

Note: This document is the English translation of “Dai 34kai teiji kabunushisokai shoshu gotsuchi ni saishite no internet kaiji jouhou” (Internet Disclosure of the Notice of Convocation of the 34th Ordinary General Meeting of Shareholders) 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 prevail.

To the Shareholders of NTT DATA CORPORATION

INTERNET DISCLOSURE OF THE NOTICE OF
CONVOCATION OF THE 34th ORDINARY
GENERAL MEETING OF SHAREHOLDERS

May 30, 2022

NTT DATA CORPORATION

Internet Disclosure of Reference Documents
for the Ordinary General Meeting of
Shareholders

3. Summary of the Matters Stipulated in Article 183 of the Ordinance for Enforcement of the Companies Act
- (1) Matters Concerning the Appropriateness of the Number of Shares to be Delivered to the Company by the Succeeding Company in the Absorption-Type Company Split
- 1) Terms of the Allotment Under the Absorption-Type Company Split
- NTT, Inc. will issue 3,315 shares of common stock as consideration for the Absorption-Type Company Split and allot and deliver those shares in NTT, Inc. to the Company.
- 2) Basis for the Terms of the Allotment Under the Absorption-Type Company Split
- (i) Basis and Reasons for the Terms of the Allotment
- The Company and NTT began considering the Overseas Business Integration around April 2021. In our considerations, as described in “(iv) Measures to Ensure Fairness” below, in order to ensure the fairness of the allotment in the Absorption-Type Company Split, the Company appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“MUMSS”) as third party financial advisor, and the Company has retained Nagashima Ohno & Tsunematsu, and Nakamura, Tsunoda & Matsumoto as its legal advisors.
- The Company requested MUMSS to calculate the number of shares to be allotted in the Absorption-Type Company Split, and based on the calculation results by MUMSS, the advice from the legal advisors and the results of due diligence, etc., the Company has carefully negotiated and discussed with NTT on the fairness of the allotment in the Absorption-Type Company Split, taking into consideration factors such as the financial situation, status of assets and future outlook of each of the Company and NTT, Inc.
- Thereafter, based on the analysis of the share allotment ratio by MUMSS, a third party financial advisor, as set out in “(B) Summary of Calculation” of “(ii) Matters Relating to Calculation” below, as well as the contents of the report received on May 6, 2022 from the special committee consisting of three (3) members, Eiji Hirano, Mariko Fujii and Fumihiko Ike, who are outside directors and independent officers who are not audit and supervisory committee members of the Company and who have no interest in NTT and NTT, Inc. (the “Special Committee”), as set out in “(A) Obtaining a Report from a Special Committee that has no Interest in the Company” of “(v) Measures to Avoid Conflicts of Interest” below, the Company has finally determined that it is appropriate to conduct the Overseas Business Integration, including the Absorption-Type Company Split, with the consideration of 3,315 NTT, Inc. shares (which is equivalent to a share allotment ratio of 1.04) as set out in “1) Terms of the Allotment Under the Absorption-Type Company Split” above.
- As mentioned above, the Company has carefully negotiated and discussed with NTT, referring to the results of calculations by third party financial advisor and the advice from the legal advisors, and taking into account the results of due diligence, etc., as well as comprehensively considering factors such as the financial conditions, asset conditions, and future prospects, etc. of each of the Company and NTT, Inc., and also taking into consideration the report obtained from the Special Committee, etc. Thereafter, the Company made a resolution at the Board of Directors meeting held on May 9, 2022 for, and the Company and NTT reached agreement on, the Overseas Business Integration, including the Absorption-Type Company Split.
- (ii) Matters Relating to Calculation
- (A) Financial Advisor’s Name and Relationship of the Company, NTT, Inc. and NTT
- Neither MUMSS, our third party financial advisor, nor YAMADA Consulting Group Co., Ltd. (“Yamada Consulting”), the third party financial advisor independently appointed by the Special Committee, is a related party of the Company, NTT, Inc. or NTT and neither has any significant interests to be noted regarding the Absorption-Type Company Split.
- (B) Summary of Calculation
- (MUMSS)
- MUMSS has applied the comparable companies analysis as there are comparable publicly traded companies for

both the Company's assets subject to the Absorption-Type Company Split and NTT, Inc., and a discounted cash flow analysis ("DCF analysis") to incorporate the status of future business activities into its calculation, and comprehensively analyzed the results from these analytical methods to analyze the share allotment ratio.

The analysis of the share allotment ratio was based on the stand-alone financial forecasts of both companies (not taking into account the impacts from the Overseas Business Integration) presented by the management of the Company and NTT, Inc. with reasonable adjustments made by the Company.

In the comparable companies analysis, listed companies engaged in relatively similar businesses to the Company's assets subject to the Absorption-Type Company Split and NTT, Inc. were selected and the value of the Company's assets subject to the Absorption-Type Company Split and NTT, Inc. were assessed using the ratio of EBITDA to enterprise value.

For the DCF analysis, the value of NTT Data's assets subject to the Data Absorption-Type Company Split and NTT, Inc. is calculated by discounting the free cash flow that both companies are expected to generate in the future to the present value at a certain discount rate based on the future earnings forecasts of both companies from the fiscal year ended March 2022 onward, which takes into consideration various factors such as the most recent trends in business performance and business environment.

The outline of the calculation results of share allotment ratio by MUMSS is as follows (The following share allotment ratio calculation range describes the calculation range of the NTT, Inc. share allotment ratio to be delivered to the Company as consideration for the Company's assets subject to the Absorption-Type Company Split.).

Method	Calculation Range for Share Allotment Ratio
Comparable companies analysis	0.67 – 1.15
DCF analysis	0.79 – 1.35

MUMSS has provided an overview of the analysis to the Company's Board of Directors as of May 2, 2022. Please note, however, that MUMSS has not provided the Company's Board of Directors with a statement of opinion stating that the share allotment ratio is financially appropriate for shareholders of the Company common stock as of the effective date.

(Note) MUMSS in principle used the information provided by the Company and NTT, Inc. as well as information in the public domain, etc. as-is when performing the analysis of the Company's assets subject to the Absorption-Type Company Split and the share allotment ratio for NTT, Inc. It did so on the assumption that the materials and information, etc. that it used were all correct and complete, and it did not independently verify the accuracy or completeness thereof. Also, MUMSS has not conducted an independent evaluation or assessment, and has not made any request to a third-party institution for any appraisal or assessment in connection with any assets or liabilities (including off-balance-sheet assets and liabilities and other contingent liabilities) of the Company's assets subject to the Absorption-Type Company Split and NTT, Inc. In addition, MUMSS assumed that information regarding the financial forecasts of NTT, Inc. has been reasonably prepared based on the best forecasts and judgments available to the management of NTT, Inc. at the present.

(Yamada Consulting)

Yamada Consulting made calculations of the share allotment ratio by using the comparable companies analysis to calculate the value of the Company's assets subject to the Absorption-Type Company Split and NTT, Inc. shares and the discounted cash flow analysis ("DCF analysis") to reflect the future business activities in the calculation, after examining various calculation methods to be adopted, based on the assumption that both companies are going concerns, and because there are several comparable listed companies that can be compared with the Company's assets subject to the Absorption-Type Company Split and NTT, Inc. shares and that the value of both companies can be analogized by comparing them with similar companies.

The calculation of the share allotment ratio was based on the financial forecasts of the Company's assets subject to the Absorption-Type Company Split and NTT, Inc. provided by the Company and NTT, Inc. on a stand-alone basis (without taking into account the impact of the Overseas Business Integration) and the financial forecasts with the Company's reasonable adjustments.

The results of the calculation of the share allotment ratio by Yamada Consulting are as follows (The following calculation ranges of the share allotment ratio represent the calculation ranges of the allotment ratio of NTT, Inc. shares to be delivered to the Company as consideration for the Company's assets subject to the Absorption-Type Company Split.).

Method	Calculation Range for Share Allotment Ratio
Comparable companies analysis	0.80 – 1.51
DCF analysis	0.78 – 1.70

Under the comparable companies analysis, the listed companies engaged in relatively similar businesses to the Company's assets subject to the Absorption-Type Company Split and NTT, Inc. are selected, and comparison was made as to the financial indicators of profitability, and calculation of the Company's assets subject to the Absorption-Type Company Split and NTT, Inc. was made by using the multiple of EBITDA to enterprise value. Under the DCF analysis, the values of the Company's assets subject to the Absorption-Type Company Split and NTT, Inc. shares were calculated by discounting the free cash flows expected to be generated in the second quarter of the Fiscal Year ended March 31, 2022 and thereafter to the present value using a certain discount rate, based on various factors such as earnings forecasts and investment plans based on the financial forecast as to the Company's assets subject to the Absorption-Type Company Split and NTT, Inc. and publicly available information.

In calculating the share allotment ratio, Yamada Consulting assumed that the financial forecasts of the Company's assets subject to the Absorption-Type Company Split and NTT, Inc. were reasonably prepared based on the best forecasts and judgment currently available from the management of each company. Further, with respect to the financial forecast of NTT, Inc. with reasonable adjustments by the Company, it is also assumed that they have been reasonably re-assessed to reflect the currently available best estimates and good faith judgment of the Company.

(iii) Expectation of Delisting and Reasons Thereof

The Company does not expect to be delisted due to the Absorption-Type Company Split.

(iv) Measures to Ensure Fairness

Both of NTT and NTT, Inc. are currently parent companies of the Company, but upon the Distribution in Kind prior to the Absorption-Type Company Split, NTT, Inc. will no longer be a parent company of the Company, and NTT will newly become a direct parent company of the Company. Considering that the Company and NTT, Inc. will have the same direct parent company, the Company has determined that it is necessary to ensure fairness as the Absorption-Type Company Split is a transaction, etc. with the controlling shareholder. In light of this, we are implementing the following measures to ensure fairness in the Absorption-Type Company Split.

(A) Obtaining a Calculation Report from an Independent Third Party Financial Advisor

In order for the Company to ensure the fairness of the allotment in the Absorption-Type Company Split, the Company appointed MUMSS as third party financial advisor, requested a calculation of the number of shares to be allotted in the Absorption-Type Company Split and obtained share allotment ratio calculation report. For an outline of the calculation report, see "(B) Summary of Calculation" of "(ii) Matters Relating to Calculation" in "2) Basis for the Terms of the Allotment Under the Absorption-Type Company Split" above.

(B) Advice from an Independent Legal Advisors

The Company has retained Nagashima Ohno & Tsunematsu, and Nakamura, Tsunoda & Matsumoto as legal advisors in the Absorption-Type Company Split, with the Company receiving legal advice on various procedures related to the Absorption-Type Company Split, decision-making methods and decision-making processes, etc.

Nagashima Ohno & Tsunematsu, and Nakamura, Tsunoda & Matsumoto do not have any significant interests in the Company, NTT, Inc. or NTT.

(C) Obtaining Calculation Report and Fairness Opinion from Independent Third Party Financial Advisor by Special Committee

In order to consider the Consulted Matters (as defined in (v) below) and ensure the fairness of the allotment performed in the course of the Absorption-Type Company Split, the Special Committee appointed Yamada Consulting as the Special Committee's independent third party financial advisor, and requested Yamada Consulting to make calculations as to the number of shares to be allotted in the course of the Absorption-Type Company Split and obtained a share allotment ratio calculation report. Please refer to "(B) Summary of Calculation" of "(ii) Matters Relating to Calculation" in "2) Basis for the Terms of the Allotment Under the Absorption-Type Company Split" above for a summary of such calculation report.

The Special Committee also received a fairness opinion dated May 2, 2022 (the "Fairness Opinion") from Yamada Consulting stating that the consideration for the Absorption-Type Company Split (the "Absorption-Type Company Split Consideration") and the acquisition price for the Additional Share Acquisition (the "Additional Share Acquisition Price") are fair to the shareholders of the Company (excluding NTT, Inc. and NTT) from a financial point of view (Note). The Fairness Opinion was issued based on the results of the calculation of the values of the Company's assets subject to the Absorption-Type Company Split and NTT, Inc. shares, which was conducted by Yamada Consulting after receiving disclosure regarding the current status and business prospects, etc. of each of the Company's assets subject to the Absorption-Type Company Split and NTT, Inc. and explanations of such information from each of the Company and NTT, Inc., as well as question-and-answer sessions with the Special Committee, reviews of the business environment, economic, market and financial conditions of the Company's assets subject to the Absorption-Type Company Split and NTT, Inc., and a verification of the Fairness Opinion conducted by a committee independent of the engagement team at Yamada Consulting to the extent deemed necessary by Yamada Consulting.

(Note) In preparing and submitting the Fairness Opinion and in calculating the share allotment ratio that forms the basis thereof, Yamada Consulting, in principle, used the information provided by the Company and NTT, Inc. and publicly available information as they are, assuming that all such materials and information, etc. used by it are accurate and complete and that there are no undisclosed facts that may have a material impact on its analysis, and has not independently verified the accuracy and completeness of such materials and information, etc. In addition, Yamada Consulting has not conducted its own evaluation or assessment of the assets and liabilities of the Company and its affiliates, and NTT, Inc. and its affiliates (including off-balance sheet assets, liabilities and other contingent liabilities), including analysis and evaluation of individual assets and liabilities, and has analyzed other information used as the basis for its consideration, subject to certain limitations.

It is assumed that the financial forecasts of the Company's assets subject to the Absorption-Type Company Split and NTT, Inc. used by Yamada Consulting as the basis for the Fairness Opinion have been reasonably prepared based on the best forecasts and judgments currently available from the respective management teams. Also, with respect to the financial forecasts of NTT, Inc. with reasonable adjustments by the Company, it is assumed that they have been reasonably re-assessed to reflect the best forecasts and good faith judgments currently available to the Company. In addition, Yamada Consulting does not guarantee their feasibility and expresses no opinion on the analyses or forecasts on which they were based or the assumptions on which they were based.

The Fairness Opinion is an opinion expressed from a neutral third party perspective, with certain assumptions and qualifications already made, and does not guarantee any legal, tax or other treatment whatsoever.

The Fairness Opinion expresses an opinion as of the date thereof as to whether the consideration for the Absorption-Type Company Split and the price for the Additional Share Acquisition are fair to the Company's shareholders (excluding NTT, Inc. and NTT) from a financial point of view, based on the financial and capital markets, economic conditions and other conditions as of the date thereof and on the information available to

Yamada Consulting as of the date thereof, and the contents of the Fairness Opinion may be affected by subsequent changes in circumstances. However, Yamada Consulting shall have no obligation to amend, modify or supplement the contents of the Fairness Opinion, even in such cases. Further, the Fairness Opinion does not lead to or suggest any opinion other than those expressly stated in the Fairness Opinion or with respect to any matter after the date of submission of the Fairness Opinion.

The Fairness Opinion is limited to an opinion that the consideration for the Absorption-Type Company Split and the price for the Additional Share Acquisition are fair to, and not disadvantageous to, the shareholders of the Company (excluding NTT, Inc. and NTT) from a financial point of view, and is not a recommendation as to whether or not the Overseas Business Integration should be implemented or any action with respect to the Overseas Business Integration, and Yamada Consulting has not been asked by the Special Committee to express any opinion as to the fairness to, or any other consideration of, the holders of any class of securities, creditors or other stakeholders of the Company other than the holders of shares of common stock of the Company (excluding NTT, Inc. and NTT), or as to any other matters that should be considered with respect to such parties and does not express such opinion through the Fairness Opinion. Further, Yamada Consulting is aware that it is not authorized to solicit, and has not solicited, any third party in connection with the Absorption-Type Company Split and the Additional Share Acquisition or any other alternative transactions. Furthermore, Yamada Consulting expresses no opinion or view as to the relative merits of the Absorption-Type Company Split and the Additional Share Acquisition to any other alternative transactions.

(v) Measures to Avoid Conflicts of Interest

As described in “(iv) Measures to Ensure Fairness” above, the Absorption-Type Company Split falls under a transaction, etc. with the controlling shareholder of the Company, and given that there is a structure in which conflicts of interest may arise between the Company and NTT or NTT, Inc., the following measures are being implemented as measures for avoiding conflicts of interest.

(A) Obtaining a Report from a Special Committee that has no Interest in the Company

In order to take care in making decisions regarding the Absorption-Type Company Split and the Additional Share Acquisition prior to deliberating and resolving whether or not to approve the Absorption-Type Company Split and the Additional Share Acquisition and for the purpose of taking care in its decision making for the Absorption-Type Company Split and the Additional Share Acquisition to eliminate any possibility of arbitrariness and conflicts of interest in the decision-making process of its Board of Directors and to ensure the fairness of the decision-making process, as well as to confirm there was no disadvantage to its minority shareholders from the decision of its Board of Directors to carry out the Absorption-Type Company Split and the Additional Share Acquisition, the Board of Directors established the Special Committee on September 22, 2021 and consulted with the Special Committee on (a) the consideration and determination of whether the Absorption-Type Company Split and the Additional Share Acquisition are justifiable as contributing to the enhancement of the Company’s corporate value, (b) the examination and determination, from the perspective of protecting the interests of the Company’s minority shareholders, of whether the appropriateness of the transaction terms and the fairness of the negotiation process and other procedures are ensured with respect to the Absorption-Type Company Split and the Additional Share Acquisition, (c) provision of its opinion to the Board of Directors of the Company after consideration of whether the decisions of the Board of Directors on the Absorption-Type Company Split and the Additional Share Acquisition would cause any disadvantage to the minority shareholders of the Company, (d) consideration of whether or not the Board of Directors of the Company should decide to execute the Absorption-Type Company Split and the Additional Share Acquisition based on (a) through (c) above and making a recommendation to the Company’s Board of Directors (the “Consulted Matters”). The Company has elected Mr. Eiji Hirano, Ms. Mariko Fujii and Mr. Fumihiko Ike as members of the Special Committee from the beginning, and there is no fact that the Company has changed any of the members of the Special Committee. Mr. Eiji Hirano was elected as the chairman of the Special Committee

by mutual vote among its members. Each member is to be paid a fixed amount of compensation for his/her services, regardless of the contents of the report.

The Company has also resolved that the decision-making by the Board of Directors regarding the Absorption-Type Company Split and the Additional Share Acquisition shall be made with maximum respect for the opinions of the Special Committee, and that if the Special Committee determines that the terms of the Absorption-Type Company Split and the Additional Share Acquisition are not appropriate, the Board of Directors of the Company shall not decide to implement the Absorption-Type Company Split and the Additional Share Acquisition. Further, the Board of Directors of the Company has decided (a) to grant authority to the Special Committee to appoint its own advisors, in which case the reasonable costs of such advisors shall be borne by the Company, and (b) to ensure that the Special Committee is in a position to substantially influence the negotiation process regarding the terms and conditions of the transactions by, for example, reporting to the Special Committee in a timely manner on the status of negotiations, hearing the opinions of the Special Committee at important junctures and negotiating with the Special Committee in consideration of requests from the Special Committee, although the Board of Directors will conduct the negotiations regarding the Absorption-Type Company Split and the Additional Share Acquisition.

