

Corporate Governance

Overview of Corporate Governance System

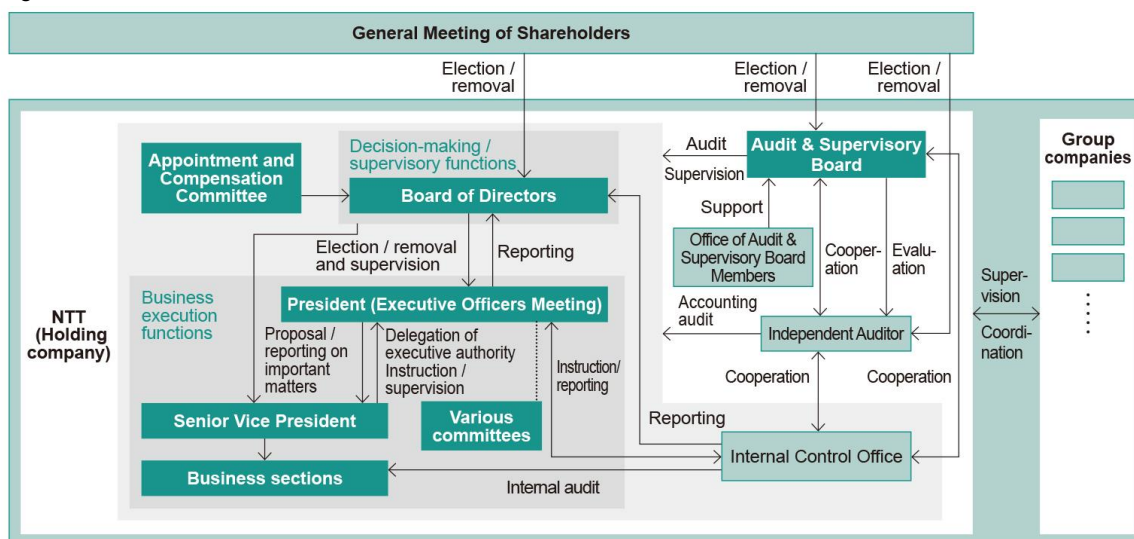
Basic Policy

As the holding company of the NTT Group, NTT believes that raising the effectiveness of corporate governance is an important management issue for meeting the expectations of various stakeholders, including shareholders and other investors, as well as customers, business partners, and employees, and for maximizing corporate value. Accordingly, NTT is working to strengthen corporate governance based on the purpose of the principles of the Corporate Governance Code promulgated. Based on NTT’s “Your Value Partner 2025” Medium-Term Management Strategy, which was formulated and announced, in order to work together with all its partners to promote initiatives to resolve social issues in its role as “Your Value Partner,” NTT will work toward ensuring sound management, executing appropriate decision-making and business activities, clarifying accountability, and maintaining thorough compliance as basic policies.

Corporate Governance System

NTT, in order to strengthen functions for appropriately supervising and auditing business execution, seeks to strengthen its auditing system by appointing several outside independent Members of the Board, and by establishing an Audit & Supervisory Board, of which outside independent Audit & Supervisory Board Members make up a majority.

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.



(As of June 30, 2020)

| Committee name | Overview |
|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 corporate management and Group management. Moreover, through such means as periodic reports from members of the board on the status of the execution of members' duties, the Board of Directors supervises the execution members of the board and senior vice presidents. |
| Audit & Supervisory Board | From an independent perspective that differs from that of individuals responsible for business execution, the Audit & Supervisory Board implements operational audits and accounting audits and audits the status of the execution of duties by members of the board. |
| Appointment and Compensation Committee | For the purpose of improving objectivity and transparency, NTT has established the Appointment and Compensation Committee, which consists of four members of the board, including two outside independent members of the board, as a preliminary review institution of the Board of Directors, and is increasing the effectiveness of governance. |
| Executive Officers Meeting | Important corporate matters to be decided are, in principle and in advance, discussed at the Executive Officers Meeting, 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. |
| Various Committees | A number of committees have been established below the Executive Officers Meeting to discuss specific important business execution-related matters. Major committees include the Technology Strategy Committee, which deliberates on the Group's R&D vision and technology development strategy; the Investment Strategy Committee, which examines investment projects that are larger than a certain scale; and the Finance Strategy Committee, which discusses basic financial strategies and issues. These committees, which are held as necessary throughout the year, are in principle chaired by the president or a senior executive vice president and are attended by relevant senior vice presidents and other designated members. |

Major Committees

| Committee name | Overview |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| CSR Committee | Formulates basic CSR strategy and CSR goals for the Group, formulates basic policy for CSR-related reports |
| Corporate Ethics Committee | Establishes corporate ethics, takes thorough steps to maintain discipline |
| Human Rights Education Committee | Establishes human rights education systems and responds to discrimination incidents, etc. |
| Technology Strategy Committee | Formulates R&D vision, technology development strategy, and R&D alliance strategy |
| Investment Strategy Committee | Formulates investment strategy related to large investment projects, etc. |
| Finance Strategy Committee | Formulates basic strategies related to finance and policies for addressing financial issues |
| Business Risk Management Committee | Undertakes crisis management for the handling of new business risks related to corporate management |
| Disclosure Committee | Establishes policies for compiling yearly reports |
| Internal Control Committee | Provides support for and monitoring of matters related to Group-wide internal control over financial reporting |
| Group CIO Committee | Coordinates matters including Group-wide IT policy discussions and systems development for Group-wide optimization |
| Group CISO Committee | Formulates the Group's information security management strategies |

Board of Directors

(As of June 30, 2020)

| Name | Position Responsibility | Years on the Board | Shares Owned | Number of Meetings Attended | Background and Experience | Principal Concurrent Positions |
|---------------------|------------------------------------------------------------|--------------------|--------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Hiromichi Shinohara | Chairman of the Board | 11 | 44,300 | 11 | Apr. 1978 Joined Nippon Telegraph and Telephone Public Corporation Jun. 2009 Senior Vice President Head of Research and Development Planning Member of the Board of the Company Jun. 2011 Senior Vice President Head of Research and Development Planning Head of the Information Sharing Laboratory Group Member of the Board of the Company Oct. 2011 Senior Vice President Head of Research and Development Planning Member of the Board of the Company Jun. 2012 Executive Vice President Head of Research and Development Planning Member of the Board of the Company Jun. 2014 Senior Executive Vice President Head of Research and Development Planning Member of the Board of the Company Jun. 2018 Chairman of the Board of the Company (present post) | None |
| Jun Sawada | President and Chief Executive Officer; Member of the Board | 6 | 34,400 | 11 | Apr. 1978 Joined Nippon Telegraph and Telephone Public Corporation Jun. 2008 Senior Vice President Executive Manager of Corporate Strategy Planning Department Member of the Board of NTT Communications Corporation Jun. 2011 Executive Vice President Executive Manager of Corporate Strategy Planning Department Member of the Board of NTT Communications Corporation Jun. 2012 Senior Executive Vice President Executive Manager of Corporate Strategy Planning Department Member of the Board of NTT Communications Corporation Jun. 2013 Senior Executive Vice President Member of the Board of NTT Communications Corporation Jun. 2014 Senior Executive Vice President Representative Member of the Board of the Company Jun. 2018 President and Chief Executive Officer Member of the Board of the Company (present post) Aug. 2018 President and Chief Executive Officer Member of the Board of NTT, Inc. (present post) | President and Chief Executive Officer, Representative Member of the Board of NTT, Inc |

