

Annual Securities Report

(37th Business Term)

From April 1, 2021 to March 31, 2022

NIPPON TELEGRAPH AND TELEPHONE CORPORATION

This document is an English translation of a report that has been generated/printed with a Table of Contents and page numbers attached to data from the Securities Report filed with the Financial Services Agency using EDINET (Electronic Disclosure for Investors' NETwork).

Included at the end of this report are English translations of the Report of Independent Registered Public Accounting Firm attached to the Securities Report filed in the manner described above and the Report on Internal Control and Confirmation Letter filed in conjunction with the above mentioned Securities Report.

The forward-looking statements and projected figures concerning the future performance of NTT and its subsidiaries and affiliates contained or referred to herein are based on a series of assumptions, projections, estimates, judgments and beliefs of the management of NTT in light of information currently available to it regarding NTT and its subsidiaries and affiliates, the economy and telecommunications industry in Japan and overseas, and other factors. These projections and estimates may be affected by the future business operations of NTT and its subsidiaries and affiliates, the state of the economy in Japan and abroad, possible fluctuations in the securities markets, the pricing of services, the effects of competition, the performance of new products, services and new businesses, changes to laws and regulations affecting the telecommunications industry in Japan and elsewhere, other changes in circumstances that could cause actual results to differ materially from the forecasts contained or referred to herein, as well as other risks included herein and in any other materials publicly disclosed by NTT on its website.

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[Cover]

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[Company Name]	Nippon Denshin Denwa Kabushiki Kaisha
[Company Name in English]	NIPPON TELEGRAPH AND TELEPHONE CORPORATION
[Title and Name of Representative]	Akira Shimada, President and Chief Executive Officer
[Address of Head Office]	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
[Phone No.]	+81-3-6838-5481
[Contact Person]	Takuro Hanaki, Head of IR, Finance and Accounting Department
[Contact Address]	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
[Phone No.]	+81-3-6838-5481
[Contact Person]	Takuro Hanaki, Head of IR, Finance and Accounting Department
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

PART I. INFORMATION ON THE COMPANY

ITEM 1. OVERVIEW OF THE COMPANY

1. Selected Financial Data

(1) Selected Consolidated Financial and Other Data of the Company

		IFRS				
		33 rd Business Term	34 th Business Term	35 th Business Term	36 th Business Term	37 th Business Term
		Year Ended March 31, 2018	Year Ended March 31, 2019	Year Ended March 31, 2020	Year Ended March 31, 2021	Year Ended March 31, 2022
Operating revenues	Millions of yen	11,782,148	11,879,842	11,899,415	11,943,966	12,156,447
Profit before taxes	Millions of yen	1,740,479	1,671,861	1,570,141	1,652,575	1,795,525
Profit attributable to NTT	Millions of yen	897,887	854,561	855,306	916,181	1,181,083
Comprehensive income (loss) attributable to NTT	Millions of yen	950,302	826,154	743,451	1,275,214	1,373,364
NTT shareholders' equity	Millions of yen	9,050,358	9,264,913	9,061,103	7,562,707	8,282,456
Total assets	Millions of yen	21,541,444	22,295,146	23,014,133	22,965,492	23,862,241
NTT shareholders' equity per share	Yen	2,295.79	2,416.01	2,492.60	2,087.98	2,338.73
Basic earnings per share attributable to NTT	Yen	224.93	220.13	231.21	248.15	329.29
Diluted earnings per share attributable to NTT	Yen	—	—	—	—	—
Equity ratio (ratio of NTT shareholders' equity to Total assets)	%	42.0	41.6	39.4	32.9	34.7
ROE (ratio of profit attributable to NTT)	%	10.2	9.3	9.3	11.0	14.9
Price earnings ratio	Multiple	10.9	10.7	11.1	11.5	10.8
Cash flows from operating activities	Millions of yen	2,541,270	2,406,157	2,995,211	3,009,064	3,010,257
Cash flows from investing activities	Millions of yen	(1,746,185)	(1,774,136)	(1,852,727)	(1,424,532)	(1,699,152)
Cash flows from financing activities	Millions of yen	(968,279)	(584,266)	(1,041,261)	(1,689,548)	(1,438,130)
Cash and cash equivalents at end of year	Millions of yen	895,003	946,134	1,033,574	935,727	834,564
Number of employees [Average number of temporary employees]	Number of people	284,544 [80,481]	307,894 [62,805]	319,039 [51,787]	324,667 [47,149]	333,840 [44,343]

Notes: 1. NTT shareholders' equity does not include the portion attributable to non-controlling interests.

2. Diluted earnings per share attributable to NTT is not stated because NTT did not have potentially dilutive common shares that were outstanding during the period.

3. NTT shareholders' equity per share is calculated based on the number of shares outstanding at the end of the fiscal year, excluding treasury stock, and Basic earnings per share attributable to NTT is calculated based on the average number of shares outstanding during the fiscal year, excluding treasury stock. In addition, beginning with the 37th business term, NTT has adopted a BIP (Board Incentive Plan) trust stock compensation system for Members of the Board and Executive Officers. As a result, in calculating NTT shareholders' equity per share and Basic earnings per share attributable to NTT, shares held by such trust are included in the amount of treasury stock to be deducted from the calculation.

4. NTT conducted a two-for-one stock split of its common stock with an effective date of January 1, 2020. The figures for NTT

shareholders' equity per share and Basic earnings per share attributable to NTT for each fiscal year have been adjusted to reflect the impact of this stock split.

5. Number of employees indicates the number of full-time employees as of March 31 of each of the years indicated. The average annual number of temporary employees for the fiscal years indicated is shown in brackets.
6. Beginning with the 35th business term, certain overseas subsidiaries have expanded the scope of aggregation of their numbers of employees, and the numbers of employees for prior fiscal years have also been restated accordingly.
7. NTT's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") beginning with the 34th business term.

		U.S GAAP
		33rd Business Term
		Year Ended March 31, 2018
Operating revenues	Millions of yen	11,799,587
Income before income taxes and equity in earnings (losses) of affiliated companies	Millions of yen	1,755,624
Net income attributable to NTT	Millions of yen	909,695
Comprehensive income (loss) attributable to NTT	Millions of yen	956,013
NTT shareholders' equity	Millions of yen	9,485,981
Total assets	Millions of yen	21,675,770
NTT shareholders' equity per share	Yen	2,406.30
Basic earnings per share attributable to NTT	Yen	227.89
Diluted earnings per share attributable to NTT	Yen	—
Equity ratio (ratio of NTT shareholders' equity to Total assets)	%	43.8
Return on equity ratio (ratio of Net income attributable to NTT to NTT shareholders' equity)	%	9.8
Price earnings ratio	Multiple	10.8
Net cash provided by operating activities	Millions of yen	2,637,547
Net cash used in investing activities	Millions of yen	(1,841,777)
Net cash used in financing activities	Millions of yen	(931,658)
Cash and cash equivalents at year end	Millions of yen	780,300
Number of employees	Number of people	284,544
[Average number of temporary employees]		[80,481]

Notes: 1. Operating revenues do not include consumption taxes.

2. NTT shareholders' equity does not include the portion attributable to non-controlling interests.

3. Diluted earnings per share attributable to NTT is not stated because NTT did not have potentially dilutive common shares that were outstanding during the period.

4. NTT shareholders' equity per share is calculated based on the number of shares outstanding at the end of the fiscal year, excluding treasury stock, and Basic earnings per share attributable to NTT is calculated based on the average number of shares outstanding during the fiscal year, excluding treasury stock.

5. NTT conducted a two-for-one stock split of its common stock with an effective date of January 1, 2020. The figures for NTT shareholders' equity per share and Basic earnings per share attributable to NTT have been adjusted to reflect the impact of the stock split.

6. Number of employees indicates the number of full-time employees as of March 31 of each of the years indicated. The average annual number of temporary employees for the fiscal years indicated is shown in brackets.

7. Beginning with the 35th business term, certain overseas subsidiaries have expanded the scope of aggregation of their numbers of employees, and the numbers of employees for prior fiscal years have also been restated accordingly.

(2) Selected Non-Consolidated Financial and Other Data of the Company

		33rd Business Term	34th Business Term	35th Business Term	36th Business Term	37th Business Term
		Year Ended March 31, 2018	Year Ended March 31, 2019	Year Ended March 31, 2020	Year Ended March 31, 2021	Year Ended March 31, 2022
Operating revenues	Millions of yen	663,118	750,741	649,740	794,074	650,116
Recurring profit	Millions of yen	528,553	612,863	508,877	639,759	474,497
Net income	Millions of yen	725,192	1,192,784	480,769	639,237	470,502
Common stock	Millions of yen	937,950	937,950	937,950	937,950	937,950
Shares outstanding at end of year	Shares	2,096,394,470	1,950,394,470	3,900,788,940	3,900,788,940	3,622,012,656
Net assets	Millions of yen	4,600,636	5,222,248	4,845,260	5,176,630	5,012,166
Total assets	Millions of yen	6,711,306	7,098,890	6,834,082	11,476,431	11,664,291
Net assets per share	Yen	1,167.04	1,361.81	1,332.87	1,429.21	1,415.29
Dividends per share [Interim dividend per share (included above)]	Yen	150.00 [75.00]	180.00 [85.00]	95.00 [47.50]	105.00 [50.00]	115.00 [55.00]
Earnings per share	Yen	181.67	307.25	129.96	173.14	131.18
Diluted net income per share	Yen	—	—	—	—	—
Capital to asset ratio	%	68.6	73.6	70.9	45.1	43.0
Return on equity	%	16.1	24.3	9.6	12.8	9.2
Price earnings ratio	Multiple	13.5	7.7	19.8	16.4	27.0
Payout ratio	%	41.3	29.3	73.1	60.6	87.7
Number of employees [Average number of temporary employees]	Number of people	2,644 [54]	2,562 [65]	2,494 [74]	2,496 [76]	2,486 [74]
Total shareholder return [Index: TOPIX including dividends]	% %	106.3 [115.9]	105.9 [110.0]	119.3 [99.6]	135.0 [141.5]	169.4 [144.3]
Highest stock price	Yen	5,905	5,448	5,705 □2,908	3,018	3,671
Lowest stock price	Yen	4,545	4,050	4,528 □2,153	2,127	2,754

Notes: 1. Diluted net income per share is not listed as there are no applicable dilutive stock.

2. Net assets per share is calculated on the basis of the number of shares outstanding at the end of the fiscal year, excluding treasury stock, and earnings per share is calculated on the basis of the average number of outstanding shares during the fiscal year, excluding treasury stock. In addition, beginning with the 37th business term, NTT has adopted a BIP (Board Incentive Plan) trust stock compensation system for Members of the Board and Executive Officers. As a result, in calculating NTT shareholders' equity per share and Basic earnings per share attributable to NTT, shares held by such trust are included in the amount of treasury stock to be deducted from the calculation.

3. NTT conducted a two-for-one stock split of its common stock with an effective date of January 1, 2020. The figures for Net assets per share and Earnings per share for each fiscal year and for Dividends per share and Interim dividend per share for the 35th business term have been adjusted to reflect the impact of the stock split.

4. Number of employees indicates the number of full-time employees as of March 31 of each of the years indicated. The average annual number of temporary employees for the fiscal years indicated is shown in brackets.

5. The highest and lowest stock prices are from the First Section of the Tokyo Stock Exchange.

6. The top-line highest and lowest stock prices for the 35th business term are from before the January 1, 2020 stock split, and the highest and lowest stock prices marked with a “□” symbol are from after the stock split.
7. NTT's accounting policy was changed from the 34th business term and its main financial and other data for prior fiscal years are presented after having applied this change retroactively.
8. Prior to the 36th business term, amounts had been presented rounded down to the nearest million yen. Beginning with the fiscal year under review, amounts are being presented rounded to the nearest million yen. In line with this change, figures from and prior to the 35th business term have been restated to reflect the new rounding system.

2. History

(1) Background

On August 1, 1952, pursuant to the Nippon Telegraph and Telephone Public Corporation Act (Act No. 250 of July 31, 1952), NTT Public was incorporated, with its capital stock wholly owned by the Government. On April 1, 1985, pursuant to the Nippon Telegraph and Telephone Corporation Act (Act No. 85 of December 25, 1984), NTT was established, with its capital stock wholly owned by the Government. When NTT was established, it succeeded to all the rights and obligations of NTT Public.

NTT's Symbolic Mark, the "Dynamic Loop"

The single curve represents the dynamism of the company. NTT will continuously and perpetually innovate itself through repetitions of creation and challenge.

The small loop at the top of the mark represents NTT's corporate ethos of always taking in the voice of its customers and of society as the starting point of its business activities, and of serving a broad function within society. Under this mark, amidst competition and collaboration, NTT will always keep thinking about the future and continue its efforts to use communications for purpose of achieving a society that is full of humanity.



(2) History

April 1985	NTT was incorporated as a limited liability, joint-stock company.
February 1987	NTT's Shares were listed on the Tokyo Stock Exchange (the "TSE") and other stock exchanges in Japan (the TSE is currently the only stock exchange on which NTT shares are listed).
July 1988	NTT's DATA Communications Division was transferred to NTT DATA System Service Corporation.
April 1992	Implemented organizational reform corresponding to the long distance and regional communications service divisions through a review of, and commitment to, a divisional system.
July 1992	Business operations relating to car phones, mobile phones, maritime telephones, aircraft passenger telephones and radio paging were transferred to NTT Mobile Communications Network, Inc.
December 1992	NTT's electricity, construction and building management operations were transferred to NTT FACILITIES.
September 1994	NTT ADSs were listed on the New York Stock Exchange (the "NYSE") (delisted in April 2017).
October 1994	NTT's Shares were listed on the London Stock Exchange (delisted in March 2014).
April 1995	NTT DATA System Service Corporation was listed on the TSE.
November 1995	NTT implemented a 1.02-for-1 common stock split (stock split without addition payments).
September 1997	NTT transferred its software headquarters business to NTT COMMUNICATIONWARE CORPORATION.
August 1998	NTT DATA System Service Corporation changed its business name to NTT DATA CORPORATION.
October 1998	NTT Mobile Communications Network, Inc. was listed on the TSE (delisted in December 2020).
July 1999	Implemented a group reorganization by which NTT became a holding company. Operation of NTT's intra-prefectural communications services was transferred to its two wholly owned subsidiaries, NTT East and NTT West, and inter-prefectural communications services were transferred to NTT COMMUNICATIONS CORPORATION, also a wholly owned subsidiary of NTT.
April 2000	NTT Mobile Communications Network, Inc. changed its business name to NTT DOCOMO, INC.
November 2000	NTT COMMUNICATIONWARE CORPORATION changed its business name to NTT COMWARE CORPORATION.
March 2002	NTT DOCOMO, INC. was listed on the London Stock Exchange and the NYSE (delisted from the London Stock Exchange in March 2014, and delisted from the NYSE in April 2018).
November 2004	NTT URBAN DEVELOPMENT CORPORATION was listed on the TSE (delisted in December 2018).
January 2009	NTT implemented a 100-for-1 common stock split.
October 2013	NTT DOCOMO, Inc. changed its trade name to NTT DOCOMO, Inc. (in Japanese, with no change to the company's name in English).
July 2015	NTT implemented a 2-for-1 common stock split.

November 2018	NTT established a wholly owned subsidiary, NTT, Inc., and transferred NTT Communications, Dimension Data, NTT DATA and other items under NTT, Inc..
December 2018	Acquired NTT Urban Development Corp. as a wholly owned subsidiary.
July 2019	NTT established a wholly owned subsidiary, NTT Urban Solutions, Inc., and established NTT Urban Development and NTT Facilities under it. NTT, Inc. established a wholly owned subsidiary, NTT Ltd. and transferred its global businesses, including NTT Communications and Dimension Data Holdings plc, under NTT Ltd.
January 2020	NTT implemented a 2-for-1 common stock split.
December 2020	Acquired NTT DOCOMO, Inc. as a wholly owned subsidiary.
January 2022	Transferred NTT Communications Corporation and NTT Comware Corporation under NTT DOCOMO, Inc.
April 2022	NTT and NTT DATA transferred to the Prime Market of the TSE.

3. Description of Business

NTT Group consists of NTT (as the holding company) , its 952 subsidiaries and its 141 affiliated companies (as of March 31, 2022). The principal business segments of NTT Group are its Integrated ICT Business, Regional Communications Business, Global Solutions Business, and Others (Real Estate, Energy and Others).

For the strategic group-wide utilization of resources and assets and for speeding up decision-making, the Company has overhauled its corporate structure which has involved making NTT DOCOMO a wholly owned subsidiary in December 2020 and subsequently making NTT Communications and NTT Comware subsidiaries of NTT DOCOMO in January 2022. Accordingly, effective from the fiscal year ended March 31, 2022, NTT Group has transitioned to a four-segment structure consisting of the Integrated ICT Business, Regional Communications Business, Global Solutions Business, and Others (Real Estate, Energy and Others), from its previous five-segment structure consisting of the Mobile Communications Business, Regional Communications Business, Long Distance and International Communications Business, Data Communications Business, and Other Business.

NTT Group is categorized as a listed company pursuant to Article 49, Paragraph 2 of the Cabinet Office Ordinance on Regulations on Transactions of Securities, and accordingly insignificance tests for material facts for purposes of insider trading regulations are determined on the basis of consolidated figures.

Details of the business and corporate position of the consolidated subsidiaries are described below.

NTT Group's four business segments are described under "Note 2.1. - Segment Information" to the Consolidated Financial Statements.

(1) Integrated ICT Business

The principal services in the Integrated ICT Business are mobile phone services, domestic inter-prefectural communications services, international communications services, solutions services, system development services and related services.

(Consolidated Subsidiaries)

NTT DOCOMO, NTT Communications, NTT COMWARE CORPORATION, NTT Plala Inc., and 101 other companies.

(2) Regional Communications Business Segment

The principal services in the regional communications business segment are domestic intra-prefectural communications services and related ancillary services.

(Consolidated Subsidiaries)

NTT East, NTT West, and 53 other companies.

(3) Global Solutions Business

The principal services in the Global Solutions Business are system integration services, network system services, cloud services, global data center services, and related services.

(Consolidated Subsidiaries)

NTT, Inc., NTT Ltd., Dimension Data Holdings, NTT Security Corporation, NTT America, Inc., NTT EUROPE LTD., NTT Global Data Centers EMEA, NTT Cloud Communications International Holdings, NTT Global Data Centers Americas, NTT Global Networks Incorporated, NETMAGIC SOLUTIONS PRIVATE LIMITED, NTT Global Data Centers EMEA UK, NTT Managed Services Americas Intermediate Holdings, Transatel SAS, NTT Security AppSec Solutions, Symmetry Holding Inc., Spectrum Holdings Inc., NTT America Holdings II, Dimension Data Commerce Centre , NTT DATA CORPORATION, NTT DATA, Inc., NTT DATA Services, LLC, NTT DATA Europe & Latam, NTT Data International and 635 other companies.

(4) Others (Real Estate, Energy and Others)

Others includes the real estate business, energy business and others.

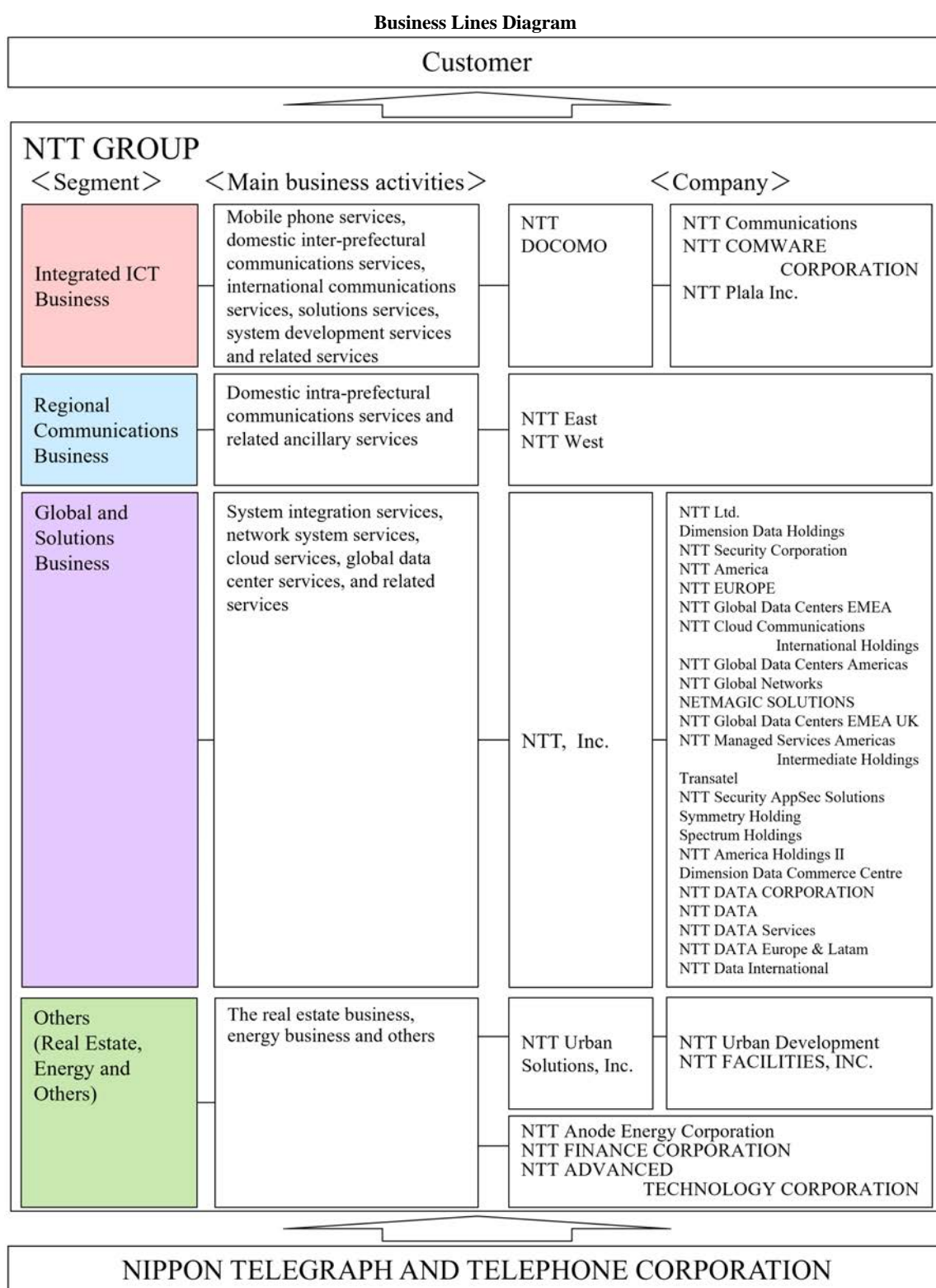
(Consolidated Subsidiaries)

NTT Urban Solutions, NTT Urban Development, NTT FACILITIES, NTT Anode Energy, NTT FINANCE, NTT ADVANCED TECHNOLOGY CORPORATION, and 127 other companies.

Note: During the fiscal year under review, EVERIS PARTICIPACIONES changed its name to NTT DATA Europe & Latam.

Note: In this Annual Securities Report, “NTT DOCOMO,” “NTT Communications,” “NTT Comware,” “NTT East,” “NTT West,” and “NTT DATA” refer to NTT DOCOMO, INC., NTT Communications Corporation, NTT COMWARE CORPORATION, Nippon Telegraph and Telephone East Corporation, Nippon Telegraph and Telephone West Corporation, and NTT DATA Corporation respectively.

A diagram of NTT Group’s business lines is included below.



4. Information on Subsidiaries and Affiliates

Name	Location	Common Stock	Principal Business	Percentage of Voting Rights	Relationship
(Consolidated Subsidiaries)		(millions of yen)			
NTT DOCOMO, INC. Notes: *1, *2, *3, *4	Chiyoda-ku, Tokyo	949,680	Integrated ICT Business	100.00	Provides mobile communication services and smart life area services. Concurrent Officers Position Held: No
NTT Communications Corporation Notes: *1, *2, *3	Chiyoda-ku, Tokyo	230,979	Integrated ICT Business	100.00 (100.00)	Provides inter-prefectural communications services, international communications services and internet-related services. Concurrent Officers Position Held: No
NTT COMWARE CORPORATION Note: *3	Minato-ku, Tokyo	20,000	Integrated ICT Business	100.00 (66.6)	Development, production, operation and maintenance of information communications systems and software. Concurrent Officers Position Held: No
NTT Plala Inc.	Toshima-ku, Tokyo	12,321	Integrated ICT Business	100.00 (100.00)	Provides internet connection and video distribution services. Concurrent Officers Position Held: No
Nippon Telegraph and Telephone East Corporation Notes: *1, *2, *3	Shinjuku-ku, Tokyo	335,000	Regional Communications Business	100.00	Provides intra-prefectural communications services in the eastern part of Japan. NTT is the provider of a long-term capital loan to NTT East. Concurrent Officers Position Held: No
Nippon Telegraph and Telephone West Corporation Notes: *1, *2, *3	Toshima-ku, Osaka	312,000	Regional Communications Business	100.00	Provides intra-prefectural communications services in the western part of Japan. NTT is the provider of a long-term capital loan to NTT West. Concurrent Officers Position Held: No

Name	Location	Common Stock	Principal Business	Percentage of Voting Rights	Relationship
NTT, Inc. Note: *1	Chiyoda-ku, Tokyo	(millions of yen) 340,051	Global Solutions Business	100.00	Governance, strategy planning and policy promotion for the global business of NTT Group. Concurrent Officers Position Held: Yes
NTT Ltd. Note: *1, *2, *3	United Kingdom	(ten thousands of U.S. dollars) 827,157	Global Solutions Business	100.00 (100.00)	Provides IT services and communications and internet-related services for corporations. Concurrent Officers Position Held: No
Dimension Data Holdings Note: *1	United Kingdom	(ten thousands of U.S. dollars) 107,685	Global Solutions Business	100.00 (100.00)	Provides IT system building and maintenance support for corporations. Concurrent Officers Position Held: No
NTT Security Corporation	Chiyoda-ku, Tokyo	(millions of yen) 25,250	Global Solutions Business	100.00 (100.00)	Provides professional security services Concurrent Officers Position Held: No
NTT America Note: *1	U.S.A.	(ten thousands of U.S. dollars) 332,857	Global Solutions Business	100.00 (100.00)	Provides ICT services in North America. Concurrent Officers Position Held: No
NTT EUROPE	United Kingdom	(British pounds) 100	Global Solutions Business	100.00 (100.00)	Provides ICT services in Europe. Concurrent Officers Position Held: No
NTT Global Data Centers EMEA	Luxembourg	(ten thousands of Euros) 40,321	Global Solutions Business	100.00 (100.00)	Provides data center-related services in Europe. Concurrent Officers Position Held: No
NTT Cloud Communications International Holdings	France	(ten thousands of Euros) 17,724	Global Solutions Business	100.00 (100.00)	Provides teleconference, web conference and video conference services. Concurrent Officers Position Held: No

Name	Location	Common Stock	Principal Business	Percentage of Voting Rights	Relationship
NTT Global Data Centers Americas	U.S.A.	(ten thousands of U.S. dollars) 42,429	Global Solutions Business	100.00 (100.00)	Provides data center-related services in North America. Concurrent Officers Position Held: No
NTT Global Networks	U.S.A.	(ten thousands of U.S. dollars) 51,353	Global Solutions Business	100.00 (100.00)	Provides network services. Concurrent Officers Position Held: No
NETMAGIC SOLUTIONS	India	(ten thousands of Indian rupees) 1,661,093	Global Solutions Business	100.00 (100.00)	Provides data center-related services in India. Concurrent Officers Position Held: No
NTT Global Data Centers EMEA UK	United Kingdom	(ten thousands of British pounds) 9,300	Global Solutions Business	100.00 (100.00)	Provides data center-related services in the UK. Concurrent Officers Position Held: No
NTT Managed Services Americas Intermediate Holdings	U.S.A.	(ten thousands of U.S. dollars) 71,427	Global Solutions Business	100.00 (100.00)	Provides managed services in North America. Concurrent Officers Position Held: No
Transatel	France	(ten thousands of Euros) 586	Global Solutions Business	80.70 (80.70)	Provides mobile connectivity services for IoT. Concurrent Officers Position Held: No
NTT Security AppSec Solutions	U.S.A.	(U.S. dollars) 10	Global Solutions Business	100.00 (100.00)	Provides security services. Concurrent Officers Position Held: No
Symmetry Holding	U.S.A.	(ten thousands of U.S. dollars) 21,645	Global Solutions Business	100.00 (100.00)	Provides managed services in North America. Concurrent Officers Position Held: No

Name	Location	Common Stock	Principal Business	Percentage of Voting Rights	Relationship
Spectrum Holdings Notes: *1	British Virgin Islands	(ten thousands of U.S. dollars) 410,193	Global Solutions Business	100.00 (100.00)	Manages certain subsidiaries of NTT Ltd. in Europe and North America. Concurrent Officers Position Held: No
NTT America Holdings II Notes: *1	U.S.A.	(ten thousands of U.S. dollars) 82,286	Global Solutions Business	100.00 (100.00)	Provides ICT services in North America. Concurrent Officers Position Held: No
Dimension Data Commerce Centre Notes: *1	Isle of Man	(ten thousands of U.S. dollars) 78,267	Global Solutions Business	100.00 (100.00)	Manages certain subsidiaries of NTT Ltd. in Europe and North America. Concurrent Officers Position Held: No
NTT DATA CORPORATION Notes: *1, *2, *3, *4, *5	Koto-ku, Tokyo	(millions of yen) 142,520	Global Solutions Business	54.22 (54.22)	Provides data communications systems services and network system services. Concurrent Officers Position Held: No
NTT DATA Note: *1	U.S.A.	(ten thousands of U.S. dollars) 554,351	Global Solutions Business	100.00 (100.00)	Consulting, system design and development in North America. Concurrent Officers Position Held: No
NTT DATA Services Note: *1	U.S.A.	(ten thousands of U.S. dollars) 211,429	Global Solutions Business	100.00 (100.00)	Consulting, system design and development in North America. Concurrent Officers Position Held: No
NTT DATA Europe & Latam Note: *1	Spain	(ten thousands of Euros) 85,673	Global Solutions Business	100.00 (100.00)	Consulting, system design and development. Concurrent Officers Position Held: No

Name	Location	Common Stock	Principal Business	Percentage of Voting Rights	Relationship
NTT Data International Note: *1	U.S.A.	(ten thousands of U.S. dollars) 556,542	Global Solutions Business	100.00 (100.00)	Manages subsidiaries of NTT DATA CORPORATION in North America. Concurrent Officers Position Held: No
NTT Urban Solutions, Inc. Note: *1, *3	Chiyoda-ku, Tokyo	(millions of yen) 108,372	Other Business	100.00	Contact point for urban solutions business, and integrated management of urban solutions-related information. Concurrent Officers Position Held: No
NTT URBAN DEVELOPMENT CORPORATION	Chiyoda-ku, Tokyo	(millions of yen) 48,760	Other Business	100.00 (100.00)	Real estate acquisition, development, leasing, and management. Concurrent Officers Position Held: No
NTT FACILITIES, INC.	Minato-ku, Tokyo	(millions of yen) 12,400	Other Business	100.00 (100.00)	Design, management, and maintenance of buildings, equipment, and electric power facilities. Concurrent Officers Position Held: No
NTT Anode Energy Corporation Notes: *3	Chiyoda-ku, Tokyo	(millions of yen) 7,924	Other Business	100.00	Development of smart energy solutions and energy management system. Concurrent Officers Position Held: No
NTT FINANCE CORPORATION Notes: *3, *5	Minato-ku, Tokyo	(millions of yen) 16,771	Other Business	100.00	Provision of billing and collection of charges for communications and other services, and credit card transaction settlement services Concurrent Officers Position Held: No
NTT Advance Technology Corporation Notes: *1, *3	Shinjuku-ku, Tokyo	(millions of yen) 5,000	Other Business	100.00	Technology transfer, technology consulting, system design and development. Concurrent Officers Position Held: No

Notes:1. The Principal Business column lists the segment of each company.

2. Numbers listed in parentheses under Percentage of Voting Rights indicate the percentage of voting rights held indirectly.
Furthermore, Common Stock figures for overseas subsidiaries include additional paid-in capital (APIC).

3. Note *1: Indicates a specified subsidiary.

4. Note *2: During the current fiscal year, the company was party to an agreement relating to the continued usage of the results of the company's and NTT's core research and development, pursuant to which NTT is compensated for the provision of comprehensive services related to NTT's core research and development.

5. Note *3: During the current fiscal year, 21 of the companies subject to consolidated accounting were parties to an agreement with NTT for group management, with the objective of maximizing each group company's profits while also continuing to respect the mutual independence and autonomy of group companies. NTT is compensated for the provision of comprehensive services related to carrying out group management.

6. Note *4: The company's ratio of net sales (excluding sales among consolidated subsidiaries) to total consolidated sales is greater than 10:100. Key information on profit and loss for such company is listed below. Descriptions for NTT DATA are omitted, as the company is an Annual Securities Report filing company.

7. Note *5: Company files an Annual Securities Report.

8. As of March 31, 2022, NTT Group comprised 952 consolidated subsidiaries and 141 equity method affiliates.

	Key Information on Profit and Loss				
	Operating Revenues (millions of yen)	Recurring Profit (millions of yen)	Net Income (millions of yen)	Net Assets (millions of yen)	Total Assets (millions of yen)
NTT DOCOMO	4,466,746	867,345	633,625	6,509,418	9,318,194

5. Employees

(1) Consolidated Basis

Segment	Number of Employees	
Integrated ICT Business	46,506	[6,417]
Regional Communications Business	72,972	[21,952]
Global Solutions Business	188,308	[10,263]
Others (Real Estate, Energy and Others)	26,054	[5,711]
Total	333,840	[44,343]

Note: Number of employees indicates the number of full-time employees. The average annual number of temporary employees for the fiscal year is shown in brackets.

(2) Non-Consolidated Basis of the Company

Number of Employees	Average Age	Average Length of Employment (years)	Average Annual Salary (yen)
2,486[74]	41.8	16.7	9,524,414

Segment	Number of Employees	
Others (Real Estate, Energy and Others)	2,486	[74]
Total	2,486	[74]

Notes: 1. Annual Average Salary includes both standard and extraordinary salaries and bonuses.

2. Number of employees indicates the number of full-time employees. The average annual number of temporary employees for the fiscal year is shown in brackets.

(3) Labor Union Status

The relationship between management and labor at NTT Group is stable, with no developments of note.

ITEM 2. BUSINESS OVERVIEW

1. Management Policy, Business Environment and Issues to be Addressed

Forward-looking statements included herein are made as of the date of the filing of this Annual Securities Report.

(1) Management Policy

NTT Group's Vision and Corporate Image to Strive For

NTT Group has a vision of working together with all of its partners to promote initiatives to resolve social issues through its business activities, in its role as “Your Value Partner.”

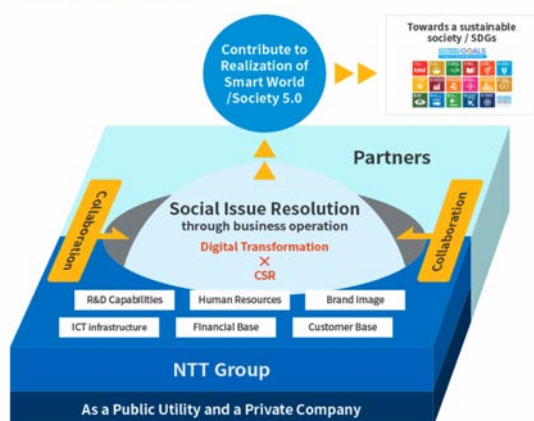
As an enterprise that is both public and commercial, NTT will resolve social issues by leveraging all of its management resources and capabilities to the fullest extent, including its research and development, ICT infrastructure and personnel, and by promoting digital transformation (DX) and CSR while collaborating with all of its partners.

Taking into account the process of achieving of that vision, for the corporate image that NTT strives for, NTT Group has put its personnel (“People”) at its core, determining that its necessary capabilities are service ability, technical ability and intelligence.

In addition, NTT’s “Shared Values” are the concepts that make up our DNA: “Connect,” “Trust” and “Integrity.” On the basis of this vision and corporate image, together with our 300,000 employees working across approximately 90 countries and regions, we will share our dreams for the future.

NTT Group will accelerate its transformation into an open, global and innovative new NTT to be a valuable presence to its customers, shareholders, regions, communities, employees and all of its other stakeholders, and will strive to be “Your Value Partner” that customers continue to select.

NTT Group's Vision



Corporate Image to Strive For

Accelerate the transformation into an open, global and innovative new NTT, to become “Your Value Partner”



(2) Business Environment

In the fiscal year ended March 31, 2022, the information and telecommunications market saw initiatives towards digitalization accelerate with the expansion of cloud services and 5G services and the rapid advance of technologies such as IoT, big data and AI. In conjunction with this, the analysis and utilization of data (data management) accumulated through the use of such services are driving a global digital transformation resulting in reforms that will further take in a positive direction, such as by improving the convenience of people’s daily lives, creating new business models and enhancing productivity.

Meanwhile, society needs to take steps such as strengthening information security against increasingly sophisticated and complex cyberattacks, reinforcing anti-disaster measures, and contributing to the protection of the environment, as well as shifting to a decentralized network society aligned with changes in community life that have resulted from the COVID-19 pandemic.

The role of information and telecommunications is also becoming more important in terms of resolving these wide-ranging societal issues.

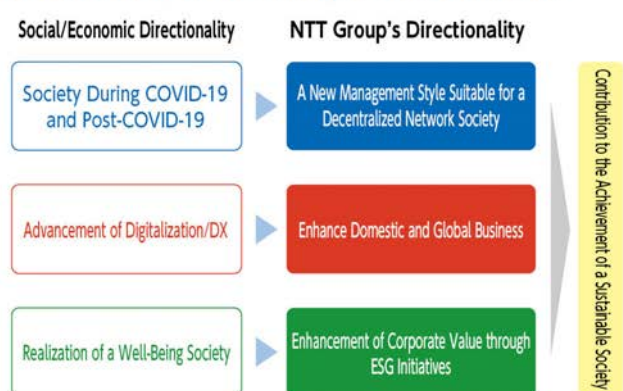
(3) Issues to be Addressed

Business Development Pursuant to the Medium-Term Management Strategy

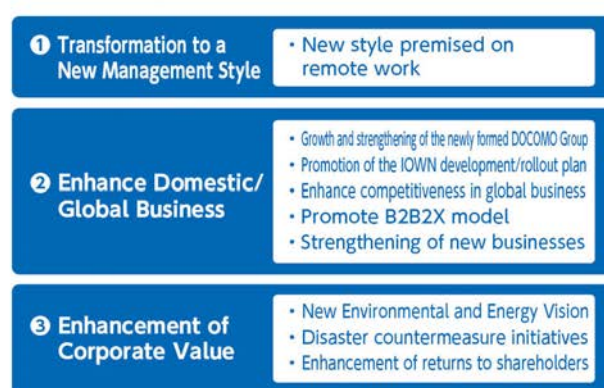
The division of the world has been accelerating due to the COVID-19 pandemic, causing the advancement of a remote/decentralized society. While these situations have led to progress in digitalization and Digital Transformation (DX), on the other hand, negative aspects of digitalization, such as the emergence of a surveillance society, have also appeared. In addition, our environment is dramatically changing, with economic security become increasingly important and the scale of natural disasters has been increasing worldwide.

To respond to these changes in the environment, we refined the NTT Group Medium-Term Management Strategy that had been announced in November 2018, and in October 2021, we established a new directionality of NTT Group's transformation. In line with social and economic directionality, we aim to contribute to the realization of a sustainable society through three reforms: a new management style that is suitable for the distributed network society, enhancing domestic and global business, and the enhancement of corporate value through ESG initiatives.

Directionality of NTT Group's Transformation



New Strategic Framework

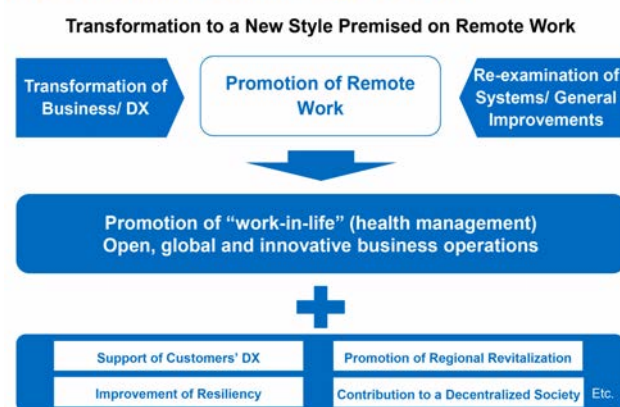


Transformation to a New Management Style

We will promote remote work and work-in-life (health management), and achieve open, global and innovative business operations by promoting transformation of business, digital transformation, re-examination of systems and general improvements. With regard to enhancement of governance in consideration of conduct risks, we will execute measures to maintain appropriate relationships with stakeholders, accurately manage the life cycles of services and other offerings, and improve crisis management capabilities.

By promoting our own transformation, we will also support our customers' digital transformation, promote regional development, improve resilience, and contribute to a decentralized society.

Transformation to a New Management Style



Enhance Domestic and Global Business

We will work towards the growth and strengthening of the newly formed DOCOMO Group, the promotion of the IOWN* development/rollout plan, the enhancement of competitiveness in global business, the promotion of the B2B2X model, and the strengthening of new businesses.

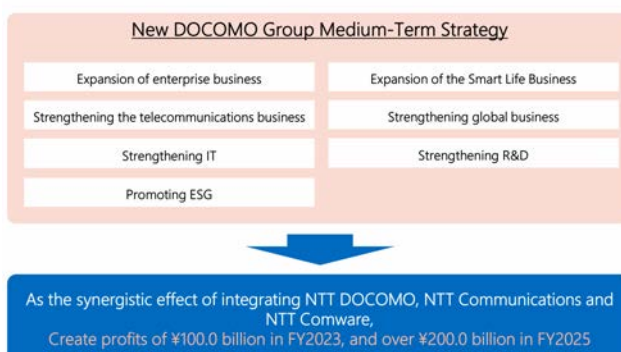
In December 2020, we made NTT DOCOMO a wholly owned subsidiary with the aim of strengthening NTT DOCOMO's competitiveness and growth, and the growth of NTT Group as a whole. NTT DOCOMO will take on the challenge of further growth by advancing the integration of the capabilities of NTT Communications and NTT Comware, which were made its subsidiaries in January 2022, and the seven initiatives set forth in the new DOCOMO Group Medium-Term Strategy (expansion of enterprise business, expansion of smart life business, strengthening telecommunications business, strengthening global business, strengthening IT, strengthening R&D, and promoting ESG).

Additionally, in May 2022, we announced a reorganization to strengthen the global businesses of NTT Group. NTT Group is consolidating the global businesses for business users that have been operated by NTT DATA and NTT Ltd. under NTT DATA, and the two companies will conduct business operations as one entity. By leveraging the combination of NTT DATA's capabilities, such as consulting and application development, and NTT Ltd.'s strengths in high-value-added services, such as data centers, global networks and managed services, NTT Group will be able to provide clients with new value as a whole. In addition, in the long term, NTT Group will expand its innovative services utilizing NTT's IOWN technology in global markets. Furthermore, by bringing together the global business personnel of NTT Group, NTT Group will have rapid decision-making that is tailored to the characteristics of its businesses and clients in each region of the world, while strengthening its global governance.

* For additional details on IOWN (Innovative Optical and Wireless Network), please refer to "Item 2. Business Overview – 5. Research and Development."

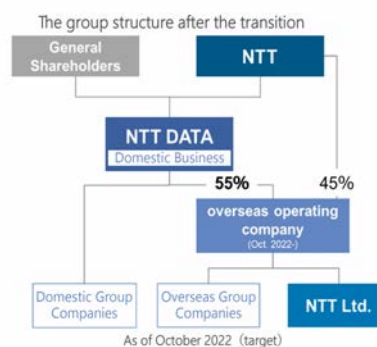
Growth and Strengthening of the Newly Formed DOCOMO Group

■ Challenge of the New DOCOMO Group



Strengthening The Global Business

In October, 2022, NTT and NTT DATA will establish an overseas operating company jointly owned 55% by NTT DATA and 45% by NTT

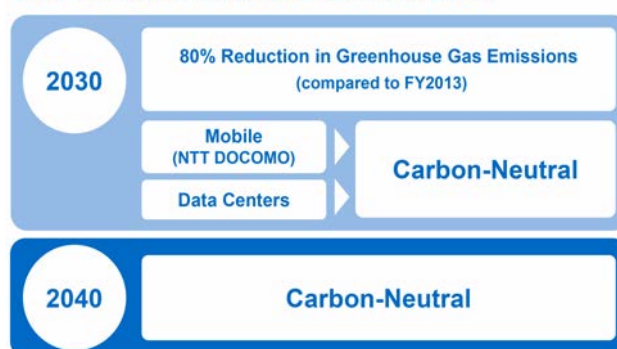


Enhancement of Corporate Value

We will engage in initiatives to reduce our environmental impact based on our new environment and energy vision, while at the same time progressing disaster countermeasure initiatives and enhancing our returns to shareholders.

Under our new environment and energy vision, NTT Green Innovation toward 2040, we aim to simultaneously achieve the contradictory goals of zero environmental impact and economic growth by reducing the environmental impact of our business activities and creating breakthrough innovations. In FY2030, NTT Group overall will reduce greenhouse gas emissions by 80% compared to FY2013, and our mobile (NTT DOCOMO) and data center businesses will take the lead in achieving carbon neutrality. In FY2040, NTT Group overall will achieve carbon neutrality (targeting Scope 1+2).

NTT Green Innovation toward 2040



Medium-Term Financial Targets

We revised our financial targets in conjunction with the refinement of the Medium-Term Management Strategy (announced in October 2021).

We revised our previous FY2023 target for EPS (Earnings Per Share), the main financial indicator, upward by ¥50 from approx. ¥320 to ¥370. By generating synergies at the new DOCOMO Group (earnings growth of ¥100.0 billion in FY2023) and reducing costs through the promotion of digital transformation (reduction of at least ¥200.0 billion in FY2023), among other initiatives, we will work to achieve the EPS target primarily through profit growth. The cost reduction target for cumulative reductions from FY2017 was increased from our previous FY2023 target of at least ¥800.0 billion to at least ¥1 trillion.

In addition, we will continue to promote various initiatives aimed at achieving our previously established financial targets for FY2023 of overseas operating income margin of 7% and ROIC (Return on Invested Capital) of 8%.

Medium-Term Financial Targets (Targets in FY2023)

Targets	New Targets (Announced in October 2021)	Prior Targets	(Reference) FY2022 Plan
EPS (Earnings Per Share)	¥370/share	Approx. ¥320/share	¥340/share
Overseas Operating Income Margin ⁽¹⁾	7%	7%	7.0%
Cost Reductions ⁽²⁾ (in fixed-line/mobile access networks)	at least ¥1 trillion	at least ¥800.0 billion	¥930.0 billion
ROIC (Return on Invested Capital)	8%	8%	7.6%

(1) The scope of aggregation is the subsidiaries (NTT DATA International Business, NTT Ltd., NTT Communications International Business and others) belonging to NTT, Inc. when the Medium-Term Management Strategy was established. Calculation of overseas operating profit margin excludes temporary expenses, such as M&A-related amortization costs of intangible fixed assets.

(2) Figures show cumulative reductions since FY2017.

(4) NTT Group's Initiatives for Sustainability

Based on its recognition that its responses to issues surrounding sustainability are important management issues, NTT Group has voluntarily established the Sustainability Committee directly under the Board of Directors, and important issues and indicators are determined by the Board of Directors in order to further advance those initiatives. For additional details on NTT Group's system for promoting sustainability, please see "Item 4. Information on NTT – 4. Status of Corporate Governance - (1) Overview of Corporate Governance." An overview of NTT Group's sustainability initiatives is included below.

Establishment of NTT Group Sustainability Charter

In November 2021, we reviewed our previous CSR Charter and established the global-level NTT Group Sustainability Charter. The new charter is based on the concept of "Self as We*," and by promoting a variety of initiatives related to the three themes of (1) ensuring the positive coexisting of nature and humanity, (2) improving prosperity for all people and cultures, and (3) maximizing well-being for all, we will simultaneously achieve growth as a company and solve social issues, thereby contributing to the realization of a sustainable society.

* The idea that the "Self" exists as a "Self" within a "We" (which consists of everything, including people, things and technology), and is supported by connections consisting of diverse people, things and technology.

[Overview of Initiatives Based on the Sustainability Charter]

NTT Group has established nine challenges and 30 activities based on the foregoing three themes.

Three Themes		Nine Challenges		30 Activities
Ensuring the positive coexisting of nature and humanity	Addressing environmental and energy issues	Moving toward a decarbonized society	1) Promoting energy conservation 2) Reducing power consumption by introducing IOWN technologies 3) Developing and expanding the use of renewable energy 4) Providing new services that contribute to carbon neutrality 5) Creating innovative environmental and energy technologies	
		A commitment to a resource-recycling future	6) Increasing the reuse and recycling of communications equipment, mobile terminals, and other technologies 7) Reduction of plastic use and promotion of recycling 8) Proper treatment, storage and management of hazardous waste 9) Appropriate and efficient management of water resources	
		A future where people and nature are in harmony	10) Thoroughly implementing environmental assessment 11) Contributing to natural ecosystem conservation	
Improving prosperity for all people and cultures	Addressing social issues	Establish shared ethical standards	12) Establishing and thoroughly complying with ethical standards 13) Appropriately managing conduct risk 14) Thoroughly reinforcing corporate governance and compliance 15) Sharing high ethical standards with business partners	
		Prepare for a new future with the power of technology	16) Promoting the B2B2X model 17) Protection and respect for intellectual property 18) Contribution to the revitalization of local communities and economies	
		Moving toward a safe, secure, and resilient society	19) Ensuring the stability and reliability of services 20) Strengthening information security and personal information protection 21) Promoting a decentralized society based on remote work	
Maximizing well-being for all	Addressing human rights, diversity and inclusion	Respect for human rights	22) Compliance with the NTT Group Global Human Rights Policy 23) Encouraging society as a whole to respect human rights	
		Diversity and inclusion	24) Promoting recruitment, training, and education of diverse human resources and women's advancement in the workplace 25) Encouraging of understanding of LGBTQ and promoting the advancement of disabled people 26) Support for balancing work and life such as childcare and nursing care	
		Creating new work style models	27) Promoting remote work and other workplace models 28) Achieving zero fatal accidents as well as maintaining and promoting employee health 29) Supporting autonomous capacity development 30) Promoting paperless operations	

2. Risk Factors

In addition to the information contained in this Annual Securities Report relating to NTT Group's business, accounting and other matters, prospective investors should also carefully consider the risks described below related to NTT Group's business environment, business strategy and operations, regulations to which NTT is subject and NTT's relationship with the Government, which may be material to such investors' judgment, as summarized below.

An overview of NTT Group's business risk management, determination of risks, identification of material risks, risk factors and risk countermeasures are included below.

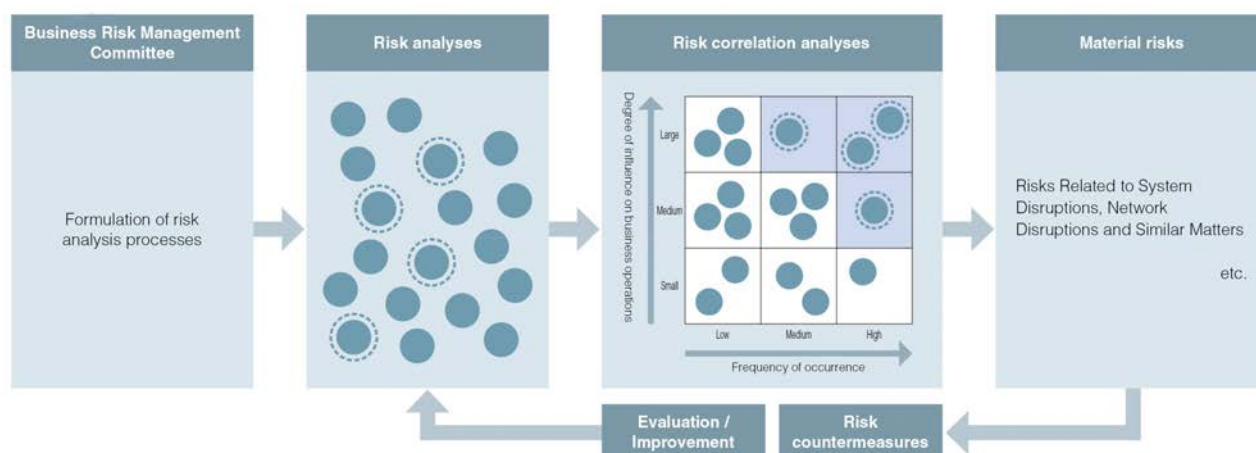
(1) Business Risk Management

NTT has established Risk Management Rules stipulating basic policies on risk management with the aims of, among others, anticipating and preventing the materialization of potential risks and minimizing losses if any risk materializes. Chaired by a senior executive vice president, the Business Risk Management Committee and the Group Business Risk Management Committee spearhead efforts to develop and operate a PDCA cycle for managing risks. During the fiscal year ended March 31, 2022, the Business Risk Management Committee held two meetings, and the Group Business Risk Management Committee held one meeting, during which discussions involved identifying risks that could potentially have a Company-wide impact, policies for managing such risks, and other such matters.

NTT has also formulated the NTT Group Business Risk Management Manual, and distributed it to each Group company, in order to facilitate Group-wide risk management initiatives. On the basis of the manual, which stipulates matters that include proactive measures for potential risks, collaborative Group-wide approaches and policies for addressing risks that materialize, and pathways for communicating information, systems have been developed and implemented that enable swift action to be taken.

(2) Risk Analysis and Identification of Material Risks

From time to time, NTT reviews assumed risks and management policies based on changes in the social environment. In the identification of risks, the Business Risk Management Committee and the Group Business Risk Management Committee play the central role. Analysis processes for the risks faced by NTT Group are formulated, and risk analysis is periodically implemented in accordance with these processes. In this way, Company-wide risks are identified. In addition, correlation analyses are implemented for these risks. Those risks with the potential to have the greatest influence are specified as "material risks," and countermeasures are formulated.



(3) Risk Factors and Risk Countermeasures

Forward-looking statements included herein are made as of the date of submission of this Annual Securities Report. Additional risks not currently known to NTT or that NTT now deems immaterial may also impair NTT Group's business operations. Furthermore, this Annual Securities Report includes information based on future prospects that also involve risks and uncertainties. NTT Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including the risks NTT Group faces as described below and elsewhere in this Annual Securities Report.

Risks Associated with the Business Environment and NTT Group's Corresponding Business Strategies

Risks that NTT Group's Business May Not Develop as Anticipated

If NTT Group is unable to respond appropriately to increased competition and other changes in the structure of the markets in which it operates, its operating revenues may decline, its capital investments may lose efficiency, and cost reduction effects for sales costs, equipment-related costs, personnel costs and other costs may not be fully realized. In the information and communications market, NTT Group's results of operations and financial condition could still be adversely affected if, despite these efforts, intensifying competition due to new competitors entering the market, and maintenance and further expansion of NTT's customers base through new billing plans, do not proceed as expected. Moreover, in the information services market, the growth of information service companies in such as India and China, is bringing about global competition. Intensified competition resulting from new competitors' aggressive market entry may have an adverse effect on NTT Group's results of operations and financial condition.

Although NTT Group engages in joint ventures, alliances and collaborations, as well as acquisitions and other strategic investments to expand its global business operations in particular, its overseas business activities are affected by factors such as legal restrictions relating to investment and competition, differences in tax systems, differences in business customs including contract practices, labor relations, and international politics. If such risks materialize, NTT Group's results of operations and financial condition may be adversely affected.

Furthermore, it is possible that each of NTT Group's businesses in other markets will fail to achieve forecasted revenues, which may result in an adverse effect on NTT Group's results of operations and financial condition.

In consideration of these risks, based on NTT Group's "Your Value Partner 2025" Medium-Term Management Strategy, NTT Group is working together with its partners to resolve social issues through its business activities and working to improve corporate value.

In order to increase capital expenditure efficiencies, NTT Group is working to simplify and streamline the network in each company, and aims to further improve productivity in various operations by digitizing its own business processes using AI and other technologies. Furthermore, NTT established a procurement company in the United States: NTT Global Sourcing, Inc., which engages in centralized price negotiations and the execution of comprehensive agreements with global vendors and other parties for hardware, software, and services purchased in common by each Group company, in order to reduce the total procurement costs of NTT Group.

For IT systems, efforts are also being made to promote efficiency through standardization and by utilizing the latest technology, such as virtualization. In addition, by using NTT Group's RPA (WinActor) for business process, NTT Group is continuously working toward further improving its business operations efficiency, and is working to ensure simple yet highly productive business operations based on initiatives such as the conversion to the B2B2X model.

Furthermore, in order to achieve stable growth in its global business, NTT Group has been working on the reorganization of its global businesses since 2019; however, currently, customers' needs have become increasingly diverse and complex, with increasing demand for transformation utilizing digital technologies (DX) and for IT modernization. At the same time, the business environment has undergone significant changes, with competitors expanding their service lines in conjunction with changes in society and technology. Under these circumstances, NTT DATA and NTT Ltd. have decided to consolidate their global businesses for business users under NTT DATA, and the two companies will conduct business operations as one entity. Under a consolidated business strategy, they will work to provide end-to-end services from infrastructure to applications, to leverage the results of their research and development, and to promote business in Smart World, 5G and other areas, while at the same time, in the medium- to long-term, working towards the achievement of advanced services that will enable them to provide social and environmental value, based on the IOWN concept.

With respect to NTT Group's investments, NTT Group is working to achieve anticipated returns, such as by implementing periodic monitoring, among other measures.

Risks that NTT Group Will Be Adversely Affected by Instability in the Financial Markets

Although NTT Group evaluates its means of capital procurement, including issuing corporate bonds and obtaining loans, any substantial fluctuations in the financial markets may cause difficulties in obtaining financing and may lead to increases in NTT Group's financing costs.

In addition, NTT Group owns investment securities and other financial assets. If their asset values were to decline because of a recession in the stock market or in other financial markets, the resulting impairment losses may adversely affect NTT Group's results of operations. NTT Group pension investments may also be adversely affected by these events.

In light of these risks, in addition to its cash and cash equivalents, NTT Group has entered into agreements with its banks to provide for overdraft accounts and committed financing lines to ensure that it maintains the liquidity necessary for its business activities. In addition, NTT Group is working to diversify its procurement procedures and to secure low-interest and stable financing. Moreover, we are working to improve the efficiency of funds by liquidating receivables, etc. Furthermore, NTT Group maintains a risk management policy, and in accordance with this policy, hedges risks using derivative transactions, including forward exchange contracts.

Risks Related to NTT Group's Response to Environmental Issues

Climate change is widely recognized worldwide as a significant risk. In light of this, if NTT Group's responses to and disclosures regarding climate change are determined to be insufficient, NTT Group's business operations may be adversely affected as a result of being unable to receive sufficient understanding from its stakeholders, including customers, partners, shareholders, employees and local communities. Furthermore, in the event that new or stricter laws and regulations are adopted in the future, costs may increase, which may impact NTT Group's financial condition and results of operations.

In consideration of these risks, NTT Group has established its environment and energy vision, NTT Green Innovation toward 2040, and is promoting environmental impact reduction initiatives to achieve carbon neutrality in 2040. Specifically, in addition to promoting its own use of renewable energy as part of advancing green energy usage, NTT will work on bolstering its environment and energy initiatives further through such measures as endorsing the TCFD (Task Force on Climate-related Financial Disclosure), issuing green bonds, and advancing IOWN research and development with the aim of achieving an overwhelming advantage in low power consumption technology.

Matters related to the development and review of NTT Group's sustainability policies and the progress of initiatives to achieve carbon neutrality are discussed by the Sustainability Committee under the monitoring and supervision of the Board of Directors.

Risks Related to Intellectual Property

In order for NTT Group and its business partners to carry out their business operations, they at times need to obtain licenses and other rights to use the intellectual property and other rights of third parties. NTT Group and its business partners have entered into the necessary intellectual property licenses, and based on their experience as well as industry practice, NTT Group believes that it will continue to be able to obtain such licenses on reasonable terms.

However, if NTT Group is unable to reach or maintain agreements with the holders of such rights on commercially acceptable terms or at all, NTT Group and its business partners may not be able to provide certain technologies, products or services to its customers.

Further, as NTT Group's global business expands, particularly through overseas acquisitions, claims of intellectual property infringement and other claims against NTT Group, particularly by foreign corporations in jurisdictions in which it has completed acquisitions, may increase as it develops new products, services and technologies, and acquires companies that may be subject to ongoing or future intellectual property litigation. If NTT Group is subject to claims of infringement of intellectual property rights, it may be required to expend considerable time and costs to reach a resolution. If such claims are determined adversely to NTT Group, it may be required to pay substantial damages or royalties to third parties, or may be subject to a temporary or permanent injunction preventing certain NTT Group companies from offering certain products or services and required to develop non-infringing products or technologies, which could result in a loss of revenues from businesses related to such rights. Further, any improper use by third parties of NTT Group's intellectual property and other rights could result in a decrease in NTT Group's contemplated license revenues and compromise NTT Group's competitive advantage.

The occurrence of any of these risks could adversely affect NTT Group's results of operations and financial condition.

In consideration of these risks, NTT Group strategically acquires intellectual property rights, and periodically conducts assessments of intellectual property rights, including measures to properly identify intellectual property rights held by NTT Group and by third parties.

Risks Related to Retention of Personnel

A number of companies both in Japan and abroad have entered the information and communications market and information services market, in which the diversity and sophistication of services and technology has rapidly increased, and where changes in the market, with a focus on cloud services in particular, are expected to accelerate even further going forward. In this environment, NTT Group's business is significantly affected by its ability to hire and retain highly skilled personnel and by decreases in productivity and retention as a result of decreased employee engagement.

If the hiring or retention of such key, highly skilled personnel by NTT Group does not proceed as expected, it could adversely affect NTT Group's ability to develop new technologies, design new products, enhance its existing products and execute its growth strategy, which could negatively impact its results of operations and financial condition.

In consideration of these risks, NTT Group implemented measures to strengthen employee training, in addition to providing training in collaboration with the government, other businesses and educational institutions. NTT Group works to understand each employee's work responsibilities, work environment, health condition, compensation and benefits and career goals by arranging regular meetings with employees and conducting surveys (such as employee engagement surveys and pulse surveys) to enable NTT Group to implement preventive measures promptly as necessary to retain its employees. In addition, NTT established a new global research center in the United States, NTT Research, Inc., which conducts fundamental and innovative research on next-generation technologies, and has also promoted the retention of excellent researchers by improving the position of research staff. NTT Group will prevent personnel leakage by preparing an environment engaged in advanced research. Furthermore, in addition to acquiring superior human resources by employing highly skilled personnel at high-ranking positions, such as special researchers, NTT Group is also working to secure personnel in the new space and energy areas of research.

Risks Associated with Business Management

Risks Related to System Disruptions, Network Disruptions and Similar Matters

NTT Group has operations both domestically and abroad, and supports society and business activities through its communications networks and information systems. In addition, NTT Group provides a multitude of services that serve as necessary lifelines that ensures people's safety in their everyday lives.

With respect to the provision of these services, natural disasters such as earthquakes, tsunamis, typhoons and floods, and other issues including a larger-than-expected increase in telecommunication traffic, could cause system and network failures. As a result, there may be occasions when disruptions in NTT Group's business operations caused by the impact of such events on the safety of NTT Group employees and others, or on supply chains, make it impossible to provide reliable services, which may lead to NTT Group being held liable for related damages, potentially damaging NTT Group's credibility and corporate image. Recently, disasters have become more widespread, large-scale and long-lasting. A large-scale disaster could not only severely damage NTT Group's telecommunications networks, but could also harm NTT Group employees or cause damage to systems that could take a long time to restore, and the resulting emergency electricity use restrictions could hinder NTT Group's ability to provide reliable services. These events may lead to reductions in income and substantial repair costs.

In consideration of these risks, NTT Group has implemented a variety of measures, including strengthening the durability and water resistance of exchange buildings, re-assessing its transmission lines, strengthening emergency power sources for exchange buildings and base stations against long-term blackouts and improving initial response to restoration activities by AI-driven damage prediction. Through these various efforts, NTT Group is taking steps towards ensuring safe and secure operations of its networks and systems which are essential to the provision of services. In addition, NTT is conducting training exercises to respond to anticipated large-scale disasters and to confirm the safety of employees using those systems.

Furthermore, in recent years, as threats related to information security have become increasingly sophisticated and diversified, causing incidents such as damage due to cyberattacks and information leaks to emerge as social problems, the development of new information security countermeasures through the introduction of an IT-using environment premised on remote work and other measures, has become a necessity.

Given these circumstances, NTT Group has also intermittently been the subject of cyberattacks, and it is possible that such cyberattacks could cause service interruptions or disruptions in the quality of NTT Group's services, or the leakage, tampering or loss of information, which could harm NTT Group's credibility and corporate image and thereby adversely affect NTT Group's results of operation and financial condition.

In light of these risks, and based on the premise that "cyber incidents are unavoidable, and therefore minimizing damage is critical," NTT Group implements risk-based information security countermeasures, such as the development and review of policies

that must be observed across the entire Group, the migration to zero-trust IT systems that enable remote work, the adoption of the latest technologies for early detection and rapid response, response training exercises in the event that any incidents do occur, trainings on basic actions for all employees, and other measures.

