

Note; This document is in an English translation of “Notes for the consolidated financial statements” from “Annual Securities Reports (ASRs), V. Financial Information, 1. Consolidated financial statement for the Fiscal Year Ended March 31, 2023,” and is provided solely for reference purposes. In the event of any inconsistency between the Japanese version and any English translation of it, the Japanese version will govern.

【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 four segments: Public & Social Infrastructure, Financial, Enterprise, and Overseas.

At the same time, NTT DATA Group belongs to the NTT Group whose 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 20, 2023.

(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, NTT DATA 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 the 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 process, and supplies, which are measured at the lower of cost and net realizable value. Work in process 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, equipment, and vehicles	3 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 the 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	2 to 14 years
Other intangible assets	7 to 37 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.

(21) Investments in jointly controlled entities

A jointly controlled entity is an investee in which several parties (including NTT DATA and its subsidiaries) have rights to the investee's net assets under a joint control arrangement. Joint control is a contractually agreed upon sharing of control over an arrangement and exists only when decisions regarding related activities require the unanimous agreement of the parties sharing control.

Investments in jointly controlled entities are recognized at cost at the time of acquisition and thereafter accounted for using the equity method. In applying the equity method, the investment is adjusted for NTT DATA Group's share of the net income (loss) and other comprehensive income of the equity method investee after initial recognition and up to the date when the investment no longer has a significant influence and included in the consolidated financial statements. If the loss of the equity method investee exceeds the amount of NTT DATA Group's investment in the entity, the long-term investment, which in effect constitutes part of the net investment in the entity, is reduced to zero and no further loss is recognized unless NTT DATA Group has a legal or constructive obligation to the entity, or makes payments on its behalf. Unrealized gains arising from transactions between NTT DATA Group and jointly controlled entities are deducted from investments in jointly controlled entities up to NTT DATA Group's share. Unrealized losses are treated in the same manner as unrealized profits unless there is evidence of impairment.

The amount by which the cost of an investment in a jointly controlled entity exceeds NTT DATA Group's share of identifiable net assets recognized at the acquisition date is included in the carrying amount of the investment in the jointly controlled entity. In such exceeded amounts, an impairment test is performed when there is objective evidence to suggest that the investment may be impaired.

(Change in accounting policies)

Effective from the current fiscal year, NTT DATA has adopted "International Tax Reform - Pillar Two Model Rules (Amended IAS 12)" (hereinafter referred to as "Amended IAS 12"). Based on the exceptions in the Amended IAS 12, deferred tax assets and liabilities for income taxes arising from tax legislation enacted or substantively enacted to adopt the Pillar Two Model Rules issued by Organization for Economic Cooperation and Development (OECD) are not recognized.

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 "33. 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 "32. Financial instruments, (5)")
- Recognition of a right-of-use asset (Note "3. Significant accounting policies, (9) Lease," Note "21. Lease")
- Impairment of non-financial assets (Note "3. Significant accounting policies, (11) Impairment," Note "15. Goodwill and intangible assets")
- Measurement of defined benefit obligations (Note "3. Significant accounting policies, (12) Employee benefits," Note "22. Employee benefits")
- Judgment and estimates for recognition and measurement of provisions (Note "3. Significant accounting policies, (13) Provisions," Note "23. Provisions")
- Recognition of revenue (performance obligations satisfied over time) (Note "3. Significant accounting policies, (15) Revenue," Note "28. Revenue")
- Assessment of recoverability of deferred tax assets (Note "3. Significant accounting policies, (17) Income taxes," Note "18. 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 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 reportable segments

The reportable 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 and overseas markets 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 Group has a structure in decision-makings regarding business execution are done on the Sector level and by the overseas operating companies to increase the flexibility of our organizations.

(2) Change in segments

From the second quarter of FY2022, the former segments of "Public & Social Infrastructure," "Financial," "Enterprise & Solutions," "North America," and "EMEA & LATAM" were reclassified as "Public & Social Infrastructure," "Financial," "Enterprise" and "Overseas."

Segment information for the cumulative consolidated period of FY2021 was disclosed based on the reportable segments after the reclassification.

See the outline of each segment below.

For types of products and services, please see Notes "28. Revenue, (1) Details of goods 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)

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.

(Overseas)

Providing high-value-added IT services taking into account the market characteristics of overseas businesses.

(3) 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 reportable 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.

(4) Information on reportable segments

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

(Unit: millions of yen)

	Reportable segments					Others (Note1)	Total	Adjustments (Note 2)	Consolidated financial statement amount (Note 3)
	Public & Social Infrastructure	Financial	Enterprise	Overseas	Total				
Net sales									
Sales to outside clients	486,599	533,277	415,136	1,029,138	2,464,150	87,192	2,551,342	564	2,551,906
Intersegment sales and others	103,594	106,518	51,486	10,622	272,220	261,691	533,911	(533,911)	—
Total	590,193	639,794	466,623	1,039,761	2,736,371	348,883	3,085,253	(533,347)	2,551,906
Operating income (loss)	68,092	60,806	43,358	31,114	203,370	30,233	233,603	(21,013)	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 segments					Others (Note1)	Total	Adjustments (Note 2)	Consolidated financial statement amount (Note 3)
	Public & Social Infrastructure	Financial	Enterprise	Overseas	Total				
Depreciation and amortization	25,027	87,278	21,156	53,157	186,618	24,073	210,691	2,662	213,353
Investments in non-current assets	18,206	81,073	15,633	20,514	135,426	19,708	155,135	21,611	176,746

(Note) 1. "Other" includes Technology Consulting & Solution Area and subsidiaries that mainly engage in supporting the business of our head office departments.

2. The adjustments are as follows:

(1) Adjustment of operating income or loss (the number shown in brackets) totaling (21,013) 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 investments in companywide assets 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.

For the year ended March 31, 2023(from April 1, 2022 to March 31, 2023)

(Unit: millions of yen)

	Reportable segments					Others (Note1)	Total	Adjustments (Note 2)	Consolidated financial statement amount (Note 3)
	Public & Social Infrastructure	Financial	Enterprise	Overseas	Total				
Net sales									
Sales to outside clients	523,120	552,139	459,487	1,866,131	3,400,877	88,856	3,489,733	449	3,490,182
Intersegment sales and others	112,822	110,017	60,922	14,220	297,980	290,864	588,844	(588,844)	—
Total	635,942	662,155	520,409	1,880,351	3,698,857	379,720	4,078,577	(588,395)	3,490,182
Operating income (loss)	68,648	68,798	51,403	81,597	270,446	26,883	297,329	(38,219)	259,110
							Financial income		16,388
							Financial costs		33,102
							Share of profit or loss of entities for using equity method		405
							Income before income taxes		242,800

(Unit: millions of yen)

	Reportable segments					Others (Note1)	Total	Adjustments (Note 2)	Consolidated financial statement amount (Note 3)
	Public & Social Infrastructure	Financial	Enterprise	Overseas	Total				
Depreciation and amortization	24,476	83,440	21,524	108,957	238,397	25,374	263,770	4,001	267,771
Investments in non-current assets	18,415	78,805	19,319	214,590	331,128	27,801	358,930	22,751	381,681

(Note) 1. Classification of "Other" includes Technology Consulting & Solution Area and subsidiaries that mainly engage in supporting the business of our head office departments.

2. The adjustments are as follows:

(1) Adjustment of operating income or loss (the number shown in brackets) totaling (38,219) million yen mainly consists of intersegment transaction eliminations and companywide expenses not allocated to each segment.

(2) Adjustment of depreciation and amortization totaling 4,001 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 22,751 million yen mainly consists of intersegment transaction eliminations and investments in companywide assets 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) Information on the regions

Due to the overseas business integration, "Europe, Middle East, Africa, and Latin America" and "China and APAC" are classified from this fiscal year. For details, please refer to Note "7. Business Combinations.

(i) Net sales

(Unit: millions of yen)

Region	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Japan	1,502,293	1,623,581
North America	447,255	686,926
Europe, Middle East, Africa, and Latin America	526,773	910,576
China & APAC	75,586	269,099
Total	2,551,906	3,490,182

(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, etc.

Europe, Middle East, Africa, and Latin America: Spain, Germany, the United Kingdom, etc.

China & APAC: Vietnam, Malaysia, India, etc.

Net sales for outside clients in the United States in the previous and current consolidated fiscal year are 425,870 million yen and 653,016 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, 2022	As of March 31, 2023
Japan	706,221	815,799
North America	632,067	1,321,002
Europe, Middle East, Africa, and Latin America	201,207	1,070,840
China & APAC	30,796	292,815
Total	1,570,292	3,500,455

(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, etc.

Europe, Middle East, Africa, and Latin America: Spain, Germany, the United Kingdom, etc.

China & APAC: Vietnam, Malaysia, India, etc.

Non-current assets of North America at the end of previous consolidated fiscal year and the end of current consolidated fiscal year are 620,350 million yen and 1,301,585 million yen, respectively. There are no significant countries or regions other than Japan and the U.S. in terms of Non-current assets 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.

(6) 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, 2022 (from April 1, 2021 to March 31, 2022)

The adjustment and allocation of the purchase price for Nexient, LLC, which was acquired during the first quarter of the previous fiscal year, was finalized by the end of the first quarter of the current fiscal year. The amount of goodwill has decreased by 11,317 million yen from the provisional amount mainly due to an increase in intangible assets. The following items 2) through 4) reflect the adjustments from the provisional amounts.

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.d

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: millions of yen)
	Date of acquisition (June 23, 2021)
Cash	45,460
Total acquisition price	45,460

3) Amount and item of acquisition-related costs

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

	(Unit: millions of yen)
Item	Amount
Advisory expenses	2
Legal expenses	196
Others	156
Total acquisition-related cost	354

(Note) The expenses are included and processed in "selling general and administrative expenses" in the 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: millions of yen)
	Date of acquisition (June 23, 2021)
Assets	
Trade and other receivables (Note 1)	3,438
Property, plant, and equipment	1,059
Intangible assets (Note 2)	16,501
Other	87
Liabilities	
Trade and other payables	1,334
Bonds and borrowings	-
Other	937
Net assets	18,814
Goodwill (Note 3)	26,646
Total	45,460

- (Note)
1. These items are all trade receivables. Of these, no important items are deemed unrecoverable.
 2. They include identifiable assets of 16,463 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

According to the pro forma information, the net sales are 3,378 million yen, and the net income is 115 million yen, assuming that the business combination took place at the beginning of the previous fiscal year.

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

For the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidation of Apisero Holdings Corporation as a subsidiary of NTT DATA Group

1) Outline of the Business Combination

On October 27, 2022, NTT DATA CORPORATION, the company submitting consolidated financial statements, acquired equity interest of Apisero Holdings Corporation (headquartered in Arizona, USA; hereinafter “Apisero”) , to obtain 100% of voting rights and control of the company through NTT DATA Inc., the subsidiary of the group. The details of the transaction are as follows.