| Name | Position Responsibility | Years on the Board | Shares Owned | Number of Meetings Attended | Background and Experience | Principal Concurrent Positions |
|------------------|----------------------------------------------------------------------------------------------------------|--------------------|--------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| Akira Shimada | Senior Executive Vice President; In charge of business strategy and risk management; Member of the Board | 8 | 21,908 | 11 | <p>Apr. 1981 Joined Nippon Telegraph and Telephone Public Corporation</p> <p>Jun. 2007 Vice President of Corporate Strategy Planning of the Company</p> <p>Jul. 2007 General Manager of the Accounts and Finance Department of Nippon Telegraph and Telephone West Corporation</p> <p>Jul. 2009 General Manager of the General Affairs and Personnel Department of Nippon Telegraph and Telephone East Corporation</p> <p>Jun. 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>Jun. 2012 Senior Vice President Head of the General Affairs Member of the Board of the Company</p> <p>Jun. 2012 Member of the Board of Nippon Telegraph and Telephone West Corporation</p> <p>Jun. 2015 Executive Vice President Head of General Affairs Member of the Board of the Company</p> <p>Jun. 2018 Senior Executive Vice President Member of the Board of the Company (present post)</p> <p>Aug. 2018 Member of the Board of NTT, Inc.</p> <p>Oct. 2018 Senior Executive Vice President of NTT, Inc. (present post)</p> | Senior Executive Vice President of NTT, Inc. |
| Naoki Shibutani | Representative Member of the Board | — | 9,200 | — | <p>Apr. 1985 Joined the Company</p> <p>Jul. 2013 Executive Manager of the Medium-term Management Strategies Promotion Office of the Corporate Strategy Planning Department of Nippon Telegraph and Telephone East Corporation</p> <p>Jun. 2014 Senior Vice President Executive Manager of the Plant Planning Department of the Network Business Headquarters Member of the Board of Nippon Telegraph and Telephone East Corporation</p> <p>Jul. 2017 Senior Vice President Executive Manager of the Plant Planning Department of the Network Business Headquarters and Tokyo Olympic & Paralympic Promotion Office Member of the Board of Nippon Telegraph and Telephone East Corporation</p> <p>Jun. 2018 Senior Executive Vice President Senior Executive Manager of the New Business Development Headquarters Member of the Board of Nippon Telegraph and Telephone East Corporation</p> <p>Jul. 2019 Senior Executive Vice President Senior Executive Manager of the New Business Development Headquarters and the Digital Transformation Headquarters Member of the Board of Nippon Telegraph and Telephone East Corporation</p> <p>Jun. 2020 Senior Executive Vice President Representative Member of the Board of the Company (present post)</p> | None |
| Katsuhiko Shirai | Outside Independent Member of the Board | 8 | 9,600 | 11 | <p>Apr. 1965 Assistant of the First Faculty of Science and Engineering of Waseda University</p> <p>Apr. 1968 Full-time lecturer of the Faculty of Science and Engineering of Waseda University</p> <p>Apr. 1970 Assistant Professor of the Faculty of Science and Engineering of Waseda University</p> <p>Apr. 1975 Professor of the Faculty of Science and Engineering of Waseda University</p> <p>Nov. 1994 Director of Academic Affairs and Director of the International Exchange Center of Waseda University</p> <p>Nov. 1998 Executive Director of Waseda University</p> <p>Nov. 2002 President of Waseda University</p> <p>Nov. 2010 Educational Advisor of Waseda University</p> <p>Apr. 2011 Chairperson of the Foundation for the Open University of Japan</p> <p>Jun. 2012 Member of the Board of the Company (present post)</p> <p>Jun. 2012 Director of Japan Display, Inc.</p> <p>Nov. 2016 Honorary Advisor of Waseda University (present post)</p> | Honorary Advisor of Waseda University |

| Name | Position Responsibility | Years on the Board | Shares Owned | Number of Meetings Attended | Background and Experience | Principal Concurrent Positions |
|---------------------|-----------------------------------------|--------------------|--------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sadayuki Sakakibara | Outside Independent Member of the Board | 8 | 20,500 | 11 | <p>Apr. 1967 Joined Toyo Rayon Co., Ltd. (currently registered as Toray Industries, Inc.)</p> <p>Jun. 2002 President of Toray Industries, Inc.</p> <p>Jun. 2010 Chairman and Representative Member of the Board of Toray Industries, Inc.</p> <p>Director of the Board of Mitsui O.S.K. Lines, Ltd.</p> <p>Jun. 2012 Member of the Board of the Company (present post)</p> <p>Jun. 2013 Director of Hitachi, Ltd.</p> <p>Jun. 2014 Chairman of the Japan Business Federation (Keidanren)</p> <p>Jun. 2014 Chairman of the Board of Directors, Toray Industries, Inc.</p> <p>Jun. 2015 Chief Senior Adviser and Chief Senior Counselor of Toray Industries, Inc.</p> <p>Jun. 2017 Senior Adviser of Toray Industries, Inc.</p> <p>Jun. 2018 Special Adviser of Toray Industries, Inc.</p> <p>Jun. 2018 Honorary Chairman of the Japan Business Federation (present post)</p> <p>Mar. 2019 Outside Director of SHIMANO INC. (present post)</p> <p>May. 2019 Outside Director of Nitori Holdings Co., Ltd. (present post)</p> <p>Dec. 2019 Director and Chairperson of the Board of Japan Investment Corporation (present post)</p> <p>Jun. 2020 Chairman of the Board of The Kansai Electric Power Co., Inc. (present post)</p> | <p>Outside Director of SHIMANO INC.</p> <p>Outside Director of Nitori Holdings Co., Ltd.</p> <p>Outside Director of Japan Investment Corporation</p> <p>Outside Director of Kansai Electric Power Company</p> |
| Ken Sakamura | Outside Independent Member of the Board | 1 | 900 | 8 | <p>Apr. 2000 Professor of the Interfaculty Initiative in Information Studies and the Graduate School of Interdisciplinary Information Studies of the University of Tokyo</p> <p>Jan. 2002 Director of YRP Ubiquitous Networking Laboratory (present post)</p> <p>Apr. 2009 Director of Institute of Infrastructure Application of Ubiquitous Computing of the Interfaculty Initiative in Information Studies of the University of Tokyo</p> <p>Oct. 2014 President of Vitalizing Local Economy Organization by Open Data & Big Data (present post)</p> <p>Apr. 2017 Professor and Dean of Faculty of Information Networking for Innovation and Design of Toyo University (present post)</p> <p>Head of collaboration Hub for University and Business of Toyo University</p> <p>Jun. 2017 Emeritus Professor of the University of Tokyo (present post)</p> <p>Jun. 2019 Member of the Board of the Company (present post)</p> <p>Aug. 2019 President of Association for IoT Services Coordination (present post)</p> | <p>Professor and Dean of Faculty of Information Networking for Innovation and Design of Toyo University</p> |
| Keiko Takegawa | Outside Independent Member of the Board | 1 | 600 | 8 | <p>Jul. 2008 Director-General for Policies on Cohesive Society and Minister's Secretariat of Cabinet Office</p> <p>Jul. 2009 Director-General for Gender Equality Bureau of Cabinet Office</p> <p>Dec. 2012 Director-General of the Public Relations Office of Cabinet Office</p> <p>Jul. 2014 Director of the Gender Equality Bureau of Cabinet Office</p> <p>Apr. 2019 Professor of Showa Women's University</p> <p>Jun. 2019 Member of the Board of the Company (present post)</p> <p>Jun. 2019 Audit & Supervisory Board Member of MITSUI MINING & SMELTING CO., LTD. (present post)</p> <p>Apr. 2020 Professor and Dean of Faculty of Global Business of Showa Women's University (present post)</p> | <p>Professor of Showa Women's University</p> <p>Audit & Supervisory Board Member of MITSUI MINING & SMELTING CO., LTD.</p> |

Activities and Evaluation of the Effectiveness of the Board of Directors

The Board of Directors of NTT decides important items related to the Group's management which have passed the Executive Officers Meeting, made up of the senior vice presidents 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 senior vice presidents, while also monitoring the status of the execution of the duties of the individual Members of the Board and senior vice presidents., while also monitoring the status of the execution of the duties of the individual members of the board and senior vice presidents.

