



NIPPON TELEGRAPH AND TELEPHONE CORPORATION

(Code No.: 9432)

THE 38TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

NOTICE OF CONVOCAION

Date and Time: Thursday, June 22, 2023
10:00 a.m. (JST)
(Reception desk will be open at 9:00 a.m.)

Venue: International Convention Center PAMIR
Grand Prince Hotel Shin Takanawa
13-1, Takanawa 3-chome, Minato-ku, Tokyo

The Ordinary General Meeting of Shareholders **will be streamed in real time over the Internet**, and questions will be accepted prior to the meeting, so we ask that you please submit questions and make use of the live streaming.

(Please see the back cover of this Notice of Convocation for details.)

*** Please note in advance that we do not distribute any gifts at the meeting.**

We request that you exercise your voting rights prior to the meeting via the Internet or mail.

Deadline for advance voting:
Wednesday, June 21, 2023 5:30 p.m. (JST)

By using your smartphone, etc. to scan the QR code on the bottom-right side of the enclosed voting rights exercise form, you can exercise the voting rights.
(For detailed steps, see page 3 of this booklet.)

NTT's Response to the Introduction of a System for Providing Informational Materials for the Ordinary General Meeting of Shareholders in Electronic Format

Due to amendments to the Companies Act, all listed companies are now mandated to provide Informational Materials for their Ordinary General Meetings of Shareholders over the Internet. The Company's response in the first fiscal year of the introduction of this system will be to send the same information sent previously by mail (this booklet and the additional booklet).

This booklet : **From the next Ordinary General Meetings of Shareholders onward, we will send it to all shareholders by mail.**

(Reference information required for exercising voting rights, such as resolutions and financial results highlights, have been added.)

Additional Booklet : We will **send it to all shareholders by mail for this meeting only**. Going forward, **shareholders wishing to receive it by mail must complete the procedures to make a Request for Delivery of Paper-Based Documents**. (Shareholders who have already completed these procedures do not need to repeat them.)

Notice of Convocation of the 38th Ordinary General Meeting of Shareholders

To All Shareholders

I would like to take this opportunity to thank all of NTT's shareholders for your continued support.

I am delighted to present this Notice of Convocation of the 38th Ordinary General Meeting of Shareholders to be held on Thursday, June 22, 2023.

During the 38th fiscal year (April 1, 2022 – March 31, 2023), as shown in the below financial results highlights, operating revenues, operating profit and profit all increased to set new records for their highest levels. While the future economic conditions and business environment remain unclear, NTT Group will both respond to change and at times implement reforms in anticipation of change to carve out our own path.

The enhancement of shareholder returns is among NTT's most important management issues, and our basic policy is to steadily increase dividends. In this fiscal year, we plan to increase dividends for the 12th consecutive fiscal year, and the annual dividend per share will be ¥120.

I would like to conclude this message by thanking our shareholders in advance for their continued understanding and support.

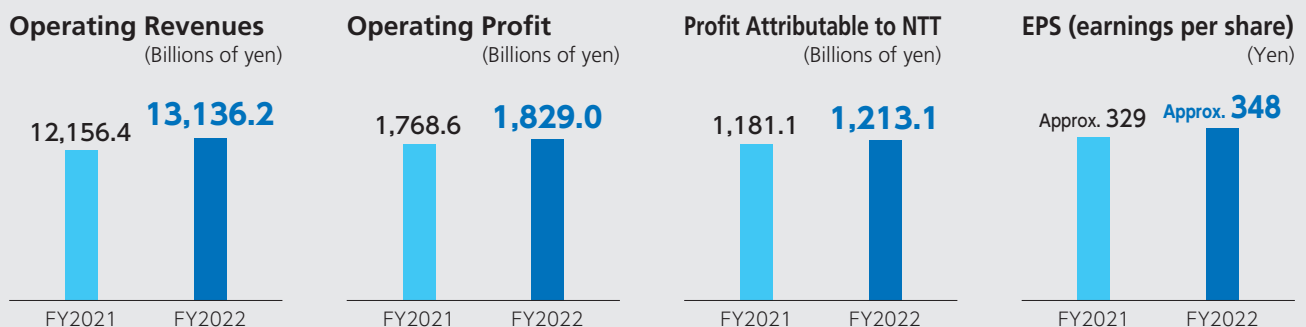


島田 明

Akira Shimada
President and Chief Executive Officer
Representative Member of the Board
NIPPON TELEGRAPH AND TELEPHONE CORPORATION

Reference Consolidated Financial Results Highlights for the 38th Fiscal Year (IFRS)

For Business Report for the 38th fiscal year, please refer to the matters subject to measures for electronic provision (or, the Informational Materials for the Ordinary General Meeting of Shareholders included [Additional Booklet] for this meeting only).



1 Date and Time:	Thursday, June 22, 2023 10:00 a.m. (JST)		
2 Venue:	International Convention Center PAMIR Grand Prince Hotel Shin Takanawa 13-1, Takanawa 3-chome, Minato-ku, Tokyo You will be able to view the meeting on the day through a real-time stream over the Internet. (Please see the back cover of this Notice of Convocation for guidance. Guidance is also provided regarding receiving questions over the Internet prior to the meeting.)		
3 Purpose of the Meeting:	Matters to be reported	1 Report on the Business Report, Consolidated Financial Statements and audit results of independent auditors and Audit & Supervisory Board for the 38th fiscal year (from April 1, 2022 to March 31, 2023) 2 Report on the Non-consolidated Financial Statements for the 38th fiscal year (from April 1, 2022 to March 31, 2023)	
	Matters to be resolved	First Item	Distribution of Earned Surplus
		Second Item	Election of four (4) Audit & Supervisory Board Members

* Please note in advance that we do not distribute any gifts at the meeting.

When convening this Ordinary General Meeting of Shareholders, the Company takes measures for providing information in electronic format and posts the matters subject to measures for electronic provision on the following websites. Please access the websites using the Internet addresses shown below to review the matters.



The Company's website:

https://group.ntt/en/ir/shares/shareholders_meeting/ (in English)



The website of Tokyo Stock Exchange, Inc. (TSE) (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show> (in English)

Enter the Company name or securities code (9432), and click "Search," and then click "Basic information" and select "Documents for public inspection/PR information."

If revisions to the Notice of Convocation and the matters subject to measures for electronic provision arise, a notice of the revisions and the details of the matters before and after the revisions will be posted on the Company's aforementioned website and the TSE website.

Among the matters subject to measures for electronic provision, in accordance with the provisions of laws and regulations and Article 16, paragraph 2 of the Articles of Incorporation of the Company, the following matters are not provided in the paper-based documents delivered to shareholders who have made a request for delivery of such documents.

The documents are part of the documents included in the scope of audits by the Audit & Supervisory Board Members and independent auditors when they create their respective audit reports.

- Business Report (Outline of the Business of NTT Group (Main Businesses, Main Locations, etc. Employment, Changes in Consolidated Assets and Consolidated Profit or Loss of NTT Group, Changes in Non-consolidated Assets and Non-consolidated Income of NTT), Matters Regarding Corporate Officers (Agreements Limiting Liability), Matters Regarding Independent Auditors, Content of Resolutions Concerning the Development of Systems to Ensure the Propriety of NTT's Business, Outline of Operations of the Systems to Ensure the Propriety of NTT's Business)
- Consolidated Financial Statements (Consolidated Statement of Changes in Equity, Notes to Consolidated Financial Statements)
- Non-consolidated Financial Statements (Non-consolidated Statement of Changes in Shareholders' Equity and Other Net Assets, Notes to Non-consolidated Financial Statements)

<Reference>

You can view major contents of the convocation notice via your smartphone.

Scan the QR code below using your smartphone or tablet to display the contents in a format that is suitable for your device.



<https://p.sokai.jp/9432/> (in Japanese)



*QR code is a trademark of DENSO WAVE INCORPORATED.

Exercising Your Voting Rights

A Voting via the Internet*

INTERNET DEADLINE
Wednesday, June 21, 2023
5:30 p.m. (JST)



"Smart Vote®" method

- 1 By scanning the QR code located on the bottom right of the voting rights exercise form, you can simply exercise your voting rights without entering your voting code and password.



Caution

If you need to make a correction to the content of your vote after you have exercised your voting rights, please log in by entering your voting code and password for the PC site to make the correction.

- 2 Please input "For" or "Against" following the instructions displayed on the screen.



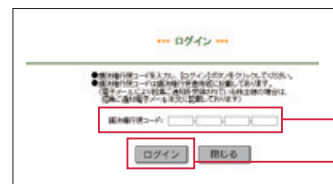
If you have questions about the use of a PC, smartphone or mobile phone for exercising your vote via the Internet, please contact:

"Voting Code/Password Input" method

- 1 Exercise your voting rights via the Internet by accessing the designated website for shareholder voting (<https://www.web54.net>) (in Japanese) from any one of PCs, smartphones and mobile phones.



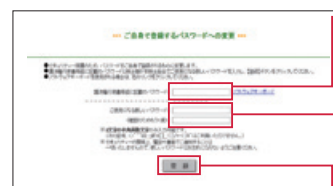
- 2 Please enter the "Voting Code" given on the voting rights exercise form.



Enter the "Voting Code"

Click the "Login"

- 3 Please enter the "Password" given on the voting rights exercise form.



Enter the "Password"

Please set a new password that you will actually use.

Click the "Register"

- 4 Next, indicate your approval or disapproval of the resolutions by following the instructions on the screen.

Sumitomo Mitsui Trust, Securities Agent
Web Support Hotline
0120-652-031 (Toll Free)
(9:00 to 21:00)

* Institutional investors can utilize the electronic voting platform operated by ICJ, Inc.

B Voting via mail

MAIL DEADLINE
Wednesday, June 21, 2023
5:30 p.m. (JST)



Please indicate your approval or disapproval of the resolutions on the enclosed voting rights exercise form and return it to the Company by mail so that it arrives before the deadline.

How to fill out your voting rights exercise form

Please indicate your approval or disapproval of resolution here.

First Item:

- If you approve, put a circle in the box marked 賛 [Approve].
- If you disapprove, put a circle in the box marked 否 [Disapprove].

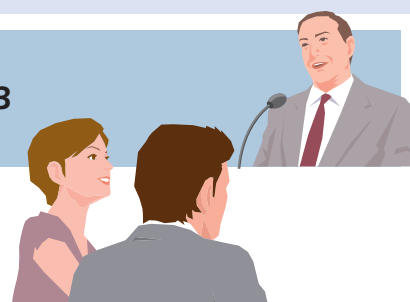
Second Item:

- If you approve all candidates, put a circle in the box marked 賛 [Approve].
- If you disapprove all candidates, put a circle in the box marked 否 [Disapprove].
- If you disapprove certain candidates, put a circle in the box marked 賛 [Approve] and write the number of the candidate(s) you wish to disapprove.

You will need the "QR code" given on the enclosed voting rights exercise form in order to vote via the Internet.

C Voting by attending the shareholders' meeting in person

SCHEDULED START
Thursday, June 22, 2023
10:00 a.m. (JST)



Please submit the enclosed voting rights exercise form to the reception desk at the meeting site.

Please also bring your Notice of Convocation of the 38th Ordinary General Meeting of Shareholders (this booklet and the additional booklet).

1 Duplicate voting via mail or online will be handled as follows:

- ① In the case of duplicate voting online, the last vote placed will be considered valid.
- ② In the case of duplicate voting via mail, the votes on the last voting rights exercise form received will be considered valid.
- ③ In the case of duplicate voting done via both online and mail, the vote received last will be considered valid. If both votes are received on the same day, the votes placed online will be considered valid.

2 If no approval or disapproval is expressed for the respective proposals, it will be treated as an approval vote.

3 If you wish to make a diverse exercise of your voting rights, please advise us in writing or by electromagnetic means three days prior to the Ordinary General Meeting of Shareholders, stating your reasons therefor.

END

Reference Materials for the Ordinary General Meeting of Shareholders (Summary)

- For the complete Informational Materials for the Ordinary General Meeting of Shareholders, please refer to the matters subject to measures for electronic provision (or, the Informational Materials for the Ordinary General Meeting of Shareholders included [Additional Booklet] for this meeting only.)



Resolutions and reference materials (Summary)

Item	Resolution	Content (Overview)
First	Distribution of Earned Surplus	¥60 per share of common stock
Second	Election of four (4) Audit & Supervisory Board Members	Election accompanying the expiration of the terms of office of Audit & Supervisory Board Members

First Item Distribution of Earned Surplus

- 1 Matters relating to allotment of dividends and total amount of dividends to be distributed:** Per share of common stock: ¥60
Total amount of dividends: ¥204,629,300,880

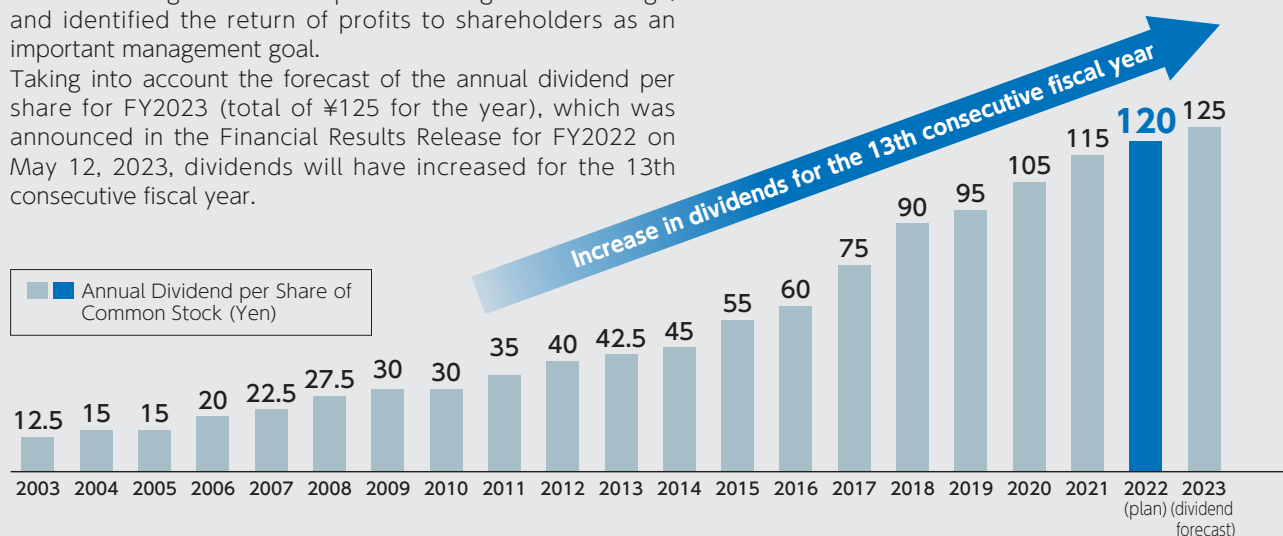
As the Company has already distributed an interim dividend of ¥60 per share of common stock, the annual dividend for the fiscal year will be ¥120 per one share of common stock.

- 2 Date on which the dividend becomes effective:** June 23, 2023

Reference Changes in Dividends per Share

We have set the maximization of corporate value over the medium to long term as an important management challenge, and identified the return of profits to shareholders as an important management goal.

Taking into account the forecast of the annual dividend per share for FY2023 (total of ¥125 for the year), which was announced in the Financial Results Release for FY2022 on May 12, 2023, dividends will have increased for the 13th consecutive fiscal year.



Note: NTT has implemented a one-hundred-for-one stock split of common stock with an effective date of January 4, 2009, a two-for-one stock split of common stock with an effective date of July 1, 2015, and a two-for-one stock split of common stock with an effective date of January 1, 2020. Figures for annual dividend per share of common stock are stated, taking these stock splits into consideration.

Second Item Election of four (4) Audit & Supervisory Board Members

1	Keiichiro Yanagi Reelection 62 years old, Male, Years served as Audit & Supervisory Board Member: 1 year	2	Kanae Takahashi Reelection 59 years old, Female, Years served as Audit & Supervisory Board Member: 3 years
	Possesses a wealth of experience and insight gained from serving in positions such as Representative Director and Senior Executive Vice President of NTT DATA Corporation.		Possesses a wealth of experience and insight gained from serving in positions such as Member of the Board of Nippon Telegraph and Telephone East Corporation.
3	Hideki Kanda Reelection Outside Independent 69 years old, Male, Years served as Audit & Supervisory Board Member: 4 years	4	Kaoru Kashima Reelection Outside Independent 65 years old, Female, Years served as Audit & Supervisory Board Member: 4 years
	Possesses knowledge and insight as an expert who serves as a university professor specializing in law.		Possesses experience and insight as an expert who has been engaged in duties of a certified public accountant. * The surname of Kaoru Kashima is Taya in the family register.

<Reference>

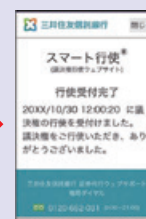
You may use a voting rights exercising service for smartphones.

By using your smartphone to scan the QR code® on the voting rights exercise form, you can log in to the designated website and exercise the voting rights without entering your voting code and password.

Image for use

- STEP 1** Use your smartphone or tablet device to scan the "QR code for login to the voting rights exercising website for smartphones" located in the bottom-right of the enclosed voting rights exercise form.
- STEP 2** Access the URL shown on the screen to open the voting rights exercising website. Two methods for exercising voting rights are available.
- STEP 3** When the confirmation screen appears, check there is no problem with your selected vote and click "exercise this content" button to finish your exercise!

You **do not need** to enter your voting code or password



■ Guidance on Internet Streaming, etc.



Real-time Streaming over the Internet on the Day of the General Meeting of Shareholders

Date and time of streamed broadcast | **Thursday, June 22, 2023, beginning at 10:00 a.m. (JST)**

You will be able to view the state of affairs on the day through a real-time stream over the Internet.

For URL, please refer to the Notice of Convocation scheduled to be sent on June 1, 2023.



Reception of Questions over the Internet Prior to the Meeting

Deadline: | **5:30 p.m., Wednesday, June 21, 2023 (JST)**

The Company will receive questions from shareholders regarding matters to be reported and matters to be resolved in relation to the 38th Ordinary General Meeting of Shareholders prior to the meeting.

For URL, please refer to the Notice of Convocation scheduled to be sent on June 1, 2023.

