

Note: This document is the English translation of “Dai 35kai teiji kabunushisokai shoshu gotsuchi ni saishite no sonota no denshiteikyou sochijikou (koufushomen shouryakujikou)” (The Notice of Convocation of The 35th Ordinary General Meeting of Shareholders : Other Matters for Which Information is Provided in Electronic Format (Matters for Which Document Delivered is Omitted)) 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

THE NOTICE OF CONVOCATION OF THE 35th
ORDINARY GENERAL MEETING OF
SHAREHOLDERS: Other Matters for Which
Information is Provided in Electronic Format
(Matters for Which Document Delivered is Omitted)

NTT DATA CORPORATION

Principal Centers of the Corporate Group

(1) Principal Offices of NTT DATA

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

Sectors : First Public Sector	Second Public Sector
Third Public Sector	Social Infrastructure Solution Sector
Telecom & Utility Business Sector	
First Financial Sector	Second Financial Sector
Third Financial Sector	
Industry Business Sector	Consulting & Marketing Sector, Enterprise Segment
Payments Services Sector	System Integration Sector
Technology Consulting Sector	Solutions 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)

¥ 495 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

¥ 890 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 Business Solutions AG; NTT DATA EUROPE GmbH & CO. KG and NTT Limited.

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:

- With regard to domestic business, we have established a division responsible for coordination with each group company and improve the coordination system including the related divisions.
- With regard to overseas business, we have established a system to cooperate with its overseas group companies through NTT DATA, Inc., which manages overseas subsidiaries.
- 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, NIPPON TELEGRAPH and TELEPHONE CORPORATION, the parent company, there is a basic policy that each party will coordinate with another, 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 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 53 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 whistle-blowing system is available to all Group employees in Japan and overseas, and is operated appropriately. The 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 three times 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. The committee held three meetings in the business year and discussed to reduce such risks. The committee also examines the levels of progress and achievement of goals and evaluates the effectiveness while reflecting the results of the examination in each measure. In addition, with regard to business risks, the Board of Directors deepens discussions on the identification of material risks, taking into consideration the frequency and impact of risk occurrence.

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, 25 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 13 directors, including seven independent external directors (as of March 31, 2023), and held 19 meetings in the current business year. The Corporate Management Committee, which discusses important decision-making for NTT DATA, held 38 meetings in the current business year.

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

In October 2022, in order to plan further growth of its overseas business, the Company integrated the overseas operations of the NTT, Inc. Group, a wholly owned subsidiary of Nippon Telegraph and Telephone Corporation, into the Group's overseas operations and made NTT, Inc. (changed its name to NTT DATA, Inc.) a subsidiary of the Company.

A system for discussing and reporting to the Company has been established for important group management matters, such as the occurrence of emergencies that could influence the whole group. In conjunction with the integration of overseas businesses, a system has been established to discuss and report to the Company regarding overseas businesses through NTT DATA, Inc. In the domestic business, as before, we have established an organization to promote business in cooperation with each group company, and have established a system for consultation and reporting to the Company.

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 35th FY (2022/4/1-2023/3/31)

(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	102,340	915,853	(205)	110,365	1,270,874
Comprehensive income						
Net income	—	—	149,962	—	—	149,962
Other comprehensive income	—	—	—	—	72,262	72,262
Comprehensive income	—	—	149,962	—	72,262	222,223
Transactions with shareholders						
Dividends of surplus (Note 1)	—	—	(22,875)	—	—	(22,875)
Transfer to retained earnings	—	—	13,384	—	(13,384)	—
Acquisition and disposal of treasury shares	—	—	—	(829)	—	(829)
Increase/decrease by business combination	—	(75,067)	34,890	—	23,672	(16,505)
Net changes in controlled subsidiaries' stocks	—	(584)	—	—	—	(584)
Transactions from stock remuneration	—	3,068	—	—	—	3,068
Put options granted to non-controlling interests	—	(1,936)	—	—	—	(1,936)
Other	—	(1,068)	—	—	—	(1,068)
Total transactions with shareholders	—	(75,589)	25,399	(829)	10,288	(40,730)
Balance at end of current period	142,520	26,752	1,091,214	(1,034)	192,915	1,452,367