In fiscal 2019, active discussions were held centering on important matters related to company and group management, such as partnerships and other initiatives to advance the B2B2X model under the Medium-Term Management Strategy "Your Value Partner 2025," as well as the formulation of policies to further strengthen governance. Furthermore, in addition to holding advance explanations for outside independent members of the board on matters discussed at previous meetings of the Board of Directors, in fiscal 2019, explanations of matters such as immediate issues and the status of considerations were also given in fiscal 2019 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 working to strengthen the supervisory function of the Board of Directors. Furthermore, to allow the outside independent members of the board to more deeply understand the Company's business, meetings were held to exchange ideas and opinions on the executives and individual management strategies of the major subsidiaries. They also attended exhibitions of research and development efforts that the Company is focusing on and received explanations on topics such as the results of cutting-edge research. In addition, ideas and

opinions on issues related to Group management were exchanged among the independent outside members of the board and the Audit & Supervisory Board members, among the outside independent members of the board and the representative members of the board, among the outside independent members of the board and the executives of the major Group companies in and outside Japan, and among the outside independent members of the board of NTT and the outside independent members of the board of the major Group companies and other members.

In these meetings, we received opinions on NTT's Board of Directors from the outside independent members of the board and the Audit & Supervisory Board members that adequate information is provided and members of the board engage in active discussion, thereby ensuring the board's effectiveness.

Also, with the aim of strengthening corporate governance through continuous improvement of the effectiveness of the Board of Directors, in fiscal 2019, questionnaire surveys regarding the Board of Directors were conducted targeting all members of the board, and the effectiveness of the board was evaluated. Questions were asked with regard to the role and responsibilities of the Board of Directors, its composition, and its operation, and the results, which were compiled through a 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 order to invigorate strategic discussions on the board, the Company sought to bring the Board of Directors to an

appropriate size, and at the Ordinary General Meeting of Shareholders held on June 23, 2020, eight Members of the Board, including four outside independent Members of the board, were elected, bringing the total percentage of outside independent Members of the Board to 50%. In addition, through its adoption of an executive officer system, the Company intends to clearly separate management-related decision-making and supervisory functions from business execution functions and improve its management flexibility.

Taking into account these initiatives, NTT has evaluated that the effectiveness of the Board of Directors is being ensured.

Nomination Policies and Procedure for Members of the Board

The NTT Group strives to contribute to the resolution of social 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. NTT has established the policy of positioning human resources who share these ideals in the upper ranks of the NTT Group's management, and NTT is electing these human resources from both inside and outside the Group.

In regard to member of the board candidates, individuals are elected based on their having the broad-ranging perspective and experience, superior management skills and leadership, strong business intuition, and motivation necessary to contribute to the overall development of the NTT Group in order to facilitate the increasing of the NTT Group's corporate value.

From the perspective of strengthening the function of supervising business execution, for outside independent members of the board, NTT elects individuals who present no risk of a conflict of interest with general shareholders. In principle, NTT appoints several outside independent members of the board.

The nomination procedure for member of the board candidates involves the review of candidates by the Appointment and Compensation Committee. The candidates are then approved by the Board of Directors and presented for voting at the General Meeting of Shareholders.

Audit & Supervisory Board

(As of June 30, 2020)

| Name | Position Responsibility | Years on the Board | Shares Owned | Number of Meetings Attended | | Background and Experience | Principal Concurrent Positions |
|-----------------|------------------------------------------------------|--------------------|--------------|-----------------------------|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| | | | | Board of Directors | Audit & Supervisory Board | | |
| Takao Maezawa | Audit & Supervisory Board Member | 4 | 20,008 | 11 | 23 | <p>Apr. 1978 Joined Nippon Telegraph and Telephone Public Corporation</p> <p>Jun. 2006 Executive Manager of the Human Resources Management Department General Manager of the Training Institute Executive Manager of General Affairs of NTT Communications Corporation</p> <p>Jun. 2008 Senior Vice President Deputy General Manager of the Enterprise Business Division Member of the Board of NTT Communications Corporation</p> <p>Jun. 2011 Executive Vice President Deputy General Manager of the Enterprise Business Division Member of the Board of NTT Communications Corporation</p> <p>Aug. 2011 Executive Vice President Head of the Second Sales Division Member of the Board of NTT Communications Corporation</p> <p>Jun. 2012 President and CEO of NTT PC Communications Incorporated</p> <p>Jun. 2016 Full-Time Audit & Supervisory Board Member of the Company (present post)</p> <p>Aug. 2018 Audit & Supervisory Board Member of NTT, Inc. (present post)</p> | Audit & Supervisory Board Member of NTT, Inc. |
| Kanae Takahashi | Audit & Supervisory Board Member | — | 4,200 | — | — | <p>Apr. 1987 Joined the Company</p> <p>Jul. 2013 Deputy Head of the Internal Control Office of the General Affairs Department of the Company</p> <p>Jun. 2014 Head of the Internal Control Office of the General Affairs Department of the Company</p> <p>Jun. 2016 Executive Manager of the Kanagawa Division and Manager of the Kanagawa Branch of the Kanagawa Division Member of the Board of Nippon Telegraph and Telephone East Corporation</p> <p>Jun. 2016 Executive Manager of the Kanagawa Division and Manager of the Kanagawa Branch of the Kanagawa Division Member of the Board of NTT EAST-MINAMI KANTO CORPORATION</p> <p>Jun. 2019 Executive Vice President Executive Manager of the Corporate Strategy Planning Department and the NW Facilities Business Department Member of the Board of NTT InfraNet Co., Ltd.</p> <p>Jun. 2020 Full Time Audit & Supervisory Board Member of the Company (present post)</p> | — |
| Takashi Iida | Outside Independent Audit & Supervisory Board Member | 6 | 6,900 | 11 | 23 | <p>Apr. 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>Apr. 1991 Deputy Chairman of the Daini Tokyo Bar Association</p> <p>Apr. 1997 Executive Governor of the Japan Federation of Bar Associations</p> <p>Apr. 2006 Chairman of the Daini Tokyo Bar Association</p> <p>Apr. 2006 Vice President of the Japan Federation of Bar Associations</p> <p>Jan. 2012 Established Kowa Law Office (present post)</p> <p>Jun. 2012 Corporate Auditor (Part-Time) for Shimadzu Corporation (present post)</p> <p>Jun. 2013 Corporate Auditor of JAFCO Co., Ltd.</p> <p>Jun. 2013 Outside Director of Alps Electric Co., Ltd. (currently registered as Alps Alpine Co., Ltd.) (present post)</p> <p>Jun. 2014 Outside Audit & Supervisory Board Member of the Company (present post)</p> | Lawyer Director of Alps Alpine Co., Ltd. |

| Name | Position Responsibility | Years on the Board | Shares Owned | Number of Meetings Attended | | Background and Experience | Principal Concurrent Positions | |
|---------------|------------------------------------------------------------------------|--------------------|--------------|-----------------------------|---------------------------|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| | | | | Board of Directors | Audit & Supervisory Board | | | |
| Hideki Kanda | Outside Independent Audit & Supervisory Board Member | 1 | 0 | 8 | 14 | Apr. 1977 | Research Assistant of the Faculty of Law of the University of Tokyo | Professor of the Professional School of Law of Gakushuin University |
| | | | | | | Apr. 1980 | Lecturer of the Faculty of Law of Gakushuin University | |
| | | | | | | Apr. 1982 | Associate Professor of the Faculty of Law of Gakushuin University | |
| | | | | | | Apr. 1988 | Associate Professor of the Faculty of Law of the University of Tokyo | Emeritus Professor of the University of Tokyo |
| | | | | | | Apr. 1991 | Associate Professor of the Graduate Schools for Law and Politics of the University of Tokyo | |
| | | | | | | May 1993 | Professor of the Graduate Schools for Law and Politics of the University of Tokyo | Director of Sumitomo Mitsui Trust Bank, Limited |
| | | | | | | Apr. 2016 | Professor of the Professional School of Law (Law School) of Gakushuin University (present post) | |
| | | | | | | Jun. 2016 | Emeritus Professor of the University of Tokyo (present post) | |
| | | | | | | Jun. 2017 | Director of Sumitomo Mitsui Trust Bank, Limited (present post) | |
| Jun. 2019 | Outside Audit & Supervisory Board Member of the Company (present post) | | | | | | | |
| Kaoru Kashima | Outside Independent Audit & Supervisory Board Member | 1 | 0 | 7 | 14 | Nov. 1981 | Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC) | Managing Director of Ernst & Young ShinNihon LLC |
| | | | | | | Apr. 1985 | Registered as a certified public accountant (registration up-to-date) | |
| | | | | | | Jun. 1996 | Partner of Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) | Director of Sumitomo Mitsui Trust Bank, Limited |
| | | | | | | Jun. 2002 | Senior Partner of ShinNihon & Co. (currently Ernst & Young ShinNihon LLC) | |
| | | | | | | Jul. 2006 | In charge of personnel of HR Development Headquarters of ShinNihon & Co. | |
| | | | | | | Sep. 2010 | Managing Director of Ernst & Young ShinNihon LLC In charge of the Corporate Culture Promotion Office In charge of the Public Relations Office | Audit & Supervisory Board Member of Kirin Holdings Company, Limited |
| | | | | | | Jul. 2012 | General Manager of Knowledge Headquarters Managing Director of Ernst & Young ShinNihon LLC | |
| | | | | | | Jul. 2013 | Representative Director of Ernst & Young Institute Co., Ltd. | |
| | | | | | | Jun. 2019 | Outside Audit & Supervisory Board Member of the Company (present post) | |
| | | | | | | Jun. 2019 | Director of Sumitomo Mitsui Trust Bank, Limited (present post) | |
| | | | | | | Mar. 2020 | Audit & Supervisory Board Member of Kirin Holdings Company, Limited (present post) | |

