【Notes for consolidated financial statements】

1. Reporting entity

NTT DATA Corporation (hereinafter referred to as “NTT DATA”) is a company located in Japan. The consolidated financial statements comprise NTT DATA and its subsidiaries (hereinafter referred to as “NTT DATA Group”). NTT DATA Group conducts business mainly in 5 segments: “Public & Social Infrastructure,” “Financial,” “Enterprise & Solutions,” “North America,” and “EMEA & LATAM.”

At the same time, NTT DATA Group belongs to the NTT Group whose ultimate parent company is NIPPON TELEGRAPH AND TELEPHONE CORPORATION.

2. Basis of preparation

(1) Compliance with IFRS

The consolidated financial statements of NTT DATA Group meet the requirements of “Specified Companies Complying with Designated International Accounting Standards” pursuant to Article 1-2 of the “Regulation on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976). Therefore, according to Article 93 of the Order on Consolidated Financial Statements, they are prepared in compliance with International Financial Reporting Standards (hereafter referred to as “IFRS”).

This consolidated financial statement was approved by the Board of Directors on June 16, 2022.

(2) Basis for measurement

NTT DATA Group’s consolidated financial statements is prepared based on cost, excluding certain items such as financial instruments measured at fair value, and net liabilities (assets) recognized in relation to retirement benefit plans, as mentioned in “3. Significant accounting policies.”

(3) Functional currency and presentation currency

NTT DATA Group’s consolidated financial statements are presented in Japanese yen, which is the functional currency of NTT DATA, and amounts are rounded to the nearest million yen.

3. Significant accounting policies

(1) Basis for consolidation

(i) Subsidiaries

Subsidiaries are companies over which NTT DATA Group has control. By “control,” we mean that we have everything from power over investees to exposure or rights to variable returns arising from involvement with the investees, and the ability to affect those returns through power over investees.

Financial statements of the subsidiaries are included in NTT DATA Group’s consolidated financial statements from the date of acquisition of control to the date of loss of control. In case accounting policies adopted by a subsidiary differ from those of NTT DATA Group, adjustments are made to financial statements of the subsidiary as required. Debt and credit balance and transactions within the group as well as unrealized gains and losses arising from transactions within the group are removed upon preparation of the financial statements.

Non-controlling interests consist of interests based on the acquisition-date fair value of identifiable assets and assumed liabilities of acquiree on the original date of acquisition of control (hereafter referred to as “identifiable net assets”) and changes of non-controlling interests from the date of acquisition of control. Comprehensive income of subsidiaries is attributed to interests attributable to our shareholders and non-controlling interests, even if the balance of non-controlling interests is negative.

Changes of interests in subsidiaries over which control is not being lost are processed as capital transaction. NTT DATA Group’s interests and the carrying amount of non-controlling interests are adjusted by reflecting the changes of interests in subsidiaries. Difference between the amount after adjusting non-controlling interests and fair value of consideration paid or consideration received are directly recognized as a capital and attributed to our shareholders.

In case NTT DATA Group loses control of a subsidiary, we stop recognizing the subsidiary’s assets and liabilities,

non-controlling interests related to the subsidiary and other items of owner's equity. Gains and losses occurring as a result, are recognized as profit or loss. In case of retaining interests in the former subsidiary, the interests are measured at fair value on the date of loss of control.

(ii) Associates

Associates are companies that NTT DATA Group does not have control or joint control of though we have important influence on their financial and business policies. In case NTT DATA Group holds 20% to 50% of voting rights of other companies, we include these companies as associates in principle. Even if the voting rights held by NTT DATA Group is less than 20%, if we judge that we have important influence, such as by dispatching an officer, the company is included as associates.

Investments in associates are recognized as cost upon acquisition, and are processed using equity method from then on. In applying the equity method, we correct the amount of investment for NTT DATA Group's interests in profit or loss and other comprehensive income of the associates accounted for by the equity method after the original recognition until the day we lose important influence and include the amount in our consolidated financial statements. In case the loss of the associates accounted for by the equity method exceeds investment amount of NTT DATA Group for the companies, we reduce the amount of long-term investment, which practically is part of the net investment in the companies, to zero, and do not recognize further loss, except in cases in which NTT DATA Group assume legal obligation or constructive obligation for the companies, or make a payment in their places. Unrealized gains arising from transactions between NTT DATA Group and associates are deducted from investment with NTT DATA Group's interests as the upper limit. Unrealized losses are processed in the same way as unrealized gains unless there is no evidence of impairment occurring.

The amount of cost of investment amount for the associates exceeding NTT DATA Group's interests in identifiable net assets recognized on the date of acquisition is included in the carrying amount of investment in the associates. For the said exceeding amount, impairment test is conducted in case there is an objective evidence suggesting the possibility of impairment of investment.

(iii)Reporting date

In the consolidated financial statements, financial statements of subsidiaries whose account closing date differs from NTT DATA Group's because it is impossible in practice to set it on the same date as ours due to relations, etc. with other shareholders, and investment in associates accounted for by the equity method are included. Account closing date of such subsidiaries and associates accounted for by the equity method is basically at the end of December. Adjustments are made for important transactions or impact of events that have occurred between the account closing date of subsidiaries and associates accounted for by the equity method and our account closing date.

(2) Business combinations

Business combination is processed using acquisition methods on the date of acquisition of control.

Acquisition price of a business combination is measured as a total of the assets transferred in exchange for control of acquired company, assumed liabilities, and the fair value of an equity instrument issued by NTT DATA on the date of acquisition. In case the said acquisition price exceeds the net amount of identifiable net assets of the acquired company, the difference will be recognized as goodwill in the consolidated statements of financial position and gains in case of not exceeding are immediately recognized as profit or loss. Also, in case of a business combination achieved in phases, interests in acquired companies held by NTT DATA Group before are remeasured by the fair value on the date of acquisition, and gains or losses occurred are recognized as profit or loss.

NTT DATA Group selects whether to measure non-controlling interests by fair value or by proportional ratio of the non-controlling interests in identifiable net assets per individual business combination transactions.

In case accounting at the beginning of business combination is not completed by the end of a fiscal year, NTT DATA Group reports items that are not completed with a provisional amount. Regarding facts and situations that existed as of the date of acquisition, which are obtained later for the first time, provisional amount recognized on the date of

acquisition is corrected retrospectively, as correction of measurement period, in case they are determined to have had an impact on the recognized amount of business combination should they have been known as of the date of acquisition. The measurement period is one year at the longest from the date of acquisition.

Business combinations related to companies or businesses under common control (business combination in which all combined companies or businesses are ultimately controlled by the same parties, which is not temporary, before and after the business combination) are processed based on carrying amount.

(3) Foreign currency translation

(i) Foreign currency denominated transactions

The financial statements of NTT DATA Group companies are prepared with the functional currency of the companies. Transactions in currencies other than the functional currencies (foreign currency) are converted using the exchange rate on the date of transaction.

Foreign currency monetary items are translated into the functional currency using the closing rate. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rate at the date the fair value was measured.

The exchange differences resulting from the translation and settlement are recognized in profit or loss. However, equity instruments measured at fair value through other comprehensive income and exchange differences resulting from the hedge method of cash flow hedge within effective range are recognized in other comprehensive income.

(ii)Foreign operation

In preparing the consolidated financial statements, assets and liabilities of a foreign operation (including goodwill and fair value adjustment arising from acquisition) are translated into Japanese yen using the closing rate.

For revenue, expenses, and cash flow, unless exchange rate during the period has not changed significantly, average exchange rate of the corresponding period is used to translate into Japanese yen. Exchange differences resulting from the translation of foreign operation's financial statement are first recognized in other comprehensive income, after which they are accumulated in other items of owner's equity. In case control of or important influence on a foreign operation is lost, accumulated exchange differences related to the foreign operation are reclassified in profit or loss in the reporting period of disposal as part of gains or losses related to the disposal. NTT DATA applies the exemption provision of IFRS 1, and reclassifies all accumulated exchange differences on the date of transition to retained earnings.

(4) Financial instruments

(i) Financial assets

Financial assets are classified as those measured at fair value through profit or loss at initial recognition and those that are measured with debt instruments measured at fair value through other comprehensive income and amortized cost. NTT DATA Group initially recognizes trade and other receivables measured at amortized cost on the day they occurred and on the day of transaction for other financial assets.

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.

(a) Financial assets measured at amortized cost

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. After initial recognition, they are measured at an amount resulting from deducting loss allowance from the total book value applying the effective interest method. However, trade receivables that do not include significant financial elements are initially measured at their transaction price.

(b) Debt instruments measured at fair value through other comprehensive income (FVOCI)

Financial assets that satisfy both of the following conditions are classified as debt instruments measured at fair value through other comprehensive income:

- The financial asset is held within a business model whose objective is achieved by both collecting and selling 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.

At the time of initial recognition, these debt instruments are measured at fair value plus any transaction costs directly attributable to the acquisition of the debt instrument. 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. In the reporting year, there were no debt instruments measured at fair value through other comprehensive income.

(c) Equity instruments measured at fair value through other comprehensive income (FVOCI)

Of financial assets that are not classified as those measured at amortized cost or at fair value through other comprehensive income and are measured at fair value through profit or loss, subsequent changes in the fair value of an investment in an equity instrument that is not held for trading can be irrevocably chosen to be presented in other comprehensive income. NTT DATA Group designates this for each financial instrument.

At the time of initial recognition, these equity instruments are measured at fair value plus any transaction costs directly attributable to the acquisition of the equity instrument. 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 is transferred to retained earnings and not to profit or loss, when these financial assets are derecognized. Dividends are recognized in profit or loss.

(d) Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets other than those mentioned above 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 cost directly attributable to the acquisition of the financial assets 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.

Net foreign exchange gain or loss and other financial income includes changes in fair value, interest income, dividend income, and foreign exchange translation gain or loss.

(ii) Impairment of financial assets

NTT DATA Group determines the amount of impairment loss for financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (excluding equity instruments), and contract assets, based on the expected credit losses.

In recognizing and measuring the expected credit losses, NTT DATA Group uses reasonable and supportable information available at the reporting date on past events, current situations and forecast on economic conditions

in the future. NTT DATA Group examines the availability of objective evidence regarding existence of impairment by individual evaluation when it is individually important, and for other cases, by collective evaluation as credit characteristics are the same. Objective evidences indicating that the financial asset is being impaired include default and delinquency by the debtor, a sign, etc. of the debtor's or the issuer's bankruptcy.

If, at the end of the fiscal year, the credit risk on a financial instrument 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). On the other hand, if, at the end of the fiscal year, the credit risk on a financial instrument has increased significantly since the 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 and other receivables (lease receivables) and contract assets that do not include significant financial elements are always measured using the amount of the lifetime expected credit losses. The trade receivables, etc. including significant financial elements do not exist.

NTT DATA Group determines that the credit risk on a financial asset has increased significantly since initial recognition, in case the payment due date stipulated in the contract in principle is exceeded by 30 days, and in case it is exceeded by 90 days, determines that a default is occurring. In case of a default, or if an evidence of impairment such as significant financial difficulty of an issuer or a debtor exists, the Group determines that the credit is being impaired. In measuring expected credit losses such as debt securities and loan receivables, the Group considers records of past defaults and others as forward looking information.

When it is reasonably determined that the financial asset is uncollectible despite taking various recovery measures, the Group directly amortizes the carrying amount of the financial asset.

(iii) Financial liabilities

Financial liabilities are classified as those that are measured at fair value through profit or loss at their initial recognition and those that are measured as amortized cost. NTT DATA Group initially recognizes financial liabilities measured at amortized cost on the date of issuance, and on the transaction date for other financial liabilities.

A financial liability is derecognized when it is extinguished, i.e., when obligation specified in the contract is discharged, canceled, or expired.

(a) Financial liabilities measured at amortized cost

Non-derivative liabilities are classified as financial liabilities measure at amortized cost. At initial recognition, these financial liabilities are measured at fair value minus any transaction costs directly attributable to the issuance of the liability. After initial recognition, such liabilities are measure at amortized cost applying the effective interest rate method.

(b) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are measured at fair value at the time of initial recognition. These financial liabilities are measured at fair value after initial recognition, with any subsequent changes recognized in profit or loss. In the reporting fiscal year, there are no corresponding non-derivative liabilities measured at fair value through profit or loss.

(iv)Derivatives and hedge accounting

NTT DATA Group uses derivatives and non-derivative instruments such as foreign currency deposits, mainly for hedging foreign currency risk and interest rate risk. The Group does not conduct derivative transactions for purposes other than risk hedging, except for those individually determined according to objectives of the business.

At the inception of a hedging transaction, NTT DATA Group officially designates and documents the hedging relationship and hedging based on risk management policies. This documentation includes hedging instrument,

the items being hedged, assessment method of hedging effectiveness, analysis of the cause of non-effective portion and determination method of hedging ratio, etc.

NTT DATA Group continuously evaluates whether the hedge relationship is effective for the future, when and after hedging designation. Specifically, the Group determines that the hedge is effective when all of the following conditions are satisfied.

・Economic relationship exists between hedged item and the hedging instrument

・The impact of credit risk is not significantly superior to value changes arising from the economic relationship

・Hedging ratio is same as the ratio arising from actual quantity of hedged item and hedging instrument

Derivatives are initially recognized at fair value. After initial recognition, they are measured at fair value and subsequent changes are accounted for as follows:

(a) Cash flow hedges

With regard to hedges satisfying requirements regarding hedge accounting, the effective portions of the changes in the fair value of derivatives that are hedging instruments are recognized as other comprehensive income, and are accumulated in other components of equity. The cumulative amount recognized in other components of equity is transferred to profit or loss at the timing when the transaction for hedging impacts profit or loss, but is included in the measurement of the cost of non-financial asset for hedging, in case the hedged item is a forecast transaction. Spot-forward currency difference changes, etc. are accumulated in other components of equity as a hedge cost.

(b) Derivatives not designated as hedging instruments

Changes in the fair value of derivatives are recognized in profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash, deposits that can be withdrawn as required, and short-term investments that can be readily converted to cash and only have an insignificant risk of changes in value whose term to maturity falls within three months of the acquisition date.

(6) Inventories

Inventories consist of products, work in progress, and supplies, which are measured at the lower of cost and net realizable value. Work in progress is mainly attributable to purchase cost related to equipment sales, etc. and is determined by the specific identification method. The cost of products and supplies is mainly determined on a first-in, first-out basis.

Net realizable value is calculated by deducting estimated cost required until completion and that required for selling from estimated selling price in the ordinary course of business.

(7) Property, plant and equipment

Property, plant and equipment are measured using the cost model, which deducts accumulated depreciation and accumulated impairment losses from cost. The cost includes expenses directly attributable to the acquisition of an asset, cost of dismantling and removal of the asset and the cost of restitution.

Depreciation is calculated using the straight-line method over the estimated useful life of each component. The depreciable amount is calculated by deducting the residual value of an asset from the cost of the asset. Land and construction in progress are not depreciated.

The estimated useful lives of major items of property, plant and equipment are as follows:

Data communication facilities	3 to 8 years
Buildings and structures	10 to 60 years
Machinery, equitpment, and vehicles	4 to 15 years
Tools, furniture, and fixtures	4 to 15 years

NTT DATA Group reviews the depreciation methods, estimated useful lives, and residual values on each reporting date. Any changes are adjusted as changes in accounting estimate on a prospective basis.

(8) Goodwill and intangible assets

(i) Goodwill

NTT DATA Group measures goodwill arising from acquisition of subsidiaries by deducting accumulated impairment losses from cost. Goodwill is not amortized, but tested for impairment whenever there is an indication of impairment in cash-generating units to which goodwill is allocated, and at the same time of each reporting period irrespective of whether there is any indication of impairment. Please refer to “3. Significant accounting policies, (2) Business combinations” for initial measurement of goodwill, and “3. Significant accounting policies, (11) Impairment” for impairment.

(ii) Research and development expenses

Expenditures for research activities are recognized in profit or loss when they occur. Of expenditures for development activities, all those meeting requirements of asset recognition are measured as the sum of expenditures incurred from the date when requirements for asset recognition are met, to the date when development is completed and are recorded on the consolidated statement of financial position. NTT DATA Group primarily develops system operated software and computer software.

(iii) Other intangible assets

Intangible assets are measured using the cost model, which deducts the accumulated amortization and accumulated impairment losses from the cost.

Intangible assets individually acquired are measured at cost at initial recognition. Intangible assets acquired through business combinations are recognized separately from goodwill at the time of initial recognition and are measured at fair value as of the date when control is obtained.

Intangible assets whose estimated lives can be determined are mainly software for communication services based on contracts with specific clients and computer software for own use for providing services of NTT DATA Group. Software for data communication services is amortized using the straight-line method over the fee payment period based on the contract with a client, and computer software for own use are amortized using the straight-line method over the estimated useful life of the software.

Estimated useful lives of each intangible asset item are as follows:

Software	4 to 14 years
Other intangible assets	7 to 22 years

NTT DATA Group reviews the amortization method, estimated useful lives, and residual values of the assets on every reporting date. Any changes are adjusted as changes in accounting estimates on a prospective basis.

(9) Leases

NTT DATA Group determines whether or not a contract constitutes a lease or contains a lease at the commencement date of the contract.

(a) As lessee

The Group recognizes a right-of-use asset and lease liability on the lease start date. The Group uses the cost method for measuring a right-of-use asset, and the book value is gained by deducting the accumulated depreciation and the accumulated impairment loss from the acquisition cost. The acquisition cost is initially measured by adjusting the initially-measured value of the lease liability with the initial direct cost owned by the lessee, prepaid lease fee, etc. Depreciation is calculated using the straight-line method over a service life period from the lease start date or the lease term. Estimated useful lives for a right-of-use asset are determined in the same method applicable to the lessee’s own tangible fixed assets.

A right-of-use asset is, if applicable, adjusted in re-measuring specific lease liability.

Lease liability is initially measured at the present value discounting the lease fee that has not been paid at the time of the lease start date based on the Group's incremental borrowing rate. The incremental borrowing rate is used as a discount rate because the interest rate of the lease cannot be easily calculated. The payment of the lease fee is accounted for as the payment of calculated interest and repayment of the lease liability based on the effective interest method, and on the consolidated income statement, interest payment is indicated as finance cost.

For short-term leases or leases of small assets, the Company uses an exemption that recognizes the total lease payments as a lease expense on a straight-line bases over the lease term.

(b) As lessor

At the Group, leases are classified as a finance lease transaction when the terms of the lease transfer almost all the risks and economic values of ownership to the lessee on the lease start date, and other lease transactions are classified as operating lease transactions. When the lease term is for the major part of the economic life of the asset or the present value of the minimum lease payments amounts to almost all of the fair value of the leased asset, it is judged that the Group has transferred almost all the risks and economic values of the ownership.