- * The Company plans to post the answers to the questions received on its website. Furthermore, the Company plans to introduce a portion of these questions at the meeting.
- * Questions that are not related to matters to be reported or matters to be resolved at the meeting may not be answered.
- * Questions may also be received in writing. Please send your question to the address below by mail so that it arrives before the deadline.
[Address]
IR Office, NIPPON TELEGRAPH AND TELEPHONE CORPORATION
5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8116

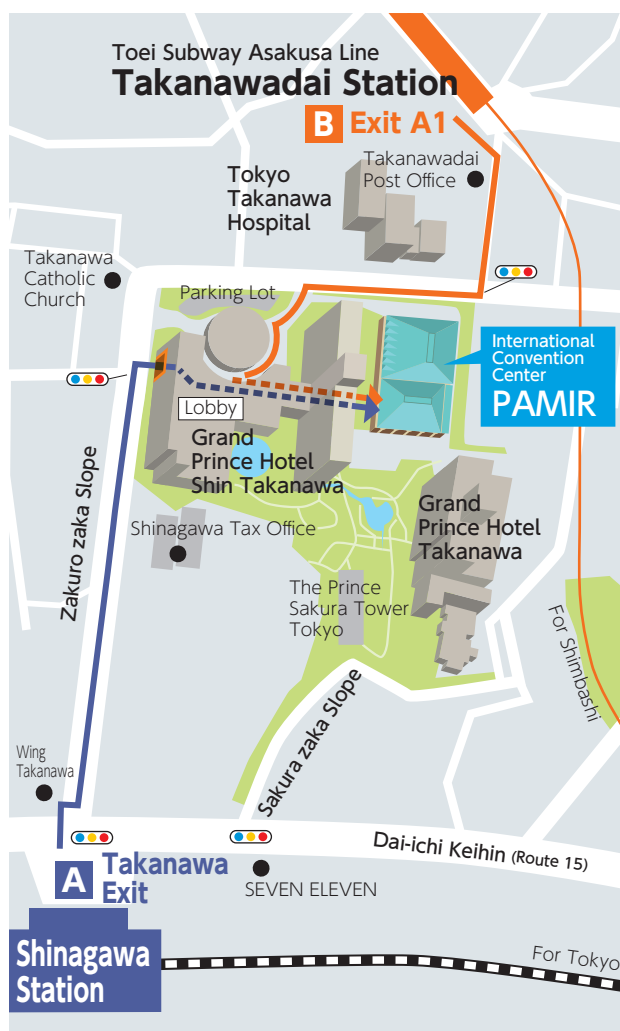
■ The Location

Venue

**International Convention Center PAMIR
Grand Prince Hotel Shin Takanawa**
13-1, Takanawa 3-chome, Minato-ku, Tokyo
Phone: 03-3442-1111

Transportation

- A** 8-minute walk from Shinagawa Station (Takanawa Exit) (JR and Keikyu Lines)
- B** 6-minute walk from Takanawadai Station (Toei Subway Asakusa Line)



Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

THE 38TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

INFORMATIONAL MATERIALS FOR THE ORDINARY GENERAL MEETING OF SHAREHOLDERS

Additional Booklet

NIPPON TELEGRAPH AND TELEPHONE CORPORATION

(Code No.: 9432)

Notice (The information contained in this "Additional Booklet" will not be mailed next time and instead provided over the Internet.)

Due to amendments to the Companies Act, all listed companies are now mandated to provide Informational Materials for their Ordinary General Meetings of Shareholders over the Internet.

The Company's response in the first fiscal year of the introduction of this system will be to send the same information sent previously by mail. From the next Ordinary General Meeting of Shareholders, shareholders wishing to receive the information in the Additional Booklet by mail are asked to complete the procedures to make a Request for Delivery of Paper-Based Documents. (Shareholders who have already completed these procedures do not need to repeat them.)

Procedures to Make a Request for Delivery of Paper-Based Documents (for shareholders wishing to receive the information in the Additional Booklet by mail from the next Ordinary General Meeting of Shareholders)

Please ask your securities company for delivery of paper-based documents. The procedures can also be completed with the Transfer Agent (Sumitomo Mitsui Trust Bank, Limited). The method to complete the procedures with the Transfer Agent is provided below.

Request by phone

Call the dedicated call center of the Transfer Agent (Sumitomo Mitsui Trust Bank, Limited) to conduct procedures.

 0120-533-600 (9:00 to 17:00)
(Excluding Saturdays, Sundays, holidays,
and December 31 to January 3)

Request via the Internet (by chat bot)

Please access the chat bot on the website of the Transfer Agent (Sumitomo Mitsui Trust Bank, Limited) to make your request.
<https://group.ntt.jp/ir/is/22122.html>
(in Japanese)



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With respect to underlined terms, a definition of each term is provided in the "Glossary of Terms."

Reference Materials for the Ordinary General Meeting of Shareholders

Resolutions and matters for reference

First Item Distribution of Earned Surplus

Nippon Telegraph and Telephone Corporation (the “Company”) has set as its important management challenge the maximization of corporate value over the medium to long term, and the Company has identified the return of profits to shareholders as an important management goal.

In determining the level of dividends for the fiscal year ended March 31, 2023, the Company, while giving consideration to stability and sustainability, takes into account a full range of factors, including business performance, financial standing and dividend payout ratio.

1 Type of asset to be distributed: Cash

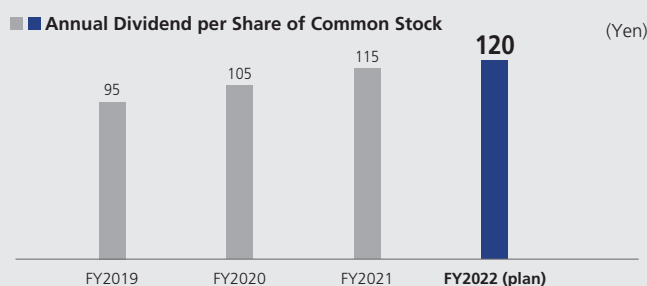
2 Matters relating to allotment of dividends and total amount of dividends to be distributed:

Per share of common stock	: ¥60
Total amount of dividends	: ¥204,629,300,880

As the Company has already distributed an interim dividend of ¥60 per share of common stock, the annual dividend for the fiscal year will be ¥120 per one share of common stock.

3 Date on which the dividend becomes effective: June 23, 2023

Changes in Dividends per Share



Note: NTT implemented a two-for-one stock split of common stock with an effective date of January 1, 2020. Figures for annual dividend per share of common stock are stated, taking the stock split into consideration.

Please refer to page 46 for the capital policy. ▶

Second Item Election of Four (4) Audit & Supervisory Board Members

Among the six current Audit & Supervisory Board Members, the term of office of five Audit & Supervisory Board Members will expire at the conclusion of this Ordinary General Meeting of Shareholders. The Company is seeking approval for the election of four Audit & Supervisory Board Members, aiming to continue the maintenance and enhancement of corporate governance by a system composed of five members, including three Full-time Audit & Supervisory Board Members, with emphasis given to independence and diversity. Audit & Supervisory Board supports this proposal.

The candidates for Audit & Supervisory Board Member are as follows:

1	Keiichiro Yanagi	Male, 62 years old, (August 16, 1960)	Reelection	Number of shares of the Company held: 200 shares
	Career summary, position and description of significant concurrent positions			
	April 1984:	Joined Nippon Telegraph and Telephone Public Corporation		
	April 2009:	President and Representative Director of NTT DATA Getronics Corporation (currently NTT DATA Luweave Corporation)		
	June 2012:	Head of General Affairs Department of NTT DATA Corporation		
	July 2013:	Senior Vice President Head of Second Financial Sector of NTT DATA Corporation		
	June 2016:	Director and Executive Vice President Head of General Affairs Department Concurrently serving as Head of Human Resources Department of NTT DATA Corporation		
	July 2017:	Director and Executive Vice President Head of HR Headquarters Concurrently serving as Head of General Affairs Department of NTT DATA Corporation		
	June 2018:	Representative Director and Senior Executive Vice President Concurrently serving as Head of HR Headquarters of NTT DATA Corporation		
	June 2020:	Executive Advisor of NTT DATA Corporation		
	June 2020:	CEO and President of NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.		
	June 2022:	Full-time Audit & Supervisory Board Member of the Company (present post)		
Years served as Audit & Supervisory Board Member 1 year		Reasons for reelection as an Audit & Supervisory Board Member		
Mr. Keiichiro Yanagi has served as Representative Director and Senior Executive Vice President of NTT DATA Corporation. The Company expects that he will conduct future audits based on a wealth of experience and insight he has gained throughout his career.				

Note: In order for Mr. Keiichiro Yanagi to fully perform his expected role as an Audit & Supervisory Board Member, pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreement with the candidate limiting his liability for damages pursuant to Article 423, paragraph (1) of the same act. If the reelection of Mr. Keiichiro Yanagi is approved, the Company intends to continue the said agreement with him. The maximum amount of liability for damages pursuant to such agreement is the minimum liability amount stipulated in Article 425, paragraph (1) of the Companies Act.

2 Kanae Takahashi

Female, 59 years old
(July 17, 1963)

Reelection

Number of shares of the Company held:
7,300 shares



**Years served as Audit
& Supervisory Board
Member**
3 years

Career summary, position and description of significant concurrent positions

April 1987:	Joined the Company
July 2013:	Deputy Head of the Internal Control Office of the General Affairs Department of the Company
June 2014:	Head of the Internal Control Office of the General Affairs Department of the Company
June 2016:	Executive Manager of the Kanagawa Division and Manager of the Kanagawa Branch of the Kanagawa Division Member of the Board of Nippon Telegraph and Telephone East Corporation
June 2016:	Executive Manager of the Kanagawa Division and Manager of the Kanagawa Branch of the Kanagawa Division Member of the Board of NTT EAST-MINAMI KANTO CORPORATION
June 2019:	Executive Vice President Executive Manager of the Corporate Strategy Planning Department and the NW Facilities Business Department Member of the Board of NTT InfraNet Co., Ltd.
June 2020:	Full-time Audit & Supervisory Board Member of the Company (present post)
June 2020:	Company Auditor of NTT, Inc. (currently NTT DATA, Inc.) (present post)

Reasons for reelection as an Audit & Supervisory Board Member

Ms. Kanae Takahashi has served as a Member of the Board of Nippon Telegraph and Telephone East Corporation and the Executive Vice President, Member of the Board of one of the Group companies, and has a wealth of experience. The Company expects that she will conduct future audits based on the knowledge and insight she has gained throughout her career.

Note: In order for Ms. Kanae Takahashi to fully perform her expected role as an Audit & Supervisory Board Member, pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreement with the candidate limiting her liability for damages pursuant to Article 423, paragraph (1) of the same act. If the reelection of Ms. Kanae Takahashi is approved, the Company intends to continue the said agreement with her. The maximum amount of liability for damages pursuant to such agreement is the minimum liability amount stipulated in Article 425, paragraph (1) of the Companies Act.

3 Hideki KandaMale, 69 years old,
(September 24, 1953)

Reelection

Outside

Independent

Number of shares of the Company held:

0 shares

Years served as Audit
& Supervisory Board
Member

4 years

Career summary, position and description of significant concurrent positions

April 1977:	Research Assistant of Faculty of Law of the University of Tokyo
April 1980:	Lecturer of Faculty of Law of Gakushuin University
April 1982:	Associate Professor of Faculty of Law of Gakushuin University
April 1988:	Associate Professor of Faculty of Law of the University of Tokyo
April 1991:	Associate Professor of Graduate Schools for Law and Politics of the University of Tokyo
May 1993:	Professor of Graduate Schools for Law and Politics of the University of Tokyo
April 2016:	Professor of Professional School of Law (Law School) of Gakushuin University (present post)
June 2016:	Emeritus Professor of the University of Tokyo (present post)
June 2017:	External Director of Sumitomo Mitsui Trust Bank, Limited (present post)
June 2019:	Outside Audit & Supervisory Board Member of the Company (present post)

Reasons for reelection as an Outside Audit & Supervisory Board Member

Mr. Hideki Kanda is an expert with a wealth of experience in the legal sector and has served as a university professor specializing in law for many years. The Company expects that he will conduct future audits based on the knowledge and insight he has gained throughout his career.

Matters regarding independence

Although the Company and its major subsidiaries have relationships involving transactions and donations with the University of Tokyo, where Mr. Hideki Kanda previously served as a professor, and Gakushuin University, where he currently serves as a professor, as shown in the table below, both cases fulfill the independence criteria stipulated by the Tokyo Stock Exchange, on which the Company is listed, and the Company's own independence standards for independent officers.*

Transaction counterparty	Content	Comparison basis	Comparative size
The University of Tokyo, where Mr. Hideki Kanda previously served as a professor	Total annual amount of transactions	Total annual operating revenues of the Company and its major subsidiaries	Less than 1%
		Total annual income of the university	Less than 1%
	Total annual amount of donations	Total annual income of the university	Less than 1%
Gakushuin University, where Mr. Hideki Kanda currently serves as a professor	Total annual amount of transactions	Total annual operating revenues of the Company and its major subsidiaries	Less than 1%
		Total annual income of the university	Less than 1%

* Please refer to page 45 for details on the Company's independence standards for independent officers.

- Notes: 1. Mr. Hideki Kanda is a candidate for outside Audit & Supervisory Board Member. Mr. Hideki Kanda has not previously been involved in the management of a company other than by way of becoming an outside Member of the Board or an outside Audit & Supervisory Board Member. However, as stated in the above reasons for reelection as an outside Audit & Supervisory Board Member, the Company has determined that he is capable of adequately serving as an outside Audit & Supervisory Board Member.
2. As stated in the above matters regarding independence, as Mr. Hideki Kanda fulfills the independence criteria stipulated by the Tokyo Stock Exchange, on which the Company is listed, and the Company's own independence standards for independent officers, and there is no concern that conflicts of interest with general shareholders would arise, the Company has designated him as an independent officer and filed the information related thereto with the aforementioned stock exchange. The Company plans to continue to designate him as an independent officer should his election be approved.
3. In order for Mr. Hideki Kanda to fully perform his expected role as an outside Audit & Supervisory Board Member, pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreement with the candidate limiting his liability for damages pursuant to Article 423, paragraph (1) of the same act. If the reelection of Mr. Hideki Kanda is approved, the Company intends to continue the said agreement with him. The maximum amount of liability for damages pursuant to such agreement is the minimum liability amount stipulated in Article 425, paragraph (1) of the Companies Act.

4 Kaoru Kashima

Female, 65 years old,
(January 20, 1958)
* The surname of Kaoru Kashima is
Taya in the family register.

Reelection

Outside

Independent

Number of shares of the Company held:

0 shares



Years served as Audit
& Supervisory Board
Member
4 years

Career summary, position and description of significant concurrent positions

November 1981: Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)
April 1985: Registered as a certified public accountant (registration up-to-date)
June 1996: Partner of Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)
June 2002: Senior Partner of ShinNihon & Co. (currently Ernst & Young ShinNihon LLC)
July 2006: In charge of personnel of HR Development Headquarters of ShinNihon & Co.
September 2010: Managing Director of Ernst & Young ShinNihon LLC
In charge of Corporate Culture Promotion Office
In charge of Public Relations Office
July 2012: General Manager of Knowledge Headquarters
Managing Director of Ernst & Young ShinNihon LLC
July 2013: Representative Director of Ernst & Young Institute Co., Ltd.
June 2019: Outside Audit & Supervisory Board Member of the Company (present post)
June 2019: External Director of Sumitomo Mitsui Trust Bank, Limited
March 2020: Audit & Supervisory Board Member of Kirin Holdings Company, Limited (present post)
June 2021: External Director of Sumitomo Mitsui Trust Holdings, Inc. (present post)

Reasons for reelection as an Outside Audit & Supervisory Board Member

Ms. Kaoru Kashima is an expert with a wealth of experience as a certified public accountant. The Company expects that she will conduct future audits based on the knowledge and insight she has gained throughout her career.

Matters regarding independence

Although the Company and its major subsidiaries have relationships involving transactions with Ernst & Young ShinNihon LLC, where Ms. Kaoru Kashima served, as shown in the table below, this case fulfills the independence criteria stipulated by the Tokyo Stock Exchange, on which the Company is listed, and the Company's own independence standards for independent officers.*

Transaction counterparty	Content	Comparison basis	Comparative size
Ernst & Young ShinNihon LLC, where Ms. Kashima served	Total annual amount of transactions	Total annual operating revenues of the Company and its major subsidiaries	Less than 1%
		Total annual income of the company	Less than 1%

* Please refer to page 45 for details on the Company's independence standards for independent officers.

- Notes:
- Ms. Kaoru Kashima is a candidate for outside Audit & Supervisory Board Member.
 - As stated in the above-mentioned matters regarding independence, as Ms. Kaoru Kashima fulfills the independence criteria stipulated by the Tokyo Stock Exchange, on which the Company is listed, and the Company's own independence standards for independent officers, and there is no concern that conflicts of interest with general shareholders would arise, the Company has designated her as an independent officer and filed the information related thereto with the aforementioned stock exchange. The Company plans to continue to designate her as an independent officer should her election be approved.
 - In order for Ms. Kaoru Kashima to fully perform her expected role as an outside Audit & Supervisory Board Member, pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreement with the candidate limiting her liability for damages pursuant to Article 423, paragraph (1) of the same act. If the reelection of Ms. Kaoru Kashima is approved, the Company intends to continue the said agreement with her. The maximum amount of liability for damages pursuant to such agreement is the minimum liability amount stipulated in Article 425, paragraph (1) of the Companies Act.

Memo

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Skills of Members of the Board and Audit & Supervisory Board Members (Including Candidates)

The fields considered especially important by the Company for realizing the NTT Group Medium-Term Management Strategy are defined as 1) Business management, 2) Marketing/global business, 3) IT/DX/R&D, 4) Legal/risk management/public policy, 5) HR, 6) Accounting/finance. The skills of individual Members of the Board are also well-balanced and appropriately distributed. A list is presented in the table below.

Candidate No.		Name	Current Position and Responsibilities			
Members of the Board		Jun Sawada	Chairman of the Board	—		
		Akira Shimada	Representative Member of the Board President and Chief Executive Officer (CEO)	—		
		Katsuhiko Kawazoe	Representative Member of the Board Senior Executive Vice President In charge of technical strategy Chief Technology Officer (CTO) Chief Information Officer (CIO) Chief Digital Officer (CDO)	—		
		Takashi Hiroi	Representative Member of the Board Senior Executive Vice President In charge of business strategy Chief Financial Officer (CFO) Chief Compliance Officer (CCO) Chief Human Resource Officer (CHRO)	—		
		Akiko Kudo	Member of the Board Senior Vice President Executive Manager of the New Business Promotion Department	—		
		Ken Sakamura	Member of the Board	—	Outside	Independent
		Yukako Uchinaga	Member of the Board	—	Outside	Independent
		Ryoji Chubachi	Member of the Board	—	Outside	Independent
		Koichiro Watanabe	Member of the Board	—	Outside	Independent
		Noriko Endo	Member of the Board	—	Outside	Independent
Audit & Supervisory Board Members	Second Item	1	Keiichiro Yanagi	Full-time Audit & Supervisory Board Member	Reelection	
		2	Kanae Takahashi	Full-time Audit & Supervisory Board Member	Reelection	
		—	Kensuke Koshiyama	Full-time Audit & Supervisory Board Member	—	Outside Independent
		3	Hideki Kanda	Audit & Supervisory Board Member	Reelection	Outside Independent
		4	Kaoru Kashima	Audit & Supervisory Board Member	Reelection	Outside Independent

- (Notes) 1. Up to five fields in which expectations for individual Members of the Board/Audit & Supervisory Board Members are particularly high are listed.
The following table is not an exhaustive list of the knowledge and experience possessed by each Member of the Board or Audit & Supervisory Board Member.
2. NTT has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company, whereby all of its Members of the Board and Audit & Supervisory Board Members constitute the insured. This insurance policy covers the insured's losses and such costs as related litigation expenses incurred from claims for damages arising from acts (including nonfeasance) carried out by the insured as an officer or a person at a certain position of the Company. However, losses and costs personally incurred by the insured as a result of the insured having engaged in criminal acts such as bribery and intentional illegal activities are not covered by the policy as a measure to ensure that the proper performance of duties by officers is not impaired.
The respective Audit & Supervisory Board Member candidates will continue to constitute the insured under the insurance policy if they are reelected as Audit & Supervisory Board Members. Moreover, when the policy is renewed, the Company plans to renew the policy with the terms above.

