

Annual Securities Report

(38th Business Term)

From April 1, 2022 to March 31, 2023

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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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				
		34 th Business Term	35 th Business Term	36 th Business Term	37 th Business Term	38 th Business Term
		Year Ended March 31, 2019	Year Ended March 31, 2020	Year Ended March 31, 2021	Year Ended March 31, 2022	Year Ended March 31, 2023
Operating revenues	Millions of yen	11,879,842	11,899,415	11,943,966	12,156,447	13,136,194
Profit before taxes	Millions of yen	1,671,861	1,570,141	1,652,575	1,795,525	1,817,679
Profit attributable to NTT	Millions of yen	854,561	855,306	916,181	1,181,083	1,213,116
Comprehensive income (loss) attributable to NTT	Millions of yen	826,154	743,451	1,275,214	1,373,364	1,270,639
NTT shareholders' equity	Millions of yen	9,264,913	9,061,103	7,562,707	8,282,456	8,561,353
Total assets	Millions of yen	22,295,146	23,014,133	22,965,492	23,862,241	25,308,851
NTT shareholders' equity per share	Yen	2,416.01	2,492.60	2,087.98	2,338.73	2,511.06
Basic earnings per share attributable to NTT	Yen	220.13	231.21	248.15	329.29	347.99
Diluted earnings per share attributable to NTT	Yen	—	—	—	—	—
Equity ratio (ratio of NTT shareholders' equity to Total assets)	%	41.6	39.4	32.9	34.7	33.8
ROE (ratio of profit attributable to NTT)	%	9.3	9.3	11.0	14.9	14.4
Price earnings ratio	Multiple	10.7	11.1	11.5	10.8	11.4
Cash flows from operating activities	Millions of yen	2,406,157	2,995,211	3,009,064	3,010,257	2,261,013
Cash flows from investing activities	Millions of yen	(1,774,136)	(1,852,727)	(1,424,532)	(1,699,152)	(1,736,912)
Cash flows from financing activities	Millions of yen	(584,266)	(1,041,261)	(1,689,548)	(1,438,130)	(590,197)
Cash and cash equivalents at end of year	Millions of yen	946,134	1,033,574	935,727	834,564	793,920
Number of employees [Average number of temporary employees]	Number of people	307,894 [62,805]	319,039 [51,787]	324,667 [47,149]	333,840 [44,343]	338,651 [43,002]

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.

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

		34 th Business Term	35 th Business Term	36 th Business Term	37 th Business Term	38 th Business Term
		Year Ended March 31, 2019	Year Ended March 31, 2020	Year Ended March 31, 2021	Year Ended March 31, 2022	Year Ended March 31, 2023
Operating revenues	Millions of yen	750,741	649,740	794,074	650,116	1,324,225
Recurring profit	Millions of yen	612,863	508,877	639,759	474,497	1,131,632
Net income	Millions of yen	1,192,784	480,769	639,237	470,502	1,152,905
Common stock	Millions of yen	937,950	937,950	937,950	937,950	937,950
Shares outstanding at end of year	Shares	1,950,394,470	3,900,788,940	3,900,788,940	3,622,012,656	3,622,012,656
Net assets	Millions of yen	5,222,248	4,845,260	5,176,630	5,012,166	5,194,125
Total assets	Millions of yen	7,098,890	6,834,082	11,476,431	11,664,291	11,805,898
Net assets per share	Yen	1,361.81	1,332.87	1,429.21	1,415.29	1,523.45
Dividends per share [Interim dividend per share (included above)]	Yen	180.00 [85.00]	95.00 [47.50]	105.00 [50.00]	115.00 [55.00]	120.00 [60.00]
Earnings per share	Yen	307.25	129.96	173.14	131.18	330.72
Diluted net income per share	Yen	—	—	—	—	—
Capital to asset ratio	%	73.6	70.9	45.1	43.0	44.0
Return on equity	%	24.3	9.6	12.8	9.2	22.6
Price earnings ratio	Multiple	7.7	19.8	16.4	27.0	12.0
Payout ratio	%	29.3	73.1	60.6	87.7	36.3
Number of employees [Average number of temporary employees]	Number of people	2,562 [65]	2,494 [74]	2,496 [76]	2,486 [74]	2,454 [82]
Total shareholder return [Index: TOPIX including dividends]	% %	99.7 [95.0]	112.7 [85.9]	127.8 [122.1]	161.2 [124.6]	183.1 [131.8]
Highest stock price	Yen	5,448	5,705 □2,908	3,018	3,671	4,128
Lowest stock price	Yen	4,050	4,528 □2,153	2,127	2,754	3,535

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 for dates on or prior to April 3, 2022 represent quoted prices on the First Section of the

Tokyo Stock Exchange, while those on or after April 4, 2022 represent quoted prices on the Prime Market 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 transferred to the Prime Market of the TSE.
October 2022	Established NTT DATA,Inc. as an overseas operating company through the joint investment of NTT and NTT DATA, and moved the global business for business users within NTT DATA.

3. Description of Business

NTT Group consists of NTT (as the holding company) , its 918 subsidiaries and its 145 affiliated companies (as of March 31, 2023). 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).

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, INC., NTT COMMUNICATIONS CORPORATION, NTT COMWARE CORPORATION, and 94 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)

NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, and 55 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 DATA CORPORATION, NTT DATA, Inc., NTT Ltd., Dimension Data Holdings, NTT Security Corporation, NTT America, NTT EUROPE, NTT Global Data Centers EMEA, NTT Cloud Communications International Holdings, NTT Global Data Centers Americas, NTT Global Networks, NETMAGIC SOLUTIONS, NTT Global Data Centers EMEA UK, NTT Managed Services Americas Intermediate Holdings, Transatel, Spectrum Holdings, NTT America Holdings II, Dimension Data Commerce Centre, NTT DATA Americas, NTT DATA Services, NTT Data International, NTT DATA Europe & Latam and 602 other companies.

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

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

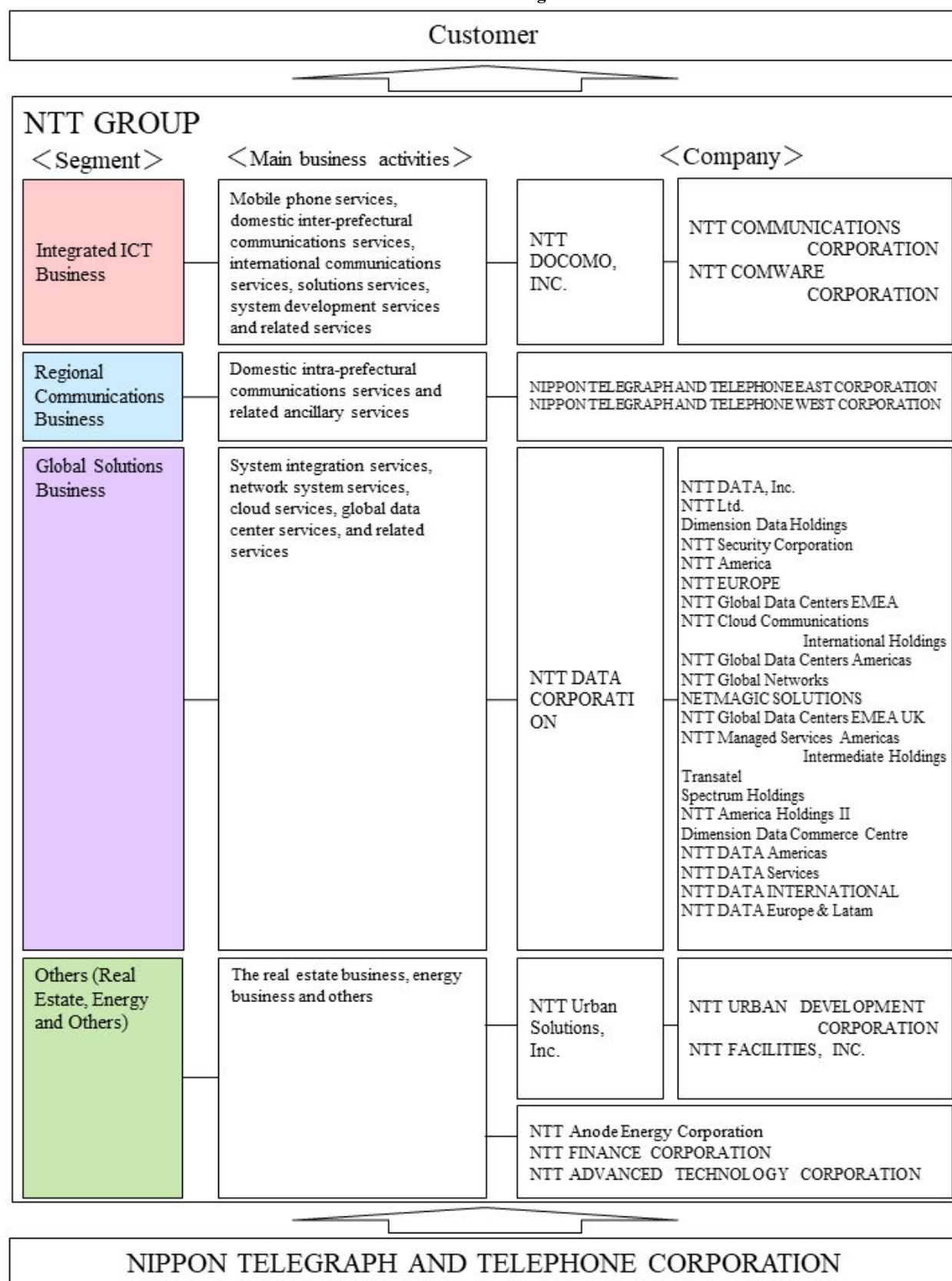
(Consolidated Subsidiaries)

NTT Urban Solutions, Inc., NTT URBAN DEVELOPMENT CORPORATION, NTT FACILITIES, INC., NTT Anode Energy Corporation, NTT FINANCE CORPORATION, NTT ADVANCED TECHNOLOGY CORPORATION, and 134 other companies.

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.

Business Lines Diagram



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 solutions. 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
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
NTT DATA CORPORATION Notes: *1, *2, *3, *4, *5	Koto-ku, Tokyo	142,520	Global Solutions Business	57.76 (0.02)	Provides data communications systems services and network system services. Concurrent Officers Position Held: No

Name	Location	Common Stock	Principal Business	Percentage of Voting Rights	Relationship
NTT DATA, Inc. Note: *1	Koto-ku, Tokyo	(millions of yen) 340,051	Global Solutions Business	100.00 (55.00)	Governance, strategy planning and policy promotion for the global business of NTT DATA 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) 39,468	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	(Euro) 117	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) 17,341	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 Note: *1	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	100.00 (100.00)	Provides mobile connectivity services for IoT. Concurrent Officers Position Held: No
Spectrum Holdings Note: *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 Note: *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

Name	Location	Common Stock	Principal Business	Percentage of Voting Rights	Relationship
Dimension Data Commerce Centre Note: *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 Americas Note: *1	U.S.A.	(ten thousands of U.S. dollars) 576,221	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 International Note: *1	U.S.A.	(ten thousands of U.S. dollars) 577,542	Global Solutions Business	100.00 (100.00)	Manages subsidiaries of NTT DATA CORPORATION in North America. Concurrent Officers Position Held: No
NTT DATA Europe & Latam Note: *1	Spain	(ten thousands of Euros) 86,673	Global Solutions Business	100.00 (100.00)	Consulting, system design and development. Concurrent Officers Position Held: No
NTT Urban Solutions, Inc. Notes: *1, *2, *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

Name	Location	Common Stock	Principal Business	Percentage of Voting Rights	Relationship
NTT FACILITIES, INC.	Minato-ku, Tokyo	(millions of yen) 12,400	Other Business	100.00 (100.00)	Design, management, and maintenance of buildings and equipment. Concurrent Officers Position Held: No
NTT Anode Energy Corporation Note: *3	Minato-ku, Tokyo	(millions of yen) 7,924	Other Business	100.00	Offering of smart energy solutions and design, management and maintenance related to electric power facilities. 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 ADVANCED 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, 22 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, 2023, NTT Group comprised 918 consolidated subsidiaries and 145 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	4,704,710	986,670	777,306	6,294,359	9,367,638

5. Employees

(1) Consolidated Basis

Segment	Number of Employees	
Integrated ICT Business	47,151	[5,869]
Regional Communications Business	70,317	[20,807]
Global Solutions Business	195,106	[10,683]
Others (Real Estate, Energy and Others)	26,077	[5,643]
Total	338,651	[43,002]

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)
2,454[82]	41.9	16.8	9,717,213

Segment	Number of Employees	
Others (Real Estate, Energy and Others)	2,454	[82]
Total	2,454	[82]

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.

(4) Ratio of Women Employees in Managerial Positions, Ratio of Men who Have Taken Childcare Leave, and Gender Pay Gap between Men and Women Employees

① Company

Fiscal Year Ended March 31, 2023				
Ratio of Women Employees in Managerial Positions (%) ⁽¹⁾	Ratio of Men who Have Taken Childcare Leave (%) ⁽²⁾	Gender Pay Gap between Men and Women Employees (%) ⁽¹⁾		
		All Employees	Regular Employees (including Indefinite-Term Employees)	Non-Regular Employees
10.1	87.2	77.7	77.9	66.2

Notes: 1. Calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. Calculation of the rate at which childcare leave, or other leave for childcare purposes, is taken, based on Article 71, paragraph (4)(ii) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991), in accordance with the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

② Consolidated Subsidiaries

Fiscal Year Ended March 31, 2023					
Name	Ratio of Women Employees in Managerial Positions (%) ⁽¹⁾	Ratio of Men who Have Taken Childcare Leave (%) ⁽²⁾	Gender Pay Gap between Men and Women Employees (%) ⁽¹⁾		
			All Employees	Regular Employees (including Indefinite-Term Employees)	Non-Regular Employees
Major 5 Domestic Group Companies					
NTT DOCOMO, INC.	12.5	137.1	77.4	77.5	91.7
NTT COMMUNICATIONS CORPORATION	9.5	132.8	79.2	77.4	80.7
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	11.2	83.5	77.6	78.8	73.6
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	9.1	177.5	79.6	79.5	112.5
NTT DATA CORPORATION	9.0	75.4	71.4	71.3	62.4
Integrated ICT Business					
DOCOMO CS, Inc.	6.9	266.7	73.3	73.7	92.8
DOCOMO Support Inc.	14.5	111.1	83.3	83.1	80.6
DOCOMO Technology, Inc.	1.9	750.0	68.8	70.9	56.8
DOCOMO CS Hokkaido, Inc.	10.9	177.8	76.4	73.9	74.3
DOCOMO CS Tohoku, Inc.	10.5	145.5	75.2	74.0	82.0
DOCOMO CS Tokai, Inc.	6.5	350.0	82.0	75.2	88.9
DOCOMO CS Hokuriku, Inc.	25.0	250.0	82.7	80.2	84.3
DOCOMO CS Kansai, Inc.	7.8	153.8	78.4	73.8	87.2

Fiscal Year Ended March 31, 2023					
Name	Ratio of Women Employees in Managerial Positions (%) ⁽¹⁾	Ratio of Men who Have Taken Childcare Leave (%) ⁽²⁾	Gender Pay Gap between Men and Women Employees (%) ⁽¹⁾		
			All Employees	Regular Employees (including Indefinite-Term Employees)	Non-Regular Employees
DOCOMO CS Chugoku, Inc.	9.8	71.4	75.4	74.1	74.5
DOCOMO CS Shikoku, Inc.	9.3	383.3	76.0	74.1	71.2
DOCOMO CS Kyushu, Inc.	5.1	257.1	76.5	70.8	79.7
NTT Resonant Incorporated	10.3	66.7	76.6	75.9	-
Tower Records Japan Inc.	17.5	0.0	66.2	77.6	98.5
OAK LAWN MARKETING, INC.	33.8	30.0	59.9	74.8	77.6
D2C inc.	11.7	27.3	75.3	78.1	62.0
D2C R Inc.	3.4	-	70.3	71.9	29.6
D2C ID Inc.	35.3	-	76.3	80.8	80.5
NTT PC Communications Incorporated	3.8	33.3	80.9	78.9	99.4
NTT Com Engineering Corporation	2.5	25.0	86.1	81.2	79.5
DOCOMO Business Solutions, Inc	3.3	50.0	70.1	71.4	81.5
NTT COMWARE CORPORATION	10.5	110.0	83.3	78.2	146.5
NTT INTERNET INC.	7.8	100.0	78.1	75.2	-
DOCOMO DATAcom, Inc.	5.0	70.0	79.9	78.3	100.8
Regional Communications Business					
NTT EAST-MINAMIKANTO CORPORATION	7.1	78.0	89.9	84.4	100.4
NTT EAST-KANSHINETSU CORPORATION	-	53.8	86.5	76.5	92.3
NTT EAST-TOHOKU CORPORATION	0.0	45.5	100.8	91.5	94.2
NTT EAST-HOKKAIDO CORPORATION	-	100.0	88.4	74.0	91.0
NTT-ME CORPORATION	0.0	96.7	88.5	79.4	88.0
NTT EAST Service Corporation	66.7	50.0	86.9	81.0	97.1
NTT Printing Corporation	5.9	50.0	72.4	71.8	60.4
NTT Nexia CORPORATION	14.8	20.0	63.8	79.6	71.2
NTT TownPage Corporation	12.7	50.0	62.6	61.6	80.7
TelWel East Japan Corporation.	7.1	25.0	47.9	49.4	53.6
NTT Business Solutions	8.4	147.9	83.5	70.3	78.2
NTT FIELDTECHNO CORPORATION	2.7	174.2	77.6	70.4	77.0
NTT BUSINESS ASSOCIE WEST Co., Ltd.	0.0	175.0	98.0	78.5	92.3

Fiscal Year Ended March 31, 2023					
Name	Ratio of Women Employees in Managerial Positions (%) ⁽¹⁾	Ratio of Men who Have Taken Childcare Leave (%) ⁽²⁾	Gender Pay Gap between Men and Women Employees (%) ⁽¹⁾		
			All Employees	Regular Employees (including Indefinite-Term Employees)	Non-Regular Employees
NTT MARKETING ACT ProCX	-	0.0	79.4	75.6	79.3
NTT-WEST BUSINESS FRONT CORPORATION	5.0	94.7	65.8	58.8	93.7
NTT WEST LUCENT CORPORATION	0.0	100.0	104.7	106.2	93.7
TelWel West Nippon Corporation.	5.2	66.7	53.6	48.2	69.4
Global Solutions Business					
NTT DATA Financial Technology Corporation	2.5	68.4	70.9	70.8	67.4
NTT DATA i CORPORATION	5.6	50.0	77.9	78.1	60.4
NTT DATA INTELLILINK Corporation	7.9	52.4	81.4	83.5	61.2
NTT DATA HOKURIKU CORPORATION	8.7	-	-	-	-
NTT DATA SHINETSU CORPORATION	0.0	50.0	-	-	-
NTT DATA TOKAI CORPORATION	1.3	45.5	74.3	72.3	-
NTT DATA KANSAI CORPORATION	7.2	66.7	81.8	80.3	164.5
NTT DATA SHIKOKU CORPORATION	4.2	20.0	-	-	-
NTT DATA CHUGOKU CORPORATION	5.2	44.4	77.5	75.6	-
NTT DATA KYUSHU CORPORATION	5.0	18.2	77.6	75.2	-
NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.	21.3	53.3	73.0	74.7	30.9
NTT DATA SMS CORPORATION	4.8	57.1	70.3	70.6	53.9
NTT DATA CUSTOMER SERVICE Corporation	4.0	56.3	74.9	72.0	59.6
NTT DATA MANAGEMENT SERVICE CORPORATION	16.4	80.0	57.7	56.3	63.7
NTT DATA FORCE CORPORATION	9.0	44.4	73.5	74.1	49.1
NTT DATA FRONTIER CORPORATION	6.6	80.0	74.3	74.3	50.8
NTT DATA Smart Sourcing Corporation	17.2	55.6	58.6	63.4	79.6
NTT DATA WAVE Corporation	5.1	50.0	73.5	72.5	33.2
NTT DATA SOFIA CORPORATION	34.2	55.6	87.1	86.6	68.8
QUNIE CORPORATION	7.1	27.3	67.5	70.5	25.2

Fiscal Year Ended March 31, 2023					
Name	Ratio of Women Employees in Managerial Positions (%) ⁽¹⁾	Ratio of Men who Have Taken Childcare Leave (%) ⁽²⁾	Gender Pay Gap between Men and Women Employees (%) ⁽¹⁾		
			All Employees	Regular Employees (including Indefinite-Term Employees)	Non-Regular Employees
NTT DATA BUSINESS SYSTEMS CORPORATION	8.3	59.1	75.7	75.6	71.5
NTT DATA CUSTOMER SERVICE TECHNOLOGY CORPORATION	0.0	33.3	99.0	94.8	-
NTT DATA SEKISUI SYSTEMS CORPORATION	6.9	58.3	78.9	80.5	80.3
NTT DATA NEWSON CORPORATION	7.8	50.0	82.1	81.8	91.4
NTT DATA ENGINEERING SYSTEMS CORPORATION	4.8	100.0	78.1	75.1	102.9
NTT DATA Luweave Corporation	9.1	76.9	76.4	78.5	36.6
NTT DATA CCS CORPORATION	3.7	100.0	73.5	73.0	77.5
NTT DATA MSE CORPORATION	3.8	68.4	72.0	70.8	59.3
JSOL CORPORATION	11.3	80.6	79.5	79.5	46.8
NTT DATA NJK Corporation	6.2	75.0	83.0	84.0	49.5
NTT DATA EMAS Corporation	4.3	40.0	73.1	77.5	39.7
Japan Information Processing Service Co., Ltd.	11.1	61.5	56.3	61.2	41.2
NTT DATA Global Solutions Corporation	9.8	33.3	72.9	73.4	45.5
DACS Inc	4.8	-	67.9	71.6	66.4
NTT DATA SBC Corporation	9.2	16.7	75.9	75.9	-
NTT DATA MHI Systems Corporation	7.4	87.5	79.1	79.7	67.8
NTT DATA Financial Solutions Corporation	-	100.0	-	-	-
NTT DATA NCB CORPORATION	2.4	-	-	-	-
NTT DATA Mathematical Systems Inc.	16.7	66.7	-	-	-
NTT DATA MCS CORPORATION	3.2	50.0	61.6	70.1	19.2
NTT DATA Global Services Corporation	26.9	-	-	-	-
Netyear Group Corporation	27.3	0.0	78.5	79.1	52.0
XNET Corporation	4.1	-	-	-	-
NTT DATA INTRAMART CORPORATION	0.0	-	-	-	-
JIP Techno Science Corporation	-	66.7	-	-	-

Fiscal Year Ended March 31, 2023					
Name	Ratio of Women Employees in Managerial Positions (%) ⁽¹⁾	Ratio of Men who Have Taken Childcare Leave (%) ⁽²⁾	Gender Pay Gap between Men and Women Employees (%) ⁽¹⁾		
			All Employees	Regular Employees (including Indefinite-Term Employees)	Non-Regular Employees
JSF INFORMATION TECHNOLOGY CO.,LTD.	7.1	100.0	78.2	79.2	63.4
NTT DATA Information Technology Co.,Ltd.	8.8	-	-	-	-
NTT DATA BEEN SERVICE CORPORATION	-	-	60.7	90.8	93.6
Others (Real Estate, Energy and Others)					
NTT URBAN DEVELOPMENT CORPORATION	13.1	66.7	73.0	71.0	76.6
NTT FACILITIES, INC.	4.3	76.7	79.1	73.4	86.7
NIHON MECCS CO.,LTD.	1.2	56.0	52.8	71.2	41.7
NSF Engagement Corporation	19.2	100.0	75.6	75.2	59.5
NTT Urban Value Support, Inc.	0.0	100.0	89.7	65.5	65.9
NTT FINANCE CORPORATION	9.0	188.2	48.7	45.4	64.8
NTT INFRASTRUCTURE NETWORK CORPORATION	1.8	77.3	62.7	56.9	123.1
NTT LEARNING SYSTEMS CORPORATION	11.1	50.0	78.2	77.4	64.6
NTT ADVERTISING, INC.	14.6	25.0	87.6	85.4	96.2
NTT ADVANCED TECHNOLOGY CORPORATION	10.2	100.0	78.5	78.5	-
NTT-AT TECHNO COMMUNICATIONS CORPORATION	15.4	66.7	-	-	-
NTT-AT IPS CORPORATION	11.5	-	-	-	-
NTT Electronics Corporation	4.5	16.7	80.5	77.8	70.0
NTT TechnoCross Corporation	7.5	103.6	78.7	77.6	97.5
NTT LOGISCO Service Inc.	2.9	8.0	55.2	56.5	77.3
NIPPON INFORMATION AND COMMUNICATION CORPORATION	11.8	327.3	73.2	74.5	54.1
NTT CLARUTY CORPORATION	8.6	100.0	86.4	87.8	71.5

Notes:1. Calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. Calculation of the rate at which childcare leave, or other leave for childcare purposes, is taken, based on Article 71, paragraph (4)(ii) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991), in accordance with the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

(Reference) Select Consolidated Group

Fiscal Year Ended March 31, 2023				
Ratio of Women Employees in Managerial Positions (%) ⁽¹⁾	Ratio of Men who Have Taken Childcare Leave (%) ⁽²⁾	Ratio of Women Employees in Managerial Positions (%) ⁽¹⁾		
		All Employees	Regular Employees (including Indefinite-Term Employees)	Non-Regular Employees
10.4	114.1	76.8	77.0	79.3

Notes: 1. Calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. Calculation of the rate at which childcare leave, or other leave for childcare purposes, is taken, based on Article 71, paragraph (4)(ii) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991), in accordance with the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

3. Represents the totals for the six major domestic companies (NTT, NTT DOCOMO, NTT Communications, NTT East, NTT West and NTT DATA).

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) Business Development Based on the NTT Group Medium-Term Management Strategy

In May 2023, we announced the NTT Group Medium-Term Management Strategy “New Value Creation & Sustainability 2027 Powered by IOWN.” Under this new strategy, we are providing new value to customers and society, and by shifting our business activities themselves toward the achievement of a sustainable society, we would like NTT’s existence to be a supporter of global sustainability. To achieve our goals, in addition to expanding our investment in growth areas and investing approximately 8.0 trillion yen in growth areas over the next five years, we will further increase our cash-generation ability for the future. Looking ahead to FY2027, we will increase cash for growth aiming to reach EBITDA of approximately 4.0 trillion yen.

Specifically, our initiatives will focus on three pillars: NTT as a Creator of New Value and Accelerator of a Global Sustainable Society; Upgrading the Customer Experience (CX); and Improving the Employee Experience (EX).

Pillars of Our Initiatives



(2) Medium-Term Financial Targets

In conjunction with the announcement of the new NTT Group Medium-Term Management Strategy, we have set new financial targets.

We will strengthen initiatives focused on our cash generation abilities to achieve further sustainable growth and have set EBITDA as a key indicator, aiming for an increase of 20% to reach ¥4.0 trillion by FY2027.

Moreover, in our growth areas that will be drivers, we aim to increase EBITDA by 40% in FY2027 and overseas operating profit margin by 10% in FY2025. In our existing areas, we aim to achieve EBITDA by 10% in FY2027 while also targeting ROIC (Return On Invested Capital) of 9%.

Moreover, as sustainability-related targets, we have set targets for new female manager promotion rate, greenhouse gas emissions, and engagement rate, and we are implementing various initiatives to achieve these targets.

In FY2023, we aim to achieve earnings per share (EPS) of 370 yen, the main financial indicator in "Your Value Partner 2025," our medium-term management strategy announced in November 2018 (revised in October 2021).

Medium-Term Financial Targets

Target Indicators							Target Levels (FY2027)	
Company-Wide Targets	E B I T D A						+20%	increase(compared to FY2022)
	Growth Areas	E B I T D A						+40% (vs. FY2022)
		Overseas Operating Profit Margin						10% (FY2025)
	Existing Areas	E B I T D A						+10% (vs. FY2022)
		ROIC (Return on invested capital)						9% (FY2022 Results: 8.2%)

In addition to the above, we are setting sustainability-related targets:

- New Female Manager Promotion Rate: at least 30% each year
- Greenhouse Gas Emissions: targeting carbon neutrality in 2040, as well as Net-Zero
- Engagement Rate: To be improved

(Notes) 1. The scope of aggregation for overseas operating profit margin is NTT DATA consolidated. Calculation excludes temporary expenses, such as M&A-related depreciation costs of intangible fixed assets.