Activities and Evaluation of the Effectiveness of the Audit & Supervisory Directors

Audit & Supervisory Board members attend meetings of the Board of Directors and other important meetings. In addition, Audit & Supervisory Board members meet periodically with representative members of the board and members of the board to exchange ideas and opinions and hold discussions on various topics.

In fiscal 2020, the Audit & Supervisory Board met 23 times. Moreover, separate from meetings of the Audit & Supervisory Board, the Audit & Supervisory Board Members' Preliminary Deliberation Meeting met 28 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 Control Office. Audit & Supervisory Board members exchanged opinions with the Company's Independent Auditor 10 times and the Internal Control Office 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, Audit & Supervisory Board members received information from the representative members of the board of 19 major Group companies regarding the status of corporate governance and measures to maintain and enhance corporate governance, and discussions were conducted on those matters. In addition, Audit & Supervisory Board members visited major bases in Japan and overseas (19 bases), received information from local representatives, and conducted discussions. Furthermore, Audit & Supervisory Board members received reports regarding audit results from Audit & Supervisory Board members of major Group companies and exchanged opinions with them. 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 regularly holding training sessions by outside experts

for Audit & Supervisory Board members of major Group companies.

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.

To evaluate the effectiveness of the Audit & Supervisory Board, we conducted a questionnaire asking each member to evaluate their own performance. As a result of discussions and verifications on effectiveness held by Audit & Supervisory Board Members, based on the results of the questionnaire, NTT determined that the effectiveness of the Audit & Supervisory Board is being ensured. NTT also determined that increasing the opportunities to exchange opinions with representative members of the board has made it possible to cooperate on management issues, confirm awareness of risks, and enabled Audit & Supervisory Board members to more actively propose ideas, and that improving communications with auditors has contributed to maintaining the appropriateness of the audit process. NTT also recognized, however, that, in light of significant changes in management, including the global business reorganization and expansion of areas of business, it will be necessary to strengthen collaboration with the Internal Control Office and group company corporate auditors. NTT will work to further improve the Audit & Supervisory Board's effectiveness going forward.

Independent Members of the Board and Audit & Supervisory Board Members

Nomination Procedure for Outside Members of the Board and Outside 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

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

- (a) A person who executes business in a partner company that exceeds NTT's Standards*¹
- (b) A person who executes business in a lending company that exceeds NTT's Standards*²
- (c) A consultant, an accountant, a 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
- (d) A person who executes business in an organization that received donations exceeding NTT's Standards*⁴

Even if any of (a) through (d) 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.

*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 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 four outside independent members of the board. Each outside independent member of the board has a wealth of experience as operational director of an academic educational institution, as a corporate manager or as an officer of public relations and diversity promotion in the government; each 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 independent members of the board receive reports from the corporate auditors and Internal Control Office regarding audit plans and results, and also oversee business operations by providing input as needed.

NTT appoints three outside independent Audit & Supervisory Board members out of the five total Audit Supervisory &

Board members. NTT expects each outside independent Audit & Supervisory Board member will 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 Control Office, including information relating to internal audit results.

Compensation of Members of the Board and Audit & Supervisory Board Members

For the purpose of improving objectivity and transparency in the compensation of members of the board, NTT has established the Appointment and Compensation Committee, which consists of four members of the board, including two outside independent members of the board. After discussion at this committee, compensation-related decisions are made by the Board of Directors.

Compensation of members of the board (excluding outside members of the board) consists of a base salary and a bonus. The base salary is paid monthly on the basis of the scope of each member's roles and responsibilities. The bonus is paid taking into account factors including the degree of achievement of performance indicators, such as EPS for fiscal 2019. Performance indicators are set at the financial targets set forth in the Medium-Term Management Strategy, and, specifically, are determined based on EPS, operating profit, ROIC, capex to sales, overseas sales, overseas operating income margin, and the total number of B2B2X projects. In addition, 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 70/30 of fixed compensation to performance-related compensation. Also, with the aim of realizing a stronger awareness of achieving the Medium-Term Management Strategy, sustainable growth, and medium- to long-term improvement in corporate value, NTT is considering expanding the ratio of overall compensation occupied by performance-related compensation starting in fiscal 2021.

In order to maintain a high level of independence, compensation of outside members of the board consists of a base salary only and is not linked to NTT's business results. For the same reason, compensation of Audit & Supervisory Board members consists of a base salary only. The amount of this salary is determined by resolution of the Audit & Supervisory Board.

Compensation of Independent Auditor

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

| | |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit services | Auditing of the financial statements of NTT and its consolidated subsidiaries in Japan and overseas |
| Non-audit services | Include the provision of guidance and advice related to International Financial Reporting Standards, tax returns, and tax consultation for consolidated subsidiaries in Japan and overseas. |

Internal Control

Overview of Internal Control Systems

NTT has established Basic Policies Concerning the Maintenance of Internal Control Systems for the NTT Group, which were approved via resolution by the Board of Directors.

Applying these policies, the NTT Group has established an Internal Control Office, which oversees the establishment of internal control rules and frameworks. In addition, the NTT Group evaluates the effectiveness of the internal control systems based on audit reviews and uniform internal audits regarding high-risk matters affecting the entire Group. Necessary improvements will be implemented accordingly.

In regard to internal control systems for financial reporting based on the Financial Instruments and Exchange Act, the Company takes appropriate measures to ensure the reliability of its financial reporting. To facilitate these measures, tests and evaluations are performed on the implementation status of pertinent internal control systems.

[Basic Policy of the Internal Control Systems](https://www.ntt.co.jp/about_e/tousei.html) https://www.ntt.co.jp/about_e/tousei.html

Strategic Shareholdings

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

In regard to the purpose of shareholdings, we define stock owned purely for investment purposes as "stock owned for gaining profit from short-term value fluctuations in interest rates, currencies, and marketable securities and for receiving benefits such as dividends."

Our policy on strategic shareholdings is to own such shares when we deem it necessary to do so for promoting collaboration and open innovation with partners in various industries toward improving corporate value in the medium- to long-term. The Investment Strategy Committee evaluates the appropriateness of holding individual stocks by comprehensively taking into consideration the contribution to the medium- to long-term results of NTT, the progress of business collaborations, future considerations concerning business collaborations, performance trends of the investment targets and future business strategies of NTT.

We apply the same policy to our Group companies to ensure that our shareholdings are appropriate for the Group as a whole.

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.

