

To Shareholders:

**INTERNET DISCLOSURE INFORMATION IN CONNECTION WITH
THE NOTICE OF CONVOCATION OF THE 37TH 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

Category	Main businesses
Integrated ICT Business	Mobile phone services, domestic inter-prefectural communications services, international communications services, solutions services, and system development services and related services
Regional Communications Business	Domestic intra-prefectural communications services and related ancillary services
Global Solutions Business	System integration services, network system services, cloud services, global data center services, and related services
Others (Real Estate, Energy and Others)	Real estate business, energy business and others

Main Locations, etc.

1. NTT

- **Head Office**

Chiyoda-ku, Tokyo

- **Laboratories**

○ Laboratory Groups

- IOWN Integrated Innovation Center (Minato-ku, Tokyo)
- 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 4 Laboratory Groups.

2. Subsidiaries

Category	Name of Main Company	Main Location
Integrated ICT Business	NTT DOCOMO, INC.	Chiyoda-ku, Tokyo
	NTT Communications Corporation	Chiyoda-ku, Tokyo
	NTT COMWARE CORPORATION	Minato-ku, Tokyo
Regional Communications Business	Nippon Telegraph and Telephone East Corporation	Shinjuku-ku, Tokyo
	Nippon Telegraph and Telephone West Corporation	Miyakojima-ku, Osaka-shi, Osaka
Global Solutions Business	NTT, Inc.	Chiyoda-ku, Tokyo
	NTT Ltd.	United Kingdom
	NTT DATA CORPORATION	Koto-ku, Tokyo
Others (Real Estate, Energy and Others)	NTT Urban Solutions, Inc.	Chiyoda-ku, Tokyo
	NTT URBAN DEVELOPMENT CORPORATION	Chiyoda-ku, Tokyo
	NTT FACILITIES, INC.	Minato-ku, Tokyo
	NTT Anode Energy Corporation	Chiyoda-ku, Tokyo

Employment

Number of employees (as of March 31, 2022): 333,840 (an increase of 9,173 from the previous fiscal year)

Category	Number of Employees
Integrated ICT Business	46,506
Regional Communications Business	72,972
Global Solutions Business	188,308
Others (Real Estate, Energy and Others)	26,054

Changes in Consolidated Assets and Consolidated Profit or Loss of NTT Group

Category	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Operating revenues (billions of yen)	11,879.8	11,899.4	11,944.0	12,156.4
Operating profit (billions of yen)	1,693.8	1,562.2	1,671.4	1,768.6
Profit before taxes (billions of yen)	1,671.9	1,570.1	1,652.6	1,795.5
Profit (billions of yen)	854.6	855.3	916.2	1,181.1
Earnings per share (yen)	220.13	231.21	248.15	329.29
Total assets (billions of yen)	22,295.1	23,014.1	22,965.5	23,862.2
Shareholders' equity (billions of yen)	9,264.9	9,061.1	7,562.7	8,282.5
Shareholders' equity per share (yen)	2,416.01	2,492.60	2,087.98	2,338.73

- 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.
 - Shares of NTT held by the officer compensation BIP trust that are recorded as treasury stock under shareholders' equity are included in the number of shares of treasury stock that is excluded from the average number of shares outstanding when calculating earnings per share. In addition, these shares are included in the number of shares of treasury stock that is excluded from the number of shares outstanding at the end of the fiscal year when calculating shareholders' equity per share.
 - 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.
 - The consolidated financial statements of NTT Group are prepared in accordance with IFRS.

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

Category	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Operating revenues (billions of yen)	750.7	649.7	794.1	650.1
Operating income (billions of yen)	613.8	510.3	644.4	479.8
Recurring profit (billions of yen)	612.9	508.9	639.8	474.5
Net income (billions of yen)	1,192.8	480.8	639.2	470.5
Net income per share (yen)	307.25	129.96	173.14	131.18
Total assets (billions of yen)	7,098.9	6,834.1	11,476.4	11,664.3
Net assets (billions of yen)	5,222.2	4,845.3	5,176.6	5,012.2
Net assets per share (yen)	1,361.81	1,332.87	1,429.21	1,415.29

- Notes:
1. 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.
 2. 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.
 3. Shares of NTT held by the officer compensation BIP trust that are recorded as treasury stock under net assets are included in the number of shares of treasury stock that is excluded from the average number of shares outstanding when calculating net income per share. In addition, these shares are included in the number of shares of treasury stock that is excluded from the number of shares outstanding at the end of the fiscal year when calculating net assets per share.
 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, paragraph (1) of the Companies Act and in accordance with Article 427, paragraph (1) of that act. The limitation of liability is the lowest amount permitted by Article 425, paragraph (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	¥346 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, 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.