2. Growth areas refer to IOWN, digital/data centers, power/energy, Smart Life, real estate, AI/robots, etc.

3. Existing areas refer to NTT DOCOMO's consumer telecommunications businesses, NTT East and NTT West.

2. Sustainability-Related Principles and Initiatives

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

NTT Group Sustainability Charter

NTT Group has established a Sustainability Charter. By promoting the IOWN concept, which is based on high ethical standards and advanced technology and innovation, NTT Group is working towards (1) ensuring the coexistence of nature and humanity (responses to environmental issues), (2) improving prosperity for all people and cultures (responses to social issues) and (3) maximizing wellbeing for all (responses to human rights, diversity and inclusion). Through these initiatives, NTT Group will simultaneously achieve both corporate growth and the resolution of social issues, contributing to the achievement of a sustainable society.

In addition, in May 2023, NTT Group announced its new Medium-Term Management Strategy, “New Value Creation & Sustainability 2027 Powered by IOWN.” NTT is aiming to be a creator of new value and accelerator of a global sustainable society, and advancing a wide variety of other initiatives.

NTT Group Global Sustainability Charter	
Coexistence with Nature	Addressing Environmental Challenges
Improving Prosperity for All People and Cultures	Addressing Social Issues
Maximizing Well-being for All	Addressing Human Rights and Diversity & Inclusion Challenges

Fundamental Principles of
New Value Creation & Sustainability 2027 Powered by IOWN

**Innovating a Sustainable Future
for People and Planet**

(1) Sustainability-Related Governance

NTT Group considers the promotion of sustainability to be an important management issue, and particularly important matters are determined based on discussions with members of the board.

As a supervisory system of members of the board, NTT Group has established a Sustainability Committee (with the President as the chairperson) directly under the Board of Directors to manage group-wide activity policies and their progress. Policies related to sustainability (the establishment, revision or abolition of the charter and related policies, and the determination of particularly important indicators) are determined by the Board of Directors after going through the Sustainability Committee.

With respect to the matters that have been chosen as important issues and activities amongst all sustainability-related issues, in FY2021, NTT Group discussed, selected and identified issues that NTT Group should address on a global scale after comprehensively considering new issues that surround sustainability, with reference to third-party organizations, ISO 26000, GRI Standards and other evaluation organizations, SDGs, global trends, internal workshops, the materiality of other companies and other factors. In addition, the level of priority for addressing these issues was assessed based on their impact on both “growth as a company” and “resolution of social issues,” aiming for management that simultaneously achieves the resolution of social issues and business growth, while also incorporating opinions from external experts.

The issues identified as described above and the appropriateness of their determined level of priority are reviewed periodically (once a year) by the Board of Directors after deliberation by the Sustainability Committee and are reassessed as needed. At the meeting of the Board of Directors held on April 20, 2023, after reviewing the level of priority, (a) Climate Change, (b) Human Resources, (c) New Value Creation and (d) Resilience were selected as the four important sustainability matters for FY2023.

(2) Sustainability-Related Risk Management

The Sustainability Committee discusses risks and opportunities related to important sustainability issues, and reports on them to the Board of Directors. As NTT Group’s risk management process, NTT Group established risk management regulations that set forth fundamental risk management matters for the purpose of anticipating and preventing the occurrence of potential risks and, should the risks actually materialize, minimizing losses. Primarily driven by the Business Risk Management Promotion

Committee, which is chaired by the Executive Vice President, and Group Business Risk Management Promotion Committees, NTT Group has established and operates a PDCA cycle for risk management, and the identification, evaluation and management of sustainability-related risks are integrated into NTT Group's comprehensive risk management process.

(3) Strategies, Indicators and Targets

(a) Climate Change

Strategies Related to Climate Change (Initiatives for Risks and Opportunities)

Climate change is widely recognized worldwide as a significant risk. In light of this, if NTT Group's responses to and disclosures regarding recycling of resources and 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 this risk, 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 and information disclosures further through such measures as advancing IOWN research and development with the aim of achieving an overwhelming advantage in low power consumption technology, adopting an internal carbon pricing system and promoting the use of green bonds.

As a response to this opportunity, NTT Group is undertaking initiatives such as expanding its renewable energy offerings at data centers, supporting the establishment of processes to visualize greenhouse gas emissions and expanding sales of green power to both corporate and individual customers.

In addition, as an example of achieving a circular economy society, which is one of the initiatives of the new Medium-Term Management Strategy that NTT Group announced in May 2023, NTT Group aims to achieve a sustainable society by promoting green solutions that can be achieved through "Green Energy x ICT," expanding its renewable energy generation business and achieving a stable supply of optimized and efficient energy directed towards local production for local consumption, recycling resources across various industries and further accelerating regional revitalization. At the same time, NTT Group is aiming to expand NTT Green Innovation toward 2040 to Scope 3, in furtherance of net-zero.

Indicators and Targets Related to Climate Change

Indicator	Target	Results
Greenhouse Gas Emissions	[Scope 1, 2] FY2030: 80% reduction (compared to FY2013) FY2040: Carbon neutrality [Scope 3] FY2040: Net zero	[Scope 1, 2] FY2022 (preliminary figures): 2.46 million tons, 47% reduction (compared to FY2013) [Scope 3] FY2022 (preliminary figures): 20.03 million tons, 15% reduction (compared to FY2018)

Notes: 1. The scope of aggregation for greenhouse gas emissions consists of the Company and its consolidated subsidiaries.

2. Confirmed figures for greenhouse gas emissions (Scope 1, 2 and 3) are expected to be posted on the company's corporate website around October 2023.

• Environmental Activities, Environmental Data and Detailed Data for NTT Group:

<https://group.ntt/en/environment/data/data/ghg.html>

3. For Scope 1 and 2, FY2013 has been set as the reference year in line with the Japanese government's global warming countermeasures plan. For Scope 3, FY2018, which is the year when NTT Group began calculations with the same scope of aggregation as now, including overseas group companies, has been set as the reference year.

(b) Human Resources

Strategies Related to Human Resources (Initiatives for Risks and Opportunities; Policies for Human Resource Development, Including Ensuring Diversity of Human Resources, and for the Work Environment)

Strengthening Employee Engagement

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 in the future. In this environment, strengthening employee engagement is critical for improving productivity and creativity and for the retention of exceptional personnel. Decreased engagement 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 affect its results of operations and financial condition.

In consideration of this risk, NTT Group conducts employee engagement assessments and strengthens initiatives to improve any issues that are identified. Based on the new specialization-focused personnel and salary system that was introduced in April 2023, NTT Group will develop an environment where each employee can develop and use even higher levels of skill than before, and will also expand its public recruitment to increase opportunities for employees to actively challenge themselves. With respect to management positions, NTT Group has introduced a job-based personnel system in which the appropriate personnel are placed into the appropriate positions regardless of seniority or age. NTT Group is also developing opportunities for two-way communications between executives and employees to disseminate and increase understanding of strategies. At the same time, NTT Group is continuing its initiatives to achieve a work-in-life environment in which a wide range of personnel can play an active role, which will also serve as a foundation for supporting employee engagement.

As a response to this opportunity, NTT Group believes that employees' willingness to take on challenges and develop expertise will improve the achievement of their career goals and their job satisfaction, which NTT Group believes will increase employee engagement and improve NTT Group's labor productivity and creativity.

Policies for Human Resource Development, Including Ensuring Diversity of Human Resources, and Policies for Improving the Work Environment

NTT Group will strengthen its support for personnel development through its employees' autonomous career development. In particular, in order to improve expertise in the 18 specialized fields that have been identified across the group, NTT Group is enhancing its training menu, including support for receiving external qualifications, and is preparing approximately 700 courses in FY2023. In addition, NTT Group is enhancing its career consulting functions to support employees in designing their own careers. Furthermore, NTT Group is working to develop DX personnel with sophisticated data utilization skills in order to promote NTT Group's DX, and had approximately 2,000 such personnel as of the end of March 2023. NTT Group also operates "NTT University," a program whose purpose is to develop NTT Group executive candidates, and dispatches approximately 40 managers of domestic companies to overseas operating companies each year in order to develop leaders who have a global perspective.

In order to ensure diversity, NTT Group continuously aims to develop female core management personnel. In addition to ensuring that at least 30% of the eligible employees at NTT University are women, NTT Group has also set a target ratio of at least 30% women amongst newly appointed managers, and conducts trainings for female employees at all levels, as well as trainings for employees returning from childcare leave, their managers and others.

With respect to its work environment, NTT Group has established an environment that enables flexible workstyles, including remote work, flextime without fixed work times and split-shift work, in order to achieve work-in-life. Furthermore, NTT Group has also begun introducing a remote work-standard system that allows employees to live wherever they want, and is working to eliminate unaccompanied job transfers and to create an environment where work relocations are unnecessary. In addition, in order to create a work environment that is comfortable for all minorities including women, persons with disabilities and LGBTQ persons, and for employees with circumstances such as childcare or nursing care, NTT Group is building networks of personnel and conducting trainings to develop knowledge from surrounding personnel (particularly managers), change mindsets and cultivate a corporate culture, and is also actively promoting the participation of men in childcare.

Health and Safety

If employees' health and safety are not sufficiently ensured, there could be a decline in labor productivity, which could affect NTT Group's results of operation and financial condition.

In consideration of this risk, NTT Group complies with the Labor Standards Act and other relevant laws and regulations, and has established health and safety management protocols to manage health and safety. NTT Group as a whole, including

subcontractors and partner companies, continues to work on improving safety awareness and on a wide variety of measures in order to prevent accidents at construction sites for telecommunications facilities that support NTT Group's business and to create safe work environments.

As a response to this opportunity, NTT Group is working on health management as part of its overall management strategy, based on the policy that efforts to maintain and improve the health of its employees will improve motivation and productivity, and will also lead to an increase in company revenues. In particular, NTT is advancing initiatives such as employee health activities that use smartphone applications (d Healthcare) and periodically conducts surveys (pulse surveys) to assess employees' health conditions and any irregularities.

Human Rights

If any human rights violations, including forced labor or child labor, were found to have occurred in NTT Group or in its supply chain, NTT Group's reliability and corporate image could decline, which could in turn adversely affect its results of operation and financial position.

In consideration of this risk, NTT Group is working to strengthen its human rights management and improve human rights awareness throughout the group as a whole, including by conducting due diligence through external evaluation organizations, conducting trainings on human rights issues and establishing and operating consultation hotlines for human rights-related matters.

As a response to this opportunity, NTT Group believes that having direct dialogues with its key suppliers as part of its human rights due diligence, and disclosing information about their processes and results, will lead to an improvement in NTT's brand image as a company that can be trusted by all of its stakeholders.

In addition, as an example of having an open and innovative corporate culture, which is one of the initiatives of the new Medium-Term Management Strategy that NTT Group announced in May 2023, NTT Group is taking a customer-focused approach and working to foster a culture of openness, collaboration and trial and error, and is also working to continually strengthen its diversity and inclusion. Furthermore, in order to bolster autonomous career development, NTT will support its employees' autonomous career development and work to provide total career development support by expanding its investments in personnel who support business growth, supporting employees' life events (including childbirth, childcare and nursing care) and other initiatives. In addition, NTT Group is expanding its system of providing a portion of educational expenses through college graduation for children of employees who pass away while working for the company, as a way to strengthen and enhance its support programs for the families of employees around the world.

Indicators and Targets Related to Personnel

Indicator	Target	Results
Employee Engagement Rate	To be improved (year-over-year)	FY2022: 57%
New Female Manager Promotion Rate	Each year: 30%	FY2022: 29.7%
Male Childcare Leave Rate	FY2023: 100%	FY2022: 114.1%
Direct Dialogue Rate with Key Suppliers	FY2023: 100%	FY2022: 100%

- Notes:1. The scope of aggregation for the employee engagement rate consists of approximately 100 domestic group companies (with plans to expand to overseas group companies in the future).
2. The scope of aggregation for the new female manager promotion rate and male childcare leave rate consists of the six primary domestic companies (NTT, NTT DOCOMO, NTT Communications, NTT East, NTT West and NTT DATA).
3. The scope of aggregation for the direct dialogue rate with key suppliers consists of approximately 40 companies each year among the key suppliers (approximately 140 companies) that account for over 90% of the total amount of NTT Group's procurements.

(Reference) Other Indicators and Targets Related to Diversity

	Indicator	Target	Results
Women	Hiring Ratio	Every year: 30%	FY2022: 35.8%
	Management Ratio	FY2025: 15%	FY2022: 10.4%
	Executive Officer Ratio	FY2025: 25-30%	June 2023: 21.0%
External Hires	Ratio of Mid-Career Hires	FY2023: 30%	FY2022: 40.7%

Note:1. The scope of aggregation for each of the indicators above consists of the six primary domestic companies (NTT, NTT DOCOMO, NTT Communications, NTT East, NTT West and NTT DATA).

2. As of the date of submission of the Annual Securities Report, the ratios of female Members of the Board, Audit & Supervisory Board Members, and Executive Officers at the Company were 30.0%, 40.0%, and 40.0%, respectively.

(c) New Value Creation

Strategies Related to New Value Creation (Initiatives for Risks and Opportunities)

In order to upgrade its creation of new experiences and impressions for customers (customer experience), NTT Group is promoting the B2B2X model, which aims to resolve social issues and create new value through collaborations with a wide range of partners. If the promotion of the B2B2X model does not progress as anticipated, NTT Group's market competitiveness could decline, which could, as a result, have an adverse effect on NTT Group's results of operations and financial condition.

As a response to this risk, in order to expand its projects while working on its collaborations, NTT Group has established and is operating the Marketing Strategy Committee, with the President serving as the chairperson. In addition, NTT Group is working to expand its B2B2X business through shared learning across each of its companies of best practices, including by convening group-wide in-house conferences.

As a response to this opportunity, NTT Group will combine the digital services and data management technologies of NTT Group with the industry knowledge and customer bases of each of its partners to enable the offering of new value to its partners' customers (users). Specifically, NTT Group as a whole is working on initiatives across a variety of fields, including (1) the evolution of the industrial value chain, (2) the evolution of customer service, (3) the utilization of mobile data and (4) community-based services and urban development.

In addition, as an example of fusing research and development with a market-focused strategy, which is one of the initiatives of the new Medium-Term Management Strategy that NTT Group announced in May 2023, NTT Group established a new Research and Development Market Strategy Division. At the holding company level, NTT will combine its R&D capabilities with its market planning and analysis and alliance capabilities to strengthen its product-oriented R&D, which will also enable NTT to conduct R&D and offer products through co-creations on a global scale and to promote alliances with a variety of partners. Furthermore, in order to strengthen its CX-focused services, NTT will treat all stakeholders as customers and promote customer experience first. NTT Group aims to continue to be selected by customers by providing new experiences and impressions that exceed its customers' expectations, by being agile and constantly improving and updating services that are closely aligned with the customer journey.

Indicators and Targets Related to New Value Creation

Indicator	Target	Results
Amount of B2B2X Revenues	FY2023: ¥870.0 billion	FY2022: ¥815.4 billion

Note:1. The scope of aggregation for the amount of B2B2X revenues consists of the Integrated ICT Business Segment, the Regional Communications Business Segment and the Global Solutions Business Segment.

(d) Resilience

Strategies Related to Resilience (Initiatives to Handle Risks and Opportunities)

Natural Disasters, Large-Scale Failures and Other Similar Events

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 ensure people's safety in their everyday lives and services that support fundamental parts of everyday life, such as financial and payment services.

With respect to the provision of these services, natural disasters such as earthquakes, tsunamis, typhoons and floods, and other events, such as armed assaults, terrorist incidents or other physical attacks, could cause system development delays or disruptions, or large-scale network outages. If any of these were to occur, it could affect the services provided to customers, and potentially damage NTT Group's credibility and corporate image.

In response to this risk, NTT Group has taken a wide variety of measures to ensure the safe and stable operation of the systems and networks that are necessary for providing its services, such as strengthening the earthquake resistance and flood prevention capabilities of its telecommunications facilities, designing redundant transmission routes and strengthening emergency power supplies for telecommunications facilities and base stations as a measure against long-term power outages. In particular, as specific measures against large-scale outages, NTT will rapidly and appropriately restore services, promptly determine the cause of failures and implement group-wide measures to achieve a more resilient network based on (1) comprehensive group-wide inspections and recurrence prevention of risks that have actually occurred, and (2) cross-group risk assessments, premised on the assumption that unexpected events will always occur.

As a response to this opportunity, NTT Group believes that improving the reliability of its telecommunications networks and information systems, by strengthening the resilience of its networks and accelerating recovery measures, will lead to improved customer satisfaction and brand image. In addition, for customers who require even higher reliability, NTT Group will provide new value by enhancing its lineup of solutions for strengthening BCP.

Security

If acts of cyber-terrorism or other security incidents caused interruptions in service, decreases in the quality of services or leaks, falsification or loss of information, NTT Group's credibility and corporate image could be harmed, which could affect NTT Group's results of operation and financial position.

In response to this risk, and based on the premise that cyber incidents are unavoidable, and therefore minimizing damage is critical, NTT Group has adopted the "three lines of defense" principle, working on risk-based information security countermeasures through initiatives such as the development of policies that must be observed across the entire Group, the migration to zero-trust IT systems that provide secure remote work environments, the collection/utilization of global threat information, the adoption of the latest technologies for early detection and rapid response, tests of security measures from the attacker's perspective, response training exercises in the event that any incidents do occur, and trainings on basic actions for all employees, among measures.

As a response to this opportunity, NTT Group is training security specialists who have the latest technologies and most advanced knowledge, and is working to leverage the knowledge and information gained from responding to the risks described above to provide risk countermeasure support services to companies and communities outside of the Group.

Public Announcement Responses

Any delays in providing public announcements in the event of any system disruptions, network outages, service disruptions or similar events could lead to NTT Group's credibility and brand image being harmed.

In response to this risk, NTT Group has established a system for complying with the guidelines for notifications and public announcements that have been established by the Ministry of Internal Affairs and Communications in order to be able to provide announcements promptly in the event of failures. NTT Group is also working to improve the quality of its public announcement responses through shared learning of best practices across each company regarding public announcement responses during emergencies, and believes that promoting these initiatives will lead to improved customer satisfaction and brand image.

In addition, as an example of further strengthening its business foundations, which is one of the initiatives of the new Medium-Term Management Strategy that NTT Group announced in May 2023, NTT Group is developing resilient networks and systems that can withstand large-scale failures and cyberattacks and strengthening its countermeasures against increasingly severe natural disasters.

Indicators and Targets Related to Resilience

Indicator	Target	Results
Number of Serious Incidents	FY2023: Zero	FY2022: Three
Number of Telecommunications Service Interruptions due to External Cyberattacks	FY2023: Zero	FY2022: Zero

Notes: 1. The scope of aggregation for the number of serious incidents and the number of telecommunications service interruptions due to external cyberattacks consists of the four telecommunications companies that are designated public institutions (NTT East, NTT West, NTT Communications and NTT DOCOMO).

2. Serious incidents are incidents that either cause interruptions in the provision of telecommunications services or that cause decreases in quality, and meet the following conditions:
- Voice services for emergency calls (such as 110 or 119): 1 hour or more, and 30,000 people or more
 - Voice services for non-emergency calls: 2 hours or more and 30,000 people or more; or 1 hour or more and 100,000 people or more
 - Internet-related services (free): 12 hours or more and 1.0 million people or more; or 24 hours or more and 100,000 people or more
 - Other services: 2 hours or more and 30,000 people or more; or 1 hour or more and 1.0 million people or more

3. 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.

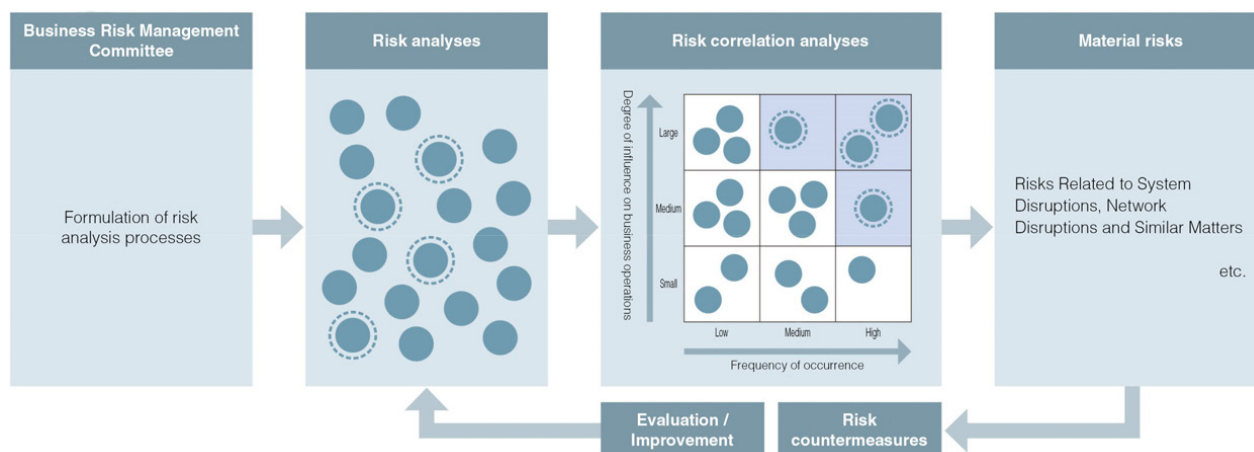
(1) Business Risk Management

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, 2023, the Business Risk Management Committee held two meetings, and the Group Business Risk Management Committee held two 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 Related to NTT Group's Growth

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.

Additionally, in order to upgrade its creation of new experiences and impressions for customers (customer experience), NTT Group is promoting the B2B2X model, which aims to resolve social issues and create new value through collaborations with a wide range of partners. If the promotion of the B2B2X model does not progress as anticipated, NTT Group's market competitiveness could decline, which could, as a result, have an adverse effect on NTT Group's results of operations and financial condition.

In consideration of these risks, based on NTT Group's new Medium-Term Management Strategy, "New Value Creation & Sustainability 2027 Powered by IOWN," which was announced in May 2023, NTT Group is aiming to achieve global sustainability and new value creation by building on the basis of the concepts and initiatives of the previous medium-term management strategy.

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, by transitioning to globally standardized systems, NTT Group is working to promote efficiency through standardization and to ensure simple yet highly productive business operations.

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.

For details on efforts undertaken in consideration of the risk that initiatives to create new customer experiences and impressions do not progress sufficiently, see “Item 2. Business Overview — Sustainability-Related Principles and Initiatives — Strategies Related to New Value Creation.”

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 financing to become restricted, and NTT Group’s financing costs may increase.

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 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 recycling of resources and 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.

For details on efforts undertaken in consideration of the risks related to climate change, see “Item 2. Business Overview — Sustainability-Related Principles and Initiatives — Strategies Related to Climate Change.”

For efforts undertaken in consideration of risks related to resource recycling, NTT Group has determined to achieve a recycling rate of at least 99% for waste generated by NTT Group as a target for fiscal year 2030. In accordance with both social demands and laws and regulations, NTT Group will promote the reuse and recycling of telecommunications equipment and mobile devices, the reduction of its use of plastics, careful disposition of any hazardous waste and thorough storage and management, and will work to enhance its resource recycling initiatives.

Risks Related to Human Resources

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 in the future. In this environment, strengthening employee engagement is critical for improving productivity and creativity and for the retention of exceptional personnel. Decreased engagement 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 affect its results of operations and financial condition.

In addition, if employees’ health and safety are not sufficiently ensured, there could be a decline in labor productivity, which could affect NTT Group’s results of operation and financial condition.

Furthermore, if any human rights violations, including forced labor or child labor, were found to have occurred in NTT Group or in its supply chain, NTT Group’s reliability and corporate image could decline, which could in turn adversely affect its results of operation and financial position.

For details on efforts undertaken in consideration of risks related to human resources, see “Item 2. Business Overview — Sustainability-Related Principles and Initiatives — Strategies Related to Human Resources.”

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 Associated with Business Management

Risks Related to System Disruptions, Network Outages, Service Disruptions and Similar Events

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 ensure people's safety in their everyday lives and services that support fundamental parts of everyday life, such as financial and payment services.

With respect to the provision of these services, natural disasters such as earthquakes, tsunamis, typhoons and floods, and other events, such as armed assaults, terrorist incidents or other physical attacks, could cause system development delays or disruptions, or large-scale network outages. If any of these were to occur, it could affect the services provided to customers, and potentially damage NTT Group's credibility and corporate image.

In addition, if acts of cyber-terrorism or other security incidents caused interruptions in service, decreases in the quality of services or leaks, falsification or loss of information, NTT Group's credibility and corporate image could be harmed.

Furthermore, any delays in providing public announcements in the event of any system disruptions, network outages, service disruptions or similar events could lead to NTT Group's credibility and brand image being harmed.

For details on efforts undertaken in consideration of risks related to system disruptions, network outages, service disruptions or similar events, see "Item 2. Business Overview — Sustainability-Related Principles and Initiatives — Strategies Related to Resilience."

Risks Related to Geopolitical Developments

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 facilities 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 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 both domestically and abroad, including the prevention of anti-competitive activity and bribery.

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 from a court or other authority, 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

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.

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

As a result of the impact of the COVID-19 pandemic or any future pandemics, it is possible that NTT Group's business activities will be materially affected, including through the downsizing of its 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 strengthening its facilities, as necessary to maintain stable network operations.

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 34.25% of NTT's outstanding Shares excluding treasury stock, which equates to 34.29% 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 telecommunications companies

a. Provision of Universal Telecommunications Services

- Provision of Universal Services (Article 7)

A telecommunications carrier that provides universal telecommunications services (telecommunications services listed below that are to be provided nationwide due to their indispensability to the lives of the people) must make efforts to provide the services in an appropriate, fair and stable manner.

- Category 1 of Universal Telecommunications Services:

Telephone subscriber lines (base rates) or optical IP telephones equivalent to telephone subscriber lines, Wireless landlines, Type 1 Public Telephones (public telephones installed pursuant to the MIC standards), Public telephones for disasters, and emergency numbers (110, 118, 119) and others.

- Category 2 of Universal Telecommunications Services:

FTTH access services, CATV access services and dedicated wireless fixed broadband access services

b. 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)).

c. 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).

d. 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).

e. Universal Service Fund (“USF”)

The USF is a system under which telecommunications carriers cover the costs and expenses necessary to provide universal services. With respect to Category 1 universal services, the Minister designates a support organization to provide funds to cover a portion of such costs and expenses in order to ensure the provision of such services (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).

NTT East and NTT West have been designated as eligible telecommunications carriers by the Minister. In the fiscal year ended March 31, 2023, the aggregate amount of compensation to NTT East and NTT West in connection with the USF was ¥6.7 billion, and in the fiscal year ending March 31, 2024, the aggregate amount of compensation to NTT East and NTT West in connection with the USF is expected to be ¥6.3 billion.

For Category 2 universal services, as with Category 1 universal services, the support organization provides eligible telecommunications carriers (Article 110(3)) with funds for a portion of the costs required to provide such services (Article 107), and each telecommunications carrier is obligated to make the appropriate amount of payments to cover necessary costs and expenses (Article 110(5)).

Under the NTT Act, NTT East and NTT West are only required to provide Category 1 universal services nationwide (Article 3).

(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 its area of operation (which, for NTT East, consists of all of the eastern Japan area and, for NTT West, consists of all of the western Japan area) represent one-half or more of the total number of such facilities in the region, 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, 2022, 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 2021 determined, as a result of a review, that it would continue to apply the LRIC Methodology for interconnection charges during the IP migration period (from April 2022 to December 2024).

(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, 2023, the total number of issued Shares of NTT was 3,622,012,656, of which the Government owned 1,167,975,704 Shares or 34.25% 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 33.33%.

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
FY2022	September 15, 2022	92,925,400 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 2 shares per share of common stock.
4. With an effective date of January 1, 2020, a stock split was implemented with a ratio of 2 shares per share of common stock.

4. 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 under review increased 8.1% from the previous fiscal year to ¥13,136.2 billion.

This increase was due to such factors as an increase in system integration revenues and other revenues, partially offset by a decrease in fixed voice-related revenues and mobile voice-related revenues.

Operating revenues for each service category for the fiscal year under review 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 under review decreased 4.9% from the previous fiscal year to ¥871.2 billion. 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 under review decreased 5.1% from the previous fiscal year to ¥1,046.4 billion. This decrease was primarily due to a decrease in revenues resulting from the enhancement of customer returns through the introduction of ahamo and other billing plans.

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 under review, revenues from IP/packet communications services decreased 0.0% from the previous fiscal year to ¥3,444.0 billion.

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 under review, revenues from telecommunications equipment sales increased 8.9% from the previous fiscal year to ¥756.2 billion. This increase was mainly due to an increase in revenues in the Integrated ICT Business Segment due to an increase in the unit sale prices of devices.

