

To Shareholders:

**INTERNET DISCLOSURE INFORMATION IN CONNECTION WITH  
THE NOTICE OF CONVOCATION OF THE 36TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

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Pursuant to applicable laws and regulations, and Article 16 of NTT's Articles of Incorporation, the above matters are deemed to be provided to the shareholders by posting them on NTT's website.

**NIPPON TELEGRAPH AND TELEPHONE CORPORATION**

## Business Report

### Outline of the Business of NTT Group

#### Main Businesses

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Category	Main businesses
Mobile Communications Business	Communications services including mobile telephones, smart life services, and other services
Regional Communications Business	Domestic intra-prefectural communication services and related ancillary services
Long Distance and International Communications Business	Domestic inter-prefectural communication services, international communication services, solutions services, and related services
Data Communications Business	System integration, network system services, and related services
Other Business	Real estate business, finance business, power business, system development business, and other businesses

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## Main Locations, etc.

### 1. NTT

- **Head Office**

Chiyoda-ku, Tokyo

- **Laboratories**

○ Laboratory Groups

- Service Innovation Laboratory Group (Yokosuka-shi, Kanagawa)
- Information Network Laboratory Group (Musashino-shi, Tokyo)
- Science & Core Technology Laboratory Group (Atsugi-shi, Kanagawa)

○ Total number of laboratories\*:13

\* The 13 laboratories are internal sections of the 3 Laboratory Groups.

### 2. Subsidiaries

Category	Name of Main Company	Main Location
Mobile Communications Business	NTT DOCOMO, INC.	Chiyoda-ku, Tokyo
Regional Communications Business	Nippon Telegraph and Telephone East Corporation	Shinjuku-ku, Tokyo
	Nippon Telegraph and Telephone West Corporation	Chuo-ku, Osaka-shi, Osaka
Long Distance and International Communications Business / Data Communications Business	NTT, Inc.	Chiyoda-ku, Tokyo
Long Distance and International Communications Business	NTT Communications Corporation	Chiyoda-ku, Tokyo
	NTT Ltd.	United Kingdom
	NTT Security Corporation	Chiyoda-ku, Tokyo
Data Communications Business	NTT DATA CORPORATION	Koto-ku, Tokyo
Other Business	NTT Urban Solutions, Inc.	Chiyoda-ku, Tokyo
	NTT URBAN DEVELOPMENT CORPORATION	Chiyoda-ku, Tokyo
	NTT FACILITIES, INC.	Minato-ku, Tokyo
	NTT FINANCE CORPORATION	Minato-ku, Tokyo
	NTT Anode Energy Corporation	Chiyoda-ku, Tokyo
	NTT COMWARE CORPORATION	Minato-ku, Tokyo

## Employment

Number of employees (as of March 31, 2021): 324,667 (an increase of 5,628 from the previous fiscal year)

<b>Category</b>	<b>Number of Employees</b>
Mobile Communications Business	28,113
Regional Communications Business	75,416
Long Distance and International Communications Business	49,952
Data Communications Business	139,677
Other Business	31,509

## Changes in Consolidated Assets and Consolidated Profit or Loss

Category	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Operating revenues (billions of yen)	11,782.1	11,879.8	11,899.4	11,944.0
Operating profit (billions of yen)	1,641.1	1,693.8	1,562.2	1,671.4
Profit before taxes (billions of yen)	1,740.5	1,671.9	1,570.1	1,652.6
Profit (billions of yen)	897.9	854.6	855.3	916.2
Earnings per share (yen)	224.93	220.13	231.21	248.15
Total assets (billions of yen)	21,541.4	22,295.1	23,014.1	22,965.5
Shareholders' equity (billions of yen)	9,050.4	9,264.9	9,061.1	7,562.7
Shareholders' equity per share (yen)	2,295.79	2,416.01	2,492.60	2,087.98

- Notes:
- Profit reflects profit attributable to NTT (excluding the portion attributable to non-controlling interests).
  - Earnings per share reflects profit per share attributable to NTT (excluding the portion attributable to non-controlling interests).
  - Earnings per share is calculated based on the average number of shares outstanding, excluding treasury stock, during the fiscal year. Shareholders' equity per share is calculated based on the number of shares outstanding, excluding treasury stock, at the end of the fiscal year.
  - NTT implemented a 2-for-1 stock split of its common stock, with an effective date of January 1, 2020. Earnings per share and shareholders' equity per share have been adjusted to reflect the impact of this stock split.
  - Commencing with the fiscal year ended March 31, 2019, the consolidated financial statements of NTT Group have been prepared in accordance with IFRS with the amounts of the fiscal year ended March 31, 2018, being retroactively restated to IFRS for comparison purposes.

## Changes in Non-consolidated Assets and Non-consolidated Income of NTT

Category	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Operating revenues (billions of yen)	663.1	750.7	649.7	794.1
Operating income (billions of yen)	530.6	613.8	510.3	644.4
Recurring profit (billions of yen)	528.1	612.9	508.9	639.8
Net income (billions of yen)	724.9	1,192.8	480.8	639.2
Net income per share (yen)	181.60	307.25	129.96	173.14
Total assets (billions of yen)	6,710.4	7,098.9	6,834.1	11,476.4
Net assets (billions of yen)	4,602.6	5,222.2	4,845.3	5,176.6
Net assets per share (yen)	1,167.53	1,361.81	1,332.87	1,429.21

- Notes:
1. The non-consolidated financial statements of NTT are prepared in accordance with Japanese Generally Accepted Accounting Principles.
  2. Previously, the amounts have been presented rounded down (truncated) to the nearest million yen. From the fiscal year ended March 31, 2021, they are presented rounded to the nearest million yen. In line with this change, figures for fiscal years up to and including the fiscal year ended March 31, 2020 have been restated to reflect the new rounding system.
  3. Net income per share is calculated based on the average number of shares outstanding, excluding treasury stock, during the fiscal year. Net assets per share is calculated based on the number of shares outstanding, excluding treasury stock, at the end of the fiscal year.
  4. NTT implemented a 2-for-1 stock split of its common stock, with an effective date of January 1, 2020. Net income per share and net assets per share have been adjusted to reflect the impact of this stock split.