Risks Related to the Impact of the Pandemic and Similar Occurrences on NTT Group's Business

The impact of the COVID-19 pandemic has been increasingly long-lasting. As a result, it is possible that our business activities will be materially affected, including through the downsizing of our customers' business activities, reductions in systems integration orders and in sales of various services and delays in planned construction. Furthermore, during the pandemic, and following the abatement of the pandemic, people's daily lives and the workstyles of businesses have significantly changed, which may, as a result, impact NTT Group's business results and financial position.

In response to the worldwide spread of the pandemic, NTT Group is working to protect the health and safety of all stakeholders, including its customers, partners and employees. At the same time, NTT Group is striving to ensure stable access to information communication services, which are vital for people's daily lives and corporate activities. NTT and its major subsidiaries operating communications businesses are working towards the prevention of infection, from the perspective of respecting human life, while at the same time fulfilling its duty as a designated public institution. In addition, NTT is closely monitoring traffic, which has increased due to an increase in work from home, and is taking measures, such as increasing its equipment, as necessary to maintain stable network operation.

During and after the pandemic, from the perspective of maintaining social distancing, as the improvement of environments for work from home, telemedicine and distance learning becomes increasingly necessary, NTT is driving the development and provision of new services that are appropriate for a remote, distributed network society. Furthermore, NTT will actively support the promotion of digital transformation. By introducing digital technology and AI into work that relies on manpower, such as agriculture, manufacturing and construction, NTT will aim to expand smart operations and contribute to solving the social issue of labor shortages. Also, by building connected value chains in various fields, such as logistics, NTT will work to make industry more efficient, leading to optimizing the movement of people and things and the provision of energy.

In furtherance of the data-driven society that has arisen during and after the pandemic, NTT Group will contribute to the realization of a smart society along with its partners all over the world by leading in innovation, including through the development of technology.

Risks Related to Misconduct, Contractual Issues and Similar Matters

NTT Group is subject to a wide variety of laws and regulations, as the scope of its business encompasses a variety of products and services both in Japan and abroad. As a result, some of NTT Group's business activities require licenses, notifications, and permit approvals. In addition, it is possible that NTT Group's growing business operations, especially outside of Japan, could be subject to additional burdens stemming from, among other things, the local rules and regulations of the countries in which NTT operates, or the lack thereof, the unpredictable nature of commercial and judicial interpretations of such local laws, the adoption of new laws and the revision of existing laws. In addition, in recent years, in addition to laws and regulations, the handling of global-level risks that exist in the supply chain, such as human rights, child labor, destruction of the environment and intermediary exploitation, has also become an increasing issue.

With respect to these matters, it may not always be possible to eliminate compliance risk and reputational risk from loss of credibility, including, for example, in the case of an employee's improper personal behavior. The occurrence of any of the risks described above could adversely affect NTT Group's business, including its reputation and credibility, as well as NTT Group's ability to obtain new subscribers or its eligibility to secure governmental contracts, which could in turn adversely affect NTT Group's results of operations and financial condition.

In consideration of these risks, based on NTT Group's understanding that legal compliance is an extremely important corporate responsibility, NTT Group has further strengthened its compliance systems in light of the tightening of bribery and anti-corruption laws in foreign countries, particularly the United States and the United Kingdom. NTT Group is also working to respond to so-called conduct risk, through which NTT Group's business activities could cause an adverse effect on all of its stakeholders, including its customers, markets, transaction counterparties and employees.

There is increasing societal demand to ensure the protection of confidential information, such as customers' personal information, as well as increasing requirements to protect such information from a legal standpoint.

However, given the further sophistication of criminal activities aimed at obtaining personal information and other confidential information, it is possible that NTT Group will be unable to eliminate the risk of a leak or misuse of confidential information.

In consideration of these risks, NTT Group has historically made efforts to protect confidential information, such as its

customers' personal information, and NTT Group has also implemented the "NTT Group Information Security Policy," which requires enhanced internal information management, training and awareness-raising for officers and employees. NTT Group expects to continue being able to ensure the proper management of confidential information in accordance with this policy.

If NTT Group were to become party to any litigation, dispute, or claim for damages and received an unfavorable decision, it is possible that such a decision could give rise to a financial burden, in addition to potentially harming NTT Group's credibility and corporate image, and could thereby adversely affect NTT Group's results of operation and financial condition.

In consideration of these risks, NTT Group monitors litigation, disputes and claims against all NTT Group companies, including currently active claims and pending claims, and promptly takes measures with respect to any related developments when the need arises.

Risks from Social Issues Arising from the Misuse of Products and Services Offered by NTT Group

NTT Group's products and services may be inappropriately used by users. For example, if cybercrimes, such as unsolicited bulk e-mails, illegal money transfers made through online banking, or bank transfer scams, are perpetrated using NTT Group's services, or if NTT Group customers experience incidents of unsolicited bulk e-mails being sent through its servers, NTT Group customers may be harmed as a result of these actions. Further, there has been a wide range of debate regarding minors' access to illegal or harmful websites, and the effectiveness of filtering services intended to restrict minors from accessing such harmful sites. In addition, there are also concerns over the increasing incidence of accidents caused by the use of mobile phones while operating vehicles or bicycles, as well as issues with increasing occurrence of problems caused by the use of mobile phones while walking. In addition, there are issues concerning the high fees charged for the excess use of paid content by subscribers and the leaking of private information by fraudulent applications and software.

Such issues may adversely affect the credibility of NTT Group's products and services, adversely impact customer satisfaction, and tarnish NTT Group's corporate image, which may result in an increasing number of cancellations among current subscribers and an inability to acquire the anticipated number of new subscribers, which could adversely affect NTT Group's results of operations and financial condition.

In consideration of these risks, NTT Group has worked to provide products and services that can be used comfortably and securely, including providing locks on smartphone use while users are walking, filtering and other functions, and has promoted awareness activities to improve knowledge and personal behaviors with respect to its products and services.

Risk Related to International Affairs

Because NTT Group engages in business both in Japan and abroad, issues in international affairs, such as terrorism, armed conflicts or regional disputes, could threaten the safety of employees and other persons or cause buildings and other facilities to be destroyed. Furthermore, the effects of such events on regional business operations, supply chains, procurement of funds and other areas may cause interruptions in NTT Group's business continuity, such as by causing disruptions in NTT Group's business or causing NTT Group to be unable to provide stable services. In certain circumstances, it is possible that these issues would not be limited to the relevant countries or regions, and could have an effect on global business continuity.

In addition, as a result of such events, employees could be directly harmed, networks and systems could require long periods of time for recovery, and NTT Group could become unable to provide stable services as a result of difficulties in the procurement of fuel or equipment, among other possible effects, which could in turn cause reductions in revenues and require significant necessary expenditures on remediation costs. In certain circumstances, it is possible that NTT Group may bear responsibility for certain related damages. Furthermore, such events could lead to a decline in the credibility and corporate image of the NTT Group.

In consideration of these risks, NTT Group has strengthened its information management methods both domestically and overseas, conducts regular trainings for confirmations of employee safety, ensures the security of important equipment such as telecommunications buildings, has designed redundant transmission routes, and has strengthened the emergency power supplies for telecommunications buildings and base stations as a measure against long-term power outages, among other measures. In addition, NTT Group has published the "NTT Group Supply Chain Sustainability Guidelines," and in anticipation of any circumstances caused by internal affairs that could have a significant impact on business continuity, such as high price increases in raw materials, disruptions of logistics and difficulties in procuring raw materials and parts, NTT Group has asked its suppliers to develop business continuity plans to minimize any effects on the supply chain, in addition to working with relevant suppliers to minimize the impact of any such occurrences on NTT Group's business. Through such measures, NTT Group has taken a variety of measures to ensure the safe and stable operation of the systems and networks that are necessary for its business continuity.

Risks Associated with the Government, Including Rules, Regulations and Others

Risks to NTT Group's Business Caused by the Effect of Government Regulations or Shareholdings

The regulation of the Japanese telecommunications industry has evolved in many areas, including amendments to telecommunications laws aimed at promoting competition, protecting service users and other purposes.

Decisions relating to Government regulations and the resulting changes in the telecommunications industry may affect NTT Group's results of operations and financial condition.

In consideration of these risks, NTT Group is taking appropriate steps to obtain necessary information on developments relating to the Government's information and telecommunications policies and regulations, and has also presented its views through public comments and hearings.

For a summary of Government regulations, see "Supplemental Information-Regulations Applicable to NTT's Business- (1) Regulations."

Further, NTT Group has limited frequencies available for its services.

While the number of subscribers and the traffic per subscriber are expected to increase in conjunction with the expanded use of devices such as smartphones and tablets, if NTT Group were unable to obtain the frequency spectrum required for unhindered operation or if the start of operations on a different band frequency did not progress as planned, NTT Group may suffer degradation of service quality and incur additional costs. In addition, NTT Group may face constraints in providing wireless services or lose subscribers to competitors, which could have a material adverse effect on NTT Group's results of operations or financial condition.

In consideration of these risks, NTT Group is working to obtain new frequencies and implementing carrier aggregation with respect to its mobile communications networks to improve the efficiency of frequency usage.

For additional details, see "Supplemental Information-Regulations Applicable to NTT's Business- (1) Regulations- 3. Radio Act."

The Government, through the Minister of Finance, currently owns 35.59% of NTT's outstanding Shares excluding treasury stock, which equates to 35.64% of the voting rights. The Government, in its capacity as a shareholder, votes at NTT shareholder meetings and, by virtue of its statutorily mandated position as the largest shareholder, has the power to exert considerable influence over decisions made at such meetings. In 1997, in a statement at the Diet, the Government stated that it did not intend to actively use its position as a shareholder to direct the management of NTT. In fact, the Government has not historically used its power as a shareholder to direct the management of NTT. For details regarding the regulatory authority the Government legally has with respect to NTT Group, see "Supplemental Information-Regulations Applicable to NTT's Business- (1) Regulations."

Supplemental Information: Regulations Applicable to NTT's Business

(1) Regulations

The Ministry of Internal Affairs and Communications (the “MIC”) is the main regulatory body in Japan responsible for the information and telecommunications industry. The Telecommunications Business Act gives the Minister the authority to regulate telecommunications companies. The Telecommunications Business Act came into effect in 1985 at the same time that NTT was incorporated as a private company and significant changes in the legislative and regulatory framework for telecommunications in Japan opened the Japanese information and telecommunications services industry to competition. Since then, the Government has taken various measures to promote competition in the Japanese telecommunications market. As a result, NTT Group faces increasing competition in many of its business sectors from new companies that have entered or are about to enter the market.

NTT and certain of its subsidiaries are subject to regulations that affect their business under the NTT Act, the Radio Act, and the Telecommunications Business Act. A summary of these regulations is provided below.

1. Telecommunications Business Act (Act No. 86 of 1984)

Regulations under Telecommunications Business Act are as follows:

(a) Regulations applicable to all telecommunications companies

a. Business Commencement/Termination

- Registration with the Minister regarding the commencement of telecommunications business (Article 9)
However, where the scale of the telecommunications circuit facilities which are to be installed and the scope of the area covered thereby do not exceed certain thresholds or fall within a certain category of radio facilities, only a notice to the Minister is required (Article 16).
- Update of registration in the event of a merger, stock acquisition or other similar transaction (Article 12(2)).
- Notification to the Minister as well as their service subscribers on matters relating to the suspension or discontinuation by telecommunications companies of their telecommunications business (Article 18, Article 26(4)).

b. Setting of Subscriber Rates and Other Terms of Service

- Notification to the Minister of the terms of the basic telecommunications services they provide (Article 19).
Telecommunications businesses that provide basic telecommunications services are required to provide fee-related and other contractual terms and conditions related to those services to the MIC.
- Regulations relating to consumer protection
Telecommunications companies are imposed consumer protection, including provisions on pre-contract accountability (Article 26), document delivery obligations (Article 26(2)), systems for the termination of initial contracts (Article 26(3)), notification obligations in the event of the suspension or discontinuation of telecommunications operations (Article 26(4)), obligations to handle complaints and inquiries (Article 27), prohibitions on misstatements or on excessive solicitation (Article 27(2)), and measures applicable to business agents, such as trustees (Article 27(4)), among other provisions.

(Note) Ministry of Internal Affairs and Communications (the “MIC Ordinance”) requires basic telecommunications services to be provided across Japan because they are regarded as essential to the lives of people in Japan. These are known as “universal services.” These services include telephone subscriber lines (base rates) or optical IP telephones equivalent to telephone subscriber lines, Wireless landline, Type 1 Public Telephones (public telephones installed pursuant to the MIC standards), Public telephone for disasters, and emergency numbers (110, 118, 119).

c. Interconnection

- Regulations promulgated under the Telecommunications Business Act require businesses in the telecommunications sector to respond to the requests of other telecommunications carriers regarding the connection of telecommunications circuit facilities (Article 32).

d. Universal Service Fund (“USF”)

The USF is a system under which telecommunications carriers cover the costs and expenses necessary to provide universal services. In order to ensure the provision of universal services, the Minister designates a support organization to provide funds to cover a portion of such costs and expenses (Article 107). Grants are made to eligible telecommunications carriers (Article 108) that provide universal services, including in unprofitable regions. In connection with this system, each telecommunications carrier is obligated to make the appropriate amount of payments to cover the costs and expenses requested by the support organization (Article 110). The designated support organization began providing services in June 2006 in response to the MIC Ordinance being amended in April 2006 to determine the services applicable to the USF and to set the calculation method of grants and contributions.

Under the NTT Act, NTT East and NTT West became responsible for providing universal services and were designated as eligible telecommunications carriers by the Minister. In the fiscal year ended March 31, 2022, the aggregate amount of compensation to NTT East and NTT West in connection with the USF was ¥6.6 billion, and in the fiscal year ending March 31, 2023, the aggregate amount of compensation to NTT East and NTT West in connection with the USF is expected to be ¥6.7 billion.

(b) Regulations Imposed Only on NTT East and NTT West

a. Rates and Other Terms of Service

- Regulations promulgated under the Telecommunications Business Act require NTT East and NTT West to notify the Minister of the terms and conditions of their rate warranty agreements for designated telecommunications services (Article 20). These regulations also require that rates and other terms of service for designated telecommunications services provided by Category I designated telecommunications facilities be established and submitted to the Minister.
- The Telecommunications Business Act also provides for the regulation of rates for specified telecommunications services (Article 21) and for price cap regulations. The regulations promulgated under the Telecommunications Business Act require that the Minister be notified whenever the service rates of a business are at or below the standard price index specified by the Minister, and approval of the Minister is required when a business proposes to increase rates above the standard price index.

(Note)

- “Category I designated telecommunications facilities” comprise fixed terminal transmission line facilities installed by a telecommunications carrier where the facilities that have been installed by such carrier in a prefecture represent one-half or more of the total number of such facilities in the prefecture, and other ancillary facilities installed together with these facilities whose connection with other telecommunications carriers is essential for improving convenience to subscribers, and for the comprehensive and reasonable development of telecommunications services (designated by the Minister of Internal Affairs and Communications). The main telecommunications facilities of NTT East and NTT West have been designated as Category I designated telecommunications facilities.
- “Designated telecommunications services” are services that are provided by a telecommunications business using a Category I designated telecommunications facility established by such telecommunications business, and that have been designated as services for which “it is particularly necessary to protect the interests of customers by ensuring that the rates and other terms of service are fair and appropriate.” The determination of what constitutes a designated telecommunications service is based on a consideration of various factors, including whether alternative services are being adequately provided by other telecommunications carriers. Specifically, this refers to telephone subscriber line services, ISDN, public telephones, dedicated services, FLET’S Hikari, Hikari Denwa and other services, but excludes services providing supplementary functions that have minimal beneficial impact on subscribers.
- “Specified telecommunications services” are designated telecommunications services or services specified in the MIC Ordinance as having a significant beneficial impact on subscribers. Specifically, this refers to telephone subscriber services, ISDN and public telephone services provided by NTT East and NTT West.
- “Standard price index” refers to an index published by the Minister of Internal Affairs and Communications that shows the standard charges for each type of designated telecommunications service taking into consideration the appropriate costs and commodity prices to support efficient management.
- “Price cap regulation” is a system that sets maximum limits on rates. As the actual charge indexes for NTT East and NTT West are below the level of the standard charge index applicable to the one-year period beginning on October 1, 2021, no price adjustments pursuant to the price cap regulation have been made.

b. Interconnection

- Regulations promulgated under the Telecommunications Business Act require NTT East and NTT West to obtain approval of all interconnection agreements from the Minister as holders of Category I designated telecommunications facilities (Article 33). The Minister's approval is subject, among other things, to the condition that the interconnection rates be fair and proper according to the method stipulated in the MIC Ordinance for computing proper costs under efficient management. NTT East's and NTT West's respective interconnection agreements establish their interconnection rates and conditions for interconnection.

(Telephone Line Interconnection Charges)

In May 1998, in a joint status report on deregulation and competition policy issued by the governments of Japan and the United States, the Government stated its intention to introduce a Long-Run Incremental Cost ("LRIC") Methodology. In May 2000, the Telecommunications Business Act was amended to include the introduction of an LRIC Methodology, which has since then brought about decreases in interconnection charges. As communication traffic declined significantly, in order to avoid an increase in communication rates through the increase of interconnection charges, it was decided that Non-Traffic Sensitive ("NTS") costs (costs which do not vary according to the volume of communication traffic) would be removed from interconnection rate costs and be recovered instead through base rates (October 2004 report of the Telecommunications Council). In addition, with respect to a portion of NTS costs, when the USF was reviewed from the standpoint of restricting cost increases for users, it was decided that the cost burden resulting from narrowing the scope of USF subsidies would not be borne only by NTT East and NTT West, but would also be recovered in a fair and equitable manner from other carriers, and that a portion of NTS costs would therefore be reintroduced as interconnection rate costs.

The Telecommunications Council of 2018 determined, as a result of a review, that it would continue to apply the LRIC Methodology for interconnection charges for the period from the fiscal year ended March 31, 2020 until the fiscal year ending March 31, 2022.

(Optical Fiber Line Interconnection Charges)

NTT East and NTT West are obligated to lease their optical fiber to other carriers at regulated rates (referred to as "optical fiber interconnection charges") because the optical fiber owned by NTT East and NTT West qualifies as Category I designated telecommunications facilities under the Telecommunications Business Act.

In order to maintain low barriers to entry by other carriers through the lowering of interconnection charges, NTT East and NTT West have employed a future cost method that designates the three-year period from the start of the fiscal year ended March 31, 2021 to the end of the fiscal year ending March 31, 2023 as the computation period in order to calculate subscriber optical fiber interconnection charges. For these interconnection charges, NTT Group has introduced a cost difference adjustment system under which adjustments are made by adding the difference between the actual revenue from interconnection charges and the actual cost of interconnection charges for the following year and future years, which NTT believes will eliminate the risk of unrecoverable amounts.

The Information and Communications Council and Postal Services Council conducted an evaluation of the issue of setting per-unit interconnection charges for optical bifurcated lines in the passive optical network (Gigabit Ethernet-Passive Optical Network, or "GE-PON") and determined that there remained issues that needed to be resolved (March 2012 report by the Information and Communications Council and Postal Services Council). To date, the Information and Communications Council has not set per-unit interconnection charges for optical bifurcated lines.

Regulations promulgated under the Telecommunications Business Act require NTT East and NTT West to notify the Minister of:

- (i) in the event that any functions relating to Category I designated telecommunications facilities are suspended or discontinued, NTT East and NTT West are required to notify other telecommunications carriers who use such functions in advance, in accordance with the MIC Ordinance (Article 33(2)),

- (ii) plans related to the functions of Category I designated telecommunications facilities, including any changes or additions to such functions (Article 36),
- (iii) any agreement to share Category I designated telecommunications facilities with other telecommunications carriers (Article 37), and,
- (iv) in the event that any wholesale telecommunications provision business utilizing Category I designated telecommunications facilities is started, modified, or terminated, NTT East and NTT West are required to notify the Minister of such start, modification, or termination, as well as the type of wholesale service, the fee applicable to certain wholesale businesses that meet certain conditions, and other information (Article 38 (2)). Further, there are regulations governing the organization and publication of information furnished to or obtained by the Minister (Article 39 (2)).

c. Prohibited Activities

NTT East and NTT West, as dominant businesses in the fixed voice and IP/packet communications markets, are prohibited from using interconnection information for other than its intended purposes and from giving unfair preferential treatment to any particular telecommunications carrier (Article 30). Officers of NTT East and NTT West are also prohibited from holding concurrent officer positions at NTT Communications and NTT DOCOMO, which was designated by the Minister as a specified relevant carrier (Article 31). NTT East and NTT West are required to carry out necessary and proper monitoring of the subsidiaries to which they outsource services to ensure that such subsidiaries do not participate in prohibited activities, and are also obligated to appropriately manage information relating to interconnection services and to establish an appropriate system to monitor the implementation status of interconnection services (Article 31). Accordingly, NTT Group's ability to provide services exclusively in collaboration with telecommunications carriers within NTT Group is limited by these regulations. NTT intends to provide services in response to market needs while ensuring that all requirements for fair competition, including the regulations with respect to prohibited activities, are satisfied. However, these regulations may, for example, impede the timely provision of new services by NTT Group or have other adverse effects.

(c) Regulations Imposed on NTT DOCOMO

a. Interconnection

- Regulations promulgated under the Telecommunications Business Act require NTT DOCOMO to submit to the Minister for approval any interconnection agreements relating to connection with Category II designated telecommunications facilities (Article 34).

NTT DOCOMO's main telecommunications facilities for mobile phones were designated by the Minister as Category II designated telecommunications facilities requiring a reliable connection with other telecommunications businesses. NTT DOCOMO is required to establish its interconnection rates and terms of interconnection in its interconnection agreements and to submit them to the Minister.

- In the event that any functions relating to Category II designated telecommunications facilities are suspended or discontinued, NTT DOCOMO is required to notify other telecommunications carriers who use such functions in advance, in accordance with the MIC Ordinance (Article 34(2)).
- In the event that any wholesale telecommunications provision business utilizing Category II designated telecommunications facilities is started, modified, or terminated, regulations promulgated under the Telecommunications Business Act require NTT DOCOMO to notify the Minister of such start, modification, or termination, as well as the type of wholesale service, the fee applicable to certain wholesale businesses that meet certain conditions, and other information (Article 38(2)). Further, there are regulations governing the organization and publication of information furnished to or obtained by the Minister (Article 39(2)).

Regulations related to Category II designated telecommunications facilities are applicable to all telecommunications companies who install Category II designated telecommunications equipment, including but not limited to NTT

DOCOMO.

b. Prohibited Activities

From the perspective of preserving competitiveness between telecommunications operators, NTT DOCOMO is prohibited from offering more preferential service rates when devices are purchased than when devices are not purchased, constraining users with excessively long contract periods and similar activities (Article 27(3)). In addition to NTT DOCOMO, this prohibition applies to all operators designated by the Minister.

Furthermore, NTT DOCOMO, as a dominant business in the mobile communications market, is prohibited from using interconnection information for other than its intended purposes and from giving unfair preferential treatment to other NTT Group companies as designated by the Minister (Article 30).

(Note)

“Category II designated telecommunications facilities” consist of (a) transmission line facilities connected to designated mobile equipment (including mobile phone devices and BWA devices) installed by telecommunications businesses which (i) are installed by the same telecommunications businesses, and (ii) represent ten percent or more of the total number of transmission line facilities in the entire service area, and (b) telecommunications facilities which were installed specifically to provide such telecommunications services for reliable connection with other telecommunications businesses designated by the Minister.

2. NTT Act (Act No. 85 of 1984)

(a) Overview

The Supplementary Provisions of the Act to Amend the Nippon Telegraph and Telephone Company Act were promulgated in June 1997 and came into effect in July 1999. As a result, the Nippon Telegraph and Telephone Company Act was re-titled the “Act on Nippon Telegraph and Telephone Corporation, etc.” and NTT was reorganized as a holding company. This Act has been revised by the Act to Amend the Telecommunications Business Act, which was promulgated in June 2001 and took effect in November 2001, and by other subsequent amendments.

1. Purpose

- a. The NTT Act requires NTT to own all of the shares issued by NTT East and NTT West, to ensure appropriate and reliable provision of telecommunications services by these companies, and to engage in research activities relating to telecommunications technologies that form the foundation for telecommunications in Japan.
- b. The NTT Act also requires NTT East and NTT West to manage regional telecommunications businesses as joint-stock companies.

2. Business Activities

- a. The NTT Act requires NTT to engage in the following business activities:
 - (i) subscribing for and holding the shares issued by NTT East and NTT West and exercising rights as a shareholder of such shares;
 - (ii) providing necessary advice, assistance and other related support to NTT East and NTT West;
 - (iii) engaging in research activities relating to telecommunications technologies that form the foundation for telecommunications; and
 - (iv) engaging in business activities incidental to the business activities set forth in (i), (ii) and (iii) above.
- b. In addition to these business activities, the NTT Act provides that NTT may engage in actions necessary to complete such business activities after notifying the Minister.

c. The NTT Act requires that NTT East and NTT West engage

(i) in regional telecommunications business activities in prefectures in the following regions:

A. for NTT East: Hokkaido Prefecture, Aomori Prefecture, Iwate Prefecture, Miyagi Prefecture, Akita Prefecture, Yamagata Prefecture, Fukushima Prefecture, Ibaraki Prefecture, Tochigi Prefecture, Gunma Prefecture, Saitama Prefecture, Chiba Prefecture, Tokyo, Kanagawa Prefecture, Niigata Prefecture, Yamanashi Prefecture and Nagano Prefecture; and

B. for NTT West: Kyoto Prefecture, Osaka Prefecture and all other prefectures not listed above.

(ii) in business activities incidental to those set forth above.

d. Upon notification to the Minister, the NTT Act permits NTT East and NTT West to engage

(i) in business activities necessary to achieve their respective purposes and

(ii) in regional telecommunications business activities in any region or prefecture (Intended Business Areas) not otherwise designated.

e. Regional telecommunications business activities must be conducted using facilities that have been installed by NTT East and NTT West themselves. If, however, it is determined to be necessary for ensuring that telephone services are universally provided appropriately, fairly and stably in an Intended Business Area, then with the approval of the Ministry of Internal Affairs and Communications, telephone services may be provided using the facilities (radio equipment) of other telecommunications operators.

f. In addition, upon notification to the Minister, NTT East and NTT West may engage in telecommunications businesses and other business activities utilizing their equipment, technology or employees, to the extent that there is no interference with the smooth implementation of their regional telecommunications business activities and the maintenance of fair competition in regional telecommunications business activities.

3. Responsibilities

Pursuant to the NTT Act and the regulations promulgated thereunder, the management of NTT, NTT East and NTT West are required to give consideration to each company's contribution to securing the appropriate, fair, and reliable provision of telephone services throughout Japan that are indispensable to civil life, and to the innovative and advanced development of telecommunications in Japan through the promotion of research relating to telecommunications technologies and the dissemination of the results thereof. The NTT Act also requires that each company promote public welfare, in view of the important role that telecommunications services play in contributing to societal and economic development.

(b) Matters Requiring the Approval of the Minister

The NTT Act requires that the Minister approve the following actions of NTT, NTT East or NTT West, as applicable:

- Issuing new shares or bonds with share acquisition rights (Articles 4 and 5). Under the NTT Act, NTT may issue new shares upon notification to the Minister, and may continue to do so until the number of issued shares reaches a certain threshold specified in the applicable ministerial ordinance of the MIC, even if approval is not obtained (Supplementary Provisions, Article 14).
- Adopting resolutions on the appointment or dismissal of corporate directors or corporate auditors of NTT (Article 10). Under the NTT Act, non-Japanese citizens cannot be appointed as corporate directors or corporate auditors of NTT, NTT East or NTT West.

- Adopting resolutions to change the respective articles of incorporation of NTT, NTT East or NTT West, to merge or dissolve each company, or to appropriate any surplus (Article 11).
- Changing the business operation plans of NTT, NTT East or NTT West (Article 12).
- Transferring or mortgaging any significant telecommunications facilities of NTT East or NTT West (Article 14).

(c) Other Obligations to the Minister

In addition to the foregoing, the NTT Act imposes several additional duties on NTT, NTT East and NTT West, including:

- (i) a duty to submit balance sheets, profit and loss accounts and business reports to the Minister (Article 13);
- (ii) a duty to abide by orders issued by the Minister (Article 16); and
- (iii) a duty to comply with requests to submit reports on business activities (Article 17).

3. Radio Act (Act No. 131 of 1950)

- (a) Under the Radio Act, any establishment of a radio station requires a license from the Minister (Article 4) and
- (b) changes to the purpose of the radio station, intended audience and topics of communication require approval from the Minister (Article 17).

(Spectrum Band Allocation for Mobile Communication Businesses)

Mobile communications businesses are required to have a license from the MIC to use radio frequency spectrum. Spectrum band allocations are governed by the Radio Act and related statutes and regulations.

(2) Matters Relating to NTT's Shares

1. Restrictions on the Ratio of Foreign Ownership of the Voting Rights of NTT's Shares (Article 6 of the NTT Act)

If the ratio of foreign ownership of voting rights to the total voting rights of NTT's Shares would equal or exceed one-third, NTT is prohibited from recording the names and addresses of such foreign owners on its shareholder registry and registering such foreign ownership.

(Note) "Foreign ownership" refers to:

- (1) any person who is not of Japanese nationality;
- (2) any foreign government or any of its representatives;
- (3) any foreign juridical person or association; or
- (4) any juridical person or association whose voting rights are directly owned by entities listed in clauses (1) through (3) above in a ratio equal to or exceeding the ratio specified in the applicable ministerial ordinance of the MIC.

NTT's Articles of Incorporation provide that NTT may distribute dividends to its shareholders or registered pledgees of shares entered or recorded on the register of shareholders and shareholders or pledgees of shares for whom all or part of their shares were not entered or recorded in the register of shareholders pursuant to Article 6 of the NTT Act.

2. Government Ownership and of NTT Shares (Article 4 of the NTT Act)

The NTT Act requires the Government, at all times, to own one-third or more of the total number of issued Shares of NTT.
(Note)

The NTT Act sets forth special provisions regarding the method for calculating the total number of issued Shares of NTT for this purpose (NTT Act, Supplementary Provisions, Article 13), including: (i) if Shares are issued through new Share issuances or the exercise of stock acquisition rights, or in exchange for the acquisition of shares subject to call or put options, the increase in the number of Shares as a result thereof ("Shares Not to be Included in Calculation") will not be included in the total number of issued Shares; and (ii) if there is a stock split or combination of Shares after the increase in Shares described in clause (i), the number obtained by multiplying the ratio of the stock split or the combination of Shares (if there is a stock split or combination of Shares in two or more stages, the ratio is equal to the product of the ratios for all stages) with the Shares Not to be Included in Calculation would not be included in the total number of issued Shares.

As of March 31, 2022, the total number of issued Shares of NTT was 3,622,012,656, of which the Government owned 1,260,901,512 Shares or 35.59% of outstanding Shares, excluding treasury stock.

(Note)

In December 2000, NTT issued 300,000 new Shares (equal to 120 million Shares after a 100-for-1 stock split on January 4, 2009, a 2-for-1 stock split on July 1, 2015 and a 2-for-1 stock split on January 1, 2020) in a public offering. These Shares are not included in the total number of issued Shares when calculating the percentage of Government-owned Shares. The total number of Government-owned Shares includes Shares which are unregistered because of a failure in the transfer of title, and such Shares are therefore not actually owned by the Government. These Shares are nominally owned by the Government but are excluded from the total number of Shares owned by the Government when calculating the percentage of Government-owned Shares. If these conditions are taken into account, the percentage of Government-owned Shares is 35.99%.

NTT Group's transactions with Government divisions and agencies are arm's-length transactions, with the relevant division or agency acting as an individual customer. In its capacity as a shareholder, the Government is entitled to exercise voting rights at NTT general shareholders meetings, and as the largest shareholder, theoretically has the power to have a material impact on a large majority of shareholder meeting resolutions. However, the Government historically has not exercised this authority and has not been directly involved in NTT's management.

3. Government Dispositions of NTT Shares

The NTT Act requires that any disposition of the Government's NTT's Shares must be within the limits determined by the Diet in the relevant annual budget (NTT Act, Article 7).

(a) Background of Sales and Sale Policy (From the 1st to the 6th Offering of Government-owned Shares)

NTT was established with 15.6 million issued Shares; of the 10.4 million Shares that the Government was allowed to sell (the numbers of Shares held less the 5.2 million Shares representing the one-third of issued Shares that the Government was obligated to hold), the Government sold 5.4 million Shares from 1986 to 1988.

In addition, on December 17, 1990, the Ministry of Finance promulgated a sale policy under which, with respect to the 5.0 million Shares that remained unsold at that point: (a) 2.5 million Shares would systematically be sold at an approximate rate of 500,000 Shares per year; (b) if in later years the market environment allowed it, such sales would be carried out earlier than scheduled; and (c) sales of the remaining 2.5 million Shares would be frozen for a period of time. (However, until the fiscal year ended March 31, 1998, no sales were actually carried out, due to the market environment and other factors.)

For the fiscal year ended March 31, 1999, the Government sold one million Shares in December 1998.

For the fiscal year ended March 31, 2000, the Government designated one million Shares as the maximum number of Shares that it would sell; of these, NTT repurchased 48,000 Shares as treasury stock, and the Government sold the remaining 952,000 Shares in November 1999. The above sale policy announced in December 1990 has expired.

For the fiscal year ended March 31, 2001, the Government sold one million Shares in November 2000.

(b) Sales of Government-owned shares

Sales of Government-owned shares up to the date of submission of this Annual Securities Report are summarized below:

Fiscal Year	Government Sales		
	Sale Date	Number of Shares Sold	Sale Method
FY1986	February 1987 (the 1st offering)	200,000 shares	General public bidding
		1,750,000 shares	"Distribution of Securities" by securities broker
FY1987	November 1987 (the 2nd offering)	1,950,000 shares	"Underwriting" or "Distribution of Securities" by securities broker
FY1988	October 1988 (the 3rd offering)	1,500,000 shares	"Underwriting" or "Distribution of Securities" by securities broker
FY1998	December 1998 (the 4th offering)	1,000,000 shares	Distribution of securities through book-building method
FY1999	July 13, 1999	48,000 shares	Repurchase of treasury stock
	November 1999 (the 5th offering)	952,000 shares	Distribution of securities through book-building method
FY2000	November 2000 (the 6th offering)	1,000,000 shares	Distribution of securities through book-building method
FY2002	October 8, 2002	91,800 shares	Repurchase of treasury stock
FY2003	October 15, 2003	85,157 shares	Repurchase of treasury stock
FY2004	November 26, 2004	800,000 shares	Repurchase of treasury stock
FY2005	September 6, 2005	1,123,043 shares	Repurchase of treasury stock
FY2011	July 5, 2011	57,513,600 shares	Repurchase of treasury stock
	February 8, 2012	41,820,600 shares	Repurchase of treasury stock
FY2013	March 7, 2014	26,010,000 shares	Repurchase of treasury stock
FY2014	November 14, 2014	35,088,600 shares	Repurchase of treasury stock
	November 28, 2014	1,068,100 shares	Repurchase of treasury stock
FY2016	June 14, 2016	59,000,000 shares	Repurchase of treasury stock
FY2019	September 11, 2019	48,666,700 shares	Repurchase of treasury stock

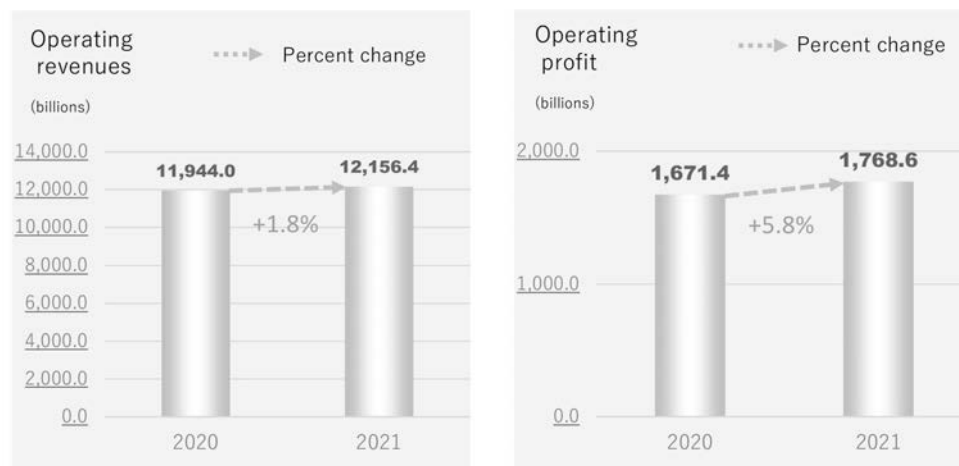
- Notes: 1. With an effective date of November 24, 1995, a stock split was implemented with a ratio of 1.02 shares per share of common stock.
2. With an effective date of January 4, 2009, a stock split was carried out with a ratio of 100 shares per share of common stock.
3. With an effective date of July 1, 2015, a stock split was implemented with a ratio of two shares per share of common stock.

3. Management's Analysis of Financial Condition, Results of Operations and Cash Flows

Summary of Results of Operations

Forward-looking statements included herein are made as of the date of the filing of this Annual Securities Report.

(1) Analysis of Operating Results (Consolidated)



Operating Revenues

NTT Group's operating revenues are divided into six service categories, comprising fixed voice related services, mobile voice related services, IP/packet communications services, sales of telecommunications equipment, system integration and other.

Operating revenues in the fiscal year ended March 31, 2022 increased 1.8% from the previous fiscal year to ¥12,156.4 billion.

This increase was due to such factors as an increase in system integration revenues as a result of capturing significant demand for digitalization both domestically and overseas and an increase in other business revenues as a result of the expansion of the smart life area in the Integrated ICT Business

Operating revenues for each service category for the fiscal year ended March 31, 2022 are summarized as follows:

Fixed Voice Related Services

NTT Group's fixed voice related services include a portion of the services it provides in the regional communications business segment and Integrated ICT Business Segment, such as telephone subscriber lines, INS-Net, conventional leased circuits and high speed digital.

Fixed voice related revenues for the fiscal year ended March 31, 2022 decreased 2.0% from the previous fiscal year to ¥916.1 billion, accounting for 7.5% of total operating revenues. This decrease was due to a continued decline in the number of subscriptions for telephone subscriber lines and INS-Net caused by the increased popularization of mobile phones and IP telephones, and an increase in free or low-priced communications services offered by providers of over-the-top content ("OTT" a content distribution service utilizing other companies' communications infrastructure, allowing a service provider to distribute services without owning its own communications infrastructure),

Mobile Voice Related Services

Mobile voice related services include a portion of the services NTT Group provides in the Integrated ICT Business Segment, such as 5G, LTE (Xi) and other services.

Mobile voice related revenues for the fiscal year ended March 31, 2022 decreased 2.2% from the previous fiscal year to ¥1,102.5 billion, accounting for 9.1% of total operating revenues. This decrease was primarily due to the effects of wholesale voice service price reductions.

IP/Packet Communications Services

NTT Group's IP/packet communications services include a portion of the services it provides in the Regional Communications Business Segment, such as FLET'S Hikari, and a portion of the services it provides in the Integrated ICT Business Segment, such as Arcstar Universal One, IP-VPN, OCN, and 5G, LTE (Xi) and other packet communications services.

In the fiscal year ended March 31, 2022, revenues from IP/packet communications services decreased 0.9% from the previous fiscal year to ¥3,444.8 billion, accounting for 28.3% of total operating revenues. This decrease was due to a decrease in revenues due to the enhancement of customer returns through the introduction of ahamo and other billing plans, despite an increase in revenues due to a net increase in fiber optic lines.

Sales of Telecommunications Equipment

This category includes a portion of the services NTT Group provides in the Integrated ICT Business Segment and the Regional Communications Business Segment.

In the fiscal year ended March 31, 2022, revenues from telecommunications equipment sales increased 3.1% from the previous fiscal year to ¥694.7 billion, accounting for 5.7% of total operating revenues. This increase was mainly due to an increase in the number of equipment units sold in the Integrated ICT Business Segment as a result of the number of customers at DOCOMO shops recovering from the decrease that had occurred in the previous fiscal year due to the spread of the COVID-19 and other factors.

System Integration

NTT Group's system integration services include a portion of the services it provides in the Global Solutions Business Segment, the Integrated ICT Business Segment and the Regional Communications Business Segment.

In the fiscal year ended March 31, 2022, revenues from system integration increased 4.1% from the previous fiscal year to ¥3,988.7 billion, accounting for 32.8% of total operating revenues. This increase was mainly due to factors such capturing increased demand for digitalization both domestically and abroad in the Global Solutions Business Segment.

Other Operating Revenues

Other services principally comprise building maintenance, real estate rentals, sales of electricity and the Smart Life area in the Integrated ICT Business Segment.

In the fiscal year ended March 31, 2022, revenues from other services increased 5.7% from the previous fiscal year to ¥2,009.6 billion, accounting for 16.5% of total operating revenues. This increase was due to an increase in revenues as a result of the expansion of the smart life area in the Integrated ICT Business Segment and an increase in revenues in the Regional Communications Business Segment as a result of an increase in revenues from subsidiaries, including the contact center business, among other factors.

Operating Expenses

Operating expenses in the fiscal year ended March 31, 2022 increased 1.1% from the previous fiscal year to ¥10,387.9 billion. The reasons for the increase are discussed below.

Personnel Expenses

Personnel expenses in the fiscal year ended March 31, 2022 increased 4.3% from the previous fiscal year to ¥2,566.1 billion. This increase was mainly due to the increase in personnel expenses as a result of the expansion of businesses in the Global Solutions Business Segment.

Expenses for Purchase of Goods and Services and Other Expenses

In the fiscal year ended March 31, 2022, expenses for purchase of goods and services and other expenses decreased 0.6% from the previous fiscal year to ¥5,839.4 billion. This decrease was mainly due to a decrease in sales-related costs in the Integrated ICT Business Segment, partially offset by an increase in revenue-linked costs in the Regional Communications Business Segment and the Global Solutions Business Segment.

Depreciation and Amortization Expenses

Depreciation and amortization expenses in the fiscal year ended March 31, 2022 increased 3.6% from the previous fiscal year to ¥1,561.2 billion. This increase was mainly due to an increase in 5G-related equipment in the Integrated ICT Business Segment.

Operating Profit

As a result of the foregoing, operating profit for the fiscal year ended March 31, 2022 increased 5.8% from the previous fiscal year to ¥1,768.6 billion.

Finance Income and Costs

Finance income and costs for the fiscal year ended March 31, 2022 was ¥7.2 billion compared to ¥(19.0) billion for the previous fiscal year.

Share of Profit (Loss) of Entities Accounted for Using Equity Method

Share of profit (loss) of entities accounted for using the equity method for the fiscal year ended March 31, 2022 was ¥19.7 billion compared to ¥0.2 billion for the previous fiscal year.

Profit before Taxes

As a result of the foregoing, profit before taxes for the fiscal year ended March 31, 2022 increased 8.7% from the previous fiscal year to ¥1,795.5 billion.

Income Taxes

In the fiscal year ended March 31, 2022, income taxes increased 2.8% from the previous fiscal year to ¥539.5 billion. Effective tax rates for the fiscal year ended March 31, 2021 and for the fiscal year ended March 31, 2022 were 31.75% and 30.05%, respectively.

Profit Attributable to NTT

As a result, profit for the fiscal year ended March 31, 2022 increased 11.4% from the previous fiscal year to ¥1,256.0 billion. Profit attributable to NTT (excluding the profit attributable to non-controlling interests) for the fiscal year ended March 31, 2022 increased 28.9% from the previous fiscal year to ¥1,181.1 billion.

As a result of the initiatives described above, results of operations for the fiscal year ended March 31, 2022 were as follows.

	Year Ended March 31,		Change	Percent Change
	2021	2022		
	(in billions of yen)			
Operating revenues	11,944.0	12,156.4	212.5	1.8 %
Fixed voice related services	934.7	916.1	(18.6)	(2.0) %
Mobile voice related services	1,126.8	1,102.5	(24.3)	(2.2) %
IP/Packet communications services	3,477.5	3,444.8	(32.8)	(0.9) %
Sales of telecommunications equipment	674.1	694.7	20.6	3.1 %
System integration	3,829.8	3,988.7	158.8	4.1 %
Other	1,901.0	2,009.6	108.6	5.7 %
Operating expenses	10,272.6	10,387.9	115.3	1.1 %
Personnel expenses	2,461.4	2,566.1	104.7	4.3 %
Expenses for purchase of goods and services and other expenses	5,875.3	5,839.4	(35.9)	(0.6) %
Depreciation and amortization	1,507.2	1,561.2	54.0	3.6 %
Other	428.7	421.1	(7.6)	(1.8) %
Operating profit	1,671.4	1,768.6	97.2	5.8 %
Finance income and costs	(19.0)	7.2	26.3	—
Share of profit (loss) of entities accounted for using equity method	0.2	19.7	19.5	—
Profit before taxes	1,652.6	1,795.5	143.0	8.7 %
Income taxes	524.7	539.5	14.8	2.8 %
Profit	1,127.9	1,256.0	128.1	11.4 %
Less-profit attributable to non-controlling interests	211.7	74.9	(136.8)	(64.6) %
Profit attributable to NTT	916.2	1,181.1	264.9	28.9 %

(2) Analysis of Operating Results(Segments)



Integrated ICT Business

The principal services in the Integrated ICT Business are mobile phone services, domestic inter-prefectural communications services, international communications services, solutions services, and system development services and related services.



Regional Communications Business

The principal services in the Regional Communications Business are domestic intra-prefectural communications services and related ancillary services.



Global Solutions Business

The principal services in the Global Solutions Business are system integration services, network system services, cloud services, global data center services, and related services.

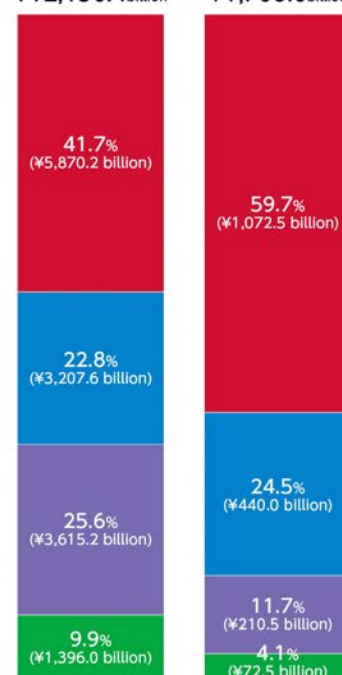


Others (Real Estate, Energy and Others)

Others include the real estate business, energy business and others.

Operating Revenues*
(FY2021)
¥12,156.4 billion

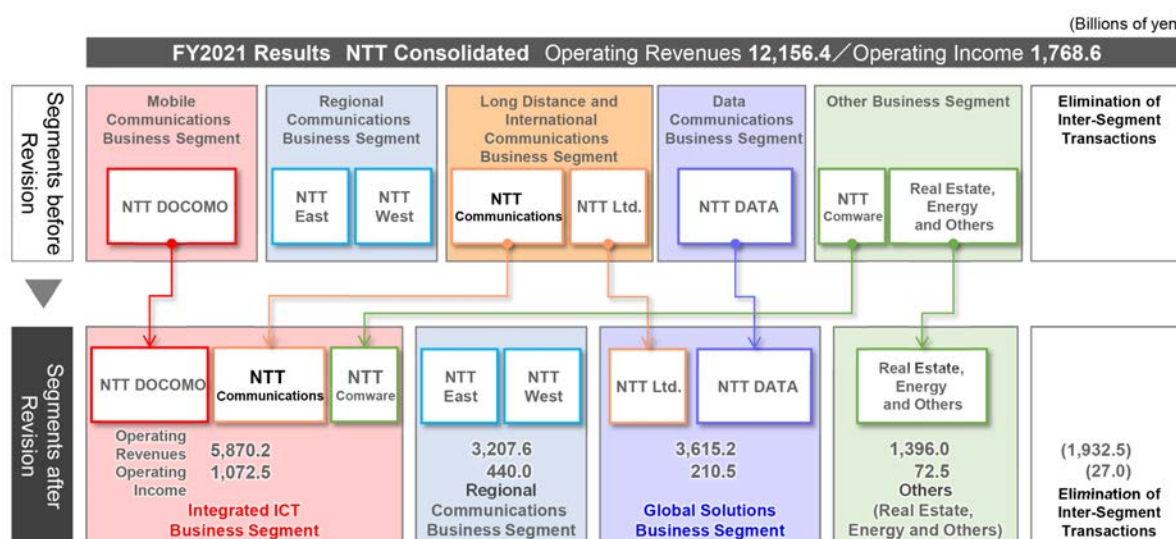
Operating Profit*
(FY2021)
¥1,768.6 billion



* Percentage of simple sum of each segment (including intersegment transactions)

Segments Revision

Effective from the fiscal year ended March 31, 2022, NTT Group has transitioned to the following four-segment structure, from its previous five-segment structure that consisted of the Mobile Communications Business, Regional Communications Business, Long Distance and International Communications Business, Data Communications Business, and Other Business. Operating revenues and operating profit for the consolidated fiscal year ended March 31, 2021 have been restated to align with the segment classifications subsequent to the change. (For further details, see “Note 2.1 – Segment Information” in the Consolidated Financial Statements.)



The Integrated ICT Business Segment comprises fixed voice related services, mobile voice related services, IP/packet communications services, sales of telecommunications equipment, system integration services and other services.

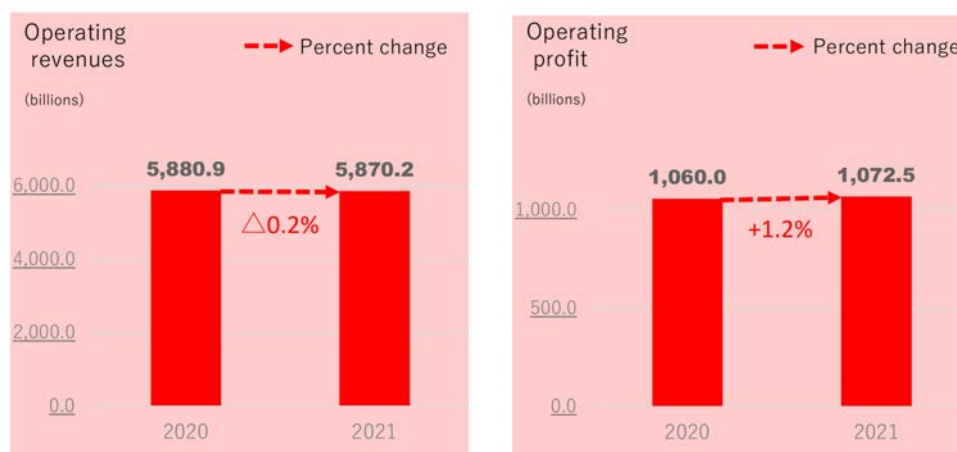
The Regional Communications Business Segment comprises fixed voice related services, IP/packet communications services, sales of telecommunications equipment, system integration services and other services.

The Global Solutions Business Segment principally comprises system integration services.

Others (Real Estate, Energy and Others) principally comprises building maintenance, real estate rentals, sales of energy and other services related to research and development.

An overview of the operating results for each business segment for the fiscal year ended March 31, 2022 is as follows (intersegment revenues are included in the operating revenues, operating expenses and operating income of operating results for each business segment). Because of the difficulty associated with presenting information classified as production or orders due to the fact that NTT Group is engaged in businesses such as the telecommunications business, NTT Group does not present segment production or order scale by amount or quantity. Accordingly, the summary of production, orders received and sales is presented in connection with operating results for each segment.

1. Integrated ICT Business Segment

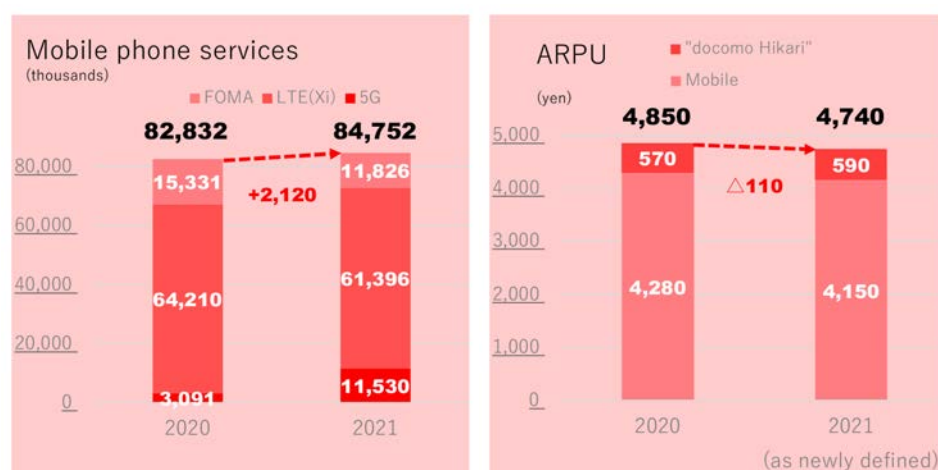


Operating revenues for the Integrated ICT Business Segment for the fiscal year ended March 31, 2022 decreased to ¥5,870.2 billion (a decrease of 0.2% from the previous fiscal year) due to, among other things, a decrease in revenues resulting from the enhancement of customer returns through the introduction of ahamo and other billing plans, and the effect of wholesale voice service price reductions, partially offset by an increase in revenues from sales of communications devices resulting from a recovery from the previous fiscal year, in which the number of customers at DOCOMO shops had been reduced due to the spread of COVID-19, and by an increase in revenues from the expansion of financial and settlement services and the smart life area, among other things. On the other hand, operating expenses for the fiscal year ended March 31, 2022 decreased to ¥4,797.6 billion (a decrease of 0.5% from the previous fiscal year) due to, among other things, a decrease in sales-related costs, partially offset by an increase in depreciation and amortization costs due to an increase in 5G-related equipment. As a result, operating profit for the fiscal year ended March 31, 2022 increased to ¥1,072.5 billion (an increase of 1.2% from the previous fiscal year).

Summary of Segment Performance

	Year Ended March 31,		Change	Percent Change
	2021	2022		
	(in billions of yen)			
Operating revenues	5,880.9	5,870.2	(10.7)	(0.2) %
Fixed voice related services	187.4	176.0	(11.4)	(6.1) %
Mobile voice related services	1,132.8	1,109.9	(22.9)	(2.0) %
IP/packet communications services	2,372.1	2,304.3	(67.8)	(2.9) %
Sales of telecommunications equipment	605.2	629.0	23.8	3.9 %
System integration services	486.0	525.2	39.2	8.1 %
Other	1,097.4	1,125.7	28.4	2.6 %
Operating expenses	4,820.9	4,797.6	(23.3)	(0.5) %
Personnel expenses	462.8	470.7	8.0	1.7 %
Expenses for purchase of goods and services and other expenses	3,478.5	3,430.0	(48.5)	(1.4) %
Depreciation and amortization	750.6	779.9	29.4	3.9 %
Other	129.1	117.0	(12.1)	(9.4) %
Operating profit	1,060.0	1,072.5	12.6	1.2 %

Number of Subscriptions; ARPU



As of March 31, 2022, the number of subscriptions to NTT DOCOMO mobile phone services increased by 2.12 million over the course of the fiscal year, from 82.63 million at the end of the previous fiscal year to 84.75 million subscriptions. In addition, churn rates increased by 13 basis points to 0.62%.

Beginning with the fiscal year ended March 31, 2022, ARPU is calculated to include OCN mobile-related revenues and subscription numbers (hereinafter referred to as the “New Definition”). As calculated on the basis of the New Definition, Aggregate ARPU of mobile phone services decreased by ¥110 (2.3%) to ¥4,740 for the fiscal year ended March 31, 2022, from ¥4,850 for the fiscal year ended March 31, 2021. This decrease was due to, among other factors, a decrease of ¥130 (3.0%) in Mobile ARPU to ¥4,150 for the fiscal year ended March 31, 2022, from ¥4,280 for the fiscal year ended March 31, 2021, as a result of the effect of the enhancement of customer returns through the introduction of ahamo and other billing plans, partially offset by an increase of ¥20 (3.5%) in “docomo Hikari” ARPU to ¥590 for the fiscal year ended March 31, 2022, from ¥570 in the fiscal year ended March 31, 2021, as a result of an increase in the number of docomo Hikari subscriptions, among other factors.

Number of Subscriptions and Estimated Market Share of the Integrated ICT Business Segment

	As of March 31,			
	2021	2022	Change	Percent Change
	(in thousands)			
Mobile phone service	82,632	84,752	2,120	2.6 %
5G services	3,091	11,530	8,439	273.0 %
LTE (Xi) services	64,210	61,396	(2,814)	(4.4) %
FOMA services	15,331	11,826	(3,505)	(22.9) %
Estimated mobile phone market share	43.8%	43.4%	(0.4) basis points	—
sp-mode services	46,339	50,099	3,760	8.1 %
i-mode services	4,291	2,675	(1,616)	(37.7) %
Plala (ISP)	3,946	3,889	(56)	(1.4) %
OCN (ISP)	7,040	7,018	(21)	(0.3) %
Hikari TV	2,947	2,952	4	0.2 %

Notes: 1. Mobile phone services subscriptions include contracts with MVNOs and communications module service subscriptions.

2. Market share data is based on number of subscriptions of other carriers, which is computed based on figures released by the Telecommunications Carriers Association.

3. Sp-mode includes the number of "ahamo" subscriptions from the first quarter of the fiscal year ended March 31, 2022, and the number of "OCN mobile" subscriptions from the fourth quarter of the fiscal year ended March 31, 2022.

ARPU and MOU of Mobile Phone Services

	Year ended March 31,		Change	Percent Change
	2021	2022		
Aggregate ARPU (JPY)	4,850	4,740	(110)	(2.3) %
Mobile ARPU (JPY)	4,280	4,150	(130)	(3.0) %
“Hikari” ARPU (JPY)	570	590	20	3.5 %
MOU (minutes)	141	137	(4)	(2.8) %

Notes: 1. See “Footnote 1, ‘MOU (average monthly minutes of use per unit): Average communication time per subscription’” at the end of this item for a description of how MOU is calculated. See “Footnote 3, ‘Method of calculating ARPU-(b) NTT DOCOMO’” at the end of this item for a description of how ARPU is calculated for mobile phone services.

2. Beginning with the fiscal year ended March 31, 2022, Mobile ARPU is calculated to include OCN mobile-related revenues and subscription numbers.

2. Regional Communications Business Segment



Operating revenues in the Regional Communications Business Segment for the fiscal year ended March 31, 2022 increased to ¥3,207.6 billion (an increase of 0.0% from the previous fiscal year) due to an increase in IP/packet communications services revenues due to a net increase in fiber optic lines and an increase in revenues from subsidiaries, including the contact center business, partially offset by a decrease in system integration revenues resulting from the abatement of the pronounced demand for telework and online classes from the previous fiscal year, among other factors. On the other hand, operating expenses decreased to ¥2,767.6 billion in the fiscal year ended March 31, 2022 (a decrease of 0.7% from the previous fiscal year), as a result of a decrease in personnel expenses resulting from reductions in personnel, among other factors. As a result, segment operating profit in the fiscal year ended March 31, 2022 increased 4.7% to ¥440.0 billion.

Summary of Segment Performance

	Year Ended March 31,		Change	Percent Change
	2021	2022		
	(in billions of yen)			
Operating revenues	3,207.4	3,207.6	0.2	0.0 %
Fixed voice related services	950.3	932.0	(18.3)	(1.9) %
IP/packet communications services	1,544.1	1,598.6	54.6	3.5 %
Sales of telecommunications equipment	69.5	67.7	(1.8)	(2.6) %
System integration services	292.7	219.3	(73.3)	(25.1) %
Other	350.8	389.9	39.1	11.1 %
Operating expenses	2,787.2	2,767.6	(19.6)	(0.7) %
Personnel expenses	675.4	657.4	(18.0)	(2.7) %
Expenses for purchase of goods and services and other expenses	1,447.4	1,457.6	10.3	0.7 %
Depreciation and amortization	422.9	421.3	(1.6)	(0.4) %
Other	241.6	231.2	(10.4)	(4.3) %
Operating profit	420.2	440.0	19.8	4.7 %

Numbers of Fixed-Line Telephone and INS-Net Subscriptions

	As of March 31,		Change	Percent Change
	2021	2022		
	(in thousands)			
NTT East:				
Telephone subscriptions	7,051	6,597	(454)	(6.4) %
INS-Net subscriptions	892	803	(89)	(9.9) %
NTT West:				
Telephone subscriptions	7,052	6,527	(525)	(7.4) %
INS-Net subscriptions	875	801	(74)	(8.5) %

Notes: 1. Number of Telephone subscriptions is the total of individual lines and central station lines (including lines under the Subscriber Telephone Light Plan).
2. INS-Net includes INS-Net 64 and INS-Net 1500. In terms of the number of channels, transmission rate, and line use rate (base rate), INS-Net 1500 is in all cases roughly ten times greater than INS-Net 64. For this reason, one INS-Net 1500 subscription is calculated as ten INS-Net 64 subscriptions (including INS-Net 64 Lite Plan subscriptions).

As a result of the shift in customer demand to mobile telephones, IP phones and to free or low-priced communications services offered by OTT operators, the aggregate number of fixed line subscriptions (fixed-line telephone & INS-Net) as of March 31, 2022 stood at 14,727 thousand, a decrease of 1,142 thousand from the previous fiscal year.

Numbers of Subscriptions for “FLET’S Hikari (including the Hikari Collaboration Model),” “FLET’S ADSL,” “Hikari Denwa,” and “FLET’S TV Transmission Service”

	As of March 31,		Change	Percent Change
	2021	2022		
	(in thousands)			
NTT East:				
FLET’S Hikari(including the Hikari Collaboration Model)	12,727	13,156	429	3.4 %
(incl.) Hikari Collaboration Model	8,918	9,573	656	7.4 %
FLET’S ADSL	160	120	(41)	(25.3) %
Hikari Denwa (channels)	10,018	10,075	57	0.6 %
FLET’S TV Transmission Service	1,121	1,154	33	2.9 %
NTT West:				
FLET’S Hikari(including the Hikari Collaboration Model)	9,837	10,110	273	2.8 %
(incl.) Hikari Collaboration Model	6,328	6,719	391	6.2 %
FLET’S ADSL	221	166	(55)	(24.9) %
Hikari Denwa (channels)	8,674	8,707	32	0.4 %
FLET’S TV Transmission Service	795	841	46	5.8 %

Notes: 1. FLET’S Hikari (including Hikari Collaboration Model) includes FLET’S Hikari Cross, B FLET’S(service of which ended at the end of January 2021), FLET’S Hikari Next, FLET’S Hikari Light, FLET’S Hikari Lightplus and FLET’S Hikari WiFi Access provided by NTT East, FLET’S Hikari Cross, FLET’S Hikari Next, FLET’S Hikari Mytown Next, FLET’S Hikari Light and FLET’S Hikari WiFi Access provided by NTT West, and the “Hikari Collaboration Model,” the wholesale provision of services by NTT East and NTT West to service providers.
2. “Hikari Denwa” and “FLET’S TV Transmission Service” include wholesale services provided to service providers by NTT East and NTT West.

As a result of NTT's initiatives to expand the Hikari Collaboration Model, as of March 31, 2022, the number of FLET'S Hikari subscriptions (including the Hikari Collaboration Model) had increased to 23,266 thousand subscriptions, an increase of 702 thousand (3.1%) from the previous fiscal year; the number of Hikari Denwa subscriptions increased to 18,782 thousand channels, an increase of 89 thousand channels (0.5%) from the previous fiscal year; and the number of FLET'S TV subscriptions increased to 1,995 thousand channels, an increase of 79 thousand channels (4.1%) from the previous fiscal year.

ARPU of Fixed Line Services (Telephone Subscriber Lines + INS-NET Subscribers Lines) and FLET'S Hikari Services

	Year Ended March 31,				
	2021	2022	Change	Percent Change	
NTT East:					
Aggregate Fixed Line ARPU (Telephone Subscriber Lines + INS-NET Subscriber Lines)	2,490	2,530	40	1.6	%
FLET'S Hikari ARPU	4,690	4,570	(120)	(2.6)	%
Basic Monthly Charge	3,410	3,350	(60)	(1.8)	%
Optional Services	1,280	1,220	(60)	(4.7)	%
NTT West:					
Aggregate Fixed Line ARPU (Telephone Subscriber Lines + INS-NET Subscriber Lines)	2,470	2,510	40	1.6	%
FLET'S Hikari ARPU	4,740	4,620	(120)	(2.5)	%
Basic Monthly Charge	3,290	3,220	(70)	(2.1)	%
Optional Services	1,450	1,400	(50)	(3.4)	%

Note: See “-Footnote 2, ‘ARPU: Average monthly Revenue Per Unit’” for a description of ARPU, and “Footnote 3, ‘Method of calculating ARPU-(a) NTT East and NTT West’” for a description of how aggregate fixed-line ARPU is calculated.

For the fiscal year ended March 31, 2022, aggregate fixed-line ARPU (telephone subscriber lines + INS-Net subscriber lines) was ¥2,530 for NTT East and ¥2,510 for NTT West, an increase of ¥40 (1.6%) and ¥40 (1.6%), respectively, from the corresponding figures in the previous fiscal year.

FLET'S Hikari ARPU for the fiscal year ended March 31, 2022 was ¥4,570 for NTT East and ¥4,620 for NTT West, a decrease of ¥120 (2.6%) and ¥120 (2.5%), respectively, from the corresponding figures in the previous fiscal year. These reductions were due to reduced earnings as a result of the progress of the Hikari Collaboration Model, among other factors.