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 under review, revenues from system integration increased 13.4% from the previous fiscal year to ¥4,546.5 billion. 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 businesses in the Integrated ICT Business Segment.

In the fiscal year under review, revenues from other services increased 24.2% from the previous fiscal year to ¥2,472.0 billion. This increase was due to an increase in electricity revenues in the energy business, among other factors.

Operating Expenses

Operating expenses in the fiscal year under review increased 8.9% from the previous fiscal year to ¥11,307.2 billion. The reasons for the increase are discussed below.

Personnel Expenses

Personnel expenses in the fiscal year under review increased 7.9% from the previous fiscal year to ¥2,768.7 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 under review, expenses for purchase of goods and services and other expenses increased 12.4% from the previous fiscal year to ¥6,563.3 billion. This increase was mainly due to an increase in sales-related costs resulting from the increase in electricity revenues, among other factors.

Depreciation and Amortization Expenses

Depreciation and amortization expenses in the fiscal year under review increased 1.4% from the previous fiscal year to ¥1,582.6 billion.

Operating Profit

As a result of the foregoing, operating profit for the fiscal year under review increased 3.4% from the previous fiscal year to ¥1,829.0 billion.

Finance Income and Costs

Finance income and costs for the fiscal year under review were ¥(25.3) billion compared to ¥7.2 billion for the previous fiscal year. This increase was mainly due to an increase in interest expenses resulting from a rise in interest rates, among other factors.

Share of Profit of Entities Accounted for Using Equity Method

Share of profit of entities accounted for using the equity method for the fiscal year under review decreased 28.9% from the previous fiscal year to ¥14.0 billion.

Profit before Taxes

As a result of the foregoing, profit before taxes for the fiscal year under review increased 1.2% from the previous fiscal year to ¥1,817.7 billion.

Income Taxes

In the fiscal year under review, income taxes decreased 2.7% from the previous fiscal year to ¥524.9 billion. Effective tax rates for the previous fiscal year and for the fiscal year under review were 30.05% and 28.88%, respectively.

Profit Attributable to NTT

As a result of the foregoing, profit for the fiscal year under review increased 2.9% from the previous fiscal year to ¥1,292.8 billion. Profit attributable to NTT (excluding the profit attributable to non-controlling interests) for the fiscal year under review, increased 2.7% from the previous fiscal year to ¥1,213.1 billion.

Details of the results of operations were as follows.

	Year Ended March 31,		Change	Percent Change
	2022	2023		
	(in billions of yen)			
Operating revenues	12,156.4	13,136.2	979.7	8.1 %
Fixed voice related services	916.1	871.2	(44.9)	(4.9) %
Mobile voice related services	1,102.5	1,046.4	(56.2)	(5.1) %
IP/Packet communications services	3,444.8	3,444.0	(0.8)	(0.0) %
Sales of telecommunications equipment	694.7	756.2	61.5	8.9 %
System integration	4,008.1	4,546.5	538.4	13.4 %
Other	1,990.2	2,472.0	481.7	24.2 %
Operating expenses	10,387.9	11,307.2	919.4	8.9 %
Personnel expenses	2,566.1	2,768.7	202.6	7.9 %
Expenses for purchase of goods and services and other expenses	5,839.4	6,563.3	723.8	12.4 %
Depreciation and amortization	1,561.2	1,582.6	21.4	1.4 %
Other	421.1	392.6	(28.5)	(6.8) %
Operating profit	1,768.6	1,829.0	60.4	3.4 %
Finance income and costs	7.2	(25.3)	(32.5)	—
Share of profit (loss) of entities accounted for using equity method	19.7	14.0	(5.7)	(28.9)
Profit before taxes	1,795.5	1,817.7	22.2	1.2 %
Income taxes	539.5	524.9	(14.6)	(2.7) %
Profit	1,256.0	1,292.8	36.8	2.9 %
Less-profit attributable to non-controlling interests	74.9	79.6	4.7	6.3 %
Profit attributable to NTT	1,181.1	1,213.1	32.0	2.7 %

(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.

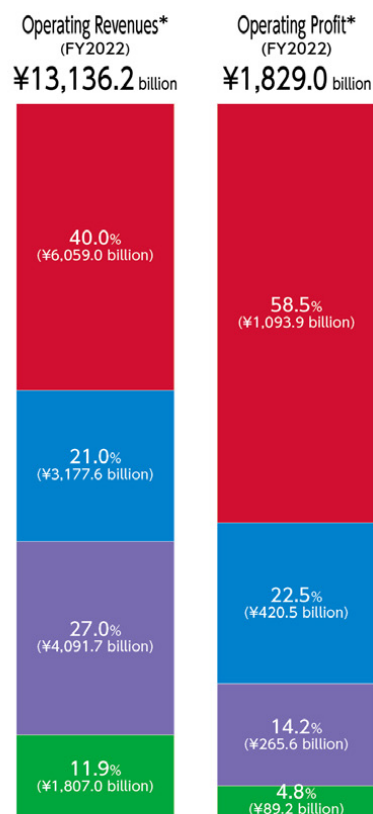


Others (Real Estate, Energy and Others)

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



Other group companies



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

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.

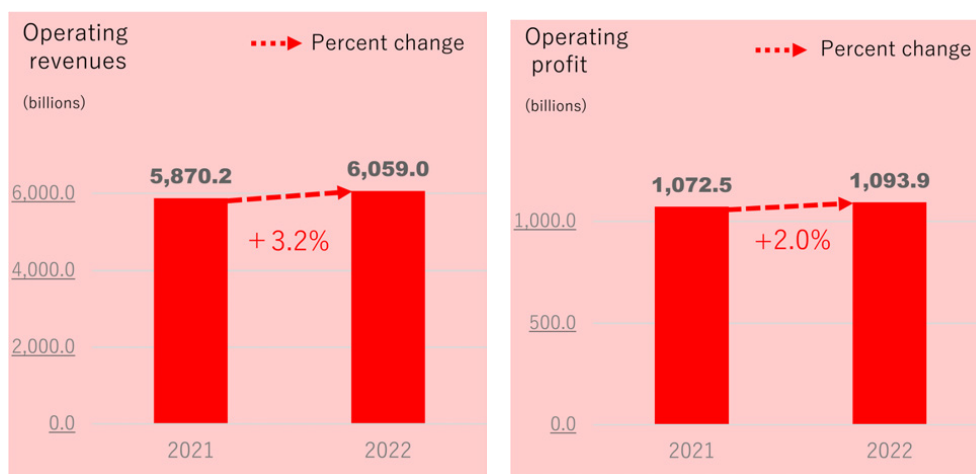
The Regional Communications Business Segment comprises fixed voice related services, IP/packet communications services, sales of telecommunications equipment, system integration services and other services.

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 under review 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

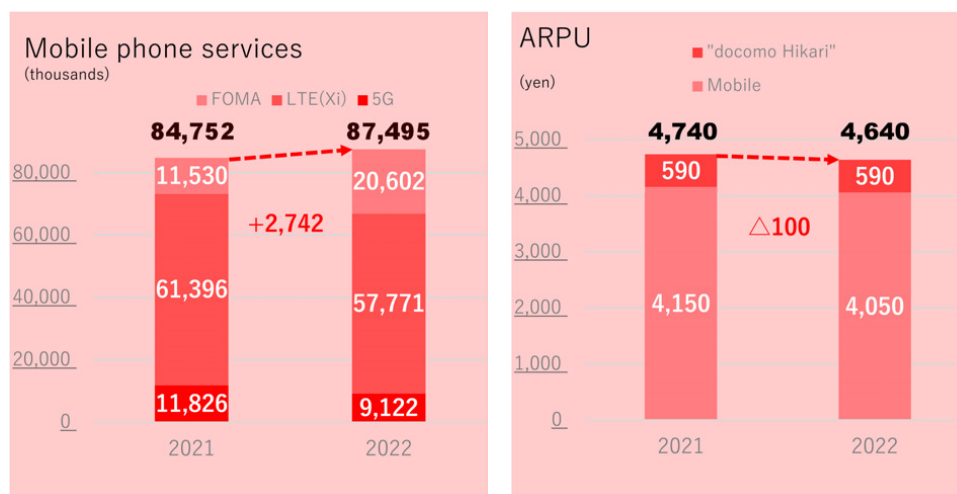


Operating revenues for the Integrated ICT Business Segment for the fiscal year under review increased to ¥6,059.0 billion (an increase of 3.2% from the previous fiscal year) due to, among other things, an increase in revenues resulting from the expansion of Enterprise and Smart Life businesses, particularly in financial, payment and marketing solutions, partially offset by a decrease in revenues resulting from the enhancement of customer returns through the introduction of amamo and other billing plans. On the other hand, operating expenses for the fiscal year under review increased to ¥4,965.1 billion (an increase of 3.5% from the previous fiscal year) due to, among other things, an increase in sales-related costs. As a result, operating profit for the fiscal year under review increased to ¥1,093.9 billion (an increase of 2.0% from the previous fiscal year).

Summary of Segment Performance

	Year Ended March 31,		Change	Percent Change
	2022	2023		
	(in billions of yen)			
Operating revenues	5,870.2	6,059.0	188.8	3.2 %
Fixed voice related services	176.0	172.7	(3.4)	(1.9) %
Mobile voice related services	1,109.9	1,054.2	(55.7)	(5.0) %
IP/packet communications services	2,304.3	2,292.6	(11.7)	(0.5) %
Sales of telecommunications equipment	629.0	686.0	57.0	9.1 %
System integration services	525.2	609.5	84.3	16.0 %
Other	1,125.7	1,244.0	118.2	10.5 %
Operating expenses	4,797.6	4,965.1	167.4	3.5 %
Personnel expenses	470.7	476.5	5.7	1.2 %
Expenses for purchase of goods and services and other expenses	3,430.0	3,581.8	151.8	4.4 %
Depreciation and amortization	779.9	785.9	5.9	0.8 %
Other	117.0	120.9	3.9	3.4 %
Operating profit	1,072.5	1,093.9	21.3	2.0 %

Number of Subscriptions; ARPU



As of March 31, 2023, the number of subscriptions to NTT DOCOMO mobile phone services reached 87.49 million subscriptions, an increase of 2.74 million over the course of the fiscal year from 84.75 million at the end of the previous fiscal year. In addition, churn rates increased by 3 basis points to 0.65%.

Aggregate ARPU decreased by ¥100 (2.1%) to ¥4,640 for the fiscal year under review, from ¥4,740 for the previous fiscal year. This decrease was due to, a decrease of ¥100 (2.4%) in Mobile ARPU to ¥4,050 for the fiscal year under review, from ¥4,150 for the previous fiscal year, as a result of the effect of the enhancement of customer returns through the introduction of ahamo and other billing plans.

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

	As of March 31,		Change	Percent Change
	2022	2023		
	(in thousands)			
Mobile phone service	84,752	87,495	2,742	3.2 %
5G services	11,530	20,602	9,072	78.7 %
LTE (Xi) services	61,396	57,771	(3,625)	(5.9) %
FOMA services	11,826	9,122	(2,704)	(22.9) %
Estimated mobile phone market share	43.4%	43.1%	(0.3)points	—
sp-mode services	50,099	51,673	1,574	3.1 %
i-mode services	2,675	1,627	(1,048)	(39.2) %
Plala (ISP)	3,889	3,733	(156)	(4.0) %
OCN (ISP)	7,018	7,301	283	4.0 %
Hikari TV	2,952	884	(2,068)	(70.0) %

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. Numbers shown for sp-mode services include the number of ahamo subscriptions and the number of OCN mobile subscriptions.

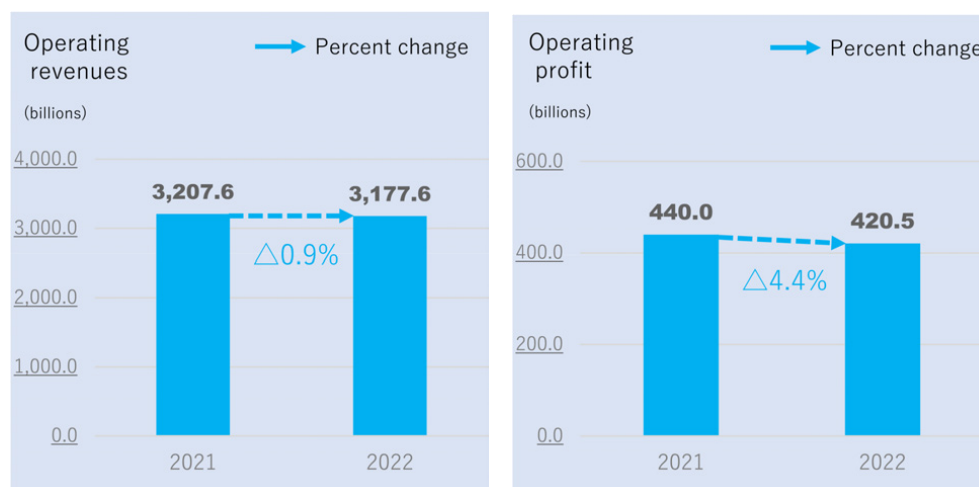
ARPU

	Year ended March 31,		Change	Percent Change
	2022	2023		
Aggregate ARPU (JPY)	4,740	4,640	(100)	(2.1) %
Mobile ARPU (JPY)	4,150	4,050	(100)	(2.4) %
“Hikari” ARPU (JPY)	590	590	—	— %

Notes: 1. See “Footnote 2, ‘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. 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 under review decreased to ¥3,177.6 billion (a decrease of 0.9% from the previous fiscal year) due to a decrease in revenues from fixed voice-related services, partially offset by an increase in other operating revenues resulting from an increase in income from subsidiaries, among other factors. On the other hand, operating expenses decreased to ¥2,757.1 billion in the fiscal year under review (a decrease of 0.4% from the previous fiscal year), due to the absence of the impairment loss recorded in the previous fiscal year and a decrease in expenses as a result of efforts to improve cost efficiency, partially offset by an increase in expenses resulting from the impact of rising electricity rates. As a result, segment operating profit in the fiscal year under review decreased 4.4% to ¥420.5 billion.

Summary of Segment Performance

	Year Ended March 31,		Change	Percent Change
	2022	2023		
	(in billions of yen)			
Operating revenues	3,207.6	3,177.6	(30.0)	(0.9) %
Fixed voice related services	932.0	876.2	(55.8)	(6.0) %
IP/packet communications services	1,598.6	1,601.1	2.5	0.2 %
Sales of telecommunications equipment	67.7	71.2	3.5	5.2 %
System integration services	219.3	207.8	(11.6)	(5.3) %
Other	389.9	421.2	31.3	8.0 %
Operating expenses	2,767.6	2,757.1	(10.5)	(0.4) %
Personnel expenses	657.4	640.5	(17.0)	(2.6) %
Expenses for purchase of goods and services and other expenses	1,457.6	1,488.5	30.9	2.1 %
Depreciation and amortization	421.3	419.6	(1.7)	(0.4) %
Other	231.2	208.6	(22.6)	(9.8) %
Operating profit	440.0	420.5	(19.5)	(4.4) %

Numbers of Fixed-Line Telephone and INS-Net Subscriptions

	As of March 31,			
	2022	2023	Change	Percent Change
	(in thousands)			
NTT East:				
Telephone subscriptions	6,597	6,142	(455)	(6.9) %
INS-Net subscriptions	803	718	(85)	(10.6) %
NTT West:				
Telephone subscriptions	6,527	5,966	(561)	(8.6) %
INS-Net subscriptions	801	716	(84)	(10.5) %

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, 2023 stood at 13,542 thousand, a decrease of (1,185) 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,			
	2022	2023	Change	Percent Change
	(in thousands)			
NTT East:				
FLET’S Hikari(including the Hikari Collaboration Model)	13,156	13,326	170	1.3 %
(incl.) Hikari Collaboration Model	9,573	9,871	297	3.1 %
FLET’S ADSL	120	5	(115)	(96.0) %
Hikari Denwa (channels)	10,075	10,058	(17)	(0.2) %
FLET’S TV Transmission Service	1,154	1,177	24	2.0 %
NTT West:				
FLET’S Hikari(including the Hikari Collaboration Model)	10,110	10,249	139	1.4 %
(incl.) Hikari Collaboration Model	6,719	6,938	219	3.3 %
FLET’S ADSL	166	53	(113)	(68.2) %
Hikari Denwa (channels)	8,707	8,694	(13)	(0.1) %
FLET’S TV Transmission Service	841	888	47	5.6 %

Notes: 1. FLET’S Hikari (including Hikari Collaboration Model) includes FLET’S Hikari Cross, FLET’S Hikari Next, FLET’S Hikari Light, FLET’S Hikari Lightplus FLET’S Hikari WiFi Access and Hikari Denwa Next (optical IP telephone) provided by NTT East, FLET’S Hikari Cross, FLET’S Hikari Next, FLET’S Hikari Mytown Next, FLET’S Hikari Light and Hikari Denwa Next (IP telephone service) 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, 2023, the number of FLET'S Hikari subscriptions (including the Hikari Collaboration Model) had increased to 23,575 thousand subscriptions, an increase of 309 thousand (1.3%) from the previous fiscal year; the number of Hikari Denwa subscriptions decreased to 18,752 thousand channels, a decrease of 30 thousand channels (0.2%) from the previous fiscal year; and the number of FLET'S TV subscriptions increased to 2,066 thousand channels, an increase of 71 thousand channels (3.5%) from the previous fiscal year.

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

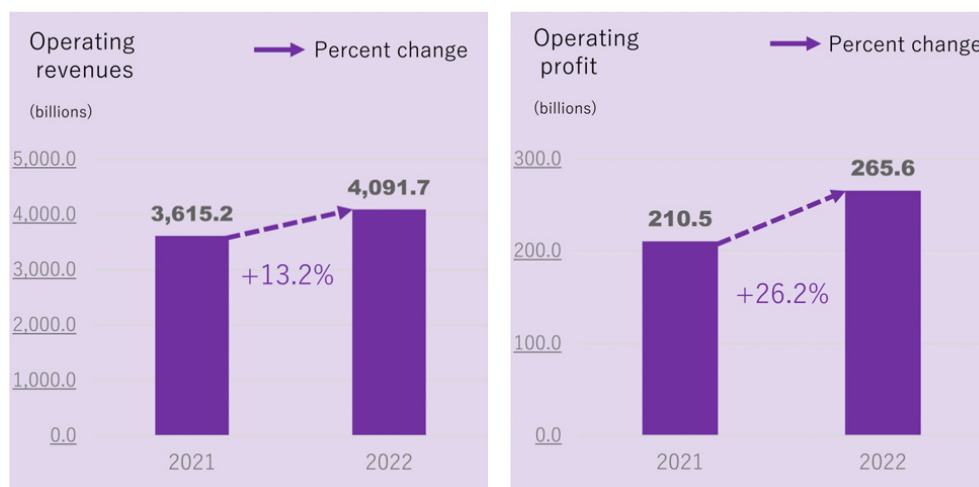
	Year Ended March 31,				
	2022	2023	Change	Percent Change	
NTT East:					
Aggregate Fixed Line ARPU (Telephone Subscriber Lines + INS-NET Subscriber Lines)	2,530	2,550	20	0.8	%
FLET'S Hikari ARPU	4,570	4,490	(80)	(1.8)	%
Basic Monthly Charge	3,350	3,310	(40)	(1.2)	%
Optional Services	1,220	1,180	(40)	(3.3)	%
NTT West:					
Aggregate Fixed Line ARPU (Telephone Subscriber Lines + INS-NET Subscriber Lines)	2,510	2,540	30	1.2	%
FLET'S Hikari ARPU	4,620	4,550	(70)	(1.5)	%
Basic Monthly Charge	3,220	3,190	(30)	(0.9)	%
Optional Services	1,400	1,360	(40)	(2.9)	%

Note: See “-Footnote 1, ‘ARPU: Average monthly Revenue Per Unit’” for a description of ARPU, and “Footnote 2, ‘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 under review, aggregate fixed-line ARPU (telephone subscriber lines + INS-Net subscriber lines) was ¥2,550 for NTT East and ¥2,540 for NTT West, an increase of ¥20 (0.8%) and ¥30 (1.2%), respectively, from the corresponding figures in the previous fiscal year.

FLET'S Hikari ARPU for the fiscal year under review was ¥4,490 for NTT East and ¥4,550 for NTT West, a decrease of ¥80 (1.8%) and ¥70 (1.5%), 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

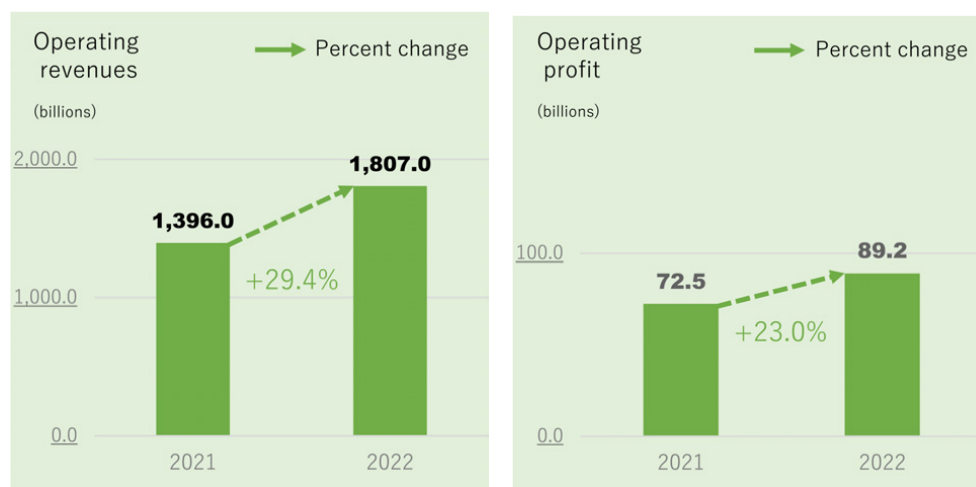


Operating revenues in the Global Solutions Business Segment for the fiscal year under review were ¥4,091.7 billion (an increase of 13.2% from the previous fiscal year), as a result of capturing the increased demand for digitalization domestically and overseas, in addition to the effect of exchange rate fluctuations, among other factors. On the other hand, operating expenses were ¥3,826.1 billion (an increase of 12.4% from the previous fiscal year), as a result of an increase in sales-related costs, among other factors. As a result, operating profit for the fiscal year under review was ¥265.6 billion (an increase of 26.2% from the previous fiscal year).

Summary of Segment Performance

	Year Ended March 31,			
	2022	2023	Change	Percent Change
	(in billions of yen)			
Operating revenues	3,615.2	4,091.7	476.5	13.2 %
System integration services	3,613.6	4,091.7	478.1	13.2 %
Other	1.6	—	(1.6)	(100.0) %
Operating expenses	3,404.7	3,826.1	421.4	12.4 %
Personnel expenses	1,263.7	1,477.6	213.8	16.9 %
Expenses for purchase of goods and services and other expenses	1,791.5	2,009.2	217.8	12.2 %
Depreciation and amortization	309.1	314.4	5.4	1.7 %
Other	40.4	24.9	(15.6)	(38.5) %
Operating profit	210.5	265.6	55.1	26.2 %

4. Others (Real Estate, Energy and Others)



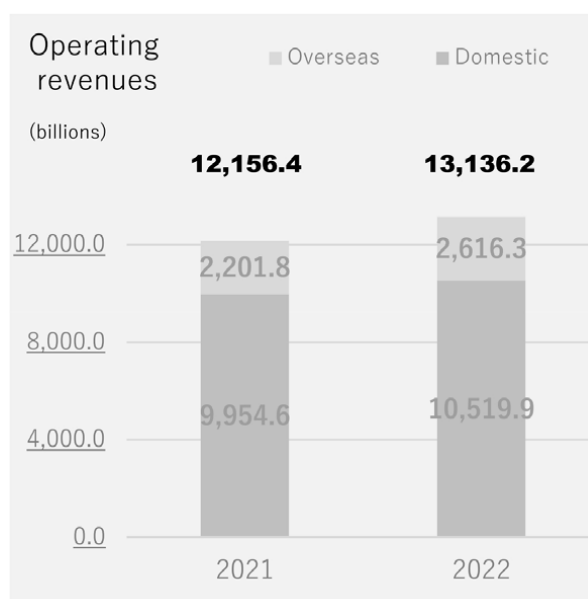
In Others(Real Estate, Energy and Others), operating revenues for the fiscal year under review, increased to ¥1,807.0 billion (an increase of 29.4% from the previous fiscal year), due to an increase in electricity revenues in the energy business, among other factors. On the other hand, operating expenses for the fiscal year under review also increased to ¥1,717.9 billion (an increase of 29.8% from the previous fiscal year) as a result of an increase in sales-related costs resulting from the increase in electricity revenues in the energy business.

As a result, operating profit increased to ¥89.2 billion (an increase of 23.0% from the previous fiscal year).

Summary of Segment Performance

	Year Ended March 31,			
	2022	2023	Change	Percent Change
	(in billions of yen)			
Operating revenues	1,396.0	1,807.0	411.1	29.4 %
System integration services	40.5	57.1	16.6	41.0 %
Other	1,355.4	1,749.9	394.5	29.1 %
Operating expenses	1,323.5	1,717.9	394.4	29.8 %
Personnel expenses	248.8	265.4	16.7	6.7 %
Expenses for purchase of goods and services and other expenses	914.1	1,278.3	364.2	39.8 %
Depreciation and amortization	118.9	126.9	8.1	6.8 %
Other	41.7	47.2	5.4	13.0 %
Operating profit	72.5	89.2	16.7	23.0 %

Reference: Domestic and Overseas Sales Information



Domestic operating revenues for the fiscal year under review increased to ¥10,519.9 billion (an increase of 5.7% from the previous fiscal year) due to, among other things, an increase in electricity revenues in the energy business and 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. Overseas operating revenues for the fiscal year under review increased to ¥2,616.3 billion (an increase of 18.8% 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
	2022	2023		
	(in billions of yen)			
Operating revenues	12,156.4	13,136.2	979.7	8.1 %
Domestic	9,954.6	10,519.9	565.3	5.7 %
Overseas	2,201.8	2,616.3	414.5	18.8 %

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

Notes:

1. 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.

2. 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, FLET'S Hikari Next, FLET'S Hikari Light, FLET'S Hikari Lightplus, FLET'S Hikari WiFi Access and Hikari Denwa Next (optical IP telephone) provided by NTT East, FLET'S Hikari Cross, FLET'S Hikari Next, FLET'S Hikari Mytown Next, FLET'S Hikari Light and Hikari Denwa Next (IP telephone service) 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, FLET'S Hikari Next, FLET'S Hikari Light, FLET'S Hikari Lightplus, FLET'S Hikari WiFi Access and Hikari Denwa Next (optical IP telephone) provided by NTT East, FLET'S Hikari Cross, FLET'S Hikari Next, FLET'S Hikari Mytown Next, FLET'S Hikari Light and Hikari Denwa Next (IP telephone service) 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 previous fiscal year and the fiscal year under review were as follows

Year Ended March 31	Billions of yen	
	2022	2023
Cash flows provided by operating activities	3,010.3	2,261.0
Cash flows used in investing activities	(1,699.2)	(1,736.9)
Cash flows used in financing activities	(1,438.1)	(590.2)
Cash and cash equivalents at the end of year	834.6	793.9

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 under review amounted to ¥2,261.0 billion.

This was primarily due to profit (loss) as adjusted for non-cash items (profit for the period, plus non-cash items such as depreciation and losses on retirement of property, plant and equipment) reaching ¥2,925.9 billion.

Furthermore, cash flows provided by operating activities represented a decrease of ¥749.2 billion from ¥3,010.3 billion in the previous fiscal year. This decrease was due to, in comparison to the prior fiscal year, profit (loss) as adjusted for non-cash items increasing by ¥29.4 billion while cash outflows increased by ¥778.6 billion, primarily due to increases in working capital and corporate taxes.

Investment Cash Flows

Cash flows used in investment activities during the fiscal year under review amounted to ¥1,736.9 billion.

This was primarily due to payments for purchase of property, plant and equipment, intangible assets and investment property reaching ¥1,851.9 billion.

Furthermore, cash flows used in investment activities represented an increase of net payments by ¥37.8 billion from ¥1,699.2 billion in the previous fiscal year. This increase was due to, among other factors, an increase of ¥93.8 billion of payments for purchase of property, plant and equipment, intangible assets and investment property in the fiscal year under review compared to the previous fiscal year.

Financing Cash Flows

Cash flows used in financing activities during the fiscal year under review amounted to ¥590.2 billion.