(10) Investment property

Investment property is real estate held to earn rentals, or capital gains, or both. It does not include property sold in the ordinary course of business, property used in the production or sales of goods or services, or property used for any other administrative purposes.

NTT DATA Group measures investment properties at cost upon initial recognition, and subsequently uses the cost model, which deducts accumulated depreciation and accumulated impairment losses from cost.

Investment properties are depreciated using the straight-line method over the estimated useful lives of the properties. The estimated useful lives are from 10 to 60 years. NTT DATA Group reviews the depreciation method, estimated useful lives, and residual values at every reporting date.

(11) Impairment

(i) Impairment of property, plant and equipment, intangible assets, and investment properties

NTT DATA Group determines whether there are any signs indicating the possibility of impairment of property, plant and equipment, intangible assets, and investment properties at the end of each year. If there are signs of impairment, the recoverable amounts are estimated. If the recoverable amount of individual assets cannot be estimated, an estimate is made of the recoverable amount for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest unit of an asset group that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. In NTT DATA Group, an asset group that functions together mainly as a system is deemed as a cash-generating unit.

The recoverable amount is calculated as the higher of either the fair value less disposal costs or the value in use. The value in use is calculated by discounting estimated future cash flows to present value using a discount rate that reflects the time value of money and the inherent risk of the asset.

In the event that the recoverable amount of the asset or the cash-generating unit falls below the carrying amount, the carrying amount is reduced to the recoverable amount and impairment loss is recognized as profit or loss.

At the end of each year, NTT DATA Group assesses whether there is any sign that an impairment loss recognized in prior years in assets other than goodwill may no longer exist or may have decreased. If any such sign exists, NTT DATA Group estimates the recoverable amount of the asset or cash-generating unit. In the event that the recoverable amount exceeds the carrying amount of the asset or the cash-generating unit, the impairment loss is reversed, and is recognized in profit or loss with the upper limit set at the lower of (i) the recoverable amount and (ii) the carrying amount net of amortization or depreciation that would have been determined if no impairment loss had been recognized in prior years.

(ii) Impairment of goodwill

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to enjoy the benefits resulting from the synergies of a business combination. Goodwill is tested for impairment whenever there is a sign of impairment in the cash-generating units, and at the same time every reporting period irrespective of whether there is any sign of impairment. At the end of each year, NTT DATA Group determines whether there is any sign indicating the possibility of impairment of goodwill. If the recoverable amount of the cash-generating unit is less than its carrying amount in the impairment test, the impairment loss is deducted from the carrying amount of goodwill allocated to the cash-generating units or groups of cash-generating units. It is then deducted from the carrying amount of each asset in proportion to the carrying amounts of other assets in the cash-generating unit or groups of cash-generating units.

Impairment losses for goodwill are recognized in profit or loss and are not reversible in the subsequent periods.

(12) Employee benefits

(i) Defined contribution plans

Contribution to the defined contribution plans are recognized as expenses in the period in which an employee provided a service. Unpaid contributions are recognized as liabilities.

(ii) Defined benefit plans

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

Defined benefit obligations are calculated by an independent pension actuary using the projected unit credit method. Defined benefit costs are composed of service costs, net interest on the net amount of defined benefit liabilities (assets) and remeasurements of the net amount of defined benefit liabilities (assets). Service costs and net interest are recognized in profit or loss. Net interest amounts are calculated by multiplying the net amount of defined benefit liabilities (assets) at the beginning of the year by a discount rate used to measure the defined benefit obligations at the beginning of the year.

Remeasurements of the net defined benefit liabilities (assets) are recognized in other components of equity, and are transferred directly from other components of equity to retained earnings without being recognized in profit or loss when incurred.

(iii) Short-term employee benefits

Short-term employee benefits are recognized as expenses upon provision of related services without discount calculation.

NTT DATA Group has contractual obligations to pay bonuses and paid leave expenses and recognizes the estimated amount of payment based on those plans as liability.

(13) Provisions

Provisions are recognized in cases where NTT DATA 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.

Provisions are measured by discounting the estimated future cash flows to the present value using interest rate that reflects the time value of money and specific risks of the liability, taking into account the risks and uncertainties related to the obligation as of the fiscal year end.

NTT DATA Group mainly recognizes provision for loss on orders received in provision.

Provision for loss on orders received

In order to prepare for the future loss related to contracts on orders received, an estimated amount of loss arising from the fact that the cost directly related to the performance of the order received ("total cost") exceeds the orders

received as of the fiscal year end is calculated individually, and recognized as provision for loss on orders received.

(14) Equity

(i) Common stock

Common stocks issued by NTT DATA are classified as equity, and the issue price is included in capital stock and capital surplus. Incidental costs related to issuance of common stocks are deducted from equity with an amount after deducting tax effect.

(ii) Treasury shares

Treasury shares are recognized at cost and are also a deduction item of equity. In case treasury shares are sold, consideration received are recognized as increase of equity, and the difference between the carrying amount and consideration received is included in capital surplus.

(15) Revenues

With regard to transactions covered by IFRS 15 “Revenue from Contracts with Customers” (hereafter referred to as ”IFRS 15”), NTT DATA Group recognizes revenue at the amount which reflects the consideration to which NTT DATA Group expects to be entitled in exchange for transfer of goods or services to clients based on the following five-step approach.

Step 1: Identify the contract(s) with a client

Step 2: Identify the performance obligation in the contract.

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

With regard to the transaction concerned, NTT DATA Group determines at the start of a contract, whether the performance obligation is to be satisfied over time and performance obligations that are not to be satisfied over time are considered as those to be satisfied at a point in time.

Performance obligations to be satisfied over time are recognized in earnings over the same period based on the progress concerning satisfaction of performance obligations measured at the end of a reporting period if their value of order or total cost incurred until completion can be reliably estimated. For measuring the progress, the input method based on cost incurred (cost-to-cost method) is used. If value of order or total cost incurred until completion cannot be reliably estimated, earnings are recognized at the same amount as portions of cost incurred that are deemed to be highly recoverable (cost recovery method).

As considerations for transactions are received within a year of satisfying performance obligations in principle, an easier method in practice is used, and important financial elements are not adjusted.

(16) Finance income and finance costs

Finance income consists of interest income, dividend income, exchange gains, gains on changes in fair value of derivatives, and transfer of amounts recognized in the past in other comprehensive income based on hedge accounting, etc. Interest income is recognized by effective interest method when incurred. Dividend income is recognized on the day the entitlement of NTT DATA Group is determined.

Finance costs consist of interest expenses, interest cost on lease liability, exchange losses, losses on changes of fair value of derivatives, transfer of amounts recognized in the past in other comprehensive income based on hedge accounting, and provision of credit loss valuation allowance etc. Interest expenses are recognized by effective interest method when incurred.

(17) Income taxes

Income taxes consist of current taxes and deferred taxes. Income taxes are recognized in profit or loss, except for taxes arising from business combinations and those arising from items recognized in other comprehensive income or

directly in equity.

(i) Current taxes

Current taxes are estimated income tax payable or refund tax receivable on taxable income or loss of current term adjusted with income tax payable and tax refund receivable until the previous year. Current taxes are measured as the amount expected to be paid to or recovered from, the tax authorities. Tax calculations use the tax rates and tax laws that have been enacted or substantially enacted by the end of the fiscal year.

(ii) Deferred taxes

Deferred taxes consist of deferred tax assets and deferred tax liabilities. 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. Deferred tax liabilities are recognized for taxable temporary differences. A reassessment of the recoverability of deferred tax asset is conducted at the end of the fiscal year.

Deferred tax assets are not recognized for temporary differences arising from the initial recognition of an asset or a liability in a transaction that is not a business combination and that does not affect either accounting profit or taxable profit. Deferred tax assets are recognized for deductible temporary differences arising from investments in subsidiaries and associates only if it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities are generally recognized for taxable temporary differences, with the exception of the temporary differences listed below:

- temporary differences arising from the initial recognition of an asset or a liability in a transaction that is not a business combination and that does not affect either accounting profit or taxable profit
- taxable temporary differences arising from the initial recognition of goodwill
- taxable temporary differences arising from investments in subsidiaries and associates for which the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future

Deferred tax assets and liabilities are measured using the tax rate expected to be applied at the time the asset is realized or the liability is settled, based on the law that has been enacted or substantially enacted by the end of the fiscal year. Deferred tax assets and liabilities are offset if NTT DATA Group has a legally enforceable right to offset current tax assets and liabilities and income taxes are imposed on the same taxpayer by the same taxation authority.

(18) Earnings per share

Basic earnings per share (“EPS”) is calculated by dividing with the average number of common shares during the reporting period (excluding treasury shares). NTT DATA Group omits description of diluted EPS in each reporting period because it does not issue issuable shares with dilutive effect.

(19) Operating segments

An operating segment is a component of business activities that earn revenues and incur expenses including revenues and expenses relating to transactions with other operating segments. For the operating results of all operating segments, discrete financial information is available, and the operating results are regularly reviewed by NTT DATA Group’s Board of Directors to facilitate the allocation of management resources and the assessment of performance.

(20) Put options granted to non-controlling shareholders

Generally, short put options on subsidiary shares that NTT DATA Group has granted to non-controlling interest holders are initially recognized as other financial liabilities at the present value of the redemption amounts, with the same amount deducted from additional paid-in capital. After initial recognition, the options are measured at amortized cost using the effective interest rate method, while any subsequent changes in value are recognized as additional paid-in capital.

4. Significant accounting estimates and judgments involving estimates

In preparing the consolidated financial statements complying with IFRS, management makes judgments, estimates and assumptions that affect the application of accounting policies as well as the amounts reported for assets, liabilities, revenue, and expenses. These estimates and assumptions are based on management's best judgments taking into account various factors that are considered reasonable as of the period end, based on past experience and currently available information. However, due to the nature of such judgments, the actual results in the future may differ from these estimates or assumptions.

Estimates and their underlying assumptions are continuously reviewed. The effect of revisions to accounting estimates is recognized in the consolidated accounting period in which the estimate is revised and in the future consolidated accounting periods.

The judgments, estimates, and assumptions that have a significant impact on NTT DATA Group's consolidated financial statements are as follows:

・Determination of the scope of subsidiaries and associates (Note "3. Significant accounting policies, (1) Basis of consolidation," Note "32. Major subsidiaries")

・Estimates of the fair value of assets and liabilities assumed in a business combination (Note "7. Business combinations")

・Fair value measurement of financial instruments (Note "3. Significant accounting policies, (4) Financial instruments," Note "31. Financial instruments, (5)")

・Recognition of a right-of-use asset (Note "3. Significant accounting policies, (9) Lease," Note "20. Lease")

・Impairment of non-financial assets (Note "3. Significant accounting policies, (11) Impairment," Note "14. Goodwill and intangible assets")

・Measurement of defined benefit obligations (Note "3. Significant accounting policies, (12) Employee benefits," Note "21. Employee benefits")

・Judgment and estimates for recognition and measurement of provisions (Note "3. Significant accounting policies, (13) Provisions," Note "22. Provisions")

・Recognition of revenue (performance obligations satisfied over time) (Note "3. Significant accounting policies, (15) Revenue," Note "27. Revenue")

・Assessment of recoverability of deferred tax assets (Note "3. Significant accounting policies, (17) Income taxes," Note "17. Income taxes")

Based on information reasonably available to the Group at this point in time, the Group has assessed the impact on business activities due to uncertainty over the situation in Ukraine and the COVID-19 pandemic will gradually recover on the basis of the assumption, although there will be differences among countries and regions, and evaluated the impact on critical accounting estimates and decision involving estimates. As a result, we have determined that the impact on our estimates for the current fiscal year will be minimal.

However, as the situation develops and additional information becomes available, the results of accounting estimates may be affected. In addition, any changes in the current assumptions as a result of such changes may affect the decision on impairment of non-financial assets, etc., and may affect the financial position and operating results of the Group from the next consolidated fiscal year onward.

5. New standards not yet applied

Of the new standards and new interpretations that were newly issued or revised before the approval date of disclosure of the consolidated financial statements, none has material impact on NTT DATA Group's consolidated financial statement.

6. Segment information

(1) Outline of the reporting segments

The reporting segments of NTT DATA Group submitting the consolidated financial statements are components of the Group for which separate financial information is available and are regularly reviewed by the Group's Board of Directors in order to facilitate the allocation of management resources and the assessment of performance for the segments.

While drastic changes in domestic market and development of IT technologies are anticipated, cross-sectoral collaboration and quick decision-making are required more than ever, in order to meet the diversifying needs of our clients and society. Given such background, NTT DATA has a structure in decision-makings regarding business execution are attempted on the Sector level to increase the flexibility of our organizations.

We have five reporting segments: "Public & Social Infrastructure," "Financial," "Enterprise & Solutions," "North America," and "EMEA & LATAM." Multiple Sectors are integrated in these reporting segments, based on the judgment that they share the economic characteristics from the similarity of the markets, etc. as units responsible for reviewing strategies and creating new businesses aiming for mid- to long-term business growth.

See the outline of each segment below.

For types of products and services, please see "27. Revenue, (1) Details of properties and services." Types of products and services of NTT DATA are same for each reporting segment.

(Public & Social Infrastructure)

Providing high-value-added IT services that play important roles in revitalizing social infrastructures such as government, healthcare, communication, and utility systems as well as community revitalization.

(Financial)

Providing high-value-added IT services for improving operational efficiency of financial institutions.

(Enterprise & Solutions)

Providing high-value-added IT services supporting business activities of manufacturing/retail and logistics, service, and other industries, as well as payment services and platform solutions for credit cards, etc. linked with IT services of each area.

(North America)

Providing high-value-added IT services taking into account the market characteristics of business in North America.

(EMEA & LATAM)

Providing high-value-added IT services taking into account the market characteristics of business in EMEA and LATAM regions.

(2) Calculation method of net sales and profit or amount of loss, assets, liabilities and other items of each reporting segment

The method of accounting treatments of the reported business segments of NTT DATA Group are same as those described in Note "3. Significant accounting policies."

Profits of the reporting segments are based on operating incomes.

Internal sales, etc. between segments are determined based on the amount calculated by adding appropriate profit to the cost.

(3) Information on reportable segments

For the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Unit: millions of yen)

	Reportable segment						Other (Note 1)	Total	Adjustments (Note 2)	Consolidated financial statement amount (Note 3)
	Public & Social Infrastructure	Financial	Enterprise & Solutions	North America	EMEA & LATAM	Total				
Net sales										
Sales to outside clients	452,043	518,063	427,753	422,772	446,703	2,267,333	50,706	2,318,039	619	2,318,658
Intersegment sales and others	88,439	89,530	163,128	6,604	7,546	355,247	81,990	437,238	(437,238)	—
Total	540,482	607,593	590,881	429,376	454,249	2,622,581	132,696	2,755,277	(436,618)	2,318,658
Operating income or loss (the number shown in brackets)	67,825	56,712	52,310	(16,161)	(6,081)	154,605	1,137	155,742	(16,569)	139,173
								Financial income		6,661
								Financial costs		9,083
								Share of profit or loss of entities for using equity method		(6,299)
								Income before income taxes		130,452

(Unit: millions of yen)

	Reportable segment						Other (Note 1)	Total	Adjustments (Note 2)	Consolidated financial statement amount (Note 3)
	Public & Social Infrastructure	Financial	Enterprise & Solutions	North America	EMEA & LATAM	Total				
Depreciation and amortization	21,984	86,562	43,087	31,978	20,600	204,212	2,194	206,405	1,659	208,064
Investments in non-current assets	25,654	75,106	34,703	4,577	12,935	152,975	1,166	154,141	15,361	169,502
Impairment losses	1	561	150	291	4,997	5,999	224	6,223	-	6,223

(Note) 1. Classification of “Other” includes China & APAC regions and subsidiaries that mainly engage in supporting the business of our head office departments.

2. (1) Adjustment of operating income or loss (the number shown in brackets) totaling (16,569) million yen mainly consists of intersegment transaction eliminations and companywide expenses not allocated to each segment.

(2) Adjustment of depreciation and amortization totaling 1,659 million yen mainly consists of intersegment transaction eliminations and companywide expenses not allocated to each segment.

(3) Adjustment of investments in non-current assets totaling 15,361 million yen mainly consists of intersegment transaction eliminations and companywide expenses not allocated to each segment.

3. Operating income or loss (the number shown in brackets) is adjusted with current operating income under consolidated income statements.

4. Investments in non-current assets do not include long-term prepaid expenses, financial instruments, deferred tax assets, assets related to retirement benefits, etc. that are not managed per segment.

5. Impairment losses are losses on property, plant and equipment and intangible assets.

6. In the EMEA & LATAM segment, write-downs of inventories totaling 2,070 million yen, impairments of non-financial assets totaling 4,997 million yen, expected credit losses totaling 3,669 million yen due to loss valuation allowances for customers with deteriorating financial conditions, and losses totaling 4,138 million yen related to investments accounted for by the equity method were recorded.

The expenses were mainly incurred in connection with the review of low profit businesses with the aim of improving future profitability, and were recorded cost of sales totaling 5,512 million yen, selling and general and administrative expenses totaling 2,521 million yen, and equity in earnings (losses) of affiliates in the consolidated statements of income totaling 4,073 million yen.

For the year ended March 31, 2022(from April 1, 2021 to March 31, 2022)

(Unit: millions of yen)

	Reportable segment						Other (Note 1)	Total	Adjustments (Note 2)	Consolidated financial statement amount (Note 3)
	Public & Social Infrastructure	Financial	Enterprise & Solutions	North America	EMEA & LATAM	Total				
Net sales										
Sales to outside clients	486,599	541,414	460,641	467,896	542,839	2,499,389	51,955	2,551,344	562	2,551,906
Intersegment sales and others	95,835	91,649	192,267	7,761	8,046	395,558	87,503	483,060	(483,060)	—
Total	582,435	633,063	652,907	475,656	550,885	2,894,947	139,458	3,034,404	(482,498)	2,551,906
Operating income or loss (the number shown in brackets)	68,092	62,332	64,146	17,169	15,608	227,346	6,733	234,079	(21,489)	212,590
								Financial income		9,665
								Financial costs		6,201
								Share of profit or loss of entities for using equity method		(205)
								Income before income taxes		215,849

(Unit: millions of yen)

	Reportable segment						Other (Note 1)	Total	Adjustments (Note 2)	Consolidated financial statement amount (Note 3)
	Public & Social Infrastructure	Financial	Enterprise & Solutions	North America	EMEA & LATAM	Total				
Depreciation and amortization	25,027	87,589	43,041	30,942	21,553	208,152	2,539	210,691	2,662	213,353
Investments in non-current assets	18,206	81,004	34,293	5,782	14,553	153,838	1,297	155,135	21,611	176,746
Impairment losses	17	316	2,061	-	1,061	3,455	23	3,477	-	3,477

(Note) 1. Classification of “Other” includes China & APAC regions and subsidiaries that mainly engage in supporting the business of our head office departments.

