Moving Forward Together
As Your Value Partner
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Forward-Looking Statements

The forward-looking statements and projected figures concerning the future performance of NTT and its subsidiaries and affiliates contained or referred to in this report are based on a series of assumptions, projections, estimates, judgments, and beliefs of the management of NTT in light of information currently available to it regarding the economy, the telecommunications industry in Japan and other factors. These projections and estimates may be affected by the future business operations of NTT and its subsidiaries and affiliates, the state of the economy in Japan and abroad, possible fluctuations in the securities markets, the pricing of services, the effects of competition, the performance of new products, services and new businesses, changes in tax and regulations affecting the telecommunications industry in Japan and elsewhere and other changes in circumstances.

Editorial Policy

This is an integrated report that combines information that is important to shareholders and investors, including not only such information as growth strategies and financial results but also environmental (E), social (S), and governance (G) information. The report focuses on explanations of NTT Group’s initiatives targeting increases in corporate value over the medium to long term. In editing this report, reference was made to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). The report is intended to help readers to understand NTT Group, which is accelerating the process of business structure transformation to be a “Value Partner” and working to increase corporate value by contributing to the realization of a sustainable society.

Other Materials

Shareholders’ Newsletter “NTTis”
http://www.ntt.co.jp/en/library_e/nttis/

Presentation Materials
http://www.ntt.co.jp/en/library_e/presentation/

Shareholders’ Meeting Materials
http://www.ntt.co.jp/en/ir/shares_e/shareholders_meetings.html

Financial Results
http://www.wttt.co.jp/en/library_e/results/

Form 20-F
http://www.ntt.co.jp/en/library_e/sec/

Sustainability Report
http://www.ntt.co.jp/csr_e/report.html

ANNUAL REPORT 2016
NTT Group is implementing strategic initiatives that address changes in the social structure while simultaneously reinforcing its position as a leading innovator in information and telecommunications technologies. In this way, the Group is continuing to drive ahead with a process of self-transformation to achieve sustained increases in its corporate value.

Towards the Next Stage 2.0
Accelerating Self-Transformation towards a "Value Partner" and Embarking on a Profit Growth Track
Developing New Markets by Further Promoting the B2B2X Model
Market Environment and Direction of Growth Strategies

Global ICT Market

BACKGROUND
- Global corporate ICT expenditures are expected to grow at an average annual rate of 7%, with the market reaching $2,700.0 billion in 2020.
- Cloud services are expected to expand rapidly, at an average annual rate of 27%.
- There is a need for the comprehensive provision of ICT services that address the diversifying needs of companies.

OUR DIRECTION
With a focus on growth in the global ICT market, NTT Group is strengthening global business, centered on cloud services as the Group’s new growth pillar.

Fixed-Line Telephone / Mobile Communications: Number of Subscriptions
(Millions of Subscriptions)

- The number of fixed-line telephone subscriptions is declining, while the number of subscriptions to mobile communications continues to expand due in part to demand for second devices.
- Growth in the number of fixed-line broadband subscriptions is sluggish, and there is a need for the creation of new business and high-value-added services by a diverse range of enterprises.

Domestic Telecommunications Market

BACKGROUND
- Targeting sustained growth in domestic businesses, we will strengthen profitability in network business, and we will create high-value-added business models.

OUR DIRECTION
- Expanding B2B2X Businesses
- Enhancing Profitability of Domestic Network Business
- Expanding Global Business / Increasing Overseas Profit

Expansion of Global Business
- With a focus on growth in the global ICT market, NTT Group is strengthening global business, centered on cloud services as the Group’s new growth pillar.

Scale of Global Market for Cloud Services: Trends and Forecasts
(Trillions of Yen)

Global ICT Expenditures: Trends and Forecasts
(Billions of US$)

Fixed-Line Broadband: Number of Subscriptions
(Millions of Subscriptions)

Overview
Strategy
ESG
Operation
Innovation

NIPPON TELEGRAPH AND TELEPHONE CORPORATION ANNUAL REPORT 2016
NTT Group in Five Minutes

With a focus on growth in the global ICT market, NTT Group is strengthening global business, centered on cloud services as the Group’s new growth pillar.

Sources:
- Created from data in MIC information and communications statistics database
http://www.soumu.go.jp/johotsusintokei/field/tsuushin01.html (Japanese)
- Created from data in MIC information and communications statistics database
http://www.soumu.go.jp/johotsusintokei/field/tsuushin02.html (Japanese)
In this annual report, “NTT Group” refers to NTT and its subsidiaries (As of March 31, 2016).

**Main Businesses:**
For NTT Group as a whole, formulation of management strategies and promotion of basic research.

**Business Activities:**
Regional telecommunications operations in Japan and related businesses, etc.
Major Services: PTT and other services
Competitive Advantages: In the field of regional telecommunications, comprehensive strengths (reliability / stability of services and area coverage), large market share, and extensive customer base.

**Operating Revenues:**
¥2,250.9 billion

**Regional Communications Business**
26.0% (¥575.1 billion)

**Long Distance and International Communications Business**
17.2% (¥356.9 billion)

**Mobile Communications Business**
19.8% (¥440.6 billion)

**Other Businesses**
5.6% (¥118.9 billion)

**Summary of Business Segments and Subsidiaries**

<table>
<thead>
<tr>
<th>Business Activities</th>
<th>Operating Revenues</th>
<th>Capital Investment</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Activities---------------------------------------</td>
<td>--------------------</td>
<td>--------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>System integration, network system services, etc., in Japan and overseas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Major Services: ERP services, ICT outsourcing, and other services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive Advantages: In the IT services market, neutrality, technical capabilities, reliability, and foresight, as well as results and know-how in large-scale systems that leverage these capabilities in such fields as the public sector and finance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td><strong>36.9% (¥1,626.1 billion)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mobile Communications Business</strong></td>
<td><strong>7.7% (¥314.3 billion)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Data Communications Business</strong></td>
<td><strong>35.3% (¥1,073.5 billion)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Regional Communications Business</strong></td>
<td><strong>10.3% (¥424.1 billion)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Long Distance and International Communications Business</strong></td>
<td><strong>6.4% (¥232.1 billion)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Businesses</strong></td>
<td><strong>3.4% (¥122.8 billion)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mobile Communications Business</strong></td>
<td><strong>18.1% (¥691.9 billion)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Data Communications Business</strong></td>
<td><strong>10.8% (¥391.6 billion)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Regional Communications Business</strong></td>
<td><strong>27.4% (¥1,067.4 billion)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Revenues</strong></td>
<td><strong>100.00%</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital Investment</strong></td>
<td><strong>100.00%</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Number of Employees</strong></td>
<td><strong>100.00%</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*1 Percentage of simple sum of all segments (including intersegment transactions)*
### NTT Group Topics (Fiscal year ended March 31, 2016)

In accordance with the Medium-Term Management Strategy, “Towards the Next Stage 2.0,” each segment implemented initiatives to accelerate the process of self-transformation to a “Value Partner” and to return NTT Group to a track of growth in profits.

#### Holding company

**First quarter**
- Concluded comprehensive partnership agreement with Fukuoka City to work together to develop regional services. Working to increase efficiency of municipal operations and to enhance services for residents through the use of ICT.

**Second quarter**
- Concluded business alliance with Panasonic for the development of new businesses. Proposing new standard model for visual communications for 2020 and thereafter.

**Third quarter**
- Concluded “Sapporo City Development Partnership Agreement” with Sapporo City. Supporting the development of industries such as tourism and sports, through the use of ICT.

**Fourth quarter**
- Entered business alliance with Hitachi to support “vitalization of local economies” initiatives. Providing support for the maintenance and construction of urban infrastructure using ICT.

#### Regional Communications Business

**First quarter**
- Application for smartphones, etc., that supports child-rearing while offering entertainment. Smartphones application that supports child-rearing while offering entertainment.

**Second quarter**
- NTT East surpassed 1 million subscriptions under Hikari Collaboration Model.

**Third quarter**
- NTT West surpassed 1 million subscriptions under Hikari Collaboration Model.

**Fourth quarter**
- Opened one of India’s largest data centers in Mumbai.

#### Long Distance and International Communications Business

**First quarter**
- Began to provide services at California Sacramento 3 (C&A) Data Center.

**Second quarter**
- Began to provide Avern Cloud Connect, which links cloud services, including NTT Communications’ cloud services as well as Microsoft Azure and Amazon Web Services.

**Third quarter**
- Received highest evaluation in research report released by Gartner of United States.

**Fourth quarter**
- Selected as a leader among global data communications service companies.

#### Mobile Communications Business

**First quarter**
- Agreed to business alliance with Lawson offering 3% discount when using DOCOMO credit services.

**Second quarter**
- Jointly developed with TOMY COMPANY LTD, OhaNAS cloud-type talking robot.

**Third quarter**
- Began provision of Kake-hodai Light Plan.

**Fourth quarter**
- Began free provision of antivirus blocking service through ISC.

#### Data Communications Business

**First quarter**
- Reached basic agreement with METABANKER Co., Ltd., for collaboration in field of IT services for supply and waste water utility operators.

**Second quarter**
- NTT DATA, Inc., acquired Corinbis & Gallagher Consulting Group, Inc. Contributing to further growth of customer companies as a result of the acquisition of consulting capabilities in the financial services industry.

**Third quarter**
- Began joint testing of provision of customer support in financial institution branches through use of robots (Pomme Bot).

**Fourth quarter**
- Reached an agreement to acquire IT-services-related business from Dell Inc. Further accelerating the expansion, advancement, and reinforcement of global business.
**Performance Highlights**