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

Independent Auditor	Amount
KPMG AZSA LLC	¥2,972 million

Notes:

1. The non-audit services for which NTT pays compensation to the independent auditor include the engagement performed in accordance with Professional Guidelines 4400 (Practical Guidelines on the Agreed-Upon Procedures) for NTT's overseas subsidiaries.
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, paragraph (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. (The Internal Control Office is scheduled to be renamed the Internal Audit Department on June 24, 2022.)

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 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, 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 Help Line 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. (The Internal Control Office is scheduled to be renamed the Internal Audit Department on June 24, 2022.)

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 Policy 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 386 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, with regard to the status of a review of internal rules and related initiatives undertaken in light of the occurrence during the previous fiscal year in which members of management dined with ministry officials, the office confirmed during its internal audits that these are in place and being administered properly, and reported 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 two meetings 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 15 times during the fiscal year under review.

Important NTT decisions are deliberated and decided in principle at the Executive Officers Meeting, which was held 42 times during the fiscal year under review. 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.): 36
- Finance Strategy Committee (Basic strategies related to finance, policies for addressing financial issues): 4

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 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 five 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 40 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, 2021 to March 31, 2022)

(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			
At beginning of year	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	-	-	-	-	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	-	-	(396,963)	-	-	(396,963)	(17,580)	(414,543)
Transfer to retained earnings	-	4,370	172,403	-	(176,773)	-	-	-
Purchase and disposal of treasury stock	-	8	-	(253,581)	-	(253,573)	-	(253,573)
Cancellation of treasury stock	-	(1,299)	(730,616)	731,915	-	-	-	-
Changes in ownership interest in subsidiaries without loss of control	-	(1,754)	-	-	-	(1,754)	(4,729)	(6,483)
Share-based compensation transactions	-	235	-	-	-	235	48	283
Put options granted to non-controlling interests	-	(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)
At end of year	937,950	-	7,293,915	(226,459)	277,050	8,282,456	735,676	9,018,132

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 ("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 the 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 and intangible assets that are not yet available for use 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 using the straight-line method. 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 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 business categories: 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.

(1) Fixed voice-related services

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

(2) Mobile voice-related services

In the Integrated ICT Business, mobile voice-related services such as LTE (Xi), 5G and other are provided to customers. NTT Group recognizes revenue upon the provision of mobile voice-related services. Mobile voice-related services are billed monthly. In some of its billing plans, NTT Group determines an amount of telecommunications traffic (for phone calls) available within the scope of the fixed charge of each billing plan, offering a service of automatically carrying forward to the following month the unused amount of telecommunications traffic. For these services, the portion of revenue corresponding to the voice allowances that are unused in the current month but are expected to be used in the following month or afterward is deferred, and deferred amounts are recognized as revenue when such allowances are used.

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

(3) IP/packet communications services

In the Integrated ICT Business, services such as the LTE (Xi), 5G, docomo Hikari, Arcstar Universal One, IP-VPN, and OCN are provided. In the Regional Communications Business, services are provided including FLET'S Hikari and Hikari Collaboration Model*.

The main performance obligations are identified as described below and recognized as revenue based on the contents of these services and the patterns of transfer to customers.

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

Integrated ICT Business

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

In some of its billing plans, NTT Group determines an amount of telecommunications traffic (for data communications) available within the scope of the fixed charge of each billing plan, offering a service of automatically carrying forward to the following month the unused amount of telecommunications traffic.

For these services, the portion of revenue corresponding to the data allowances that are unused in the current month but are expected to be used in the following month or afterward is deferred, and deferred amounts are recognized as revenue when such allowances are used.

Regional Communications Business

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

Integrated ICT Business and Regional Communications Business

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

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

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

(4) Sales of telecommunications terminal equipment

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

Integrated ICT Business 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 us. 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. Additionally, 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.