2. (1) Adjustment of operating income or loss (the number shown in brackets) totaling (21,489) million yen mainly consists of intersegment transaction eliminations and companywide expenses not allocated to each segment.

(2) Adjustment of depreciation and amortization totaling 2,662 million yen mainly consists of intersegment transaction eliminations and companywide expenses not allocated to each segment.

(3) Adjustment of investments in non-current assets totaling 21,611 million yen mainly consists of intersegment transaction eliminations and companywide expenses not allocated to each segment.

3. Operating income or loss (the number shown in brackets) is adjusted with current operating income under consolidated income statements.

4. Investments in non-current assets do not include long-term prepaid expenses, financial instruments, deferred tax assets, assets related to retirement benefits, etc. that are not managed per segment.

5. Impairment losses are losses on property, plant and equipment and intangible assets.

(4) Information on the regions

(i) Net sales

(Unit: millions of yen)

Region	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Japan	1,413,429	1,502,293
North America	397,016	447,255
Europe	383,472	456,990
Other	124,741	145,368
Total	2,318,658	2,551,906

(Note) 1 Net sales is shown for each region based on the location of clients.

2 Main countries in each region are as follows:

North America: The United States, Canada

Europe: Germany, Spain, Italy, the United Kingdom, etc.

Other: Australia, Brazil, Chile, etc.

Net sales for outside clients in the United States in the previous and current consolidated fiscal year are 381,159 million yen and 425,870 million yen respectively. There is no single country or a region of which the net sales for outside clients is significant, except for Japan and United States, in the previous and current consolidated fiscal year.

(ii) Non-current assets

(Unit: millions of yen)

Region	As of March 31, 2021	As of March 31, 2022
Japan	709,046	706,221
North America	536,045	632,095
Europe	196,653	208,871
Other	24,554	23,104
Total	1,466,299	1,570,292

(Note) 1 Non-current assets are shown for each region based on the location of NTT DATA Group companies.

2 Main countries in each region are as follows:

North America: the United States, Canada

Europe: Germany, Spain, Italy, the United Kingdom, etc.

Other: Australia, Brazil, Chile, etc.

Non-current assets of North America at the end of previous consolidated fiscal year and the end of current consolidated fiscal year are 527,786 million yen and 620,378 million yen, respectively. There is no single country or a region of which the non-current assets are significant, except for Japan and United States, at the end of the previous and current consolidated fiscal years.

3 Non-current assets do not include financial instruments, deferred tax assets, and assets related to retirement benefits.

(5) Information on key clients

Description is omitted because there is no outside client for which net sales accounts for 10% or more of consolidated net sales.

7. Business combination

For the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

NET ESOLUTIONS CORPORATION

On December 23, 2019, NTT DATA CORPORATION, the Company submitting consolidated financial statements, acquired equity interest of NET ESOLUTIONS CORPORATION (“NETE”) based in Virginia, U.S.A. The allocation of the consideration for acquisition for fair value of acquired assets and assumed liabilities on the day of acquisition, which was recorded in the consolidated financial statements at a provisional amount, have been completed in FY2020.

The details and amounts of the adjustments during the measurement period recognized at the end of the FY2020 are as follows. The impact of this revision is not material.

(Unit: million yen)

Goodwill (before the adjustments)	14,269
Amounts of the adjustments	
Changes in consideration for transfer due to adjustment of consideration for acquisition	75
Increase (decrease) in intangible assets	3,687
Others	180
Total	3,942
Goodwill (after the adjustments)	10,328

For the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Nexient, LCC

1) Outline of business combination

On June 23, 2021, NTT DATA CORPORATION, the company submitting consolidated financial statements, acquired equity interest of Nexient, LLC, a company based in California, USA (hereinafter referred to as Nexient), to obtain 100% of voting rights and control of the company through NTT DATA Services, the subsidiary in North America. The outline of this deal is shown below.

Name of the acquired company	Nexient, LLC
Main business	Application development, etc.
Main reason for the business combination	The acquisition will enable NTT DATA not only to have talents capable of cloud-native application development and agile development but also to enhance capabilities in the field by acquiring the recruitment and training processes. Also, by combining Nexient’s model of delivering the U.S. resources and NTT DATA’s global delivery network, we will be able to provide solutions that will better satisfy clients’ needs.
Date of acquisition	June 23, 2021
Method adopted by the acquirer company to take control of the acquired company	Acquisition of equity interest in exchange for cash payment
Percentage of the voting rights acquired	100%

2) Consideration of the transfer

The fair value in consideration of the transfer as of the day of acquisition is as follows.

(Unit: million yen)

	Date of acquisition (June 23, 2021)
Cash	45,654
Total acquisition price	45,654

(Note) The share transfer agreement consists of a clause that requires the price to be adjusted when the transfer is completed. Under this agreement, NTT DATA Group will revise the acquisition price and the goodwill amount by deeming that such payment was made upon the acquisition.

3) Amount and item of acquisition-related costs

The item and amount of acquisition-related costs are as follows.

(Unit: million yen)

Item	Amount
Advisory expenses	2
Legal expenses	170
Others	135
Total acquisition-related cost	307

(Note) The expenses are included and processed in “selling general and administrative expenses” on Condensed Quarterly Consolidated Statement of Income.

4) Fair value of acquired assets and assumed liabilities, and goodwill on the day of acquisition

The details and fair value of acquired assets and assumed liabilities, and goodwill on the day of acquisition is as follows.

(Unit: million yen)

	Date of acquisition (June 23, 2021)
Assets	
Trade and other receivables (Note 1)	2,602
Property, plant, and equipment	1,299
Intangible assets (Note 2)	5,958
Other	67
Liabilities	
Trade and other payables	1,375
Bonds and borrowings	814
Other	48
Net assets	7,690
Goodwill (Note 3)	37,963
Total	45,654

The value of goodwill and assets recorded at the end of the fiscal year 2021 is provisionally based on the estimation with currently accessible information given that identifiable assets and liabilities are now under evaluation and acquisition cost allocation is not completed.

(Note) 1. They are all accounts receivable, out of which nothing significant is estimated as unrecoverable.

2. They include identifiable assets of 5,813 million yen.

3. Goodwill mainly represents the synergy effect and excess earning power expected to be obtained by integrating with NTT DATA Group.

5) Impact on NTT DATA Group's performance

The period of results recognized in the current fiscal year is from July 1, 2021 to March 31, 2022, with net sales of 13,499 million yen and net income of 369 million yen.

According to the pro forma information, the net sales are 16,768 million yen, and the net income is 475 million yen, assuming that the business combination took place at the beginning of the current fiscal year.

The pro forma information indicates the estimated amount that has not been audited.

8. Cash and cash equivalents

(1) Relation between the balance of cash and cash equivalents and consolidated cash flow statement

The balance of cash and cash equivalents on the consolidated statement of financial position at the end of previous and current consolidated fiscal years and on the consolidated cash flow statement are the same.

Cash and cash equivalents is classified as financial assets measured at amortized cost.

(2) Relation between expenditures from acquiring subsidiaries and acquired assets and liabilities

Details of assets and liabilities and relation between cost of shares and expenditures following the acquisitions (net amount)

(Unit: million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Current assets	5,021	5,644
Non-current assets	6,558	21,078
Goodwill	16,697	38,186
Current liabilities	(3,584)	(2,279)
Non-current liabilities	(6,825)	(752)
Non-controlling interests	(2,952)	(86)
Other	3,807	(383)
Acquisition cost of shares	18,723	61,408
Cash and cash equivalents	(2,827)	(669)
Unpaid equivalent	-	(1,684)
Subtraction: expenditure from acquisition of subsidiaries	18,296	59,132
Subtraction: proceeds from acquisition of subsidiaries	2,401	77

(3) Non-cash transaction

See Note “20. Leases” for an increase due to the acquisition of the right-of-use assets in the current consolidated fiscal year.

9. Trade and other receivables

Details of trade and other receivables at the end of previous and current consolidated fiscal years are as shown below.

Trade and other receivables (excluding lease receivables) is classified as financial assets measured at amortized cost. Also, in the NTT DATA Group, the amount of Notes and accounts receivables - trade is a claim amount that has occurred from contracts with clients.

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Notes and accounts receivables – trade	517,393	581,302
Accounts receivables-other	65,772	52,731
Other	18,718	38,632
Total	601,883	672,665

10. Inventories

Details of inventories at the end of previous and current consolidated fiscal years are as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Merchandise and manufactured goods	3,403	3,236
Work in process	8,604	19,096
Raw materials and supplies	2,469	3,096
Total	14,476	25,429

11. Other financial assets

(1) Details of other financial assets

Details of other financial assets at the end of previous and current consolidated fiscal years are as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Financial assets measured at amortized cost		
Term deposits	15,000	76,598
Bonds	3,184	3,644
Loans receivables	155	155
Leasehold and guarantee deposits	24,174	24,068
Other	2,075	2,678
Financial asset at fair value through profit or loss		
Derivative financial assets	2,535	12,140
Equity financial assets measured at fair value through other comprehensive income		
Stock	186,342	83,108
Total	233,464	202,391
Current assets	16,522	79,342
Non-current assets	216,942	123,049
Total	233,464	202,391

(2) Equity instruments measured at fair value through other comprehensive income

NTT DATA Group designates investments held for the purpose of increasing mid- to long-term revenue by maintaining/strengthening business relationship with investee companies as financial instruments measured at fair value through other financial comprehensive income.

Major investments designated as equity financial assets measured at fair value through other comprehensive income are as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Recruit Holdings Co., Ltd.	153,118	46,831
Other	33,224	36,276
Total	186,342	83,108

(3) Derecognition of equity instruments measured at fair value through other comprehensive income

According to the review of business policies, etc., equity instruments measured at fair value through other comprehensive income are being sold (derecognized). The cumulative profit and loss that had been recognized upon sale as fair value and other comprehensive income are as follows:

(Unit: million yen)

Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
Fair value	Cumulative profit and loss recognized as other comprehensive income	Fair value	Cumulative profit and loss recognized as other comprehensive income
4,367	2,272	90,284	64,543

(Note)

1. Cumulative profit and loss that had been recognized as other comprehensive income are transferred to retained earnings when derecognized.

2. The main factor in FY2021 was the impact of the sale of common stock of Recruit Holdings Co., Ltd. through the subscription to the tender offer.

12. Other assets

Details of other current assets and other non-current assets at the end of the fiscal year ended March 31, 2021 and the end of the fiscal year ended March 31, 2022 are as follows:

(Unit: million yen)

		As of March 31, 2021	As of March 31, 2022
Prepaid expenses		98,415	103,727
Net defined benefit asset		11,781	15,293
Advance payments		3,151	1,706
Income taxes receivable		11,816	7,312
Suspense income taxes	(Note)	-	27,254
Suspense consumption tax paid	(Note)	-	7,300
Other		29,432	26,264
Total		154,594	188,856
Current assets		88,621	117,187
Non-current assets		65,973	71,669
Total		154,594	188,856

(Note) These are the amount of impact based on the notice of reassessment of income taxes received during the fiscal year ended March 31, 2022. The Company filed a request for examination of the disposition to the National Tax Appeal Tribunal. Details are written in “17. Income Taxes (4) Uncertainty over Income Tax Treatments”.

13. Property, plant and equipment

(1) Changes

Changes in costs, accumulated depreciation, and accumulated impairment losses and carrying amounts of property, plant and equipment are as follows:

(i) Costs

	Data communi-cation facility	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2020	283,138	303,822	111,965	73,888	41,750	28,555	843,117
Acquisition (Note1)	36,493	8,646	9,215	8,813	-	(3,388)	59,778
Acquisition in business combination	-	2	32	6	-	-	40
Sale or disposal	(34,733)	(4,543)	(6,560)	(6,273)	-	(100)	(52,209)
Foreign currency translation adjustment	0	1,919	3,332	834	182	70	6,337
Other	111	1,029	459	35	1	(1,824)	(188)
As of March 31, 2021	285,009	310,875	118,443	77,302	41,934	23,312	856,876
Acquisition (Note)	32,419	7,161	8,822	8,909	-	2,384	59,695
Acquisition in business combination	-	1,275	163	48	-	-	1,486
Sale or disposal	(28,330)	(5,422)	(8,086)	(6,981)	-	(301)	(49,120)
Foreign currency translation adjustment	11	2,247	5,535	1,061	247	108	9,210
Other	(101)	(5,578)	673	(861)	(1,078)	(1,141)	(8,086)
As of March 31, 2022	289,008	310,558	125,551	79,479	41,102	24,362	870,060

(Note) Acquisition is shown in net amount including transfer from construction in progress following completion in addition to costs from external purchase.

(ii) Accumulated depreciation and accumulated impairment losses

(Unit: million yen)

	Data communi-cation facility	Buildings and structures	Machinery , equipment and vehicles	Tools, furniture, and fixtures	Land	Total
As of April 1, 2020	(171,127)	(200,545)	(79,731)	(45,783)	(1,010)	(498,195)
Depreciation (Note1)	(35,171)	(9,152)	(11,106)	(7,496)	-	(62,924)
Impairment losses (Note2)	(57)-	(3)	(641)	(57)	-	(758)
Sale or disposal	33,773	3,506	5,831	5,759	-	48,868
Foreign currency translation adjustment	(0)	(761)	(2,351)	(594)	-	(3,707)
Other	11	(735)	(328)	52	-	(1,001)
As of March 31, 2021	(172,571)	(207,692)	(88,327)	(48,119)	(1,010)	(517,718)
Depreciation (Note1)	(35,646)	(9,175)	(10,056)	(8,055)	-	(62,931)
Impairment losses (Note2)	(280)	-	(91)	(11)	-	(382)
Sale or disposal	27,946	4,523	7,761	6,205	-	46,435
Foreign currency translation adjustment	(4)	(1,106)	(4,153)	(784)	-	(6,047)
Other	63	3,002	(808)	549	-	2,806
As of March 31, 2022	(180,491)	(210,448)	(95,673)	(50,214)	(1,010)	(537,836)

(Note) 1 Depreciation is included in “cost of sales” and “selling general and administrative expenses” of the consolidated statement of profit or loss.

2 Impairment losses are included in “cost of sales” and “selling general and administrative expenses” of the consolidated statement of profit or loss.

(iii) Carrying amount

	Data communi-cation facility	Buildings and structures	Machinery equipment and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Total
As of April 1, 2020	112,011	103,276	32,234	28,105	40,740	28,555	344,922
As of March 31, 2021	112,438	103,183	30,117	29,184	40,924	23,312	339,158
As of March 31, 2022	108,517	100,111	29,878	29,265	40,092	24,362	332,225

(2) Commitments

Please see Note “34. Commitments” for commitments regarding acquisition of property, plant and equipment.

(3) Property, plant and equipment pledged as collateral

Amount of property, plant and equipment pledged as collateral for liabilities on borrowings and others is stated in Note “18. Corporate bonds and loans.”

(4) Impairment losses

Impairment losses are stated in Note "14. Goodwill and intangible assets".

14. Goodwill and intangible assets

(1) Changes

Changes in costs, accumulated amortization, and accumulated impairment losses and carrying amounts of goodwill and intangible assets are as follows:

(i) Costs

(Unit: million yen)

	Goodwill	Software	Software in progress	Other	Total
As of April 1, 2020	451,640	1,149,603	67,938	194,446	1,863,627
Acquisition (Note1)(Note2)	-	106,553	(1,893)	507	105,167
Acquisition in business combination	14,592	0	—	9,005	23,597
Sale or disposal	—	(34,120)	(977)	(4,490)	(39,587)
Foreign currency transition Adjustment	12,362	3,053	485	5,542	21,442
Other changes	4	(903)	(2,419)	(344)	(3,662)
As of March 31, 2021	478,598	1,224,186	63,134	204,667	1,970,584
Acquisition (Note1)(Note2)	-	98,323	16,585	128	115,036
Acquisition in business combination	37,019	40	—	20,744	57,803
Sale or disposal	—	(65,569)	(812)	(897)	(67,278)
Foreign currency transition Adjustment	44,434	4,261	460	21,168	70,323
Other changes	(2,727)	493	242	(1,542)	(3,534)
As of March 31, 2022	557,323	1,261,734	79,608	244,267	2,142,933

(Note) 1 Acquisition is shown in net amount including transfer from construction in progress following completion in addition to costs from external purchase

(Note)

1. Acquisition is shown in net amount including transfer from construction in progress following completion in addition to costs from external purchase.

2. Internal development cost of software in NTT DATA Group is shown together as it is basically the same as the total cost of software and software in progress.

(ii) Accumulated amortization and accumulated impairment losses

(Unit: million yen)

	Goodwill	Software	Other	Total
As of April 1, 2020	(60,624)	(857,607)	(76,665)	(994,895)
Amortization (Note1)	—	(95,079)	(12,736)	(107,815)
Impairment losses (Note2)	(2,702)	(1,642)	(420)	(4,764)
Sale or disposal	—	30,478	4,043	34,522
Foreign currency translation adjustment	—	(2,842)	(2,803)	(5,644)
Other changes	—	804	(24)	780
As of March 31, 2021	(63,326)	(925,887)	(88,604)	(1,077,817)
Amortization (Note1)	—	(98,747)	(14,564)	(113,311)
Impairment losses (Note2)	(228)	(2,780)	—	(3,008)
Sale or disposal	—	63,066	880	63,947
Foreign currency translation adjustment	—	(3,176)	(8,872)	(12,048)
Other changes	—	26	(247)	(221)
As of March 31, 2022	(63,554)	(967,498)	(111,406)	(1,142,458)

(Note) 1 Amortization is included in “cost of sales” and “selling general and administrative expenses” of the consolidated statement of profit or loss.
2 Impairment losses are included in “cost of sales” and “selling general and administrative expenses” of the consolidated statement of profit or loss.

(iii) Carrying amount

Carrying amount of internally generated intangible assets related to software as of March 31, 2021 and March 31, 2022 is 283,980 million yen and 280,113 million yen respectively. Also, as Software in progress in the NTT DATA Group occurs mainly from internal development, most of the carrying amount is from internal generation.

(Unit: million yen)

	Goodwill	Software	Software in progress	Other	Total
As of April 1, 2020	391,017	291,996	67,938	117,781	868,732
As of March 31, 2021	415,272	298,299	63,134	116,063	892,767
As of March 31, 2022	493,769	294,236	79,608	132,861	1,000,474

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(2) Intangible assets with indefinite useful lives

There is no significant intangible assets with indefinite useful lives.

(3) Impairment test of goodwill

NTT DATA Group conducts impairment tests for goodwill each fiscal year and as required when there is a sign of impairment. The recoverable amount in the impairment tests is calculated at the higher of either the value in use or the fair value less disposal costs.

The value in use is calculated by discounting estimated amount of cash flow based on the business plan and growth rate approved by management to present value. Business plan is created using external and internal information based on evaluation of management regarding forecast of the business and past performance.

