG&A (Sales and General Administration) costs are not going up proportionally. So, there is some scale benefit because SG &A is going lower than that.

Second the services, the different services have different profitability. Package implementation, testing, and etc have higher profitability, on the package implementation because of higher revenue productivity, testing because it does more offshore work etc.

The third lever we have is a changing offshore-onsite mix. As offshore increases our profitability increases.

The fourth lever is work productivity itself and doing everything more efficiently, controlling costs of operation, etc. Now in this I have not included rate increases. Rate increase we are currently getting about 3 to 4 % rate increase on new contract and some other contract relations. So, we are able to manage the wage inflation. What the company does is that if we see considerable upside, we invest back into business, so that our philosophy is to sustain the margins, so we invest back into business. Currently we are investing in setting up our development centre in China, we are investing in Infosys Consulting, we are investing in Finacle our banking product, we are investing in enhancing the capability of people through certification, training, etc, and we are investing in creating new services and solutions. So, we have an investment program also to make sure that we become stronger in the future.

Bala (CFO):

See, also that the wage increase is not a new phenomenon. It is happening for many years.

The 14 to 15% is a headline number on the existing base. But in a year we have 20, 25 thousand employees. 60% of it are freshers. So we take the average per capita cost between 2 years. The net impact may be between 4 or 5%. So it is a manageable impact even though that is a most talked about topic now. It is happening for many years.

Question 7:

Also one more question from page 14 of the green handout. What is the reason for the attrition rate which is very small compared to the competitors' employees?

Answer:**Kris:**

What is the reason for the small number?

Questioner: Yes, compared to the competitors...

Kris:

It is because of all the things that we have done. We have competitive salary structure compensation. For example, this year we have increased salary at entry level for next year to put Infosys as the highest among all companies or similar companies which recruit large numbers from campuses. We have increased by about 15% at entry level. Second are the learning and career growth opportunities. Our training program is one of the best in the industry both at entry level and continuing base, so employees see that their employability increases when they work with Infosys. They work with some of the best companies in the world, you know our client list is like "who is who", so they get opportunity to work with best companies in the world. They see that they get to work with the best technology. Our technology infrastructure or physical infrastructure is one of the best. They see that they are working in an environment which is open, transparent; the company's values, ethics are the highest.

And lastly, they work for a successful company, and everybody wants to be associated with a success story. So, they feel proud to work for Infosys. So, we have won many years in a row the best employer in India. And that is what allows us to keep attrition low, attracts some of the largest number of people to apply. Last 12 months, 1.4 million applications, that shows that it is an employer of choice.

Sriram-san

If you don't have any further questions, let us move on to have a High Tea for 30 minutes so that we can have conversations casually. Thank you very much.

Kris:

Just to add that if there any further questions you can write to us we will definitely write to you, thank you.

Moving on to 'High Tea'