Name of acquired company	Apisero Holdings Corporation
Details of business	Provision of full lifecycle support for MuleSoft products
Main reason for the business combination	<p>Apisero is a leading global MuleSoft consulting firm and one of the largest partners of MuleSoft with over 1,500 certified MuleSoft consultants. MuleSoft is part of the Salesforce family and is a cloud-based integration platform that connects multiple systems under different environments via API. As a leader in the iPaaS market, which offers solutions to support the digital transformation, MuleSoft has been introduced by many leading global companies. Apisero provides full lifecycle support for MuleSoft products to help customers promote digital strategies and differentiate themselves from competitors.</p> <p>The acquisition added approximately 2,100 personnel of Apisero, including certified MuleSoft and Salesforce consultants, to the Company. By combining them with digital response capabilities that we have acquired through past acquisitions, we will be able to further strengthen our competitiveness. For these reasons, NTT DATA conducted the business combination.</p>
Date of acquisition	October 27, 2022
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 for the transfer

The following table presents the fair-value consideration for the transfer as of the date of acquisition.

	(Unit: millions of yen)
	Date of acquisition (October 27, 2022)
Cash	25,748
Contingent consideration	3,654
Total acquisition price	29,402

(Note) The share transfer agreement includes a clause that requires the price to be adjusted when the transfer is completed.

Under this agreement, NTT DATA Group will adjust 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 following table shows the items and amounts of acquisition-related costs.

(Unit: millions of yen)	
Item	Amount
Advisory expenses	70
Legal expenses	190
Others	80
Total acquisition-related costs	340

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

4) Fair value of acquired assets and assumed liabilities and goodwill as of the date of acquisition

The following table shows the details and fair value of acquired assets and assumed liabilities and goodwill as of the date of acquisition.

(Unit: millions of yen)	
	Date of acquisition (October 27, 2022)
Assets	
Trade and other receivables (Note 1)	2,634
Tangible fixed assets	200
Intangible assets (Note 2)	5,880
Other	284
Liabilities	
Trade and other payables	1,067
Other	206
Net amount of acquired assets and assumed liabilities	7,725
Consideration for the transfer	29,402
Difference Goodwill (Note3)	21,677

The value of goodwill and assets recorded at the end of this fiscal year 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.

(Notes)

1. These items are all trade receivables. Of these, no important items are deemed unrecoverable.
2. This amount is identifiable assets of 5,880 million yen.
3. Goodwill mainly comprises synergies and excess earning power expected to be obtained from integration with the NTT DATA Group.

5) Impact on the NTT DATA Group's performance

The period of performance recognized in the current fiscal year is from October 27, 2022 to March 31, 2023. Net sales are 5,354 million yen and net income is 837 million yen.

In the pro forma information based on the assumption that the business combination took place at the beginning of the current consolidated fiscal year, net sales are 12,172 million yen and net income is 1,454 million yen.

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

(2) Consolidation of Aspirent Consulting, LLC as a subsidiary of NTT DATA Group

1) Outline of the Business Combination

On November 16, 2022, NTT DATA CORPORATION, the company submitting consolidated financial statements, acquired equity interest of Aspirent Consulting, LLC (headquartered in Georgia, USA; hereinafter "Aspirent"), to obtain 100% of voting rights and control of the company through NTT DATA Inc., the subsidiary of the Group. The details of the transaction are as follows.

Name of acquired company	Aspirent Consulting, LLC
Details of business	Data analytics services (advisory services, introduction of solutions, integration, etc.)
Main reason for the business combination	Aspirent supports customers in data utilization and digital transformation by taking advantage of their strength in advisory services in the field of data analytics. This acquisition will add approximately 230 staff of Aspirent to the Company, which will enable us to significantly expand the delivery capability in this field and further strengthen the ability to offer cloud-based data solutions such as Microsoft Azure, AWS, Databricks, and Snowflake. For these reasons, NTT DATA conducted the business combination.
Date of acquisition	November 16, 2022
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 for the Transfer

The following table presents the fair-value consideration for the transfer as of the date of acquisition.

	(Unit: millions of yen)
	Date of acquisition (November 16, 2022)
Cash	29,413
Total acquisition price	29,413

(Note) The share transfer agreement includes 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 following table shows the items and amounts of acquisition-related costs.

	(Unit: millions of yen)
Item	Amount
Advisory expenses	68
Legal expenses	122
Others	88
Total acquisition-related cost	277

(Note) The expenses are included and processed in "selling, general and administrative expenses" in the Consolidated Statement of Income.

4) Fair value of acquired assets and assumed liabilities and goodwill as of the date of acquisition

The following table shows the details and fair value of acquired assets and assumed liabilities and goodwill as of the date of acquisition.

	(Unit: millions of yen)
	Date of acquisition (November 16, 2022)
Assets	
Trade and other receivables (Note 1)	2,024
Intangible assets (Note 2)	5,883
Other	33
Liabilities	
Trade and other payables	505
Other	86
Net amount of acquired assets and assumed liabilities	7,348
Consideration for the transfer	29,413
Difference Goodwill (Note 3)	22,065

The value of goodwill and assets recorded at the end of this fiscal year 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.

(Notes)

1. These items are all trade receivables. Of these, no important items are deemed unrecoverable.
2. This amount is identifiable assets of 5,883 million yen.
3. Goodwill mainly comprises synergies and excess earning power expected to be obtained from integration with the NTT DATA Group.

5) Impact on the NTT DATA Group's performance

The period of performance recognized in the current fiscal year is from November 16, 2022 to March 31, 2023. Net sales are 2,480 million yen and net loss is 9 million yen.

In the pro forma information based on the assumption that the business combination took place at the beginning of the current consolidated fiscal year, net sales are 7,600 million yen and net loss is 251 million yen.

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

(3) Consolidation of NTT, Inc. as a subsidiary of NTT DATA Group

1) Overview of business combination

With October 1, 2022 as the effective date, and based on an absorption-and-split agreement concluded on May 9, 2022, NTT DATA Corporation conducted an absorption-and-split (hereinafter referred to as “the Overseas Business Split”), transferring rights and duties in overseas operations held by NTT DATA to NTT, Inc. The name of the transferred company after the split of overseas operations is NTT DATA, Inc. The split of overseas operations corresponds to a “transaction under joint control, etc.” based on the accounting policy of the NTT DATA Group, such that, once the transaction was implemented, the conditions for control that are required in the accounting standards related to the consolidated financial statements were satisfied, making NTT, Inc. a subsidiary of the NTT DATA Group.

The details of the transaction are as follows.

Name of acquired company	NTT, Inc. (currently, NTT DATA, Inc.)
Name of acquired company	Data centers, networks and managed services
Main reason for the business combination	<p>This business combination combines within the NTT Group the overseas operations for business users previously operated individually by NTT DATA, NTT, Inc. and NTT, Ltd., to be operated by the Group on a unified basis.</p> <p>The Company has long supported a wide variety of corporate systems and industry infrastructure through its deep understanding of customers and its advanced technological capabilities. With this business combination, the Company combines its strengths with the linking capabilities of NTT Ltd. to deliver enhanced value.</p> <p>Specifically, the business combination combines the system integration capabilities of NTT DATA, primarily consisting of consulting and application development (Power to Create), with the strengths in edge-to-cloud service operations in which NTT Ltd. excels, with focus on data centers, networks and managed services (Power to Connect), thereby advancing NTT DATA into a Company able to provide total service integrating IT with connectivity. The business combination centralizes the service lineup necessary to implement DX, including the connectivity domain, enabling response on a global level to customers’ increasingly complex and diverse needs.</p> <p>In addition, by mobilizing NTT Group personnel active in overseas operations, this business combination enables rapid decision-making according to the unique characteristics of each business and customer in each overseas region. The Company will build a robust global governance framework to support business growth going forward.</p> <p>Over the medium-to-long term, the Company will deliver comprehensive management services from edge to cloud, integrating IT and connectivity to provide secure links between resources. This enhancement will enable the Company can direct its attention to creating new social platforms and innovative services that transcend the boundaries among companies and industries. Moreover, the Company will be able to deploy globally innovative services using NTT’s IOWN, aiming to become a Company that can create frameworks for a sustainable future.</p> <p>This integration of overseas operations will promote a unified understanding of customers worldwide. In so doing, NTT DATA will build a brand that enjoys even greater trust among customers, while strengthening its competitiveness to achieve further growth and improvement of corporate value.</p>
Date of acquisition	October 1, 2022
Method adopted by the acquirer company to take control of the acquired company	Absorption-split of the Company’s overseas operations and acquisition of equity interest in exchange for cash payment
Percentage of the voting rights acquired	55%

2) Consideration for the Transfer

The following table presents the fair-value consideration for the transfer as of the date of acquisition.

	(Unit: millions of yen)
	Date of acquisition (October 1, 2022)
Cash	112,000
Shares related to the overseas business split, etc. (Note)	442,113
Total acquisition price	554,113

(Note) This constitutes a non-cash transaction.

The difference between the consideration of 112,000 million yen paid in cash for the transfer and the cash and cash equivalents held by NTT, Inc. that we received in connection with the integration, amounting to 66,995 million yen (proceeds), is included in "Payments for acquisition of subsidiaries" under the category of "Cash flows from Investing Activities" in the Consolidated Statements of Cash Flows.

3) Amount and Item of Acquisition-Related Costs

The following table shows the items and amounts of acquisition-related costs.

	(Unit: millions of yen)
Item	Amount
Advisory expenses	706
Legal expenses	341
Others	37
Total acquisition-related cost	1,084

(Note) The expenses are included and processed in "selling, general and administrative expenses" in the Consolidated Statement of Income.

4) Fair value of acquired assets and assumed liabilities and goodwill as of the date of acquisition

The following table shows the details and fair value of acquired assets and assumed liabilities and goodwill as of the date of acquisition.

	(Unit: millions of yen)
	Date of acquisition (October 1, 2022)
Assets	
Trade and other receivables	975,363
Property, plant and equipment	971,376
Goodwill	560,493
Intangible assets	119,879
Other	180,585
Liabilities	
Trade and other payables	621,976
Bonds and borrowings (Note 1)	1,041,612
Other	115,272
Net amount of acquired assets and assumed liabilities	1,028,835
Equity interests assumed in a business combination under common control	50,969
Non-controlling interests	472,595
Consideration for the transfer in a business combination (Refer 2))	554,113
Difference (subtracted from capital surplus)	48,842

(Note 1) The amount includes 979,075 million yen in transaction balances with NTT FINANCE CORPORATION, a related party. Changes in equity resulting from the absorption-type demerger of the Company's overseas business and the acquisition of equity interests for cash are included in "Changes due to business combinations" in the consolidated statement of changes in equity.

