Tax Policy

Basic Policy

All directors and employees of NTT Group have declared their commitment to complying with all laws and regulations, social standards, and internal company rules, whether in Japan or overseas, and acting in accordance with the highest ethical standards in both private and public activities. In tax-related operations, we also strive to maintain and enhance tax compliance by setting up guidelines and educating our employees.

Governance Structure

NTT has established the basic policy of internal control systems for NTT Group to deal with various risks including tax risks which has been approved by NTT’s board. We define each company’s roles in tax-related operations as follows.

(1) NTT

NTT establishes the basic policy and guidelines of tax-related operations and promotes appropriate measures in cooperation with its consolidated subsidiaries. NTT strives to gather information regarding regulations, notifies them of any changes to regulations, and supervises them.

(2) NTT’s Consolidated Subsidiaries

NTT’s consolidated subsidiaries fulfill their tax duties including preparing and filing tax returns, making tax payments, and dealing with tax audits appropriately in accordance with the basic policy and guidelines. NTT's consolidated subsidiaries report information and submit relevant documents to NTT as necessary.

Optimizing Tax costs

NTT and its consolidated subsidiaries should strive to utilize appropriately and effectively the tax relief measures with a view to maximizing shareholder value of NTT Group. NTT and its consolidated subsidiaries shall not implement any measures which may be considered or interpreted as tax evasion by the regulators.
Tax Risks

When undertaking international transactions, NTT and its consolidated subsidiaries should ensure such transactions are given due consideration in advance of execution. NTT and its consolidated subsidiaries should consult with tax advisors and seek advice as necessary.

Furthermore, we have laid out the following measures regarding transfer pricing taxation and controlled foreign companies rules.

Transfer Pricing Taxation
- Prices that are applied to NTT Group's international transactions will be calculated in accordance with the laws and regulations of each country or region and the Transfer Pricing Guidelines published by the OECD and also in accordance with the arm's length principle.
- In cases where the documentation of the price calculation method is obligatory, or where such documentation is necessary due to factors such as transaction size and potential taxation risks, we will generate the documents in an appropriate manner.

Controlled Foreign Companies Rules
- When investing in a low-tax country, we will make appropriate tax payments in accordance with the laws and regulations of the relevant country or region.

Relationship with Tax Authorities

NTT Group aims to maintain good relationships with tax authorities through communication with them. All explanations given to tax authorities should be based on facts. NTT and its consolidated subsidiaries should work with them in a sincere and appropriate manner.

If tax authorities were to notify NTT and its consolidated subsidiaries of tax adjustments, NTT and its consolidated subsidiaries should determine the cause of such issue(s) immediately, and take appropriate measures to prevent similar recurrences happening unless NTT and its consolidated subsidiaries file a petition of objection or tax lawsuit.

Income Taxes Paid

<table>
<thead>
<tr>
<th></th>
<th>FY2017 (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>414.4</td>
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<tr>
<td>Others</td>
<td>38.4</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>452.8</strong></td>
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