This was primarily due to expenditures for shareholder returns reaching ¥950.8 billion while net income from borrowings was ¥693.0 billion. Expenditures for shareholder returns consisted of ¥439.7 billion of dividend payments and expenditures of ¥511.1 billion for acquisitions of treasury stock. Net income from borrowings consisted of ¥295.6 billion of income from an increase in short-term borrowings, ¥1,090.9 billion of income from an increase in long-term borrowings and ¥693.4 billion of expenditures for repayments of long-term borrowings. The increase in long-term borrowings included the incurrence of ¥667.7 billion of green financings during the fiscal year under review. The proceeds from these financings were allocated to projects that contribute to the resolution of environmental issues (5G-related investments, FTTH-related investments, research and development for achieving the IOWN concept and renewable energy).

Furthermore, cash flows used in finance activities represented a decrease in payments of ¥847.9 billion from ¥1,438.1 billion in the previous fiscal year. This decrease was due to, among other factors, an increase of ¥1,238.9 billion in proceeds from borrowings, partially offset by an increase of ¥257.4 billion in payments for acquisitions of treasury stock in comparison to the prior fiscal year.

Financial Position

The status of assets, liabilities and equity during the previous fiscal year and the fiscal year under review were as follows.

Year Ended March 31	Billions of yen		
	2022	2023	Change
Assets	23,862.2	25,308.9	1,446.6
Liabilities	14,844.1	15,958.2	1,114.1
(incl.)Interest-bearing debt	7,364.3	8,230.5	866.3
Equity	9,018.1	9,350.6	332.5
(incl.)Total NTT shareholders' equity	8,282.5	8,561.4	278.9

Assets as of the end of the fiscal year under review increased by ¥1,446.6 billion from the end of the previous fiscal year to ¥25,308.9 billion, due to among other factors, increases in trade receivables and other current assets.

Liabilities as of the end of the fiscal year under review increased by ¥1,114.1 billion from the end of the previous fiscal year to ¥15,958.2 billion, due to, among other factors, an increase in borrowings for the acquisition of treasury stock and payment of taxes, and an increase in liabilities due to the continued depreciation of the yen. The balance of interest-bearing debt was ¥8,230.5 billion, an increase of ¥866.3 billion from ¥7,364.3 billion as of the end of the previous fiscal year.

Shareholders' equity as of the end of the fiscal year under review increased by ¥278.9 billion from the end of the previous fiscal year to ¥8,561.4 billion, due to an increase in profit. The ratio of interest-bearing debt to shareholders' equity was 96.1% (compared to 88.9% at the end of the previous fiscal year). In addition, equity, which consists of the sum of shareholders' equity and non-controlling interests, increased by ¥332.5 billion from the end of the previous fiscal year to ¥9,350.6 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 under review, NTT Group had a cash and cash equivalents balance of ¥793.9 billion, a decrease of ¥40.6 billion compared to the balance of ¥834.6 billion as of the end of the previous fiscal year. Cash and 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 under review, NTT Group had undrawn committed lines of credit of ¥318.2 billion.

Contractual Obligations

NTT Group's existing contractual obligations as of the end of the fiscal year under review 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⁾	6,972,397	582,242	3,812,879	2,577,276
Bonds	3,275,830	381,685	1,649,307	1,244,838
Bank loans	3,696,567	200,557	2,163,572	1,332,438
Interest payments on long-term debt	289,992	65,169	163,704	61,119
Lease obligations ⁽²⁾	1,212,540	221,915	499,417	491,208
Purchase commitments ⁽³⁾	628,370	336,987	288,570	2,813
Other fixed liabilities ⁽⁴⁾	—	—	—	—

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 ¥18,220 million to its pension plans in the fiscal year ending March 31, 2024 (see “Note 3.11 – Employee Benefits” in the Consolidated Financial Statements).

As of the end of the fiscal year under review, NTT Group had outstanding commitments mainly for the purchase of property, plant and equipment and other assets of approximately ¥628.4 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.

5. Significant Management Contracts

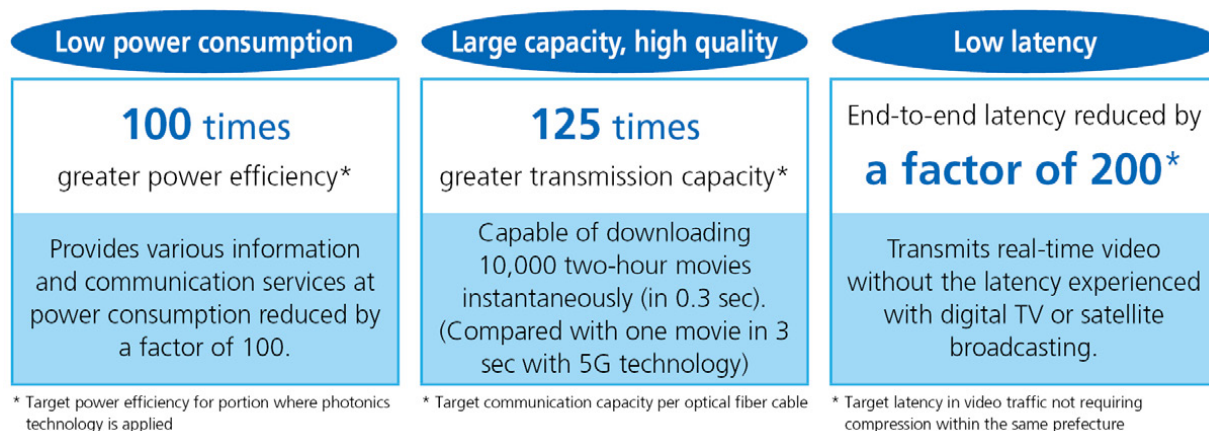
Not applicable.

6. Research and Development

We advanced initiatives to flesh out the IOWN concept and to roll out the technology and resolve issues in a range of industries.

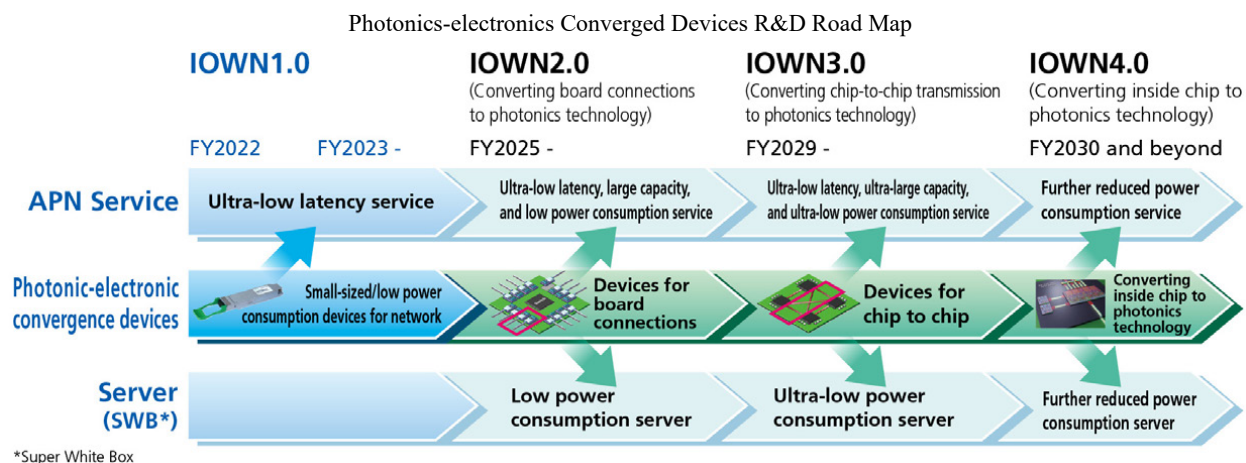
IOWN Concept:

Amid the accelerating digital shift in social and economic activities, the use of communication networks has expanded greatly, and we are approaching the limits of data volume, latency, and power consumption. The IOWN concept breaks this barrier with revolutionary photonics technology, with the goal of creating a sustainable world.



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

- In March 2023, as the first commercial service aimed at implementing IOWN concept, we began providing APN IOWN1.0 (All-Photonics Network), which introduces optics exclusively in all sections of the communication network. In addition, we publicized our plans for the upcoming rollout.
- Toward a prompt release of IOWN2.0 and later versions, we pursued the development and release of new semiconductor components and software. We will continue working to achieve our targets and promptly realize this concept.



IOWN Open Innovation:

- By discussing use cases with a wide range of global companies and groups and pursuing development of the necessary technologies, frameworks, and architectures, we aim to realize IOWN as a new communication platform.
- The number of global major ICT companies, etc. that support IOWN's vision of the world and its innovations and that participate as members of the IOWN Global Forum has grown to 117 organizations (as of the end of March 2023).

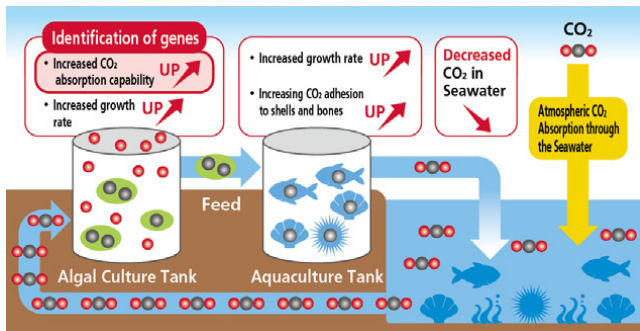
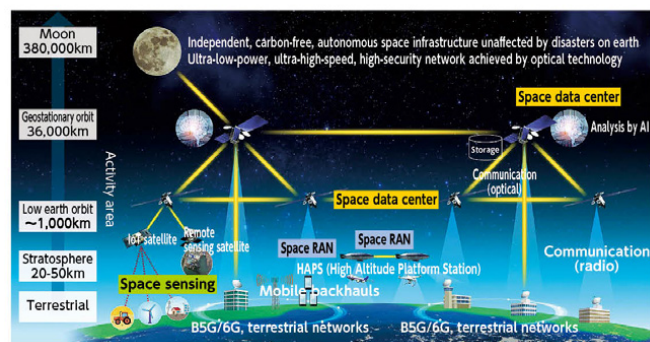


*Created based on information from the IOWN Global Forum website (the names of companies and other organizations may be shown using the commonly used names or abbreviations, and the names are listed in alphabetical order excluding founding members)

Developing Technologies and Resolving Issues in Various Industries

- To resolve technological issues ahead of the rollout of the sixth-generation mobile communication system (6G), the Company and NTT DOCOMO are expanding our cooperative framework with major vendors, and have agreed with all five domestic and overseas companies to cooperate in implementing trials to realize 6G.
- We worked to realize our space integrated computing network. Space Compass Corporation, a joint venture established by NTT and SKY Perfect JSAT Corporation, launched the business, and to begin providing data transmission service from space to earth using optical communication technologies (optical data relay service), Space Compass Corporation concluded a business partnership agreement with Skyloom Global Corporation (headquarters: U.S.).
- To contribute to reducing the global environmental burden, we are researching algae that can reduce the amount of CO₂ dissolved in seawater. In our research, we have succeeded in identifying the genes that are expected to increase the amount of CO₂ absorbed by algae. We plan to use this technology in a joint venture related to the green food business, to be established under a memorandum of understanding concluded between the Company and Regional Fish Institute, Ltd. with the aim of resolving future food shortages and global environmental issues.

Space Integrated Computing Network



The following table presents a summary of research and development costs by segment for the fiscal year ended March 31, 2023:

Segment	Millions of yen	Summary
Integrated ICT Business	129,904	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	84,840	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	27,502	Development of technology to strengthen competitiveness in global solutions, systems integration and other fields.
Others (Real Estate, Energy and Others)	135,121	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	377,367	
Elimination of inter-segment transactions	124,547	
Total	252,820	

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 232.1 billion yen, and the total research and development and service development expenses amounted to 484.9 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.

Furthermore, NTT's total expenditures for the year ended March 31, 2023 were ¥127.8 billion (a 5.9% increase from the previous fiscal year), partially offset by revenues from core research and development of ¥122.0 billion (a 0.0% increase from the previous fiscal year).

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, 2023:

Segment	Amount (Millions of yen)	Percent Change from the Previous Fiscal Year	Summary
Integrated ICT Business	706,263	1.1%	Expansion and improvement of mobile communications transmissions equipment and data transmission equipment, maintenance and improvements of voice communications equipment, and others
Regional Communications Business	498,076	(0.6)%	Maintenance and improvements of voice communications equipment, expansion and improvements of data transmissions equipment, and others
Global Solutions Business	500,386	44.1%	Expansion and maintenance of data communications equipment, expansions of data centers, and others
Others (Real Estate, Energy and Others)	157,679	12.1%	Development and acquisition of real estate, energy generation equipment and others
Total	1,862,404	10.4%	

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, 2023 (in millions of yen)
Purchase of property, plant and equipment, intangible assets, and investment property	1,851,879
Difference in capital investment amounts	(10,525)

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, 2023 (millions of yen)					Number of Employees (people)
Segment	Telecom Facilities	Land	Buildings	Other	Total	
Integrated ICT Business	1,737,577	202,521	448,039	1,683,699	4,071,836	47,151
Regional Communications Business	3,501,605	242,987	668,568	629,683	5,042,843	70,317
Global Solutions Business	112,826	143,364	387,114	2,489,379	3,132,683	195,106
Others (Real Estate, Energy and Others)	31,178	186,034	208,301	1,567,454	1,992,967	26,077
Total	5,383,186	774,906	1,712,022	6,370,215	14,240,329	338,651

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

(2) Overview of the Company and Consolidated Subsidiaries

As of March 31, 2023

Company Name	Type of Asset	Book Value (Millions of Yen)	Land Area (㎡)	Number of Branches	Number of Employees
Nippon Telegraph and Telephone Corporation	Mechanical equipment	—	818,320.09	Headquarters (1) Others (4)	2,454
	Antenna systems	—			
	Terminal equipment	—			
	Local lines equipment	—			
	Long-distance lines equipment	—			
	Civil engineering equipment	—			
	Underwater lines equipment	—			
	Land	27,746			
	Buildings	69,217			
	Leased assets	7			
	Other	48,072			
	Total	145,042			
NTT DOCOMO, Inc.	Mechanical equipment	1,179,690	3,817,586.00	Headquarters (1) Branches (8)	7,903
	Antenna systems	511,622			
	Terminal equipment	56			
	Local lines equipment	38,283			
	Long-distance lines equipment	—			
	Civil engineering equipment	11,948			
	Underwater lines equipment	—			
	Land	196,559			
	Buildings	239,431			
	Leased assets	84,038			
	Other	907,616			
	Total	3,169,243			

As of March 31, 2023

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	349,097	7,680,131.93	Headquarters (1) Branches (29)	4,974
	Antenna systems	2,500			
	Terminal equipment	16,093			
	Local lines equipment	976,918			
	Long-distance lines equipment	3,511			
	Civil engineering equipment	542,218			
	Underwater lines equipment	346			
	Land	191,472			
	Buildings	353,567			
	Leased assets	19,515			
	Other	125,209			
	Total	2,580,446			
Nippon Telegraph and Telephone West Corporation	Mechanical equipment	293,137	10,007,049.69	Headquarters (1) Branches (30)	1,431
	Antenna systems	9,707			
	Terminal equipment	6,695			
	Local lines equipment	1,094,073			
	Long-distance lines equipment	1,804			
	Civil engineering equipment	462,396			
	Underwater lines equipment	2,826			
	Land	163,782			
	Buildings	306,359			
	Leased assets	78,943			
	Other	120,743			
	Total	2,540,466			
NTT Communications Corporation	Mechanical equipment	61,724	884,741.40	Headquarters (1) Branches (8)	8,723
	Antenna systems	—			
	Terminal equipment	1,235			
	Local lines equipment	—			
	Long-distance lines equipment	—			
	Civil engineering equipment	—			
	Underwater lines equipment	—			
	Land	52,786			
	Buildings	168,229			
	Leased assets	72,341			
	Other	168,897			
	Total	525,212			
NTT DATA CORPORATION	Mechanical equipment	85,132	144,238.43	Headquarters (1) Branches (22)	12,714
	Antenna systems	—			
	Terminal equipment	6,309			
	Local lines equipment	—			
	Long-distance lines equipment	—			
	Civil engineering equipment	—			
	Underwater lines equipment	—			
	Land	55,743			
	Buildings	79,972			
	Leased assets	334			
	Other	298,520			
	Total	526,010			

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, 2024 are ¥2,000.0 billion yen, broken down by segment as follows:

Segment	Amount (millions of yen)	Description and Purpose of Investment
Integrated ICT Business	728,000	Expansion and improvement of mobile communications transmissions equipment and data communications equipment, maintenance and improvements of voice communications equipment, and others
Regional Communications Business	493,000	Maintenance and improvements of voice communications equipment, expansion of data transmissions equipment, and others
Global Solutions Business	590,000	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, 2023 (shares)	Number of Shares Issued as of the Filing Date (shares) (June 23, 2023)	Stock Exchange on which the Company is Listed	Description
Common Stock	3,622,012,656	3,622,012,656	Tokyo Stock Exchange (Prime Market)	The number of shares per one unit of shares is 100 shares
Total	3,622,012,656	3,622,012,656	—	—

(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, 2023

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	
					Non-Individuals	Individuals			
Number of Shareholders (people)	4	285	63	5,384	1,511	1,416	703,517	712,180	—
Share Ownership (units)	11,680,173	6,984,641	916,598	1,290,904	7,383,685	21,736	7,896,147	36,173,884	4,624,256
Percentage of Shares (%)	32.29	19.31	2.53	3.57	20.41	0.06	21.83	100.00	—

Notes: 1. “Individuals and Others” and “Number of Less-than-One-Unit Shares” above include 2,115,255 units and 8 shares of treasury stock, respectively. Furthermore, there were 211,525,508 shares of treasury stock recorded on the list of shareholders, and the actual number of treasury stock held was 211,524,308 shares as of March 31, 2023.

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 206,678.

(6) Major Shareholders

As of March 31, 2023

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	1,167,975	34.25
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	391,152	11.47
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	172,314	5.05
Toyota Motor Corporation	1 Toyota-Cho, Toyota City, Aichi	80,775	2.37
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)	55,872	1.64
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)	39,392	1.16
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)	25,921	0.76
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)	25,454	0.75
NTT Employee Share-Holding Association	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	24,922	0.73
JPMorgan Chase Bank 380072 (Standing proxy: Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (15-1, Konan 2-chome, Minato-ku, Tokyo)	21,848	0.64
Total	—	2,005,629	58.81

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, 2023

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.)	211,524,300 shares of common stock	—	—
Shares with Full Voting Rights (others)	3,405,864,100 shares of common stock	34,058,629	—
Shares Representing Less than One Unit	4,624,256 shares of common stock	—	—
Number of Issued Shares	3,622,012,656 shares of common stock	—	—
Total Number of Voting Rights	—	34,058,629	—

- 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 1,033,400 shares owned by BIP (Board Incentive Plan) Trust, and the number of shares in “Shares Representing Less Than One Unit” includes 66 shares owned by BIP (Board Incentive Plan) Trust. “Number of Voting Rights” includes 10,334 voting rights associated with “Shares with Full Voting Rights” owned by BIP (Board Incentive Plan) Trust.

ii. Treasury Stock

As of March 31, 2023

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	211,524,300	—	211,524,300	5.8%
Total	—	211,524,300	—	211,524,300	5.8%

- 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 1,033,466 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 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, 2023	—	—
Treasury stock acquired during the fiscal year ended March 31, 2023	92,925,400	360,271,775,800
Total number and value of remaining shares of treasury stock authorized	17,074,600	39,728,224,200
Percentage unused as of March 31, 2023 (%)	15.5	9.9
Treasury stock acquired during the current period	—	—
Percentage unused as of the filing date (%)	15.5	9.9

Classification	Numbers of Shares (shares)	Total Amount (yen)
Resolution of the Board of Directors of November 8, 2022 (Acquisition Period: November 9, 2022 to March 31, 2023)	41,000,000	150,000,000,000
Treasury stock acquired prior to the fiscal year ended March 31, 2023	—	—
Treasury stock acquired during the fiscal year ended March 31, 2023	38,926,400	149,999,770,700
Total number and value of remaining shares of treasury stock authorized	2,073,600	229,300
Percentage unused as of March 31, 2023 (%)	5.1	0.0
Treasury stock acquired during the current period	—	—
Percentage unused as of the filing date (%)	5.1	0.0

(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	192,326	756,550,165
Treasury stock acquired during the current period	64,136	259,544,093

Note: “Treasury stock acquired during the current period” does not include acquisitions of less-than-one-unit shares from June 1, 2023 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	—	—	—	—
Acquired treasury stock that was transferred due to mergers, exchange offers or company split	—	—	—	—
Other (Sales through requests to purchase less-than-one-unit shares)	10,248	39,936,632	13,144	52,683,148
Total number of treasury stock held	211,524,308	—	211,575,300	—

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, 2023 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, 2023 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, 2023, pursuant to the dividend policy described above, the interim dividend was ¥60 per share and the year-end dividend was ¥60 per share.

Dividend payments for the fiscal year ended March 31, 2023 were as follows:

Date of Resolution	Total Amount of Dividends (millions of yen)	Dividends Per Share (yen)
November 8, 2022 Resolution of the Board of Directors	206,974	60
June 22, 2023 Resolution of the General Meeting of Shareholders	204,629	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.

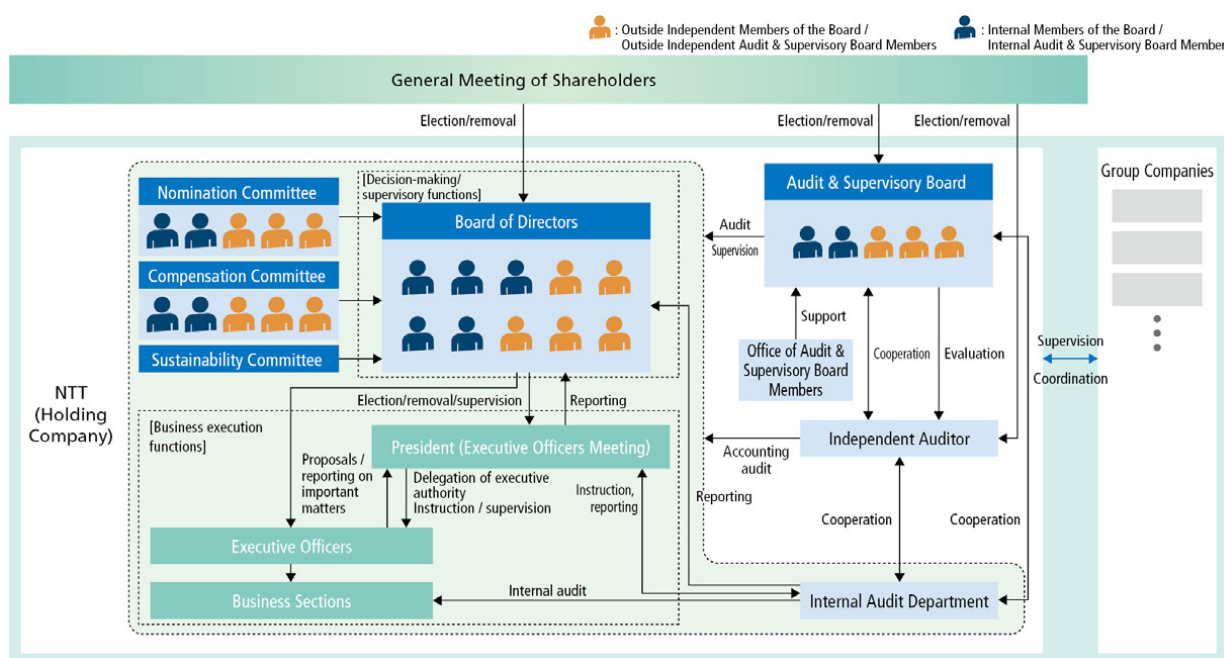
ii. Overview of Corporate Governance Structure

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:



iii. Corporate Governance Structure

Board of Directors

The Board of Directors has 10 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 10 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, 2023, the Board of Directors met 14 times (Mr. Sadayuki Sakakibara, who was formerly a Member of the Board, attended three out of the four meetings that were convened while he was a member, and Ms. Kaoru Kashima, an Audit & Supervisory Board Member, attended 13 out of 14 meetings; other Members of the Board and Audit & Supervisory Board Members attended all 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 realignment aimed at strengthening global business at NTT Group, and the formulation of policies to further strengthen governance under the Medium-Term Management Strategy “Your Value Partner 2025.” 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. 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 and introduction of lectures using the latest ICT technologies 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, 2023 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 holding opinion-exchange meetings to simulate strategic discussions, and enhancement of discussions on important matters related to company and group management, such as realignment aimed at strengthening global business, and important issues such as the formulation of policies to further strengthen governance, all members expressed positive opinions. Therefore, we have evaluated that the effectiveness of the Board of Directors is being ensured.

Breakdown of Matters Resolved and Reported at the Meetings of the Board of Directors

Corporate Governance

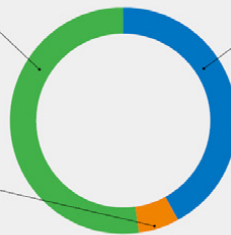
52%

- General Meeting of Shareholders-related
- Evaluation of the effectiveness of internal control systems
- Operational status of internal whistleblowing system
- Human resources
- Policies to further strengthen governance Etc.

Capital Policy

6%

- Returns of shareholders (share buybacks and dividends)
- Financing and loans Etc.



Management Strategy

42%

- NTT Group operations
- Review of NTT Group operational structure
- Global strategy
- M&A of operating companies
- Report on the status of execution of duties
- Approval of Annual Report and Financial Statements
- Research and development plans Etc.

[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 10 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				●	●	●
	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 five Audit & Supervisory Board Members, comprising two internal Audit & Supervisory Board Members and three 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

For the purpose of further enhancing independence, objectivity and accountability in the decisions of nominations and compensation of officers, etc. by the Board of Directors, NTT has voluntarily established the Nomination Committee and the Compensation Committee, which each consist of five Members of the Board (of which three members, a majority of committee members, are outside independent Members of the Board), as a preliminary review institution of the Board of Directors, and is increasing the effectiveness of governance. As of the end of the fiscal under review, membership of each committee consists 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 of each committee. As of the date of submission of this report, there has been no change in the members of the two committees or in the chairman who oversees the proceedings of the committees. Resolutions of each committee are made by a majority of such committee's members in attendance, at meetings in which a majority of committee members are present. In the fiscal year under review, the Nomination Committee met five times and the Compensation Committee met once, engaging in active discussions on subjects such as the nomination of officers, etc., succession planning, and revising the officer compensation system. (Each committee member attended all meetings of the committee.)

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 – 3. 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 and NTT West.

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 “New Value Creation & Sustainability 2027 Powered by IOWN” Medium-Term Management Strategy (as announced in May 2023) 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, 2023)]

For institutional investors:

(Overview of initiatives conducted through dialogue)

- (a) Implementing quarterly financial results presentations (four times)
- (b) Participating in IR conferences in Japan and overseas (nine times)
- (c) Holding NTT IR DAY (briefing for institutional investors, one time)
- (d) Implementing one-on-one briefings in Japan and overseas (total of more than 350 times)

(Overview of investors with whom discussions were held)

Investment Styles: Various kinds of investment styles, including growth, value and dividend-oriented

Areas of Responsibility: Fund managers, analysts, ESG managers and proxy voting managers

(Main themes of the dialogue)

medium-term management strategy, financial results, shareholder return, sustainability, corporate governance etc.)