### Financial Data (End of each fiscal month)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues*1</td>
<td>¥10,741.1</td>
<td>¥10,760.6</td>
<td>¥10,680.9</td>
<td>¥10,416.3</td>
<td>¥10,181.4</td>
<td>¥9,365.0</td>
<td>¥9,507.1</td>
<td>¥10,295.3</td>
<td>¥11,089.3</td>
<td>¥11,541.0</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>9,550.4</td>
<td>9,653.5</td>
<td>9,376.3</td>
<td>9,306.6</td>
<td>9,063.7</td>
<td>9,091.0</td>
<td>9,264.4</td>
<td>9,496.8</td>
<td>9,711.5</td>
<td>10,010.8</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,190.7</td>
<td>1,107.0</td>
<td>1,304.6</td>
<td>1,109.8</td>
<td>1,117.7</td>
<td>1,214.9</td>
<td>1,223.0</td>
<td>1,202.3</td>
<td>1,213.7</td>
<td>1,094.6</td>
</tr>
<tr>
<td>Net income attributable to NTT<strong>1</strong></td>
<td>523.1</td>
<td>481.4</td>
<td>635.2</td>
<td>538.7</td>
<td>492.3</td>
<td>509.6</td>
<td>467.7</td>
<td>521.9</td>
<td>585.5</td>
<td>516.1</td>
</tr>
<tr>
<td>Total assets</td>
<td>18,820.2</td>
<td>18,291.1</td>
<td>18,618.8</td>
<td>18,796.4</td>
<td>18,939.1</td>
<td>19,665.6</td>
<td>19,368.7</td>
<td>19,549.1</td>
<td>20,284.9</td>
<td>20,702.4</td>
</tr>
<tr>
<td>Shareholders’ equity<strong>1</strong></td>
<td>6,734.4</td>
<td>7,120.8</td>
<td>7,410.8</td>
<td>7,298.1</td>
<td>7,788.2</td>
<td>8,020.7</td>
<td>7,882.6</td>
<td>8,231.4</td>
<td>8,511.4</td>
<td>8,681.9</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>5,206.2</td>
<td>4,770.8</td>
<td>4,677.2</td>
<td>4,899.3</td>
<td>4,491.7</td>
<td>4,553.5</td>
<td>4,274.0</td>
<td>4,036.0</td>
<td>4,200.0</td>
<td>4,406.7</td>
</tr>
<tr>
<td>D/E ratio (%)<strong>2</strong></td>
<td>78.6%</td>
<td>67.0%</td>
<td>63.1%</td>
<td>67.1%</td>
<td>57.7%</td>
<td>66.8%</td>
<td>54.2%</td>
<td>49.3%</td>
<td>49.3%</td>
<td>50.8%</td>
</tr>
<tr>
<td>Capital investment<strong>3</strong></td>
<td>2,191.9</td>
<td>2,309.9</td>
<td>2,128.9</td>
<td>2,145.1</td>
<td>1,987.1</td>
<td>1,870.1</td>
<td>1,946.6</td>
<td>1,970.0</td>
<td>1,982.6</td>
<td>1,817.5</td>
</tr>
<tr>
<td>Capex to sales ratio (%)<strong>4</strong></td>
<td>20.4%</td>
<td>20.8%</td>
<td>19.9%</td>
<td>20.6%</td>
<td>19.5%</td>
<td>18.1%</td>
<td>18.5%</td>
<td>18.4%</td>
<td>17.3%</td>
<td>16.4%</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>308.4</td>
<td>271.7</td>
<td>271.1</td>
<td>268.2</td>
<td>278.1</td>
<td>286.2</td>
<td>267.9</td>
<td>269.2</td>
<td>249.3</td>
<td>233.8</td>
</tr>
<tr>
<td>EBITDA<strong>5</strong></td>
<td>3,442.6</td>
<td>3,300.5</td>
<td>3,607.0</td>
<td>3,369.8</td>
<td>3,240.8</td>
<td>3,282.2</td>
<td>3,219.1</td>
<td>3,207.4</td>
<td>3,192.3</td>
<td>3,017.3</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>32.1%</td>
<td>31.0%</td>
<td>33.8%</td>
<td>32.4%</td>
<td>31.8%</td>
<td>31.9%</td>
<td>30.6%</td>
<td>30.0%</td>
<td>22.0%</td>
<td>27.2%</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td>3,242.9</td>
<td>2,361.3</td>
<td>3,090.8</td>
<td>2,514.1</td>
<td>2,817.8</td>
<td>2,830.9</td>
<td>2,508.3</td>
<td>2,453.7</td>
<td>2,727.9</td>
<td>2,391.8</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>(2,077.3)</td>
<td>(2,151.0)</td>
<td>(1,990.6)</td>
<td>(2,269.7)</td>
<td>(2,308.9)</td>
<td>(2,052.2)</td>
<td>(1,971.2)</td>
<td>(1,776.3)</td>
<td>(2,106.8)</td>
<td>(1,866.9)</td>
</tr>
<tr>
<td>Free cash flows<strong>6</strong></td>
<td>1,165.6</td>
<td>210.3</td>
<td>1,100.2</td>
<td>244.4</td>
<td>529.6</td>
<td>778.7</td>
<td>537.1</td>
<td>677.4</td>
<td>621.1</td>
<td>522.5</td>
</tr>
<tr>
<td>Cash dividends, applicable to earnings for the year (%)<strong>7</strong></td>
<td>30%</td>
<td>45%</td>
<td>31.5%</td>
<td>32.3%</td>
<td>31.2%</td>
<td>30.2%</td>
<td>27.2%</td>
<td>27.2%</td>
<td>31.4%</td>
<td>31.4%</td>
</tr>
<tr>
<td>Dividend payout ratio (%)</td>
<td>117.1%</td>
<td>23.0%</td>
<td>19.5%</td>
<td>27.5%</td>
<td>32.3%</td>
<td>31.2%</td>
<td>38.2%</td>
<td>37.2%</td>
<td>33.4%</td>
<td>38.0%</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>7.5%</td>
<td>6.9%</td>
<td>8.7%</td>
<td>7.3%</td>
<td>6.5%</td>
<td>6.4%</td>
<td>5.9%</td>
<td>6.7%</td>
<td>6.0%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Net income attributable to NTT per share (Yen)<strong>1</strong></td>
<td>¥11,541.0</td>
<td>¥10,760.6</td>
<td>¥10,680.9</td>
<td>¥10,416.3</td>
<td>¥10,181.4</td>
<td>¥9,365.0</td>
<td>¥9,507.1</td>
<td>¥10,295.3</td>
<td>¥11,089.3</td>
<td>¥11,541.0</td>
</tr>
</tbody>
</table>

### Notes

1. Operating revenues include sales to other NTT group companies and are on an after-tax basis.
2. D/E ratio = Interest-bearing debt / Shareholders’ equity
3. Capital investment includes capital invested in real estate and solar power generation operations.
4. Capex to sales ratio = Capital investment / Operating revenues
5. EBITDA = Operating income + Depreciation
6. Free cash flows = Cash flows from operating activities + Cash flows from investing activities
7. Adjusted for a stock split of common stock (100-for-1) with an effective date of January 4, 2009, and a stock split of common stock (2-for-1) with an effective date of July 1, 2015.
8. Figures for the period from the fiscal year ended March 31, 2006, to the fiscal year ended March 31, 2013, have been retroactively adjusted.

### Graphs

- Graph 1: Operating Revenues
- Graph 2: Operating Income / Net Income Attributable to NTT
- Graph 3: Capital Investment / Capex to Sales Ratio
- Graph 4: Net Income Attributable to NTT per Share
- Graph 5: Operating Income / Net Income Attributable to NTT
- Graph 6: EBITDA / EBITDA Margin
- Graph 7: EBITDA margin (right scale)

### Ratings

- S&P
- Moody’s

### Financial Highlights

- **EBITDA Margin**
- **D/E Ratio**
- **Capital Investment**
- **Operating Revenues**

### Key Performance Indicators

- **EBITDA**
- **Operating Income**
- **Net Income**

### Other Information

- **Adjusted for a stock split of common stock (100-for-1) with an effective date of January 4, 2009, and a stock split of common stock (2-for-1) with an effective date of July 1, 2015.
- **Capital investment in real estate and solar power generation operations, the capex to sales ratio was 16.1% in the fiscal year ended March 31, 2012, 16.7% in the fiscal year ended March 31, 2013, 16.8% in the fiscal year ended March 31, 2014, and 16.2% in the fiscal year ended March 31, 2015.**
Performance Highlights

Operational Data (as of each fiscal year-end/march 31)

### Fixed-line communications services

<table>
<thead>
<tr>
<th>Year</th>
<th>Fixed-line broadband services subscriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FLET’S ADSL</td>
</tr>
<tr>
<td>2013/3</td>
<td>5,892</td>
</tr>
<tr>
<td>2014/3</td>
<td>5,382</td>
</tr>
<tr>
<td>2015/3</td>
<td>4,956</td>
</tr>
</tbody>
</table>

### Mobile communications services subscriptions

<table>
<thead>
<tr>
<th>Year</th>
<th>FLET’S Hikari</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FLET’S TV</td>
</tr>
<tr>
<td>2013/3</td>
<td>3,419</td>
</tr>
<tr>
<td>2014/3</td>
<td>6,076</td>
</tr>
<tr>
<td>2015/3</td>
<td>8,777</td>
</tr>
</tbody>
</table>

### Video services subscriptions

<table>
<thead>
<tr>
<th>Year</th>
<th>ARPU of fixed-line communications services</th>
<th>ARPU of mobile communications services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Telephone subscriber line* + INS-Net*</td>
<td>FLET’S Hikari</td>
</tr>
<tr>
<td>2013/3</td>
<td>¥3,682</td>
<td>¥3,682</td>
</tr>
<tr>
<td>2014/3</td>
<td>¥3,070</td>
<td>¥3,070</td>
</tr>
<tr>
<td>2015/3</td>
<td>¥2,602</td>
<td>¥2,602</td>
</tr>
</tbody>
</table>

### ARPU

<table>
<thead>
<tr>
<th>Year</th>
<th>ARPU of fixed-line communications services</th>
<th>ARPU of mobile communications services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Telephone subscriber line* + INS-Net*</td>
<td>FLET’S Hikari</td>
</tr>
<tr>
<td>2013/3</td>
<td>¥3,050</td>
<td>¥3,050</td>
</tr>
<tr>
<td>2014/3</td>
<td>¥2,900</td>
<td>¥2,900</td>
</tr>
<tr>
<td>2015/3</td>
<td>¥2,760</td>
<td>¥2,760</td>
</tr>
</tbody>
</table>

### Mobile Aggregate ARPU

<table>
<thead>
<tr>
<th>Year</th>
<th>ARPU of fixed-line communications services</th>
<th>ARPU of mobile communications services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Telephone subscriber line* + INS-Net*</td>
<td>FLET’S Hikari</td>
</tr>
<tr>
<td>2013/3</td>
<td>¥2,980</td>
<td>¥2,980</td>
</tr>
<tr>
<td>2014/3</td>
<td>¥2,850</td>
<td>¥2,850</td>
</tr>
<tr>
<td>2015/3</td>
<td>¥2,720</td>
<td>¥2,720</td>
</tr>
</tbody>
</table>

---

1. As of each fiscal year-end.
2. Number of telephone subscribers in the total of individual lines and central station lines. (Subscriber Telephone line: Min. 1 subscription)
3. Number of ADSL is the total of the fixed line and the teletype line. FLET’S Hikari: FLET’S Hikari subscriptions is the total of the fixed line, central station lines, and the teletype line (base rate).
4. INS-Net 1500 is in all services.
5. The ARPU calculation method was changed from March 31, 2016. Accompanying this change, the new method has been applied retroactively to the ARPU figures for the fiscal year ended March 31, 2016. Please see page 100 for the ARPU calculation method and other details.
6. Billing plan with four central components—docomo, which supports customers who are age 25 or younger.
7. The figur includes wholesale services provided to service providers by NTT East and NTT West.
8. As of each fiscal year-end/march 31, 2016. Accompanying this change, the new method has been applied retroactively to the ARPU figures for the fiscal year ended March 31, 2016. Please see page 100 for the ARPU calculation method and other details.
9. The number of_abstraction subscribers in the total for dTV, danime, dkids, dmarket, dTV, Kake-hodai, which supports customers who are age 25 or younger.
10. The figur includes wholesale services provided to service providers by NTT East and NTT West.
11. The figur includes wholesale services provided to service providers by NTT East and NTT West.
12. The figur includes wholesale services provided to service providers by NTT East and NTT West.

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Graph 1

Graph 2

Graph 3

Graph 4

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Overview

Strategy

ESG

Operation

Innovation

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NIPPON TELEGRAPH AND TELEPHONE CORPORATION ANNUAL REPORT 2016

ANNUAL REPORT 2016
**Non-Financial Highlights**

Environmental / Social Data

<table>
<thead>
<tr>
<th>Environmental Data</th>
<th>2012/3</th>
<th>2013/3</th>
<th>2014/3</th>
<th>2015/3</th>
<th>2016/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2 emissions volume** (Million tons of CO2)</td>
<td>3.79</td>
<td>4.41</td>
<td>4.85</td>
<td>5.07</td>
<td>4.87</td>
</tr>
<tr>
<td>CO2 emissions volume per sales (t-CO2/Billions of yen)</td>
<td>336</td>
<td>452</td>
<td>498</td>
<td>533</td>
<td>505</td>
</tr>
<tr>
<td>Final disposal rate for waste (%)</td>
<td>1.75</td>
<td>1.46</td>
<td>1.15</td>
<td>0.88</td>
<td>0.82</td>
</tr>
<tr>
<td>Paper usage volume** (Thousands of tons)</td>
<td>66</td>
<td>68</td>
<td>60</td>
<td>50</td>
<td>45</td>
</tr>
</tbody>
</table>

**Note:**
- For Scope 1 (direct emissions from the use of fuel, etc.) and Scope 2 (indirect emissions accompanying the use of energy, such as electricity).
- Amount of paper used for bills, office paper, telegrams, and telephone books.