Data

(As of March 31, 2020)

| | | Boundary | Unit | FY2017 | FY2018 | FY2019 | | |
|---------------------------------------------------|--------|----------|------|--------|--------|--------|---|------|
| Number of Board Members | | NTT | — | 12 | 12 | 15 | | |
| Inside | Male | | | 10 | 10 | 10 | | |
| | Female | | | 0 | 0 | 1 | | |
| | Total | | | 10 | 10 | 11 | | |
| Outside independent | Male | | | 2 | 2 | 3 | | |
| | Female | | | 0 | 0 | 1 | | |
| | Total | | | 2 | 2 | 4 | | |
| Ratio of female Board Members | | | | | % | 0 | 0 | 13.3 |
| Number of Audit & Supervisory Board Members | | | | NTT | — | 5 | 5 | 5 |
| Inside | Male | | | | | 1 | 1 | 1 |
| | Female | 1 | 1 | | | 1 | | |
| | Total | 2 | 2 | | | 2 | | |
| Outside independent | Male | 2 | 2 | | | 2 | | |
| | Female | 1 | 1 | | | 1 | | |
| | Total | 3 | 3 | | | 3 | | |
| Ratio of female Audit & Supervisory Board Members | | | % | 40.0 | 40.0 | 40.0 | | |

(As of March 31, 2020)

| | | Boundary | Unit | FY2017 | FY2018 | FY2019 | |
|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|----------|-------------|--------------------------------|----------|----------|----------|
| Board of Directors | Number of meetings | NTT | — | 12 | 13 | 11 | |
| | Attendance | | % | 97.2 | 99.1 | 100 | |
| | Outside independent board member attendance | | % | 87.5 | 100 | 100 | |
| Audit & Supervisory Board | Number of meetings | | — | 22 | 24 | 23 | |
| | Attendance | | % | 95.2 | 99.2 | 98.6 | |
| | Outside independent Audit & Supervisory Board member attendance | | % | 93.7 | 96.6 | 97.6 | |
| Appointment and Compensation Committee | | | | Meetings | 1 | 1 | 5 |
| Total compensation of members of the board and Audit & Supervisory Board members (number of payees)*1-4 | Members of the board | | NTT | Million yen (number of people) | 519 (10) | 547 (13) | 545 (11) |
| | Audit & Supervisory Board members | | | | 74 (2) | 74 (2) | 74 (2) |
| | Board and Outside Audit | | | | 75 (5) | 75 (5) | 97 (9) |
| | Total | 668 (17) | | | 696 (20) | 719 (22) | |
| Compensation of NTT's Independent auditors | Compensation for audit services | NTT | Million yen | 6,036 | 4,433 | 5,106 | |
| | Compensation for non-audit services | | | 398 | 299 | 267 | |
| | Total | | | 6,434 | 4,732 | 5,373 | |
| The ratio of the compensation per director to the compensation per employee | | NTT | — | 5.1:1 | 5.3:1 | 4.3:1 | |

*1 At the 21st Ordinary General Meeting of Shareholders, the maximum limit on total annual compensation of members of the board was set at an aggregate of ¥750 million and the maximum limit on total annual compensation of Audit & Supervisory Board members was set at an aggregate of ¥200 million.

*2 May include compensation to Board and Audit & Supervisory Board members who retired at the conclusion of the Ordinary General Meeting of Shareholders for the same fiscal year.

*3 Total compensation of members of the board includes bonuses for each fiscal year.

*4 In addition to the above, members of the board who are also employees received bonuses for their service as employees.

Compliance

Policies and Concepts

It is imperative to conduct business in compliance with laws and regulations in the jurisdictions where we operate, and maintain high ethical standards in order to promote sound corporate activities. Recognizing this, NTT drew up the NTT Group Corporate Ethics Charter in 2002.

The charter, 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 telecommunications group that bears significant 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.

NTT Group Corporate Ethics Charter

1. Recognizing the establishment of corporate ethics as one of its most important missions, top management shall exert its leadership to ensure that the spirit of this Charter is adopted throughout the Company, and shall assume full responsibility for solving any problems when any event inconsistent with that spirit occurs.
2. Every person with subordinate employees shall not only act in a self-disciplined manner, but shall also always provide guidance and assistance to his/her subordinate staff to ensure that their conduct is in conformity with our corporate ethics.
3. Every officer and employee of the NTT Group shall not only comply with all laws and regulations, social standards, and internal company rules whether in Japan or overseas, but officers and employees shall also hold the highest ethical philosophy within himself/herself both in public and in any private situations. Among other things, each officer and employee, as an officer or employee of a member of a Global Information Sharing Corporate Group, shall keep himself/herself fully aware that any disclosure of customer or other internal privileged information constitutes a materially wrongful act. Also, as a member of a group of companies which holds great social responsibilities, he/she shall strictly refrain from giving or receiving from customers, business partners, and other interested parties excessive gratuities.
4. Each NTT Group company, at the first opportunity, shall take initiatives to provide training programs in order to help its officers and employees enhance their awareness of our corporate ethics.
5. Every officer and employee of the NTT Group shall direct his/her efforts to prevent wrongful or scandalous acts which may potentially occur as specialization and advancement of our business proceeds. Each NTT Group company shall improve its system to prevent such acts, including, for instance, the re-assignment of contract representatives who have remained with the same customers for a long period of time, and the improvement of monitoring tools to protect customer and other information.
6. Any officer or employee who may come to know of the occurrence of any wrongful act or any scandal shall promptly report the wrongful act or scandal to his/her superior or other appropriate persons. If he/she is not able to make such a reporting, he/she may contact the Corporate Ethics Help Line (Contact Point). It should be noted that every officer and employee who reports the occurrence of any wrongful act or scandal shall be protected so that the reporting party shall not suffer any negative consequences due to such reporting.
7. In the event of an occurrence of any wrongful act or scandal, each NTT Group company shall be committed to the settlement of the problem by taking appropriate steps through a speedy and accurate fact finding process, and responding in a timely, suitable, and transparent manner in order to fulfill its social accountability.

📄 [NTT Group Corporate Ethics Charter](https://www.ntt.co.jp/csr_e/governance/compliance.html) https://www.ntt.co.jp/csr_e/governance/compliance.html

Organization for Implementation

NTT has a Corporate Ethics Committee under the Executive Officers Meeting with a senior executive vice president as chair. The committee meets twice a year with the aim of thoroughly promoting the NTT Group's corporate ethics and maintaining discipline. It reports to the Board of Directors twice a year, particularly concerning the status of reports made to the Corporate Ethics Help Line, and the Board of Directors discusses reported matters when necessary.

The NTT Group has Corporate Ethics Committees and corporate ethics officers at Group companies. We foster a corporate climate of observing laws and corporate ethics, investigate wrongful acts and scandals based on our Corporate Ethics Help Line operational rules, hold regular meetings for the compliance officers of Group companies, and work across the Group to promote compliance.

Main Initiatives

Prevention of Bribery

The NTT Group Corporate Ethics Charter mandates compliance with all laws and regulations, social standards, and internal company rules whether in Japan or overseas. With regard to the prevention of bribery, we have an Anti-Bribery Handbook containing important matters to be understood and complied with by our employees. The contents of this handbook are made known to all employees in Japan and overseas through emails and other means.

In addition, NTT, NTT East and NTT West stipulate that taking bribes is forbidden under the Act on Nippon Telegraph and Telephone Corporation, etc. (hereafter "the NTT ACT") and that breaches are punishable by law. Following the Act on Prevention of Unjust Acts by Organized Crime Groups, contributions and other types of support are only given to charitable

organizations deemed suitable by the NTT Group. We have a zero tolerance approach to corruption.

In fiscal 2019 no illegal conduct associated with bribery or contribution/support was confirmed within the NTT Group.

Political Contributions

As a holding company, and in compliance with Japan's Political Funds Control Law, NTT does not make political contributions, while a few Group companies make political contributions at their own discretion and in accordance with the relevant laws and regulations as well as the companies' respective codes of corporate ethics.