For individual investors:

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

(2) Members of the Board

i. Member List

Composition: 10 men and five women (percentage of women: 33.3%)



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



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>August 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	43,300

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	April 1981: Joined Nippon Telegraph and Telephone Public Corporation June 2007: Vice President of Corporate Strategy Planning of the Company July 2007: General Manager of the Accounts and Finance Department of Nippon Telegraph and Telephone West Corporation July 2009: General Manager of the General Affairs and Personnel Department of Nippon Telegraph and Telephone East Corporation 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 June 2012: Senior Vice President Head of the General Affairs Member of the Board of the Company June 2012: Member of the Board of Nippon Telegraph and Telephone West Corporation June 2015: Executive Vice President Head of General Affairs Member of the Board of the Company June 2018: Senior Executive Vice President Representative Member of the Board of the Company August 2018: Member of the Board of NTT, Inc. October 2018: Senior Executive Vice President of NTT, Inc. June 2020: Senior Executive Vice President Representative Member of the Board of the Company June 2022: President and Chief Executive Officer Representative Member of the Board of the Company (present post) June 2022: President and Chief Executive Officer Representative Member of the Board of NTT, Inc.	Note 3	28,908	
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	April 1987: Joined the Company August 2003: Senior Research Engineer of the Cyberspace Laboratories of the Cyber Communications Laboratory Group of the Company October 2007: Senior Research Engineer of the Cyber Solutions Laboratories of the Cyber Communications Laboratory Group of the Company July 2008: Vice President of Research and Development Planning of the Company July 2014: Head of the Service Innovation Laboratory Group of the Company, Service Evolution Research Laboratory of the Company July 2016: Head of the Service Innovation Laboratory Group of the Company June 2018: Senior Vice President, head of Research and Development Planning, and Member of the Board of the Company June 2020: Executive Vice President, Head of Research and Development Planning of the Company June 2022: Senior Executive Vice President, Representative Member of the Board of the Company (present post)	Note 3	15,000	
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	April 1986: Joined the Company May 2005: Vice President of Medium-Term Corporate Business Strategy of the Company June 2008: Vice President of Strategic Business Development of the Company July 2009: Vice President of Corporate Strategy Planning of the Company June 2014: Head of Finance and Accounting of the Company June 2015: Senior Vice President; Head of Finance and Accounting, Member of the Board of the Company June 2020: Executive Vice President; General Manager of Accounts and Finance Department; Member of the Board of Directors of NTT DOCOMO, INC. December 2020: Senior Executive Vice President; Representative Member of the Board of Directors of NTT DOCOMO, INC. June 2022: Representative Member of the Board, Senior Executive Vice President of the Company (present post)	Note 3	13,300	

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	<p>April 1990: Joined the Company</p> <p>June 2014: Head of Public Relations of Corporate Planning of NTT Communications Corporation</p> <p>July 2016: Director of Tokai Branch of West Japan Sales Division of NTT Communications Corporation</p> <p>June 2019: Senior Vice President, Head of Fifth Sales Division of NTT Communications Corporation</p> <p>April 2020: Deputy Senior Vice President of Fourth Business Solutions Department of Business Solution Division of NTT Communications Corporation</p> <p>June 2020: Senior Vice President, Head of Public Relations, Deputy Head of Business Strategy of the Company</p> <p>June 2022: Senior Vice President, Executive Manager of the New Business Promotion Department, Member of the Board of the Company</p> <p>June 2022: Executive Officer, Smart City LLC (present post)</p> <p>June 2023: Senior Vice President, Head of Alliance Department, Research and Development Market Strategy Division, Member of the Board of the Company (present post)</p>		Note 3	3,800
Outside Member of the Board	Ken Sakamura	July 25, 1951	<p>April 2000: Professor of the Interfaculty Initiative in Information Studies and the Graduate School of Interdisciplinary Information Studies of the University of Tokyo</p> <p>January 2002: Director of YRP Ubiquitous Networking Laboratory (present post)</p> <p>April 2009: Director of Institute of Infrastructure Application of Ubiquitous Computing of the Interfaculty Initiative in Information Studies of the University of Tokyo</p> <p>October 2014: President of Vitalizing Local Economy Organization by Open Data & Big Data (now the Organization for Vitalization of Local Economy by Digital transformation) (present post)</p> <p>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)</p> <p>June 2017: Emeritus Professor of the University of Tokyo (present post)</p> <p>June 2019: Member of the Board of the Company (present post)</p> <p>August 2019: President of Association for IoT Services Coordination (present post)</p>		Note 1 Note 3	2,000
Outside Member of the Board	Yukako Uchinaga	July 5, 1946	<p>July 1971: Joined IBM Japan, Ltd.</p> <p>April 2004: Director and Senior Executive Officer, IBM Japan, Ltd.</p> <p>April 2007: Technical Advisor of IBM Japan, Ltd.</p> <p>April 2007: Board Chair, Japan Women's Innovative Network, a non-profit organization</p> <p>April 2008: Representative Director, Chairman of the Board, President & CEO of Berlitz Corporation</p> <p>June 2008: Director, Sony Corporation (now the Sony Group Corporation)</p> <p>October 2009: Director and Executive Vice President, Benesse Holdings, Inc.</p> <p>April 2013: Honorary Chairman, Berlitz Corporation</p> <p>May 2013: Director, AEON, Co., Ltd.</p> <p>June 2013: Director, HOYA CORPORATION (Chairperson of the Audit Committee)</p> <p>September 2013: President and CEO, Globalization Research Institute, Inc. (present post)</p> <p>March 2014: Director, DIC Corporation</p> <p>June 2018: Director, Teijin Limited Member of the Advisory Board, Teijin Limited</p> <p>June 2021: Director, SINTOKOGIO, LTD. (present post)</p> <p>June 2022: Member of the Board of the Company (present post)</p> <p>July 2022: Chairperson and Representative Director, Japan Women's Innovative Network, a non-profit organization (present post)</p>		Note 1 Note 3	200

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: June 2005: April 2009: April 2013: June 2018: April 2020: June 2022:	Joined Sony Corporation (now the Sony Group Corporation) President, Representative Corporate Executive Officer and Member of the Board of Sony Corporation Vice Chairman, Representative Corporate Executive Officer and Member of the Board, Sony Corporation President of National Institute of Advanced Industrial Science and Technology (incorporated administrative agency; currently the National Research and Development Agency) Director, JAPAN POST BANK Co., Ltd. Grand Emeritus Advisor of National Institute of Advanced Industrial Science and Technology (present post) Member of the Board of the Company	Note 1 Note 3	1,200
Outside Member of the Board	Koichiro Watanabe	April 16, 1953	April 1976: April 2010: October 2016: October 2016: April 2017: April 2017: March 2018: June 2020: June 2020: June 2022: April 2023: April 2023:	Joined The Dai-ichi Mutual Life Insurance Company Representative Director and President of The Dai-ichi Mutual Life Insurance Company, Limited Representative Director and President of The Dai-ichi Life Holdings, Inc. Representative Director and President of The Dai-ichi Life Insurance Company, Limited (a new company that took over the domestic life insurance business) Chairman of the Board and Representative Director of The Dai-ichi Life Holdings, Inc. Chairman of the Board and Representative Director of The Dai-ichi Life Insurance Company, Limited Member of the Board, Japan Tobacco Inc. Director, Chairman of the Board of Dai-ichi Life Holdings, Inc. Director, Chairman of the Board of The Dai-ichi Life Insurance Company, Limited Member of the Board of Company (present post) Director of Dai-ichi Life Holdings, Inc. (present post) Special Advisor of The Dai-ichi Life Insurance Company, Limited (present post)	Note 1 Note 3	600
Outside Member of the Board	Noriko Endo	May 6, 1968	June 1994: April 2004: March 2006: September 2013: April 2015: June 2016: July 2018: June 2019: April 2020: March 2021: June 2021: June 2022:	Joined DIAMOND Inc. Concurrently served as Director of Kyushu University and Head of Tokyo Office Deputy Editor-in-Chief of Diamond Weekly of DIAMOND Inc. Visiting Researcher at Policy Alternatives Research Institute of the University of Tokyo Project Professor of Graduate School of Media and Governance of Keio University Director, NTT DOCOMO, INC. Director of AIN HOLDINGS INC. (present post) Director of Hankyu Hanshin Holdings, Inc. (present post) Project Professor of Keio University Global Research Institute (present post) Director of Techpoint, Inc. (present post) Director of Japan Elevator Service Holdings Co., Ltd. (present post) Member of the Board of the Company (present post)	Note 1 Note 3 Note 6	1,300

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>		Note4 Note 6	200
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 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 Member of the Board of NTT EAST-MINAMI KANTO CORPORATION</p> <p>June 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>June 2020: Full Time Audit & Supervisory Board Member of the Company (present post)</p> <p>June 2020: Auditor, NTT, Inc. (now NTT DATA, Inc.) (present post)</p>		Note 4	7,300
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 5	0

Position Responsibility	Name	Date of Birth	Brief Career Summary		Term	Share Ownership (shares)
Outside Audit & Supervisory Board Member	Hideki Kanda	September 24, 1953	April 1977: Research Assistant of Faculty of Law of the University of Tokyo April 1980: Lecturer of Faculty of Law of Gakushuin University April 1982: Associate Professor of Faculty of Law of Gakushuin University April 1988: Associate Professor of Faculty of Law of the University of Tokyo April 1991: Associate Professor of Graduate Schools for Law and Politics of the University of Tokyo May 1993: Professor of Graduate Schools for Law and Politics of the University of Tokyo April 2016: Professor of Professional School of Law (Law School) of Gakushuin University (present post) June 2016: Emeritus Professor of the University of Tokyo (present post) June 2017: Director of Sumitomo Mitsui Trust Bank, Limited (present post) June 2019: Outside Audit & Supervisory Board Member of the Company (present post)		Note 2 Note 4	0
Outside Audit & Supervisory Board Member	Kaoru Kashima	January 20, 1958	November 1981: Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC) April 1985: Registered as a certified public accountant (registration up-to-date) June 1996: Partner of Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) June 2002: Senior Partner of ShinNihon & Co. (currently Ernst & Young ShinNihon LLC) July 2006: In charge of personnel of HR Development Headquarters of ShinNihon & Co. September 2010: Managing Director of Ernst & Young ShinNihon LLC In charge of Corporate Culture Promotion Office In charge of Public Relations Office July 2012: General Manager of Knowledge Headquarters Managing Director of Ernst & Young ShinNihon LLC July 2013: Representative Director of Ernst & Young Institute Co., Ltd. June 2019: Outside Audit & Supervisory Board Member of the Company (present post) June 2019: Director of Sumitomo Mitsui Trust Bank, Limited March 2020: Audit & Supervisory Board Member of Kirin Holdings Company, Limited (present post) June 2021: Director of Sumitomo Mitsui Trust Holdings, Inc. (present post)		Note 2 Note 4 Note 6	0
Total						117,108

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. Three Audit & Supervisory Board Members, Mr. Kensuke Koshiyama, 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 22, 2023 Ordinary General Meeting of Shareholders.

5. The length of term for such Audit & Supervisory Board Members is four years following the June 24, 2022 Ordinary General Meeting of Shareholders.

6. 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 three outside independent Audit & Supervisory Board Members out of the five 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 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 2022 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 meetings held to exchange opinions with Representative Members of the Board, mainly on subjects such as research and development, the promotion of DX, and industry and technological trends regarding investment projects. In addition, on the Nomination Committee and the Compensation Committee he has offered advice on the appointment of officers, etc., succession planning, and revising the compensation system.
	Yukako Uchinaga	Ms. Yukako Uchinaga has a wealth of experience in global corporate management and diversity promotion, and has a high level of integrity and insight. She was therefore elected at the Ordinary General Meeting of Shareholders held in June 2022 on the expectation that she would help strengthen the supervisory function for business execution and provide advice from her wide-ranging perspectives on management, and she has been serving as outside Member of the Board. Ms. Uchinaga has made comments at meetings of the Board of Directors and meetings held to exchange opinions with Representative Members of the Board, mainly on subjects such as global strategy, public relations strategy, and human resources strategy. In addition, on the Nomination Committee and the Compensation Committee she has offered advice on the appointment of officers, etc., succession planning, and revising the compensation system.
	Ryoji Chubachi	Mr. Ryoji Chubachi has a wealth of experience as a corporate manager and the person responsible for operating a research institution, and has a high level of integrity and insight. He was therefore elected at the Ordinary General Meeting of Shareholders held in June 2022 on the expectation that he would help strengthen the supervisory function for business execution and provide advice from his wide-ranging perspectives on management, and he has been serving as outside Member of the Board. Mr. Chubachi has made comments at meetings of the Board of Directors and meetings held to exchange opinions with Representative Members of the Board, mainly on subjects such as research and development, Group management, and competition policy, etc.
	Koichiro Watanabe	Mr. Koichiro Watanabe has a wealth of experience as a corporate manager, and has a high level of integrity and insight. He was therefore elected at the Ordinary General Meeting of Shareholders held in June 2022 on the expectation that he would help strengthen the supervisory function for business execution and provide advice from his wide-ranging perspectives on management, and he has been serving as outside Member of the Board. Mr. Watanabe has made comments at meetings of the Board of Directors and meetings held to exchange opinions with Representative Members of the Board, mainly on subjects such as capital policy, marketing, and risk management, etc. In addition, on the Nomination Committee and the Compensation Committee he has offered advice on the appointment of officers, etc., succession planning, and revising the compensation system.

	Noriko Endo	Ms. Noriko Endo has a wealth of experience cultivated through her career, including interviewing activities as the editor of a financial magazine, conducting research on public policy (in the energy field, etc.), and serving as an outside director of corporations, and has a high level of integrity and insight. She was therefore elected at the Ordinary General Meeting of Shareholders held in June 2022 on the expectation that she would help strengthen the supervisory function for business execution and provide advice from her wide-ranging perspectives on management, and she has been serving as outside Member of the Board. Ms. Endo has made comments at meetings of the Board of Directors and meetings held to exchange opinions with Representative Members of the Board, mainly on subjects such as Group management, strengthening governance, and public policy, etc.
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Position	Name	Function and Role
Outside Audit & Supervisory Board Members	Kensuke Koshiyama	Based on the professional perspective fostered through his extensive experience working for the Board of Audit of Japan for many years, Mr. Kensuke Koshiyama 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 were mainly from a perspective of promoting sustainability, on subjects such as corporate governance and compliance. In addition, he actively provided advice that contributed to ensuring internal control as a corporate group and complying with business-related laws and regulations.
	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 were mainly from a perspective of promoting sustainability, on subjects such as corporate governance and compliance. In addition to the above, he has actively provided advice and information, from such perspectives as the Companies Act and Corporate Governance Code, 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 concerned subjects such as accounting audits, and from a perspective of promoting sustainability, on subjects such as corporate governance, compliance and promoting 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 three 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, Audit & Supervisory Board Member Keiichiro Yanagi is a certified member of the Securities Analysts Association of Japan, Audit & Supervisory Board Member Kensuke Koshiyama has experience developed through his work at the Board of Audit of Japan, while 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, 2023, amid continued significant changes in management, including the global business reorganization, 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, initiatives to maintain and improve corporate governance, the thoroughness of compliance, and the stable provision of telecommunications services, 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, 2023, Audit & Supervisory Board Members met to exchange ideas and opinions with Representative Members of the Board, independent outside Members of the Board and others 40 times, and held discussions regarding management issues and responses, among other topics. In the fiscal year ended March 31, 2023, the Audit & Supervisory Board met 26 times (with Ms. Kanae Takahashi and Mr. Takashi Iida each attending 26 out of 26 meetings, Mr. Hideki Kanda and Ms. Kaoru Kashima each attending 25 out of 26 meetings, Mr. Keiichiro Yanagi and Mr. Kensuke Koshiyama each attending 17 out of 17 meetings, and Mr. Takao Maezawa attending nine out of nine meetings).

Moreover, separate from meetings of the Audit & Supervisory Board, the Audit & Supervisory Board Members Preliminary Deliberation Meeting met 36 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 13 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, 2023, Audit & Supervisory Board Members held meetings to exchange opinions with the Representative Members of the Board and Audit & Supervisory Board Members of Group companies 65 times to inquire about and hold discussions on the status of progress on the Medium-Term Management Strategy, the status of corporate governance and initiatives to maintain and improve it, the thoroughness of compliance, and the stable provision of telecommunications services, 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, both web conference systems and site visits were used for the cooperation of related audit organizations in order to increase the effectiveness of the audit.

Evaluation of the Effectiveness of the Audit & Supervisory Board

The effectiveness of the Audit & Supervisory Board has continued to be evaluated since FY2018 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, questionnaires were given to and interviews were conducted with all Audit & Supervisory Board Members. To ensure anonymity and objective perspectives, a third-party organization was used to implement the questionnaires and interviews and to analyze the collected results. 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 Department); operation of the Audit & Supervisory Board meetings, among other matters. The analysis of the questionnaires and interviews was conducted based not only on changes over time, but also on audit conditions with respect to the realignment of global business, the steady provision of telecommunication services, and initiatives on sustainability. As a result of discussion and inspection by Audit & Supervisory Board meeting, 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, the Group companies' respective Audit & Supervisory Board Members and work to further develop the sophistication of the Group's audit system. In light of the increasing responsibility to meet social demands and the enhancement of non-financial information disclosure, we will further monitor the efforts of Members of the Board and Executive Officers and proactively provide advice to them. Also, we will work to further improve the effectiveness of the Audit & Supervisory Board by further strengthening cooperation with independent outside Members of the Board when 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 13 members), as an organization that reports directly to the president, 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, the Internal Audit Department reports its internal audit plan to the Board of Directors and the Audit & Supervisory Board, internal audits are conducted by the internal auditing divisions of each Group company based on the plan, 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.

The Internal Audit Department reports the results of the audit, as well as recommendations for improving or correcting any issues, to the president, and also periodically reports them to and shares them with the Board of Directors, Audit & Supervisory Board and the independent auditor directly, 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, 2023, the Independent Auditors who carried out the audit were Yutaka Terasawa, Kenji Tanaka and Kei Sakayori, with 20 public certified accountants and 49 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, 2022		Fiscal year ended March 31, 2023	
	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	346	21	327	71
Consolidated subsidiaries	2,482	123	2,672	131
Total	2,828	144	2,999	202

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. 3000 and the American Institute of Certificate Public Accountants SOC 2 Reporting Practice Guide (SOC 2).

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

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	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	2,225	248	2,705	196
Total	2,225	248	2,705	196

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 301 overseas consolidated subsidiaries, and non-audit services consisted of support for the preparation of tax returns and tax advisory services for 48 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 performance-related 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, to reflect NTT's medium- to long-term business results, Members of the Board purchase NTT shares through the Board Members Shareholding Association using the compensation for stock acquisition that is paid every month. Purchased shares are to be held by the Members of the Board throughout their terms of office.

For the performance-related 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. Regarding the performance indicator for performance-related stock compensation, as FY2023 is the target fiscal year for the Medium-Term Management Strategy announced in November 2018, we continue to use earnings per share (EPS).

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%.

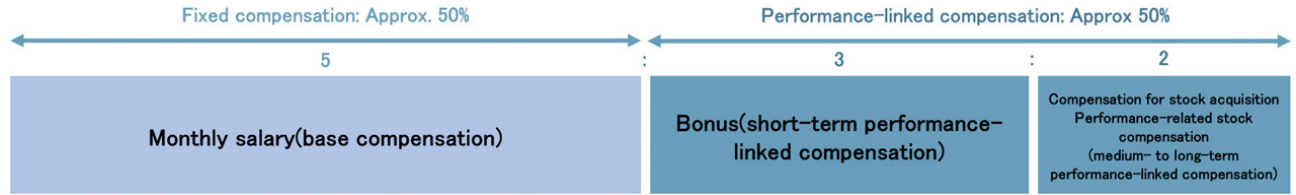
In order to maintain a high level of independence, compensation of outside Members of the Board consists of a monthly fixed compensation only, and is not linked to NTT's business results.

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.

The membership of the Compensation Committee delegated by the Board of Directors to determine the details of individual

compensation, etc. of Members of the Board for the fiscal year under review consists 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). As of the filing date of this Annual Securities Report, there have been no changes to membership of the Compensation Committee.



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.

Category	Performance Indicators	Evaluation Weighting	Evaluation Method	Results (Fiscal Year Ended March 31 2022)	Results (Fiscal Year Ended March 31 2023)
Financial indicators	EPS (Earnings Per Share)	35%	Year on Year improvement	¥329	¥348

Category	Performance Indicators	Evaluation Weighting	Evaluation Method	Targets (Fiscal Year Ended March 31 2023)	Results (Fiscal Year Ended March 31 2023)
Financial indicators	Operating Profit	35%	Achievement level of plan	¥1,820.0 billion	¥1,829.0 billion
	Overseas operating profit margin	10%		7.0%	7.2%
	ROIC (return on invested capital)	5%		7.6%	7.4%
Sustainability indicators	Greenhouse gas emissions	5%		3.075 million tons or less	2.464 million tons
	B2B2X revenues	5%		¥600.0 million	¥815.4 million
	New female manager promotion rate	5%		30%	29.7%

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

2. Greenhouse gas emission figures are preliminary figures. The figures are for GHG protocol Scope 1 + 2.

3. The scope of aggregation for B2B2X revenues is the Integrated ICT Business Segment, the Regional Communications Business Segment, and the Global Solutions Business Segment.

4. The scope of aggregation for new female manager promotion rate is six major domestic Group companies (NTT, NTT DOCOMO, NTT Communications, NTT East, NTT West, and NTT DATA).

For the bonus performance indicators in FY2023, in the financial indicators, we plan to add EBITDA in order to put a greater focus on growth (expansion of cash-generation abilities) under our new Medium-Term Management Strategy, and in sustainability indicators, we plan to add engagement rate with a view to creating an environment that enables employees, who are the drivers of our profit generation, to enhance their specializations, feel a sense of growth, and gain satisfaction from their work.

Category	Performance Indicators	Evaluation Weighting	Evaluation Method
Financial Indicators	EBITDA	25%	Year on Year improvement
	EPS (earnings per share)	10%	
Sustainability Indicators	Engagement rate	2.5%	

Category	Performance Indicators	Evaluation Weighting	Evaluation Method
Financial Indicators	EBITDA	25%	Achievement level of plan
	Operating Profit	10%	
	Overseas Operating Profit Margin	10%	
	ROIC (return on invested capital) in existing areas	5%	
Sustainability Indicators	Greenhouse gas emissions	5%	
	New female manager promotion rate	5%	
	B2B2X revenues	2.5%	

- Notes: 1. The scope of aggregation for engagement rate is approximately 100 domestic Group companies (in the future, we plan to expand the scope to include overseas Group companies).
2. The scope of aggregation for overseas operating profit margin is NTT DATA consolidated. Calculation excludes temporary expenses, such as M&A-related amortization of intangible fixed assets.
3. Existing areas refer to NTT DOCOMO's consumer telecommunications businesses, NTT East and NTT West.
4. GHG emissions are for GHG protocol Scope 1 + 2.
5. The scope of aggregation for new female manager promotion rate is six major domestic Group companies (NTT, NTT DOCOMO, NTT Communications, NTT East, NTT West, and NTT DATA).
6. The scope of aggregation for B2B2X revenues is the Integrated ICT Business Segment, the Regional Communications Business Segment, and the Global Solutions Business Segment.

2. Total Compensation of Members of the Board and Audit & Supervisory Board Members by Category
(Fiscal Year Ended March 31, 2023)

Total Amount of Compensation of Members of the Board and Audit & Supervisory Board Members for the Fiscal Year Ended March 31, 2023

Class	Number of Persons Paid (persons)	Fixed	Short-Term	Medium- to Long-Term		Total Compensation (Millions of yen)
		Base Salary (Millions of yen)	Bonuses (Millions of yen)	Compensation for stock acquisition (Millions of yen)	Performance-related stock compensation (Millions of yen)	
Members of the Board	15	296	154	27	54	531
Internal Members of the Board	7	210	154	27	54	445
Outside Members of the Board	8	86	—	—	—	86
Audit & Supervisory Board Members	7	178	—	—	—	178
Internal Members of the Board	3	90	—	—	—	90
Outside Members of the Board	4	88	—	—	—	88
Total	22	474	154	27	54	708
Internal Members of the Board	10	300	154	27	54	535
Outside Members of the Board	12	173	—	—	—	173

- Notes: 1. Compensation amounts shown above include compensation paid to five Members of the Board and one Audit & Supervisory Board Member who resigned on June 24, 2022, at the conclusion of the 37th Ordinary General Meeting of Shareholders.
2. At the 36th Ordinary General Meeting of Shareholders held on June 24, 2021, it was resolved that the amount of compensation for Members of the Board comprises 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, etc.: ¥50 million or less annually and 24,000 shares or less annually, and (3) the amount to be contributed for the performance-related stock compensation system, etc.: ¥100 million or less annually and 47,000 shares or less annually. Note that at the conclusion of this General Meeting of Shareholders, there were eight Members of the Board.
3. The amount of performance-related stock compensation for Members of the Board shown above is the amount recorded as expenses for point grants for the fiscal year under review.
4. 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 this General Meeting of Shareholders, there were five Audit & Supervisory Board Members.
5. The composition ratio of compensation for Members of the Board (excluding outside Members of the Board) in a case where standard business results are achieved is roughly as follows: Fixed: Short-term: Medium- to long-term = 50%: 30%: 20%.

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

Name (Position)	Category	Fixed	Short-Term	Medium- to Long-Term		Total Amount of Consolidated Compensation (Millions of yen)
		Base Salary (Millions of yen)	Bonuses (Millions of yen)	Compensation for stock acquisition (Millions of yen)	Performance-related stock compensation (Millions of yen)	
Jun Sawada (Representative Member of the Board)	Nippon Telegraph & Telephone Corporation	60	33	7	14	114
Akira Shimada (Representative Member of the Board)	Nippon Telegraph & Telephone Corporation	54	45	7	15	121

4. Shares Delivered to Officers as Consideration for their Execution of Duties During the Fiscal Year Under Review

Category	Number of Shares	Number of Eligible Officers for the Delivery
Members of the Board (excluding outside Members of the Board)	4,200 shares	1

Notes: 1. The shares that were delivered to the Members of the Board (excluding outside Members of the Board) shown above are those that were delivered to the Members of the Board who had retired at the conclusion of the 37th Ordinary General Meeting of Shareholders held on June 24, 2022.

(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.