The Special Committee, in addition to holding 20 meetings in total during the period from September 22, 2021 to May 2, 2022, carefully considered the Consulted Matters by collecting information and holding discussions from time to time as required. Specifically, the Special Committee first approved the appointment of MUMSS as the Company's financial advisor, and Nagashima Ohno & Tsunematsu, and Nakamura, Tsunoda & Matsumoto as the Company's legal advisors, after confirming that there were no problems with their independence and expertise. Also, the Special Committee has approved the review system at the Company as set out in "(B) Approval of all Directors (Including Audit and Supervisory Committee Members) who have no Interest in the Company" below, after confirming that there are no problems in terms of independence and fairness. In addition, after considering the independence and expertise and past performance of the candidates for multiple legal advisors and third party financial advisors, the Special Committee appointed TMI Associates as its independent legal advisor and Yamada Consulting as its independent financial advisor, both of which are independent of the Company, NTT, Inc. and NTT.

Then, the Special Committee conducted hearings with the Company and NTT, Inc. regarding the purpose and reasons for the Absorption-Type Company Split and the Additional Share Acquisition, as well as the management policies, etc. after the implementation of the Absorption-Type Company Split and the Additional Share Acquisition. Also, the Special Committee held hearings with the Company's officers regarding changes in the global business environment surrounding the Company, the management issues the Company faces in strengthening its global business competitiveness, the contents of the Company's overseas business and NTT, Inc.'s business plan with reasonable adjustments made by the Company on which MUMSS and Yamada Consulting based their calculations of the share allotment ratio, and the contents of the Company's proposals to NTT, etc. In addition, the Special Committee held hearings on the results of the financial, tax, legal and business due diligence of NTT, Inc. conducted by the Company. It should be noted that the Special Committee received explanations from the Company on the process of preparation and the contents of the business plan for the Company's overseas business, and based on question-and-answer sessions, carefully deliberated the relevant matters, and unanimously confirmed by its members that the business plan is deemed to be reasonable.

While, as described in "(B) Summary of Calculation" of "(ii) Matters Relating to Calculation" in "2) Basis for the Terms of the Allotment Under the Absorption-Type Company Split" and "(C) Obtaining Calculation Report and Fairness Opinion from Independent Third Party Financial Advisor by Special Committee" of "(iv) Measures to Ensure Fairness" above, MUMSS and Yamada Consulting made calculation of the value of the share allotment ratio, the Special Committee received explanations from MUMSS and Yamada Consulting on the calculation methods of the share allotment ratio used by each of them, the reasons for adopting such calculation methods, the details of the calculation based on each calculation method, and important assumptions, and after question-

and-answer sessions, as well as deliberations and considerations, and the Special Committee has confirmed the rationality of these matters. Further, as described in “(C) Obtaining Calculation Report and Fairness Opinion from Independent Third Party Financial Advisor by Special Committee” of “(iv) Measures to Ensure Fairness” above, the Special Committee received the Fairness Opinion from Yamada Consulting on May 2, 2022, and at that time, the Special Committee received explanations from Yamada Consulting regarding the contents of the Fairness Opinion and its material assumptions, and has confirmed the same.

In addition to the foregoing, the Special Committee has been involved in the negotiation process between the Company and NTT with respect to the Absorption-Type Company Split and the Additional Share Acquisition by confirming the policies in advance, receiving reports from the Company on the background and details of such discussions and negotiations, etc., and providing its opinions, instructions and requests at important stages. Under such circumstances, the Special Committee, on the premise of each of the above explanations, advices from its advisors, calculation results (including the Fairness Opinion) and other materials for consideration, carefully deliberated and examined the Consulted Matters, and submitted to the Company’s Board of Directors a report dated May 6, 2022 to the effect that the Absorption-Type Company Split and the Additional Share Acquisition would not cause any disadvantages for the Company’s minority shareholders.

(B) Approval of all Directors (Including Audit and Supervisory Committee Members) who have no Interest in the Company

All directors of the Company (including audit and supervisory committee members) excluding Takeshi Arimoto attended the Company’s Board of Directors meeting held today and all members in attendance deliberated on and resolved on the Overseas Business Integration, including the Absorption-Type Company Split. Of the Company’s directors, Mr. Arimoto, who is also an employee of NTT, has, or is likely to have, a conflict of interest in relation to the Overseas Business Integration. Therefore, he did not participate in discussions and negotiations in relation to the Overseas Business Integration, and did not participate in deliberations in relation to the Overseas Business Integration at the Company’s Board of Directors meeting detailed above.

(2) Matters Concerning the Appropriateness of the Amount of Stated Capital and Reserves of the Succeeding Company in the Absorption-Type Company Split

The amounts by which NTT, Inc.’s capital and reserves shall increase as a result of the Absorption-Type Company Split will be such amounts as NTT, Inc. appropriately determines pursuant to the provisions of Article 37 and Article 38 of the Regulations on Corporate Accounting. This determination is to be made, pursuant to the laws and regulations, after comprehensive consideration and review of NTT, Inc.’s financial condition, capital policy and other various circumstances, and is considered appropriate.

(3) Financial Statements, etc. of the Succeeding Company in the Absorption-Type Company Split for the Last Fiscal Year

As set forth in the attachment hereto (“Financial Statements, etc. of the Succeeding Company in the Absorption-Type Company Split for the Last Fiscal Year (From April 1, 2021 to March 31, 2022)”)

(4) Disposition of Material Assets, Incurrence of Material Liabilities and Other Events That Materially Affect the Status of Assets That Occurred After the End of the Last Fiscal Year of the Succeeding Company in the Absorption-Type Company Split

- i. NTT, Inc. acquired 11 shares of NTT Security Holdings Corporation through in-kind distribution by NTT Ltd. effective as of April 1, 2022, and transferred all such shares to NTT through in-kind distribution on the same date.
- ii. NTT, Inc. decided to implement the Distribution in Kind by a resolution of the Board of Directors dated May 9, 2022.
- iii. NTT, Inc. decided to implement a 49-for-1 share split of NTT, Inc. common stock, effective as of June 17, 2022, by a resolution of the Board of Directors dated May 9, 2022.
- iv. NTT, Inc. plans to transfer all of its shares or interests in Disruption, Global Sourcing and Venture Capital to NTT, Inc. by October 1, 2022, through in-kind distribution or otherwise.

(5) Disposition of Material Assets, Incurrence of Material Liabilities and Other Events That Materially Affect the Status of Assets That Occurred After the End of the Last Fiscal Year of the Company

The Company has resolved at the meeting of the Board of Directors held on May 9, 2022 to acquire additional shares equivalent to 4% of the shares of NTT, Inc. held by NTT for a total amount of 112 billion yen on the condition that the Absorption-Type Company Split becomes effective.

Attachment

**Financial Statements, etc. of the Succeeding Company in the Absorption-Type Company Split for the Last Fiscal Year
(From April 1, 2021 to March 31, 2022)**

[Attached]

(English Translation)

The 28th Business Report

NTT, Inc.

Business Report

(from 1 April 2021 to 31 March 2022)

1. Status of the Business

(1) Business progress and results

In the fiscal year ended 31 March 2022, the Company worked to strengthen its capability to provide services in growth areas such as data center business and managed services, as well as to expand and provide stable IT services such as digitalization proposals and system integration in response to market changes.

The Company has determined that it will be difficult to achieve the purpose of for which NTT Disruption Group, a subsidiary of the Company, was established and decided to liquidate NTT Disruption Group, in accordance with, and the following the necessary procedures required by the applicable local laws and regulations. As part of the liquidation, the Company recorded an impairment loss of 6.45 billion yen at the end of the period.

As a result, operating revenue was 133.3 billion yen, ordinary profit was 129.1 billion yen and net profit was 123.1 billion yen. The Company decided not to pay year-end dividend for the fiscal year ended 31 March 2022.

Following the refinement of NTT Group's Medium-Term Management Strategy "Your Value Partner 2025" announced in October 2021, the Company aim to contribute to the achievement of a sustainable society through the enhancing of our global business. To enhance the competitiveness in global business, we will enhance our digital consulting at One NTT. We will promote joint sales and marketing on the basis of the One NTT value proposition, including the launch of Smart City solutions in North America.

(2) Capital investment

The Company spent 0.72 billion yen on additional development of Smart World solution package (software). The book value of this asset group at the end of the period was 1.92 billion yen. The Company recorded an impairment loss of 1.10 billion yen due to the expected decline in the recoverability of the investment in this asset group. There were no other significant capital investments, retirements or sales of significant facilities during the period.

(3) Transfer of businesses

During the period, the Company transferred all shares of NTT Communications Corporation, a wholly owned subsidiary of the Company, to NTT DOCOMO, INC. through an absorption-type company split in order to strengthen NTT DOCOMO, INC.'s competitiveness and the growth of NTT

(English Translation)

Group as a whole.

(4) Status of assets and income

Item \ Period	26 th (FY2019)	27 th (FY2020)	28 th (Fiscal year under review) (FY2021)
Operating revenue (million yen)	99,466	154,217	133,277
Ordinary profit (million yen)	93,783	150,884	129,113
Profit (million yen)	104,145	150,171	123,102
Earnings per share (million yen)	1,640	2,328	1,894
Total assets (million yen)	1,483,428	1,541,831	992,457
Net Assets (million yen)	1,482,630	1,540,730	990,837

2. Status of the Company

(1) Principal business

Provision of NTT Group's global business governance, strategy planning, and promotion of business initiatives.

(2) Major offices

Head Office: 5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo

(3) Status of employees (As of 31 March 2022)

Number of Employees	Change from previous year
37	+4

(4) Status of shares

- i. Number of authorized shares: 200
- ii. Number of issued shares: 65
- iii. Number of shareholders: 1
- iv. Major shareholder:

Shareholder name	Number of shares hold	Voting rights
Nippon Telegraph and Telephone Corporation	65	100%

(English Translation)

(5) Status of principal parent company and subsidiaries (As of 31 March 2022)

i. Relationship with the parent company

The parent company of the Company is Nippon Telegraph and Telephone Corporation, which owns 100% of the Company.

ii. Matters related to transactions with the parent company

The Company conducts transactions such as business outsourcing with Nippon Telegraph and Telephone Corporation, the parent company of the Company. In conducting these transactions, the terms and conditions of such transactions and the method of determining them are the same as those applied to other business partners. The Board of Directors of the Company has comprehensively determined that these transactions are not detrimental to the interests of the Company.

iii. Principal subsidiaries

Company	Investment ratio (%)	Principal Activities
NTT Data Corporation	54.19%	Provision of data communication system services and network system services
NTT Ltd.	100%	Provision of IT services, communication services and internet-related services for corporations
NTT Venture Capital, L.P.	99.39%	Investments focused on high-growth areas in the global market such as digital technology
NTT Global Sourcing, Inc.	100%	Centralized price negotiations and the execution of comprehensive agreements with global vendors, etc.
NTT Disruption Europe, S.L.U.	100%	Collaboration with customers and proposal of innovative solutions utilizing cutting-edge technologies

Note: NTT Communications Corporation, of which the Company owned all shares, is excluded from the table above because it was transferred to NTT DOCOMO, INC. through an absorption-type company split on 1 January 2022.

(English Translation)

(6) Directors and Company Auditors (As of 31 March 2022)

Name	Position	Organizational Responsibilities
Jun Sawada	President and Representative Director	Chief Executive Officer
Akira Shimada	Senior Executive Vice President, Executive Director	
Tsunehisa Okuno	Senior Executive Vice President, Executive Director	Chief Operating Officer
Tadao Yanase	Senior Executive Vice President, Executive Director	Chief Strategy Officer
Hideaki Ozaki	Director	Head of Corporate Planning
Lee Brandon Ming Fu	Director	Head of Strategic Alliance
Yo Honma	Director	
Toru Maruoka	Director	
Abhijit Dubey	Director	
Marvin Mouchawar	Director	
Vito Mabrucco	Director	
Takashi Enomoto	Full-time Company Auditor	
Takao Maezawa	Company Auditor	
Kanae Takahashi	Company Auditor	

(7) Matters regarding accounting auditors

Name of accounting auditor: KPMG AZSA LLC

3. Content of resolutions concerning the development of systems to ensure the propriety of operations and outline of the state of operation of the system

The Board of Directors made the resolution with respect to the “Basic Policy of the Internal Control Systems.” The contents of the resolution and outline of operations of the Systems are set out below.

Basic Policy of the Internal Control Systems

I. Basic Concepts for the Development of Internal Control Systems

1. NTT, Inc. shall develop a system of internal controls through taking measures for the prevention and minimization of losses, with the objectives of ensuring compliance with legal requirements, managing risks, and achieving appropriate and efficient business operations.

(English Translation)

2. NTT, Inc. shall establish internal control rules and frameworks. NTT, Inc. shall evaluate the effectiveness of the internal control systems based on internal audits regarding high-risk matters affecting the entire NTT, Inc. Group, and shall make sure that necessary corrective measures and improvements are implemented.
3. NTT, Inc. shall follow the "Basic Policy of the Internal Control Systems" defined by Nippon Telegraph and Telephone Corporation and shall take necessary measures.
4. As a Chief Executive Officer, President shall be responsible for ensuring the development and operation of the internal control systems.

II. Development of the Internal Control Systems

1. Systems to ensure that the performance of duties by Directors and employees conform with laws and regulations and NTT, Inc.'s Articles of Incorporation

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

- (1) NTT, Inc. shall establish the Employment Rules which require employees to adhere faithfully to applicable laws, regulations, and official notices, and to devote all their efforts to the performance of their duties so that business activities are appropriately and effectively carried out.
- (2) NTT, Inc. shall adopt the NTT Group Corporate Ethics Charter defined by Nippon Telegraph and Telephone Corporation setting forth specific conduct guidelines concerning corporate ethics for all NTT, Inc. Group Officers and employees.
- (3) NTT, Inc. shall use the Corporate Ethics Helpline set up by Nippon Telegraph and Telephone Corporation in order to foster a more open corporate culture. Whistleblower reports may be made on an anonymous or identified basis. NTT shall ensure that whistleblowers do not suffer disadvantage as a result of using these helplines.
- (4) Corporate ethics training provided by Nippon Telegraph and Telephone Corporation shall be conducted as part of continuous educational activities for Officers and employees. In addition, by participating Nippon Telegraph and Telephone Corporation's survey on awareness of corporate ethics, it shall check the effectiveness of these activities.

2. Rules and other systems concerning business risk management

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

- (1) NTT, Inc. shall establish the Risk Management Rules to prescribe fundamental rules concerning risk management and to promote appropriate and efficient business operations.
- (2) In order to address group-wide coordination of risk management, Nippon Telegraph and Telephone Corporation's Business Risk Management Manual shall apply mutatis mutandis to the practices of NTT, Inc. to focus on preventing and preparing for risks, and positioning NTT, Inc. Group to respond appropriately and rapidly as risks materialize.

(English Translation)

3. Systems for ensuring that Directors efficiently perform their duties

NTT, Inc. shall take the following measures to ensure that its business activities are managed efficiently through allocating responsibilities appropriately among Directors and maintaining an appropriate oversight structure to monitor such matters:

- (1) NTT, Inc. shall adopt the Organization Rules governing the functions and operations of internal organizational groups, and the Authority Matrix setting forth the allocation of responsibilities among the various organizational groups
- (2) NTT, Inc. shall adopt the Board of Directors Regulations governing the function and responsibilities of the Board of Directors. In principle, the Board of Directors shall hold meetings at least once every three months, and be responsible for decisions on important managerial matters on the basis of applicable laws and regulations, business judgment principles, and other considerations including the duty of care. Directors shall report regularly to the Board of Directors the status of implementation of their duties.
- (3) The Board of Directors shall include Outside Director(s) with independent perspectives to reinforce the oversight function for ensuring the impartial performance of duties.
- (4) As a holding company that oversees and coordinates NTT, Inc. Group, NTT, Inc. shall establish committees as necessary for the purpose of considering and deciding important managerial matters of NTT, Inc. and its group, with the objective of promoting efficient and effective group management.

NTT, Inc. Group shall also establish a reporting structure for matters regarding business operations of group companies.

4. Systems for retaining and managing information related to the performance of duties of Directors

NTT, Inc. shall adopt the following measures to facilitate appropriate and efficient conduct of business activities through appropriate management of information on the performance of duties by Directors:

- (1) NTT, Inc. shall adopt the Document Management Rules and the Rules for Information Security Management to manage documents (including related materials and information recorded on electronic media; referred to as "Documents") and other information properly.
- (2) Documents shall be retained for the periods required by law and/or as necessary for business operations.

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

NTT, Inc. shall ensure that transactions among NTT, Inc. Group companies and among NTT Group companies are conducted appropriately and in compliance with laws and regulations, and that all group companies adopt following measures to conduct their business operations appropriately and to contribute to the growth and development of NTT, Inc. Group based on Nippon Telegraph and Telephone Corporation's efforts to ensure the appropriate business operations:

- (1) Establishing a crisis communication system to notify the parent company,

(English Translation)

- (2) Conducting employee education and training to prevent fraud or misconduct,
- (3) Establishing systems for information security and protection of personal information,
- (4) Reporting regularly to the parent company on their financial condition, and
- (5) Accepting audits by the parent company's internal audit division.

6. Employees who assist Company Auditors in the performance of their duties and the independence of those employees from Directors

NTT, Inc. shall adopt the following measures with respect to employees who assist Company Auditors in the performance of their duties to ensure the effective performance of audits by Company Auditors:

- (1) In cases Company Auditors request the assignment of staffs to assist them, NTT, Inc. shall assign such personnel who performs their responsibilities at the instruction and direction of Company Auditors.
- (2) In cases such personnel is assigned to support Company Auditors, evaluations of such personnel shall be made with due regard for the opinions of Company Auditors.