5) Impact on the NTT DATA Group's performance

The period of performance recognized in the current consolidated fiscal year is from October 1, 2022 to March 31, 2023. Net sales are 582,760 million yen and net income is 13,593 million yen.

In the pro forma information based on the assumption that the business combination took place at the beginning of the current consolidated fiscal year, net sales are 1,188,778 million yen and net income is 22,207 million yen.

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

8. Assets held for sale

The major assets held for sale and liabilities directly related to assets held for sale at the end of the current fiscal year are as follows:

Sale of shares of a company that holds data centers

As described in Notes "7. Business combination," the overseas businesses for business users, which had been operated by each of NTT DATA, NTT, Inc., and NTT Ltd. within NTT Group, were integrated on October 1, 2022, and the group develops these businesses as a whole.

NTT Group had planned to sell a portion of its share in a company owning data centers in Europe and North America, which the group had classified as assets held for sale. Following the integration, NTT DATA took over NTT Ltd.'s shares in the company owning data centers from NTT Group and holds them.

During the current fiscal year, conditions for closing with Macquarie Asset Management, a potential sale target, were not finalized, therefore, it is expected that some of the assets will not be sold.

Although efforts are underway to sell the shares of the companies holding the data centers, the classification of some of these data centers as assets held for sale and liabilities directly related to assets held for sale have been discontinued because it will take a certain period of time before a sale can be made.

There is no material change in the policy toward the sale of such shares.

Accounting procedures and effects on the consolidated financial statements

At the end of the current fiscal year, assets related to the sale of shares of data centers owning company included in the Overseas Segment and liabilities directly related to such assets were classified as Assets held for sale and Liabilities directly related to assets held for sale until the completion of the share transfer, which amounted to 45,042 million yen and 16,393 million yen, respectively. Such assets and liabilities were measured at their book value at that point in time.

The major assets and liabilities involved are shown in the table below.

(Unit: millions of yen)

Account items		Account items	
(Assets)		(Liabilities)	
Cash and cash equivalents	1,697	Trade and other payables	1,883
Trade and other receivables	2,519	Contract liabilities(non-current)	754
Inventories	12	Long-term loans payable	13,354
Property, plant and equipment	40,626	Other	402
Other	188		
Total	45,042	Total	16,393

9. 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 are 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: millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Current assets	5,644	984,094
Non-current assets	21,078	1,278,168
Goodwill	38,186	625,163
Current liabilities	(2,279)	(811,455)
Non-current liabilities	(752)	(971,326)
Non-controlling interests	(86)	(793,957)
Other	(383)	(113,055)
Acquisition cost of shares	61,408	197,633
Cash and cash equivalents	(669)	(181,194)
Unpaid equivalent	(1,684)	(8,471)
Subtraction: payments for acquisition of subsidiaries	59,132	7,968
Subtraction: proceeds from acquisition of subsidiaries	77	-

(3) Non-cash transaction

Please see Notes "21. Leases" for an increase due to the acquisition of the right-of-use assets in the current consolidated fiscal year.

10. 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: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Notes and accounts receivables – trade	581,302	1,088,978
Accounts receivables-other	52,731	88,711
Other	38,632	64,581
Total	672,665	1,242,269

11. Inventories

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

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Merchandise and finished goods	3,236	55,205
Work in process	19,096	17,165
Raw materials and supplies	3,096	3,851
Total	25,429	76,221

The amounts of inventories recognized as expenses at the end of the previous and current consolidated fiscal years are as follows:

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Amount of inventories recognized as expenses	76,878	249,278

In connection with Note 7. Business combinations, the amount of inventories recognized as expenses is disclosed because the sale of telecommunications terminal equipment was added to the goods and services provided by NTT DATA Group from the current fiscal year, increasing the importance of inventories in the overall business operated by NTT DATA Group. The disclosure of the amount of deductions from and reversals of inventories recognized as net income or loss were omitted as they were immaterial.

12. 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: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Financial assets measured at amortized cost		
Term deposits	76,598	45,820
Bonds	3,644	3,893
Loans receivables	155	16,094
Leasehold and guarantee deposits	24,068	30,435
Other	2,678	2,581
Financial asset at fair value through profit or loss		
Derivative financial assets	12,140	20,526
Other	-	3,567
Equity financial assets measured at fair value through other comprehensive income		
Stock	83,108	68,667
Total	202,391	191,582
Current assets	79,342	54,700
Non-current assets	123,049	136,882
Total	202,391	191,582

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

NTT DATA Group designates investments held for 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: millions of yen)

	As of March 31, 2022	As of March 31, 2023
Recruit Holdings Co., Ltd.	46,831	31,573
Other	36,276	37,094
Total	83,108	68,667

(3) Derecognition of equity financial 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: millions of yen)

Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
Fair value	Cumulative profit and loss recognized as other comprehensive income	Fair value	Cumulative profit and loss recognized as other comprehensive income
90,284	64,543	845	310

(Note)

- Cumulative profit and loss that had been recognized as other comprehensive income are transferred to retained earnings when derecognized.
- The main factor in the previous year was the impact of the sale of common stock of Recruit Holdings Co., Ltd. through the subscription to the tender offer.

13. Other assets

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

(Unit: millions of yen)

	As of March 31, 2022	As of March 31, 2023
Prepaid expenses	103,727	218,676
Retirement benefit asset	15,293	15,523
Advance payments	1,706	4,616
Income taxes receivable	7,312	40,037
Suspense income taxes (Note)	27,254	28,836
Suspense consumption tax paid (Note)	7,300	7,804
Other	26,264	68,170
Total	188,856	383,661
Current assets	117,187	288,680
Non-current assets	71,669	94,981
Total	188,856	383,661

(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. Details are written in "18. Income Taxes (4) Uncertainty over Income Tax Treatments".

14. Property, plant and equipment

(1) Changes

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

(i) Carrying amount

	(Unit: millions of yen)						
	Data communi- cation facility	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2021	112,438	103,183	30,117	29,184	40,924	23,312	339,158
Acquisition (Note1)	32,419	7,161	8,822	8,909	-	2,384	59,695
Acquisition in business combination	-	1,275	163	48	-	-	1,486
Depreciation and amortization (Note2)	(35,646)	(9,175)	(10,056)	(8,055)	-	-	(62,931)
Impairment losses (Note3)	(280)	-	(91)	(11)	-	-	(382)
Sale or disposal	(384)	(899)	(325)	(776)	-	(301)	(2,685)
Foreign currency translation adjustment	7	1,141	1,382	278	247	108	3,163
Other	(38)	(2,576)	(135)	(312)	(1,078)	(1,141)	(5,280)
As of March 31, 2022	108,517	100,111	29,878	29,265	40,092	24,362	332,225
Acquisition (Note 1)	21,723	47,108	94,917	10,305	7,480	54,913	236,445
Acquisition in business combination	3,223	279,901	331,785	6,927	90,463	185,013	897,313
Depreciation and amortization (Note2)	(34,492)	(14,991)	(33,907)	(9,311)	-	-	(92,701)
Impairment losses (Note 3)	(57)	-	(10)	(26)	-	-	(93)
Sale or disposal	(440)	(2,822)	(2,088)	(1,184)	(3,237)	(179)	(9,950)
Foreign currency translation adjustment	0	(8,936)	(306)	435	(4,055)	(12,285)	(25,146)
Other	(30)	11,234	15,347	(350)	4,001	4,174	34,375
As of March 31, 2023	98,445	411,604	435,616	36,060	134,746	255,997	1,372,468

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

2. Depreciation and amortization expenses are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income.

3. Impairment losses are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income.

(ii) Costs

(Unit: millions of yen)

	Data communication facility	Buildings and structures	Machinery equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2021	285,009	310,875	118,443	77,302	41,934	23,312	856,876
As of March 31, 2022	289,008	310,558	125,551	79,479	41,102	24,362	870,060
As of March 31, 2023	291,544	729,039	835,686	109,380	135,809	255,997	2,357,456

(iii) Accumulated depreciation and accumulated impairment losses

(Unit: millions of yen)

	Data communication facility	Buildings and structures	Machinery equipment and vehicles	Tools, furniture, and fixtures	Land	Construction in progress	Total
As of April 1, 2021	(172,571)	(207,692)	(88,327)	(48,119)	(1,010)	—	(517,718)
As of March 31, 2022	(180,491)	(210,448)	(95,673)	(50,214)	(1,010)	—	(537,836)
As of March 31, 2023	(193,099)	(317,435)	(400,070)	(73,320)	(1,064)	—	(984,988)

(2) Commitments

Please see Notes "35. 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 "19. Bonds and borrowings."

(4) Impairment losses

Impairment losses are stated in Note "15. Goodwill and intangible assets".

15. Goodwill and intangible assets

(1) Changes

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

(i) Carrying amounts

	(Unit: millions of yen)				
	Goodwill	Software	Software in progress	Other	Total
As of April 1, 2021	415,272	298,299	63,134	116,063	892,767
Acquisition (Note1)(Note2)	-	98,323	16,585	128	115,036
Acquisition in business combination	37,019	40	-	20,744	57,803
Depreciation and amortization (Note3)	-	(98,747)	-	(14,564)	(113,311)
Impairment losses (Note4)	(228)	(2,780)	-	-	(3,008)
Sale or disposal	-	(2,503)	(812)	(17)	(3,331)
Foreign currency transition Adjustment	44,434	1,085	460	12,297	58,275
Other changes	(2,727)	519	242	(1,790)	(3,755)
As of March 31, 2022	493,769	294,236	79,608	132,861	1,000,474
Acquisition (Note1)(Note2)	-	104,983	30,617	372	135,972
Acquisition in business combination	624,207	21,243	-	110,716	756,165
Depreciation and amortization (Note3)	-	(101,469)	-	(23,393)	(124,862)
Impairment losses (Note 4)	-	(1,570)	(396)	-	(1,966)
Sale or disposal	-	(2,299)	(222)	(155)	(2,675)
Foreign currency transition Adjustment	14,888	135	512	8,224	23,759
Other changes	695	562	100	(1,461)	(104)
As of March 31, 2023	1,133,559	315,822	110,219	227,164	1,786,764

(Note)

1. Acquisition is shown in net amount including transfer from software 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.
3. Amortization is included in "cost of sales" and "selling general and administrative expenses" of the consolidated statement of income.
4. Impairment losses are included in "cost of sales" and "selling general and administrative expenses" of the consolidated statement of income

(ii) Costs

	(Unit: millions of yen)				
	Goodwill	Software	Software in progress	Other	Total
As of April 1, 2021	478,598	1,224,186	63,134	204,667	1,970,584
As of March 31, 2022	557,323	1,261,734	79,608	244,267	2,142,933
As of March 31, 2023	1,197,113	1,403,730	110,219	589,057	3,300,120

(iii) Accumulated amortization and accumulated impairment losses

	(Unit: millions of yen)				
	Goodwill	Software	Software in progress	Other	Total
As of April 1, 2021	(63,326)	(925,887)	-	(88,604)	(1,077,817)
As of March 31, 2022	(63,554)	(967,498)	-	(111,406)	(1,142,458)
As of March 31, 2023	(63,554)	(1,087,909)	-	(361,893)	(1,513,356)

Carrying amount of internally generated intangible assets related to software as of March 31, 2022 and March 31, 2023 is 280,113 million yen and 296,241 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.