	Non-controlling interests	Total equity
Balance at beginning of current period	57,393	1,328,267
Comprehensive income		
Net income	16,910	166,871
Other comprehensive income	(42,909)	29,353
Comprehensive income	(25,999)	196,224
Transactions with shareholders		
Dividends of surplus	(19,531)	(42,406)
Transfer to retained earnings	—	—
Acquisition and disposal of treasury stock	—	(829)
Increase/decrease by business combination	930,480	913,975
Net changes in controlled subsidiaries' stocks	1,470	886
Transactions from stock remuneration	2,423	5,490
Put options written on non-controlling interests	(2,122)	(4,058)
Other	(117)	(1,185)
Total transactions with shareholders	912,604	871,874
Balance at end of current period	943,998	2,396,365

Notes:

- This is the item of appropriation of retained earnings resolved at the ordinary general meeting of shareholders held on June 16, 2022 and at the meeting of the Board of Directors held on November 7, 2022.
- 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 624 companies.

Major consolidated subsidiaries are NTT Limited., NTT DATA, Inc. etc.

3. Matters related to application of the equity method

The equity-method companies are 51, 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	3 - 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	2 – 14 years
Other intangible assets	7 – 37 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.

(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.

(15) Investments in jointly controlled entities

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

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

The amount by which the cost of an investment in a jointly controlled entity exceeds the Group's share of identifiable net assets recognized at the acquisition date is included in the book value of the investment in the jointly controlled entity. Excess amounts are tested for impairment when there is objective evidence to suggest that the investment may be impaired.

(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 1,372,468 million yen for property, plant and equipment, 234,813 million yen for right-of-use assets, 1,133,559 million yen for goodwill, 653,205 million yen for intangible assets, and 26,953 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 11,125 million yen (after offsetting against inventories) was recorded in the consolidated statement of financial position for the fiscal year ended March 31, 2023.

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 225,040 million yen were recorded in the consolidated statement of financial position for the fiscal year ended March 31, 2023.

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, 2023, liabilities for retirement benefits of 183,404 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.

(Changes in accounting estimates)

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

(Notes Related to the Consolidated Statement of Financial Position)

1. Breakdown of inventories

Merchandise and manufactured goods	55,205 million yen
Work in process	17,165 million yen
Raw materials and supplies	3,851 million yen

2. Assets offered as security and liabilities related to security

(1) Assets offered as security

Cash and deposits	43 million yen
Accounts receivable	836 million yen
Buildings and structures	4,728 million yen
Machinery, equipment, and vehicles	450 million yen
Furniture, fixtures, and tools	236 million yen
Land	29 million yen
Investment property	5,271 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)	1,158 million yen

3. Accumulated depreciation of tangible fixed assets 1,206,114 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, 85 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 9,217 million yen

2. Principal categories and amounts of selling and general administrative expenses

Employees' salary and allowance	299,506 million yen
Retirement benefit expenses	11,969 million yen
Subcontractor expenses	136,336 million yen

(Note) Research and development expenses included in selling, general and administrative expenses totaled 24,937 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	10,671 shares
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(Note) The above does not include the 496,900 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 16, 2022	Common stock	16,129	11.5	March 31, 2022	June 17, 2022
Board of Directors' Meeting on November 7, 2022	Common stock	14,726	10.5	September 30, 2022	December 1, 2022

(Note) 1 Dividend per share resolved at the Board of Directors meeting on June 16, 2022, includes the special dividend of 2.0 yen.

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

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

(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 20, 2023	Common stock	Retained earnings	16,129	11.5	March 31, 2023	June 21, 2023

(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, 2023)	
	Carrying amount	Fair value
Long-term loans (incl. those to be repaid within a year)	1,521,392	1,549,432
Bonds (incl. those to be redeemed within a year)	25,100	25,099

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.	68,667	51,952	—	16,715
Derivative financial assets	20,526	—	20,526	—
Total	89,193	51,952	20,526	16,715
Other financial liabilities :				
Derivative financial liabilities	2,122	—	2,122	—
Total	2,122	—	2,122	—

There is no reclassification between Level 1 and Level 2.