## Matters Regarding Corporate Officers

### Agreements Limiting Liability

NTT has concluded agreements with outside Members of the Board and Audit & Supervisory Board Members to limit their personal liability as provided in Article 423(1) of the Companies Act and in accordance with Article 427(1) of that act. The limitation of liability is the lowest amount permitted by Article 425(1) of the Companies Act.

## Matters Regarding Independent Auditors

### 1. Name of Independent Auditor

KPMG AZSA LLC

### 2. Compensation to Independent Auditor

Independent Auditor	Amount
KPMG AZSA LLC	¥333 million

#### Notes:

1. The audit engagement agreements between NTT and the independent auditor do not distinguish between compensation for audits performed pursuant to the Companies Act and compensation for audits performed pursuant to the Financial Instruments and Exchange Act, and since it is not practically possible to make such a distinction, the above amount represents the total figure for both audits.
2. The Audit & Supervisory Board consented to the compensation of the independent auditor pursuant to Article 399(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.

### 3. Total Monetary and Other Financial Benefits Payable by NTT and its Subsidiaries

Independent Auditor	Amount
KPMG AZSA LLC	¥3,056 million

#### Notes:

1. The non-audit services for which NTT pays compensation to the independent auditor include the preparation of comfort letters regarding the issuance of domestic bonds as well as U.S. dollar-denominated and euro-denominated corporate bonds.
2. Of NTT's material subsidiaries, those overseas were audited by firms other than KPMG AZSA LLC.

### 4. Policies Concerning Decisions to Discharge or Not Reappoint Independent Auditor

In the event that the circumstances set forth in any item of Article 340(1) of the Companies Act apply to the independent auditor, the independent auditor may be discharged by a unanimous resolution of the Audit & Supervisory Board.

In addition, if it is determined 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.

## Content of Resolutions Concerning the Development of Systems to Ensure the Propriety of NTT's Business

The Board of Directors made the resolution with respect to the "Basic Policies Concerning the Development of the Internal Control Systems for NTT Group." The contents of the resolution are set out below.

### Basic Policies Concerning the Development of Internal Control Systems

- I. Basic Policy for the Development of the 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 Control Office which oversees the establishment of internal control rules and frameworks. The Internal Control Office 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 Charter 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, to clarify the structure of responsibilities for corporate ethics. It addresses promotion of corporate ethics, improvement of compliance awareness and maintenance of corporate discipline, and investigates whistleblowers' allegation.
    - (4) NTT shall establish an internal Corporate Ethics Help Line at each NTT Group company and a group-wide external Corporate Ethics Help Line handled by an independent law firm in order to foster a more open 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 disadvantage 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 Control Office 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 appropriate and efficient business operations.
  - (2) NTT shall establish the Business Risk Management Committee, chaired by the Senior Executive Vice President, 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 carried out by the Board of Directors from business execution functions carried out by executive officers, 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 Members of the Board 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 internal audits by the parent company's internal audit division, etc.
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
- In order to ensure the effective implementation of audits by Audit & Supervisory Board Members, NTT shall adopt the following measures, including reports to Audit & Supervisory Board Members on material matters concerning the performance of duties by Members of the Board, Executive Officers and employees:
- (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 caused 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 NTT's Articles of Incorporation;
    - (f) Whistleblowing;
    - (g) Material matters reported by group companies; and
    - (h) Other material compliance matters.
  - (2) Representative Members of the Board, the independent auditor, and the internal audit division 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 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.

## Outline of Operations of the Systems to Ensure the Propriety of NTT's Business

The following section provides an outline of operations of the systems to ensure the propriety of NTT's business on the basis of the Basic Policies for the Development of the Internal Control Systems for NTT Group.

1. Systems to ensure that the performance of duties by Members of the Board, Executive Officers and employees conforms with laws and regulations and NTT's Articles of Incorporation

NTT strives to maintain and heighten awareness regarding corporate ethics and compliance with the objective of ensuring that its business is conducted in compliance with laws and regulations and in accordance with high ethical standards.

With respect to corporate ethics, the NTT Group Corporate Ethics Charter and the Employment Rules are disseminated via NTT's intranet. Also, the Corporate Ethics Committee held two meetings during the fiscal year under review, and was tasked with investigating matters reported to the Corporate Ethics Help Line for whistleblowing, and then reporting such matters to the Board of Directors, along with the status of actions taken to address such matters. During the fiscal year under review, NTT Group's external Corporate Ethics Help Line received 348 reports. NTT stipulates and appropriately implements regulations on Corporate Ethics Help Line operating procedures to ensure that whistleblowers will not suffer disadvantage as a result of using these help lines.

NTT aims to maintain and heighten compliance awareness through its efforts geared to improving the level of understanding of such issues among officers and employees. To that end, NTT offers training sessions on corporate ethics to its officers and employees, and also provides them with detailed explanations on case studies involving corporate ethics issues through NTT's intranet. NTT also conducts surveys of employee attitudes regarding corporate ethics, which it draws on in its efforts to further instill increasingly widespread awareness of corporate ethics.

The Internal Control Office reports to the Board of Directors on the annual internal audit plan and the results of the internal audits in the first half and second half of the fiscal year. Moreover, the Office will also revise internal rules in light of the occurrence in which members of management dined with ministry officials, confirm the status of initiatives in the internal audit, and report on the results to the Board of Directors.