Growth rate is determined by considering the long-term average growth rate of the market in the region that the cash-generating unit belongs. Discount rate is calculated based on weighted average cost of capital before tax of the cash-generating unit.

(i) Details of carrying amount of goodwill by segment

Goodwill generated by a business combination is allocated to cash-generating units (or their group) that benefit from the business combination on the date of acquisition. The details of the carrying amount of goodwill by segment are as follows. There are no cash-generating units that belong to more than one segment.

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Enterprise & Solutions	6,314	6,304
North America	333,968	407,951
EMEA & LATAM	72,306	76,776
Other	2,684	2,738
Total	415,272	493,769

(ii) Cash-generating units containing significant goodwill

The cash-generating unit containing significant goodwill is related to NTT DATA Services which belongs to North America Segment.

The carrying amount of goodwill is as follows:

(Unit: million yen)

Name of cash-generating unit	Segment	As of March 31, 2021	As of March 31, 2022
NTTDATA Services	North America	333,968	407,951

The recoverable amounts of NTTDATA Services is calculated based on the fair value less disposal costs.

The fair value less disposal costs is calculated using discounted cash flow method and comparable company analysis method. With discounted cash flow method, an estimated amount of 7 years' worth cash flow based on business plan, including plans to improve profitability through Structural Transformation, forecasts for the U.S. economy and IT services industry growth, is discounted to present value, and permanent growth rate is calculated as 3.1% and weighted average cost of capital before tax is calculated as 9.5%. The comparable company analysis method calculates value by multiplying EBITDA, which is based on current performance, by the ratio of the company's listed competitors. The measurement of fair value is classified as Level 3 based on the significant inputs in the evaluation methods used.

The recoverable amounts of NTT DATA Services exceeded the carrying amounts by 156,423 million yen as of March 31, 2022. However, in case the weighted average cost of capital before tax increases by 1.3%, there would be a

possibility of an impairment loss.

(4) Impairment losses

In the fiscal year ended March 31, 2021, impairment losses totaling 3,528 million yen were recorded in cost of sales and totaling 5,421 million yen were recorded in selling and general administrative expenses for property, plant and equipment, goodwill and intangible assets.

Mainly in the EMEA&LATAM segment, the book value of some assets was reduced to the recoverable amount by the review of low profit businesses to improve future profitability.

There were no material impairment losses in the fiscal year ended March 31, 2022.

(5) Commitments

See Note “34. Commitments” for commitments regarding acquisition of intangible assets.

15. Investment property

(1) Changes

Changes in costs, accumulated depreciation and accumulated impairment losses and carrying amounts/fair value of investment property in the fiscal year ended March 31, 2021 and the fiscal year ended March 31, 2022 are as follows:

(i) Costs

(Unit: million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	49,214	49,529
Acquisition	909	5,410
Sale or disposal	(259)	(306)
Transfer between accounts	(347)	408
Foreign currency translation adjustments	17	42
Other changes	(5)	(31)
Balance at the end of the year	49,529	55,052

ii) Accumulated depreciation and accumulated impairment losses

(Unit: million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	(22,101)	(22,705)
Depreciation	(873)	(2,962)
Sale or disposal	164	294
Transfer between accounts	118	(259)
Foreign currency translation adjustments	(7)	(21)
Other changes	(5)	23
Balance at the end of the year	(22,705)	(25,630)

(Note) Depreciation is included in “cost of sales” of the consolidated statement of profit or loss. (See Note “28.Cost of sales and selling general and administrative expenses”)

(iii) Carrying amount and fair value

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Carrying amount	26,825	29,423
Fair value	76,133	80,039

Fair value of investment property is mainly an amount calculated based on market prices reflecting prices of comparable assets based on evaluation by an independent external appraisal expert. The measurement applies to Level 3 of fair value hierarchy.

(2) Revenues and expenses from investment property

(Unit: million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Rental income	3,729	3,785
Direct operating expenses from which rental income was generated	3,571	3,739

The amount of revenue related to investment property and following direct operating expenses is included in “net sales” and “cost of sales” respectively on the consolidated statement of profit or loss.

(3) Investment property pledged as collateral

The amount of investment property pledged as collateral for liabilities on borrowings and others is described in Note “18. Corporate bonds and loans.”

16. Investments accounted for using the equity method

The carrying amount of NTT DATA Group’s share in individually non-significant associates is as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Associates	5,756	5,570
Total	5,756	5,570

Shares in net income/loss, other comprehensive income, and comprehensive income total from continuing operations of individually non-significant associates are as follows:

Associates

(Unit: million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
NTT DATA Group’s share		
Net income/loss from coontinuing operations	(6,299)	(205)
Other comprehensive income	218	115
Comprehensive income total	(6,081)	(90)

17. Income taxes

(1) Deferred tax assets and deferred tax liabilities

Details and changes of deferred tax assets and deferred tax liabilities by major factor in the years ended March 31, 2021 and 2022 are as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Defined benefit liabilities	67,398	64,786
Overdepreciation	20,310	21,807
Loss carryforwards	8,640	11,589
Deferred revenues	23,991	25,865
Accrued bonuses	15,564	17,496
Accrued vacation payable	14,527	14,850
Other	42,730	46,692
Total	193,160	203,085
Offset to deferred tax liabilities	(123,344)	(102,581)
Net deferred tax assets	69,816	100,504
Deferred tax liabilities		
Net changes in fair value of financial assets measured at fair value through other comprehensive income (Note 1)	(50,965)	(20,774)
Intangible assets identified from business combination	(13,370)	(13,321)
Difference of investment book value for associates following business restructuring	(3,400)	(3,400)
Property, plant and equipment	(19,844)	(19,610)
Other	(35,765)	(45,476)
Total	(123,344)	(102,581)
Offset to deferred tax assets	193,160	203,085
Net deferred liabilities	69,816	100,504

Changes in net deferred tax assets are as follows:

(Unit: million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	92,077	69,816
Recognized as net income/loss	6,882	8,271
Recognized as other comprehensive income	(29,441)	23,368
Acquisition in business combination	(567)	(725)
Other (Note)	863	(225)
Balance at the end of the year	69,816	100,504

(Note) Other include foreign currency translation adjustments.

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets are recognized as of March 31, 2021 and March 31, 2022 are as follows. The deductible temporary differences, unused tax losses and unused tax credits are presented on tax basis.

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Deductible temporary differences	1,161	1,491
Loss carryforwards		
Expiration date within 5 years	2,363	2,573
Expiration date over 5 years and within 20 years	757	310
Indefinite periods	12,191	9,097
Total	16,473	13,471

The probability of realizing deferred tax assets will depend on whether taxable profit will be available during the periods in which deductible temporary differences will reverse or unused tax losses and unused tax credits can be utilized. In this assessment, NTT DATA considers the expected level of future taxable profit, tax planning opportunities, and the expected timing of the reversal of deferred tax liabilities. The probability of realizing deferred tax assets depends mainly on the future taxable profit, and NTT DATA considers that sufficient taxable profit will be available on an ongoing basis. However, when the estimated future taxable profit for the deferrable period is reduced, the net amount of deferred tax assets expected to be realized may be reduced.

There is no significance in the temporary differences in which deferred tax liabilities related to investments in consolidated subsidiaries and associates as of March 31, 2021 and March 31, 2022 are not recognized.

(2) Income tax expenses

Details of income tax expenses recognized in net income/loss in the fiscal year ended March 31, 2021 and fiscal year ended March 31, 2022 are as follows:

(Unit: million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Current tax expenses		
Tax expenses during the period	60,039	74,018
Impact from The Tax Cuts and Jobs Act	(4,406)	-
Current tax expenses total	55,633	74,018
Deferred tax expenses		
Origination and reversal of temporary differences	(7,678)	(4,764)
Recognition of deductible temporary differences not recognized in the past (derecognition of recognized deductible temporary differences)	1,229	(2,211)
Recognition of tax loss which was not recognized in the past	(433)	(1,135)
Changes in tax rates	-	(161)
Total deferred tax expenses	(6,882)	(8,271)
Total income tax expenses	48,751	65,747

Please see Note “25. Equity and other components of equity” for income taxes recognized in other comprehensive income.

Following the enactment of “Coronavirus Aid, Relief, and Economic Security Act (CARES Act)” in the U.S. on March 27, 2020, carryback of loss carryforwards from the previous term in the fiscal year starting January 1, 2018 at U.S. subsidiaries of NTT DATA was admitted.

As a result, the amount of current tax expenses in the fiscal year ended March 31, 2021 decreased by 4,406 million yen.

(3) Details of differences between applicable tax rate and average actual tax rate

Details of differences between the applicable tax rate and average actual tax rate in the fiscal year ended March 31, 2021 and the fiscal year ended March 31, 2022 are as follows:

	Ratio against income before income taxes	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Applicable tax rate	30.62 %	30.62 %
Difference between applicable tax rate of overseas subsidiaries	0.79 %	(0.72 %)
Items permanently not included in tax loss	3.02 %	2.71 %
Effect of reassessment of recoverability of deferred tax assets	3.74 %	(0.96 %)
Tax credit by R&D tax reduction	(1.25 %)	(1.13 %)
Impact from the Tax Cuts and Jobs Act	(1.35 %)	- %
Adjustment related to uncertainty of income tax	0.16 %	0.13 %
Other	1.64 %	(0.19 %)
Average actual tax rate	37.37 %	30.46 %

Almost all the income before income taxes and tax expenses of NTT DATA Group were recorded in Japan. For the fiscal years ended March 31, 2021 and 2022, NTT DATA and its domestic subsidiaries were subject to national corporate tax of 23.20%, local corporate inhabitant tax of approximately 10.40%, and local deductible corporate enterprise tax of approximately 3.78%. The statutory effective tax rate was approximately 30.62%. The rates of corporate inhabitant tax and corporate enterprise tax differ depending on the municipality. Foreign subsidiaries are subject to local corporate

taxes.

(4) Uncertainty over Income Tax Treatments

On May 28, 2021, the Company received a notice of reassessment of income taxes for the fiscal year ended March 31, 2019 from the Tokyo Regional Taxation Bureau.

Although the content of the notice of reassessment was related to the timing of the inclusion of income for tax purpose, there was a clear difference between our view and the Tokyo Regional Taxation Bureau's assertion. Therefore, we received expert advice and filed a request for examination of the disposition to the National Tax Appeal Tribunal during the fiscal year ended March 2022. In the fiscal year ended March 31, 2022, the Company paid additional tax of 19,129 million yen (including additions to tax and consumption taxes) due to the reassessment notice. The Company also submitted an amended return for the fiscal year ended March 31, 2020, reflecting the same findings, and paid tax of 23,358 million yen (including additions to tax and consumption taxes). However, as we believe that our view is justifiably and arguably acceptable, we have recorded the amount of such payment, less the amount of tax corresponding to the sales recorded in the fiscal year ended March 31, 2022, in other current assets in the consolidated statement of financial position and included it in "Other" cash flows from operating activities in the consolidated statement of cash flows.

18. Corporate bonds and loans

(1) Details of corporate bonds, short-term borrowings and long-term borrowings

Corporate bonds, short-term borrowings and long-term borrowing are classified as financial assets measured at amortized cost.

Details of corporate bonds, short-term borrowings and long-term borrowings as of March 31, 2021 and March 31, 2022 are as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Short-term borrowings	42,933	15,354
Long-term borrowings (including current portion of long-term borrowings)	485,874	431,027
Corporate bonds (including current portion of corporate bonds)	50,096	50,098
Total	578,903	496,480
Current liabilities	105,748	102,829
Non-current liabilities	473,154	393,651
Total	578,903	496,480

(2) Reconciliation of changes in liabilities relating to cash flows from financing activities

	Short-term borrowings	Corporate bonds and long-term borrowings	Lease liabilities	Derivative (assets) liabilities held for hedging liabilities
Balance on April 1, 2020	71,992	525,963	161,363	1,410
Total amount of changes from cash flows from financing activities	(32,219)	3,333	(43,182)	—
Total amount of liability changes without cash flow	3,159	6,674	41,124	(2,748)
Business combinations	311	609	185	—
Foreign currency translation differences	2,851	6,307	4,154	—
Fair value changes	—	—	—	—(2,748)
New leases	—	—	36,786	—
Other	(3)	(243)	—	—
Balance on March 31, 2021	42,933	535,970	159,305	(1,338)

Total amount of changes from cash flows from financing activities	(28,773)	(62,443)	(43,821)	—
Total amount of liability changes without cash flow	1,194	7,598	51,080	(7,731)
Business combinations	—	—	47	—
Foreign currency translation differences	1,194	8,489	7,977	—
Fair value changes	—	—	—	(7,731)
New leases	—	—	43,057	—
Other	—	(891)	—	—
Balance on March 31, 2022	15,354	481,125	166,564	(9,069)

The above reconciliation includes only changes in the balances of liabilities arising from financing activities and does not include changes in the balances of capital arising from financing activities.

(3) Assets pledged as collateral

Corporate bonds and assets pledged as collateral are as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Cash and deposits	46	52
Trade receivables	1,044	946
Buildings, etc. (Note)	9,742	9,557
Machinery , equipment and vehicles	507	478
Tools, furniture, and fixtures	210	264
Land	26	27
Stocks	270	270
Long-term borrowings	690	690
otal	12,534	12,284

(Note) The item includes investment property. Corresponding liabilities are as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Corporate bonds(including current portion of corporate bonds)	100	100
Long-term borrowings (including current portion of long-term borrowings)va one year)	1,594	1,375

19. Trade and other payables

Details of trade and other payables as of March 31, 2021 and March 31, 2022 are as follows.

Trade and other payables as of March 31, 2021 was classified as financial liabilities measured at amortized cost, except for accrued vacation payable.

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Notes and accounts payable - trade	154,020	164,617
Accrued expenses	67,139	87,944
Accrued vacation payable	55,209	56,944
Accounts payable - other	53,045	61,850
Deposits received	53,998	48,240
Other	35,601	42,636
Total	419,012	462,231

20. Leases

(1) As lessor

Finance lease transactions

NTT DATA Group leases communication devices, servers, etc. which is classified as finance lease transaction. Sales profit/loss, financial revenue for net investment in the lease and net investment in the lease based on lease finance and their adjustments are as follows:

Revenues related to finance lease transactions are as follows:

(Unit: million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Sales profit/loss	1,998	3,428
Financial revenue for net investment in the lease	424	497

Maturity analysis of lease payment receivables related to finance lease transactions is as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Within 1 year	7,628	12,359
Over 1 year and within 2 years	4,509	10,872
Over 2 years and within 3 years	3,667	9,421
Over 3 years and within 4 years	2,231	5,480
Over 4 years and within 5 years	717	1,080
Over 5 years	716	1,100
Total	19,467	40,312
Less: unearned financial revenue	749	1,680
Net investment in the lease	18,718	38,632

(2) As lessee

In NTT DATA Group, real estate such as office buildings, communication equipment, office appliances, etc. are judged as lease or including lease, and the right-of-use assets and lease liabilities are recognized on the day the lease starts.

In the Group, there is no significance in contracts including contingent rent and residual value guarantee or leases that have not yet started event though the contract has been signed.

Details of right-of-use assets as of March 31, 2021 and March 31, 2022 are as follows:

(Unit: million yen)

	Type of underlying assets						Total
	Data communication facilities	Buildings and structures	Machinery ,equipment and vehicles	Tools, ffurniture, and fixtures	Land	Other	
As of March 31, 2021	1,333	135,546	14,186	1,204	1,035	52	153,357
As of March 31, 2022	872	130,252	18,271	1,273	1,106	22	151,794

Costs and cash out flow related to lease in the current fiscal year are as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Depreciation of the right-of-use assets		
Data communication facilities as underlying assets	676	521
Buildings and structures as underlying assets	34,468	33,513
Machinery , equipment and vehicles as underlying assets	7,185	8,516
Tools, furniture, and fixtures as underlying assets	264	258
Land as underlying assets	122	130
Other	36	20
Total depreciation of the right-of-use assets	42,751	42,957
Interest paid on lease liabilities	3,061	2,900
Cash out flow related to lease	52,597	52,592
Increased amount of right-of-use assets	40,189	50,695

21. Employee benefits

(1) Defined benefit plans

(I) Lump-sum payments on retirement and contract-type corporate pension plans

The employees of NTT DATA Group are generally entitled to lump-sum payments on retirement determined by reference to the employee's basic rate of pay, length of service, and other conditions.

NTT DATA and certain subsidiaries sponsor non-contributory contract-type corporate pension plans, which provide pensions from funds equivalent to 28% of the lump-sum payments on retirement. The employees have an option to receive the benefit in a lump-sum payment.

NTT DATA Group has transferred from the contract-type corporate pension plans to a defined contribution pension plan regarding the future contributions made on or after April 1, 2014. The Group's contract-type corporate pension plan continues to remain for the contributions made until March 31, 2014.

(II) NTT Kigyou-Nenkin-Kikin (NTT Corporate Defined Benefit Pension Plan ("NTT CDBP")) (former NTT Welfare Pension Plan) and NTT Special Accounting Fund for NTT CDBP (former NTT Special Accounting Fund for NTT Welfare Pension Plan)

(i) NTT CDBP (former NTT Welfare Pension Plan)

NTT CDBP is a pension plan to which both NTT Group and its employees make contributions, to add employees' own additional benefits to the basic pension and the welfare pension under the public pension scheme.

(ii) NTT Special Accounting Fund for NTT CDBP (former NTT Special Accounting Fund for NTT Welfare Pension Plan)

NTT Special Accounting Fund for the NTT CDBP is a transitionally managed pension plan to liquidate the former NTT Mutual Aid Plan pursuant to the Law to Partially Amend the Japanese Welfare Pension Insurance Law and other legislations. This aims to provide pension benefits based on the former Public Corporation Employee Mutual Aid Association Law, following the integration of the former NTT Mutual Aid Plan into the welfare pension insurance in April 1997.

NTT Special Accounting Fund for the NTT CDBP is a public welfare pension scheme and falls under a multiple-employer defined benefit plan.

In accordance with the provisions of the Law and other legislations, NTT Group pays contributions determined by the Japanese government every year based on the pay-as-you-go system to NTT Special Accounting Fund for the NTT CDBP (former NTT Special Accounting Fund for NTT Welfare Pension Plan). Such contributions are made pursuant to the former Public Corporation Employee Mutual Aid Association Law to cover the costs of pension benefits for the period of service in and prior to June 1956 for employees who worked at NTT, NIPPON TELEGRAPH AND TELEPHONE PUBLIC CORPORATION, and/or its former government organizations (the Ministry of Communications in the area of telecommunications and the Ministry of Telecommunications) and retired in July 1956 or later.

For NTT CDBP and NTT Special Accounting Fund for NTT CDBP in (ii) above, defined benefit obligations are calculated separately from lump-sum payments on retirement and contract-type corporate pension plans in (i) above.