(2) Intangible assets with indefinite useful lives

There are 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: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Enterprise	8,418	8,669
Overseas	485,351	1,124,891
Total	493,769	1,133,559

(ii) Cash-generating units containing significant goodwill

The cash-generating unit containing significant goodwill is related to NTT DATA Services or NTT Ltd.- Services, which belongs to Overseas Segment.

The carrying amount of goodwill is as follows:

1. NTT DATA Services

(Unit: millions of yen)

Name of cash-generating unit	Segment	As of March 31, 2022	As of March 31, 2023
NTT DATA Services	Overseas	407,951	500,948

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 6 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 using weighted average cost of capital before tax. The impairment test for the current fiscal year is calculated at a perpetuity growth rate of 3.1% (3.1% in the previous fiscal year) and weighted average cost of capital before tax of 10.9% (9.5% in the previous fiscal year). 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 103,022 million yen as of March 31, 2023 (156,423 million yen in the previous fiscal year). However, in case the weighted average cost of capital before tax increases by 0.8% (1.3% in the previous fiscal year), there would be a possibility of an impairment loss.

2. NTT Ltd.- Services

(Unit: millions of yen)

Name of cash-generating unit	Segment	As of March 31, 2022	As of March 31, 2023
NTT Ltd.- Services	Overseas	-	322,882

The recoverable amounts of NTT Ltd.- 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 9 years' worth cash flow based on business plan, including plans to improve profitability through Structural Transformation, capital investment plans and effects, forecasts for the world economy, and IT services industry growth, is discounted to present value using weighted average cost of capital before tax. The impairment test for the current fiscal year is calculated at a perpetual growth rate of 3.5% and weighted average cost of capital before tax of 14.7%. An increase in long-term interest rates, a factor in the calculation of weighted average cost of capital before tax, could affect the recoverable amount. 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 Ltd.- Services exceeded the carrying amounts by 391,744 million yen as of March 31, 2023. However, in case the weighted average cost of capital before tax increases by 2.3%, there would be a possibility of an impairment loss.

(4) Impairment losses

There were no material impairment losses in the fiscal years ended March 31, 2022 and 2023.

(5) Commitments

See Notes "35. Commitments" for commitments regarding acquisition of intangible assets.

16. 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, 2022 and the fiscal year ended March 31, 2023 are as follows:

(i) Costs

	(Unit: millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance at the beginning of the year	49,529	55,052
Acquisition	5,410	931
Sale or disposal	(306)	(244)
Transfer between accounts	408	(4,868)
Foreign currency translation adjustments	42	5
Other changes	(31)	(31)
Balance at the end of the year	55,052	50,845

(ii) Accumulated depreciation and accumulated impairment losses

	(Unit: millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance at the beginning of the year	(22,705)	(25,630)
Depreciation	(2,962)	(679)
Sale or disposal	294	143
Transfer between accounts	(259)	2,285
Foreign currency translation adjustments	(21)	(10)
Other changes	23	(2)
Balance at the end of the year	(25,630)	(23,892)

(Note) Depreciation is included in "cost of sales" of the consolidated statement of income. (See Notes "29.Cost of sales and selling general and administrative expenses")

(iii) Carrying amount and fair value

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Carrying amount	29,423	26,953
Fair value	80,039	71,274

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: millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Rental income	3,785	3,960
Direct operating expenses from which rental income was generated	3,739	3,907

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 income.

(3) Investment property pledged as collateral

The amount of investment property pledged as collateral for liabilities on borrowings and others is described in Note “19. Bonds and borrowings.”

17. Investments accounted for using the equity method

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

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Associates	5,570	7,709
Jointly controlled entities	-	23,634
Total	5,570	31,343

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

(1) Associates

	(Unit: millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
NTT DATA Group’s share		
Net income/loss from continuing operations	(205)	331
Other comprehensive income	115	(132)
Comprehensive income total	(90)	199

(2) Jointly controlled entities

	(Unit: millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
NTT DATA Group’s share		
Net income/loss from continuing operations	-	73
Other comprehensive income	-	(434)
Comprehensive income total	-	(361)

18. 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, 2022 and 2023 are as follows:

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Retirement benefit liability	64,786	64,059
Over depreciation	21,807	22,628
Loss carryforwards	11,589	109,501
Deferred revenues	25,865	25,576
Accrued bonuses	17,496	21,801
Accrued vacation payable	14,850	15,129
Other	46,692	65,660
Total	203,085	324,354
Offset to deferred tax liabilities	(102,581)	(144,779)
Net deferred tax assets	100,504	179,575
Deferred tax liabilities		
Net changes in fair value of financial assets measured at fair value through other comprehensive income	(20,774)	(16,509)
Intangible assets identified from business combination	(13,321)	(33,589)
Difference of investment book value for associates following business restructuring	(3,400)	(3,400)
Property, plant and equipment	(19,610)	(19,062)
Other	(45,476)	(72,218)
Total	(102,581)	(144,779)
Offset to deferred tax assets	203,085	324,354
Net deferred tax liabilities	100,504	179,575

Changes in net deferred tax assets and liabilities are as follows:

	(Unit: millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance at the beginning of the year	69,816	100,504
Recognized as net income/loss	8,271	27
Recognized as other comprehensive income	23,368	(2,958)
Acquisition in business combination	(725)	86,350
Other (Note)	(225)	(4,348)
Balance at the end of the year	100,504	179,575

(Note) Other include foreign currency translation adjustments.

Deductible temporary differences, loss carryforwards and unused tax credits for which no deferred tax assets are recognized as of March 31, 2022 and March 31, 2023 are as follows. The deductible temporary differences, loss carryforwards and unused tax credits are presented on tax basis.

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Deductible temporary differences	1,491	23,251
Loss carryforwards		
Expiration date within 5 years	2,573	3,594
Expiration date over 5 years and within 20 years	310	146,784
Indefinite periods	9,097	38,795
Total	<u>13,471</u>	<u>212,423</u>

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 loss carryforwards 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, 2022 and March 31, 2023 are not recognized.

(2) Income tax expenses

Details of income tax expenses recognized in net income/loss in the fiscal year ended March 31, 2022 and fiscal year ended March 31, 2023 are as follows:

	(Unit: millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Current tax expenses		
Tax expenses during the period	74,018	75,956
Current tax expenses total	74,018	75,956
Deferred tax expenses		
Origination and reversal of temporary differences	(4,764)	4,352
Recognition of deductible temporary differences not recognized in the past (derecognition of recognized deductible temporary differences)	(2,211)	851
Recognition of tax loss which was not recognized in the past	(1,135)	(5,229)
Changes in tax rates	(161)	-
Total deferred tax expenses	(8,271)	(27)
Total income tax expenses	65,747	75,929

Please see Notes "26. Equity and other components of equity" for income taxes recognized in other comprehensive income.

(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, 2022 and the fiscal year ended March 31, 2023 are as follows:

	Ratio against income before income taxes	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Applicable tax rate	30.62 %	30.62 %
Difference between applicable tax rate of overseas subsidiaries	(0.72) %	(1.57) %
Items permanently not included in tax loss	2.71 %	6.35 %
Effect of reassessment of recoverability of deferred tax assets	(0.96) %	(1.40) %
Tax credit by R&D tax reduction	(1.13) %	(0.97) %
Adjustment related to uncertainty of income tax	0.13 %	(0.96) %
Other	(0.19) %	(0.80) %
Average actual tax rate	30.46 %	31.27 %

The income before income taxes and tax expenses of NTT DATA Group were mainly recorded in Japan. For the fiscal years ended March 31, 2022 and 2023, 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. Overseas subsidiaries are subject to local corporate taxes.

(4) Uncertainty over Income Tax Treatments

On May 28, 2021, NTT DATA 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.

On August 12, 2022, we received a certified copy of the decision from the National Tax Appeal Tribunal to dismiss our request for examination, but as there is a difference with our view, we will seek cancellation of the disposition in accordance with the law.

(5) Information about NTT America, Inc.

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Net operating loss carrying forwards(Note 1)	-	871,542
Net operating loss carrying forwards for which deferred tax assets are not recognized (Note2) (Note3)	-	507,897 (123,278)
Deferred tax assets related to net operating loss carryforwards	-	88,265
Future taxable income for realizing deferred tax assets related to net operating loss carryforwards	-	363,645

(Note) 1. Net operating loss carryforwards, except for some that can be carried forward indefinitely, can be offset against future taxable income until the end of fiscal year 2035.

2. The large amount of net operating loss carryforwards for which deferred tax assets are not recognized is due to the taxable income expected to be earned in the future not being as large as the net operating loss carryforwards and the uncertainty of plans in the future. Based on the projected generation of future taxable income, the amount of deferred tax assets recognized for net operating loss carryforwards is evaluated each fiscal year, and there is a possibility that the amount of net operating loss carryforwards for which deferred tax assets are not recognized will decrease in the future.

3. Net operating loss carryforwards for which deferred tax assets are not recognized are on a temporary difference basis, and the amounts in parentheses are on a tax basis.

4. Calculated at US\$1 = 133.54 yen (as of March 31, 2023).

19. Bonds and borrowings

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

Bonds payable, short-term borrowings and long-term borrowing are classified as financial liabilities measured at amortized cost. Details of corporate bonds, short-term borrowings and long-term borrowings as of March 31, 2022 and March 31, 2023 are as follows:

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Short-term borrowings	15,354	185,368
Long-term borrowings (including current portion of long-term borrowings)	431,027	1,521,392
Bonds payable (including current portion of corporate bonds)	50,098	25,100
Total	496,480	1,731,860
Current liabilities	102,829	278,843
Non-current liabilities	393,651	1,453,018
Total	496,480	1,731,860

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

(Unit: millions of yen)

	Short-term borrowings	Bonds payable and long-term borrowings	Lease liabilities	Derivative (assets) liabilities held for hedging liabilities
Balance on April 1, 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)
Total amount of changes from cash flows from financing activities	(37,953)	279,880	(58,765)	—
Total amount of liability changes without cash flow	207,967	785,486	161,121	(8,774)
Business combinations	187,462	859,486	84,178	—
Foreign currency translation differences	20,505	(74,001)	5,995	—
Fair value changes	—	—	—	(8,774)
New leases	—	—	70,949	—
Other	—	1	—	—
Balance on March 31, 2023	185,368	1,546,492	268,920	(17,843)

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

Assets as collateral for bonds and borrowings are as follows:

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Cash and deposits	52	43
Trade receivables	946	836
Buildings, etc. (Note)	9,557	9,999
Machinery, equipment and vehicles	478	450
Tools, furniture, and fixtures	264	236
Land	27	29
Stocks	270	270
Long-term loans receivable	690	690
Total	12,284	12,553

(Note) The item includes investment property.