2. Rules and other systems concerning business risk management

With respect to business risk management, NTT has established Risk Management Rules stipulating fundamental policies on risk management with the aims of, among other things, anticipating and preventing materialization of potential risks, and also minimizing losses if any risk materializes. Chaired by the Senior Executive Vice President, the Business Risk Management Committee spearheads efforts to develop and operate a PDCA cycle for managing risk. During the fiscal year under review, the committee held one meeting during which discussions involved identifying risks that could potentially have a company-wide impact, policies for managing such risks, and other such matters.

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

3. Systems for ensuring that Members of the Board and Executive Officers efficiently perform their duties

NTT executes operations on the basis of the Organization Rules governing the functions and operations of internal organizational groups, and under the supervision of the Board of

Directors, makes decisions on the basis of the Authority Matrix setting forth the allocation of responsibilities among the various organizational groups.

The Board of Directors makes decisions on matters stipulated in the Rules for the Board of Directors, including those required by laws and regulations, as well as those involving other important matters related to both corporate and Group management. Moreover, the Board of Directors supervises Members of the Board and Executive Officers in performing their duties through such means as receiving periodic status reports from the Members of the Board and Executive Officers with respect to performance of their duties. The Board of Directors, which comprises eight members including four outside independent Members of the Board, met 13 times during the fiscal year under review.

Important NTT decisions are deliberated and decided in principle at the Executive Officers Meeting, which was held 34 times during the fiscal year under review (the Japanese name of the meeting was changed in conjunction with the adoption of the executive officer system, and this number is the total number of times the meeting was held before and after the name change). Under the Executive Officers Meeting, NTT has also established subcommittees that deliberate on issues pertaining to both corporate management strategy and Group management strategy, and which convene as necessary. The major subcommittees and the number of times that meetings of the respective subcommittees were held during the fiscal year under review are as follows.

- Technology Strategy Committee (R&D vision, technology development strategy, R&D alliance strategy): 1
- Investment Strategy Committee (Investment strategy related to large investment projects, etc.): 28
- Finance Strategy Committee (Basic strategies related to finance, policies for addressing financial issues): 8

NTT obtains necessary information regarding business operations of group companies including business planning and financial reporting of these companies. To that end, NTT has established systems for obtaining reports from each group company, and otherwise gets such information by gaining access to business reports, temporarily dispatching officers from NTT, and through other such means geared to the size and characteristics of its each group company.

#### 4. Systems for retaining and managing information related to the performance of duties of Members of the Board and Executive Officers

NTT has established the Document Management Rules and the Rules for Information Security Management with respect to its management of information, including information related to the performance of duties by Members of the Board and Executive Officers. Those rules are disseminated via NTT's intranet. NTT retains documents (including those recorded on electronic media) for periods determined according to document type, as required by laws and regulations, and as necessary for business operations. NTT appropriately organizes and retains documents through initiatives that include assigning information managers to each division and adopting systems that make it possible to manage documents (computer files) in accordance with the regulations.

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

In the event of a crisis that could affect the overall group, NTT has established and appropriately implements a system for communicating with the parent company, stipulated in the Business Risk Management Manual. With the aim of maintaining and heightening compliance awareness across the entire NTT Group, NTT provides guidance to group companies on offering corporate ethics training sessions, and monitors progress of those training sessions.

In terms of ensuring information security across the entire NTT Group, NTT has established the NTT Group Information Security Policy and disseminated via NTT's corporate website. Further, NTT has established the Group CISO Committee, whose membership consists of Chief

Information Security Officers (CISOs) of each group company, as a forum for deliberating on risk management and solutions to issues pertaining to information security. The committee met two times during the fiscal year under review. Given the increasing importance of information security, the committee is working to strengthen management of customer information and so forth.

Group companies appropriately report their financial status, including their quarterly and monthly results, to the parent company. Those results are reported as the monthly monitoring status to NTT's Executive Officers Meeting and its Board of Directors.

Moreover, NTT's Internal Control Office, which is responsible for internal audit activities, and the internal audit divisions of major group companies uniformly conducted audits of group companies and their respective affiliates, with such audits designed to reflect material risks common throughout NTT Group as well as those risks inherent to the respective companies.

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 has established Office of Audit & Supervisory Board Members to act as a system for supporting audits performed by Audit & Supervisory Board Members. The office comprises four dedicated personnel who appropriately perform their responsibilities at the instruction and direction of Audit & Supervisory Board Members. Personnel matters of these staff members, such as transfers and evaluations, are coordinated with 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

Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings. During the fiscal year under review, the Audit & Supervisory Board Members Preliminary Deliberation Meeting was held 33 times. Audit & Supervisory Board Members also hold periodic meetings for exchanges of ideas and opinions with Representative Members of the Board, and otherwise engage in discussions with Members of the Board on various topics. Through such forums, they gain access to status reports on matters such as performance of duties as indicated by NTT's Basic Policies, and also provide suggestions when necessary.

Audit & Supervisory Board Members also engage in initiatives that include: exchanging ideas and opinions with the independent auditor and internal audit divisions; gaining access to reports containing explanations of audit plans, the status of internal control systems and other such content; and providing suggestions when necessary.

Audit & Supervisory Board Members have contracted independently with attorneys and other external experts in order to seek advice with respect to the performance of audit operations, and NTT appropriately covers required costs incurred in that regard, along with other costs necessary for performing audits.