Field					
Business Management	Marketing/ Global Business	IT/DX/R&D	Legal/Risk Management/ Public Policy	HR	Accounting/Finance
●	●	●		●	●
●	●		●	●	●
●	●	●	●	●	
●	●		●	●	●
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		●	●	●	●
			●	●	●
			●	●	●
			●	●	●

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Business Report (For the Fiscal Year ended March 31, 2023)

New Medium-Term Management Strategy

New Value Creation & Sustainability 2027

Powered by IOWN

Fundamental Policy of the Medium-Term Management Strategy to Date

Work together
with our partners
to resolve social issues
through our business
operations as
“Your Value Partner”

Achievement of
a convenient and
prosperous society with
a vibrant future

**NTT will
take on
for new value
and global**

~ *Innovating a Sustainable*

1

NTT as a Creator of
Accelerator of a

2

Upgrading the

3

Improving the

Shared Values

Connect

continue to challenges creation sustainability

Future for People and Planet ~

New Value and
Global Sustainable Society

Customer Experience (CX)

Employee Experience (EX)

Trust

Integrity

Medium-Term Targets

Company-Wide Targets	EBITDA
	+20% increase* ¹ (Approx. ¥4.0 trillion) (FY2027)
Growth Areas* ²	EBITDA
	+40% increase* ¹ (FY2027)
	Overseas Operating Profit Margin* ³
Existing Areas* ⁴	10% (FY2025)
	EBITDA
	+10% increase* ¹ (FY2027)
	ROIC
	9%* ⁵ (FY2027)

Sustainability-Related Targets

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

*1 Compared to FY2022.

*2 IOWN, digital/data centers, power/energy, Smart Life, real estate, AI/robots, etc.

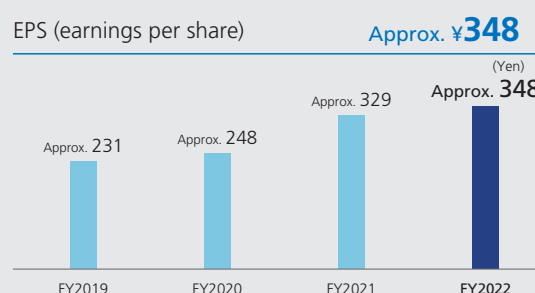
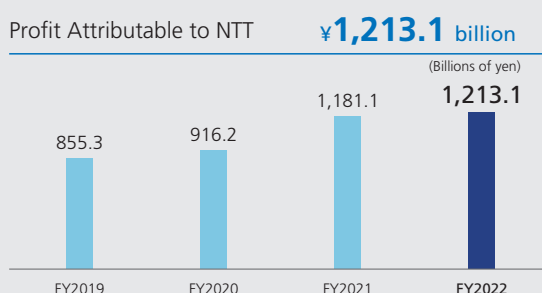
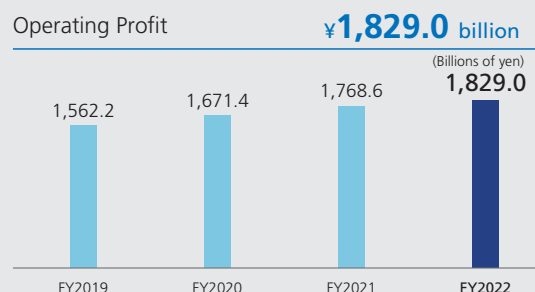
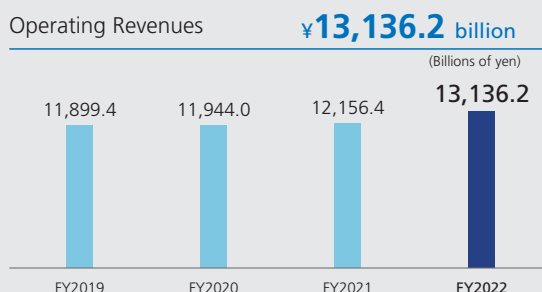
*3 NTT DATA consolidated. Excludes temporary expenses, such as M&A-related depreciation costs of intangible fixed assets.

*4 NTT DOCOMO's consumer telecommunications businesses, NTT East, NTT West.

*5 FY2022 results: 8.2%.

I Outline of the Business of NTT Group

Consolidated Financial Results (IFRS)



Note: NTT implemented a two-for-one stock split of common stock with an effective date of January 1, 2020. The figures for EPS have been adjusted to reflect the stock split.

1. Business Progress and Results

(1) Business Environment

In the fiscal year ended March 31, 2023, the information and telecommunications market saw the expansion of cloud services and 5G services and the rapid advance of technologies such as AI, digital twin, and quantum computing. Furthermore, the progressing accumulation, analysis, and utilization of a wide range of data are driving a global digital transformation resulting in reforms that will be taken in a further positive direction, such as by improving the convenience of people's daily lives, creating new business models, and enhancing productivity. This trend is accelerating amid the ongoing transformation of workstyles and lifestyles in which both the real and online worlds coexist in response to COVID-19. Meanwhile, society needs to take steps such as strengthening information security against increasingly sophisticated and complex cyberattacks, reinforcing anti-disaster measures, and contributing to the protection of the environment. The role of information and telecommunications is also becoming more important in terms of resolving these wide-ranging societal issues.

(2) Business Status

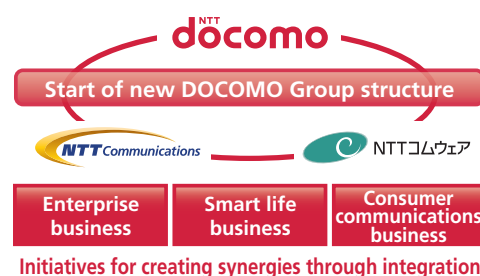
In this business environment, NTT Group promoted initiatives aimed at contributing to the realization of a sustainable society through enhancement of domestic and global business, enhancement of corporate value, and transformation to a new management style under the Medium-Term Management Strategy “Your Value Partner 2025.” As a result, consolidated operating revenues for the fiscal year ended March 31, 2023 were 13,136.2 billion yen (an increase of 8.1% from the previous fiscal year), consolidated operating profit was 1,829.0 billion yen (an increase of 3.4% from the previous fiscal year), and consolidated profit attributable to NTT was 1,213.1 billion yen (an increase of 2.7% from the previous fiscal year).

Enhance Domestic and Global Business

We worked on growth and strengthening of the newly formed DOCOMO Group, enhancing competitiveness in global business, the start of provision of APN based on the IOWN concept, promoting B2B2X model, and strengthening of new businesses.

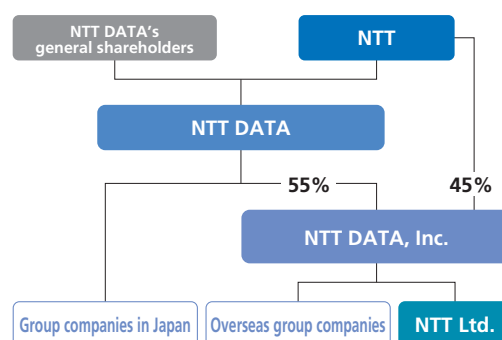
[Growth and Strengthening of the New DOCOMO Group]

- In July 2022, to create synergies through integration, NTT DOCOMO, NTT Communications, and NTT Comware launched a new DOCOMO Group structure. In the enterprise business, we integrated and strengthened the sales functions under NTT Communications. In the smart life business, we enhanced the contents through the integration of the video business and strengthened cost competitiveness. In the consumer telecommunications business, we worked to create a high-quality, economical network through fixed and mobile convergence.



[Enhance Competitiveness in Global Business]

- In October 2022, we moved our global business for business users within NTT DATA. To conduct business operations in a much more coordinated manner, we established NTT DATA, Inc. as an overseas operating company through the joint investment of NTT and NTT DATA. NTT DATA, Inc.'s abilities and results in providing services globally have been recognized, and the effects of sales activities through business consolidation are beginning to appear in the form of project orders received from a major household electronics manufacturer. We will continue to respond globally to diversifying and increasingly more sophisticated customer needs.

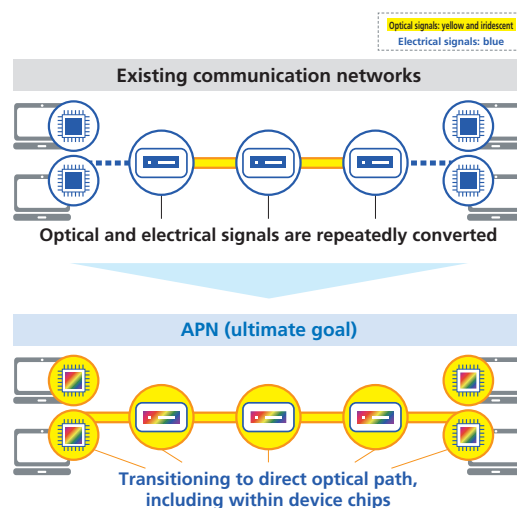


[Start of Provision of APN]

- In March 2023, as the first commercial service aimed at implementing IOWN (Innovative Optical and Wireless Network) concept, we began providing APN IOWN1.0 (All-Photonics Network), which introduces optics exclusively in all sections of the communication network.

What is APN?

In existing networks, repeated conversions of optical and electrical signals consume electricity, and control processing of communications traffic creates latency. By ultimately changing all these signals to optical signals, APN consumes less energy than current networks and realizes large-capacity networks with low latency.



[Promote B2B2X Model]

- In October 2022, NTT AgriTechnology Corporation, which possesses knowhow in next-generation facility horticulture, completed work on a cutting-edge greenhouse that was ordered through a cooperative framework with Japan's National Federation of Agricultural Cooperative Associations (JA ZEN-NOH). By improving productivity and saving labor in the agricultural industry using ICT, we will contribute to the realization of future sustainable agriculture.

[Strengthening of New Businesses]

- In December 2022, focused on the field of human capital, we established NTT Human EX Corp. as a company to support the sustainable growth of both working employees and companies by providing value in a wide range of solutions and technologies.

Enhancement of Corporate Value

The Company promoted initiatives to reduce environmental impact based on its new environment and energy vision, disaster countermeasure initiatives, and enhancement of returns to shareholders.

[New Environment and Energy Vision]

- To achieve carbon neutrality for the entire NTT Group by FY2040, we have worked to lower our own environmental burden by promoting energy saving and by expanding the introduction of renewable energy. Furthermore, to contribute to reducing the environmental burden of our customers, we provided services including a greenhouse gas emission visualization platform.

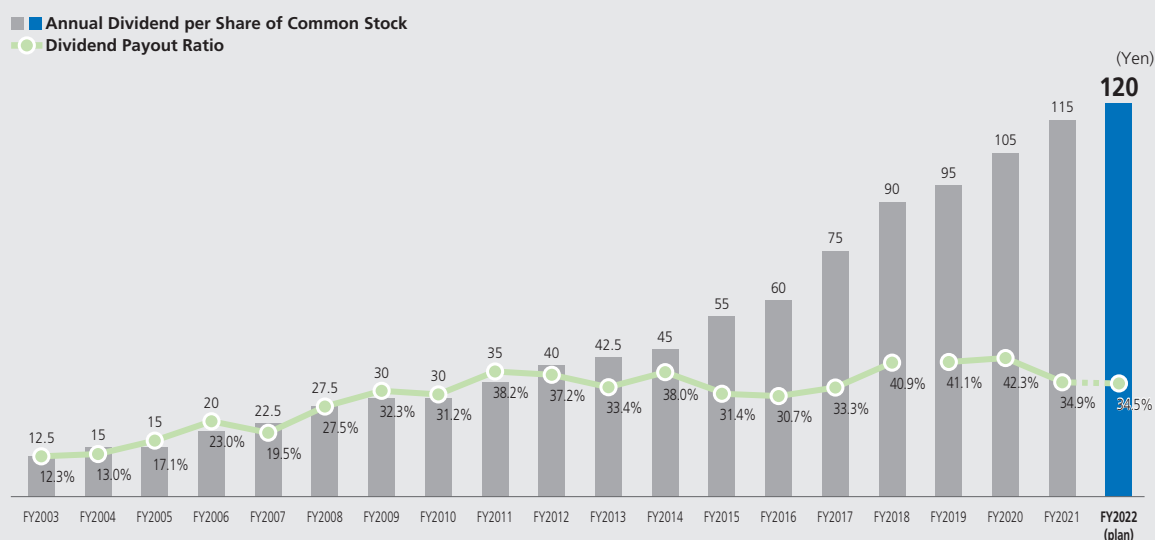
[Disaster Countermeasure Initiatives]

- In light of the increasing number of disasters that are becoming more intense, widespread, and prolonged in recent years, we have been working to harden our facilities and speed up our restoration response.

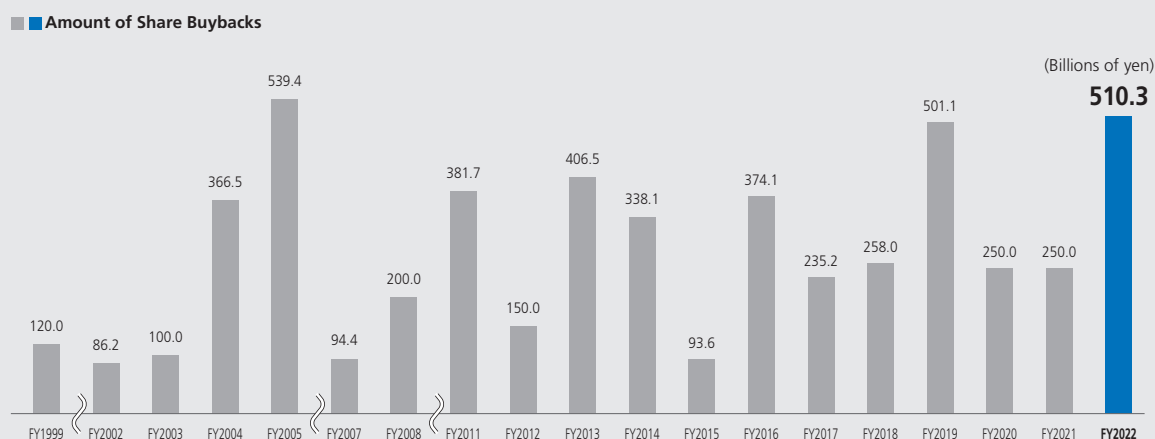
[Enhancement of Returns to Shareholders]

- We increased capital efficiency through continuous dividend increases and flexible share buybacks.

Trends of Dividends and Share Buyback Amounts



Notes: 1. NTT implemented a 100-for-one stock split of common stock with an effective date of January 4, 2009 and two-for-one stock splits of common stock with effective dates of July 1, 2015 and January 1, 2020. Figures for annual dividend per share of common stock have been adjusted to reflect these stock splits.
2. Beginning in the fiscal year ended March 31, 2019, NTT has applied IFRS, with the dividend payout ratio of the fiscal year ended March 31, 2018 also being recalculated under IFRS.



Transformation to a New Management Style

We worked on transformation of business and digital transformation, re-examination of systems and general improvements, promotion of work-in-life (health management), and open, global, and innovative business operations.

[Transformation of Business and Digital Transformation]

- To streamline operations, by transitioning systems for common tasks (finance, procurement, approval and billing) that had been built individually at each of our companies to a globally standardized system, we worked to bring the work processes of individual companies in line with common standards.

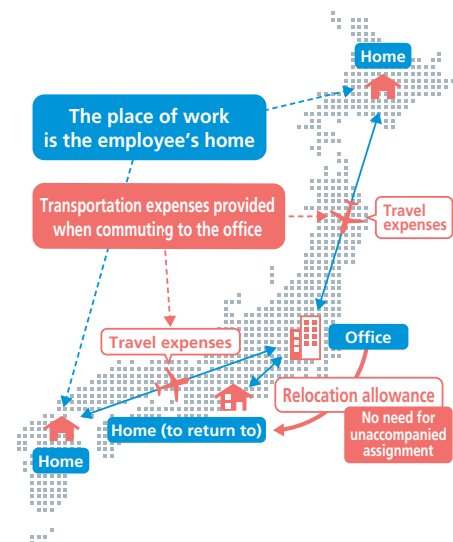
[Re-examination of Systems and General Improvements]

- To realize systems that allow each and every employee to further increase their specializations and acquire, or maximize their skills while also allowing diverse personnel in a range of fields to build their careers autonomously and create high added value, we worked to introduce a new specialization-based personnel compensation system.

[Promotion of Work-In-Life (Health Management), and Open, Global, and Innovative Business Operations]

- In July 2022, from the standpoint of increasing freedom in living places and further promoting work-in-life (health management), our major domestic Group companies introduced Remote Standard, a system that allows new workstyles based on remote work.

Image for Remote Standard

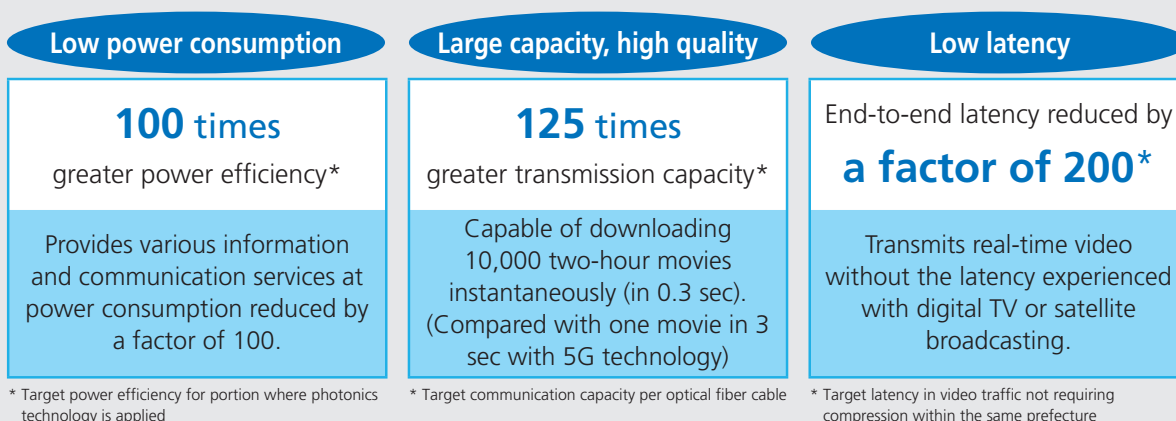


■ (3) Status of Research & Development, etc.