7. Systems for reporting to Company Auditors by Directors and employees and systems for ensuring effective implementation of audits by Company Auditors

To ensure that audits by Company Auditors are carried out effectively, NTT, Inc. shall adopt the following measures concerning reporting to Company Auditors by Directors and employees with regard to important matters relating to the performance of their duties:

- (1) Directors and other personnel report the following matters concerning the performance of their duties:
 - a) Matters that cause or may cause substantial damage to NTT;
 - b) Monthly financial reports;
 - c) Results of internal audits;
 - d) Matters that pose a risk of violation of laws and regulations or the Articles of Incorporation;
 - e) Whistleblowing;
 - f) Material matters reported by group companies; and
 - g) Other material compliance matters.
- (2) Representative Director(s), Accounting Auditor(s), and employees in charge of internal audit activities shall report to and exchange ideas and opinions with Company Auditors periodically or as needed upon request from Company Auditors.
- (3) Company Auditors have the right to attend meetings of the Board of Directors and other important meetings.
- (4) Company Auditors may contract independently with and seek advice from external experts with respect to the performance of audit operations.
- (5) Company Auditors may request prepayment or reimbursement of expenses incurred in the

(English Translation)

execution of their duties. NTT, Inc. shall provide prepayment or reimbursement upon such requests.

Outline of operations of the Internal Control Systems

The Company has developed and operated internal control systems in accordance with the "Basic Policy of the Internal Control Systems," which was resolved at a meeting of the Board of Directors.

Regular meetings of the Board of Directors were held once a quarter, in principle, to report and make decisions on various management issues, including measures to strengthen competitiveness in order to achieve management targets.

Group management and employee training on compliance are appropriately coordinated and shared based on the internal control systems developed and operated by Nippon Telegraph and Telephone Corporation. In addition, we conduct internal audits jointly with the Internal Control Office of Nippon Telegraph and Telephone Corporation to verify the development and operation of internal controls and strive to maintain and improve the internal control systems.

The Directors of the Company report important matters related to business execution to Company Auditors as appropriate through meetings of the Board of Directors and meetings to exchange opinions. In addition to audits based on laws and regulations, each Company Auditor attends meetings of the Board of Directors and visits and exchanges opinions with Group companies to confirm the status of initiatives based on strengthening competitiveness by strengthening governance.

--END OF REPORT--

(English Translation)

Supplementary Schedules (Business Report)

(April 1, 2021 to March 31, 2022)

There are no significant matters to supplement the content of the 28th business report.

NTT, Inc.

(English Translation)

Financial Statements - 28th Business Term

From 1 April 2021
To 31 March 2022

Balance sheet
Statement of Income
Statement of Changes in Equity
Notes to Financial Statements

NTT, Inc.

(English Translation)

Balance Sheet

As of 31 March 2022

(Unit: million of yen)

Description	Amount	Description	Amount
(ASSETS)		(LIABILITIES)	
Current Assets	75,317	Current Liabilities	1,594
Cash and deposits	774	Accounts payable - other	1,190
Accounts receivable-trade	324	Accrued expenses	137
Accounts receivable-other	25,073	Income taxes payable	267
Deposit to subsidiaries and associates	49,144		
Other	3		
		Non-current Liabilities	27
		Provision for retirement benefits	13
		Provision for stock benefits	15
		Total Liabilities	1,621
		(NET ASSETS)	
Non-current assets	917,141	Shareholder's equity	990,837
Property, plant and equipment	27	Share capital	340,051
Tools, furniture and equipment	27	Capital surplus	527,684
Intangible assets	825	Legal Capital reserves	85,013
Software	825	Other capital surplus	442,671
Investments and other assets	916,289	Retained earnings	123,102
Investments in subsidiaries and associates	904,106	Other retained earnings	123,102
Investments in other securities of subsidiaries and associates	10,099	Retained earnings brought forward	123,102
Deferred tax assets	2,060		
Other	23		
		Total Net Assets	990,837
Total Assets	992,457	Total Liabilities and Net Assets	992,457

Note: Amounts are rounded to the nearest million yen.

(English Translation)

Statement of Income

From 1 April 2021
To 31 March 2022

(Unit: million yen)

Description	Amount	
Operating revenue		
Dividend income	130,097	
Revenues from group management	2,260	
Revenues from global business operation	920	133,277
Operating cost		
Cost of global business operation	521	521
Gross profit		132,756
Selling, general and administrative expenses		2,931
Operating profit		129,825
Non-operating income		
Interest income	50	
Foreign exchange gains	357	
Other	1	408
Non-operating expenses		
Loss on investments in partnership	1,120	
Other	0	1,120
Ordinary profit		129,113
Extraordinary loss		
Impairment loss on the share of subsidiaries and associates	6,450	
Impairment losses	1,096	7,546
Profit before income taxes		121,567
Income taxes - current	572	
Income taxes - deferred	(2,107)	(1,535)
Profit		123,102

Note: Amounts are rounded to the nearest million yen.

(English Translation)

Statement of Changes in Equity

For the period from 1 April 2021 to 31 March 2022

(Unit: million yen)

	Shareholders' equity							Valuation and translation adjustments		Total net assets
	Share capital	Capital surplus			Retained earnings		Total shareholder equity	Valuation difference on available-for-sale securities	Valuation difference on available-for-sale securities	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings				
					Retained earnings brought forward					
Balance at the beginning	754,712	193,169	442,671	635,840	150,171	150,171	1,540,723	7	7	1,540,730
Changes during the fiscal year										
Transfers among shareholder equity	(414,661)	(108,157)	522,817	414,661			-			-
Dividends from surplus					(150,171)	(150,171)	(150,171)			(150,171)
Decrease by absorption-type company split			(522,817)	(522,817)			(522,817)			(522,817)
Profit					123,102	123,102	123,102			123,102
Net changes in items other than shareholders' equity								(7)	(7)	(7)
Total changes during the fiscal year	(414,661)	(108,157)	-	(108,157)	(27,069)	(27,069)	(549,887)	(7)	(7)	(549,894)
Balance at the end	340,051	85,013	442,671	527,684	123,102	123,102	990,837	-	-	990,837

Note: Amounts are rounded to the nearest million yen.

(English Translation)

Notes to Financial Statements (translation)
From 1 April 2021 to 31 March 2022

Notes Regarding Significant Accounting Policies

1. Basis and method of valuation for assets

(1) Basis and method of valuation for securities

i) Subsidiaries and associates

Moving average cost method

ii) Available-for-sale securities

a) Securities other than securities without fair market value

Fair value method based upon a market value at the end of the period (with the entire amount of valuation differences inserted directly into net assets, and the cost of sales calculated using the moving average method)

b) Securities without fair market value

Moving average cost method

Investment in investment limited partnerships and similar partnerships (those considered as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated at the net amount equivalent to equity based on the most recently available financial statement in accordance with the reporting date set forth in the partnership agreement.

(2) Basis and method of valuation for inventories

The value of work in process is stated at cost based on the specific identification method. (with amount shown on balance sheet written down as profitability declines)

2. Depreciation method for non-current assets

(1) Property, plant and equipment (excluding leased assets)

Straight-line method

(2) Intangible assets (excluding leased assets)

Straight-line method is applied. Software for internal use is amortized using the straight-line method over the internal use period (within 5 years).

(3) Leased assets

Leased assets related to finance lease transactions with the right of ownership not transferred

The straight-line method is applied using the lease term as service life and the actual residual value as a residual value.

3. Recognition for provisions

(1) Provision for retirement benefits

To make allowances for the payment of retirement benefits to employees, it is recorded based on the amount of projected retirement benefit liabilities and pension assets at the end of the fiscal year ended 31 March 2022.

i) Method for attributing the expected amount of retirement benefits to the period

When calculating the retirement benefit liabilities, the method for attributing expected benefit payments for the period to the fiscal year ended 31 March 2022 is as per the benefit formula basis.

ii) Method of amortizing actuarial gains and losses and past service costs

Past service costs are recorded as expenses using the straight-line method over the number of years based on the average remaining service period of employees at the time the expense is incurred.

Actuarial gains and losses are amortized over the year of the average remaining service period of employees at the time, from the following fiscal year using the straight-line method.

(2) Provision for stock benefits

To make provision for the payment of stock benefits to Directors and Senior Vice President in accordance with Rules on Stock Benefits, it is recorded based on the amount of projected stock benefit liabilities at the end of the fiscal year ended 31 March 2022.

4. Recognition of revenue and expenses

The Company recognizes revenues for promised goods or services at the time control over them is transferred to the customer, at the amount expected to be received in exchange for such goods or services.

The Company's primary revenue stream from contracts with customers is revenues from global business operation. The Company provides support and advisory services to NTT Group in the formulation of global business strategies and reorganization of group companies and has a contract with Nippon Telegraph and Telephone Corporation, the parent company of the Company, to provide the results of such formulation and other services on an ongoing basis.

The contract identifies the provision of comprehensive services to Nippon Telegraph and Telephone Corporation as a performance obligation.

This performance obligation is recognized as revenue when the delivery is completed as an obligation to be satisfied at a point in time. (Additional information)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, 31 March 2020) and others were applied from the beginning of the fiscal year ended 31 March 2022, but this change had no significant impact on the financial statements for the fiscal year ended 31 March 2022.

5. Other basic policies and important items for the preparation of financial statements

(1) Application of consolidated tax payment system

The consolidated tax payment system is applied.

(English Translation)

(2) Application of tax effect accounting related to the transition from the consolidated taxation system to the group tax sharing system
The Company does not apply the provisions in Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (Corporate Accounting Standards Application Guidelines No. 28, 16 February 2018) according to the treatment in Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (Practical Solution No. 39, 31 March 2020) for items for which the stand-alone tax system was revised in conjunction with the transition to the group tax sharing system established in the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020) and the transition to the group tax sharing system, and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision.

Effective from the beginning of the fiscal year ended 31 March 2023, the Company plans to apply the "Practical Solution on Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, 12 August 2021), which provides for accounting treatment and disclosure of income taxes, local taxes and tax effect accounting when applying the group tax sharing system.

Notes Regarding Changes in Presentation

(Application of "Accounting Standard for Fair Value Measurement", etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, 4 July 2019), etc. is applied from the fiscal year ended 31 March 2022 and a part of the presentation in the notes regarding financial instruments have been changed.

Notes Regarding Accounting Estimates

Items for which accounting estimates were included in the financial statements for the fiscal year ended 31 March 2022 and that may have a significant impact on the financial statements for subsequent fiscal years are as follows.

Investments in subsidiaries and associates (NTT Ltd.) 894,786 million yen

Notes to Balance Sheet

1. Accumulated Depreciation

Accumulated depreciation of tools, furniture, and equipment 2 million yen

2. Monetary Claims and Obligations to Subsidiaries and Associates (excluding items presented separately)

Short-term monetary claims 25,343 million yen

Short-term monetary obligations 838 million yen

Notes to Statement of Income

1. Amount of transactions with subsidiaries and associates

Amount of transactions from operating transactions

Operating revenue 133,142 million yen

Operating expenses 1,263 million yen

Amount of transaction from non-operating transaction 45 million yen

2. Loss on valuation of shares of subsidiaries is related to the impairment on the investment in NTT Disruption Europe, S.L.U.

3. Impairment loss

An impairment loss related to software of Smart Solution business is recorded in the fiscal year ended 31 March 2022.

(1) Background

The carrying amount of the assets was reduced to the recoverable amount due to its profitability of Smart Solution business, which remained low and the recovery was not expected in the future. The reduced amount is recorded as an impairment loss.

(2) The amount of impairment loss

Software 1,096 million yen

(3) Method of grouping

In principle, the Company groups its assets by business as cash flow-generating units.

(4) Method of calculation of the recoverable amount

The recoverable amount of the asset group is measured by value in use, and the discount rate used for measurement is 10%.

Notes to Statement of Changes in Equity

1. Number of issued shares as of the end of the fiscal year ended 31 March 2022

Ordinary shares 65

2. Matters regarding dividends during the fiscal year ended 31 March 2022

(1) The ordinary general meeting of shareholders made the following resolutions on 18 June 2021.

Total amount of dividends 150,171 million yen

Source of dividends Retained earnings

Dividend per share 2,310 million yen

Record date 31 March 2021

Effective date 22 June 2021

3. Among dividends with a record date that falls under the fiscal year ended 31 March 2022, for those with an effective date in the subsequent period

There are no relevant items as the Company decided not to pay year-end dividend for the fiscal year ended 31 March 2022.

Notes Regarding Tax Effect Accounting

The main causes of deferred tax assets include loss on valuation of stocks of subsidiaries and associates, impairment of software, and loss carryforwards, etc.

(English Translation)

The valuation allowance of 3,138 million yen was deducted from deferred tax assets.

Notes Regarding Financial Instruments

1. Matters regarding the status of financial instruments

(1) Policy on treating financial instruments

The company strives to manage funds in accordance with safety and advantageous conditions. In principle, the Company utilizes financial instruments with principal guarantees and fixed yields, and thoroughly manages the credit risk of its financial institutions. Regarding financing, the Company strives to secure stable and lowest-cost financing methods, as well as to conduct flexible and elastic financing.

(2) Details and risks of financial instruments, and risk management system

Accounts receivables, which are operating receivables, are exposed to customer credit risks. To manage these risks, the due dates and balances are managed for each counterparty pursuant to the internal rules on deposit management; and efforts trying to identify credit status of major customers are made.

“Investments in subsidiaries and associates” refers to shares of a listed subsidiary that has a market value and shares of unlisted subsidiaries that do not have a market price. Although shares of a listed subsidiary that has a market value are exposed to the risk of market value fluctuations, the fair market value comprehended timely is reported in accordance with internal rules. As for “Other securities of subsidiaries and associates”, the market conditions and the financial condition of issuers are properly comprehended and reported in accordance with internal rules.

Most accounts payable, which are operating liabilities, are due within one year.

During the normal course of business activities, the Company owns several financial instruments including financial assets and liabilities. Some financial instruments are exposed to foreign exchange rate fluctuation risk. In order to manage such risks, the Company has established a risk management policy and is supposed to use derivative transactions such as forward exchange contracts. Derivative transactions are not conducted for speculative purposes.

2. Matters regarding the fair values of financial instruments

The carrying amounts, the fair values, and the differences between them as of the end of the fiscal year ended 31 March 2022 are as follows. Note that shares that do not have a market value are not included (see Note 2).

Also, for cash the notes are omitted. For deposits and account receivable because the fair values approach the carrying amount since they are settled in the short term, the notes are omitted.

(Unit: million yen)

Item	Carrying amount (*)	Fair value (*)	Difference
(1) Investments in subsidiaries and associates	7,604	1,837,680	1,830,076

(Note 1) Calculation method of fair value of financial instruments and matters regarding securities

(1) Investments in subsidiaries and associates

Fair values are based on stock exchange prices.

(Note 2) Shares that do not have a market value

(Unit: million yen)

Category	Carrying amount
Investments in subsidiaries and associates	896,502
Investments in other securities of subsidiaries and associates	10,099

Notes Regarding Transactions with Related Parties

(1) Subsidiaries and associates

(Unit: million yen)

Category	Name of company	Voting rights ownership (owned) ratio	Relationship with related party	Transaction contents	Transaction amount	Description	Ending balance
Subsidiary	NTT Disruption, S.L.U.	Ownership Direct 100%	Exercise of rights as shareholder, and offering intermediary advice and other support	Contribution in kind (Note 1)	6,157	-	-
Subsidiary	NTT DATA Inc.	Ownership Indirect 54.2%	Outsourcing	Cost of outsourcing (Note 2)	749	Account Payable	300

Transaction amounts do not include consumption tax. Ending balances include consumption tax.

Transaction terms and policy on determination of transaction terms

(Note 1) Loan to NTT Disruption, S.L.U. was contributed in kind.

(Note 2) The cost of outsourcing was determined upon consultation between both companies, taking into account the nature of the work.

(2) Fellow subsidiaries

(English Translation)

(Unit: million yen)

Category	Name of company	Voting rights ownership (owned) ratio	Relationship with related party	Transaction contents	Transaction amount	Description	Ending balance
Subsidiary of parent company	NTT DOCOMO	-	Outsourcing	Absorption-type company split (Note 1)	522,817	-	-
Subsidiary of parent company	NTT Finance	-	Outsourcing and depositing funds	CMS deposits (Note 2) Receipt of interest (Note 2)	45,023 (Note 3) 5	Deposit paid in subsidiaries and associates	49,144

Transaction amounts do not include consumption tax. Ending balances include consumption tax.

Transaction terms and policy on determination of transaction terms

(Note 1) Details regarding the absorption-type company split are described in Other Notes (Matters related to business combination ((Absorption-type company split))

(Note 2) Regarding the deposit of funds to CMS (Cash Management System), the interest rate is reasonably determined in consideration of the market interest rate.

(Note 3) The transaction amount is the average balance during the fiscal year ended 31 March 2022.

Note Regarding Per Share Information

Net assets per share 15,243,639,383.77 yen

Earnings per share 1,893,875,101 yen

Notes Regarding Significant Subsequent Events

(Dividend in kind from a subsidiary)

On 1 April 2022, the Company received a dividend in kind comprising shares of NTT Security Holdings Corporation, a subsidiary of NTT Limited, from NTT Limited, a subsidiary of the Company.

Summary of the transaction

(1) Details of the transaction

Dividend in kind comprising shares of NTT Security Holdings Corporation

(2) Effective Date

1 April 2022

(3) Total amount of the transaction

12,240 million yen

(4) Other matters concerning the summary of the transaction

This dividend-in-kind was made as part of a reorganization aimed at strengthening the security business and enhancing NTT Group's capability to provide managed services. The shares of NTT Security Holdings Corporation acquired by the Company were distributed to Nippon Telegraph and Telephone Corporation, the parent company of the Company, by dividend-in-kind on the same date.

2. Summary of accounting treatment

It is treated as a transaction under common control in accordance with "Accounting Standards for Business Combinations" (Corporate Accounting Standards No. 21, 16 January 2019) and "Application Guidelines for Accounting Standards for Business Combinations and Accounting Standards for Business Separation" (Corporate Accounting Standards Application Guidelines No. 10, 16 January 2019).

Other Notes

(Matters related to business combination)

(Absorption-type company split)

On 1 January 2022, the Company conducted an absorption-type company split, with the Company as the company splitting in an absorption-type split and NTT DOCOMO, INC., a subsidiary of Nippon Telegraph and Telephone Corporation, the parent company of the Company, as the company succeeding in an absorption-type split.

Summary of the absorption-type company split

(1) Details of transaction

Succession of shares of NTT Communications (a subsidiary of the Company)

(2) Date of business combination

1 January 2022

(3) Total amount of the transaction

522,817 million yen

(4) Other matters concerning the summary of the transaction

The absorption-type company split was conducted as part of a reorganization aimed at strengthening NTT DOCOMO's competitiveness and the growth of NTT Group as a whole.

2. Summary of accounting treatment

It is treated as a transaction under common control in accordance with "Accounting Standards for Business Combinations" (Corporate Accounting Standards No. 21, 16 January 2019) and "Application Guidelines for Accounting Standards for Business Combinations and Accounting Standards for Business Separation" (Corporate Accounting Standards Application Guidelines No. 10, 16 January 2019).