## Consolidated Financial Statements

### Consolidated Statement of Changes in Equity

(from April 1, 2020 to March 31, 2021)

(Millions of yen)

	NTT shareholders' equity					Total	Non-controlling interests	Total equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity			
<b>At beginning of year</b>	<b>937,950</b>	<b>2,252,672</b>	<b>6,499,942</b>	<b>(653,369)</b>	<b>23,908</b>	<b>9,061,103</b>	<b>2,401,524</b>	<b>11,462,627</b>
Comprehensive income								
Profit	—	—	916,181	—	—	916,181	211,675	1,127,856
Other comprehensive income	—	—	—	—	359,033	359,033	72,722	431,755
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>916,181</b>	<b>—</b>	<b>359,033</b>	<b>1,275,214</b>	<b>284,397</b>	<b>1,559,611</b>
Value of transactions with shareholders etc.								
Dividends of surplus	—	—	(358,470)	—	—	(358,470)	(152,543)	(511,013)
Transfer to retained earnings	—	109,983	11,416	—	(121,399)	—	—	—
Purchase and disposal of treasury stock	—	1,290	—	(51,424)	—	(50,134)	—	(50,134)
Changes in ownership interest in subsidiaries	—	(2,366,079)	—	—	—	(2,366,079)	(1,891,495)	(4,257,574)
Share-based compensation transactions	—	3,043	—	—	—	3,043	—	3,043
Put options granted to non-controlling interests	—	(2,364)	—	—	—	(2,364)	(2,124)	(4,488)
Other	—	1,455	(1,061)	—	—	394	577	971
<b>Total value of transactions with shareholders etc.</b>	<b>—</b>	<b>(2,252,672)</b>	<b>(348,115)</b>	<b>(51,424)</b>	<b>(121,399)</b>	<b>(2,773,610)</b>	<b>(2,045,585)</b>	<b>(4,819,195)</b>
<b>At end of year</b>	<b>937,950</b>	<b>—</b>	<b>7,068,008</b>	<b>(704,793)</b>	<b>261,542</b>	<b>7,562,707</b>	<b>640,336</b>	<b>8,203,043</b>

Note: Amounts are rounded to the nearest million yen.

## Notes to Consolidated Financial Statements

### Basis for the Preparation of Consolidated Financial Statements

#### Principal Accounting Policies

##### 1. Standards for preparation of consolidated financial statements

The consolidated financial statements of NTT Group are prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS") under Article 120, Paragraph 1 of the Regulation on Corporate Accounting. However, certain supplementary material and notes required under IFRS are omitted pursuant to the second sentence of the same paragraph.

##### 2. Financial Assets

###### Recognition, classification and measurement

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.
- 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 that do not include any significant financial elements 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 an election (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

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.

### 3. Inventories

#### Valuation standard

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).

#### Valuation method

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 determined by the average cost method or the specific identification method.

### 4. Goodwill

Goodwill is not amortized, but tested for impairment whenever there is an indication of impairment in cash-generating units or group of 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 at the carrying amount determined by deducting the accumulated impairment losses from the cost.

### 5. Property, Plant and Equipment, Intangible Assets and Investment Property

#### Measurement method

NTT Group chooses the cost model which deducts accumulated depreciation and accumulated impairment losses from cost.

#### Depreciation and amortization method

##### (1) Property, Plant and Equipment

Principally straight-line method

##### (2) Intangible Assets

Straight-line method, except that intangible assets with indefinite lives are not amortized, but are tested for impairment at the same time every year.

##### (3) Investment Property

Principally straight-line method

### 6. Lease

#### Accounting treatment as a lessee

##### (1) Lease liabilities

Lease liabilities are initially measured at the present value of unpaid lease payments at the commencement date of the contract, discounted using NTT Group's incremental borrowing rate\*. 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.

\* As interest rate implicit in the lease cannot be readily determined, NTT Group uses incremental borrowing rate as discount rate.

## (2) 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, 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. 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.

## 7. Provisions

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.

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, provisions for environmental measures, and provisions for points programs.

## 8. Employee Benefits

Liabilities recognized in connection with the defined benefit plans (defined benefit liabilities) are determined by deducting the fair value of the plans assets from the present value of the defined benefit obligations as of the end of the fiscal year.

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.

## 9. Revenue

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.

Regarding these services, revenue is recognized in an amount of the consideration to which NTT Group expects to be entitled in exchange for those goods or services transferred to customers based on the following five-step approach, excluding interest and dividend revenues pursuant to IFRS 9 and insurance premium revenues pursuant to IFRS 4.

Step 1: Identifying the contract with the customer

Step 2: Identifying the performance obligation 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.

## 10. Consumption Taxes

Consumption tax is separately accounted for by excluding it from each transaction amount.

## Scope of Consolidated Subsidiaries and Application of Equity Method Investments

As of March 31, 2021, NTT Group comprised 964 consolidated subsidiaries and 135 equity method affiliates.

## Notes on Accounting Estimates

There are items that have been recorded on consolidated financial statements for the fiscal year ended March 31, 2021 using accounting estimates, and the following matters may have a material impact on the consolidated financial statements in the following fiscal year.

### 1. Valuation of non-financial assets

In the consolidated statement of financial position as of March 31, 2021, NTT Group recorded property, plant and equipment of ¥9,282,286 million, right-of-use asset of ¥639,627 million, goodwill of ¥1,056,187 million, intangible assets of ¥1,765,858 million, and investment property of ¥1,182,713 million.

When performing impairment tests, the recoverable amount is calculated using the larger of its value in use and fair value less cost of disposal. For some recoverable amounts of impairment tests, the fair value less cost of disposal is used, and in such cases, the discounted cash flow method is applied for the valuation method. When using the discounted cash flow method, the future cash flows are estimated based on a future plan approved by a senior executive, and calculated by discounting by the weighted average cost of capital. Assumptions such as perpetuity growth rate and weighted average cost of capital are included when performing that calculation, and if those assumptions change, it may cause impairment loss.

### 2. Recognition of revenue

NTT Group provides telecommunication services, which include fixed voice-related services, mobile voice-related services, and IP/packet communications services, and sells telecommunications terminal equipment related to those services. In the fiscal year ended March 31, 2021, NTT Group recorded operating revenue of ¥11,943,966 million on its consolidated statement of profit or loss.