Request to Business Partners for Compliance and Risk Assessment

The Guidelines for CSR in Supply Chain, the operational guidelines we issue to our suppliers, clearly outlines fair trade practices and business ethics (nine articles). With respect to critical suppliers, we conducted a survey on the status of CSR procurement. We checked activities concerning compliance in general, including their response to preventing corruption, illegal political contributions and antisocial forces, and also requested further improvements where necessary.

Compliance with Anti-Monopoly Laws

The NTT Group has adhered to the Anti-Monopoly Act to ensure its business activities align with a fair and competitive business environment. These initiatives have been effective, as evidenced by the fact that continuing from the previous fiscal year, we were not fined for violation of anti-monopoly regulations in fiscal 2019.

Initiatives to Promote Awareness of the NTT Group Corporate Ethics Charter

At NTT, top management demonstrates that compliance requires the NTT Group to comply with laws and conduct business with everyone having strong ethics. Also, the presidents of each NTT Group company have declared their commitment to identify risks related to illegal or illicit activities and never tolerate any form of impropriety. To ensure the effectiveness of the NTT Group Corporate Ethics Charter, we offer training sessions on corporate ethics to employees and, through a website for employees, we explain the declaration in detail and give examples of corporate ethics issues. Employees are reminded of the importance of ethics in June and December each year in an effort to raise their level of understanding. Furthermore, NTT conducts annual surveys of employees to measure their awareness, and the results are then used for awareness enhancement initiatives.

Corporate Ethics and Compliance Training

Corporate ethics training is conducted as part of continuous educational activities for all officers and employees. This training is tailored to meet the specific compliance and corruption risks of each company throughout the NTT Group. Furthermore, training for officers is also conducted every year.

Anti-Bribery Handbook

As a tool to help employees prevent corruption, we created the new Anti-Bribery Handbook in fiscal 2014, which is made known to all employees at NTT Group companies inside and outside of Japan through emails and other means. Along with a message from the president, the Anti-Bribery Handbook provides examples regarding the basics of bribery and facilitation payments to instill correct knowledge and understanding in all employees.

Competition Law Handbook

The NTT Group created a Competition Law Handbook in fiscal 2019 as a tool for ensuring compliance with competition law among employees and it has been made known to all employees at NTT Group companies inside and outside of Japan. The handbook contains the basics regarding compliance with competition law within a Q&A format, as well as specific examples that might be found within the Company's business activities, in order to instill correct knowledge and understanding of competition law compliance in employees.

Check System for Penetration of Corporate Ethics

NTT conducts an annual survey that includes NTT Group companies in order to ascertain the extent to which employees are aware of compliance. At each NTT Group company, monitoring is performed under four different functions, comprising the departments in charge of business operations, compliance and internal auditing, as well as the Audit and Supervisory Board members, to ensure neutral and multifaceted checks are being performed.

NTT checks the status of compliance audit implementation at NTT Group companies with an internal auditing department and directly confirms the status of compliance initiatives inside NTT and at NTT Group companies without an internal auditing department.

Establishment of Corporate Ethics Help Line Contact Point

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 help line also handles consultations and reports related to human rights issues (see page 069).



The NTT Group Corporate Ethics Charter 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. 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.

In addition, since the contact point is independent from management, there is an independent reporting route to Audit & Supervisory Board members. Reports made through our Corporate Ethics Help Line (external contact point) are in principle sent directly to Audit & Supervisory Board members at the same time; reporting only to Audit & Supervisory Board members is also possible.

Number of Reports Received by the Corporate Ethics Help Line (External Contact Point)

We monitor the number of reports received by the Corporate Ethics Help Line, and publish this number in our Sustainability Report and on the NTT Group’s CSR website.

Reports to the corporate ethics help line by type of violation

| | FY2017 | | | FY2018 | | | FY2019 | | |
|--------------------------------------------------------------------------------------------|-------------------|----------------------|----------|-------------------|----------------------|----------|-------------------|----------------------|----------|
| | Number of Reports | | | Number of Reports | | | Number of Reports | | |
| | | Disciplinary actions | Warnings | | Disciplinary actions | Warnings | | Disciplinary actions | Warnings |
| Overall Number of Reports | 350 | 23 (1) | 75 | 334 | 18 (1) | 77 | 359 | 30 (2) | 74 |
| Compliance Violations | 98 | 23 (1) | 75 | 95 | 18 (1) | 77 | 104 | 30 (2) | 74 |
| Violation of Internal Rules | 98 | 23 (1) | 75 | 95 | 18 (1) | 77 | 104 | 30 (2) | 74 |
| Violation of Laws and Regulations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| No Violation | 252 | — | — | 239 | — | — | 255 | — | — |
| Harassment: Number of Reports | 168 | 15 (0) | 23 | 184 | 10 (1) | 34 | 222 | 16 (0) | 43 |
| Compliance Violations | 38 | 15 (0) | 23 | 44 | 10 (1) | 34 | 59 | 16 (0) | 43 |
| Violation of Internal Rules | 38 | 15 (0) | 23 | 44 | 10 (1) | 34 | 59 | 16 (0) | 43 |
| Violation of Laws and Regulations (Violation of Human Rights) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| No Violation | 130 | — | — | 140 | — | — | 163 | — | — |
| Misconduct: Number of Reports | 73 | 1 (0) | 23 | 44 | 2 (2) | 10 | 47 | 6 (0) | 13 |
| Compliance Violations | 24 | 1 (0) | 23 | 12 | 2 (2) | 10 | 19 | 6 (0) | 13 |
| Violation of Internal Rules | 24 | 1 (0) | 23 | 12 | 2 (2) | 10 | 19 | 6 (0) | 13 |
| Violation of Laws and Regulations (Bribery, Accounting Fraud, Disguised Contracting, etc.) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| No Violation | 49 | — | — | 32 | — | — | 28 | — | — |
| Fraud (personal use of company funds): Number of Reports | 32 | 5 (1) | 7 | 28 | 3 (0) | 5 | 39 | 6 (2) | 6 |
| Compliance Violations | 12 | 5 (1) | 7 | 8 | 3 (0) | 5 | 12 | 6 (2) | 6 |
| Violation of Internal Rules | 12 | 5 (1) | 7 | 8 | 3 (0) | 5 | 12 | 6 (2) | 6 |
| Violation of Laws and Regulations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| No Violation | 20 | — | — | 20 | — | — | 27 | — | — |
| Other: Number of Reports | 77 | 2 (0) | 22 | 78 | 3 (0) | 28 | 51 | 2 (0) | 12 |
| Compliance Violations | 24 | 2 (0) | 20 | 31 | 3 (0) | 28 | 14 | 2 (0) | 12 |
| Violation of Internal Rules | 24 | 2 (0) | 20 | 31 | 3 (0) | 28 | 14 | 2 (0) | 12 |
| Violation of Laws and Regulations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| No Violation | 53 | — | — | 47 | — | — | 37 | — | — |

Note: Numbers in parentheses indicate dismissals.

The Whistleblowing Mechanism Guidelines, revised in December 2016 by the Consumer Affairs Agency, recommend that neutral and fair third-party assessments be carried out. We had such an assessment carried out in May 2017 and received the comment that overall, a whistleblowing mechanism is in place and is being administered appropriately.

Details of assessment

- Investigation of the mechanism and operational status of the help line in order to verify its effectiveness in terms of utilization and reliability.
- Sample survey on the establishment of regulations and responses to whistleblowers, etc.
- Confirmation of compliance with the Whistleblowing Mechanism Guidelines.
- Interviews with administrators and discussion about operational issues.

Disciplinary Actions against Confirmed Violations

A compliance violation or breach of the NTT Group Corporate Ethics Charter is dealt with using the disciplinary measures taken in accordance with the disciplinary code established at each Group company. This includes pay cuts and work suspension, and may also be reflected in assessments (evaluations) and personnel transfers.