3. Global Solutions Business Segment



Operating revenues in the Global Solutions Business Segment for the fiscal year ended March 31, 2022 were ¥3,615.2 billion (an increase of 7.4% from the previous fiscal year), as a result of capturing the increased demand for digitalization by NTT DATA domestically and overseas, in addition to the effect of exchange rate fluctuations, among other factors. On the other hand, operating expenses were ¥3,404.7 billion (an increase of 5.7% from the previous fiscal year), as a result of an increase in revenue-linked expenses, and an increase in costs resulting from organizational changes overseas, among other things. As a result, operating profit for the fiscal year ended March 31, 2022 was ¥210.5 billion (an increase of 42.9% from the previous fiscal year).

Summary of Segment Performance

	Year Ended March 31,		Change	Percent Change
	2021	2022		
	(in billions of yen)			
Operating revenues	3,367.1	3,615.2	248.1	7.4 %
System integration services	3,364.2	3,592.9	228.7	6.8 %
Other	3.0	22.3	19.4	655.6 %
Operating expenses	3,219.8	3,404.7	184.9	5.7 %
Personnel expenses	1,150.5	1,263.7	113.2	9.8 %
Expenses for purchase of goods and services and other expenses	1,742.5	1,791.5	49.0	2.8 %
Depreciation and amortization	296.9	309.1	12.1	4.1 %
Other	29.8	40.4	10.6	35.6 %
Operating profit	147.3	210.5	63.2	42.9 %

4. Others (Real Estate, Energy and Others)



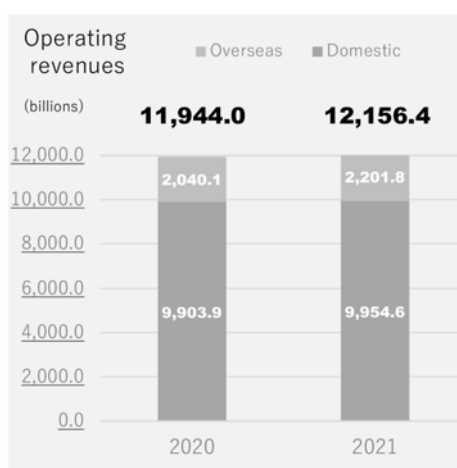
In Others(Real Estate, Energy and Others), operating revenues for the fiscal year ended March 31, 2022 increased to ¥1,396.0 billion (an increase of 4.5% from the previous fiscal year), due to an increase in the volume of sales of energy in the energy business, among other factors, and operating expenses for the fiscal year ended March 31, 2022 also increased to ¥1,323.5 billion (an increase of 3.5% from the previous fiscal year).

As a result, operating profit increased to ¥72.5 billion (an increase of 28.5% from the previous fiscal year).

Summary of Segment Performance

	Year Ended March 31,		Change	Percent Change
	2021	2022		
	(in billions of yen)			
Operating revenues	1,335.4	1,396.0	60.5	4.5 %
System integration services	46.8	40.5	(6.3)	(13.4) %
Other	1,288.7	1,355.4	66.8	5.2 %
Operating expenses	1,279.0	1,323.5	44.5	3.5 %
Personnel expenses	245.5	248.8	3.3	1.3 %
Expenses for purchase of goods and services and other expenses	889.0	914.1	25.1	2.8 %
Depreciation and amortization	106.1	118.9	12.8	12.1 %
Other	38.4	41.7	3.3	8.6 %
Operating profit	56.4	72.5	16.1	28.5 %

Reference: Domestic and Overseas Sales Information



Domestic operating revenues for the fiscal year ended March 31, 2022 increased to ¥9,954.6 billion (an increase of 0.5% from the previous fiscal year) due to, among other things, an increase in system integration services revenues due to an increase in system integration services revenues in the Global Solutions Business Segment, partially offset by a reduction in revenues resulting from the enhancement of customer returns through the introduction of ahamo and other billing plans in the Integrated ICT Business Segment, among other factors. Overseas operating revenues for the fiscal year ended March 31, 2022 increased to ¥2,201.8 billion (an increase of 7.9% from the previous fiscal year) due to, among other things, an increase in system integration services revenues in the Global Solutions Business Segment, among other factors.

	Year Ended March 31,		Change	Percent Change
	2021	2022		
	(in billions of yen)			
Operating revenues	11,944.0	12,156.4	212.5	1.8 %
Domestic	9,903.9	9,954.6	50.7	0.5 %
Overseas	2,040.1	2,201.8	161.8	7.9 %

Note: Figures are shown based on the geographic location of the services and products provided.

Notes:

1. MOU (Minutes Of Use): Average monthly communication time per user

2. ARPU (Average monthly Revenue Per Unit): Average monthly revenue per subscriber (user)

Average monthly revenue per unit, or ARPU, is used to measure average monthly operating revenues on a per subscriber (user) basis. In the case of NTT Group's regional communications business, ARPU is calculated by dividing revenue items included in the operating revenues of NTT Group's Regional Communications Business Segment (i.e., fixed-line (telephone subscriber lines plus INS-Net subscriber lines) and FLET'S Hikari) by the number of Active Subscribers to the relevant services. In the case of the integrated ICT business, ARPU is calculated by dividing communications services revenue items included in operating revenues from NTT Group's Integrated ICT Business Segment, such as revenues from 5G mobile phone services, LTE (Xi) mobile phone services, FOMA mobile phone services and docomo Hikari services (with certain exceptions), by the number of Active users to the relevant services. The calculation of these figures excludes revenues that are not representative of monthly average usage, such as telecommunications equipment sales, activation fees and universal service charges.

NTT believes that its ARPU figures calculated in this way provide useful information regarding the monthly average usage of its subscribers. The revenue items included in the numerators of NTT Group's ARPU figures are based on its financial results comprising its IFRS results of operations.

3. Method of calculating ARPU

(a) NTT East and NTT West

NTT separately computes the following two categories of ARPU for the fixed-line business conducted by each of NTT East and

NTT West, using the following measures:

- Aggregate Fixed-line ARPU (Telephone Subscriber Lines + INS-Net Subscriber Lines): Calculated based on revenues from monthly charges and call charges for Telephone Subscriber Lines and INS-Net Subscriber Lines, which are included in operating revenues from Voice Transmission Services (excluding IP Services), and revenues from FLET'S ADSL and FLET'S ISDN, which are included in operating revenues from IP Services.
- FLET'S Hikari ARPU: Calculated based on revenues from FLET'S Hikari (including FLET'S Hikari optional services), which are included in operating revenues from IP Services and Supplementary Business, revenues from monthly charges, call charges and device connection charges for Hikari Denwa, which are included in operating revenues from IP Services, and revenues from "FLET'S Hikari" optional services, which are included in Supplementary Business revenues.

- (1) FLET'S Hikari includes FLET'S Hikari Cross, B FLET'S (service of which ended at the end of January 2021), FLET'S Hikari Next, FLET'S Hikari Light, FLET'S Hikari Lightplus and FLET'S Hikari WiFi Access provided by NTT East, FLET'S Hikari Cross, FLET'S Hikari Next, FLET'S Hikari Mytown Next, FLET'S Hikari Light and FLET'S Hikari WiFi Access provided by NTT West, and the "Hikari Collaboration Model" wholesale provision of services provided by NTT East and NTT West to service providers. FLET'S Hikari optional services include wholesale services provided to service providers by NTT East and NTT West.
- (2) Revenues from interconnection charges are excluded from the calculation of Aggregate Fixed-line ARPU (Telephone Subscriber Lines + INS-Net Subscriber Lines) and FLET'S Hikari ARPU.
- (3) For purposes of calculating Aggregate Fixed-line ARPU (Telephone Subscriber Lines + INS-Net Subscriber Lines), the number of subscribers is that for fixed-line services (telephone subscriber lines or INS Net subscriber lines).
- (4) In terms of number of channels, transmission rate, and line use rate (base rate), INS-Net 1500 is in all cases roughly ten times greater than INS-Net 64. For this reason, one INS-Net 1500 subscription is calculated as ten INS-Net 64 subscriptions.
- (5) For purposes of calculating FLET'S Hikari ARPU, the number of subscribers is determined based on the number of FLET'S Hikari subscribers (including FLET'S Hikari Cross, B FLET'S (service of which ended at the end of January 2021), FLET'S Hikari Next, FLET'S Hikari Light, FLET'S Hikari Lightplus and FLET'S Hikari WiFi Access provided by NTT East, FLET'S Hikari Cross, FLET'S Hikari Next, FLET'S Hikari Mytown Next, FLET'S Hikari Light and FLET'S Hikari WiFi Access provided by NTT West), and "Hikari Collaboration Model" wholesale services provided by NTT East and NTT West to service providers.
- (6) Number of Active Subscribers used in the ARPU calculation of NTT East and NTT West is as below:
FY Results: Sum of number of Active Subscribers for each month in the applicable period
$$\text{Active Subscribers} = (\text{number of subscribers at end of previous month} + \text{number of subscribers at end of current month})/2$$

(b) NTT DOCOMO

NTT computes ARPU for NTT DOCOMO as follows:

Aggregate ARPU = Mobile ARPU + "Hikari" ARPU.

- (1) Mobile ARPU: Mobile ARPU-related revenues (basic monthly charges, voice communication charges and packet communication charges) / Number of active users
"Hikari" ARPU: "Hikari" ARPU-related revenues (basic monthly charges and voice communication charges) / Number of Active Users
- (2) Number of Active Users used in the ARPU calculation of NTT DOCOMO is as below.
Sum of number of Active Users for each month during the applicable period
$$\text{Active Users} = (\text{number of users at end of previous month} + \text{number of users at end of current month})/2.$$
- (3) The number of "users" used to calculate ARPU is basically total number of subscriptions, excluding the subscriptions listed below:
Number of active users = subscriptions
 - a. Subscriptions of communication module services, "Phone Number Storage," "Mail Address Storage," "docomo Business Transceiver" and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to MVNOs; and
 - b. Data Plan subscriptions in the case where the customer contracting for such subscription in his/her name also has a subscription for 5G, Xi or FOMA services in his/her name.

Revenues from communication module services, "Phone Number Storage," "Mail Address Storage," "docomo Business Transceiver," and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to MVNOs, and the impact of "d POINTs"-related revenues, among others, are not included in NTT DOCOMO's ARPU calculation.

(3) Analysis of Cash Flows and Financial Position

Cash Flows

The status of cash flows during the fiscal years ended March 31, 2021 and 2022 were as follows

Year Ended March 31	Billions of yen	
	2021	2022
Cash flows provided by operating activities	3,009.1	3,010.3
Cash flows used in investing activities	(1,424.5)	(1,699.2)
Cash flows used in financing activities	(1,689.5)	(1,438.1)
Cash and cash equivalents at the end of year	935.7	834.6

At NTT Group, the stable cash flows generated by its business cover the expenditures necessary for recurring investment activities, such as capital investments, and provide the main source of funds for shareholder returns (dividends and share buy-backs) and repayments of borrowings.

Operating Cash Flows

Cash flows provided by operating activities during the fiscal year ended March 31, 2022 amounted to ¥3,010.3 billion. This was mainly due to “adjusted profit after non-cash items” (profit plus non-cash items such as depreciation and amortization and losses on retirement of property, plant and equipment and intangible assets) reaching ¥2,896.5 billion yen.

Further, this was an increase of ¥1.2 billion from ¥3,009.1 billion in the fiscal year ended March 31, 2021. This increase was due to, in comparison to the prior fiscal year, “adjusted profit after non-cash items” increasing by ¥156.1 billion while cash outflows increased by ¥154.9 billion, primarily due to changes in assets and liabilities resulting from operating activities, including decreases in operating debt.

Investment Cash Flows

Cash flows used in investment activities during the fiscal year ended March 31, 2022 amounted to ¥1,699.2 billion. Cash flows used in investing activities were primarily used in purchase of property, plant and equipment, intangible assets and investment property, which amounted to payments of ¥1,758.0 billion for the fiscal year of ended March 31, 2022.

This was an increase in payments of ¥274.6 billion from ¥1,424.5 billion in the fiscal year ended March 31, 2021. This increase was due to, among other factors, a decrease of ¥646.3 billion in proceeds from collections of loan receivables and an increase of ¥145.2 billion in proceeds from sale of investments, despite a decrease of ¥158.3 billion in payments for investments.

The decrease in purchase of property, plant and equipment, intangibles assets and investment property for the fiscal year ended March 31, 2022 resulted from, among other factors, a decrease due to streamlining existing investments, mainly in the Integrated ICT Business Segment and Regional Communications Business Segment, despite an increase in 5G investments and data center investments. For the fiscal year ended March 31, 2022, capital investments amounted to ¥1,687.6 billion on an accrual basis, of which ¥698.6 billion was invested in the Integrated ICT Business Segment and ¥501.1 billion was invested in the Regional Communications Business Segment.

Financing Cash Flows

Cash flows used in financing activities during the fiscal year ended March 31, 2022 amounted to ¥1,438.1 billion. Among financing activities for the fiscal year under review, expenditures for shareholder returns amounted to ¥668.1 billion. This was due to the payment of ¥414.4 billion in dividends and expenditures of ¥253.7 billion in purchase of treasury stock. Further, net outflows for borrowings were ¥545.9 billion. This consisted of ¥1,860.1 billion in repayments of short-term borrowings, ¥1,716.2 billion in proceeds from an increase in long-term borrowings and ¥401.9 billion in repayments of long-term borrowings.

Issuances of green bonds amounting to ¥492.0 billion contributed to the increase in long-term borrowings. The proceeds from the green bonds were allocated to projects that contribute to the resolution of environmental issues (5G-related investments,

FTTH-related investments, research and development for achieving IOWN, and renewable energy).

Furthermore, cash flows from finance activities represented a decrease in payments of ¥251.4 billion from ¥1,689.5 billion in comparison to the fiscal year ended March 31, 2021. This decrease was due to, among other factors, a decrease of ¥4,232.6 billion in payments for acquisition of interests in subsidiaries from non-controlling interests in comparison to the prior fiscal year, partially offset by a decrease of ¥3,861.2 billion in proceeds in borrowings.

Financial Position

The status of assets, liabilities and equity during the fiscal years ended March 31, 2021 and 2022 were as follows.

Year Ended March 31	Billions of yen		
	2021	2022	Change
Assets	22,965.5	23,862.2	896.7
Liabilities	14,762.4	14,844.1	81.7
(incl.)Interest-bearing debt	7,624.3	7,364.3	(260.1)
Equity	8,203.0	9,018.1	815.1
(incl.)Total NTT shareholders' equity	7,562.7	8,282.5	719.7

Assets as of the end of the fiscal year under review increased by ¥896.7 billion from the end of the previous fiscal year to ¥23,862.2 billion, due to an increase in goodwill and intangible fixed assets resulting from new investments, among other factors.

Liabilities as of the end of the fiscal year under review increased by ¥81.7 billion from the end of the previous fiscal year to ¥14,844.1 billion, due to, among other factors, an increase in operating debt and other debt, as well as an increase in income taxes payable, partially offset by a decrease in interest-bearing debt. The balance of interest-bearing debt was ¥7,364.3 billion, a decrease of ¥260.1 billion from ¥7,624.3 billion as of the end of the previous fiscal year.

Shareholders' equity for the fiscal year under review increased by ¥719.7 billion from the end of the previous fiscal year to ¥8,282.5 billion, due to an increase in profit, partially offset by decreases from dividend payments and share buy-backs. The ratio of interest-bearing debt to shareholders' equity was 88.9% (compared to 100.8% at the end of the previous fiscal year). In addition, equity, the sum of shareholders' equity and non-controlling interests, increased by ¥815.1 billion from the end of the previous fiscal year to ¥9,018.1 billion.

Liquidity and Capital Resources

In addition to its cash and cash equivalents, NTT Group has entered into agreements with its banks to provide for overdraft accounts and committed financing lines to ensure that it maintains the liquidity necessary for its business activities. As of the end of the fiscal year, NTT Group had cash and cash equivalents balance at the end of the fiscal year of ¥834.6 billion, a decrease of ¥101.2 billion compared to the balance of ¥935.7 billion as of the end of the previous fiscal year. Cash equivalents represent a temporary cash surplus used to repay debts and make capital investments, among other factors, and are used as working capital. Accordingly, the balance of cash equivalents fluctuates each fiscal year depending on particular financing and working capital requirements.

In addition, as of the end of the fiscal year, NTT Group had undrawn credit line under commitment line contracts with banks of ¥318.5 billion.

Contractual Obligations

NTT Group's existing contractual obligations as of the end of the fiscal year were summarized as follows:

(Millions of yen)

Contractual Obligations	Payments Due by Period			
	Total	Less than one year	One to five years	More than five years
		(in millions of yen)		
Long-term debt ⁽¹⁾	6,437,530	720,065	2,863,728	2,853,737
Bonds	3,295,371	328,352	1,562,608	1,404,411
Bank loans	3,142,159	391,713	1,301,120	1,449,326
Interest payments on long-term debt	217,625	38,765	116,109	62,751
Lease obligations ⁽²⁾	1,066,800	200,769	422,918	443,113
Purchase commitments ⁽³⁾	151,855	104,496	42,100	5,259
Other fixed liabilities ⁽⁴⁾	—	—	—	—

Contractual Obligations transferred to liabilities directly associated with assets held for sale

(Millions of yen)

Contractual Obligations	Payments Due by Period			
	Total	Less than one year	One to five years	More than five years
		(in millions of yen)		
Lease obligations ⁽²⁾	4,476	—	233	4,243
Other fixed liabilities ⁽⁵⁾	—	—	—	—

Notes: 1. Long-term debt is presented including amounts maturing within one year. See “Note 4.5 – Short-Term Borrowings and Long-Term Borrowings” in the Consolidated Financial Statements for details on Long-term debt.

2. Lease obligations include interest.

3. Purchase commitments mainly represent outstanding commitments for the purchase of property, plant and equipment and other assets. The amount includes outstanding commitments with a remaining term of one year or less but excludes those which are cancelable.

4. The amount of other fixed liabilities is not shown in the above table, due to the immateriality of certain obligations and uncertainty of certain payments. In addition, NTT Group expects to contribute a total amount of ¥17,687 million to its pension plans in the fiscal year ending March 31, 2023 (see “Note 3.11 – Employee Benefits” in the Consolidated Financial Statements).

5. The amount of other fixed liabilities is not shown in the table above, due to the immateriality of certain obligations and uncertainty of certain payments.

As of the end of the fiscal year, NTT Group had outstanding commitments mainly for the purchase of property, plant and equipment and other assets of approximately ¥151.9 billion. NTT Group expects to fund such commitments with cash flows provided by operating activities.

(4) Significant Accounting Estimates and Judgements Involving Estimates

Please see Note 1.4 in the consolidated financial statements.

4. Significant Management Contracts

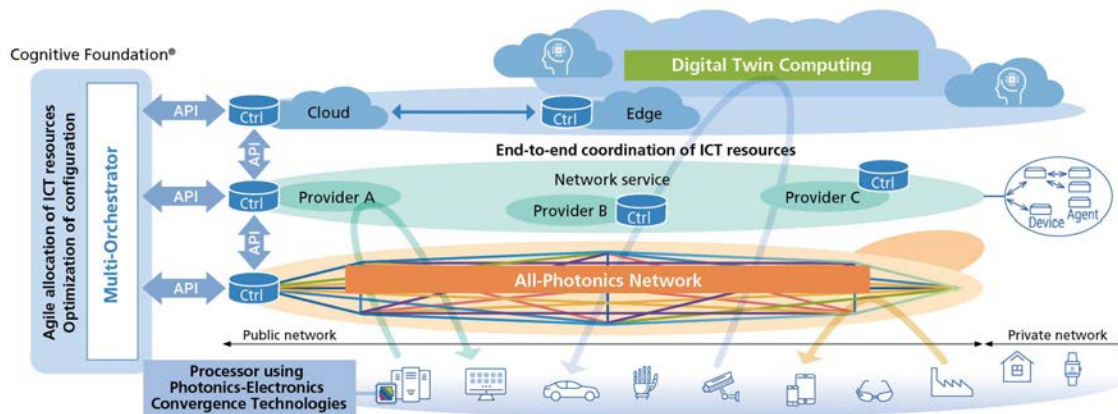
Not applicable.

5. Research and Development

NTT Group is advancing innovative research and development with the aim of effecting global change. In preparation for realizing the IOWN (Innovative Optical and Wireless Network) concept, we engaged in research and development of component technologies and carried out initiatives for creating use-cases in various industries. Furthermore, we have promoted initiatives together with parties in a wide range of industrial fields in Japan and overseas, with the goal of enhancing industrial competitiveness and resolving social issues.

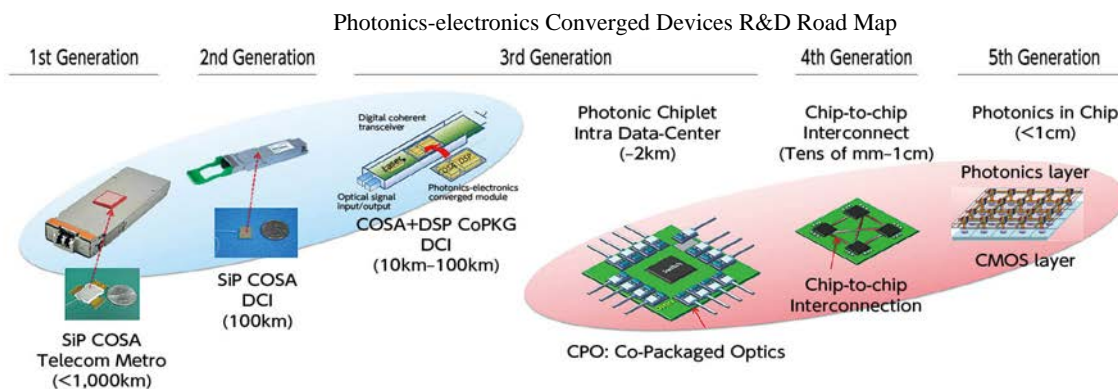
Image for IOWN Concept:

IOWN comprises three main technology components: “all-photronics network” (APN) that uses optical technology; digital twin computing (DTC) that enables high-speed, real-time interaction between things and people in cyberspace; and Cognitive Foundation® (CF), in which these and various other ICT resources are efficiently managed.



Research and Development in Preparation for Making the IOWN Concept a Reality

- In the research and development of photonics-electronics converged devices, which is the key to the IOWN concept, we have prepared a five-generation road map and we are working to create innovative technologies and quickly bring these technologies to practical application. In the past, NTT has succeeded in achieving practical application of coherent optical subassemblies (COSAs), which are miniature communication modules with optical interface functions for converting optical and electric signals. The Company recently built upon this success with the new development of optical-electric co-packages that integrate COSAs, which have traditionally been used as standalone components, with digital signal processors. These new co-packages make it possible to reduce both the size and power consumption of optical interfaces.



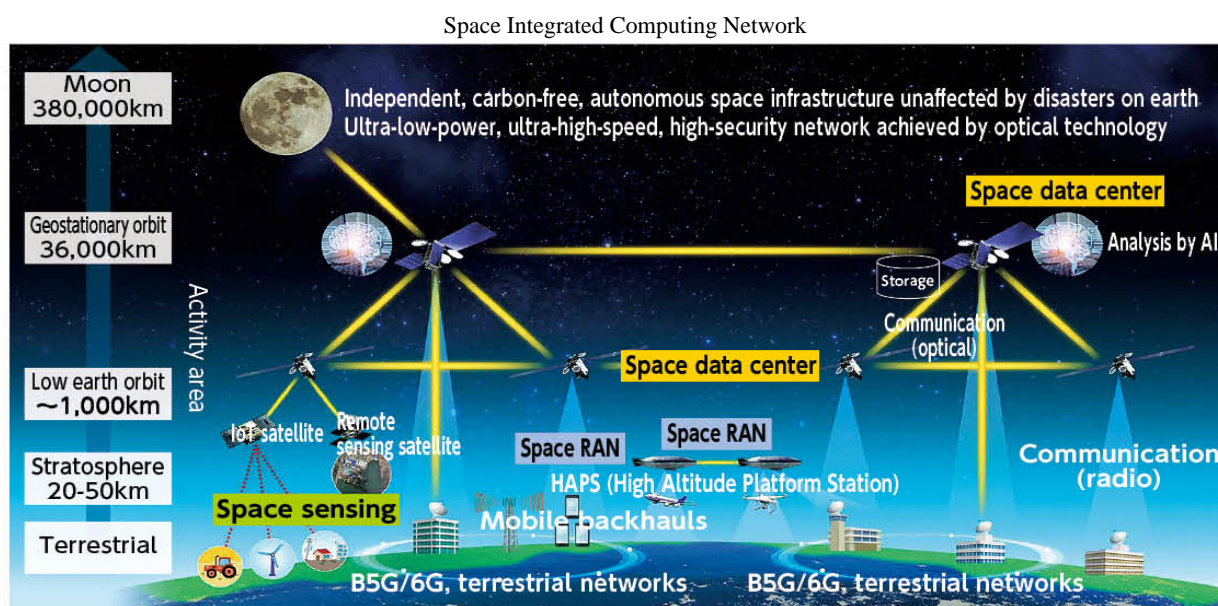
- Toward the realization of APN, we have constructed an experimental environment, which can dynamically provide optical paths between multiple points to accommodate user requests. The optical paths have the features of large capacity over 100

Gbps/lambda, extremely low latency fluctuation and absolute latency values. In disaggregated computing, in which distributed computer devices are connected optically, a new computer architecture (memory-centric architecture) was devised, and prototypes were developed. As a result of verifying the effectiveness of this architecture, we expected to reduce power consumption of approximately one-half that of the conventional method.

- As one of the initiatives utilizing the Urban DTC®, which optimizes the entire city through various future predictions and the linkage between digital twins, using the 4D digital platform® that grasps the entire city in real time and with precision, we established feed-forward AI air-conditioning control technology that enables comfort prediction based on short-term data and demonstrated its effectiveness in achieving both energy conservation and a comfortable environment. In addition, in order to realize “Another Me,” a digital twin of oneself, a philosophical redefinition of “I” that includes oneself and Another Me based on the “Self as We” view of oneself was created in collaboration with Kyoto University and presented.
- The IOWN Global Forum, established in January 2020, expanded to 93 member companies (as of March 2022), with the participation of major ICT companies from around the world that support IOWN’s vision of the world and its innovations. The first Annual Member Meeting was held in April 2021 and attended by over 400 people. In October 2021, two documents were created and published as use case documents, and in January 2022, six documents were created and published as technical documents.

Promoting Collaboration Toward Realization of the IOWN Concept

- The Company and Fujitsu Limited concluded a strategic business alliance aimed at realizing a sustainable future digital society. Through the innovations created through this alliance, the two companies will collaborate globally and openly with a wide range of partners who support the IOWN concept, aiming to realize a new low-energy and highly efficient digital society.
- The Company and ACCESS CO., LTD. concluded a partnership aimed at realizing the IOWN concept. It will promote research and development of new user interfaces and user experiences for the IOWN era and leverage the structure of IP Infusion, a wholly owned subsidiary of ACCESS CO., LTD., and promote the development of a system to market the developed software products on the global market.
- The Company and SKY Perfect JSAT Holdings, Inc. concluded a business alliance for a new space business aimed at realizing a sustainable society. It will integrate multiple orbits, from the ground to high-altitude platforms flying in the stratosphere to low earth orbits and geostationary orbits in space, and connect them to the ground via an optical wireless communication network to accelerate various data processing through distributed computing, provide access to mobile terminals on the ground, and achieve ultra-wide service coverage, aiming at building a space integrated computing network.



Research and Development to Realize a Safe and Secure Society, Including Solutions to Environmental Problems

- We have developed a technology that can transform asbestos from a fiber shape to a spherical shape by irradiating it with a high-power laser. This technology can transform asbestos into a harmless spherical shape and suppress the amount of dust dispersed, thereby significantly reducing the health risks to workers due to inhalation of asbestos dust
- In collaboration with NEC Corporation, we have developed a security transparency assurance technology that drastically reduces security risks by sharing the configuration and risks of telecommunications equipment and systems that make up the information and telecommunications infrastructure throughout the supply chain and by ensuring transparency regarding security.

Promoting Cutting-Edge Research and Development

- For the purpose of promoting the research and development of the Company to realize the IOWN concept and beyond, we have formed the NTT R&D Authority Team, consisting of researchers who are renowned authorities in their respective fields, as well as establishing the Institute for Fundamental Mathematics, headed by Dr. Masato Wakayama, a member of the Authority Team who serves as the Fundamental Mathematics Research Principal, to further strengthen research and development from a long-term perspective.
- In the area of quantum computing, which faced a major challenge with regard to miniaturization to enable practical application due to the need for large-scale cooling and vacuum equipment, the Company, in cooperation with the University of Tokyo and RIKEN, has jointly developed a fiber-coupled quantum light source (squeezed light source), which is the key technology to realize a rack-sized large-scale optical quantum computer.

As a result of these research and development initiatives, NTT's total expenditures for the year ended March 31, 2022 were ¥120.6 billion (a 15.7% increase from the previous fiscal year), partially offset by revenues from core research and development of ¥122.0 billion (a 19.0% increase from the previous fiscal year).

The following table presents a summary of research and development costs by segment for the fiscal year ended March 31, 2022:

Segment	Millions of yen	Summary
Integrated ICT Business	138,387	Research and development relating to high-quality and economical high-performance networks that integrate mobile and fixed communications in order to strengthen competitiveness in the telecommunications business, creation of innovation in the areas of services and devices with the goal of expanding the smart life business, and supporting data-driven ESG management by strengthening software development capabilities in order to further expand the solutions business area, among other things.
Regional Communications Business	83,297	Research and development relating to advances in the shift to IP and broadband, increasing access services to meet diversifying user needs, and high value-added services, among other things.
Global Solutions Business	25,202	Development of technology to strengthen competitiveness in global solutions, systems integration and other fields.
Others (Real Estate, Energy and Others)	126,016	Research and development relating to fundamental technologies for the development of advanced networks and new services that will support the development of an ICT society, technologies that contribute to reducing environmental impact; and new principles, new parts and new materials to bring about extensive technological innovations in the information and communications sector, among other things.
Subtotal	372,902	
Elimination of inter-segment transactions	124,914	
Total	247,988	

The research and development costs in the above table show the costs from basic research to practical R&D.

In order to develop the business with the technology developed by NTT Group, it is necessary to plan services and commercialization. Capital investment and expenses * related to this service development are 177.8 billion yen, and the total research and development and service development expenses amounted to 425.8 billion.

* Includes investment in fixed assets (hardware, software, etc.) required for service development and function addition, personnel costs required for service development, and outsourcing costs.

ITEM 3. PROPERTY, PLANT AND EQUIPMENT

1. Overview of Capital Investments

NTT Group (including the Company and its consolidated subsidiaries) has shifted its investment focus from investments primarily centered on telecommunications infrastructure project developments to investments that are responsive to various service needs.

The following table summarizes capital investments for the fiscal year ended March 31, 2022:

Segment	Amount (Millions of yen)	Percent Change from the Previous Fiscal Year	Summary
Integrated ICT Business	698,609	(4.9)%	Expansion and improvement of mobile communications transmissions equipment and data transmission equipment, maintenance and improvements of voice communications equipment, and others
Regional Communications Business	501,109	(5.0)%	Maintenance and improvements of voice communications equipment, expansion and improvements of data transmissions equipment, and others
Global Solutions Business	347,204	5.9%	Expansion and maintenance of data communications equipment, expansions of data centers, and others
Others (Real Estate, Energy and Others)	140,677	1.4%	Development and acquisition of real estate, energy generation equipment and others
Total	1,687,599	(2.4)%	

Notes: 1. NTT Group plans to procure the required funds from cash on hand, the issuance of corporate bonds and long-term debt.

2. Capital investments include investments related to the acquisition of intangible assets.

3. The amounts of capital investments shown above are the amounts determined on an accrual basis that are required for the purchase of property, plant and equipment, intangible assets, and investment property, deducting amounts related to non-current assets classified as assets held for sale, government grants related to assets and other items. As a result, the table below presents the difference between the amount of capital investments shown above and the amount presented on the consolidated statements of cash flows under "Purchase of property, plant and equipment, intangible assets, and investment property." In addition, increases in amounts of right-of-use assets, including items that meet the definition of investment property, are not included in the amounts of capital investments.

	Year ended March 31, 2022 (in millions of yen)
Purchase of property, plant and equipment, intangible assets, and investment property	1,758,045
Difference in capital investment amounts	70,446

2. Major Facilities

The status of the major facilities of NTT Group (the Company and its consolidated subsidiaries) was as follows:

(1) Breakdown by Segment

	Book Value as of March 31, 2022 (millions of yen)					Number of Employees (people)
	Telecom Facilities	Land	Buildings	Other	Total	
Integrated ICT Business	1,836,255	203,554	472,078	1,576,309	4,088,196	46,506
Regional Communications Business	3,434,040	235,720	675,231	619,796	4,964,787	72,972
Global Solutions Business	126,866	92,943	313,046	2,264,623	2,797,478	188,308
Others (Real Estate, Energy and Others)	5,936	187,114	200,613	1,517,932	1,911,595	26,054
Total	5,403,097	719,331	1,660,968	5,978,660	13,762,056	333,840

Note: "Other" includes software, investment property, right-of-use assets, etc.

(2) Overview of the Company and Consolidated Subsidiaries

As of March 31, 2022

Company Name	Type of Asset	Book Value (Millions of Yen)	Land Area (m ²)	Number of Branches	Number of Employees
Nippon Telegraph and Telephone Corporation	Mechanical equipment	—	818,320.09	Headquarters (1) Others (4)	2,486
	Antenna systems	—			
	Terminal equipment	—			
	Local lines equipment	—			
	Long-distance lines equipment	—			
	Civil engineering equipment	—			
	Underwater lines equipment	—			
	Land	27,746			
	Buildings	71,031			
	Leased assets	10			
	Other	42,842			
	Total	141,630			
NTT DOCOMO, Inc.	Mechanical equipment	1,168,459	3,813,231.00	Headquarters (1) Branches (8)	8,847
	Antenna systems	538,353			
	Terminal equipment	—			
	Local lines equipment	27,945			
	Long-distance lines equipment	—			
	Civil engineering equipment	12,695			
	Underwater lines equipment	—			
	Land	196,664			
	Buildings	244,694			
	Leased assets	75,369			
	Other	848,187			
	Total	3,112,369			

As of March 31, 2022

Company Name	Type of Asset	Book Value (Millions of Yen)	Land Area (m ²)	Number of Branches	Number of Employees
Nippon Telegraph and Telephone East Corporation	Mechanical equipment	349,903	7,767,778.62	Headquarters (1) Branches (29)	4,900
	Antenna systems	2,875			
	Terminal equipment	17,123			
	Local lines equipment	949,464			
	Long-distance lines equipment	3,324			
	Civil engineering equipment	552,634			
	Underwater lines equipment	386			
	Land	192,704			
	Buildings	357,346			
	Leased assets	8,859			
	Other	120,057			
	Total	2,554,675			
Nippon Telegraph and Telephone West Corporation	Mechanical equipment	285,431	10,057,300.08	Headquarters (1) Branches (30)	1,534
	Antenna systems	8,865			
	Terminal equipment	7,826			
	Local lines equipment	1,083,407			
	Long-distance lines equipment	1,755			
	Civil engineering equipment	472,804			
	Underwater lines equipment	3,013			
	Land	163,711			
	Buildings	310,036			
	Leased assets	56,136			
	Other	117,631			
	Total	2,510,615			
NTT Communications Corporation	Mechanical equipment	127,006	886,114.05	Headquarters (1) Branches (14)	6,760
	Antenna systems	1,687			
	Terminal equipment	1,502			
	Local lines equipment	1,205			
	Long-distance lines equipment	8,670			
	Civil engineering equipment	—			
	Underwater lines equipment	398			
	Land	52,787			
	Buildings	181,181			
	Leased assets	67,658			
	Other	172,503			
	Total	614,596			
NTT DATA CORPORATION	Mechanical equipment	96,846	153,380.00	Headquarters (1) Branches (20)	12,351
	Antenna systems	—			
	Terminal equipment	8,199			
	Local lines equipment	—			
	Long-distance lines equipment	—			
	Civil engineering equipment	—			
	Underwater lines equipment	—			
	Land	56,064			
	Buildings	80,719			
	Leased assets	342			
	Other	300,617			
	Total	542,788			

Note: The “Book Value” is the amount based on Japanese accounting standards.

3. Planned Capital Investments and Disposals of Property

At NTT Group (including the Company and its consolidated subsidiaries), plans for capital investments are generally made at the level of each subsidiary. Planned capital investments for the year ending March 31, 2023 are ¥1,750.0 billion yen, broken down by segment as follows:

Segment	Amount (millions of yen)	Description and Purpose of Investment
Integrated ICT Business	713,000	Expansion and improvement of mobile communications transmissions equipment and data communications equipment, maintenance and improvements of voice communications equipment, and others
Regional Communications Business	495,000	Maintenance and improvements of voice communications equipment, expansion of data transmissions equipment, and others
Global Solutions Business	387,000	Expansion and maintenance of data communications equipment, expansion of data centers, and others

Note: NTT Group plans to procure the required funds from cash on hand, the issuance of corporate bonds and long-term debt.

ITEM 4. INFORMATION ON NTT

1. Information on NTT's Shares

(1) Total Number of Shares

i. Total Number of Shares

Class	Total Number of Shares Authorized to be Issued (shares)
Common stock	6,192,920,900
Total	6,192,920,900

ii. Issued Shares

Class	Number of Shares Issued as of March 31, 2022 (shares)	Number of Shares Issued as of the Filing Date (shares) (June 27, 2022)	Stock Exchange on which the Company is Listed	Description
Common Stock	3,622,012,656	3,622,012,656	Tokyo Stock Exchange (First Section (as of the end of the fiscal year) and Prime Market (as of the filing date))	The number of shares per one unit of shares is 100 shares
Total	3,622,012,656	3,622,012,656	—	—

Note: Beginning on April 4, 2022, the Company has moved from the First Section of the Tokyo Stock Exchange to the Prime Market of the Tokyo Stock Exchange, which is a new market segment.

(2) Information on Share Acquisition Rights

i. Description of Stock Option System

Not applicable.

ii. Information on Shareholder Rights Plans

Not applicable.

iii. Information on Other Share Acquisition Rights

Not applicable.

(3) Information on Moving Strike Convertible Bonds

Not applicable.

(4) Changes in the Total Number of Issued Shares and Capital

Date	Changes in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Changes in Capital (millions of yen)	Balance of Capital (millions of yen)	Change in Capital Reserve (millions of yen)	Balance of Capital Reserve (millions of yen)
September 26, 2018 ⁽¹⁾	(146,000,000)	1,950,394,470	—	937,950	—	2,672,826
January 1, 2020 ⁽²⁾	1,950,394,470	3,900,788,940	—	937,950	—	2,672,826
November 17, 2021 ⁽³⁾	(278,776,284)	3,622,012,656	—	937,950	—	2,672,826

Notes: 1. NTT cancelled 146,000,000 shares held as treasury stock on September 26, 2018.

2. NTT completed a two-for-one stock split of its common stock with an effective date of January 1, 2020.

3. NTT cancelled 278,776,284 shares held as treasury stock on November 17, 2021.

(5) Composition of Shareholders

As of March 31, 2022

Class	Status of Shares (100 shares per unit of stock)								Number of Less-than-One-Unit Shares (shares)
	National and Local Governments	Financial Institutions	Financial Instrument Business Operators	Other Institutions	Foreign Shareholders		Individuals and Others	Total	
					<u>Non-Individuals</u>	<u>Individuals</u>			
Number of Shareholders (people)	3	288	55	5,233	1,562	1,235	683,177	691,553	—
Share Ownership (units)	12,609,419	6,810,082	860,893	1,295,719	7,977,821	25,924	6,594,611	36,174,469	4,565,756
Percentage of Shares (%)	34.86	18.83	2.38	3.58	22.05	0.07	18.23	100.00	—

Notes: 1. “Individuals and Others” and “Number of Less-than-One-Unit Shares” above include 794,916 units and 30 shares of treasury stock, respectively. Furthermore, there were 79,491,630 shares of treasury stock recorded on the list of shareholders, and the actual number of treasury stock held was 79,490,430 shares as of March 31, 2022.

2. “Other Institutions” and “Number of Less-than-One-Unit Shares” above include 574 units and 88 shares registered in the name of Japan Securities Depository Center, Inc., respectively.

3. The number of persons holding less-than-one-unit shares was 196,784.

(6) Major Shareholders

As of March 31, 2022

Name	Address	Number of Shares Held (thousands of shares)	Ownership Percentage of the Total Number of Issued Shares
The Minister of Finance	1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo	1,260,901	35.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	368,424	10.40
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	159,421	4.50
Toyota Motor Corporation	1 Toyota-Cho, Toyota City, Aichi	80,775	2.28
Moxley & Co. LLC (Standing proxy: MUFG Bank, Ltd.)	4 NEW YORK PLAZA, 13TH FLOOR, NEW YORK, NY 10004 U.S.A (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo)	35,674	1.01
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo (11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo)	27,200	0.77
Barclays Securities Japan Ltd.	10-1, Roppongi 6-chome, Minato-ku, Tokyo	25,876	0.73
State Street Bank West Client – Treaty 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	25,278	0.71
JPMorgan Chase Bank 385632 (Standing proxy: Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (15-1, Konan 2-chome, Minato-ku, Tokyo)	24,783	0.70
NTT Employee Share-Holding Association	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	24,740	0.70
Total	—	2,033,075	57.39

Notes: Ownership Percentage of the Total Number of Issued Shares does not include treasury stock.

(7) Information on Voting Rights

i. Issued Shares

As of March 31, 2022

Classification	Number of Shares (shares)	Number of Voting Rights	Description
Shares without Voting Rights	—	—	—
Shares with Restricted Voting Rights (treasury stock, etc.)	—	—	—
Shares with Restricted Voting Rights (others)	—	—	—
Shares with Full Voting Rights (treasury stock, etc.)	79,490,400 shares of common stock	—	—
Shares with Full Voting Rights (others)	3,537,956,500 shares of common stock	35,379,553	—
Shares Representing Less than One Unit	4,565,756 shares of common stock	—	—
Number of Issued Shares	3,622,012,656 shares of common stock	—	—
Total Number of Voting Rights	—	35,379,553	—

Note: 1. The total number of shares in “Shares with Full Voting Rights (others)” includes 57,400 shares held in the name of the Japan Securities Depository Center, and the number of shares in “Shares Representing Less Than One Unit” includes 88 shares held in the name of the Japan Securities Depository Center. “Number of Voting Rights” includes 574 voting rights associated with Shares with Full Voting Rights held in the name of the Japan Securities Depository Center, and does not include 12 voting rights associated with “Shares with Full Voting Rights” recorded on the shareholder register under NTT, but not actually owned by NTT.

2. The total number of shares in “Shares with Full Voting Rights (Others)” includes 1,089,700 shares owned by BIP (Board Incentive Plan) Trust, and the number of shares in “Shares Representing Less Than One Unit” includes 60 shares owned by BIP (Board Incentive Plan) Trust. “Number of Voting Rights” includes 10,897 voting rights associated with “Shares with Full Voting Rights” owned by BIP (Board Incentive Plan) Trust.

ii. Treasury Stock

As of March 31, 2022

Name of Shareholder	Address	Number of Shares Held Under Own Name (shares)	Number of Shares Held Under the Names of Others (shares)	Total Shares Held (shares)	Ownership Percentage to the Total Number of Issued Shares
Nippon Telegraph and Telephone Corporation	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	79,490,400	—	79,490,400	2.2%
Total	—	79,490,400	—	79,490,400	2.2%

Notes: 1. In addition to the above, there are 1,200 shares that are recorded on the shareholder register under NTT, but not actually owned by NTT. Such shares are included in “Shares with Full Voting Rights (others)” under “Issued Shares” above.

2. Shares held by the BIP stock compensation trust are not included in the amounts of treasury stock listed above.

(8) Details of the Executive and Employee Stock Ownership Plan

i. Overview of the BIP Trust

The Company has adopted a performance-linked stock compensation plan (the “Compensation System”) in the form of an executive compensation BIP trust (the “Trust”) approved at the 36th Ordinary General Meeting of Shareholders. The Trust is for Members of the Board and Executive Officers of the company and its major subsidiaries specified by the company (excluding outside Members of the Board and Members of the Board who are Audit and Supervisory Committee Members, and those who are non-residents of Japan, the “Eligible Members of the Board or Officers”).

For the outline of this system, please refer to “Item 5. Financial Information, Notes to Consolidated Financial Statements 4. Equity and Financing 4.1. Equity”.

ii. Total number of shares to be acquired by the target directors, etc.

In August 2021, 1,090,600 shares have been obtained by the Trust. The carrying number of the shares of NTT held by the Trust as of the end of the fiscal year was 1,089,760 shares.

iii. Scope of beneficiaries

The Eligible Members of the Board or Officers who meet the beneficiary requirements.

2. Information on Acquisitions of Treasury Stock

Class of Shares: Acquisitions of common stock pursuant to Article 155, Paragraph 3, Article 155 and Paragraph 7 of the Companies Act of Japan(hereinafter referred to as the “Companies Act”).

(1) Status of Acquisitions of Treasury Stock Pursuant to Resolutions at the General Meeting of Shareholders

Not applicable.

(2) Status of Acquisitions of Treasury Stock Pursuant to Resolutions at Meetings of the Board of Directors

Acquisitions pursuant to Article 155, Paragraph 3 of the Companies Act:

Classification	Numbers of Shares (shares)	Total Amount (yen)
Resolution of the Board of Directors of August 6, 2021 (Acquisition Period: August 10, 2021 to March 31, 2022)	100,000,000	250,000,000,000
Treasury stock acquired prior to the fiscal year ended March 31, 2022	—	—
Treasury stock acquired during the fiscal year ended March 31, 2022	79,358,500	249,999,810,850
Total number and value of remaining shares of treasury stock authorized	20,641,500	189,150
Percentage unused as of March 31, 2022 (%)	20.6	0.0
Treasury stock acquired during the current period	—	—
Percentage unused as of the filing date (%)	20.6	0.0

Classification	Numbers of Shares (shares)	Total Amount (yen)
Resolution of the Board of Directors of May 12, 2022 (Acquisition Period: May 13, 2022 to March 31, 2023)	110,000,000	400,000,000,000
Treasury stock acquired prior to the fiscal year ended March 31, 2022	—	—
Treasury stock acquired during the fiscal year ended March 31, 2022	—	—
Total number and value of remaining shares of treasury stock authorized	—	—
Percentage unused as of March 31, 2022 (%)	—	—
Treasury stock acquired during the current period	—	—
Percentage unused as of the filing date (%)	100.0	100.0

(3) Description of Acquisitions of Treasury Stock Not Made Pursuant to Resolutions at the General Meeting of Shareholders or Meetings of the Board of Directors

Acquisitions pursuant to Article 155, Paragraph 7 of the Companies Act:

Classification	Numbers of Shares (shares)	Total Amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2022	149,806	475,380,239
Treasury stock acquired during the current period	13,170	49,472,679

Note: “Treasury stock acquired during the current period” does not include acquisitions of less-than-one-unit shares from June 1, 2022 to the date of the filing of this Annual Securities Report.

(4) Dispositions and Holdings of Acquired Treasury Stock

Classification	Fiscal year ended March 31, 2022		Current Period	
	Number of Shares (shares)	Total Disposition Amount (yen)	Number of Shares (shares)	Total Disposition Amount (yen)
Acquired treasury stock offered to subscribers	—	—	—	—
Acquired treasury stock that was canceled	278,776,284	—	—	—
Acquired treasury stock that was transferred due to mergers, exchange offers or company split	—	—	—	—
Other (Disposition of shares by third-party allotment)	—	—	—	—
Other (Sales through requests to purchase less-than-one-unit shares)	17,876	57,789,792	908	3,402,700
Total number of treasury stock held	79,490,430	—	79,502,692	—

Notes: 1. The amounts of treasury stock sold or otherwise disposed of during the current period does not include sales of less-than-one-unit shares from June 1, 2022 to the date of the filing of this Annual Securities Report.

2. The total amount of treasury stock held does not include acquisitions and sales of less-than-one-unit shares from June 1, 2022 to the date of the filing of this Annual Securities Report.

3. Dividend Policy

NTT has set the return of profits to shareholders while continuously improving corporate value as one of its important management challenges. With respect to shareholder returns, NTT has a basic policy of steady dividend increases, and will flexibly carry out buybacks. While maintaining sound financial condition and as part of its capital policy to improve capital efficiency, NTT intends to use retained earnings for investments in new business opportunities.

NTT has a fundamental policy of distributing surplus twice a year, as interim and year-end dividends. With respect to interim dividends, NTT's Articles of Incorporation provide for distributions of surplus in accordance with Article 454, Paragraph 5 of the Companies Act. The distribution of surplus is authorized by the general meeting of shareholders for year-end dividends, and by the Board of Directors for interim dividends. For the year ended March 31, 2022, pursuant to the dividend policy described above, the interim dividend was ¥55 per share and the year-end dividend was ¥60 per share.

Dividend payments for the fiscal year ended March 31, 2022 were as follows:

Date of Resolution	Total Amount of Dividends (millions of yen)	Dividends Per Share (yen)
November 10, 2021 Resolution of the Board of Directors	197,752	55
June 24, 2022 Resolution of the General Meeting of Shareholders	212,551	60

4. Status of Corporate Governance

Forward-looking statements included herein are made as of the date of the filing of this Annual Securities Report.

(1) Overview of Corporate Governance

i. Basic Views of Corporate Governance

We believe that strengthening the system of corporate governance in accordance with the purposes of each principle of the “Corporate Governance Code” of the Tokyo Stock Exchange is an important management issue for maximizing corporate value while meeting the expectations of various stakeholders, including shareholders and other investors, as well as customers, business partners, and employees. Therefore, we are working to strengthen corporate governance based on our fundamental policies of ensuring sound management, executing appropriate decision-making and business activities, clarifying accountability, and maintaining thorough compliance.

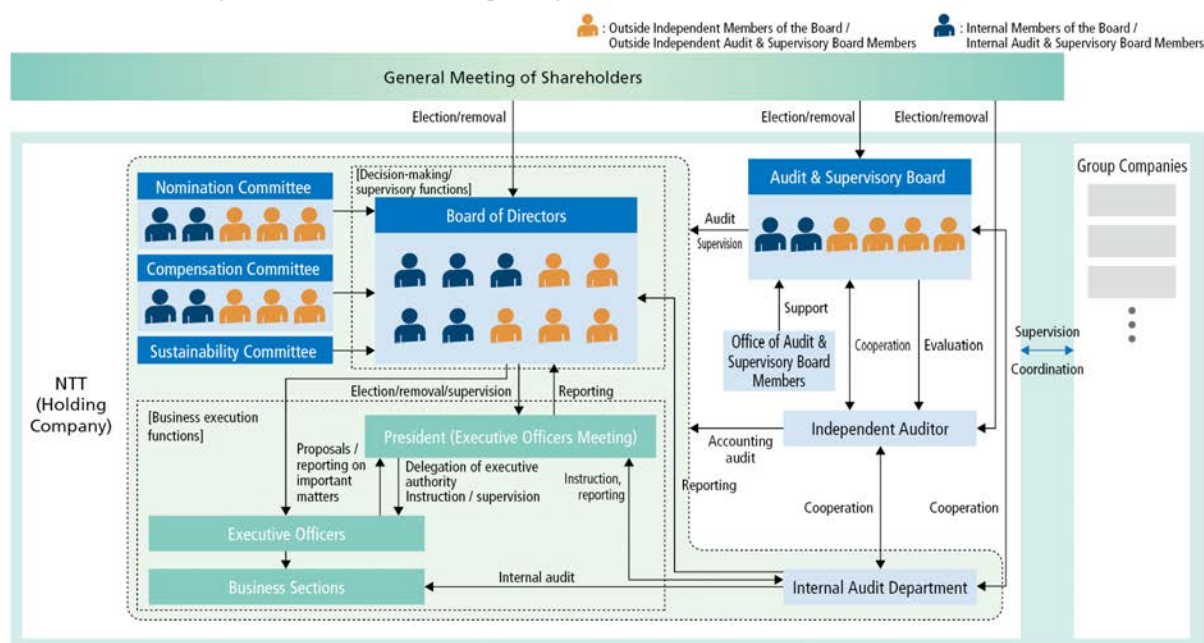
ii. Overview of Corporate Governance Structure

NTT believes that an auditing system based on Audit & Supervisory Board Members, including outside independent Audit & Supervisory Board Members, is an effective means of supervising management. Accordingly, we have adopted the model of being a company with a Board of Company Auditors (Audit & Supervisory Board). In addition, through the election of outside independent Members of the Board, NTT has strengthened the function of appropriately supervising business execution.

Furthermore, through its adoption of an executive officer system, NTT intends to clearly separate management-related decision-making and supervisory functions from business execution functions and improve its management flexibility. Additionally, NTT has voluntarily established a “Nomination Committee” and a “Compensation Committee,” each of which consists of five Members of the Board, including three outside independent Members of the Board, to further increase the objectivity and transparency of decisions relating to appointment and compensation. NTT has determined that governance functions based on a Board of Corporate Auditors (Audit & Supervisory Board) are sufficiently effective to achieve this purpose.

Business execution at NTT is conducted in accordance with the organizational regulations governing the functions and operations of each organization. Important decisions are made under the supervision of the Board of Directors and based on the responsibility regulations that define the responsibilities and authorities for the president, senior executive vice presidents, senior vice presidents and the head of each organization. In addition, NTT has established various meetings and committees as has been deemed necessary to discuss important business execution-related matters in order to ensure that appropriate decisions are made for facilitating effective Group management.

The following chart illustrates NTT’s corporate governance structure:



NTT has reorganized its personnel structure to establish a new management style and to further strengthen governance.

1. The number of Members of the Board has been increased from the previous eight members to ten members (with five outside Members of the Board).
2. In order to strengthen the corporate auditor system, one full-time outside corporate auditor has been added, increasing the total number of Audit & Supervisory Board Members from the previous five members to six members.
3. The ratio of female Members of the Board, Audit & Supervisory Board Members and Senior Vice Presidents has been increased to over 30%
4. The Internal Control Office has been reorganized into an Internal Audit Department under the direct control of the President.
5. Newly commissioned a person in charge of economic security.

iii. Corporate Governance Structure

Board of Directors

The Board of Directors has ten Members of the Board, including five outside independent Members of the Board, which brings the total percentage of outside Members of the Board to 50%. In addition, the introduction of an executive officer system that clearly separates the management decision-making and oversight functions from the business execution function ensures closer supervision of execution and enhanced management flexibility. In principle, the ordinary meetings of the Board of Directors are held once per month, and extraordinary meetings are held as needed. The Board of Directors discusses the group management strategies and makes decisions on matters stipulated by laws and regulations and on important matters related to company management and group management. Moreover, through such means as periodic reports from Members of the Board and Executive Officers on the status of business execution, the Board of Directors supervises the business execution of Members of the Board and Executive Officers.

Each outside independent Member of the Board has extensive experience and a high level of integrity and insight. We believe that the outside independent Members of the Board will help strengthen the supervisory function for business execution and expect to incorporate the opinion they provide from their wide-ranging managerial perspective.

With the objective of further strengthening the independence, objectivity, and accountability in decisions with respect to appointments and compensation of officers and related matters made by the Board of Directors, the Company has voluntarily established a Nomination Committee and Compensation Committee, each consisting of five Members of the Board, of which a majority (three) are outside independent Members of the Board, as preliminary review institutions of the Board of Directors, thereby increasing the effectiveness of governance.

Moreover, in recognition of the fact that response to sustainability issues is an important management challenge, the Company has voluntarily established a Sustainability Committee that reports directly to the Board of Directors. The committee will work to further promote initiatives after important issues and indicators have been decided by resolution of the Board of Directors.

For details, please refer to "(2) Members of Board".

[Composition of the Board of Directors]

The Board of Directors is of a size appropriate to the Group's business, and the composition of the Board of Directors reflects consideration for a balance of experience and specialties and for diversity. The Board of Directors has ten Members of the Board, including five outside independent Members of the Board who have been appointed in order to strengthen functions for appropriately supervising business execution.

Please see "(2) Members of the Board" for additional details

[Activities of the Board of Directors]

In principle, the ordinary meetings of the Board of Directors are held once per month. In addition, extraordinary meetings are held as needed. The Board of Directors makes decisions on matters stipulated by law and on important matters related to company management and Group management. Moreover, through such means as periodic reports from Members of the Board and senior vice presidents on the status of business execution, the Board of Directors supervises the business execution of Members of the Board and senior vice presidents. In the fiscal year ended March 31, 2022, the Board of Directors met 15 times (Ms. Keiko Takegawa, a Member of the Board, and Ms. Kaoru Kashima, an Audit & Supervisory Board Member, each attended 14 out of 15 meetings; other Members of the Board and Audit & Supervisory Board Members attended 15 out of 15 meetings).

[Evaluation of the Effectiveness of the Board of Directors]

The Board of Directors of the Company, which is a pure holding company, plays the role of monitoring the specific business operations of the Group companies based on the medium- to long-term business strategy of the entire Group.

The Board of Directors of the Company decides important items related to the Group's management that have passed the Executive Officers Meeting, which is made up of the Executive Officers and others, as well as the review of the various committees chaired by the President or a Senior Executive Vice President and attended by the relevant Executive Officers, while also monitoring the status of the execution of the duties of the individual Members of the Board and Executive Officers.

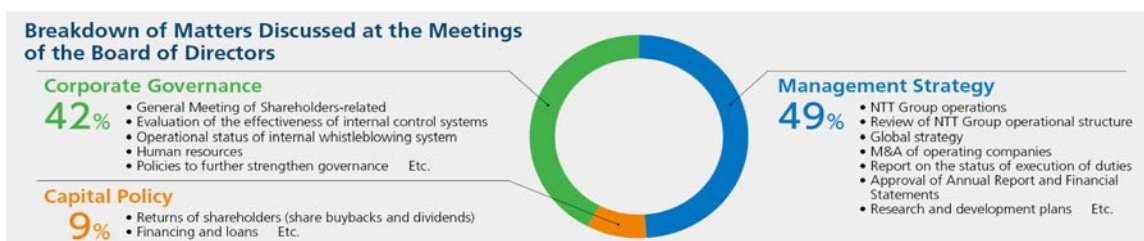
At meetings of the Board of Directors, based on the authority of the individual Members of the Board, current issues in group management and the initiatives being taken to resolve them are reported and reviewed, as well as initiatives for growing the business, such as investments and partnerships. During the fiscal year under review, active discussions were held centering on important matters related to company and group management, such as the promotion of sustainability, and the formulation of policies to further strengthen governance under the Medium-Term Management Strategy, "Your Value Partner 2025," which was revised with a view toward future changes in the business environment. In the fiscal year ended March 31, 2022, there was an increase in the proportion of agenda items related to management strategy in particular due to the refinement of the Medium-Term Management Strategy, capturing social conditions such as the growing interest in sustainability and the development of a remote and decentralized society as well as the changes to the Group's management structure, including making NTT DOCOMO a wholly owned subsidiary. Furthermore, in addition to the advance explanations of agenda items to be discussed at Board of Directors meetings, explanations of matters such as issues of immediate concern and the status of considerations were also given to the outside independent Members of the Board by Representative Members of the Board after meetings of the Board of Directors. By striving to clarify the focus of execution of duties and the purpose of initiatives, we are creating an environment in which the supervisory function of the Board of Directors can be fully exercised.

Furthermore, to allow the outside independent Members of the Board to more deeply understand the Company's business, meetings were held between the outside independent Members of the Board and Representative Members of the Board to exchange ideas and opinions on the Company's management strategies, and they received explanations on topics such as the results of cutting-edge research at exhibitions of research and development where the Company is focusing its efforts. Additionally, ideas and opinions on issues in NTT Group management were exchanged among the outside independent Members of the Board, the Audit & Supervisory Board Members of the Company, and the outside independent Members of the Board of the major Group companies and other members.

At these meetings, the outside independent Members of the Board and the Audit & Supervisory Board Members assess that adequate information is provided by NTT's Board of Directors, and Members of the Board engage in active discussions, thereby ensuring the Board's effectiveness.

In addition, NTT implements an evaluation of the effectiveness of the Board of Directors annually for the purpose of strengthening the governance of the top management through continuous improvement of effectiveness of the Board of Directors. During the fiscal year ended March 31, 2022 also, NTT implemented an evaluation of its effectiveness as a Board of Directors, with the support of a third-party organization, getting all Members of the Board and Audit & Supervisory Board Members to complete a questionnaire survey concerning the Board of Directors. Questions were asked with regard to the role and responsibilities of the Board of Directors, its composition, its operation, and its satisfaction level. The results, which were compiled at the third-party organization, confirmed that the Board was sufficiently fulfilling its important role and responsibilities, with a majority of positive opinions for all of the questions.

In addition, as a result of the enhancement of governance-related issues, such as holding meetings to exchange opinions to stimulate strategic discussions, and enhancement of discussions on important issues such as sustainability, all members expressed positive opinions. Therefore, we have evaluated that the effectiveness of the Board of Directors is being ensured. At the same time, regarding efforts to deepen understanding of increasingly complex proposals, while a certain degree of recognition was received, there were also some opinions that there is still room for improvement, so we will continue efforts to achieve improvements by aiming for more efficient operation of the Board of Directors through enhancing supplementary explanations related to the background of the deliberation items in advance and further expanding opportunities for exchanges of opinions with the executives of the major subsidiaries.



[Nomination of Members of the Board]

In terms of the composition of the Company's Board of Directors, the nomination of executives is based on the NTT Group Personnel Policy, and personnel with the skills to resolve issues recognized by NTT Group are nominated broadly from inside and outside of the Group. Outside Members of the Board and outside Audit & Supervisory Board Members are elected with the expectation that they can provide opinions based on a broad management perspective or as an expert. Furthermore, both non-outside and outside Members of the Board are elected in line with NTT Group's promotion of diversity. The Board of Directors comprises ten Members of the Board, including five independent outside Members of the Board (two of whom are women), and accordingly, the ratio of independent outside Members of the Board is 50%. Pursuant to applicable law (Article 10(1) of the Act on Nippon Telegraph and Telephone Corporation, etc.), the Company is not permitted to appoint non-Japanese Members of the Board.

NTT Group Personnel Policy

[Basic Policy]

NTT Group strives to contribute to the resolution of societal issues and the realization of a safer, more secure, and more affluent society. To accomplish this goal, the Group acts as a trusted "Your Value Partner" that customers continue to select in order to provide them with new value on a global basis. We have established the policy of positioning individuals that share these ideals in the upper ranks of NTT Group's management, and we are nominating such individuals from both inside and outside the Group.

[Nomination of Candidates for Members of the Board]

In regard to Member of the Board candidates, individuals are nominated based on the broad-ranging perspective and experience, superior management skill and leadership, business acumen and motivation necessary to contribute to the overall development of NTT Group in order to facilitate the improvement in NTT Group's corporate value. The Board of Directors is of a size appropriate to the Group's business, and the composition of the Board of Directors takes into account a balance of expertise and diversity. From the perspective of strengthening the function of supervising business execution, for outside independent Members of the Board, NTT nominates individuals who present no risk of a conflict of interest with general shareholders. In principle, NTT appoints several outside independent Members of the Board.

[Nomination of Candidates for Audit & Supervisory Board Members]

NTT has the policy of nominating candidates for Audit & Supervisory Board Members that have the capacity to provide audits based on specialized experience and insight. From the perspective of guaranteeing fair audits of the execution of duties by Members of the Board, for outside independent Audit & Supervisory Board Members, NTT nominates individuals who present no risk of a conflict of interest with general shareholders. In accordance with the Companies Act, NTT ensures that outside Audit & Supervisory Board Members make up half or more of the Audit & Supervisory Board.

With regard to the nomination of Members of the Board, NTT has established the Nomination Committee, which consists of five Members of the Board including three outside independent Members of the Board. The committee discusses candidates and then makes proposals to be approved by the Board of Directors and presented for voting at the General Meeting of Shareholders. With regard to the nomination of candidates for Audit & Supervisory Board Members, the procedure for nomination involves Members of the Board proposing Audit & Supervisory Board Member candidates based on the nomination policy described above. These proposals are then discussed by the Audit & Supervisory Board, which consists of half or more of outside Audit & Supervisory Board Members, and consent is granted if appropriate. The candidates are then approved by the Board of Directors and presented for voting at the General Meeting of Shareholders.

Ref. Skill Matrix for Directors/Audit & Supervisory Board Members

The fields considered especially important by NTT Group for fulfilling its Medium-Term Management Strategy have been defined as: (1) business management; (2) marketing/global business; (3) IT/DX/R&D; (4) legal/risk management/public policy; (5) HR; and (6) accounting/finance. The skills of individual Members of the Board and Audit & Supervisory Board Members are also well-balanced and appropriately distributed. A list is presented in the table below.