Also, some of the subsidiaries have introduced their own unique plans other than above.

These defined benefit plans are exposed to actuarial risks (investment risk, interest risk, longevity risk, and inflation risk).

(III)Reconciliation of defined benefit obligations and net amount of plan assets and defined benefit liabilities (assets)

Reconciliation of defined benefit obligations and net amounts of plan assets and defined benefit liabilities (assets)in the fiscal years ended March 31, 2021 and 2022 is as follows:

(Unit: million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Changes in defined benefit obligations		
Present value at the beginning of the year	397,214	412,847
Service cost	21,740	22,211
Net amount of interest cost	2,588	2,627
Remeasurements		
- Changes in demographic assumptions	1,149	(150)
- Changes in financial assumptions	4,353	(18,023)
- Other	(1,741)	(984)
Benefit payments (lump-sum payments on retirement and pension)	(15,063)	(15,225)
Effect of business combinations and disposal	418	—
Foreign currency translation adjustments	2,434	2,757
Other	(245)	(452)
Balance of present value at the end of the year	412,847	405,608
Changes in plan assets		
Fair value at the beginning of the year	199,559	222,306
Interest income	1,442	1,447
Remeasurements		
- Income related to plan assets excluding interest income	19,168	433
Employer contributions	6,391	7,290
Benefit payments (pension)	(6,835)	(6,343)
Foreign currency translation adjustments	1,945	2,310
Other	635	288
Fair value at the end of the year	222,306	227,731
Net amount of defined benefit liabilities (assets) recorded in the consolidated statement of financial position	190,542	177,877

(IV) Defined benefit obligations and plan assets

Relation between the present value of defined benefit obligations, fair value of plan assets and the net amount of defined benefit liabilities (assets) recorded in consolidated financial statements is as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Present value of defined benefit obligations	412,847	405,608
Fair value of plan assets	(222,306)	(227,731)
Total	190,542	177,877
Defined benefit liabilities	202,323	193,170
Net defined benefit asset	(11,781)	(15,293)

(Note) Assets related to retirement benefits are included in “other non-current assets” on the consolidated statement of financial position.

(V) Details of the fair value of plan assets

The details of the fair value of plan assets as of March 31, 2021 and March 31, 2022 are as follows:

(Unit: million yen)

	As of March 31, 2021		As of March 31, 2022	
	Quoted market value in an active market		Quoted market value in an active market	
	Available	NA	Available	NA
Cash and cash equivalents	12,225	—	9,307	—
Equity securities	27,369	1,886	22,206	1,828
Domestic	18,872	1,886	14,822	1,828
Overseas	8,497	—	7,383	—
Debt instruments	47,986	26,398	47,725	31,493
Domestic	32,810	26,166	31,263	31,225
Overseas	15,176	231	16,462	268
Beneficiary certificates of securities investment trust	—	30,618	—	32,686
Pooled funds	—	31,319	—	34,141
Life insurance company general accounts	—	36,079	—	38,613
Other	—	8,426	—	9,733
Total	87,581	134,725	79,238	148,493

(VI) Important actuarial assumption used in calculating the present value of defined benefit obligations

The important actuarial assumption as of March 31, 2021 and March 31, 2022 is as follows:

	As of March 31, 2021	As of March 31, 2022
Discount rate	0.2%～0.6%	0.3%～0.9%

(VII)Effects of defined benefit plan on the amount, period and uncertainties of future cash flow of a company

(i) Sensitivity analysis of defined benefit obligations

The effects on defined benefit obligations in case one of the important actuarial assumptions changed within the range of reasonable possibility on the reporting date, assuming that there is no change in other assumptions as of March 31, 2021 and March 31, 2022 are as follows:

(Unit: million yen)

		As of March 31, 2021	As of March 31, 2022
Discount rate	In case of 0.5% increase	(36,635)	(35,374)
	In case of 0.5% decrease	41,351	39,827

(Note) In reality, the change does not necessarily occur with one independent assumption, so the result in the future may differ from the analysis above.

(ii) Funding policy

NTT DATA Group's funding policy takes into account various factors such as allowable limit of deductible expenses in terms of tax, funded status of plan assets, and actuarial calculations. Contributions for plan assets are intended for covering the benefits for services to be provided in the future in addition to the benefits for services that have already been provided.

In order to be able to maintain financial balance over the future, NTT CDBP and the contract-type corporate pension plans stipulate that the amount of the premium be recalculated every five years and every three years, respectively, as of the end of the fiscal year. However, if there is a significant change in the environment surrounding the pension finance, NTT DATA Group will review the financial status as necessary.

(iii) Management policy with respect to pension assets

NTT DATA Group's management policy with respect to pension assets is formulated with the objective of ensuring steady disbursement of benefit in future periods. Therefore, the long-term aim of asset management is to secure the total profits deemed necessary to ensure sound pension financing. To achieve this, NTT DATA Group selects various investments and takes into consideration their expected return and risks, and the correlation among the selected investments. The Group then sets the target of allocation ratio for plan assets and endeavors to maintain that ratio. The target allocation ratio for plan assets is determined from a mid- to long-term perspective and is reviewed annually. In the event that there is a significant change in the investment environment, the Group reviews the target allocation ratio for plan assets as necessary.

(iv) Expected contribution amount in the following fiscal year

NTT DATA Group estimates that the contribution for defined benefit plan for the following fiscal year is 6,413 million yen.

Duration of defined benefit obligations as of March 31, 2021 and March 31, 2022 are 16.6 years and 16.7 years, respectively.

(2) Defined contribution plans

The amount recognized as expenses regarding defined contribution plan in the previous fiscal and the current fiscal year are 7,174 million yen and 10,639 million yen, respectively.

(3) Employee benefit expenses

The employee benefit expenses included in the consolidated statement of profit or loss were 953,787 million yen in the previous fiscal year and 1,046,885 million yen in the current fiscal year. The employee benefit expenses include employees' salary and allowance, legal welfare expenses, retirement benefit expenses, etc.

The employee benefit expenses are included and shown in "cost of sale" and "selling general and administrative expenses."

22. Provisions

(1) Reconciliation tables related to provisions

Details and changes of provisions in the current fiscal year are as follows:

(Unit: million yen)

	Provision for loss on order received	Other	Total
Balance at beginning of the year (April 1, 2021)	907	7,585	8,492
Increase during the term	2,074	5,904	7,978
Changes from business combinations	-	29	29
Decrease during the term (used for purpose)	(446)	(2,200)	(2,646)
Decrease during the term (reversal)	(49)	(657)	(705)
Foreign currency translation adjustment	(17)	383	366
Balance at the end of the year (March 31, 2022)	2,470	11,044	13,514

The balance of current and non-current liabilities as of March 31, 2021 and March 31, 2022 are as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Current liabilities	4,224	7,650
Non-current liabilities	4,268	5,863
Total	8,492	13,514

(2) Details of provisions

Provisions are recognized in cases where NTT DATA 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 the time value of money and the interest rate reflecting the specific risks of the liabilities, provisions are measured by discounting the estimated future cash flows to the present value, taking into account the risks and uncertainties related to the obligations as of the fiscal year end.

Allowance for losses on contracts

This is related to software built-to-order, and the amount of allowance is calculated by estimating the total costs expected to occur in the future. The total cost estimate is based on the highly individualized system development by clients or the novelty of technology, and includes assumptions about the scale of development, productivity, number of development man-hours, and subcontracting costs. During the period in which outflow of economic benefit is expected, it is affected by status, etc. of future projects, but usually is expected to be within one year from the end of a fiscal year. There is no compensation expected at this time.

23. Other financial liabilities

Details of other financial liabilities as of March 31, 2021 and March 31, 2022 are as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Financial liabilities measured at amortized cost		
Other	4,585	4,268
Financial asset measured at fair value through profit or loss		
Derivative financial liabilities	1,412	252
Put option granted to non-controlling interests	11,709	14,150
Total	17,706	18,670
Current liabilities	4,075	3,572
Non-current liabilities	13,631	15,098
Total	17,706	18,670

24. Other liabilities

Details of other current liabilities and other non-current liabilities as of March 31, 2021 and March 31, 2022 are as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Consumption tax payable	16,580	18,514
Real estate tax payable	5,176	5,274
Other	36,781	27,892
Total	58,536	51,680
Current liabilities	40,064	37,781
Non-current liabilities	18,472	13,898
Total	58,536	51,680

25. Equity and other components of equity

(1) Common stock

Changes in the total number of authorized shares and the total number of issued shares in the fiscal years ended March 31, 2021 and 2022 are as follows

(Shares)

	Total number of authorized shares (common stock with no par value)	Total number of issued shares (common stock with no par value)	Treasury stock (common stock with no par value)
April 1, 2020	5,610,000,000	1,402,500,000	953
Stock split under resolution of the Board of Directors	-	-	-
Repurchase of treasury stock by the request to purchase fractional sharess	-	-	112
March 31, 2021	5,610,000,000	1,402,500,000	1,065
Stock split under resolution of the Board of Directors	-	-	-
Repurchase of treasury stock by the request to purchase fractional shares s	-	-	84
March 31, 2022	5,610,000,000	1,402,500,000	1,149

(Note) In addition to the above, 115,200 shares of the Company's stock held by the Trust for the performance-based stock remuneration plan are recorded as treasury stock in the consolidated statement of financial position.

(2) Performance-based stock remuneration plan for directors and executive officers

The Company introduced a performance-based stock remuneration plan (“the Plan”) using a trust for its directors (excluding directors who are Audit and Supervisory Committee members, and outside and part-time directors who are not Audit and Supervisory Committee members). The Plan is a stock remuneration plan in which a trust established by the Company through the contribution of money (“Trust”) acquires shares of NTT DATA and a number of NTT DATA shares are delivered to each director through the Trust in accordance with the points that the Company grants to each director. The delivery of NTT DATA shares under the Plan shall be made to Directors who are in office during the period covered by NTT DATA’s Medium-Term Management Plan (such a period is hereinafter referred to as the “applicable period”) and the number of NTT DATA shares that corresponds to the positions of each Directors, etc. and the degree of achievement of the performance targets under the Medium-Term Management Plan, shall be delivered as remuneration to Directors who are in office during the period. In principle, the timing of the issuance of NTT DATA shares to Directors is upon retirement of Directors.

The book value and the number of NTT DATA shares held by the Trust as of the fiscal year ended March 31, 2022 are 204 million yen and 115,200 shares, respectively, and are recorded as treasury stock in the consolidated statement of financial position.

(3) Additional paid-in capital and retained earnings

Additional paid-in capital consists of amount generated from capital transaction, which is not included in common stock, and consists of capital reserve and other additional paid-in capital (mainly disposal difference of treasury stock). Under Japanese Companies Act, one half or more of the amount related to payment for issuing stock must be capitalized to common stock and the remaining to capital reserve. The Companies Act requires that one tenth of dividend of other additional paid-in capital and other retained earnings be reserved as capital reserve and legal retained earnings, respectively, until the total of capital reserve and legal retained earnings reaches one fourth of the common stock. Capital reserve, legal retained earnings, other additional paid-in capital, and other retained earnings are admitted to be reclassified between accounts by resolution of a general meeting of shareholders under a certain condition.

Retained earnings consists of legal retained earnings and other retained earnings (mainly accumulated amount of net income/loss of each reporting period. Under Companies Act, on the day dividend with retained earnings as a source

is paid out, one tenth of the amount of surplus which decreases due to dividend of surplus must be reserved as capital reserve or legal retained earnings, until the total of capital reserve and legal retained earnings reaches one fourth of common stock. Legal retained earnings can be withdrawn by resolution of general meeting of shareholders.

The distributable amount which becomes the dividend resources of NTT DATA is calculated based on the Company's non-consolidated financial statements prepared according to corporate accounting standards generally recognized as fair and appropriate by Japanese Companies Act and in Japan.

(4) Capital management

NTT DATA Group has set a mid- to long-term increase of corporate value through management by keeping soundness of financial base and capital efficiency in mind, as well as stable shareholder return as the basic policies.

D/E ratio and ROE are the main indicators used by NTT DATA Group for capital management.

	As of March 31,2021	As of March 31,2022
Debt Equity Ratio (Times)(Note 1)	0.54	0.39
Ratio of net income to equity attributable to shareholders of NTT DATA (ROE)(Note 2)	7.6%	12.2%

(Note) 1 Interest-bearing debt / Shareholders' equity (Total equity － Non-controlling interests)

Of liabilities recorded on the consolidated statement of financial position, interest-bearing debt includes corporate bonds and loans.

2 Net income attributable to shareholders of NTT DATA / Equity attributable to shareholders of NTT DATA (average of beginning and end of the year)

(5) Put options granted to non-controlling interests

See "3. Significant accounting policies (20) Put options granted to non-controlling interests."

Put options are classified into three levels of fair value hierarchy.

(6) Other components of equity

Details and changes in other components of equity in the fiscal years ended March 31, 2021 and 2022 are as follows:

(Unit: million yen)

	Net change in fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedge	Hedge cost	Remeasure-ment of net amount of defined benefit liabilities	Foreign currency translation adjustments	Total
April 1, 2020	57,965	(1,263)	754	—	(31,451)	26,005
Other comprehensive income	54,832	1,140	13	9,745	23,284	89,015
Non-controlling interests transfer	(10)	(3)	-	(553)	(163)	(729)
Transfer to retained earnings	(2,272)	-	-	(9,192)	-	(11,464)
March 31, 2021	110,515	(125)	767	-	(8,330)	102,827
Other comprehensive income	(4,554)	750	134	13,075	76,903	86,307
Non-controlling interests transfer	(69)	-	-	(363)	(1,082)	(1,514)
Transfer to retained earnings	(64,543)	-	-	(12,712)	-	(77,255)
March 31, 2022	41,349	624	901	-	67,491	110,365

(7) Other comprehensive income

Details of other comprehensive income and amount of related tax effects as well as amounts reclassified to profit in the fiscal years ended March 31, 2021 and 2022 are as follows:

(Unit: million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net change in fair value of financial assets measured at fair value through other comprehensive income		
Amounts arising during the period	79,043	(14,288)
Amounts reclassified to profit	—	—
Before tax effect	79,043	(14,288)
Tax effect	(24,211)	9,734
After tax effect	54,832	(4,554)
Cash flow hedge		
Amounts arising during the period	(1,573)	9,815
Amounts reclassified to profit	3,206	(8,788)
Basis adjustment	39	14
Before tax effect	1,672	1,041
Tax effect	(532)	(291)
After tax effect	1,140	750
Hedge cost		
Amounts arising during the period	273	527
Amounts reclassified to profit	(249)	(324)
Before tax effect	24	203
Tax effect	(11)	(70)
After tax effect	13	134
Remeasurement of net amount of defined benefit liabilities		
Amounts arising during the period	15,407	19,590
Amounts reclassified to profit	—	—
Before tax effect	15,407	19,590
Tax effect	(5,662)	(6,515)
After tax effect	9,745	13,075
Foreign currency translation adjustments		
Amounts arising during the period	23,036	76,787
Amounts reclassified to profit	30	—
Before tax effect	23,066	76,787
Tax effect	—	—
After tax effect	23,066	76,787
Share of other comprehensive income of entities accounted for using the equity method		
Amounts arising during the period	142	115142
Amounts reclassified to profit	76	—
After tax effect	218	115
Total other comprehensive income (after tax)	89,015	86,307

26. Dividend

Dividends paid are as follows:

(i) Fiscal year ended March 31, 2021

Resolution	Class of shares	Total dividend (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
June 17, 2020 General Meeting of Shareholders	Common shares	12,622	Retained earnings	9.0	March 31, 2020	June 18, 2020
November 2, 2020 Board of Directors meeting	Common shares	12,622	Retained earnings	9.0	September 30, 2020	December 1, 2020

(ii) Fiscal year ended March 31, 2022

Resolution	Class of shares	Total dividend (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
June 17, 2021 General Meeting of Shareholders	Common shares	12,622	Retained earnings	9.0	March 31, 2021	June 18, 2021
November 9, 2021 Board of Directors meeting	Common shares	13,324	Retained earnings	9.5	September 30, 2021	December 1, 2021

(Note) The total amount of dividends resolved at the Board of Directors meeting on November 9, 2021 includes a dividend of 1 million yen for the Company's stock held by the Trust for the performance-based stock remuneration plan.

(iii) Dividends during the fiscal year ended March 31, 2022 with effective date during the fiscal year ending March 31, 2023

Resolution	Class of shares	Total dividend (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
June 16, 2022 General Meeting of Shareholders	Common shares	16,129	Retained earnings	11.5	March 31, 2022	June 17, 2022

(Note) The dividend per share resolved at the Ordinary General Meeting of Shareholders on June 16, 2022 includes a special dividend of 2.0 yen.

27. Revenue

(1) Details of goods and services

Consulting

In consulting business, we provide services such as consulting for improving clients' business that either involves transfer of deliverables to clients including requirements definition, market research, etc. that does not accompany system software development or that does not involve transfer of deliverables to clients.

In case of involving transfer of deliverables, since the benefits are transferred to clients according to the progress of the deliverables, revenues are recognized over the course of the installation period depending on the progress of installation. As cost is deemed to arise in proportion to degree of installation progress, we use cost-to-cost method based on the cost occurred for estimating the progress. Contract considerations are generally charged at the time of delivery, and considerations for services are collected primarily within 30 days from the day following the date of invoice.

In case of not involving transfer of deliverables, since assets or services are transferred when clients use services provided by the Company, revenue is recognized when the clients have used the services. Considerations for services are primarily charged monthly according to results depending on the actual usage of service by clients, such as the number of days service was provided, or with fixed amount and collected within 30 days from the day following the date of invoice.

Integrated IT Solutions

NTT DATA Group owns the facility assets and provides services to clients.

In order-based integrated IT solution businesses, we provide services covering the full life cycle of clients' systems, from requirements definition to maintenance/operation. NTT DATA Group makes capital investments and owns the facilities as assets according to orders from clients. In the transaction, since the assets or services are transferred when clients use the same services provided by us every month, the revenue is recognized mainly at a fixed amount according to the contract period.

In plan-based integrated IT solutions businesses, we provide services mainly in payment area. NTT DATA Group makes capital investments and holds the facilities as assets by anticipating the use of multiple clients, collects considerations for the services as usage fee according to the actual usage by the clients. The revenue is recognized when clients have used the service.

Contract considerations, for both order-based and plan-based businesses, are generally charged according to results depending on the actual usage of service by clients, such as the number of days service was provided, or with fixed amount and collected within 30 days from the day following the date of invoice.

System software development

We are entrusted with plans, designs, development, etc. for clients' information systems and deliver them to the clients.

As control over the developed assets is transferred to clients according to the progress of system software development, revenues are recognized over the course of the installation period depending on the progress of installation. As cost is deemed to arise in proportion to degree of installation progress, we use cost-to-cost method based on the cost occurred for estimating the progress. Contract considerations are normally charged upon delivery and considerations for services are primarily collected within 30 days from the day following the date of invoice

When losses are expected to arise, allowance for losses is recorded in the consolidated fiscal year in which the date the losses became apparent belongs.