(5) System integration services

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

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

(6) 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 provides services related to real estate business, energy business and others.

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

Scope of Consolidated Subsidiaries and Application of Equity Method Investments

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

Notes Concerning Revenue Recognition

1. Disaggregation of Revenues

(1) Revenue from contracts with customers and others

(Millions of yen)

Revenue from contracts with customers	11,667,229
Revenue from other sources	489,218
Total	12,156,447

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

(2) Relationship between disaggregated revenues and segment revenues

(Millions of yen)

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

In its four business categories, Integrated ICT Business, Regional Communications Business, Global Solutions Business, and Others (Real Estate, Energy and Others), NTT Group provides the following six services: fixed voice-related services, mobile voice-related services, IP/packet communications services, sales of telecommunications terminal equipment, system integration services, and other services. Description is presented in "9. Revenue" of "Principal Accounting Policies."

2. Contract Balances

Information on receivables, contract assets, and contract liabilities

(Millions of yen)	
Receivables from contracts with customers (Trade and other receivables)	2,287,089
Contract assets (Other current assets)	135,830
Contract liabilities (Other current liabilities and Other non-current liabilities)	895,193

Contract assets are mainly related to NTT Group's rights to compensation for its work on system integration that has created a customer-controlled asset as of the reporting date, but for which the Group has not yet billed. Contract assets are transferred to receivables when the right to payment becomes unconditional. Contract liabilities are mainly related to unused points that have been granted to customers as they use mobile phones and FLET'S Hikari, and to consideration received in advance and accounted for as deferred revenues from the initial construction fees for FLET'S Hikari and docomo Hikari and activation.

Of the revenues recognized in the fiscal year ended March 31, 2022, ¥358,584 million, were included in the balance of contract liabilities as of the beginning of the fiscal year.

The amount of revenue recognized in the fiscal years ended March 31, 2021 and March 31, 2022 due to performance obligations satisfied, or partially satisfied, in the past periods was immaterial.

3. Transaction Price Allocated to the Remaining Performance Obligations

(Millions of yen)		
Types of performance obligations	As of March 31, 2022	Description about the expected time of satisfaction of performance obligations
Installation fees, activation fees, point programs, and other fees in mobile voice -related service and IP/packet communications services	391,019	Expected to be satisfied within approximately 16 years
System integration services including development of system and software	3,286,069	Expected to be satisfied within approximately 4 years.
Other than above (mainly common service charges under non-cancelable lease contracts, construction work)	126,451	Common service charges under non-cancelable lease contracts are expected to be satisfied within approximately 20 years, construction works are within approximately 20 years, others are within approximately 12 years.

The practical expedient of Paragraph 121 of IFRS 15 has not been applied to residual performance obligations related to installation fees, activation fees, point programs, and other fees in mobile voice-related service and IP/packet communications services, in addition to system integration services. Remaining performance obligations related to contracts expected to be satisfied within one 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)

Assets recognized from the costs to obtain a contract	318,345
Assets recognized from the costs to fulfill a contract	63,141
Total	381,486

NTT Group recognizes as an asset the incremental cost of obtaining a contract and the cost to fulfill a contract with a customer if it expects to recover those costs. The asset is recorded in "Other non-current assets" in the consolidated statement of financial position. The incremental costs of obtaining a contract are those that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The costs to fulfill a contract are those that the Group incurs to fulfill a contract generated before it transfers goods or services to a customer.

The incremental costs of obtaining a contract, which NTT Group recognizes as an asset, are mainly commissions to sales agents that were incurred to acquire customers, and incremental costs that would not have been incurred if the contract had not been obtained. The costs to fulfill a contract are mainly direct personnel expenses related to the reception clerical work to accept new contracts, and costs directly related to the service provided to the customer. When recognizing as an asset the incremental cost for obtaining a contract and the cost to fulfill a contract, only the amount expected to be recovered is recognized as an asset, taking into account the cancellation rates of customers (contractors). The asset is amortized over the estimated average contract term of the related service.