(English Translation)

Supplementary Schedules (Financial Statements)

(From 1 April 2021
To 31 March 2022)

- 1 Details of Property, Plant and Equipment and Intangible Assets
- 2 Details of Provisions
- 3 Details of Selling, General and Administrative Expenses

Note: Amounts are rounded to the nearest million yen.

(English Translation)

1 Details of Property, Plant and Equipment and Intangible Assets

(Unit: million yen)

Item	Type of assets	Carrying amount at the beginning of period	Increase during the period	Decrease during the period	Depreciation and amortization	Carrying amount at the end of period	Accumulated depreciation	Acquisition cost at the end of period
Property, plant and equipment	Tools, furniture and equipment	-	29	-	2	27	2	29
	Total	-	29	-	2	27	2	29
Intangible assets	Software	1,674	716	1,096 (1,096)	470	825	693	1,518
	Total	1,674	716	1,096 (1,096)	470	825	693	1,518

Note 1: Major increases in the period as follows.

Software Development of application and platform 716 million yen

Note 2: The figures in parentheses in the "Decrease during the period" column indicate the amount of impairment loss recorded.

2 Details of Provisions

(Unit: million yen)

Item	Beginning balance	Increase during the period	Decrease during the period		Ending balance
			Utilized	Reversals	
Provision for retirement benefits	12	1	-	-	13
Provision for stock benefits	-	15	-	-	15

3 Details of Selling, General and Administrative Expenses

(Unit: million yen)

Description	Amount	Outline
Directors' compensations	179	
Employees' bonuses	4	
Other salaries	346	
Legal welfare	16	
Retirement benefit	3	
Supplies	2	
Consignment	1,607	
Rent	19	
Travelling and transportation	4	
Communication and haulage	2	
Entertainment	0	
Welware	0	
Commission fee	0	
Miscellaneous	3	
Tax and dues	274	
Depreciation and amortization	472	
Total	2,931	

Independent Auditor's Report

To the Board of Directors of NTT, Inc.:

Opinion

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity and the related notes to the financial statement, and the accompanying supplementary schedules ("the financial statements and the accompanying supplementary schedules") of NTT, Inc. ("the Company") as at March 31, 2022 and for the year from April 1, 2021 to March 31, 2022 in accordance with Article 436-2-1 of the Companies Act.

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

Basis for Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and Audit and supervisory board members for the Financial Statements and the Accompanying Supplementary Schedules

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

In preparing the financial statements and the accompanying supplementary schedules, management is

responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

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

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

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

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

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

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

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

Our firm and its designated engagement partners do not have any interest in the Company which are

(English Translation)

required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

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

Kenji Tanaka
Designated Engagement Partner
Certified Public Accountant

Masashi Oki
Designated Engagement Partner
Certified Public Accountant

Kenya Yakuwa
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
May 6, 2022

Company Auditors' Report

We, Company Auditors, have audited the Directors' performance of the duties during the 28th fiscal year from 1 April 2021 to 31 March 2022. We report on the methods and results of our audits as follows.

1. Methods and Content of Audits

On the basis of the Company Auditors' rules, and in accordance with its auditing policies, Company Auditors sought mutual understanding with Directors, the internal audit function and employees and other persons in their efforts to collect information and achieve an environment conducive to audits, and conducted the audits based on the methods described below.

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

Based on the above methodology, Company Auditors audited the Business Report and related supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in shareholders' equity and other net assets, notes to non-consolidated financial statements) and related supplementary schedules related to the fiscal year under review.

2. Audit Results

(1) Results of the audit of the Business Report

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

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

- iv. There are no matters to be pointed out in the Business Report regarding transactions with the parent company, etc., with respect to matters that were taken into consideration so as not to impair the interests of the Company in conducting such transactions, and the judgement of the Board of Directors as to whether such transactions would not impair the interests of the Company, and the reasons for such judgment.

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

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

3. Subsequent Events

The Company' Board of Directors, at a meeting held on May 9, 2022, approved the matters as shown in the Attachment. These matters do not affect our audit report.

9 May 2022

NTT, Inc.

Takashi Enomoto, Company Auditor (full time)

Takao Maezawa, Company Auditor

Kanae Takahashi, Company Auditor

Attachment

1. Decision of the Absorption-type Company Split

On 9 May 2022, the Board of Directors of the Company resolved to execute a absorption-type company split agreement (the “Absorption-type Company Split Agreement”) regarding the global business operated by NTT DATA Corporation (“NTT DATA”), a subsidiary of the Company, with NTT DATA as the splitting company and the Company as the succeeding company (the “Absorption-type Company Split”), as part of the realignment of NTT group’s global business (the “Realignment”), and executed the Absorption-type Company Split Agreement on the same day. The Realignment is aimed at strengthening the global business capabilities for business users and the global governance by bringing together the global talent and resources of the NTT group.

(1) Description of business to be split and sales for the most recent fiscal year (fiscal year ending 31 March 2021)

Global business of NTT DATA (consolidated sales: 939,041 million yen)

(2) Type of split

Absorption-type company split with NTT DATA as the splitting company and the Company as the succeeding company

(3) Outline of the splitting company

Name	NTT DATA Corporation
Type of Business	Consulting, integrated IT solutions, system software development, maintenance and support, etc.
Number of Employees	139,677 (consolidated) (as of 31 March 2021)
Total Assets	2,897,015 million yen (consolidated) (fiscal year ending March 2021)
Total Liabilities	1,770,468 million yen (consolidated) (same as above)
Total Net Assets	1,126,548 million yen (consolidated) (same as above)

(4) Effective Date

1 October 2022 (target)

(5) Rights and obligations to be assumed by the Company

Among the assets, liabilities, contracts, and associated rights and obligations related to the global business of NTT DATA as of immediately preceding the effective date, those set forth in the Absorption-type Company Split Agreement are to be succeeded by the Company.

(6) Monies, etc. delivered upon the Absorption-type Company Split

The Company shall deliver 3,315 ordinary shares to NTT DATA upon the Absorption-type Company Split. Before the effective date of the Absorption-type Company Split, the Company will conduct a share split in which each common share of NTT, Inc. will be split into 49 shares

and the total number of the issued shares of NTT, Inc. will increase from 65 to 3,185.

(7) Accounting treatment

It will be treated as a transaction under common control in accordance with "Accounting Standards for Business Combinations" (Corporate Accounting Standards No. 21, 16 January 2019) and "Application Guidelines for Accounting Standards for Business Combinations and Accounting Standards for Business Separation" (Corporate Accounting Standards Application Guidelines No. 10, 16 January 2019). The impact of the Absorption-type Company Split on the Company's financial statements is currently under scrutiny.

2. Decision of dividend of surplus (dividend in kind)

On 9 May 2022, the Board of Directors of the Company resolved to allot all of the common shares of NTT DATA owned by the Company (760,000,000 shares) to the sole shareholder of the Company, Nippon Telegraph and Telephone Corporation as a dividend of surplus (dividend in kind) as part of the Realignment.

(1) Details of surplus to be reduced

Type of assets	All of the common shares of NTT DATA owned by the Company (760,000,000 shares)
Total book value	7,604,294,760 yen

(2) Dates

Resolution date by BoD	9 May 2022
Resolution date by GSM	17 June 2022 (target)
Effective date	1 October 2022 (target)

Also, all common shares or interests in NTT Disruption Europe, S.L.U., NTT Global Sourcing, Inc., and NTT Venture Capital, L.P. held by the Company are scheduled to be transferred through dividends in kind or other methods to Nippon Telegraph and Telephone Corporation by 30 September 2022.

3. Execution of Shareholders Agreement

On 9 May 2022, the Board of Directors of the Company resolved to execute a shareholders agreement (the "Shareholders Agreement") regarding the operation of the Company's group after the Absorption-type Company Split with Nippon Telegraph and Telephone Corporation, a parent company of the Company, and NTT DATA, and executed the Shareholders Agreement on the same day.

(1) Name of the counterparties to the agreement

Nippon Telegraph and Telephone Corporation
NTT DATA Corporation

(2) Date of execution

9 May 2022

(3) Outline of the agreement

Matters concerning governance of the Company (right of shareholders to nominate Officers, etc.), matters concerning operation (common understanding concerning the operation of the Company), and matters concerning shares (transfer restrictions, share subscription rights, etc.).

Internet Disclosure of the Business Report and Financial Statements

Principal Centers of the Corporate Group

(1) Principal Offices of NTT DATA

Head Office : 3-3, Toyosu 3-chome, Koto-ku, Tokyo, Japan

Sectors : Public Sector 1	Public Sector 2
Telecom & Utility Business Sector	Social Infrastructure Solution Sector
First Financial Sector	Second Financial Sector
Third Financial Sector	Fourth Financial Sector
Fifth Financial Sector	
IT Services & Payments Services Sector	Manufacturing IT Innovation Sector
Consulting & Solutions Sector	China & APAC Sector
North America Sector	EMEA & LATAM Sector

(2) Principal offices of principal subsidiaries

As listed in the “Location” column in (2) “Principal subsidiaries” of Section 7 “Parent Company and Principal Subsidiaries” of the Business Report.

Independent Auditor

1. Name of Independent Auditor of NTT DATA

KPMG AZSA LLC

2. Remuneration paid to Independent Auditor by NTT DATA for This Fiscal Year

Remuneration for the services set forth in Article 2 (1) of the Certified Public Accountants Act (1948 Act No. 103)

¥ 381 million

Note 1: The audit contract between NTT DATA and its independent auditor does not segregate the amount of the remuneration to audits pursuant to the Companies Act and those pursuant to the Financial Instruments and Exchange Act. As these amounts cannot, as a practical matter, be calculated separately, the amount above is the total for both categories of remuneration as stated above.

Note 2: The Audit and Supervisory Committee gives consent, pursuant to the provisions of Article 399, paragraph (1) of the Companies Act, to remunerations for independent audits after confirming and examining the contents of the audit plans of independent audits, the state of the execution of accounting audit duties, the calculation basis of remuneration estimates, etc.

3. Total Amount paid to Independent Auditor by NTT DATA and Its Subsidiaries

Total amount payable by NTT DATA and its subsidiaries to independent audit

¥ 667 million

Note: In addition to the above, among NTT DATA’s principal subsidiaries, the following are audited by KPMG member firms: NTT Data International LLC; NTT DATA Europe & Latam, S.L.U., NTT DATA ASIA PACIFIC PTE. LTD.; NTT DATA (CHINA) INVESTMENT Co., LTD.; NTT DATA Business Solutions AG; and NTT DATA EUROPE GmbH & CO. KG.

4. Non-Audit Services

With regard to services other than those prescribed in Article 2, (1) of the Certified Public Accountants Act (non-auditing business), NTT DATA consigns to the independent audit such duties as the preparation of assurance reports pursuant to the Assurance Engagements Practical Guideline 3402 (practical guidelines for assurance reports on internal control of entrusted services), the Assurance Engagements Practical Guideline 3850 (practical guidelines for assurance reports on internal control of Trust for entrusted services regarding information security, etc.), and information security auditing for the registration of ISMAP (security management and assessment system for government information systems).

5. Policy of Decision of Dismissal or Non-reelection of Independent Audit

The Audit and Supervisory Committee resolves the policy of decision of dismissal or non-reelection of independent auditor at NTT DATA. Details of the resolution are as follows.

(1) Policy of Decision of Dismissal of Independent Auditor

If any of the provisions of Article 340 (1) applies to the independent audit, and if the Audit and Supervisory Committee finds it considerably difficult for the independent auditor to carry out proper audits, the Audit and Supervisory Committee shall dismiss the independent auditor upon consent of all the Audit and Supervisory Committee Members.

In addition to the above, if the Committee finds it difficult for the independent auditor to carry out proper audits, it decides on the resolution about the dismissal of the independent audit to be submitted to the General Meeting of Shareholders.

(2) Policy of Decision of Non-reelection of Independent Audit

The Audit and Supervisory Committee evaluates the independent auditor according to the criteria that it has established. If the Audit and Supervisory Committee judges the non-reelection of the independent auditor to be appropriate on the ground that the Audit and Supervisory Committee finds it difficult for the independent auditor to carry out proper audits, it decides on the resolution for the non-reelection of the independent auditor to be submitted to the General Meeting of Shareholders.

Systems for ensuring appropriate operations and Overview of the State of Operation of the Systems

1. Overview of resolution for improvement of Systems for ensuring appropriate operations

NTT DATA is moving forward with efforts to ensure appropriate operations of internal control systems and its Board of Directors' meeting has adopted a resolution on the basic policy for establishing internal control systems for the NTT DATA Group in compliance with Article 399 (13) of the Companies Act. Details of the said resolution are as follows:

●Basic Policy for Establishing Internal Control Systems

- (1) In building its internal control systems, NTT DATA will further the basic policy that it will take various measures to efficiently conduct fair and transparent business activities in compliance with applicable laws and its Articles of Incorporation, as a matter of course, and at all times being aware of risks increasing as its business expands.
- (2) The president, as the chief executive officer, takes responsibility and improves and operates the internal control systems.
- (3) In order to make its internal control systems function smoothly and efficiently, NTT DATA establishes an internal control promotion committee that holds meetings on a regular basis.
- (4) NTT DATA sets up the Internal Audit Department, which verifies whether or not the activities of each Sector are performed in compliance with applicable laws, its Articles of Incorporation, internal rules, and management policies and plans and gives practical advice and recommendations from a position independent of operations of businesses for the purpose of sound performance of businesses.
- (5) NTT DATA appoints an officer who supervises the risk management structure from the entire group's point of view and at the compliance division, conduct review for the purpose of ensuring the legality of business activities.
- (6) NTT DATA is taking appropriate measures to realize high reliability of its internal control systems over financial reporting under the Financial Instruments and Exchange Act and other related laws.

●Individual Systems for Establishing Internal Control Systems

- (1) Systems to ensure that the directors and employees are performing their duties in compliance with applicable laws and the Articles of Incorporation

Setting our sights on becoming a reliable company and raising the basic policy to conduct sound business activities by establishing corporate ethics, NTT DATA proceeds with the following activities:

- Establish the Code of Conduct for the NTT DATA Group and make sure of the compliance of the entire Group.
- Raise employees' consciousness of compliance through educational and training programs concerning the corporate ethics.
- Check the business activities by the compliance division and give advice, guidance, and other assistance to Sectors in order for legal and appropriate business activities.
- Have no relation or transaction with antisocial forces, and reject illegal demands in a resolute attitude.
- For sound management, establish a whistle-blowing system to receive information from the identified and anonymous employees and other parties to ensure a channel of communication which is different from the ordinary execution of business, and establish a system to ensure that employees and other parties who made those reports through the whistle-blowing system and will not receive disadvantageous treatment for having made such reports.
- Have the Internal Audit Department and submit an annual plan to the Board of Directors independently to the department for the internal audit and regularly report the results to the Board of Directors.

- (2) Systems for storage and management of information concerning execution of duties by directors

While NTT DATA appropriately stores, manages, and willingly shares information for effective uses according to the policy that it will protect personal and confidential information from leakage or unauthorized use, it proceeds with the following activities:

- Record and store documents related to the execution of business such as the minutes of the Board of Directors meetings and approved documents (including electromagnetic records) appropriately in compliance with applicable laws, the Articles of Incorporation and internal rules.
- Improve the internal information system in order to timely and properly use information arising out of business activities.
- Establish internal rules for the purpose of formulating rules required for the appropriate handling of information and efficient clerical work.
- Establish an information security committee to expedite measures for the entire group concerning the handling of information and hold a meeting regularly.

- (3) Rules and other systems concerning risk management

Assuming various business risks, NTT DATA has a policy that each division shall improve its own voluntary risk management

system by risk so that it may take the best measure upon occurrence of any of such risks and proceeds with the following activities:

- Organize a system to continuously monitor and supervise the situation of risk management in each Sector and evaluate the effectiveness to organize and promote the risk management from the entire group's point of view.
- Work on the business risks after the prioritization considering the frequency and the impact of occurrence.
- Organize a system in accordance with the internal rules based on our quality management point of view, etc. for the risks assumed to be related to our system development as our main business. Also, for projects that are assumed to have especially high risks, examine the appropriateness of its details in the committee under direct control of the President and CEO, and work to restrain emergence of a large scale unprofitable project that will impact the business.

(4) Systems to ensure efficient performance of duties by directors

Having the basic policy that it shall enhance each of the functions of making important decisions, supervision of performance of duties, and performance of operations, and that it shall work for vitalization of operations, NTT DATA proceeds with the following activities:

- In order for the Board of Directors to make important decisions and appropriately supervise the performance of duties, it will appoint Senior Vice President as responsible persons who specialize in the performance of duties and, by transferring substantial part of authority from directors to the Senior Vice President, expedite decision making to pursue speedy operations.
- Include outside directors who are in a position independent of the Board of Directors in order to strengthen the function to supervise the fairness of business execution.
- Establish a management meeting for the president to make appropriate decisions pertaining to the basic policy of a business or other important matters.
- For the purpose of appropriate and efficient performance of affairs, improve the systems to clarify the official authority and exercise appropriate restraints by setting internal rules pertaining to the decision making for, and performance of, business affairs.

(5) Systems to ensure appropriate operations of NTT DATA Group, etc.

Having the basic policy that it shall ensure appropriate operations of the entire NTT DATA Group through consultations, reports, instructions and requests concerning important matters, NTT DATA and its Group proceed with the following activities:

- Establish a division responsible for coordination with each group company and improve the coordination system including the related divisions.
- Monitor the activities by the Internal Audit Department for the purpose of ensuring the soundness of businesses of the group companies.
- Oversee and promote the situation of risk management of the entire group by the internal control promotion committee of NTT DATA and at the same time, each group company will appoint an officer in charge of risk management for the purpose of improvement of the risk management system.
- In order to prevent the occurrence of scandals, conduct employee education and training and establish a whistle-blowing system that receives information from identified and anonymous employees of the Group and other parties as well as establish a system to ensure that employees and other parties who have made reports using the whistle-blowing system and other channels will not receive disadvantageous treatment on account of having made such reports.
- Organize a system with Group companies to trade with Group companies and also to make sure the submission of appropriate financial status reports from Group companies, with compliance with the laws.
- Group companies conduct autonomous management by company-wise based on the basic policy of group business and at the same time the Corporate Management Committee of NTT DATA will monitor the management situation of the entire group in order to promote efficient and effective group management.