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

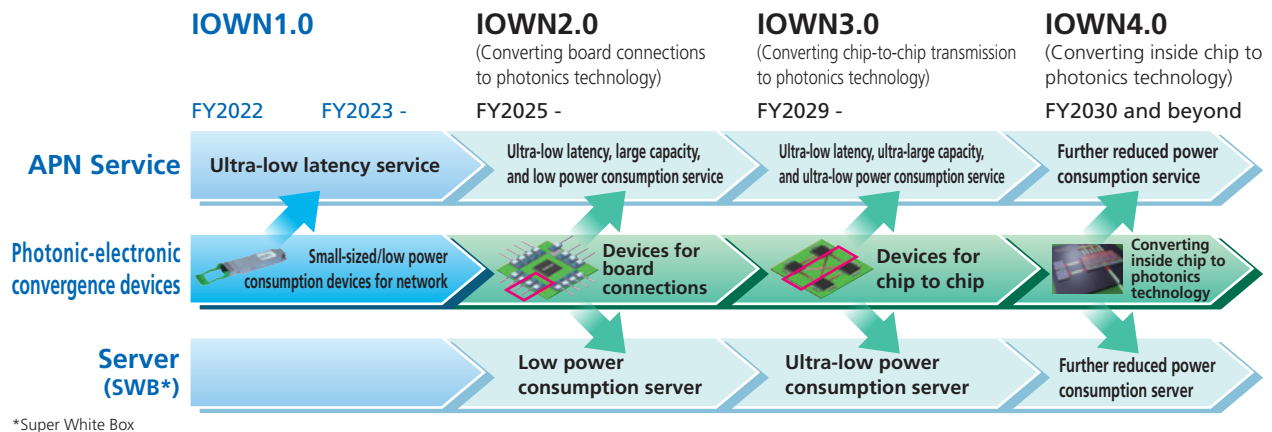
IOWN Concept

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



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

- In addition to launching service for APN IOWN1.0 (for details on this initiative, please see (2) Business Status [Start of Provision of APN] on page 21), we publicized our plans for the upcoming rollout.
- Toward a prompt release of IOWN2.0 and later versions, we pursued the development and release of new semiconductor components and software. We will continue working to achieve our targets and promptly realize this concept.



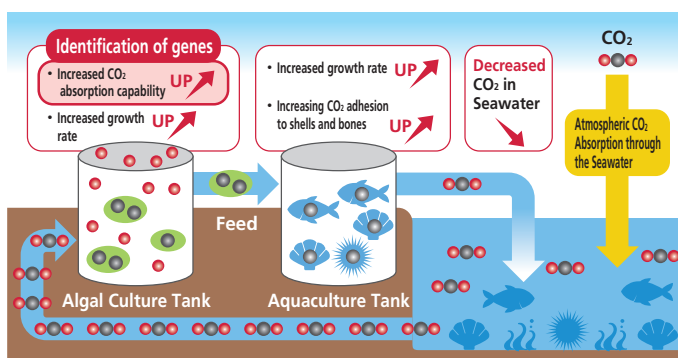
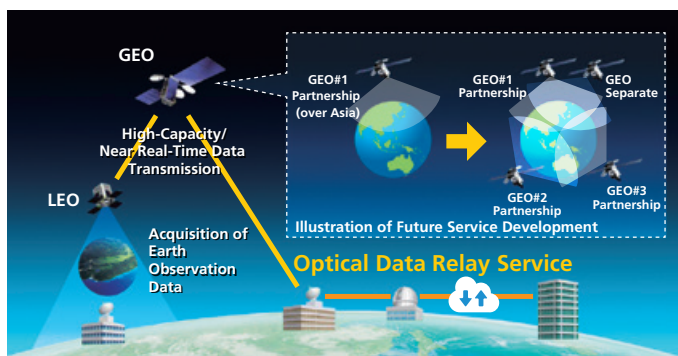
IOWN Open Innovation

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



Developing Technologies and Resolving Issues in Various Industries

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



(4) Status by Segment

Main Businesses



Integrated ICT Business

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

NTT docomo

NTT Communications

NTT Comware

Regional Communications Business

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

NTT EAST

NTT WEST

Global Solutions Business

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

NTT DATA

Others (Real Estate, Energy and Others)

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

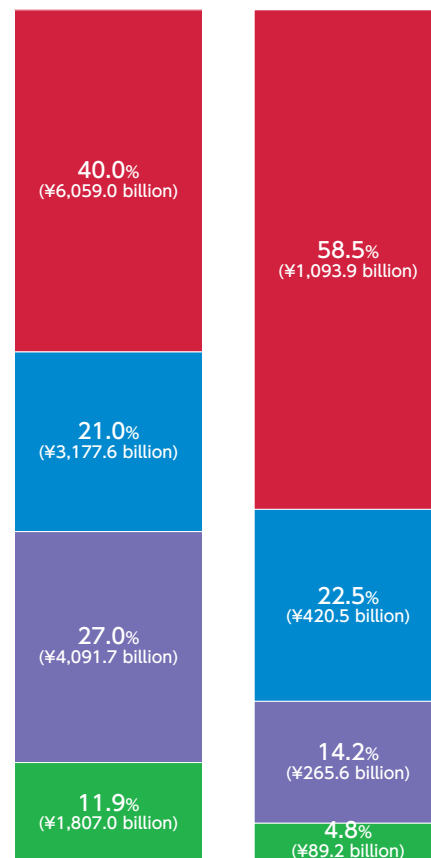
NTT Urban Solutions

NTT Anode Energy Corporation

Other group companies

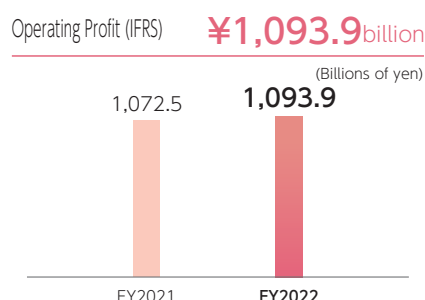
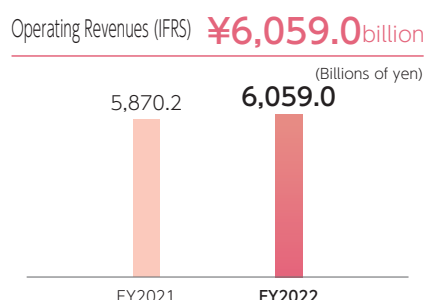
Operating Revenues*
(FY2022)
¥13,136.2 billion

Operating Profit*
(FY2022)
¥1,829.0 billion



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

Integrated ICT Business



Overview

In the Integrated ICT Business, with the start of a new structure as the newly formed DOCOMO Group, we advanced initiatives to create the three major synergies of expansion of the enterprise business, more competitive network, and strengthening the power of service creation and development and promoting DX, while also promoting sales of 5G services.

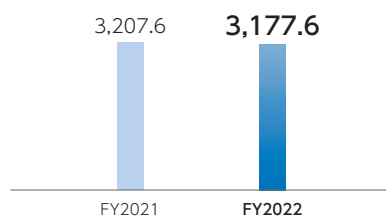
Details of Main Initiatives

- In June 2022, to meet the needs of customers seeking affordable options for their main plan, we began providing “ahamo Omori” plan. In November 2022, we began making our network more energy efficient by improving the sleep function of our base stations, and in February 2023, we began providing environmentally friendly smartphones that use recycled materials.
- In July 2022, we launched the personal loan service “d Smartphone Loan,” and in September 2022, we launched the “Smart Anshin Hoshou,” which expanded the scope of coverage of our existing device protection services. Furthermore, to expand our business sectors in the smart life business, we promoted marketing solutions using big data.
- In September 2022, we launched “Anshin Manager NEXT,” a device management service that provides security measures for various lines and devices and enhances operational efficiency. Furthermore, in addition to our existing solutions in the enterprise business, we worked to provide integrated solutions combining mobile solutions and applications.

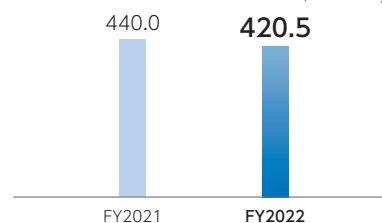
Number of Subscriptions for Major Services

- “Mobile telecommunications services”: 87.50 million subscriptions (increase of 2.74 million year-on-year)
(Included in the above) “5G contracts”: 20.60 million subscriptions (increase of 9.07 million year-on-year)

Operating Revenues (IFRS) **¥3,177.6billion**
(Billions of yen)



Operating Profit (IFRS) **¥420.5billion**
(Billions of yen)



Overview

In the Regional Communications Business, in addition to strengthening our solutions business which supports the digital transformation of companies, local governments, and societies to resolve regional social issues, we offered our “Hikari Collaboration Model,” which provides wholesale fiber-optic access services, among other things, to various service providers.

Details of Main Initiatives

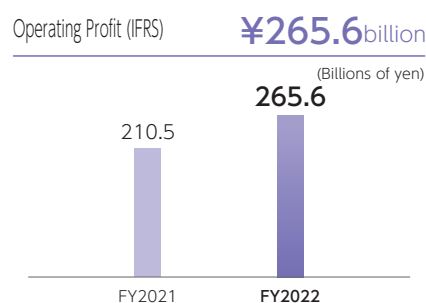
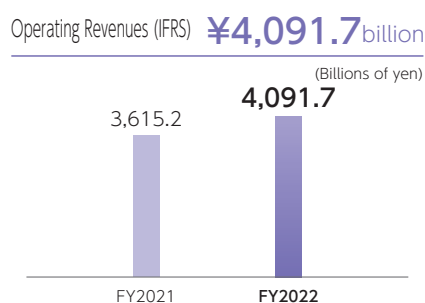
- In August 2022, NTT East and NTT West formed a business alliance with Shinkin Central Bank to respond in detail to the issues of regional customers and offer total support for the digital transformation of small to medium-sized enterprises nationwide, and promoted their initiative that digitally connects shinkin banks nationwide with regional small to medium-sized enterprises.
- In October 2022, NTT BUSINESS SOLUTIONS, a subsidiary of NTT West, began providing “N.mobi,” a solution that provides total support for the introduction of electric vehicles (EVs) and the optimal use of power utilizing EVs and EV batteries for regional government and enterprise customers.
- In November 2022, NTT East, Tokyo Gas Network Co., Ltd., and TEPCO Power Grid, Incorporated concluded a cooperative agreement to resolve social issues, agreeing to cooperate to continuously stabilize the infrastructure platform, enhance social value, and pursue innovation to create an abundant future.

Number of Subscriptions for Major Services

- “FLET’S Hikari”: 23.58 million subscriptions (increase of 0.31 million year-on-year)
(Included in the above) “Hikari Collaboration Model”: 16.81 million subscriptions (increase of 0.52 million year-on-year)

Global Solutions Business

NTT DATA



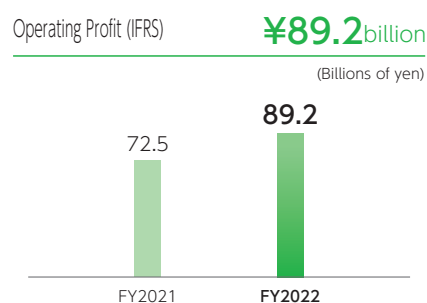
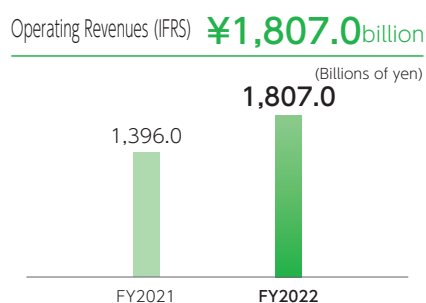
Overview

In the Global Solutions Business, the Group worked to extend and consistently provide a range of IT services, such as offerings of digitalization and system integration, that are responsive to the changes in the market, as well as to strengthen its ability to provide services in growth areas such as the datacenter business and managed services.

Details of Main Initiatives

- In July 2022, partnering with SAP SE (headquarters: Germany), we developed “Connected Product” as a new solution to track fragile and sensitive cargo shipments with IoT sensors and to facilitate insurance procedures. We plan to incorporate the system into business operations, extending the solution to more international insurance and logistics.
- In February 2023, in a joint project with TOYOTA MOTOR CORPORATION which was enabled by the cooperation of Mitsui Fudosan Group, we began trials using connected car data with the aim of reducing traffic congestion in a parking lot and adjacent roads of a shopping mall. To alleviate traffic congestion around the shopping mall, reduce carbon dioxide (CO₂) emissions, and increase customer satisfaction, we aim to establish a method to use connected car data to resolve traffic congestion.
- We worked to expand various services that support corporate sustainability. In June 2022, we launched a DX support service to promote ESG management. In July 2022, we launched a service to support TCFD (Task Force on Climate Related Financial Disclosures) disclosures. Finally, in August 2022, we launched “C-Turtle®,” a service to visualize emissions of greenhouse gases using data owned by the international NGO CDP.

Others (Real Estate, Energy and Others)



Overview

We provided services related to real estate business and energy business, etc.

Details of Main Initiatives

[Real Estate Business]

- Primarily through NTT Urban Solutions, Inc., a company that centralizes the functions of NTT Group's real estate business, we promoted office and retail operations, residential operations, and the global business. In June 2022, we opened a next-generation advance office building in Nagoya, and to realize future urban development, we pursued the development and trials of a digital platform using technological elements from IOWN.

[Energy Business]

- Centering on the activities of NTT Anode Energy Corporation, which promotes smart energy business, we worked to promote initiatives including the development of renewable energy power plants, expanded utilization of NTT Group's assets, and deployment of decarbonization solutions. In July 2022, to expand the smart energy business, NTT Anode Energy Corporation integrated the electric power-related operations of NTT FACILITIES, INC.

2. Issues to be Addressed

■ (1) Changes in the business environment

Spurred by the COVID-19 pandemic, a remote/decentralized society is advanced. These situations continue making progress in digitalization and Digital Transformation (DX), on the other hand, negative aspect of digitalization such as surveillance society has appeared. In addition, our environment is dramatically changing with increasing the importance of economic security and scale of natural disasters worldwide.

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

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

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

Pillars of Our Initiatives

1. NTT as a Creator of New Value and Accelerator of a Global Sustainable Society

- | | |
|---|--|
| <p>① IOWN-Driven Creation of New Value (from concept to commercialization)</p> <ul style="list-style-type: none"> i. Establishment of manufacturing company for photonic-electronic convergence devices ii. Acceleration of IOWN research and development/commercialization <p>② Data-Driven Creation of New Value</p> <ul style="list-style-type: none"> i. Strengthening the personal business ii. Strengthening the use of DX/data in society and industry iii. Expansion and upgrade of data center infrastructure | <p>③ Achievement of a Circular Economy Society</p> <ul style="list-style-type: none"> i. Develop sustainability solutions for customers ii. Creating circular economy businesses iii. Progression towards Net-Zero <p>④ Further Strengthening of Business Foundations</p> |
|---|--|

2. Upgrading the Customer Experience (CX)

- ⑤ **Fusion of Research and Development with a Market-Focused Strategy**
- ⑥ **Strengthening of Services that Emphasize Customer Experience (CX)**

3. Improving the Employee Experience (EX)

- ⑦ **Open and Innovative Corporate Culture**
- ⑧ **Support Career Growth**
- ⑨ **Global Benefits for Employees and their Families**

■ (3) Medium-Term Financial Targets

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

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

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

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

Medium-Term Financial Targets

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

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

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

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

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

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

3. Capital Investment

NTT Group made a total of ¥1,862.4 billion of capital investments (an increase of 10.4% from the previous fiscal year), focused on responding to customer demands for various services such as 5G, “FLET’S Hikari (including the Hikari Collaboration Model)” and data centers among others.

Category	Capital Investment (Billions of yen)
Integrated ICT Business	706.3
Regional Communications Business	498.1
Global Solutions Business	500.4
Others (Real Estate, Energy and Others)	157.7

4. External Financing

NTT Group procured long-term financing in the amount of ¥1,090.9 billion through issuance of bonds (green bonds) and long-term borrowings (such as green loans) for capital investment and other purposes.

Category	Amount (Billions of yen)
Corporate bonds	208.0
Long-term borrowings	882.9
Total	1,090.9

Note that the Company raised ¥607.7 billion as long-term borrowings from NTT FINANCE CORPORATION for purposes that include making loans to NTT East and NTT West.

5. Main Lenders and Outstanding Borrowings

Lender	Outstanding Borrowings (Billions of yen)
MUFG Bank, Ltd.	1,092.9
Mizuho Bank, Ltd.	688.0
Sumitomo Mitsui Banking Corporation	662.8
Sumitomo Mitsui Trust Bank, Limited	310.6
The Norinchukin Bank	287.2
Nippon Life Insurance Company	116.0
Meiji Yasuda Life Insurance Company	97.5
Development Bank of Japan Inc.	72.7
Shinkin Central Bank	55.0
Japan Bank for International Cooperation	42.5

6. Material Subsidiaries

Segment	Company	NTT's Equity Ownership Percentage (%)	Main Business Activities
Integrated ICT Business	NTT DOCOMO, INC.	100.00	Provision of mobile communication services and smart life area services
	NTT Communications Corporation	0 (100.00)	Provision of inter-prefectural communications services, international communications services and solutions
	NTT COMWARE CORPORATION	33.40 (100.00)	Development, production, operation and maintenance of information communications systems and software
Regional Communications Business	Nippon Telegraph and Telephone East Corporation	100.00	Provision of intra-prefectural communications services in the eastern part of Japan
	Nippon Telegraph and Telephone West Corporation	100.00	Provision of intra-prefectural communications services in the western part of Japan

Segment	Company	NTT's Equity Ownership Percentage (%)	Main Business Activities
Global Solutions Business	NTT DATA CORPORATION	57.73 (57.75)	Provision of data communications systems services and network system services
	NTT DATA, Inc.	45.00 (100.00)	Governance and strategy formulation, and promotion of measures in the global business of NTT DATA Group
	NTT Ltd.	0 (100.00)	Provision of IT services and communications and internet-related services for corporations
	Dimension Data Holdings	0 (100.00)	IT system building and maintenance support for corporations
	NTT Security Corporation	0 (100.00)	Provision of professional security services
	NTT America	0 (100.00)	Provision of ICT services in North America
	NTT EUROPE	0 (100.00)	Provision of ICT services in Europe
	NTT Global Data Centers EMEA	0 (100.00)	Provision of data center-related services in Europe
	NTT Cloud Communications International Holdings	0 (100.00)	Provision of teleconference, web conference and video conference services
	NTT Global Data Centers Americas	0 (100.00)	Provision of data center-related services in North America
	NTT Global Networks	0 (100.00)	Provision of network services
	NETMAGIC SOLUTIONS	0 (100.00)	Provision of data center-related services in India
	NTT Global Data Centers EMEA UK	0 (100.00)	Provision of data center-related services in the UK
	NTT Managed Services Americas Intermediate Holdings	0 (100.00)	Provision of <u>managed services</u> in North America
	Transatel	0 (100.00)	Provision of mobile connectivity services for IoT
	NTT DATA Americas	0 (100.00)	Consulting, system design and development in North America
	NTT DATA Services	0 (100.00)	Consulting, system design and development in North America
	NTT DATA Europe & Latam	0 (100.00)	Consulting, system design and development

Segment	Company	NTT's Equity Ownership Percentage (%)	Main Business Activities
Others (Real Estate, Energy and Others)	NTT Urban Solutions, Inc.	100.00	Contact point for urban solutions business, and integrated management of urban solutions-related information
	NTT URBAN DEVELOPMENT CORPORATION	0 (100.00)	Real estate acquisition, development, leasing, and management
	NTT FACILITIES, INC.	0 (100.00)	Design, management, and maintenance related to buildings and equipment
	NTT Anode Energy Corporation	100.00	Provision of smart energy solutions, and design, management and maintenance related to electric power facilities
	NTT FINANCE CORPORATION	100.00	Provision of billing and collection of charges for communications and other services, and credit card transaction settlement services

Notes: 1. The equity ownership percentages are calculated exclusive of the treasury stock each company owns. The figures in parentheses represent the equity ownership percentages, including indirect holdings through NTT's subsidiaries.