Maintenance support

In maintenance support business, we provide technology support for system development, etc. that does not involve transfer of deliverables to clients, such as AMO (*1), ITO (*2), and BPO (*3) services, or services in which we perform maintenance and operation.

Since assets or services are transferred when clients use services provided by us, revenue is recognized when the clients have used the services. Considerations for services are primarily charged monthly according to results depending on the actual usage of service by clients, such as the number of days service was provided, or with fixed amount and

collected within 30 days from the day following the date of invoice.

*1 Application Management Outsourcing: outsourcing service for operation and maintenance of clients' custom applications.

*2 IT Outsourcing: one stop service for maintenance and operation of internal systems, etc. used by clients.

*3 Business Process Outsourcing: outsourcing service implementing efficient business operation by undertaking part of clients' operations

Other services

Service such as leasing facilities other than information device mainly including buildings, power, line equipment and fee collection agent.

(2) Breakdown of net sales

Net sales is broken down into major services. The relation between breakdown of net sales and each reportable segment is as follows:

Almost all the net sales of NTT DATA Group is a revenue recognized from contracts with clients. Lease revenues based on IFRS 16 are included in the net sales in the table below because they have no significance.

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Unit: million yen)

	Reportable segment					Other	Total
	Public & Social Infra-structure	Financial	Enterprise & Solutions	North America	EMEA & LATAM		
Consulting	6,391	15,548	20,901	42,112	192,007	6,251	283,211
Integrated IT Solutions	91,163	283,147	98,391	115,567	19,215	716	608,200
System Software Development	150,313	83,636	110,163	112,437	82,560	12,083	551,193
Maintenance Support	194,576	129,871	147,603	152,655	142,398	18,792	785,895
Other services	9,599	5,861	50,695	—	10,523	13,482	90,160
Total	452,043	518,063	427,753	422,772	446,703	51,325	2,318,658

(Note) The amount after deducting internal transactions among group companies are shown.

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

(Unit: million yen)

	Reportable segment					Other	Total
	Public & Social Infra-structure	Financial	Enterprise & Solutions	North America	EMEA & LATAM		
Consulting	8,148	14,217	23,424	62,874	243,238	5,565	357,467
Integrated IT Solutions	105,501	282,571	96,008	130,191	23,369	540	638,181
System Software Development	149,873	104,483	121,452	126,305	100,337	14,107	616,557
Maintenance Support	214,284	135,376	166,580	148,525	171,482	19,448	855,695
Other services	8,794	4,766	53,177	—	4,414	12,857	84,007
Total	486,599	541,414	460,641	467,896	542,839	52,517	2,551,906

(Note) The amount after deducting internal transactions among group companies are shown.

(3) Contract balance

NTT DATA Group records contract assets for considerations for system development services, etc. in progress. The contract assets are reclassified to trade receivable as soon as the right to payment becomes unconditional. The Group also records contract liabilities for consideration received in advance from clients. Contract liabilities are derecognized

when the assets or services corresponding to the consideration received in advance have been transferred.

The balance of contract assets and liabilities are as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Contract assets	101,496	105,477
Contract liabilities	270,224	283,854
Of recognized revenues, those that were included in the balance of contract liabilities as of the beginning of the year	99,522	114,182

There is no significance in the amount of revenue recognized from performance obligation satisfied in the past periods in the fiscal years ended March 31, 2021 and 2022.

(4) Transaction price allocated to the remaining performance obligation

Revenues expected to be recognized in the future related to unsatisfied (or partially unsatisfied) performance obligations as of March 31, 2021 and March 31, 2022 are as follows. NTT DATA Group does not apply the practical expedient of Paragraph 121 of IFRS 15 and includes performance obligations related to contracts expected to be satisfied within 1 year. There is no contract consideration paid by clients that is not included in the transaction price.

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Within 1 year	1,224,946	1,407,934
Over 1 year and within 2 years	543,120	593,877
Over 2 years and within 3 years	386,784	319,528
Over 3 years	580,269	539,262
Total	2,735,119	2,860,601

(5) Contract costs

There are no significant assets recognized from contract costs in the fiscal years ended March 31, 2021 and 2022.

In case the amortization period of the assets to be recognized is within 1 year, the practical expedient is applied and incremental costs of obtaining a contract is recognized as expenses at the time they are incurred.

28. Cost of sales and selling general and administrative expenses

Details of cost of sales and selling general and administrative expenses by characteristics in the fiscal years ended March 31, 2021 and 2022 are as follows:

(Unit: million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Employees' salaries and allowances	804,517	880,734
Outsourcing expenses	624,049	684,469
Depreciation and amortization cost	208,064	213,353
Cost of goods	165,113	166,060
Research and development expenses (Note)	22,739	19,707
Legal welfare expenses	55,519	61,737
Welfare expenses	39,491	42,305
Rent expenses	1,734	1,191
Traveling expenses	6,542	8,824
Communications and transportation expenses	25,766	24,111
Other	225,951	236,825
Total	2,179,485	2,339,316

(Note) Research and development expenses recognized as expenses, are all included in selling general and administrative expenses.

29. Finance income and finance costs

Details of finance income and finance costs in the fiscal years ended March 31, 2021 and 2022 are as follows:

(Unit: million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Finance income		
Financial assets measured at amortized cost		
Interest income	3,215	3,129
Other	3	2
Financial assets measured at fair value through other comprehensive income		
Dividend income	1,604	1,068
Financial assets derecognized during the period	397	207
Financial assets held as of the end of the fiscal year	1,207	861
	–	2,728
Other finance income	1,838	2,737
Total finance income	6,661	9,665
Finance costs		
Financial assets measured at amortized cost		
Provision for loss allowance	968	0
Financial liabilities measured at amortized cost		
Interest expenses	3,322	2,788
Other	26	0
Lease liabilities		
Interest expenses	3,061	2,900
Exchange differences (net amount)	1,520	–
Other finance costs	187	512
Total finance costs	9,083	6,201

30. Earnings per share

Basically, earnings per share in the fiscal years ended March 31, 2021 and 2022 are calculated based on net income attributable to the shareholders of NTT DATA and the average number of common shares during the period shown below.

Diluted earnings per share is not recorded because there is no potentially dilutive shares with dilutive effect.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net income attributable to shareholders of NTT DATA (Unit: million yen)	76,843	142,979
Amount not attributable to ordinary shareholders (Unit: million yen)	—	—
Net income used for calculating earnings per share (Unit: million yen)	76,843	142,979
Outstanding shares (share)	1,402,500,000	1,402,500,000
Impact of treasury shares (share)	1,065	116,349
Average number of common shares during the period (share)	1,402,498,999	1,402,427,584

(Note) In addition to the above, 115,200 shares of the Company's stock held by the Trust for the performance-based stock remuneration plan are recorded as treasury stock in the consolidated statement of financial position.

31. Financial instruments

(1) Financial risk management

NTT DATA Group is exposed to various financial risks (credit risk, liquidity risk, exchange risk, interest rate risk, and stock price fluctuation risk) in the course of its business activities. To prevent and mitigate such financial risks, NTT DATA Group manages risks in accordance with certain policies.

With regard to derivative transactions, NTT DATA Group limits and performs them within the actual demand by taking specified procedures for trade execution in accordance with the derivative transaction management rules.

(2) Credit risk management

In conducting business, NTT DATA Group is exposed to clients' credit risks in trade and other receivables and other financial assets (deposits, stocks, receivables and derivatives among others.)

In the Company, with regard to trade receivables, the person in charge of the trade receivables of each sector, etc. conducts regular monitoring of the collection status of individual clients to manage due dates as well as the credit balance in accordance with credit management rules, etc., and at the same time, delays in trade receivables are reported to the Corporate Management Committee on a quarterly basis so that early and secured collections can be achieved. Consolidated subsidiaries also conduct credit risk control using similar methods to those of the Company.

When using derivatives, the Company conducts transactions only with highly rated financial institutions, judging that there is little default risk (credit risk) of the counterparties.

Through the above risk management procedures, NTT DATA Group aims to prevent or mitigate credit risks and is not exposed to any excessive credit risk.

Credit risk management of the NTT DATA Group is as described below.

Maximum credit risk exposure

The carrying amounts after impairment of financial assets shown in the consolidated financial statements are maximum credit risk exposures of financial assets of NTT DATA Group, without taking into account the appraisal value of acquired collateral.

(i) Trade and other receivables and contract assets

Credit risk exposure and loss allowance related to trade and other receivables and contract assets as of March 31, 2021 and March 31, 2022 are as shown below:

As of March 31, 2021

(Unit: million yen)

Overdue period	Total carrying amounts	Required allowance rate	Loss allowance	Credit impairment
Within 30 days	675,762	0.1%	702	N
Over 30 days and within 90 days	13,589	0.9%	126	N
Over 90 days	25,659	41.2%	10,565	Y
Total	715,010		11,393	

During the year ended March 31, 2021, the amount of provision for loss was recorded as a result of an increase in the credit risk of certain financial assets held by clients in the EMEA & LATAM segment due to a significant deterioration in their financial conditions. As a result of this change, expected credit losses of 3,669 million yen was recorded in selling, general and administrative expenses in the consolidated statements of income.

As of March 31, 2022

(Unit: million yen)

Overdue period	Total carrying amounts	Required allowance rate	Loss allowance	Credit impairment
Within 30 days	748,049	0.1%	873	N
Over 30 days and within 90 days	14,594	2.0%	289	N
Over 90 days	25,780	35,1%	9,059	Y
Total	788,423		10,221	

NTT DATA Group measures loss allowance with the following method for above financial receivables.

Measurement of expected credit losses for 12 months and lifetime

See “3. Significant accounting policies (4) Financial instruments (ii) Impairment of financial assets.”

Forward-looking information

In measuring expected credit losses, we use the provision rate with forward-looking information taken into account in the history of past losses from bad debt.

Changes in the estimation technique or important assumptions during the reporting period

There is no change in the estimation technique or important assumptions during the reporting period.

(ii) Other financial assets (debt securities, loan receivable, etc.)

Credit risk exposure and loss allowance related to other financial assets (debt securities, loan receivable, etc.) as of March 31, 2021 and March 31, 2022 are as shown below:

As of March 31, 2021

	Total carrying amounts	Loss allowance	Credit impairment
Other financial assets (debt securities, loan receivable, etc.)receivable, etc.)	45,339	752	N
	11,785	11,785	Y
Total	57,124	12,537	

As of March 31, 2022

	Total carrying amounts	Loss allowance	Credit impairment
Other financial assets (debt securities, loan receivable, etc.)	107,749	606	N
	12,243	12,243	Y
Total	119,992	12,848	

NTT DATA Group measures loss allowance with the following method for above financial receivables.

Measurement of expected credit losses for 12 months and lifetime

See “3. Significant accounting policies (4) Financial instruments (ii) Impairment of financial assets.”

Forward-looking information

In measuring expected credit losses, we take into account records of occurrence of past default events as a forward-looking information.

Changes in the estimation technique or important assumptions during the reporting period

There is no change in the estimation technique or important assumptions during the reporting period.

Reconciliation of loss allowance in the fiscal years ended March 31, 2021 and March 31, 2022 are shown below.

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Unit: million yen)

Classification	Recorded at the same amount as the 12-month expected credit losses	Recorded at the same amount as the lifetime expected credit losses			Total
		Related to assets that are not credit impaired financial assets	Related to credit impaired financial assets	Related to trade receivables or contract assets	
Balance on April 1, 2020	805	-	9,122	7,390	17,318
Increase	-	-	2,662	6,028	8,690
Decrease	(52)	-	-	(2,025)	(2,077)
Balance on March 31, 2021	752	-	11,785	11,393	23,930

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

(Unit: million yen)

Classification	Recorded at the same amount as the 12-month expected credit losses	Recorded at the same amount as the lifetime expected credit losses			Total
		Related to assets that are not credit impaired financial assets	Related to credit impaired financial assets	Related to trade receivables or contract assets	
Balance on April 1, 2021	752	-	11,785	11,393	23,930
Increase	-	-	458	4,562	5,020
Decrease	(147)	-	-	(5,734)	(5,880)
Balance on March 31, 2022	606	-	12,243	10,221	23,070

There is no significant collateral or credit enhancement as of March 31, 2021 and March 31, 2022.

(3) Liquidity risk management

Liquidity risk is mainly the risk that NTT DATA Group faces in fulfilling its obligations related to financial liabilities that are settled by cash or other financial assets. The Group aims to secure stable, low-cost funds when raising funds to support business activities.

NTT DATA Group manages liquidity risks by certain means, for example, formulating and updating monthly funding plans. The Company also makes use of bank loans and NTT Group Finance for financing and has received ratings of long-term bonds and commercial paper from two rating institutions in Japan for more stable financing. Accordingly, the Company has secured enough funding liquidity which could substitute cash and cash equivalents.

NTT DATA Group has introduced a group cash management system, which aims to improve the fund efficiency by letting the Company centrally manage the Group's funds and lend needed funds to each group company.

Balance of financial liabilities by due date as of March 31, 2021 and March 31, 2022 are shown below. Trade and other receivables are not included in the table because they are usually settled within one year.

As of March 31, 2021

(Unit: million yen)

	Carrying amount	Contractual cash flow	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Corporate bonds and loans	578,903	587,633	107,903	89,957	79,323	1,638	125,402	183,410
Lease obligations	159,305	170,695	44,218	32,306	23,968	18,875	16,021	35,308
Derivative financial liabilities	1,412	1,412	1,412	-	-	-	-	-
Total	739,619	759,740	153,532	122,263	103,291	20,512	141,423	218,718

As of March 31, 2022

(Unit: million yen)

	Carrying amount	Contractual cash flow	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Corporate bonds and loans	496,480	503,298	104,874	81,455	1,655	131,729	63,580	120,005
Lease liabilities	166,564	178,224	45,432	36,183	26,179	19,661	12,839	37,929
Derivative financial liabilities	252	252	252	-	-	-	-	-
Total	663,296	681,773	150,558	117,638	27,834	151,390	76,419	157,934

(4) Market risks

Market risks refer to risks concerning fluctuations in market prices, such as foreign exchange rates, interest rates, and equity prices and affect NTT DATA Group's earnings or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

With regard to foreign currency denominated assets and liabilities, NTT DATA Group basically hedges foreign exchange risk by possessing foreign currency liability in the same currency or other currency which links with the currency in question, making forward exchange contracts, currency swap transactions, currency option transactions, or combinations of them. With regard to variable rate assets and liabilities, the Company basically hedges interest rate risk by possessing liabilities which are linked to the industry interest rate, interest rate swap transactions, interest rate option transactions, or combinations of them.

With regard to stocks, their market risk is managed by grasping their fair value and checking the financial position of the issuers regularly. Derivatives are used in accordance with risk control rules and the Finance Department of the Company manages them centrally. The use of derivatives by consolidated subsidiaries is subject to prior discussion with the Company.

(i) Foreign exchange risk management

NTT DATA Group conducts corporate activities globally and is subject to risk of foreign exchange fluctuations as the group companies based in various regions of the world conduct trade, financing, and investment in non-functional currencies. To maintain economic value of cash flows in non-functional currencies, NTT DATA Group manages foreign exchange fluctuation risks by using contracts such as forward exchange contract. NTT DATA Group considers that these transactions effectively offset the impact of exchange fluctuations. Main hedged currencies are US dollars and Euros.

(a) Currency risk exposure

Currency risk exposures of NTT DATA Group as of March 31, 2021 and March 31, 2022 are as follows. The amount of foreign exchange risk hedged by derivatives is excluded.

(Unit: million yen)

Currency	As of March 31, 2021	As of March 31, 2022
USD	7,366	5,873
Euro	52,970	48,515

(b) Sensitivity analysis of currency exchange

Estimated amount of increase in profit before taxes assuming that Japanese yen depreciated by 1 yen as of March 31, 2021 and March 31, 2022 is as follows. The amount of decrease in profit before taxes assuming that the Japanese yen appreciated by 1 yen is the same amount.

(Unit: million yen)

Currency	As of March 31, 2021	As of March 31, 2022
USD	67	48
Euro	408	355

(ii) Interest rate risk management

In conducting business activities, NTT DATA Group pays interest accrued by raising funds necessary for working capital and capital investment among others. With regard to borrowings with interest rate risks, NTT DATA Group usually hedges such interest rate risks by using an interest rate swap.

(a) Interest rate risk exposure

Interest rate risk exposures of NTT DATA Group as of March 31, 2021 and March 31, 2022 are as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Short-term borrowings	40,756	12,841

(b) Sensitivity analysis of interest rate

There is no significance in the effect on profit before taxes in case interest rate of financial instruments with floating interest rates held by NTT DATA Group as of March 31, 2021 and March 31, 2022 changed by 1%.

(iii) Equity price fluctuation risk control

NTT DATA Group is exposed to equity price fluctuation risks as it holds marketable shares especially those of clients and associates as of March 31, 2021 and March 31, 2022. Based on its risk control strategy, NTT DATA Group manages equity price fluctuation risks by regularly monitoring fair value and unrealized profit and loss for each investee.

Sensitivity analysis of equity price

The impact on other comprehensive income (before considering tax effect) in case market price declined by 10% for securities traded in an active market assuming that all other variables are unchanged is as follows:

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
Impact on other comprehensive income (before considering tax effect) (( ) shows negative amount)	(16,899)	(6,335)

(5) Fair value of financial instruments

Fair value is defined as “a price that is assumed to be received for selling an asset or a price that is assumed to be paid to transfer a liability in an ordinary transaction between market participants on the day of the measurement.” In IFRS, there are 3 levels of faire values. Inputs used for measuring fair values are prioritized according to observability. Each input are as follows:

Level 1: market price of the same asset and liability in an active market
Level 2: observable input other than the market price included in Level 1 regarding asset and liability
Level 3: unobservable input regarding asset and liability

Reclassification between the levels of fair values is recognized as having occurred at the end of each quarter.

Financial instruments that are not measured at fair value

Financial instruments that are not measured at fair value as of March 31, 2021 and March 31, 2022 are as follows. Other financial instruments are not included in the table as their carrying amounts are largely equivalent to their fair values.

(Unit: million yen)

	As of March 31, 2021		As of March 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (including current portion of long-term borrowings)	485,874	490,271	431,027	433,155
Corporate bonds (including current portion of corporate bonds)	50,096	50,800	50,098	50,342

Assets and liabilities measured ordinarily at fair value

Assets and liabilities measured ordinarily at fair value as of March 31, 2021 and March 31, 2022 are as follows. NTT DATA Group continues to measure other financial assets (securities) and derivatives at fair value.