Furthermore, with NTT, Inc. and NIPPON TELEGRAPH and TELEPHONE CORPORATION, the parent companies, there is a basic policy that each party will coordinate with the others, respecting their independency and autonomy and the parties appropriately have dealings with each other in compliance with the laws.

(6) Matters concerning employees who assist the Audit and Supervisory Committee's duties and independence of such employees from the directors who are not Audit and Supervisory Committee Members

Having the basic policy to establish a system to assist the Audit and Supervisory Committee's duties in order to ensure the effective audits, etc. by the Audit and Supervisory Committee, NTT DATA will proceed with the following activities:

- NTT DATA sets up the Office for the Audit and Supervisory Committee to appropriately assist the Audit and Supervisory Committee's duties as an important organization under the Companies Act.
- For employees who assist the Audit and Supervisory Committee's duties, NTT DATA shall allocate the number of employees required for conducting audits according to the auditing standards determined by the Audit and Supervisory Committee.
- The Office for the Audit and Supervisory Committee shall be an organization independent from the directors who are not Audit and Supervisory Committee Members, and the employees assisting the Audit and Supervisory Committee's duties shall perform their duties under instructions and directions from the Audit and Supervisory Committee.
- NTT DATA shall handle the matters concerning personnel changes and evaluation of the employees assisting the Audit and Supervisory Committee's duties, respecting opinions of Audit and Supervisory Committee Members.

(7) Systems for the directors who are not Audit and Supervisory Committee Members and employees to report to the Audit and Supervisory Committee and for ensuring effective auditing by the Audit and Supervisory Committee

Having a basic policy to improve the systems for the directors who are not Audit and Supervisory Committee Members and employees to report material matters regarding the execution of business to the Audit and Supervisory Committee and other systems in order to ensure the effective audits, etc. by the Audit and Supervisory Committee, NTT DATA will proceed with the following activities:

- Matters related to our company and our group Company, etc. to be reported regularly or on an ad hoc basis, such as meetings attended by Audit and Supervisory Committee Members, materials to be inspected, shall be determined through consultation between Directors who are not Audit and Supervisory Committee Members and the Audit and Supervisory Committee, and reports shall be made accordingly. Risk information such as the occurrence of damage or an incident shall be promptly reported to the Audit and Supervisory Committee.
- Upon request of the Audit and Supervisory Committee for a report on the performance of duties, the directors who are not Audit and Supervisory Committee Members and employees shall promptly report to the Audit and Supervisory Committee about their performance of duties and shall not be treated disadvantageously as a result of such reporting.
- In addition, the directors who are not Audit and Supervisory Committee Members, independent audit, and Internal Audit Department shall each have an exchange of opinions regularly and when necessary upon request of the Audit and Supervisory Committee.
- The Audit and Supervisory Committee may independently engage external experts and receive advice on audit operations.
- The Audit and Supervisory Committee Members may claim payment for expenses necessary for the execution of duties, and NTT DATA will make payments based on such claims.

2. Overview of the State of Operation of the System to Ensure Appropriate Business Operations

The following is the overview of the state of operation of the system to ensure appropriate business operations within the NTT DATA Group based on the basic policy concerning the establishment of internal control systems within the NTT DATA Group.

(1) Systems to ensure that the directors and employees are performing their duties in compliance with applicable laws and regulations and the Articles of Incorporation

NTT DATA makes efforts to maintain and improve the awareness of corporate ethics and compliance in order to operate businesses with a strong sense of ethics, let alone compliance with laws and regulations.

With regard to corporate ethics, NTT DATA have renewed “Global Compliance Policy” which had been the code of conduct for directors and employees, and established “NTT DATA Group Code of Conduct” to foster awareness of corporate ethics and compliance. We are continuously working to complete and reinforce compliance throughout the company on a global basis.

In addition, the Bribery and Corruption Preventions Regulations are available on the in house website and examinations on preventions of bribery and corruption are conducted by ourselves or through outsourcing contractor..

To maintain and improve the awareness of compliance, NTT DATA implements compliance training sessions for officers and employees and introduces cases that have problems in terms of corporate ethics on the in-house website to help officers and employees improve their understanding.

The Compliance Department conducted a preliminary check on 43 cases before being discussed by important organs such as the Board of Directors. With regard to transactions with antisocial forces, NTT DATA made it mandatory under the company’s sales provisions and detailed purchase rules to conduct a credit investigation on business partners. In addition, when an organization subscribes to our services, NTT DATA thoroughly examines the state of activities of the organization, the purpose of the subscription, etc. to prevent us from engaging in any relations with antisocial forces.

The NTT DATA’s Corporate Ethics Committee is held once in a business year to examine reports submitted to the section in charge of receiving reports made using the whistle-blowing system, and report the results of the examination to the Board of Directors, along with a report on how these reports were handled. Meanwhile, internal rules for administering the whistle-blowing system comply with the Whistle blower Protection Act. It stipulate that employees should not receive disadvantageous treatment on account of having reports, and this rule is administered appropriately.

The Internal Audit Department reports the annual audit plan and interim and annual audit results to the Board of Directors appropriately.

(2) Systems for storage and management of information concerning execution of duties by directors

With regard to the management of in-house information, including the handling of information concerning the execution of duties by directors, rules for the handling of documents and the information security policies are instituted, and they are available on the in-house website. Concerning the storage of documents (including those recorded electronically,) besides the storage based on types of documents specified by laws and regulations, they are stored for a term necessary for the completion of duties. In addition, NTT DATA appropriately administers the maintenance and storage of documents by appointing personnel in charge of promoting information security to each section and introducing a system to enable the management of documents (files) in accordance with applicable rules, among other measures.

The information security committee was set up to report and discuss the company-wide security subjects under the Chief Information Security Officer and held a meeting twice during the fiscal year. The committee members discussed enhancement of governance involved in global development and expansion and reinforcement of measures against assumed security infringement.

(3) Rules and other systems concerning risk management

For risk management, NTT DATA assumes and prevents the occurrence of familiar potential risks. NTT DATA has a risk management system to minimize the damage in the event of risks becoming obvious, and for other purposes. The Internal Control Promotion Committee, chaired by Senior Executive Vice President, plays a central role in establishing and administering the PDCA cycle for risk management. Meanwhile, the committee held three meetings in the business year and discussed measures to specify risks that could influence the whole Company and to reduce such risks. In addition, the committee also examined the levels of progress and achievement of goals and evaluated the effectiveness while reflecting the results of the examination in each measure.

NTT DATA appropriately handles risks concerning system developments and operational security, etc. within the quality management system (QMS) that was established based on the quality management rules. As well, the Project Review Committee examines the appropriateness of order-receiving plans for large projects which involve new customers, services, or technologies and makes an actual survey of projects until delivery.

(4) Systems to ensure efficient performance of duties by directors

The Company’s duties are executed on the basis of the organizational rules that specify jurisdictional tasks for each organ. Under

the supervision of the Board of Directors, 27 Senior Vice Presidents are appointed, and decisions are made on the basis of the authority regulations that stipulate the distribution of authorities.

The Board of Directors decides the issues prescribed in laws and regulations and important issues set forth in the rules for the Board of Directors such as those concerning management strategies, company management including investment, and the management of the NTT DATA Group. In addition, the Board of Directors supervises the performance of duties by directors by having them regularly report the state of performance of their duties and by other means. The Board of Directors comprises 15 directors, including five independent external directors (as of March 31, 2022), and held 16 meetings in the current business year. The Corporate Management Committee, which discusses important decision-making for NTT DATA, held 40 meetings in the current business year.

(5) Systems to ensure appropriate operations of NTT DATA Group, etc.

With regard to important issues for the management of the NTT DATA Group, such as the occurrence of emergencies that could influence the whole group, NTT DATA established an organization in the Company to promote businesses in cooperation with respective group companies and created systems to consult these matters with, and report them to, NTT DATA, and the systems are administered appropriately.

Taking into account risks common to the Group and specific to each region or company, the NTT DATA's Internal Audit Department audited group companies in and outside Japan using various auditing methods.

Group companies set the important risks every year, and the Internal Control Promotion Committee confirms the state of implementation of risk management led by CRO and risk management promotion officers in each company.

To maintain and improve the awareness of compliance in the whole NTT DATA Group, NTT DATA established the NTT DATA Group Code of Conduct and instructs group companies to implement compliance training sessions and monitors the state of implementation of such training sessions.

NTT DATA has established the reception desk for the internal whistle-blowing system in Japan. The rules for administering the whistle-blowing system stipulate that whistle-blowers will not receive disadvantageous treatment on account of their whistle-blowing, and the rules are administered appropriately. It has also set up the reception desks for the internal whistle-blowing systems abroad.

The fiscal conditions of group companies are appropriately reported every month to NTT DATA, in addition to quarterly financial reports. The results are reported not only to the Board of Directors quarterly but also to the Executive Committee monthly as a monitoring status.

Financial conditions of the NTT DATA Group are reported every quarter to the Corporate Management Committee.

(6) Matters concerning employees who assist the Audit and Supervisory Committee's duties and independence of such employees from the directors who are not Audit and Supervisory Committee Members

As a system to assist the Audit and Supervisory Committee's audits, etc., NTT DATA has the Office for the Audit and Supervisory Committee comprising six full-time employees, and duties are carried out appropriately on the basis of the instructions and orders of the Audit and Supervisory Committee. Meanwhile, the transfer and evaluation of the employees at the Office for the Audit and Supervisory Committee shall be conducted by making adjustments with Audit and Supervisory Committee Members.

(7) Systems for the directors who are not Audit and Supervisory Committee Members and employees to report to the Audit and Supervisory Committee and for ensuring effective audits, etc. by the Audit and Supervisory Committee

The Audit and Supervisory Committee Members attend important meetings including the Board of Directors, Corporate Management Committee, Internal Control Promotion Committee meetings and review important documents. In addition, regularly, they exchange opinions with the Representative Director and have discussions on specific topics with directors. On these occasions, they receive reports on the state of execution of duties specified in the basic policies and make recommendations as needed.

Moreover, the Audit and Supervisory Committee Members regularly exchange opinions with independent audits and the Internal Auditing Department. The explanation of an audit plan, the status of internal control systems, and other matters are reported to the Audit and Supervisory Committee Members while they make recommendations as needed.

In addition, NTT DATA uniquely contracts with outside experts such as lawyers to receive advice on auditing duties. Including the costs necessary for them, NTT DATA bears the costs needed to perform auditing duties.

Consolidated Statement of Changes in Equity 34th FY (2021/4/1-2022/3/31)

(Unit: ¥ million)

	Equity attributable to shareholders of NTT DATA					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total
Balance at beginning of current period	142,520	105,988	721,565	(1)	102,827	1,072,899
Comprehensive income						
Net income	—	—	142,979	—	—	142,979
Other comprehensive income	—	—	—	—	84,793	84,793
Comprehensive income	—	—	142,979	—	84,793	222,773
Transactions with shareholders						
Dividends of surplus (Note 1)	—	—	(25,946)	—	—	(25,946)
Transfer to retained earnings	—	—	77,255	—	(77,255)	—
Acquisition and disposal of treasury shares	—	—	—	(204)	—	(204)
Increase/decrease by business combination	—	—	—	—	—	—
Net changes in controlled subsidiaries' stocks	—	(1,314)	—	—	—	(1,314)
Transactions from stock remuneration	—	104	—	—	—	104
Put options granted to non-controlling interests	—	(1,300)	—	—	—	(1,300)
Other	—	(1,138)	—	—	—	(1,138)
Total transactions with shareholders	—	(3,648)	51,309	(204)	(77,255)	(29,798)
Balance at end of current period	142,520	102,340	915,853	(205)	110,365	1,270,874

	Non-controlling interests	Total equity
Balance at beginning of current period	53,648	1,126,548
Comprehensive income		
Net income	7,123	150,102
Other comprehensive income	1,514	86,307
Comprehensive income	8,637	236,409
Transactions with shareholders		
Dividends of surplus	(1,866)	(27,813)
Transfer to retained earnings	—	—
Acquisition and disposal of treasury stock	—	(204)
Increase/decrease by business combination	86	86
Net changes in controlled subsidiaries' stocks	(2,702)	(4,016)
Transactions from stock remuneration	—	104
Put options written on non-controlling interests	—	(1,300)
Other	(409)	(1,547)
Total transactions with shareholders	(4,892)	(34,690)
Balance at end of current period	57,393	1,328,267

Notes:

1. This is the item of appropriation of retained earnings resolved at the ordinary general meeting of shareholders held on June 17, 2021 and at the meeting of the Board of Directors held on November 9, 2021.
2. Amounts less than one million yen are rounded off.

Notes to Consolidated Financial Statements

(Important Basic Matters for Preparation of Consolidated Financial Statements)

1. Standard of preparation of the consolidated statements

NTT DATA Group uses the International Financial Reporting Standards (hereinafter referred to as “IFRS”), in the preparation of its consolidated financial statements pursuant to the first paragraph of Article 120 of the Ordinance on Accounting of Companies. Pursuant to the provisions of the latter part of the same paragraph, the consolidated financial statements omit some items required to be disclosed by IFRS.

2. Matters related to the scope of consolidation

NTT DATA’s consolidated subsidiaries amount to 312 companies.

Major consolidated subsidiaries are NTT DATA, Inc., NTT DATA Europe & Latam, S.L.U., NTT DATA Business Solutions AG. etc.

3. Matters related to application of the equity method

The equity-method companies are 37, including KIRIN BUSINESS SYSTEM COMPANY, LIMITED.

In addition, because of the establishment of a new company, one company has been included in the scope of application of equity method, and because of the sell-off, four companies have been excluded from the scope of application of the equity method.

4. Matters related to the fiscal years of consolidated subsidiaries

In the consolidated financial statements, the financial statements of subsidiaries whose account closing date differ from NTT DATA Group are included because it is impossible in practice to set it on the same date as ours due to relations with other shareholders. The account closing date of such subsidiaries 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 our account closing date.

5. Matters related to accounting policy

(1) Financial assets

Financial assets are divided into financial assets measured at fair value through profit or loss upon initial recognition, debt instruments measured at fair value through other comprehensive income, and financial assets measured at amortized cost. In NTT DATA Group, trade and other receivables measured at amortized cost are initially recognized on the day when they occur and other financial assets are initially recognized on the day of transaction.

NTT DATA Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired, or when it has transferred the contractual rights to the cash flows from the financial asset and substantially all the risks and rewards of ownership of the said asset to another entity.

Financial assets measured at amortized cost

Financial assets which meet both of the following conditions are classified as financial assets measured at amortized cost:

- Assets are managed within a business model which aims to own assets to receive contractual cash flows from the said assets
- Contract terms of financial assets stipulate that cash flows which consist only of payments of principal and interest for the principal balance shall be generated on specific dates.

Financial assets measured at amortized cost are measured by adding transaction costs which are directly attributable to the acquisition of the said assets to their fair values at the time of the initial recognition. After the initial recognition, they are measured at amortized cost based on the effective interest method. However, trade receivables which do not include significant financial factors are measured at their transaction prices.

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

Financial assets which meet both of the following conditions are classified as financial assets measured at fair value through other comprehensive income:

- Assets are managed within a business model whose objective is both to collect contractual cash flows and to sell the said assets.
- Contract terms of financial assets stipulate that cash flows which consist only of payments of principal and interest for the

principal balance shall be generated on specific dates.

Debt instruments measured at fair value through other comprehensive income are measured by adding transaction costs which are directly attributable to the acquisition of the said assets to their fair values at the time of the initial recognition. After the initial recognition, they are measured at fair value and subsequent changes in value are recognized as other comprehensive income. When value recognized as other comprehensive income is derecognized, the cumulative value is reclassified to profit or loss. However, Debt instruments measured at fair value through other comprehensive income do not exist in the reported fiscal year.

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

Some financial assets are decided to be measured at fair value through profit or loss as they are not classified as financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income. They include investments in equity instruments that are not held for trading. It is permitted to make an irrevocable election to present in other comprehensive income the subsequent changes in the fair value of an investment in an equity instrument that is not held for trading when the said investment is initially recognized. NTT DATA Group designates each financial instrument accordingly.

Equity instruments measured at fair value through other comprehensive income are measured by adding transaction costs which are directly attributable to the acquisition of the said assets to their fair values at the time of the initial recognition. After the initial recognition, they are measured at fair value and subsequent changes in value are recognized as other comprehensive income. When value recognized as other comprehensive income is derecognized, the cumulative value is reclassified to retained earnings and not profit or loss. With respect to dividends, they are recognized in profit or loss.

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

Financial assets other than the above are classified as financial assets measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are measured at fair value at the time of the initial recognition and transaction costs which are directly attributable to the acquisition of the said assets are recognized in profit or loss when they occur. After the initial recognition, they are measured at fair value and subsequent changes in value are recognized in profit or loss.

“Financial assets at FVTPL – Net changes in fair value” includes changes in fair value, received interest, received dividends and foreign exchange gains or losses.

(2) Impairment of financial assets

Based on the expected credit loss, NTT DATA Group examines the impairment of financial assets which are measured at amortized cost, financial assets measured at fair value through other comprehensive income (except equity instruments), and contract assets.

When recognizing and measuring expected credit loss, the company uses information on the past events, the current situation, and the future economic forecast that is available and reasonable and can be corroborated as of the day of report. NTT DATA Group examines the availability of objective evidence concerning the existence of impairment through individual assessment in individually significant cases and collective assessment in the other case since the credit characteristics are the same, and objective evidence that shows impairment of the financial asset concerned includes the debtor's payment default or delinquency and indications that the debtor or the issuer may go bankrupt among others.

If credit risk of a financial instrument at the end of the term has not significantly grown from the initial recognition, the amount of provision for loss is calculated based on the expected credit loss (12-month expected credit loss) resulting from default in payment that could arise during the 12 month period after the day of report. On the other hand if credit risk of a financial instrument at the end of the term has significantly grown from the initial recognition, the amount of provision for loss is calculated based on the expected all credit loss (expected credit loss of the entire period) resulting from default in payment that could arise during the said financial instrument's expected period of existence. Despite the above, the amount of provision for loss is always calculated based on the expected credit loss of the entire period with regard to trade receivables not including significant financial factors, other receivables (lease receivables), and contract assets. There are no trade receivables and others with a significant financial component.

In principle, NTT DATA Group decides that credit risk of a financial asset has significantly grown from the time of initial recognition if payment is 30 days behind the due date as stipulated in contract and decides that default in payment has occurred if payment is 90 days overdue. If default in payment is the case or there is evidence of impairment including significant financial

difficulties of issuers and debtors, we recognize credit impairment. If a financial asset is reasonably decided to be irrecoverable no matter what recovery measures are taken, we directly write off the carrying amount of the financial asset concerned.