Corresponding liabilities are as follows:

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Bonds payable(Including current portion of bonds payable)	100	100
Long-term borrowings (including current portion of long-term borrowings)	1,375	1,158
Total	1,475	1,258

20. Trade and other payables

Details of trade and other payables as of March 31, 2022 and March 31, 2023 are as follows.

Trade and other payables as of March 31, 2022 was classified as financial liabilities measured at amortized cost, except for accrued vacation payable, etc.

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Notes and accounts payable - trade	164,617	399,443
Accrued expenses	87,944	213,696
Accrued vacation payable	56,944	69,574
Accounts payable - other	61,850	84,326
Deposits received	48,240	47,430
Other	42,636	43,162
Total	462,231	857,632

21. 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 as of March 31, 2022 and 2023 are as follows:

Revenues related to finance lease transactions are as follows:

	(Unit: millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Sales profit/loss	3,428	11,142
Financial revenue for net investment in the lease	497	1,338

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

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Within 1 year	12,359	18,289
Over 1 year and within 2 years	10,872	15,879
Over 2 years and within 3 years	9,421	9,498
Over 3 years and within 4 years	5,480	4,128
Over 4 years and within 5 years	1,080	2,403
Over 5 years	1,100	25,318
Total	40,312	75,516
Less: unearned financial revenue	1,680	10,935
Net investment in the lease	38,632	64,581

(2) As lessee

In NTT DATA Group, real estate such as office buildings, communication facilities, office appliances, etc. are considered 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, 2022 and March 31, 2023 are as follows:

(Unit: millions of yen)

	Type of underlying assets						Total
	Data communication facilities	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture, and fixtures	Land	Other	
As of March 31, 2022	872	130,252	18,271	1,273	1,106	22	151,794
As of March 31, 2023	733	202,169	26,677	1,342	3,883	10	234,813

Costs and cash out flow related to lease as of March 31, 2022 and March 31, 2023 are as follows:

(Unit: millions of yen)

	As of March 31, 2022	As of March 31, 2023
Depreciation of the right-of-use assets		
Data communication facilities as underlying assets	521	426
Buildings and structures as underlying assets	33,513	41,636
Machinery, equipment, and vehicles as underlying assets	8,516	12,249
Tools, furniture, and fixtures as underlying assets	258	342
Land as underlying assets	130	127
Other	20	41
Total depreciation of the right-of-use assets	42,957	54,822
Interest paid on lease liabilities	2,900	7,430
Cash out flow related to lease	52,592	86,071
Increased amount of right-of-use assets	50,695	70,790

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

(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 include assumptions such as discount rates, and 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 amount of plan assets and defined benefit liabilities (assets) in
 the fiscal years ended March 31, 2022 and 2023 is as follows:

(Unit: millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Changes in defined benefit obligations		
Present value at the beginning of the year	412,847	405,608
Service cost	22,211	22,036
Net amount of interest cost	2,627	3,681
Remeasurements		
- Changes in demographic assumptions	(150)	333
- Changes in financial assumptions	(18,023)	(30,196)
- Other	(984)	(1,635)
Benefit payments (lump-sum payments on retirement and pension)	(15,225)	(16,498)
Effect of business combinations and disposal	—	11,834
Foreign currency translation adjustments	2,757	1,518
Other	(452)	(4,375)
Balance of present value at the end of the year	405,608	392,305
Changes in plan assets		
Fair value at the beginning of the year	222,306	227,731
Interest income	1,447	1,831
Remeasurements		
- Income related to plan assets excluding interest income	433	(10,494)
Employer contributions	7,290	6,560
Benefit payments (pension)	(6,343)	(7,218)
Effect of business combinations and disposals	—	8,667
Foreign currency translation adjustments	2,310	1,248
Other	288	(3,901)
Fair value at the end of the year	227,731	224,425
Net amount of defined benefit liabilities (assets) recorded in the consolidated statement of financial position	177,877	167,880

(IV) Defined benefit obligations and plan assets

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

(Unit: millions of yen)

	As of March 31, 2022	As of March 31, 2023
Present value of defined benefit obligations	405,608	392,305
Fair value of plan assets	(227,731)	(224,425)
Total	177,877	167,880
Retirement benefit liability	193,170	183,404
Retirement benefit asset	(15,293)	(15,523)

(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, 2022 and March 31, 2023 are as follows:

(Unit: millions of yen)

	As of March 31, 2022		As of March 31, 2023	
	Available	NA	Available	NA
Cash and cash equivalents	9,307	—	6,222	—
Equity instruments	22,206	1,828	22,116	1,066
Domestic	14,822	1,828	14,743	1,066
Overseas	7,383	—	7,373	—
Debt instruments	47,725	31,493	44,444	28,127
Domestic	31,263	31,225	34,305	27,857
Overseas	16,462	268	10,139	270
Beneficiary certificates of securities investment trust	—	32,686	—	34,057
Pooled funds	—	34,141	—	33,788
Life insurance company general accounts	—	38,613	—	40,977
Other	—	9,733	—	13,629
Total	79,238	148,493	72,781	151,644

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

The important actuarial assumption as of March 31, 2022 and March 31, 2023 is as follows:

	As of March 31, 2022	As of March 31, 2023
Discount rate	0.3%~0.9%	0.4%~1.3%

(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, 2022 and March 31, 2023 are as follows:

(Unit: millions of yen)

		As of March 31, 2022	As of March 31, 2023
Discount rate	In case of 0.5% increase	(35,374)	(31,745)
	In case of 0.5% decrease	39,827	35,376

(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 5,847 million yen.

Duration of defined benefit obligations as of March 31, 2022 and March 31, 2023 are 16.7 years and 15.8 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 10,639 million yen and 18,237 million yen, respectively.

(3) Employee benefit expenses

The employee benefit expenses included in the consolidated statement of income were 1,046,885 million yen in the previous fiscal year and 1,374,281 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."

23. Provisions

(1) Reconciliation tables related to provisions

Details and changes of provisions are as follows:

	(Unit: millions of 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
Increase during the term	7,581	9,065	16,646
Changes from business combinations	1,636	13,474	15,110
Decrease during the term (used for purpose)	(424)	(4,084)	(4,508)
Decrease during the term (reversal)	(136)	(6,999)	(7,135)
Foreign currency translation adjustment	(1)	(279)	(280)
Balance at the end of the year (March 31, 2023)	11,125	22,221	33,346

The balance of current and non-current liabilities as of March 31, 2022 and March 31, 2023 are as follows:

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Current liabilities	7,650	23,098
Non-current liabilities	5,863	10,248
Total	13,514	33,346

(2) Details of provisions

Provisions are recognized in cases where NTT DATA Group has present legal or constructive obligations because 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.

Provision for loss on order received

This is related to software built-to-order, and the amount of provision 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.

(3) Changes in accounting estimates

In the current consolidated fiscal year, the estimated cost was changed because the possibility of economic benefit outflows increased due to new defects that occurred after the time of the total cost calculation. As a result of this change, "Cost of sales," including provision for loss on order received, has increased by 10,929 million yen in the Public & Social Infrastructure Segment.

24. Other financial liabilities

Details of other financial liabilities as of March 31, 2022 and March 31, 2023 are as follows:
(Unit: millions of yen)

	As of March 31, 2022	As of March 31, 2023
Financial liabilities measured at amortized cost		
Other	4,268	3,830
Financial liabilities measured at fair value through profit or loss		
Derivative financial liabilities	252	2,122
Put option granted to non-controlling interests	14,150	24,581
Total	18,670	30,533
Current liabilities	3,572	13,366
Non-current liabilities	15,098	17,167
Total	18,670	30,533

25. Other liabilities

Details of other current liabilities and other non-current liabilities as of March 31, 2022 and March 31, 2023 are as follows:

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Consumption tax payable	18,514	54,162
Contract liabilities	-	23,876
Real estate tax payable	5,274	5,299
Other	27,892	49,432
Total	51,680	132,768
Current liabilities	37,781	89,186
Non-current liabilities	13,898	43,583
Total	51,680	132,768

26. 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, 2022 and March 31, 2023 are as follows

(Unit: 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, 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	-	-	84
March 31, 2022	5,610,000,000	1,402,500,000	1,149
Stock split under resolution of the Board of Directors	-	-	-
Repurchase of treasury stock by the request to purchase fractional shares	-	-	9,522
March 31, 2023	5,610,000,000	1,402,500,000	10,671

(Note) In addition to the above, the Company's shares held by the Trust for the performance-based stock remuneration plan are recorded as treasury stock in the consolidated statement of financial position. For details, please refer to "(2) Performance-based stock remuneration plan for directors and executive officers."

(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 (hereinafter "during the 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, 2023 are as follows, and are recorded as treasury stock in the consolidated statement of financial position.

(Unit: millions of yen)

	As of March 31, 2022	As of March 31, 2023
Book value	204	1,014
Number of shares	115,200 shares	496,900 shares

(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 31,2022	As of March 31,2023
Debt Equity Ratio (Times)(Note 1)	0.39	1.19
Ratio of net income to equity attributable to shareholders of NTT DATA (ROE) (Note 2)	12.2%	11.0%

(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 bonds and borrowings.

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 as the level 3 of fair value hierarchy.