2. The status of specific wholly owned subsidiary as of March 31, 2023 is as follows:

Name	Address	Total Book Value of Shares of Specific Wholly Owned Subsidiary at the Company	Total Assets of NTT
NTT DOCOMO, INC.	11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo	¥4,714,475 million	¥11,805,898 million

[illegible]

II Matters Regarding Shares

1. Total number of shares authorized to be issued by NTT

6,192,920,900 shares

2. Total number of shares issued and outstanding

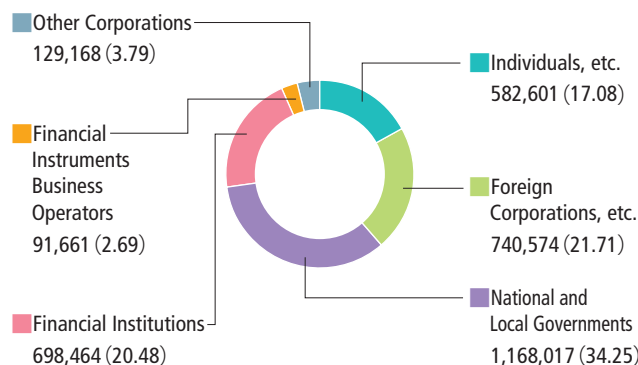
3,622,012,656 shares

3. Number of shareholders as of the end of the fiscal year ended March 31, 2023

918,858 shareholders

Breakdown of Shares by Shareholder

The number of shares is rounded down to the nearest thousand. The figures in parentheses represent percentage of total shares owned for each category of shareholder.



Notes: 1. The percentages represent the ratio of shareholders' shares to the total number of issued shares excluding treasury stock. Treasury stock does not include shares of the Company held by the officer compensation BIP (Board Incentive Plan) trust.

2. Other Corporations above includes 57 thousand shares in the name of Japan Securities Depository Center.

4. Principal Shareholders

Shareholders	Number of Shares Held (thousands)	Equity Ownership (%)
The Minister of Finance	1,167,975	34.25
The Master Trust Bank of Japan, Ltd. (Trust Account)	391,152	11.47
Custody Bank of Japan, Ltd. (Trust Account)	172,314	5.05
TOYOTA MOTOR CORPORATION	80,775	2.37
JPMorgan Chase Bank 385632	55,872	1.64
Moxley & Co. LLC	39,392	1.16
Nippon Life Insurance Company	25,921	0.76
State Street Bank West Client – Treaty 505234	25,454	0.75
NTT Employee Share-Holding Association	24,922	0.73
JPMorgan Chase Bank 380072	21,848	0.64

Notes: 1. Number of Shares Held is rounded down to the nearest thousand.

2. NTT's holdings of treasury stock (211,524,308 shares) are not included in the above table.

3. Equity ownership percentages do not include treasury stock. Furthermore, treasury stock does not include 1,033,466, shares of the Company held by the officer compensation BIP trust.

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

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

Notes: 1. Please refer to page 49 for details on the Company's stock compensation.

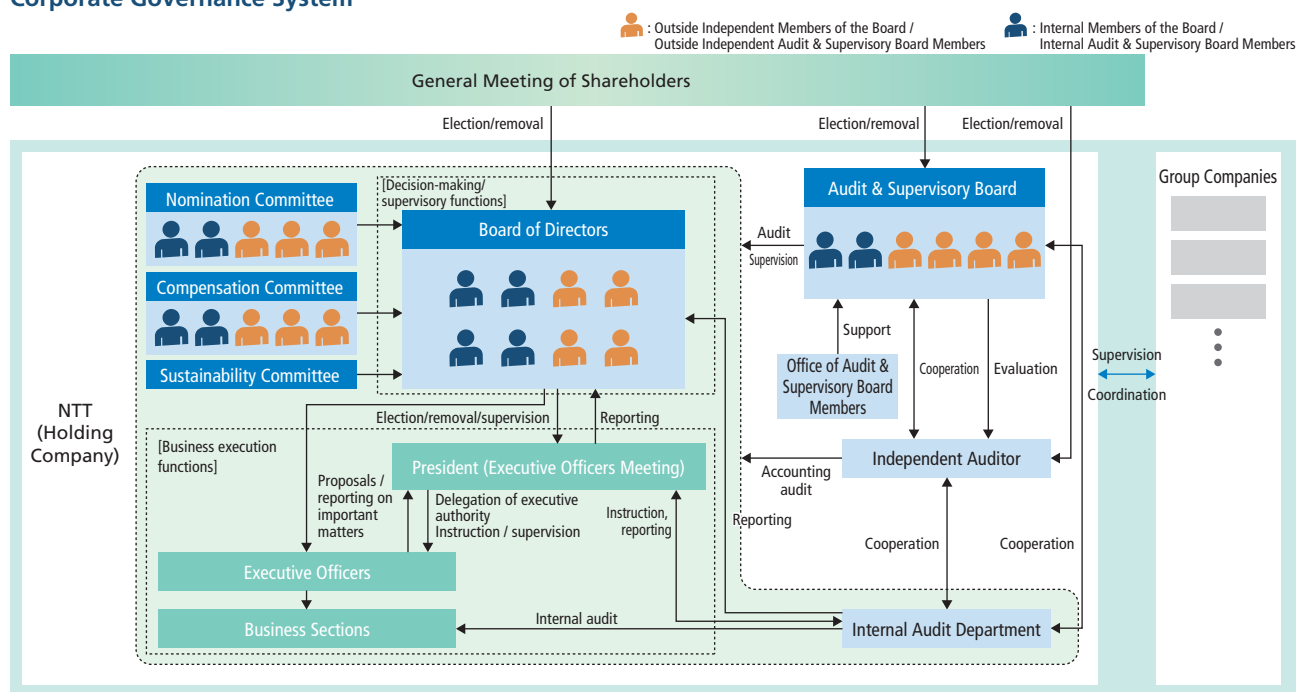
2. The shares that were delivered to the Members of the Board (excluding outside Members of the Board) shown above are those that were delivered to the Members of the Board who had retired at the conclusion of the 37th Ordinary General Meeting of Shareholders held on June 24, 2022.

III Matters Regarding Corporate Governance

1. Fundamental Policies

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

Corporate Governance System



As of March 31, 2023

2. Overview of Corporate Governance System

NTT believes that an auditing system based on Audit & Supervisory Board Members, including outside independent Audit & Supervisory Board Members, is an effective means of supervising management. Accordingly, we chose the company with Board of Company Auditors (Audit & Supervisory Board) model.

In addition, through the election of outside independent Members of the Board, NTT has strengthened the function of appropriately supervising the business execution.

3. Board of Directors

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

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

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

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

[Evaluation of the Effectiveness of the Board of Directors]

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

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

At meetings of the Board of Directors, based on the authority of the individual Members of the Board, current issues in group management and the initiatives being taken to resolve them are reported and reviewed, as well

as initiatives for growing the business, such as investments and partnerships. During the fiscal year under review, active discussions were held centering on important matters related to company and group management, such as realignment aimed at strengthening global business at NTT Group, and the formulation of policies to further strengthen governance under the Medium-Term Management Strategy "Your Value Partner 2025." Furthermore, in addition to the advance explanations of agenda items to be discussed at Board of Directors meetings, explanations of matters such as issues of immediate concern and the status of considerations were also given to the outside independent Members of the Board by Representative Members of the Board. By striving to clarify the focus of execution of duties and the purpose of initiatives, we are creating an environment in which the supervisory function of the Board of Directors can be fully exercised.

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

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

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

In addition, as a result of holding opinion-exchange meetings to simulate strategic discussions, and enhancement of discussions on important matters related to company and group management, such as realignment aimed at strengthening global business, and important issues such as the formulation of policies to further strengthen governance, all members expressed positive opinions. Therefore, we have evaluated that the effectiveness of the Board of Directors is being ensured.

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

Corporate Governance

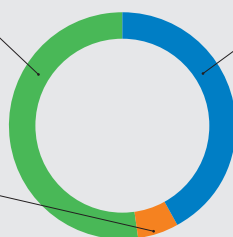
52%

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

Capital Policy

6%

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



Management Strategy

42%

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

4. Audit & Supervisory Board

The Audit & Supervisory Board consists of a total of six Audit & Supervisory Board Members: two internal Audit & Supervisory Board Members and four outside independent Audit & Supervisory Board Members (including two women, one in each category). Based on the audit plan for the fiscal year under review, and with management continuing to change significantly as a result of the realignment of global business, in addition to audits in accordance with laws and regulations, Audit & Supervisory Board Members conducted audits on progress of the Medium-Term Management Strategy and the status of initiatives aimed at maintaining and improving corporate governance, thoroughness of compliance and steady provision of telecommunication services, endeavoring to conduct efficient and effective audits in cooperation with the Internal Audit Department, the Independent Auditor, and the Audit & Supervisory Board Members of Group companies. Furthermore, by exchanging opinions with Representative Members of the Board and outside independent Members of the Board, and sharing views on various topics with Representative Members of the Board and Audit & Supervisory Board Members of Group companies, including overseas subsidiaries, not only do the Audit & Supervisory Board Members gain an understanding of the status of the performance of duties by Members of the Board and Executive Officers, but they are also in a position to offer suggestions as required. During the fiscal year under review, Audit & Supervisory Board Members exchanged opinions with Representative Members of the Board and outside independent Members of the Board a total of 40 times, and held meetings to exchange opinions with Representative Members of the Board and Audit & Supervisory Board Members of Group companies a total of 65 times.

In addition, the Audit & Supervisory Board Members, including outside independent Audit & Supervisory Board Members, attend important meetings, such as meetings of the Board of Directors, and conduct appropriate audits regarding the status of the business execution by Members of the Board and Executive Officers. They also take steps to strengthen audit cooperation by meeting periodically, or as required, with the Internal Audit Department, Independent Auditor, and Audit & Supervisory Board Members of Group companies, with the aim of exchanging information on a timely basis. Further, in order to advance the Group's auditing system, Audit & Supervisory Board Members have unified risk recognition based on the materiality and risk approach with the Audit & Supervisory Board Members of major Group companies, and conducted audits and on-site inspections through the Audit & Supervisory Board Members of major Group companies.

Moreover, the effectiveness of the Audit & Supervisory Board has continued to be evaluated since FY2018 for the purpose of looking back at the audit activities of the current fiscal year, reflecting such evaluation in the audit plan for the following fiscal year and improving the quality of audits. When conducting the evaluation of effectiveness for the fiscal year under review, questionnaires were given to and interviews were conducted with all Audit & Supervisory Board Members. To ensure anonymity and objective perspectives, a third-party organization was used to implement the questionnaires and interviews and to analyze the collected results. The primary items of evaluation for the fiscal year under review were as follows: the audit plan; advice to the management and audits of business execution; the Group's audit system; responses to acts in violation of rules, etc.; cooperation between the three audits (audit by the Audit & Supervisory Board, audit by the Independent Auditor, and audit by the Internal Audit Department); operation of the Audit & Supervisory Board meetings, among other matters. The analysis of the questionnaires and interviews was conducted based not only on changes over time, but also on audit conditions with respect to the realignment of global business, the steady provision of telecommunication services, and initiatives on sustainability. As a result of discussion and inspection by Audit & Supervisory Board meeting, the effectiveness of the Audit & Supervisory Board was evaluated as being secured.

NTT will continue to strengthen cooperation between the various bodies such as the Internal Audit Department, the Group companies' respective Audit & Supervisory Board Members and work to further develop the sophistication of the Group's audit system. In light of the increasing responsibility to meet social demands and the enhancement of non-financial information disclosure, we will further monitor the efforts of Members of the Board and Executive Officers and proactively provide advice to them. Also, we will work to further improve the effectiveness of the Audit & Supervisory Board by further strengthening cooperation with independent outside Members of the Board when conducting audits on executive management.

5. Nomination Committee and Compensation Committee

For the purpose of further enhancing independence, objectivity and accountability in the decisions of nominations and compensation of officers, etc. by the Board of Directors, NTT has voluntarily established the Nomination Committee and the Compensation Committee, which each consist of five Members of the Board (of which three members, a majority of committee members, are outside independent Members of the Board), as a preliminary review institution of the Board of Directors, and is increasing the effectiveness of governance. As of the end of the fiscal under review, membership of each committee consists of Akira Shimada (Representative Member of the Board, President), Takashi Hiroi (Representative Member of the Board, Senior Executive Vice President), Ken Sakamura (outside Member of the Board), Yukako Uchinaga (outside Member of the Board), and Koichiro Watanabe (outside Member of the Board), with Akira Shimada (Representative Member of the Board, President) serving as chairman of each committee. Resolutions of each committee are made by a majority of such committee's members in attendance, at meetings in which a majority of committee members are present. In the fiscal year under review, the Nomination Committee met five times and the Compensation Committee met once, engaging in active discussions on subjects such as the nomination of officers, etc., succession planning, and revising the officer compensation system.

6. Nomination of Members of the Board, Etc.

In terms of the composition of the Company's Board of Directors, the nomination of executives is based on the NTT Group Personnel Policy, and personnel with the skills to resolve issues recognized by NTT Group are nominated broadly from inside and outside of the Group. Outside Members of the Board and outside Audit & Supervisory Board Members are elected with the expectation that they can provide opinions based on a broad management perspective or as an expert. Furthermore, both non-outside and outside Members of the Board are elected in line with NTT Group's promotion of diversity.

Moreover, due to the provisions of the law of Japan (Article 10, paragraph (1) of the Act on Nippon Telegraph and Telephone Corporation, etc.), a person who does not have Japanese nationality may not become a Member of the Board or Audit & Supervisory Board Member.

NTT Group Personnel Policy

[Basic Policy]

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

[Nomination of Candidates for Members of the Board]

In regard to Member of the Board candidates, individuals are nominated based on the broad-ranging perspective and experience, superior management skill and leadership, business sense and motivation necessary to contribute to the overall development of NTT Group in order to facilitate the improvement in NTT Group's corporate value. The Board of Directors is of a size appropriate to the Group's business, and the composition of the Board of Directors takes into account a balance of specialties and diversity.

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

[Nomination of Candidates for Audit & Supervisory Board Members]

NTT has the policy of nominating candidates for Audit & Supervisory Board Members that have the capacity to provide audits based on specialized experience and insight.

From the perspective of guaranteeing fair audits of the execution of duties by Members of the Board, for outside independent Audit & Supervisory Board Members, NTT nominates individuals who present no risk of a conflict of interest with general shareholders. In accordance with the Companies Act, NTT ensures that outside Audit & Supervisory Board Members make up half or more of the Audit & Supervisory Board.

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

[Succession Plan]

With respect to successor candidates for the CEO position, we view it as important to secure successor candidates who can respond to technological innovation, market trends, and the speed of changes in the business environment. By securing the diversity of candidates through offering experience of a broad range of jobs and appointments to important posts, we are cultivating personnel for promotion who, in addition to possessing integrity and insight, are exceptionally well-suited to the times. The decision regarding the appointment is made by the Board of Directors after it has been presented for deliberation to the Nomination Committee, a preliminary review institution of the Board of Directors, which consists of five Members of the Board including three outside independent Members of the Board.

For future management candidates, we select various people of any age, gender, or field of expertise. Through education at the NTT University, which was started as a program for developing management candidates, we target diverse people who are full of desire to lead our transformation.

[Independence of Outside Members of the Board and Outside Audit & Supervisory Board Members]

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

Independence Standards

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

- (1) A person who executes business in a partner company that exceeds NTT's Standards*¹
 - (2) A person who executes business in a lending company that exceeds NTT's Standards*²
 - (3) A consultant, accountant, lawyer, or any other person providing professional services, who received monetary payments or any other gain in assets equal to or more than ¥10 million, excluding the Board Members' or Audit & Supervisory Board Members' compensation, from NTT or its major subsidiaries*³ in any of the last three fiscal years
 - (4) A person who executes business in an organization that received donations exceeding NTT's Standards*⁴
- Even if any of (1) through (4) above applies to a person, where it has been decided that a person meets the Independence Standards, the reasons shall be explained and disclosed at the time of the person's appointment as the independent Member of the Board or independent Audit & Supervisory Board Member.

*1 "A partner company that exceeds NTT's Standards" is defined as a company that has had any business dealing with NTT and its major subsidiaries*³ in any of the last three fiscal years equal to or more than 2% of the total operating revenues of NTT and its major subsidiaries for the respective fiscal year.

*2 "A lending company that exceeds NTT's Standards" is defined as a company in which the total amount of borrowings on a consolidated basis in any of the last three fiscal years equals to or is more than 2% of NTT's consolidated total assets for the respective fiscal year.

*3 The major subsidiaries are NTT DOCOMO, NTT East, NTT West, NTT Communications, and NTT DATA.

*4 "An organization that received donations exceeding NTT's Standards" is defined as an organization which received donations from NTT and its major subsidiaries*³ in any of the last three fiscal years exceeding ¥10 million or 2% of the total income of the organization, whichever is larger, during the respective fiscal year.

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

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

8. Strategic Shareholdings

NTT does not hold shares for the purpose of creating stable shareholders, and has no plans to hold such shares in the future.

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

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

9. Capital Policy

With regard to dividends, our basic policy is to steadily increase dividends, and we also flexibly carry out buybacks to improve capital efficiency.