	Name	Field					
		Business Management	Marketing/Global Business	IT/DX/R&D	Legal/Risk Management/ Public Policy	HR	Accounting/ Finance
Members of the Board	Jun Sawada	●	●	●		●	●
	Akira Shimada	●	●		●	●	●
	Katsuhiko Kawazoe	●	●	●	●	●	
	Takashi Hiroi	●	●		●	●	●
	Akiko Kudo	●	●	●			
	Ken Sakamura	●	●	●			
	Yukako Uchinaga	●	●	●			
	Ryoji Chubachi	●	●	●			
	Koichiro Watanabe	●	●				●
	Noriko Endo	●		●	●		
Audit & Supervisory Board Members	Keiichiro Yanagi		●		●	●	●
	Kanae Takahashi			●	●	●	●
	Kensuke Koshiyama				●	●	●
	Takashi Iida				●	●	●
	Hideki Kanda				●	●	●
	Kaoru Kashima				●	●	●

Notes Up to five fields in which expectations for individual Members of the Board/Audit & Supervisory Board Members are particularly high are listed. This table is not an exhaustive list of the knowledge and experience possessed by each Member of the Board or Audit & Supervisory Board Member.

[Succession Plan]

With respect to successor candidates for the CEO and other positions, we view it as important to secure successor candidates who can respond to the speed of changes in technological innovation, market trends, and business environment. By securing the diversity of candidates through offering experience of a broad range of jobs and appointments to important posts, we are cultivating personnel for promotion who, in addition to possessing integrity and insight, are exceptionally well-suited to the times. The decision regarding the appointment is made by the Board of Directors after it has been presented for deliberation to the Nomination Committee, a preliminary review institution of the Board of Directors, which consists of five Members of the Board including three outside independent Members of the Board. For future management candidates, we select various individuals regardless of age, gender, or field of expertise. Through education at the NTT University, which was started as a program for developing management candidates, we target diverse people who are full of desire to lead our transformation.

Audit & Supervisory Board

The Audit & Supervisory Board consists of a total of six Audit & Supervisory Board Members, comprising two internal Audit & Supervisory Board Members and four outside independent Audit & Supervisory Board Members (including two women, one in each category). The Audit and Supervisory Board audits the status of the execution of duties by the Members of the Board by conducting operational and accounting audits from an independent perspective differs from that of executives.

For details, please refer to "(2) Members of Board" and "(3) Status of Audit – Audit & Supervisory Board."

Nomination Committee and Compensation Committee

With the objective of further strengthening independence, objectivity, and accountability in decisions made by the Board of Directors with respect to appointments and compensation of Members of the Board and officers, the Company has voluntarily

established a Nomination Committee and a Compensation Committee, each consisting of five Members of the Board, of which a majority (three) are outside independent Members of the Board, as preliminary review institutions of the Board of Directors, thereby increasing the effectiveness of governance. Furthermore, from and after August 6, 2021, a majority of committee membership consisted of independent outside Members of the Board, increasing independence. From and after November 10, 2021, the Company decided to separate and transfer the functions of the existing Appointment and Compensation Committee into the separate Nomination Committee and Compensation Committee based on their applicable functions, and further delineated the authority and role of each committee. During the fiscal year ended March 31, 2022, the membership of each committee consisted of Jun Sawada (former Representative Member of the Board, President), Akira Shimada (former Representative Member of the Board, Senior Executive Vice President), Katsuhiko Shirai (former outside Member of the Board), Sadayuki Sakakibara (former outside Member of the Board) and Ken Sakamura (outside Member of the Board), with Jun Sawada (former Representative Member of the Board, President) serving as chairman to oversee the proceedings of each committee. As of the filing date of this Annual Securities Report, the membership of each committee consisted of Akira Shimada (Representative Member of the Board, President), Takashi Hiroi (Representative Member of the Board, Senior Executive Vice President), Ken Sakamura (outside Member of the Board), Yukako Uchinaga (outside Member of the Board) and Koichiro Watanabe (outside Member of the Board), with Akira Shimada (Representative Member of the Board, President) serving as chairman to oversee the proceedings of each committee.

During the fiscal year ended March 31, 2022, the Appointment and Compensation Committee met six times, the Nomination Committee met two times, and the Compensation Committee met one time. In addition, members of each committee held meetings to exchange opinions, where active discussions were held, regarding the form of the compensation system, the appointment of Members of the Board and officers, succession plans and measures in consideration of amendments to the Corporate Governance Code, among other topics.

Nomination Committee	Preliminary Deliberation Items	<ol style="list-style-type: none"> 1. Policies with respect to the appointment and dismissal of Members of the Board and executive officers of the whole group, and the nomination of candidates 2. Matters related to the appointment and dismissal of Members of the Board 3. Matters related to the selection and dismissal of representative Members of the Board of major group companies 4. Selection and dismissal of representative Members of the Board and other named roles of Members of the Board 5. Selection and dismissal of the Chairman 6. The order of Members of the Board to assume the responsibilities the President of the Company in the event that anything occurs to the President 7. Determination of the allocation of responsibilities for Members of the Board and assignment of employee duties 8. Appointment and dismissal of executive officers and assignment of duties 9. In addition to the foregoing matters, other nomination-related matters regarding Members of the Board, executive officers and others, for which the committee receives requests for deliberation from the Board of Directors
	Specifically Delegated Items	Nomination-related matters regarding Members of the Board, executive officers and others, for which the committee receives requests for deliberation from the Board of Directors
Compensation Committee	Preliminary Deliberation Items	<ol style="list-style-type: none"> 1. Policies for determining compensation of Members of the Board and executive officers, and composition and levels of compensation 2. In addition to the foregoing matters, other compensation-related matters regarding Members of the Board and executive officers, for which the committee receives requests for deliberation from the Board of Directors
	Specifically Delegated Items	<ol style="list-style-type: none"> 1. Ratios, calculation methods and amounts of compensation for each individual Member of the Board and executive officers 2. Other matters that are specifically delegated by the Board of Directors regarding the determination of compensation-related decisions of Members of the Board and executive officers

Sustainability Committee

NTT Group considers its response to sustainability issues to be an important management challenge, and therefore has voluntarily established the Sustainability Committee, for which the President serves as committee chair, as a preliminary review institution for the Board of Directors in order to strengthen the supervisory function of Members of the Board over initiatives related to sustainability. The committee discusses sustainability-related fundamental strategies, the status of implementing sustainability-related activities and information disclosure, and promotes sustainability initiatives.

Executive Officers Meeting

Important corporate matters to be decided are, in principle and in advance, discussed by “Executive Officers Meetings,” which is made up of senior vice presidents and others. The Executive Officers Meeting is held about once a week. To improve the transparency of management decision-making, one Audit & Supervisory Board Member participates in the Executive Officers Meeting.

iv. Other Corporate Governance Matters

Internal Control Systems and Systems to Ensure Appropriate Operations of Subsidiaries

NTT has established the Basic Policies Concerning the Development of Internal Control Systems for NTT Group, which was approved via resolution by the Board of Directors. The basic concepts of these policies are as follows.

Basic Policies Concerning the Development of Internal Control Systems

I. Basic Concepts Concerning the Development of Internal Control Systems

1. NTT shall develop a system of internal controls through taking measures for the prevention and minimization of losses, with the objectives of ensuring compliance with legal requirements, managing risks, and achieving appropriate and efficient business operations.
2. NTT shall establish the Internal Audit Department, which oversees the establishment of internal control rules and frameworks. The Internal Audit Department shall evaluate the effectiveness of the internal control systems based on internal audits regarding high risk matters affecting the entire NTT Group, and shall make sure that necessary corrective measures and improvements are implemented.
3. NTT shall also take appropriate measures to ensure the reliability of its internal control systems for financial reporting based on the Financial Instruments and Exchange Act.
4. As a chief executive officer, the president shall be responsible for ensuring the development and operation of the internal control systems.

II. Development of the Internal Control Systems

1. Systems to ensure that the performance of duties by Members of the Board, executive officers and employees conform with laws and regulations and NTT’s Articles of Incorporation

NTT shall implement the following measures with the objective of ensuring that its business is conducted in compliance with laws and regulations and in accordance with high ethical standards:

- (1) NTT shall establish the Employment Rules which require employees to adhere faithfully to applicable laws, regulations and official notices, and to devote all their efforts to the performance of their duties so that business activities are appropriately and effectively carried out.
- (2) NTT shall adopt the NTT Group Corporate Ethics Policy setting forth specific conduct guidelines concerning corporate ethics for all NTT Group officers and employees.
- (3) NTT shall establish the Corporate Ethics Committee, chaired by the Senior Executive Vice President in charge, to clarify the structure of responsibilities for corporate ethics. It addresses promotion of corporate ethics, improvement of compliance awareness, maintenance of corporate discipline, and investigates whistleblowers' allegation.

- (4) NTT shall establish an internal Corporate Ethics Helpline and an external Corporate Ethics Helpline handled by an independent law firm in order to foster a more open groupwide corporate culture. Whistleblower reports may be made on an anonymous or identified basis. In addition, NTT shall establish an independent reporting route to Audit & Supervisory Board Members as a contact point independent from the management. NTT shall ensure that whistleblowers do not suffer disadvantages as a result of using the Corporate Ethics Helpline or reporting to Audit & Supervisory Board Members.
- (5) Corporate ethics training shall be conducted as part of continuous educational activities for officers and employees. In addition, surveys on awareness of corporate ethics shall be conducted to check the effectiveness of these activities.
- (6) The Internal Audit Department reports the internal audit plan to the Board of Directors, conducts internal audits based on the plan, and reports audit results to the Board of Directors on a regular basis.

2. Rules and other systems concerning business risk management

NTT shall take the following measures to appropriately manage business risks:

- (1) NTT shall establish the Risk Management Rules to prescribe fundamental rules concerning risk management and to promote effective and efficient business operations.
- (2) NTT shall establish the Business Risk Management Committee, chaired by the Senior Executive Vice President in charge, to clarify responsibilities concerning management of business risks and to perform crisis management in response to new business risks affecting corporate operations.
- (3) In order to address group-wide coordination of risk management, NTT shall also formulate the Business Risk Management Manual to focus on preventing and preparing for risks, and positioning NTT Group to respond appropriately and rapidly as risks materialize.

3. Systems for ensuring that Members of the Board and executive officers efficiently perform their duties

NTT shall take the following measures to ensure that its business activities are managed efficiently through allocating responsibilities appropriately among members of the Board and executive officers and maintaining an appropriate oversight structure to monitor such matters:

- (1) NTT shall adopt the Organization Rules governing the functions and operations of internal organizational groups, and the Authority Matrix setting forth the allocation of responsibilities among the various organizational groups.
- (2) NTT shall adopt an executive officer system, and intends to clearly separate management-related decision-making and supervisory functions from business execution functions and improve its management flexibility.
- (3) NTT shall adopt the Rules for the Board of Directors governing the function and responsibilities of the Board of Directors. In principle, the Board of Directors shall hold meetings once each month, and be responsible for decisions on important managerial matters on the basis of applicable laws and regulations, business judgment principles, and other considerations including the duty of care. Members of the Board and executive officers shall report regularly to the Board of Directors the status of implementation of their duties.
- (4) The Board of Directors shall include outside directors with independent perspectives to reinforce the oversight function for ensuring the impartial performance of duties.
- (5) As a holding company that oversees and coordinates NTT Group, NTT shall establish the Executive Officers Meeting and subcommittees for the purpose of considering and deciding important managerial matters of NTT and NTT Group, with the objective of promoting efficient and effective group management. NTT Group shall also establish a reporting structure for matters regarding business operations of group companies.

4. Systems for retaining and managing information related to the performance of duties of Members of the Board and executive officers

NTT shall adopt the following measures to facilitate appropriate and efficient conduct of business activities through appropriate management of information on the performance of duties by members of the Board and executive officers:

- (1) NTT shall adopt the Document Management Rules and the Rules for Information Security Management to manage documents (including related materials and information recorded on electronic media; referred to as "Documents") and other information properly.
- (2) Documents shall be retained for the periods required by law and/or as necessary for business operations.

5. Systems for ensuring the propriety of the business activities of NTT Group

NTT shall ensure that transactions among NTT Group companies are conducted appropriately and in compliance with laws and regulations, and that all group companies adopt following measures to conduct their business operations appropriately and to contribute to the growth and development of NTT Group:

- (1) Establishing a crisis communication system to notify the parent company,
- (2) Conducting employee education and training to prevent fraud or misconduct,
- (3) Establishing systems for information security and protection of personal information,
- (4) Reporting regularly to the parent company on their financial condition, and
- (5) Accepting audits by the parent company's internal audit division.

6. Employees who assist Audit & Supervisory Board Members in the performance of their duties and the independence of those employees from members of the Board and executive officers

NTT shall adopt the following measures with respect to employees who assist Audit & Supervisory Board Members in the performance of their duties to ensure the effective performance of audits by Audit & Supervisory Board Members:

- (1) Office of Audit & Supervisory Board Members shall be established as an integral part of NTT's corporate organization under the Companies Act. Office of Audit & Supervisory Board Members shall be staffed with dedicated personnel who work full time in assisting Audit & Supervisory Board Members in the performance of their duties.
- (2) Personnel assigned to Office of Audit & Supervisory Board Members perform their responsibilities at the instruction and direction of Audit & Supervisory Board Members.
- (3) Decisions on transfer of personnel assigned to Office of Audit & Supervisory Board Members, evaluations of such personnel shall be made with due regard for the opinion of the Audit & Supervisory Board.

7. Systems for reporting to Audit & Supervisory Board Members by Members of the Board, executive officers and employees and systems for ensuring effective implementation of audits by Audit & Supervisory Board Members

To ensure that audits by Audit & Supervisory Board Members are carried out effectively, NTT shall adopt the following measures concerning reporting to Audit & Supervisory Board Members by members of the Board, executive officers and employees with regard to important matters relating to the performance of their duties.

- (1) Members of the board and other personnel report the following matters concerning the performance of their duties:
 - (a) Matters resolved at Executive Officers Meeting;
 - (b) Matters that cause or may cause substantial damage to NTT;
 - (c) Monthly financial reports;
 - (d) Results of internal audits;
 - (e) Matters that pose a risk of violation of laws and regulations or the Articles of Incorporation;
 - (f) Whistleblowing;
 - (g) Material matters reported by group companies; and
 - (h) Other material compliance matters.
- (2) Representative members of the Board, accounting auditors, and the Internal Audit Department shall report to and exchange ideas and opinions with Audit & Supervisory Board Members periodically or as needed upon request from Audit & Supervisory Board Members.
- (3) Audit & Supervisory Board Members have the right to attend meetings of the Board of Directors and other important meetings.
- (4) Audit & supervisory board members auditors may contract independently with and seek advice from external experts with respect to the performance of audit operations.
- (5) Audit & Supervisory Board Members may request prepayment or reimbursement of expenses incurred in the execution of their duties. NTT shall provide prepayment or reimbursement upon such requests.
- (6) Persons who report to the Audit & Supervisory Board Members will not be treated disadvantageously as a result of such reports.

Status of Establishment of Risk Management System

Information about business risks and the establishment of the risk management system is included under “Item 2. Business Overview – 2. Risk Factors.”

Overview of Contracts Limiting the Liabilities

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into contracts limiting the liabilities for damages as set forth in Article 423, Paragraph 1 of the Companies Act with outside Members of the Board and Audit & Supervisory Board Members. Under these contracts, the maximum amount of liability for damages is defined as the lowest amount of liability set forth in Article 425, Paragraph 1 of the Companies Act.

Liability Insurance Policy for Members of the Board and Executive Officers

NTT has entered into a liability insurance policy for Members of the Board and executive officers as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. This insurance policy covers the insured’s losses and such costs as related litigation expenses incurred from claims for damages arising from acts (including nonfeasance) carried out by the insured in his or her capacity as a Member of the Board or executive officer or a person at a certain position of the Company and the premiums for the insured are fully borne by the Company. However, losses and costs personally incurred by any person as a result of criminal acts and intentional illegal activities, such as bribery, by such person, are not covered by the policy as a measure to ensure that the proper performance of duties by Members of the Board and executive officers is not impaired. The insureds included in this policy consist of the Members of the Board, Audit & Supervisory Board Members and Executive Officers of NTT and the NTT subsidiaries NTT East, NTT West and NTT, Inc.

Number of Members of the Board

NTT’s Articles of Incorporation state that the number of Members of the Board shall be 15 people or fewer.

Requirements for Resolutions to Appoint Members of the Board

NTT’s Articles of Incorporation state that resolutions to appoint Members of the Board may be made by a majority of shareholders present if they represent at least one-third (1/3) of the total voting rights of the shareholders who can exercise their voting rights. NTT’s Articles of Incorporation further state that such resolutions are not subject to cumulative voting.

Shareholder Meeting Matters that May Be Resolved by the Board of Directors

NTT’s Articles of Incorporation state that NTT may purchase its own shares in open market transactions or otherwise pursuant to resolutions of the Board of Directors. This is intended to enable a flexible capital policy that is responsive to the current business environment.

NTT’s Articles of Incorporation state that, in accordance with the provisions of Article 454, Paragraph 5 of the Companies Act, NTT may declare interim dividends with a record date of September 30 each year pursuant to resolutions of the Board of Directors. This is intended to enable the expeditious return of profits to shareholders.

Pursuant to the provisions set forth in Article 426, Paragraph 1 of the Companies Act, NTT’s Articles of Incorporation state that NTT may exempt Members of the Board and Audit & Supervisory Board Members for liabilities to the extent permitted by law pursuant to resolutions of the Board of Directors. This is intended to enable Members of the Board and Audit & Supervisory Board Members to fully engage in their expected roles when fulfilling their responsibilities.

Special Resolution Requirements for Shareholder Meetings

NTT’s Articles of Incorporation state that, with respect to resolutions set forth in Article 309, Paragraph 2 of the Companies Act, resolutions may be adopted by at least two-thirds (2/3) of the voting rights of the shareholders who are present at such shareholder meetings if they represent at least one-third (1/3) of the total voting rights of the shareholders who can exercise their voting rights. This is intended to enable the more reliable satisfaction of quorum requirements.

Support System for Members of the Board and Audit and Supervisory Board Members

For outside Member of the Board, the secretariat of the Board of Directors is made available as a venue of contact, which they regularly provide support such as responding to inquiries and providing information on business execution, and other means. In addition, the secretariat and others provide explanations of materials prior to meetings of the Board of Directors.

For Audit & Supervisory Board Members, including outside Audit & Supervisory Board Members, an Office of the Audit & Supervisory Board Members has been established to assist in their responsibilities, and supports their audit work.

Training for Members of the Board and Audit & Supervisory Board Members

NTT Group works to cultivate candidates suitable for top management who are able to respond to the rapidly changing management environment, by creating a range of training opportunities in areas including domestic and overseas economic and social issues, compliance, and risk management, and by allowing employees to accumulate new job experiences. Additionally, outside independent Members of the Board can further deepen their understanding of NTT's group businesses through opportunities to deepen their understanding of the business trends of Group companies and of the latest R&D results at the research facilities of NTT.

Overview of Internal Compliance Systems:

[Establishment of NTT Group Corporate Ethics Policy]

It is imperative to conduct business in compliance with laws and regulations, and maintain high ethical standards in order to promote sound corporate activities. Recognizing this, NTT drew up the NTT Group Corporate Ethics Charter (which is now the NTT Group Corporate Ethics Policy) in November 2002.

The NTT Group Corporate Ethics Policy, which applies to all officers and employees of the NTT Group, lays out the basic principles of corporate ethics and provides specific guidelines for ethical behavior. The stipulations in the guidelines are intended to remind everyone of their duty as members of a large corporate group that bears responsibility to society in terms of preventing dishonesty, misconduct, and the disclosure of corporate secrets, as well as refraining from exchanging excessive favors with customers and suppliers, and ensuring that they conduct themselves according to the highest ethical standards in both private and public activities.

[Initiatives to Promote Awareness of the NTT Group Corporate Ethics Policy]

To ensure the effectiveness of the NTT Group Corporate Ethics Policy, we offer training sessions on corporate ethics to employees, and through a website for employees, we explain the NTT Group Corporate Ethics Policy in detail and give examples of corporate ethics issues in an effort to raise employees' levels of understanding. Furthermore, NTT conducts annual surveys of employees to measure their awareness, and the results are then used for awareness enhancement initiatives.

[Establishment of Corporate Ethics Help Line (Consulting Center Outside of the Company)]

To prevent illegal conduct or a scandal, each Group company has set up an internal consulting center to handle reports of improper activities. In addition, NTT has established the Corporate Ethics Help Line as an external contact point for NTT Group companies and outsources its operation to a law firm.

The content of the consultations and reports are investigated and handled by the staff member in charge, and a report is submitted to the Corporate Ethics Committee of each Group company. All reports are collected at least once a year by NTT, where the response status is ascertained and reported to the Board of Directors.

Furthermore, the NTT Group Corporate Ethics Policy clearly states that people who file reports with these help lines will be protected from any disadvantage arising from the fact that they filed a report.

In addition, NTT Group has established and operates an independent reporting route to Audit & Supervisory Board Members as a contact point that is independent from management. In general, reports made through external reporting lines are also simultaneously sent directly to Audit & Supervisory Board Members, and it is also possible to make reports directly to Audit & Supervisory Board Members only.

[Prevention of Bribery]

Understanding that it is essential to comply with laws and regulations and to operate its business with high ethical standards,

NTT Group prohibits all forms of corruption, including bribery, improper benefits and facilitation payments*. In particular, with respect to the prevention of bribery, NTT Group has created an Anti-Bribery Handbook and distributed it to employees of Group companies, including its overseas subsidiaries, and has also posted the handbook on its internal website to ensure thorough awareness. Furthermore, for NTT, NTT East and NTT West, bribery is prohibited pursuant to the NTT Act, and any violations are subject to legal penalties.

* Note: "Facilitation payments" are small payments made for purposes of facilitating procedures for ordinary administrative services.

[Collaboration with Suppliers]

NTT has established and announced its Supply Chain Sustainability Promotion Guidelines in order to fulfill its social responsibility by following social norms and laws with all of its suppliers against wrongful actions in the supply chain, including bribery.

Through these guidelines, NTT Group requires its suppliers to comply with statements such as "prevention of corruption and illegal activities, and prohibition on providing or receiving inappropriate profits" and "fair execution of business."

In addition, NTT Group conducts engagement activities with all of its major suppliers through self-evaluation surveys and direct dialogues, through which NTT Group promotes confirmations the status of compliance with its guidelines. If, as a result of these confirmations, it is determined that there are acts or events that do not fulfill the items set forth in the guidelines, NTT Group works with its suppliers to prevent misconduct, such as by requiring corrective measures from the relevant suppliers.

Dialogue with Shareholders and Other Investors

NTT promotes management that prioritizes discussions with shareholders, which not only includes discussions at General Meetings of Shareholders but also involves senior management, including the president, actively promoting discussions with shareholders about medium-term management strategies, corporate governance, business performance trends, and other topics through one-on-one meetings with institutional investors and briefings targeting individual investors.

The opinions received from shareholders through such discussions are shared in the Company. NTT considered and formulated the "Your Value Partner 2025" Medium-Term Management Strategy (as amended in October 2021) in light of shareholder opinions.

During discussions with shareholders, insider information is strictly controlled, and information is proactively disclosed with due consideration to fair disclosure (timely, fair, and impartial information disclosure). To increase convenience for overseas investors, we strive to release Japanese- and English-language disclosure materials at the same time. The Japanese- and English-language versions of the entire Notice of Convocation for the Ordinary General Meeting of Shareholders, including the business report, were released at the same time, more than one month prior to the date of the Ordinary General Meeting of Shareholders.

[Policy for Constructive Dialogue with Shareholders and Other Investors]

(a) Appointment of Executives

An IR office is established within the Finance and Accounting Department with the Head of Finance and Accounting as the person in charge.

(b) Measures to Ensure Positive Cooperation between Internal Departments

Communication is enhanced based on cooperation with related departments, such as periodically discussing the settlement of accounts.

(c) Promotion of Opportunities for Dialogue

In addition to one-on-one meetings, we hold briefings, etc., in accordance with themes that reflect investor needs.

(d) Appropriate and Effective Feedback

Input from shareholders and other investors is shared with management and Group companies and is used to enhance communications.

(e) Control of Insider Information

We are implementing information disclosure in a fair and impartial manner in accordance with our disclosure policy.

[Initiatives to Enhance Dialogue (fiscal year ended March 31, 2022)]

For institutional investors:

- (a) Implementing quarterly financial results presentations (4 times)
- (b) Participating in IR conferences in Japan and overseas (8 times)
- (c) Holding NTT IR DAY (briefing for institutional investors, 1 time)
- (d) Implementing one-on-one briefings in Japan and overseas (total of more than 300 times)
(topics: medium-term management strategy, financial results, corporate governance, etc.)

For individual investors:

- (a) Implementing online Company briefings (4 times, including 2 Company briefings by senior executives)
- (b) Dissemination of information through publications for shareholders (2 times)

(2) Members of the Board

i. Member List

Composition: 11 men and 5 women (percentage of women: 31.3%)



Jun Sawada



Akira Shimada



Katsuhiko Kawazoe



Takashi Hiroi



Akiko Kudo



Ken Sakamura



Yukako Uchinaga



Ryoji Chubachi



Koichiro Watanabe



Noriko Endo



Keiichiro Yanagi



Kanae Takahashi



Kensuke Koshiyama



Takashi Iida



Hideki Kanda



Kaoru Kashima

Position Responsibility	Name	Date of Birth	Brief Career Summary	Term	Share Ownership (shares)
Chairman of the Board	Jun Sawada	July 30, 1955	<p>April 1978: Joined Nippon Telegraph and Telephone Public Corporation</p> <p>June 2008: Senior Vice President Executive Manager of Corporate Strategy Planning Department Member of the Board of NTT Communications Corporation</p> <p>June 2011: Executive Vice President Executive Manager of Corporate Strategy Planning Department Member of the Board of NTT Communications Corporation</p> <p>June 2012: Senior Executive Vice President Executive Manager of Corporate Strategy Planning Department Representative Member of the Board of NTT Communications Corporation</p> <p>June 2013: Senior Executive Vice President Representative Member of the Board of NTT Communications Corporation</p> <p>June 2014: Senior Executive Vice President Representative Member of the Board of the Company</p> <p>June 2016: Director and President, Chief Executive Officer of NTT Security Corporation</p> <p>June 2018: President and Chief Executive Officer Representative Member of the Board of the Company</p> <p>June 2018: President and Chief Executive Officer Representative Member of the Board of NTT, Inc.</p> <p>June 2020: President and Chief Executive Officer Representative Member of the Board of the Company</p> <p>June 2022: Chairman and Representative Member of the Board of the Company (present post)</p>	Note 3	41,500

Position Responsibility	Name	Date of Birth	Brief Career Summary		Term	Share Ownership (shares)
Representative Member of the Board President Chief Executive Officer (CEO)	Akira Shimada	December 18, 1957	<p>April 1981: Joined Nippon Telegraph and Telephone Public Corporation</p> <p>June 2007: Vice President of Corporate Strategy Planning of the Company</p> <p>July 2007: General Manager of the Accounts and Finance Department of Nippon Telegraph and Telephone West Corporation</p> <p>July 2009: General Manager of the General Affairs and Personnel Department of Nippon Telegraph and Telephone East Corporation</p> <p>June 2011: Senior Vice President General Manager of the General Affairs and Personnel Department Member of the Board of Nippon Telegraph and Telephone East Corporation</p> <p>June 2012: Senior Vice President Head of the General Affairs Member of the Board of the Company</p> <p>June 2012: Member of the Board of Nippon Telegraph and Telephone West Corporation</p> <p>June 2015: Executive Vice President Head of General Affairs Member of the Board of the Company</p> <p>June 2018: Senior Executive Vice President Representative Member of the Board of the Company</p> <p>August 2018: Member of the Board of NTT, Inc.</p> <p>October 2018: Senior Executive Vice President of NTT, Inc.</p> <p>June 2020: Senior Executive Vice President Representative Member of the Board of the Company</p> <p>June 2022: President and Chief Executive Officer Representative Member of the Board of the Company (present post)</p> <p>June 2022: President and Chief Executive Officer Representative Member of the Board of NTT, Inc. (present post)</p>		Note 3	26,808
Representative Member of the Board Senior Executive Vice President In charge of technical strategy Chief Technology Officer (CTO) Chief Information Officer (CIO) Chief Digital Officer (CDO)	Katsuhiko Kawazoe	September 5, 1961	<p>April 1987: Joined the Company</p> <p>August 2003: Senior Research Engineer of the Cyberspace Laboratories of the Cyber Communications Laboratory Group of the Company</p> <p>October 2007: Senior Research Engineer of the Cyber Solutions Laboratories of the Cyber Communications Laboratory Group of the Company</p> <p>July 2008: Vice President of Research and Development Planning of the Company</p> <p>July 2014: Head of the Service Innovation Laboratory Group of the Company, Service Evolution Research Laboratory of the Company</p> <p>July 2016: Head of the Service Innovation Laboratory Group of the Company</p> <p>June 2018: Senior Vice President, head of Research and Development Planning, and Member of the Board of the Company</p> <p>June 2020: Executive Vice President, Head of Research and Development Planning of the Company</p> <p>June 2022: Senior Executive Vice President, Representative Member of the Board of the Company (present post)</p>		Note 3	13,300
Representative Member of the Board Senior Executive Vice President In charge of business strategy Chief Financial Officer (CFO) Chief Compliance Officer (CCO) Chief Human Resource Officer (CHRO)	Takashi Hiroi	February 13, 1963	<p>April 1986: Joined the Company</p> <p>May 2005: Vice President of Medium-Term Corporate Business Strategy of the Company</p> <p>June 2008: Vice President of Strategic Business Development of the Company</p> <p>July 2009: Vice President of Corporate Strategy Planning of the Company</p> <p>June 2014: Head of Finance and Accounting of the Company</p> <p>June 2015: Senior Vice President; Head of Finance and Accounting, Member of the Board of the Company</p> <p>June 2020: Executive Vice President; General Manager of Accounts and Finance Department; Member of the Board of Directors of NTT DOCOMO, INC.</p> <p>December 2020: Senior Executive Vice President; Representative Member of the Board of Directors of NTT DOCOMO, INC.</p> <p>June 2022: Representative Member of the Board, Senior Executive Vice President of the Company (present post)</p>		Note 3	12,000

Position Responsibility	Name	Date of Birth	Brief Career Summary		Term	Share Ownership (shares)
Member of the Board Senior Vice President	Akiko Kudo	July 4, 1967	April 1990:	Joined the Company	Note 3	2,900
			June 2014:	Head of Public Relations of Corporate Planning of NTT Communications Corporation		
			July 2016:	Director of Tokai Branch of West Japan Sales Division of NTT Communications Corporation		
			June 2019:	Senior Vice President, Head of Fifth Sales Division of NTT Communications Corporation		
			April 2020:	Deputy Senior Vice President of Fourth Business Solutions Department of Business Solution Division of NTT Communications Corporation		
			June 2020:	Senior Vice President, Head of Public Relations, Deputy Head of Business Strategy of the Company		
			June 2022:	Senior Vice President, Executive Manager of the New Business Promotion Department of the Company (present post)		
Outside Member of the Board	Ken Sakamura	July 25, 1951	April 2000:	Professor of the Interfaculty Initiative in Information Studies and the Graduate School of Interdisciplinary Information Studies of the University of Tokyo	Note 1 Note 3	1,700
			January 2002:	Director of YRP Ubiquitous Networking Laboratory (present post)		
			April 2009:	Director of Institute of Infrastructure Application of Ubiquitous Computing of the Interfaculty Initiative in Information Studies of the University of Tokyo		
			October 2014:	President of Vitalizing Local Economy Organization by Open Data & Big Data (present post)		
			April 2017:	Professor and Dean of Faculty of Information Networking for Innovation and Design of Toyo University Head of Collaboration Hub for University and Business of Toyo University (present post)		
			June 2017:	Emeritus Professor of the University of Tokyo (present post)		
			June 2019:	Member of the Board of the Company (present post)		
			August 2019:	President of Association for IoT Services Coordination (present post)		
Outside Member of the Board	Yukako Uchinaga	July 5, 1946	July 1971:	Joined IBM Japan, Ltd.	Note 1 Note 3	0
			April 2004:	Director and Senior Executive Officer, IBM Japan, Ltd.		
			April 2007:	Technical Advisor of IBM Japan, Ltd.		
			April 2007:	Board Chair, Japan Women's Innovative Network, a non-profit organization (present post)		
			April 2008:	Representative Director, Chairman of the Board, President & CEO of Berlitz Corporation		
			June 2008:	Director, Sony Corporation (currently Sony Group Corporation)		
			October 2009:	Director and Executive Vice President, Benesse Holdings, Inc.		
			April 2013:	Honorary Chairman, Berlitz Corporation		
			May 2013:	Director, AEON, Co., Ltd.		
			June 2013:	Director, HOYA CORPORATION (Chairperson of the Audit Committee) (present post)		
			September 2013:	President and CEO, Globalization Research Institute, Inc. (present post)		
			March 2014:	Director, DIC Corporation		
			June 2018:	Director, Teijin Limited Member of the Advisory Board, Teijin Limited (present post)		
			June 2021:	Director, SINTOKOGIO, LTD. (present post)		
			June 2022:	Member of the Board of the Company (present post)		

Position Responsibility	Name	Date of Birth	Brief Career Summary		Term	Share Ownership (shares)
Outside Member of the Board	Ryoji Chubachi	September 4, 1947	April 1977:	Joined Sony Corporation (currently Sony Group Corporation)	Note 1 Note 3	0
			June 2005:	President, Representative Corporate Executive Officer and Member of the Board of Sony Corporation (currently Sony Group Corporation)		
			April 2009:	Vice Chairman, Representative Corporate Executive Officer and Member of the Board, Sony Corporation (currently Sony Group Corporation)		
			April 2013:	President of National Institute of Advanced Industrial Science and Technology (incorporated administrative agency; currently the National Research and Development Agency)		
			June 2018:	Director, JAPAN POST BANK Co., Ltd. (present post)		
			April 2020:	Grand Emeritus Advisor of National Institute of Advanced Industrial Science and Technology (present post)		
			June 2022:	Member of the Board of the Company		
Outside Member of the Board	Koichiro Watanabe	April 16, 1953	April 1976:	Joined The Dai-ichi Mutual Life Insurance Company	Note 1 Note 3	0
			April 2010:	Representative Director and President of The Dai-ichi Mutual Life Insurance Company, Limited		
			October 2016:	Representative Director and President of The Dai-ichi Life Holdings, Inc.		
			October 2016:	Representative Director and President of The Dai-ichi Life Insurance Company, Limited (a new company that took over the domestic life insurance business)		
			April 2017:	Chairman of the Board and Representative Director of The Dai-ichi Life Holdings, Inc.		
			April 2017:	Chairman of the Board and Representative Director of The Dai-ichi Life Insurance Company, Limited		
			March 2018:	Member of the Board, Japan Tobacco Inc.		
			June 2020:	Director, Chairman of the Board of Dai-ichi Life Holdings, Inc. (present post)		
			June 2020:	Direct, Chairman of the Board of The Dai-ichi Life Insurance Company, Limited (present post)		
			June 2022:	Member of the Board of Company (present post)		
Outside Member of the Board	Noriko Endo	May 6, 1968	June 1994:	Joined DIAMOND Inc.	Note 1 Note 3 Note 8	600
			April 2004:	Concurrently served as Director of Kyushu University and Head of Tokyo Office		
			March 2006:	Deputy Editor-in-Chief of Diamond Weekly of DIAMOND Inc.		
			September 2013:	Visiting Researcher at Policy Alternatives Research Institute of the University of Tokyo		
			April 2015:	Project Professor of Graduate School of Media and Governance of Keio University		
			June 2016:	Director, NTT DOCOMO, INC.		
			July 2018:	Director of AIN HOLDINGS INC. (present post)		
			June 2019:	Director of Hankyu Hanshin Holdings, Inc. (present post)		
			April 2020:	Project Professor of Keio University Global Research Institute (present post)		
			March 2021:	Director of Techpoint, Inc. (present post)		
			June 2021:	Director of Japan Elevator Service Holdings Co., Ltd. (present post)		
			June 2022:	Member of the Board of the Company (present post)		

Position Responsibility	Name	Date of Birth	Brief Career Summary		Term	Share Ownership (shares)
Audit & Supervisory Board Member	Keiichiro Yanagi	August 16, 1960	<p>April 1984: Joined Nippon Telegraph and Telephone Public Corporation</p> <p>April 2009: President and Representative Director of NTT DATA Getronics Corporation (currently NTT DATA Luweave Corporation)</p> <p>June 2012: Head of General Affairs Department of NTT DATA Corporation</p> <p>July 2013: Senior Vice President, Head of Second Financial Sector of NTT DATA Corporation</p> <p>June 2016: Director and Executive Vice President, Head of General Affairs Department, concurrently serving as Head of Human Resources Department of NTT DATA Corporation</p> <p>July 2017: Director and Executive Vice President, Head of HR Headquarters, concurrently serving as Head of General Affairs Department of NTT DATA Corporation</p> <p>June 2018: Representative Director and Senior Executive Vice President, concurrently serving as Head of HR Headquarters of NTT DATA Corporation</p> <p>June 2020: Executive Advisor of NTT DATA Corporation</p> <p>June 2020: CEO and President of NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.</p> <p>June 2022: Audit & Supervisory Board Member of the Company (present post)</p>		Note 6	0
Audit & Supervisory Board Member	Kanae Takahashi	July 17, 1963	<p>April 1987: Joined the Company</p> <p>July 2013: Deputy Head of the Internal Control Office of the General Affairs Department of the Company</p> <p>June 2014: Head of the Internal Control Office of the General Affairs Department of the Company</p> <p>June 2016: Executive Manager of the Kanagawa Division and Manager of the Kanagawa Branch of the Kanagawa Division</p> <p>Member of the Board of Nippon Telegraph and Telephone East Corporation</p> <p>June 2016: Executive Manager of the Kanagawa Division and Manager of the Kanagawa Branch of the Kanagawa Division</p> <p>Member of the Board of NTT EAST-MINAMI KANTO CORPORATION</p> <p>June 2019: Executive Vice President</p> <p>Executive Manager of the Corporate Strategy Planning Department and the NW Facilities Business Department</p> <p>Member of the Board of NTT InfraNet Co., Ltd.</p> <p>June 2020: Full Time Audit & Supervisory Board Member of the Company (present post)</p>		Note 5	6,500
Audit & Supervisory Board Member	Kensuke Koshiyama	June 17, 1960	<p>April 1984: Joined Board of Audit of Japan</p> <p>December 2016: Senior ASG of Secretariat of Board of Audit of Japan</p> <p>April 2017: Director-General of 2nd Bureau of Board of Audit of Japan</p> <p>April 2018: Deputy Secretary-General of Board of Audit of Japan</p> <p>December 2018: Secretary-General of Board of Audit of Japan</p> <p>June 2022: Full-Time Audit & Supervisory Board Member of the Company (present post)</p>		Note 2 Note 7	0

Position Responsibility	Name	Date of Birth	Brief Career Summary		Term	Share Ownership (shares)
Outside Audit & Supervisory Board Member	Takashi Iida	September 5, 1946	<p>April 1974: Registered as attorney-at-law (Daini Tokyo Bar Association) (registration up-to-date) Joined Mori Sogo Law Offices (currently Mori Hamada & Matsumoto)</p> <p>April 1991: Deputy Chairman of the Daini Tokyo Bar Association</p> <p>April 1997: Executive Governor of the Japan Federation of Bar Associations</p> <p>April 2006: Chairman of the Daini Tokyo Bar Association</p> <p>April 2006: Vice President of the Japan Federation of Bar Associations</p> <p>January 2012: Established Kowa Law Office (present post)</p> <p>June 2012: Corporate Auditor (Part-Time) for Shimadzu Corporation</p> <p>June 2013: Corporate Auditor of JAFECO Co., Ltd (currently JAFECO Group Co., Ltd.)</p> <p>June 2013: Outside Director of Alps Electric Co., Ltd. (currently ALPS ALPINE CO., LTD.) (present post)</p> <p>June 2014: Outside Audit & Supervisory Board Member of the Company (present post)</p>		Note 2 Note 4	7,700
Outside Audit & Supervisory Board Member	Hideki Kanda	September 24, 1953	<p>April 1977: Research Assistant of Faculty of Law of the University of Tokyo</p> <p>April 1980: Lecturer of Faculty of Law of Gakushuin University</p> <p>April 1982: Associate Professor of Faculty of Law of Gakushuin University</p> <p>April 1988: Associate Professor of Faculty of Law of the University of Tokyo</p> <p>April 1991: Associate Professor of Graduate Schools for Law and Politics of the University of Tokyo</p> <p>May 1993: Professor of Graduate Schools for Law and Politics of the University of Tokyo</p> <p>April 2016: Professor of Professional School of Law (Law School) of Gakushuin University (present post)</p> <p>June 2016: Emeritus Professor of the University of Tokyo (present post)</p> <p>June 2017: Director of Sumitomo Mitsui Trust Bank, Limited (present post)</p> <p>June 2019: Outside Audit & Supervisory Board Member of the Company (present post)</p>		Note 2 Note 4	0
Outside Audit & Supervisory Board Member	Kaoru Kashima	January 20, 1958	<p>November 1981: Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>April 1985: Registered as a certified public accountant (registration up-to-date)</p> <p>June 1996: Partner of Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)</p> <p>June 2002: Senior Partner of ShinNihon & Co. (currently Ernst & Young ShinNihon LLC)</p> <p>July 2006: In charge of personnel of HR Development Headquarters of ShinNihon & Co.</p> <p>September 2010: Managing Director of Ernst & Young ShinNihon LLC In charge of Corporate Culture Promotion Office In charge of Public Relations Office</p> <p>July 2012: General Manager of Knowledge Headquarters Managing Director of Ernst & Young ShinNihon LLC</p> <p>July 2013: Representative Director of Ernst & Young Institute Co., Ltd.</p> <p>June 2019: Outside Audit & Supervisory Board Member of the Company (present post)</p> <p>June 2019: Director of Sumitomo Mitsui Trust Bank, Limited</p> <p>March 2020: Audit & Supervisory Board Member of Kirin Holdings Company, Limited (present post)</p> <p>June 2021: Director of Sumitomo Mitsui Trust Holdings, Inc. (present post)</p>		Note 2 Note 4 Note 8	0
Total						113,008

Notes: 1. Five Members of the Board, Mr. Ken Sakamura, Ms. Yukako Uchinaga, Mr. Ryoji Chubachi, Mr. Koichiro Watanabe and Ms. Noriko Endo, are Outside Members of the Board.

2. Four Audit & Supervisory Board Members, Mr. Kensuke Koshiyama, Mr. Takashi Iida, Mr. Hideki Kanda and Ms. Kaoru Kashima, are Outside Audit & Supervisory Board Members.

3. The length of term for such Members of the Board is two years following the June 24, 2022 Ordinary General Meeting of Shareholders.

4. The length of term for such Audit & Supervisory Board Members is four years following the June 25, 2019 Ordinary General Meeting of Shareholders.

5. The length of term for such Audit & Supervisory Board Members is three years following the June 23, 2020 Ordinary General Meeting of Shareholders.
6. The length of term for such Audit & Supervisory Board Members is one year following the June 24, 2022 Ordinary General Meeting of Shareholders.
7. The length of term for such Audit & Supervisory Board Members is four years following the June 24, 2022 Ordinary General Meeting of Shareholders.
8. The surname of Ms. Noriko Endo is Tsujihiro in the family register, and the surname of Ms. Kaoru Kashima is Taya in the family register.

ii. Outside Members of the Board and Audit & Supervisory Board Members

Nomination Policies and Procedure for Outside Members of the Board and Audit & Supervisory Board Members

From the perspectives of strengthening supervising functions for execution and guaranteeing appropriate audits of the execution of duties by Members of the Board, NTT has the policy of selecting individuals to serve as outside Members of the Board and outside Audit & Supervisory Board Members who do not represent risks of conflicts of interest with general shareholders. NTT designates outside Members of the Board and outside Audit & Supervisory Board Members who fulfill both the independence criteria stipulated by Tokyo Stock Exchange, Inc., and NTT's own independence standards as outside independent Members of the Board or outside independent Audit & Supervisory Board Members.

Independence Standards for the Independent Directors/ Audit & Supervisory Board Members (Kansayaku)

In order to meet the independence standards, a person may not fall under any of the categories below in the last three fiscal years:

- (1) A person who executes business in a partner company that exceeds NTT's standards ⁽¹⁾
- (2) A person who executes business in a lending company that exceeds NTT's standards ⁽²⁾
- (3) A consultant, accountant, lawyer, or any other person providing professional services, who received monetary payments or any other gain in assets equal to or more than ¥10 million, excluding the Board Members' or Audit & Supervisory Board Members' compensation, from NTT or its major subsidiaries ⁽³⁾ in any of the last three fiscal years
- (4) A person who executes business in an organization that received donations exceeding NTT's standards ⁽⁴⁾

Even if any of (1) through (4) above applies to a person, where it has been decided that a person meets the independence standards, the reasons shall be explained and disclosed at the time of the person's appointment as the Independent Member of the Board or Audit & Supervisory Board Member.

- Notes: 1. "A partner company that exceeds NTT's standards" is defined as a company that has had any business dealing with NTT and its major subsidiaries ⁽³⁾ in any of the last three fiscal years equal to or more than 2% of the total operating revenues of NTT and its major subsidiaries for the respective fiscal year.
2. "A lending company that exceeds NTT's standards" is defined as a company in which the total amount of borrowings on a consolidated basis in any of the last three fiscal years equals to or is more than 2% of NTT's consolidated total assets for the respective fiscal year.
3. The major subsidiaries are NTT DOCOMO, INC., NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, NTT COMMUNICATIONS CORPORATION and NTT DATA CORPORATION.
4. "An organization that received donations exceeding NTT's standards" is defined as an organization which received donations from NTT and its major subsidiaries ⁽³⁾ in any of the last three fiscal years exceeding ¥10 million annually or 2% of the total income of the organization, whichever is larger, during the respective fiscal year.

Criteria for Selection and Activities of Outside Members of the Board and Audit & Supervisory Board Members

NTT, in order to strengthen functions for appropriately supervising and auditing business execution, seeks to strengthen its auditing system by appointing five outside independent Members of the Board. Each outside independent member of the board has a wealth of experience, in areas such as operational director of an academic educational institution, corporate manager or in

diversity promotion, has a high level of integrity and insight and, by providing advice from a wide-ranging managerial perspective, plays an important role in helping to strengthen the supervisory function for business execution.

Outside Members of the Board receive reports from the corporate auditors and Internal Audit Department regarding audit plans and results, and also oversee business operations by providing input as needed.

NTT appoints four outside independent Audit & Supervisory Board Members out of the six total Audit Supervisory & Board Members. NTT expects that each outside independent Audit & Supervisory Board Member conduct future audits based on the knowledge and insight they have gained throughout their careers. NTT's Audit & Supervisory Board, including the outside independent Audit & Supervisory Board Members, exchange opinions with NTT's accounting auditors regarding audit plans, audit results and other information. The Audit & Supervisory Board also exchanges opinions with the Internal Audit Department, including information relating to internal audit results.

The anticipated functions and roles of the outside Members of the Board and Audit & Supervisory Board Members are summarized below.

Position	Name	Function and Role
Outside Members of the Board	Ken Sakamura	Mr. Ken Sakamura has a wealth of experience as an operational director of universities and research institutions, including universities, and has a high level of integrity and insight. He was therefore elected at the Ordinary General Meeting of Shareholders held in June 2020 on the expectation that he would help strengthen the supervisory function for business execution and provide advice from his wide-ranging perspectives, and he has been serving as outside Member of the Board. Mr. Sakamura has made comments at meetings of the Board of Directors, and during meetings held to exchange opinions with the Representative Members of the Board, mainly on subjects such as advanced technology, research and development, and the promotion of sustainability (including compliance). At meetings held to exchange views with executives, he has given advice on industries and technological trends regarding investment projects. Furthermore, at meetings of the Nomination Committee and Compensation Committee, he has given recommendations regarding the appointment of Members of the Board and officers, the form of the compensation system, succession plans, and measures in consideration of amendments to the Corporate Governance Code, among other topics.
	Yukako Uchinaga	Ms. Yukako Uchinaga has a wealth of experience in global business management and in the promotion of diversity, and has a high level of integrity and insight. The Company expects that she will contribute to the strengthening of the supervisory function for business execution and expects her to provide advice from her wide-ranging experience, and she was therefore elected at the Ordinary General Meeting of Shareholders held in June 2022 and appointed as an outside Member of the Board.
	Ryoji Chubachi	Mr. Ryoji Chubachi has a wealth of experience as a corporate executive and as a director of operations of research institutions, and has a high level of integrity and insight. The Company expects that he will contribute to the strengthening of the supervisory function for business execution and expects him to provide advice from his wide-ranging managerial perspective, and he was therefore elected at the Ordinary General Meeting of Shareholders held in June 2022 and appointed as an outside Member of the Board.
	Koichiro Watanabe	Mr. Koichiro Watanabe has a wealth of experience as a corporate executive, and has a high level of integrity and insight. The Company expects that he will contribute to the strengthening of the supervisory function for business execution and expects him to provide advice from his wide-ranging managerial perspective, and he was therefore elected at the Ordinary General Meeting of Shareholders held in June 2022 and appointed as an outside Member of the Board.
	Noriko Endo	Ms. Noriko Endo has a wealth of experience that has been developed through her experiences as an editor of economic publications, in public policy research (including in the energy field) and as an outside director of companies, and has a high level of integrity and insight. The Company expects that she will contribute to the strengthening of the supervisory function for business execution and expects her to provide advice from her wide-ranging managerial perspective, and she was therefore elected at the Ordinary General Meeting of Shareholders held in June 2022 and appointed as an outside Member of the Board.

Position	Name	Function and Role
Outside Audit & Supervisory Board Members	Kensuke Koshiyama	Mr. Kensuke Koshiyama is an expert with a wealth of experience on financial accounting and business execution audits that has been developed through his many years of responsibilities at the Board of Audit of Japan. The Company expects that he will conduct future audits based on the knowledge and insight he has gained throughout his career, and he was therefore elected at the Ordinary General Meeting of Shareholders held in June 2022 and appointed as an outside Member of the Board.
	Takashi Iida	Based on the professional perspective fostered through his extensive experience as a lawyer, Mr. Takashi Iida has made comments as necessary at meetings of the Board of Directors and the Audit & Supervisory Board, at meetings held to exchange opinions with Representative Members of the Board and outside independent Members of the Board, and at meetings held to exchange opinions with Representative Members of the Board and Audit & Supervisory Board Members of Group companies. These comments mainly came from the perspective of corporate governance and the promotion of sustainability matters, including compliance. In addition to the above, he also actively makes recommendations regarding the appropriate operation of the Company's internal rules.
	Hideki Kanda	Based on the professional perspective fostered through his extensive experience as a university professor, Mr. Hideki Kanda has made comments as necessary at meetings of the Board of Directors and the Audit & Supervisory Board, at meetings held to exchange opinions with Representative Members of the Board and outside independent Members of the Board, and at meetings held to exchange opinions with Representative Members of the Board and Audit & Supervisory Board Members of Group companies. These comments mainly came from the perspective of corporate governance and the promotion of sustainability matters, including compliance. In addition to the above, he has actively provided advice and information, from such perspectives as Companies Act and corporate governance, that contribute to the proper execution of business by the organizations of NTT Group.
	Kaoru Kashima	Based on the professional perspective fostered through her extensive experience as a certified public accountant, Ms. Kaoru Kashima has made comments as necessary at meetings of the Board of Directors and the Audit & Supervisory Board, at meetings held to exchange opinions with Representative Members of the Board and outside independent Members of the Board, and at meetings held to exchange opinions with Representative Members of the Board and Audit & Supervisory Board Members of Group companies. These comments mainly came from the perspective of accounting audits, corporate governance, compliance, and the promotion of sustainability matters, including the promotion of diversity. In addition to the above, at meetings held to exchange opinions with the Independent Auditor, and elsewhere, she has actively provided advice that contributes to higher quality of accounting audits.

(3) Audit & Supervisory Board, Independent Auditor and Internal Control

i. Audit & Supervisory Board Members

Composition of the Audit & Supervisory Board

The Audit & Supervisory Board comprises four outside independent Audit & Supervisory Board Members (including one female member), who have experience and knowledge in a range of fields—as a lawyer, university professor, and Certified Public Accountant—and two internal Audit & Supervisory Board Members (including one female member). NTT conducts effective audits by combining the independence of outside Audit & Supervisory Board Members with the superior information collection capabilities of internal Audit & Supervisory Board Members. Among the board members, the Audit & Supervisory Board Member, Kensuke Koshiyama, has experience developed through his work at the Board of Audit of Japan, while Audit & Supervisory Board Member, Keiichiro Yanagi, is a certified member of the Securities Analysts Association of Japan, and Audit & Supervisory Board Member, Kaoru Kashima, a Certified Public Accountant, has considerable knowledge in the areas of finance and accounting.

Please see “(2) Members of the Board” for additional details.

Activities of the Audit & Supervisory Board

For the fiscal year ended March 31, 2022, amid continued significant changes in management, including the strengthening of global business competitiveness, initiatives to integrate functions within the new NTT DOCOMO Group, the Audit & Supervisory Board conducted an efficient and effective audit in collaboration with the Internal Audit Department, Independent Auditors and Group company corporate auditors on both audit matters required by law and on other matters such as the progress of the Medium-Term Management Strategy and initiatives to maintain and improve corporate governance, on the basis of the audit plan.

Audit & Supervisory Board Members, including independent outside Audit & Supervisory Board Members, attend meetings of the Board of Directors and other important meetings. In addition, Audit & Supervisory Board Members meet with Representative Members of the Board and independent outside Members of the Board to exchange ideas and opinions, in addition to holding meetings to exchange ideas and opinions for certain topics with representative Members of the Board and Audit & Supervisory Board Members of Group companies, including overseas subsidiaries, in order to maintain an understanding of the status of the execution of duties by Members of the Board and Executive Officers, and to provide their opinions as needed.

In the fiscal year ended March 31, 2022, Audit & Supervisory Board Members met to exchange ideas and opinions with Representative Members of the Board, independent outside Members of the Board and others 43 times. In particular, based on the results of the evaluation of effectiveness of the Audit & Supervisory Board for the fiscal year ended March 31, 2021, during audits of executives, NTT significantly increased opportunities to exchange opinions with independent outside Members of the Board during audits of management, and held discussions regarding management issues and responses, among other topics. In the fiscal year ended March 31, 2022, the Audit & Supervisory Board met 26 times (with Mr. Takao Maezawa, Ms. Kanae Takashi, Mr. Takashi Iida, Mr. Hideki Kanda and Ms. Kaoru Kashima each attending 26 out of 26 meetings). Moreover, separate from meetings of the Audit & Supervisory Board, the Audit & Supervisory Board Members Preliminary Deliberation Meeting met 40 times. These meetings provide a venue for the sharing of information. For example, at these meetings Audit & Supervisory Board Members receive explanations from corporate officers of matters to be discussed at the Executive Officers Meeting. Furthermore, Audit & Supervisory Board Members work closely with Independent Auditors and the Internal Audit Department. Audit & Supervisory Board Members exchanged opinions with Independent Auditors 11 times and the Internal Audit Department 10 times, and receive explanations of audit plans and reports on the status of internal control systems and provide advice as needed.

In initiatives related to Group companies, in order to improve the Group audit structure and on the basis of materiality and risk approach, NTT aligned risk awareness between Audit & Supervisory Board Members of major Group companies and then conducted audits through Audit & Supervisory Board Members of major Group companies. In the fiscal year ended March 31, 2022, Audit & Supervisory Board Members held meetings to exchange opinions with the Representative Members of the Board and Audit & Supervisory Board Members of Group companies 53 times to inquire about and hold discussions on the status of progress on the Medium-Term Management Strategy, the status of corporate governments and initiatives to maintain and improve it, among other topics. In addition, the Audit & Supervisory Board Members of each Group company received reports and held meetings to exchange opinions on audit results for audit matters based on their unified risk awareness. In addition, the Audit & Supervisory Board is implementing initiatives that contribute to enhancing the auditing activities of Audit & Supervisory Board Members of major Group companies, including holding liaison conferences for major Group companies and between Audit & Supervisory Board Members of major Group companies to share risk awareness.

Through these activities, Audit & Supervisory Board Members support the sound, steady growth of NTT and Group

companies from an independent perspective that differs from that of executives. In addition, Audit & Supervisory Board Members contribute to the strengthening of corporate governance systems and the fostering of awareness of compliance matters.

Furthermore, despite the continued spread of the COVID-19 pandemic, through the cooperation of related audit organizations and the active utilization of web conferencing for site visits, the effectiveness of the audit was not impaired.

Evaluation of the Effectiveness of the Audit & Supervisory Board

The effectiveness of the Audit & Supervisory Board has continued to be evaluated since the fiscal year ended March 31, 2019 for the purpose of looking back at the audit activities of the current fiscal year, reflecting such evaluation in the audit plan for the following fiscal year and improving the quality of audits. When conducting the evaluation of effectiveness for the fiscal year under review, in addition to a questionnaire being given to each Audit & Supervisory Board Member, interviews of the three independent outside Audit & Supervisory Board Members were conducted. To ensure anonymity and to introduce objective perspectives, a third-party organization was used to implement the questionnaire and interviews and to analyze the collected results. In addition, given the increasing globalization of the NTT Group, in order to incorporate a global perspective into audits, for the fiscal year ended March 31, 2022, the Audit & Supervisory Board examined its analysis and evaluation processes while referring to the practices of audit committees in the United States and United Kingdom as reference points for survey items and analysis, in addition to usual evaluations of items that have changed through the year. The primary items of evaluation for the fiscal year under review were as follows: the audit plan; advice to the management and audits of business execution; the Group's audit system; responses to acts in violation of rules, etc.; cooperation between the three audits (audit by the Audit & Supervisory Board, audit by the Independent Auditor, and audit by the internal audit division); and operation of Audit & Supervisory Board meetings, among other matters. As a result of discussion and inspection by the Audit & Supervisory Board based on the above, the effectiveness of the Audit & Supervisory Board was evaluated as being secured.

NTT will continue to strengthen cooperation between the various bodies, such as the Internal Audit Department and Group companies' respective Audit & Supervisory Board Members, and work to further develop the sophistication of the Group's audit system, based on NTT Group's business development and reorganizations both in Japan and overseas. Also, going forward, in light of the internal and external management environment, while audit plans are developed each year based on risk scenarios, in consideration of increasing responsibility to societal demands and to enhance disclosure of non-financial information, the Audit & Supervisory Board will increase its focus on the initiatives of Members of the Board and executive officers and proactively make recommendations. NTT will work to further improve the effectiveness of the Audit & Supervisory Board by further strengthening cooperation with independent outside Members of the Board while conducting audits on executive management.

Nomination Policies and Procedure for Audit & Supervisory Board Members

NTT has the policy of electing candidates for Audit & Supervisory Board Members that have the capacity to provide audits based on specialized experience and insight. From the perspective of guaranteeing fair audits of the execution of duties by Members of the Board, for outside independent Audit & Supervisory Board Members NTT elects individuals who present no risk of a conflict of interest with general shareholders. In accordance with the Companies Act, NTT ensures that outside independent Audit & Supervisory Board Members make up half or more of the Audit & Supervisory Board.

For the nomination of Audit & Supervisory Board Members, nomination involves Members of the Board proposing Audit & Supervisory Board Member candidates based on the nomination policy described above. These proposals are then discussed by the Audit & Supervisory Board, which consists of half or more of outside independent Audit & Supervisory Board Members, and consent is granted if appropriate. The candidates are then approved by the Board of Directors and presented for voting at the General Meeting of Shareholders.

Support Structures for Audit & Supervisory Board Members

The Office of Audit & Supervisory Board Members, which has six dedicated NTT employees, has been established as a structure to support audits by the Audit & Supervisory Board Members. In addition, NTT has concluded contracts with lawyers and other specialists who may be called upon as necessary to provide advice at the expense of NTT. In addition, when Audit & Supervisory Board Members are elected, they are trained with respect to market trends and compliance. They then continue to undergo training on broad spectrum of topics, including domestic and overseas economic and social issues, after appointment. Moreover, NTT is creating opportunities for tours and implementing other initiatives so that outside Audit & Supervisory Board Members can further deepen their understanding of NTT and NTT Group.

ii. Internal Audit

The Company's Internal Audit Department (which, as of the date of this filing, consists of 12 members) works together with the internal auditing divisions of each Group company to verify the internal control systems in place throughout the Group and the status of their implementation. Specifically, internal audits are conducted by the internal auditing divisions of each Group company, and the results of these auditing activities are reviewed by NTT. In addition, by conducting standardized audits with regard to major risk factors that are common issues throughout the Group and testing the development and operation of internal control systems related to financial reporting pursuant to the Financial Instruments and Exchange Act of Japan, NTT is continuously enhancing and verifying their effectiveness.

In addition, the Internal Audit Department reports the above results to the president and to the Board of Directors, and also reports them to and shares them with the Audit & Supervisory Board and the independent auditor and promotes necessary coordination.

Furthermore, the Internal Audit Department shares the above results with relevant departments. Based on such results, relevant departments work to improve the internal control system as needed.

iii. Independent Auditor

Activities of the Independent Auditor

NTT has appointed KPMG AZSA LLC as its Independent Auditor since 1985.

The Independent Auditor maintains the level of coordination with the Audit & Supervisory Board and the Internal Audit Department necessary to conduct appropriate audits. As part of this coordination, the Independent Auditor appropriately audits through reporting the audit plans and audit results to the Audit & Supervisory Board and working together with the Internal Audit Department to establish systems for monitoring the status of oversight related to evaluating internal control systems for financial reports. For the fiscal year ended March 31, 2022, the Independent Auditors who carried out the audit were Yutaka Terasawa, Kenji Tanaka and Masashi Oki, with 18 public certified accountants and 28 other staff assisting in conducting the audits.

In order to maintain the independence of the audit process, NTT also conducts appropriate rotations of KPMG AZSA LLC officers in accordance with the Certified Public Accountants Act of Japan, with lead engagement partners not being able to participate in audit responsibilities for more than five consecutive accounting periods, after which there is an interval of five accounting periods before such partners may participate again. Furthermore, officers other than lead engagement partners may not participate in audit responsibilities for more than seven consecutive account periods, after which there is an interval of two accounting periods before such officers may participate again.

Nomination Policy and Reason of the Independent Auditor

NTT believes that it is important to maintain and enhance audit quality while increasing audit efficiency. Based on this policy, the Audit & Supervisory Board evaluates Independent Auditor candidates from the perspectives of their independence and specialties and the appropriateness and adequateness of their auditing activities. The candidates that are approved by the Audit & Supervisory Board are then presented for voting at the Ordinary General Meeting of Shareholders.

The Audit & Supervisory Board may choose to dismiss or not reappoint the Independent Auditor in any of the cases described in Article 340, Paragraph 1 of the Companies Act based on a unanimous vote by all Audit & Supervisory Board Members. In addition, if the Board of Directors determines that it would be difficult for the Independent Auditor to perform proper audits, the Audit & Supervisory Board may propose a resolution to the Ordinary General Meeting of Shareholders that the Independent Auditor be discharged or that the Independent Auditor not be reappointed.

iv. Description of Audit Fees

Compensation of Independent Auditor

Category	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Compensation for Audit Services (millions of yen)	Compensation for Non-Audit Services (millions of yen)	Compensation for Audit Services (millions of yen)	Compensation for Non-Audit Services (millions of yen)
NTT	341	50	346	21
Consolidated subsidiaries	2,580	85	2,482	123
Total	2,921	135	2,828	144

Non-audit services for which NTT and its consolidated subsidiaries pay compensation to KPMG AZSA LLC, NTT's independent auditor, include services conducted for NTT's overseas subsidiaries under International Standard on Related Services 4400 (Standards for Engagements to Perform Agreed-Upon Procedures) and services related to the preparation of assurance reports on the basis of International Standard on Assurance Engagements No. 3850 (Assurance Reports on Controls Related to Information Security at a Third Party Trust Service Organization).

Compensation of the Same Network (KPMG Network) as the Independent Auditor (excluding the above "Compensation of Independent Auditor")

Category	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Compensation for Audit Services (millions of yen)	Compensation for Non-Audit Services (millions of yen)	Compensation for Audit Services (millions of yen)	Compensation for Non-Audit Services (millions of yen)
NTT	—	—	—	—
Consolidated subsidiaries	1,970	209	2,225	248
Total	1,970	209	2,225	248

NTT and its consolidated subsidiaries pay compensation to KPMG AZSA LLC, NTT's Independent Auditor, and other member firms of the KPMG network for audit services and non-audit services.

Of these services, audit services provided by entities other than KPMG AZSA LLC consisted of audits of the financial statements of 322 overseas consolidated subsidiaries, and non-audit services consisted of the preparation of tax returns for 55 consolidated subsidiaries in Japan and overseas.

Other Significant Audit Service Fees

Not applicable.

Policy for Determining Audit Fees

Not applicable. However, audit fees are determined with the consent of the Audit & Supervisory Board in accordance with applicable laws and regulations, taking into consideration such factors as the size and characteristics of NTT and its subsidiaries and the days required for the audits.

Evaluation of Independent Auditor by the Audit & Supervisory Board and Reasons

The Audit & Supervisory Board evaluates the independence and expertise of the independent auditor, and the validity and appropriateness of the audit activity by the independent auditor. Specifically, the Audit & Supervisory Board has evaluated the quality control of the independent auditor, the composition of the audit team, communications with the Audit & Supervisory Board and management, quality of overseas networks and firms, audit reports and other points, and has confirmed that the

independent auditor has the business execution ability and quality control systems suitable for NTT's independent auditor.

Reasons for Consent to Compensation to Independent Auditor by the Audit & Supervisory Board

The Audit & Supervisory Board consented to the compensation of the independent auditor pursuant to Article 399, paragraph 1 of the Companies Act after confirming and examining the details of the audit plan, the status of performing duties of financial audits, the basis for the calculation of the estimate of compensation of the independent auditor and other factors.