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	12	31,089
Shares other than unlisted shares	5	415,085

(Issues in which the number of shares increased in the fiscal year ended March 31, 2023)

	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	1,100	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, 2023)

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, 2023	Year ended March 31, 2022	Purpose of holding, quantitative effects of Holding, summary of strategic alliance 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	148,654,500	We entered into a capital and strategic alliance agreement with the company in March 2020 and holds such company's shares 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.	Yes
	279,470	330,385		
NEC Corporation	13,023,600	13,023,600	We entered into a capital and strategic alliance agreement with the company in June 2020 and holds such company's shares 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
	66,420	67,072		

Issue Name	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of holding, quantitative effects of Holding, summary of strategic alliance 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 entered into a capital and strategic alliance agreement with the company in February 2020 and holds such company's shares 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
	54,194	55,547		
KADOKAWA CORPORATION	4,080,000	4,080,000	We entered into a capital and strategic alliance agreement with the company in July 2013 and holds such company's shares mainly for the purpose of strengthening business collaboration 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 cutting-edge initiatives 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.	No
	11,497	13,138		

Issue Name	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of holding, quantitative effects of Holding, summary of strategic alliance 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	We entered into a capital and strategic alliance agreement with the company in March 2020 and holds such company's shares 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 the company's map production know-how, including the company's wide range of accumulated data. 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.	Yes
	3,503	4,187		

(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, 2023

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, 2023

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	36	9,529
Shares other than unlisted shares	14	125,190

(Issues in which the number of shares increased in the fiscal year ended March 31, 2023)

	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	4	647	To strengthen the collaborative relationship with the business alliance partner.
Shares other than unlisted shares	1	407	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, 2023)

	Number of Issues	Total sale value relating to the decrease in the number of shares (Millions of yen)
Unlisted shares	8	55
Shares other than unlisted shares	3	45,998

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, 2023	Year ended March 31, 2022	Purpose of holding, quantitative effects of Holding, summary of strategic alliance 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 entered into a capital alliance agreement with the company in April 2019 and 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
	66,680	90,274		
Lawson, Inc.	2,092,000	2,092,000	NTT DOCOMO entered into a capital and business alliance agreement with the company in April 2006 and holds the company's shares primarily for the purpose growing the priority businesses of NTT DOCOMO by promoting collaboration in the financial and settlement services fields. 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
	11,736	9,780		
TBS HOLDINGS, INC.	5,713,000	5,713,000	NTT DOCOMO entered into a capital and business alliance with the company in September 2013 and 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
	10,883	10,209		

Issue Name	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of holding, quantitative effects of Holding, summary of strategic alliance 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)		
FUJI MEDIA HOLDINGS, INC.	7,700,000	7,700,000	NTT DOCOMO entered into a capital and business alliance agreement with the company in January 2006 and 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
	9,202	9,032		
Nippon Television Holdings, Inc.	7,779,000	7,779,000	NTT DOCOMO entered into a capital and business alliance agreement with the company in December 2006 and 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
	8,876	9,910		
KADOKAWA CORPORATION	2,408,416	2,408,416	NTT DOCOMO entered into a capital and business alliance agreement with the company in October 2014 and 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
	6,787	7,755		

Issue Name	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of holding, quantitative effects of Holding, summary of strategic alliance 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)		
MEDLEY, INC.	933,100	933,100	NTT DOCOMO entered into a capital and business alliance agreement with the company in May 2021 and holds the company's 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
	3,760	2,411		
JTOWER Inc.	553,473	553,473	NTT DOCOMO entered into a capital and business alliance agreement with the company in November 2021 and holds the company's 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
	2,712	4,007		
Oisix ra daichi Inc.	1,000,000	1,000,000	NTT DOCOMO entered into a capital and business alliance agreement with the company in February 2018 and 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
	2,298	3,015		

Issue Name	Year ended March 31, 2023	Year ended March 31, 2022	Purpose of holding, quantitative effects of Holding, summary of strategic alliance 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)		
SKY Perfect JSAT Holdings Inc.	2,048,100	2,048,100	NTT DOCOMO entered into a capital and business alliance agreement with the company in April 2007 and holds the company's shares primarily for the purpose of offering services in the satellite communications field that utilize 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
	1,059	848		

(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, 2023

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, 2023

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, 2022 to March 31, 2023) and non-consolidated financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) 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, 2022	As of March 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents	4.2	¥ 834,564	¥ 793,920
Trade and other receivables	2.2,3.2 4.8	3,604,959	4,186,375
Other financial assets	4.4,4.8	88,441	98,653
Inventories	3.3	408,362	517,409
Other current assets	2.2,2.4	574,922	919,016
Subtotal		5,511,248	6,515,373
Assets held for sale	3.4	205,344	139,495
Total current assets		5,716,592	6,654,868
Non-current assets			
Property, plant and equipment	3.5	9,326,888	9,717,103
Right-of-use assets	3.6	694,612	718,531
Goodwill	3.7	1,213,009	1,283,448
Intangible assets	3.7	1,951,824	2,122,874
Investment property	3.8	1,236,490	1,242,591
Investments accounted for using the equity method	3.9	429,806	446,569
Other financial assets	4.4,4.8	1,426,157	1,241,331
Deferred tax assets	2.4	970,432	940,196
Other non-current assets	2.2,3.11	896,431	941,340
Total non-current assets		18,145,649	18,653,983
Total assets		¥ 23,862,241	¥ 25,308,851

	Notes	As of March 31, 2022	As of March 31, 2023
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	4.5,4.8	¥ 1,646,806	¥ 1,840,381
Trade and other payables	3.10,4.8	2,500,341	2,807,286
Lease liabilities	3.6	189,495	205,074
Other financial liabilities	4.6,4.8	29,566	30,200
Accrued payroll		544,455	567,166
Income taxes payable		210,964	243,306
Other current liabilities	2.2,3.13	1,129,851	1,143,518
Subtotal		6,251,478	6,836,931
Liabilities directly associated with assets held for sale	3.4	7,161	3,055
Total current liabilities		6,258,639	6,839,986
Non-current liabilities			
Long-term borrowings	4.5,4.8	5,717,465	6,390,155
Lease liabilities	3.6	655,729	714,923
Other financial liabilities	4.6,4.8	135,686	148,431
Defined benefit liabilities	3.11	1,561,049	1,362,262
Deferred tax liabilities	2.4	137,474	143,326
Other non-current liabilities	2.2,3.13	378,067	359,141
Total non-current liabilities		8,585,470	9,118,238
Total liabilities		14,844,109	15,958,224
Equity			
Nippon Telegraph and Telephone Corporation (“NTT”) shareholders’ equity			
Common stock	4.1	937,950	937,950
Retained earnings	4.1,4.4	7,293,915	8,150,117
Treasury stock	4.1	(226,459)	(737,290)
Other components of equity	4.1,4.4 4.8	277,050	210,576
Total NTT shareholders’ equity		8,282,456	8,561,353
Non-controlling interests	4.1	735,676	789,274
Total equity		9,018,132	9,350,627
Total liabilities and equity		¥ 23,862,241	¥ 25,308,851

(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, 2022	Fiscal year ended March 31, 2023
Operating revenues	2.1,2.2	¥ 12,156,447	¥ 13,136,194
Operating expenses			
Personnel expenses		2,566,127	2,768,711
Expenses for purchase of goods and services and other expenses	2.3,3.8	5,839,441	6,563,282
Depreciation and amortization	2.1,3.5 3.6,3.7 3.8	1,561,183	1,582,625
Loss on disposal of property, plant and equipment and intangible assets		132,073	118,620
Impairment losses	2.1		
Goodwill	3.7	228	6,164
Other		37,824	9,803
Taxes and dues	3.8	250,978	258,003
Total operating expenses		10,387,854	11,307,208
Operating profit	2.1	1,768,593	1,828,986
Finance income	4.4,4.7 4.8	63,471	54,105
Finance costs	4.4,4.7 4.8	56,250	79,424
Share of profit (loss) of entities accounted for using the equity method	2.1,3.9	19,711	14,012
Profit before taxes		1,795,525	1,817,679
Income taxes	2.4	539,531	524,923
Profit		¥ 1,255,994	¥ 1,292,756
Profit attributable to NTT		1,181,083	1,213,116
Profit attributable to Non-controlling interests		74,911	79,640
Earnings per share attributable to NTT			
Basic earnings per share (yen)	2.5	¥ 329.29	¥347.99

	Notes	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit		¥ 1,255,994	¥ 1,292,756
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		(25,482)	(83,650)
Share of other comprehensive income of entities accounted for using the equity method	3.9	(2)	(1,135)
Remeasurements of the defined benefit plans	3.11	131,032	112,672
Total of items that will not be reclassified to profit or loss		105,548	27,887
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges	4.8	(50,748)	(33,249)
Hedges cost	4.8	14,434	(8,645)
Foreign currency translation adjustments		167,688	119,360
Share of other comprehensive income of entities accounted for using the equity method	3.9	(835)	7,875
Total of items that may be reclassified to profit or loss		130,539	85,341
Total other comprehensive income (net of taxes)		236,087	113,228
Total comprehensive income		¥ 1,492,081	¥ 1,405,984
Comprehensive income attributable to NTT		1,373,364	1,270,639
Comprehensive income attributable to Non-controlling interests		118,717	135,345

(iii) 【Consolidated Statement of Changes in Equity】

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

	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, 2022		¥937,950	¥—	¥7,293,915	¥(226,459)	¥277,050	¥8,282,456	¥735,676	¥9,018,132
Comprehensive income									
Profit		—	—	1,213,116	—	—	1,213,116	79,640	1,292,756
Other comprehensive income	4.1	—	—	—	—	57,523	57,523	55,705	113,228
Total comprehensive income		—	—	1,213,116	—	57,523	1,270,639	135,345	1,405,984
Transactions with owners and other transactions									
Dividends of surplus	4.1	—	—	(419,525)	—	—	(419,525)	(20,087)	(439,612)
Transfer to retained earnings	4.1	—	54,926	69,071	—	(123,997)	—	—	—
Purchase and disposal of treasury stock	4.1	—	6	—	(510,831)	—	(510,825)	—	(510,825)
Changes in ownership interest in subsidiaries without loss of control	4.1	—	(50,284)	—	—	—	(50,284)	(59,752)	(110,036)
Share-based compensation transactions	4.1	—	(2,751)	—	—	—	(2,751)	1,313	(1,438)
Put options granted to non-controlling interests	4.1	—	(4,805)	—	—	—	(4,805)	(4,129)	(8,934)
Other		—	2,908	(6,460)	—	—	(3,552)	908	(2,644)
Total Transactions with owners and other transactions		—	—	(356,914)	(510,831)	(123,997)	(991,742)	(81,747)	(1,073,489)
As of March 31, 2023		¥ 937,950	¥—	¥8,150,117	¥ (737,290)	¥ 210,576	¥8,561,353	¥789,274	¥9,350,627

(iv) 【Consolidated Statement of Cash Flows】

(Millions of yen)

	Notes	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities			
Profit		¥ 1,255,994	¥ 1,292,756
Depreciation and amortization		1,561,183	1,582,625
Impairment losses		38,052	15,967
Share of loss (profit) of entities accounted for using the equity method		(19,711)	(14,012)
Losses on retirement of property, plant and equipment and intangible assets		60,936	48,518
Gain on sales of property, plant and equipment and intangible assets		(30,208)	(46,259)
Income taxes		539,531	524,923
Decrease (increase) in trade and other receivables		828	(525,313)
Decrease (increase) in inventories		(86,559)	(140,858)
Decrease (increase) in other current assets		(10,421)	(33,609)
Increase (decrease) in trade and other payables / accrued payroll		137,551	252,070
Increase (decrease) in other current liabilities		37,198	6,301
Increase (decrease) in defined benefit liabilities		(15,936)	(63,644)
Increase (decrease) in other non-current liabilities		5,304	(21,286)
Other, net		(61,066)	93,393
Subtotal		3,412,676	2,971,572
Interest and dividends received		79,703	95,023
Interest paid		(47,858)	(67,224)
Income taxes paid		(434,264)	(738,358)
Net cash provided by (used in) operating activities		3,010,257	2,261,013
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets, and investment property	2.1	(1,758,045)	(1,851,879)
Proceeds from government grants	2.2,3.5	38,110	17,888
Purchase of investments		(125,838)	(76,504)
Proceeds from sale or redemption of investments		187,198	109,153
Proceeds from loss of control of subsidiaries		15,936	53,628
Acquisition of subsidiaries, net of cash acquired		(121,747)	(81,645)
Net decrease (increase) loan receivable		26,343	17,337
Other, net		38,891	75,110
Net cash provided by (used in) investing activities		(1,699,152)	(1,736,912)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	4.5	(1,860,107)	295,564
Proceeds from increases in long-term borrowings	4.5	1,716,162	1,090,877
Repayments of long-term borrowings	4.5	(401,905)	(693,427)
Repayment of lease liabilities	3.6,4.5	(208,232)	(223,907)
Payments for acquisition of interests in subsidiaries from non-controlling interests	4.1,4.5	(16,791)	(109,932)
Dividends paid		(396,963)	(419,525)
Dividends paid to non-controlling interests		(17,485)	(20,197)
Purchase and sale of treasury stock		(253,627)	(510,968)
Other, net		818	1,318
Net cash provided by (used in) financing activities		(1,438,130)	(590,197)
Effect of exchange rate changes on cash and cash equivalents		25,862	25,452
Net increase (decrease) in cash and cash equivalents		(101,163)	(40,644)
Cash and cash equivalents at the beginning of the year		935,727	834,564
Cash and cash equivalents at the end of the year		¥ 834,564	¥ 793,920

【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”).

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

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 23, 2023.

The NTT Group's accounting policies are based on IFRS effective as of March 31, 2023, 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

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.

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, 2022	Fiscal year ended March 31, 2023
Integrated ICT Business		
Transactions with external customers	¥ 5,581,895	¥ 5,777,806
Inter-segment transactions	288,288	281,174
Subtotal	5,870,183	6,058,980
Regional Communications Business		
Transactions with external customers	2,498,908	2,482,087
Inter-segment transactions	708,711	695,505
Subtotal	3,207,619	3,177,592
Global Solutions Business		
Transactions with external customers	3,415,856	3,896,991
Inter-segment transactions	199,318	194,729
Subtotal	3,615,174	4,091,720
Others (Real Estate, Energy and Others)		
Transactions with external customers	659,788	979,310
Inter-segment transactions	736,173	827,715
Subtotal	1,395,961	1,807,025
Elimination of inter-segment transactions	(1,932,490)	(1,999,123)
Total	¥ 12,156,447	¥ 13,136,194

Segment profit or loss

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Segment profit		
Integrated ICT Business	¥ 1,072,544	¥ 1,093,893
Regional Communications Business	440,013	420,478
Global Solutions Business	210,507	265,631
Others (Real Estate, Energy and Others)	72,505	89,170
Total	¥ 1,795,569	¥ 1,869,172
Elimination of inter-segment transactions	(26,976)	(40,186)
Operating profit	¥ 1,768,593	¥ 1,828,986

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Share of profit (loss) of entities accounted for using the equity method		
Integrated ICT Business	¥ 2,620	¥ 2,140
Regional Communications Business	104	31
Global Solutions Business	(401)	333
Others (Real Estate, Energy and Others)	17,388	11,508
Total	¥ 19,711	¥ 14,012

Segment assets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Segment assets		
Integrated ICT Business	¥ 10,356,616	¥ 10,200,385
Regional Communications Business	6,964,509	7,014,776
Global Solutions Business	5,647,556	6,239,150
Others (Real Estate, Energy and Others) ^{*1}	16,393,976	16,858,130
Total	¥ 39,362,657	¥ 40,312,441
Elimination of inter-segment transactions ^{*2}	(15,500,416)	(15,003,590)
Total	¥ 23,862,241	¥ 25,308,851

*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, etc.

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, 2022	Fiscal year ended March 31, 2023
Depreciation and Amortization		
Integrated ICT Business	¥ 779,906	¥ 785,851
Regional Communications Business	421,327	419,586
Global Solutions Business	309,058	314,432
Others (Real Estate, Energy and Others)	118,873	126,925
Total	¥ 1,629,164	¥ 1,646,794
Elimination of inter-segment transactions	(67,981)	(64,169)
Total	¥ 1,561,183	¥ 1,582,625

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Capital investment		
Integrated ICT Business	¥ 698,609	¥ 706,263
Regional Communications Business	501,109	498,076
Global Solutions Business	347,204	500,386
Others (Real Estate, Energy and Others)	140,677	157,679
Total	¥ 1,687,599	¥ 1,862,404

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 and March 31, 2023. 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, 2022	Fiscal year ended March 31, 2023
Purchase of property, plant and equipment, intangible assets and investment property	1,758,045	1,851,879
Difference from the total of capital investments	70,446	(10,525)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Impairment losses - Goodwill		
Integrated ICT Business	¥ —	¥ 6,164
Global Solutions Business	228	—
Total	¥ 228	¥ 6,164

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, 2022	Fiscal year ended March 31, 2023
Impairment losses - Other		
Integrated ICT Business	¥ 1,653	¥ 6,027
Regional Communications Business	14,477	342
Global Solutions Business	19,220	2,362
Others (Real Estate, Energy and Others)	2,474	1,072
Total	¥ 37,824	¥ 9,803

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, 2022	Fiscal year ended March 31, 2023
Operating revenues		
Japan	¥ 9,954,616	¥ 10,519,907
Overseas	2,201,831	2,616,287
Total	¥ 12,156,447	¥ 13,136,194

1. 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.
2. For the fiscal years ended March 31, 2022 and March 31, 2023, 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 use of fixed voice-related services because performance obligations are deemed to be satisfied as the services are used. Fixed voice-related services are billed monthly, and the payment due date is typically one month after the period in which the services were used.

(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 use of mobile voice-related services because performance obligations are deemed to be satisfied as the services are used. Mobile voice-related services are billed monthly, and the payment due date is typically the end of the month following the month in which the services were used.

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 and Regional Communications Business

NTT Group recognizes revenue according to the usage of IP/packet communications services because performance obligations are deemed to be satisfied as the services are used. IP/packet communications services for consumers are billed monthly, and the payment due date is typically the end of the month following the month in which the services were used or one month after the period in which the services were used. IP/packet communications services for enterprise customers are billed at the contractually agreed time, and consideration for the services is typically collected by the end of the month following the month in which the services were used.

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.

Integrated ICT Business

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 assets" 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.

(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. The payment due date is typically the end of the month following the month in which the services were used. 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, and consideration for the services is typically collected within 30 days from the day immediately following the invoice date.

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.

Government grants related to revenue are recognized when there is reasonable assurance that the conditions for receiving the grant are met and the grant will be received.

(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, 2022	Fiscal year ended March 31, 2023
Revenue from contracts with customers	¥11,668,043	¥12,563,910
Revenue from other sources	488,404	572,284
Total	¥12,156,447	¥13,136,194

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, 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	3,415,563	27,713	4,008,086
Other services	1,053,185	304,660	293	632,075	1,990,213
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	3,270,439	563,238	11,668,043
Revenue from other sources	103,827	142,610	145,417	96,550	488,404

(Millions of yen)

Main Services	Fiscal year ended March 31, 2023				
	Segment				
	Integrated ICT Business	Regional Communications business	Global Solutions Business	Others (Real Estate, Energy and Others)	Total
Fixed voice-related services	¥146,375	¥724,843	¥—	¥—	¥871,218
Mobile voice-related services	1,046,368	—	—	—	1,046,368
IP/packet communications services	2,282,415	1,161,552	—	—	3,443,967
Sales of telecommunications terminal equipment	685,105	71,122	—	—	756,227
System integration services	429,490	186,792	3,896,991	33,181	4,546,454
Other services	1,188,053	337,778	—	946,129	2,471,960
Total	¥5,777,806	¥2,482,087	¥3,896,991	¥979,310	¥13,136,194
Revenue from contracts with customers	5,594,634	2,333,543	3,750,678	885,055	12,563,910
Revenue from other sources	183,172	148,544	146,313	94,255	572,284

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. Details are provided under the section entitled “Accounting Policies” in this note.

Effective from the fiscal year ended March 31, 2022, NTT Group changed its segment structure. Details are provided in “Note 2.1. Segment Information.”

In connection with the realignment of NTT Group’s global business that took place during the fiscal year ended March 31, 2023, certain revenue line items have been reclassified.

Results for the fiscal year ended March 31, 2022, and results for the fiscal year ended March 31, 2023 from prior to the realignment, are also presented on a reclassified basis.

Government grants for operating costs for Individual Number Card Points received from various departments or organizations of the government for the fiscal year ended March 31, 2022 and 2023 were ¥8,598 million and ¥65,885 million, respectively, which are shown “Other services”

There are no unfulfilled conditions or other contingencies associated with these government grants.

(2) Contract Balances

Information on receivables, contract assets, and contract liabilities

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Receivables from contracts with customers (Trade and other receivables)	¥2,287,089	¥2,522,895
Contract assets (Other current assets)	135,830	166,660
Contract liabilities (Other current liabilities and Other non-current liabilities)	¥895,193	¥908,201

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. Contract liabilities are transferred to revenue at the time goods or services are transferred to the customer.

Of the revenues recognized in the fiscal year ended March 31, 2022 and March 31, 2023, ¥358,584 million and ¥346,037 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, 2022 and March 31, 2023 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, 2022	As of March 31, 2023	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	¥391,019	¥384,945	Expected to be satisfied within approximately 16 years
Development of system and software in system integration services	3,286,069	3,854,648	Expected to be satisfied within approximately 4 years.

Types of performance obligations	As of March 31, 2022	As of March 31, 2023	Description about the expected time of satisfaction of performance obligations
Other than above (mainly common service charges under non-cancelable lease contracts, construction work)	¥126,451	¥199,354	Common service charges under non- cancelable lease contracts are expected to be satisfied within approximately 18 years, construction works are within approximately 18 years, others are within approximately 11 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, 2022	As of March 31, 2023
Assets recognized from the costs to obtain a contract	¥318,345	¥341,086
Assets recognized from the costs to fulfill a contract	63,141	64,909
Total	¥381,486	¥405,995

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, 2022 and 2023 were ¥98,191 million and ¥111,706 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, 2022	Fiscal year ended March 31, 2023
Outsourcing expense	¥ 1,755,342	¥ 1,952,328
Cost of equipment sold	681,970	678,095
*Cost of goods	834,641	830,118
Agency commissions	359,720	356,142
Other	2,207,768	2,746,599
Total	¥ 5,839,441	¥ 6,563,282

* 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, 2022 and 2023 amounted to ¥247,988 million and ¥252,820 million, respectively. Description of research and development expenses is presented in “ITEM2 BUSINESS OVERVIEW 6. 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, 2022	As of March 31, 2023
Deferred tax assets		
Defined benefit liabilities	¥ 482,511	¥ 422,925
Accrued enterprise tax	19,426	15,874
Property, plant and equipment and intangible assets	331,568	319,831
Accrued payroll	125,279	126,606
Unused tax losses	95,398	111,635
Provision for point programs	5,454	10,420
Investments accounted for using the equity method	4,143	4,459
Equity instruments	31,042	34,322
Accounts receivable - trade	784	160
Real estate tax payable	37,601	37,381
Contract liabilities	108,236	100,975
Loss allowance	21,118	20,066
Cash flow hedges	27,434	43,487
Other	126,712	146,633
Total	¥ 1,416,706	¥ 1,394,774
Offset to deferred tax liabilities	(446,274)	(454,578)
Net deferred tax assets	¥ 970,432	¥ 940,196

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax liabilities		
Equity instruments	¥ 106,066	¥ 65,244
Property, plant and equipment	162,557	174,025
Intangible assets	65,000	74,018
Investments accounted for using the equity method	3,412	4,073
Plan assets related to the defined benefit plan	51,576	56,726
Contract cost	134,670	147,260
Other	60,467	76,558
Total	¥ 583,748	¥ 597,904
Offset to deferred tax assets	(446,274)	(454,578)
Net deferred tax liabilities	¥ 137,474	¥ 143,326

Changes of net deferred tax assets

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance at the beginning of the year	¥ 912,438	¥ 832,958
Amount recognized in profit or loss	(27,078)	(45,468)
Amount recognized as other comprehensive income		
Cash flow hedges	22,811	15,953
Hedges cost	(6,359)	3,806
Financial assets measured at fair value through other comprehensive income	44,451	50,671
Remeasurements of the defined benefit plans	(62,263)	(54,392)
Share of other comprehensive income of entities accounted for using the equity method	(2)	(89)
Total	¥ 883,998	¥ 803,439
Others*	(51,040)	(6,569)
Balance at the end of the year	¥ 832,958	¥ 796,870

* 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, 2022	As of March 31, 2023
Deductible temporary differences	¥ 282,797 ¥ (28,853)	¥ 381,446 ¥ (41,756)
Unused tax losses		
Expiration date	61,908	24,939
Within 5 years	(8,890)	(6,132)
Expiration date	731,178	708,140
Over 5 years and within 20 years	(163,974)	(158,149)
Indefinite periods	163,006 (40,928)	155,752 (38,795)
Total unused tax losses	956,092 (213,792)	888,831 (203,076)
Total deductible temporary differences and unused tax losses	¥ 1,238,889 ¥ (242,645)	¥ 1,270,277 ¥ (244,832)

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 and Japanese group relief system, recoverability of national corporate tax is assessed based on the estimate of future taxable income of the tax sharing 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.

NTT Group has adopted “International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12)” (“Amended IAS 12”) beginning with the fiscal year ended March 31, 2023. Based on an exception in Amended IAS 12, NTT Group did not recognize any deferred tax assets and deferred tax liabilities relating to income taxes arising from tax systems that have been enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Co-operation and Development.

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Unused tax losses ^{*1}	¥ 851,314	¥ 871,542
Unused tax losses for which no deferred tax assets are recognized ^{*2,3,4}	544,068 (133,646)	507,897 (123,278)
Net deferred tax assets related to unused tax losses	75,472	88,265
Future taxable income needed to realize the net deferred tax assets related to unused tax losses	^{※6} ¥ 307,243	^{※6} ¥ 363,645

- *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. 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, 2023, is mainly due to ¥16,406 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 = ¥122.39 (as of March 31, 2022)
- *6. Calculated on the basis of US\$1 = ¥133.54 (as of March 31, 2023)

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, 2022	As of March 31, 2023
Taxable temporary differences	¥ 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, 2022	Fiscal year ended March 31, 2023
Income taxes recognized in profit or loss		
Current tax expenses	¥ 512,453	¥ 479,455
Deferred tax expenses		
Origination and reversal of temporary differences	53,495	59,165
Recognition of previously unrecognized (derecognition of previously recognized) deductible temporary differences	1,318	3,035
Recognition of unused tax losses not recognized in prior years	(27,735)	(16,732)
Attributable to NTT America, Inc. included in the above *1	(26,346)	(16,406)
Total deferred tax expenses	27,078	45,468
Total income taxes recognized in profit or loss	539,531	524,923
Total income taxes recognized in other comprehensive income *2	24,614	(5,492)
Total income taxes recognized in additional paid-in capital	1,006	11,995
Total income taxes	¥ 565,151	¥ 531,426

*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, 2022 and 2023.

*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, 2022 and 2023, 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 and Japanese group relief system for the fiscal years ended March 31, 2022 and 2023, respectively. Under these systems, tax expenses for each fiscal year are calculated by aggregating taxable income of the tax sharing 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, 2023, NTT and its 129 wholly owned subsidiaries in Japan, such as NTT DOCOMO, NTT East, NTT West, and NTT Communications, are included in the tax sharing companies.

Details of major items for the difference between the applicable tax rate and average effective tax rate

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Applicable tax rate	31.46%	31.46%
(Adjustment)		
Effect of reassessment of recoverability of deferred tax assets	(0.90%)	(0.70%)
Effect of tax credits	(1.48%)	(1.30%)
Effect of non-deductible expenses	0.60%	0.61%
Other	0.37%	(1.19%)
Average effective tax rate	30.05%	28.88%

(3) Income taxes receivable included in other current assets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Income taxes receivable	¥ 33,851	¥ 288,623

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, 2022	Fiscal year ended March 31, 2023
Profit attributable to NTT (millions of yen)	¥ 1,181,083	¥ 1,213,116
Weighted average number of the outstanding common shares (share)	3,586,788,697	3,486,085,670
Basic earnings per share (yen)	¥ 329.29	¥ 347.99

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, 2022>

There was no significant business combination.

<Fiscal year ended March 31, 2023>

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, 2022	As of March 31, 2023
Notes and accounts receivables - trade*	¥ 2,444,120	¥ 2,774,049
Accounts receivable - other	1,113,137	1,314,600
Lease receivables	137,120	189,848
Loss allowance	(89,418)	(92,122)
Total	¥ 3,604,959	¥ 4,186,375

* Short-term telecommunications terminal equipment installment sales receivables of ¥212,381 million and ¥325,466 million were included in “Notes and accounts receivables - trade” for the fiscal year ended March 31, 2022 and 2023, 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, 2022	As of March 31, 2023
Telecommunications terminal equipment and materials to be sold	¥ 148,251	¥ 204,556
Work in progress	149,071	184,815
Supplies	111,040	128,038
Total	¥ 408,362	¥ 517,409

Amounts of inventories recognized as expenses, write-down of inventories, and reversal of write-down

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Inventories recognized as expenses	¥ 1,238,856	¥ 1,311,599
Write-down of inventories	4,524	5,564
Reversal of write-down of inventories	(1,631)	(1,185)

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 years covering the period from April 1, 2022 to March 31, 2024.

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 the 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 network operations.

Impact on accounting treatment and on the consolidated financial statements

The assets related to the transfer of towers are included in the Integrated ICT Business segment. The assets, which have not been transferred yet, are classified as assets held for sale as of March 31, 2023. The classes of these assets are mainly property, plant and equipment, and the carrying amount of these assets is ¥89,688 million. The amount of these assets held for sale is measured at its carrying amount or its fair value less costs of disposal, whichever is lower.

The impact of the these accounting treatments on NTT’s consolidated statements of profit or loss is immaterial.

Sale of shares of data center holding company

Overview

On October 1, 2022, NTT Group combined the respective overseas businesses for business users that were operated by NTT DATA, NTT, Inc. and NTT Ltd., which have commenced operations as a single group.

NTT Group plans to sell portions of its shares of its data center holding company across Europe and North America, and classified such shares as assets held for sale. As a result of its business combination, NTT DATA now holds such data center holding company shares of NTT Ltd. During the fiscal year ended March 31, 2023, because closing conditions with Macquarie Asset Management, a prospective purchaser, failed to be satisfied, a portion of such shares became unlikely to be sold.

Although NTT Group is continuing to work towards the sale of such data center holding company shares, because any such sale would require a certain amount of time, they are no longer classified as assets held for sale or as liabilities directly associated with assets held for sale.

The impact of this reclassification on NTT's financial results is immaterial.

Impact on accounting treatment and on the consolidated financial statements

As of March 31, 2023, assets related to the sale of shares of the data center holding company and liabilities directly associated with the assets, which were included in the Global Solutions Business Segment, were classified as assets held for sale and as liabilities directly associated with assets held for sale until the completion of the share transfer, and were ¥45,042 million and ¥16,393 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	¥ 1,697	Trade and other payables	¥ 1,883
Trade and other receivables	2,519	Long-term borrowings	13,354
Inventories	12	Other	1,156
Property, plant and equipment	40,626		
Other	188		
Total	¥ 45,042	Total	¥ 16,393

Amounts in the table above represent the figures before elimination of intercompany transactions. Intercompany transactions with consolidated subsidiaries are Long-term borrowings amounted to ¥13,354 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, 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
Acquisition※1	31,515	234	9,253	95,112	44,396	1,106,496	1,287,006
Acquisition in business combination	—	—	44	332	—	388	764
Sale or disposal	(21,583)	(6,100)	(10,778)	(13,959)	(3,820)	(3,795)	(60,035)
Transfer between accounts	381,865	203,997	164,406	217,136	4,937	(973,078)	(737)
Depreciation※2	(446,156)	(168,266)	(131,489)	(176,298)	—	—	(922,209)
Impairment※2	(57)	—	(1,281)	(617)	(212)	—	(2,167)
Foreign currency translation adjustments	291	658	16,542	24,516	2,545	1,542	46,094
Transfer to assets held for sale	—	—	(2,331)	(10,403)	(278)	(2,960)	(15,972)
Transfer from assets held for sale	1,668	—	4,450	15,445	2,661	20,077	44,301
Other	2,023	—	9,809	1,025	5,346	(5,033)	13,170
As of March 31, 2023	¥2,507,166	¥2,876,020	¥1,838,663	¥1,059,033	¥774,906	¥661,315	¥9,717,103

※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 for the fiscal year ended March 31, 2022 and 2023, amounted to ¥44,805 million and ¥12,310 million, respectively, 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, 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
As of March 31, 2023	¥11,081,055	¥16,962,569	¥5,880,467	¥2,897,348	¥779,210	¥661,315	¥38,261,964

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, 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
As of March 31, 2023	¥8,573,889	¥14,086,549	¥4,041,804	¥1,838,315	¥4,304	—	¥28,544,861

(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, 2022 and March 31, 2023.