IV Matters Regarding Corporate Officers

1. Status of Members of the Board and Audit & Supervisory Board Members

Name		Position and Responsibilities	Number of Shares of the Company Held
Jun Sawada		Chairman of the Board	43,300 shares
Akira Shimada		Representative Member of the Board President and Chief Executive Officer (CEO)	28,908 shares
Katsuhiko Kawazoe		Representative Member of the Board Senior Executive Vice President In charge of technical strategy Chief Technology Officer (CTO) Chief Information Officer (CIO) Chief Digital Officer (CDO)	15,000 shares
Takashi Hiroi		Representative Member of the Board Senior Executive Vice President In charge of business strategy Chief Financial Officer (CFO) Chief Compliance Officer (CCO) Chief Human Resource Officer (CHRO)	13,300 shares
Akiko Kudo		Member of the Board Senior Vice President Executive Manager of the New Business Promotion Department	3,800 shares
Ken Sakamura	Outside Independent	Member of the Board	2,000 shares
Yukako Uchinaga	Outside Independent	Member of the Board	200 shares
Ryoji Chubachi	Outside Independent	Member of the Board	1,200 shares
Koichiro Watanabe	Outside Independent	Member of the Board	600 shares
Noriko Endo	Outside Independent	Member of the Board	1,300 shares
Keiichiro Yanagi		Full-time Audit & Supervisory Board Member	200 shares
Kanae Takahashi		Full-time Audit & Supervisory Board Member	7,300 shares
Kensuke Koshiyama	Outside Independent	Full-time Audit & Supervisory Board Member	0 shares
Takashi Iida	Outside Independent	Audit & Supervisory Board Member	8,000 shares
Hideki Kanda	Outside Independent	Audit & Supervisory Board Member	0 shares
Kaoru Kashima	Outside Independent	Audit & Supervisory Board Member	0 shares

Notes: 1. Of the 16 Members of the Board and Audit & Supervisory Board Members, 11 are male and five are female.

2. Of the Members of the Board, Mr. Ken Sakamura, Ms. Yukako Uchinaga, Mr. Ryoji Chubachi, Mr. Koichiro Watanabe and Ms. Noriko Endo are outside Members of the Board as defined in Article 2, paragraph (15) of the Companies Act. Also, based on the listing rules of the Tokyo Stock Exchange, NTT has designated them as independent Members of the Board and filed the information related thereto with the Tokyo Stock Exchange.

3. Of the Audit & Supervisory Board Members, Mr. Kensuke Koshiyama, Mr. Takashi Iida, Mr. Hideki Kanda and Ms. Kaoru Kashima are outside Audit & Supervisory Board Members as defined in Article 2, paragraph (16) of the Companies Act. Also, based on the listing rules of the Tokyo Stock Exchange, NTT has designated them as independent Audit & Supervisory Board Members and filed the information related thereto with the Tokyo Stock Exchange.

4. Mr. Katsuhiko Kawazoe and Mr. Takashi Hiroi have served as Members of the Board in the past, separate from the term of office stated above.

5. Audit & Supervisory Board Member Mr. Keiichiro Yanagi is a certified member of the Securities Analysts Association of Japan, Audit & Supervisory Board Member Mr. Kensuke Koshiyama has experience working for the Board of Audit of Japan, and Audit & Supervisory Board Member Ms. Kaoru Kashima is a certified public accountant. They all have extensive knowledge of finance and accounting matters.

Term of Office	Attendance Rate		Description of Principal Concurrent Positions
	Board of Directors Meetings	Audit & Supervisory Board Meetings	
9 years	14/14(100%)	—	[President and Chief Executive Officer of NTT, Inc. (Retired on June 17, 2022)]
11 years	14/14(100%)	—	[President and Chief Executive Officer of NTT, Inc. (Assumed on June 17, 2022, and retired on October 1, 2022)]
1 year	10/10(100%)	—	
1 year	10/10(100%)	—	
1 year	10/10(100%)	—	Business Executive of Smart City LLP (Assumed on June 24, 2022)
4 years	14/14(100%)	—	Professor of Toyo University
1 year	10/10(100%)	—	Chairperson and Representative Director of Japan Women's Innovative Network, a non-profit organization (Assumed on July 1, 2022) [President and Representative Director of Japan Women's Innovative Network, a non-profit organization (Retired on July 1, 2022)] President and CEO of Globalization Research Institute, Inc. Outside Director, Member of the Advisory Board of Teijin Limited External Director of SINTOKOGIO, LTD. [Independent Director (Chairperson of the Audit Committee) of HOYA CORPORATION (Retired on June 28, 2022)]
1 year	10/10(100%)	—	Grand Emeritus Advisor of National Institute of Advanced Industrial Science and Technology Outside Director of JAPAN POST BANK Co., Ltd.
1 year	10/10(100%)	—	Director, Chairman of the Board of Dai-ichi Life Holdings, Inc. (Retired from his position as Chairman of the Board on April 1, 2023, and scheduled to retire from his position as Director in June 2023) Director, Chairman of the Board of The Dai-ichi Life Insurance Company, Limited (Retired from his position as Director, Chairman of the Board on March 31, 2023, and assumed his position as Special Adviser on April 1, 2023)
1 year	10/10(100%)	—	Project Professor of Keio University Global Research Institute Outside Director of AIN HOLDINGS INC. Outside Director of Hankyu Hanshin Holdings, Inc. Independent Director of Techpoint, Inc. External Director of Japan Elevator Service Holdings Co., Ltd.
1 year	10/10(100%)	17/17(100%)	
3 years	14/14(100%)	26/26(100%)	Company Auditor of NTT DATA, Inc.
1 year	10/10(100%)	17/17(100%)	
9 years	14/14(100%)	26/26(100%)	Lawyer [Outside Director of ALPS ALPINE CO., LTD. (Retired on June 23, 2022)]
4 years	14/14(100%)	25/26(96%)	Professor of Professional School of Gakushuin University External Director of Sumitomo Mitsui Trust Bank, Limited
4 years	13/14(93%)	25/26(96%)	Certified Public Accountant Audit & Supervisory Board Member of Kirin Holdings Company, Limited External Director of Sumitomo Mitsui Trust Holdings, Inc.

6. There is no special relationship between NTT and the companies where outside Members of the Board and outside Audit & Supervisory Board Members hold concurrent positions.

7. Even in circumstances where outside Members of the Board and outside Audit & Supervisory Board Members were unable to attend a meeting, they were provided with an explanation in advance and they submitted their opinions.

8. Audit & Supervisory Board Member Takao Maezawa retired from his position at the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2022.

9. The Attendance Rate of the Board of Directors Meetings and the Audit & Supervisory Board Meetings shown for Members of the Board Katsuhiko Kawazoe, Takashi Hiroi, Akiko Kudo, Yukako Uchinaga, Ryoji Chubachi, Koichiro Watanabe and Noriko Endo, and Audit & Supervisory Board Members Keiichiro Yanagi and Kensuke Koshiyama is their attendance after they assumed office on June 24, 2022.

2. Directors and Officers Liability Insurance Policy

NTT has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. This insurance policy covers the insured's losses and such costs as related litigation expenses incurred from claims for damages arising from acts (including nonfeasance) carried out by the insured as an officer or a person at a certain position of the Company. However, losses and costs personally incurred by the insured due to criminal acts, such as bribery, and intentional illegal activities are not covered by the policy as a measure to ensure that the proper performance of duties by officers is not impaired.

The insureds included in this policy consist of all Members of the Board, Audit & Supervisory Board Members and Executive Officers of NTT and NTT subsidiaries NTT East and NTT West.

3. Policies Concerning, and Total Compensation, etc. of Members of the Board and Audit & Supervisory Board Members

The Board of Directors resolved at its meeting held on May 12, 2021 a new policy for determining the details of individual compensation, etc. for Members of the Board (hereinafter "Determination Policy"; this was partially amended by resolution of the Board of Directors at a meeting held on November 10, 2021). The overview of the Determination Policy is as follows.

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

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

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

Also, to reflect NTT's medium- to long-term business results, Members of the Board purchase NTT shares through the Board Members Shareholding Association using the compensation for stock acquisition that is paid every month. Purchased shares are to be held by the Members of the Board throughout their terms of office.

For the performance-related stock compensation, a trust, established by NTT is used. The Members of the Board are granted points corresponding to their role in June each year and a performance-related coefficient corresponding to the level of achievement of the performance indicator is determined in June of the year following the final fiscal year of the Medium-Term Management Strategy, and the number of shares to be granted to each Member of the Board is calculated by multiplying the performance-related coefficient by the

number of points that has been accumulated. The granted shares are delivered to the Member of the Board upon retirement.

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

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

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

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

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

The membership of the Compensation Committee delegated by the Board of Directors to determine the details of individual compensation, etc. of Members of the Board for the fiscal year under review consists of Akira Shimada (Representative Member of the Board, President), Takashi Hiroi (Representative Member of the Board, Senior Executive Vice President), Ken Sakamura (outside Member of the Board), Yukako Uchinaga (outside Member of the Board), and Koichiro Watanabe (outside Member of the Board).

Bonus Performance Indicators

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

Category	Performance Indicators	Evaluation Weighting	Evaluation Method	FY2021 Results	FY2022 Results
Financial indicators	EPS (earnings per share)	35%	YoY improvement	¥329	¥348

Category	Performance Indicators	Evaluation Weighting	Evaluation Method	FY2022 Targets	FY2022 Results
Financial indicators	Operating profit	35%	Achievement level of plan	¥1,820.0 billion	¥1,829.0 billion
	Overseas operating profit margin	10%		7.0%	7.2%
	ROIC (return on invested capital)	5%		7.6%	7.4%
Sustainability indicators	Greenhouse gas emissions	5%		3.075 million tons or less	2.464 million tons
	B2B2X revenues	5%		¥600.0 billion	¥815.4 billion
	New female manager promotion rate	5%		30%	29.7%

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

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

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

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

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

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

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

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

Total Compensation, etc. during the Fiscal Year Ended March 31, 2023

Position	Number of Persons	Fixed	Short-Term	Medium- to Long-Term		Total Compensation (Millions of yen)
		Base Salary (Millions of yen)	Bonuses (Millions of yen)	Compensation for stock acquisition (Millions of yen)	Performance-related stock compensation (Millions of yen)	
Members of the Board	15	296	154	27	54	531
Audit & Supervisory Board Members	7	178	—	—	—	178
Total	22	474	154	27	54	708
(Of which outside Officers)	(12)	(173)	(—)	(—)	(—)	(173)

Notes: 1. Compensation amounts shown above include compensation paid to five Members of the Board and one Audit & Supervisory Board Member who resigned on June 24, 2022, at the conclusion of the 37th Ordinary General Meeting of Shareholders.

2. At the 36th Ordinary General Meeting of Shareholders held on June 24, 2021, it was resolved that the amount of compensation for Members of the Board comprises three components: (1) the amount of monetary compensation: ¥600 million or less annually, (2) the amount paid to Members of the Board as funds to acquire NTT's shares through the Board Members Shareholding Association, etc.: ¥50 million or less annually and 24,000 shares or less annually, and (3) the amount to be contributed for the performance-related stock compensation system, etc.: ¥100 million or less annually and 47,000 shares or less annually. Note that at the conclusion of this General Meeting of Shareholders, there were eight Members of the Board.

3. The amount of performance-related stock compensation for Members of the Board shown above is the amount recorded as expenses for point grants for the fiscal year under review.

4. The amount of compensation for Audit & Supervisory Board Members was resolved to be ¥200 million or less annually at the 21st Ordinary General Meeting of Shareholders held on June 28, 2006. Note that at the conclusion of this General Meeting of Shareholders, there were five Audit & Supervisory Board Members.

5. The composition ratio of compensation for Members of the Board (excluding outside Members of the Board) in a case where standard business results are achieved is roughly as follows: Fixed: Short-term: Medium- to long-term = 50%: 30%: 20%.

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

Principal Activities of Outside Members of the Board and Audit & Supervisory Board Members

Position	Name	Statements Made at Board of Directors' Meetings and Overview of Duties in Relation to the Role Expected to be Fulfilled by Outside Members of the Board
Outside Members of the Board	Ken Sakamura	Mr. Ken Sakamura has a wealth of experience as an operational director of research institutions, including universities, and has a high level of integrity and insight. He was therefore elected at the Ordinary General Meeting of Shareholders held in June 2022 on the expectation that he would help strengthen the supervisory function for business execution and provide advice from his wide-ranging perspectives, and he has been serving as outside Member of the Board. Mr. Sakamura has made comments at meetings of the Board of Directors and meetings held to exchange opinions with Representative Members of the Board, mainly on subjects such as research and development, the promotion of DX, and industry and technological trends regarding investment projects. In addition, on the Nomination Committee and the Compensation Committee he has offered advice on the appointment of officers, etc., succession planning, and revising the compensation system.
	Yukako Uchinaga	Ms. Yukako Uchinaga has a wealth of experience in global corporate management and diversity promotion, and has a high level of integrity and insight. She was therefore elected at the Ordinary General Meeting of Shareholders held in June 2022 on the expectation that she would help strengthen the supervisory function for business execution and provide advice from her wide-ranging perspectives on management, and she has been serving as outside Member of the Board. Ms. Uchinaga has made comments at meetings of the Board of Directors and meetings held to exchange opinions with Representative Members of the Board, mainly on subjects such as global strategy, public relations strategy, and human resources strategy. In addition, on the Nomination Committee and the Compensation Committee she has offered advice on the appointment of officers, etc., succession planning, and revising the compensation system.
	Ryoji Chubachi	Mr. Ryoji Chubachi has a wealth of experience as a corporate manager and the person responsible for operating a research institution, and has a high level of integrity and insight. He was therefore elected at the Ordinary General Meeting of Shareholders held in June 2022 on the expectation that he would help strengthen the supervisory function for business execution and provide advice from his wide-ranging perspectives on management, and he has been serving as outside Member of the Board. Mr. Chubachi has made comments at meetings of the Board of Directors and meetings held to exchange opinions with Representative Members of the Board, mainly on subjects such as research and development, Group management, and competition policy, etc.
	Koichiro Watanabe	Mr. Koichiro Watanabe has a wealth of experience as a corporate manager, and has a high level of integrity and insight. He was therefore elected at the Ordinary General Meeting of Shareholders held in June 2022 on the expectation that he would help strengthen the supervisory function for business execution and provide advice from his wide-ranging perspectives on management, and he has been serving as outside Member of the Board. Mr. Watanabe has made comments at meetings of the Board of Directors and meetings held to exchange opinions with Representative Members of the Board, mainly on subjects such as capital policy, marketing, and risk management, etc. In addition, on the Nomination Committee and the Compensation Committee he has offered advice on the appointment of officers, etc., succession planning, and revising the compensation system.
	Noriko Endo	Ms. Noriko Endo has a wealth of experience cultivated through her career, including interviewing activities as the editor of a financial magazine, conducting research on public policy (in the energy field, etc.), and serving as an outside director of corporations, and has a high level of integrity and insight. She was therefore elected at the Ordinary General Meeting of Shareholders held in June 2022 on the expectation that she would help strengthen the supervisory function for business execution and provide advice from her wide-ranging perspectives on management, and she has been serving as outside Member of the Board. Ms. Endo has made comments at meetings of the Board of Directors and meetings held to exchange opinions with Representative Members of the Board, mainly on subjects such as Group management, strengthening governance, and public policy, etc.

Position	Name	Statements Made at Board of Directors Meetings and Audit & Supervisory Board Meetings
Outside Audit & Supervisory Board Members	Kensuke Koshiyama	Based on the professional perspective fostered through his extensive experience working for the Board of Audit of Japan for many years, Mr. Kensuke Koshiyama has made comments as necessary at meetings of the Board of Directors and the Audit & Supervisory Board, at meetings held to exchange opinions with Representative Members of the Board and outside independent Members of the Board, and at meetings held to exchange opinions with Representative Members of the Board and Audit & Supervisory Board Members of Group companies. These comments were mainly from a perspective of promoting sustainability, on subjects such as corporate governance and compliance. In addition, he actively provided advice that contributed to ensuring internal control as a corporate group and complying with business-related laws and regulations.
	Takashi Iida	Based on the professional perspective fostered through his extensive experience as a lawyer, Mr. Takashi Iida has made comments as necessary at meetings of the Board of Directors and the Audit & Supervisory Board, at meetings held to exchange opinions with Representative Members of the Board and outside independent Members of the Board, and at meetings held to exchange opinions with Representative Members of the Board and Audit & Supervisory Board Members of Group companies. These comments were mainly from a perspective of promoting sustainability, on subjects such as corporate governance and compliance. In addition, he actively provided advice that contributed to preventing the occurrence of wrongful acts or scandal and strengthening the governance system.
	Hideki Kanda	Based on the professional perspective fostered through his extensive experience as a university professor, Mr. Hideki Kanda has made comments as necessary at meetings of the Board of Directors and the Audit & Supervisory Board, at meetings held to exchange opinions with Representative Members of the Board and outside independent Members of the Board, and at meetings held to exchange opinions with Representative Members of the Board and Audit & Supervisory Board Members of Group companies. These comments were mainly from a perspective of promoting sustainability, on subjects such as corporate governance and compliance. In addition to the above, he has actively provided advice and information, from such perspectives as the Companies Act and Corporate Governance Code, that contribute to the proper execution of business by the organizations of NTT Group.
	Kaoru Kashima	Based on the professional perspective fostered through her extensive experience as a certified public accountant, Ms. Kaoru Kashima has made comments as necessary at meetings of the Board of Directors and the Audit & Supervisory Board, at meetings held to exchange opinions with Representative Members of the Board and outside independent Members of the Board, and at meetings held to exchange opinions with Representative Members of the Board and Audit & Supervisory Board Members of Group companies. These comments mainly concerned subjects such as accounting audits, and from a perspective of promoting sustainability, on subjects such as corporate governance, compliance and promoting diversity. In addition to the above, at meetings held to exchange opinions with the Independent Auditor, and elsewhere, she has actively provided advice that contributes to higher quality of accounting audits.

Consolidated Financial Statements

Consolidated Statement of Financial Position (March 31, 2023)

(Millions of yen)

Item	Amount
ASSETS	
Current assets	
Cash and cash equivalents	793,920
Trade and other receivables	4,186,375
Other financial assets	98,653
Inventories	517,409
Other current assets	919,016
Sub Total	6,515,373
Assets held for sale	139,495
Total current assets	6,654,868
Non-current assets	
Property, plant and equipment	9,717,103
Right-of-use asset	718,531
Goodwill	1,283,448
Intangible assets	2,122,874
Investment property	1,242,591
Investments accounted for using the equity method	446,569
Other financial assets	1,241,331
Deferred tax assets	940,196
Other non-current assets	941,340
Total non-current assets	18,653,983
Total assets	25,308,851

Item	Amount
LIABILITIES AND EQUITY	
Current liabilities	
Short-term borrowings	1,840,381
Trade and other payables	2,807,286
Lease liabilities	205,074
Other financial liabilities	30,200
Accrued payroll	567,166
Income taxes payables	243,306
Other current liabilities	1,143,518
Sub Total	6,836,931
Liabilities directly associated with assets held for sale	3,055
Total current liabilities	6,839,986
Non-current liabilities	
Long-term borrowings	6,390,155
Lease liabilities	714,923
Other financial liabilities	148,431
Defined benefit liabilities	1,362,262
Deferred tax liabilities	143,326
Other non-current liabilities	359,141
Total non-current liabilities	9,118,238
Total liabilities	15,958,224
Equity	
Nippon Telegraph and Telephone Corporation ("NTT") shareholders' equity	
Common stock	937,950
Retained earnings	8,150,117
Treasury stock	(737,290)
Other components of equity	210,576
Total NTT shareholders' equity	8,561,353
Non-controlling interests	789,274
Total equity	9,350,627
Total liabilities and equity	25,308,851

Note: Amounts are rounded to the nearest million yen.