(4) Compensation Policy for Members of the Board and Audit & Supervisory Board Members

1. Summary and Method of Determination of Amounts and Methods of Calculation of Compensation for Members of the Board and Others

The Board of Directors resolved at its meeting held on May 12, 2021 a new policy for determining the details of individual compensation and related matters for Members of the Board (as partially amended by resolution of the Board of Directors at a meeting held on November 10, 2021, hereinafter referred to as the “Determination Policy”). The overview of the Determination Policy is as follows.

Regarding the composition and level of compensation for Members of the Board of NTT under the Determination Policy, in order to secure objectivity and transparency, NTT established the Compensation Committee, comprising five Members of the Board, including three outside independent Members of the Board. Compensation matters are decided by the Board of Directors after deliberation by this committee. Moreover, decisions on the composition ratios and calculation methods for compensation, and individual amounts of compensation for each Member of the Board, are delegated from the Board of Directors to the Compensation Committee. The reason for delegating these authorities to the Compensation Committee is that such committee is composed of two Representative Members of the Board and three outside Members of the Board, and we believe that it is able to make the appropriate judgements from an outside perspective while also taking a bird’s-eye view of the Company’s overall performance.

Compensation of individual Members of the Board (excluding outside Members of the Board) consists of a monthly salary (base salary) and a bonus (compensation related to performance over the short term), NTT stock purchase through Board Members Shareholding Association and stock compensation (compensation related to performance over the medium to long term).

The base salary is a fixed compensation paid monthly on the basis of the scope of each Member of the Board’s roles and responsibilities. The bonus is paid in June each year, taking into account NTT’s business results for the current fiscal year. The financial targets of the Medium-Term Management Strategy have been selected as performance indicators for bonus. This is because greater clarification of the link between Members of the Board’s compensation and the Company’s corporate value increases the motivation to achieve the financial targets in the Medium-Term Management Strategy. In addition, the method for calculating bonus is to convert the level of year-on-year improvement or achievement level of the plan for each financial target into a payment rate with a predetermined method for each indicator, weighting the average based on the weight of each indicator then multiplying the base salary by position. (Please refer to “Bonus Performance Indicators” further below.)

Also, Members of the Board make contributions of a certain defined amount or more every month for the purchase of NTT shares through the Board Members Shareholding Association in order to reflect NTT’s medium- to long-term business results in compensation. Purchased shares are to be held by the Members of the Board throughout their terms of office.

For the stock compensation, a trust, established by NTT is used. The Members of the Board are granted points corresponding to their role in June each year and a performance-linked coefficient corresponding to the level of achievement of the performance indicator is determined in June of the year following the final fiscal year of the Medium-Term Management Strategy, and the number of shares to be granted to each Member of the Board is calculated by multiplying the performance-linked coefficient by the number of points that has been accumulated. The granted shares are delivered to the Member of the Board upon retirement. EPS (earnings per share) has been selected as a performance indicator for stock compensation because it is the main financial target in the Medium-Term Management Strategy.

The composition ratio of compensation in a case where standard business results are achieved is roughly as follows: Fixed compensation: Short-term performance-linked compensation: Medium- to long-term performance-linked compensation = 50%: 30%: 20%.

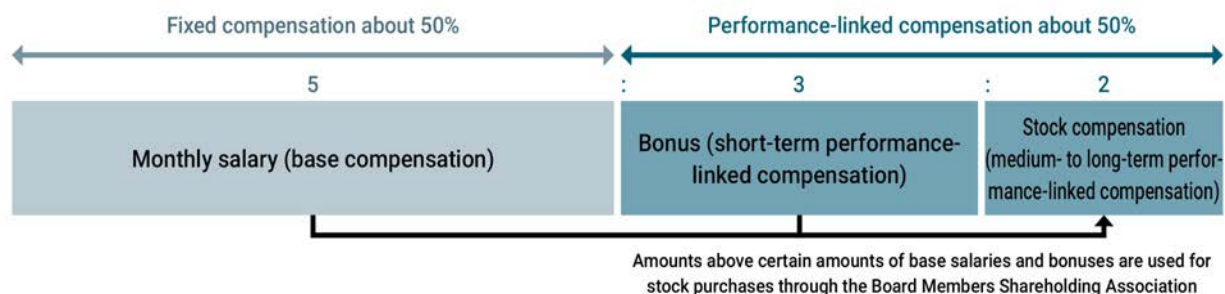
In order to maintain a high level of independence, compensation of outside Members of the Board consists of a monthly fixed compensation only, and is not linked to NTT’s business results.

Note that an overview of the policy for determining the details of individual compensation and related matters of Members of the Board is as provided above, and when determining the details of the individual compensation and related matters of Members of the Board, the Compensation Committee considers matters from various angles, including consistency with the Determination Policy, so, the Board of Directors respects its judgment, and the details of the individual compensation and related matters of Members of the Board for the fiscal year under review are judged to be in line with the Determination Policy.

Compensation of Audit & Supervisory Board Members is determined by resolution of the Audit & Supervisory Board and consists of a base salary only, for the same reasons as those cited above with respect to outside Members of the Board.

In the fiscal year ended March 31, 2022, the membership of the Compensation Committee consisted of Jun Sawada (former Representative Member of the Board, President), Akira Shimada (former Representative Member of the Board, Senior Executive

Vice President), Katsuhiko Shirai (former outside Member of the Board), Sadayuki Sakakibara (former outside Member of the Board), and Ken Sakamura (outside Member of the Board). As of the filing date of this Annual Securities Report, the membership of the Compensation Committee consisted of Akira Shimada (Representative Member of the Board, President), Takashi Hiroi (Representative Member of the Board, Senior Executive Vice President), Ken Sakamura (outside Member of the Board), Yukako Uchinaga (outside Member of the Board) and Koichiro Watanabe (outside Member of the Board).



Bonus Performance Indicators

Financial targets of the Medium-Term Management Strategy and other measures are set as performance indicators and the level of year-on-year improvement or achievement level of the plan are evaluated.

Performance Indicators*	Evaluation Weighting	Evaluation Method	Results (Fiscal Year Ended March 31 2021)	Results (Fiscal Year Ended March 31 2022)
EPS (Earnings Per Share)	35%	Year on Year improvement	¥248	¥329

Performance Indicators*	Evaluation Weighting	Evaluation Method	Targets (Fiscal Year Ended March 31 2022)	Results (Fiscal Year Ended March 31 2022)
Operating Profit	35%	Achievement level of plan	¥1,730.0 billion	¥1,768.6 billion
ROIC (Return on Invested Capital)	9%		7.4%	7.5%
Capex to Sales	6%		13.5%	13.1%
Overseas Sales	6%		\$19,000 million	\$18,878 million
Overseas Operating Profit Margin	6%		6.0%	6.3%

* In addition to the above performance indicators, the level of achievement of the plan target for the number of B2B2X projects was evaluated.

In light of the establishment of the new NTT Group Sustainability Charter on November 10, 2021, we plan to make changes to the bonus performance indicators in the fiscal year ending March 31, 2023 and beyond, including the addition of three new sustainability indicators, with the aim of embodying the three themes in a sustainable society.

Category	Performance Indicators*	Evaluation Weighting	Evaluation Method
Financial Indicators	EPS (Earnings Per Share)	35%	Year on Year improvement
	Operating Profit	35%	Achievement level of plan
	Overseas Operating Profit Margin	10%	
	ROIC (Return on Invested Capital)	5%	
Sustainability Indicators	Greenhouse gas emissions	5%	
	B2B2X revenues	5%	
	Ratio of women newly promoted to management positions	5%	

The Determination Policy at the end of the fiscal year under review is as stated above. An overview of the determination policy prior to the Board of Directors resolving the new Determination Policy at a meeting held on May 12, 2021, is provided below.

Compensation of Members of the Board (excluding outside Members of the Board) consists of a base salary and bonuses. The base salary is paid on the basis of the scope of each Member of the Board's roles and responsibilities. The bonus is paid based on consideration of the level of achievement of performance indicators.

The financial targets of the Medium-Term Management Strategy have been selected as performance indicators. This is because greater clarification of the link between Members of the Board's compensation and the Company's corporate value increases the motivation to achieve the financial targets in the Medium-Term Management Strategy. In addition, the method for calculating bonuses is to convert the level of year on year improvement or achievement level of the plan for each financial target into a payment rate with a predetermined method for each indicator, weighting the average based on the weight of each indicator then multiplying the base salary by position by a fixed number. (Please refer to "Bonus Performance Indicators" above.)

Furthermore, Members of the Board make contributions of a certain defined amount or more from their base salary and bonus for the purchase of NTT shares through the Board Members Shareholding Association in order to reflect NTT's medium- to long-term business results in compensation. Purchased shares are to be held by the Members of the Board throughout their terms of office. The composition ratio of compensation in a case where standard business results are achieved is roughly as follows: Fixed compensation: Performance-linked compensation = 70%: 30%.

In order to maintain a high level of independence, compensation of outside Members of the Board consists of a monthly base salary only, and is not linked to NTT's business results. Note that specific particulars of individual compensation and related matters for Members of the Board were determined by the Appointment and Compensation Committee in accordance with the determination policy resolved at the Board of Directors. The details of the authority entrusted to the Appointment and Compensation Committee by the Board of Directors were the determination of the proportion of compensation, method of calculation and the amount of compensation for each individual. These had been entrusted to the Appointment and Compensation Committee because this Committee comprised two Representative Members of the Board and two outside Members of the Board (Jun Sawada (former Representative Member of the Board, President), Akira Shimada (former Representative Member of the Board, Senior Executive Vice President), Katsuhiko Shirai (former outside Member of the Board) and Sadayuki Sakakibara (former outside Member of the Board)), and we believed that it was able to make the appropriate judgements from an outside perspective while also taking a bird's-eye view of the Company's overall performance.

The above is an overview of the policy for determining the details of individual compensation and related matters of Members of the Board prior to May 12, 2021. When determining the details of the individual compensation and related matters of Members of the Board for the period from April 1 to June 30 of the same year, the Appointment and Compensation Committee (at that time) considered matters from various angles, including consistency with the determination policy, so, the Board of Directors respects its judgment, and the details of the individual compensation and related matters of Members of the Board for the period are judged to be in line with the determination policy.

Compensation of Audit & Supervisory Board Members is determined by resolution of the Audit & Supervisory Board and consists of a base salary only, for the same reasons as those cited above with respect to outside Members of the Board.

2. Total Compensation of Members of the Board and Audit & Supervisory Board Members by Category
(Fiscal Year Ended March 31, 2022)

Total Amount of Compensation of Members of the Board and Audit & Supervisory Board Members for the Fiscal Year Ended March 31, 2022

Class	Number of Persons Paid (persons)	Monthly Remuneration (millions of yen)	Bonuses (millions of yen)	Stock compensation (millions of yen)	Total Amount (millions of yen)
Members of the Board (excluding Outside Members of the Board)	4	210	130	37	377
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	86	—	—	86
Outside Members of the Board	7	121	—	—	121
Total	13	417	130	37	584

- Notes: 1. At the 21st Ordinary General Meeting of Shareholders held on June 28, 2006, the amount of compensation for Members of the Board was resolved to be ¥750 million or less annually. However, at the 36th Ordinary General Meeting of Shareholders held on June 24, 2021, it was resolved to change this into three components: (1) the amount of monetary compensation: ¥600 million or less annually, (2) the amount paid to Members of the Board as funds to acquire NTT's shares through the Board Members Shareholding Association: ¥50 million or less annually, and (3) the amount to be contributed for the performance-linked stock compensation system: ¥100 million or less annually. Note that at the conclusion of such Ordinary General Meeting of Shareholders, there were eight Members of the Board.
2. The amount of monthly compensation for Members of the Board in the above includes ¥18 million paid as funds for acquisition of NTT's shares through the Board Members Shareholding Association.
3. The amount of compensation for Audit & Supervisory Board Members was resolved to be ¥200 million or less annually at the 21st Ordinary General Meeting of Shareholders held on June 28, 2006. Note that at the conclusion of such Ordinary General Meeting of Shareholders, there were five Audit & Supervisory Board Members.
4. The amount of stock compensation shown above is the amount recorded as expenses for point grants for the fiscal year under review. In addition, amounts for the period from July 1, 2021 through March 31, 2022 (nine months) is presented on the basis of the performance-linked stock compensation system approved at the 36th Ordinary General Meeting of Shareholders.
5. The table above includes two Members of the Board, one Audit & Supervisory Board Member and three Outside Members of the Board who resigned at the conclusion of the 37th Ordinary General Meeting of Shareholders held on June 24, 2022.

3. Total Amount of Compensation for Persons whose Compensation Amounts Exceeded ¥100,000,000

Name (Position)	Category	Monthly Compensation	Bonus	Stock Compensation	Total Amount of Consolidated Compensation
Jun Sawada (Representative Member of the Board)	Nippon Telegraph & Telephone Corporation	¥64 million	¥46 million	¥12 million	¥123 million

Note: The monthly compensation amount shown above includes ¥6 million used to fund the acquisition of NTT shares through the Board Members Shareholding Association.

(5) Shareholdings

NTT does not hold shares to create stable shareholders, and has no plans to do so in the future.

Criteria for and Approach to the Classification of Equity Securities for Investments

In terms of holding shares, NTT designates equity securities that are solely for the purpose of investments as “stocks held to obtain profits by using short-term fluctuations in interest rates, currencies, security market prices and market discrepancies, or to receive dividends or other things.”

On the other hand, NTT makes strategic shareholdings by “holding stock as needed in order to pursue collaboration and open innovation with partners in various industries to contribute to medium- to long-term improvement in corporate value.”

Equity Securities Held for Purposes other than Solely for Investment

NTT’s business policy is to promote open innovation and collaboration with partners in a variety of industries with the aim of enhancing corporate value over the medium to long term. Based on this policy, NTT, at its Investment Strategy Committee, verifies whether an individual holding will contribute to medium- to long-term enhancements in corporate value, and holds or sells shares accordingly. Among the comprehensive list of factors taken into consideration are the contribution to the medium- to long-term results of NTT, the progress of business collaborations, future considerations concerning business collaborations, trends in performance at investment targets and future business strategies of NTT. We apply the same policy to the strategic shareholdings of our Group companies, verifying every year whether individual holdings are appropriate, and taking steps to sell or take other actions accordingly.

As of March 31, 2022, the total balance sheet amounts and ratio to total capital were as follows:

(a) Total capital (consolidated)	¥9,018,132 million
(b) Total amount recorded on balance sheet	¥754,501 million
(c) Ratio ((b) ÷ (a))	8.4%

Note: The total amount recorded on the balance sheet in (b) above consists of the total of the amounts for NTT and NTT DOCOMO, as such two companies are the Annual Securities Report filer and its consolidated subsidiary with the highest amount, as required under the “Cabinet Office Ordinance on Disclosure of Corporate Information, etc.”

With respect to exercising voting rights of strategic shareholdings, NTT exercises voting rights acquired through share ownership, as it sees fit and appropriate and upon determining whether it is an initiative that would contribute to the improvement of medium- to long-term corporate value, from the perspective of sustainable growth of the companies NTT invests in and improving corporate value for both NTT and the companies.

The status of such shareholdings by NTT, which has the highest amount of investment shares on its balance sheet among NTT and its consolidated subsidiaries, is as follows:

(a) Number of issues and total balance sheet amount of equity securities held for purposes other than solely for investment

	Number of Issues	Total Balance Sheet Amount (Millions of yen)
Unlisted shares	10	78,716
Shares other than unlisted shares	5	470,328

(Issues in which the number of shares increased in the fiscal year ended March 31, 2022)

	Number of Issues	Total acquisition cost relating to the increase in the number of shares (Millions of yen)	Reasons for the increase in the number of shares
Unlisted shares	1	66,232	To strengthen cooperative relationships with business partners.
Shares other than unlisted shares	0	-	-

(Issues in which the number of shares decreased in the fiscal year ended March 31, 2022)

Not applicable.

(b) Number of shares, balance sheet amounts and other information of specified equity securities and deemed holdings of equity securities by issue

(Specified Equity Securities)

Issue Name	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of holding, quantitative effects of holding, and reasons for the increase in the number of shares	Whether the investee holds NTT's shares
	Number of Shares (Shares)	Number of Shares (Shares)		
	Balance Sheet Amounts (Millions of yen)	Balance Sheet Amounts (Millions of yen)		
Toyota Motor Corporation	148,654,500	29,730,900	NTT Group holds such company mainly for the purpose of strengthening the collaborative relationship in the smart city business. The smart city business is a long-term continuous initiative that is expected to contribute to the medium- to long-term business performance of NTT Group, so NTT Group's Board of Directors has reported that it has decided that NTT Group will continue to hold the shares of such company after regularly reviewing the business performance and future management strategies of such company. The number of shares has increased as a result of a stock split (five-for-one stock split on October 1, 2021).	Yes
	330,385	256,161		
NEC Corporation	13,023,600	13,023,600	NTT Group holds such company primarily for the purpose of strengthening the collaborative relationship in joint research and development and global development, mainly utilizing innovative optical and wireless technologies. In addition to the expected contribution to NTT Group's medium- to long-term business performance through the expansion of sales of jointly developed products, NTT Group's Board of Directors has reported that it has decided that NTT Group will continue to hold such company's shares after regularly reviewing the business performance and future management strategies of such company.	No
	67,072	84,914		

Issue Name	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of holding, quantitative effects of holding, and reasons for the increase in the number of shares	Whether the investee holds NTT's shares
	Number of Shares (Shares)	Number of Shares (Shares)		
	Balance Sheet Amounts (Millions of yen)	Balance Sheet Amounts (Millions of yen)		
Tokyo Century Corporation	12,302,800	12,302,800	We hold this company mainly for the purpose of strengthening our cooperative relationship in the leasing and asset business fields. In addition to the expected contribution to our mid- to long-term business performance through the strengthening of the leasing business and joint development of the asset business through the joint venture with the said company, NTT Group's Board of Directors has reported that it has decided that NTT Group will continue holding the shares of such company after regularly reviewing its business performance and future management strategies.	No
	55,547	91,533		
KADOKAWA CORPORATION	4,080,000	2,040,000	We hold this company mainly for the purpose of strengthening business collaboration in the field of research and development for video and social media services. Comprehensively taking into account NTT Group's aim of expanding the usage area of NTT Group's technology, including through demonstration experiments of a variety of advanced technologies with such company, the contribution to medium- to long-term business results resulting from the evolution of services that utilize them, as well as the company's business results and future management strategies, NTT Group's Board of Directors has reported that it has decided that NTT Group will continue holding their shares. The number of shares has increased as a result of a stock split (two-for-one stock split on January 1, 2022).	No
	13,138	8,762		

Issue Name	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of holding, quantitative effects of holding, and reasons for the increase in the number of shares	Whether the investee holds NTT's shares
	Number of Shares (Shares)	Number of Shares (Shares)		
	Balance Sheet Amounts (Millions of yen)	Balance Sheet Amounts (Millions of yen)		
Zenrin Co., Ltd.	4,200,000	4,200,000	<p>NTT Group holds such company with the aim of strengthening its collaborative relationship in the area of increased map sophistication. Since the fiscal year ended March 31, 2021, NTT Group and the company have been jointly developing a “advanced geospatial information database” utilizing NTT Group’s high-precision positioning technology, high-precision map maintenance and infrastructure maintenance know-how, and Zenrin’s map production know-how, including Zenrin’s wide range of accumulated data.</p> <p>In order to solve various social problems and create value in new business fields through this collaboration, NTT Group’s Board of Directors has reported that it has decided that NTT Group will continue to hold the shares of such company after regularly reviewing the business performance and future management strategies of such company.</p>	Yes
	4,187	5,565		

(Deemed holdings of equity securities)

Not applicable.

Equity Securities Held Solely for the Purpose of Investment

Not applicable.

Equity Securities Reclassified from Held Solely for the Purpose of Investment to Held for Purposes other than Solely for Investment during the Fiscal Year Ended March 31, 2022

Not applicable.

Equity Securities Reclassified from Held for Purposes other than Solely for Investment to Held Solely for the Purpose of Investment during the Fiscal Year Ended March 31, 2022

Not applicable.

The status of NTT DOCOMO, which has the next-highest amount of investment shares on its balance sheet among NTT and its consolidated subsidiaries, is as follows:

Equity Securities Held for Purposes other than Solely for Investment

- a. Shareholding policy, method of verification of the rationale for shareholdings, and details of verification by the Board of Directors, etc. of the appropriateness of shareholdings in individual issues

With respect to shares strategically held, the Company considers the status of achievement of the purposes of investments, such as the reinforcement of relationships and the promotion of collaboration, as well as whether the returns and risks of the shareholdings are commensurate with capital costs, etc., and the Board of Directors verifies the appropriateness of the shareholdings. In the event that a rationale for a shareholding can no longer be found due to changes in the situation going forward, the Company will conduct a review of such shares, such as reducing the number of shares.

- b. Number of issues and total balance sheet amount

	Number of Issues	Total Balance Sheet Amount (Millions of yen)
Unlisted shares	40	8,929
Shares other than unlisted shares	16	196,527

(Issues in which the number of shares increased in the fiscal year ended March 31, 2022)

	Number of Issues	Total acquisition cost relating to the increase in the number of shares (Millions of yen)	Reasons for the increase in the number of shares
Unlisted shares	2	6,543	To strengthen the collaborative relationship with the business alliance partner.
Shares other than unlisted shares	2	10,640	To strengthen the collaborative relationship with the business alliance partner.

(Issues in which the number of shares decreased in the fiscal year ended March 31, 2022)

	Number of Issues	Total sale value relating to the decrease in the number of shares (Millions of yen)
Unlisted shares	3	41,845
Shares other than unlisted shares	1	0

c. Number of shares, balance sheet amounts and other information of specified equity securities and deemed holdings of equity securities by issue

(Specified Equity Securities)

Issue Name	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of holding, quantitative effects of holding, and reasons for the increase in the number of shares	Whether the investee holds NTT's shares
	Number of Shares (Shares)	Number of Shares (Shares)		
	Balance Sheet Amounts (Millions of yen)	Balance Sheet Amounts (Millions of yen)		
M3, Inc.	20,200,000	20,200,000	NTT DOCOMO holds the company's shares primarily for the purpose of collaboration in the medical and health fields, leveraging the company's assets. NTT DOCOMO's Board of Directors has reported that it has decided that NTT DOCOMO will continue to hold the shares of such company after regularly reviewing the business performance and future management strategies of such company.	No
	90,274	152,934		
Far EasTone Telecommunications Co., Ltd.	153,543,573	153,543,573	NTT DOCOMO holds the company's shares primarily for the purpose of global collaboration and information sharing. NTT DOCOMO's Board of Directors has reported that it has decided that NTT DOCOMO will continue to hold the shares of such company after regularly reviewing the business performance and future management strategies of such company.	No
	47,963	38,188		
TBS HOLDINGS, INC.	5,713,000	5,713,000	NTT DOCOMO holds the company's shares primarily for the purpose of collaboration between the services of NTT DOCOMO and the investee group's superior contents and the utilization of know-how. NTT DOCOMO's Board of Directors has reported that it has decided that NTT DOCOMO will continue to hold the shares of such company after regularly reviewing the business performance and future management strategies of such company.	No
	10,209	12,409		
Nippon Television Holdings, Inc.	7,779,000	7,779,000	NTT DOCOMO holds the company's shares primarily for the purpose of collaboration between the services of NTT DOCOMO and the investee group's superior contents and the utilization of know-how. NTT DOCOMO's Board of Directors has reported that it has decided that NTT DOCOMO will continue to hold the shares of such company after regularly reviewing the business performance and future management strategies of such company.	No
	9,910	11,311		

Issue Name	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of holding, quantitative effects of holding, and reasons for the increase in the number of shares	Whether the investee holds NTT's shares
	Number of Shares (Shares)	Number of Shares (Shares)		
	Balance Sheet Amounts (Millions of yen)	Balance Sheet Amounts (Millions of yen)		
Lawson, Inc.	2,092,000	2,092,000	NTT DOCOMO holds the company's shares primarily for the purpose of growing the priority businesses of NTT DOCOMO, including through the promotion of collaborations in "d Payments" and "d POINTs." NTT DOCOMO's Board of Directors has reported that it has decided that NTT DOCOMO will continue to hold the shares of such company after regularly reviewing the business performance and future management strategies of such company.	No
	9,780	11,360		
FUJI MEDIA HOLDINGS, INC.	7,700,000	7,700,000	NTT DOCOMO holds the company's shares primarily for the purpose of collaboration between the services of NTT DOCOMO and the investee group's superior contents and the utilization of know-how. NTT DOCOMO's Board of Directors has reported that it has decided that NTT DOCOMO will continue to hold the shares of such company after regularly reviewing the business performance and future management strategies of such company.	No
	9,032	10,434		
KADOKAWA CORPORATION	2,408,416	1,204,208	NTT DOCOMO holds the company's shares primarily for the purpose of collaboration between the services of NTT DOCOMO and the investee group's superior contents and the utilization of know-how. NTT DOCOMO's Board of Directors has reported that it has decided that NTT DOCOMO will continue to hold the shares of such company after regularly reviewing the business performance and future management strategies of such company. The number of shares has increased as a result of a stock split (two-for-one stock split on January 1, 2022).	No
	7,755	5,172		

Issue Name	Year ended March 31, 2022	Year ended March 31, 2021	Purpose of holding, quantitative effects of holding, and reasons for the increase in the number of shares	Whether the investee holds NTT's shares
	Number of Shares (Shares)	Number of Shares (Shares)		
	Balance Sheet Amounts (Millions of yen)	Balance Sheet Amounts (Millions of yen)		
JTOWER Inc.	553,473	0	NTT DOCOMO acquired such company's shares by entering into a capital and business alliance with the company during the fiscal year under review, and continues to hold such shares, primarily for the purpose of leveraging infrastructure sharing to achieve increased efficiency in base station expansions, economic effects including the reduction of costs of owned equipment, and the development of new shared equipment through the sharing of technology and knowledge. NTT DOCOMO's Board of Directors has reported that it has decided that NTT DOCOMO will continue to hold the shares of such company after regularly reviewing the business performance and future management strategies of such company.	No
	4,007	0		
Oisix ra daichi Inc.	1,000,000	1,000,000	NTT DOCOMO holds the company's shares primarily for the purpose of collaboration in the food area utilizing the assets held by the investee. NTT DOCOMO's Board of Directors has reported that it has decided that NTT DOCOMO will continue to hold the shares of such company after regularly reviewing the business performance and future management strategies of such company.	No
	3,015	2,915		
MEDLEY, Inc	933,100	0	NTT DOCOMO acquired such company shares by entering into a capital and business alliance with the company during the fiscal year under review, and continues to hold such shares, primarily for the purpose of promoting the appropriate spread of online medicine and developing new services based on online medicine to support their medical use by patients. NTT DOCOMO's Board of Directors has reported that it has decided that NTT DOCOMO will continue to hold the shares of such company after regularly reviewing the business performance and future management strategies of such company.	No
	2,411	0		

(Deemed holdings of equity securities)

Not applicable.

Equity Securities Held Solely for the Purpose of Investment

Not applicable.

Equity Securities Reclassified from Held Solely for the Purpose of Investment to Held for Purposes other than Solely for Investment during the Fiscal Year Ended March 31, 2022

Not applicable.

Equity Securities Reclassified from Held for Purposes other than Solely for Investment to Held Solely for the Purpose of Investment during the Fiscal Year Ended March 31, 2022

Not applicable.

Item 5. Financial Information

1. Basis of Preparation of the Consolidated Financial Statements

Pursuant to the provision of Article 93 of the “Ordinance on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance of Japan No. 28 of 1976), NTT Group’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

2. Auditor’s Report

In accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, NTT Group’s consolidated financial statements for the consolidated fiscal year (from April 1, 2021 to March 31, 2022) and non-consolidated financial statements for the fiscal year (from April 1, 2021 to March 31, 2022) have been audited by KPMG AZSA LLC.

3. Special Measures to Ensure the Appropriateness of the Consolidated Financial Statements and Structures to Properly Prepare the Consolidated Financial Statements in Accordance with IFRS

NTT Group undertakes special measures to ensure the appropriateness of the consolidated financial statements and put in place a structure to properly prepare the consolidated financial statements in accordance with IFRS. The details of such measures are below:

- (1) NTT Group is a member of organizations such as the Financial Accounting Standards Foundation in order to put in place a system in which NTT Group can ensure that it has an appropriate grasp on the contents of the accounting standards and can accurately respond to any changes in them. In addition, NTT Group periodically conducts reviews of the accounting standards and maintains internal regulations.
- (2) With respect to the application of IFRS, NTT Group obtains press releases and statements of the accounting principles published by the International Accounting Standards Board from time to time in order to gain an understanding of the most recent standards. Furthermore, to prepare appropriate consolidated financial statements in accordance with IFRS, NTT Group developed group accounting policies and accounting guidelines in compliance with IFRS, and conducts its accounting in accordance with those policies and guidelines.

1. 【Consolidated Financial Statements】

(1) Consolidated Financial Statements

(i) 【Consolidated Statement of Financial Position】

(Millions of yen)

	Notes	As of March 31, 2021	As of March 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	4.2	¥ 935,727	¥ 834,564
Trade and other receivables	3.2,4.8	3,534,555	3,604,959
Other financial assets	4.4,4.8	41,732	88,441
Inventories	3.3	315,437	408,362
Other current assets	2.2,2.4	498,106	574,922
Subtotal		5,325,557	5,511,248
Assets held for sale	3.4	816	205,344
Total current assets		5,326,373	5,716,592
Non-current assets			
Property, plant and equipment	3.5	9,282,286	9,326,888
Right-of-use assets	3.6	639,627	694,612
Goodwill	3.7	1,056,187	1,213,009
Intangible assets	3.7	1,765,858	1,951,824
Investment property	3.8	1,182,713	1,236,490
Investments accounted for using the equity method	3.9	411,033	429,806
Other financial assets	4.4,4.8	1,515,922	1,426,157
Deferred tax assets	2.4	993,858	970,432
Other non-current assets	2.2,3.11	791,635	896,431
Total non-current assets		17,639,119	18,145,649
Total assets		¥ 22,965,492	¥ 23,862,241

(Millions of yen)

	Notes	As of March 31, 2021	As of March 31, 2022
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	4.5,4.8	¥ 3,168,613	¥ 1,646,806
Trade and other payables	3.10,4.8	2,356,705	2,500,341
Lease liabilities	3.6	193,915	189,495
Other financial liabilities	4.6,4.8	28,334	29,566
Accrued payroll		509,416	544,455
Income taxes payable		115,965	210,964
Other current liabilities	2.2,3.13	1,053,196	1,129,851
Subtotal		7,426,144	6,251,478
Liabilities directly associated with assets held for sale	3.4	18	7,161
Total current liabilities		7,426,162	6,258,639
Non-current liabilities			
Long-term borrowings	4.5,4.8	4,455,724	5,717,465
Lease liabilities	3.6	553,836	655,729
Other financial liabilities	4.6,4.8	137,620	135,686
Defined benefit liabilities	3.11	1,731,645	1,561,049
Deferred tax liabilities	2.4	81,420	137,474
Other non-current liabilities	2.2,3.13	376,042	378,067
Total non-current liabilities		7,336,287	8,585,470
Total liabilities		14,762,449	14,844,109
Equity			
Nippon Telegraph and Telephone Corporation ("NTT") shareholders' equity			
Common stock	4.1	937,950	937,950
Retained earnings	4.1,4.4	7,068,008	7,293,915
Treasury stock	4.1	(704,793)	(226,459)
Other components of equity	4.1,4.4 4.8	261,542	277,050
Total NTT shareholders' equity		7,562,707	8,282,456
Non-controlling interests	4.1	640,336	735,676
Total equity		8,203,043	9,018,132
Total liabilities and equity		¥ 22,965,492	¥ 23,862,241

(ii) 【Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income】
【Consolidated Statement of Profit or Loss】

(Millions of yen)

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Operating revenues	2.1,2.2	¥ 11,943,966	¥ 12,156,447
Operating expenses			
Personnel expenses		2,461,410	2,566,127
Expenses for purchase of goods and services and other expenses	2.3,3.8	5,875,302	5,839,441
Depreciation and amortization	3.5,3.6, 3.7,3.8	1,507,153	1,561,183
Loss on disposal of property, plant and equipment and intangible assets		156,869	132,073
Impairment losses	2.1		
Goodwill	3.7	2,702	228
Other		22,997	37,824
Taxes and dues	3.8	246,142	250,978
Total operating expenses		10,272,575	10,387,854
Operating profit	2.1	1,671,391	1,768,593
Finance income	4.4,4.7 4.8	31,785	63,471
Finance costs	4.4,4.7 4.8	50,830	56,250
Share of profit (loss) of entities accounted for using the equity method	2.1,3.9	229	19,711
Profit before taxes		1,652,575	1,795,525
Income taxes	2.4	524,719	539,531
Profit		¥ 1,127,856	¥ 1,255,994
Profit attributable to NTT		916,181	1,181,083
Profit attributable to Non-controlling interests		211,675	74,911
Earnings per share attributable to NTT			
Basic earnings per share (yen)	2.5	¥ 248.15	¥329.29

【Consolidated Statement of Comprehensive Income】

(Millions of yen)

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit		¥ 1,127,856	¥ 1,255,994
Other comprehensive income (net of taxes)	4.1		
Items that will not be reclassified to profit or loss			
Change in the fair value of financial assets measured at fair value through other comprehensive income		241,404	(25,482)
Share of other comprehensive income of entities accounted for using the equity method	3.9	(922)	(2)
Remeasurements of the defined benefit plans	3.11	121,455	131,032
Total of items that will not be reclassified to profit or loss		361,937	105,548
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges	4.8	(2,012)	(50,748)
Hedges cost	4.8	(16,555)	14,434
Foreign currency translation adjustments		81,356	167,688
Share of other comprehensive income of entities accounted for using the equity method	3.9	7,029	(835)
Total of items that may be reclassified to profit or loss		69,818	130,539
Total other comprehensive income (net of taxes)		431,755	236,087
Total comprehensive income		¥ 1,559,611	¥ 1,492,081
Comprehensive income attributable to NTT		1,275,214	1,373,364
Comprehensive income attributable to Non-controlling interests		284,397	118,717

(iii) 【Consolidated Statement of Changes in Equity】

Fiscal year ended March 31, 2021

(Millions of yen)

	Notes	NTT shareholders' equity						Non-controlling interests	Total equity
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total		
As of March 31, 2020		¥937,950	¥2,252,672	¥6,499,942	¥(653,369)	¥23,908	¥9,061,103	¥2,401,524	¥11,462,627
Comprehensive income									
Profit		—	—	916,181	—	—	916,181	211,675	1,127,856
Other comprehensive income	4.1	—	—	—	—	359,033	359,033	72,722	431,755
Total comprehensive income		—	—	916,181	—	359,033	1,275,214	284,397	1,559,611
Transactions with owners and other transactions									
Dividends of surplus	4.1	—	—	(358,470)	—	—	(358,470)	(152,543)	(511,013)
Transfer to retained earnings	4.1	—	109,983	11,416	—	(121,399)	—	—	—
Purchase and disposal of treasury stock	4.1	—	1,290	—	(51,424)	—	(50,134)	—	(50,134)
Changes in ownership interest in subsidiaries without loss of control	4.1	—	(2,366,079)	—	—	—	(2,366,079)	(1,891,495)	(4,257,574)
Share-based compensation transactions		—	3,043	—	—	—	3,043	—	3,043
Put options granted to non-controlling interests	4.1	—	(2,364)	—	—	—	(2,364)	(2,124)	(4,488)
Other		—	1,455	(1,061)	—	—	394	577	971
Total Transactions with owners and other transactions		—	(2,252,672)	(348,115)	(51,424)	(121,399)	(2,773,610)	(2,045,585)	(4,819,195)
As of March 31, 2021		¥937,950	¥—	¥7,068,008	¥(704,793)	¥261,542	¥7,562,707	¥640,336	¥8,203,043

Fiscal year ended March 31, 2022

(Millions of yen)

	Notes	NTT shareholders' equity						Non-controlling interests	Total equity
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total		
As of March 31, 2021		¥937,950	¥—	¥7,068,008	¥(704,793)	¥261,542	¥7,562,707	¥640,336	¥8,203,043
Comprehensive income									
Profit		—	—	1,181,083	—	—	1,181,083	74,911	1,255,994
Other comprehensive income	4.1	—	—	—	—	192,281	192,281	43,806	236,087
Total comprehensive income		—	—	1,181,083	—	192,281	1,373,364	118,717	1,492,081
Transactions with owners and other transactions									
Dividends of surplus	4.1	—	—	(396,963)	—	—	(396,963)	(17,580)	(414,543)
Transfer to retained earnings	4.1	—	4,370	172,403	—	(176,773)	—	—	—
Purchase and disposal of treasury stock	4.1	—	8	—	(253,581)	—	(253,573)	—	(253,573)
Cancellation of treasury stock	4.1	—	(1,299)	(730,616)	731,915	—	—	—	—
Changes in ownership interest in subsidiaries without loss of control	4.1	—	(1,754)	—	—	—	(1,754)	(4,729)	(6,483)
Share-based compensation transactions	4.1	—	235	—	—	—	235	48	283
Put options granted to non-controlling interests	4.1	—	(943)	—	—	—	(943)	(595)	(1,538)
Other		—	(617)	—	—	—	(617)	(521)	(1,138)
Total Transactions with owners and other transactions		—	—	(955,176)	478,334	(176,773)	(653,615)	(23,377)	(676,992)
As of March 31, 2022		¥937,950	¥—	¥7,293,915	¥(226,459)	¥277,050	¥8,282,456	¥735,676	¥9,018,132

(iv) 【Consolidated Statement of Cash Flows】

(Millions of yen)

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities			
Profit		¥ 1,127,856	¥ 1,255,994
Depreciation and amortization		1,507,153	1,561,183
Impairment losses		25,699	38,052
Share of loss (profit) of entities accounted for using the equity method		(229)	(19,711)
Losses on retirement of property, plant and equipment and intangible assets		79,873	60,936
Gain on sales of property, plant and equipment and intangible assets		(12,308)	(30,208)
Income taxes		524,719	539,531
Decrease (increase) in trade and other receivables		24,097	828
Decrease (increase) in inventories		(64,263)	(86,559)
Decrease (increase) in other current assets		(48,086)	(10,421)
Increase (decrease) in trade and other payables / accrued payroll		270,146	137,551
Increase (decrease) in other current liabilities		50,690	37,198
Increase (decrease) in defined benefit liabilities		(17,727)	(15,936)
Increase (decrease) in other non-current liabilities		39,408	5,304
Other, net		(2,413)	(61,066)
Subtotal		3,504,615	3,412,676
Interest and dividends received		70,636	79,703
Interest paid		(41,856)	(47,858)
Income taxes paid		(524,331)	(434,264)
Net cash provided by (used in) operating activities		3,009,064	3,010,257
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets, and investment property		(1,795,430)	(1,758,045)
Proceeds from government grants	3.5	266	38,110
Purchase of investments		(375,161)	(125,838)
Proceeds from sale or redemption of investments		41,974	187,198
Proceeds from loss of control of subsidiaries		57,127	15,936
Acquisition of subsidiaries, net of cash acquired		(30,755)	(121,747)
Net decrease (increase) loan receivable		672,683	26,343
Other, net		4,764	38,891
Net cash provided by (used in) investing activities		(1,424,532)	(1,699,152)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	4.5	1,165,623	(1,860,107)
Proceeds from increases in long-term borrowings	4.1,4.5	2,674,593	1,716,162
Repayments of long-term borrowings	4.5	(524,880)	(401,905)
Repayment of lease liabilities	3.6,4.5	(195,783)	(208,232)
Payments for acquisition of interests in subsidiaries from non-controlling interests	4.1,4.5	(4,249,407)	(16,791)
Dividends paid		(358,470)	(396,963)
Dividends paid to non-controlling interests		(152,275)	(17,485)
Purchase of treasury stock		(250,244)	(253,685)
Proceeds from sale of treasury stock	4.1	200,026	58
Other, net		1,269	818
Net cash provided by (used in) financing activities		(1,689,548)	(1,438,130)
Effect of exchange rate changes on cash and cash equivalents		7,169	25,862
Net increase (decrease) in cash and cash equivalents		(97,847)	(101,163)
Cash and cash equivalents at the beginning of the year		1,033,574	935,727
Cash and cash equivalents at the end of the year		¥ 935,727	¥ 834,564

【Notes to Consolidated Financial Statements】

NTT Group describes Notes summarizing in five groups by relevancy in order to enhance understandability of Consolidated Financial Statement.

1. Basis of Preparation
2. Results for the year
3. Assets and Liabilities (excluding Financial Instruments)
4. Equity and Financing
5. Other Notes

Each note describes the relevant accounting policies and the significant accounting estimates and judgments involving estimate.

1. Basis of Preparation

1.1. Reporting Entity

NIPPON TELEGRAPH AND TELEPHONE CORPORATION (“NTT”) is a corporation domiciled in Japan. The address of NTT’s registered headquarter is disclosed on its website (<https://group.ntt/en/>). The consolidated financial statements comprise NTT and its subsidiaries (“NTT Group” or “the Group”).

Accordingly, effective from the fiscal year ended March 31, 2022, the Group has transitioned to a four-segment structure consisting of the Integrated ICT Business, Regional Communications Business, Global Solutions Business, and Others (Real Estate, Energy and Others), from its previous five-segment structure consisting of the Mobile Communications Business, Regional Communications Business, Long Distance and International Communications Business, Data Communications Business, and Other Business.

NTT Group’s business segments and material subsidiaries are as follows:

Integrated ICT Business

The principal services in the Integrated ICT Business are mobile phone services, domestic inter-prefectural communications services, international communications services, solutions services, and system development services and related services.

- NTT DOCOMO Corporation (“NTT DOCOMO”)
- NTT Communications Corporation (“NTT Communications”)

Regional Communications Business

The principal services in the Regional Communications Business are domestic intra-prefectural communications services and related ancillary services.

- NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (“NTT East”)
- NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (“NTT West”)

Global Solutions Business

The principal services in the Global Solutions Business are system integration services, network system services, cloud services, global data center services, and related services.

- NTT, Inc.
- NTT DATA Corporation (“NTT DATA”)

1.2. Basis of Accounting

(1) Matters Regarding Compliance with IFRS

NTT Group meets the requirements of a “Specified Company complying with Designated International Accounting Standards” pursuant to Article 1-2 of the “Order on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976) (the “Order on Consolidated Financial Statements”). Consequently, in accordance with Article 93 of the Order on Consolidated Financial Statements, the Group has prepared the consolidated financial statements pursuant to International Financial Reporting Standards (“IFRS”). The consolidated financial statements were approved by the President and Chief Executive Officer Akira Shimada and Senior Executive Vice President and Chief Financial Officer Takashi Hiroi on June 27, 2022.

The NTT Group's accounting policies are based on IFRS effective as of March 31, 2022, with the exception of IFRS which was not adopted early.

(2) Basis for Measurement

As described in “Note 1.3. Significant Accounting Policies,” and the related notes to each item, the consolidated financial statements are prepared on the basis of cost, with the exception of certain items such as financial instruments measured at fair value, and assets and liabilities recognized in relation to the defined benefit plans.

(3) Functional Currency and Presentation Currency

The currency used to present the consolidated financial statements is Japanese yen, which is the currency used in the primary economic environment where NTT conducts its business activities (the “functional currency”). Amounts are rounded to the nearest million yen.

(4) Changes in Accounting Policies

NTT Group did not adopt any new significant accounting policies in the current fiscal year.

1.3. Significant Accounting Policies

The accounting policies adopted by NTT Group apply to all periods presented in the consolidated financial statements.

(1) Basis for Consolidation

(i) Subsidiaries

Subsidiaries are companies over which NTT Group has control.

Beginning and ending of consolidation

Subsidiaries are consolidated for the periods from the date when control is obtained until the date when control is lost.

Accounting policies adopted by subsidiaries

In the event that the accounting policies adopted by a subsidiary differ from those adopted by NTT Group, then the financial statements of the subsidiary are adjusted as required.

Subsidiaries whose fiscal year-end date is different from that of NTT Group

The consolidated financial statements include the financial statements of subsidiaries whose fiscal year-end date is different from that of NTT Group for practically unfeasible to align the year-end dates with that of NTT Group. The fiscal year-end date of such subsidiaries is mainly December 31. For such subsidiaries, adjustments are made for any significant transactions or events that occur due to the difference between such subsidiaries' fiscal year ends and that of NTT Group.

Non-controlling interests

Non-controlling interests are composed of the amount of equity held as of the beginning date of consolidation and any subsequent fluctuations in those non-controlling interests from that date. In general, subsidiaries' comprehensive income is allocated to shareholders' equity and non-controlling interests, even in the event that the non-controlling interests are negative balances.

Transactions eliminated in the preparation of the consolidated financial statements

The balances of intra-group receivables and payments, transactions, and unrealized gains and losses incurred from the intra-group transactions are eliminated.

Changes in a parent's ownership interest

Changes in equity interests are accounted for as equity transactions when additional equity in a subsidiary is gained or part of the equity in a subsidiary is disposed of, while control of the subsidiary is maintained. The carrying amounts of NTT Group's equity interests and non-controlling interests are adjusted to reflect any changes in NTT Group's equity interests in subsidiaries. Any difference between the adjusted value of non-controlling interests and the fair value of consideration paid or received is directly recognized in equity and is attributable to NTT.

When NTT Group loses control of a subsidiary, the related gains or losses are calculated as the difference between:

- the sum of the fair value of the consideration received and the fair value of the remaining equity interests; and
- the net carrying amount of the assets (including goodwill), liabilities, and non-controlling interests of the subsidiary on the date when control is lost.

(ii) Investments in associates and joint ventures

Associates are companies whose finances and management policies are significantly influenced by NTT Group, without exerting control or joint control. In principle, companies in which NTT Group holds 20% to 50% of the voting rights are included in associates. Companies in which NTT Group holds less than 20% of the voting rights may be considered as associates if the Group is considered to exert significant influence through the dispatch of officers or similar means.

Joint ventures are companies in which several parties (including NTT and/or its subsidiaries) invest and have rights to the net assets based on arrangements for joint control. Joint control is the sharing of control as contractually agreed. It exists only when all parties sharing control are required to be in unanimous consent when making decisions on relevant activities.

Investments in associates and joint ventures are accounted for using the equity method. The amounts invested in associates and joint ventures are initially recognized at cost. Subsequently, from the date when NTT Group starts to exert significant influence to the date when such influence ceases, the Group recognizes its share of profit or loss and other comprehensive income of the investees and adjusts the investment amount.

If any losses on investments in associates or joint ventures exceed NTT Group's invested interests in these companies, NTT Group only recognizes losses to the extent of its investment amount, except for cases where NTT Group bears legal or other similar obligations, or makes payments on behalf of such company.

Unrealized profit or loss arising from transactions with associates and joint ventures is added to, or deducted from, the investments in the associates and joint ventures, up to a maximum of NTT Group's share.

The amount of the cost of investment in an associate or joint venture that exceeds NTT Group's share of the net fair value of identifiable assets and liabilities recognized on the acquisition date is recognized as goodwill and included in the carrying amount of the investment in an associate or joint venture.

As this goodwill is not recognized separately, discrete impairment testing for goodwill is not performed. Instead, an impairment test is carried out on the total investment in associates and joint ventures deemed as a single asset if there is objective evidence to indicate that the investment may be impaired.

The consolidated financial statements include investments accounted for using the equity method which have different fiscal year-end dates than that of NTT Group due to the relationship with other shareholders or other circumstances that make it practically unfeasible to align the fiscal year-end dates with that of NTT Group. The fiscal year-end date of such equity method investments is mainly December 31. Adjustments are made for any significant transactions or events that occur during the period between the equity method investments' fiscal year ends and that of NTT Group.

(iii) Consolidated structured entities

Structured entities* that NTT Group has control over are consolidated. It has not provided, nor intends to provide, any significant financial support or other significant support to the consolidated structured entities without contractual obligation. Structured entities that third parties have control over are not consolidated and they are financing through investment by each partner.

* Structured entities:

Entities that are structured principally as venture funds in the form of partnerships, and Special Purpose Company in the form of limited partnerships for investment, and investment trusts with a purpose of securitizing property and other assets. They are designed so that the voting rights or similar rights are not determinant in evaluating control.

Descriptions about subsidiaries and structured entities are presented in "Note 5.1. Major Subsidiaries."

(2) Foreign Currency Translation

(i) Transactions denominated in foreign currencies

The financial statements of NTT Group companies are prepared in their functional currency. Any transactions in currencies other than the functional currency (i.e., in a foreign currency) are translated using the exchange rate at the transaction date.

The exchange rate used for translation assets and liabilities denominated in foreign currencies into the functional currency

Items	Measurement method	Exchange rate	Example
Monetary assets and liabilities denominated in foreign currencies ^{*1}	—	At the end of the fiscal year	Trade receivables
Non-monetary assets and liabilities denominated in foreign currencies ^{*2}	Fair value	At the date of measurement fair value	Financial assets measured at fair value through other comprehensive income (equity instruments)
	Cost	At the transaction date	Property, Plant and Equipment

*1. Monetary assets and liabilities : The right to receive a fixed or a determinable number of monetary units (Assets) or the obligation (Liabilities) to deliver them.

*2. Non-monetary assets and liabilities : Assets and liabilities that do not have the characteristics of *1

Foreign currency translation differences are recognized in profit or loss. However, translation differences arising from financial assets that record subsequent changes in the fair value in other comprehensive income (equity instruments) and cash flow hedges (only to the extent the hedge is effective) are recognized in other comprehensive income.

(ii) Foreign operations (such as foreign subsidiaries)

In order to prepare the consolidated financial statements, the assets and liabilities of foreign operations (including any goodwill arising from acquisitions and fair value adjustments) are translated into Japanese yen using the exchange rate at the end of the fiscal year.

Revenue, expenses and cash flows are translated into Japanese yen using the average exchange rate for the period. However, if this translation result does not approximate the result using the exchange rate at the transaction date, the exchange rate at the transaction date is used for translation.

Foreign currency translation differences arising from the translation of foreign currency-denominated financial statements of foreign operations are recognized in other comprehensive income and accumulated in other components of equity.

If the control or significant influence over a foreign operation is lost, any accumulated foreign currency translation differences related to the foreign operation are recognized in profit or loss in the accounting period in which the control or influence is lost.

(3) Fair Value

The fair value is determined based on market information including market prices, and calculation techniques such as the market approach, income approach, and cost approach.

The assumptions (inputs) for valuation techniques used to measure fair value are required to be categorized into three levels based on their observability. The use of more observable inputs is required in valuation techniques. NTT Group categorizes the assumptions (inputs) used to measure fair value into the following three levels and puts Level 1 measurements as the highest priority:

- Level 1

Unadjusted market prices of identical assets or liabilities in active markets that the company can access at the measurement date

- Level 2

Of the inputs that are directly or indirectly observable, such as a market price of a similar asset or liability in an active market or a market price of an identical or similar asset or liability in an inactive market, those inputs that are other than market prices included in Level 1

- Level 3

Unobservable inputs for assets or liabilities

Changes between these levels are recognized as having occurred at the end of each quarter.

Description about the assumptions (inputs) used to measure fair value is presented in “Note 3.5. Property, Plant and Equipment (2) Impairment Losses”, “Note 3.7. Goodwill and Intangible Assets (3) Impairment Tests for Goodwill and Intangible Assets with Indefinite Useful Lives”, “Note 3.8. Investment Property (3) Fair Value”, and “Note 4.8. Financial Instruments (3) Fair Value of Financial Instruments”.

(4) Other Accounting Policies

Other accounting policies are described in the related notes as follows.

Note 2.1. Segment Information

Note 2.2. Operating Revenues

Note 2.4. Income Taxes

Note 2.5. Earnings per Share

Note 3.1. Business Combinations and Acquisitions of Non-controlling Interests

Note 3.3. Inventories

Note 3.4. Assets Held for Sale

Note 3.5. Property, Plant and Equipment

Note 3.6. Leases

Note 3.7. Goodwill and Intangible Assets

Note 3.8. Investment Property

Note 3.11. Employee Benefits

Note 3.12. Provisions

Note 4. Equity and Financing

Note 4.1. Equity

Note 4.2. Cash and Cash Equivalents

1.4. Significant Accounting Estimates and Judgments Involving Estimates

In preparing the consolidated financial statements, management makes judgments, estimates, and assumptions that affect the application of accounting policies as well as the amounts reported for assets, liabilities, revenue, and expenses. These estimates and assumptions are based on management's best judgments taking into account various factors that are considered reasonable as of the period end, based on past experience and currently available information. However, due to the nature of such judgments, the actual results in the future may differ from these estimates or assumptions.

Estimates and their underlying assumptions are continuously reviewed. The effect of revisions to accounting estimates is recognized in the consolidated accounting period when the estimate is adjusted and in the future consolidated accounting periods.

The judgments, estimates, and assumptions that have a significant impact on NTT Group's consolidated financial statements

Judgments, Estimates, and Assumptions	Specific Items	Related Notes
The judgments of whether an entity is controlled by NTT Group in determining the scope of consolidation	<ul style="list-style-type: none"> • Presence of control • Presence of joint control • Presence of significant influence 	1.3. Significant Accounting Policies (1) 5.1. Major Subsidiaries
Judgments of whether forecast transactions are eligible hedged items for hedge accounting	<ul style="list-style-type: none"> • Eligibility of the hedging instrument • Eligibility of hedged items • Evaluation of hedging effectiveness • Designation and documentation of the hedging relationship and the purpose of risk management at the inception of a hedging transaction 	4. Equity and Financing
Estimates of the fair value of assets acquired and liabilities assumed in a business combination	—	3.1. Business Combinations and Acquisition of Non-controlling Interests
Fair value measurements of financial assets measured at fair value through other comprehensive income (FVTOCI)	—	4. Equity and Financing 4.8. Financial Instruments (3)
Estimates of amortization periods and for impairment of financial assets measured at amortized cost	<ul style="list-style-type: none"> • The credit risk on a financial asset • The expected credit losses from a possible default 	4. Equity and Financing 4.8. Financial Instruments (1)
Fair value measurements of derivatives	—	4. Equity and Financing 4.4. Other Financial Assets 4.6. Other Financial Liabilities 4.7. Finance Income and Finance Costs 4.8. Financial Instruments (3)
Estimates of useful lives of property, plant and equipment, right-of-use assets, intangible assets and investment property	—	3.5. Property, Plant and Equipment 3.6. Leases 3.7. Goodwill and Intangible Assets 3.8. Investment Property
Lease term	—	3.6. Leases
Estimates for impairment of property, plant and equipment, right-of use asset, intangible assets, investment property and goodwill	<ul style="list-style-type: none"> • Judgments whether there are any indications of impairment • The recoverable amount of individual assets, cash-generating unit, groups of cash-generating units • Judgement whether there are any indications that an impairment loss recognized in prior years may no longer exist or may decrease (excluding goodwill) 	3.5. Property, Plant and Equipment 3.6. Leases 3.7. Goodwill and Intangible Assets 3.8. Investment Property

Judgments, Estimates, and Assumptions	Specific Items	Related Notes
Measurement of defined benefit obligations	<ul style="list-style-type: none"> • The discount rates used to determine projected benefit obligations • Expected rates of salary increase • Average life expectancy of pension recipients at the age of 65 as of the end of the year 	3.11. Employee Benefits
Judgments and estimates for recognition and measurement of provisions	<ul style="list-style-type: none"> • The probability that the obligations will be required to be settled • The amount of provisions 	3.12. Provisions
Recognition of revenue	<ul style="list-style-type: none"> • The amount of telecommunications traffic (for phone calls) that are unused in the current month but are expected to be used in the following month or afterward in the Mobile communications services • The portion of granted points to customers depending on their use of mobile voice-related services which is expected to be used by customers in future • The amount of telecommunications traffic (for data communications) that are unused in the current month but are expected to be used in the following month or afterward in the IP/packet communications services • The rate of amounts paid as sales incentives for ongoing use at the time of future annual contract renewal for IP/packet communications services • The estimated average period of the end customers' subscription to defer revenues from non-recurring upfront fees such as installation charges and activation fees in the IP/packet communications services • The portion of granted points to customers depending on their use of IP/packet communications services which is expected to be used by customers in future • Refund liabilities in the sales of telecommunications terminal equipment • The expected losses occurrence in the system integration services • Recoverability related to assets recognized from contract costs 	2.2. Operating Revenue (2)~(4)
Assessment of recoverability of deferred tax assets	<ul style="list-style-type: none"> • The expected level of future taxable profit • Tax planning opportunities • The expected timing of the reversal of deferred tax liabilities 	2.4. Income Taxes

As for the spread of the COVID-19 pandemic, as described in “PART 1 INFORMATION ON THE COMPANY, ITEM 2 BUSINESS OVERVIEW, 2. Risk Factors”, as a result of the prolonged spread of the pandemic, it is possible that NTT Group’s business activities will be materially affected, including through the reduction of its customers’ business activities which may cause reductions in systems integration orders and in sales of various services and delays in planned construction.

Furthermore, both during and after COVID-19, it is possible that people’s daily lives and the workstyles of businesses will significantly change, which may, as a result, impact NTT Group’s business results and financial position. However, there was no material impact on the company’s accounting estimates and judgements involving estimates for the fiscal year ended March 31, 2022.

1.5. New Standards Not Yet Applied

None of the standards and interpretations that were newly issued or revised before the approval date of the consolidated financial statements have been adopted early by NTT Group and have a material impact on NTT Group.

2. Results for the year

This section presents operating results for the NTT Group, including segment information, operating revenues, operating expenses, income taxes, and earnings per share .

Impairment losses on property, plant and equipment are included in "3. Assets and Liabilities (excluding Financial Instruments)".

2.1. Segment Information

(Accounting Policies)

An operating segment is a component of business activities that earn revenues and incur expenses including revenues and expenses relating to transactions with other operating segments. For the operating results of all operating segments, discrete financial information is available, and the operating results are regularly reviewed by NTT's Board of Directors to facilitate the allocation of management resources to individual segments and to assess business performance.

For the strategic group-wide utilization of resources and assets and for speeding up decision-making, NTT Group has overhauled the corporate structure which has involved making NTT DOCOMO a wholly owned subsidiary in December 2020 and furthermore making NTT Communications and NTT Comware subsidiaries of NTT DOCOMO in January 2022. Accordingly, effective from the fiscal year ended March 31, 2022, the Group has transitioned to a four-segment structure consisting of the Integrated ICT Business, Regional Communications Business, Global Solutions Business, and Others (Real Estate, Energy and Others), from its previous five-segment structure consisting of the Mobile Communications Business, Regional Communications Business, Long Distance and International Communications Business, Data Communications Business, and Other Business. In accordance with this change, segment information for the fiscal year ended March 31, 2021 has been restated to conform to the classification of the fiscal year ended March 31, 2022.

NTT Group's business segments are as below, for which discrete financial information is available and whose operating results are utilized by NTT Group's management to make decisions about the allocation of resources and to assess business performance. Services included in each segment are as follows:

Integrated ICT Business

Fixed voice-related services, Mobile voice-related services, IP/packet communications services, sales of telecommunications terminal equipment, System integration services, and other services

Regional Communications Business

Fixed voice-related services, IP/packet communications services, sales of telecommunications terminal equipment, system integration services, and other services

Global Solutions Business

System integration services and other services

Others (Real Estate, Energy and Others)

Services related to real estate business and energy business, etc.

Operating revenues

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Integrated ICT Business		
Transactions with external customers	¥ 5,627,304	¥ 5,581,895
Inter-segment transactions	253,575	288,288
Subtotal	5,880,879	5,870,183
Regional Communications Business		
Transactions with external customers	2,503,262	2,498,908
Inter-segment transactions	704,124	708,711
Subtotal	3,207,386	3,207,619
Global Solutions Business		
Transactions with external customers	3,176,154	3,415,856
Inter-segment transactions	190,953	199,318
Subtotal	3,367,107	3,615,174
Others (Real Estate, Energy and Others)		
Transactions with external customers	637,246	659,788
Inter-segment transactions	698,183	736,173
Subtotal	1,335,429	1,395,961
Elimination of inter-segment transactions	(1,846,835)	(1,932,490)
Total	¥ 11,943,966	¥ 12,156,447

Segment profit or loss

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Segment profit		
Integrated ICT Business	¥ 1,059,964	¥ 1,072,544
Regional Communications Business	420,178	440,013
Global Solutions Business	147,327	210,507
Others (Real Estate, Energy and Others)	56,435	72,505
Total	¥ 1,683,904	¥ 1,795,569
Elimination of inter-segment transactions	(12,513)	(26,976)
Operating profit	¥ 1,671,391	¥ 1,768,593

Segment profit is calculated by deducting Operating expenses from Operating revenues.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Share of profit (loss) of entities accounted for using the equity method		
Integrated ICT Business	¥ (573)	¥ 2,620
Regional Communications Business	252	104
Global Solutions Business	(6,199)	(401)
Others (Real Estate, Energy and Others)	6,749	17,388
Total	¥ 229	¥ 19,711

Segment assets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Segment assets		
Integrated ICT Business	¥ 9,520,851	¥ 10,341,030
Regional Communications Business	6,876,431	6,881,276
Global Solutions Business	5,115,428	5,647,556
Others (Real Estate, Energy and Others) ^{*1}	15,641,287	16,351,285
Total	¥ 37,153,997	¥ 39,221,147
Elimination of inter-segment transactions ^{*2}	(14,188,505)	(15,358,906)
Total	¥ 22,965,492	¥ 23,862,241

*1. “Others (Real Estate, Energy and Others)” includes stocks of subsidiaries held by NTT.

*2. “Elimination of inter-segment transactions” includes the offset between the investment account and the capital account.

Goodwill recognized in an acquisition is allocated to the segments to which the acquired business belongs. Description of goodwill by segment is presented in “Note 3.7 Goodwill and Intangible Assets (3) Impairment Tests for Goodwill and Intangible Assets with Indefinite Useful Lives.”

Other significant accounts

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Depreciation and Amortization		
Integrated ICT Business	¥ 750,550	¥ 779,906
Regional Communications Business	422,887	421,327
Global Solutions Business	296,946	309,058
Others (Real Estate, Energy and Others)	106,081	118,873
Total	¥ 1,576,464	¥ 1,629,164
Elimination of inter-segment transactions	(69,311)	(67,981)
Total	¥ 1,507,153	¥ 1,561,183

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Capital investment		
Integrated ICT Business	¥ 734,312	¥ 698,609
Regional Communications Business	527,362	501,109
Global Solutions Business	327,914	347,204
Others (Real Estate, Energy and Others)	138,732	140,677
Total	¥ 1,728,320	¥ 1,687,599

The figures for capital investments are the amounts determined on an accrual basis that are required for the acquisition of property, plant and equipment, intangible assets and investment property, deducting amounts related to non-current assets classified as assets held for sale, government grants related to assets and other items during the fiscal year ended March 31, 2022. As a result, the differences from the figures for “Purchase of property, plant and equipment, intangible assets, and investment property” in the Consolidated Statements of Cash Flows are as follows.

In addition, increases in the amounts of right-of-use assets, including those that meet the definition of investment property, are not included in the figures for capital investments.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Purchase of property, plant and equipment, intangible assets and investment property	1,795,430	1,758,045
Difference from the total of capital investments	67,110	70,446

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Impairment losses - Goodwill		
Global Solutions Business	¥ 2,702	¥ 228
Total	¥ 2,702	¥ 228

Impairment losses for goodwill are presented in “Note 3.7. Goodwill and Intangible Assets (3) Impairment Tests for Goodwill and Intangible Assets with Indefinite Useful Lives.”

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Impairment losses - Other		
Integrated ICT Business	¥ 368	¥ 1,653
Regional Communications Business	14,067	14,477
Global Solutions Business	6,980	19,220
Others (Real Estate, Energy and Others)	1,582	2,474
Total	¥ 22,997	¥ 37,824

Inter-segment transactions are conducted as an independent customer based on arm's length prices.

Geographic information

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Operating revenues		
Japan	¥ 9,903,912	¥ 9,954,616
Overseas	2,040,054	2,201,831
Total	¥ 11,943,966	¥ 12,156,447

- Operating revenues are classified into "Japan" or "Overseas" according to the locations of customers to whom the goods and services are provided. Overseas non-current assets are not disclosed as they are immaterial.
- For the fiscal years ended March 31, 2021 and March 31, 2022, there was no operating revenue from transactions with a single external customer that accounted for 10% or more of NTT Group's total operating revenues.

2.2. Operating Revenues

(Accounting Policies)

Revenue is recognized at an amount of the consideration to which NTT Group expects to be entitled in exchange for the goods or services transferred to customers based on the following five-step approach, excluding interest and dividend revenues pursuant to IFRS 9, insurance premium revenues pursuant to IFRS 4 and real estate rental income and lease income pursuant to IFRS 16.

Step 1: Identifying the contract with the customer

Step 2: Identifying performance obligations in the contract

Step 3: Determining the transaction price

Step 4: Allocating the transaction price to separate performance obligations in the contract

Step 5: Recognizing revenue when or as the performance obligation is satisfied

The part of incremental costs of obtaining a contract and costs to fulfill a contract with customers that is expected to be recoverable is recognized as an asset. Incremental costs of obtaining a contract are those incurred in obtaining a contract with a customer that would not have incurred if the contract had not been obtained. Costs to fulfill a contract are costs incurred for fulfilling contracts before goods or services are transferred to customers. NTT Group applies the practical expedient of Paragraph 94 of IFRS 15 except for installation fees, activation fees, point programs, and other fees in mobile voice-related service and IP/packet communications services and system integration services and recognizes incremental cost of obtaining a contract as expenses when incurred if the amortization period of the asset that otherwise would have been recognized is less than 1 year.