Assets recognized from contract costs are reviewed quarterly for recoverability. The Group assesses whether the carrying amount of the asset exceeds the remaining consideration that is expected to be received during the contract term of providing related services in consideration of the cancellation rates and other factors less costs that are directly related to the goods or services provided and not yet recognized as an expense. These estimates and assumptions may have a significant impact on the amount of assets recognized from contract costs if the underlying circumstances change and impairment loss is recognized for the assets. Therefore, NTT Group considers that such estimates are important.

The amounts of amortization on the assets recognized from contract costs for the fiscal year ended March 31, 2022 were ¥98,191 million, and no impairment losses occurred.

Notes on Accounting Estimates

There are items that have been recorded on consolidated financial statements for the fiscal year ended March 31, 2022 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, 2022, NTT Group recorded property, plant and equipment of ¥9,326,888 million, right-of-use asset of ¥694,612 million, goodwill of ¥1,213,009 million, intangible assets of ¥1,951,824 million, and investment property of ¥1,236,490 million.

The recoverable amount in the impairment test is calculated as the higher of either the value in use or fair value less costs of disposal. For some recoverable amounts of impairment tests, the fair value less costs of disposal is used, and in such cases, the discounted cash flow method is applied for the valuation method. The discounted cash flow method includes estimates of cash flow projection calculated based on the business plan approved by management, discounting them at 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, 2022, NTT Group recorded operating revenue of ¥12,156,447 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 ¥970,432 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 ¥1,561,049 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, hedges cost, remeasurements of defined benefit plans, and foreign currency translation adjustment.

2. Pursuant to the provisions of Article 9 of the "Act on Nippon Telegraph and Telephone Corporation, Etc.," all the property of NTT is pledged as general collateral against the corporate bonds issued by NTT.

3. Debt guarantees and others ¥219,810 million

4. Loss allowance deducted directly from assets

Trade and other receivables ¥89,418 million

Other financial assets (Non-current) ¥17,018 million

5. Component of Property, plant and equipment

(Millions of yen)

	Value reported on consolidated statement of financial position
Telecommunications equipment	10,908,428
Telecommunications service lines	16,813,435
Buildings and structures	5,716,825
Machinery, tools and fixtures	2,642,550
Land	723,645
Construction in progress	517,678
Sub-total	37,322,561
Accumulated depreciation and impairment losses	(27,995,673)
Property, plant and equipment - total	9,326,888

6. Accumulated depreciation and impairment losses of right-of-use assets ¥381,297 million

7. Accumulated depreciation and impairment losses of investment property ¥489,379 million

Notes to Consolidated Statement of Changes in Equity

1. Number and class of shares issued and outstanding as of the end of the fiscal year ended March 31, 2022
Common stock: 3,622,012,656 shares
2. Dividends
 - (1) Payment of dividends

Resolution	Class of Shares	Total Dividends (Millions of yen)	Dividends per Share (Yen)	Record Date	Effective Date
June 24, 2021 Ordinary general meeting of shareholders	Common stock	199,211	55	March 31, 2021	June 25, 2021
November 10, 2021 Board of Directors meeting	Common stock	197,752	55	September 30, 2021	December 13, 2021

Total dividends resolved by the Board of Directors meeting on November 10, 2021 include a dividend of ¥60 million paid on common shares of NTT held by the officer compensation BIP trust.

- (2) Dividends for which the record date fell in the fiscal year ended March 31, 2022 with an effective date falling in the following fiscal year

Proposed Resolution	Class of Shares	Source of Dividends	Total Dividends (Millions of yen)	Dividends per Share (Yen)	Record Date	Effective Date
June 24, 2022 Ordinary general meeting of shareholders	Common stock	Retained earnings	212,551	60	March 31, 2022	June 27, 2022

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)	(6,437,530)	(6,325,007)	112,523
Financial assets and financial liabilities measured at fair value			
Other financial assets (Current / Non-current)			
Investments in capital	61,889	61,889	–
Equity securities	925,107	925,107	–
Other financial assets / Other financial liabilities (Current / Non-current)			
Derivatives	84,053	84,053	–

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

*2 Amounts reported as liabilities are shown in parentheses.

Note: 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.

3. Components, etc. of financial instruments by their appropriate fair value classification

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.