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, 2022 to March 31, 2023)

(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.	19,761	(299)	699	(126)	(3,320)	16,715

(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)

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

1) Outline of the Business Combination

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

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

2) Consideration for the transfer

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

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

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

3) Amount and Item of Acquisition-Related Costs

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

(Unit: ¥ million)	
Item	Amount
Advisory expenses	70
Legal expenses	190
Others	80
Total acquisition-related costs	340

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

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

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

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

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

(Notes)

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

5) Impact on the NTT DATA Group's performance

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

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

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

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

1) Outline of the Business Combination

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

Name of acquired company	Aspirent Consulting, LLC
Details of business	Data analytics services (advisory services, introduction of solutions, integration, etc.)
Main reason for the business combination	Aspirent supports customers in data utilization and digital transformation by taking advantage of their strength in advisory services in the field of data analytics. This acquisition will add approximately 230 staff of Aspirent to the Company, which will enable us to significantly expand the delivery capability in this field and further strengthen the ability to offer cloud-based data solutions such as Microsoft Azure, AWS, Databricks, and Snowflake. For these reasons, NTT DATA conducted the business combination.
Date of acquisition	November 16, 2022
Method adopted by the acquirer company to take control of the acquired company	Acquisition of equity interest in exchange for cash payment
Percentage of the voting rights acquired	100%

2) Consideration for the Transfer

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

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

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

3) Amount and Item of Acquisition-Related Costs

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

	(Unit: ¥ million)
Item	Amount
Advisory expenses	68
Legal expenses	122
Others	88
Total acquisition-related cost	277

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

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

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

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

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

(Notes)

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

5) Impact on the NTT DATA Group's performance

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

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

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

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

1) Overview of business combination

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

The details of the transaction are as follows.

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

2) Consideration for the Transfer

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

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

(Note) This constitutes a non-cash transaction.

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

3) Amount and Item of Acquisition-Related Costs

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

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

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

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

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

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

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

5) Impact on the NTT DATA Group's performance

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

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

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

(Assets held for sale)

Sale of shares of a company that holds data centers

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

NTT Group had planned to sell a portion of its share in a company owning data centers in Europe and North America, which the group had classified as assets held for sale. Following the integration, NTT DATA has taken over NTT Ltd.'s shares in the company owning data centers from NTT Group and holds them, but there is no material change in the policy toward the sale of such shares.

Accounting procedures and effects on the consolidated financial statements

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

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

(Unit: million)

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

(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, 2022, to March 31, 2023)
Balance at beginning of year	55,052
Acquisitions	931
Disposals	(244)
Reclassification	(4,868)
Exchange translation differences for foreign operations	5
Other changes	(31)
Balance at end of year	50,845

(2) Accumulated depreciation and accumulated impairment losses

	(Unit: ¥ million)
	Current consolidated fiscal year (April 1, 2022, to March 31, 2023)
Balance at beginning of year	(25,630)
Depreciation expenses	(679)
Disposals	143
Reclassification	2,285
Exchange translation differences for foreign operations	(10)
Other changes	(2)
Balance at end of year	(23,892)

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, 2023)
Carrying amount	26,953
Fair value	71,274

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, 2022, to March 31, 2023)
Rental income	3,960
Direct sales expenses for earning rental income	3,907

(Note to per-share information)

- | | |
|--|--------------|
| 1. Equity attributable to shareholders of NTT DATA per share | 1,035.93 yen |
| 2. Net income per share | 106.95 yen |

Note: To calculate net income per share for the current fiscal year, 496,900 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

IT infrastructure business

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

Managed services include the provision of maintenance and operation services for IT infrastructure such as servers and network equipment or applications. Since goods or services are transferred as a result of clients using services that the NTT DATA Group provides, revenues are recognized according to the period that clients use the services. The Group charges based on actual service usage by clients, either based on the number of days the service is provided, or on a fixed amount, primarily monthly.

For the data center business, the NTT DATA Group owns assets such as data centers and provides operation and management services, including power supply and networking. The Group invests in the assets in response to orders from clients or in anticipation of multiple clients' use of the assets. Since goods or services are transferred as a result of clients using services that the NTT DATA Group provides, revenues are recognized according to the period that clients use the services. The Group charges based on actual service usage by clients, either based on the number of days the service is provided, or on a fixed amount, primarily monthly.

Telecommunications equipment sales, etc.

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

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

For maintenance services, since goods or services are transferred as a result of clients using services that the NTT DATA Group provides, revenues are recognized according to the period that clients use the services. The Group charges based on actual service usage by clients, either based on the number of days the service is provided, or on a fixed amount, primarily monthly.