Environmental / Social Data

<table>
<thead>
<tr>
<th>Social Data</th>
<th>2012/3</th>
<th>2013/3</th>
<th>2014/3</th>
<th>2015/3</th>
<th>2016/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees (Employees)</td>
<td>224,250</td>
<td>227,150</td>
<td>239,750</td>
<td>241,600</td>
<td>241,500</td>
</tr>
<tr>
<td>Employment</td>
<td>87,000</td>
<td>88,500</td>
<td>89,000</td>
<td>89,500</td>
<td>89,000</td>
</tr>
<tr>
<td>Male</td>
<td>101,000</td>
<td>101,000</td>
<td>101,000</td>
<td>101,000</td>
<td>101,000</td>
</tr>
<tr>
<td>Female</td>
<td>17,500</td>
<td>17,500</td>
<td>17,500</td>
<td>17,500</td>
<td>17,500</td>
</tr>
</tbody>
</table>

**Note:**
- As of March 31, 2016, estimated number of employees for 907 consolidated companies in the NTT Group.
- As of March 31, 2016, total number of employees of NTT, directly affiliated companies in Japan, and their affiliated companies in Japan (total of 41 companies).
- As of March 31, 2016, Section manager level or higher.

External Evaluations

**SRI Indexes and Other External Evaluations**

<table>
<thead>
<tr>
<th>Index</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dow Jones Sustainability Index</td>
<td>–</td>
<td>–</td>
<td>Asia Pacific</td>
<td>Asia Pacific</td>
<td>Asia Pacific</td>
</tr>
<tr>
<td>MSCI Global Sustainability Index</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>FTSE4 Good Index</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Morningstar SRI Indexes and Other External Evaluations</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>From among approximately 4,000 listed companies in Japan, Morningstar selects 100 companies for superior social responsibility and converts their stock prices into the index, which is the first SRI index in Japan.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Intellectual Property Related**

- Thomson Reuters Top 100 Global Innovators
- Brand Finance Global 500
- BrandZ Top 100 Most Valuable Global Brands 2016

**Note:**
- Unless otherwise noted, as of January.
operators and make a transition to a new competitive stage as a “Value Partner.” The Hikari Collaboration Model is a representative example of those initiatives. Launched in February 2015, this is the world’s first model for full-scale fiber-access services offered through a wholesale framework. Through collaboration among telecommunications operators as well as companies from other industries, this model will promote the creation of new businesses and high-value-added services and the use of fiber access. In addition, by supporting the business development initiatives of partner companies, the Hikari Collaboration Model will help to ensure that NTT Group continues to be selected by partners and records gains in corporate value, which are the model’s primary aims.

The launch of the Hikari Collaboration Model—a B2B2X business—marked a major turning point in the transformation of the NTT Group’s business models. On the other hand, the global ICT market was expected to record growth. We believed that it was necessary to expand the NTT Group’s fields of business to global markets. Consequently, another reform that we implemented to foster further growth was the expansion of our global business centered on cloud services. Overseas, cloud services were making rapid progress and the market was expanding. Cloud services are based on networks and data centers, which are the NTT Group’s traditional strengths, and cloud services are also a field in which we can leverage the SI know-how that we have cultivated. As a comprehensive player that can provide cloud services in global markets on a one-stop basis, we decided to take on the challenge of cloud services and develop them into a pillar of our future growth. Our initial objectives were to expand our customer base and increase our sales. Growth in EPS was our highest priority objective, and we set a target of growth in EPS of at least 60% over four years. The entire Group worked together to tackle this transformation of our business structure, and as a result we were able to substantially exceed this target and achieve growth in EPS of 91%. We also achieved our targets for cost reductions and increases in efficiency in capital investment.

In consideration of this steady progress in reforming our business structure, in May 2015 we formulated “Towards the Next Stage 2.0” as a management strategy for realizing further growth in profits.
Moreover, targeting sustained growth, we decided to move ahead with the opening up of new domestic markets through the expansion of B2B2X businesses.

“Towards the Next Stage 2.0” is a three-year management strategy, and I believe that we got off to a strong start in the initial year of this strategy, the fiscal year ended March 31, 2016. We set a target of increasing EPS, the most-important medium-term financial target, from ¥237 in the fiscal year ended March 31, 2015, to at least ¥350 over three years. However, we achieved this target in the fiscal year ended March 31, 2016, and in consideration of this result, in May 2016 we raised our EPS target to at least ¥400.

### Review of Financial Targets in the Medium-Term Management Strategy, “Towards the Next Stage 2.0”

<table>
<thead>
<tr>
<th>Category</th>
<th>Financial targets to be achieved by the fiscal year ending March 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS Growth</td>
<td>At least ¥350 ➔ At least ¥400</td>
</tr>
<tr>
<td>Overseas Sales / Operating Income</td>
<td>$22.0 billion / $1.5 billion</td>
</tr>
<tr>
<td>Streamlining Capital Investment (in domestic network business) [as of FY ended March 31, 2015]</td>
<td>At least ¥200.0 billion</td>
</tr>
<tr>
<td>Cost Reductions (fixed-line / mobile access networks) [as of FY ended March 31, 2015]</td>
<td>At least ¥600.0 billion ➔ At least ¥800.0 billion</td>
</tr>
</tbody>
</table>

Notes:
1. Overseas operating income excludes M&A-related temporary expenses, such as depreciation costs of intangible fixed assets.
2. Streamlining capital investment (in domestic network business) excludes capital investment for NTT Communications’ data centers and certain other assets.
3. Figures for cost reductions (fixed-line / mobile access networks) are financial targets that exclude the impact of the change in the depreciation method for property, plant and equipment.
4. Financial targets for overseas sales and overseas operating income and for streamlining capital investment have not been revised.

### EPS Growth

- **Profit Growth**
  - At least ¥400
- **Stock Repurchases**
  - Approx. ¥183
- **EPS Target**
  - At least ¥350
- **Revised Former Target of “2.0”**
  - At least ¥350

### Taking on the challenge of achieving growth in overseas operating income through Groupwide initiatives

For our global business, we have set a target of increasing overseas sales from $15.0 billion in the fiscal year ended March 31, 2015, to $22.0 billion over three years. In addition, we have set a target of raising overseas operating income from $0.67 billion in the fiscal year ended March 31, 2015, to $1.5 billion over three years, more than double the level in the fiscal year ended March 31, 2015. We have effectively utilized M&As to build a system that can provide cloud services on a worldwide basis. Consequently, we have established a unique global position as a comprehensive ICT player that can provide full-stack, full life-cycle services (full stack: wide range of fields related to cloud services, from infrastructure to applications; full life-cycle: from consulting prior to cloud migration to maintenance after migration).

To achieve our targets, we have formed Groupwide working groups to address such themes as further growth in sales and increases in cost efficiency. Specifically, to expand cross-selling (obtaining orders through collaboration among Group companies), we are bolstering joint Group proposals to leading companies around the world. In addition, in regard to increasing cost efficiency, we have already seen results in the field of procurement. Security is an important key to rolling out global business initiatives, and we have consolidated the specialized security technologies of NTT Group with the establishment of NTT Security, which began operations in August 2016.

### Overseas Sales / Operating Income

<table>
<thead>
<tr>
<th>Fiscal year ended March (¥)</th>
<th>2015/3</th>
<th>2016/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income (¥)</td>
<td>$0.67</td>
<td>$0.69</td>
</tr>
<tr>
<td>M&amp;A + Organic Growth (¥)</td>
<td>$15.0</td>
<td>$15.6</td>
</tr>
<tr>
<td>More Than Double (¥)</td>
<td>$22.0</td>
<td>$1.5</td>
</tr>
</tbody>
</table>

* Operating income excludes M&A-related temporary expenses, such as depreciation costs of intangible fixed assets.
Steady progress in enhancing profitability in our domestic network business

We are making steady progress with the Hikari Collaboration Model in fixed-line communications. The number of partner companies had increased to more than 400 as of August 2016, and it continues to rise. New subscriptions through partner companies are growing on a quarterly basis, and we are seeing steady results in the area of net increases while controlling marketing costs. By expanding the wholesale menu and bolstering support with consideration for the requirements of partner companies, we will collaborate with companies in a wider range of industries and work to expand fiber-optic demand by creating new businesses. In mobile communications, Kakehoku & Kake-aeros billing plan, which enables customers to select in accordance with their life stage, continues to record favorable growth in subscriptions. In addition, utilizing the Hikari Collaboration Model, NTT DOCOMO is recording steady expansion in subscriptions to docomo Hikari, which is provided together with fiber-optic access services and mobile services. In increasing efficiency in our domestic network business, we are aiming to achieve reductions in capital investment of at least ¥200.0 billion over three years, and we are making favorable progress. Moving forward, we will implement initiatives to achieve further increases in efficiency, such as continued improvements in efficiency in the use of existing facilities and reductions in procurement costs. Furthermore, in regard to cost reductions in fixed-line and mobile access networks, our target was to achieve reductions of at least ¥600.0 billion over three years. However, due to reduced marketing costs under the Hikari Collaboration Model and to lower depreciation costs, in the fiscal year ended March 31, 2016, the first year of "Towards the Next Stage 2.0," we achieved substantial reductions that exceeded ¥400.0 billion. In the fiscal year ending March 31, 2017, we expect to be able to achieve the previous target of reductions of at least ¥600.0 billion, and consequently we have raised that previous target by ¥200.0 billion, to reductions of at least ¥800.0 billion. Moving forward, we will continue to implement rigorous initiatives to achieve further cost reductions, such as through measures to significantly increase operational efficiency.

Cost Reductions

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Reductions of at least ¥120.0 billion</th>
<th>Reductions of at least ¥141.0 billion</th>
<th>Reductions of at least ¥200.0 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/3</td>
<td>¥600.0 billion</td>
<td>¥800.0 billion</td>
<td>¥1,200.0 billion</td>
</tr>
<tr>
<td>2018/3 (Target)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Increasing free cash flow and continuing to enhance shareholder return

We have emphasized shareholder return up to the present, and we will continue working to further enhance shareholder return as we move forward. I believe that we should implement management with a focus on increasing free cash flow. While maintaining an emphasis on dividends, we will implement share buybacks in an agile and flexible manner. In this way, we will continue to enhance shareholder return.

For the fiscal year ended March 31, 2016, we raised per-share dividends by ¥10, to ¥110 per share, and for the fiscal year ending March 31, 2017, we plan to increase per-share dividends by an additional ¥10, to ¥120 per share. Over the 13 years since we first raised dividends in the fiscal year ended March 31, 2005, we have increased dividends to nearly five times the level for the fiscal year ended March 31, 2005. Moving forward, we will strive to implement continued dividend increases.

Working toward the achievement of our EPS target, we will continue to implement share buybacks, with consideration for business trends, market trends, and capital efficiency. We implemented acquisitions of treasury stock of ¥93.6 billion in the fiscal year ended March 31, 2016, and in the fiscal year ending March 31, 2017, we had implemented acquisitions of treasury stock of ¥267.4 billion as of August 2016.

Note:
The dividend amounts are split-adjusted figures with effective dates of January 4, 2009 (100-for-1 stock split) and July 1, 2015 (2-for-1 stock split). For the fiscal year ending March 31, 2017, we had implemented acquisitions of treasury stock of ¥267.4 billion as of August 2016.
In the past, telecommunications operators provided infrastructure and services in a single package. Currently, a diverse range of players are providing services that utilize telecommunications, including over-the-top (OTT) enterprises that provide SNS and other upper-layer services. The market is reaching the point at which telecommunications operators can no longer provide all services on their own. In response to these changes in the market environment, NTT Group has targeted sustained growth by changing its business model from "competition" to "collaboration." On that basis, we are taking on the challenge of opening up new markets and creating new services.

In advancing collaboration, the Tokyo 2020 Olympic and Paralympic Games will present business opportunities in a range of areas in the sports business field. Such opportunities will include the so-called smartification of stadiums, video services that provide new forms of entertainment, e-commerce offered in cooperation with local regions, and Big Data analysis and strategy formulation that leverage the Internet of Things (IoT). Overseas, these businesses have already started to expand markets, and we believe that the time is right to expand these businesses in Japan as well. We have already begun the smartification of the NACK5 Stadium Omiya, the home stadium of the Omiya Ardija in the J1 League. In accordance with a basic agreement that was concluded in July 2016, we will support the J.League’s smartification initiatives at all stadiums in Japan.