NTT Group conducts various estimates, including the following, when recognizing revenue relating to those telecommunication services and the sale of telecommunication terminal equipment.

#### (1) Telecommunication services (contract liabilities relating to points programs)

NTT Group offers point programs that allow customers to exchange points granted to them through their use of communication services for benefits regarding payments when purchasing products, communication charges, etc. 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 upon their use.

The estimates for contract liabilities related to points include assumptions such as the forfeiture rate, the cancellation rate, and the value per point, and there may be changes in the revenue that is recognized if there are changes in those assumptions.

#### (2) Sales of telecommunications terminal equipment (recognition of refund liabilities)

For the sale of telecommunications terminal equipment, 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. The estimated amount we expect not to receive through the use of this program is deducted from revenues and recorded as refund liabilities in "Other current liabilities" and "Other non-current liabilities."

Refund liabilities are recognized to the extent that it is highly probable that a significant subsequent reversal of cumulative revenues will not arise, using such assumptions as the

number of terminals returned by customers, and the timing of such returns. Therefore, there may be changes to the recognized revenue amount if there are changes in those assumptions.

3. Deferred tax assets

NTT Group recorded ¥993,858 million in deferred tax assets on the consolidated statement of financial position.

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 amount of deferred tax assets that are considered to be recoverable could change if there are changes in the assumptions for future taxable profit.

4. Defined benefit liabilities

NTT Group recorded ¥1,731,745 million in defined benefit liabilities on the consolidated statement of financial position.

Defined benefit liabilities are calculated 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. Assumptions such as discount rates are included when measuring the defined benefit obligations, and the amount of defined benefit liabilities could change if those assumptions change.

**Notes to Consolidated Statement of Financial Position**

1. Other components of equity includes the change in the fair value of financial assets measured at fair value through other comprehensive income, cash flow hedge, remeasurements of defined benefit plans, and Foreign currency translation adjustment.

2. In accordance with the provisions of Article 9 of the "Act on Nippon Telegraph and Telephone Corporation, Etc.," NTT has pledged all of its assets as general collateral for corporate bonds issued.

3. Debt guarantees and others ¥119,295 million

4. Loss allowance deducted directly from assets

Trade and other receivables ¥82,727 million

Other financial assets (Non-current) ¥16,912 million

5. Component of Property, plant and equipment

(Millions of yen)

	Value reported on consolidated statement of financial position
Telecommunications equipment	10,962,442
Telecommunications service lines	16,658,931
Buildings and structures	5,707,173
Machinery, vessels and tools	2,481,759
Land	710,991
Construction in progress	518,769
Sub-total	37,040,065
Accumulated depreciation and impairment losses	(27,757,779)
Property, plant and equipment - total	9,282,286

6. Accumulated depreciation and impairment losses of right-of-use assets ¥293,115 million

7. Accumulated depreciation and impairment losses of investment property ¥495,902 million

## Notes to Consolidated Statement of Changes in Equity

- Number and type of shares issued and outstanding as of the end of the fiscal year ended March 31, 2021

Common stock: 3,900,788,940 shares

- Dividends

- Payment of dividends

Resolution	Type of Shares	Total Dividends (Millions of yen)	Dividends per Share (Yen)	Record Date	Effective Date
June 23, 2020 Ordinary general meeting of shareholders	Common stock	172,672	47.5	March 31, 2020	June 24, 2020
November 6, 2020 Board of Directors meeting	Common stock	185,798	50	September 30, 2020	December 8, 2020

- Dividends for which the record date fell in the fiscal year ended March 31, 2021 with an effective date falling in the following fiscal year

Proposed Resolution	Type of Shares	Source of Funding for Dividend	Total Dividends (Millions of yen)	Dividends per Share (Yen)	Record Date	Effective Date
June 24, 2021 Ordinary general meeting of shareholders	Common stock	Retained earnings	199,211	55	March 31, 2021	June 25, 2021

## Notes Concerning Financial Instruments

### 1. Qualitative information on financial instruments

NTT Group owns financial instruments mainly listed in "2. Fair value of financial instruments" below and 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, NTT Group reports on the status of major financial risk management to its management.

NTT Group has established risk management policies to alleviate market risk and is conducting derivative transactions, such as forward foreign exchange contracts, interest rate swaps, and currency swaps. NTT Group does not conduct derivative transactions for speculative purposes.

### 2. Fair value of financial instruments

(Millions of yen)

	Carrying amount on consolidated statement of financial position	Fair value	Difference
Financial liabilities measured at amortized cost			
Long-term debt (including current portion or balance due within 1 year)	(4,857,589)	(4,841,728)	15,861
Financial assets and financial liabilities measured at fair value			
Other financial assets (Current / Non-current)			
Investments in capital	49,502	49,502	—
Equity securities	1,043,381	1,043,381	—
Loans receivable	11,670	11,670	—
Other financial assets / Other financial liabilities (Current / Non-current)			
Derivatives	(1,172)	(1,172)	—

\*1 Amounts of assets and liabilities related to derivatives are presented in net amounts.

\*2 Amounts reported as liabilities are shown in parentheses.

#### Notes:

1. Assets and liabilities with carrying amounts that approximate fair values, such as cash and cash equivalents, trade and other receivables, short-term borrowings, trade and other payables, and accrued payroll, are not included in the above table.
2. Methods of calculating fair values of financial instruments and matters relating to marketable securities and derivative transactions
  - (1) Long-term debt (including current portion or balance due within 1 year)  
The fair value of long-term debt is measured by discounting future cash flows using discount rates for similar debt instruments of comparable maturities currently offered to NTT Group.
  - (2) 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.
  - (3) Equity securities and investments in capital  
The fair values of equity securities and investments in capital are 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.

(4) Loans Receivable

The fair value of loans receivable is calculated primarily by discounting the total principal and interest using interest rates assumed for similar new transactions.