(Accounting Estimates and Judgments Involving Estimates)

Impairment of property, plant and equipment are estimated as described above.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

There was no significant impairment loss.

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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, 2022 and fiscal year ended March 31, 2023, 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, 2022 and fiscal year ended March 31, 2023, the amounts of borrowing costs incurred were ¥50,829 million and ¥81,184 million, respectively, of which ¥980 million and ¥11,327 million were included in the costs of the assets. Interest paid in the fiscal years ended March 31, 2022 and 2023 were ¥47,858 million and ¥67,224 million, respectively.

The capitalization rate applied in capitalizing the borrowing costs was 0.26% to 7.60%.

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 sells telecommunications equipment, buildings and structures 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 assets as soon as possible and to reduce the risks associated with holding assets. The gain or loss on sale caused by such transactions during the fiscal years ended March 31, 2022 and March 31, 2023 was immaterial.

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, 2022	¥ 74,681	¥ 465,636	¥ 95,288	¥ 59,007	¥ 694,612
As of March 31, 2023	¥ 82,803	¥ 471,237	¥ 106,481	¥ 58,010	¥ 718,531

Cost

(Millions of yen)

	Class of underlying asset				Total
	Telecommunications equipment	Buildings and structures	Machinery, tools and fixtures	Land	
As of March 31, 2022	¥ 86,938	¥ 752,752	¥ 160,386	¥ 75,833	¥ 1,075,909
As of March 31, 2023	¥ 100,802	¥ 799,497	¥ 169,964	¥ 76,852	¥ 1,147,115

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, 2022	¥ 12,257	¥ 287,116	¥ 65,098	¥ 16,826	¥ 381,297
As of March 31, 2023	¥ 17,999	¥ 328,260	¥ 63,483	¥ 18,842	¥ 428,584

Changes in carrying amounts of right-of-use assets

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Depreciation		
Class of Underlying asset: Telecommunications equipment	¥ 6,302	¥ 6,231
Class of Underlying asset: Buildings and structures	140,371	142,147
Class of Underlying asset: Machinery, tools and fixtures	26,831	29,793
Class of Underlying asset: Land	9,330	9,261
Total of Depreciation	¥ 182,834	¥ 187,432
Increase	¥ 251,607	¥ 256,173

Impact on Consolidated Statement of Profit or Loss

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Interest on lease liabilities	¥ 11,326	¥ 15,660
Expenses relating to low-value assets	¥ 47,192	¥ 50,896

Impact on Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Total cash outflow for leases	¥ 266,750	¥ 290,463

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, 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

As of March 31, 2023

(Millions of yen)

	Within 1 year	Over 1 year and within 5 years	Over 5 years	Total
Lease liabilities	¥ 221,915	¥ 499,417	¥ 491,208	¥ 1,212,540

(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, 2022	Fiscal year ended March 31, 2023
Selling profit or loss	¥ 3,428	¥ 22,585
Finance income on the net investment in the lease	¥ 1,819	¥ 2,640

Details of finance lease receivable by due date

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Less than 1 year	¥ 40,334	¥ 46,090
One to two years	26,634	32,398
Two to three years	13,807	14,779
Three to four years	9,819	9,342
Four to five years	5,344	7,541
More than five years	57,873	111,824
Total	¥ 153,811	¥ 221,974
Less unearned finance income	16,691	32,126
Net investment in the lease (Present value)	¥ 137,120	¥ 189,848

(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, 2022	Fiscal year ended March 31, 2023
Lease income	¥ 388,717	¥ 445,883

Details of operating lease income by due date

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Less than 1 year	¥ 288,410	¥ 330,163
One to two years	164,720	201,054
Two to three years	144,198	175,433
Three to four years	123,011	155,768
Four to five years	108,429	133,217
More than five years	327,023	398,334
Total	¥ 1,155,791	¥ 1,393,969

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, 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
Acquisition	5,034	35,734	116,531	43,742	51,655
Acquisition in business combination	—	—	—	—	—
Sale or disposal	(377)	(316)	(2,754)	(53)	(34,809)
Commencement or end of lease	3,592	3,544	44,896	(1,567)	(2,218)
Transfer between accounts	113	—	—	—	(17,895)
Depreciation	(3,816)	(17,208)	(46,844)	—	(26,492)
Impairment	—	—	—	—	—
Foreign currency translation adjustments	—	12,697	18,971	2,014	7,443
Transfer to assets held for sale	—	(2,331)	(10,403)	(24)	—
Transfer from assets held for sale	—	3,290	15,442	2,661	—
Other	(37)	22,176	2,902	3,131	(1,229)
As of March 31, 2023	¥ 69,851	¥ 363,024	¥ 413,384	¥ 111,325	¥ 1,088,734

Cost

(Millions of yen)

	Telecommunications service lines	Buildings and structures	Machinery, tools and fixtures	Land	Investment Property
As of March 31, 2022	¥ 508,232	¥ 423,720	¥ 444,297	¥ 61,421	¥ 1,587,756
As of March 31, 2023	¥ 523,327	¥ 503,057	¥ 610,534	¥ 111,325	¥ 1,572,114

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, 2022	¥ 442,890	¥ 118,282	¥ 169,654	¥ —	¥ 475,477
As of March 31, 2023	¥ 453,476	¥ 140,033	¥ 197,150	¥ —	¥ 483,380

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, 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
Acquisition	—	12,558	753	—	—	6,264	19,575
Increase due to internal development	—	556,653	—	—	—	—	556,653
Acquisition in business combination	62,621	299	—	—	—	16,081	16,380
Sale or disposal	(34,800)	(21,148)	(14)	—	—	(8,471)	(29,633)
Amortization	—	(410,383)	(1,608)	—	—	(42,165)	(454,156)
Impairment	(6,164)	(7,408)	—	—	—	(121)	(7,529)
Foreign currency translation adjustments	79,956	3,053	36	127	—	22,906	26,122
Other	(31,174)	1,580	154	(116)	—	42,020	43,638
As of March 31, 2023	¥ 1,283,448	¥ 1,646,135	¥ 37,728	¥ 9,946	¥ 1,087	¥ 427,978	¥ 2,122,874

* 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, 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
As of March 31, 2023	¥ 1,396,050	¥ 7,959,891	¥ 343,508	¥ 10,469	¥ 1,087	¥ 903,932	¥ 9,218,887

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, 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
As of March 31, 2023	¥ 112,602	¥ 6,313,756	¥ 305,780	¥ 523	¥ —	¥ 475,954	¥ 7,096,013

* 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, 2022	As of March 31, 2023
Software		
Internally generated intangible assets	¥ 1,490,034	¥ 1,620,049

Carrying amounts of intangible assets with indefinite useful lives

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Trademarks and trade names	¥ 9,935	¥ 9,946
Rights to acquire buildings	1,087	1,087
Other	23,138	23,261
Total	¥ 34,160	¥ 34,294

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, 2022	As of March 31, 2023
Integrated ICT Business	¥ 34,446	¥ 25,916
Global Solutions Business	1,104,352	1,214,515
Others (Real Estate, Energy and Others)	74,211	43,017
Total	¥ 1,213,009	¥1,283,448

* 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."

(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, 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

* Weighted average cost of capital is after-tax, same in the following descriptions.

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.

Fiscal Year ended March 31, 2023

Name of cash-generating unit or group of cash-generating units	NTT DATA Services	NTT Ltd. - Services
Carrying amount of goodwill (millions of yen)	¥ 558,363	¥ 322,312
Permanent growth rate (%)	3.1	3.5
Weighted average cost of capital (%)	9.0	12.7
EBITDA multiple (times)	11.0~12.0	—
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

The discounted cash flow method includes estimates of future cash flows (6 – 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.

Although long-term interest rates, which are an element of the calculation of discount rates, have increased in the fiscal year ended March 31, 2023, the same impacts are incorporated in the above assumptions included in estimates of future cash flows and other items. 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, 2023, if the discount rates of NTT DATA Services and NTT Ltd. - Services increase by 0.9% and 1.9%, respectively, there would be a possibility of an impairment loss. The headroom of those cash-generating unit or groups of cash-generating units were 46,686 million yen and 391,691 million yen, respectively.

Impairment of goodwill

<Fiscal year ended March 31, 2022>

NTT group did not recognize a significant impairment loss.

<Fiscal year ended March 31, 2023>

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, 2022	Fiscal year ended March 31, 2023
Balance at the beginning of the year	¥ 1,182,713	¥ 1,236,490
Acquisition	87,156	65,689
Sale or disposal	(5,831)	(29,347)
Transfer between accounts	2,948	(5,618)
Depreciation	(26,404)	(26,936)
Impairment	(601)	(74)
Foreign currency translation adjustments	12,754	8,191
Transfer to assets held for sale	(13,853)	—
Other	(2,392)	(5,804)
Balance at the end of the year	¥ 1,236,490	¥ 1,242,591

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, 2022	¥ 1,725,869	¥ 489,379
As of March 31, 2023	¥ 1,738,206	¥ 495,615

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, 2022 and March 31, 2023, 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, 2022	As of March 31, 2023
Fair value	¥ 2,598,205	¥ 2,613,247

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, 2022	Fiscal year ended March 31, 2023
Rental income	¥ 120,571	¥ 127,962
Rental expenses	76,454	81,740
Profit	44,117	46,222
Gains (losses) on sale of investment property	¥ 11,678	¥ 9,072

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, 2022	As of March 31, 2023
Interests in associates	¥ 298,695	¥ 301,321
Interests in joint ventures	131,111	145,248
Total	¥ 429,806	¥ 446,569

(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, 2022	Fiscal year ended March 31, 2023
Profit(losses)	¥ 11,164	¥ 2,300
Other comprehensive income	4,277	7,040
Total comprehensive income	¥ 15,441	¥ 9,340

(ii) Joint ventures

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit(losses)	¥ 8,547	¥ 11,712
Other comprehensive income	(5,114)	(300)
Total comprehensive income	¥ 3,433	¥ 11,412

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, 2022	As of March 31, 2023
Accounts payable - trade	¥ 985,165	¥ 1,110,536
Accounts payable - other	1,218,218	1,390,252
Accrued expenses	170,760	175,696
Deposits received	126,198	130,802
Total	¥ 2,500,341	¥ 2,807,286

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, 2022	Fiscal year ended March 31, 2023
Retirement benefit expenses	¥ 32,117	¥ 37,733

(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, 2022	Fiscal year ended March 31, 2023
Changes in the present value of defined benefit obligations		
At the beginning of the year	¥ 3,581,461	¥ 3,351,522
Current service cost	100,602	96,420
Interest cost	20,226	28,241
Remeasurements	(171,106)	(188,057)
Changes in demographic assumptions	125	478
Changes in financial assumptions	(131,289)	(158,204)
Experience adjustments	(39,942)	(30,331)
Past service cost	—	(4)
Benefit payments (lump-sum payments on retirement and pension)	(187,414)	(219,127)
Other	7,753	(1,645)
At the end of the year	¥ 3,351,522	¥ 3,067,350
Changes in fair value of plan assets		
At the beginning of the year	1,999,177	1,956,703
Interest income	12,057	17,063
Income related to plan assets excluding interest income	22,899	(21,423)
Employer contributions	19,313	19,867
Employee contributions	3,379	3,367
Benefit payments (pension)	(105,817)	(99,080)
Other	5,695	1,353
At the end of the year	¥ 1,956,703	¥ 1,877,851
Net defined benefit liabilities	¥ (1,394,819)	¥ (1,189,499)

The measurement date is March 31.

Amounts recorded in the consolidated statement of financial position

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Defined benefit liabilities	¥ (1,561,049)	¥ (1,362,262)
Other non-current assets	166,230	172,763
Net defined benefit liabilities	¥ (1,394,819)	¥ (1,189,499)

Details of amounts recorded as retirement benefit expenses

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Retirement benefit expenses		
Current service cost	¥ 97,223	¥ 93,053
Past service cost	—	(4)
Interest cost (income)	8,169	11,178
Total	¥ 105,392	¥ 104,227

Details of amounts recorded in other comprehensive loss (income)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Other comprehensive loss (income)		
Remeasurements	¥ (194,005)	¥ (166,634)
Other	232	80
Total	¥ (193,773)	¥ (166,554)

Actuarial assumptions for pension

	As of March 31, 2022	As of March 31, 2023
Assumptions used to determine projected benefit obligations		
Discount rate	0.3%~0.9%	0.4%~1.3%
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, 2022 and 2023 was 16.7 years and 15.8 years, respectively.

NTT Group expects to contribute ¥18,220 million to NTT CDBP in the fiscal year ending March 31, 2024.

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, 2022		As of March 31, 2023	
	Increase	Decrease	Increase	Decrease
Discount rate (change of 0.5%)	¥ (199,680)	¥ 220,556	¥ (169,321)	¥ 185,591

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, 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

(Millions of yen)

	As of March 31, 2023		
	Total	With quoted market price in an active market	Without quoted market price in an active market
Cash and cash equivalents	¥ 63,818	¥ 63,818	¥ —
Debt instruments			
Japanese government bonds and local government bonds	448,760	385,962	62,798
Domestic corporate bonds	269,091	—	269,091
Foreign government bonds	23,966	22,103	1,863
Foreign corporate bonds	1,875	927	948
Equity securities			
Domestic securities	159,831	158,700	1,131
Foreign securities	62,595	62,595	—
Beneficiary certificates of securities investment trust	321,411	—	321,411
Pooled funds	184,669	—	184,669
Life insurance company general accounts	261,159	—	261,159
Other	80,676	—	80,676
Total	¥ 1,877,851	¥ 694,105	¥ 1,183,746

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, 2022	Fiscal year ended March 31, 2023
Domestic bonds	54.1%	54.9%
Domestic stocks	12.4%	12.6%
Foreign bonds	2.4%	2.5%
Foreign stocks	9.9%	10.1%
Life insurance company general accounts	16.3%	14.8%
Other	4.9%	5.1%
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, 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

As of March 31, 2023

(Millions of yen)

	Asset retirement obligations	Provision for point programs	Provision for credit card rewards	Other	Total
As of April 1, 2022	¥38,948	¥17,373	¥23,124	¥42,577	¥122,022
Increase	3,565	29,959	25,145	18,430	77,099
Business combinations	-	-	-	(1,246)	(1,246)
Increase due to passage of time	698	-	-	-	698
Utilize	(6,675)	(13,246)	(12,492)	(16,402)	(48,815)
Reversal	-	(277)	-	(7,404)	(7,681)
Foreign currency translation adjustments	30	-	-	1,021	1,051
Other	2,095	(729)	-	(2,101)	(735)
As of March 31, 2023	¥38,661	¥33,080	¥35,777	¥34,875	¥142,393
Current liabilities	2,847	32,995	35,777	28,341	99,960
Non-current liabilities	35,814	85	-	6,534	42,433
	¥38,661	¥33,080	¥35,777	¥34,875	¥142,393

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, 2022	As of March 31, 2023
Contract liabilities	¥ 895,193	¥ 908,201
Real estate tax payable and others	120,833	120,164
Accrued consumption tax	153,211	114,353
Provisions	122,022	142,393
Advances received (leasing out)	28,076	27,752
Refund liabilities	51,775	59,895
Other	136,808	129,901
Total	¥ 1,507,918	¥ 1,502,659
Current liabilities	1,129,851	1,143,518
Non-current liabilities	378,067	359,141
Total	¥ 1,507,918	¥ 1,502,659

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, 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
Purchase of treasury stock under resolution of the Board of Directors	—	—	131,851,800
Repurchase of treasury stock based on less-than-one-unit share purchase demand	—	—	192,326
Disposal of treasury stock based on additional less-than-one-unit share purchase demand	—	—	(10,248)
As of March 31, 2023	6,192,920,900	3,622,012,656	211,524,308

In addition to the above, 1,033,466 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.

On May 12, 2023, the Board of Directors resolved a stock split of NTT’s common stock and a related amendment of its Articles of Incorporation. A summary of stock split of its common stock is presented in "Note 5.5. Subsequent Events" .

Performance-linked stock compensation (officer compensation BIP trust)

(1) Overview of transactions

NTT Group has adopted a performance-related stock compensation plan (the “Plan”) in the form of an officer compensation BIP trust. The purposes are to provide increased incentive to achieve the financial targets set forth in the medium-term management strategy, and further promote shared value with shareholders by advancing ownership of NTT’s shares.

Under the Plan, the Group has established a trust into which it contributes funds that constitute the source of the funds for the stock compensation, and NTT’s shares, which are acquired using the funds in the trust, are delivered in accordance with the degree of achievement of performance targets and other factors.

(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 ¥2,991 million and 1,033,466 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
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	September 2022	92,925,400	360,272	Concluded
November 8, 2022	From November 9, 2022 to March 31, 2023	41	¥ 150,000	From December 2022 to March 2023	38,926,400	¥150,000	Concluded

(2) Distribution of Retained Earnings

The amount of surplus available for distribution under the Companies Act of Japan as of March 31, 2023 was ¥1,374,679 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 ¥204,629 million (¥60 per share) approved at the General Meeting of Shareholders to be held on June 22, 2023.

(i) The amount of dividends paid out in the fiscal years ended March 31, 2022 and 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, 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* ¹	Common shares	Retained earnings	197,752	55	September 30, 2021	December 13, 2021
June 24, 2022 Ordinary General Meeting of Shareholders* ²	Common shares	Retained earnings	212,551	60	March 31, 2022	June 27, 2022
November 8, 2022 Board of Directors* ³	Common shares	Retained earnings	¥ 206,974	¥ 60	September 30, 2022	December 15, 2022

*1 Total dividend includes the dividend of ¥60 million for the Company's shares held by the BIP trust.

*2 Total dividend includes the dividend of ¥65 million for the Company's shares held by the BIP trust.

*3 Total dividend includes the dividend of ¥62 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, 2023 and an effective date during the fiscal year ending March 31, 2024

Resolution	Class of shares	Source of dividends	Total dividend (millions of yen)	Dividend per share (yen)	Record date	Effective date
June 22, 2023 Ordinary General Meeting of Shareholders* ⁴	Common shares	Retained earnings	¥ 204,629	¥ 60	March 31, 2023	June 23, 2023

*4 Total dividend includes the dividend of ¥62 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 ¥15,664 million, and ¥24,581 million, respectively, at the end of the fiscal year ended March 31, 2022 and the end of the fiscal year ended March 31, 2023.

(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, 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
Other comprehensive income	(80,423)	(33,911)	(8,576)	104,551	75,882	57,523
Transfer to retained earnings	(19,446)	—	—	(104,551)	—	(123,997)
As of March 31, 2023	¥ 52,832	¥ (94,019)	¥ (10,339)	¥ —	¥262,102	¥ 210,576

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, 2021 to March 31, 2022	¥ (2,136)	¥ 343	¥ 62	¥ 6,324	¥ 39,213	¥ 43,806
From April 1, 2022 to March 31, 2023	(3,998)	(254)	(69)	7,757	52,269	55,705

(6) Other Comprehensive IncomeDetails of other comprehensive income and related tax effects

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
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	¥ (46,688)	¥ (123,864)
Before tax effect	(46,688)	(123,864)
Tax effect	21,206	40,214
After tax effect	¥ (25,482)	¥ (83,650)
Remeasurements of the defined benefit plans		
Amounts arising during the period	¥ 193,295	¥ 167,064
Before tax effect	193,295	167,064
Tax effect	(62,263)	(54,392)
After tax effect	¥ 131,032	¥ 112,672
Share of other comprehensive income of entities accounted for using the equity method		
Amounts arising during the period	¥ 7	¥ (1,134)
Before tax effect	7	(1,134)
Tax effect	(9)	(1)
After tax effect	¥ (2)	¥ (1,135)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
Amounts arising during the period	¥ 90,357	¥ 91,407
Amounts reclassified to profit	(163,916)	(140,609)
Before tax effect	(73,559)	(49,202)
Tax effect	22,811	15,953
After tax effect	¥ (50,748)	¥ (33,249)
Hedges cost		
Amounts arising during the period	¥ (1,231)	¥ (2,812)
Amounts reclassified to profit	22,024	(9,639)
Before tax effect	20,793	(12,451)
Tax effect	(6,359)	3,806
After tax effect	¥ 14,434	¥ (8,645)
Foreign currency translation adjustments		
Amounts arising during the period	¥ 168,497	¥ 123,462
Amounts reclassified to profit	(809)	(4,102)
Before tax effect	167,688	119,360
Tax effect	—	—
After tax effect	¥ 167,688	¥ 119,360
Share of other comprehensive income of entities accounted for using the equity method		
Amounts arising during the period	¥ 4,362	¥ 8,363
Amounts reclassified to profit	(5,197)	(400)
Before tax effect	(835)	7,963
Tax effect	—	(88)
After tax effect	¥ (835)	¥ 7,875
Total other comprehensive income		
Amounts arising during the period	¥ 408,599	¥ 262,486
Amounts reclassified to profit	(147,898)	(154,750)
Before tax effect	260,701	107,736
Tax effect	(24,614)	5,492
After tax effect	¥ 236,087	¥ 113,228

(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, 2022	Fiscal year ended March 31, 2023
Changes in NTT's ownership interest by acquisition of NTT DATA's common stock through market transactions	¥ —	¥ (47,440)
Other	(1,754)	(2,844)
Net increase (decrease) in additional paid-in capital due to transactions with non-controlling interests	¥ (1,754)	¥ (50,284)

On May 9, 2022, the Board of Directors resolved that 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. Based on this resolution, NTT acquired 49,672,800 shares of NTT DATA's common stock for ¥100,000 million from October 2022 through February 2023. As a result, NTT's ownership interest in NTT DATA increased from 54.2% to 57.8% and "Additional paid-in capital" decreased by ¥47,440 million in the Consolidated Statement of Financial Position as of March 31, 2023. In addition, equity transactions with non-controlling interests that occurred during the fiscal year ended March 31, 2023 with respect to the realignment of the global businesses did not have a material financial effect on NTT Group.

(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, 3. 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, 2022	As of March 31, 2023
Cash and deposits	¥ 778,234	¥ 768,297
Commercial paper and repurchase agreements	-	-
Term deposits, certificates of deposits, and others	56,330	25,623
Total	¥ 834,564	¥ 793,920

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, 2022 and March 31, 2023 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, 2022	As of March 31, 2023
Current assets		
Financial assets measured at fair value through profit or loss		
Derivative financial assets		
Applied hedge accounting	¥ 24,374	¥ 28,738
Not applied hedge accounting	3,833	950
Financial assets measured at fair value through other comprehensive income		
Equity securities	9,109	8,952
Financial assets measured at amortized cost		
Debt securities	200	16
Loans receivables	701	657
Short-term investments	44,777	56,761
Other	5,567	2,601
Loss allowance	(120)	(22)
Subtotal	88,441	98,653
Non-current assets		
Financial assets measured at fair value through profit or loss		
Investments in capital	61,889	68,258
Derivative financial assets		
Applied hedge accounting	68,528	100,741
Not applied hedge accounting	221	446
Financial assets measured at fair value through other comprehensive income		
Equity securities	915,998	744,592
Financial assets measured at amortized cost		
Debt securities	7,897	8,582
Loans receivables	22,551	32,681
Long - term telecommunications terminal equipment receivables	258,407	202,809
Leasehold and guarantee deposits	65,333	66,376
Other	42,231	36,186
Loss allowance	(16,898)	(19,340)
Subtotal	1,426,157	1,241,331
Total	¥ 1,514,598	¥ 1,339,984

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, 2022	As of March 31, 2023
TOYOTA MOTOR CORPORATION	¥ 330,388	¥ 279,473
M3, Inc.	90,274	66,680
NEC Corporation	67,072	66,420
Tokyo Century Corporation	55,566	54,213
HERE International B.V.	69,281	37,167
Recruit Holdings Co., Ltd.	46,831	31,573
KADOKAWA CORPORATION	20,893	18,284
StarHub Ltd.	20,018	17,942
SKY Perfect JSAT Holdings Inc.	12,699	15,858
TBS HOLDINGS, INC.	11,572	12,337
Lawson, Inc.	9,780	11,736
FUJI MEDIA HOLDINGS, INC.	9,032	9,202
Nippon Television Holdings, Inc.	9,910	8,876
NTT UD REIT Investment Corporation	9,038	7,568
HIKKY Co., Ltd.	6,543	6,543
Far EasTone Telecommunications Co., Ltd.	47,963	-
Other	108,247	109,672
Total	¥ 925,107	¥ 753,544

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, 2022	Fiscal year ended March 31, 2023
Fair value at derecognition	¥ 160,357	¥ 50,623
Accumulated gains (losses) at derecognition	108,635	34,351
Dividend received	2,286	1,645

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, 2023 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, 2022	As of March 31, 2023
Debt denominated in Japanese yen		
Unsecured loans from banks (weighted average interest rate: %)	¥ 187,504 (0.01%)	¥ 246,859 (0.24%)
Commercial paper (weighted average interest rate: %)	301,001 (△0.00%)	317,961 (0.06%)
Debt denominated in foreign currencies		
Secured loans from banks (weighted average interest rate: %)	6,753 (5.15%)	3,637 (8.07%)
Unsecured loans from banks (weighted average interest rate: %)	326,137 (0.96%)	406,841 (5.12%)
Commercial paper (weighted average interest rate: %)	105,346 (0.04%)	282,841 (3.70%)
Total Short-term borrowings	¥ 926,741	¥ 1,258,139

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, 2022	As of March 31, 2023
Debt denominated in Japanese yen			
Corporate bonds			
0.00–1.99% fixed rate corporate bonds	2023–2032	¥ 1,790,587	¥ 1,646,409
0.55% floating rate corporate bonds	2032	100	100
Secured loans from financial institutions			
1.65% (weighted average) fixed rate loans	2029-2039	58,985	59,667
0.83% (weighted average) floating rate loans	2032-2039	89,878	88,468
Unsecured loans from financial institutions			
0.43% (weighted average) fixed rate loans	2023–2048	2,382,361	2,924,480
0.08% (weighted average) floating rate loans	2023–2032	39,204	39,047
Subtotal		4,361,115	4,758,171
Debt denominated in foreign currencies			
Corporate bonds			
0.58–4.37% fixed rate U.S. dollar corporate bonds	2023-2031	979,120	1,068,240
0.01–1.30% fixed rate Euro corporate bonds	2023-2030	533,362	568,556
Secured loans from financial institutions			
6.66% (weighted average) floating rate U.S. dollar loans	2023-2026	22,498	30,988
Other loans	2023-2027	10,091	8,795
Unsecured loans from financial institutions			
1.52% (weighted average) fixed rate U.S. dollar loans	2023-2027	160,072	133,606
5.45% (weighted average) floating rate U.S. dollar loans	2023-2027	277,976	291,259
0.89% (weighted average) fixed rate Euro loans	2023-2032	40,042	42,424
3.25% (weighted average) floating rate Euro loans	2025-2027	18,847	20,088
1.83% (weighted average) fixed rate GBP loans	2023-2024	12,067	8,278
8.96% (weighted average) floating rate INR loans	2024-2036	18,100	41,233
Other loans	2023-2026	12,038	8,234
Subtotal		2,084,213	2,221,701
Total principal of Long-term borrowings		6,445,328	6,979,872
Less discount or premium on bonds		7,798	7,475
Total principal of Long-term borrowings (Less discount or premium on bonds)		6,437,530	6,972,397
Less current portion		720,065	582,242
Total Long-term borrowings		¥ 5,717,465	¥ 6,390,155

Interest rates and maturity dates in the above table are those as of March 31, 2023.

Some of the corporate bonds as of March 31, 2023 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, 2022	As of March 31, 2023
Unused lines of credit	¥ 318,500	¥ 318,200

(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, 2022	As of March 31, 2023
Corporate bonds (including current portion)	¥ 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, 2022	As of March 31, 2023
Cash and cash equivalents	¥ 6,673	¥ 9,004
Other financial assets	114,779	112,556
Trade and other receivables	53,254	52,518
Property, plant and equipment	54,438	74,256
Intangible assets	3,308	4,316
Investment property	64,900	73,955
Other non-current assets	4,052	3,829
Other	1,384	368
Total	¥ 302,788	¥ 330,802

In addition to the above, NTT Group pledges subsidiary shares, which is eliminated in the consolidated statements of financial position, amounting ¥13,314 million as of March 31, 2022 and amounting ¥15,249 million as of March 31, 2023.