In addition, I believe that NTT Group can also make a significant contribution to the vitalization of local economies initiatives that are being aggressively advanced by the Japanese government. Our focus on these initiatives will create business models that will resolve social issues for the next generation. Municipalities face a range of problems, such as declining and aging populations, sluggish regional economies, and deteriorating infrastructure. Targeting the resolution of these social problems, NTT has concluded comprehensive partnership agreements with Fukushima City and Sapporo City. We are considering ways to achieve the vitalization of local economies by utilizing the NTT Group’s resources and knowledge in such areas as telecommunications and information systems and regional development. These initiatives will extend to such fields as tourism, disaster prevention, and transportation.

In this way, we will work with municipalities and partners in a range of industries to build new business models and create high-value-added services that will revitalize the Japanese economy. Our domestic business results are posting a favorable recovery, and our global business is also recording steady expansion. I believe that now is the time for NTT Group to take decisive steps targeting sustained growth.

NTT Group has contributed to the resolution of social issues through the use of ICT, and in the future I believe that this role will be ever more important for NTT. In accordance with the NTT Group CSR Charter, we will do our utmost to contribute to the creation of a prosperous and sustainable society with vibrant communication. As a “Value Partner” for customers, we will work to further expand B2B2X businesses and collaboration. In this way, we will strive to contribute to the resolution of social issues and to increase corporate value.

In regard to the vitalization of local economies initiatives discussed above, I will discuss in more detail the types of social issues that NTT Group will strive to resolve and the businesses that the Group will develop. In particular, to achieve the vitalization of local economies, I believe that it will be necessary to advance the utilization of Japanese-style IoT, Big Data, and AI in a way that shares data throughout society. This undertaking will involve the use of Big Data from IoT initiatives to collect information from a variety of fields, such as transportation, medical services, the environment, agriculture, manufacturing, and education. This data will be used as a public resource to solve a range of social issues. For example, by combining transportation and medical services data, it will be possible to shorten the time required to convey patients in emergency situations. Also, by combining environmental (energy) and manufacturing data, it might be possible to control electricity consumption during peak periods. In Europe and the United States, progress is being made with initiatives utilizing IoT and Big Data, known as Industry 4.0 and the Industrial Internet. Under these European and U.S. style initiatives, the Big Data is kept within companies or industries. However, in Japan, if Big Data is used by society as a whole, it will be possible to fully leverage the potential of Big Data and to link it to the development of regional-style businesses.

To that end, it will be necessary for municipalities to play the central role in collecting the Big Data assembled by companies and combining it with the open data held by municipalities, such as population, map, and disaster prevention information, which will then be provided to industry. In addition, it will be necessary for the results of the use of Big Data by companies to be provided as feedback to municipalities, thereby advancing the second-level and third-level use of Big Data and resulting in the enhancement of Big Data in terms of both quality and quantity. To realize this concept, NTT Group will approach municipalities and provide support for speeding up the formation and utilization of Big Data through the use of the Group’s network and ICT technologies. These efforts will lead to the creation of new businesses and services, to the use of the Group’s ICT services in new ways, and to expansion in the NTT Group’s businesses.
ICT continues to advance on a daily basis. The Internet has changed people’s lifestyles, and cloud services have substantially increased companies’ productivity. In the same way, IoT, Big Data, and AI technologies will likely foster further significant changes around the world.

NTT Group is aware of its role as an enterprise with responsibility for ICT, and we will work to create new businesses and services and to achieve sustained gains in corporate value through collaboration with a variety of partners around the world as the “Value Partner” that customers continue to select.

I would like to ask for your ongoing support of NTT Group in the years ahead.

In Closing

4

Governance that supports sustained gains in corporate value

The Company believes that accountability is one of its important responsibilities. To date, NTT has implemented management with an emphasis on communication with the markets. I strive to meet with investors as often as possible, and we held NTT IR Day with the participation of Members of the Board as well as top executives from the operating companies. In these ways, executives are proactively exchanging opinions with investors and working to deepen investors’ understanding. In addition, we strive to reflect the opinions of investors in our management.

Furthermore, a rigorous approach to compliance is also indispensable in achieving sustained gains in corporate value. NTT Group recognizes that its most important mission is to conduct business in compliance with laws and regulations and in accordance with high ethical standards. Accordingly, I continually ask the presidents of Group companies to take a rigorous approach to compliance, and the presidents of Group companies work to promote compliance within their own organizations. The NTT Group Corporate Ethics Charter sets forth conduct guidelines for all corporate officers and employees. By implementing Groupwide initiatives to strengthen compliance, we are creating a work environment in which there is zero tolerance for wrongdoing.

Moving forward, we will continue to work to support the effective functioning of corporate governance while advancing dialogue with investors.

Look forward to sustained increases in corporate value for NTT Group

ICT continues to advance on a daily basis. The Internet has changed people’s lifestyles, and cloud services have substantially increased companies’ productivity. In the same way, IoT, Big Data, and AI technologies will likely foster further significant changes around the world. NTT Group is aware of its role as an enterprise with responsibility for ICT, and we will work to create new businesses and services and to achieve sustained gains in corporate value through collaboration with a variety of partners around the world as the “Value Partner” that customers continue to select.

I would like to ask for your ongoing support of NTT Group in the years ahead.
The NTT Group’s EPS-Focused Management

NTT Group has undergone a transformation of business structure based on “Towards the Next Stage,” the medium-term management strategy announced in 2012.

In May 2015, NTT Group announced “Towards the Next Stage 2.0,” which aims to continue on with and strengthen the strategy, and it is now taking steps toward becoming a “Value Partner” that customers continue to select.

**EPS Growth**
At least 60% 
Fiscal year ended March 31, 2016

**Stock Repurchases**
Announced in May 2015

**Profit growth**

**Expanding global business sales**

**Strengthening domestic network business competitiveness**

**Accelerating profit generation**

**Further increasing business efficiency**

**Improving capital efficiency**

**Improve capital efficiency**

**Fiscal year ending March 31, 2018**

**EPS**
At least 400 yen

**Overview**

**Strategy**

**ESG**

**Operation**

**Innovation**

Announced in November 2012

“Towards the Next Stage”

Announced in May 2015

“Towards the Next Stage 2.0”
Expanding Global Business / Increasing Overseas Profit

Accelerating Profit Generation of Global Cloud Services

NTT Group has taken steps to enhance its global cloud services lineup through M&A, and we have promoted cross-selling through collaboration among Group companies. Consequently, we are starting to see solid results in our global business. In the fiscal year ended March 31, 2016, overseas sales increased to $15.6 billion, and overseas operating income rose to $5.69 billion.

Overseas sales of $22.0 billion has come into view. Moving forward, we will take on the challenge of achieving our target for operating income, which has been set at a high level. To that end, we will accelerate Groupwide initiatives to increase sales and enhance cost efficiency.

Strengthening the Service Promotion System on Three Axes

To provide one-stop solutions to the diverse needs of customers around the world, we are strengthening the service promotion system on the following three axes.

(1) Full stack: Provision of services in a wide range of fields related to cloud services, from ICT infrastructure to applications.

(2) Full life-cycle: Ability to provide services on a global scale

(3) Footprint expansion: Ability to provide services on a global scale

Global Cloud Business Promotion System

Strengths of NTT Group

NTT Group is a unique all-round player that has the ability to provide full-stack, full life-cycle services. In global cloud services, it is important to be able to provide total solutions—from data centers and networks to applications. Accordingly, global cloud services is a field in which NTT Group can fully leverage its strengths.

Ability to Provide Global Business Services—Comparison of NTT Group and Other Companies

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Centers (incl. co-location)</td>
<td>Leader</td>
<td>Leader</td>
<td></td>
<td></td>
<td>Leader</td>
</tr>
<tr>
<td>Network Integration</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
</tr>
<tr>
<td>Network Services</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
</tr>
<tr>
<td>Apps (ERP, etc.)</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
</tr>
<tr>
<td>Cloud Security</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
</tr>
<tr>
<td>Hosted Private</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
</tr>
<tr>
<td>Security</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
<td>Leader</td>
</tr>
</tbody>
</table>

Note: Evaluation of ability to provide global cloud services
Top tier
Top-2 tier
Second tier
Third tier
Geographically limited
Not provided/ provided on limited basis

External Evaluations

NTT Group has earned high evaluations in the ICT services field from overseas research institutions, and the Group’s presence in global markets is steadily increasing. Consequently, we are receiving an increasing number of inquiries from global companies.

Global Cloud Business Evaluations

<table>
<thead>
<tr>
<th></th>
<th>NTT Group</th>
<th>Network Services, Global</th>
<th>NTT Communications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cloud-Enabled Managed Hosting, Asia/Pacific</td>
<td>Leaders Quadrant</td>
<td>Leaders Quadrant</td>
<td></td>
</tr>
<tr>
<td>Managed Security Services, Worldwide</td>
<td>Leaders Quadrant</td>
<td>Leaders Quadrant</td>
<td></td>
</tr>
<tr>
<td>Cloud Professional Services</td>
<td>a leader</td>
<td>NTT DATA</td>
<td></td>
</tr>
</tbody>
</table>

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** Source: Magic Quadrant for Managed Security Services, Worldwide, Kelly J. Reinhart, John P. Fabbrichesi, 11 November 2015
*** Source: Magic Quadrant for Cloud-Enabled Managed Hosting, Asia/Pacific, To, Chee Eng, Mark Rendle, Kian Hang Ong, 1 November 2015
**** Source: Gartner Magic Quadrant for IT Infrastructure and Datacenter Services, 12 January 2016
Cross-Selling

In regard to global cross-selling in the fiscal year ended March 31, 2016, we received an order totaling more than $100 million from a customer in the manufacturing industry in Europe and the United States for large cloud-migration and IT full-outsourcing projects. The contract value of cross-selling orders totaled $400 million for the fiscal year, and the aggregate contract value of cross-selling orders reached $1.6 billion.

Moving forward, we will continue working to strengthen cross-selling. To that end, we will target projects centered on growth drivers, such as cloud and security projects, and on projects that leverage the comprehensive strengths of NTT Group for global accounts.

Cross-selling of existing services, mainly IT infrastructure

Aggregate contract value of cross-selling orders

<table>
<thead>
<tr>
<th>Fiscal year ended</th>
<th>2011/3</th>
<th>2012/3</th>
<th>2013/3</th>
<th>2014/3</th>
<th>2015/3</th>
<th>2016/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>$62 million</td>
<td>$147 million</td>
<td>$290 million</td>
<td>$960 million</td>
<td>$1,180 million</td>
<td>$1,625 million</td>
<td></td>
</tr>
</tbody>
</table>

$1,625 million

Advancing global account management

Total IT solution triggered by cloud service

North America

Toward worldwide, including emerging countries

Cross-selling of existing services, mainly IT infrastructure

Principle Cross-Selling Orders Track Record

Increasing inquiries from and transactions with global companies by enhancing our presence

<table>
<thead>
<tr>
<th>Region</th>
<th>Orders</th>
<th>Industry</th>
<th>Order Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>IT Outsourcing</td>
<td>Healthcare</td>
<td>Site management services</td>
</tr>
<tr>
<td>North America</td>
<td>Cloud Migration</td>
<td>Manufacturing</td>
<td>Software development services</td>
</tr>
<tr>
<td>North America</td>
<td>Network Security</td>
<td>Financial Services</td>
<td>Data security services</td>
</tr>
<tr>
<td>Asia</td>
<td>ITO</td>
<td>Construction</td>
<td>Project management services</td>
</tr>
<tr>
<td>Asia</td>
<td>Cloud Migration</td>
<td>Manufacturing</td>
<td>Application development services</td>
</tr>
<tr>
<td>APAC</td>
<td>ITO</td>
<td>Retail</td>
<td>Procurement services</td>
</tr>
<tr>
<td>APAC</td>
<td>Cloud Migration</td>
<td>Manufacturing</td>
<td>Supply chain services</td>
</tr>
</tbody>
</table>

Strengthening Competitiveness of Security Services

Establishing NTT Security

To support the global provision of competitive security services, in June 2016 NTT established NTT Security, a specialized security company. NTT Security integrates the advanced analytics technologies, threat intelligence, and the security expertise of NTT Com Security, Solutionary, Dimension Data, NTT Innovation Institute, and NTT Communications.