(5) 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 values of currency swap agreements and interest rate swap agreements are 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.

### Notes Concerning Investment Property

1. Investment property

NTT Group maintains investment properties, including office buildings.

2. Fair value of investment property

(Millions of yen)	
Carrying amount on consolidated statement of financial position *1	Fair value *2
1,182,713	2,505,794

\*1 Carrying amount on consolidated statement of financial position represents the original acquisition cost reduced by the accumulated depreciation and accumulated impairment losses.

\*2 Fair value 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.

### Notes Concerning Financial Data Per Share

Shareholders' equity per share:	¥2,087.98
Basic earnings per share attributable to NTT:	¥248.15



## Other

### 1. Assets held for sale

#### Transformation of NTT TC Leasing Co., Ltd. into a joint venture

##### Overview

NTT resolved to form a capital and business tie-up (hereinafter referred to as “the capital and business tie-up”) with Tokyo Century Corporation (hereinafter referred to as “Tokyo Century”) at a meeting of the Board of Directors held on February 6, 2020 and entered into an agreement regarding the capital and business tie-up.

In the fiscal year ended March 31, 2021, as a part of the capital and business tie-up, on July 1, 2020, the new company (NTT TC Leasing Co., Ltd.) established by NTT Finance Corporation (hereinafter referred to as “NTT Finance”) succeeded to a part of the leasing business and the global business of NTT Finance by the method of absorption-type split upon spin-off, and on July 8, 2020, NTT Group transformed the new company into a joint venture by selling shares equivalent to 50% of the total number of outstanding shares of the new company to Tokyo Century for cash consideration in order to bolster and augment leasing and financial business in Japan and other countries for NTT Group and Tokyo Century. NTT TC Leasing Co., Ltd. is accounted for using the equity method from the three months ended September 30, 2020 and onward.

The impact on the consolidated statement of profit or loss due to the share transfer is immaterial.

#### Condensed Consolidated Statement of Financial Position of NTT TC Leasing Co., Ltd. at the Loss of Control

		(Millions of yen)	
Accounting item		Accounting item	
Assets		Liabilities	
Trade and other receivables	842,304	Short-term debt	972,778
Other financial assets (Current)	293,589	Trade and other payables	20,436
Property, plant and equipment	60,839	Lease liabilities (Current)	4,953
Other financial assets (Non-current)	122,879	Other current liabilities	14,273
Other	284,497	Long-term debt	426,407
		Lease liabilities (Non-current)	26,879
		Other financial liabilities (Non-current)	18,091
		Other	3,718
Total	1,604,108	Total	1,487,535

Amounts in the table above represent the figures before elimination of intercompany transactions.

### 2. Transaction making NTT DOCOMO, INC. a wholly owned subsidiary of NTT

NTT conducted a tender offer under the Financial Instruments and Exchange Act and a subsequent demand for a share cash-out under the Companies Act, as a series of procedures for the purpose of making NTT DOCOMO, INC. (the “Target”) a wholly owned subsidiary of NTT by acquiring all of the common stock of the Target (excluding the Target’s stock owned by NTT and treasury shares that are owned by the Target, the “Target Stock”) and the American depositary shares (the “ADSs”) issued in the United States by The Bank of New York Mellon

Corporation (the “Depositary Bank”), each of which represents the ownership of one share of the Target Stock deposited with the Depositary Bank.

#### Tender Offer

On September 29, 2020, NTT resolved to acquire all of the Target Stock through the tender offer, and purchased the Target Stock for a total purchase price of ¥3,178.6 billion from September 30, 2020 to November 16, 2020. As a result of the tender offer, NTT Group's ownership interests in the Target increased from 66.2% to 91.5%.

#### Share Cash-out Demand

On November 27, 2020, pursuant to the Article 179-1 of the Companies Act, NTT made the demand to owners of noncontrolling interests in the Target to sell all of their ownership interests in the Target (8.5%) to NTT (amounted to ¥1,075.8 billion in total). On the same day, the Board of Directors of the Target approved the demand. As a result, NTT's ownership interests in the Target is accounted for as 100% since the day of the resolution and the approval. On December 29, 2020, as the Share Cash-out Demand became effective, NTT acquired all of the Target Stock and made the Target a wholly owned subsidiary.

Details of the transaction with non-controlling interest (NCI) in the acquisition of the Target Stock

(Millions of yen)	
Fiscal year ended March 31, 2021	
Carrying amount of NCI acquired	1,888,048
Consideration paid to NCI*1	4,253,138
Decrease in Equity attributable to NTT shareholders*2	(2,365,090)

\*1 Consideration paid to NCI does not include transaction costs.

\*2 As for a portion that Additional paid-in capital becomes negative figure due to consideration paid to NCI exceeding Carrying amount of NCI acquired, we deducted the portion from Retained earnings.

#### Funds for the acquisition

In order to secure the funds for the acquisition, NTT Group issued ¥2,106.9 billion in corporate bonds in addition to borrowings from financial institutions.