Other services

These services mainly include leasing of facilities other than information equipment such as buildings, electric power, and network facilities, as well as fee collection agency services.

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, 2022 to March 31, 2023)

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

Note: The 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, 2023)
Contract assets	123,008
Contract liabilities	417,940
Of recognized revenues, those that were included in the balance of contract liabilities as of the beginning of the year	163,503

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, 2023.

In this consolidated fiscal year, contract liabilities increased by 155,119 million yen in connection with the acquisition of NTT, Inc. as a subsidiary by the Group.

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, 2023 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, 2023)
Within 1 year	1,882,426
Over 1 year and within 2 years	975,186
Over 2 years and within 3 years	605,989
Over 3 years	1,190,312
Total	4,653,912

(Note) The above transaction prices allocated to the unsatisfied performance obligations include those related to lease income in accordance with IFRS 16. The amount related to such lease income in accordance with IFRS 16 is 1,099,895 million yen.

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

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.

(Additional information)

1. Transition to Holding Company structure)

NTT DATA has resolved at the Board of Directors meeting on May 9, 2022, to establish a Domestic Business Split Preparation Company as a wholly-owned subsidiary of the Company 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 company split (the “Domestic Business Split”), shift to a holding company with two subsidiaries, i.e., NTT DATA Inc. and the Domestic Business Split Preparation Company (the “Transition to Holding Company Structure”).

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

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

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

(2) Outline of the Transition to Holding Company Structure

(1) Schedule for the Domestic Business Split

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

(2) Method of the 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, a wholly-owned subsidiary of the Company, is the succeeding company.

2. Uncertainty regarding the treatment of 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.

On August 12, 2022, we received a certified copy of the decision from the National Tax Tribunal to dismiss our request for review, but since there are differences with our opinion, we will seek cancellation of the disposition in accordance with the law.

Non-Consolidated Statements of Shareholders' Equity 35th FY (from April 1, 2022 to March 31, 2023)

(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 earning	Total							
Balance at beginning 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	
Changes of items during period												
Dividends of surplus(Note 1)	—	—	—	(16,129)	(16,129)	—	(16,129)	—	—	—	(16,129)	
Dividends of surplus(Note 2)	—	—	—	(14,726)	(14,726)	—	(14,726)	—	—	—	(14,726)	
Net income	—	—	—	114,558	114,558	—	114,558	—	—	—	114,558	
Acquisition of treasury stock	—	—	—	—	—	(839)	(839)	—	—	—	(839)	
Disposition of treasury stock	—	—	—	—	—	10	10	—	—	—	10	
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	(8,333)	(36)	(8,370)	(8,370)	
Total changes of items during period	—	—	—	83,703	83,703	(829)	82,874	(8,333)	(36)	(8,370)	74,505	
Balance at end of current period	142,520	139,300	2,288	925,031	927,319	(1,034)	1,208,106	30,816	(196)	30,619	1,238,725	

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	66	288,000	553,262	841,329
Changes of items during period				
Dividends of surplus(Note1)	—	—	(16,129)	(16,129)
Dividends of surplus(Note2)	—	—	(14,726)	(14,726)
Reversal of reserve for reduction entry	(17)	—	17	—
Net income	—	—	114,558	114,558
Total changes of items during period	(17)	—	83,720	83,703
Balance at end of current period	49	288,000	636,983	925,031

Notes:

1. This is the item of appropriation of retained earnings resolved at the ordinary general meeting of shareholders held in June 16, 2022.
2. This is the item resolved at the meeting of the Board of Directors held in November 7, 2022.
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.

(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 7,627 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 66,256 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 110,508 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.

(Changes in Accounting Estimates)

In the current consolidated fiscal year, a defect was found that had newly occurred after the time of the previous review of total costs. As a result, the possibility of outflow of economic benefits has increased and we have changed the estimated costs. Accordingly, the cost of sales, including provisions for loss on order received, increased by 10,929 million yen in the Public & Social Infrastructure Segment.

(Changes in presentation)

(Notes to Statements of Income)

"Loss on sales of fixed assets," which was included in "Other" under non-operating expenses in the previous fiscal year, is separately presented in the current fiscal year as its amount has become more significant.