Positioning of NTT Security

As a service development and wholesale company, NTT Security will provide managed security services through NTT Group operating companies on a worldwide basis. Dimension Data, NTT Communications, NTT DATA, and other NTT Group operating companies will fully utilize their individual marketing capabilities and implement the worldwide provision of total solutions that combine the advanced technologies and services offered by NTT Security.
**Strategic Moves for Global Services**

**From April 2015 to March 2016**

- **United States**
  - Start of provision of services at California Sacramento 3 (CA3) Data Center
  - Reached agreement with Dell Inc. to acquire the Dell Services Division, a provider of cloud services, applications-related services, and other services, with principal customers in the healthcare and other industries.

- **Germany**
  - June 2016: E-shelter, the largest data center operator in Germany, became a subsidiary

- **Austria**
  - June 2016: Start of provision of services at Austria Vienna 1 Data Center

- **India**
  - October 2015: Opening of India Mumbai 5 Data Center, one of India’s largest data centers

- **China**
  - December 2015: Extension of Hong Kong Financial Data Center, one of Hong Kong’s largest data centers

- **Indonesia**
  - October 2015: PT.Cyber CSF, one of the largest data center operators in Indonesia, became a subsidiary

- **Thailand**
  - December 2015: Opening of Thailand Bangkok 2 Data Center, one of Thailand’s largest data centers

- **Philippines**
  - September 2015: Start of construction of Texas Dallas 1 (TX1) Data Center

- **Vietnam**
  - March 2016: Reached agreement with Dell Inc. to acquire the Dell Services Division, a provider of cloud services, applications-related services, and other services, with principal customers in the healthcare and other industries.
Enhancing Profitability of Domestic Network Business

Agressively Streamlining Capital Investment and Reducing Costs

In network services, we are working to thoroughly increase efficiency in existing businesses and to strengthen profitability.

1. **Streamlining Capital Investment**
   - We will invest aggressively to expand business in growth fields, such as the global cloud business. On the other hand, we will implement thorough measures to increase efficiency in capital investment in the domestic network business.
   - We have a target of reducing capital investment in the domestic network business by at least ¥200.0 billion over the three-year period ending March 31, 2018. The expansion of DOCOMO’s LTE service area has transitioned from wide-ranging expansion to spot-based initiatives, and as a result investment has been reduced. In addition, NTT East and NTT West have reduced fiber-optic related investment. Consequently, we achieved reductions of ¥95.7 billion in the fiscal year ended March 31, 2016. We are making favorable progress toward the achievement of our medium-term financial targets.
   - Moving forward, we will work to achieve our reduction target by continuing to cooperate with Group companies and advancing initiatives to further increase efficiency.

2. **Reducing Procurement Costs**
   - In regard to cost reductions in fixed-line/mobile access networks, we were targeting reductions of at least ¥600.0 billion over the three-year period ending March 31, 2018, and we achieved reductions of ¥414.0 billion in the fiscal year ended March 31, 2016. We now expect to achieve the target in the fiscal year ending March 31, 2017, which will be one year ahead of plan. We will implement rigorous initiatives to achieve further cost reductions, such as thorough measures to increase operational efficiency. To accelerate profit growth, our revised target calls for cost reductions of at least ¥900.0 billion.
   - Moving forward, we will continue to thoroughly increase efficiency in investment and operations at each company, and we will implement rigorous Groupwide efficiency measures to thoroughly reduce costs.

**Improving Efficiency of Facility Use**

1. **Introducing more-advanced, higher-capacity equipment**
2. **Building efficient facilities through software control technologies**

**Reducing Procurement Costs**

1. **Implementing efficient procurement by unifying technical specifications for procured goods**

**Improving and Optimizing IT Systems**

1. **Increasing efficiency of IT systems through the use of virtualization technologies and other leading-edge technologies**

### Specific Breakdown of Cost Reduction Amounts

#### Human Resources Costs

Approximately ¥100.0 billion reduction accompanying a decline in the number of employees due to retirements, principally in the NTT East Group and NTT West Group, etc.

<table>
<thead>
<tr>
<th>Number of employees (employees)</th>
<th>Reductions of at least ¥600.0 billion by the fiscal year ending March 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015/3</td>
<td>¥414.0 billion (vs. fiscal year ended March 31, 2015)</td>
</tr>
<tr>
<td>2016/3</td>
<td>Revision</td>
</tr>
<tr>
<td>2016/3 (Target)</td>
<td>¥300.0 billion (vs. fiscal year ended March 31, 2015)</td>
</tr>
</tbody>
</table>

*Figures for Outsourcing Companies of NTT East include employees from the consolidated regional outsourcing companies (NTT EAST-MINAMIKANTO and others), NTT-ME, NTT-ME DENTSU, NTT BUSINESS SOLUTIONS, NTT MARKETING ACT, NTT INCOM, NTT FIELDTECHNO, and NTT ASSOCIATE WEST. Figures for Outsourcing Companies of NTT West include NTT BUSINESS SOLUTIONS, NTT-ME, NTT-ME DENTSU, NTT BUSINESS SOLUTIONS, NTT MARKETING ACT, NTT INCOM, NTT FIELDTECHNO, and NTT ASSOCIATE WEST. Figures for Outsourcing Companies include the number of contracted employees who are more than 60 years old.

#### Facilities Costs

Approximately ¥300.0 billion reduction in depreciation expenses due to further streamlining of capital investment (Additional ¥100.0 billion in May 2016) etc.

#### Other Costs

Approximately ¥400.0 billion reduction due to further gains in operational efficiency resulting from lower marketing costs accompanying increased efficiency in sales (Additional ¥100.0 billion in May 2016) etc.
3 Expanding B2B2X Businesses

Make Good Use of “2020” and the Government’s “Vitalization of Local Economies” Initiative as Opportunities to Accelerate the Migration to B2B2X

Targeting sustained growth in domestic businesses, we will create high-value-added services and accelerate the transition to the new B2B2X business model through collaboration with companies in other fields and with municipalities.

In preparation for the Tokyo 2020 Olympic and Paralympic Games*, we will advance collaboration with partner companies.

Conclusion of Cooperation on “Smart Stadium” Project

In July 2016, NTT Group, the J.League, and DAZN (live sports streaming service provided by Perform Group) concluded a cooperation on the Smart Stadium project, a groundbreaking initiative to promote the advancement of ICT (Information and Communication Technology) in J.League stadiums and club hometowns. Beginning with the home grounds of J.League clubs, the Smart Stadium project will seek to establish Wi-Fi access and information services in stadiums throughout Japan. From internet access to new enjoyable content and services, the ICT initiative will extend the fan experience from the stadium to nearby communities in exciting ways. Clubs and players will be provided with innovative ways to cultivate new fans through this initiative, in turn establishing deeper connections with their local regions.

Aims of stadium smartification

- Offering a new way to enjoy the match through innovative technologies
- Using sports to stimulate local economies via digital marketing

Strengths of NTT Group (Contributing to the J-League)

- Existing customer base with 75 million mobile customers, etc.
- ICT services
- Regional relations

Participating in the Sapporo City ICT Utilization Platform Study Panel

In July 2016, aiming to build an advanced model for next-generation ICT community development, NTT joined the Sapporo City ICT Utilization Platform Study Panel, which was established by Sapporo City.

As a member of the study panel, through the provision of know-how related to advanced ICT, NTT will work to support the advancement of new businesses by local companies, the realization of highly convenient lifestyles, and the enhancement of services for residents. We will take steps in preparation for the 2017 Sapporo Asian Winter Games (opening in February 2017), for which NTT East and NTT DOCOMO are Gold Partners. In the Sports / Tourism ICT Promotion Subcommittee, we will consider how to further establish the Sapporo brand in Asia and around the world. To that end, we will examine the establishment and testing of a framework for the total enjoyment of tourism in Sapporo City before, during, and after this event through the utilization of advanced ICT.

4 Stock Repurchases

Policy for Stock Repurchases

With the objectives of achieving EPS targets and improving capital efficiency, the Company takes an agile and flexible approach to stock repurchases, with consideration for business and market trends. Moving forward, we will work to achieve EPS target of at least ¥450 through profit growth and stock repurchases.

Stock Repurchases (Cumulative)

We had implemented stock repurchases of ¥936.6 billion in the fiscal year ended March 31, 2016, and in the fiscal year ending March 31, 2017, we implemented stock repurchases of ¥267.4 billion as of August 2016. The cumulative total of stock repurchases has reached approximately ¥3.1 trillion.
Overview of Corporate Governance System

Corporate Governance System

NTT, in order to strengthen functions for appropriately supervising business execution, appoints several outside independent Members of the Board and establishes the Audit & Supervisory Board, of which outside independent Audit & Supervisory Board Members make up a majority to strengthen its auditing system. Additionally, NTT has voluntarily established the Appointment and Compensation Committee, which consists of two outside independent Members of the Board and two internal Members of the Board, to further increase the objectivity and transparency of decisions relating to appointment and compensation. NTT has determined that governance functions based on the Company with Board of Company Auditors model are sufficiently effective to achieve this purpose.

To advance the Medium-Term Management Strategy, “Towards the Next Stage 2.0,” and place the entire Group on a profit growth track, NTT will work to realize its basic policies at: (1) ensuring sound management; (2) executing appropriate decision-making and business activities; (3) clarifying accountability; and (4) maintaining thorough compliance.

Overview of Corporate Enhancing Governance System

Revision of Related Laws and Regulations Related to Corporate Governance

2002 Package of U.S. Sarbanes-Oxley Act
2003 Revision of Companies Act
2004 Revision of Financial Instruments and Exchange Act
2005 Enforcement of临港 财政 指令
2006 Enforcement of Turnbull Act
2007 Enforcement of Turnbull Act
2008 Enforcement of Turnbull Act
2009 Enforcement of Turnbull Act
2010 Enforcement of Turnbull Act

Business Execution / Supervision Systems

2002 Enforcement of Turnbull Act
2003 Enforcement of Turnbull Act
2004 Enforcement of Turnbull Act
2005 Enforcement of Turnbull Act
2006 Enforcement of Turnbull Act
2007 Enforcement of Turnbull Act
2008 Enforcement of Turnbull Act
2009 Enforcement of Turnbull Act
2010 Enforcement of Turnbull Act

Internal Control / Risk Management

2002 Establishment of Business Risk Management Committee
2003 Establishment of Business Risk Management Committee
2004 Establishment of Business Risk Management Committee
2005 Establishment of Business Risk Management Committee
2006 Establishment of Business Risk Management Committee
2007 Establishment of Business Risk Management Committee
2008 Establishment of Business Risk Management Committee
2009 Establishment of Business Risk Management Committee
2010 Establishment of Business Risk Management Committee

Enforcing the Exercise of Shareholder Voting Rights

2002 Enforcement of Turnbull Act
2003 Enforcement of Turnbull Act
2004 Enforcement of Turnbull Act
2005 Enforcement of Turnbull Act
2006 Enforcement of Turnbull Act
2007 Enforcement of Turnbull Act
2008 Enforcement of Turnbull Act
2009 Enforcement of Turnbull Act
2010 Enforcement of Turnbull Act

Information Disclosure

2002 Enforcement of Turnbull Act
2003 Enforcement of Turnbull Act
2004 Enforcement of Turnbull Act
2005 Enforcement of Turnbull Act
2006 Enforcement of Turnbull Act
2007 Enforcement of Turnbull Act
2008 Enforcement of Turnbull Act
2009 Enforcement of Turnbull Act
2010 Enforcement of Turnbull Act

Composition of Board of Directors / Audit & Supervisory Board

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Audit &amp; Supervisory Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members of the Board: 12</td>
<td>Members of the Board: 5</td>
</tr>
<tr>
<td>Male 7</td>
<td>Male 3</td>
</tr>
<tr>
<td>Female 5</td>
<td>Female 2</td>
</tr>
<tr>
<td>U.S. Residents: 9</td>
<td>U.S. Residents: 2</td>
</tr>
<tr>
<td>Outside independent members: 9</td>
<td>Outside independent members: 4</td>
</tr>
</tbody>
</table>

General Meeting of Shareholders

Appointment and Compensation Committee

The Board of Directors consists of 13 Members of the Board, including two outside independent Members of the Board. The Board of Directors makes decisions on matters stipulated by law and on important matters related to corporate management and Group management. Moreover, through such means as periodic reports from Members of the Board on the status of the execution of members’ duties, the Board of Directors supervises the execution of duties by Members of the Board.