(3) Financial liabilities

Financial liabilities are divided into those measured at fair value through profit or loss upon initial recognition and those measured at amortized cost. In NTT DATA Group, financial liabilities measured at amortized cost are initially recognized on the day of issuance and other financial liabilities are initially recognized on the day of transaction.

NTT DATA Group derecognizes financial liabilities when they are extinguished, i.e., when obligations specified under a contract are discharged, cancelled or expired.

Financial liabilities measured at amortized cost

Non-derivative financial liabilities are classified as financial liabilities measured at amortized cost. Financial liabilities measured at amortized cost are measured by subtracting transaction costs which are directly attributable to the issuance of the said liabilities from their fair values when they are initially recognized. After the initial recognition, they are measured at amortized cost based on the effective interest method.

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 when they are initially recognized. After the initial recognition, they are measured at fair value and subsequent changes in value are recognized in profit or loss. There were no non-derivative financial liabilities measured at fair value through profit or loss in this fiscal year.

(4) Derivatives and hedge accounting

NTT DATA Group uses derivatives and non-derivatives such as foreign currency deposits and others primarily for hedging foreign exchange risk and interest rate risk. NTT DATA Group shall not conduct derivative transactions for purposes other than hedging risk except in cases individually approved pursuant to the business objectives.

When initiating a hedge, NTT DATA Group formally designates and documents the hedging relationship and initiation of such hedge based on its risk management policy. Such documentation includes the hedging instrument, the hedged item, methods of assessing the hedging instrument's effectiveness, analysis of causes of ineffective portions, and methods of determining the hedge ratio among others.

After designating a hedge, NTT DATA Group assesses on an ongoing basis for the effectiveness of such hedging relationship for the future. Specifically, NTT DATA Group decides that a hedge is effective if all of the following items are applicable:

- There is an economic relationship between a hedged item and a hedging instrument.
- The impact of credit risk does not overwhelm the change in value resulting from the said economic relationship.
- The hedge ratio is the same as the ratio resulting from the volume of the actual hedged item and the hedge instrument.

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

Cash flow hedges

With regard to hedges which meet the requirements concerning hedge accounting, effective portions of the change in fair value of derivatives which are hedge instruments are recognized as other comprehensive income and accumulate in other components of equity. Amounts accumulated in components of other equity are transferred to net income when the hedged transaction affects net income, but are included in the measurement of the purchase price of the hedged non-financial asset if the hedged item is a forecasted transaction. Changes in foreign exchange forward contracts are accumulated in other components of equity as hedging costs.

Derivatives not designated as hedging instruments

The changes in fair value of such derivatives are recognized in profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in the bank that may be withdrawn at any time, and short-term investments with maturity of three months or less from the acquisition date that are readily convertible into cash and subject to only minor price fluctuation risk.

(6) Inventories

Inventories comprise products, work in process and stores and are measured at the lower of acquisition cost and net realizable value. Work in process is principally based on the cost of goods purchased concerning equipment sales, etc. and the specific identification method is adopted. Costs of products and stores are calculated mainly based on the first-in-first-out method.

Net realizable value is the estimated selling price in the ordinary course of business less estimated cost to completion and estimated selling expenses.

(7) Property, plant and equipment

Based on the cost model, property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses. The costs of property, plant and equipment include costs directly attributable to the acquisition of such assets, costs relating to scrap, removal/retirement, and restoration, and borrowing costs to be recognized as assets.

As for depreciation costs, amounts that can be depreciated are calculated under the straight-line method over the estimated useful life of each component. Amounts that can be depreciated are obtained by subtracting residual values from the assets' acquisition costs. Land or construction in progress is not depreciated.

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

Data communication facilities	3 - 8 years
Buildings and structures	10 - 60 years
Machinery, equipment and vehicles	4 - 15 years
Furniture, fixtures and tools	4 - 15 years

The depreciation methods, estimated useful lives and residual values of assets are reviewed at every reporting date and adjusted prospectively as a change in an accounting estimate when there is a change.

(8) Goodwill and intangible assets

(a) Goodwill

Goodwill generated from acquisition of subsidiaries is measured at cost less any accumulated impairment losses. Goodwill is not amortized but tested for impairment whenever there is an indication that a cash-generating unit may be impaired and at a certain time of each reporting period regardless of whether there is an indication of such impairment.

(b) Research and development expenses

Expenses concerning research activities are recognized in profit or loss when they occur. With regard to expenses concerning development activities, those which meet all requirements for being recognized as assets are measured at a total amount of expenses incurred during the period from the day when such expenses met requirements for being recognized as assets to the completion of development, and presented in the consolidated statements of financial position. NTT DATA Group primarily develops system operation software and computer software.

(c) Other intangible assets

Based on the cost model, intangible assets are recorded at cost less any accumulated depreciation and accumulated impairment losses.

At initial recognition, intangible assets acquired individually are measured at cost. Intangible assets acquired from business combinations are recognized separately from goodwill at initial recognition and measured at fair value at the date of acquisition.

Major intangible assets for which expected useful lives may be determined include software for communication services based on contracts with specific clients to provide NTT DATA Group's services and computer software for internal use. Depreciation costs for software for data communication services are calculated under the straight-line method over the period of fee payment based on contracts with clients whereas in-house computer software is depreciated under the same method over the estimated period of useful life.

Useful lives of each intangible asset is as follows;

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

The depreciation methods, estimated useful lives and residual values of assets are reviewed at every reporting date and adjusted prospectively as a change in an accounting estimate when there is a change.

(9) Lease

NTT DATA Group determines whether a contract is of a lease, or contains a lease, based on the substance of the contract start

date.

(a) Lease as a 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 basis over the lease term.

(b) Lease as a 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

An investment property is a property held either to earn rental income or for capital appreciation or for both. An investment property does not include a property held for sale in the ordinary course of business or property used for the production or supply of goods or service or for other administrative purposes.

NTT DATA Group initially recognizes investment property at cost and then applies the cost model, in which investment property is measured at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation of an investment property is computed under the straight-line method over the applicable estimated useful life. The estimated useful lives are between 10 years and 60 years. The depreciation methods, estimated useful lives and residual values are reviewed at every reporting date.

(11) Impairment

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

NTT DATA Group assesses at the end of each reporting period whether there is any indication of impairment in property, plant and equipment, intangible assets, or investment property. If any such indication exists, the recoverable amount is estimated. Intangible assets with indefinite useful lives and intangible assets which are yet to be available for use are tested for impairment whenever there is an indication of impairment and at a certain time of each reporting period regardless of whether there is an indication of such impairment. If the recoverable amount of an asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. A cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of other assets or groups of assets. In NTT DATA Group, a cash-generating unit is usually a group of assets which function with each other in an integrated manner as a system.

A recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or a cash-generating unit is less than the carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized in profit or loss.

At the end of a reporting period, NTT DATA Group determines whether there is an indication of decrease or non-existence of impairment losses of assets except goodwill which were recognized in prior fiscal years. If there is an indication of a reversal of an impairment loss, a recoverable amount of the asset or the cash-generating unit concerned is estimated. If the recoverable amount exceeds the carrying amount of the asset or the cash-generating unit concerned, the impairment loss is reversed up to the lower of its recoverable amount and the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior fiscal years.

(b) Impairment of goodwill

Goodwill is allocated to a cash-generating unit or group of cash-generating units that is expected to benefit from the synergies of the business combination and NTT DATA Group performs an impairment test whenever there is an indication of impairment of such a cash-generating unit and at a certain time of each reporting period regardless of whether there is an indication of such impairment. NTT DATA Group assesses whether there is an indication that goodwill may be impaired at the end of every fiscal year. If the recoverable amount of a cash-generating unit falls below its carrying amount in an impairment test, the difference is reduced from the carrying amount of goodwill allocated to the cash-generating unit or group of cash-generating units and then from the carrying amounts of each assets according to the proportional ratio of the carrying amount of other assets in the cash-generating unit or group of cash-generating units.

An impairment loss for goodwill is recognized in profit or loss and is not reversed in a subsequent period.

(12) Allowances

Allowances are recognized when NTT DATA Group has a present obligation (legal or constructive) as a result of a past event, and is probable that it will be required to settle the obligation, and at the same time a reliable estimate can be made of the amount of the obligation.

In measuring an allowance, the estimated future cash flows which take into account the risks and uncertainties concerning the obligation at the end of a fiscal year are discounted to their present value using an interest rate that reflects the time value of money and the risks specific to the liability

NTT DATA Group recognize allowances, primarily for allowance for contract losses.

Allowance for contract losses

An estimated amount of loss related to a contract of an order as of the end of a fiscal year is calculated separately and recognized as an allowance for contract losses in order to prepare for future loss related to the contract of order.

(13) Revenues

With regard to transactions covered by IFRS 15 “Revenue from Contracts with Customers” (hereinafter 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 obligations 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).

Since the consideration for the transaction is received primarily within one year of satisfying the performance obligation, we have used practical expedients and have not adjusted for significant financial factors.

Recognition standards for each important revenue category are as follows:

(a) Consulting

In the case of transactions that involve the 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 the installation.

In the cases of transactions that do not involve the transfer of deliverables, since goods or services are transferred as a result of

clients using the services that the NTT DATA Group provides, revenues are recognized when clients have used the services.

(b) Integrated IT solutions

The NTT DATA Group makes capital investments according to the orders from clients and owns the facilities as assets. Since goods or services are transferred as a result of clients using the same services that the NTT DATA Group provides every month, revenues are recognized according to the contract period mainly at a fixed amount.

(c) System software development

Since control over developed assets is transferred to clients according to the progress of the system software development, revenues are recognized over the course of the installation period depending on the progress of the installation.

(d) Maintenance support

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.

(14) Employee benefits

(a) Defined contribution plans

Contributions already paid under the defined contribution plans are recognized as expenses in the period in which the employees provided services and contributions to be paid in future are recognized as liabilities.

(b) Defined benefit plans

The liability recognized relating to defined benefit plans (defined benefit liability) is the present value of the defined benefit plan obligation at the end of a reporting period less the fair value of plan assets.

The defined benefit plan obligation is calculated by independent actuaries using the projected unit credit method. Expenses for defined benefit comprise service cost, net interest on the net defined benefit liability (asset) and remeasurements of the net defined benefit liability (asset). Service cost and net interest are recognized in profit or loss and net interest is calculated by multiplying the net defined benefit liability (asset) at the beginning of a reporting period by the discount rate used for measuring the defined benefit plan obligation at the beginning of the same period.

Remeasurements of the net defined benefit liability (asset) are recognized in other components of equity and when they are incurred, they are reclassified directly from other components of equity to retained earnings without going through profit or loss.

(c) Short-term employee benefits

Short-term employee benefits are not discounted. Instead, they are recognized as expenses at the time related services are provided.

With regard to bonuses and paid leave expenses, NTT DATA Group has contractual obligations to pay them, and recognizes the amount estimated to be paid based on the systems concerned are recognized as liabilities.

(Notes to accounting estimates)

NTT DATA has posted the amounts of accounting estimates to the current consolidated financial statements for the fiscal year under review, of which the following may have a material impact on the consolidated financial statements for the next fiscal year.

1. Valuation of non-financial assets

NTT DATA has posted 332,225 million yen for property, plant and equipment, 151,794 million yen for right-of-use assets, 493,769 million yen for goodwill, 506,705 million yen for intangible assets, and 29,423 million yen for investment property to the Consolidated Statement of Financial Position for the current consolidated fiscal year.

The impairment test uses the higher of value in use and fair value less cost of disposal to calculate the recoverable amount. Some impairment tests use fair value less cost of disposal, as the recoverable amount, for which both the discounted cash flow method and the comparable multiple valuation method are used as a valuation method. The discounted cash flow method is based on the future plan approved by management to estimate the future cash flow, which is discounted by the weighted average cost of capital. This calculation assumes the perpetual growth rate, the weighted average cost of capital, and other factors. If such assumptions change, impairment loss may be incurred.

2. Evaluation of total cost estimates related to the allowance for contract losses

An allowance for contract losses of 2,470 million yen (after offsetting against inventories) was recorded in the consolidated statement of financial position for the fiscal year ended March 31, 2022.

The total cost estimate related to the allowance for contract losses is highly individualized in terms of development due to the novelty of the customer or technology, and includes assumptions about the scale of development, productivity, development man-hours, and outsourcing monies, etc. If these assumptions change, the amount of the provision may be revised.

3. Deferred tax assets

Deferred tax assets of 123,268 million yen were recorded in the consolidated statement of financial position for the fiscal year ended March 31, 2022.

Deferred tax assets are recognized for temporary differences, net operating loss carryforwards, and tax credit carryforwards to the extent that it is probable that they will be recovered through future taxable income. However, the amount of deferred tax assets considered to be recoverable may change due to changes in assumptions about future taxable income.

4. Liabilities related to retirement benefits

In the consolidated statement of financial position for the fiscal year ended March 31, 2022, liabilities for retirement benefits of 193,170 million yen were recorded.

The liability for retirement benefits is calculated by deducting the fair value of plan assets from the present value of the defined benefit plan obligation at the end of the fiscal year. The measurement of the defined benefit plan obligation involves assumptions such as the discount rate, and the amount of the liability for retirement benefits may fluctuate due to changes in these assumptions.

(Notes Related to the Consolidated Statement of Financial Position)

1. Breakdown of inventories

Merchandise and manufactured goods	3,236 million yen
Work in process	19,096 million yen
Raw materials and supplies	3,096 million yen

2. Assets offered as security and liabilities related to security

(1) Assets offered as security

Cash and deposits	52 million yen
Accounts receivable	946 million yen
Buildings and structures	4,646 million yen
Machinery, equipment, and vehicles	478 million yen
Furniture, fixtures, and tools	264 million yen
Land	27 million yen
Investment property	4,911 million yen
Stock	270 million yen
Investments and other assets (long-term loan receivables)	690 million yen

(2) Secured liabilities

Corporate bonds (including those redeemable within one year)	100 million yen
Long-term loans (including long-term loans due within one year)	1,375 million yen

3. Accumulated depreciation of tangible fixed assets 672,304 million yen

4. In inventories related to construction contracts for which potential losses are expected, the amount is presented by offsetting with the corresponding allowance for contract losses, 1,749 million yen (all of them are an allowance for contract losses related to work in process).

(Notes related to Consolidated Statement of Income)

1. Transfer to allowance for contract losses included in cost of sales	3,823 million yen
2. Principal categories and amounts of selling and general administrative expenses	
Employees' salary and allowance	207,582 million yen
Retirement benefit expenses	10,247 million yen
Subcontractor expenses	73,867 million yen
Research and development expenses	19,707 million yen

(Notes related to Consolidated Statement of Changes in Equity)

1. Class and number of shares outstanding at the consolidated fiscal year-end

Common stock	1,402,500,000 shares
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2. Class and number of treasury stock at the consolidated fiscal year-end

Common stock	1,149 shares
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(Note) The above does not include the 115,200 shares of the Company's stock held by the trust for the performance-based stock compensation plan.

3. Dividends

(1) Dividends paid

Approval	Classes of Shares	Total Amount of Dividends (million yen)	Dividend per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders on June 17, 2021	Common stock	12,622	9.0	March 31, 2021	June 18, 2021
Board of Directors' Meeting on November 9, 2021	Common stock	13,324	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 from the Company's shares held by the trust for the performance-based stock compensation plan.

(2) Dividends whose record date is within the consolidated fiscal year ended March 31, 2022, but to be effective in the following consolidated fiscal year

Approval	Classes of Share	Dividend Source	Total Amount of Dividends (million yen)	Dividend per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders on June 16, 2022	Common stock	Retained earnings	16,129	11.5	March 31, 2022	June 17, 2022

(Note) Dividend per share includes the special dividend of 2.0 yen.

(Notes related to Financial Instruments)

1. Matters related to the status of financial instruments

(1) Financial risks

NTT DATA Group is exposed to various financial risks (exchange risk, price risk, interest rate risk, credit risk, and liquidity 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 risks

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

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

The counterparty to the derivative transactions is a financial institution with a high credit rating, and the Company considers that there is little risk (credit risk) of the counterparty's default.

We strive to prevent or reduce credit risk through the above risk management procedures and do not have credit risk exposures that are excessively concentrated.

(3) Liquidity risks

Liquidity risks refer to risks of NTT DATA Group facing difficulties in fulfilling obligations relating to financial liabilities to be settled with cash or other financial assets by NTT DATA Group. In raising funds to support its business activities, NTT DATA Group is committed to achieving a goal of securing funds at low cost in a stable manner.

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

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

(4) Market risks

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

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

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

(a) 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 contracts. NTT DATA Group considers that these transactions effectively offset the impact of exchange fluctuations. Main hedged currencies are US dollars and Euros.

(b) 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.

(c) 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 affiliated companies at the end of the fiscal year under review. 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.

2. Matters related to fair values of financial assets and financial liabilities

Carrying amounts and fair values of major financial instruments at the end of the fiscal year under review are as follows. Other financial instruments are not included in the table as their carrying amounts are largely equivalent to their fair values..

Assets and liabilities not measured at fair value on a recurring basis

(Unit: million yen)

	End of the current consolidated fiscal year (March 31, 2022)	
	Carrying amount	Fair value
Long-term loans (incl. those to be repaid within a year)	431,027	433,155
Bonds (incl. those to be redeemed within a year)	50,098	50,342

Fair value is defined as “a price that is assumed to be paid to transfer a price that is assumed to be received for selling an asset or 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 described below:

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

Assets and liabilities measured ordinarily at fair value

(Unit: ¥ million)

	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.

The reconciliation of Level 3 assets and liabilities measured ordinarily at fair value for the current consolidated fiscal year is as follows:

Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)

(Unit: ¥ million)

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 instruments measured at fair value through other comprehensive income at the end of the reporting period.
2. There are no significant reclassifications in the current consolidated fiscal year.

Measurement method of fair values

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

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

Mainly because the payments are made over a short term, carrying amounts are largely equivalent to their fair values.

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

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

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

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

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

Fair values of long-term loan (including those to be repaid within a year) and bonds (including those to be redeemed 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 is classified as Level 2.

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

Derivatives are interest rate 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.