NTT Group has four-segment structure: Integrated ICT Business, Regional Communications Business, Global Solutions Business, and Others (Real Estate, Energy and Others). Through these segments, the Group provides the following six services: fixed voice-related services, mobile voice-related services, IP/packet communications services, system integration services, sales of telecommunications equipment, and other services.

(i) Fixed voice-related services

In the Integrated ICT Business and Regional Communications Business, fixed voice-related services including telephone subscriber lines, INS-Net, conventional leased circuits, and high-speed digital circuits are provided to customers. NTT Group recognizes revenue upon the provision of fixed voice-related services. Fixed voice-related services are billed monthly.

(ii) Mobile voice-related services

In the Integrated ICT Business, mobile voice-related services in LTE (Xi), 5G and others are provided to customers. NTT Group recognizes revenue upon the provision of mobile voice-related services. Mobile voice-related services are billed monthly.

In some of its billing plans, NTT Group determines an amount of telecommunications traffic (for phone calls) available within the scope of the fixed charge of each billing plan, offering a service of automatically carrying forward to the following month the unused amount of telecommunications traffic. For these services, the portion of revenue corresponding to the voice allowances that are unused in the current month but are expected to be used in the following month or afterward is deferred, and deferred amounts are recognized as revenue when such allowances are used.

In addition, NTT Group offers a point program whereby points are granted to customers depending on their use of mobile voice-related services and the points can be appropriated to payments on merchandise and mobile phone charges. Transaction prices are allocated for the telecommunication services and points based on the respective ratio of standalone selling prices. Of the transaction price allocated for points, the unused portion is recorded in "Other current liabilities" as contract liabilities, and after that, those points are recognized as revenue as the points are used. The standalone selling prices are estimated by taking into account assumptions including a portion of points that is expected to expire due to future cancellation and value of products and services subject to exchanges for the points.

(iii) IP/packet communications services

In the Integrated ICT Business, IP/packet communications services such as the LTE (Xi), 5G, DOCOMO Hikari*, Arcstar Universal One, IP-VPN, OCN, and other packet services are provided. In the Regional Communications Business, services are provided including FLET'S Hikari and Hikari Collaboration Model. The main performance obligations are identified as described below and recognized as revenue based on the contents of these services and the patterns of transfer to customers.

* Hikari Collaboration Model: Fiber-optic access services and others are provided on a wholesale basis to various operators by NTT East and NTT West.

Integrated ICT Business

NTT Group recognizes revenue upon the provision of IP/packet communications services.

In some of its billing plans, NTT Group determines an amount of telecommunications traffic (for data communications) available within the scope of the fixed charge of each billing plan, offering a service of automatically carrying forward to the following month the unused amount of telecommunications traffic. For these services, the portion of revenue corresponding to the data allowances that are unused in the current month but are expected to be used in the following month or afterward is deferred, and deferred amounts are recognized as revenue when such allowances are used.

Regional Communications Business

New sales incentives paid to collaboration model operators for new contracts under the Hikari Collaboration Model are deferred as "Other non-current liabilities" in the consolidated statement of financial position, and are deducted from revenues over the estimated average period of the end customers' subscription from the time of payment. The amounts paid as sales incentives for ongoing use at the time of future annual contract renewal are estimated as variable consideration mainly based on historical performance and deducted from revenues for one year from the time of initial contract conclusion or the most recent contract renewal.

Integrated ICT Business and Regional Communications Business

NTT Group recognizes revenue upon the provision of IP/packet communications services. IP/packet communications services for consumers are billed monthly and for enterprise customers are billed at the contractually agreed time.

Non-recurring upfront fees such as installation charges and activation fees are deferred and recognized as revenues over the estimated average period of the end customers' subscription for FLET'S Hikari and Hikari Collaboration Model.

In addition, NTT Group offers a point program whereby points are granted to customers depending on their use of IP/packet communications services and the points can be appropriated to payments on merchandise and mobile phone charges. Transaction prices are allocated for the telecommunication services and points based on the respective ratio of standalone selling prices. Of the transaction price allocated for points, the unused portion is recorded in "Other current liabilities" as contract liabilities, and after that, those points are recognized as revenue as the points are used. The standalone selling prices are estimated by taking into account assumptions including a portion of points that is expected to expire due to future cancellation and the value of products and services subject to exchanges for the points.

(iv) Sales of telecommunications terminal equipment

In the Integrated ICT Business, telecommunications terminal equipment is sold mainly to sales agents. NTT Group recognizes revenue upon delivery of the equipment to sales agents. Upon delivery to sales agents, revenues from sales of telecommunications terminal equipment are recognized after deducting certain agency commissions and incentives given to subscribers. Subscribers have an option to select installment payments for the purchase of handsets from sales agents and others over a period of 12 or 24 months. When installment payments are selected, under the agreements entered into between NTT Group, subscribers, and sales agents, NTT Group makes payments to sales agents for the handsets in place of the subscribers. NTT Group then charges the subscribers for the purchased handsets, together with basic monthly charges and communication charges, over the term of installment payments. Because terminal equipment sales are recognized upon delivery of handsets to sales agents, advance payments for the purchased handsets to sales agents and subsequent cash collection of the installment receivable from subscribers do not impact NTT Group's revenues.

NTT Group offers a program in which we give a waiver of up to 12 months of installment payments to customers who choose the installment payment plan in 36 months on the sale of handset, on condition of returning the handset to NTT Group after use in the Integrated ICT Business. The amount which we do not expect to be paid by the customers due to this program is recognized as refund liabilities upon the sale of handset, and deducted from revenues. The refund liabilities are included in "Other current liabilities" and "Other non-current liabilities" in the consolidated statement of financial position. The refund liabilities are calculated as the amount which we do not expect to be paid by the customers, and are estimated by taking into account return rate and timing of handset return for each type of product based on our historical experiences. The amount is calculated and recognized only to the extent that it is highly probable that significant reversal in the cumulative revenue recognized will not occur. The calculation includes assumptions such as return rate and timing of handsets return from customers under the program. The refund liabilities are presented in "Note 3.13 Other Liabilities". On the other hand, the right of collection of handsets from customers in exchange for settlement of the refund liability is recorded in "Other current assets" and "Other non-current assets" respectively in the consolidated statement of financial position. These assets are measured at the amount equal to carrying amount of the product less any expected costs to recover those handsets (including potential decreases in the value to the entity of returned handsets) when they are sold.

(v) System integration services

In the Integrated ICT Business and Regional communications business segment, NTT Group provides system development services and other services, while in the Integrated ICT Business and Global Solutions Business, the Group provides system integration services; both of these services are mainly provided to customers. With respect to system integration services, NTT Group recognizes revenue over the course of the installation period, as the benefits transfer to customers as the installation progresses. As cost is deemed to arise in proportion to the degree of installation progress, the cost-based input method is used for recognition of revenue. Contract consideration is usually invoiced upon delivery.

When losses are expected to arise, an allowance for losses is recognized based on the estimates of all revenues and expenses expected to accrue upon delivery. As a result, revenues and expenses may be reasonably estimated at different stages until completion of benefits transfer. Recognized losses may be reassessed as the contract progresses and are recorded in the consolidated fiscal year in which the factual cause for the loss is confirmed.

(vi) Other services

In the Integrated ICT Business, NTT Group offers services including distribution services of movies, music, and e-books; financial and payment services; shopping services; services to support activities of daily living; and "Mobile Device Protection Service."

In addition, NTT Group primarily provides services including real estate business, energy business, and others.

With respect to these services, NTT Group recognizes revenues either upon delivery or completion of services.

(Accounting Estimates and Judgments Involving Estimates)

Recognition of revenue is estimated described as above. And recoverability related to assets recognized from contract costs is estimated.

(1) Disaggregation of Revenues

(i) Revenue from contracts with customers and others

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Revenue from contracts with customers	¥11,505,488	¥11,667,229
Revenue from other sources	438,478	489,218
Total	¥11,943,966	¥12,156,447

Revenues recognized from other sources mainly comprises real estate rental income and lease income under IFRS 16, interest and dividend income under IFRS 9, and insurance income under IFRS 4.

(ii) Relationship between disaggregated revenues and segment revenues

(Millions of yen)

Main Services	Fiscal year ended March 31, 2021				
	Segment				
	Integrated ICT Business	Regional communications business	Global Solutions Business	Others (Real Estate, Energy and Others)	Total
Fixed voice-related services	¥160,088	¥774,636	¥—	¥—	¥934,724
Mobile voice-related services	1,126,803	—	—	—	1,126,803
IP/packet communications services	2,348,008	1,129,539	—	—	3,477,547
Sales of telecommunications terminal equipment	604,818	69,239	—	—	674,057
System integration services	351,799	269,967	3,174,823	33,255	3,829,844
Other services*	1,035,788	259,881	1,331	603,991	1,900,991
Total	¥5,627,304	¥2,503,262	¥3,176,154	¥637,246	¥11,943,966
Revenue from contracts with customers	5,539,694	2,364,111	3,068,510	533,173	11,505,488
Revenue from other sources	87,610	139,151	107,644	104,073	438,478

(Millions of yen)

Main Services	Fiscal year ended March 31, 2022				
	Segment				
	Integrated ICT Business	Regional communications business	Global Solutions Business	Others (Real Estate, Energy and Others)	Total
Fixed voice-related services	¥149,872	¥766,254	¥—	¥—	¥916,126
Mobile voice-related services	1,102,548	—	—	—	1,102,548
IP/packet communications services	2,282,288	1,162,485	—	—	3,444,773
Sales of telecommunications terminal equipment	627,179	67,522	—	—	694,701
System integration services	366,823	197,987	3,396,137	27,713	3,988,660
Other services	1,053,185	304,660	19,719	632,075	2,009,639
Total	¥5,581,895	¥2,498,908	¥3,415,856	¥659,788	¥12,156,447
Revenue from contracts with customers	5,478,068	2,356,298	3,269,625	563,238	11,667,229
Revenue from other sources	103,827	142,610	146,231	96,550	489,218

In its four-segment structure of Integrated ICT Business, Regional communications business, Global Solutions Business, and Others (Real Estate, Energy and Others), NTT Group provides the following six services: fixed voice-related services, mobile voice-related services, IP/packet communications services, sales of telecommunications terminal equipment, system integration services, and other services. Description is presented in “Accounting Policies” in this note.

Effective from the fiscal year ended March 31, 2022 NTT Group has changed its segmentation. The details are presented in “Note 2.1. Segment Information.” In accordance with this change, figures for the fiscal year ended March 31, 2021 have been restated to conform to the classification of the fiscal year ended March 31, 2022.

(2) Contract Balances

Information on receivables, contract assets, and contract liabilities

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Receivables from contracts with customers (Trade and other receivables)	¥2,269,891	¥2,287,089
Contract assets (Other current assets)	130,080	135,830
Contract liabilities (Other current liabilities and Other non-current liabilities)	¥850,607	¥895,193

Contract assets are mainly related to NTT Group’s rights to compensation for its work on system integration that has created a customer-controlled asset as of the reporting date, but for which the Group has not yet billed. Contract assets are transferred to receivables when the right to payment becomes unconditional. Contract liabilities are mainly related to unused points that have been granted to customers as they use mobile phones and FLET’S Hikari, and to consideration received in advance and accounted for as deferred revenues from the initial construction fees for FLET’S Hikari and DOCOMO Hikari and activation.

Of the revenues recognized in the fiscal year ended March 31, 2021 and March 31, 2022, ¥341,469 million and ¥358,584 million, respectively, were included in the balance of contract liabilities as of the beginning of the fiscal year.

The amount of revenue recognized in the fiscal years ended March 31, 2021 and March 31, 2022 due to performance obligations satisfied, or partially satisfied, in the past periods was immaterial.

(3) Transaction Price Allocated to the Remaining Performance Obligations

(Millions of yen)

Types of performance obligations	As of March 31, 2021	As of March 31, 2022	Description about the expected time of satisfaction of performance obligations
Installation fees, activation fees, point programs, and other fees in mobile voice-related service and IP/packet communications services	¥386,256	¥391,019	Expected to be satisfied within approximately 16 years
Development of system and software in system integration services	3,118,669	3,286,069	Expected to be satisfied within approximately 4 years.
Other than above (mainly common service charges under non-cancelable lease contracts, construction work)	¥123,151	¥126,451	Common service charges under non-cancelable lease contracts are expected to be satisfied within approximately 20 years, construction works are within approximately 20 years, others are within approximately 12 years.

The practical expedient of Paragraph 121 of IFRS 15 has not been applied to residual performance obligations related to installation fees, activation fees, point programs, and other fees in mobile voice-related service and IP/packet communications services, in addition to system integration services. Remaining performance obligations related to contracts expected to be satisfied within 1 year are included. Other than above, the practical expedient has been applied, and remaining performance obligations related to contracts expected to be satisfied within 1 year are not included.

(4) Assets Recognized from the Costs to Obtain or Fulfill a Contract with a Customer

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets recognized from the costs to obtain a contract	¥280,390	¥318,345
Assets recognized from the costs to fulfill a contract	62,707	63,141
Total	¥343,097	¥381,486

NTT Group recognizes as an asset the incremental cost of obtaining a contract and the cost to fulfill a contract with a customer if it expects to recover those costs. The asset is recorded in “Other non-current assets” in the consolidated statement of financial position. The incremental costs of obtaining a contract are those that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The costs to fulfill a contract are those that the Group incurs to fulfill a contract generated before it transfers goods or services to a customer.

The incremental costs of obtaining a contract, which NTT Group recognizes as an asset, are mainly commissions to sales agents that were incurred to acquire customers, and incremental costs that would not have been incurred if the contract had not been obtained. The costs to fulfill a contract are mainly direct personnel expenses related to the reception clerical work to accept new contracts, and costs directly related to the service provided to the customer. When recognizing as an asset the incremental cost for obtaining a contract and the cost to fulfill a contract, only the amount expected to be recovered is recognized as an asset, taking into account the cancellation rates of customers (contractors). The asset is amortized over the estimated average contract term of the related service.

Assets recognized from contract costs are reviewed quarterly for recoverability. The Group assesses whether the carrying amount of the asset exceeds the remaining consideration that is expected to be received during the contract term of providing related services in consideration of the cancellation rates and other factors less costs that are directly related to the goods or services provided and not yet recognized as an expense. These estimates and assumptions may have a significant impact on the amount of assets recognized from contract costs if the underlying circumstances change and impairment loss is recognized for the assets. Therefore, NTT Group considers that such estimates are important.

The amounts of amortization on the assets recognized from contract costs for the fiscal year ended March 31, 2021 and 2022 were ¥129,656 million and ¥98,191 million, respectively, and no impairment losses occurred.

2.3. Operating Expenses

(1) Expenses for purchase of goods and services and other expenses

Details of items recorded as expenses for purchase of goods and services and other expenses

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Outsourcing expense	¥ 1,633,285	¥ 1,755,342
Cost of equipment sold	649,019	681,970
*Cost of goods	982,235	834,641
Agency commissions	417,715	359,720
Other	2,193,048	2,207,768
Total	¥ 5,875,302	¥ 5,839,441

* Cost of goods mainly includes purchase of goods for sales and materials for construction work.

(2) Research and development expenses

The research and development expenses that were treated as operating expenses when incurred in the fiscal years ended March 31, 2021 and 2022 amounted to ¥232,612 million and ¥247,988 million, respectively. Description of research and development expenses is presented in “ITEM2 BUSINESS OVERVIEW 5. Research and Development” and accounting method is presented in “Note 3.7 Goodwill and Intangible Assets”.

2.4. Income Taxes

(Accounting Policies)

Income taxes consist of current taxes and deferred taxes, and are recognized in profit or loss, excluding taxes arising from business combinations, as well as taxes incurred from items directly recognized in other comprehensive income or equity.

Current taxes

Current taxes are measured as the amount expected to be paid to, or recovered from, the tax authorities. Tax calculations use the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred taxes

Recognition of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that deductible temporary differences and the unused tax losses and unused tax credits can be utilized against the future taxable profit. The probability of realizing deferred tax assets will depend on whether taxable profit will be available during the periods in which deductible temporary differences will reverse or unused tax losses can be utilized. In this assessment, NTT Group considers the expected level of future taxable profit, tax planning opportunities, and the expected timing of the reversal of deferred tax liabilities. The probability of realizing deferred tax assets depends mainly on the future taxable profit, and NTT Group considers that sufficient taxable profit will be available on an ongoing basis. However, when the estimate of probable future taxable profit for the periods decreases, the net amount of deferred tax assets expected to be realized may be reduced. A reassessment of the recoverability of deferred tax assets is conducted at the end of the fiscal year.

Note that deferred tax assets are not recognized for temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and that does not affect either accounting profit or taxable profit.

Deferred tax assets are recognized for deductible temporary differences arising from investments in subsidiaries, associates, and interests in joint ventures only if it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Recognition of deferred tax liabilities

Deferred tax liabilities are generally recognized for taxable temporary differences, with the exception of the temporary differences listed below:

- temporary differences arising from the initial recognition of an asset or a liability in a transaction that is not a business combination and that does not affect either accounting profit or taxable profit
- taxable temporary differences arising from the initial recognition of goodwill
- taxable temporary differences arising from investments in subsidiaries, associates, and joint ventures for which the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future

Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured using the tax rate expected to be applied at the time the asset is realized or the liability is settled, based on the law that has been enacted or substantially enacted by the end of the fiscal year.

Presentation of deferred tax assets and liabilities

Deferred tax assets and liabilities are offset if NTT Group has a legally enforceable right to offset current tax assets and liabilities and income taxes are imposed on the same taxpayer by the same taxation authority.

(Accounting Estimates and Judgments Involving Estimates)

The recoverability of deferred tax assets is estimated described as above.

(1) Deferred Tax Assets and Deferred Tax Liabilities

Details and changes of deferred tax assets and deferred tax liabilities by major factor

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Defined benefit liabilities	¥ 540,253	¥ 482,511
Accrued enterprise tax	12,593	19,426
Property, plant and equipment and intangible assets	341,943	331,568
Accrued payroll	122,300	125,279
Unused tax losses	69,879	95,398
Provision for point programs	8,432	5,454
Investments accounted for using the equity method	8,946	4,143
Equity instruments	28,950	31,042
Accounts receivable - trade	1,504	784
Real estate tax payable	38,130	37,601
Contract liabilities	120,708	108,236
Loss allowance	18,360	21,118
Cash flow hedges	4,284	27,434
Other	142,048	126,712
Total	¥ 1,458,330	¥ 1,416,706
Offset to deferred tax liabilities	(464,472)	(446,274)
Net deferred tax assets	¥ 993,858	¥ 970,432

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Deferred tax liabilities		
Equity instruments	¥ 145,178	¥ 106,066
Property, plant and equipment	132,201	162,557
Intangible assets	43,116	65,000
Investments accounted for using the equity method	4,620	3,412
Plan assets related to the defined benefit plan	45,199	51,576
Contract cost	118,116	134,670
Other	57,462	60,467
Total	¥ 545,892	¥ 583,748
Offset to deferred tax assets	(464,472)	(446,274)
Net deferred tax liabilities	¥ 81,420	¥ 137,474

Changes of net deferred tax assets

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	¥ 1,082,793	¥ 912,438
Amount recognized in profit or loss	(23,917)	(27,078)
Amount recognized as other comprehensive income		
Cash flow hedges	502	22,811
Hedges cost	7,394	(6,359)
Financial assets measured at fair value through other comprehensive income	(106,766)	44,451
Remeasurements of the defined benefit plans	(58,909)	(62,263)
Share of other comprehensive income of entities accounted for using the equity method	(52)	(2)
Total	¥ 901,045	¥ 883,998
Others*	11,393	(51,040)
Balance at the end of the year	¥ 912,438	¥ 832,958

* The main effects were foreign currency translation differences and business combinations.

Deductible temporary differences and unused tax losses for which no deferred tax assets are recognized

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Deductible temporary differences	¥ 200,736 ¥ (18,300)	¥ 282,797 ¥ (28,853)
Unused tax losses		
Expiration date	64,967	61,908
Within 5 years	(10,746)	(8,890)
Expiration date	784,327	731,178
Over 5 years and within 20 years	(176,153)	(163,974)
Indefinite periods	160,253 (39,454)	163,006 (40,928)
Total unused tax losses	1,009,547 (226,353)	956,092 (213,792)
Total deductible temporary differences and unused tax losses	¥ 1,210,283 ¥ (244,653)	¥ 1,238,889 ¥ (242,645)

The amounts of deductible temporary differences and unused tax losses are based on temporary differences, and those presented in parentheses are on a tax basis.

For entities subject to consolidated taxation system, recoverability of national corporate tax is assessed based on the estimate of future taxable income of the consolidated taxpaying group, while recoverability of local taxes is assessed based on the future taxable income of each entity. When local taxes are deemed as not recoverable, the amounts of future deductible temporary differences and unused tax losses on a temporary difference basis are multiplied by local tax rates and presented as the amount on a tax basis.

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Unused tax losses ^{*1}	¥ 796,312	¥ 851,314
Unused tax losses for which no deferred tax assets are recognized ^{*2,3,4}	617,800 (154,208)	544,068 (133,646)
Net deferred tax assets related to unused tax losses	44,558	75,472
Future taxable income needed to realize the net deferred tax assets related to unused tax losses	^{※5} ¥ 178,512	^{※6} ¥ 307,243

*1. Unused tax losses can be used to offset future taxable income until the end of the fiscal year ending March 31, 2036, other than certain losses that can be carried forward indefinitely.

*2. Large amounts of unused tax losses for which no deferred tax assets are recognized were due to, among other factors, insufficient taxable income expected to be earned in the future not large enough compared with the unused tax losses and the uncertainties about the future plans for generating taxable income, despite the three years of cumulative income recorded in the fiscal years ended March 31, 2021 and 2022. Deferred tax assets related to unused tax losses is reassessed at the end of each fiscal year based on the forecast for taxable income and the recoverability of deferred tax assets. The amount of the carryforward of unused tax losses for which no deferred tax assets are recognized may decrease in the future.

*3. The decrease in unused tax losses for which no deferred tax assets are recognized (in the amount on a tax basis) in the fiscal year ended March 31, 2022, is mainly due to ¥26,346 million of a change in the estimate of recoverability of deferred tax assets for NTT America, Inc.

*4. The amounts of unused tax losses for which no deferred tax assets are recognized are based on temporary differences, and those presented in parentheses are on a tax basis.

*5. Calculated on the basis of US\$1 = ¥110.71 (as of March 31, 2021)

*6. Calculated on the basis of US\$1 = ¥122.39 (as of March 31, 2022)

Total temporary differences relating to investments in subsidiaries and associates for which no deferred tax liabilities are recognized

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Taxable temporary differences	¥ 144,728 ¥ (45,531)	¥ 144,629 ¥ (45,500)

The amounts of taxable temporary differences are based on temporary differences, and those presented in parentheses are on a tax basis.

(2) Details of Income Taxes

Details of total income taxes

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Income taxes recognized in profit or loss		
Current tax expenses	¥ 500,802	¥ 512,453
Deferred tax expenses		
Origination and reversal of temporary differences	32,169	53,495
Recognition of previously unrecognized (derecognition of previously recognized) deductible temporary differences	2,265	1,318
Recognition of unused tax losses not recognized in prior years	(10,517)	(27,735)
Attributable to NTT America, Inc. included in the above *1	(10,062)	(26,346)
Total deferred tax expenses	23,917	27,078
Total income taxes recognized in profit or loss	524,719	539,531
Total income taxes recognized in other comprehensive income *2	160,816	24,614
Total income taxes recognized in additional paid-in capital	(2,379)	1,006
Total income taxes	¥ 683,156	¥ 565,151

*1. This impact was due to a reassessment of the recoverability of deferred tax assets and increasing the deferred tax assets for the fiscal years ended March 31, 2021 and 2022.

*2. The details of total income taxes recognized in other comprehensive income are presented in “Note 4.1. Equity”.

Almost all the profit before taxes and tax expenses of NTT Group were recorded in Japan. For the fiscal years ended March 31, 2021 and 2022, NTT and NTT's domestic subsidiaries were subject to national corporate tax of 24.22%, local corporate inhabitant tax of approximately 3.78%, and local deductible corporate enterprise tax of approximately 5.04%. The applicable tax rates were 31.46%, respectively. The rates of corporate inhabitant tax and corporate enterprise tax differ depending on the municipality.

Foreign subsidiaries are subject to local corporate taxes.

NTT Group accounts for and prepares the consolidated financial statements under the consolidated taxation system. Under the consolidated taxation system, tax expenses for each fiscal year are calculated by aggregating taxable income of the consolidated taxpaying companies, and the recoverability of deferred tax assets related to national corporate tax is assessed on the basis of the aggregated estimate of future taxable income of the consolidated taxpaying companies. As of March 31, 2022, NTT and its 132 wholly owned subsidiaries in Japan, such as NTT DOCOMO, NTT East, NTT West, and NTT Communications, are included in the consolidated taxpaying companies.

Details of major items for the difference between the applicable tax rate and average effective tax rate

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Applicable tax rate	31.46%	31.46%
(Adjustment)		
Effect of reassessment of recoverability of deferred tax assets	0.82%	(0.90%)
Effect of tax credits	(1.07%)	(1.48%)
Effect of non-deductible expenses	0.43%	0.60%
Other	0.11%	0.37%
Average effective tax rate	31.75%	30.05%

(3) Income taxes receivable included in other current assets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Income taxes receivable	¥ 35,236	¥ 33,851

2.5. Earnings per Share

(Accounting Policies)

Basic earnings per share (“EPS”) is calculated based on the average number of outstanding shares during the fiscal year (excluding treasury shares). Diluted EPS is calculated by taking into account the effect of dilution caused by the exercise of the rights to issue new shares, the performance of contracts, or the conversion to new shares. However, NTT has not issued dilutive securities for any fiscal year, and there is therefore no difference between basic EPS and diluted EPS.

Basic earnings per share

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit attributable to NTT (millions of yen)	¥ 916,181	¥ 1,181,083
Weighted average number of the outstanding common shares (share)	3,691,993,269	3,586,788,697
Basic earnings per share (yen)	¥ 248.15	¥ 329.29

The weighted average number of the outstanding common shares is calculated excluding treasury stock, including the Company's shares held by the Board Incentive Plan (BIP) Trust.

Diluted earnings per share attributable to NTT is not stated, because NTT did not have potentially dilutive common shares during the periods.

3 Assets and Liabilities (excluding Financial Instruments)

This section presents items related to assets used to generate operating revenues and liabilities that arise as a result. Items related to cash management are described in "4. Equity and Financing".

3.1. Business Combinations and Acquisitions of Non-controlling Interests

(Accounting Policies)

The consideration delivered at the time of business combination is measured as the sum of the fair value of assets transferred by NTT Group and the liabilities of the former owner of the acquired company assumed by NTT Group. Acquisition-related expenses are recognized in profit or loss at the time they are incurred.

Any identifiable assets acquired and liabilities of the former owner of the acquired company assumed by NTT Group on the date when control is obtained are measured at fair value as of that date, with the exception of the following:

- Deferred tax assets/deferred tax liabilities and assets/liabilities relating to employee benefits are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits," respectively.
- The acquired company's share-based compensation agreements, or any liabilities or equity instruments alternatively issued to convert such agreements to NTT Group's scheme, are measured on the date when control is obtained (acquired) in accordance with IFRS 2 "Share-based Payment."
- Assets classified as held for sale or disposal groups are measured in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

Goodwill is measured as the excess amount if the sum of the transferred consideration and the amount of the non-controlling interests in the acquired company exceeds the net amount of identifiable assets and liabilities on the date when control is obtained. If the difference is a negative amount, it is immediately recognized in profit or loss. Goodwill generated by a business combination is allocated to cash-generating units that benefit from the business combination on the date when control is obtained.

On a case-by-case basis for each business combination transaction, NTT Group chooses to measure non-controlling interests in the acquiree either at fair value or, alternatively, as a proportion of the identifiable net assets in the acquired company recognized by NTT Group. In case of business combinations achieved in stages, the equity interest in the acquired company previously held by NTT Group is remeasured at fair value on the date when control is obtained. Any differences arising from remeasurements are recognized in profit or loss or other comprehensive income, and then transferred to retained earnings.

The amount of other comprehensive income pertaining to changes in the amount of interests in the acquired company which was recorded prior to the date when control was obtained is accounted for using the same method as would be used if NTT Group were to directly dispose of those interests, and is recognized in profit or loss or other comprehensive income.

If the initial accounting for business combinations is not completed by the end of the fiscal year, NTT Group reports provisional amounts for those items related goodwill, identifiable assets acquired and liabilities assumed. Subsequently, if any new facts and circumstances are found to have existed as of the date when control was obtained, and if such facts or circumstances are deemed to affect the recognized amount of the business combination, the provisional amounts as of the date when control was obtained are retrospectively adjusted for up to one year from the date when control is obtained.

(Accounting Estimates and Judgments Involving Estimates)

Assets acquired through the business combination and liabilities of the former owner of the acquired company is estimated described as above.

<Fiscal year ended March 31, 2021>

There was no significant business combination.

Description about transaction making NTT DOCOMO a wholly owned subsidiary of NTT is presented in “Note 4.1. Equity (7) Equity Transactions with Non-controlling Interests.”

<Fiscal year ended March 31, 2022>

There was no significant business combination.

3.2. Trade and Other Receivables

Trade and other receivables are classified as financial assets measured at amortized cost, except for lease receivables.

Details of trade and other receivables

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Notes and accounts receivables - trade*	¥ 2,467,917	¥ 2,444,120
Accounts receivable - other	1,041,399	1,113,137
Lease receivables	107,966	137,120
Loss allowance	(82,727)	(89,418)
Total	¥ 3,534,555	¥ 3,604,959

* Short-term telecommunications terminal equipment installment sales receivables of ¥275,798 million and ¥212,381 million were included in “Notes and accounts receivables - trade” for the fiscal year ended March 31, 2021 and 2022, respectively.

Trade and other receivables that are expected to be collected later than 12 months from the end of each reporting period (March 31, 2021, or March 31, 2022) were ¥3,088 million, and ¥3,351 million, respectively. The details of lease receivables that are expected to be collected later than 12 months from the end of the reporting period are not included in these amounts and are described in “Note 3.6 Leases.”

Trade and other receivables on the consolidated statement of financial position represents the amount after deducting loss allowance.

3.3. Inventories

(Accounting Policies)

Inventories consist of telecommunications terminal equipment, materials to be sold, work in progress, and supplies, which are measured at the lower of cost and net realizable value (net realizable value is the estimated selling price in the ordinary course of business less estimated costs to sell). The costs of telecommunications terminal equipment and materials to be sold are determined on a first-in, first-out basis. The cost of work in progress is mainly attributable to software production pursuant to contracts with customers and construction of real estate held for sale, including labor and subcontractors' costs. The cost of supplies is principally determined by mainly the average cost method or the specific identification method.

Details of inventories

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Telecommunications terminal equipment and materials to be sold	¥ 136,893	¥ 148,251
Work in progress	84,888	149,071
Supplies	93,656	111,040
Total	¥ 315,437	¥ 408,362

Amounts of inventories recognized as expenses, write-down of inventories, and reversal of write-down

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Inventories recognized as expenses	¥ 1,322,315	¥ 1,238,856
Write-down of inventories	8,632	4,524
Reversal of write-down of inventories	(656)	(1,631)

3.4. Assets Held for Sale

(Accounting Policies)

Non-current assets that are determined to recover their carrying amount principally through a sale transaction rather than through continuing use, as well as non-current assets that have ceased to be used in an ongoing capacity and that are determined to be disposed of (collectively, the “disposal group”) are classified as held for sale. These assets are measured at the lower of their carrying amount and their fair value less costs to sell. Such assets are not depreciated. An impairment loss is recognized if the fair value less costs to sell falls below the carrying amount. In the event of a subsequent increase in the fair value less costs to sell, the previously recognized impairment loss is reversed. The maximum amount by which the impairment loss can be reversed is the amount of the impairment loss previously recognized. If the asset no longer satisfies the requirements to be held for sale, it will cease to be classified as held for sale. In such case, the asset will be measured at the lower of the applicable carrying amount had it not been classified as held for sale or its recoverable amount as of the date it ceases to meet the requirements to be classed as held for sale.

Transfer of towers to JTOWER Inc.

Overview

NTT DOCOMO decided, at a meeting of its Board of Directors held on March 25, 2022, to enter a master transaction agreement with JTOWER Inc. (“JTOWER”), under which a maximum of 6,002 telecommunications towers owned by NTT DOCOMO are to be transferred to JTOWER for a maximum of ¥106.2 billion, and NTT DOCOMO will lease these towers from JTOWER (the “Transaction”). The master transaction agreement was entered into on March 31, 2022.

Under the master transaction agreement, NTT DOCOMO plans to sell the telecommunications towers to JTOWER during the fiscal year ending March 31, 2023.

JTOWER positions the purchase of existing telecommunications towers owned by telecommunications companies and the promotion of infra-sharing by attracting new tenants to these towers (carve-out) to be one of its key growth strategies. The Transaction will greatly expand its business foundation as a tower sharing operator. NTT DOCOMO is working to build an economical 5G network by promoting infra-sharing, and the Transaction will enable further streamlining of facilities operations.

Impact on accounting treatment and on the consolidated financial statements

As of March 31, 2022, assets related to the transfer of the towers, which are included in the Integrated ICT Business Segment, are classified as assets held for sale until the completion of the transfer. These assets are measured at their carrying amounts at the time. The classes of assets held for sale are mainly property, plant and equipment, and the carrying amounts are ¥106,172 million.

Furthermore, the impact of the Transaction on NTT’s consolidated statements of profit and loss is immaterial.

Sale of shares of data center holding company

Overview

NTT Group and Macquarie Asset Management have agreed to enter into a strategic real estate partnership covering NTT Group’s wholesale facilities across Europe and North America on March 31, 2022. NTT Group will sell portions of its shares of its data center holding company based on this partnership and will classify such shares as assets held for sale at the timing of resolution of each individual sale.

NTT Group is one of the world’s largest data center operators, with over 1,300 MWs of data center capacity today, including a large development pipeline of a 25% increase in capacity across more than 20 countries and regions globally. This strategic real estate partnership will give Macquarie Asset Management the opportunity to invest real estate capital alongside NTT Group to support its expansion in Europe and North America. At the same time, this partnership provides NTT Group the opportunity to further accelerate its data center development to take advantage of unprecedented growth in the market as the move to digital continues to grow globally.

Impact on accounting treatment and on the consolidated financial statements

As of March 31, 2022, assets related to sale of shares of data center holding company and liabilities directly associated with the assets, which were included in Global Solutions Business Segment, were classified as assets held for sale and liabilities directly associated with assets held for sale until the completion of the share transfer, and were ¥69,260 million and ¥19,400 million, respectively. Assets and liabilities classified as held for sale were measured at their carrying amount at that time.

The major classes of assets and liabilities classified as held for sale are as below.

(Millions of yen)

Accounting Item		Accounting Item	
(Assets)		(Liabilities)	
Cash and cash equivalents	¥ 2,929	Trade and other payables	¥ 1,268
Property, plant and equipment	60,493	Long-term borrowings	12,239
Right-of-use asset	4,301	Lease liabilities (Noncurrent)	4,476
Other	1,537	Other	1,417
Total	¥ 69,260	Total	¥ 19,400

Amounts in the table above represent the figures before elimination of intercompany transactions. Intercompany transactions with consolidated subsidiaries are Long-term borrowings amounted to ¥12,239 million.

3.5. Property, Plant and Equipment

(Accounting Policies)

Recognition

Property, plant and equipment are measured using the cost model, which deducts accumulated depreciation and accumulated impairment losses from cost. The cost includes expenses directly attributable to the acquisition of an asset and the cost of borrowings to be capitalized. Government grants related to assets are recognized by deducting the amount of the grant from the carrying amount of the asset when there is reasonable assurance that the conditions for receiving the grant are met and the grant will be received.

Depreciation

Depreciation is calculated principally using the straight-line method over the estimated useful life of each component. The depreciable amount is calculated by deducting the residual value of an asset from the cost of the asset. Land and construction in progress are not depreciated.

The estimated useful lives of major items of property, plant and equipment are as follows:

Telecommunications equipment

Digital switch equipment (including wireless communication equipment)...	8 to 16 years
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Telecommunications service lines

Cables.....	13 to 36 years
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Tubes and tunnels.....	50 years
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Buildings and structures

Reinforced concrete buildings.....	42 to 56 years
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Machinery, tools and fixtures.....	3 to 26 years
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NTT Group reviews the depreciation methods, useful lives, and residual values at the end of each fiscal year. Any changes are accounted for as changes in accounting estimates on a prospective basis.

(Accounting Estimates and Judgments Involving Estimates)

As described in the above accounting policies, the useful lives of property, plant and equipment are estimated.

(1) Changes

Changes in carrying amounts, costs, accumulated depreciation, and accumulated impairment losses of property, plant and equipment

Carrying amounts of property, plant and equipment

(Millions of yen)

	Telecom- munications equipment	Telecom- munications service lines	Buildings and structures	Machinery, tools and fixtures	Land	Construction in progress	Total
As of April 1, 2020	¥2,630,076	¥2,746,697	¥1,777,492	¥787,727	¥703,635	¥441,836	¥9,087,463
Acquisition※1	9,989	347	11,940	74,659	3,192	1,080,368	1,180,495
Acquisition in business combination	—	—	1,863	7,418	—	13,313	22,594
Sale or disposal	(51,225)	(13,989)	(8,160)	(18,471)	(1,136)	(7,113)	(100,094)
Transfer between accounts	494,040	223,156	123,701	139,628	(1,126)	(999,667)	(20,268)
Depreciation※2	(448,636)	(153,285)	(130,320)	(154,915)	—	—	(887,156)
Impairment※2	(57)	—	(6,600)	(4,990)	(1,710)	(929)	(14,286)
Foreign currency translation adjustments	(566)	(321)	14,617	5,242	8,010	11,424	38,406
Other	(2,701)	2,758	1,319	(1,670)	(4,111)	(20,463)	(24,868)
As of March 31, 2021	¥2,630,920	¥2,805,363	¥1,785,852	¥834,628	¥706,754	¥518,769	¥9,282,286
Acquisition※1	25,630	522	6,187	60,363	2,590	1,063,522	1,158,814
Acquisition in business combination	—	—	2,128	47,462	2,424	7,405	59,419
Sale or disposal	(32,191)	(13,305)	(28,204)	(23,627)	(3,572)	(19,305)	(120,204)
Transfer between accounts	477,993	214,028	148,641	174,182	(8,159)	(1,029,819)	(23,134)
Depreciation※2	(448,958)	(163,101)	(137,377)	(167,240)	—	—	(916,676)
Impairment※2	(280)	—	(701)	(17,184)	(86)	(248)	(18,499)
Foreign currency translation adjustments	306	453	18,012	24,669	3,050	9,222	55,712
Transfer to assets held for sale	(95,342)	—	(23,183)	(27,217)	(6,779)	(26,299)	(178,820)
Other	(478)	1,537	8,683	708	23,109	(5,569)	27,990
As of March 31, 2022	¥2,557,600	¥2,845,497	¥1,780,038	¥906,744	¥719,331	¥517,678	¥9,326,888

※1: Government grants received from national and local governments for projects for the promotion of an advanced wireless environment promotion and other matters, which were recorded as advanced depreciation in the current fiscal year, amounted to ¥44,805 million and were deducted from the amount of acquisition.

There are no unfulfilled conditions or other contingencies associated with these government grants.

※2: Depreciation and impairment are included in “Depreciation and amortization” and “Impairment losses” in the consolidated statement of profit or loss, respectively.

Cost

(Millions of yen)

	Telecom- munications equipment	Telecom- munications service lines	Buildings and structures	Machinery, tools and fixtures	Land	Construction in progress	Total
As of April 1, 2020	¥10,895,484	¥16,502,388	¥5,611,601	¥2,350,900	¥705,456	¥441,836	¥36,507,665
As of March 31, 2021	10,962,442	16,658,931	5,707,173	2,481,759	710,991	518,769	37,040,065
As of March 31, 2022	¥10,908,428	¥16,813,435	¥5,716,825	¥2,642,550	¥723,645	¥517,678	¥37,322,561

Accumulated depreciation and impairment losses

(Millions of yen)

	Telecom- munications equipment	Telecom- munications service lines	Buildings and structures	Machinery, tools and fixtures	Land	Construction in progress	Total
As of April 1, 2020	¥8,265,408	¥13,755,691	¥3,834,109	¥1,563,173	¥1,821	—	¥27,420,202
As of March 31, 2021	8,331,522	13,853,568	3,921,321	1,647,131	4,237	—	27,757,779
As of March 31, 2022	¥8,350,828	¥13,967,938	¥3,936,787	¥1,735,806	¥4,314	—	¥27,995,673

(2) Impairment Losses

(Accounting Policies)

NTT Group determines whether there are any indications of impairment at each reporting date. The recoverable amount in the impairment test is calculated as the higher of either the value in use or the fair value less costs of disposal. The value in use is calculated by discounting estimated future cash flows to present value using a pre-tax discount rate that reflects the time value of money and the inherent risk of the asset.

If there are indications of impairment, the recoverable amounts are estimated. If the recoverable amount of individual assets cannot be estimated, an estimate is made of the recoverable amount for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest unit of an asset group that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

In the event that the recoverable amount of the asset or the cash-generating unit falls below the carrying amount, the carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss.

On each reporting date, NTT Group assesses whether there is any indication that an impairment loss recognized in prior years may no longer exist or may have decreased. If any such indication exists, NTT Group estimates the recoverable amount of the asset or cash-generating unit. In the event that the recoverable amount exceeds the carrying amount of the asset or the cash-generating unit, the impairment loss is reversed, with the upper limit set at the lower of (i) the recoverable amount and (ii) the carrying amount net of amortization or depreciation that would have been determined if no impairment loss had been recognized in prior years. There was no reversing an impairment loss for the fiscal years ended March 31, 2021 and March 31, 2022.

(Accounting Estimates and Judgments Involving Estimates)

Impairment of property, plant and equipment are estimated as described above.

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

There was no significant impairment loss.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

There was no significant impairment loss.

(3) Assets Pledged as Collateral

The amounts of property, plant and equipment that are pledged as collateral for corporate bonds and loans are stated in “Note 4.5. Short-Term Borrowings and Long-Term Borrowings.”

(4) Assets with Restricted Ownership

Under leases liabilities recognized in the fiscal year ended March 31, 2021 and fiscal year ended March 31, 2022, the Group bears obligations and lessors reserve ownership of right-of-use assets. The details of right-of-use assets are presented in “Note 3.6. Leases.”

(5) Borrowing Costs

Of the borrowing costs (interest paid) related to the construction of property, plant and equipment, those that are incurred during the construction periods are included in the cost of the asset. Borrowing costs on the development of internal-use software are also included in the cost of the software. Borrowing costs included in the costs are depreciated over the estimated useful life of the relevant asset. For the fiscal year ended March 31, 2021 and fiscal year ended March 31, 2022, the amounts of borrowing costs incurred were ¥43,081 million and ¥50,829 million, respectively, of which ¥891 million and ¥980 million were included in the costs of the assets. Interest paid in the fiscal years ended March 31, 2021 and 2022 were ¥41,856 million and ¥47,858 million, respectively.

The capitalization rate applied in capitalizing the borrowing costs was 0.07% to 1.50%.

3.6. Leases

(Accounting Policies)

(i) Accounting treatment as a lessee

(a) Lease liabilities

Lease liabilities are initially measured at the present value of unpaid lease payments^{*1} at the commencement date of the contract, discounted using NTT Group's incremental borrowing rate^{*2}. Lease payments are accounted as payments for interest calculated applying the effective interest method and payments for principal. Payments for interest are presented as finance cost in the Consolidated Statement of Profit or Loss and classified as cash flows from operating activities in the Consolidated Statement of Cash Flows. Payments for principal are classified as cash flows from financing activities.

*1. An option to extend the lease shall be exercised when it is determined that it is necessary to exercise the option after comprehensively taking into consideration the necessity of the business execution of the assets subject to the contract, the difficulty of acquisition of alternative assets, exercise conditions of the option, etc. For material lease contracts, NTT Group estimates a reasonably certain period of a lease term by taking the option into consideration at the commencement date of the contract, and utilizes estimated lease payments during the lease term to measure lease liabilities.

*2. As interest rate implicit in the lease cannot be readily determined, NTT Group uses incremental borrowing rate as discount rate.

(b) Right-of-use assets

Right-of-use assets are initially measured at cost, which comprises the amount of the initial measurement of the lease liabilities, adjusted for any initial direct costs incurred and prepaid lease payments, etc. After the initial measurements, right-of-use assets are depreciated over the useful life or the lease term of the underlying asset, whichever is shorter, from the commencement date of the contract. The estimated useful life of right-of-use assets is determined as same as owned property, plant and equipment. Right-of-use assets are deducted by impairment if identified and adjusted at remeasurement of the specific lease liabilities. Accounting Policies related to the judgement whether there are any indications of impairment of right-of-use assets, calculation about the recoverable amount in the impairment test and the value in use are same as presented in "3.5. Property, Plant and Equipment (2) Impairment loss".

A part of right-of-use assets which satisfies the definition of investment property is presented as Investment property in the Consolidated Statements of Financial Position.

(ii) Accounting treatment as a lessor

Identification and classification

NTT Group determines whether or not a contract constitutes a lease or contains a lease based on the actual substance of the contract at the commencement date of the contract.

Lease transactions are classified as finance leases when they transfer to the lessee substantially all the risks and rewards incidental to ownership of the asset, while other lease transactions are classified as operating leases.

Substantially all the risks and rewards incidental to ownership of the asset are deemed to have been transferred if the lease term accounts for the majority of the asset's economic life, or if the present value of the minimum lease payments is approximately equivalent to the full fair value of the asset. The lease term is set as the sum of the non-cancellable period and periods during which a renewal option is considered reasonably certain to be exercised on the commencement date of the lease.

Recognition and measurement

(i) Finance lease transactions

The net investment in the lease is recognized as a lease receivable, and the total lease payment receivable is allocated to an amount equivalent to principal of the lease receivable and an amount equivalent to interest. The amount allocated to interest on the lease payment receivable is calculated using a method that reflects a constant periodic rate of return on the lessor's net investment in the lease. The net investment in the lease is the sum of the uncollected lease payment receivable by a lessor under a finance lease and any unguaranteed residual value (the portion of the residual value of the lease assets, which a lessee does not guarantee, or only a party related to the lessor guarantees), discounted by the interest rate implicit in the lease.

(ii) Operating lease transactions

The total lease payment receivable over the term of the operating lease is recognized as revenue using the straight-line method over the lease term.

(Accounting Estimates and Judgments Involving Estimates)

The useful lives of right-of-use assets are estimated as described above.

The lease terms are estimated as described above.

Impairment of right-of-use assets are estimated as described above.

(1) Lessee

The NTT Group has concluded lease contracts for land, buildings (office space), company housing facilities, and various other facilities primarily for the purpose of ensuring flexibility in asset replacement, reducing the administrative burden associated with asset administration, and increasing the efficient use of funds.

Among the contracts above, leases of primarily land, buildings (office space), and various types of equipment have an option for extension by the lessee with the objective of ensuring flexibility in the allocation of NTT Group business sites and personnel. Lease payments during the period in which the lease is extendable by exercising the option to extend the lease and such extendable period are generally the same as or similar to the original contract period and lease payments.

Both the option to extend the lease and the option to terminate the lease are reviewed on an annual basis to determine whether they may be exercised or not. The financial impact of this revision is immaterial in the current consolidated fiscal year.

For the NTT Group, leases that include variable lease payments and residual value guarantees or that have been entered into but not yet commenced are immaterial.

In addition, the NTT Group may engage in sales and leaseback transactions, in which it purchases telecommunications equipment to be leased at the request of customers from a telecommunications equipment provider, sells the equipment to a leasing company, and enters into a lease agreement at the same time. The reason for this is to collect funds related to the purchase of telecommunications equipment as soon as possible and to reduce the risk associated with holding assets by setting the lease period in line with the customer contract period. There will be no gain or loss on sale of such transactions.

Details of right-of-use assets

Carrying amounts

(Millions of yen)

	Class of underlying asset				Total
	Telecommunications equipment	Buildings and structures	Machinery, tools and fixtures	Land	
As of March 31, 2021	¥80,578	¥ 451,521	¥ 77,655	¥ 29,873	¥ 639,627
As of March 31, 2022	¥ 74,681	¥ 465,636	¥ 95,288	¥ 59,007	¥ 694,612

Cost

(Millions of yen)

	Class of underlying asset				Total
	Telecommunications equipment	Buildings and structures	Machinery, tools and fixtures	Land	
As of March 31, 2021	¥ 87,145	¥ 673,204	¥ 128,377	¥ 44,016	¥ 932,742
As of March 31, 2022	¥ 86,938	¥ 752,752	¥ 160,386	¥ 75,833	¥ 1,075,909

Accumulated depreciation and impairment losses

(Millions of yen)

	Class of underlying asset				Total
	Telecommunications equipment	Buildings and structures	Machinery, tools and fixtures	Land	
As of March 31, 2021	¥ 6,567	¥ 221,683	¥ 50,722	¥ 14,143	¥ 293,115
As of March 31, 2022	¥ 12,257	¥ 287,116	¥ 65,098	¥ 16,826	¥ 381,297

Changes in carrying amounts of right-of-use assets

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Depreciation		
Class of Underlying asset: Telecommunications equipment	¥ 6,369	¥ 6,302
Class of Underlying asset: Buildings and structures	138,169	140,371
Class of Underlying asset: Machinery, tools and fixtures	21,677	26,831
Class of Underlying asset: Land	8,410	9,330
Total of Depreciation	¥ 174,625	¥ 182,834
Increase	¥ 365,730	¥ 251,607

Impact on Consolidated Statement of Profit or Loss

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Interest on lease liabilities	¥ 9,175	¥ 11,326
Expenses relating to low-value assets	¥ 48,526	¥ 47,192

Impact on Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Total cash outflow for leases	¥ 253,484	¥ 266,750

Total cash outflow for leases includes Repayment of lease liabilities on Consolidated Statement of Cash Flows, Interest on lease liabilities and Expenses relating to low-value assets, too.

Details of lease liabilities by due date

As of March 31, 2021

(Millions of yen)

	Within 1 year	Over 1 year and within 5 years	Over 5 years	Total
Lease liabilities	¥ 203,240	¥ 367,672	¥ 327,844	¥ 898,756

As of March 31, 2022

(Millions of yen)

	Within 1 year	Over 1 year and within 5 years	Over 5 years	Total
Lease liabilities	¥ 200,769	¥ 422,918	¥ 443,113	¥ 1,066,800

(2)Lessor

(i) Finance leases

NTT Group leases office space and other assets under finance leases lease agreements. These leased assets are exposed to the risk of being damaged by the use, intent or negligence of the lessee beyond the normal use of such assets. In order to avoid or reduce these risks, the NTT Group requires the lessee to make a certain security deposit or residual value guarantee in the lease agreement, or attaches insurance to the lease agreement, and if the assets are actually damaged, income from these measures is appropriated for the loss.

Income from finance lease

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Selling profit or loss	¥ 1,998	¥ 3,428
Finance income on the net investment in the lease	¥ 7,072	¥ 1,819

Details of finance lease receivable by due date

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Less than 1 year	¥ 34,512	¥ 40,334
One to two years	19,541	26,634
Two to three years	7,859	13,807
Three to four years	6,125	9,819
Four to five years	4,581	5,344
More than five years	51,138	57,873
Total	¥ 123,756	¥ 153,811
Less unearned finance income	15,790	16,691
Net investment in the lease (Present value)	¥ 107,966	¥ 137,120

(ii) Operating leases

NTT Group leases office space, machinery and other assets under operating lease agreements. These leased assets are exposed to the risk of being damaged by the use, intent or negligence of the lessee beyond the normal use of such assets. In order to avoid or reduce these risks, the NTT Group requires the lessee to make a certain security deposit or residual value guarantee in the lease agreement, or attaches insurance to the lease agreement, and if the assets are actually damaged, income from these measures is appropriated for the loss.

Income from operating lease

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Lease income	¥ 361,620	¥ 388,717

Details of operating lease income by due date

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Less than 1 year	¥ 247,085	¥ 297,117
One to two years	117,898	157,699
Two to three years	105,290	134,361
Three to four years	90,826	107,247
Four to five years	75,296	94,572
More than five years	245,919	238,220
Total	¥ 882,314	¥ 1,029,216

Underlying assets subject to an operating lease are recognized on "Property, plant and equipment" or "Investment property" in Consolidated Statement of Financial Position.

Underlying assets subject to an operating lease

Carrying amounts

(Millions of yen)

	Telecommunications service lines	Buildings and structures	Machinery, tools and fixtures	Land	Investment Property
As of March 31, 2020	¥ 59,495	¥ 210,553	¥ 184,009	¥ 45,627	¥ 1,038,002
Acquisition	4,634	9,014	18,890	3,542	74,628
Acquisition in business combination	—	—	—	—	—
Sale or disposal	(394)	(609)	(2,796)	—	(4,950)
Commencement or end of lease	571	22,444	36,029	—	(9,869)
Transfer between accounts	—	—	—	2,221	12,053
Depreciation	(2,950)	(15,053)	(28,407)	—	(27,346)
Impairment	—	—	—	—	—
Foreign currency translation adjustments	—	13,748	6,458	5,905	6,109
Transfer to assets held for sale	—	—	—	—	—
Other	21	4,782	711	1,259	(44)
As of March 31, 2021	¥ 61,377	¥ 244,879	¥ 214,894	¥ 58,554	¥ 1,088,583
Acquisition	4,790	37,180	53,044	4,287	66,543
Acquisition in business combination	—	—	—	—	—
Sale or disposal	(426)	(10,508)	(15,783)	(4,193)	(4,166)
Commencement or end of lease	2,788	39,920	56,126	6,020	17,413
Transfer between accounts	—	(1,006)	467	(318)	(26,908)
Depreciation	(3,373)	(15,867)	(38,878)	—	(25,935)
Impairment	—	—	(1,185)	—	—
Foreign currency translation adjustments	—	15,131	18,593	2,714	12,598
Transfer to assets held for sale	—	(10,342)	(14,032)	(4,877)	(13,853)
Other	186	6,051	1,397	(766)	(1,996)
As of March 31, 2022	¥ 65,342	¥ 305,438	¥ 274,643	¥ 61,421	¥ 1,112,279

Cost

(Millions of yen)

	Telecommunications service lines	Buildings and structures	Machinery, tools and fixtures	Land	Investment Property
As of March 31, 2021	¥ 495,183	¥ 347,187	¥ 350,886	¥ 58,554	¥ 1,577,187
As of March 31, 2022	¥ 508,232	¥ 423,720	¥ 444,297	¥ 61,421	¥ 1,587,756

Accumulated depreciation and impairment losses

(Millions of yen)

	Telecommunications service lines	Buildings and structures	Machinery, tools and fixtures	Land	Investment Property
As of March 31, 2021	¥ 433,806	¥ 102,308	¥ 135,992	¥ —	¥ 488,604
As of March 31, 2022	¥ 442,890	¥ 118,282	¥ 169,654	¥ —	¥ 475,477

3.7. Goodwill and Intangible Assets

(Accounting Policies)

Goodwill

NTT Group measures goodwill as the excess amount if the sum of the transferred consideration and the amount of the non-controlling interests in the acquired company exceeds the net amount of identifiable assets and liabilities on the date when control of the company is obtained.

Goodwill is not amortized, but tested for impairment whenever there is an indication of impairment in cash-generating units or groups of cash-generating units to which goodwill is allocated, and at the same time every year irrespective of whether there is any indication of impairment.

Goodwill is accounted for in the consolidated statement of financial position at the carrying amount determined by deducting the accumulated impairment losses from the cost.

Intangible Assets

Intangible assets are measured using the cost model, which deducts the accumulated amortization and accumulated impairment losses from the cost.

Intangible assets individually acquired are measured at cost at initial recognition. Intangible assets acquired through business combinations are recognized separately from goodwill at the time of initial recognition and are measured at fair value as of the date when control is obtained. Research and development expenses incurred within NTT Group are recognized as intangible assets (internally generated intangible assets) when expenditures for development activities meet the requirements for capitalization, measured at the time of initial recognition as the sum of expenditures incurred from the date when all requirements for capitalization are met, to the date when the development is completed. Other expenditures are expensed when incurred. Description of research and development expenses that are expensed is presented in “Note 2.3. Operating Expenses.”

Some intangible assets have definite useful lives, while others do not.

Intangible assets with definite useful lives are amortized using the straight-line method over the estimated useful lives of the assets.

The main intangible asset with a definite useful life is computer software. Internal-use software is capitalized if it has a useful life of more than one year. Subsequent costs of adding to, modifying, or improving internal-use software is capitalized only to the extent that they add new functions to the software. Software maintenance and training costs are expensed as incurred. Capitalized computer software is amortized on a straight-line basis over approximately five to seven years.

NTT Group reviews the amortization method, useful lives, and residual values at the end of each fiscal year. Any changes are accounted for as changes in accounting estimates on a prospective basis.

The main intangible assets with indefinite useful lives are trademarks and trade names.

NTT Group does not amortize intangible assets with indefinite useful lives or intangible assets that are not yet available for use, but test them for impairment whenever there is an indication of impairment, and at the same time every year irrespective of whether there is any indication of impairment. Description regarding the accounting policy of the impairment of such assets is presented in “Note 3.5. Property, Plant and Equipment (2) Impairment”.

(Accounting Estimates and Judgments Involving Estimates)

The useful lives of intangible assets are estimated as described above.

(1) ChangesChanges in carrying amounts, costs, accumulated amortization, and accumulated impairment lossesCarrying amount

(Millions of yen)

	Goodwill	Intangible assets					
		Software	Rights to use facilities	Trade-marks, trade names	Rights to acquire buildings	Other	Total
As of April 1, 2020	¥ 980,841	¥ 1,359,901	¥ 37,711	¥ 9,191	¥ 1,079	¥ 286,178	¥ 1,694,060
Acquisition	—	3,991	1,629	—	—	5,418	11,038
Increase due to internal development	—	475,282	—	—	—	—	475,282
Acquisition in business combination	45,892	8	—	—	—	16,534	16,542
Sale or disposal	—	(16,074)	(21)	—	—	(1,196)	(17,291)
Amortization	—	(388,060)	(1,765)	—	—	(34,101)	(423,926)
Impairment	(2,702)	(7,747)	(1)	—	—	(801)	(8,549)
Foreign currency translation adjustments	37,863	4,904	487	103	—	4,825	10,319
Other	(5,707)	4,702	889	(2)	8	2,786	8,383
As of March 31, 2021	¥ 1,056,187	¥ 1,436,907	¥ 38,929	¥ 9,292	¥ 1,087	¥ 279,643	¥ 1,765,858
Acquisition	—	4,870	856	—	—	21,216	26,942
Increase due to internal development	—	493,490	—	—	—	—	493,490
Acquisition in business combination	105,649	55	—	—	—	105,513	105,568
Sale or disposal	(3,395)	(12,777)	(176)	—	—	(365)	(13,318)
Amortization	—	(406,479)	(1,718)	—	—	(36,485)	(444,682)
Impairment	(228)	(12,891)	—	—	—	(3,580)	(16,471)
Foreign currency translation adjustments	86,836	4,353	200	643	—	19,818	25,014
Transfer to assets held for sale	(5,350)	—	—	—	—	(3,993)	(3,993)
Other	(26,690)	3,403	316	—	—	9,697	13,416
As of March 31, 2022	¥ 1,213,009	¥ 1,510,931	¥ 38,407	¥ 9,935	¥ 1,087	¥ 391,464	¥ 1,951,824

* Amortization and impairment are included in “Depreciation and amortization” and “Impairment losses” in the consolidated statement of profit or loss, respectively.

Cost

(Millions of yen)

	Goodwill	Intangible assets					
		Software	Rights to use facilities	Trade-marks, trade names	Rights to acquire buildings	Other	Total
As of April 1, 2020	¥ 1,085,939	¥ 6,903,474	¥ 335,632	¥ 9,714	¥ 1,079	¥ 624,658	¥ 7,874,557
As of March 31, 2021	1,162,625	7,137,624	340,002	9,815	1,087	651,381	8,139,909
As of March 31, 2022	¥ 1,319,447	¥ 7,418,179	¥ 341,965	¥ 10,458	¥ 1,087	¥ 823,483	¥ 8,595,172

Accumulated depreciation and impairment losses

(Millions of yen)

	Goodwill	Intangible assets					
		Software	Rights to use facilities	Trade-marks, trade names	Rights to acquire buildings	Other	Total
As of April 1, 2020	¥ 105,098	¥ 5,543,573	¥ 297,921	¥ 523	¥ —	¥ 338,480	¥ 6,180,497
As of March 31, 2021	106,438	5,700,717	301,073	523	—	371,738	6,374,051
As of March 31, 2022	¥ 106,438	¥ 5,907,248	¥ 303,558	¥ 523	¥ —	¥ 432,019	¥ 6,643,348

* Goodwill which is fully impaired is excluded from the cost and the accumulated impairment losses.

Carrying amounts of internally generated intangible assets related to software

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Software		
Internally generated intangible assets	¥ 1,416,573	¥ 1,490,034

Carrying amounts of intangible assets with indefinite useful lives

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Trademarks and trade names	¥ 9,292	¥ 9,935
Rights to acquire buildings	1,087	1,087
Other	22,888	23,138
Total	¥ 33,267	¥ 34,160

Intangible assets with indefinite useful lives are not amortized as the limit of the contractual terms of trademarks, trade names, and rights to acquire buildings have not been determined and the cost to maintain the value of those rights is immaterial.

Trademarks and trade names are intangible assets with indefinite useful lives, which were acquired through business combination.

(2) Assets Pledged as Collateral

The amounts of intangible assets pledged as collateral for corporate bonds and loans are stated in “Note 4.5. Short-Term Borrowings and Long-Term Borrowings.”

(3) Impairment Tests for Goodwill and Intangible Assets with Indefinite Useful Lives

Carrying amounts of goodwill by segment

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Integrated ICT Business	¥ 34,266	¥ 34,446
Global Solutions Business	981,415	1,104,352
Others (Real Estate, Energy and Others)	40,506	74,211
Total	¥ 1,056,187	¥ 1,213,009

* Effective from the fiscal year ended March 31, 2022 NTT Group has changed its segmentation. The details are presented in “Note 2.1. Segment Information.” In accordance with this change, figures for the fiscal year ended March 31, 2021 have been restated to conform to the classification of the fiscal year ended March 31, 2022.

(Accounting Policies)

Accounting Policies related to the judgement whether there are any indications of impairment of intangible assets, calculation about the recoverable amount in the impairment test and the value in use are same as presented in “3.5. Property, Plant and Equipment (2) Impairment loss”.

(i) Impairment of intangible assets

Accounting Policies are same as presented in “3.5. Property, Plant and Equipment (2) Impairment loss”. And Intangible assets with indefinite useful lives and intangible assets that are not yet available for use are tested for impairment whenever there is an indication of impairment, and at the same time every year irrespective of whether there is any indication of impairment.

(ii) Impairment of goodwill

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to enjoy the benefits resulting from the business combination. Goodwill is tested for impairment whenever there is an indication of impairment in the cash-generating units, and at the same time every year irrespective of whether there is any indication of impairment. If the recoverable amount of the cash-generating unit is less than its carrying amount in the impairment test, the impairment loss is deducted from the carrying amount of goodwill allocated to the cash-generating units or groups of cash-generating units. It is then deducted from the carrying amount of each asset in proportion to the carrying amounts of the assets other than goodwill in the cash-generating unit or groups of cash-generating units.

Impairment losses for goodwill are recognized in profit or loss and are not reversible in the subsequent periods.

(Accounting Estimates and Judgments Involving Estimates)

Impairment of intangible assets and goodwill are estimated as described above.

Cash-generating units or groups of cash-generating units containing significant goodwill

Fiscal Year ended March 31, 2021

Name of cash-generating unit or group of cash-generating units	NTT DATA Services	NTT Ltd. - Services
Carrying amount of goodwill (millions of yen)	¥ 383,127	¥ 231,739
Permanent growth rate (%)	3.1	1.9
Weighted average cost of capital (%) *	8.0	7.9
EBITDA multiple (times)	12.5~13.0	—
Measurement method of recoverable amount	The fair value less costs of disposal, discounted cash flow method and guideline public company method	The fair value less costs of disposal, discounted cash flow method
Segment	Global Solutions Business	Global Solutions Business

* Weighted average cost of capital is after-tax, same in the following descriptions.

The discounted cash flow method includes estimates of future cash flow (8 – 10 years) calculated based on the business plan approved by management, discounting them at the weighted average cost of capital. These estimates include assumptions such as forecasts for acquisitions of new contracts, cost reductions and capital expenditure plans and their outcomes, and the outlook for growth of the economy and the IT services industry. The guideline public company method is calculated by multiplying EBITDA based on current business performance by the ratio of enterprise value to EBITDA of other listed companies in the same industry. The assumptions (inputs) used to measure fair value defined in “Note 1.3. Significant Accounting Policies (3) Fair Value” are classified as Level 3.