Audit & Supervisory Board

The Audit & Supervisory Board consists of a total of five Audit & Supervisory Board Members and three outside independent Audit & Supervisory Board Members. From an independent perspective that differs from that of executives, the Audit & Supervisory Board implement operational audits and accounting audits and audit the status of the execution of duties by Members of the Board.

Appointment and Compensation Committee

For the purpose of improving objectivity and transparency in the decisions of appointments and compensation of Members of the Board, NTT has established on a non-statutory basis the Appointment and Compensation Committee, which consists of four Members of the Board, including two outside Members of the Board, as a preliminary review institution of the Board of Directors.

Executive Officers Meeting

The Executive Officers Meeting, which is held about once a week, is made up of the president, senior executive vice presidents, full-time executives, and the heads of staff organizations. The Executive Officers Meeting is held about once a week. To improve the transparency of management decision-making, one Audit & Supervisory Board Member participates in the Executive Officers Meeting.

Various Committees

A number of committees have been established below the Executive Officers Meeting to discuss specific issues related to corporate and Group management strategies. These committees, which are convened as necessary throughout the year, are in principle chaired by the president or a senior executive vice president and are attended by relevant Members of the Board and others.

Major Committees

- CSR Committee
  - Formulates basic CSR strategy and CSR goals for the Group, formulates basic policy for CSR-related reports
- Corporate Ethics Committee
  - Establishes corporate ethics, takes through steps to maintain discipline
- Human Rights Education Committee
  - Establishes human rights education systems and responds to discrimination incidents, etc.
- Technology Strategy Committee
  - Formulates R&D vision, technology development strategy, and R&D alliance strategy
- Investment Strategy Committee
  - Formulates investment strategy related to large investment projects, etc.
- Finance Strategy Committee
  - Formulates basic strategies related to finances and policies for addressing financial issues
- Business Risk Management Committee
  - Undertakes crisis management for the handling of business risks related to corporate management
- Disclosure Committee
  - Establishes policies for complying with laws
- D.S. Sarbanes-Oxley Act Internal Control Committee
  - Tracks status of internal control in accordance with the Sarbanes-Oxley Act on a group-wide basis, verifies and monitors measures to improve deficiencies
- Group CISO Committee
  - Formulates the Group’s information security management strategies
Board of Directors

Members of the Board (As of June 30, 2016)

Senior Vice President
Takashi Hiroi
Head of Finance and Accounting

Senior Vice President
Tsunehisa Okuno
Head of Global Business

Executive Vice President
Mitsuyoshi Kobayashi
Head of Technology Planning

Senior Executive Vice President
Jun Sawada
Chairman of the Board
Representative Member of the Board

Executive Vice President
Akira Shimada
Head of General Affairs

Senior Executive Vice President
Hiroki Kuriyama
Head of Strategic Business Development
In charge of 2020 Project

Senior Vice President
Eiichi Sakamoto
Head of Corporate Strategy Planning

Senior Vice President
Hiroo Unoura
Representative Member of the Board

Executive Vice President
Mitsuyoshi Kobayashi
Head of Technology Planning

Senior Vice President
Hiromichi Shinohara
Chief Technology Officer
Chief Information Security Officer
In charge of technical strategy and international standardization

Outside Independent Member of the Board
Katsuhiko Shirai
Chairperson of the Foundation for the Open University of Japan
Director of Japan Display, Inc.

Chairman of the Board
Satoshi Miura

President and Chief Executive Officer
Hiroo Unoura

Outside Independent Member of the Board
Sadayuki Sakakibara
Chief Executive Officer and Chief Financial Officer
Hitachi, Ltd.
Chairman of the Japan Business Federation (Keidanren)

Background and Experience of Members of the Board (As of June 30, 2016)

Satoshi Miura
Date of Birth: April 16, 1964
Chairman of the Board
Years served as Member of the Board: 11
Number of Meetings Attended (Percent): 12/12 (100%)

Hiroshi Shinozawa
Date of Birth: November 6, 1959
Senior Executive Vice President
Years served as Member of the Board: 7
Shares Owned: 14,950

Mitsuyoshi Kobayashi
Date of Birth: December 3, 1967
Executive Vice President
Years served as Member of the Board: 4
Shares Owned: 7,650

Akira Shimada
Date of Birth: December 18, 1967
Executive Vice President
Years served as Member of the Board: 4
Shares Owned: 7,450

Tsunehisa Okuno
Date of Birth: October 12, 1940
Senior Vice President
Years served as Member of the Board: 14
Shares Owned: 7,900

Hiroshi Kuriyama
Date of Birth: May 27, 1941
Senior Vice President
Years served as Member of the Board: 14
Shares Owned: 2,570

Takashi Hiroi
Date of Birth: February 11, 1963
Senior Vice President
Years served as Member of the Board: 5
Shares Owned: 2,750

Eiichi Sakamoto
Date of Birth: September 5, 1963
Senior Vice President
Years served as Member of the Board: 4
Shares Owned: 2,550

Katsuhiko Shirai
Date of Birth: March 24, 1950
Outside Independent Member of the Board
Years served as Member of the Board: 4
Shares Owned: 2,600

Sadayuki Sakakibara
Date of Birth: March 15, 1946
Outside Independent Member of the Board
Years served as Member of the Board: 5
Shares Owned: 7,350

Notes: 1. Number of shares held as of June 30, 2016.
2. Number of meetings attended for the fiscal year ended March 31, 2016.

Corporate Governance

Share Ownership

Shares Owned:

Hiroshi Unoura:
7,800

Mitsuyoshi Kobayashi:
6

Date of Birth: March 15, 1954
Senior Executive Vice President
Head of Corporate Strategy Planning
Chief Technology Officer
Senior Executive Vice President
Date of Birth: February 13, 1963
Senior Vice President
Chief Financial Officer
Chief Information Officer
Member of the Board of NTT Security Corporation

Tsunehisa Okuno:
6

Date of Birth: March 22, 1943
Senior Executive Vice President
Chief Technology Officer
Senior Executive Vice President
Date of Birth: March 15, 1954
Senior Executive Vice President
Head of Corporate Strategy Planning
Chief Technology Officer
Senior Executive Vice President

Eiichi Sakamoto:
2,900

Date of Birth: April 16, 1964
Chairman of the Board
Years served as Member of the Board: 11
Number of Meetings Attended (Percent): 12/12 (100%)

Takashi Hiroi:
2,750

Date of Birth: February 11, 1963
Senior Vice President
Years served as Member of the Board: 5
Shares Owned: 2,750

Eiichi Sakamoto:
2,550

Date of Birth: September 5, 1963
Senior Vice President
Years served as Member of the Board: 4
Shares Owned: 2,550

Katsuhiko Shirai:
2,600

Date of Birth: March 24, 1950
Outside Independent Member of the Board
Years served as Member of the Board: 4
Shares Owned: 2,600

Sadayuki Sakakibara:
7,350

Date of Birth: March 15, 1946
Outside Independent Member of the Board
Years served as Member of the Board: 5
Shares Owned: 7,350

Overview
Strategy
ESG
Operation
Innovation
Composition of the Board of Directors
The Board of Directors is of a size appropriate to the Group’s business, and the composition of the Board of Directors reflects consideration for a balance of experience and specialists and for diversity. The Board of Directors has 12 Members of the Board, including two outside independent Members of the Board who have been appointed in order to strengthen functions for appropriately supervising business execution. For information about the past experience and specialties of individual Members of the Board, please refer to Background and Experience of Member of the Board on pages 42 and 43.

Activities of the Board of Directors
In principle, the Board of Directors meets once per month. In addition, extraordinary meetings are held as needed. The Board of Directors makes decisions on matters stipulated by law and on important matters related to corporate management and Group management. Moreover, through such means as periodic reports from Members of the Board on the status of the execution of members’ duties, the Board of Directors supervises the execution of duties by Members of the Board.

Evaluation of the Effectiveness of the Board of Directors
To improve the effectiveness of the Board of Directors, and to strengthen corporate governance, meetings intended for the exchange of opinions among outside independent Members of the Board and Audit & Supervisory Board Members and among outside independent Members of the Board and Representative Members of the Board were held based on a variety of themes. In these meetings, NTT received opinions on NTT’s Board of Directors that adequate information is provided and Members of the Board engage in active debate, thereby ensuring the Board’s effectiveness. As a result, these opinions constitute an assessment that the effectiveness of the Board of Directors has been ensured, and NTT will work to further improve the Board’s effectiveness going forward.

Nomination Policies and Procedure for Members of the Board
NTT Group strives to contribute to the resolution of social issues and the realization of a safer, more secure, and more affluent society. To accomplish this goal, the Group acts as a trusted “Value Partner” that customers continue to select in order to provide them with new value on a global basis. We have established the policy of positioning human resources that share these ideals in the upper ranks of NTT Group’s management, and the Board and Audit & Supervisory Board Members and among outside independent Members of the Board and Representative Members of the Board are selected have the broad-ranging perspective and experience necessary to contribute to the overall development of NTT Group.

In or in addition to the above, an aggregate of ¥13 million is to be paid to Members of the Board who are also employees as bonuses for their service as employees.

Support System for Members of the Board
NTT has concluded contracts with the lawyers and other specialists who may be called upon as necessary to provide advice at the expense of NTT.

In or in addition to the above, an aggregate of ¥13 million is to be paid to Members of the Board who are also employees as bonuses for their service as employees.
Composition of the Audit & Supervisory Board

The Audit & Supervisory Board comprises three outside independent Audit & Supervisory Board Members, who have experience and knowledge in a range of fields—as a Certified Public Accountant, university professor, and lawyer—and two internal Audit & Supervisory Board Members. We conduct effective audits by combining the independence of outside Audit & Supervisory Board Members with the superior information collection capabilities of internal Audit & Supervisory Board Members. Two of Audit & Supervisory Board Members have extensive knowledge concerning finance and accounting matters.

Activities of the Audit & Supervisory Board

Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings. In addition, Audit & Supervisory Board Members meet periodically with Representatives of the Board and Members of the Board to exchange ideas and opinions and hold discussions on various topics. In this way, Audit & Supervisory Board Members maintain an understanding of the execution of duties by Members of the Board and provide their opinions as needed.

In the fiscal year ended March 31, 2016, the Audit & Supervisory Board met 25 times. Moreover, separate from meetings of the Audit & Supervisory Board, the Audit & Supervisory Board Members held deliberation meetings in preparation for meetings of the Board of Directors. Such meetings were held 25 times. Moreover, separate from these meetings, Audit & Supervisory Board Members exchanged opinions with the Independent Auditor and the Internal Control Office approximately 10 times. Audit & Supervisory Board Members also receive explanations of audit plans and reports on the status of internal control systems and provide advice as needed.

In initiatives related to Group companies, Audit & Supervisory Board Members received information from the Representatives of the Board of Directors of approximately 20 Group companies regarding the status of corporate governance and measures to maintain and enhance corporate governance, and discussions were conducted on those matters. In addition, Audit & Supervisory Board Members visited major bases in Japan and overseas (approximately 20 bases), received information from local representatives, and conducted discussions. Furthermore, Audit & Supervisory Board Members received reports regarding audit results, etc., from Audit & Supervisory Board Members of major Group companies and exchanged opinions with them in addition to the Audit & Supervisory Board Members of major Group companies.