Consolidated Statement of Profit or Loss (Fiscal Year Ended March 31, 2023)

(Millions of yen)

Item	Amount	
Operating revenues		13,136,194
Operating expenses		
Personnel expenses	2,768,711	
Expenses for purchase of goods and services and other expenses	6,563,282	
Depreciation and amortization	1,582,625	
Loss on disposal of property, plant and equipment and intangible assets	118,620	
Impairment losses		
Goodwill	6,164	
Other	9,803	
Taxes and dues	258,003	11,307,208
Operating profit		1,828,986
Finance income		54,105
Finance costs		79,424
Share of profit (loss) of entities accounted for using the equity method		14,012
Profit before taxes		1,817,679
Income taxes		524,923
Profit		1,292,756
Profit attributable to NTT		1,213,116
Profit attributable to Non-controlling interests		79,640

Note: Amounts are rounded to the nearest million yen.

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (March 31, 2023)

(Millions of yen)

Item	Amount
ASSETS	
Current assets	
Cash and bank deposits	4,433
Accounts receivable, trade	5,298
Supplies	171
Advance payment	2,800
Accounts receivable, other	260,211
Other	2,840
Total current assets	275,753
Fixed assets	
Property, plant and equipment	
Buildings	69,217
Structures	5,450
Machinery, equipment and vehicles	224
Tools, furniture and fixtures	26,510
Land	27,746
Lease assets	7
Construction in progress	1,784
Total property, plant and equipment	130,938
Intangible fixed assets	
Software	16,161
Other	363
Total intangible fixed assets	16,524
Investments and other assets	
Investment securities	446,174
Investments in subsidiaries and affiliated companies	10,022,608
Other securities of subsidiaries and affiliated companies	30,655
Contributions to affiliated companies	2,145
Long-term loans receivable to subsidiaries	873,000
Prepaid pension costs	2,507
Other	5,594
Total investments and other assets	11,382,683
Total fixed assets	11,530,145
Total assets	11,805,898

Note: Amounts are rounded to the nearest million yen.

Item	Amount
LIABILITIES	
Current liabilities	
Accounts payable, trade	181
Current portion of long-term borrowings	30,710
Current portion of long-term borrowings from subsidiaries	256,100
Short-term borrowings	1,846,287
Lease obligations	2
Accounts payable, other	63,247
Accrued expenses	7,000
Accrued taxes on income	1,674
Advances received	681
Deposits received	293
Asset retirement obligations	92
Other	1,663
Total current liabilities	2,207,930
Long-term liabilities	
Long-term borrowings	303,165
Long-term borrowings from subsidiaries	4,052,365
Lease obligations	5
Deferred tax liabilities	5,536
Liability for employees' retirement benefits	35,598
Asset retirement obligations	1,752
Other	5,422
Total long-term liabilities	4,403,842
Total liabilities	6,611,772
NET ASSETS	
Shareholders' equity	
Common stock	937,950
Capital surplus	
Additional paid-in capital	2,672,826
Other capital surplus	6
Total capital surplus	2,672,832
Earned surplus	
Legal reserve	135,333
Other earned surplus	
Accumulated earned surplus	2,108,971
Total earned surplus	2,244,305
Treasury stock	(737,290)
Total shareholders' equity	5,117,797
Unrealized gains (losses), translation adjustments, and others	
Net unrealized gains (losses) on securities	76,328
Total unrealized gains (losses), translation adjustments, and others	76,328
Total net assets	5,194,125
Total liabilities and net assets	11,805,898

Non-consolidated Statement of Income (Fiscal Year Ended March 31, 2023)

(Millions of yen)

Item	Amount	
Operating revenues		
Dividends received	1,165,311	
Revenues from group management	17,900	
Revenues from basic R&D	122,000	
Other services	19,015	1,324,225
Operating expenses		
Administration	31,891	
Experiment and research	119,659	
Depreciation and amortization	17,960	
Retirement of fixed assets	1,077	
Miscellaneous taxes	4,276	174,862
Operating income		1,149,363
Non-operating revenues		
Interest income	2,110	
Lease and rental income	8,310	
Miscellaneous income	2,466	12,887
Non-operating expenses		
Interest expenses	18,276	
Corporate bond interest expenses	674	
Lease and rental expenses	5,001	
Loss on investments in partnerships	3,645	
Miscellaneous expenses	3,021	30,617
Recurring profit		1,131,632
Extraordinary income		
Gain on sale of investments in subsidiaries and affiliated companies	68,952	68,952
Extraordinary losses		
Loss on valuation of investment securities	45,678	45,678
Income before income taxes		1,154,907
Corporation, inhabitant, and enterprise taxes	3,539	
Deferred tax expenses (benefits)	(1,537)	2,002
Net income		1,152,905

Note: Amounts are rounded to the nearest million yen.

Auditor's Report on Consolidated Financial Statements

Independent Auditor's Report

To the Board of Directors of Nippon Telegraph and Telephone Corporation:

Opinion

We have audited the consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes to the consolidated financial statements of Nippon Telegraph and Telephone Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2023 and for the year from April 1, 2022 to March 31, 2023 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with the latter part of Article 120-1 of the Ordinance of Companies Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Audit and supervisory board members and the audit and supervisory board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit and Supervisory Board Members and Audit and Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the latter part of Article 120-1 of the Ordinance of Companies Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the latter part of Article 120-1 of the Ordinance of Companies Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards.

Audit and supervisory board members and the audit and supervisory board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with the latter part of Article 120-1 of the Ordinance of Companies Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit and supervisory board members and the audit and supervisory board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit and supervisory board members and the audit and supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Yutaka Terasawa
Designated Engagement Partner
Certified Public Accountant

Kenji Tanaka
Designated Engagement Partner
Certified Public Accountant

Kei Sakayori
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
May 9, 2023

Auditor's Report on Non-Consolidated Financial Statements

Independent Auditor's Report

To the Board of Directors of Nippon Telegraph and Telephone Corporation:

Opinion

We have audited the financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders' equity and other net assets and the related notes to the non-consolidated financial statements, and the accompanying supplementary schedules ("the financial statements and the accompanying supplementary schedules") of Nippon Telegraph and Telephone Corporation ("the Company") as at March 31, 2023 and for the year from April 1, 2022 to March 31, 2023 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the accompanying supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Audit and supervisory board members and the audit and supervisory board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit and Supervisory Board Members and Audit and Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit and supervisory board members and the audit and supervisory board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our objectives are to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the accompanying supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the accompanying supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the accompanying supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the accompanying supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the accompanying supplementary schedules, including the disclosures, and whether the financial statements and the accompanying supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with audit and supervisory board members and the audit and supervisory board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit and supervisory board members and the audit and supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Yutaka Terasawa
Designated Engagement Partner
Certified Public Accountant

Kenji Tanaka
Designated Engagement Partner
Certified Public Accountant

Kei Sakayori
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
May 9, 2023

Audit & Supervisory Board's Report

AUDIT & SUPERVISORY BOARD'S REPORT

Based on reports from each Audit & Supervisory Board Member, and following due discussion at meetings, the Audit & Supervisory Board has prepared this report regarding the execution of the duties of the Members of the Board in the 38th fiscal year from April 1, 2022 to March 31, 2023. The Board reports as follows:

1. Outline of Audit Methodology

- (1) The Audit & Supervisory Board established auditing policies and received reports from each Audit & Supervisory Board Member on the status of the implementation of audits and the results thereof, as well as reports regarding the status of execution of duties from the Members of the Board and other persons and the Independent Auditors, and requested explanations as necessary.
- (2) On the basis of the Audit & Supervisory Board Rules, and in accordance with its auditing policies, the Audit & Supervisory Board Members sought mutual understanding with Members of the Board, the Internal Audit Department and employees and other persons in their efforts to collect information and achieve an environment conducive to audits, and conducted the audits based on the methods described below.
 - I. The Audit & Supervisory Board Members attended meetings of the Board of Directors and other important meetings, and received reports from Members of the Board, employees and other persons regarding performance of their duties, requested explanations as necessary, perused important statements regarding decisions and approvals made and investigated the status of operations and assets at the head office and R&D laboratories. Regarding the subsidiaries, the Audit & Supervisory Board sought to achieve a mutual understanding and exchange of information with Members of the Board and Audit & Supervisory Board Members and other persons of the subsidiaries, and where necessary received business reports from the subsidiaries.
 - II. With respect to the particulars of Board of Directors resolutions relating to establishment of structures as set forth in Article 100 (1) and (3) of the Ordinance for Enforcement of the Companies Act, necessary to ensure that Board Members' performance of their duties, as stated in the Business Report, is in conformity with laws and regulations and their company's Articles of Incorporation and to otherwise ensure the appropriateness of the business of a corporate group consisting of a kabushiki kaisha and its subsidiaries, as well as the structures established pursuant to such resolutions (internal control systems), the Audit & Supervisory Board Members received reports regularly from Members of the Board and other employees regarding the status of the establishment and implementation of the systems, requested explanations as necessary, and expressed opinions thereon.
 - III. The Audit & Supervisory Board Members audited and verified whether the Independent Auditor maintained its independence and carried out its audits appropriately, received reports from the Independent Auditor regarding the execution of its duties and, where necessary, requested explanations. Also, the Audit & Supervisory Board received notification from the Independent Auditors to the effect that the "structure to ensure that duties are executed appropriately" (the matters listed in Article 131 of the Regulation on Corporate Accounting) has been established in accordance with "Quality Control Standards for Auditing" (Business Accounting Council, October 28, 2005) and, where necessary, requested explanations.

Based on the above methodology, the Audit & Supervisory Board audited the Business Report and related supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in shareholders' equity and other net assets, notes to non-consolidated financial statements) and related supplementary schedules, as well as the consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and notes to consolidated financial statements) related to the fiscal year under review.

2. Audit Results

(1) Results of the audit of the Business Report

- I. We find that the Business Report and its supplementary schedules accurately reflect the conditions of the company in accordance with applicable laws and the Articles of Incorporation.
- II. No inappropriate conduct concerning the execution of duties by Members of the Board or material facts in violation of law or the Articles of Incorporation were found.
- III. We find that the particulars of Board of Directors' resolutions concerning the internal control systems are appropriate.

Further, no matters worthy of note were found with respect to the content of the Business Report and Board Members' execution of duties in regards to the internal control systems.

(2) Results of the audit of the non-consolidated financial statements and supplementary schedules

We find that the methodology and results of the audit by the Independent Auditor, KPMG AZSA LLC, are appropriate.

(3) Results of the audit of the consolidated financial statements

We find that the methodology and results of the audits conducted by the Independent Auditor, KPMG AZSA LLC, are appropriate.

May 10, 2023

Nippon Telegraph and Telephone Corporation
Audit & Supervisory Board

Full-time Audit & Supervisory Board Member	Keiichiro Yanagi
Full-time Audit & Supervisory Board Member	Kanae Takahashi
Full-time Audit & Supervisory Board Member	Kensuke Koshiyama
Audit & Supervisory Board Member	Takashi Iida
Audit & Supervisory Board Member	Hideki Kanda
Audit & Supervisory Board Member	Kaoru Kashima

Notes: 1. Full-time Audit & Supervisory Board Member Kensuke Koshiyama, and Audit & Supervisory Board Members Takashi Iida, Hideki Kanda, Kaoru Kashima are outside Audit & Supervisory Board Members as prescribed in Article 2(xvi), and Article 335(3) of the Companies Act.
2. The Audit & Supervisory Board Members have provided their seal by electronic means.

END

■ General Terms

▼ Digital Twin

A technology for representing various data collected from the real world on a computer so that the digital data can serve as a twin of the real data.

▼ Digital Transformation (DX)

Process of creating new business models or transforming existing business by using ICT tools to accumulate various data or use data in management.

▼ B2B2X

An initiative aimed at working together with service providers such as local government bodies or business operators in other fields (B) to provide solutions to social problems and new value creation for end users (X) through working behind the scene or in intermediary roles to expand cooperation with the aforementioned service providers and conducting activities that support digital transformation.

▼ Managed Services

A service for undertaking installation, management, operation, and maintenance of the equipment and software needed for use of telecommunication services, IT services, and others.

▼ EBITDA

Earnings Before Interest, Taxes, Depreciation, and Amortization
An indicator calculated by adding interest expenses and depreciation and amortization to profit before income taxes. It indicates just how much cash flow is generated from the core business.

▼ Engagement

This term refers to employees' trust in a company and their willingness to contribute to it.

■ Terms Related to NTT Group Services

▼ Space Integrated Computing Network

A new infrastructure network that NTT Group and SKY Perfect JSAT Corporation aim to realize.

Non GHG-emitting and autonomous space infrastructure that is not vulnerable to terrestrial disasters, offering ultra-low power consumption, ultra-fast communication speeds and high security by utilizing optical technologies.

▼ ahamo

Name of a mobile phone service billing plan offered by NTT DOCOMO

A billing plan that is provided more efficiently by streamlining the locations for subscribing and the service provided, such as online subscription.

▼ Hikari Collaboration Model

The wholesale provision of FLET'S Hikari and other services provided by NTT East and NTT West to various service providers.

▼ FLET'S Hikari

A collective name for fiber optic Internet connection services provided by NTT East and NTT West.

(Regarding the Contents of the Business Report)

- In this Business Report, "NTT DOCOMO," "NTT Communications," "NTT Comware," "NTT East," "NTT West," and "NTT DATA" refer to NTT DOCOMO, INC., NTT Communications Corporation, NTT COMWARE CORPORATION, Nippon Telegraph and Telephone East Corporation, Nippon Telegraph and Telephone West Corporation, and NTT DATA Corporation respectively.
- The consolidated financial statements of NTT have been prepared in accordance with International Financial Reporting Standards (IFRS).
- With respect to amounts appearing in this Business Report, figures are rounded to the nearest whole unit.
- With respect to underlined terms, a definition of each term is provided in the "Glossary of Terms."
- The forward-looking statements, remarks and projected figures concerning the future performance of NTT and its subsidiaries and affiliates contained or referred to herein are based on a series of assumptions, projections, estimates, judgments and beliefs of the management of NTT in light of information currently available to it regarding NTT and its subsidiaries and affiliates, the economy and telecommunications industry in Japan and overseas, and other factors. These projections and estimates may be affected by the future business operations of NTT and its subsidiaries and affiliates, the state of the economy in Japan and abroad, possible fluctuations in the securities markets, the pricing of services, the effects of competition, the performance of new products, services and new businesses, changes to laws and regulations affecting the telecommunications industry in Japan and elsewhere, other changes in circumstances that could cause actual results to differ materially from the forecasts contained or referred to herein, as well as other risks included in this Business Report.

To Shareholders:

THE 38TH ORDINARY GENERAL MEETING OF SHAREHOLDERS
OTHER MATTERS SUBJECT TO MEASURES FOR ELECTRONIC PROVISION
(MATTERS EXCLUDED FROM PAPER-BASED DOCUMENTS DELIVERED)

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Pursuant to applicable laws and regulations, and Article 16, paragraph 2 of NTT's Articles of Incorporation, the above matters are excluded from the paper-based documents delivered to shareholders who have made a request for the delivery of documents stating matters for which measures for providing information in electronic format are to be taken.

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*:14

* The 14 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 DATA CORPORATION	Koto-ku, Tokyo
	NTT DATA, Inc.	Koto-ku, Tokyo
	NTT Ltd.	United Kingdom
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	Minato-ku, Tokyo

Employment

Number of employees (as of March 31, 2023): 338,651 (an increase of 4,811 from the previous fiscal year)

Category	Number of Employees
Integrated ICT Business	47,151
Regional Communications Business	70,317
Global Solutions Business	195,106
Others (Real Estate, Energy and Others)	26,077

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

Category	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Operating revenues (billions of yen)	11,899.4	11,944.0	12,156.4	13,136.2
Operating profit (billions of yen)	1,562.2	1,671.4	1,768.6	1,829.0
Profit before taxes (billions of yen)	1,570.1	1,652.6	1,795.5	1,817.7
Profit (billions of yen)	855.3	916.2	1,181.1	1,213.1
Earnings per share (yen)	231.21	248.15	329.29	347.99
Total assets (billions of yen)	23,014.1	22,965.5	23,862.2	25,308.9
Shareholders' equity (billions of yen)	9,061.1	7,562.7	8,282.5	8,561.4
Shareholders' equity per share (yen)	2,492.60	2,087.98	2,338.73	2,511.06

- Notes:
1. Profit reflects profit attributable to NTT (excluding the portion attributable to non-controlling interests).
 2. Earnings per share reflects profit per share attributable to NTT (excluding the portion attributable to non-controlling interests).
 3. 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.
 4. 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.
 5. 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.
 6. 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, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Operating revenues (billions of yen)	649.7	794.1	650.1	1,324.2
Operating income (billions of yen)	510.3	644.4	479.8	1,149.4
Recurring profit (billions of yen)	508.9	639.8	474.5	1,131.6
Net income (billions of yen)	480.8	639.2	470.5	1,152.9
Net income per share (yen)	129.96	173.14	131.18	330.72
Total assets (billions of yen)	6,834.1	11,476.4	11,664.3	11,805.9
Net assets (billions of yen)	4,845.3	5,176.6	5,012.2	5,194.1
Net assets per share (yen)	1,332.87	1,429.21	1,415.29	1,523.45

- 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 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

In accordance with Article 427, paragraph (1) of the Companies Act, 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 that act, if they have acted in good faith and without gross negligence in performing their duties. 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	¥327 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	¥3,201 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.

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 Audit Department which oversees the establishment of internal control rules and frameworks. The Internal Audit Department shall evaluate the effectiveness of the internal control systems based on internal audits regarding high risk matters affecting the entire NTT Group, and shall make sure that necessary corrective measures and improvements are implemented.
3. NTT shall also take appropriate measures to ensure the reliability of its internal control systems for financial reporting based on the Financial Instruments and Exchange Act.
4. As a chief executive officer, the president shall be responsible for ensuring the development and operation of the internal control systems.