(1) 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)

	Carrying amount	Fair value
Long-term borrowings (including current portion or balance due within 1 year)	6,437,530	6,325,007

The assumptions (inputs) used to measure fair value of the above-mentioned items 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.

(2) Fair value measurement

Assets and liabilities measured at fair value

(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

There was no material transfer between levels.

Reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis

(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	(1,157)	(4,788)	53,575	6,552
Equity securities	60,762	–	16,882	82,453	(16,043)	(12,698)	131,356	–

Notes:

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 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.
- (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 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.
- (iv) 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.

Notes Concerning Investment Property

- Investment property
NTT Group owns leased office buildings and others.

- Fair value of investment property

(Millions of yen)	
Carrying amount on consolidated statement of financial position *1	Fair value *2
1,236,490	2,598,205

*1 Carrying amount on consolidated statement of financial position represents the 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:	¥2,338.73
Basic earnings per share attributable to NTT:	¥329.29

Note: Shares of NTT held by the officer compensation BIP trust that are recorded as treasury stock under shareholders' equity are included in the number of shares of treasury stock that is excluded from the average number of shares outstanding when calculating basic earnings per share attributable to NTT.

In addition, these shares are included in the number of shares of treasury stock that is excluded from the number of shares outstanding at the end of the fiscal year when calculating shareholders' equity per share.

Notes Concerning Significant Subsequent Events

Realignment of the Global Business

NTT has resolved at the Board of Directors meeting held on May 9, 2022, that it will realign NTT Group's global business (the "Realignment") by making NTT, Inc., a global holding company of NTT Group, and NTT Ltd., a wholly owned subsidiary of NTT, Inc. operating the global IT services and communications business, subsidiaries of NTT DATA, a listed subsidiary of NTT, thereby grouping the global businesses operated under NTT, Inc. and NTT Ltd. with the global business operated by NTT DATA group, and has executed with NTT DATA a master agreement regarding the Realignment and shareholders' agreement. The Realignment is to be conducted for the purpose of strengthening global capabilities for business users and global governance by bringing together the global human resources and other resources of NTT Group.

The outline of the Realignment is as follows:

- Dividends in Kind, Etc.

NTT, Inc. holds 760,000,000 common shares (voting rights ownership ratio: 54.2% of the total number of voting rights as of September 30, 2021) of NTT DATA as of May 9, 2022, and will distribute all of these common shares of NTT DATA to NTT (the "Dividends in Kind") as dividends of surplus, which will become effective on October 1, 2022. As a result, NTT DATA will become a direct subsidiary of NTT and cease to be a lower-tier subsidiary of NTT.

Also, all common shares or interests in NTT Disruption Europe, S.L.U., NTT Global Sourcing, Inc., and NTT Venture Capital, L.P. held by NTT, Inc. as of May 9, 2022 are scheduled to be transferred through dividends in kind or other methods to NTT by September 30, 2022.

- Absorption-type Company Split of NTT DATA's Global Business

On the condition that the Dividends in Kind and the Share Split (as defined below) become effective, Absorption-type Company Split (Global Business) (as defined below) is approved at the annual general shareholders meeting of NTT DATA to be held in June 2022, and permits and approvals from the relevant authorities are obtained as necessary, NTT DATA and NTT, Inc. will conduct an absorption-type company split with NTT DATA as the splitting company and NTT, Inc. as the successor company, which will become effective on October 1, 2022, in which NTT, Inc. will succeed to the rights and obligations regarding NTT DATA's global business from NTT DATA. NTT DATA will acquire 3,315 common shares of NTT, Inc. as consideration for that succession (the "Absorption-type Company Split (Global Business)"). As a result, 49% of the issued common shares of NTT, Inc. will be held by NTT and 51% will be held by NTT DATA, and NTT, Inc. will become a subsidiary of NTT DATA. Before the effective date of the Absorption-type Company Split (Global Business), NTT, Inc. will conduct a share split in which each common share of NTT, Inc. will be split into 49 shares (the "Share Split"), and thereby the number of issued shares of NTT, Inc. will increase from 65 shares to 3,185 shares.

NTT DATA and NTT, Inc. have executed on May 9, 2022 an absorption-type company split agreement regarding the Absorption-type Company Split (Global Business).