(6) Other components of equity

Details and changes in other components of equity in the fiscal years ended March 31, 2022 and March 31, 2023 are as follows:

(Unit: millions of yen)

	Net change in fair value of financial assets measured at fair value through other comprehensive income	Cash flow hedge	Hedge cost	Remeasurement of net amount of defined benefit liabilities	Foreign currency translation adjustments	Total
April 1, 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
Other comprehensive income	(9,107)	(399)	(200)	13,582	25,476	29,353
Non-controlling interests transfer	8	(42)	(14)	(260)	43,217	42,909
Transfer to retained earnings	(63)	-	-	(13,321)	-	(13,384)
Business combinations	45	(30)	(29)	-	23,687	23,672
March 31, 2023	32,232	154	658	-	159,871	192,915

(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, 2022 and March 31, 2023 are as follows:

	(Unit: millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net change in fair value of financial assets measured at fair value through other comprehensive income		
Amounts arising during the period	(14,288)	(13,087)
Amounts reclassified to profit	—	—
Before tax effect	(14,288)	(13,087)
Tax effect	9,734	3,981
After tax effect	(4,554)	(9,107)
Cash flow hedge		
Amounts arising during the period	9,815	11,024
Amounts reclassified to profit	(8,788)	(11,786)
Basis adjustment	14	138
Before tax effect	1,041	(625)
Tax effect	(291)	226
After tax effect	750	(399)
Hedge cost		
Amounts arising during the period	527	267
Amounts reclassified to profit	(324)	(548)
Before tax effect	203	(282)
Tax effect	(70)	82
After tax effect	134	(200)
Remeasurement of net amount of defined benefit liabilities		
Amounts arising during the period	19,590	21,004
Amounts reclassified to profit	—	—
Before tax effect	19,590	21,004
Tax effect	(6,515)	(7,422)
After tax effect	13,075	13,582
Foreign currency translation adjustments		
Amounts arising during the period	76,787	26,042
Amounts reclassified to profit	—	1
Before tax effect	76,787	26,043
Tax effect	—	—
After tax effect	76,787	26,043
Share of other comprehensive income of entities accounted for using the equity method		
Amounts arising during the period	115	(566)
Amounts reclassified to profit	—	—
After tax effect	115	(566)
Total other comprehensive income (after tax)	86,307	29,353

27. Dividend

Dividends paid are as follows:

(i) 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 Ordinary 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 stocks held by the Trust for the performance-based stock remuneration plan.

(ii) Fiscal year ended 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 Ordinary General Meeting of Shareholders	Common shares	16,129	Retained earnings	11.5	March 31, 2022	June 17, 2022
November 7, 2022 Board of Directors meeting	Common shares	14,726	Retained earnings	10.5	September 30, 2022	December 1, 2022

(Note) 1. The dividend per share resolved at the Ordinary General Meeting of Shareholders on June 16, 2022 includes a special dividend of 2.0 yen.

2. The total amount of dividends resolved at the Board of Directors meeting on November 7, 2022 includes a dividend of 5 million yen for the Company's stocks held by the Trust for the performance-based stock remuneration plan.

3. The total amount of dividend includes 16,720 million yen of dividends paid by NTT DATA to NTT, Inc. (currently, NTT DATA, Inc.), which was integrated through the overseas business restructuring on October 1, 2022. Dividends paid during the current consolidated fiscal year amounted to 7,980 million yen, which was adjusted as an intercompany transaction in the consolidated financial statements. In addition to the above dividend resolution, an interim dividend of 16,720 million yen was approved by the Board of Directors of NTT DATA, Inc. on December 20 and paid directly by NTT DATA, Inc. to Nippon Telegraph and Telephone Corporation, which was a shareholder of NTT, Inc. on the record date of September 30.

(iii) Dividends during the fiscal year ended March 31, 2023 with effective date during the fiscal year ending March 31, 2024

Resolution	Class of shares	Total dividend (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
June 20, 2023 Ordinary General Meeting of Shareholders	Common shares	16,129	Retained earnings	11.5	March 31, 2023	June 21, 2023

28. 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 NTT DATA Group, 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

IT infrastructure business

IT infrastructure business is operated by NTT Ltd. and primarily includes managed services and data center business.

Managed services include the provision of maintenance and operation services for IT infrastructure such as servers and network equipment or applications. Since goods or services are transferred as a result of clients using services that the NTT DATA Group provides, revenues are recognized according to the period that clients use 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

For the data center business, the NTT DATA Group owns assets such as data centers and provides operation and management services, including power supply and networking. The Group invests in the assets in response to orders from clients or in anticipation of multiple clients' use of the assets. Since goods or services are transferred as a result of clients using services that the NTT DATA Group provides, revenues are recognized according to the period that clients use 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

Telecommunications equipment sales, etc.

Telecommunications equipment sales business is operated by NTT Ltd. and primarily includes sales of telecommunications terminal equipment and its maintenance services.

For telecommunication terminal equipment sales, NTT Ltd. sells telecommunication terminal equipment for use in corporate networks and its revenue is recognized primarily at the time the equipment is received. Contract consideration is usually charged at the time of delivery.

For maintenance services, since goods or services are transferred as a result of clients using services that the NTT DATA Group provides, revenues are recognized according to the period that clients use 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

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, 2022 (from April 1, 2021 to March 31, 2022)

(Unit: millions of yen)

	Reportable segment				Other	Total
	Public & Social Infrastructure	Financial	Enterprise	Overseas		
Consulting	8,148	5,731	22,458	310,447	10,248	357,032
Integrated IT Solutions	105,501	282,563	80,514	154,035	15,490	638,104
System Software Development	149,873	104,492	111,129	237,092	12,918	615,503
Maintenance Support	214,284	135,584	161,289	322,150	23,311	856,617
IT Infrastructure	—	—	—	—	—	—
Telecommunications equipment sales, etc.	—	—	—	—	—	—
Other services	8,794	4,907	39,746	5,414	25,789	84,650
Total	486,599	533,277	415,136	1,029,138	87,756	2,551,906

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

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

(Unit: millions of yen)

	Reportable segment				Other	Total
	Public & Social Infrastructure	Financial	Enterprise	Overseas		
Consulting	8,988	4,928	25,940	410,033	10,472	460,361
Integrated IT Solutions	100,153	283,861	87,990	206,882	15,936	694,822
System Software Development	179,237	103,854	117,964	302,838	13,738	717,631
Maintenance Support	225,973	153,558	182,755	356,780	24,690	943,756
IT Infrastructure	—	—	—	278,468	—	278,468
Telecommunications equipment sales, etc.	—	—	—	299,632	—	299,632
Other services	8,769	5,937	44,839	11,499	24,469	95,513
Total	523,120	552,139	459,487	1,866,131	89,305	3,490,182

(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 receivables as soon as the right to payment becomes unconditional. NTT DATA 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: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Contract assets	105,477	123,008
Contract liabilities	283,854	441,816
Of recognized revenues, those that were included in the balance of contract liabilities as of the beginning of the year	114,182	163,503

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, 2022 and 2023.

In the fiscal year ended March 31, 2023, contract liabilities increased by 155,119 million yen in connection with the acquisition of NTT, Inc. as a subsidiary by NTT DATA Group.

(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, 2022 and March 31, 2023 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: millions of yen)

	As of March 31, 2022	As of March 31, 2023
Within 1 year	1,407,934	2,072,456
Over 1 year and within 2 years	593,877	904,171
Over 2 years and within 3 years	319,528	580,786
Over 3 years	539,262	1,096,499
Total	2,860,601	4,653,912

(Notes) In the fiscal year ended March 31, 2023, transaction price allocated to the remaining performance obligation includes those related to lease income in accordance with IFRS 16. The amount related to such lease income in accordance with IFRS 16 is 1,099,895 million yen.

In connection with the notes to the business combination, the amount of lease income included in the transaction price allocated to the unsatisfied performance obligation has increased, and such amount has been disclosed from the current year.

In connection with this, NTT DATA Group deposited performance guarantee to a part of lenders, and its amount is 1,384,121 million yen.

(5) Contract costs

There are no significant assets recognized from contract costs in the fiscal years ended March 31, 2022 and 2023.

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.

29. 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, 2022 and 2023 are as follows:

	(Unit: millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Employees' salaries and allowances	884,136	1,185,053
Outsourcing expenses	698,916	898,783
Depreciation and amortization cost	214,022	267,818
Cost of goods	166,174	292,498
Legal welfare expenses	61,840	102,648
Welfare expenses	42,312	49,807
Rent expenses	1,287	8,791
Traveling expenses	8,860	19,635
Communications and transportation expenses	24,135	60,222
Heating, lighting and water expenses	3,124	33,610
Other	234,508	312,205
Total	2,339,316	3,231,072
(Re-post) Research and development expenses (Note)	19,707	24,937

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

30. Finance income and finance costs

Details of finance income and finance costs in the fiscal years ended March 31, 2022 and 2023 are as follows:
(Unit: millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Finance income		
Financial assets measured at amortized cost		
Interest income	3,129	11,024
Other	2	22
Financial assets measured at fair value through other comprehensive income		
Dividend income	1,068	917
Financial assets derecognized during the period	207	2
Financial assets held as of the end of the fiscal year	861	915
Exchange differences (net amount)	2,728	-
Other finance income	2,737	4,424
Total finance income	9,665	16,388
Finance costs		
Financial assets measured at amortized cost		
Provision for loss allowance	0	1,871
Financial liabilities measured at amortized cost		
Interest expenses	2,788	22,066
Other	0	41
Lease liabilities		
Interest expenses	2,900	7,430
Exchange differences (net amount)	-	1,149
Other finance costs	512	545
Total finance costs	6,201	33,102

31. Earnings per share

Basically, earnings per share in the fiscal years ended March 31, 2022 and 2023 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, 2022	Fiscal year ended March 31, 2023
Net income attributable to shareholders of NTT DATA (Unit: millions of yen)	142,979	149,962
Amount not attributable to ordinary shareholders (Unit: millions of yen)	-	-
Net income used for calculating earnings per share (Unit: millions of yen)	142,979	149,962
Outstanding shares (Unit: shares)	1,402,500,000	1,402,500,000
Impact of treasury shares (Unit: shares)	116,349	507,571
Average number of common shares during the period (Unit: shares)	1,402,427,584	1,402,149,613

(Note) In addition to the above, the Company's stocks held by the Trust for the performance-based stock remuneration plan are recorded as treasury stock in the consolidated statement of financial position. For details, please see Notes "26. Equity and other components of equity."

32. 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 NTT DATA, 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 NTT DATA.

When using derivatives, NTT DATA Group 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 concentration of credit risk.

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, 2022 and March 31, 2023 are as shown below:

As of March 31, 2022

(Unit: millions of 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	

As of March 31, 2023

(Unit: millions of yen)

Overdue period	Total carrying amounts	Required allowance rate	Loss allowance	Credit impairment
Within 30 days	1,211,428	1.0%	11,648	N
Over 30 days and within 90 days	68,849	2.5%	1,693	N
Over 90 days	110,991	11.4%	12,649	Y
Total	1,391,268		25,989	

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, 2022 and March 31, 2023 are as shown below:

As of March 31, 2022

(Unit: millions of yen)

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

As of March 31, 2023

(Unit: millions of yen)

	Total carrying amounts	Loss allowance	Credit impairment
Other financial assets	99,371	548	N
(debt securities, loan receivable, etc.)	14,203	13,944	Y
Total	113,574	14,492	

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, 2022 and March 31, 2023 are shown below.

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

(Unit: millions of yen)

Classification	Recorded at the same amount as the 12-month expected credit losses	Recorded at the same amount as the lifetime expected credit losses			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

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

(Unit: millions of yen)

Classification	Recorded at the same amount as the 12-month expected credit losses	Recorded at the same amount as the lifetime expected credit losses			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, 2022	606	-	12,243	10,221	23,070
Increase	-	-	1,701	22,513	24,214
Decrease	(58)	-	-	(6,745)	(6,803)
Balance on March 31, 2023	548	-	13,944	25,989	40,481

There is no significant collateral or credit enhancement as of March 31, 2022 and March 31, 2023.