As of March 31, 2021

(Unit: million yen)

	Fair value			
	Total	Level 1	Level 2	Level 3
Other financial assets:				
Stocks, etc.	186,342	168,986	—	17,356
Derivative financial assets	2,535	—	2,535	—
Total	188,877	168,986	2,535	17,356
Other financial liabilities:				
Derivative financial liabilities	1,412	—	1,412	—
Total	1,412	—	1,412	—

There is no reclassification between Level 1 and Level 2.

As of March 31, 2022

(Unit: million yen)

	Fair value			
	Total	Level 1	Level 2	Level 3
Other financial assets:				
Stocks, etc.	83,108	63,346	—	19,761
Derivative financial assets	12,140	—	12,140	—
Total	95,247	63,346	12,140	19,761
Other financial liabilities:				
Derivative financial liabilities	252	—	252	—
Total	252	—	252	—

There is no reclassification between Level 1 and Level 2.

Reconciliation of Level 3 assets and liabilities measured ordinarily at fair value in the fiscal years ended March 31, 2021 and March 31, 2022 is as follows:

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Unit: million yen)

Classification	Balance at the beginning of the year	Gain/Loss	Increase by purchase	Decrease by selling	Other	Balance at the end of the year
		Other comprehensive income				
Other financial assets						
Stocks, etc.	19,179	1,426	615	(4,368)	504	17,356

(Note) 1 “Gain/loss” included in “other comprehensive income” is related to equity securities measured at fair value through other comprehensive income as of the final day of the reporting period, and is included in “changes in fair value of financial assets measured through other comprehensive income” of the consolidated statement of comprehensive income.

2 There are no significant reclassifications in the fiscal year ended March 31, 2021.

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

(Unit: million yen)

Classification	Balance at the beginning of the year	Gain/Loss	Increase by purchase	Decrease by selling	Other	Balance at the end of the year
		Other comprehensive income				
Other financial assets						
Stocks, etc.	17,356	1,240	1,350	(41)	(144)	19,761

(Note) 1 “Gain/loss” included in “other comprehensive income” is related to equity securities measured at fair value through other comprehensive income as of the final day of the reporting period, and is included in “changes in fair value of financial assets measured through other comprehensive income” of the consolidated statement of comprehensive income.

2 There are no significant reclassifications in the fiscal year ended March 31, 2022.

(6) Measurement method of fair values

Fair values of financial assets and financial liabilities are determined as follows. In case a market price could be obtained in estimating fair values of a financial instrument, the market price is used. For the fair value of a financial instrument whose market price cannot be obtained, estimation is made using a method of discounting future cash flow or other appropriate methods.

“Trade and other receivables,” “trade and other payables,” and “short-term loan”

Carrying amounts are largely equivalent to their fair values.

“Other financial assets (current)” and “other financial assets (non-current)”

Fair values of marketable securities are measured with a market price of the same asset in an active market.

Other financial assets include common stock issued by unlisted companies not accounted for by equity method such as clients. Fair values of unlisted common stocks are calculated using assessment model based on discount future cash flow, revenue, profitability and net asset, similar industry comparison and other assessment methods.

Derivatives are interest rate swap contracts, currency option transactions and forward exchange contracts. Their fair values are assessed based on observable market data, and are classified as Level 2. Also, appraisal value is regularly verified using observable market data such as foreign exchange rate.

“Long-term loan” (including those to be repaid within a year) and “corporate bonds” (including those to be redeemed within a year)

Fair values of long-term loans (including those to be paid within a year) and corporate bonds (including those to be redeemed within a year) are estimated based on the future discount cash flow using interest rate used in case NTT DATA Group borrows an equivalent new loan.

Fair values are assessed and verified based on observable market data and classified as Level 2.

“Other financial liabilities (current)” and “other financial liabilities (non-current)”

Derivatives are interest swap contracts, currency option transactions and forward exchange contracts. Their fair value is assessed based on observable market data, and is classified as Level 2. Also, appraisal value is regularly verified using observable market data such as foreign exchange rate.

Quantitative information concerning assets classified as Level 3

In NTT DATA Group, financial instruments classified as Level 3 are mainly comprised of unlisted stocks. The fair value of unlisted stocks is measured with available data using assessment methods and inputs that can most appropriately reflect the nature, characteristics, and risks of financial instruments concerned. The result of the measurement is reviewed and approved by an appropriately authorized person.

With regard to financial instruments classified as Level 3, increase and decrease of an important fair value in case unobservable input is changed to an alternative and reasonable assumption are not anticipated.

(7) Derivative transactions and hedging

Derivative and hedging transactions

NTT DATA Group has several financial instruments including long-term borrowings and other financial assets and liabilities in the ordinary course of business. Such financial instruments are exposed to market risks from changes in interest rates and foreign exchange rates. NTT DATA Group formulates risk management policies for mitigating such risks using derivatives such as forward foreign exchange contracts, interest rate swap agreements, currency swap agreements, currency option agreements, and forward contracts in principle. The Group does not conduct derivative transactions for speculative purposes.

Risk management of foreign exchange fluctuations

NTT DATA Group concludes forward foreign exchange contracts and currency swap agreements, mainly in order to hedge the risks from changes in foreign currency rates related to foreign currency-denominated long-term borrowings. Such contracts and agreements have the same maturity as the underlying debt.

Risk management of interest rate fluctuations

Market risks from interest rate fluctuations that NTT DATA Group is exposed to are mainly related to obligations. Interest rate swap agreements are concluded to convert underlying debt of floating interest rate into payables of fixed interest rate. These instruments are executed with creditworthy financial institutions.

Derivative transactions and hedging in NTT DATA Group are as follows:

Cash flow hedge

As a cash flow hedge, NTT DATA Group designates forward exchange, currency swap and interest rate swap to fix the changes in the cash flows of foreign currency-denominated receivables and payables, foreign currency-denominated firm commitments, foreign currency-denominated forecast transactions, and floating rate loans.

Derivative transactions to which hedge accounting is not applied as of March 31, 2021 and March 31, 2022 are as

shown below. These transactions are conducted for the purpose of economically hedging the currency exchange risks arising mainly from foreign currency-denominated receivables and payables. Hedge accounting is not applied to these transactions because most of them are for small amounts and short-term.

As of March 31, 2021

(Unit: million yen)

	Notional principal		Carrying amount	
	Total amount	Portion exceeding 1 year in the left	Assets	Liabilities
Forward exchange contracts	100,973	198	357	1,412
Currency swap	—	—	—	—

As of March 31, 2022

(Unit: million yen)

	Notional principal		Carrying amount	
	Total amount	Portion exceeding 1 year in the left	Assets	Liabilities
Forward exchange contracts	66,510	—	345	192
Currency swap	2,577	—	1	4

Items designated as hedging instruments in the fiscal years ended March 31, 2021 and March 31, 2022 are as follows:

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Unit: million yen)

	Notional principal		Carrying amount		Line item	Change in the value of the hedging instrument
	Total amount	Portion exceeding 1 year in the left	Assets	Liabilities		
Cash flow hedges						
Foreign exchange risk						
Forward exchange contracts	17,878	8,115	841	-	(Note 2)	(253)
Foreign currency-denominated deposit	6	-	6	-	(Note 3)	0
Interest rate risk						
Interest rate swap	–	–	–	-	(Note 2)	142
Foreign exchange/interest rate risk						
Interest rate currency swap	73,075	73,075	1,338	-	(Note 2)	(1,916)

(Note) 1 Average rate of interest rate currency swap is 109.64 yen per dollar and average interest rate is minus 0.08%.

2 “Other financial assets (current),” “other financial assets (non-current),” “other financial liabilities (current),” and ”other financial liabilities (non-current)”

3 “Cash and cash equivalents”

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

(Unit: million yen)

	Notional principal		Carrying amount		Line item	Change in the value of the hedging instrument
	Total amount	Portion exceeding 1 year in the left	Assets	Liabilities		
Cash flow hedges						
Foreign exchange risk						
Forward exchange contracts	36,369	9,700	2,725	56	(Note 2)	(1,068)
Foreign currency-denominated deposit	605	-	666	-	(Note 3)	61
Interest rate risk						
Interest rate swap	–	–	–	-	(Note 2)	–
Foreign exchange/interest rate risk						
Interest rate currency swap	80,791	80,791	9,069	-	(Note 2)	7,731

(Note) 1 Average rate of interest rate currency swap is 109.64 yen per dollar and average interest rate is minus 0.08%.

2 “Other financial assets (current),” “other financial assets (non-current),” “other financial liabilities (current),” and ”other financial liabilities (non-current)”

3 “Cash and cash equivalents”

The items designated as hedged items in the fiscal years ended March 31, 2021 and March 31, 2022 are as follows:

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Unit: million yen)

	Change in the value of the hedging instrument	Cash flow hedge reserve related to ongoing hedges
Cash flow hedges		
Foreign exchange risk		
Foreign currency-denominated forecast transaction	302	(302)
Foreign currency-denominated finalized transactions, etc.	(49)	49
Interest rate risk		
Floating interest rate long-term loans	(142)	-
Foreign exchange/interest rate risk		
Floating interest rate foreign currency-denominated long-term loans	1,853	378

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

(Unit: million yen)

	Change in the value of the hedging instrument	Cash flow hedge reserve related to ongoing hedges
Cash flow hedges		
Foreign exchange risk		
Foreign currency-denominated forecast transaction	1,026	(1,026)
Foreign currency-denominated finalized transactions, etc.	(19)	19
Interest rate risk		
Floating interest rate long-term loans	-	-
Foreign exchange/interest rate risk		
Floating interest rate foreign currency-denominated long-term loans	(7,718)	383

The result of applying hedge accounting, which had impact on the consolidated statement of comprehensive income in the fiscal years ended March 31, 2021 and March 31, 2022 is as follows:

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Unit: million yen)

	Gain or loss on hedges recognized in the period in other comprehensive income (Note)	Amount reclassified from cash flow hedge reserve to profit or loss as reclassification adjustment (Note)	Basis adjustments (Note)	Major line item in consolidated statement of profit or loss for reclassification adjustment
Cash flow hedges				
Foreign exchange risk	280	19	39	Finance income
Interest rate risk	-	-	-	-
Foreign exchange/interest rate risk	(1,853)	3,186	-	Finance income

(Note) Amount before tax effect adjustment.

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

(Unit: million yen)

	Gain or loss on hedges recognized in the period in other comprehensive income (Note)	Amount reclassified from cash flow hedge reserve to profit or loss as reclassification adjustment (Note)	Basis adjustments (Note)	Major line item in consolidated statement of profit or loss for reclassification adjustment
Cash flow hedges				
Foreign exchange risk	2,097	(1,064)	14	Finance income
Interest rate risk	-	-	-	-
Foreign exchange/interest rate risk	7,718	(7,724)	-	Finance income

(Note) Amount before tax effect adjustment.

In the previous and the current fiscal year, hedge ineffectiveness recognized as profit or loss is not material.

32. Major subsidiaries

(1) NTT DATA Group structure

The consolidated financial statements of NTT DATA Group as of March 31, 2022 consist of NTT DATA and 312 consolidated subsidiaries (315 companies as of March 31, 2021).

Status of major consolidated subsidiaries as of March 31, 2022 is as follows:

Name	Main business	Location	Reportable segment	Percentage of voting rights (%)
				As of March 31, 2022
NTT DATA i CORPORATION	System design/development	Japan	Public & Social Infrastructure	100.0
NTT DATA KYUSHU CORPOTATION	System design/development	Japan	Public & Social Infrastructure	100.0
NTT DATA TOKAI CORPOTATION	System design/development	Japan	Public & Social Infrastructure	100.0
NTT DATA KANSAI CORPORATION	System design/development	Japan	Public & Social Infrastructure	100.0
NTT DATA CHUGOKU CORPORATION	System design/development	Japan	Public & Social Infrastructure	100.0
NTT DATA SYSTEM TECHNOLOGIES INC.	System design/development	Japan	Financial	100.0
NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.	Consulting	Japan	Financial	100.0
NTT DATA CUSTOMER SERVICE CORPOTATION	System operation/ maintenance	Japan	Financial	100.0
NTT DATA FINANCIAL CORE CORPORATION	System design/development	Japan	Financial	100.0
NTT DATA FORCE CORPORATION	System design/development	Japan	Financial	90.0
NTT DATA FRONTIER CORPORATION	System design/development	Japan	Financial	75.5
NTT DATA SOFIA CORPOTATION	System design/development	Japan	Financial	85.0
NTT DATA Luweave Corporation	System design/development	Japan	Financial	100.0
XNET Corporation	Sales of systems	Japan	Financial	51.1
Japan Information processing Service Co.,Ltd.	System design/development	Japan	Financial	80.0
NTT DATA SMS CORPORATION	System operation	Japan	Enterprise & Solutions	100.0
NTT DATA INTRAMART CORPORATION	Sales of packaged software	Japan	Enterprise & Solutions	(Note 1) 47.9
NTT DATA DATA WAVE CORPORATION	System design/development	Japan	Enterprise & Solutions	80.1
NTT DATA BUSINESS SYSTEMS CORPORATION	System design/development	Japan	Enterprise & Solutions	100.0
NTT DATA CCS CORPORATION	System design/development	Japan	Enterprise & Solutions	60.0
NTT DATA MSE Corporation	System design/development	Japan	Enterprise & Solutions	(Note 1) 45.0
JSOL Corporation	System design/development	Japan	Enterprise & Solutions	(Note 1) 50.0
NTT DATA NJK CORPORATION	System design/development	Japan	Enterprise & Solutions	100.0
NTT DATA Global Solutions Corporation	System design/development	Japan	Enterprise & Solutions	100.0
NTT DATA MHI Systems Corporation	System design/development	Japan	Enterprise & Solutions	51.0

QUNIE CORPORATION	Consulting	Japan	Enterprise & Solutions	100.0

Name	Main business	Location	Reportable segment	Percentage of voting rights (%)
				As of March 31, 2022
Netyear Group Corporation	SIPS (Strategic Internet Professional Services) business	Japan	Enterprise & Solutions	(Note 1) 48.5
NTT DATA Smart Sourcing Corporation	Contact Center Business	Japan	Enterprise & Solutions	100.0
PAYGENT Co., Ltd.	Payment processing services	Japan	Enterprise & Solutions	(Note 1) 50.0
NTT DATA, Inc.	Consulting System design/development	The United States	North America	100.0
NTT Data International L.L.C.	Supervision of North American operating subsidiaries	The United States	North America	100.0
NTT DATA Consulting, Inc.	Consulting System design/development	The United States	North America	100.0
NTT DATA Services International Holdings B.V.	Consulting System design/development	Nederland	North America	100.0
NTT DATA Services Holdings Corporation	Consulting System design/development	The United States	North America	100.0
NTT DATA Services, LLC	Consulting System design/development	The United States	North America	100.0
NTT DATA Europe & Latam, S.L.U.	Supervision of EMEA & LATAM operating subsidiaries	Spain	EMEA & LATAM	100.0
NTT DATA EMEA LTD.	Consulting System design/development	The United Kingdom	EMEA & LATAM	100.0
NTT DATA Spain, S.L.U.	Consulting System design/development	Spain	EMEA & LATAM	100.0
Everis Aeroespacialy Defensa, S.L.U.	Consulting System design/development	Spain	EMEA & LATAM	100.0
NTT DATA Business Solutions AG	Consulting System design/development	Germany	EMEA & LATAM	100.0
NTT DATA EUROPE GmbH & CO. KG	Supervision of APAC operating subsidiaries	Germany	EMEA & LATAM	100.0
NTT DATA MANAGEMENT SERVICE COPORATION	Administrative agent business	Japan	Others	70.0
NTT DATA INTELLILINK CORPOTATION	System design/development	Japan	Others	100.0
NTT DATA ASIA PACIFIC PTE. LTD.	Supervision of APAC operating subsidiaries	Singapore	Others	100.0
NTT DATA BEEN (China) Information Technology Co.,Ltd.	Supervision of China operating subsidiaries	China	Others	100.0
VietUnion Online Services Corporation	Payment processing services	Vietnam	Others	90.1

(Note) 1 Though our share is less than 50/100, the company is consolidated because we have the power as a result of considering distribution status of the voting rights, power to appoint directors, etc., and judging that we have substantial control.

2 There has been no material changes in the percentages of ownership of the consolidated subsidiaries since fiscal year ended March 31, 2021.

(2) Structured entities

Consolidated structured entities

NTT DATA owns a property management company as a consolidated structured entity. This management company was established for the purpose of mainly undertaking operations related to taking over of specified assets according to asset securitization plans based on Act on Securitization of Assets, as well as their management and disposal. It is designed so that the voting rights or similar rights are not determinant in evaluating control, but NTT DATA judged that it has control over its management.

NTT DATA has not provided, nor intends to provide, any significant financial support or other significant support to the consolidated structured entities without contractual obligation.

33. Related parties

(1) Transactions with related parties

Transactions and balances of receivables and payables between NTT DATA Group and related parties are as follows:

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Unit: million yen)

Type	Names of related parties	Business or occupation	Transaction	Amount	Outstanding balance
Subsidiary of the parent company	NTT FINANCE CORPORATION	Total leasing	Settlement of transactions between NTT group companies	69,224	22,504
			Fund deposit (Note 3)	16,650	43,257
			Interest income in association with fund deposit	0	—
			Fund borrowing	90,000	432,036
			Fund borrowing (Note 3)	169	24,557
			Interest in association with fund borrowing	1,192	—
Officer	Yo Honma	President and Chief Executive Officer, Representative Director of NTT DATA Chairman of Japan Electronic Payment Promotion Organization	System development/service usage income	96	—
			Income from other businesses such as building leases	27	—
			Payment of annual membership fee	3	—

(Note) 1 Terms of transactions and the method of deciding the terms are same as those of transactions with other business partners.

2 For transaction amount of fund deposits and borrowings, average balance of deposits and short-term loans are shown.

3 For transaction amount of fund borrowings, the amount of the current term borrowings of long-term loans is shown.

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

(Unit: million yen)

Type	Names of related parties	Business or occupation	Transaction	Amount	Outstanding balance
Subsidiary of the parent company	NTT FINANCE CORPORATION	Total leasing	Settlement of transactions between NTT group companies	86,177	16,012
			Fund deposit (Note 3)	55,822	90,936
			Interest income in association with fund deposit	1	—
			Fund borrowing	—	377,049
			Fund borrowing (Note 3)	69	594
			Interest in association with fund borrowing	1,057	—
Officer	Yo Honma	President and Chief Executive Officedr, Representative Director of NTT DATA Chairman of Japan Electronic Payment Promotion Organization	System development/service usage income	81	—
			Income from other businesses such as building leases	23	—
			Payment of annual membership fee	3	—

(Note) 1 Terms of transactions and the method of deciding the terms are same as those of transactions with other business partners.

2 For transaction amount of fund deposits and borrowings, average balance of deposits and short-term loans are shown.

3 For transaction amount of fund borrowings, the amount of the current term borrowings of long-term loans is shown.

(2) Remuneration for key management

Remuneration for key management in fiscal years ended March 31, 2021 and 2022 are as follows. Remuneration for key management is the remuneration for directors of NTT DATA.