Audit & Supervisory Board Members held meetings on the following topics regularly, including regular holding training sessions by outside experts for Audit & Supervisory Board Members of major Group companies. Through these activities, Audit & Supervisory Board Members support the sound, steady growth of NTT and Group companies from an independent perspective that differs from that of executive management. In addition, Audit & Supervisory Board Members contribute to the strengthening of corporate governance systems and the fostering of awareness of compliance matters.
Corporate Governance

Nomination Policies and Procedure for Audit & Supervisory Board Members

NTT has the policy of selecting candidates for Audit & Supervisory Board Members based on the capacity to provide audits based on specialized experience and insight. From the perspective of gaining a broad audit of the execution of duties by Members of the Board, outside independent Audit & Supervisory Board Members NTT selects people who present no risk of a conflict of interest with general shareholders. In accordance with the Companies Act, NTT ensures that outside independent Audit & Supervisory Board Members make up half or more of outside independent Audit & Supervisory Board Members, and consent is granted if appropriate. The candidates are then approved by the Board of Directors and presented for voting at the General Meeting of Shareholders.

Compensation of Audit & Supervisory Board Members

Compensation of Audit & Supervisory Board Members is determined by resolution of the Audit & Supervisory Board.

| Total Compensation of Audit & Supervisory Board Members (Fiscal Year Ended March 31, 2016) |
|---|---|---|
| Position | Number of payments | Total compensation |
| Audit & Supervisory Board Members | 5 | ¥10 million |

Note: The maximum limit on total annual compensation of Audit & Supervisory Board Members was set at an aggregate of ¥200 million at the 21st Ordinary General Meeting of Shareholders held on June 28, 2006.

Support Structures for Audit & Supervisory Board Members

The Office of Audit & Supervisory Board Members, which has four dedicated NTT employees, has been established as a structure to support the Audit & Supervisory Board Members. In addition, NTT has concluded contracts with the lawyers and other specialists who may be called upon as necessary to provide advice at the expense of NTT.

In addition, when Audit & Supervisory Board Members are elected, they are trained with respect to market trends and compliance. They then continue to undergo training on broad spectrum of topics, including domestic and overseas economic and social issues, after appointment.

Moreover, we are creating opportunities for tours and implementing other initiatives so that outside Audit & Supervisory Board Members can further deepen their understanding of NTT and NTT Group.

Independent Members of the Board and Audit & Supervisory Board Members

Nomination Procedure for Outside Members of the Board and Outside Audit & Supervisory Board Members

From the perspectives of strengthening supervising functions for outside members for execution and guaranteeing appropriate audits of the execution of duties by Members of the Board, NTT has the policy of selecting individuals to serve as outside Members of the Board and outside Audit & Supervisory Board Members who do not represent risks of conflicts of interest with general shareholders.

NTT designates outside members of the Board and outside Audit & Supervisory Board Members who fulfill both the independence criteria stipulated by the Tokyo Stock Exchange and NTT’s own independence standards as independent Members of the Board or independent Audit & Supervisory Board Members.

Independence Standards

In order to meet the independence standards, a person may not fall under any of the following categories in any of the last three fiscal years:

1. A person who executes business in a partner company that exceeds NTT's standards*1
2. A person who executes business in a lending company that exceeds NTT’s standards*2
3. A consultant, an accountant, a lawyer or any other person providing professional services, who received monetary payments or any other gain in assets equal to or more than ¥10 million, excluding the Board Members’ or Audit & Supervisory Board Members’ compensation, from NTT or its major subsidiaries*3 in any of the last three fiscal years
4. A person who executes business in an organization that received donations exceeding NTT’s standards of the last three fiscal years
5. A person that is a member of any committee or body that exceeds NTT’s standards of the last three fiscal years
6. A person that is a member of any committee or body that exceeds NTT’s standards of the last three fiscal years

*1 A “company that exceeds NTT’s standards” is defined as a company that has had a business dealing with NTT and its major subsidiaries*4 in any of the last three fiscal years equal to or more than 5% of the total operating revenue of NTT and its major subsidiaries for the respective fiscal year.

*2 A “lending company that exceeds NTT's standards” is defined as a company in which the total amount of borrowings or the total cumulative amount in any of the last three fiscal years equals to or more than 5% of NTT’s consolidated total assets for the respective fiscal year.

*3 A “major subsidiary” means NIPPON TELEGRAPHS AND TELEPHONE CORPORATION, NIPPON TELEGRAPHE AND TELEPHONE WEST CORPORATION, NTT COMMUNICATIONS CORPORATION, NTT DOCOMO, INC., and NTT DOCOMO, INC.

*4 An “organization that received donations exceeding NTT’s standards” is defined as an organization which received donations from NTT and its major subsidiaries*4 in any of the last three fiscal years exceeding ¥10 million or 5% of the total income of the organization, whichever is larger, during the respective fiscal year.

Reason for Nomination and Status of Independence

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for nomination</th>
<th>Status of independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Katsuhiko Shirai</td>
<td>Has a wealth of experience as operational director of an educational and research institution and NTT expects that he will help strengthen the supervising function for business execution and provide insight into the knowledge and insight that he has gained through his career.</td>
<td>Independence</td>
</tr>
<tr>
<td>Waseda University, at which Katsuhiko Shirai has served as President</td>
<td>Total of transactions</td>
<td>Comparison with total annual operating revenues of NTT and its major subsidiaries</td>
</tr>
<tr>
<td></td>
<td>Total of donations</td>
<td>Comparison with total annual armament of the university</td>
</tr>
<tr>
<td>The Open University of Japan Foundation, at which Katsuhiko Shirai currently serves as Chairman</td>
<td>Total of transactions</td>
<td>Comparison with total annual operating revenues of NTT and its major subsidiaries</td>
</tr>
<tr>
<td></td>
<td>Total of donations</td>
<td>Comparison with total annual armament of the university</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for nomination</th>
<th>Status of independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sadayuki Sakakibara</td>
<td>Has a wealth of experience, including as an executive officer of an educational institution, and NTT expects that he will help strengthen the supervising function for business execution and provide insight into the knowledge and insight that he has gained through his career.</td>
<td>Independence</td>
</tr>
<tr>
<td>Tomy Industries, Inc., at which Sadayuki Sakakibara served as Chairman of the Board</td>
<td>Total of transactions</td>
<td>Comparison with total annual operating revenues of NTT and its major subsidiaries</td>
</tr>
<tr>
<td></td>
<td>Total of donations</td>
<td>Comparison with total annual armament of the university</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for nomination</th>
<th>Status of independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michiko Tomonaga</td>
<td>Has worked for many years as a Certified Public Accountant, and NTT expects that he will conduct future audits based on the knowledge and insight that she has gained through her career.</td>
<td>Independence</td>
</tr>
<tr>
<td>Ernst &amp; Young Japan, at which Michiko Tomonaga worked as Senior Partner (ended in June 2015)</td>
<td>Total of transactions</td>
<td>Comparison with total annual operating revenues of NTT and its major subsidiaries</td>
</tr>
<tr>
<td></td>
<td>Total of donations</td>
<td>Comparison with total annual armament of the university</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for nomination</th>
<th>Status of independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seiichi Ochiai</td>
<td>Has been serving for many years as a university professor specializing in the study of law, and NTT expects that he will conduct future audits based on the knowledge and insight that he has gained through his career.</td>
<td>Independence</td>
</tr>
<tr>
<td>Tokyo University, at which Seiichi Ochiai was a professor</td>
<td>Total of transactions</td>
<td>Comparison with total annual operating revenues of NTT and its major subsidiaries</td>
</tr>
<tr>
<td></td>
<td>Total of donations</td>
<td>Comparison with total annual armament of the university</td>
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</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for nomination</th>
<th>Status of independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takashi Iida</td>
<td>Has been working for many years in the legal sectors, and NTT expects that he will conduct future audits based on the knowledge and insight that he has gained through his career.</td>
<td>Independence</td>
</tr>
<tr>
<td>Japan Business Federation (Keidanren), at which Sadayuki Sakakibara currently serves as Chairman</td>
<td>Total of transactions</td>
<td>Comparison with total annual operating revenues of NTT and its major subsidiaries</td>
</tr>
<tr>
<td></td>
<td>Total of donations</td>
<td>Comparison with total annual armament of the university</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for nomination</th>
<th>Status of independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michio Morinaga</td>
<td>Has worked for many years in the special field of telecommunication, and NTT expects that he will conduct future audits based on the knowledge and insight that he has gained through his career.</td>
<td>Independence</td>
</tr>
<tr>
<td>Morinaga &amp; Matsubara, at which Michio Morinaga worked as a director (ended in December 2011)</td>
<td>Total of transactions</td>
<td>Comparison with total annual operating revenues of NTT and its major subsidiaries</td>
</tr>
<tr>
<td></td>
<td>Total of donations</td>
<td>Comparison with total annual armament of the university</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for nomination</th>
<th>Status of independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takashi Iida</td>
<td>Has worked for many years in the special field of telecommunication, and NTT expects that he will conduct future audits based on the knowledge and insight that he has gained through his career.</td>
<td>Independence</td>
</tr>
<tr>
<td>Kowa Law Office, at which Takashi Iida served as Vice President (ended in December 2011)</td>
<td>Total of transactions</td>
<td>Comparison with total annual operating revenues of NTT and its major subsidiaries</td>
</tr>
<tr>
<td></td>
<td>Total of donations</td>
<td>Comparison with total annual armament of the university</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for nomination</th>
<th>Status of independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Koos Lee Oo</td>
<td>Has worked for many years as a university professor specializing in the study of natural resources, and NTT expects that he will conduct future audits based on the knowledge and insight that he has gained through his career.</td>
<td>Independence</td>
</tr>
<tr>
<td>Tokyo University, at which Koos Lee Oo served as Professor (ended in March 2015)</td>
<td>Total of transactions</td>
<td>Comparison with total annual operating revenues of NTT and its major subsidiaries</td>
</tr>
<tr>
<td></td>
<td>Total of donations</td>
<td>Comparison with total annual armament of the university</td>
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<tr>
<th>Name</th>
<th>Reason for nomination</th>
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<tr>
<td>Michio Tomonaga</td>
<td>Has worked for many years as a Certified Public Accountant, and NTT expects that he will conduct future audits based on the knowledge and insight that he has gained through his career.</td>
<td>Independence</td>
</tr>
<tr>
<td>Ernst &amp; Young Japan, at which Michiko Tomonaga worked as Senior Partner (ended in June 2015)</td>
<td>Total of transactions</td>
<td>Comparison with total annual operating revenues of NTT and its major subsidiaries</td>
</tr>
<tr>
<td></td>
<td>Total of donations</td>
<td>Comparison with total annual armament of the university</td>
</tr>
</tbody>
</table>
Corporate Governance

Status of Activities of Outside Members of the Board and Outside Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Statements made at Board of Directors’ Meetings and Audit &amp; Supervisory Board Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazuhiko Shirai</td>
<td>Kazuhiko Shirai made comments mainly concerning the business strategies of Group companies, global strategy, and network evolution development from his perspective as an executive director of an international financial institution with extensive experience.</td>
</tr>
<tr>
<td>Sadami Ochiai</td>
<td>Sadami Ochiai made comments mainly concerning the business strategies of Group companies, investment, and business activities from his perspective as an outside director with extensive experience.</td>
</tr>
</tbody>
</table>

Outside Members of the Board (Independent Members of the Board)

Outside Audit & Supervisory Board Members

Note: Ordinary General Meeting of Shareholders.

Nomination of the Independent Auditor

NTT believes that it is important to maintain and enhance audit quality while increasing audit efficiency. Based on this policy, the Audit & Supervisory Board evaluates Independent auditors from the perspectives of their independence and specialties and appropriateness and adequateness of their auditing activities. The candidates that are approved by the Audit & Supervisory Board are then presented for voting at the Ordinary General Meeting of Shareholders. The Audit & Supervisory Board may choose to dismiss or not to reappoint the Independent Auditor in any of the cases described in Article 340 (1) of the Companies Act based on a unanimous vote by all Audit & Supervisory Board Members. In addition, if the Board of Directors determines that it would be difficult for the Independent Auditor to perform proper audits, the Audit & Supervisory Board may propose a resolution to the Ordinary General Meeting of Shareholders that the Independent Auditor be discharged or that the Independent Auditor not be reappointed.