(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. NTT DATA Group 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 NTT DATA 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, 2022 and March 31, 2023 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, 2022

	(Unit: millions of 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
Bonds and borrowings	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

As of March 31, 2023

	(Unit: millions of 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
Bonds and borrowings	1,731,860	1,922,028	334,091	202,578	382,051	290,886	420,962	291,459
Lease liabilities	268,920	390,303	75,334	60,789	44,924	31,635	140,828	36,793
Derivative financial liabilities	2,122	2,122	2,092	29	0	1	1	-
Total	2,002,903	2,314,453	411,517	263,395	426,976	322,522	561,791	328,252

(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, NTT DATA 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 NTT DATA.

(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, 2022 and March 31, 2023 are as follows. The amount of foreign exchange risk hedged by derivatives is excluded.

(Unit: millions of yen)

Currency	As of March 31, 2022	As of March 31, 2023
USD	5,873	(7,147)
Euro	48,515	34,610

(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, 2022 and March 31, 2023 is as follows. The amount of decrease in profit before taxes assuming that the Japanese yen appreciated by 1 yen is the same amount.

(ii) (Unit: millions of yen)

Currency	As of March 31, 2022	As of March 31, 2023
USD	48	(54)
Euro	355	238

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, 2022 and March 31, 2023 are as follows:

(Unit: millions of yen)

	As of March 31, 2022	As of March 31, 2023
Short-term borrowings	12,841	114,473

(b) Sensitivity analysis of interest rate (net amount)

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, 2022 and March 31, 2023 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, 2022 and March 31, 2023. 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: millions of yen)

	As of March 31, 2022	As of March 31, 2023
Impact on other comprehensive income (before considering tax effect) (() shows negative amount)	(6,335)	(5,195)

(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 fair 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, 2022 and March 31, 2023 are as follows. Other financial instruments are not included in the table as their carrying amounts are largely equivalent to their fair values.

(Unit: millions of yen)

	As of March 31, 2022		As of March 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (including current portion of long-term borrowings)	431,027	433,155	1,521,392	1,549,432
Bonds payable (including current portion of bonds payable)	50,098	50,342	25,100	25,099

Assets and liabilities measured ordinarily at fair value

Assets and liabilities measured ordinarily at fair value as of March 31, 2022 and March 31, 2023 are as follows.

NTT DATA Group continues to measure other financial assets (securities) and derivatives at fair value.

As of March 31, 2022

(Unit: millions of 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.

As of March 31, 2023

(Unit: millions of yen)

	Fair value			
	Total	Level 1	Level 2	Level 3
Other financial assets:				
Stocks, etc.	68,667	51,952	—	16,715
Derivative financial assets	20,526	—	20,526	—
Total	89,193	51,952	20,526	16,715
Other financial liabilities:				
Derivative financial liabilities	2,122	—	2,122	—
Total	2,122	—	2,122	—

There is no reclassification between Level 1 and Level 2.

Reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis in the fiscal years ended March 31, 2022 and March 31, 2023 is as follows:

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

(Unit: millions of 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 “Profit/Loss from investments in equity instruments designated at fair value 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.

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

(Unit: millions of 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.	19,761	(299)	699	(126)	(3,320)	16,715

(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 “Profit/Loss from investments in equity instruments designated at fair value through other comprehensive income” of the consolidated statement of comprehensive income.

2 There are no significant reclassifications in the fiscal year ended March 31, 2023.

(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 borrowings”

Carrying amounts are largely equivalent to their fair values because they are mainly settled in a short period of time.

“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 borrowings” (including current portion of long-term borrowings) and “bonds payable” (including current portion of bonds payable)

Fair values of long-term borrowings (including current portion of long-term borrowings) and bonds payable (including current portion of bonds payable) 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, 2022 and March 31, 2023 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, 2022

(Unit: millions of 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

As of March 31, 2023

(Unit: millions of yen)

	Notional principal		Carrying amount	
	Total amount	Portion exceeding 1 year in the left	Assets	Liabilities
Forward exchange contracts	337,988	348	676	1,885
Currency swap	—	626	—	10

Items designated as hedging instruments in the fiscal years ended March 31, 2022 and March 31, 2023 are as follows:

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

(Unit: millions of yen)

	Notional principal		Carrying amount		Account 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"

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

(Unit: millions of yen)

	Notional principal		Carrying amount		Account 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	30,469	1,823	2,006	228	(Note 2)	(169)
Foreign currency-denominated deposit	-	-	-	-	(Note 3)	-
Interest rate risk						
Interest rate swap	-	-	-	-	(Note 2)	-
Foreign exchange/interest rate risk						
Interest rate currency swap	88,136	72,112	17,843	-	(Note 2)	8,774

(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, 2022 and March 31, 2023 are as follows:

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

(Unit: millions of yen)

	Change in the value of the hedged item	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 borrowings	-	-
Foreign exchange/interest rate risk		
Floating interest rate foreign currency-denominated long-term borrowings	(7,718)	383

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

(Unit: millions of yen)

	Change in the value of the hedged item	Cash flow hedge reserve related to ongoing hedges
Cash flow hedges		
Foreign exchange risk		
Foreign currency-denominated forecast transaction	183	(183)
Foreign currency-denominated finalized transactions, etc.	(14)	14
Interest rate risk		
Floating interest rate long-term borrowings	-	-
Foreign exchange/interest rate risk		
Floating interest rate foreign currency-denominated long-term borrowings	(9,164)	15

The result of applying hedge accounting, which had impact on the consolidated statement of comprehensive income in the fiscal years ended March 31, 2022 and March 31, 2023 is as follows:

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

(Unit: millions of 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 account item in consolidated statement of income for reclassification adjustment
Cash flow hedges				
Foreign exchange risk	2,097	(1,064)	14	Financial income
Interest rate risk	-	-	-	-
Foreign exchange/interest rate risk	7,718	(7,724)	-	Financial income

(Note) Amount before tax effect adjustment.

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

(Unit: millions of 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 account item in consolidated statement of income for reclassification adjustment
Cash flow hedges				
Foreign exchange risk	1,860	(2,862)	138	Financial income
Interest rate risk	-	-	-	-
Foreign exchange/interest rate risk	9,164	(8,925)	-	Financial 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.

33. Major subsidiaries

(1) NTT DATA Group structure

The consolidated financial statements of NTT DATA Group as of March 31, 2023 consist of NTT DATA and 624 consolidated subsidiaries (312 companies as of March 31, 2022).

Status of major consolidated subsidiaries as of March 31, 2023 is as follows:

Name	Main business	Location	Reportable segment	Percentage of voting rights (%)
				As of March 31, 2023
NTT DATA i CORPORATION	System design/development	Japan	Public & Social Infrastructure	100.0
NTT DATA KYUSHU CORPORATION	System design/development	Japan	Public & Social Infrastructure	100.0
NTT DATA TOKAI CORPORATION	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 FINANCIAL TECHNOLOGY CORPORATION	System design/development	Japan	Financial	100.0
NTT DATA CUSTOMER SERVICE CORPORATION	System operation/maintenance	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 CORPORATION	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 WAVE CORPORATION	System design/development	Japan	Enterprise	80.1
QUNIE CORPORATION	Consulting	Japan	Enterprise	100.0
NTT DATA BUSINESS SYSTEMS CORPORATION	System design/development	Japan	Enterprise	100.0
NTT DATA CCS CORPORATION	System design/development	Japan	Enterprise	60.0
NTT DATA MSE Corporation	System design/development	Japan	Enterprise	(Note 1) 45.0
JSOL Corporation	System design/development	Japan	Enterprise	(Note 1) 50.0
NTT DATA NJK CORPORATION	System design/development	Japan	Enterprise	100.0
NTT DATA Global Solutions Corporation	System design/development	Japan	Enterprise	100.0
NTT DATA MHI Systems Corporation	System design/development	Japan	Enterprise	51.0
Net year Group Corporation	SIPS (Strategic Internet Professional Services) business	Japan	Enterprise	(Note 1) 48.5
PAYGENT Co., Ltd.	Payment processing services	Japan	Enterprise	(Note 1) 50.0

Name	Main business	Location	Reportable segment	Percentage of voting rights (%)
				As of March 31, 2023
NTT DATA, Inc.	Governance and strategy formulation for global business and promotion of measures	Japan	Overseas	55.0
NTT DATA Americas, Inc.	Consulting, System design/development	The United States	Overseas	100.0
NTT Data International L.L.C.	Supervision of North American operating subsidiaries	The United States	Overseas	100.0
NTT DATA Consulting, Inc.	Consulting, System design/development	The United States	Overseas	100.0
NTT DATA Services International Holdings B.V.	Consulting, System design/development	Nederland	Overseas	100.0
NTT DATA Services Holdings Corporation	Consulting, System design/development	The United States	Overseas	100.0
NTT DATA Services, LLC	Consulting, System design/development	The United States	Overseas	100.0
NTT DATA Europe & Latam, S.L.U.	Supervision of European operating subsidiaries	Spain	Overseas	100.0
NTT DATA EMEA LTD.	Consulting, System design/development	The United Kingdom	Overseas	100.0
NTT DATA Spain, S.L.U.	Consulting, System design/development	Spain	Overseas	100.0
NTT DATA Business Solutions AG	Consulting, System design/development	Germany	Overseas	100.0
NTT DATA EUROPE GmbH & CO. KG	Supervision of overseas SAP operating subsidiaries	Germany	Overseas	100.0
NTT DATA ASIA PACIFIC PTE. LTD.	Supervision of APAC operating subsidiaries	Singapore	Overseas	100.0
VietUnion Online Services Corporation	Payment processing services	Vietnam	Overseas	89.5
NTT Limited	Provision of IT services and communications and internet-related services for corporations	The United Kingdom	Overseas	100.0
Dimension Data Investments South Africa (Pty) Ltd	Management of certain subsidiaries of NTT Ltd. in South Africa	South Africa	Overseas	85.0
NTT America Holdings II, Inc.	Management of certain subsidiaries of NTT Ltd. in America	The United States	Overseas	100.0

Name	Main business	Location	Reportable segment	Percentage of voting rights (%)
				As of March 31, 2023
NTT Australia Pty Ltd	Provision of ICT Services and management of certain subsidiaries of NTT Ltd. in Australia	Australia	Overseas	100.0
NTT Cloud Communications International Holdings SAS	Provision of teleconference, web conference and video conference services	France	Overseas	100.0
NTT Cloud Infrastructure Australia Pty Ltd	Provision of ICT Services in Australia	Australia	Overseas	100.0
NTT Global Data Centers Holding Asia Pte. Ltd.	Management of certain data center subsidiaries and affiliates of NTT Ltd. in Asia	Singapore	Overseas	100.0
NTT Global Data Centers Holding EMEA S.à r.l.	Provision of data center-related services in Europe	Luxembourg	Overseas	100.0
NTT Security Corporation	Provision of professional security services	Japan	Overseas	100.0
NTT Singapore Pte. Ltd.	Provision of ICT Services in Singapore	Singapore	Overseas	100.0
PT NTT Global Data Centers Indonesia	Provision of Data Center services in Indonesia	Indonesia	Overseas	100.0
NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.	Consulting	Japan	Others	100.0
NTT DATA MANAGEMENT SERVICE CORPORATION	Administrative agent business	Japan	Others	70.0
NTT DATA SMS CORPORATION	System operation	Japan	Others	100.0
NTT DATA INTELLILINK CORPORATION	System design/development	Japan	Others	100.0
NTT DATA INTRAMART CORPORATION	Package software sales	Japan	Others	(Note 1) 47.9
NTT DATA Smart Sourcing Corporation	Contact Center Business	Japan	Others	100.0

(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, 2022.