Risk Management

Policies and Concepts

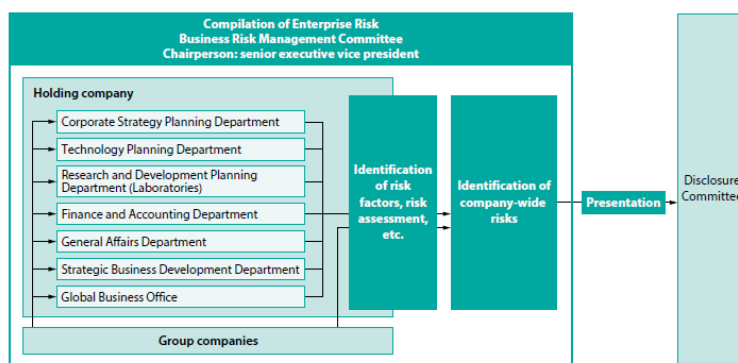
The NTT Group faces a rapidly changing business environment, including intensified competition in the information and telecommunications sector. In this context, NTT Group companies are exposed to an increasing amount of business risk.

The NTT Group strives to minimize the impact of losses that could result from the materialization of risk by anticipating and preventing the occurrence of potential risks. As part of these efforts, NTT has formulated the NTT Group Business Risk Management Manual and has distributed it to all Group companies so that the entire Group can work together to conduct risk management. This manual contains policies for addressing various forms of risk facing the NTT Group's business operations and approaches to coordination among NTT Group companies.

In addition, each Group company has formulated its own manuals and other guidelines, which reflect its specific business operations, business environment, and other factors, and is using these materials to control business risks.

Organization for Implementation

At NTT, Risk Management Regulations are in place, which define fundamental policies concerning in-house risk management for effective and efficient business operations. Risk management is carried out based on a continuous PDCA cycle under the leadership of the Business Risk Management Committee, chaired by the representative director and senior executive vice president, and comprised of heads of departments and offices as committee members.



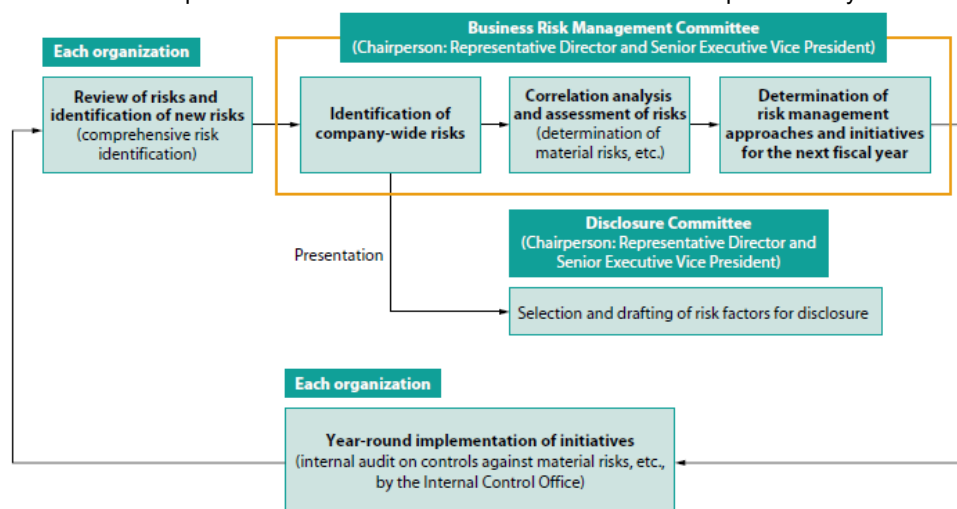
At the NTT Group, the representative director and senior executive vice president of NTT is assigned ultimate responsibility for risk management, while each executive officer serves as the risk officer for the business area they are placed in charge of.

Identifying Material Risks

From time to time, NTT reviews assumed risks and management policies based on changes in the social environment.

In the identification of Companywide risks, the Business Risk Management Committee leads analysis processes for the risks faced by the NTT Group are formulated and periodically implements risk analyses in accordance with these processes. In addition, after a correlation analyses on these risks, it specifies those risks with the potential to have the greatest impact as material risks, and we decide on countermeasures.

Matters pertaining to risk management are discussed at meetings of the Business Risk Management Committee. As part of risk monitoring, each department in charge reports on the status of monitoring and risk mitigation effects to the Business Risk Management Committee, while the Internal Control Office conducts individual audits on the status of initiatives to address material risks and reports results to the Board of Directors in the subsequent fiscal year.



Response to Individual Risks

<Important Risk>

Risk from Cyber Terrorism

In recent years, as threats related to information security have become increasingly sophisticated and diversified, causing incidents such as damage due to cyber attacks and information leaks to emerge as social problems, developing information security countermeasures for smartphones, cloud services and other new ICT services have been a growing concern.

Major Risks that May Adversely Affect Business Performance and Financial Condition

- Service interruptions or disruptions in the quality of services caused by cyber attacks, such as unauthorized access to the NTT Group's communication networks, servers, or other equipment
- Damage to the NTT Group's credibility and corporate image caused by intrusions into company networks that result in the leakage, tampering, or loss of information
- Deterioration in the NTT Group's business performance and financial condition caused by the above situations

In consideration of these risks, the NTT Group has sought to reinforce the security of its network by applying the latest research results, further enhancing early its detection and rapid response capabilities, and bolstering initiatives for hiring and fostering security experts with superior skills.

Risks Caused by Catastrophic Disasters

NTT Group has operations both domestically and abroad, and supports society and business activities through its telecommunications 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, terrorism, armed action, regional conflict and various other events could cause system and network failure or threaten the safety of NTT Group employees. As a result, there may be occasions when disruptions in the NTT Group's business operations make it impossible to provide reliable services, which may lead to the NTT Group being held liable for related damages, potentially damaging the NTT Group's credibility and corporate image. A large-scale disaster in particular could not only severely damage the 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 the NTT Group's ability to provide reliable services.

In consideration of these risks, the NTT Group has implemented a variety of measures, including reinforcement of aseismic capacity and flood prevention of telecommunications buildings, reassessing its transmission lines, strengthening emergency power sources for telecommunications buildings and base stations against long-term blackouts, and improving initial response to restoration activities by AI-driven damage prediction. Through these various efforts, the NTT Group is taking steps toward ensuring safe and secure operations of its networks and systems which are essential to the provision of services.

The NTT Group also provides and delivers systems and services to customers in the system integration business, which typically operates under a service contract model in which services are completed from the receipt of orders through the delivery dates.

As a result of this model, the NTT Group generally assumes full contractual responsibility at all stages, but there is a possibility that a deviation from initial estimates or problems in project management at the development stage could result in cost overruns or losses due to delivery delays.

In consideration of these risks, for projects that are above a certain size, the NTT Group has a review committee review cost estimates and the feasibility of project plans, and also monitors the progress of projects after they have been commissioned.

Investment Risk

The 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 in response to changes in market structure and customers' needs. Meanwhile, there are inherent risks to such investment activities.

Major Risks that May Adversely Affect Business Performance and Financial Condition

- The NTT Group may not be able to maintain or enhance the value or financial performance of, or achieve sufficient synergies with, the domestic or overseas operations in which it has invested or agreed to invest or acquire in the future
- The NTT Group may suffer potential losses resulting from the dissolution or disposition of its investments, partnerships, or other cooperative initiatives
- The increasing number of foreign subsidiaries may increase fragmentation within the Group and render a common

understanding difficult to achieve or make it difficult for NTT to exert the necessary control over its overseas subsidiaries to oversee their business and operations

- Factors related to cross-border business, 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, may pose challenges to the NTT Group's management of its overseas business activities

In consideration of these risks, the NTT Group is proactively striving to expand its global business operations, and has worked to achieve expected returns from these endeavors by carrying out periodic post-acquisition monitoring of its investments. In addition, the NTT Group established a global holding company, NTT, Inc., and is taking initiatives to further enhance the group governance and risk management of its global business.

Risk from Compliance Violations

The 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 business activities require licenses, notifications, and permit approvals. In addition, it is possible that the 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, which in turn are associated with risks.