(Business combination)

Nexient, LLC

(a) Outline of the business combination

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

Name of the acquired company	Nexient, LLC
Main business	Application development, etc.
Main reason for the business combination	The acquisition will provide NTT DATA with human resources who can deal with cloud-native applications and agile development and allow us to acquire recruiting/training processes, which will help strengthen our competitiveness in this field. Also, NTT DATA will be able to offer solutions better suited to client needs by combining Nexient’s delivery model of U.S. resource and NTT DATA’s global delivery network through the business combination.
Date of acquisition	June 23, 2021
Method adopted by the acquiring company to take control of the acquired company	Acquisition of equity interest in exchange for cash payment
Percentage of the voting rights acquired	100%

(b) Consideration for the transfer

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

	(Unit: ¥ million)
	Date of acquisition
	(June 23, 2021)
Cash	45,654
Total consideration for the transfer	45,654

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

(c) Amount and items of acquisition-related costs

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

	(Unit: ¥ million)
Item	Amount
Advisory expenses	2
Legal expenses	170
Other	135
Total acquisition-related costs	307

Note: The expenses are included and processed in the “Selling, general, and administrative expenses” on the consolidated statement of income.

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

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

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

Since identifiable assets and liabilities are now under evaluation and the acquisition cost allocation is not completed, the value of goodwill and assets which were recorded at the end of the fiscal year ended March, 2022, is provisional based on the estimation with currently accessible information.

Note 1: They are all trade receivable, out of which nothing significant is estimated as unrecoverable.

Note 2: Identifiable assets of 5,813 million yen are included.

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

(e) Impact on the NTT DATA Group's performance

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

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

The pro forma information indicates the estimated amounts that have not been audited.

(Notes related to investment property)

1. Matters related to investment property

Increase/decrease in costs, accumulated depreciation and accumulated impairment losses, carrying amounts and fair values of investment property in the current consolidated fiscal year are as follows:

(1) Costs

	(Unit: ¥ million)
	Current consolidated fiscal year (April 1, 2021, to March 31, 2022)
Balance at beginning of year	49,529
Acquisitions	5,410
Disposals	(306)
Reclassification	408
Exchange translation differences for foreign operations	42
Other changes	(31)
Balance at end of year	55,052

(2) Accumulated depreciation and accumulated impairment losses

	(Unit: ¥ million)
	Current consolidated fiscal year (April 1, 2021, to March 31, 2022)
Balance at beginning of year	(22,705)
Depreciation expenses	(2,962)
Disposals	294
Reclassification	(259)
Exchange translation differences for foreign operations	(21)
Other changes	23
Balance at end of year	(25,630)

Note: Depreciation expenses are recognized in “Cost of sales” on the consolidated statement of income.

(3) Carrying amounts and fair values

Fair values of investment property are mainly calculated on the basis of market transaction prices, etc., which reflect transaction prices of similar assets based on assessment by an independent external appraiser.

	(Unit: ¥ million)
	End of the current consolidated fiscal year (March 31, 2022)
Carrying amount	29,423
Fair value	80,039

2. Earnings and expenses concerning investment property

Earnings concerning investment property and direct sales expenses incurred are included in “Net sales” and “Cost of sales” on the consolidated statement of income.

	(Unit: ¥ million)
	Current consolidated fiscal year (April 1, 2021, to March 31, 2022)
Rental income	3,785
Direct sales expenses for earning rental income	3,739

(Note to per-share information)

1. Equity attributable to shareholders of NTT DATA per share	906.22 yen
2. Net income per share	101.95 yen

Note: To calculate net income per share for the current fiscal year, 115,200 shares of the Company’s stock held by the trust for the performance-based stock compensation plan is included in the treasury shares that are deducted when calculating the average number of common shares during the reporting period.

(Notes for revenue recognition)

1. Details of goods and services

Consulting

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

In case of involving transfer of deliverables, as 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 the installation. As cost is deemed to arise in proportion to the degree of installation progress, we use the input method based on the cost incurred (cost-to-cost method) to measure the progress. Contract considerations are normally charged upon delivery and considerations for the services are collected mainly within 30 days from the next day of the invoice date.

In case of not involving transfer of deliverables, since goods or services are transferred as a result of clients using services that the NTT DATA Group provides, revenues are recognized when clients have used the services. Consideration is charged every month, according to results such as the number of days when services were provided to clients or with a fixed amount depending on the actual usage by clients and collected within 30 days from the next day of the invoice date.

Integrated IT solutions

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

In the order-based integrated IT solutions businesses, we provide services covering the full life cycle of clients' systems, from requirements definition to maintenance/operation. The NTT DATA Group makes capital investments according to orders from clients and owns the facilities as assets. Since goods or services are transferred as a result of clients using the same services that the NTT DATA Group provides every month, revenues are recognized according to the contract period mainly at a fixed amount.

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

In both order-based and plan-based businesses, contract considerations are normally charged mainly every month, according to results such as the number of days when services were provided to clients or with a fixed amount depending on the actual usage by clients and considerations for the services are collected within 30 days from the next day of the invoice date.

System software development

We are entrusted with plans, designs, development, etc., for clients' information systems and deliver them to the clients. Since control over developed assets is transferred to clients according to the progress of the system software development, revenues are recognized over the course of the installation period depending on the progress of the installation. As cost is deemed to arise in proportion to the degree of installation progress, we use the input method based on the cost incurred (cost-to-cost method) to measure the progress. Contract considerations are normally charged and collected upon delivery and considerations for the services are collected within 30 days from the next day of the invoice date.

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

Maintenance support

In the maintenance support business, we provide technical 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 the maintenance and operation. 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 charged every month, according to the results such as the number of days when the services were provided or with a fixed amount depending on the actual usage by clients and collected within 30 days from the next day of the invoice date.

*1. Application Management Outsourcing: Outsourcing service for operation and maintenance of client's 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 the clients' operations

Other services

Services such as leasing facilities other than information devices, mainly includes buildings, power, line equipment, and fee collection agent.

2. Breakdown of net sales

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

Almost all the net sales of the NTT DATA Group are 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.

Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)

(Unit: ¥ million)

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

Note: The amounts after deducting internal transactions among group companies are shown.

3. Contract balance

The NTT DATA Group records contract assets for consideration for system development services in progress, etc. The contract assets are reclassified to trade receivables as soon as the right to payment becomes unconditional. The Group also records contract liabilities for considerations received in advance from clients. Contract liabilities cease to be recognized when goods or services for considerations received in advance are transferred to clients.

The balance of contract assets and liabilities are as follows:

	(Unit: ¥ million)
	As of the end of the current consolidated fiscal year (March 31, 2022)
Contract assets	105,477
Contract liabilities	283,854
Of recognized revenues, those that were included in the balance of contract liabilities as of the beginning of the year	114,182

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

4. Transaction price allocated to the unsatisfied performance obligation

Revenues expected to be recognized in the future related to the unsatisfied (or partially unsatisfied) performance obligations as of March 31, 2022 are as follows. The 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 one year. There are no considerations for contracts with clients that are not included in transaction prices.

(Unit: ¥ million)

	As of the end of the current consolidated fiscal year (March 31, 2022)
Within 1 year	1,407,934
Over 1 year and within 2 years	593,877
Over 2 years and within 3 years	319,528
Over 3 years	539,262
Total	2,860,601

5. Contract costs

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

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

(Notes for Significant subsequent events)

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

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

Further, prior to the Overseas Business Split and the Additional Share Acquisition, NTT, Inc. is scheduled to perform a 49-for-1 share split of NTT, Inc. shares of common stock (the "Share Split") and to distribute all of 760,000,000 shares of common stock of the Company held by NTT, Inc. (54.2% of the total number of voting rights as of September 30, 2021) in kind to NTT (the "Distribution in Kind") effective as of October 1, 2022, pursuant to the Master Agreement.

As a result of the Distribution in Kind, NTT, Inc. will no longer be the parent company and the largest and major shareholder of the Company, and NTT will become the new largest and major shareholder of the Company. Additionally, as a result of the Overseas Business Split, each of NTT, Inc. and its subsidiaries will newly become a subsidiary of the Company as described above. By

the effective date of the Overseas Business Split (October 1, 2022), NTT DATA and NTT plan to discuss the trade name of NTT, Inc.

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

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

1. Background

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

There are also growing expectations for a data-driven society through securely collecting and analyzing information acquired from goods and human behavior.

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

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

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

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

2. Objective and Aim

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

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

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

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

In the medium- to long-term, we will work to create new social platforms and innovate services that transcend corporate and industry boundaries through the provision of comprehensive managed services, including from Edge to Cloud, which integrate IT and Connectivity to connect all things securely, while also developing innovative services globally that utilize NTT's IOWN technology, aiming to become a company that can create sustainable future mechanisms.

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

3. Specific Efforts and Group Structure after Overseas Business Integration

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

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

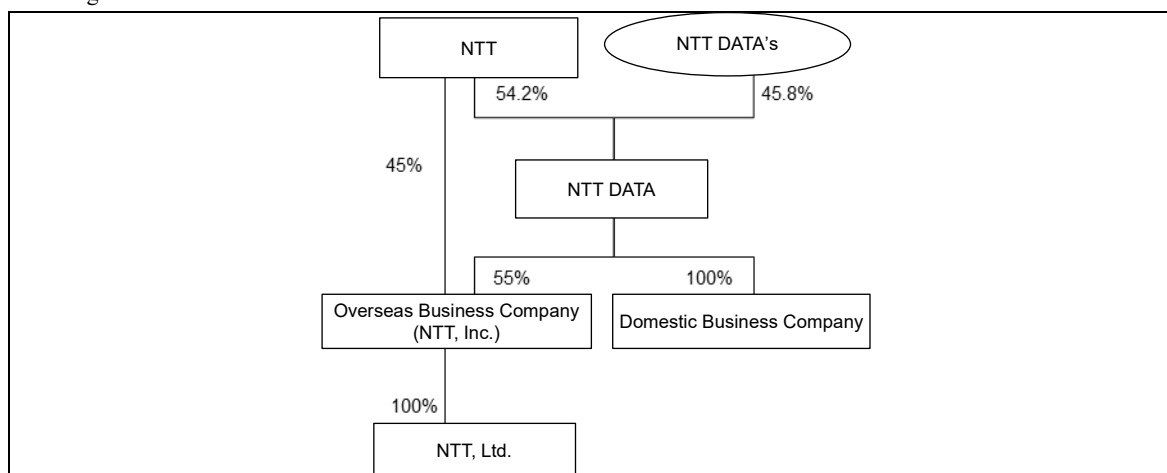
In July 2023, we plan to shift to a business operation structure in which domestic and overseas business companies will be placed under NTT DATA as a holding company, through the Domestic Business Split.

With regard to the domestic business, the scale of the business exceeds 1.5 trillion yen due to steady business growth, and since we have a large number of customers, we will promote autonomous business operations centered on the domestic business companies. With the new business operation structure, we will further strengthen governance through quick decision-making in response to changes in the external environment and local markets, increased mobility, flexible system design, etc. The holding company will specialize in the formulation and execution of growth strategies from the perspective of overall group optimization, business management, etc., so that it can strive to enhance the corporate value of the entire group.

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

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

<Reference Diagram>



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

4. Summary of Overseas Business Split

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

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

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

(2) Method of Overseas Business Split

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

(3) Terms of the Allotment under Overseas Business Split

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

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

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

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

(5) Capital Change due to Overseas Business Split

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

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

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

(7) Prospect of Fulfillment of Debts

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

5. Outline of Business Subject to Split

Business Divisions Subject to Split

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

Data group.

6. Outline of Accounting Process

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

7. Future Outlook

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

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

1. Background of Change

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

2. Planned Date of Change

October 1, 2022 (scheduled)

III. Change in Subsidiaries

1. Background of the Change

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

2. Outline of Changing Subsidiaries

Business Description of the Changing Subsidiary

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

3. Schedule

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

IV. Transition to Holding Company Structure

1. Purpose and Effect of Transition to Holding Company Structure

As detailed in "1. Background" and "2. Objective and Aim" of "I. Execution of Master Agreement and Shareholders Agreement Regarding Overseas Business Integration, and Overseas Business Split" above, the Overseas Business Integration is being carried out against a backdrop of accelerating initiatives toward global digital transformation and complicated and diverse customer needs. In keeping with that, the Company is seeking to reconstruct the group management system, and has deemed it essential to further

strengthen governance by making quick decisions that respond to changes in the external environment and regional markets, improving mobility, and designing flexible systems. As a result, the Company will perform the Transition to Holding Company Structure.

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

2. Summary of Transition to Holding Company Structure

(1) Schedule for Domestic Business Split

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

(2) Method of Domestic Business Split

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

(Additional information)

(Corporate income tax)

On May 28, 2021, NTT DATA received a notice of correction for income tax, etc., for the year ended March 31, 2019 from the Tokyo Regional Taxation Bureau.

The notice of correction is about the timing of recognizing profits under tax law. Since there is a distinct difference between NTT DATA's view and the bureau's claim, we filed an application for review of the disposition with the National Tax Tribunal under expert advice in the current consolidated fiscal year. NTT DATA paid additional taxes of 19,129 million yen (including incidental and consumption taxes) based on the notice of correction in the current fiscal year, submitted an amended declaration reflecting the correction for the year ended March 31, 2020, and paid 23,358 million yen in tax (including incidental tax and consumption tax). Since NTT DATA assumes that our view should be approved on legitimate grounds, NTT DATA recorded that the tax amount for the already reported sales was deducted from the amount of the payment in the "Other current assets" of the consolidated statement of the financial position at the end of the current consolidated fiscal year.

Non-Consolidated Statements of Shareholders' Equity 34th FY (from April 1, 2021 to March 31, 2022)

(Unit: ¥ million)

	Net assets										
	Shareholders' equity							Shareholders' equity			Total
	Capital stock	Capital surplus	Retained earnings			Treasury shares	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedge	Total	
		Legal capital surplus	Legal retained earnings	Other retained earnings	Total						
Balance at beginning of current period	142,520	139,300	2,288	715,224	717,512	(1)	999,331	108,789	5	108,795	1,108,125
Changes of items during period											
Dividends of surplus(Note 1)	—	—	—	(12,622)	(12,622)	—	(12,622)	—	—	—	(12,622)
Dividends of surplus(Note 2)	—	—	—	(13,324)	(13,324)	—	(13,324)	—	—	—	(13,324)
Net income	—	—	—	152,051	152,051	—	152,051	—	—	—	152,051
Acquisition of treasury stock	—	—	—	—	—	(204)	(204)	—	—	—	(204)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	(69,640)	(165)	(69,806)	(69,806)
Total changes of items during period	—	—	—	126,105	126,105	(204)	125,901	(69,640)	(165)	(69,806)	56,095
Balance at end of current period	142,520	139,300	2,288	841,329	843,616	(205)	1,125,231	39,149	(160)	38,989	1,164,220

Breakdown of Other Retained Earnings

	Other retained earnings			
	Reserve for reduction entry	General reserve	Retained earnings brought forward	Total
Balance at beginning of current period	83	288,000	427,141	715,224
Changes of items during period				
Dividends of surplus(Note1)	—	—	(12,622)	(12,622)
Dividends of surplus(Note2)	—	—	(13,324)	(13,324)
Reversal of reserve for reduction entry	(17)	—	17	—
Net income	—	—	152,051	152,051
Total changes of items during period	(17)	—	126,121	126,105
Balance at end of current period	66	288,000	553,262	841,329

Notes:

1. This is the item of appropriation of retained earnings resolved at the ordinary general meeting of shareholders held in June 17, 2021.
2. This is the item resolved at the meeting of the Board of Directors held in November 9, 2021.
3. Amounts less than one million yen are rounded off.

Notes to Non-Consolidated Financial Statements

(Matters related to important accounting policy)

1. Basis and method of valuation of securities

Held-to-maturity debt bonds: Amortized cost method is used.

Shares of subsidiaries and affiliates: The cost method based on the moving average method is used.

Other securities:

(1) Securities other than shares that do not have a market value:

The fair value method based on the fair market value, etc. at the end of the fiscal year is used (valuation difference is recognized directly as net assets in full and the cost of securities sold is computed using the moving average method).

(2) Shares that do not have a market value:

The cost method based on the moving average method is used.

2. Basis and method of valuation of inventories

Work in process: At cost based on the specific identification method (the balance sheet amount is calculated at the lowered book values reflecting a potential decline).

Stores: At cost based on the first-in-first-out method (the balance sheet amount is calculated at the lowered book values reflecting a potential decline).

3. Method of depreciation of fixed assets

(1) Property, plant and equipment (excluding lease assets)

The straight-line method is applied.

(2) Intangible fixed assets (excluding lease assets)

The straight-line method is applied for intangible fixed assets (excluding software).

The depreciation methods for software are as follows:

(a) Marketable software:

Comparing the depreciated amount based on the estimated sales revenue over estimated sales period (within three years) and an equal distribution amount based on the length of the remaining period available for sale, the larger one is presented.

(b) Software for internal use:

Depreciated using the straight-line method based on its estimated usable period in the Company (within five years).

However, among software for service provision purposes, for data communication service software based on a contract with specific customers, the equal installment method is used over the contracted fee payment period.

(3) Lease assets

(a) Tangible lease assets

For the lease assets related to finance lease transactions without the transfer of ownership, mainly the straight-line method of computing depreciation costs assuming the lease term is its useful life and the residual value of 0 is applied.

(b) Intangible lease assets

The straight-line method is used.

4. Valuation basis for superior allowances

(1) Allowance for doubtful receivables

In order to provide for possible losses due to the uncollectibility of general account receivables, such an allowance is calculated based on historical collection losses. There is an allowance for specific account receivables such as doubtful accounts receivables, a case-by-case review for collectability is conducted and an estimation of the uncollectible amount is booked.

(2) Allowance for contract losses

In order to provide for possible future losses related to contracts of orders on hand at the end of the current fiscal year, those with a high probability of generating losses and where it is possible to reasonably estimate the amount of such losses, the estimated amount of losses to be incurred in the future is provided as an allowance for contract losses and presented by offsetting with corresponding work in process.

(3) Allowance for retirement benefits

The Company books the necessary amount for a year-end payment based on the estimated amount of retirement benefit obligations and the pension assets at the end of the current fiscal year to appropriate the payment for retirement benefit for our employees.

(a) Period allocation of projected retirement benefits to be incurred

In calculating the retirement benefit obligations, a method based on the benefit formula is used to allocate the projected retirement benefits to the years of service up to the end of the current fiscal year under review.

(b) The recognition method for actuarial differences, and prior service cost

The actuarial gains and losses are recognized in the expenses of the proportionally divided amount calculated by the straight-line method over a period of the average remaining service years of employees at the time of recognition of each fiscal year, commencing with the year following their fiscal year.

The prior service cost is recognized in expenses by the straight-line method over the average remaining service years of employees at the time of recognition.

5. Valuation basis for superior revenues and expenses

The NTT DATA Group recognizes revenue as the amount which reflects the consideration to which the NTT DATA Group expects to be entitled in exchange for the 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, the NTT DATA determines at the start of the contract whether the performance obligation is to be satisfied over a certain period of time and performance obligations that are not to be satisfied over a certain period of time are considered as those to be satisfied at a point in time.