The recoverable amounts of cash-generating units or groups of cash-generating units including these goodwill exceeded the carrying amounts. In the fiscal year ended March 31, 2021, if the discount rates of NTT DATA Services and NTT Ltd. - Services increase by 1.1% and 0.4%, respectively, there would be a possibility of an impairment loss. The headroom of those cash-generating unit or groups of cash-generating units were 52,078 million yen and 81,236 million yen, respectively.

Fiscal Year ended March 31, 2022

Name of cash-generating unit or group of cash-generating units	NTT DATA Services	NTT Ltd. - Services
Carrying amount of goodwill (millions of yen)	¥ 460,524	¥ 273,535
Permanent growth rate (%)	3.1	2.0
Weighted average cost of capital (%)	8.0	7.8
EBITDA multiple (times)	12.0~13.5	—
Measurement method of recoverable amount	The fair value less costs of disposal, discounted cash flow method and guideline public company method	The fair value less costs of disposal, discounted cash flow method
Segment	Global Solutions Business	Global Solutions Business

The discounted cash flow method includes estimates of future cash flows (7 – 10 years) calculated based on the business plan approved by management, discounting them at the weighted average cost of capital. These estimates include assumptions such as forecasts for acquisitions of new contracts, profitability improvements resulting from structural changes and capital expenditure plans and their outcomes, and the outlook for growth of the global economy and the IT services industry. The guideline public company method is calculated by multiplying EBITDA based on current business performance by the ratio of enterprise value to EBITDA of other listed companies in the same industry. The assumptions (inputs) used to measure fair value defined in “Note 1.3. Significant Accounting Policies (3) Fair Value” are classified as Level 3.

The recoverable amounts of cash-generating units or groups of cash-generating units including these goodwill exceeded the

carrying amounts. In the fiscal year ended March 31, 2022, if the discount rates of NTT DATA Services and NTT Ltd. - Services increase by 2.1% and 0.6%, respectively, there would be a possibility of an impairment loss. The headroom of those cash-generating unit or groups of cash-generating units were 106,577 million yen and 117,370 million yen, respectively.

Change of cash-generating units

NTT Ltd. aims to enhance capabilities to deliver high-value services such as managed IT services, and conducted organizational changes to optimize service development, delivery and sales functions in the fiscal year ended March 31, 2021. As a result of this reorganization, we changed composition of unit of impairment test, and formed a new group of cash-generating units, NTT Ltd. - Services, by combining ICT Infrastructure division delivering services such as, among others, Datacenter and Network services, and Transformation Platform Services division delivering Managed IT Services. NTT Ltd. - Services composes one of group of cash-generating units containing significant goodwill for NTT Group.

Impairment of goodwill

<Fiscal year ended March 31, 2021>

NTT group did not recognize a significant impairment loss.

<Fiscal year ended March 31, 2022>

NTT group did not recognize a significant impairment loss.

3.8. Investment Property

(Accounting Policies)

Overview

Investment property is real estate held to earn rentals, or capital gains on sales and other dispositions, or both. It does not include property sold in the ordinary course of business, property used in the production or sale of goods or services, or property used for any other administrative purposes.

Measurement

After initial recognition, NTT Group measures investment property using the cost model, which deducts accumulated depreciation and accumulated impairment losses from cost.

With the exception of land, investment property is depreciated over its estimated useful life primarily based on the straight-line method, with an estimated life of 2 to 50 years. NTT Group reviews the depreciation method, useful lives, and residual values at the end of each year, and any changes are accounted for as changes in accounting estimates on a prospective basis.

(Accounting Estimates and Judgments Involving Estimates)

NTT Group estimates the useful lives of its investment properties.

(1) Changes

Changes in carrying amounts, costs, accumulated depreciation, and accumulated impairment losses of investment property

Carrying amount

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	¥ 1,106,145	¥ 1,182,713
Acquisition	80,935	87,156
Sale or disposal	(5,844)	(5,831)
Transfer between accounts	21,871	2,948
Depreciation	(27,552)	(26,404)
Impairment	-	(601)
Foreign currency translation adjustments	6,128	12,754
Transfer to assets held for sale	-	(13,853)
Other	1,030	(2,392)
Balance at the end of the year	¥ 1,182,713	¥ 1,236,490

Note: Depreciation and impairment are included in “Depreciation and amortization” and “Impairment losses” in the consolidated statement of profit or loss, respectively.

Costs, accumulated depreciation, and accumulated impairment losses

(Millions of yen)

	Cost	Accumulated depreciation and impairment losses
As of March 31, 2021	¥ 1,678,615	¥ 495,902
As of March 31, 2022	¥ 1,725,869	¥ 489,379

NTT Group owns leased office buildings.

Investment property is grouped based on the smallest identifiable group of assets that generates largely independent cash inflows.

(2) Impairment Losses

(Accounting Policies)

Accounting Policies are same as presented in “3.5. Property, Plant and Equipment (2) Impairment loss”.

(Accounting Estimates and Judgments Involving Estimates)

NTT Group estimates the impairment of its investment properties.

In the fiscal years ended March 31, 2021 and March 31, 2022, there were no significant impairment losses recorded relating to investment property.

(3) Fair Value

Fair value of investment property

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Fair value	¥ 2,505,794	¥ 2,598,205

Fair value of investment property is mainly an appraisal value by an independent real estate appraisal expert, and is based on an evaluation by the discount cash flow method or observable market prices of similar assets.

The assumptions (inputs) used to measure fair value of investment property defined in “Note 1.3. Significant Accounting Policies (3)Fair Value” are classified as Level 3.

(4) Revenues and Expenses from Investment Property

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Rental income	¥ 118,612	¥ 120,571
Rental expenses	77,000	76,454
Profit	41,612	44,117
Gains (losses) on sale of investment property	¥ 7,804	¥ 11,678

Rental income from investment property is included in “Operating revenues” in the consolidated statement of profit or loss.

Rental expenses are expenses incurred to generate rental income, such as depreciation, repair expenses, insurance expenses, taxes and dues, and included in “Expenses for purchase of goods and services and other expenses”, “Depreciation and amortization”, and “Taxes and dues” in the consolidated statement of profit or loss.

3.9. Investments Accounted for Using the Equity Method

Information on sum of investments in non-significant associates and joint ventures

Information on sum of non-significant investments accounted for using the equity method (total share of NTT Group)

(1) Details of carrying amounts of investments accounted for using the equity method

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Interests in associates	¥ 240,482	¥ 298,695
Interests in joint ventures	170,551	131,111
Total	¥ 411,033	¥ 429,806

(2) NTT Group's share of comprehensive income of associates and joint ventures accounted for using the equity method (net of taxes)

(i) Associates

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit(losses)	¥ (6,557)	¥ 11,164
Other comprehensive income	(27)	4,277
Total comprehensive income	¥ (6,584)	¥15,441

(ii) Joint ventures

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit(losses)	¥ 6,786	¥ 8,547
Other comprehensive income	6,134	(5,114)
Total comprehensive income	¥ 12,920	¥ 3,433

3.10. Trade and Other Payables

Trade and other payables are classified as financial liabilities measured at amortized cost.

Details of trade and other payables

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Accounts payable - trade	¥ 960,691	¥ 985,165
Accounts payable - other	1,132,080	1,218,218
Accrued expenses	135,952	170,760
Deposits received	127,982	126,198
Total	¥ 2,356,705	¥ 2,500,341

3.11. Employee Benefits

(Accounting Policies)

NTT Group primarily has defined contribution plans and defined benefit plans.

(i) Defined contribution plans

Contributions to the defined contribution plans are recognized as expenses when an employee renders service each fiscal year. Unpaid contributions are recognized as liabilities.

(ii) Defined benefit plans

Liabilities recognized in connection with the defined benefit plans (defined benefit liabilities) are determined by deducting the fair value of the plan assets from the present value of the defined benefit obligations as of the end of the fiscal year.

Defined benefit obligations are calculated by an independent pension actuary using the projected unit credit method. In the projected unit credit method, each period of service gives rise to an additional unit of benefit entitlement in exchange for services provided by an employee, and each unit is measured separately to build up the final obligation. Costs pertaining to the defined benefit plans are composed of service costs, interest on the net amount of defined benefit liabilities and assets, and remeasurements of the net amount of defined benefit liabilities and assets. Service costs and interest are recognized in profit or loss. Interest amounts are calculated using discount rates determined by referring to the market yields on high-quality corporate bonds as of the fiscal year end that reflect the estimated timing and amount of benefit payments.

Remeasurements of the net amount of assets and liabilities in the defined benefit plans consist of actuarial gains and losses and the return on plan assets (excluding amounts included in interest). They are recognized in other comprehensive income, with the cumulative amount being promptly reclassified from “Other components of equity” to retained earnings.

(Accounting Estimates and Judgments Involving Estimates)

NTT Group measures defined benefit liabilities.

(1) Defined Contribution Pension Plans

Retirement benefit expenses recorded by NTT and part of its subsidiaries related to the defined contribution benefit plans

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Retirement benefit expenses	¥ 26,717	¥ 32,117

(2) Defined Benefit Plans

(i) Lump-sum payments on retirement and contract-type corporate pension plans

The employees of NTT Group are generally entitled to lump-sum payments on retirement determined by reference to the employee's basic rate of pay, length of service, and other conditions.

NTT and certain subsidiaries sponsor non-contributory contract-type corporate pension plans, which provide pensions from funds equivalent to 28% of the lump-sum payments on retirement. The employees have an option to receive the benefit in a lump-sum payment.

NTT Group has transferred from the contract-type corporate pension plans to a defined contribution pension plan regarding the future contributions made on or after April 1, 2014. The Group's contract-type corporate pension plan continues to remain for the contributions made until March 31, 2014.

(ii) NTT Kigyō-Nenkin-Kikin (NTT Corporate Defined Benefit Pension Plan (“NTT CDBP”)) (former NTT Welfare Pension Plan) and NTT Special Accounting Fund for NTT CDBP (former NTT Special Accounting Fund for NTT Welfare Pension Plan)

a) NTT CDBP (former NTT Welfare Pension Plan)

NTT CDBP is a pension plan to which both NTT Group and its employees make contributions, to add employees’ own additional benefits to the basic pension and the welfare pension under the public pension scheme.

b) NTT Special Accounting Fund for NTT CDBP (former NTT Special Accounting Fund for NTT Welfare Pension Plan)

NTT Special Accounting Fund for the NTT CDBP is a transitionally managed pension plan to liquidate the former NTT Mutual Aid Plan pursuant to the Law to Partially Amend the Japanese Welfare Pension Insurance Law and other legislations. This aims to provide pension benefits based on the former Public Corporation Employee Mutual Aid Association Law, following the integration of the former NTT Mutual Aid Plan into the welfare pension insurance in April 1997.

NTT Special Accounting Fund for the NTT CDBP is a public welfare pension scheme and falls under a multiple-employer defined benefit plan.

In accordance with the provisions of the Law and other legislations, NTT Group pays contributions determined by the Japanese government every year based on the pay-as-you-go system to NTT Special Accounting Fund for the NTT CDBP (former NTT Special Accounting Fund for NTT Welfare Pension Plan). Such contributions are made pursuant to the former Public Corporation Employee Mutual Aid Association Law to cover the costs of pension benefits for the period of service in and prior to June 1956 for employees who worked at NTT, Nippon Telegraph and Telephone Public Corporation, and/or its former government organizations (the Ministry of Communications in the area of telecommunications and the Ministry of Telecommunications) and retired in July 1956 or later.

For NTT CDBP and NTT Special Accounting Fund for NTT CDBP in (ii) above, defined benefit obligations are calculated separately from lump-sum payments on retirement and contract-type corporate pension plans in (i) above.

These defined benefit plans are exposed to actuarial risks (investment risk, interest risk, longevity risk, and inflation risk).

Changes in the present value of retirement benefit obligations and fair value of plan assets under the defined benefit plans

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Changes in the present value of defined benefit obligations		
At the beginning of the year	¥ 3,649,171	¥ 3,581,461
Current service cost	101,309	100,602
Interest cost	20,473	20,226
Remeasurements	8,168	(171,106)
Changes in demographic assumptions	22,181	125
Changes in financial assumptions	5,390	(131,289)
Experience adjustments	(19,403)	(39,942)
Past service cost	424	—
Benefit payments (lump-sum payments on retirement and pension)	(193,693)	(187,414)
Other	(4,391)	7,753
At the end of the year	¥ 3,581,461	¥ 3,351,522
Changes in fair value of plan assets		
At the beginning of the year	1,886,417	1,999,177
Interest income	11,531	12,057
Income related to plan assets excluding interest income	189,064	22,899
Employer contributions	24,661	19,313
Employee contributions	3,403	3,379
Benefit payments (pension)	(112,224)	(105,817)
Other	(3,675)	5,695
At the end of the year	¥ 1,999,177	¥ 1,956,703
Net defined benefit liabilities	¥ (1,582,284)	¥ (1,394,819)

The measurement date is March 31.

Amounts recorded in the consolidated statement of financial position

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Defined benefit liabilities	¥ (1,731,645)	¥ (1,561,049)
Other non-current assets	149,361	166,230
Net defined benefit liabilities	¥ (1,582,284)	¥ (1,394,819)

Details of amounts recorded as retirement benefit expenses

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Retirement benefit expenses		
Current service cost	¥ 97,906	¥ 97,223
Past service cost	424	—
Interest cost (income)	8,942	8,169
Total	¥ 107,272	¥ 105,392

Details of amounts recorded in other comprehensive loss (income)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Other comprehensive loss (income)		
Remeasurements	¥ (180,896)	¥ (194,005)
Other	(9)	232
Total	¥ (180,905)	¥ (193,773)

Actuarial assumptions for pension

	As of March 31, 2021	As of March 31, 2022
Assumptions used to determine projected benefit obligations		
Discount rate	0.2%~0.6%	0.3%~0.9%
Expected rates of salary increase	3.2%	3.2%
Average life expectancy of pension recipients at the age of 65 as of the end of the year (year)		
Male	19.4	19.4
Female	24.2	24.2

The weighted average duration of defined benefit obligations (the weighted average of the periods until when benefits arise divided by the defined benefit obligation for each period) for the fiscal years ended March 31, 2021 and 2022 was 16.6 years and 16.7 years, respectively.

NTT Group expects to contribute ¥17,687 million to NTT CDBP in the fiscal year ending March 31, 2023.

Sensitivity analysis of defined benefit obligations

Effect on defined benefit obligations if one of the actuarial assumptions fluctuates within a reasonably possible extent at the end of the fiscal year, provided that no other assumptions have changed

(Millions of yen)

	As of March 31, 2021		As of March 31, 2022	
	Increase	Decrease	Increase	Decrease
Discount rate (change of 0.5%)	¥ (219,236)	¥ 242,496	¥ (199,680)	¥ 220,556

This analysis does not exhaustively consider the cash flow distribution expected under the plans, but provides an overview of the sensitivity of the assumptions presented above.

Fair value of plan assets under the defined benefit plans at the end of the year

(Millions of yen)

	As of March 31, 2021		
	Total	With quoted market price in an active market	Without quoted market price in an active market
Cash and cash equivalents	¥ 141,739	¥ 141,739	¥ —
Debt instruments			
Japanese government bonds and local government bonds	524,141	387,078	137,063
Domestic corporate bonds	177,911	—	177,911
Foreign government bonds	33,783	31,903	1,880
Foreign corporate bonds	955	443	512
Equity securities			
Domestic securities	220,255	217,948	2,307
Foreign securities	97,288	97,288	—
Beneficiary certificates of securities investment trust	301,322	—	301,322
Pooled funds	177,158	—	177,158
Life insurance company general accounts	281,339	—	281,339
Other	43,286	—	43,286
Total	¥ 1,999,177	¥ 876,399	¥ 1,122,778

(Millions of yen)

	As of March 31, 2022		
	Total	With quoted market price in an active market	Without quoted market price in an active market
Cash and cash equivalents	¥98,648	¥98,648	¥—
Debt instruments			
Japanese government bonds and local government bonds	509,888	359,596	150,292
Domestic corporate bonds	217,103	190	216,913
Foreign government bonds	33,386	31,152	2,234
Foreign corporate bonds	1,741	1,236	505
Equity securities			
Domestic securities	166,218	164,309	1,909
Foreign securities	80,508	80,508	—
Beneficiary certificates of securities investment trust	308,135	—	308,135
Pooled funds	195,695	—	195,695
Life insurance company general accounts	280,760	—	280,760
Other	64,621	34	64,587
Total	¥1,956,703	¥735,673	¥1,221,030

Funding policy

NTT Group's funding policy takes into account various factors such as funded status of the plan assets, and actuarial calculations. Contributions to the plan assets are intended to cover benefits for services to be provided in the future.

In order to be able to maintain financial balance over the future, NTT CDBP and the contract-type corporate pension plans stipulate that the amount of the premium be recalculated every five years and every three years, respectively, as of the end of the fiscal year. However, if there is a significant change in the environment surrounding the pension finance, NTT Group will review the financial status as necessary.

Management policy with respect to pension assets

NTT Group's management policy with respect to pension assets is formulated with the objective of ensuring steady disbursement of benefits in future periods. Therefore, the long-term aim of asset management is to secure the total profits deemed necessary to ensure sound pension financing. To achieve this, NTT Group selects various investments and takes into consideration their expected return and risks, and the correlation among the selected investments. The Group then sets the target of allocation ratio for plan assets and endeavors to maintain that ratio. The target allocation ratio for plan assets is determined from a mid- to long-term perspective and is reviewed annually. In the event that there is a significant change in the investment environment, the Group reviews the target allocation ratio for plan assets as necessary.

Target allocation ratio for plan assets

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Domestic bonds	55.1%	54.1%
Domestic stocks	14.6%	12.4%
Foreign bonds	2.3%	2.4%
Foreign stocks	9.6%	9.9%
Life insurance company general accounts	16.1%	16.3%
Other	2.3%	4.9%
Total	100.0%	100.0%

“Other” includes investments in alternative assets such as privately placed REITs (Real Estate Investment Trust). Alternative assets have different risk-return characteristics from traditional investments such as stocks and bonds.

3.12. Provisions

(Accounting Policies)

Provisions are recognized in cases where NTT Group has present legal or constructive obligations as a result of past events, as well as where it is probable that the obligations will be required to be settled and when it is possible to reliably estimate the amount of the obligation. A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies, or others, and the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Using a pre-tax interest rate that reflects the time value of money, provisions are measured by discounting the estimated future cash flows to the present value, taking into account the risks and uncertainties related to the obligation as of the fiscal year end.

The provisions that NTT Group recognizes are primarily asset retirement obligations, provision for point programs, and provision for credit card rewards.

(i) Asset retirement obligations

NTT Group recognizes legal obligations related to the disposal of property, plant and equipment as asset retirement obligations, and upon recognition the carrying amount of the related asset is increased.

NTT Group considers its main legal obligations to be the restoration of leased land and buildings for installing telecommunications equipment to their original condition and recognizes these as asset retirement obligations.

(ii) Provision for point programs

NTT Group grants "points" to customers based on the usage of mobile, credit card service, and other services, which may be appropriated to payments on merchandise and mobile phone charges. In determining the provisions for point programs, point usage rates and other calculation elements are estimated, reflecting the portion of points that is expected to expire due to future cancellation and other reasons when such portion can be estimated.

(iii) Provision for credit card rewards

NTT Group grants rewards to customers based on their annual usage of credit card service, and recognizes provisions to prepare for the cost burden derived from the usage of rewards in the future. The recorded amount is an estimate based on actual usage rate, which is used to estimate usage for the fiscal year ending March 31, 2023 and thereafter.

(Accounting Estimates and Judgments Involving Estimates)

NTT Group makes judgments and estimates for recognition and measurement of provisions.

Changes in provisions

As of March 31, 2021

(Millions of yen)

	Asset retirement obligations	Provision for point programs	Provision for credit card rewards	Other	Total
As of April 1, 2020	¥27,880	¥27,589	¥8,937	¥29,011	¥93,417
Increase	5,953	19,828	10,988	11,163	47,932
Business combinations	274	-	-	33	307
Increase due to passage of time	235	-	-	-	235
Utilize	(1,642)	(19,753)	(6,024)	(10,278)	(37,697)
Reversal	-	(1,145)	(307)	(3,436)	(4,888)
Foreign currency translation adjustments	13	-	-	1,495	1,508
Other	344	327	-	(34)	637
As of March 31, 2021	¥33,057	¥26,846	¥13,594	¥27,954	¥101,451
Current liabilities	2,035	26,266	13,594	18,337	60,232
Non-current liabilities	31,022	580	-	9,617	41,219
	¥33,057	¥26,846	¥13,594	¥27,954	¥101,451

As of March 31, 2022

(Millions of yen)

	Asset retirement obligations	Provision for point programs	Provision for credit card rewards	Other	Total
As of April 1, 2021	¥33,057	¥26,846	¥13,594	¥27,954	¥101,451
Increase	5,989	13,848	20,682	23,662	64,181
Business combinations	1,247	-	-	33	1,280
Increase due to passage of time	381	-	-	-	381
Utilize	(2,002)	(21,646)	(11,152)	(8,900)	(43,700)
Reversal	-	(2,365)	-	(3,677)	(6,042)
Foreign currency translation adjustments	(34)	-	-	1,789	1,755
Other	310	690	-	1,716	2,716
As of March 31, 2022	¥38,948	¥17,373	¥23,124	¥42,577	¥122,022
Current liabilities	4,611	16,826	23,124	31,098	75,659
Non-current liabilities	34,337	547	-	11,479	46,363
	¥38,948	¥17,373	¥23,124	¥42,577	¥122,022

The provisions are primarily asset retirement obligations, provisions for point programs, and provisions for credit card rewards. Asset retirement obligations are expected to be used at the time that asset retirement/disposal costs and remediation costs are incurred, and provisions for point programs are to be used when the points are consumed, and provisions for credit card rewards are to be used at the time that the rewards are utilized. However, the amount and the timing of payments are based on current projections and are subject to change.

3.13. Other Liabilities

Details of other liabilities

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Contract liabilities	¥ 850,607	¥ 895,193
Real estate tax payable and others	122,529	120,833
Accrued consumption tax	115,671	153,211
Provisions	101,451	122,022
Advances received (leasing out)	43,213	28,076
Refund liabilities	35,663	51,775
Other	160,104	136,808
Total	¥ 1,429,238	¥1,507,918
Current liabilities	1,053,196	1,129,851
Non-current liabilities	376,042	378,067
Total	¥ 1,429,238	¥ 1,507,918

4. Equity and Financing

This section describes equity management, equity structure and financing of the NTT Group.

(Accounting Policies)

(i) Financial assets

Recognition, classification, and measurement of financial assets

NTT Group recognizes these assets on the dates when NTT Group becomes party to the contract. Financial assets are classified as (a) financial assets measured at amortized cost, (b) financial assets measured at fair value through other comprehensive income, or (c) financial assets measured at fair value through profit or loss.

If the contractual rights to the cash flows of the financial asset expire, or if the contractual rights to receive the cash flows of the financial asset are transferred and substantially all the risks and rewards of ownership of the financial asset are thereby transferred, the financial asset is derecognized and excluded from the consolidated statement of financial position.

(a) Financial assets measured at amortized cost

Of loans and other similar debt instruments, financial assets that satisfy both of the following conditions are classified as financial assets measured at amortized cost:

- The financial asset is held within a business model^{*} whose objective is to hold financial assets in order to collect contractual cash flows.
- * business model: An entity's business model refers to how an entity manages its financial assets in order to generate cash flows (collecting contractual cash flows, selling financial assets or both).
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, these financial assets are measured at fair value plus any transaction costs directly attributable to the acquisition of the financial asset. Based on the timing of the payment of consideration for goods and services provided, the effect of the time value of money is immaterial, and trade receivables are initially measured at their transaction price without adjustment of the effect of the time value of money.

After initial recognition, they are measured at amortized cost by deducting loss allowance from the gross carrying amount calculated applying the effective interest method.

(b-1) Financial assets measured at fair value through other comprehensive income (debt instruments)

Of corporate bonds and other similar debt instruments, debt instruments that satisfy both of the following conditions are classified as "financial assets measured at fair value through other comprehensive income."

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At the time of initial recognition, these financial assets are measured at fair value plus any transaction costs directly attributable to the acquisition of the financial asset. After initial recognition, they are measured at fair value and any subsequent changes in the fair value are recognized in other comprehensive income. Cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss when the asset is derecognized due to sales and other reasons.

(b-2) Financial assets measured at fair value through other comprehensive income (equity instruments)

At initial recognition, an entity may make elect (irrevocable to change after the election) to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument such as stock that is not held for trading. NTT Group makes this designation for each financial instrument.

At the time of initial recognition, these financial assets are measured at fair value plus any transaction costs directly attributable to the acquisition of the financial asset. After initial recognition, they are measured at fair value and any subsequent changes in the fair value are recognized in other comprehensive income. Cumulative other comprehensive income recognized in "Other components of equity" is transferred to retained earnings and not to profit or loss, when these financial assets are derecognized. Dividends are recognized in profit or loss.

(c) Financial assets measured at fair value through profit or loss

Financial assets such as derivatives, other than those mentioned in (a), (b-1) and (b-2), are classified as financial assets measured at fair value through profit or loss.

At the time of initial recognition, these financial assets are measured at fair value, and any transaction costs directly attributable to the acquisition of the financial asset are recognized in profit or loss when incurred. After initial recognition, they are measured at fair value, with any subsequent changes in the fair value recognized in profit or loss.

Impairment of financial assets

NTT Group determines the amount of impairment loss (loss allowance) for financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (debt instruments), lease receivables, contract assets, financial guarantee contracts, and loan commitments, based on the expected credit losses measured as below:

- If, at the end of the fiscal year, the credit risk on a financial asset has not increased significantly since initial recognition, the loss allowance is measured using the amount of the expected credit losses from a possible default within 12 months after the reporting date (12-month expected credit losses).
- If, at the end of the fiscal year, the credit risk on a financial asset has increased significantly since initial recognition, the loss allowance is measured using the amount of the expected credit losses from all possible defaults over the expected life of the financial instrument (lifetime expected credit losses).

Notwithstanding the above, the amounts of loss allowance for trade receivables and contract assets that do not include significant financial elements and lease receivables are always measured using the amount of the lifetime expected credit losses.

NTT Group recognizes and measures the expected credit losses as follows:

- (i) Measurement of the expected credit losses on trade and other receivables, and other assets (including lease receivables and contract assets)

The Group measures the expected credit losses on trade and other receivables, and other financial assets (including lease receivables and credit card receivables).

The reserve matrix is designed to calculate loss allowance for the balance of each receivable at the end of the fiscal year based on the classification of receivables by the delinquency period and the default rate for each delinquency period.

The default rates are determined based on historical credit loss experience during the life of each receivable and adjusted for forward-looking estimates (including the probability of deterioration of economic environment during the following fiscal year).

- (ii) Measurement of the expected credit losses on other financial assets (debt securities, trade loan receivables and others)

The Group determines whether credit risk of financial assets has increased significantly since initial recognition by considering reasonable and supportable information. This information includes past information, external ratings, past due information, as well as forward-looking information.

The Group determines that credit risk has increased significantly since initial recognition when, for example, a borrower falls under any of the following conditions:

- the external rating of the borrower is deemed ineligible for investment; or
- the delinquency period exceeds 30 days.

The Group defines that a default has occurred when a borrower falls under any of the following conditions:

- it is judged that there is almost no possibility that the borrower pays obligations to the Group without executing the security interest; or
- the delinquency period exceeds 90 days.

The Group divides financial instruments by the following groups and measures the expected credit losses on a collective basis:

- types of financial products
- geographic locations of borrowers

The Group determines that a financial asset has been impaired when any of the following situations is confirmed:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

A financial asset is written off when there is no reasonable expectation of recovering it in its entirety or a portion thereof.

If the contractual terms of a financial asset have been modified and the financial asset has not been derecognized, NTT Group assesses whether there has been a significant increase in the credit risk of the financial asset by comparing:

- (a) the risk of a default occurring at the reporting date (based on the modified contractual terms); and
- (b) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

(iii) Measurement of the expected credit losses on loan commitments and financial guarantee contracts

As the expected credit losses on the unexecuted balance of loan commitments related to the credit card business cannot be identified separately from those related to the credit card receivables, they are recognized together with the loss allowance on credit card receivables. The measurement method in (ii) above is followed to determine whether the unexecuted balance of loan commitments related to loan receivables and the credit risk of financial guarantee contracts have significantly increased since initial recognition.

(iv) Others

In estimating the expected credit losses, unemployment rates are incorporated as forward-looking information. There is no change in the estimation technique or important assumptions used in estimating the expected credit losses during the reporting period.

(ii) Financial liabilities

At initial recognition, all financial liabilities are classified as financial liabilities measured at amortized cost, with the exception of those financial liabilities that are measured at fair value through profit or loss. NTT Group initially recognizes these financial liabilities on the dates when NTT Group becomes party to the contracts.

A financial liability is derecognized and excluded from the consolidated statement of financial position when it is extinguished, i.e., when the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities measured at amortized cost

Of financial liabilities such as loans and corporate bonds, those that are not measured at fair value through profit or loss are classified as financial liabilities measured at amortized cost. At initial recognition, these financial liabilities are measured at fair value minus any transaction costs directly attributable to the issuance of the liability. After initial recognition, such liabilities are measured at amortized cost applying the effective interest rate method.

Financial liabilities measured at fair value through profit or loss

Financial liabilities held for trading and measured at fair value through profit or loss, such as derivatives, are measured at fair value at the time of initial recognition. These financial liabilities continue to be measured at fair value after initial recognition, with any subsequent changes recognized in profit or loss.

(iii) Derivatives and hedge accounting

Objective of derivative transactions

NTT Group formulates risk management policies for hedging foreign currency risk and interest rate risk, as well as conducts derivative transactions, such as forward foreign exchange contracts, interest rate swaps, and currency swaps. The Group does not conduct derivative transactions for speculative purposes.

At the inception of a hedging transaction, NTT Group designates the hedging relationship and documents a risk management objective in conducting the hedge transaction. This documentation includes the designation of hedging instruments, the items or transactions being hedged, the nature of the risks being hedged, and methods for assessing the effectiveness of the hedging instruments used in offsetting changes in the fair value or in cash flows of the hedged items.

Assessment of hedging effectiveness

NTT Group confirms at the inception of a hedge transaction and during the hedge duration that an economic relationship exists between the hedged item and the hedging instrument, which offsets changes in the cash flows of the hedged item against changes in the cash flows of the hedging instrument through qualitative and quantitative assessments. The qualitative assessment concludes whether the critical terms of the hedging instrument and the hedged item match or are closely aligned, and the quantitative assessment concludes whether the hedged item and the hedging instrument is in a relationship that offset their value changes arising from the same risk.

At the inception of the hedging relationship, NTT Group estimates the ratio of the change in the value of the hedged item resulting from the change in the value of the hedged item to the change in the value of the hedging instrument and determine the required quantity of hedging instruments. In principle, the hedge ratio is 1:1.

Generally, no material hedge ineffectiveness is expected to arise as the Group conducts highly effective hedging transactions.

Recognition and measurement

Derivatives are initially recognized at fair value. After initial recognition, they are measured at fair value and subsequent changes are accounted for as follows:

Cash flow hedges

As a cash flow hedge, NTT Group designates forward exchange contracts and currency swaps to fix the changes in the cash flows of foreign currency-denominated receivables and payables, foreign currency-denominated firm commitments, and foreign currency-denominated forecast transactions. It also designates interest rate swaps to fix floating interest on floating-rate assets and liabilities.

Of the changes in the fair value of derivatives that are hedging instruments, the portions determined to be effective are recognized in other comprehensive income, with the cumulative changes recognized in "Other components of equity." In the accounting period in which the gain or loss on the hedged item is recognized, the cumulative amount recognized in other components of equity is transferred to profit or loss. If, however, the hedged item is a forecast transaction that gives rise to a non-financial asset or liability, the amount cumulatively recognized in "Other components of equity" is transferred as an adjustment to the initial carrying amount of the non-financial asset or liability. The ineffective portion of the changes in the fair value of derivatives as hedging instruments is recognized in profit or loss.

As hedging instruments of cash flow hedges, NTT Group designates only the change in the value of the spot element of a forward exchange contract and the change in the fair value of a currency swap excluding that of the foreign currency basis spread. Changes in fair value for other part than designated as hedging instruments of cash flow hedges above are recognized in "Hedges Costs" of other comprehensive income, with cumulative changes recognized in "Other components of equity."

In the previous fiscal year and the current fiscal year, the impact of the amounts that have been recognized in profit or loss due to hedge ineffectiveness or for the portions excluded from the assessment of hedge effectiveness is not material. The amount of the effect of the termination of hedge accounting and the reclassification of the valuation difference on cash flow hedges because the occurrence of forecasted transactions was not expected into profit or loss were not material.

Fair value hedges

As a fair value hedge, NTT Group designates currency swaps for hedging the risks of changes in the fair values of foreign currency-denominated receivables and payables and foreign currency-denominated firm commitments, and interest rate swaps for transforming fixed interest on fixed-rate assets and liabilities to floating interest.

Changes in the fair value of derivatives that are hedging instruments are recognized in profit or loss. Changes in the fair value of hedged items that correspond to hedged risk adjust the carrying amounts of the hedged items and are recognized in profit or loss.

Derivatives not designated as hedging instruments

NTT Group has entered into forward exchange contracts, interest rate swap agreements, currency swap agreements, currency option agreements, and forward contracts to mitigate the risks from changes in interest rates and foreign exchange rates, of which there are some agreements to which hedge accounting is not applied. Changes in the fair value of derivatives are recognized in profit or loss.

Description about financial instruments is presented in "Note 3.2. Trade and Other Receivables", "Note 3.10. Trade and Other Payables", "Note 4.4. Other Financial Assets", "Note 4.5. Short-Term Borrowings and Long-Term Borrowings", "Note 4.6. Other Financial Liabilities" and "Note 4.8. Financial Instruments". Description about finance income and finance costs is presented in "Note 4.7. Finance Income and Finance Costs".

(Accounting Estimates and Judgments Involving Estimates)

NTT Group makes estimates of amortization periods and for impairment of financial assets measured at amortized cost.

NTT Group makes estimates of fair value measurements of financial assets measured at fair value through other comprehensive income (FVTOCI).

NTT Group makes estimates of judgments of whether forecast transactions are eligible hedged items for hedge accounting and fair value measurements of derivatives.

4.1. Equity

(1) Total number of authorized shares, issued shares and treasury stock

(Accounting Policies)

When NTT acquires treasury stock, the consideration paid including direct acquisition costs (after adjustment of tax effect) is recognized as an item of capital deduction. No gain or loss is recognized on the purchase, sale or cancellation of the treasury stock. Any difference in the carrying amount and the consideration paid at the time of sale is recognized as additional paid-in capital.

All shares issued by the Company are common shares with no par value, and the issued shares have been fully paid.

Changes in the total number of authorized shares, the number of issued shares and treasury stock

(Shares)

	Total number of authorized shares	Issued shares	Treasury stock
As of April 1, 2020	6,192,920,900	3,900,788,940	265,592,712
Purchase of treasury stock under resolution of the Board of Directors	—	—	93,906,900
Repurchase of treasury stock based on less-than-one-unit share purchase demand	—	—	62,528
Disposal of treasury stock based on additional less-than-one-unit share purchase demand	—	—	(10,456)
Disposal of treasury stock through third-party allotment	—	—	(80,775,400)
As of March 31, 2021	6,192,920,900	3,900,788,940	278,776,284
Purchase of treasury stock under resolution of the Board of Directors	—	—	79,358,500
Repurchase of treasury stock based on less-than-one-unit share purchase demand	—	—	149,806
Disposal of treasury stock based on additional less-than-one-unit share purchase demand	—	—	(17,876)
Cancellation of treasury stock	—	(278,776,284)	(278,776,284)
As of March 31, 2022	6,192,920,900	3,622,012,656	79,490,430

In addition to the above, 1,089,760 shares held by the BIP trust are recorded as “treasury stock” in Consolidated Statement of Financial Position.

On November 24, 1995, based on the resolution of the Board of Directors’ meeting held on April 28, 1995, NTT capitalized an aggregate amount of ¥15,600 million of its additional paid-in capital to common stock and made a free share distribution of 312,000 shares, which represented 2% of the outstanding shares, to shareholders of record as at September 30, 1995.

On November 10, 2021, the Board of Directors resolved that NTT would cancel 278,776,284 of its shares on November 17, 2021, and as a result of NTT cancelling such shares on November 17, 2021, additional paid-in capital decreased by ¥1,292 million and retained earnings decreased by ¥730,623 million.

Acquisition of Toyota Motor Corporation's Shares and Disposal of Treasury Stock by Way of Third-party Allotment

On March 24, 2020, the Board of Directors resolved that NTT would enter into a memorandum of understanding concerning a business and capital alliance (the “Alliance”) with Toyota Motor Corporation (“Toyota”) and entered into the Alliance on the same day. On April 9, 2020, Toyota and NTT mutually executed a comprehensive underwriting agreement for a third-party allotment of treasury stock of both parties based on the memorandum of understanding. NTT acquired Toyota's shares and conducted a disposition of shares of the NTT's treasury stock through the third-party allotment with Toyota as the subscriber for the shares on the same day.

Overview of a disposition of shares of the NTT's treasury stock through the third-party allotment, with Toyota as the subscriber for the shares

(1) Disposition date	April 9, 2020
(2) Type and number of shares disposed	80,775,400 shares of the NTT's common stock
(3) Disposition price	¥2,476 per share
(4) Amount of funds raised	¥199,999,890,400
(5) Percentage to the total number of issued and outstanding shares held by Toyota	2.07% of the NTT's issued and outstanding common stock

Performance-linked stock compensation (officer compensation BIP trust)

(1) Overview of transactions

NTT Group has adopted a performance-linked stock compensation plan (the “Compensation System”) in the form of an executive compensation BIP trust (the “Trust”). The purposes are to create a clear correlation between the compensation of Members of the Board and Executive Officers (excluding outside Members of the Board and Members of the Board who are Audit and Supervisory Committee Members, and those who are non-residents of Japan, the “Eligible Members of the Board or Officers”) and its major subsidiaries and the corporate value of NTT, provide increased incentive to achieve the financial targets set forth in the medium-term management strategy, and further promote profit-sharing with shareholders by advancing the ownership by Eligible Members of the Board or Officers of the stock of the company.

Under the Compensation System, the Group establishes a trust into which it contributes funds that constitute the source of the funds for the stock compensation of the Eligible Members of the Board or Officers within the scope approved by the General Meeting of Shareholders, and the Trust uses such funds to acquire NTT shares from the stock market. During the delivery period, the Eligible Members of the Board or Officers will receive certain points pursuant to the stock delivery rules of each Target Company and, if they satisfy the beneficiary requirements, will receive NTT shares equivalent to a certain ratio of points (with shares less than one unit to be rounded down) from the Trust. NTT shares equivalent to any residual points will be converted into cash within the Trust pursuant to the trust agreement, and the Eligible Members of the Board or Officers will receive money equivalent to the converted value of NTT shares.

(2) Shares of NTT held by the Trust

The carrying amount and number of the shares of NTT held by the Trust as of the end of the fiscal year were ¥3,154 million and 1,089,760 shares, respectively, and the shares are treated as “Treasury stock” on the consolidated statement of financial position.

Major resolutions of repurchasing its outstanding common stock by NTT's Board of Directors and status

The date of resolution	Plan			Result			
	Period of repurchases	Total number of shares to be repurchased (million shares)	Aggregate repurchase amount (million yen)	Period for repurchases	Total number of shares repurchased (shares)	Aggregate repurchased amount (million yen)	Status of repurchase
November 6, 2020	From November 11, 2020 to March 31, 2021	120	¥ 250,000	From November 2020 to February 2021	93,906,900	¥ 250,000	Concluded

August 6, 2021	From August 10, 2021 to March 31, 2022	100	250,000	From August 2021 to December 2021	79,358,500	250,000	Concluded
May 12, 2022	From May 13, 2022 to March 31, 2023	110	¥ 400,000	May 2022	—	¥—	—

(2) Distribution of Retained Earnings

The amount of surplus available for distribution under the Companies Act of Japan as of March 31, 2022 was ¥1,149,133 million. Dividends from surplus for the fiscal year are not recorded in the financial statements for that fiscal year, but are recorded in the following fiscal year after the general meeting of shareholders has approved the distribution. Retained earnings on the consolidated financial statements for the current fiscal year include a dividend of ¥212,551 million (¥60 per share) approved at the General Meeting of Shareholders to be held on June 24, 2022.

(i) The amount of dividends paid out in the fiscal years ended March 31, 2021 and March 31, 2022

Resolution	Class of shares	Source of dividends	Total dividend (millions of yen)	Dividend per share (yen)	Record date	Effective date
June 23, 2020 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	¥ 172,672	¥ 47.5	March 31, 2020	June 24, 2020
November 6, 2020 Board of Directors	Common shares	Retained earnings	185,798	50	September 30, 2020	December 8, 2020
June 24, 2021 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	199,211	55	March 31, 2021	June 25, 2021
November 10, 2021 Board of Directors*	Common shares	Retained earnings	¥ 197,752	¥ 55	September 30, 2021	December 13, 2021

*Total dividend includes the dividend of ¥60 million for the Company's shares held by the BIP trust.

(ii) Dividends declared with a record date during the fiscal year ended March 31, 2022 and an effective date during the fiscal year ending March 31, 2023

Resolution	Class of shares	Source of dividends	Total dividend (millions of yen)	Dividend per share (yen)	Record date	Effective date
June 24, 2022 Ordinary General Meeting of Shareholders*	Common shares	Retained earnings	¥ 212,551	¥ 60	March 31, 2022	June 27, 2022

*Total dividend includes the dividend of ¥65 million for the Company's shares held by the BIP trust.

(3) Capital Management

In order to achieve sustainable development, NTT aims to improve capital efficiency by acquiring treasury stock while focusing on profit growth. Following are the main indicators that the Company uses in capital management:

- Earnings per share (EPS): Basic earnings per share

Description about Basic earnings per share is presented in “Note 2.5. Earnings per Share.”

(4) Put Options Granted to Non-controlling Interests

(Accounting Policies)

Generally, short put options on subsidiary shares (the right to sell to NTT Group) that NTT Group has granted to non-controlling interest holders are initially recognized as “other financial liabilities” at the present value of the redemption amounts, with the same amount deducted from additional paid-in capital. After initial recognition, the options are measured at amortized cost using the effective interest rate method, while any subsequent changes in value are recognized as additional paid-in capital.

With regard to short put options for subsidiary shares that the NTT Group has granted to the owners of non-controlling interests, the amounts deducted from additional paid-in capital were ¥13,567 million, and ¥15,664 million, respectively, at the end of the fiscal year ended March 31, 2021 and the end of the fiscal year ended March 31, 2022.

(5) Other Components of Equity

Details and changes in other components of equity

(Millions of yen)

	Change in the fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Hedges cost	Remeasurements of defined benefit plans	Foreign currency translation adjustment	Total
As of April 1, 2020	¥ 48,103	¥ (5,957)	¥ 442	¥ —	¥ (18,680)	¥ 23,908
Other comprehensive income	186,088	(2,711)	(16,577)	115,322	76,911	359,033
Transfer to retained earnings	(6,077)	—	—	(115,322)	—	(121,399)
As of March 31, 2021	¥ 228,114	¥ (8,668)	¥ (16,135)	¥ —	¥ 58,231	¥ 261,542
Other comprehensive income	(23,515)	(51,440)	14,372	124,875	127,989	192,281
Transfer to retained earnings	(51,898)	—	—	(124,875)	—	(176,773)
As of March 31, 2022	¥ 152,701	¥ (60,108)	¥ (1,763)	¥ —	¥186,220	¥ 277,050

The details of other comprehensive income included in non-controlling interests is as follows.

(Millions of yen)

	Changes in the fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedges	Hedges cost	Remeasurements of defined benefit plans	Foreign currency translation adjustment	Total
From April 1, 2020 to March 31, 2021	¥ 56,214	¥ 561	¥ 22	¥ 4,313	¥ 11,612	¥ 72,722
From April 1, 2021 to March 31, 2022	(2,136)	343	62	6,324	39,213	43,806

(6) Other Comprehensive Income

Details of other comprehensive income and related tax effects

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income		
Amounts arising during the period	¥ 351,155	¥ (46,688)
Before tax effect	351,155	(46,688)
Tax effect	(109,751)	21,206
After tax effect	¥ 241,404	¥ (25,482)
Remeasurements of the defined benefit plans		
Amounts arising during the period	¥ 180,364	¥ 193,295
Before tax effect	180,364	193,295
Tax effect	(58,909)	(62,263)
After tax effect	¥ 121,455	¥ 131,032
Share of other comprehensive income of entities accounted for using the equity method		
Amounts arising during the period	¥ (922)	¥ 7
Before tax effect	(922)	7
Tax effect	(0)	(9)
After tax effect	¥ (922)	¥ (2)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
Amounts arising during the period	¥ 37,072	¥ 90,357
Amounts reclassified to profit	(39,586)	(163,916)
Before tax effect	(2,514)	(73,559)
Tax effect	502	22,811
After tax effect	¥ (2,012)	¥ (50,748)
Hedges cost		
Amounts arising during the period	¥ (24,726)	¥ (1,231)
Amounts reclassified to profit	777	22,024
Before tax effect	(23,949)	20,793
Tax effect	7,394	(6,359)
After tax effect	¥ (16,555)	¥ 14,434
Foreign currency translation adjustments		
Amounts arising during the period	¥ 80,248	¥ 168,497
Amounts reclassified to profit	1,108	(809)
Before tax effect	81,356	167,688
Tax effect	—	—
After tax effect	¥ 81,356	¥ 167,688
Share of other comprehensive income of entities accounted for using the equity method		
Amounts arising during the period	¥ 7,173	¥ 4,362
Amounts reclassified to profit	(92)	(5,197)
Before tax effect	7,081	(835)
Tax effect	(52)	—
After tax effect	¥ 7,029	¥ (835)
Total other comprehensive income		
Amounts arising during the period	¥ 630,364	¥ 408,599
Amounts reclassified to profit	(37,793)	(147,898)
Before tax effect	592,571	260,701
Tax effect	(160,816)	(24,614)
After tax effect	¥ 431,755	¥ 236,087

(7) Equity Transactions with Non-controlling InterestsChanges in additional paid-in capital due to equity transactions with non-controlling interests

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Changes in NTT's ownership interest by making NTT DOCOMO a wholly owned subsidiary	¥ (2,365,090)	¥ —
Other	(989)	(1,754)
Net increase (decrease) in additional paid-in capital due to transactions with non-controlling interests	¥ (2,366,079)	¥ (1,754)

Transaction making NTT DOCOMO a wholly owned subsidiary of NTT

NTT conducted a tender offer under the Financial Instruments and Exchange Act and a subsequent demand for a share cashout under the Companies Act, as a series of procedures for the purpose of making NTT DOCOMO (the “Target”) a wholly owned subsidiary of NTT by acquiring all of the common stock of the Target (excluding the Target’s stock owned by NTT and treasury shares that are owned by the Target, the “Target Stock”) and the American depositary shares (the “ADSs”) issued in the United States by The Bank of New York Mellon Corporation (the “Depository Bank”), each of which represents the ownership of one share of the Target Stock deposited with the Depository Bank.

Tender Offer

On September 29, 2020, NTT resolved to acquire all of the Target Stock through the tender offer, and purchased the Target Stock for a total purchase price of ¥3,178.6 billion from September 30, 2020 to November 16, 2020. As a result of the tender offer, NTT Group’s ownership interests in the Target increased from 66.2% to 91.5%.

Share Cash-out Demand

On November 27, 2020, pursuant to the Article 179-1 of the Companies Act, NTT made the demand to owners of noncontrolling interests in the Target to sell all of their ownership interests in the Target (8.5%) to NTT (amounted to ¥1,075.8 billion in total). On the same day, the Board of Directors of the Target approved the demand. As a result, NTT’s ownership interests in the Target is accounted for as 100% since the day of the resolution and the approval. On December 29, 2020, as the Share Cash-out Demand became effective, NTT acquired all of the Target Stock and made the Target a wholly owned subsidiary.

Details of the transaction with non-controlling interest (NCI) in the acquisition of the Target Stock

(Millions of yen)

	Fiscal year Ended March 31, 2021
Carrying amount of NCI acquired	¥1,888,048
Consideration paid to NCI ^{(*)1}	4,253,138
Decrease in Equity attributable to NTT shareholders ^{(*)2}	¥(2,365,090)

*1 Consideration paid to NCI does not include transaction costs.

*2 As for a portion that additional paid-in capital becomes negative figure due to Consideration paid to NCI exceeding Carrying amount of NCI acquired, we deducted the portion from Retained earnings.

Funds for the acquisition

In order to secure the funds for the acquisition, after NTT Group received bridge loans from financial institutions at the acquisition, we then issued ¥2,106.9 billion corporate bonds as a part of repayments of the bridge loans.

(8) Other

According to the Act on Nippon Telegraph and Telephone Corporation, etc. (the “NTT Act”), NTT must obtain authorization from the Minister of Internal Affairs and Communications (the “Minister”) for certain financial matters, including the issuance of new shares, bonds with a right to subscribe for new shares, and disposal of surplus. The overview of NTT Act is presented in “Item 2. Business Overview, 2. Risk Factors.”

4.2. Cash and Cash Equivalents

(Accounting Policies)

Cash and cash equivalents consist of following items:

- cash at hand
- deposits that can be withdrawn as required
- short-term investments that can be readily converted to cash and only have an insignificant risk of changes in value whose term to maturity falls within three months of the acquisition date.

Cash and cash equivalents are classified as financial assets measured at amortized cost.

Details of cash and cash equivalents

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Cash and deposits	¥904,390	¥ 778,234
Commercial paper and repurchase agreements	15	-
Term deposits, certificates of deposits, and others	31,322	56,330
Total	¥ 935,727	¥ 834,564

Cash and deposits are deposited mainly with financial institutions in Japan and are not concentrated significantly on a particular financial institution.

4.3. Impact on the Consolidated Financial Statements Due to the Last Day of Fiscal Year Fallen on a Non-business Day

In the event that the last day of the fiscal year falls on a non-business day, the due dates for certain bills, including telecommunication services bills, are postponed to the beginning of the following month. As the last days of the fiscal year ended March 31, 2021 and March 31, 2022 were not non-business days, there was no such impact on the consolidated financial statements.

4.4. Other Financial Assets

(Accounting Estimates and Judgments Involving Estimates)

NTT Group makes estimates of fair value measurements of financial assets measured at fair value through other comprehensive income (FVTOCI)

NTT Group estimates fair value measurements of derivatives.

Details of other financial assets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Current assets		
Financial assets measured at fair value through profit or loss		
Derivative financial assets		
Applied hedge accounting	¥5,566	¥ 24,374
Not applied hedge accounting	1,751	3,833
Financial assets measured at fair value through other comprehensive income		
Equity securities	7,442	9,109
Financial assets measured at amortized cost		
Debt securities	—	200
Loans receivables	5,055	701
Short-term investments	20,155	44,777
Other	1,763	5,567
Loss allowance	—	(120)
Subtotal	41,732	88,441
Non-current assets		
Financial assets measured at fair value through profit or loss		
Investments in capital	49,502	61,889
Loans receivables	11,670	—
Derivative financial assets		
Applied hedge accounting	17,502	68,528
Not applied hedge accounting	222	221
Financial assets measured at fair value through other comprehensive income		
Equity securities	1,035,939	915,998
Financial assets measured at amortized cost		
Debt securities	7,006	7,897
Loans receivables	40,314	22,551
Long - term telecommunications terminal equipment receivables	300,731	258,407
Leasehold and guarantee deposits	62,918	65,333
Other	7,030	42,231
Loss allowance	(16,912)	(16,898)
Subtotal	1,515,922	1,426,157
Total	¥1,557,654	¥ 1,514,598

Investments in the above equity securities are classified as financial assets measured at fair value through other comprehensive income as NTT Group holds all of them for maintaining and strengthening transactional relationships with the investees.

Major financial assets measured at fair value through other comprehensive income

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
TOYOTA MOTOR CORPORATION	¥ 256,164	¥ 330,388
M3, Inc.	152,934	90,274
HERE International B.V.	-	69,281
NEC Corporation	84,914	67,072
Tokyo Century Corporation	91,564	55,566
Far EasTone Telecommunications Co., Ltd.	38,188	47,963
Recruit Holdings Co., Ltd.	153,118	46,831
KADOKAWA CORPORATION	13,934	20,893
StarHub Ltd.	18,059	20,018
SKY Perfect JSAT Holdings Inc.	15,092	12,699
TBS HOLDINGS, INC.	14,066	11,572
Nippon Television Holdings, Inc.	11,874	9,910
Lawson, Inc.	11,360	9,780
NTT UD REIT Investment Corporation	6,877	9,038
FUJI MEDIA HOLDINGS, INC.	10,630	9,032
HIKKY Co., Ltd.	-	6,543
ZENRIN CO., LTD.	5,578	4,197
OPTiM Corporation	9,514	3,283
KT Corporation	39,321	-
Mobility Technologies Co., Ltd.	12,362	-
Other	97,832	100,767
Total	¥ 1,043,381	¥ 925,107

Information on financial assets measured at fair value through other comprehensive income that were derecognized mainly due to sales in line with revised business policies

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Fair value at derecognition	¥ 28,337	¥ 160,357
Accumulated gains (losses) at derecognition	12,390	108,635
Dividend received	179	2,286

Accumulated gains or losses relating to financial assets measured at fair value through other comprehensive income were transferred from other components of equity to retained earnings at the time of derecognition.

Dividends received relating to financial assets measured at fair value through other comprehensive income are discussed in Note "4.7. Finance Income and Finance Costs".

4.5. Short-Term Borrowings and Long-Term Borrowings

Short-term borrowings and Long-term borrowings for the fiscal year ended March 31, 2022 are classified as financial liabilities measured at amortized cost.

(1) Details of Short-Term Borrowings and Long-Term Borrowings

Details of short-term borrowings

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Debt denominated in Japanese yen		
Unsecured loans from banks	¥ 2,013,800	¥ 187,504
(weighted average interest rate: %)	(0.26%)	(0.01%)
Commercial paper	475,003	301,001
(weighted average interest rate: %)	(Δ0.00%)	(Δ0.00%)
Debt denominated in foreign currencies		
Secured loans from banks	3,547	6,753
(weighted average interest rate: %)	(4.99%)	(5.15%)
Unsecured loans from banks	212,905	326,137
(weighted average interest rate: %)	(0.64%)	(0.96%)
Commercial paper	61,493	105,346
(weighted average interest rate: %)	(0.13%)	(0.04%)
Total Short-term borrowings	¥ 2,766,748	¥ 926,741

Short-term borrowings including current portion or balance due within 1 year are shown in Long-term borrowings.

Details of long-term borrowings

(Millions of yen)

	Maturity date	As of March 31, 2021	As of March 31, 2022
Debt denominated in Japanese yen			
Corporate bonds			
0.001–1.99% fixed rate corporate bonds	2022–2032	¥ 1,440,000	¥ 1,790,587
0.54% floating rate corporate bonds	2032	100	100
Secured loans from financial institutions			
1.58% (weighted average) fixed rate loans	2029-2039	9,657	58,985
0.83% (weighted average) floating rate loans	2032-2039	16,966	89,878
Unsecured loans from financial institutions			
0.47% (weighted average) fixed rate loans	2022–2048	1,569,874	2,382,361
0.09% (weighted average) floating rate loans	2022–2032	59,360	39,204
Subtotal		3,095,957	4,361,115
Debt denominated in foreign currencies			
Corporate bonds			
0.37–2.07% fixed rate U.S. dollar corporate bonds	2023-2031	968,713	979,120
0.01–1.30% fixed rate Euro corporate bonds	2023-2030	311,741	533,362
Secured loans from financial institutions			
3.12% (weighted average) floating rate U.S. dollar loans	2022-2023	20,066	22,498
Other loans	2023-2027	9,071	10,091
Unsecured loans from financial institutions			
1.42% (weighted average) fixed rate U.S. dollar loans	2022-2025	147,757	160,072
0.96% (weighted average) floating rate U.S. dollar loans	2022-2027	214,924	277,976
0.89% (weighted average) fixed rate Euro loans	2022-2032	47,092	40,042
0.03% (weighted average) floating rate Euro loans	2023-2027	17,894	18,847
1.89% (weighted average) fixed rate GBP loans	2022-2024	11,417	12,067
6.29% (weighted average) floating rate INR loans	2025-2026	9,423	18,100
Other loans	2022-2026	11,311	12,038
Subtotal		1,769,409	2,084,213
Total principal of Long-term borrowings		4,865,366	6,445,328
Less discount or premium on bonds		7,777	7,798
Total principal of Long-term borrowings (Less discount or premium on bonds)		4,857,589	6,437,530
Less current portion		401,865	720,065
Total Long-term borrowings		¥ 4,455,724	¥ 5,717,465

Interest rates and maturity dates in the above table are those as of March 31, 2022.

All holders of the corporate bonds totaling ¥99,995 million issued by NTT, referred to in the above table, have preferential rights under NTT Act to be paid prior to other unsecured indebtedness. Their rights follow certain general preferential rights provided for in the Japanese Civil Code, such as preferential rights of employees to wages.

Some of the corporate bonds as of March 31, 2022 may be redeemed by NTT at par before maturity dates. Corporate bonds are generally repurchased in the market or from the bond holders.

Unused lines of credit under commitment line contracts with banks

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Unused lines of credit	¥ 318,500	¥ 318,500

(2) Pledged Assets and Secured Debts

Assets pledged as collateral and secured debts are as follows.

(NTT)

Assets pledged as collateral by NTT

Pursuant to Article 9 of the NTT Act, all the property of NTT is pledged as general collateral against the corporate bonds issued by NTT.

Liabilities corresponding to assets pledged as collateral

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Corporate bonds (including current portion)	¥ 169,989	¥ 99,995

(Consolidated subsidiaries)

As a Japanese business practice regarding short-term and long-term bank loans, collateral and guarantees may be pledged for current and future debt in a written transaction contract, if required by the bank. When the payment becomes due or the repayment falls in default, the bank has the right to offset the debt with the bank deposit of the debtor.

Various transaction contracts stipulate that banks may require debtors to pledge additional collateral or they may take out a lien on certain assets.

Assets pledged as collateral by consolidated subsidiaries

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Cash and cash equivalents	¥ 5,106	¥ 6,673
Other financial assets	2,795	114,779
Trade and other receivables	35,394	53,254
Property, plant and equipment	44,848	54,438
Intangible assets	-	3,308
Investment property	59,770	64,900
Other non-current assets	44	4,052
Other	67	1,384
Total	¥ 148,024	¥ 302,788

In addition to the above, NTT Group pledges subsidiary shares, which is eliminated in the consolidated statements of financial position, amounting ¥11,708 million as of March 31, 2021 and amounting ¥13,314 million as of March 31, 2022.

Liabilities corresponding to assets pledged as collateral

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Trade and other payables	¥ 12,989	¥ 4,426
Other current liabilities	2,060	2,116
Short-term borrowings	3,547	6,753
Corporate bonds	100	100
Long-term borrowings ^{*1}	55,759	181,452
Total	¥ 74,455	¥ 194,847

*1. Long-term borrowings include the current portion.

(3) Reconciliation of Changes in Liabilities Relating to Cash Flows from Financing Activities

(Millions of yen)

	Borrowings	Lease liabilities	Put options granted to non-controlling interests	Derivative financial liabilities (assets) held for hedging liabilities arising from financing activities	Total
As of April 1, 2020	¥ 4,220,284	¥ 532,472	¥ 9,894	¥ 16,237	¥ 4,778,887
Changes in cash flows from financing and repayments					
Net increase (decrease) in Short-term borrowings	1,166,573	—	—	(950)	1,165,623
Proceeds from increases in Long-term borrowings	2,674,593	—	—	—	2,674,593
Repayments of Long-term borrowings	(521,091)	—	—	(3,789)	(524,880)
Repayments of lease liabilities	—	(195,783)	—	—	(195,783)
Payments for acquisition of interests in subsidiaries from non-controlling interests	—	—	(1,913)	—	(1,913)
Total changes in liabilities relating to cash flows from financing activities	¥ 3,320,075	¥ (195,783)	¥ (1,913)	¥ (4,739)	¥ 3,117,640
Changes as a result of obtaining or losing control of a subsidiary or other business	26,869	47,337	4,010	—	78,216
Effect of changes in foreign currency exchange rates	80,317	12,641	137	—	93,095
Accrued finance lease liabilities	—	358,122	—	—	358,122
Changes in fair value liabilities	—	—	—	(12,822)	(12,822)
Transfer to liabilities directly associated with assets held for sale	—	—	—	—	—
Other changes	(23,208)	(7,038)	1,439	—	(28,807)
As of March 31, 2021	¥ 7,624,337	¥ 747,751	¥ 13,567	¥ (1,324)	¥ 8,384,331
Changes in cash flows from financing and repayments					
Net increase (decrease) in Short-term borrowings	(1,860,107)	—	—	—	(1,860,107)
Proceeds from increases in Long-term borrowings	1,716,162	—	—	—	1,716,162
Repayments of Long-term borrowings	(406,765)	—	—	4,860	(401,905)
Repayments of lease liabilities	—	(208,232)	—	—	(208,232)
Payments for acquisition of interests in subsidiaries from non-controlling interests	—	—	(2,370)	—	(2,370)
Total changes in liabilities relating to cash flows from financing activities	¥ (550,710)	¥ (208,232)	¥ (2,370)	¥ 4,860	¥ (756,452)
Changes as a result of obtaining or losing control of a subsidiary or other business	115,116	1,826	—	—	116,942
Effect of changes in foreign currency exchange rates	191,722	14,926	833	—	207,481
Accrued lease liabilities	—	291,817	—	—	291,817
Changes in fair value liabilities	—	—	—	(84,495)	(84,495)
Transfer to liabilities directly associated with assets held for sale	(19,149)	(4,819)	—	—	(23,968)
Other changes	2,955	1,955	3,634	—	8,544
As of March 31, 2022	¥ 7,364,271	¥ 845,224	¥ 15,664	¥ (80,959)	¥ 8,144,200

The above reconciliation includes only changes in the balances of liabilities arising from financing activities and does not include changes in the balances of capital arising from financing activities.

4.6. Other Financial Liabilities

(Accounting Estimates and Judgments Involving Estimates)

NTT Group estimates fair value measurements of derivatives.

Details of other financial liabilities

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Current liabilities		
Financial liabilities measured at fair value through profit or loss		
Derivative financial liabilities		
Applied hedge accounting	¥ 394	¥ —
Not applied hedge accounting	1,417	890
Contingent consideration	14,817	6,902
Financial liabilities measured at amortized cost		
Other	9,612	17,680
Put options granted to non-controlling interests	2,094	4,094
Subtotal	28,334	29,566
Non-current liabilities		
Financial liabilities measured at fair value through profit or loss		
Derivative financial liabilities		
Applied hedge accounting	23,069	11,440
Not applied hedge accounting	1,333	573
Contingent consideration	1,500	13,202
Financial liabilities measured at amortized cost		
Lease and guarantee deposits received	95,889	95,746
Other	4,356	3,155
Put options granted to non-controlling interests	11,473	11,570
Subtotal	137,620	135,686
Total	¥ 165,954	¥ 165,252

4.7. Finance Income and Finance Costs

(Accounting Estimates and Judgments Involving Estimates)

NTT Group estimates fair value measurements of derivatives.

Details of finance income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Interest income *1		
Financial assets measured at amortized cost	¥ 7,018	¥ 9,310
Dividend income		
Financial assets measured at fair value through other comprehensive income	13,939	19,886
Net exchange differences *2	3,012	8,086
Net changes in fair value of financial assets measured at fair value through profit or loss	1,510	2,974
Gain on sale of securities		
Financial assets measured at amortized cost	2,768	8,057
Gain on valuation derived from discontinuing use of equity method	-	9,644
Other	3,538	5,514
Total	¥ 31,785	¥ 63,471

*1. Gains or losses on valuation derived from interest rate swap contracts designated as hedging instruments are included in the interest income.

*2. Gains or losses on valuation derived from forward foreign-exchange contracts and currency swap contracts designated as hedging instruments are included in the net exchange differences

“Net changes in fair value of financial assets measured at fair value through profit or loss” include changes in fair value, interest income, dividend income, and foreign exchange translation gain or loss.

Interest income on lease receivables of ¥5,130 million were included in “Operating revenues” for the fiscal year ended March 31, 2021.

In addition to the above, Interest income on financial assets measured at fair value through profit or loss of ¥742 million and ¥150 million were included in “Operating revenues” for the fiscal year ended March 31, 2021 and the fiscal year ended March 31, 2022, respectively. Interest income on financial assets measured at amortized cost of ¥34,211 million and ¥36,211 million were included in “Operating revenues” for the fiscal year ended March 31, 2021 and 2022, respectively.

Details of finance costs

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Interest expenses *1		
Financial liabilities measured at amortized cost	¥ 33,015	¥ 38,523
Lease liabilities	9,175	11,326
Impairment losses		
Financial assets measured at amortized cost	1,626	2
Net changes in fair value of financial assets measured at fair value through profit or loss	4,377	292
Loss on sale of securities		
Financial assets measured at amortized cost	857	573
Other	1,780	5,534
Total	¥ 50,830	¥ 56,250

*1. Gains or losses on valuation derived from interest rate swap contracts designated as hedging instruments are included in the interest expenses.

Impairment losses of ¥28,850 million and ¥23,474 million on financial assets measured at amortized cost were included in the operating expenses for the fiscal year ended March 31, 2021 and 2022, respectively.

Interest expenses of ¥2,574 million were included in the operating expenses of the fiscal years ended March 31, 2021.