(3) Transfer of NTT, Inc.'s Shares from NTT to NTT DATA

On the condition that the Absorption-type Company Split (Global Business) becomes effective, NTT will transfer 260 common shares of NTT, Inc. owned by NTT to NTT DATA and receive payment of 112 billion yen from NTT DATA as consideration therefor. As a result, 45% of the issued common shares of NTT, Inc. will be held by NTT and 55% will be held by NTT DATA.

Based on the resolution at the Board of Directors meeting held on May 9, 2022, NTT will acquire shares of NTT DATA up to 60 million shares or 100 billion yen through market transactions, from the perspective of enhancing the cooperation with NTT DATA.

NTT is currently investigating the effects of these transactions on its consolidated financial statements.

Other

1. Assets held for sale

(1) Transfer of telecommunications towers to JTOWER Inc.

1) Overview

NTT DOCOMO decided at a Board of Directors meeting held on March 25, 2022 to enter a master agreement with JTOWER Inc. ("JTOWER"), under which 6,002 telecommunications towers (maximum) owned by NTT DOCOMO are to be transferred to JTOWER for ¥106.2 billion (maximum) and NTT DOCOMO will lease these towers from JTOWER (the "Transaction"). The master agreement was concluded on March 31, 2022.

Under the master agreement, NTT DOCOMO plans to sell the telecommunications towers to JTOWER during the fiscal year ending March 31, 2023.

JTOWER positions the purchase of existing telecommunications towers owned by telecommunications companies and the promotion of infra-sharing by attracting new tenants to these towers (carve-out) to be one of 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.

2) Impact on accounting treatment and on the consolidated financial statements

As of March 31, 2022, assets related to the transfer of towers included in the Integrated ICT Business segment at the end of the fiscal year under review will be classified as assets held for sale until the

completion of the transfer. These assets are measured at their carrying amounts at the time.
Major classes of assets classified as held for sale are as below.

(Millions of yen)

	Telecommunications service lines	Buildings and structures
Carrying amount	93,764	12,408

Furthermore, the impact of the Transaction on NTT's consolidated statements of profit and loss is immaterial.

(2) Sale of shares of data center holding company

1) Overview

NTT Group and Macquarie Asset Management have agreed to enter into a strategic real estate partnership covering NTT Group's wholesale facilities across Europe and North America on March 31, 2022. NTT Group will sell a part of shares of data center holding company based on this partnership and will classify as assets held for sale at the timing of resolution of individual sale. NTT Group is one of the world's largest data center operators, with over 1,300 MWs of data center capacity today, including a large development pipeline of a 25% increase in capacity across more than 20 countries and regions globally. This strategic real estate partnership will give Macquarie Asset Management the opportunity to invest real estate capital alongside NTT Group to support its expansion in Europe and North America. At the same time, this partnership provides NTT Group the opportunity to further accelerate its data center development to take advantage of unprecedented growth in the market as the move to digital continues to grow globally.

2) Impact on accounting treatment and on the consolidated financial statements

As of March 31, 2022, assets related to sale of shares of data center holding company and liabilities directly associated with the assets, that were included in Global Solutions Business segment, were classified as assets held for sale and liabilities directly associated with assets held for sale until the completion of the share transfer and were ¥69,260 million and ¥19,400 million, respectively. Assets and liabilities classified as held for sale were measured at their carrying amount at that time.

Major classes of assets and liabilities classified as held for sale are as below.

(Millions of yen)

Accounting item		Accounting item	
Assets		Liabilities	
Cash and cash equivalents	2,929	Trade and other payables	1,268
Property, plant and equipment	60,493	Long-term borrowings	12,239
Right-of-use asset	4,301	Lease liabilities (Non-current)	4,476
Other	1,537	Other	1,417
Total	69,260	Total	19,400

Amounts in the table above represent the figures before elimination of intercompany transactions. Intercompany transactions with consolidated subsidiaries are Long-term borrowings amounted to ¥12,239 million.

2. Performance-related stock compensation for officer 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 "Trust"). The purposes are to create a greater clarification of the link between the compensation of Members of the Board and Executive Officers (excluding outside Members of the Board and Members of the Board who are Audit and Supervisory Committee Members, and those who are non-residents of Japan; the "Eligible Members of the Board or Officers") of NTT and its major subsidiaries as determined by NTT (the "Target Companies") and the corporate value of NTT and provide increased incentive to achieve the financial targets set forth in the Medium-Term Management Strategy, and further promote shared value between the Eligible Members of the Board or Officers and shareholders by advancing their ownership of NTT's shares, in order to work towards the achievement of the Medium-Term Management Strategy.