Performance obligations to be satisfied over a certain period of 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 a 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 the value of the 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, the practical expedient is applied and important financial elements are not adjusted.

Recognition standards for each important revenue category are as follows:

(a) Consulting

As 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 the installation. In case of not involving transfer of deliverables, since goods or services are transferred as a result of clients using services that the NTT DATA Group provides, revenues are

recognized when clients have used the services.

(b) Integrated IT Solutions

The NTT DATA makes capital investments according to orders from clients and owns the facilities as assets. Since goods or services are transferred as a result of clients using the same services that the NTT DATA Group provides every month, revenues are recognized according to the contract period mainly at a fixed amount.

(c) System software development

Since control over developed assets is transferred to clients according to the progress of the system software development, revenues are recognized over the course of the installation period depending on the progress of the installation.

(d) Maintenance support

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

6. Method of hedge accounting

Deferred hedge accounting is applied.

However, with regard to foreign currency monetary receivables and payables with forward exchange contracts, designated hedge accounting ("furiate-shori") is applied.

Also among the interest-rate swap transactions, for the transactions which meet the requirements for exceptional accounting ("tokurei-shori"), exceptional accounting is applied.

7. Accounting method related to retirement benefits

In the financial statements, unrecognized actuarial gains and losses and the unprocessed amount of unrecognized prior services cost in the balance sheet are processed differently from the consolidated financial statements. In the non-consolidated balance sheet, the amount for which unrecognized actuarial gains and losses and the unprocessed amount of unrecognized prior services cost is added or deducted from the retirement benefit obligations, and the amount of pension asset is deducted, is presented as the allowance for retirement benefit.

(Change in presentation method)**(Application of Accounting Standards for Revenue Recognition)**

From the beginning of this fiscal year, NTT DATA applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29; March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) and recognizes revenue at the amount which the NTT DATA expects to be entitled in exchange for goods or services when control over the goods or services has been transferred to the clients as promised.

The application of the Accounting Standard for Revenue Recognition, etc., is pursuant to the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The amount of the cumulative effect when revising the new accounting standard retrospectively from before the beginning of the current consolidated fiscal year is added to or subtracted from the retained earnings at the beginning of the current consolidated fiscal year before starting to apply the new accounting policy to the beginning-of-year balance.

Due to the adoption of the Accounting Standard for Revenue Recognition from the beginning of the current fiscal year, the items presented as “Accounts receivable” until the previous fiscal year were changed to “Accounts receivable” and “Contract assts” and “Advance received” until the previous fiscal year were changed to “Contract liabilities” from the current fiscal year.

This does not affect the retained earnings. Net sales decreased by 4,927 million yen and cost of sales decreased by 4,927 million yen for the current fiscal year.

(Application of Accounting Standard for Fair Value Measurement)

The NTT DATA applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019) from the beginning of the current fiscal year. This does not affect financial statements.

(Notes to Accounting Estimates)

The items for which an amount is recorded in the financial statements based on the accounting estimates for the current fiscal year and which could have a material impact on the consolidated financial statements for the following fiscal year are as follows:

1. Evaluation of the estimate of total cost related to the allowance for contract losses

In the balance sheet for the current fiscal year, an allowance for contract losses of 1,312 million yen (amount after offsetting against inventories) is recorded.

Other information that contributes to the understanding of the content of the estimates is the same as that described in the notes to the consolidated financial statements (Notes to accounting estimates) 2. Evaluation of the estimate of total cost related to allowance for contract losses.

2. Deferred tax assets

Deferred tax assets of 66,530 million yen are recorded in the balance sheet for the current fiscal year.

Other information that contributes to the understanding of the content of the estimates is the same as that described in the notes to the consolidated financial statements (Notes to accounting estimates) 3. Deferred Tax Assets.

3. Allowance for retirement benefits

An allowance for retirement benefits of 107,427 million yen was recorded in the balance sheet for the current fiscal year.

Other information that contributes to the understanding of the content of the estimates is the same as that described in the notes to the consolidated financial statements (Notes to accounting estimates) 4. Liabilities related to retirement benefits.

(Notes to the Balance Sheet)

1. Breakdown of inventories

Merchandise	2,143million yen
Work in process	14,500million yen
Supplies	808million yen

2. Assets offered as security and liabilities related to security

(1) Assets offered as security

Notes receivable and accounts receivable	17 million yen
Investment securities	270 million yen
Stocks of subsidiaries and affiliates	12 million yen
Other current assets, current assets (short-term loans receivable from subsidiaries and affiliates)	0 million yen
Long-term loans receivable	690 million yen
Long-term loans receivable from subsidiaries and affiliates	35 million yen

(2) Secured liabilities

Long-term borrowings of subsidiaries (including those repayable within one year)	806 million yen
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3. Accumulated depreciation of tangible fixed assets 451,581 million yen

4. Guarantee obligations

Performance warranties for system development/operation contracts	
NTT DATA Services, LLC	58,549 million yen
NTT DATA Payment Services Victoria Pty Ltd	15,450 million yen
NTT DATA Canada, Inc	52,923 million yen
NTT DATA Inc	14,850 million yen

5. Monetary claims/liabilities against affiliated companies (excluding those presented separately)

Short-term monetary claims	11,387 million yen
Short-term monetary liabilities	228,618 million yen
Long-term monetary liabilities	38,130 million yen

6. In inventories related to construction contracts for which potential losses are expected, the amount is presented by offsetting with the corresponding allowance for contract losses of 1,749 million yen (all of them are an allowance for contract losses related to work in process).

(Notes to the Income Statement)

1. Transactions with subsidiaries and affiliated companies

Net sales	22,353 million yen
Cost of sales, etc.	330,539 million yen
Selling, general and administrative expenses	52,233 million yen
Non-trade transactions	14,795 million yen

2. Transfer to allowance for contract losses included in cost of sales 2,881 million yen

3. Gain on sales of investment securities

The gain on sales of investment securities recorded in the “Extraordinary income” is mainly a gain on sales of shares that the NTT DATA had subscribed to the tender offer of treasury shares conducted by Recruit Holdings Co., Ltd..

4. Income taxes for prior fiscal years, etc.

On May 28, 2021, NTT DATA received a notice of correction for income tax, etc., for the year ended March 31, 2019 from the Tokyo Regional Taxation Bureau.

The notice of correction is about the timing of recognizing profits under tax law. Since there is a distinct difference between NTT DATA’s view and the bureau’s claim, we filed an application for review of the disposition with the National Tax Tribunal under expert advice in the current fiscal year. NTT DATA paid additional taxes of 19,129 million yen (including incidental tax and consumption tax) based on the notice of correction in the current fiscal year, submitted an amended declaration reflecting the correction for the year ended March 31, 2020, and paid 23,358 million yen in tax (including incidental tax and consumption tax). The amounts, excluding consumption tax, are recorded in the “Income taxes for prior fiscal years, etc.”

(Notes to the Statement of Shareholders’ Equity)

1. Class and number of treasury stock at the current fiscal year-end

Common stock	1,149 shares
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Note: The above does not include 115,200 shares of the Company’s stock held by the trust for the performance-based stock compensation plan.

(Notes to Tax Effect Accounting)

1. Breakdown of deferred income taxes and liabilities by major cause

Deferred income taxes	
Provision for retirement benefits	32,894 million yen
Accounts receivable	56,733 million yen
Depreciation in excess of limit	15,768 million yen
Adjustment to the percentage-of-completion method	536 million yen
Others	18,522 million yen
<hr/>	
Deferred income taxes subtotal	124,453 million yen
Valuation allowance	(9,415) million yen
<hr/>	
Total deferred income taxes	115,038 million yen
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(17,286) million yen
Fixed assets	(21,907) million yen
Difference on book value of affiliates' shares by restructuring	(3,400) million yen
Others	(5,916) million yen
<hr/>	
Total deferred tax liabilities	(48,508) million yen
<hr/>	
Net deferred income taxes	66,530 million yen

2. Breakdown of major items which caused differences between the statutory effective tax rate and the income tax and other burden rates after tax effect accounting

Statutory effective tax rate	30.62%
(Adjustments)	
Entertainment and other expenses that are permanently nondeductible	1.27%
Dividends income	(4.08)%
Per-capita inhabitant tax	0.03%
Tax credit by R&D tax reduction	(1.15)%
Valuation allowance increase/(decrease)	0.31%
Others	(0.59)%
<hr/>	
Income tax and other burden rates after tax effect accounting	26.41%

(Notes to Related-Party Transactions)

Directors and Principal Individual Shareholders, etc.

Attribute	Name of the related party	Address	Capital (million yen)	Detail of business or occupation	% of held voting rights, etc. (owned)	Relationship between the related parties		Transaction details	Transaction amount (million yen)	Account items	Year-end balance (million yen)
						Additional posts held by the directors	Operating relation				
Officer	Yo Honma	—	—	President and Chief Executive Officer, Representative Director of NTT DATA Corporation	(Owned) Direct 0.0	—	—	System development and service use income	81	—	—
				Chairman of the Japan Electronic Payment Promotion Organization				Business revenue including building lease	23	—	—
				Payment of an annual membership fee				3	—	—	

Note 1: Transaction amounts do not include consumption taxes, etc.

Note 2: The terms and conditions of the transactions above and the determination policies for such conditions are the same as those for other business partners.

Affiliated companies, etc.

Attribute	Company name	% of held voting rights, etc. (owned)	Relationship between the related parties	Transaction details	Transaction amount (million yen)	Account items	Year-end balance (million yen)
Affiliated company	EVERIS SPAIN S.L.U.	(Ownership) Indirect 100.0	Entering into contract of term loan	Lending of funds	17,823	Other current assets, current assets (short-term loans receivable from subsidiaries and affiliates)	3,902
				Return of funds	15,689		
				Lending of funds	—	Long-term loans receivable from subsidiaries and affiliates	18,806
				Return of funds	19,040		
	NTT DATA EMEA LTD.	(Ownership) Indirect 100.0	Entering into contract of term loan	Lending of funds	—	Long-term loans receivable from subsidiaries and affiliates	25,300
				Return of funds	2,858		
	NTT DATA Services, LLC	(Ownership) Indirect 100.0	Performance warranties for system development/ operation contracts, etc.	Debt guarantee	58,549	—	—
	NTT DATA Canada, Inc.	(Ownership) Indirect 100.0	Performance warranties for system development/ operation contracts, etc.	Debt guarantee	52,923	—	—
	NTT DATA Payment Services Victoria Pty Ltd	(Ownership) Indirect 100.0	Performance warranties for system development/ operation contracts, etc.	Debt guarantee	15,450	—	—

Note 1: With regard to the lending of funds, interest rates are determined rationally by taking industry interest rates into consideration. There are no securities accepted.

Note 2: The terms and conditions of the above transactions and the method of determining the terms and conditions are the same as those of other business partners.

Group companies

Attribute	Company name	% of held voting rights, etc. (owned)	Relationship between the related parties	Transaction details	Transaction amount (million yen)	Account items	Year-end balance (million yen)
Subsidiary of parent company	NTT FINANCE CORPORATION	(Ownership) Direct 0.0 (Owned) Direct 0.0	Fund settlement of transactions among NTT Group companies	Fund settlement of transactions among NTT Group companies	86,177	Other (Accounts due)	16,012
			Fund deposit, etc.	Fund deposit (Note 3)	55,822	Other (Deposits paid)	90,936
				Interest revenue accompanying the fund deposit	1		
			Fund borrowing	Fund borrowing	—	Long-term borrowing (including the current portion of long-term debt)	371,055
				Fund borrowing (Note 3)	69	Short-term borrowing	594
				Interest paid for borrowing funds	657	Interest paid	—

Note 1: Transaction amounts do not include consumption taxes, but the amounts of the year-end balance include them.

Note 2: The terms and conditions of the transactions above and the determination policies for such conditions are the same as those for other business partners

Note 3: As the transaction amounts of fund deposits and borrowings, the average balances of the deposits paid and short-term borrowings are presented.

(Notes to the Per-Share Information)

- | | |
|-------------------------|------------|
| 1. Net assets per share | 830.17 yen |
| 2. Net income per share | 108.42 yen |

Note: To calculate net income per share for the current fiscal year, 115,200 shares of the Company's stock held by the trust for the performance-based stock compensation plan is included in treasury shares that are deducted when calculating the average number of common shares during the reporting period.

(Notes for revenue recognition)

Regarding the information that provides a basis for understanding revenue arising from contracts with clients' notes are abbreviated as the same content as provided in the notes to the consolidated financial statements (Notes for revenue recognition).

(Notes for Significant Subsequent Events)

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

Specifically, NTT DATA resolved (i) to execute a master agreement (the "Master Agreement") and shareholders agreement (the "Shareholders Agreement") with NTT; (ii) to execute an absorption-type company split agreement with NTT, Inc. whereby each of NTT, Inc. and its subsidiaries will become a subsidiary of NTT DATA after the overseas business operated by NTT DATA is succeeded to NTT, Inc. (the "Overseas Business Split Agreement", and the company split based on this agreement is the "Overseas

Business Split”); and (iii) as part of the Overseas Businesses Integration, to acquire a part of NTT, Inc. shares held by NTT subject to the Overseas Business Split coming into effect (the “Additional Share Acquisition”), respectively, and NTT DATA executed the Master Agreement, the Shareholders Agreement and the Overseas Business Split Agreement effective as of May 9, 2022. The Overseas Business Integration is scheduled to be implemented in October 1, 2022 on the condition that the Distribution in Kind (as defined below) and the Share Split (as defined below) will come into effect, that the Overseas Business Split Agreement is approved at the NTT DATA Ordinary General Meeting of Shareholders scheduled to be held in June 2022, and that the approval of the relevant government agencies is obtained as required. Further, since the Overseas Business Split constitutes as a transaction, etc. with a controlling shareholder, in making the resolution therefor, the Company has implemented measures to ensure the fairness of the Overseas Business Split, such as obtaining a report from a special committee with no interest, and measures to avoid conflicts of interest.

Further, prior to the Overseas Business Split and the Additional Share Acquisition, NTT, Inc. is scheduled to perform a 49-for-1 share split of NTT, Inc. shares of common stock (the “Share Split”) and to distribute all of 760,000,000 shares of common stock of the Company held by NTT, Inc. (54.2% of the total number of voting rights as of September 30, 2021) in kind to NTT (the “Distribution in Kind”) effective as of October 1, 2022, pursuant to the Master Agreement.

As a result of the Distribution in Kind, NTT, Inc. will no longer be the parent company and the largest and major shareholder of the Company, and NTT will become the new largest and major shareholder of the Company. Additionally, as a result of the Overseas Business Split, each of NTT, Inc. and its subsidiaries will newly become a subsidiary of the Company as described above. By the effective date of the Overseas Business Split (October 1, 2022), NTT DATA and NTT plan to discuss the trade name of NTT, Inc.

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

For details, please refer to “Notes for Significant Subsequent Events in the Notes to Consolidated Financial Statements.”

[Reference] Consolidated Statement of Comprehensive Income

(Unit: ¥ million)

By fiscal year	34th FY 2021/4/1-2022/3/31	33rd FY 2020/4/1-2021/3/31
Account item		
Net income	150,102	81,701
Other comprehensive income (net of taxes)		
Items that will not be reclassified to profit or loss		
Change in the fair value of financial assets measured at fair value through other comprehensive income	(4,554)	54,832
Remeasurements of net defined benefit liabilities	13,075	9,745
Share of other comprehensive income of investments accounted for using the equity method	(0)	0
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	750	1,140
Hedging cost	134	13
Exchange translation differences for foreign operations	76,787	23,066
Share of other comprehensive income of investments accounted for using the equity method	116	218
Total other comprehensive income (net of taxes)	86,307	89,015
Total comprehensive income	236,409	170,715
Total comprehensive income attributable to:		
Shareholders of NTT DATA	227,773	165,129
Non-controlling interests	8,637	5,586
Total	236,409	170,715

Note: Amounts less than one million yen are rounded off.

[Reference] Consolidated Statement of Cash Flows

(Unit: ¥ million)

Account item	By fiscal year	34th FY 2021/4/1-2022/3/31	33rd FY 2020/4/1-2021/3/31
Cash Flows from Operating Activities			
Net income		150,102	81,701
Depreciation and amortization		219,939	214,324
Interest and dividend income		(4,197)	(4,820)
Interest expenses		5,685	6,380
Share of (profit)/loss of entities for using equity method		205	6,299
Income tax expenses		65,747	48,751
(Increase)/decrease in trade and other receivables		(42,933)	(22,477)
(Increase)/decrease in contract assets		(1,593)	(24,602)
(Increase)/decrease in inventories		(10,780)	(855)
Increase/(decrease) in trade and other payables		27,833	50,358
Increase/(decrease) in contract liabilities		920	11,018
Increase/(decrease) in allowance for contract losses		1,512	(2,574)
Other		(17,695)	25,723
Sub total		394,746	389,225
Interest and dividends received		4,214	3,931
Interest paid		(5,169)	(5,752)
Income taxes paid		(83,387)	(34,911)
Net cash provided by (used in) operating activities		310,404	352,492
Cash Flows from Investing Activities			
Payments for acquisition of property, plant, equipment, and intangible fixed assets		(174,994)	(163,114)
Payments from acquisition of other financial assets		(83,521)	(20,425)
Proceeds from sales and redemption of other financial assets		113,258	19,290
Payments for investments in subsidiaries		(59,132)	(18,296)
Proceeds from sales of investments in subsidiaries		5,826	-
Other		2,076	8,652
Net cash provided by (used in) investing activities		(196,487)	(173,893)
Cash Flows from Financing Activities			
Net increase/(decrease) in short-term borrowings		(28,773)	(32,219)
Proceeds from long-term loans payable and issuance of bonds		170	92,363
Repayment of long-term loans payable and redemption of bonds		(62,613)	(89,030)
Repayments of lease liabilities		(43,821)	(43,182)
Purchase of equity interests of subsidiaries from non-controlling interests		(3,576)	(2,069)
Cash dividends paid		(25,944)	(25,241)
Cash dividends paid to non-controlling interests		(1,923)	(2,257)
Other		(34)	17
Net cash provided by (used in) financing activities		(166,513)	(101,618)
Net increase/(decrease) in cash and cash equivalents		(52,596)	76,980
Cash and cash equivalents at beginning of fiscal year		287,058	205,356
Effect of exchange rate changes on cash and cash equivalents (() shows decrease)		12,479	4,721
Cash and cash equivalents at end of fiscal year		246,941	287,058

Note: Amounts less than one million yen are rounded off.