4.8. Financial Instruments

(Accounting Estimates and Judgments Involving Estimates)

NTT Group estimates the amortization periods and for impairment of financial assets measured at amortized cost.

(1) Financial Risk Management

NTT Group is exposed to financial risks (credit risk, liquidity risk, and market risk) in conducting business activities. In order to avoid or reduce such risks, it manages risks based on certain policies. In addition, the Group reports on the status of major financial risk management to its management.

(i) Credit risk management

Receivables arising from NTT Group's business activities are exposed to the credit risk of customers. Bonds held for the management of surplus and shares held for business policy purposes are mainly exposed to the credit risk of the issuer. In addition, derivative transactions conducted by NTT Group for the purpose of hedging foreign exchange risk and interest rate risk are exposed to the credit risk of counterparty financial institutions.

To appropriately manage the credit risk on trade receivables, NTT Group, in principle, defines credit limits or transaction conditions based on its credit management rules and monitors the balance of receivables from business partners with high credit risk. In addition, the Group has collateral or credit enhancement for specific credit exposures.

For the management of surplus and derivative transactions, in order to prevent the occurrence of credit risk based on the Group's financial rules, the Group, in principle, invests in bonds that meet certain rating criteria or conducts transactions with high-rating financial institutions, and monitors the status. NTT Group does not have any excessive concentration of business transactions with a single party or a group to which the party belongs.

Maximum credit risk exposure of NTT Group

(i) Trade and other receivables (including lease receivables and contract assets)

Credit risk exposures on trade and other receivables and loss allowance

As of March 31, 2021

(Millions of yen)

Overdue period	Total carrying amounts	Loss allowance	Credit impairment
Within 30 days	¥ 3,662,579	¥ (13,192)	N
31–90 days	118,036	(4,542)	N
More than 90 days	231,896	(69,162)	Y
Total	¥ 4,012,511	¥ (86,896)	

* Accounts receivable - other, telecommunications terminal equipment installment sales receivables (total amount is ¥1,579,311 million) from other than contracts with customers are included in the table above.

As of March 31, 2022

(Millions of yen)

Overdue period	Total carrying amounts	Loss allowance	Credit impairment
Within 30 days	¥ 3,678,909	¥ (17,791)	N
31–90 days	168,392	(8,264)	N
More than 90 days	196,278	(67,353)	Y
Total	¥ 4,043,579	¥ (93,408)	

* Accounts receivable - other, telecommunications terminal equipment installment sales receivables (total amount is ¥1,575,325 million) from other than contracts with customers are included in the table above.

(ii) Other financial assets (debt securities)

Credit risk exposures on other financial assets (debt securities) measured at an amortized cost

As of March 31, 2021

(Millions of yen)

External rating	Amortized cost method	
	Recorded at the same amount as the 12-month expected credit losses	Recorded at the same amount as the lifetime expected credit losses
External rating	¥ 11,182	¥ 3,162
	¥ (—)	¥ (3,162)
No external rating	97,820	8,623
	(958)	(8,623)
Total	¥ 109,002	¥ 11,785
	¥ (958)	¥ (11,785)

As of March 31, 2022

(Millions of yen)

External rating	Amortized cost method	
	Recorded at the same amount as the 12-month expected credit losses	Recorded at the same amount as the lifetime expected credit losses
External rating	¥ 15,164	¥ —
	¥ (—)	¥ (—)
No external rating	129,762	12,243
	(785)	(12,243)
Total	¥ 144,926	¥ 12,243
	¥ (785)	¥ (12,243)

Of the table above, those with external rating are rated investment grade equivalent. Those with no external rating have been verified as equivalent to an investment grade based on the debtor's financial status and information from credit research companies. There are no debt securities that are overdue.

The amounts mentioned above are total carrying amounts. The amounts of loss allowance are presented in parentheses.

(iii) Other financial assets (operating loans)

NTT Group classifies credit exposures mentioned below based on the substantive judgment, taking into consideration not only the information on overdue periods but also the information available, such as external ratings.

Credit risk exposure on operating loans

As of March 31, 2021

(Millions of yen)

Classification	Recorded at the same amount as the 12-month expected credit losses	Recorded at the same amount as the lifetime expected credit losses		Credit impaired financial assets purchased or structured	Total
		Not credit impaired financial assets	Credit impaired financial assets		
Operating loans					
Within 30 days	¥ 27,630 ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ 27,630 ¥ (—)
31-90 days	— (—)	— (—)	— (—)	— (—)	— (—)
More than 90 days	— (—)	— (—)	— (—)	— (—)	— (—)
Total	¥ 27,630 ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ 27,630 ¥ (—)

As of March 31, 2022

(Millions of yen)

Classification	Recorded at the same amount as the 12-month expected credit losses	Recorded at the same amount as the lifetime expected credit losses		Credit impaired financial assets purchased or structured	Total
		Not credit impaired financial assets	Credit impaired financial assets		
Operating loans					
Within 30 days	¥ 4,775 ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ 4,775 ¥ (—)
31-90 days	— (—)	— (—)	— (—)	— (—)	— (—)
More than 90 days	— (—)	— (—)	— (—)	— (—)	— (—)
Total	¥ 4,775 ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ 4,775 ¥ (—)

The amounts mentioned above are total carrying amounts. The amounts of loss allowance are presented in parentheses.

Credit risk exposure on operating loans included in assets held for sale

As of March 31, 2022

(Millions of yen)

Classification	Recorded at the same amount as the 12-month expected credit losses	Recorded at the same amount as the lifetime expected credit losses		Credit impaired financial assets purchased or structured	Total
		Not credit impaired financial assets	Credit impaired financial assets		
Operating loans					
Within 30 days	¥ 19,563 ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ 19,563 ¥ (—)
31-90 days	— (—)	— (—)	— (—)	— (—)	— (—)
More than 90 days	— (—)	— (—)	— (—)	— (—)	— (—)
Total	¥ 19,563 ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ 19,563 ¥ (—)

The amounts mentioned above are total carrying amounts. The amounts of loss allowance are presented in parentheses.

(iv) Loan commitments and financial guarantee contracts

NTT Group conducts the cashing business incidental to the credit card business and offers loan contracts that promise to lend funds up to a certain limit. As of March 31, 2021 and March 31, 2022 the credit risk exposures of the unused loan commitments under the cashing business were ¥378,775 million (of which, ¥326,746 million was related to the credit card business) and ¥336,982 million (of which, ¥336,982 million was related to the credit card business), respectively.

NTT Group also conducts the financial guarantee business against receivables of third parties. As of March 31, 2021 and March 31, 2022, the credit risk exposures of the financial guarantee contracts were ¥13,675 million (including ¥13,675 million regarding jointly controlled entities) and ¥14,272 million (including ¥14,272 million regarding jointly controlled entities), respectively. The earliest period during which these loan commitments and financial guarantee contracts may be exercised is within one year.

The above exposures of loan commitments and financial guarantee contracts are recorded at the same amount as the 12-month expected credit losses and loss allowance is little considering feasibility.

Changes in loss allowance during the period

As of March 31, 2021

(Millions of yen)

Classification	Recorded at the same amount as the 12-month expected credit losses	Recorded at the same amount as the lifetime expected credit losses			Credit impaired financial assets purchased or structured	Total
		Not credit impaired financial assets	Credit impaired financial assets	Trade receivables, contract assets, or leased assets*		
As of April 1, 2020	¥ 1,048	¥ —	¥ 12,019	¥ 82,763	¥ —	¥ 95,830
Increase	56	—	2,663	65,676	—	68,395
Decrease	(146)	—	(2,897)	(61,543)	—	(64,586)
As of March 31, 2021	¥ 958	¥ —	¥ 11,785	¥ 86,896	¥ —	¥ 99,639

* Loss allowance for accounts receivable - other, telecommunications terminal equipment installment sales receivables from other than contracts with customers are included.

As of March 31, 2022

(Millions of yen)

Classification	Recorded at the same amount as the 12-month expected credit losses	Recorded at the same amount as the lifetime expected credit losses			Credit impaired financial assets purchased or structured	Total
		Not credit impaired financial assets	Credit impaired financial assets	Trade receivables, contract assets, or leased assets*		
As of April 1, 2021	¥ 958	¥ —	¥ 11,785	¥ 86,896	¥ —	¥ 99,639
Increase	15	—	458	67,334	—	67,807
Decrease	(188)	—	—	(60,822)	—	(61,010)
As of March 31, 2022	¥ 785	¥ —	¥ 12,243	¥ 93,408	¥ —	¥ 106,436

* Loss allowance for accounts receivable - other, telecommunications terminal equipment installment sales receivables from other than contracts with customers are included.

Main form of collateral by type of financial assets

The following mainly correspond to financial assets for which a loss allowance is recorded at the same amount as the 12-month expected credit losses.

As of March 31, 2021

(Millions of yen)

Classification	Carrying amount	Main forms of collateral held
Other financial asset		
Operating loans	¥ 22,702	Real estate or Aircraft

As of March 31, 2022

(Millions of yen)

Classification	Carrying amount	Main forms of collateral held
Other financial assets		
Operating loans	¥ 4,777	Aircraft
Assets held for sale		
Other financial asset		
Operating loans	19,100	Real estate

(ii) Liquidity risk management

Liquidity risk is mainly the risk that NTT Group faces in fulfilling its obligations related to financial liabilities that are settled by cash or other financial assets. The Group's basic policy is to generate funds necessary for its business activities on its own in promoting its business. The funds generated are managed efficiently through inter-group financing. Moreover, the Group aims to secure stable, low-cost funds when raising funds to support business activities.

As of March 31, 2021 and March 31, 2022, NTT Group's cash and deposits and cash equivalents amounted to ¥935,727 million and ¥834,564 million, respectively. Cash equivalents are temporary surplus that will be used as working capital, mainly for debt repayment and investment. Therefore, the balance of cash equivalents changes every year depending on the status of the funding and working capital at that time.

Details of financial liabilities (excluding obligations under finance leases) by due date

As of March 31, 2021

(Millions of yen)

	Within 1 year	Over 1 year and within 5 years	Over 5 years	Total
Short-term borrowings	¥ 2,766,748	¥ -	¥ -	¥ 2,766,748
Trade and other payable	2,356,705	-	-	2,356,705
Long-term borrowings	431,046	2,392,374	2,220,283	5,043,703
Other financial liabilities	29,680	81,972	54,302	165,954
Derivatives	1,811	8,329	16,073	26,213
Other than derivatives	27,869	73,643	38,229	139,741

As of March 31, 2022

(Millions of yen)

	Within 1 year	Over 1 year and within 5 years	Over 5 years	Total
Short-term borrowings	¥ 926,741	¥ -	¥ -	¥ 926,741
Trade and other payables	2,500,341	-	-	2,500,341
Long-term borrowings	758,830	2,979,837	2,916,488	6,655,155
Other financial liabilities	31,953	83,756	49,543	165,252
Derivatives	890	1,834	10,179	12,903
Other than derivatives	31,063	81,922	39,364	152,349

Long-term borrowings include the current portion or balance due within 1 year.

Fair value adjustments arising from fair value hedge accounting are not included.

Details of obligations under finance leases by the due date is presented in "Note 3.6. Leases."

(iii) Market risk management

Market risk is the risk of fluctuations in market prices, such as foreign exchange rates, interest rates, and stock prices, which affects NTT Group's earnings or the value of its financial instruments. The purpose of market risk management is to control market risk exposure by managing it within acceptable parameters, while maximizing return.

Risk management of foreign exchange and interest rate fluctuations

NTT Group uses derivatives, such as forward exchange contracts, interest rate swap contracts, currency swap contracts, and interest rate option contracts, as necessary, to limit the exposure related to debt and loss of assets that may arise from fluctuations in foreign exchange rates and interest rates. The Group does not enter into derivative transactions for trading purposes. Derivative transactions are carried out in accordance with internal regulations, and are managed by NTT Group.

(a) Management of foreign exchange rate fluctuation risk

NTT Group performs corporate activities globally, which exposes it to exchange rate fluctuation risks associated with transactions, financing, and investment in currencies other than the functional currency of each local company. NTT Group enters into forward foreign exchange contracts, currency swap agreements, and currency option agreements to hedge the risk of fluctuations in foreign currency exchange rates principally associated with foreign currency-denominated long-term borrowings issued by NTT Group. Such contracts and agreements have the same maturity as the underlying debt. NTT Group judges whether these transactions effectively offset the impact of foreign currency rate fluctuations. The main causes of ineffectiveness in these hedge relationships are currency basis spreads, spot-forward differences on forward exchange contracts, and credit risk of counterparties. The currency basis spreads and the spot-forward differences of forward exchange contracts are excluded from the designation of hedging instruments. The main currencies to be hedged are US dollars and the euros.

(i) Currency risk exposure

Major currency risk exposure (net)

Currency	As of March 31, 2021	As of March 31, 2022
USD (thousand USD)	990,624	913,679
EUR (thousand euros)	591,980	367,334

The amount of foreign exchange risk hedged by derivatives is excluded.

(ii) Sensitivity analysis of foreign exchange risk

(a) Estimated amount of increase in profit before taxes assuming that Japanese yen depreciated by ¥1

(Millions of yen)

Currency	As of March 31, 2021	As of March 31, 2022
USD	¥ 716	¥ 847
EUR	¥ 592	¥ 367

The amount of decrease in profit before taxes assuming that the Japanese yen appreciated by ¥1 is the same amount.

(b) Estimated amount of increase in equity assuming that Japanese yen depreciated by ¥1

(Millions of yen)

Currency	As of March 31, 2021	As of March 31, 2022
USD	¥ 679	¥ 626
EUR	¥ 406	¥ 252

The amount of decrease in equity assuming that the Japanese yen appreciated by ¥1 is the same amount.

Foreign currency translation adjustment is excluded.

(b) Management of interest rate risk

NTT Group pays interest incurred to procure funds that are necessary for working capital and capital investment to promote business activities. For such debts, the Group generally adopts a policy to fix future cash flows and borrows, mainly at fixed interest rates. If borrowings are made at a floating interest rate, the Group is exposed to the risk of fluctuations in future cash flows of interest, as interest is subject to fluctuations in market interest rates. Therefore, the Group has concluded interest rate swap contracts that pay or receive the difference of floating interest rate received and fixed interest paid, as well as interest rate currency swap contracts with financial institutions, in order to curb the increase in interest payments due to rising interest rates for long-term borrowings with floating interest rates. These instruments are executed with creditworthy financial institutions.

As a result, fluctuations in the market interest rates have little impact on NTT Group, and the interest rate risk is not significant to the Group.

Fair value hedges

Not applicable.

Cash flow hedges

Notional principal and average price of major hedging instruments

As of March 31, 2021

Classification	Contents	Notional principal and average price	Within 1 year	Over 1 year and within 5 years	Over 5 years	Total
Cash flow hedges	Interest rate swaps to fix the floating interest rates *1	Notional principal (millions of yen)	20,830	36,324	21,100	78,254
	Foreign exchange contracts and forecast transactions of RMB	Notional principal (millions of RMB)	654	556	—	1,210
		Average price (JPY/RMB)	14.94	14.61	—	—
	Currency swaps and borrowings in USD*2	Notional principal (millions of USD)	850	3,572	5,780	10,202
		Average price (JPY/USD)	105.55	108.88	106.98	—
	Currency swaps and borrowings in EUR*2	Notional principal (millions of EUR)	—	1,000	1,000	2,000
		Average price (JPY/EUR)	—	129.04	129.04	—

*1. The major condition of interest rates for interest rate swaps is floating interest rate receivable of LIBOR (three months and six months) to fixed interest rate payable of 0.5% to 2.0%.

*2. The major condition of interest rates for currency swaps is floating interest rate receivable of LIBOR (three months and six months) to fixed interest rate payable of (0.6)% to 0.5%.

As of March 31, 2022

Classification	Contents	Notional principal and average price	Within 1 year	Over 1 year and within 5 years	Over 5 years	Total
Cash flow hedges	Interest rate swaps to fix the floating interest rates*1	Notional principal (millions of yen)	—	37,245	84,895	122,140
	Foreign exchange contracts and forecast transactions of RMB	Notional principal (millions of RMB)	715	618	—	1,333
		Average price (JPY/RMB)	15.41	15.69	—	—
	Foreign exchange contracts and forecast transactions of USD	Notional principal (millions of USD)	7	22	9	38
		Average price (JPY/USD)	112.44	108.57	101.84	—
	Foreign exchange contracts and forecast transactions of EUR	Notional principal (millions of EUR)	300	—	—	300
		Average price (JPY/EUR)	131.30	—	—	—
	Currency swaps and borrowings in USD*2	Notional principal (millions of USD)	1,500	5,072	2,780	9,352
		Average price (JPY/USD)	106.10	108.06	107.92	—
	Currency swaps and borrowings in EUR	Notional principal (millions of EUR)	—	1,650	1,850	3,500
		Average price (JPY/EUR)	—	128.63	128.56	—

*1. The major condition of interest rates for interest rate swaps is floating interest rate receivable of Japanese Bankers Association TIBOR (three months and six months) to fixed interest rate payable of 0.5% to 1.9%.

*2. The major condition of interest rates for currency swaps is U.S. dollar fixed interest rate receivable of 0.4% to 2.1% to Japanese yen fixed interest rate payable of (0.6)% to 0.5%.

Derivatives designed as hedging instruments

As of March 31, 2021

(Millions of yen)

	Notional principal	Carrying amount (millions of yen)		Line item in consolidated statement of financial position	Gain or loss on hedges recognized in the period in other comprehensive income *1	Amount reclassified from cash flow hedge reserve to profit or loss as reclassification adjustment *1	Major line item in consolidated statement of profit or loss for reclassification adjustment
		Asset	Liability				
Interest rate swaps	¥ 78,254	¥ —	¥ 2,572	*2	¥ 495	¥ 900	*3
Foreign exchanges	18,157	853	—	*2	991	(121)	*3
Currency swaps	1,354,956	22,215	20,891	*2	10,860	(39,588)	*3

*1. The amounts are presented before adjustment of tax effect.

*2. “Other financial assets (current),” “Other financial assets (non-current),” “Other financial liabilities (current),” “Other financial liabilities (non-current),”

*3. “Finance income” or “Finance costs”

As of March 31, 2022

(Millions of yen)

	Notional principal	Carrying amount (millions of yen)		Line item in consolidated statement of financial position	Gain or loss on hedges recognized in the period in other comprehensive income *1	Amount reclassified from cash flow hedge reserve to profit or loss as reclassification adjustment *1	Major line item in consolidated statement of profit or loss for reclassification adjustment
		Asset	Liability				
Interest rate swaps	¥ 122,140	¥ —	¥ 2,314	*2	¥ 1,964	¥ 842	*3
Foreign exchanges	64,219	4,240	—	*2	4,119	(2,112)	*3
Currency swaps	1,457,225	88,662	9,126	*2	83,043	(140,622)	*3

*1. The amounts are presented before adjustment of tax effect.

*2. “Other financial assets (current),” “Other financial assets (non-current),” “Other financial liabilities (current),” and “Other financial liabilities (non-current)”

*3. “Finance income” or “Finance costs”

Changes in amounts recorded in other components of equity in the consolidated statement of financial position related to cash flow hedge reserve and hedges cost.

As of March 31, 2021

(Millions of yen)

	Cash flow hedge reserve			Hedges cost	
	Interest rate swaps	Foreign exchanges	Currency swaps	Foreign exchanges	Currency swaps
Balance at the beginning of the current fiscal year	¥ (2,404)	¥ (29)	¥ (3,524)	¥ 17	¥ 425
Amount arising during the period	(121)	280	24,664	165	(17,320)
Reclassification adjustments to profit	624	57	(28,215)	(135)	713
Balance at the end of the current fiscal year	¥(1,901)	¥ 308	¥ (7,075)	¥ 47	¥ (16,182)

As of March 31, 2022

(Millions of yen)

	Cash flow hedge reserve			Hedges cost	
	Interest rate swaps	Foreign exchanges	Currency swaps	Foreign exchanges	Currency swaps
Balance at the beginning of the current fiscal year	¥ (1,901)	¥ 308	¥ (7,075)	¥ 47	¥ (16,182)
Amount arising during the period	1,668	1,972	58,621	243	(1,200)
Reclassification adjustments to profit	610	(1,290)	(113,021)	(176)	15,505
Balance at the end of the current fiscal year	¥ 377	¥ 990	¥ (61,475)	¥ 114	¥ (1,877)

The main item of reclassification adjustments to profit is the transfer from other components of equity to profit or loss during the accounting period in which gain or loss on the hedged item is recognized.

Management of stock price fluctuation risk

As of March 31, 2021 and March 31, 2022, NTT Group held approximately ¥982,619 million and ¥793,751 million, respectively, of marketable shares (all on a fair value basis) mainly of customers and associates, bearing the risk of stock price fluctuations. The Group manages stock price fluctuation risk by regularly monitoring the fair value and unrealized gains and losses of each investee, based on a risk management strategy.

If the stock index had risen or fallen 10% as of March 31, 2021 and March 31, 2022, total equity would have increased or decreased by about ¥95,895 million and ¥76,777 million, respectively.

(2) Continuing Involvement in Derecognized Financial Asset

Credit card receivables

NTT group concluded an agreement for the transfer to third parties of the rights to receive cash flows from credit card receivables (Trade and other receivables) up to March 31, 2023, and transferred the rights on June 29, 2021, September 29, 2021, December 27, 2021, and March 30, 2022 during the fiscal year ended March 31, 2022.

The credit card receivables subject to the transfer are separated into senior, mezzanine and sub-ordinated portions based on the risk of default. For the mezzanine portion, NTT group deposits cash for the third parties and bears the credit risk.

Although NTT group bears the credit risk for the mezzanine portion as stated above, the credit risk assumed by the NTT group is insignificant because the default risk is highly likely to be absorbed by the sub-ordinated portion. NTT group is also properly monitoring the default risk by tracking the actual collection of the transferred receivables as adequate. The rights to claim over the third parties for the portion of cash deposit are recognized as "Trade and other receivables" in the consolidated statement of financial position. The fair value of the cash deposit portion is same as its book value.

In the fiscal year ended March 31, 2021 and 2022, NTT group derecognized the transferred assets because substantially all the risks and rewards of ownership was transferred to third parties. The largest transaction was implemented on March 30, 2022, treated the transactions as sales transactions as below.

(Millions of yen)		
	As of March 31, 2021	As of March 31, 2022
Amount of credit card receivables derecognized	¥ 333,333	¥ 483,420
Amount of the portion with cash deposit	33,000	47,859
Considerations received for the transfer of asset	299,964	435,074

The fair value of the derecognized assets is same as its book value as of March 31, 2021 and 2022.

The amount of losses recognized as a result of this transaction was immaterial.

The maximum amount of exposure to losses pertaining to this matter as of March 31, 2021 and 2022 are ¥33,000 million and ¥47,859 million, which represent the total amount of cash deposits provided by the NTT group to the third parties. No credit losses were incurred for the fiscal year ended March 31, 2021 and 2022.

Telecommunications terminal equipment installment sales receivables

In the fiscal year ended March 31, 2022 NTT group concluded an agreement for the transfer to third parties of financial assets arising from telecommunications terminal equipment installment sales receivables (Trade and other receivables), and transferred them on September 17, 2021 and March 30, 2022.

The telecommunications terminal equipment installment sales receivables subject to the transfer are separated into senior, mezzanine and sub-ordinated portions based on the risk of default. For the mezzanine portion, NTT group holds the rights to receive cash flows and bears the credit risk.

Although NTT group bears the credit risk for the mezzanine portion as stated above, the credit risk assumed by the NTT group is insignificant because the default risk is highly likely to be absorbed by the sub-ordinated portion. NTT group is also properly monitoring the default risk by tracking the actual collection of the transferred receivables as adequate. The rights to receive cash flows for the mezzanine portion are recognized as "Trade and other receivables" and "Other financial assets" in the consolidated statement of financial position. The fair value of the rights to receive cash flows for the mezzanine portion is same as its book value.

In the fiscal year ended March 31, 2021 and 2022, NTT group derecognized the transferred assets because substantially all the risks and rewards of ownership was transferred to third parties. The largest transfer transaction was implemented on September 17, 2021, NTT group treated the transactions as sales transactions as bellow

(Millions of yen)		
	As of March 31, 2021	As of March 31, 2022
Amount of credit card receivables derecognized	¥ 56,020	¥ 247,721
Amount of the mezzanine portion NTT group holds	5,744	25,232
Considerations received for the transfer of asset	50,088	220,458

The fair value of the derecognized assets is same as its book value as of March 31, 2021 and 2022.

The amount of losses recognized as a result of this transaction was immaterial.

The maximum amount of exposure to losses pertaining to this matter are ¥5,744 million and ¥34,889 million, respectively, as of March 31, 2021 and 2022, which represents the total amount of the rights to receive cash flows for the mezzanine portion which NTT holds. No credit losses were incurred for the fiscal year ended March 31, 2021 and 2022.

(3) Fair Value of Financial Instruments

(Accounting Estimates and Judgments Involving Estimates)

Fair value measurements of financial assets measured at fair value through other comprehensive income (FVTOCI).

Fair value measurements of derivatives.

(i) The fair value of financial instruments not measured at fair value

The carrying amount and estimated fair value of financial instruments not measured at a fair value

(Millions of yen)

	As of March 31, 2021		As of March 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (including current portion or balance due within 1 year)	¥ 4,857,589	¥ 4,841,728	¥ 6,437,530	¥ 6,325,007

With regard to the above-mentioned items, the assumptions (inputs) used to measure fair value defined in “Note 1.3. Significant Accounting Policies (3) Fair Value” are classified as Level 2.

With the exception of the above-mentioned items, the financial instruments not measured at fair value are not included in the table, because their carrying amounts approximate their fair values. The fair values of Long-term borrowings (including current portion or balance due within 1 year) are measured by discounting future cash flows using discount rates assumed for similar new debt, except for floating rate debt whose carrying amounts and fair values are deemed almost equivalent.(ii) Fair value measurement

(ii) Assets and liabilities measured at fair value

As of March 31, 2021

(Millions of yen)

Classification	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Investments in capital	¥ —	¥4,852	¥ 44,650	¥ 49,502
Loans receivables	—	11,670	—	11,670
Derivatives financial assets				
Applied hedge accounting	—	23,068	—	23,068
Not applied hedge accounting	—	1,973	—	1,973
Financial assets measured at fair value through other comprehensive income				
Equity securities	982,619	—	60,762	1,043,381
Total	¥ 982,619	¥ 41,563	¥ 105,412	¥ 1,129,594
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives financial liabilities				
Applied hedge accounting	—	23,463	—	23,463
Not applied hedge accounting	—	2,729	—	2,729
Total	¥ —	¥ 26,192	¥ —	¥ 26,192

In the fiscal year ended March 31, 2021, there was no material transfer between levels.

Assets and liabilities measured at fair value

As of March 31, 2022

(Millions of yen)

Classification	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Investments in capital	¥ —	¥ 8,314	¥ 53,575	¥ 61,889
Derivatives financial assets				
Applied hedge accounting	—	92,902	—	92,902
Not applied hedge accounting	—	4,054	—	4,054
Financial assets measured at fair value through other comprehensive income				
Equity securities	793,751	—	131,356	925,107
Total	¥ 793,751	¥ 105,270	¥ 184,931	¥ 1,083,952
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives financial liabilities				
Applied hedge accounting	—	11,440	—	11,440
Not applied hedge accounting	—	1,463	—	1,463
Total	¥ —	¥ 12,903	¥ —	¥ 12,903

In the fiscal year ended March 31, 2022, there was no material transfer between levels.

Reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis

As of March 31, 2021

(Millions of yen)

Classification	Balance at the beginning of the year	Gain (Losses)		Increase by purchases	Decrease by sales	Other changes	Balance at the end of the year	Gain (Losses) for the period relating to assets held at the end of the year
		Profit	Other comprehensive income					Profit
Financial assets:								
Investments in capital	¥ 38,338	¥ 34	¥ —	¥ 6,802	¥ (1,157)	¥ 1,047	¥ 44,650	¥ (56)
Equity securities	56,175	—	(4,424)	16,234	(4,547)	(2,676)	60,762	—

1. “Increase by purchases” and “Decrease by sales” include increases or decreases from new consolidations, deconsolidations, and transfers from (to) other accounts.
2. Gains or Losses included in the “Profit” are included in the “Finance income” or “Finance costs” in the consolidated statement of profit or loss.

As of March 31, 2022

(Millions of yen)

Classification	Balance at the beginning of the year	Gain (Losses)		Increase by purchases	Decrease by sales	Other changes	Balance at the end of the year	Gain (Losses) for the period relating to assets held at the end of the year
		Profit	Other comprehensive income					Profit
Financial assets:								
Investments in capital	¥ 44,650	¥ 6,828	¥ —	¥ 8,042	¥ (1,571)	¥ (4,788)	¥ 53,575	¥ 6,552
Equity securities	60,762	—	16,882	82,453	(16,043)	(12,698)	131,356	—

1. “Increase by purchases” and “Decrease by sales” include increases or decreases from new consolidations, deconsolidations, and transfers from (to) other accounts.
2. Gains or Losses included in the “Profit” are included in the “Finance income” or “Finance costs” in the consolidated statement of profit or loss.

Valuation techniques used to measure fair value of financial instruments

In the consolidated statement of financial position, the valuation techniques used to measure fair value of financial instruments classified as Level 2 and Level 3 are as follows:

(i) Debt securities

Debt securities include corporate bonds and others. Their fair value is measured based on the pricing models developed independently by financial and other institutions using underlying conditions that are observable in markets, such as credit ratings and discount rates.

(ii) Loans receivables

The fair values of loans receivable are calculated primarily by discounting the total principal and interest using interest rates assumed for similar new transactions.

(iii) Derivatives

Derivatives mainly comprise forward exchange contracts, currency swap agreements and interest rate swap agreements. The fair value of forward exchange contracts is measured using underlying conditions that are observable in markets, such as exchange rates. The fair value of currency swap agreements and interest rate swap agreements is measured by using underlying conditions that are observable in markets, such as London Inter-bank Offered Rate (LIBOR), swap rates, and exchange rates, and by discounting future cash flows to present value.

(iv) Equity securities and investments in capital

The fair value of equity securities and investments in capital is measured using an evaluation model that is selected through appropriate processes and that suits the circumstances of the investee, including reasonable estimates of inputs. As a result, these fair values are primarily measured using the adjusted net asset method.

5. OTHER NOTES

5.1. Major Subsidiaries

(Accounting Estimates and Judgments Involving Estimates)

The judgments of whether an entity is controlled by NTT Group in determining the scope of consolidation.

(1) Subsidiaries

The major subsidiaries of the Group are as described in “PART 1 INFORMATION ON THE COMPANY, ITEM 1 OVERVIEW OF THE COMPANY, 1. Status of Company, 4 Status of Affiliates.”

(2) Structured Entities

Size of non-consolidated structured entities, carrying amount of NTT Group’s investments in the entities, and the Group’s potential maximum loss exposure

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Total asset of non-consolidated structured entities	¥ 86,695	¥ 176,553
NTT Group’s maximum loss exposure	21,311	47,602
Carrying amount of investments that NTT Group has recognized	21,311	38,074
Commitment contracts for additional investment	—	9,528

Supplemental information on non-consolidated structured entities

- In the consolidated statement of financial position, NTT Group’s investments are included and presented in “Investments accounted for using the equity method” or “Other financial assets (non-current).” The Group has not recognized any liability for the non-consolidated structured entities.
- The potential maximum loss exposure arising from the involvement with the structured entities is limited to the total of the carrying amount of NTT Group’s investment and the commitment for additional investment.
- NTT Group’s maximum loss exposure shows the maximum amount of loss that may occur. It does not mean the amount of loss expected from engaging in the structured entities.
- The Group has neither provided, nor intended to provide, financial or any other significant support to the above non-consolidated structured entities without contractual obligations.

(3) Condensed Consolidated Financial Information of Subsidiaries in which NTT Group has Significant Non-controlling Interests

Condensed consolidated financial information of subsidiaries in which NTT Group has significant non-controlling interests

NTT DATA

General information

	As of March 31, 2021	As of March 31, 2022
Share of interests held by non-controlling interests (%)	45.78	45.78
Cumulative non-controlling interests in subsidiary groups (millions of yen)	¥ 491,173	¥ 581,805

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit or loss allocated to non-controlling interests of subsidiary groups	¥ 35,179	¥ 65,456

Condensed consolidated financial information

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Current assets	¥ 1,110,056	¥1,247,041
Non-current assets	1,786,959	1,837,472
Current liabilities	924,387	987,797
Non-current liabilities	846,080	768,449
Equity	1,126,548	1,328,267

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Sales	¥2,318,658	¥ 2,551,906
Profit	81,701	150,102
Comprehensive income	170,715	236,409

The dividend paid from NTT DATA to the non-controlling interests during the fiscal year ended March 31, 2021 and 2022 were ¥11,555 million and ¥11,877 million respectively.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net cash provided by (used in) operating activities	¥ 352,492	¥ 310,404
Net cash provided by (used in) investing activities	(173,893)	(196,487)
Net cash provided by (used in) financing activities	(101,618)	(166,513)
Effect of exchange rate changes on cash and cash equivalents	4,721	12,479
Net increase (decrease) in cash and cash equivalents	76,980	(52,596)

5.2. Related Parties

(1) Relationships and Transactions with the Government of Japan

The Government of Japan currently holds 35.99% of the issued shares of the Company. As a shareholder, the government holds the right to vote at the general meeting of shareholders of the Company, and as the largest shareholder, theoretically has the power to exercise a great influence over the decisions of the general meeting of shareholders. However, in its 1997 Diet statement, the government announced that it does not exercise shareholder rights to be actively involved in the management of the Company. In fact, the government has never exercised such authority to be directly involved in the Company's management in the past.

Transactions with the Group and various departments or organizations of the government are conducted as an independent customer based on arm's length prices. A summary of government grants received in the current fiscal year for projects of an advanced wireless environment promotion and other matters is presented in "Note 3.5. Property, plant and Equipment" and there are no other individually significant transactions.

(2) Transactions with Related Parties

NTT Group is engaged in a variety of transactions with associates and jointly controlled entities, the most important of which are the purchase of terminal equipment and materials, and outsourcing of various services. Transactions with associates and jointly controlled entities are conducted based on arm's length prices.

Balances of receivables from and payables to associates and jointly controlled entities

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Balance of receivables		
Associates	¥ 9,978	¥ 5,177
Jointly controlled entities	62,031	46,794
Total	¥ 72,009	¥ 51,971
Balance of payables		
Associates	18,852	9,135
Jointly controlled entities	128,037	193,043
Total	¥ 146,889	¥ 202,178

Amount of transactions with associates and jointly controlled entities

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Operating revenues		
Associates	¥ 47,567	¥ 33,283
Jointly controlled entities	81,623	71,579
Total	¥ 129,190	¥ 104,862
Operating expenses		
Associates	58,620	50,929
Jointly controlled entities	6,010	10,057
Total	¥ 64,630	¥ 60,986

(3) Remuneration for Key Management

Remuneration for key management

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Monthly remuneration	¥ 350	¥ 279
Board member bonuses	97	130
Share-based payments	—	37
Total	¥ 447	¥ 446

5.3. Purchase Commitments

On the date of March 31, 2021 and March 31, 2022, purchase commitments for property, plant and equipment, intangible assets, investment property and inventories amounted to ¥58,577 million, and ¥151,855 million, respectively. These are mainly for unperformed contracts related to the purchase of telecommunications facilities and terminals.

5.4. Contingent Liabilities

As of March 31, 2022, contingent liabilities related to guaranteed debt and others stood at ¥205,538 million.

As of March 31, 2022, NTT Group had no outstanding lawsuits, disputes, and damages that have a significant impact on the financial position and results of operations.

Contingent liabilities that were occurred in relation to joint ventures are described in "Note 4.8, Financial Instruments."

5.5. Subsequent Events

Realignment of the Global Business

NTT has resolved at the Board of Directors meeting held on May 9, 2022, that it will realign NTT group's global business (the "Realignment") by making NTT, Inc., a global holding company of NTT group, and NTT Ltd., a wholly owned subsidiary of NTT, Inc. operating the global IT services and communications business, subsidiaries of NTT DATA, a listed subsidiary of NTT, thereby grouping the global businesses operated under NTT, Inc. and NTT Ltd. with the global business operated by NTT DATA group, and has executed with NTT DATA a master agreement regarding the Realignment and shareholders' agreement. The Realignment is to be conducted for the purpose of strengthening global capabilities for business users and global governance by bringing together the global human resources and other resources of NTT group.

The outline of the Realignment is as follows:

1. Dividends in Kind, Etc.

NTT, Inc. holds 760,000,000 common shares (voting rights ownership ratio: 54.2% of the total number of voting rights as of September 30, 2021) of NTT DATA as of May 9, 2022, and will distribute all of these common shares of NTT DATA to NTT (the "Dividends in Kind") as dividends of surplus, which will become effective on October 1, 2022. As a result, NTT DATA will become a direct subsidiary of NTT and cease to be a lower-tier subsidiary of NTT.

Also, all common shares or interests in NTT Disruption Europe, S.L.U., NTT Global Sourcing, Inc., and NTT Venture Capital, L.P. held by NTT, Inc. as of May 9, 2022 are scheduled to be transferred through dividends in kind or other methods to NTT by September 30, 2022.

2. Absorption-type Company Split of NTT DATA's Global Business

On the condition that the Dividends in Kind and the Share Split (as defined below) become effective, Absorption-type Company Split (Global Business) (as defined below) is approved at the annual general shareholders meeting of NTT DATA held in June 2022, and permits and approvals from the relevant authorities are obtained as necessary, NTT DATA and NTT, Inc. will conduct an absorption-type company split with NTT DATA as the splitting company and NTT, Inc. as the successor company, which will become effective on October 1, 2022, in which NTT, Inc. will succeed to the rights and obligations regarding NTT DATA's global business from NTT DATA. NTT DATA will acquire 3,315 common shares of NTT, Inc. as consideration for that succession (the "Absorption-type Company Split (Global Business)"). As a result, 49% of the issued common shares of NTT, Inc. will be held by NTT and 51% will be held by NTT DATA, and NTT, Inc. will become a subsidiary of NTT DATA.

On June 17, 2022, NTT, Inc. has conducted a share split in which each common share of NTT, Inc. is split into 49 shares (the "Share Split"), and thereby the number of issued shares of NTT, Inc. has increased from 65 shares to 3,185 shares.

NTT DATA and NTT, Inc. have executed on May 9, 2022 an absorption-type company split agreement regarding the Absorption-type Company Split (Global Business).

3. Transfer of NTT, Inc.'s Shares from NTT to NTT DATA

On the condition that the Absorption-type Company Split (Global Business) becomes effective, NTT will transfer 260 common shares of NTT, Inc. owned by NTT to NTT DATA and receive payment of 112 billion yen from NTT DATA as consideration therefor. As a result, 45% of the issued common shares of NTT, Inc. will be held by NTT and 55% will be held by NTT DATA.

Based on the resolution at the Board of Directors meeting held on May 9, 2022, NTT will acquire shares of NTT DATA up to 60 million shares or 100 billion yen through market transactions, from the perspective of enhancing the cooperation with NTT DATA.

NTT is currently investigating the effects of these transactions on its consolidated financial statements.

NTT's resolution for purchase of treasury stock

NTT's resolution for purchase of treasury stock is described in "Note 4.1. Equity (1) Total number of authorized shares, issued shares and treasury stock".

(2) Other

Quarterly Information, etc. for the current fiscal year

Cumulative period	Three months ended June 30, 2021	Six months ended September 30, 2021	Nine months ended December 31, 2021	Fiscal year ended March 31, 2022
Operating revenue (Millions of yen)	¥ 2,892,570	¥ 5,887,647	¥ 8,923,226	¥ 12,156,447
Quarterly profit before taxes (current period) (Millions of yen)	496,282	1,015,294	1,553,958	1,795,525
Quarterly (current period) profit attributable to NTT (Millions of yen)	339,987	675,833	1,030,347	1,181,083
Quarterly (current period) basic earnings attributable to NTT per share (yen)	¥ 93.87	¥ 186.77	¥ 286.08	¥ 329.29

(Accounting period)	Q1	Q2	Q3	Q4
Quarterly basic earnings attributable to NTT per share (yen)	¥ 93.87	¥ 92.90	¥ 99.36	¥ 42.56

ITEM 6. STOCK-RELATED ADMINISTRATION FOR THE COMPANY

Fiscal year	From April 1 to March 31
Annual General Meeting of Shareholders	During June
Record Date	March 31
Record Date for Distributions of Surplus	September 30 March 31
Number of Shares Constituting One Unit	100 shares
Purchases and Sales of Less-than-one-Unit Shares	
Handling Office	Sumitomo Mitsui Trust Bank, Limited(Headquarters), 4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Transfer Agent	Sumitomo Mitsui Trust Bank, Limited 4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Forwarding Address	—
Purchase and Sale Fees	None
Method of Public Notice	NTT's method of public notice is through electronic disclosure. However, if NTT cannot use electronic disclosure due to accidents or for other unforeseen circumstances, NTT will provide public notice through <i>Nihon Keizai Shimbun</i> . NTT's URL for public notice is: https://group.ntt/en/ir/
Special Benefits to Shareholders	Not applicable.
Restrictions on Shareholder Eligibility	Pursuant to Article 6 of the Act on Nippon Telegraph and Telephone Corporation, Etc., the ratio of foreign ownership of voting rights to the total amount of voting rights of NTT's shares is permitted to be up to one-third.

Note: Pursuant to NTT's Articles of Incorporation, shareholders of NTT may not exercise rights with respect to shares representing less than one unit other than the following rights: rights set forth in Article 189, Paragraph 2 of the Companies Act; the right of request pursuant to the stipulations of Article 166, Paragraph 1 of the Companies Act; the right to receive allocations of offered shares and offered stock acquisition rights in accordance with the number of shares owned by the Shareholder; and the right to request the Company to sell shares in a number which, when combined with the shares representing less than one unit.

ITEM 7. REFERENCE INFORMATION ON THE COMPANY

1. Information about the Parent Company of the Company

NTT has no “parent company” as such term is defined in Article 24, Paragraph 7-1 of the Financial Instruments and Exchange Act of Japan.

2. Other Reference Information

NTT filed the following materials during period from April 1, 2021 to the date of the filing of this Annual Securities Report:

(1) Annual Securities Report, Including Attachments and Confirmation Letter

Fiscal Year (36th Business Term) (from April 1, 2020 to March 31, 2021)

Filed with the Director of the Kanto Local Finance Bureau on June 25, 2021

(2) Internal Control Report, Including Attachments

Fiscal Year (36th Business Term) (from April 1, 2020 to March 31, 2021)

Filed with the Director of the Kanto Local Finance Bureau on June 25, 2021

(3) Quarterly Reports and Confirmation Letters

First Quarter, 37th Business Term (from April 1, 2021 to June 30, 2021)

Filed with the Director of the Kanto Local Finance Bureau on August 10, 2021

Second Quarter, 37th Business Term (from July 1, 2021 to September 30, 2021)

Filed with the Director of the Kanto Local Finance Bureau on November 11, 2021

Third Quarter, 37th Business Term (from October 1, 2021 to December 31, 2021)

Filed with the Director of the Kanto Local Finance Bureau on February 8, 2022

(4) Correction Quarterly Reports and Confirmation Letters

Correction Report on the Quarterly Reports and Confirmation Letters of Third Quarter, 36th Business Term (from October 1, 2020 to December 31, 2020)

Filed with the Director of the Kanto Local Finance Bureau on February 21, 2022

(5) Extraordinary Reports

Extraordinary Report Pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.

Filed with the Director of the Kanto Local Finance Bureau on June 25, 2021

Extraordinary Report Pursuant to Article 19, Paragraph 2, Item 16-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.

Filed with the Director of the Kanto Local Finance Bureau on May 9, 2022

Extraordinary Report Pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.

Filed with the Director of the Kanto Local Finance Bureau on June 27, 2022

(6) Stock Repurchase Status Reports

Reporting Period (from August 1, 2021 to August 31, 2021)

Filed with the Director of the Kanto Local Finance Bureau on September 1, 2021

Reporting Period (from September 1, 2021 to September 30, 2021)

Filed with the Director of the Kanto Local Finance Bureau on October 1, 2021

Reporting Period (from October 1, 2021 to October 31, 2021)

Filed with the Director of the Kanto Local Finance Bureau on November 1, 2021

Reporting Period (from November 1, 2021 to November 30, 2021)

Filed with the Director of the Kanto Local Finance Bureau on December 1, 2021

Reporting Period (from December 1, 2021 to December 31, 2021)

Filed with the Director of the Kanto Local Finance Bureau on January 6, 2022

Reporting Period (from January 1, 2022 to January 31, 2022)

Filed with the Director of the Kanto Local Finance Bureau on February 1, 2022

Reporting Period (from February 1, 2022 to February 28, 2022)

Filed with the Director of the Kanto Local Finance Bureau on March 1, 2022

Reporting Period (from March 1, 2022 to March 31, 2022)

Filed with the Director of the Kanto Local Finance Bureau on April 1, 2022

Reporting Period (from May 1, 2022 to May 31, 2022)

Filed with the Director of the Kanto Local Finance Bureau on June 8, 2022

PART II. INFORMATION ABOUT GUARANTORS OF THE COMPANY

Not applicable.

[English Translation of the Independent Auditor's Report Originally Issued in the Japanese Language]

Independent Auditor's Report

To the Board of Directors of Nippon Telegraph and Telephone Corporation:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Nippon Telegraph and Telephone Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to "Realignment of the Global Business", Note 5.5. "Subsequent Events" to the consolidated financial statements which describes that NTT has resolved at the Board of Directors meeting held on May 9, 2022, that it will realign NTT group's global business by grouping the global businesses operated under NTT, Inc. and NTT Ltd. with the global business operated by NTT DATA group, and has executed with NTT DATA a master agreement regarding the Realignment and shareholders' agreement. Based on the resolution at the Board of Directors meeting held on May 9, 2022, NTT will acquire shares of NTT DATA up to 60 million shares or 100 billion yen through market transactions.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill of NTT DATA Services	
The Key Audit Matter	How the Matter Was Addressed in the Audit
<p>As described in Note 3.7. “Goodwill and Intangible Assets” to the consolidated financial statements, NIPPON TELEGRAPH AND TELEPHONE CORPORATION and its subsidiaries (hereinafter collectively referred to as “the Group”) reported goodwill of JPY1,213,009million in the consolidated statement of financial position as of March 31, 2022. Included therein was JPY460,524 million of goodwill allocated to a cash-generating unit (“CGU”) of NTT DATA Services.</p> <p>Goodwill is required to be tested for impairment annually and more frequently whenever it is determined that there is an impairment indicator. If the recoverable amount of a CGU to which goodwill has been allocated is less than the carrying amount, the carrying amount shall be reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is determined as the higher of either the value in use (“VIU”) or the fair value less costs of disposal (“FVLCD”).</p> <p>In the current fiscal year, as the FVLCD used as the recoverable amount exceeded the carrying amount of the CGU of NTT DATA Services by JPY106,577 million in the annual impairment testing, no impairment loss was recognized.</p> <p>The Group uses a combination of the discounted cash flow (“DCF”) method and the guideline public company method to calculate the fair value component of FVLCD. The future cash flows used in the DCF method are estimated based on the business plan and the perpetual growth rates by incorporating market expectations. Key assumptions adopted in developing these estimates, such as the prospects for new orders, the plans for profitability improvement through structural changes, and the expectations of growth in the U.S. economy and the IT services industry, involved a high degree of uncertainty.</p> <p>In addition, selecting appropriate calculation methods and input data for estimating the discount rates used in the DCF method and for applying the guideline public company method required a high degree of expertise in valuation.</p>	<p>In order to assess the reasonableness of the estimated FVLCD of the CGU of NTT DATA Services to which goodwill has been allocated, we requested the component auditors of NTT DATA Services to perform an audit, and then we evaluated the report of the component auditors to conclude on whether sufficient and appropriate audit evidence was obtained from the following procedures, among others:</p> <p>(1) Internal control testing</p> <p>We evaluated the design and tested the operating effectiveness of certain of the Group’s internal controls over estimating FVLCD, with a particular focus on the following controls:</p> <ul style="list-style-type: none"> ● Controls to ensure the reasonableness of the estimated future cash flows; and ● Controls to evaluate the qualification, competency and other necessary credentials of the experts engaged by the Group who assisted in estimating FVLCD. <p>(2) Assessment of the reasonableness of the estimated FVLCD</p> <p>In order to assess the appropriateness of key assumptions underlying the business plan of NTT DATA Services, which was used to establish the basis for estimating the cash flow projections, we inquired of management of the Group about the rationale for each assumption and primarily performed the following procedures.</p> <ul style="list-style-type: none"> ● assessed the accuracy of the estimates by comparing the business plan of the previous fiscal year with the actual results, and assessed the reasonableness of key assumptions underlying the business plan by comparing the prospects for latest new orders, market outlook published by an external research organization and the historical profit margin; and ● evaluated the rationality of the effect of profitability improvement through structural changes expected in the business plan by comparing a profit margin used in the business plan with those of peer companies. <p>In addition, we primarily performed the following procedures by involving corporate valuation specialists within the network firms</p>

Accordingly, we determined that our assessment of the reasonableness of the estimated FVLCD of the CGU of NTT DATA Services to which goodwill has been allocated was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

of the component auditors that assisted the assessment:

- assessed the appropriateness of the valuation technique and the calculation method adopted by management;
- assessed the appropriateness of the perpetual growth rates by comparing them with the average long-term growth rates of the U.S. economy and the IT services industry;
- assessed the appropriateness of input data used to calculate the discount rates, including long-term interest rates in the U.S. and peer companies' capital structure ratios, by comparing them with relevant market data; and
- assessed the appropriateness of the valuation multiples used in the guideline public company method by comparing them with those independently calculated using relevant market data .

Further, we analyzed the sensitivity to changes in input data on the measurement of FVLCD, and on management's judgment as to whether an impairment loss should be recognized.

Valuation of goodwill of NTT Ltd. - Services	
The Key Audit Matter	How the Matter Was Addressed in the Audit
<p>As described in Note 3.7. “Goodwill and Intangible Assets” to the consolidated financial statements, NIPPON TELEGRAPH AND TELEPHONE CORPORATION and its subsidiaries (hereinafter collectively referred to as “the Group”) reported goodwill of JPY1,213,009 million in the consolidated statement of financial position as of March 31, 2022. Included therein was JPY273,535 million of goodwill allocated to a group of cash-generating units (“CGUs”) of NTT Ltd. - Services.</p> <p>Goodwill is required to be tested for impairment annually and more frequently whenever it is determined there is an impairment indicator. If the recoverable amount of a group of CGUs to which goodwill is allocated is less than the carrying amount, the carrying amount shall be reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is determined as the higher of either the value in use (“VIU”) or the fair value less costs of disposal (“FVLCD”).</p> <p>In the current fiscal year, as the FVLCD used as the recoverable amount exceeded the carrying amount of the group of CGUs of NTT Ltd. - Services by JPY117,370 million in the annual impairment testing, no impairment loss was recognized.</p> <p>The Group uses the discounted cash flow (“DCF”) method to calculate the fair value component of FVLCD. The future cash flow used in the DCF method are estimated based on the business plans and the perpetual growth rates by incorporating market expectations. Key assumptions adopted in developing these estimates, such as the projections of the growth of the relevant IT services industry and the prospects for future revenue growth from major capital investments, involved a high degree of uncertainty.</p> <p>In addition, selecting appropriate calculation methods and input data for estimating the discount rates used in the DCF method requires a high degree of expertise in valuation.</p> <p>Accordingly, we determined that our</p>	<p>In order to assess the reasonableness of the estimated FVLCD of the group of CGUs of NTT Ltd. - Services to which goodwill has been allocated, we requested the component auditors of NTT Ltd. to perform audit procedures, and then we evaluated the report of component auditors to conclude on whether sufficient and appropriate audit evidence was obtained. In addition, we primarily performed the following procedures:</p> <p>(1) Internal control testing</p> <p>We evaluated the design and tested the operating effectiveness of certain of the Group’s internal controls over estimating FVLCD, with a particular focus on the following controls:</p> <ul style="list-style-type: none"> • Controls to ensure the reasonableness of the estimated future cash flows; and • Controls to evaluate the qualification, competency and other necessary credentials of the experts engaged by the Group who assisted in estimating FVLCD. <p>(2) Assessment of the reasonableness of the estimated FVLCD</p> <p>In order to assess the appropriateness of key assumptions underlying the business plan of NTT Ltd. - Services, which was used to establish the basis for estimating the cash flow projections, we inquired of management of the Group about the rationale for each assumption in particularly the feasibility of capital investments and the specific contents of revenue and profit earning scenarios, and primarily performed the following procedures.</p> <ul style="list-style-type: none"> • assessed the accuracy of the estimates by comparing the business plan of the previous fiscal year with the actual results, and assessed the reasonableness of key assumptions underlying the business plan by comparing the prospects for market outlook published by an external research organization and the historical profit margin; and • assessed the feasibility of the projected revenue and profit by obtaining and inspecting contracts with current customers and confirming the

assessment of the reasonableness of the estimated FVLCD of the group of CGU of NTT Ltd. - Services which goodwill has been allocated was one of most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

contribution of those long-term contracts to the projected revenue and profit.

In addition, we primarily performed the following procedures by involving corporate valuation specialists within our global network firms who assisted the assessment:

- assessed the appropriateness of the valuation technique and the calculation method adopted by management;
- assessed the appropriateness of the perpetual growth rates by comparing them with the long-term growth rates, inflation expectations, and market growth rates in each country; and
- assessed the appropriateness of input data used to calculate the discount rate, including peer companies' capital structure ratios, by comparing them with relevant market data.

Further, we analyzed the sensitivity to changes in input data on the measurement of FVLCD, and on management's judgment as to whether an impairment loss should be recognized.

Revenue recognition for revenues from telecommunications services and from sales of telecommunications terminal equipment

The Key Audit Matter	How the Matter Was Addressed in the Audit						
<p><Accuracy of Revenue Recognition for revenues from the Telecommunications Services></p> <p>As described in Note 2.2. “Operating Revenue” to the consolidated financial statements, NIPPON TELEGRAPH AND TELEPHONE CORPORATION and its subsidiaries (hereinafter collectively referred to as “the Group”) recognized operating revenues of JPY12,156,447 million in the consolidated statement of profit or loss for the year ended March 31, 2022. Included therein were revenues from the following telecommunications services:</p> <table border="1" data-bbox="164 797 751 1081"> <tr> <td>Fixed voice-related services</td><td>JPY916,126 million</td></tr> <tr> <td>Mobile voice-related services</td><td>JPY1,102,548 million</td></tr> <tr> <td>IP/packet communications services</td><td>JPY3,444,773 million</td></tr> </table> <p>Operating revenues also included revenues from sales of telecommunications terminal equipment of JPY694,701 million.</p> <p>The telecommunication services provided by the Group are composed of multiple layers of charges with different pricing structures, such as a fixed basic charge, and packet communication charge and phone charge that are variable depending on usage. The combinations of these charges are diverse and complex. Moreover, the entire revenue recognition process is highly dependent upon the IT systems, as the volume of transactions for telecommunications services is very large and the processing from the commencement of services to the billing of charges is complex.</p> <p>Among them, the following business processes are particularly complex, and there is a risk that the automated processing and data transfers included in the processes may not be performed appropriately:</p> <ul style="list-style-type: none"> Automated business processes of creating call records, calculating charges and discounts, calculating billing amounts, calculating revenue amounts, and generating accounting entries; and 	Fixed voice-related services	JPY916,126 million	Mobile voice-related services	JPY1,102,548 million	IP/packet communications services	JPY3,444,773 million	<p>The primary procedures we performed to assess the accuracy of revenue recognition for revenues from telecommunications services included the following:</p> <p>(1) Internal control testing</p> <p>In order to evaluate the accuracy of revenue recognition for revenues from telecommunications services, we obtained an understanding of the IT systems that calculate telecommunications service charges with the assistance of IT specialists within our firm. Then, we evaluated the design and tested the operating effectiveness of certain automated IT application controls that ensure the accuracy, completeness and validity of data, with a particular focus on the following controls:</p> <ul style="list-style-type: none"> Controls over the automated calculation of telecommunication charges and discounts based on packet usage, call data and unit price data in the billing system; and Controls over interfaces between the IT systems, such as the contract management system, the data volume record system, the billing system and the accounting system. <p>Furthermore, regarding the IT systems which were subjected to the testing for automated IT application controls, we identified the general IT controls that ensure the consistency in automated processing, including controls over program development and change management and system operation management, and then we evaluated the design and tested the operating effectiveness of those controls.</p> <p>(2) Assessment of the accuracy of revenue recognition</p> <p>In order to assess the accuracy of revenue recognition for revenues from telecommunications services, we primarily performed the following procedures:</p> <ul style="list-style-type: none"> Projected revenues calculated based on the number of nationwide subscriptions and market share data published by the Ministry of Internal Affairs and Communications, or the number of contracts generated from the business
Fixed voice-related services	JPY916,126 million						
Mobile voice-related services	JPY1,102,548 million						
IP/packet communications services	JPY3,444,773 million						

- Automated business processing of data transfers between the systems

Accordingly, we determined that our assessment of the accuracy of revenue recognition for revenues from telecommunications services was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

processing systems, and a historical trend of charge rates, and compared the projected revenue with actual results;

- Recalculated the amount of revenue recorded based on the billing to customers, on a sample basis, based on the charge plan and usage data for each contract of telecommunication services; and
- For certain transactions of telecommunication services, compared the amount of revenue recorded based on the billing to customers with the amount of cash received for each contract.

<Reasonableness of the estimates used in revenue recognition for revenue from telecommunications services and from sales of telecommunications terminal equipment >

As described in Note 2.2. “Operating Revenue” to the consolidated financial statements, the Group offers a point program primarily for telecommunications services, and the contract liabilities associated with this point program were included in the total contract liabilities of JPY895,193 million. As described in Note 2.2. “Operating Revenue” and Note 3.13. “Other Liabilities”, the Group also provides a program under which certain installment receivables from sales of telecommunications terminal equipment are waived on the condition that the equipment is returned, and accordingly, the Group recognized refund liabilities of JPY51,775million related to this program.

When points are granted to customers through the provision of telecommunications services, the transaction price is allocated to the revenue from telecommunication services and the revenue for points used on a relative standalone selling price basis. Of the transaction price allocated to the points, an unused portion is recorded as contract liabilities, and subsequently, those points are recognized as revenue when they are redeemed.. Key assumptions used in estimating the standalone selling price include the estimated expiration of the points and the value of goods and services for which the points will be exchanged, which required management judgment..

Furthermore, under the program that waives part of installment receivables from sales of telecommunications terminal equipment on the condition that the equipment is returned, the amount expected to be waived is recorded as refund liabilities which reduce revenues from sales of telecommunications terminal equipment. The refund liabilities are required to be estimated at an amount that a significant reversal of revenue will not occur in subsequent years. For this reason, management judgement had a significant effect on assumptions such as the return rate and the expected time of return.

Accordingly, we determined that our assessment of the reasonableness of the

The primary procedures we performed to assess the reasonableness of the estimates used in revenue recognition for revenues from telecommunications services and from sales of telecommunications terminal equipment included the following:

(1) Internal control testing

We evaluated the design and tested the operating effectiveness of certain of the Group’s internal controls over the estimates used in revenue recognition. These controls included a comparison of historical estimates and actual results and an analysis of the variances performed by management.

(2) Assessment of the appropriateness in the estimates used in revenue recognition

In order to assess the reasonableness of key assumptions used in estimating contract liabilities for the point program, we primarily performed the following procedures:

- Compared the estimate of the expiration of points with historical utilization and expiration rates, and then assessed the reasonableness of the estimate of future expiration by inquiring of management about the policies for future point program measures and inspecting the supporting materials; and
- Inspected the agreements with alliance partners and other relevant materials and inquired of management about the status of the points usage including the details of goods and services for which points can be exchanged.

Furthermore, to assess the reasonableness of the estimate of refund liabilities in relation to the program that waives a portion of installment receivables from sales of telecommunications terminal equipment on the condition that the equipment is returned, we primarily performed the following procedures:

- Compared the expected return rate and timing of returns by customers, which formed the basis for estimating refund liabilities, with historical data on similar transactions; and
- Inquired of management about its determination on assumptions used in estimating refund liabilities that it is highly probable that significant reversals

estimates used in revenue recognition for revenues from telecommunications services and from sales of telecommunications terminal equipment was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

of revenue would not occur in subsequent years, inspected the relevant supporting materials, and then analyzed the sensitivity to changes in these assumptions on the possibility of revenue reversal.

Other Information

The other information comprises the information included in the annual security report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit and Supervisory Board Members and Audit and Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit and supervisory board members and the audit and supervisory board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's 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 auditor's 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 auditing standards generally accepted in Japan 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 our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism 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, while the objective of the audit is not to express 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 management.
- Conclude on the appropriateness of management's 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, 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 audit and supervisory board members and the audit and supervisory board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit and supervisory board members and the audit and supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with audit and supervisory board members and the audit and supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of Nippon Telegraph and Telephone Corporation (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”) as at March 31, 2022.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2022, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit and Supervisory Board Members and the Audit and Supervisory Board for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Audit and supervisory board members and the audit and supervisory board are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor’s Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor’s report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor’s judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction,

supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with audit and supervisory board members and the audit and supervisory board regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide audit and supervisory board members and the audit and supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan

Yutaka Terasawa
Designated Engagement Partner
Certified Public Accountant

Kenji Tanaka
Designated Engagement Partner
Certified Public Accountant

Masashi Oki
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 27, 2022

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed With]	Director, Kanto Local Finance Bureau
[Filing Date]	June 27, 2022
[Company Name]	Nippon Denshin Denwa Kabushiki Kaisha
[Company Name in English]	NIPPON TELEGRAPH AND TELEPHONE CORPORATION
[Title and Name of Representative]	Akira Shimada, President and Chief Executive Officer
[Title and Name of Chief Financial Officer]	Takashi Hiroi, Senior Executive Vice President
[Address of Head Office]	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report

Mr. Akira Shimada, President and Chief Executive Officer, and Mr. Takashi Hiroi, Senior Executive Vice President, confirmed that statements contained in the Annual Securities Report for the 37th Business Term (from April 1, 2021 to March 31, 2022) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.

[Cover]

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed With]	Director, Kanto Local Finance Bureau
[Filing Date]	June 27, 2022
[Company Name]	Nippon Denshin Denwa Kabushiki Kaisha
[Company Name in English]	NIPPON TELEGRAPH AND TELEPHONE CORPORATION
[Title and Name of Representative]	Akira Shimada, President and Chief Executive Officer
[Title and Name of Chief Financial Officer]	Takashi Hiroi, Senior Executive Vice President
[Address of Head Office]	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

1. Matters Related to the Basic Framework for Internal Control over Financial Reporting

Mr. Akira Shimada, President and Chief Executive Officer, and Mr. Takashi Hiroi, Senior Executive Vice President, are responsible for the maintenance and operation of internal control over financial reporting of NTT. We maintain and operate internal control over financial reporting in accordance with the basic framework of internal control indicated in “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

In addition, internal control seeks to achieve its purpose within a reasonable range through the organic combination and functioning of its basic elements. As a result, internal control over financial reporting may not be able to completely prevent or detect false statements in financial reporting.

2. Matters Related to Scope of Assessment, Record Date, and Assessment Procedures

The evaluation of internal control over financial reporting is conducted with a record date of March 31, 2022, which is the last day of the current consolidated fiscal year, and is made in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, management conducted an evaluation of internal controls that have a material effect on the entirety of NTT’s financial reporting on a consolidated basis (“company-level controls”), and based on the results of that evaluation, selected business processes to be evaluated. In management’s evaluation of those business processes, management analyzed the selected business processes, identified key controls that have a material effect on the reliability of the NTT’s financial reporting, and assessed the maintenance and operation status of these key controls. These procedures were the basis of management’s evaluation of the effectiveness of NTT’s internal control.

Management determined the required scope of assessment of internal control over financial reporting for NTT, its consolidated subsidiaries and its affiliates accounted for under the equity method from the perspective of the materiality of the effect on the reliability of financial reporting. This materiality of the effect on the reliability of financial reporting is determined by assessing the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes based on the results of our evaluation of internal controls of NTT and 11 consolidated subsidiaries taken as a whole. Consolidated subsidiaries and affiliates accounted for under the equity method who were determined to not be material from a quantitative or qualitative perspective were not included in the scope of evaluation of internal controls of the company as a whole.

Regarding the scope of the assessment of internal control over business processes, we totaled the figures from business units with high operating revenues (after eliminating intercompany transactions) for the previous consolidated fiscal year for each business unit. We designated five business units as “significant business units,” consisting of the three business units that accounted for approximately 2/3 of consolidated operating revenues for the previous consolidated fiscal year, together with business units that were qualitatively significant. At the selected significant business units, we included for purposes of our assessment those business processes that lead to operating revenues, operating receivables and other receivables (trade notes and accounts receivable), inventories and property, plant and equipment (telecommunications equipment and telecommunications line facilities). In addition, we have also included in the scope of our assessment, as business processes having greater materiality considering their impact on financial reporting (regardless of whether or not they are part of a significant business unit), business processes involving critical accounts that have a greater likelihood of containing material misstatements or that involve estimates and projections, as well as business processes involving high-risk transactions or operations.

3. Matters Related to the Results of the Assessment

As a result of the assessment described above, management concluded that, as of March 31, 2022, NTT’s internal control over financial reporting is effective based on those criteria.

4. Supplementary Matters

None.

5. Special Notes

None.