"Other," under non-operating expenses, of 1,698 million yen in the previous fiscal year were reclassified into "Loss on sales of fixed assets" of 53 million yen and "Other" of 1,645 million yen.

(Notes to the Balance Sheet)

1. Breakdown of inventories

Merchandise	1,481million yen
Work in process	8,732million yen
Supplies	1,735million 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	27 million yen

(2) Secured liabilities

Long-term borrowings of subsidiaries (including those repayable within one year)	699 million yen
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3. Accumulated depreciation of tangible fixed assets 460.318 million yen

4. Guarantee obligations

Performance warranties for system development/operation contracts	
NTT DATA Canada, Inc.	75,736 million yen
NTT DATA Services,LLC	18,302 million yen
NTT DATA Americas Inc.	7,595 million yen
NTT DATA Payment Services Victoria Pty Ltd	7,207 million yen

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

Short-term monetary claims	24,160 million yen
Short-term monetary liabilities	268,259 million yen
Long-term monetary liabilities	41,663 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 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	25,799 million yen
Cost of sales, etc.	351,705 million yen
Selling, general and administrative expenses	62,394 million yen
Non-trade transactions	43,685 million yen

2. Transfer to allowance for contract losses included in cost of sales 6,675 million yen

(Notes to the Statement of Shareholders' Equity)

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

Common stock	10,671 shares
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Note: The above does not include 496,900 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	33,837 million yen
Accounts receivable	54,172 million yen
Depreciation in excess of limit	14,352 million yen
Others	19,252 million yen
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Deferred income taxes subtotal	121,613 million yen
Valuation allowance	(10,128) million yen
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Total deferred income taxes	111,485 million yen
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(13,562) million yen
Fixed assets	(21,500) million yen
Difference on book value of affiliates' shares by restructuring	(3,400) million yen
Others	(6,767) million yen
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Total deferred tax liabilities	(45,229) million yen
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Net deferred income taxes	66,256 million yen
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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	0.19%
Dividends income	(8.46)%
Per-capita inhabitant tax	0.06%
Tax credit by R&D tax reduction	(1.62)%
Valuation allowance increase/(decrease)	0.46%
Others	(0.92)%
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Income tax and other burden rates after tax effect accounting	20.33%

(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	106	—	—
				Chairman of the Japan Electronic Payment Promotion Organization				Business revenue including building lease	22	—	—
								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	NTT DATA, Inc.	(Ownership) Indirect 55.0	Exercise of rights, advice, mediation and other assistance as a shareholder	Acquisition of shares	878,963	Shares of affiliates	992,047
				Lending and receiving of funds(*3)	35,340	Deposits received	29,786
				Interest paid for deposited funds	11	Interest paid	—
	NTT DATA Europe & Latam Finance S.L.U.	(Ownership) Indirect 100.0	Entering into contract of term loan	Change of debtor	56,673	Long-term loans receivable from affiliates	62,159
				Lending of funds	1,724		
	NTT DATA Europe & Latam S.L.U.	(Ownership) Indirect 100.0	Entering into contract of term loan	Lending of funds	29,569	Other current assets, current assets (short-term loans receivable from affiliates)	9,773
				Return of funds	24,626		
	NTT DATA Canada, Inc.	(Ownership) Indirect 100.0	Performance warranties for system development/ operation contracts, etc.	Debt guarantee	75,736	—	—
	NTT DATA Services, LLC	(Ownership) Indirect 100.0	Performance warranties for system development/ operation contracts, etc.	Debt guarantee	18,302	—	—
	NTT DATA Americas, Inc.	(Ownership) Indirect 100.0	Performance warranties for system development/ operation contracts, etc.	Debt guarantee	7,595	—	—
NTT DATA Payment Services Victoria Pty Ltd	(Ownership) Indirect 100.0	Performance warranties for system development/ operation contracts, etc.	Debt guarantee	7,207	—	—	

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.

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

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	(Owned) Direct 0.0	Fund settlement of transactions among NTT Group companies	Fund settlement of transactions among NTT Group companies	99,346	Other (Accounts due)	27,811
			Fund deposit, etc.	Fund deposit (Note 3)	64,044	Other (Deposits paid)	79,537
				Interest revenue accompanying the fund deposit	1		
			Fund borrowing	Fund borrowing	200,000	Long-term borrowing (including the current portion of long-term debt)	511,950
				Fund borrowing (Note 3)	19	Short-term borrowing	6,450
				Interest paid for borrowing funds	997	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.