Under the Plan, the Group will establish a trust into which it contributes funds that constitute the source of the funds for the stock compensation of the Eligible Members of the Board or Officers within the scope approved by the General Meeting of Shareholders. The Trust uses the funds to acquire NTT's shares from the stock market.

During the trust period, the Eligible Members of the Board or Officers will receive certain points pursuant to the stock delivery rules of each Target Company and, if they satisfy the beneficiary requirements, will receive NTT's shares equivalent to a certain ratio of points (with shares less than one unit to be rounded down) from the Trust. NTT's shares equivalent to any residual points will be converted into cash within the Trust pursuant to the trust agreement, and the Eligible Members of the Board or Officers will receive money equivalent to the converted value of NTT's shares.

(2) Shares of NTT held by the Trust

The carrying amount and number of the shares of NTT held by the Trust as of the end of the fiscal year under review were ¥3,154 million and 1,089,760 shares, respectively, and the shares are treated as "Treasury stock" on the consolidated statement of financial position.

Non-consolidated Financial Statements

Non-consolidated Statement of Changes in Shareholders' Equity and Other Net Assets (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity								Unrealized gains (losses), translation adjustments, and others		Total net assets		
	Capital surplus				Earned surplus				Treasury stock	Total shareholders' equity		Net unrealized gains (losses) on securities	Total unrealized gains (losses), translation adjustments, and others
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other earned surplus Accumulated earned surplus	Total earned surplus						
At beginning of year	937,950	2,672,826	1,291	2,674,117	135,333	2,032,668	2,168,001	(704,793)	5,075,275	101,355	101,355	5,176,630	
Net change during the annual period													
Cash dividends	-	-	-	-	-	(396,962)	(396,962)	-	(396,962)	-	-	(396,962)	
Net income	-	-	-	-	-	470,502	470,502	-	470,502	-	-	470,502	
Payments to acquire treasury stock	-	-	-	-	-	-	-	(253,630)	(253,630)	-	-	(253,630)	
Resale of treasury stock	-	-	8	8	-	-	-	50	58	-	-	58	
Cancellation of treasury stock	-	-	(1,299)	(1,299)	-	(730,616)	(730,616)	731,915	-	-	-	-	
Others, net	-	-	-	-	-	-	-	-	-	15,568	15,568	15,568	
Total net change during the annual period	-	-	(1,291)	(1,291)	-	(657,076)	(657,076)	478,335	(180,032)	15,568	15,568	(164,464)	
At end of year	937,950	2,672,826	-	2,672,826	135,333	1,375,592	1,510,925	(226,459)	4,895,242	116,923	116,923	5,012,166	

Note: Amounts are 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) Securities, other than shares, etc., that do not have a market price

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) Shares, etc. that do not have a market price

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
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Tools, furniture and fixtures:	3 to 26 years
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(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, 2022.

(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, 2022.

[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, 2022.

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

The amount of a prior service cost is accounted for as an expense from 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. Basis for recording revenues and expenses

Revenue from promised goods or services is recognized at the time the control of said goods or services is transferred to the customer at the amount expected to be received upon the exchange of said goods or services.

NTT's major revenues from contracts with customers are revenues from basic R&D. NTT centrally performs basic research and development for the Group and enters into agreements with its subsidiaries regarding continuous use of the fruits of NTT's basic research and development. For said agreements, NTT's provision of comprehensive services related to the basic research and development to its subsidiaries is identified as performance obligations. Because said performance obligations are satisfied over the passage of time, revenue is recorded at an amount that has been averaged over the period of the agreement for use of the fruits of basic research and development.

(Additional information)

Although NTT began applying the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, that application has no impact on the non-consolidated financial statements for the fiscal year.

5. 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) Adoption of consolidated taxation system

NTT applies for the consolidated taxation system.