(Unit: million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Short-term remuneration	467	539
Stock remuneration	—	49
Total	467	588

(3) Parent company

Name	Main business	Loca-tion	Percentage of ownership	
			As of March 31, 2021	As of March 31, 2022

NTT, Inc.	Governance, strategy development, policy promotion, etc. of NTT Group	Japan	54.2%	54.2%

(4) Ultimate parent company

Name	Main business	Loca-tion	Percentage of ownership	
			As of March 31, 2021	As of March 31, 2022
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	Regional telecommunications operations, long-distance / international telecommunications operations, mobile telecommunications, data communications, etc.	Japan	54.2%	54.2%

34. Commitments

There are no material commitments.

35. Contingent liabilities

There are no material contingent liabilities.

36. Subsequent events

NTT DATA announced that, in line with its plan to further grow the NTT DATA group's overseas business, it has resolved at Board of Directors meeting held on May 9, 2022 to integrate the group overseas business of NTT, Inc. ("NTT, Inc."), a wholly owned subsidiary of Nippon Telegraph and Telephone Corporation ("NTT") (the "Overseas Business Integration") into the NTT DATA group's overseas business.

Specifically, NTT DATA resolved (i) to execute a master agreement (the "Master Agreement") and shareholders agreement (the "Shareholders Agreement") with NTT; (ii) to execute an absorption-type company split agreement with NTT, Inc. whereby each of NTT, Inc. and its subsidiaries will become a subsidiary of NTT DATA after the overseas business operated by NTT DATA is succeeded to NTT, Inc. (the "Overseas Business Split Agreement", and the company split based on this agreement is the "Overseas Business Split"); and (iii) as part of the Overseas Businesses Integration, to acquire a part of NTT, Inc. shares held by NTT subject to the Overseas Business Split coming into effect (the "Additional Share Acquisition"), respectively, and NTT DATA executed the Master Agreement, the Shareholders Agreement and the Overseas Business Split Agreement effective as of May 9, 2022. The Overseas Business Integration is scheduled to be implemented in October 1, 2022 on the condition that the Distribution in Kind (as defined below) and the Share Split (as defined below) will come into effect, that the Overseas Business Split Agreement is approved at the NTT DATA Ordinary General Meeting of Shareholders scheduled to be held in June 2022, and that the approval of the relevant government agencies is obtained as required. Further, since the Overseas Business Split constitutes as a transaction, etc. with a controlling shareholder, in making the resolution therefor, the Company has implemented measures to ensure the fairness of the Overseas Business Split, such as obtaining a report from a special committee with no interest, and measures to avoid conflicts of interest.

Further, prior to the Overseas Business Split and the Additional Share Acquisition, NTT, Inc. is scheduled to perform a 49-for-1 share split of NTT, Inc. shares of common stock (the "Share Split") and to distribute all of 760,000,000 shares of common stock of the Company held by NTT, Inc. (54.2% of the total number of voting rights as of September 30, 2021) in kind to NTT (the "Distribution in Kind") effective as of October 1, 2022, pursuant to the Master Agreement.
As a result of the Distribution in Kind, NTT, Inc. will no longer be the parent company and the largest and major shareholder of the Company, and NTT will become the new largest and major shareholder of the Company. Additionally, as a result of the Overseas Business Split, each of NTT, Inc. and its subsidiaries will newly become a subsidiary of the Company as described above. By the effective date of the Overseas Business Split (October 1, 2022), NTT DATA and NTT plan to discuss the trade name of NTT, Inc.

In addition, at the Board of Directors meeting held on May 9, 2022, the Company resolved to establish a split preparation company (the "Domestic Business Split Preparation Company") as a wholly owned subsidiary of the Company on October 1, 2022

(scheduled), and by having the Domestic Business Split Preparation Company take over the domestic business of the Company by or around July 1, 2023 through an absorption-type split (the “Domestic Business Split”), shift the Company to a holding company with two subsidiaries, i.e., NTT, Inc. and the Domestic Business Split Preparation Company (the “Transition to Holding Company Structure”).

Ⅰ. Execution of Master Agreement and Shareholders Agreement Regarding Overseas Business Integration, and Overseas Business Split

1. Background

The environment surrounding the society is changing drastically every day, and in corporate management, corporations are required to solve social issues and contribute to the global environment, in addition to enhancing its economic value through creating new value. Furthermore, social trends, from corporate activities to people's consumption and lifestyles, are changing dramatically against a backdrop of technological advancements, and as a result, digital-related investments for business growth are accelerating in all industries. Under these circumstances, the society is beginning to move toward the realization of new value with various goods and people being connected, and as such, technologies related to Connectivity, such as Edge to Cloud, are becoming increasingly important. There are also growing expectations for a data-driven society through securely collecting and analyzing information acquired from goods and human behavior.

On the other hand, the competitive environment surrounding the IT market has also been changing, with various players expanding their service lineups in response to changes in society and technology.

Up until now, NTT DATA has expanded the scale of its overseas business through M&A, in addition to solid business expansion within Japan. In particular, we have made certain achievements in our overseas business by undertaking business structure reforms aimed at strengthening our digital responsiveness and improving profitability.

In light of changes in the business environment with a global perspective, we believe that it is necessary to further accelerate collaboration among NTT group companies and to further strengthen our business competitiveness, in order to contribute to the growth of our customers’ businesses and to become a truly Trusted Global Innovator that supports social infrastructure for the long term.

(Note) Architecture that combines edge computing in which data processing and analysis is performed on IoT terminals, smart devices, and servers installed nearby, with cloud computing in which data is centrally managed and processed

2. Objective and Aim

On this occasion, overseas businesses for business users that have been operated by NTT DATA, NTT, Inc. and NTT Ltd., respectively, will be integrated and the business will be developed as a unified group thereafter.

Up until now, the Company has supported various corporate systems and industry infrastructures with its “power to ‘create’” based on deep customer understanding and advanced technological capabilities, but this integration will enable the Company to enhance the value provision by combining it with the “power to ‘connect’” of NTT Ltd.

Specifically, the Company will combine NTT DATA’s system integration capabilities (power to “create”) mainly in consulting and application development with NTT Ltd.’s ‘Edge to Cloud’ service operation capabilities (power to “connect”) mainly in the field of data centers, networks and managed services, in order to evolve into a company providing total services that integrate IT and Connectivity. We will respond to increasingly complex and diverse customer needs on a global level by centrally developing a service lineup necessary for digital transformation, including the Connectivity domain.

In addition, by aggregating talents and properties related to the overseas business of the NTT group, we will realize swift decision-making according to the business and customer characteristics in each overseas region, and build a strong global governance system that supports future business growth.

In the medium- to long-term, we will work to create new social platforms and innovate services that transcend corporate and industry boundaries through the provision of comprehensive managed services, including from Edge to Cloud, which integrate IT

and Connectivity to connect all things securely, while also developing innovative services globally that utilize NTT's IOWN technology, aiming to become a company that can create sustainable future mechanisms.

We believe that the Overseas Business Integration will promote a unified understanding of our global customers, make our brand more trusted by customers around the world, and achieve further growth and increase our corporate value by strengthening our business competitiveness.

3. Specific Efforts and Group Structure after Overseas Business Integration

Effective October 1, 2022, NTT, Inc. will shift to a joint ownership structure of NTT DATA (55%) and NTT (45%) as an overseas business company, through the Overseas Business Integration. By making it a joint venture, we will promote collaboration with NTT in both strategic and practical aspects to realize the growth of our overseas business.

Specifically, under a unified business strategy, we will provide End to End (Note) services from infrastructure to applications. We will also utilize the results of NTT's research and development to promote our business in areas such as Smart World and 5G, and at the same time, in the medium- to long-term, we will work to realize advanced services that can also provide environmental and social value, with the IOWN concept at its core.

In July 2023, we plan to shift to a business operation structure in which domestic and overseas business companies will be placed under NTT DATA as a holding company, through the Domestic Business Split.

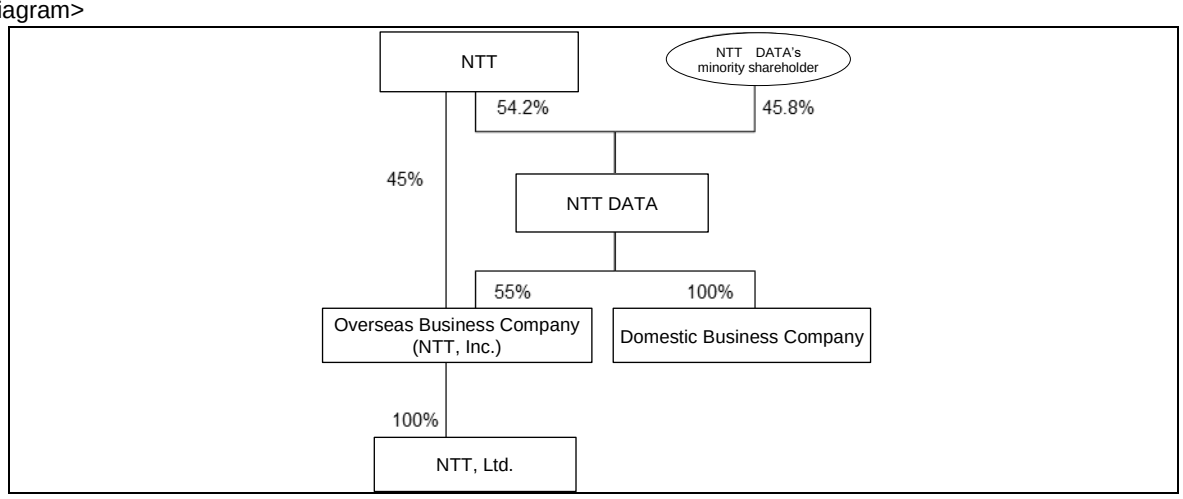
With regard to the domestic business, the scale of the business exceeds 1.5 trillion yen due to steady business growth, and since we have a large number of customers, we will promote autonomous business operations centered on the domestic business companies.

With the new business operation structure, we will further strengthen governance through quick decision-making in response to changes in the external environment and local markets, increased mobility, flexible system design, etc. The holding company will specialize in the formulation and execution of growth strategies from the perspective of overall group optimization, business management, etc., so that it can strive to enhance the corporate value of the entire group.

With respect to the shareholding ratio of NTT, Inc., we have agreed with NTT to acquire an additional 4% equivalent of NTT, Inc. shares for a total amount of 112 billion yen, resulting in NTT DATA holding 55% and NTT holding 45% of NTT, Inc., based on the consideration that capturing more profits from overseas businesses, which are expected to grow and develop further, will contribute to increase the shareholder value of the Company.

The reference diagram below shows the group structure after the Transition to Holding Company Structure by means of the Domestic Business Split as well as the Overseas Business Integration.

<Reference Diagram>



(Note) Total provision of services required for IT systems, from application development to network and IT infrastructure construction and system operation.

4. Summary of Overseas Business Split

(1) Schedule for Overseas Business Integration and Overseas Business Split

Resolutions at the Board of Directors meeting for the approval of execution of the Master Agreement, Shareholders' Agreement and the Overseas Business Split Agreement, and of the Additional Share Acquisition	May 9, 2022
Execution of the Master Agreement	May 9, 2022
Execution of the Shareholders' Agreement	May 9, 2022
Execution of the Overseas Business Split Agreement	May 9, 2022
General meeting of shareholders resolution on the approval of the Overseas Business Split Agreement	June 16, 2022
Effective date of the Distribution in Kind	October 1, 2022 (scheduled)
Effective date of the Overseas Business Split	October 1, 2022 (scheduled)
Implementation of the Additional Share Acquisition	October 1, 2022 (scheduled)

The above schedule is subject to change in the future due to the relevant permits and approvals necessary to obtain and other reasons.

(2) Method of Overseas Business Split

This is an absorption-type company split regarding the overseas business operated by the Company, with the Company as the splitting company and NTT, Inc. as the succeeding company.

(3) Terms of the Allotment under Overseas Business Split

NTT, Inc. will issue 3,315 shares of common stock as consideration for the Overseas Business Split and plans to allot and deliver those shares in NTT, Inc. to the Company. As a result, the holding ratios of NTT, Inc. shares after the Overseas Business Split, as of the effective date of the Overseas Business Split, will be 51% (Number of shares held: 3,315 shares) as to the Company and 49% (Number of shares held: 3,185 shares) as to NTT. Please note that we plan to acquire additional 260 shares (equivalent to 4% of the total number of issued shares on the same date) of common stock of NTT, Inc. held by NTT for a total amount of 112 billion yen as of the effective date of the Overseas Business Split on the condition that the Overseas Business Split becomes effective (the "Additional Share Acquisition"). As a result, the holding ratios of NTT, Inc. shares will be 55% (Number of shares held: 3,575 shares) as to the Company and 45% (Number of shares held: 2,925 shares) as to NTT.

(Note) NTT, Inc. is planning to conduct the Share Split prior to the Overseas Business Split, and the above-mentioned shareholding ratios and number of shares held by NTT, Inc. are calculated based on the figures after the Share Split.

(4) Handling of Stock Acquisition Rights and Bonds with Stock Acquisition Rights in Connection with Overseas Business Split

The Company has not issued any stock acquisition rights or bonds with stock acquisition rights. Therefore, this item is not applicable.

(5) Capital Change due to Overseas Business Split

There is no capital change due to the Overseas Business Split.

(6) Rights and Obligations to be Succeeded by the Succeeding Company

Among the rights and obligations held by the Company, those set forth in the Overseas Business Split Agreement are to be succeeded by NTT, Inc. from the Company.

(7) Prospect of Fulfillment of Debts

The parties determine that there are no issues in the payment of debts to be fulfilled by NTT, Inc. on or after the effective date of the Overseas Business Split.

5. Outline of Business Subject to Split

Business Divisions Subject to Split

Formulation of strategy, business management, governance management, etc. regarding overseas business operated by the NTT

Data group.

6. Outline of Accounting Process

Since the Overseas Business Split constitutes a transaction, etc. under common control under the Company group's accounting policy, and NTT, Inc. will meet the control criteria under the accounting standards related to consolidated financial statements, NTT, Inc. will become a subsidiary of the Company and will be included in the consolidated financial statements of the Company after the implementation of such transaction.

7. Future Outlook

We are currently investigating the impact this transaction will have on the financial results from fiscal year ending March 31, 2023.

Ⅱ. Change in Largest and Major Shareholder Following Overseas Business Integration

1. Background of Change

Please refer to "1. Background" and "2. Objective and Aim" of "I. Execution of Master Agreement and Shareholders Agreement Regarding Overseas Business Integration, and Overseas Business Split" above for the background to the change in the largest and major shareholder. NTT, Inc. will not be the Company's largest and major shareholder as a result of the Distribution in Kind, and it is expected that NTT will be the Company's new largest, major shareholder. Further, as a result of the Distribution in Kind, NTT, Inc. will no longer be the parent company of the Company either.

2. Planned Date of Change

October 1, 2022 (scheduled)

Ⅲ. Change in Subsidiaries

1. Background of the Change

Please refer to "1. Background" and "2. Objective and Aim" of "I. Execution of Master Agreement and Shareholders Agreement Regarding Overseas Business Integration, and Overseas Business Split" above. NTT, Inc. and its subsidiaries are scheduled to newly become the Company's subsidiaries as a result of the acquisition of 3,315 NTT, Inc. shares by the Company as consideration for the Overseas Business Split. On the effective date of the Overseas Business Split, the Company is scheduled to acquire 260 NTT, Inc. shares held by NTT through the Additional Share Acquisition, subject to the Overseas Business Split coming into effect. The shares of the subsidiary for overseas business of the Company group will be succeeded by NTT, Inc. by way of the Overseas Business Split, but as detailed above, the Company will acquire NTT, Inc.' shares, and that subsidiary for overseas business of the Company group will become the Company's subsidiary.

2. Outline of Changing Subsidiaries

Business Description of the Changing Subsidiary

Formulation of strategy, business management, governance management, etc. regarding overseas business operated by the NTT DATA group

3. Schedule

Please refer to "(1) Schedule for Overseas Business Integration and Overseas Business Split "of "4. Summary of Overseas Business Split" of "I. Execution of Master Agreement and Shareholders Agreement Regarding Overseas Business Integration, and Overseas Business Split" above.

Ⅳ. Transition to Holding Company Structure

1. Purpose and Effect of Transition to Holding Company Structure

As detailed in "1. Background" and "2. Objective and Aim" of "I. Execution of Master Agreement and Shareholders Agreement Regarding Overseas Business Integration, and Overseas Business Split" above, the Overseas Business Integration is being carried out against a backdrop of accelerating initiatives toward global digital transformation and complicated and diverse customer needs. In keeping with that, the Company is seeking to reconstruct the group management system, and has deemed it essential to further strengthen governance by making quick decisions that respond to changes in the external environment and regional markets, improving mobility, and designing flexible systems. As a result, the Company will perform the Transition to Holding

Company Structure.

After implementing the Transition to Holding Company Structure, the Company will, as a holding company, formulate and execute growth strategies from the perspective of total optimization of the group, and specialize in business management, making efforts to improve the corporate value of the group as a whole.

2. Summary of Transition to Holding Company Structure

(1) Schedule for Domestic Business Split

Board of Directors meeting to approve establishment of the Domestic Business Split Preparation Company	May 9, 2022
Establishment of the Domestic Business Split Preparation Company	October 1, 2022 (scheduled)
Board of Directors meeting to approve execution of the absorption-type company split agreement	May 2023 (scheduled)
Execution of the absorption-type company split agreement	May 2023 (scheduled)
Resolution at shareholders meeting regarding the absorption-type company split agreement	June 2023 (scheduled)
Effective date of the Domestic Business Split	July 1, 2023 (scheduled)

(2) Method of Domestic Business Split

The method of the Domestic Business Split is expected to be an absorption-type company split where the Company is the splitting company and the Domestic Business Split Preparation Company, which is a wholly-owned subsidiary of the Company expected to be established on October 1, 2022, is the succeeding company.

(2) 【Other】

Quarterly information of the fiscal year ended March 31, 2022, etc.

(Accumulated period)		1Q	2Q	3Q	Fiscal year ended March 31, 2022
Net sales	(million yen)	590,822	1,212,079	1,848,208	2,551,906
Income before income taxes (current FY)	(million yen)	48,978	111,047	169,213	215,849
Net income attributable to shareholders of NTT DATA (current FY)	(million yen)	31,062	71,869	110,191	142,979
Net income per share (current FY)	(Yen)	22.15	51.24	78.57	101.95

(Accounting period)		1Q	2Q	3Q	4Q
Net income per share	(Yen)	22.15	29.10	27.33	23.38

(Note) The figures are rounded off to the nearest million yen.