Parent company

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)
Parent company	Nippon Telegraph and Telephone Corporation	(Owned) Direct 57.7	Exercise of rights, advice, mediation and other assistance as a shareholder	Share acquisition	112,000	Shares of subsidiary	992,047

(Note 1) 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.

(Notes to the Per-Share Information)

1. Net assets per share 883.55 yen
2. Net income per share 81.70 yen

Note: To calculate net income per share for the current fiscal year, 496,900 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).

(Additional information)

Uncertainty regarding the treatment of corporate income tax is omitted because the same information is provided in “Notes to Consolidated Financial Statements (Additional information 2.)”

[Reference] Consolidated Statement of Comprehensive Income

(Unit: ¥ million)

By fiscal year	35th FY 2022/4/1-2023/3/31	34rd FY 2021/4/1-2022/3/31
Account item		
Net income	166,871	150,102
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	(9,107)	(4,554)
Remeasurements of net defined benefit liabilities	13,582	13,075
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	(399)	750
Hedging cost	(200)	134
Exchange translation differences for foreign operations	26,043	76,787
Share of other comprehensive income of investments accounted for using the equity method	(566)	116
Total other comprehensive income (net of taxes)	29,353	86,307
Total comprehensive income	196,224	236,409
Total comprehensive income attributable to:		
Shareholders of NTT DATA	222,223	227,773
Non-controlling interests	(25,999)	8,637
Total	196,224	236,409

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

[Reference] Consolidated Statement of Cash Flows

(Unit: ¥ million)

Account item	By fiscal year	35th FY 2022/4/1-2023/3/31	34rd FY 2021/4/1-2022/3/31
Cash Flows from Operating Activities			
Net income		166,871	150,102
Depreciation and amortization		273,052	219,939
Interest and dividend income		(11,942)	(4,197)
Interest expenses		29,495	5,685
Share of (profit)/loss of entities for using equity method		(405)	205
Income tax expenses		75,929	65,747
(Increase)/decrease in trade and other receivables		(106,234)	(42,933)
(Increase)/decrease in contract assets		(12,459)	(1,593)
(Increase)/decrease in inventories		985	(10,780)
Increase/(decrease) in trade and other payables		45,279	27,833
Increase/(decrease) in contract liabilities		11,129	920
Increase/(decrease) in allowance for contract losses		7,061	1,512
Other		(2,507)	(17,695)
Sub total		476,255	394,746
Interest and dividends received		11,957	4,214
Interest paid		(28,967)	(5,169)
Income taxes paid		(108,676)	(83,387)
Net cash provided by (used in) operating activities		350,568	310,404
Cash Flows from Investing Activities			
Payments for acquisition of property, plant, equipment, and intangible fixed assets		(366,761)	(174,994)
Payments from acquisition of other financial assets		(49,178)	(83,521)
Proceeds from sales and redemption of other financial assets		87,732	113,258
Payments for investments in subsidiaries		(7,968)	(59,132)
Proceeds from sales of investments in subsidiaries		1,938	5,826
Other		11,955	2,076
Net cash provided by (used in) investing activities		(322,281)	(196,487)
Cash Flows from Financing Activities			
Net increase/(decrease) in short-term borrowings		(37,953)	(28,773)
Proceeds from long-term loans payable and issuance of bonds		386,115	170
Repayment of long-term loans payable and redemption of bonds		(106,235)	(62,613)
Repayments of lease liabilities		(58,765)	(43,821)
Purchase of equity interests of subsidiaries from non-controlling interests		(4,843)	(3,576)
Cash dividends paid		(22,872)	(25,944)
Cash dividends paid to non-controlling interests		(19,513)	(1,923)
Other		(275)	(34)
Net cash provided by (used in) financing activities		135,659	(166,513)
Net increase/(decrease) in cash and cash equivalents		163,946	(52,596)
Cash and cash equivalents at beginning of fiscal year		246,941	287,058
Effect of exchange rate changes on cash and cash equivalents (() shows decrease)		4,473	12,479
Cash and cash equivalents at end of fiscal year		415,359	246,941

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