## Non-consolidated Financial Statements

### Non-consolidated Statement of Changes in Shareholders' Equity and Other Net Assets (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity								Unrealized gains (losses), translation adjustments, and others		Total net assets	
	Common stock	Capital surplus			Legal reserve	Earned surplus		Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities		Total unrealized gains (losses), translation adjustments, and others
		Additional paid-in capital	Other capital surplus	Total capital surplus		Other earned surplus	Total earned surplus					
					Accumulated earned surplus							
<b>At beginning of year</b>	<b>937,950</b>	<b>2,672,826</b>	<b>1</b>	<b>2,672,827</b>	<b>135,333</b>	<b>1,751,900</b>	<b>1,887,233</b>	<b>(653,369)</b>	<b>4,844,642</b>	<b>618</b>	<b>618</b>	<b>4,845,260</b>
Net change during the annual period												
Cash dividends	-	-	-	-	-	(358,469)	(358,469)	-	(358,469)	-	-	(358,469)
Net income	-	-	-	-	-	639,237	639,237	-	639,237	-	-	639,237
Payments to acquire treasury stock	-	-	-	-	-	-	-	(250,161)	(250,161)	-	-	(250,161)
Resale of treasury stock	-	-	1,290	1,290	-	-	-	198,737	200,026	-	-	200,026
Others, net	-	-	-	-	-	-	-	-	-	100,737	100,737	100,737
Total net change during the annual period	-	-	1,290	1,290	-	280,768	280,768	(51,425)	230,633	100,737	100,737	331,370
<b>At end of year</b>	<b>937,950</b>	<b>2,672,826</b>	<b>1,291</b>	<b>2,674,117</b>	<b>135,333</b>	<b>2,032,668</b>	<b>2,168,001</b>	<b>(704,793)</b>	<b>5,075,275</b>	<b>101,355</b>	<b>101,355</b>	<b>5,176,630</b>

Note: Previously, the amounts have been presented rounded down (truncated) to the nearest million yen. From the fiscal year ended March 31, 2021, they are presented rounded to the nearest million yen.

## Notes to Non-consolidated Financial Statements

### Notes Concerning Significant Accounting Policies

#### 1. Valuation standard and method for certain assets

##### (1) Valuation standard and method for securities

###### [1] Investments in subsidiaries and affiliated companies

Investments in subsidiaries and affiliated companies are stated at cost, which is determined by the moving average method.

###### [2] Other securities

###### (a) Marketable securities

The securities are stated at fair value, which includes market price, as of the balance sheet date, with valuation differences directly reported as a separate component of net assets. The cost of securities sold is determined by the moving average method.

###### (b) Non-marketable securities

The securities whose fair values are not readily determinable are stated at cost, which is determined by the moving average method.

##### (2) Valuation standard and method for inventories

Supplies are stated at cost, which is determined by the last purchase cost method (balance sheet amount is computed by devaluing the book price to reflect declines in profitability).

#### 2. Depreciation and amortization of fixed assets

##### (1) Property, plant and equipment (except lease assets)

Property, plant and equipment are depreciated using the straight-line method.

The useful life of assets is primarily as follows, and the residual values are calculated based on real residual values.

Buildings: 4 to 56 years

Tools, furniture and fixtures: 3 to 26 years

##### (2) Intangible fixed assets (except lease assets)

Intangible assets (except lease assets) are amortized using the straight-line method.

Internal-use software is amortized using the straight-line method over its estimated useful life (within 5 years).

##### (3) Lease assets

Financial leases other than those deemed to transfer ownership of properties to lessees

The useful lives of the assets are the terms of leases, and the residual values are calculated based on real residual values using the straight-line method.

3. Accounting standard for allowances

(1) Allowance for doubtful accounts

To cover expected losses from bad debts, estimated uncollectible amounts are accrued for general claims on the basis of historical bad-debt ratios, and for specific claims, including doubtful accounts, on the basis of their recoverability.

No allowance was accrued as of the end of the fiscal year ended March 31, 2021.

(2) Liability for employees' retirement benefits

To provide for employees' retirement benefits, benefit obligations and plan assets are estimated and accrued as of the end of the fiscal year ended March 31, 2021.

[1] Period allocation method of projected retirement benefits

When calculating retirement benefit obligations, the benefit formula method is used in determining the amount of the expected retirement benefit obligations attributed to the period up to the end of the fiscal year ended March 31, 2021.

[2] Method of recognizing actuarial differences and prior service costs

The amount of a prior service cost is accounted for as an expense in the fiscal year during which it arises, and calculated by using the straight-line method based on the average remaining service period of the employees in service.

Actuarial differences are accounted for as an expense from the fiscal year following the fiscal year in which such gains or losses are incurred, and calculated by using the straight-line method based on the average remaining service period of the employees in service.

4. Other material matters relating to the preparation of financial statements

(1) Accounting for hedging activities

Hedging activities are principally accounted for under "deferral hedge accounting." The designation "hedge accounting" is applied to forward exchange contracts and other foreign exchange contracts, and the designation "exceptional accounting" is applied to interest-rate swaps that qualify for "exceptional accounting" (Accounting Standards for Financial Instruments, Footnote 14).

(2) Accounting for consumption tax

Consumption tax is separately accounted for by excluding it from each transaction amount.

(3) Adoption of consolidated taxation system

NTT applies for the consolidated taxation system.

(4) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

With regard to the transition to the Group Tax Sharing System established under the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and the items for which the taxation system to each separate entity was revised in line with the transition to the Group Tax Sharing System, in accordance with the treatment of Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Practical Solution No. 39, March 31, 2020), the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) are not applied, and the amounts of deferred tax assets and deferred tax liabilities are in accordance with the provisions of the Tax Act before the revision.

## Notes to Non-Consolidated Balance Sheet

### 1. Assets offered as security and secured liabilities

In accordance with the provisions of Article 9 of the Act on Nippon Telegraph and Telephone Corporation, Etc., NTT has pledged all of its assets as general collateral for corporate bonds issued.

Corporate bonds (including those maturing within one year) ¥169,989 million

2. Accumulated depreciation on property, plant and equipment: ¥315,939 million

### 3. Debt guarantees

NTT has made the following debt guarantees regarding corporate bond issuances of subsidiaries.

NTT Finance Corporation ¥2,106,880 million

### 4. Accounts receivable from and payable to affiliates are as follows (excluding those otherwise classified):

Short-term accounts receivable: ¥353,525 million

Long-term accounts receivable: ¥1,405 million

Short-term accounts payable: ¥2,776,151 million

Long-term accounts payable: ¥2,317 million

## Notes to Non-Consolidated Statement of Income

### 1. Transactions with affiliated companies

Balance of operating transactions

Operating revenues ¥144,058 million

Operating expenses ¥56,793 million

Balance of non-operating transactions ¥40,034 million

## Notes to Non-Consolidated Statement of Changes in Shareholders' Equity and Other Net Assets

Number of shares of treasury stock outstanding as of the end of the fiscal year ended March 31, 2021.