(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.

(3) Condensed consolidated financial information of subsidiaries with significant non-controlling interests

As described in Notes "7. Business combinations," with October 1, 2022 as the effective date, NTT DATA Corporation conducted the Overseas Business Split, transferring rights and duties in overseas operations held by NTT DATA Group to NTT, Inc. (currently, NTT DATA, Inc.)

As a result, NTT Ltd group became a subsidiary of NTT DATA group through NTT, Inc., and the percentage of equity owned by the non-controlling interest to NTT Data International group increased to 45.0%. Accordingly, NTT Ltd group and NTT Data International group are recognized as subsidiary groups in which the non-controlling interests are significant to NTT DATA group from the current consolidated fiscal year.

NTT Ltd Group (NTT Ltd. and its subsidiaries)

General Information

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Percentage of owner's equity held by non-controlling interests (%)	—	45.00
Accumulated non-controlling interest in the subsidiary group	—	437,531

	(Unit: millions of yen)	
	Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Profit or loss allocated to non-controlling interests in the subsidiary group	—	4,231

Condensed Consolidated Financial Information

【Consolidated Statement of Financial Position】

	(Unit: millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Current assets	—	822,680
Non-current assets	—	1,946,524
Current liabilities	—	779,926
Non-current liabilities	—	1,063,491
Equity	—	925,787

【Consolidated Statement of Income / Consolidated Statement of Cash Flows】

	(Unit: millions of yen)	
	Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Net sales	—	582,760
Net income	—	11,707
Comprehensive income	—	(23,675)
Cash flows from operating activities	—	72,674
Cash flows from investing activities	—	(186,558)
Cash flows from financing activities	—	113,441
Net increase/(decrease) in cash and cash equivalents	—	(443)
Effect of exchange rate changes on cash and cash equivalents	—	(7,858)

(Note) There were no dividends paid by NTT Ltd group to the non-controlling interest during the current fiscal year. In accordance with the reorganization, the company was consolidated from October 1, and the period of performance recognized in the current fiscal year was from October 1, 2022 to March 31, 2023.

NTT Data International L.L.C. Group (NTT Data International L.L.C. and its subsidiaries)

NTT Data International L.L.C. group did not have significant non-controlling interests at the end of the previous fiscal year; therefore, general information and condensed consolidated financial information for the previous fiscal year are not disclosed.

General Information

	As of March 31, 2022	(Unit: millions of yen) As of March 31, 2023
Percentage of owner's equity held by non-controlling interests (%)	—	45.00
Accumulated non-controlling interest in the subsidiary group	—	373,141

	Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	(Unit: millions of yen) Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Profit or loss allocated to non-controlling interests in the subsidiary group	—	4,092

Condensed Consolidated Financial Information

【Consolidated Statement of Financial Position】

	As of March 31, 2022	(Unit: millions of yen) As of March 31, 2023
Current assets	—	247,456
Non-current assets	—	782,082
Current liabilities	—	122,655
Non-current liabilities	—	77,681
Equity	—	829,203

【Consolidated Statement of Income / Consolidated Statement of Cash Flows】

	Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	(Unit: millions of yen) Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Net sales	—	594,270
Net income	—	17,084
Comprehensive income	—	73,089
Cash flows from operating activities	—	89,027
Cash flows from investing activities	—	(67,492)
Cash flows from financing activities	—	(16,898)
Net increase/(decrease) in cash and cash equivalents	—	4,637
Effect of exchange rate changes on cash and cash equivalents	—	7,675

(Note) There were no dividends paid by NTT Data International L.L.C. group to the non-controlling interest during the current fiscal year.

34. 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, 2022 (from April 1, 2021 to March 31, 2022)

(Unit: millions of 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 2)	55,822	90,936
			Interest income in association with fund deposit	1	—
			Fund borrowing (Note 3)	—	377,049
			Fund borrowing (Note 2)	69	594
			Interest in association with fund borrowing	1,057	—
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	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 borrowings are shown.

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

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

(Unit: millions of yen)

Type	Names of related parties	Business or occupation	Transaction	Amount	Outstanding balance
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	106	—
			Income from other businesses such as building leases	22	—
			Payment of annual membership fee	3	—
Subsidiary of the parent company	NTT FINANCE CORPORATION	Billing and collection of charges for telecommunication services, etc. and provision of credit card settlement services	Settlement of transactions between NTT group companies	99,346	27,811
			Fund deposit (Note 2)	64,044	79,537
			Interest income in association with fund deposit	1	
			Fund borrowing (Note 3)	237,510	948,388
			Repayment of borrowings	99,906	
			Fund borrowing (Note 2)	19	6,450
			Interest paid for borrowing funds	11,672	—
Subsidiary of the parent company	NTT Finance Americas Inc.	Leasing, business loans, investment in bonds, etc. in the U.S. and other countries	Fund borrowing (Note 3)	61,323	308,653
			Interest paid for borrowing funds	6,950	—
Subsidiary of the parent company	NTT Finance UK Limited	Financial services in Europe, etc.	Fund borrowing (Note 3)	78,242	267,848
			Interest paid for borrowing funds	4,411	—
Subsidiary of the parent company	NTT DATA, Inc.	Governance and strategy formulation for global business and promotion of measures	Business split (Note 4)	442,113	—
Parent company	NIPPON TELEGRAPH AND TELEPHONE CORPORATION	Integrated ICT Business, Regional Communications Business, Global Business, etc.	Share acquisition (Note 4)	112,000	—

(Notes) 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 borrowings are shown.

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

4 With October 1, 2022 as the effective date, NTT DATA Corporation conducted the Overseas Business Split, transferring rights and duties in overseas operations held by NTT DATA to NTT, Inc. and made NTT, Inc. (currently NTT DATA, Inc.) its subsidiary.

For details, please see Notes "7. Business combinations."

(2) Remuneration for key management

Remuneration for key management in fiscal years ended March 31, 2022 and 2023 are as follows. Remuneration for key management is the remuneration for directors of NTT DATA.

(Unit: millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Short-term remuneration	539	478
Stock remuneration	49	33
Total	588	511

(3) Parent company

Name	Main business	Location	Percentage of ownership	
			As of March 31, 2022	As of March 31, 2023
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	Integrated ICT Business, Regional Communications Business, Global Business, etc.	Japan	—	57.7%
NTT, Inc.	Governance and strategy formulation for global business and promotion of measures of NTT Group	Japan	54.2%	—

(4) Ultimate parent company

Name	Main business	Location	Percentage of ownership	
			As of March 31, 2022	As of March 31, 2023
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	Integrated ICT Business, Regional Communications Business, Global Business, etc.	Japan	54.2%	57.7%

35. Commitments

Commitments for the acquisition of assets after the reporting date are as follows. They are primarily due to executory contracts for the purchase of fixed assets.

(Unit: millions of yen)

	As of March 31, 2022	As of March 31, 2023
Commitments for the acquisition of assets after the reporting date	—	468,020

36. Contingent liabilities

There are no material contingent liabilities, except for the matters described in Note "28. Revenue."

37. Subsequent events

There are no material subsequent events.

38. Additional information

Transition to Holding Company structure

NTT DATA has resolved at the Board of Directors meeting on May 9, 2022, to establish a Domestic Business Split Preparation Company as a wholly-owned subsidiary of NTT DATA and by having the Domestic Business Split Preparation Company take over the domestic business of NTT DATA by or around July 1, 2023, through an absorption-type company split (the “Domestic Business Split”), shift to a holding company with two subsidiaries, i.e., NTT DATA, Inc. and the Domestic Business Split Preparation Company (the “Transition to Holding Company Structure”).

(1) Purpose and Effects of the Transition to Holding Company Structure

Given the overseas business combination against the backdrop of accelerating efforts towards digital transformation on a global scale and more complex and diverse customer needs, we consider it necessary to reconstruct the group management structure and further strengthen governance through speedy decision-making in responding to changes in the external environment and local markets, improved mobility, flexible system designs, etc., and have decided to execute the Transition to Holding Company Structure.

After transitioning to a holding company structure, NTT DATA, as a holding company, will specialize in the formulation and implementation of growth strategies from the perspective of optimizing the entire Group, business management, etc., in order to increase the corporate value of the entire Group.

(2) Outline of the Transition to Holding Company Structure

(i) Schedule for the Domestic Business Split

Board of directors meeting to approve the establishment of the Domestic Business Split Preparation Company	May 9, 2022
Establishment of the Domestic Business Split Preparation Company	November 1, 2022
Board of directors meeting to approve execution of the absorption-type company split agreement	May 12, 2023
Execution of the absorption-type company split agreement	May 12, 2023
Resolution at general shareholders meeting regarding the absorption-type company split agreement	June 20, 2023
Effective date of the Domestic Business Split	July 1, 2023 (scheduled)

(ii) Method of the Domestic Business Split

The method of the Domestic Business Split is expected to be an absorption-type company split where NTT DATA is the splitting company and the Domestic Business Split Preparation Company, a wholly-owned subsidiary of NTT DATA, is the succeeding company.

(2) 【Other】

Quarterly information of the fiscal year ended March 31, 2023, etc.

(Accumulated period)		1Q	2Q	3Q	Fiscal year ended March 31, 2023
Net sales	(million yen)	677,368	1,371,423	2,406,108	3,490,182
Income before income taxes (current FY)	(million yen)	58,879	110,627	173,082	242,800
Net income attributable to shareholders of NTT DATA (current FY)	(million yen)	39,728	72,771	105,705	149,962
Net income per share (current FY)	(Yen)	28.33	51.89	75.39	106.95

(Accounting period)		1Q	2Q	3Q	4Q
Net income per share	(Yen)	28.33	23.56	23.49	31.57

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