Liabilities corresponding to assets pledged as collateral

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Trade and other payables	¥ 4,426	¥ 4,426
Other current liabilities	2,116	2,822
Short-term borrowings	6,753	3,637
Corporate bonds	100	100
Long-term borrowings ^{*1}	181,452	187,920
Total	¥ 194,847	¥ 198,905

*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, 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 finance 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
Changes in cash flows from financing and repayments					
Net increase (decrease) in Short-term borrowings	294,141	—	—	1,423	295,564
Proceeds from increases in Long-term borrowings	1,090,877	—	—	—	1,090,877
Repayments of Long-term borrowings	(714,575)	—	—	21,148	(693,427)
Repayments of lease liabilities	—	(223,907)	—	—	(223,907)
Payments for acquisition of interests in subsidiaries from non-controlling interests	—	—	(4,647)	—	(4,647)
Total changes in liabilities relating to cash flows from financing activities	¥ 670,443	¥ (223,907)	¥ (4,647)	¥ 22,571	¥ 464,460
Changes as a result of obtaining or losing control of a subsidiary or other business	269	(266)	6,114	—	6,117
Effect of changes in foreign currency exchange rates	173,143	17,789	1,124	—	192,056
Accrued lease liabilities	—	312,118	—	—	312,118
Changes in fair value liabilities	—	—	—	(42,534)	(42,534)
Transfer to liabilities directly associated with assets held for sale	—	—	—	—	—
Transfer from liabilities directly associated with assets held for sale	—	4,955	—	—	4,955
Other changes	22,410	(35,916)	6,326	—	(7,180)
As of March 31, 2023	¥ 8,230,536	¥ 919,997	¥ 24,581	¥ (100,922)	¥ 9,074,192

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, 2022	As of March 31, 2023
Current liabilities		
Financial liabilities measured at fair value through profit or loss		
Derivative financial liabilities		
Applied hedge accounting	¥ —	¥ 185
Not applied hedge accounting	890	1,947
Contingent consideration	6,902	4,882
Financial liabilities measured at amortized cost		
Other	17,680	12,094
Put options granted to non-controlling interests	4,094	11,092
Subtotal	29,566	30,200
Non-current liabilities		
Financial liabilities measured at fair value through profit or loss		
Derivative financial liabilities		
Applied hedge accounting	11,440	24,764
Not applied hedge accounting	573	319
Contingent consideration	13,202	11,953
Financial liabilities measured at amortized cost		
Lease and guarantee deposits received	97,830	96,961
Other	1,071	945
Put options granted to non-controlling interests	11,570	13,489
Subtotal	135,686	148,431
Total	¥ 165,252	¥ 178,631

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, 2022	Fiscal year ended March 31, 2023
Interest income *1		
Financial assets measured at amortized cost	¥ 9,310	¥ 14,374
Dividend income		
Financial assets measured at fair value through other comprehensive income	19,886	17,277
Net exchange differences *2	8,086	3,116
Net changes in fair value of financial assets measured at fair value through profit or loss	2,974	2,418
Gain on sale of securities	8,057	14,304
Gain on valuation derived from discontinuing use of equity method	9,644	-
Other	5,514	2,616
Total	¥ 63,471	¥ 54,105

*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.

In addition to the above, Interest income on financial assets measured at fair value through profit or loss of ¥150 million and ¥27 million were included in “Operating revenues” for the fiscal year ended March 31, 2022 and the fiscal year ended March 31, 2023, respectively. Interest income on financial assets measured at amortized cost of ¥36,211 million and ¥40,170 million were included in “Operating revenues” for the fiscal year ended March 31, 2022 and 2023, respectively.

Details of finance costs

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Interest expenses *1		
Financial liabilities measured at amortized cost	¥ 38,523	¥ 54,197
Lease liabilities	11,326	15,660
Net changes in fair value of financial assets measured at fair value through profit or loss	293	343
Loss on sale of securities	573	3,158
Other	5,535	6,066
Total	¥ 56,250	¥ 79,424

*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 ¥23,474 million and ¥22,578 million on financial assets measured at amortized cost were included in the operating expenses for the fiscal year ended March 31, 2022 and 2023, respectively.

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, 2022

(Millions of yen)

Overdue period	Total carrying amounts	Loss allowance	Credit impairment
Within 30 days	¥ 3,700,408	¥ (18,318)	N
31–90 days	146,893	(7,737)	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 ¥1,520,531 million) from other than contracts with customers are included in the table above.

As of March 31, 2023

(Millions of yen)

Overdue period	Total carrying amounts	Loss allowance	Credit impairment
Within 30 days	¥ 4,237,603	¥ (22,809)	N
31–90 days	109,876	(6,336)	N
More than 90 days	221,622	(67,932)	Y
Total	¥ 4,569,101	¥ (97,077)	

* Accounts receivable - other, telecommunications terminal equipment installment sales receivables (total amount is ¥1,650,999 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, 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 (785)	12,243 (12,243)
Total	¥ 144,926 ¥ (785)	¥ 12,243 ¥ (12,243)

As of March 31, 2023

(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	¥ 5,447 ¥ (—)	¥ — ¥ (—)
No external rating	148,135 (722)	14,203 (13,944)
Total	¥ 153,582 ¥ (722)	14,203 (13,944)

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, 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 ¥ (—)

As of March 31, 2023

(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	¥ 4,735 ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ 4,735 ¥ (—)
31-90 days	— (—)	— (—)	— (—)	— (—)	— (—)
More than 90 days	— (—)	— (—)	— (—)	— (—)	— (—)
Total	¥ 4,735 ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ — ¥ (—)	¥ 4,735 ¥ (—)

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, 2022 and March 31, 2023 the credit risk exposures of the unused loan commitments under the cashing business were ¥336,982 million (of which, ¥336,982 million was related to the credit card business) and ¥327,337 million (of which, ¥321,717 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, 2022 and March 31, 2023, the credit risk exposures of the financial guarantee contracts were ¥14,272 million (including ¥14,272 million regarding jointly controlled entities) and ¥10,759 million (including ¥10,759 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, 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.

As of March 31, 2023

(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, 2022	¥ 785	¥ —	¥ 12,243	¥ 93,408	¥ —	¥ 106,436
Increase	22	—	1,701	72,503	—	74,226
Decrease	(85)	—	—	(68,834)	—	(68,919)
As of March 31, 2023	¥ 722	¥ —	¥ 13,944	¥ 97,077	¥ —	¥ 111,743

* 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, 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

As of March 31, 2023

(Millions of yen)

Classification	Carrying amount	Main forms of collateral held
Other financial asset		
Operating loans	¥ 4,733	Aircraft

(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, 2022 and March 31, 2023, NTT Group's cash and deposits and cash equivalents amounted to ¥834,564 million and ¥793,920 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, 2022

	Within 1 year	Over 1 year and within 5 years	Over 5 years	(Millions of yen) Total
Short-term borrowings	¥ 926,741	¥ -	¥ -	¥ 926,741
Trade and other payable	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

As of March 31, 2023

	Within 1 year	Over 1 year and within 5 years	Over 5 years	(Millions of yen) Total
Short-term borrowings	¥ 1,258,139	¥ -	¥ -	¥ 1,258,139
Trade and other payables	2,807,286	-	-	2,807,286
Long-term borrowings	647,411	3,976,583	2,638,395	7,262,389
Other financial liabilities	32,973	97,257	48,401	178,631
Derivatives	2,132	10,243	14,840	27,215
Other than derivatives	30,841	87,014	33,561	151,416

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, 2022	As of March 31, 2023
USD (thousand USD)	506,089	210,295
EUR (thousand euros)	363,057	390,886

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, 2022	As of March 31, 2023
USD	¥ 440	¥ 169
EUR	¥ 363	¥ 391

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, 2022	As of March 31, 2023
USD	¥ 347	¥ 144
EUR	¥ 249	¥ 268

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, 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%.

As of March 31, 2023

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)	10,000	29,088	90,320	129,408
	Foreign exchange contracts and forecast transactions of RMB	Notional principal (millions of RMB)	769	109	—	878
		Average price (JPY/RMB)	16.87	16.69	—	—
	Foreign exchange contracts and forecast transactions of USD	Notional principal (millions of USD)	14	24	5	43
		Average price (JPY/USD)	121.13	110.85	101.06	—
	Foreign exchange contracts and forecast transactions of EUR	Notional principal (millions of EUR)	103	—	—	103
		Average price (JPY/EUR)	143.76	—	—	—
	Currency swaps and borrowings in USD*2	Notional principal (millions of USD)	1,270	5,581	2,500	9,351
		Average price (JPY/USD)	107.93	117.08	106.10	—
	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 0.6% to 4.4% to Japanese yen fixed interest rate payable of (0.6)% to 0.8%.

Derivatives designed as hedging instruments

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),” “Other financial liabilities (non-current),”

*3. “Finance income” or “Finance costs”

As of March 31, 2023

(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	¥ 129,408	¥ 1,924	¥ 379	*2	¥ 3,225	¥ 656	*3
Foreign exchanges	34,417	2,398	193	*2	4,249	(4,738)	*3
Currency swaps	1,505,810	125,158	24,377	*2	81,121	(146,166)	*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, 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)

As of March 31, 2023

(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	¥ 377	¥ 990	¥ (61,475)	¥ 114	¥ (1,877)
Amount arising during the period	2,875	2,893	57,785	358	(2,310)
Reclassification adjustments to profit	554	(2,970)	(95,048)	(317)	(6,307)
Balance at the end of the current fiscal year	¥ 3,806	¥ 913	¥ (98,738)	¥ 155	¥ (10,494)

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, 2022 and March 31, 2023, NTT Group held approximately ¥793,751 million and ¥652,346 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, 2022 and March 31, 2023, total equity would have increased or decreased by about ¥76,777 million and ¥67,215 million, respectively.

(2) Continuing Involvement in Derecognized Financial Assets

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) for a period until March 31, 2024, and transferred such rights on June 29, 2022, September 29, 2022, December 27, 2022 and March 30, 2023, during the fiscal year ended March 31, 2023.

The credit card receivables subject to the transfer are classified into senior, mezzanine and subordinated portions based on the risk of default. For the mezzanine portion, NTT Group deposits cash for 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 subordinated portion. NTT Group is also properly monitoring the default risk by tracking that actual collections of the transferred receivables are adequate. Claim rights against the third parties for the cash deposit portions are recognized as “Trade and other receivables” in the consolidated statement of financial position.

In the fiscal years ended March 31, 2022 and 2023, NTT Group derecognized the transferred assets because substantially all the risks and rewards of ownership had been transferred to third parties.

Of the transferred assets, the total amount of the mezzanine portion held by NTT Group to third parties as of March 31, 2022 and 2023 was ¥47,859 million and ¥58,920 million, respectively, and the fair value of the derecognized assets as of March 31, 2022 and 2023 was same as their book value.

The maximum amount of exposure to losses pertaining to this matter as of March 31, 2022 and 2023 were the same as the amounts described above, which represent the total amount of cash deposits provided by NTT Group to the third parties.

The losses recognized in these transfer transactions during the fiscal year ended March 31, 2022 and 2023 were immaterial.

The largest transfer transactions during the fiscal years ended March 31, 2022 and 2023 occurred on March 30, 2022 and December 27, 2022, respectively.

The amounts of credit card receivables that were derecognized were ¥483,420 million and ¥643,370 million, respectively, and the consideration received for the transferred assets was ¥435,074 million and ¥579,026 million, respectively.

No credit losses were incurred in the fiscal year ended March 31, 2022 and 2023.

Telecommunications terminal equipment installment sales receivables

In the fiscal years ended March 31, 2022 and 2023, NTT Group concluded an agreements for the transfer to third parties of financial assets related to telecommunications terminal equipment installment sales receivables (trade and other receivables), and transferred such assets on September 17, 2021, March 30, 2022 and March 30, 2023.

The telecommunications terminal equipment installment sales receivables subject to the transfer are classified into senior, mezzanine and subordinated 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 subordinated portion. NTT Group is also properly monitoring the default risk by tracking that actual collections of the transferred receivables are 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.

In the fiscal years ended March 31 2022 and 2023, NTT Group derecognized the transferred assets because substantially all the risks and rewards of ownership had been transferred to third parties.

Of the transferred assets, the total amounts of cash deposits provided by NTT Group to third parties as of March 31, 2022 and 2023 were ¥34,889 million and ¥51,945 million, respectively, and the fair value of the derecognized assets as of March 31, 2022 and 2023 was same as their book value.

The maximum amounts of exposure to losses pertaining to this matter were the same as the amounts described above, which represent the total amount of cash deposits provided by NTT Group to the third parties.

The losses recognized in these transfer transactions during the fiscal year ended March 31, 2022 and 2023 were immaterial.

The largest transfer transactions during the fiscal years ended March 31, 2022 and 2023 occurred on September 17, 2021 and March 30, 2023, respectively.

The amounts of the telecommunications terminal equipment installment sales receivables that were derecognized were ¥247,721 million and ¥169,413 million, respectively, and the consideration received for the transferred assets was ¥220,458 million and ¥150,377 million, respectively.

No credit losses were incurred in the fiscal years ended March 31, 2022 and 2023.

(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, 2022		As of March 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (including current portion or balance due within 1 year)	¥ 6,437,530	¥ 6,325,007	¥ 6,972,397	¥ 6,742,667

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, 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.

Assets and liabilities measured at fair value

As of March 31, 2023

(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	¥ —	¥ 11,604	¥ 56,654	¥ 68,258
Derivatives financial assets				
Applied hedge accounting	—	129,480	—	129,480
Not applied hedge accounting	—	1,394	—	1,394
Financial assets measured at fair value through other comprehensive income				
Equity securities	652,346	—	101,198	753,544
Total	¥ 652,346	¥ 142,478	¥ 157,852	¥ 952,676
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives financial liabilities				
Applied hedge accounting	—	24,949	—	24,949
Not applied hedge accounting	—	2,265	—	2,265
Total	¥	¥ 27,214	¥	¥ 27,214

In the fiscal year ended March 31, 2023, 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, 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)	131,357	—

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, 2023

(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	¥ 53,575	¥ 1,865	—	¥ 6,573	¥ (9,760)	¥ 4,401	¥ 56,654	¥ 1,860
Equity securities	131,357	—	(31,789)	7,389	(3,110)	(2,649)	101,198	—

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, 2022	As of March 31, 2023
Total asset of non-consolidated structured entities	¥ 176,553	¥ 179,380
NTT Group’s maximum loss exposure	47,602	47,260
Carrying amount of investments that NTT Group has recognized	38,074	36,253
Commitment contracts for additional investment	9,528	11,007

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, 2022	As of March 31, 2023
Share of interests held by non-controlling interests (%)	45.78	42.24
Cumulative non-controlling interests in subsidiary groups (millions of yen)	¥ 581,805	¥ 613,480

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit or loss allocated to non-controlling interests of subsidiary groups	¥ 65,456	¥ 66,585

Condensed consolidated financial information

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Current assets	¥ 1,247,041	¥ 2,248,950
Non-current assets	1,837,472	3,909,244
Current liabilities	987,797	1,804,303
Non-current liabilities	768,449	1,957,526
Equity	1,328,267	2,396,365

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Sales	¥ 2,551,906	¥ 3,490,182
Profit	150,102	166,871
Comprehensive income	236,409	196,224

The dividend paid from NTT DATA to the non-controlling interests during the fiscal year ended March 31, 2022 and 2023 were ¥11,877 million and ¥10,472 million respectively.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net cash provided by (used in) operating activities	¥ 310,404	¥ 350,568
Net cash provided by (used in) investing activities	(196,487)	(322,281)
Net cash provided by (used in) financing activities	(166,513)	135,659
Effect of exchange rate changes on cash and cash equivalents	12,479	4,473
Net increase (decrease) in cash and cash equivalents	(52,596)	163,946

5.2. Related Parties

(1) Relationships and Transactions with the Government of Japan

The Government of Japan currently holds 33.33% 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 previous fiscal year and 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 a summary of government grants for operating costs for Individual Number Card Points is presented in "Note 2.2. Operating Revenues", 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, 2022	As of March 31, 2023
Balance of receivables		
Associates	¥ 5,177	¥ 7,027
Jointly controlled entities	46,794	52,598
Total	¥ 51,971	¥ 59,625
Balance of payables		
Associates	9,135	24,619
Jointly controlled entities	202,381	280,308
Total	¥ 211,516	¥ 304,927

Amount of transactions with associates and jointly controlled entities

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Operating revenues		
Associates	¥ 33,283	¥ 37,351
Jointly controlled entities	71,579	99,383
Total	¥ 104,862	¥ 136,734
Operating expenses		
Associates	50,929	48,884
Jointly controlled entities	10,057	12,315
Total	¥ 60,986	¥ 61,199

(3) Remuneration for Key Management

Remuneration for key management

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Monthly remuneration	¥ 279	¥ 296
Board member bonuses	130	154
Share-based payments	37	81
Total	¥ 446	¥ 531

5.3. Purchase Commitments

On the date of March 31, 2022 and March 31, 2023, purchase commitments for property, plant and equipment, intangible assets, investment property and inventories amounted to ¥151,855 million, and ¥628,370 million, respectively. These are mainly for unperformed contracts related to the purchase of fixed assets.

5.4. Contingent Liabilities

As of March 31, 2023, contingent liabilities related to guaranteed debt and others stood at ¥1,384,858million.

As of March 31, 2023, 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

Acquisition of Green Power Investment Corporation, a renewable energy power generation company

On May 18, 2023, NTT Anode Energy Corporation (“NTT Anode Energy”) and JERA Co., Inc. concluded an agreement with Pattern Energy Group LP (“Pattern Energy”), a US renewable energy company, for the joint acquisition of Green Power Investment Corporation (“GPI”) and other renewable energy businesses in Japan that are currently owned by Pattern Energy. The transaction is expected to close by the end of 2023, after all the required procedures are finished, upon which GPI will become a subsidiary of NTT Anode Energy.

Sale of a Portion of Internet Initiative Japan Inc. Common Stock

Between May 18, 2023 and May 22, 2023, NTT sold a portion of its Internet Initiative Japan Inc. common stock (28,153,000 shares) for a total amount of ¥77.2 billion, decreasing the amount of such shares held by NTT from 40,380,000 to 12,227,000. As a result of this sale, NTT Group expects to record ¥55.2 billion of finance income in the fiscal year ending March 31, 2024. The number of shares of the company’s stock held by NTT Group after the sale, including shares held by NTT Communications, was 20,387,000 shares (corresponding to 11.53% of the total outstanding voting power of the company), and NTT Group plans to discontinue the application of the equity method for the company due to the loss of significant influence. Furthermore, NTT Group plans to record ¥43.9 billion of finance income in the fiscal year ending March 31, 2024 as the fair value assessment of its remaining interest in the company.

Stock Split

NTT authorized a stock split of its common stock and a related amendment of its Articles of Incorporation, at a meeting of its board of directors held on May 12, 2023. This authorization is subject to the approval of the Minister of Internal Affairs and Communications regarding the amendment to the Articles of Incorporation.

1. Objective of the Stock Split

The objective of the stock split is to lower the minimum investment price per unit of NTT in light of the new NISA system that will be implemented beginning in 2024, thereby facilitating an environment where it is easier to invest in NTT’s shares and expanding NTT’s investor base across a wide range of generations who wish to support the sustainable growth of NTT Group.

Although the stock split will cause NTT’s stock to diverge from the Tokyo Stock Exchange’s desirable investment unit standard (between ¥50,000 and ¥500,000), given that the number of shareholders who hold less than one investment unit has been increasing, NTT is seeking to improve the investment environment so that more people can hold NTT shares as shareholders with voting rights. NTT will continue to consider the level of the investment unit in the future while comprehensively taking into consideration stock market trends, changes in shareholder composition following the implementation of the new NISA system and other factors.

2. Outline of the Stock Split

(1) Stock Split Method

The record date for the stock split will be Friday, June 30, 2023. Each share of NTT common stock held by shareholders as of the record date will be split into 25 shares.

(2) Increase in number of shares as a result of stock split

Number of shares outstanding prior to the stock split: 3,622,012,656 shares

Increase in total number of outstanding shares as a result of this stock split: 86,928,303,744 shares

Number of shares outstanding after the stock split: 90,550,316,400 shares

Number of shares authorized to be issued after the stock split: 154,823,022,500 shares

(3) Stock split schedule

Date of Public Notice of the record date: June 15, 2023 (Thursday)

Record date: June 30, 2023 (Friday)

Effective date: July 1, 2023 (Saturday) (effectively, July 3)

3. Effects per share of common stock

Per share information for the previous fiscal year and the current fiscal year, assuming the stock split had been carried out at the beginning of the previous fiscal year, is as follows:

	Year ended March 31, 2022	Year ended March 31, 2023
Weighted average number of shares outstanding (excluding treasury stock) (shares)	89,669,717,425	87,152,141,750
Basic Earnings per Share Attributable to NTT (yen)	13.17	13.92
Annual Dividends per Share (yen)	4.60	4.80

	March 31, 2022	March 31, 2023
Number of shares outstanding (excluding treasury stock) (shares)	88,535,811,650	85,236,372,050
Shareholders' Equity per Share (yen)	93.55	100.44

4. Amendment to Articles of Incorporation

(1) Reason for the amendment

In connection with the stock split described above, NTT will amend its Articles of Incorporation with an effective date of July 1, 2023, pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act of Japan.

(2) Content of the amendment

The details of the amendment are as follows:

(Underlined sections indicate proposed amendments)

Pre-Stock Split Articles of Incorporation	Proposed Amendment
Article 6. (Total Number of Authorized Shares) The total number of shares authorized to be issued by the Company shall be <u>6,192,920,900</u> shares.	Article 6. (Total Number of Authorized Shares) The total number of shares authorized to be issued by the Company shall be <u>154,823,022,500</u> shares.

(2) Other

Quarterly Information, etc. for the current fiscal year

Cumulative period	Three months ended June 30, 2022	Six months ended September 30, 2022	Nine months ended December 31, 2022	Fiscal year ended March 31, 2023
Operating revenue (Millions of yen)	¥ 3,068,871	¥ 6,286,177	¥ 9,572,594	¥ 13,136,194
Quarterly profit before taxes (current period) (Millions of yen)	525,537	1,019,452	1,529,910	1,817,679
Quarterly (current period) profit attributable to NTT (Millions of yen)	368,570	696,607	1,032,527	1,213,116
Quarterly (current period) basic earnings attributable to NTT per share (yen)	¥ 104.07	¥ 197.04	¥ 294.50	¥ 347.99

(Accounting period)	Q1	Q2	Q3	Q4
Quarterly basic earnings attributable to NTT per share (yen)	¥ 104.07	¥ 92.95	¥ 97.43	¥ 52.73

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, 2022 to the date of the filing of this Annual Securities Report:

(1) Annual Securities Report, Including Attachments and Confirmation Letter

Fiscal Year (37th Business Term) (from April 1, 2021 to March 31, 2022)

Filed with the Director of the Kanto Local Finance Bureau on June 27, 2022

(2) Internal Control Report, Including Attachments

Fiscal Year (37th Business Term) (from April 1, 2021 to March 31, 2022)

Filed with the Director of the Kanto Local Finance Bureau on June 27, 2022

(3) Quarterly Reports and Confirmation Letters

First Quarter, 38th Business Term (from April 1, 2022 to June 30, 2022)

Filed with the Director of the Kanto Local Finance Bureau on August 9, 2022

Second Quarter, 38th Business Term (from July 1, 2022 to September 30, 2022)

Filed with the Director of the Kanto Local Finance Bureau on November 9, 2022

Third Quarter, 38th Business Term (from October 1, 2022 to December 31, 2022)

Filed with the Director of the Kanto Local Finance Bureau on February 10, 2023

(4) Correction Annual Securities Report and Confirmation Letters

Correction Report on the Annual Securities Report and Confirmation Letters of 37th Business Term
(from April 1, 2021 to March 31, 2022)

Filed with the Director of the Kanto Local Finance Bureau on October 24, 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 27, 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 23, 2023

(6) Stock Repurchase Status Reports

Reporting Period (from June 1, 2022 to June 30, 2022)

Filed with the Director of the Kanto Local Finance Bureau on July 1, 2022

Reporting Period (from July 1, 2022 to July 31, 2022)

Filed with the Director of the Kanto Local Finance Bureau on August 1, 2022

Reporting Period (from August 1, 2022 to August 31, 2022)

Filed with the Director of the Kanto Local Finance Bureau on September 1, 2022

Reporting Period (from September 1, 2022 to September 30, 2022)

Filed with the Director of the Kanto Local Finance Bureau on October 5, 2022

Reporting Period (from October 1, 2022 to October 31, 2022)

Filed with the Director of the Kanto Local Finance Bureau on November 1, 2022

Reporting Period (from November 1, 2022 to November 30, 2022)

Filed with the Director of the Kanto Local Finance Bureau on December 1, 2022

Reporting Period (from December 1, 2022 to December 31, 2022)

Filed with the Director of the Kanto Local Finance Bureau on January 4, 2023

Reporting Period (from January 1, 2023 to January 31, 2023)

Filed with the Director of the Kanto Local Finance Bureau on February 1, 2023

Reporting Period (from February 1, 2023 to February 28, 2023)

Filed with the Director of the Kanto Local Finance Bureau on March 1, 2023

Reporting Period (from March 1, 2023 to March 31, 2023)

Filed with the Director of the Kanto Local Finance Bureau on April 3, 2023

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, 2023, 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, 2023, 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.

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 JPY1,283,448 million in the consolidated statement of financial position as of March 31, 2023. Included therein was JPY558,363 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 JPY46,686 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 by incorporating expectations of market participant. Key assumptions included 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 audit procedures, and then we evaluated the report of the 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 DATA Services, which included 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 and market outlook published by an external research organization; 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 our global network firms who assisted the assessment:</p>

Moreover, the long-term interest rate, which is the basis of the discount rates, has risen in the current fiscal year, and affect FVLCD.

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.

- 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 of the U.S. economy and the IT services industry, and inflation expectations;
- assessed the appropriateness of the calculation method, and reasonableness of each input data used to calculate, 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 including discount rates 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 JPY1,283,448 million in the consolidated statement of financial position as of March 31, 2023. Included therein was JPY322,312 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 JPY391,691 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 by incorporating expectations of market participant. Key assumptions included in developing these estimates, such as the plans for profitability improvement through structural changes, 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. Moreover, the long-term interest rate, which is the basis of the discount rates,</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 the 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 included 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"> • considering the accuracy of the estimates by comparing the business plan of the previous fiscal year with the actual results and the effect of similar structural changes implemented in other CGUs in prior years 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

has risen in the current fiscal year, and affect FVLCD.

Accordingly, we determined that our 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.

- assessed the feasibility of the projected revenue and profit by obtaining and inspecting contracts with current customers and confirming the 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, and inflation expectations in economy of each country; and
- assessed the appropriateness of the calculation method, and reasonableness of each input data used to calculate, by comparing them with relevant market data.

Further, we analyzed the sensitivity to changes in input data including the discount rates 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 JPY13,136,194million in the consolidated statement of profit or loss for the year ended March 31, 2023. Included therein were revenues from the following telecommunications services:</p> <table border="1" data-bbox="164 727 754 978"> <tr> <td>Fixed voice-related services</td><td>JPY871,218 million</td></tr> <tr> <td>Mobile voice-related services</td><td>JPY1,046,368 million</td></tr> <tr> <td>IP/packet communications services</td><td>JPY3,443,967 million</td></tr> </table> <p>Operating revenues also included revenues from sales of telecommunications terminal equipment of JPY756,227 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	JPY871,218 million	Mobile voice-related services	JPY1,046,368 million	IP/packet communications services	JPY3,443,967 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	JPY871,218 million						
Mobile voice-related services	JPY1,046,368 million						
IP/packet communications services	JPY3,443,967 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 JPY908,201 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 JPY59,895million 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 the actual results of this program and historical data on similar transactions; and
- Inquired of management about its determination on assumptions included 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. In addition, compared historical refund liabilities of the program with the amount of installment receivables waived by returning, 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, 2023.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2023, 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

Kei Sakayori
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 23, 2023

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[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 23, 2023
[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, 2023, 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 12 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 four 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, 2023, NTT’s internal control over financial reporting is effective based on those criteria.

4. Supplementary Matters

None.

5. Special Notes

None.

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[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 23, 2023
[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 38th Business Term (from April 1, 2022 to March 31, 2023) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.