Major Risks that May Adversely Affect Business Performance and Financial Condition

- Risks associated with compliance violations and reputational risk from loss of credibility due to incidents including an employee's improper personal behavior with respect to laws and regulations
- Risks arising from a decline in the NTT Group's reputation and credibility, which may affect the Group's ability to obtain new subscribers or its eligibility to secure governmental contracts

In consideration of these risks, based on the NTT Group's understanding that legal compliance is an extremely important corporate responsibility, the NTT Group is working toward further strengthening 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.

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 the NTT Group will be unable to eliminate the risk of a leak or misuse of confidential information.

In consideration of these risks, the NTT Group has historically made efforts to protect confidential information, such as its customers' personal information, and the 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. The NTT Group expects to continue being able to ensure the proper management of confidential information in accordance with this policy.

<Emerging Risks*>

Climate-Related Risks

Responsible for environmental activities across the whole Group, the Environmental Protection Office identifies environmental risks that could affect our businesses both environmentally and financially. As for the risks and opportunities with respect to individual facilities and equipment, monitoring and assessment are conducted through a collaborative effort between staff in charge of environmental issues and those responsible for facilities, and these individuals are appointed for every Group company. We consider future climate change a particularly imperative issue and are therefore working toward the environmental targets that have been set for the years leading up to 2030 (see page 032).

Service interruptions caused by damages to telecommunications equipment could occur frequently, owing to the increased scale and frequency of natural disasters such as torrential rainfall and typhoons attributable to climate change. This could lead to secondary affects due to the interruption of important telecommunication services, such as the 110, 119 and 118 numbers, and the inability to quickly restore services in such situations could damage the Company's reputation. In response, we are working to mitigate these effects should a natural disaster strike. This includes the use of multi-routing for telecommunications networks and reinforcing disaster prevention measures of telecommunications buildings. Furthermore, we are also implementing measures that will enable us to quickly restore services in the event of a disaster by expanding the use of disaster resilient equipment and conducting regular training drills for disaster response personnel.

Please see page 042 for details about climate change risks and opportunities.

Risk of Workforce Shortages Caused by the Acceleration of the Reverse in Globalization

The recent political trend indicating the emergence of nationalism and populism, and growing worldwide uncertainty about the rise in physical and cyber terrorism, could potentially cause a reversal in globalization, restricting the freedom of

movement of human resources and making it difficult for the NTT Group to secure the labor force it requires. Specifically, shortages of cyber security personnel could inhibit responses to security incidents that occur at customers or within the NTT Group, making it difficult to sustainably grow the security business, which is a core strategic business of the NTT Group. In turn, this could affect the Company's financial performance and damage its reputation.

In response to this risk, we are stepping up hiring of security personnel at Group companies inside and outside Japan as well as enhancing industry-wide training programs for developing the talent we require. Additionally, we are working to prevent incidents and minimize damage based on early detection of incidents and rapid response as part of our cross-functional security response across the NTT Group through NTT-CERT, which offers personnel who are experts in advanced, cutting-edge security.

*Significant risks caused by unexpected changes.

Management and Financial Risks Caused by the COVID-19 Pandemic

The COVID-19 pandemic continues to affect the entire world. The prolonged outbreak may have a significant impact on NTT Group business activities, as customers scale down their business activities, causing declines in system integration orders and in the sales of various services, or delays in construction plans. Even after the outbreak has been contained, daily lifestyles and corporate behavior may undergo significant changes, which consequently might affect the NTT Group's business performance and financial condition. In consideration of these risks, we are working to ensure the health and safety of all our stakeholders, including our customers, partners, and employees, while at the same time ensuring stable telecommunication services that are vital for everyday life and corporate activities. Meanwhile, the post-infection period may give rise to a data-driven society caused by a rapid expansion in working from home, remote healthcare, remote education, and other measures associated with social distancing. The NTT Group will accelerate the provision of services that promote a remote society and will drive the advancement of technologies such as authentication control.

The NTT Group is a designated public institution* under Japan's Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response. We have formulated an Operation Plan in Response to Pandemic Influenza and New Infectious Diseases from the standpoint of executing our responsibilities and respecting human lives. Under the plan, we endeavor to secure communications for emergency situations and provide priority use of telecommunications required for implementing emergency measures while also taking appropriate preventive actions to limit the spread of infections insofar as possible and protect the lives and health of our employees and the general public.

* NTT, NTT East, NTT West, NTT Communications and NTT DOCOMO are designated public institutions.

Tax Policy

Basic Policy

All directors and employees of NTT Group have declared their commitment to complying with all laws and regulations (including their spirits), social standards, and internal company rules, whether in Japan or overseas, and acting in accordance with the highest ethical standards in both private and public activities. In tax-related operations, we also strive to maintain and enhance tax compliance by setting up guidelines and educating our employees.

Governance Structure

NTT has established a basic policy of internal control systems for NTT Group to deal with various risks including tax risks which has been approved by NTT's board. We define each company's roles in tax-related operations as follows.

- (1) NTT
NTT establishes the basic policy and guidelines of tax-related operations and promotes appropriate measures in cooperation with its consolidated subsidiaries. NTT strives to gather information regarding regulations, notifies subsidiaries of any changes to regulations, and supervises subsidiaries.
- (2) NTT's Consolidated Subsidiaries
NTT's consolidated subsidiaries fulfill their tax duties including preparing and filing tax returns, making tax payments, and dealing with tax audits appropriately in accordance with the basic policy and guidelines. NTT's consolidated subsidiaries report information and submit relevant documents to NTT as necessary.

Optimizing Tax costs

NTT and its consolidated subsidiaries should strive to utilize appropriately and effectively the tax relief measures with a view to maximizing shareholder value of NTT Group. NTT and its consolidated subsidiaries shall not implement any measures which may be considered or interpreted as tax evasion by regulators.

Tax Risks

When undertaking international transactions, NTT and its consolidated subsidiaries should ensure such transactions are given due consideration in advance of execution. NTT and its consolidated subsidiaries should consult with tax advisors and seek advice as necessary.

Furthermore, we have laid out the following measures regarding transfer pricing taxation and controlled foreign companies rules.

Transfer Pricing Taxation

- Prices that are applied to NTT Group's international transactions will be calculated in accordance with the laws and regulations of each country or region and the Transfer Pricing Guidelines published by the OECD and also in accordance with the "arm's length principle."
- In cases where the documentation of the price calculation method is obligatory, or where such documentation is necessary due to factors such as transaction size and potential taxation risks, we will generate the documents in an appropriate manner.

Controlled Foreign Companies Rules

- NTT and its consolidated subsidiaries shall not use a low-tax country for tax avoidance. When investing in a low-tax country for business reasons, we will make appropriate tax payments in accordance with the laws and regulations of the relevant country or region.

Relationship with Tax Authorities

NTT Group aims to maintain good relationships with tax authorities through communication with them. All explanations given to tax authorities should be based on facts. NTT and its consolidated subsidiaries should work with them in a sincere and appropriate manner.

If tax authorities were to notify NTT and its consolidated subsidiaries of tax adjustments, NTT and its consolidated subsidiaries should determine the cause of such issue (s) immediately, and take appropriate measures to prevent similar recurrences, unless NTT and its consolidated subsidiaries file a petition of objection or tax lawsuit.

Revenues

| Revenues (Billions of yen) | 12,518.4 | |
|-------------------------------|----------|----------|
| | Japan | 10,316.8 |
| | U.S.A. | 740.8 |
| | GERMANY | 222.9 |
| | Others | 1,237.9 |

(FY2018)

Profit before Income Tax

| Profit before Income Tax (Billions of yen) | 2,913.5 | |
|-----------------------------------------------|---------|---------|
| | Japan | 2,813.9 |
| | Others | 99.6 |

(FY2018)

Income Taxes Paid

| Income Taxes Paid (Billions of yen) | 589.8 | |
|----------------------------------------|--------|-------|
| | Japan | 560.9 |
| | Others | 28.9 |

(FY2018)

The above amounts are based on "Country-by-Country Report" submitted to Japanese Tax Authorities, and not directly related to the Consolidated Financial Statements.