- (3) 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" (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

- Assets offered as security and secured liabilities
Pursuant to the provisions of Article 9 of the Act on Nippon Telegraph and Telephone Corporation, Etc., all the property of NTT is pledged as general collateral against the corporate bonds issued by NTT.
Corporate bonds (including those maturing within one year) ¥99,995 million
- Accumulated depreciation on property, plant and equipment: ¥326,826 million
- Debt guarantees
NTT has made the following debt guarantees regarding corporate bond issuances of subsidiaries.
NTT Finance Corporation ¥2,241,520 million
- Accounts receivable from and payable to affiliates are as follows (excluding those otherwise classified):
Short-term accounts receivable: ¥493,470 million
Long-term accounts receivable: ¥1,835 million
Short-term accounts payable: ¥1,941,305 million
Long-term accounts payable: ¥2,318 million

Notes to Non-Consolidated Statement of Income

- Transactions with affiliated companies
Balance of operating transactions
Operating revenues ¥160,501 million
Operating expenses ¥71,432 million
Balance of non-operating transactions ¥45,954 million
- A decision to dismantle the Shinagawa TWINS Building, which is recorded in buildings and structures, was made in light of revenue growth in association with the Konan 1-chome redevelopment project and the projected increase in repair costs due to large-scale repair and maintenance that would be required in the future. As a result, the carrying amount of the assets related to the Shinagawa TWINS Building was reduced to the recoverable amount and impairment losses of ¥6,312 million were recorded as extraordinary losses.
Although the recoverable amount is calculated using the value in use, no discount rate is taken into account because the expected period of use is short.

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, 2022.

Treasury stock: 79,490,430 shares

(Note) Shares of NTT held by the officer compensation BIP trust are not included in the above number of shares of treasury stock.

Notes Concerning Tax Effect Accounting

The major causes of the occurrence of deferred tax assets were "securities" and "fixed assets." The major cause of occurrence of deferred tax liabilities was "net unrealized gains (losses) on securities."

Deferred tax assets exclude ¥66,490 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 ¹	38,000	Short-term loans receivable	100,600
						Long-term loans to subsidiaries	38,000
				Receipt of interest ¹	915	Other current assets	21
Subsidiary	Nippon Telegraph and Telephone West Corporation	100% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Loan of capital ¹	200,000	Short-term loans receivable	113,000
						Long-term loans to subsidiaries	435,000
				Receipt of interest ¹	1,597	Other current assets	91
Subsidiary	NTT Finance Corporation	100% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Borrowing of capital ²	2,750,410 ³	Current portion of long-term borrowings from subsidiaries	209,150
						Short-term borrowings	1,891,730
						Long-term borrowings from subsidiaries	3,700,730
				Payment of interest ²	11,821	Accrued expense	2,863
				Transfer of capital among NTT Group companies	115,769	Accounts receivable, other	345
		Debt guarantees ⁴	2,241,520	—	—		

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 Interest on borrowing of capital is set taking into consideration market rates. No security is provided.
- 3 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.
- 4 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	¥1,415.29
Net income per share	¥131.18

(Note) Shares of NTT held by the officer compensation BIP trust that are recorded as treasury stock under shareholders' equity are included in the number of shares of treasury stock that is excluded from the average number of shares outstanding when calculating net income per share. In addition, these shares are included in the number of shares of treasury stock that is excluded from the number of shares outstanding at the end of the fiscal year when calculating net assets per share.

Notes Concerning Significant Subsequent Events

Realignment of the Global Business

An overview of the realignment of NTT Group's global business is provided in "Notes Concerning Significant Subsequent Events" in "Notes to Consolidated Financial Statements."

The reorganization is to be accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019). NTT is currently investigating the effects of these transactions on its non-consolidated financial statements.

Other

Performance-related stock compensation for officer compensation (officer compensation BIP trust)

1. Overview of transactions
An overview of the transactions is presented in "2. Performance-related stock compensation for officer compensation (officer compensation BIP trust)" of "Other" in "Notes to Consolidated Financial Statements."
2. Shares of NTT held by the officer compensation BIP trust
The carrying amount and number of the shares of NTT held by the officer compensation BIP trust as of the end of the fiscal year under review were ¥3,154 million and 1,089,760 shares, respectively, and the shares are treated as "Treasury stock" on the non-consolidated balance sheet.