Treasury stock: 278,776,284 shares

## Notes Concerning Tax Effect Accounting

The major causes of the occurrence of deferred tax assets were "securities" and "liability for employees' retirement benefits." The major cause of occurrence of deferred tax liabilities was "net unrealized gains (losses) on securities."

Deferred tax assets exclude ¥56,820 million in valuation allowance.

## Notes Concerning Related Party Transactions Subsidiaries

(Millions of yen)

Affiliation	Name	Voting Rights Ownership Ratio	Relationship with Affiliated Party	Transaction Details	Transaction Amount	Category	Balance at End of Term
Subsidiary	Nippon Telegraph and Telephone East Corporation	100% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Loan of capital <sup>1</sup>	—	Short-term loans receivable	37,800
						Long-term loans to subsidiaries	100,600
				Receipt of interest <sup>1</sup>	1,314	Other current assets	40
				Receipt of expenses relating to basic research and development <sup>2</sup>	32,719	—	—
			Lease of land and buildings <sup>3</sup>	5,675	Advances received	504	
Subsidiary	Nippon Telegraph and Telephone West Corporation	100% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Loan of capital <sup>1</sup>	100,000	Short-term loans receivable	153,000
						Long-term loans to subsidiaries	348,000
				Receipt of interest <sup>1</sup>	2,476	Other current assets	227
				Receipt of expenses relating to basic research and development <sup>2</sup>	34,646	—	—
Subsidiary	NTT COMWARE CORPORATION	100% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Lease of land and buildings <sup>3</sup>	1,914	Advances received	156
Subsidiary	NTT URBAN DEVELOPMENT CORPORATION	100% indirect ownership	Offering intermediary advice and other support	Lease of land and buildings <sup>3</sup>	1,972	Advances received	208
Subsidiary	NTT Finance Corporation	100% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Borrowing of capital <sup>4</sup>	4,638,289 <sup>5</sup>	Current portion of long-term borrowings from subsidiaries	70,000
						Short-term borrowings	2,727,879
						Long-term borrowings from subsidiaries	2,521,880
				Payment of interest <sup>4</sup>	4,458	Accrued expense	1,377
				Transfer of capital among NTT Group companies	108,816	Accounts receivable, other	4,485
			Debt guarantees <sup>6</sup>	2,106,880	—	—	

Transaction amounts do not include consumption taxes. Balance amounts at end of term include consumption taxes.

## Transaction Conditions and Standards for Determining Transaction Conditions

### Notes:

- 1 Loan conditions are the same as those for procurement of capital by NTT. No security is provided.
- 2 Payment of expenses for basic research and development is apportioned among those companies that continuously use the results of such research and development. Comprehensive determinations are made taking into consideration the expenses necessary for conducting basic research and development. Furthermore, settlement of funds for such transactions is conducted using intra-group companies' accounting systems.
- 3 With respect to leases of land and buildings, rents are set through periodic negotiations based on appraisals obtained from third parties and actual transactions involving nearby comparables. Furthermore, transfer of capital pursuant to such transactions takes place by means of group companies' accounting systems.
- 4 Interest on borrowing of capital is set taking into consideration market rates. No security is provided.
- 5 For borrowings from the Cash Management System (CMS), the transaction amount that corresponds to the day-to-day operational funds is recorded as the average balance during the fiscal year. For other borrowings, the transaction amount is the total amount.
- 6 NTT has made debt guarantees regarding corporate bonds issued by NTT Finance Corporation, and does not receive any guarantee fees.

### Notes Concerning Financial Data per Share

Net assets per share	¥1,429.21
Net income per share	¥173.14

### Other

Transaction making NTT DOCOMO, INC. a wholly owned subsidiary of NTT

NTT conducted a tender offer under the Financial Instruments and Exchange Act, as a series of procedures for the purpose of making NTT DOCOMO, INC. (the "Target") a wholly owned subsidiary of NTT by acquiring all of the common stock of the Target (excluding the Target's stock owned by NTT and treasury shares that are owned by the Target, the "Target Stock") and the American depositary shares issued in the United States by The Bank of New York Mellon Corporation (the "Depository Bank"), each of which represents the ownership of one share of the Target Stock deposited with the Depository Bank.

#### Tender Offer

On September 29, 2020, NTT resolved to acquire all of the Target Stock through the tender offer, and purchased the Target Stock for a total purchase price of ¥3,178.6 billion from September 30, 2020 to November 16, 2020. As a result of the tender offer, NTT's ownership interests in the Target increased from 66.2% to 91.5%.

#### Share Cash-out Demand

On November 27, 2020, pursuant to the Article 179-1 of the Companies Act, NTT made the demand to owners of noncontrolling interests in the Target to sell all of their ownership interests in the Target (8.5%) to NTT (amounted to ¥1,075.8 billion in total). On the same day, the Board of Directors of the Target approved the demand. On December 29, 2020, as the Share Cash-out Demand became effective, NTT acquired all of the Target Stock and made the Target a wholly owned subsidiary.

The shares acquired through this series of additional acquisitions of the Target Stock, were recorded as Investments in subsidiaries and affiliated companies.



## Funds for the acquisition

In order to secure the funds for series of acquisitions, NTT borrowed from its subsidiary, NTT Finance Corporation. Furthermore, NTT Finance Corporation issued corporate bonds in the total amount of ¥2,106.9 billion in order to secure the funds to provide the loan to NTT, and NTT provided debt guarantees for the full amount of those corporate bonds.