II. Development of the Internal Control Systems

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

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

- (1) NTT shall establish the Employment Rules which require employees to adhere faithfully to applicable laws, regulations and official notices, and to devote all their efforts to the performance of their duties so that business activities are appropriately and effectively carried out.
- (2) NTT shall adopt the NTT Group Corporate Ethics Policy setting forth specific conduct guidelines concerning corporate ethics for all NTT Group officers and employees.
- (3) NTT shall establish the Corporate Ethics Committee, chaired by the Senior Executive Vice President, 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 Audit Department reports the internal audit plan to the Board of Directors, conducts internal audits based on the plan, and reports audit results to the Board of Directors on a regular basis.
2. Rules and other systems concerning business risk management

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

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

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

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

NTT Group shall also establish a reporting structure for matters regarding business operations of group companies.
4. Systems for retaining and managing information related to the performance of duties of Members of the Board and Executive Officers

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

 - (1) NTT shall adopt the Document Management Rules and the Rules for Information Security Management to manage documents (including related materials and

information recorded on electronic media; referred to as "Documents") and other information properly.

- (2) Documents shall be retained for the periods required by law and/or as necessary for business operations.
5. Systems for ensuring the propriety of the business activities of NTT Group

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

 - (1) Establishing a crisis communication system to notify the parent company,
 - (2) Conducting employee education and training to prevent fraud or misconduct,
 - (3) Establishing systems for information security and protection of personal information,
 - (4) Reporting regularly to the parent company on their financial condition, and
 - (5) Accepting internal audits by the parent company's internal audit division, etc.
6. Employees who assist Audit & Supervisory Board Members in the performance of their duties and the independence of those employees from Members of the Board and Executive Officers

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

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

In order to ensure the effective implementation of audits by Audit & Supervisory Board Members, NTT shall adopt the following measures, including reports to Audit & Supervisory Board Members on material matters concerning the performance of duties by Members of the Board, Executive Officers and employees:

 - (1) Members of the Board and other personnel report the following matters concerning the performance of their duties:
 - (a) Matters resolved at Executive Officers Meeting;
 - (b) Matters that caused or may cause substantial damage to NTT;
 - (c) Monthly financial reports;
 - (d) Results of internal audits;
 - (e) Matters that pose a risk of violation of laws and regulations or NTT's Articles of Incorporation;
 - (f) Whistleblowing;
 - (g) Material matters reported by group companies; and
 - (h) Other material compliance matters.
 - (2) Representative Members of the Board, the independent auditor, and the internal audit division shall report to and exchange ideas and opinions with Audit

& Supervisory Board Members periodically or as needed upon request from Audit & Supervisory Board Members.

- (3) Audit & Supervisory Board Members have the right to attend meetings of the Board of Directors and other important meetings.
- (4) Audit & Supervisory Board Members may contract independently with and seek advice from external experts with respect to the performance of audit operations.
- (5) Audit & Supervisory Board Members may request prepayment or reimbursement of expenses incurred in the execution of their duties. NTT shall provide prepayment or reimbursement upon such requests.
- (6) Persons who report to the Audit & Supervisory Board Members will not be treated disadvantageously as a result of such reports.

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

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

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

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

With respect to corporate ethics, the NTT Group Corporate Ethics 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 500 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 Audit Department reports to the Board of Directors and the Audit & Supervisory Board on the annual internal audit plan. It also reports to the President on audit results along with advice to improve and correct issues, while regularly and directly reporting audit results to and sharing them with the Board of Directors, the Audit & Supervisory Board and the independent auditor, and promoting necessary coordination.

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 ten members including five outside independent Members of the Board, met 14 times during the fiscal year under review.

Important NTT decisions are deliberated and decided in principle at the Executive Officers Meeting, which was held 51 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.): 35
- Finance Strategy Committee (Basic strategies related to finance, policies for addressing financial issues): 8

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

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

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

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

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

In terms of ensuring information security across the entire NTT Group, NTT has established the NTT Group Information Security Policy and disseminated via NTT's corporate website. Further, NTT has established the Group CISO Committee, whose membership consists of Chief Information Security Officers (CISOs) of each group company, as a forum for deliberating on risk management and solutions to issues pertaining to information security. The committee met three 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 Audit Department coordinated with the internal audit divisions of Group companies, conducted audit reviews as the parent company of the internal audits performed by those internal audit divisions and the auditing conditions at Group companies, and uniformly conducted audits regarding high risk matters affecting the entire NTT Group.

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 six 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 36 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, 2022 to March 31, 2023)

(Millions of yen)

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

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 points programs, and provisions for credit card rewards.

8. Defined benefit liabilities

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, sales of telecommunications terminal equipment, system integration services, 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 according to the usage of these services because performance obligations are deemed to be satisfied as the services are used. Fixed voice-related services are billed monthly, and when payment is due is mainly one month after the period in which the services were used.

(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 according to the usage of these services because performance obligations are deemed to be satisfied as the services are used. Mobile voice-related services are billed monthly, and when payment is due is mainly the end of the month following the month in which the services were used. In some of its billing plans, NTT Group determines an amount of telecommunications traffic (for phone calls) available within the scope of the fixed charge of each billing plan, offering a service of automatically carrying forward to the following month the unused amount of telecommunications traffic. For these services, the portion of revenue corresponding to the voice allowances that are unused in the current month but are expected to be used in the following month or afterward is deferred, and deferred amounts are recognized as revenue when such allowances are used.

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

(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 and Regional Communications Business

NTT Group recognizes revenue according to the usage of IP/packet communications services because performance obligations are deemed to be satisfied as the services are used.

IP/packet communications services for consumers are billed monthly, and when payment is due is mainly the end of the month following the month in which the services were used or one month after the period in which the services were used. IP/packet communications services for enterprise customers are billed at the contractually agreed time, and consideration for the services is mainly collected by the end of the month following the month in which the services were used.

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

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

Integrated ICT Business

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

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

Regional Communications Business

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

(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. When payment is due is mainly the end of the month following the

month in which the services were used. Because terminal equipment sales are recognized upon delivery of handsets to sales agents, advance payments for the purchased handsets to sales agents and subsequent cash collection of the installment receivable from subscribers do not impact NTT Group's revenues.

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 system integration services; both of these services are mainly provided to customers. With respect to system integration services, NTT Group recognizes revenue over the course of the installation period, as the benefits transfer to customers as the installation progresses. As cost is deemed to arise in proportion to the degree of installation progress, the cost-based input method is used for recognition of revenue. Contract consideration is usually invoiced upon delivery, and consideration for the services is mainly collected within 30 days from the day immediately following the invoice date.

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

(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, 2023, NTT Group comprised 918 consolidated subsidiaries and 145 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	12,563,910
Revenue from other sources	572,284
Total	13,136,194

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

(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	146,375	724,843	–	–	871,218
Mobile voice-related services	1,046,368	–	–	–	1,046,368
IP/packet communications services	2,282,415	1,161,552	–	–	3,443,967
Sales of telecommunications terminal equipment	685,105	71,122	–	–	756,227
System integration services	429,490	186,792	3,896,991	33,181	4,546,454
Other services	1,188,053	337,778	–	946,129	2,471,960
Total	5,777,806	2,482,087	3,896,991	979,310	13,136,194
Revenue from contracts with customers	5,594,634	2,333,543	3,750,678	885,055	12,563,910
Revenue from other sources	183,172	148,544	146,313	94,255	572,284

In its four 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)	2,522,895
Contract assets (Other current assets)	166,660
Contract liabilities (Other current liabilities and Other non-current liabilities)	908,201

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

Of the revenues recognized in the fiscal year ended March 31, 2023, ¥346,037 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 year ended March 31, 2023 due to performance obligations satisfied, or partially satisfied, in the past periods was immaterial.

3. Transaction Price Allocated to the Remaining Performance Obligations

(Millions of yen)

Types of performance obligations	As of March 31, 2023	Description about the expected time of satisfaction of performance obligations
Installation fees, activation fees, point programs, and other fees in mobile voice-related service and IP/packet communications services	384,945	Expected to be satisfied within approximately 16 years
System integration services including development of system and software	3,854,648	Expected to be satisfied within approximately 4 years.
Other than above (mainly common service charges under non-cancelable lease contracts, construction work)	199,354	Common service charges under non-cancelable lease contracts are expected to be satisfied within approximately 18 years, construction works are within approximately 18 years, others are within approximately 11 years.

The practical expedient of Paragraph 121 of IFRS 15 has not been applied to residual performance obligations related to installation fees, activation fees, point programs, and other fees in mobile voice-related service and IP/packet communications services, in addition to system integration services. Remaining performance obligations related to contracts expected to be satisfied within 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	341,086
Assets recognized from the costs to fulfill a contract	64,909
Total	405,995

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

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

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

The amounts of amortization on the assets recognized from contract costs for the fiscal year ended March 31, 2023 were ¥111,706 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, 2023 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, 2023, NTT Group recorded property, plant and equipment of ¥9,717,103 million, right-of-use asset of ¥718,531 million, goodwill of ¥1,283,448 million, intangible assets of ¥2,122,874 million, and investment property of ¥1,242,591 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, 2023, NTT Group recorded operating revenue of ¥13,136,194 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 ¥940,196 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 ¥1,362,262 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. Debt guarantees and others ¥1,401,057 million

3. Loss allowance deducted directly from assets

Trade and other receivables ¥92,122 million

Other financial assets (Non-current) ¥19,621 million

4. Component of Property, plant and equipment

(Millions of yen)

	Value reported on consolidated statement of financial position
Telecommunications equipment	11,081,055
Telecommunications service lines	16,962,569
Buildings and structures	5,880,467
Machinery, tools and fixtures	2,897,348
Land	779,210
Construction in progress	661,315
Sub-total	38,261,964
Accumulated depreciation and impairment losses	(28,544,861)
Property, plant and equipment - total	9,717,103

5. Accumulated depreciation and impairment losses of right-of-use assets ¥428,584 million

6. Accumulated depreciation and impairment losses of investment property ¥495,615 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, 2023
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, 2022 Ordinary general meeting of shareholders*1	Common stock	212,551	60	March 31, 2022	June 27, 2022
November 8, 2022 Board of Directors meeting*2	Common stock	206,974	60	September 30, 2022	December 15, 2022

*1 Total dividends include the dividend of ¥65 million paid for the Company's shares held by the BIP trust.

*2 Total dividends include the dividend of ¥62 million paid for the Company's shares held by the BIP trust.

(2) Dividends for which the record date fell in the fiscal year ended March 31, 2023 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 22, 2023 Ordinary general meeting of shareholders*3	Common stock	Retained earnings	204,629	60	March 31, 2023	June 23, 2023

*3 Total dividends include the dividend of ¥62 million paid for the Company's shares held by the BIP trust.

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)	(6,972,397)	(6,742,667)	229,730
Financial assets and financial liabilities measured at fair value			
Other financial assets (Current / Non-current)			
Investments in capital	68,258	68,258	–
Equity securities	753,544	753,544	–
Other financial assets / Other financial liabilities (Current / Non-current)			
Derivatives	103,660	103,660	–

*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)	6,972,397	6,742,667

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

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)

Classifi- cation	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 compre- hensive income					Profit
Financial assets:								
Invest- ments in capital	53,575	1,865	–	6,573	(9,760)	4,401	56,654	1,860
Equity securities	131,357	–	(31,789)	7,389	(3,110)	(2,649)	101,198	–

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 interest rate index 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
1,242,591	2,613,247

*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: ¥2,511.06

Basic earnings per share attributable to NTT: ¥347.99

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.

Other

- Assets held for sale

Transfer of towers to JTOWER Inc.

- (1) Overview

NTT DOCOMO decided at a meeting of its Board of Directors held on March 25, 2022 to enter a master transaction agreement with JTOWER Inc. ("JTOWER"), under which a maximum of 6,002 telecommunications towers owned by NTT DOCOMO are to be transferred to JTOWER for a maximum of ¥106.2 billion, and NTT DOCOMO will lease these towers from JTOWER (the "Transaction"). The master transaction agreement was entered into on March 31, 2022. Under the master transaction agreement, NTT DOCOMO plans to sell the telecommunications towers to JTOWER during the fiscal years covering the period from April 1, 2022 to March 31, 2024.

JTOWER positions the purchase of existing telecommunications towers owned by telecommunications companies and the promotion of infra-sharing by attracting new tenants to these towers (carve-out) to be one of the key growth strategies. The Transaction will greatly expand its business foundation as a tower sharing operator. NTT DOCOMO is working to build an economical 5G network by promoting infra-sharing and the Transaction will enable further streamlining of network operations.

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

The assets related to the transfer of towers are included in the Integrated ICT Business segment. The assets, which have not been transferred yet, are classified as assets held for sale as of March 31,

2023. The classes of these assets are mainly property, plant and equipment, and the carrying amount of these assets is ¥89,688 million. The amount of these assets held for sale is measured at its carrying amount or its fair value less costs of disposal, whichever is lower.

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

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 purposes are to provide increased incentive to achieve the financial targets set forth in the medium-term management strategy, and further promote shared value with shareholders by advancing ownership of NTT's shares.

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

(2) Shares of NTT held by the Trust

The carrying amount and number of the shares of NTT held by the Trust as of the end of the fiscal year were ¥2,991 million and 1,033,466 shares, respectively, and the shares are treated as "Treasury stock" on the consolidated statement of financial position.

3. Realignment of the Global Business

NTT implemented a realignment of NTT Group's global business based on the resolution at the Board of Directors meeting held on May 9, 2022. At the meeting, NTT's Board of Directors resolved to acquire shares of NTT DATA's common stock up to 60 million shares or 100 billion yen through market transactions, from the perspective of enhancing the cooperation with NTT DATA. Based on this resolution, NTT acquired 49,672,800 shares of NTT DATA's common stock for 100 billion yen from October 2022 to February 2023. As a result, NTT Group's ownership interest in NTT DATA increased from 54.2% to 57.8%, and "Additional paid-in capital" decreased by 47,440 million yen in the fiscal year ended March 31, 2023. Other than it, the realignment of the global business implemented in the fiscal year ended March 31, 2023 did not have a material financial impact on NTT Group.

Non-consolidated Financial Statements

Non-consolidated Statement of Changes in Shareholders' Equity and Other Net Assets (from April 1, 2022 to March 31, 2023)

(Millions of yen)

											(millions of yen)	
Shareholders' equity										Unrealized gains (losses), translation adjustments, and others		Total net assets
Common stock	Capital surplus			Legal reserve	Earned surplus		Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities	Total unrealized gains (losses), translation adjustments, and others		
	Additional paid-in capital	Other capital surplus	Total capital surplus		Other earned surplus	Total earned surplus						
At beginning 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
Net change during the annual period												
Cash dividends	–	–	–	–	–	(419,525)	(419,525)	–	(419,525)	–	–	(419,525)
Net income	–	–	–	–	–	1,152,905	1,152,905	–	1,152,905	–	–	1,152,905
Payments to acquire treasury stock	–	–	–	–	–	–	–	(511,028)	(511,028)	–	–	(511,028)
Resale of treasury stock	–	–	6	6	–	–	–	196	203	–	–	203
Others, net	–	–	–	–	–	–	–	–	–	(40,595)	(40,595)	(40,595)
Total net change during the annual period	–	–	6	6	–	733,380	733,380	(510,832)	222,554	(40,595)	(40,595)	181,960
At end of year	937,950	2,672,826	6	2,672,832	135,333	2,108,971	2,244,305	(737,290)	5,117,797	76,328	76,328	5,194,125

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 shares 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, 2023.

(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, 2023.

[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, 2023.

[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.

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 group tax sharing system

NTT applies for the group tax sharing system.

Notes to Non-Consolidated Balance Sheet

1. Accumulated depreciation on property, plant and equipment: ¥330,072 million
2. Debt guarantees
NTT has made the following debt guarantees regarding corporate bond issuances of subsidiaries.
NTT Finance Corporation ¥2,168,885 million
3. Accounts receivable from and payable to affiliates are as follows (excluding those otherwise classified):

Short-term accounts receivable:	¥23,509 million
Long-term accounts receivable:	¥1,718 million
Short-term accounts payable:	¥1,882,697 million
Long-term accounts payable:	¥2,310 million

Notes to Non-Consolidated Statement of Income

1. Transactions with affiliated companies
Balance of operating transactions

Operating revenues	¥152,117 million
Operating expenses	¥74,325 million

Balance of non-operating transactions ¥152,649 million
2. The "Gain on sale of investments in subsidiaries and affiliated companies" is a gain on sale of shares of NTT's subsidiary NTT DATA, Inc.
3. The "Loss on valuation of investment securities" is a loss on valuation arising from an impairment loss recognized for shares of HERE International B.V.

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, 2023.

Treasury stock: 211,524,308 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

1. 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 ¥190,287 million in valuation allowance.
2. Accounting for income taxes and local income taxes, and related tax effect accounting
NTT has adopted the group tax sharing system from the fiscal year ended March 31, 2023. In addition, NTT accounts for and discloses income taxes, local income taxes and the related tax effects in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021).

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	160,000	Long-term loans to subsidiaries	198,000
				Receipt of interest ¹	750	Other current assets	8
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	240,000	Long-term loans to subsidiaries	675,000
				Receipt of interest ¹	1,360	Other current assets	146
Subsidiary	NTT Finance Corporation	100% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Borrowing of capital ²	2,169,893 ³	Current portion of long-term borrowings from subsidiaries	256,100
						Short-term borrowings	1,846,287
						Long-term borrowings from subsidiaries	4,052,365
				Payment of interest ²	12,636	Accrued expense	3,206
				Transfer of capital among NTT Group companies	111,728	Accounts payable - other	839
				Debt guarantees ⁴	2,168,885	—	—
Subsidiary	NTT DATA, Inc.	45% direct ownership 55% indirect ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Purchase of shares of subsidiaries ⁵	401,204	—	—
Subsidiary	NTT DATA CORPORATION	58% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Sale of shares of subsidiaries ⁵			
				Sales value	112,000	—	—
				Gain on sale	68,952	—	—

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.
- 5 The details are presented in "2. Realignment of the Global Business" of "Other" in "Notes to Non-consolidated Financial Statements."

Notes Concerning Financial Data per Share

Net assets per share	¥1,523.45
Net income per share	¥330.72

(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.

Other

1. 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 ¥2,991 million and 1,033,466 shares, respectively, and the shares are treated as "Treasury stock" on the non-consolidated balance sheet.

2. Realignment of the Global Business

NTT implemented a realignment of NTT Group's global business based on the resolution at the Board of Directors meeting held on May 9, 2022. NTT accounted for the realignment 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).

The Company acquired the shares of NTT DATA held by NTT, Inc. as dividends in kind, and the carrying amount of the shares of the affiliated company received was determined based on the amount of shareholders' equity of the reorganized company.

In addition, 260 shares of NTT, Inc. held by NTT (4% of total issued shares) were sold to NTT DATA, and the transaction amount was determined through negotiations between both parties.

Furthermore, NTT, Inc. changed its company name to NTT DATA, Inc.

The effects on NTT's non-consolidated financial statements are presented in "Notes Concerning Related Party Transactions" in "Notes to Non-consolidated Financial Statements." NTT acquired additional shares of NTT DATA through market transactions. The details of these transactions are presented in "3. Realignment of the Global Business" of "Other" in "Notes to Consolidated Financial Statements."