Compensation of Outside Members of the Board and Outside Audit & Supervisory Board Members

In order to maintain a high level of independence, compensation of outside Members of the Board and outside Audit & Supervisory Board Members consists of a base salary only and is not linked to NTT’s business results.

<table>
<thead>
<tr>
<th>Name</th>
<th>Total Compensation of Outside Members of the Board and Outside Audit &amp; Supervisory Board Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michiko Tomomura</td>
<td>¥5,259 million</td>
</tr>
<tr>
<td>Seiichi Ochiai</td>
<td>¥5,218 million</td>
</tr>
<tr>
<td>Takashi Iida</td>
<td>¥5,180 million</td>
</tr>
</tbody>
</table>

Activities of the Independent Auditor

NTT has appointed KPMG AZSA LLC as its Independent Auditor. The Independent Auditor maintains the level of coordination with the Audit & Supervisory Board and the Internal Control Office necessary to conduct appropriate audits. As part of this coordination, the Independent Auditor appropriately audit NTT’s financial statements.

Nomination of the Independent Auditor

NTT places a high importance on maintaining and enhancing audit quality while increasing audit efficiency. Based on this policy, the Audit & Supervisory Board evaluates Independent auditors from the perspectives of their independence and specialties and appropriateness and adequateness of their auditing activities. The candidates that are approved by the Audit & Supervisory Board are then presented for voting at the Ordinary General Meeting of Shareholders. The Audit & Supervisory Board may choose to dismiss or not to reappoint the Independent Auditor in any of the cases described in Article 340 (1) of the Companies Act based on a unanimous vote by all Audit & Supervisory Board Members. In addition, if the Board of Directors determines that it would be difficult for the Independent Auditor to perform proper audits, the Audit & Supervisory Board may propose a resolution to the Ordinary General Meeting of Shareholders that the Independent Auditor be discharged or that the Independent Auditor not be reappointed.

Compensation of Independent Auditor

NTT’s and its major subsidiaries pay compensation to KPMG AZSA LLC, NTT’s Independent Auditor, and other member firms of the KPMG network for audit services and for non-audit services.

<table>
<thead>
<tr>
<th>Fiscal year ended March 31, 2015</th>
<th>Compensation for audit services</th>
<th>Compensation for non-audit services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>¥4,572 million</td>
<td>¥900 million</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 2016</td>
<td>¥4,572 million</td>
<td>¥907 million</td>
</tr>
</tbody>
</table>

Total: ¥9,276 million

Note: The above figures are included in the amounts listed in “Total Compensation of Members of the Board” on page 45 and “Total Compensation of Audit & Supervisory Board Members” on page 46.

Internal Control

Overview of Internal Control Systems

NTT maintains internal control systems related to financial reporting based on the U.S. Public Company Accounting Reform and投资者 Protection Act (Sarbanes-Oxley Act), Section 404, and the Financial Instruments and Exchange Act of Japan. Based on tests and evaluations of the design and operational effectiveness of these systems, we were able to confirm, as of March 31, 2016, the effectiveness of these systems without any particular issues.

In regard to general internal control systems, internal audits are conducted by the internal auditing divisions of each Group company, and the results of these auditing activities are reviewed by NTT. In addition, standardized audits are performed with regard to major risk factors that are common issues throughout the Group, and we are continually enhancing and verifying their effectiveness. As for internal audits, the Internal Audit Office and its staff of 22 people verify the internal control systems in place throughout the Group and the status of their implementation. NTT is continually accelerating its efforts to develop and implement IT and other Groupwide internal control systems and to improve their operational procedures and efficiency.

For information on Basic Policy for the Development of Internal Control Systems, please refer to the following NTT website.

http://www.ntt.co.jp/about_e/internalcontrol.html

Compliance Systems

NTT Group Corporate Ethics Charter

NTT Group recognizes that it is imperative to conduct business in compliance with laws and regulations and to maintain high ethical standards in order to promote sound corporate activities, NTT established the NTT Group Corporate Ethics Charter in November 2002.

The charter, which applies to all officers and employees of NTT Group, lays out the basic principles for corporate ethics and provides specific guidelines for ethical behavior. These guidelines are intended to remind everyone of their duty as members of a group that bears significant responsibility to society. This responsibility includes preventing dishonesty, mismanagement, and the disclosure of corporate secrets as well as refraining from exchanging excessive favors with customers and suppliers. The guidelines are also meant to ensure that employees conduct themselves according to the highest ethical standards in both public and private activities.

NTT Group Corporate Ethics Charter

1. Recognizing the establishment of corporate ethics as one of its most important missions, top management shall exert its leadership to ensure that the spirit of this Charter is adopted throughout the Company, and shall assume full responsibility for solving any problems when any event inconsistent with that spirit occurs.

2. Every person with subordinate employees shall not only act in a self-disciplined manner, but shall also always provide guidance and assistance to his / her subordinate staff to ensure that their conduct is in conformity with our corporate ethics.

3. Every officer and employee of NTT Group shall not only comply with all laws and regulations, social standards, and internal company rules whether in Japan or overseas, but officers and employees shall also hold the highest ethical philosophy within himself / herself both in public and in any private situations. Among other things, each officer and employee, as an officer or employee of a member of a Global Information Sharing Corporate Group, shall keep himself / herself fully aware that any disclosure of customer or other internal privileged information constitutes a materially wrongful act. Also, as a member of a group of companies which holds great social responsibilities, he / she shall strictly refrain from giving or receiving from customers, business partners, and other interested parties excessive gratuities.

4. Each NTT Group company, at the first opportunity, shall take initiatives to provide training programs in order to help its officers and employees enhance their awareness of our corporate ethics.

5. Every officer and employee of NTT Group shall direct his / her efforts to prevent wrongful or scandalous acts which may potentially occur as specialization and advancement of our business proceeds. Each NTT Group company shall improve its system to prevent such acts, including, for instance, the re-assignment of contract representatives who have remained with the same customers for a long period of time, and the improvement of monitoring tools to protect customer and other information.

6. Any officer or employee who may come to know of the occurrence of any wrongful act or any scandal shall promptly report the wrongful act or scandal to his / her supervisor or other appropriate persons. If he / she is not able to make such a report, he / she may contact the Corporate Ethics Help Line (Contact Point); it should be noted that every officer and employee who reports the occurrence of any wrongful act or scandal shall be protected so that the reporting party shall not suffer any negative consequences due to such reporting.

7. In the event of an occurrence of any wrongful act or scandal, each NTT Group company shall be committed to the settlement of the problem by taking appropriate steps through a speedy and accurate fact-finding process, and responding in a timely, suitable, and transparent manner in order to fulfill its social accountability.
### Risk Correlation Analysis

To ensure the effectiveness of the NTT Group Corporate Ethics Charter, NTT Group companies offer training sessions on corporate ethics to employees. In addition, NTT conducts annual surveys of employees to measure their awareness, and the results are then used for awareness-enhancement initiatives.

#### Groupwide Corporate Ethics Help Line (External Help Line)

To prevent dishonesty or misconduct, each Group company has set up an internal consulting center. In addition, NTT has established the Groupwide Corporate Ethics Help Line as an external contact point and outsources its operation to a law firm. The content of the consultations and reports are investigated and handled by the staff member in charge, and a report is submitted to the Corporate Ethics Committee of each Group company. All reports are collected at least once a year by NTT, where the response status is ascertained and reported to the Board of Directors.

The NTT Group Corporate Ethics Charter clearly states that people who file reports with the Groupwide Corporate Ethics Help Line are protected from any disadvantage arising from the fact that they filed a report.

#### Reports Filed through the Groupwide Corporate Ethics Help Line

<table>
<thead>
<tr>
<th>Fiscal year ended</th>
<th>Reports filed</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2013</td>
<td>258</td>
</tr>
<tr>
<td>March 31, 2014</td>
<td>312</td>
</tr>
<tr>
<td>March 31, 2015</td>
<td>322</td>
</tr>
<tr>
<td>March 31, 2016</td>
<td>304</td>
</tr>
</tbody>
</table>

### Initiatives to Promote Awareness of NTT Group Corporate Ethics Charter

To ensure that all Group employees, including those at overseas subsidiaries, are aware of bribery prevention. In these ways, we are taking steps to foster a thorough understanding of bribery prevention. In addition, NTT, NTT East, and NTT West stipulate that bribery is forbidden under the Law Concerning Nippon Telegraph and Telephone Corporation, and that breaches are punishable by law.

### Coordination with Suppliers

NTT has established and disclosed the NTT Guidelines for CSR in Supply Chain with the aim of fulfilling its social responsibilities by working together with suppliers to ensure conformity with social norms and legal compliance. We thereby aim to prevent bribery and other forms of misconduct along the supply chain.

The NTT Guidelines for CSR in Supply Chain states that suppliers are required to "maintain a sound and normal relationship with political bodies and government administrations, without resorting to bribery and / or making illegal political donations" and "not to offer and / or request inappropriate benefits to / from stakeholders." We expect suppliers to comply with these requests, and are striving to prevent misconduct at suppliers and throughout the entire supply chain.

### Promotion of Risk Management

With respect to business risk management, NTT has established Risk Management Rules stipulating basic policies on risk management with the aims of, among others, anticipating and preventing the materialization of potential risks and minimizing losses if any risk materializes. Chaired by a senior executive vice president, the Business Risk Management Committee spearheads efforts to develop and operate a PDCA cycle for managing risk. During the fiscal year under review, the committee held one meeting during which discussions involved identifying risks that could potentially have a Companywide impact, policies for managing such risks, and other such matters.

### Identification of Risks / Specified Material Risks

From time to time, NTT reviews assumed risks and management policies based on changes in the social environment. In the identification of risks, the Business Risk Management Committee plays the central role. Analysis processes for the risks faced by NTT Group are formulated, and risk analysis is periodically implemented in accordance with these processes. In this way, Companywide risks are identified. In addition, correlation analyses are implemented for these risks. Those risks with the potential to have the greatest influence are specified as "material risks," and countermeasures are formulated.

### Participation in PRI in Person 2015

In September 2015, NTT was invited to PRI in Person 2015, a global conference about responsible investment and reported on activities through a dialogue with Sparinvest, an institutional investor.

Institutional investors evaluate corporate activities in accordance with major benchmarks and request improvements to companies. Companies leverage dialogue with institutional investors to make improvements.

NTT has continued to conduct dialogues with Sparinvest for two years, and we have been able to make a significant improvement in this achievement rate* for the prevention of misconduct, from 16% to 80%.

Moving forward, with consideration for the concerns of institutional investors, we will conduct information disclosure with attention to major benchmarks and we will actively conduct dialogue with institutional investors.

* Degree of achievement based on the benchmarks from Transparency International that is used by PRI

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**Image Description:**
- **Diagram:** This diagram illustrates the risk correlation analysis processes, showing the relationship between Business Risk Management Committee, Risk analysis, Risk correlation analysis, and Material risks. It also includes a flowchart detailing the evaluation and improvement of risks.
- **Textual Content:** Integrates key points from the document, focusing on initiatives for awareness and risk management, as well as the implementation of PRI guidelines and the analysis processes for material risks.
Corporate Governance

Information Security Risk
If there is a leak or other misuse of confidential information, such as personal information, the action may affect NTT Group’s business, including its credibility and reputation, and the Group’s ability to obtain new subscribers or secure government contracts may be adversely impacted. To prevent such a situation, NTT Group is making efforts to protect confidential information obtained in the course of its business, including the personal information of customers. In addition, NTT Group has formulated the NTT Group Information Security Policy, which outlines its stance on ensuring information security. Furthermore, NTT Group continues to take steps on a Groupwide basis to protect the personal information of customers and prevent any leakage, including enhanced internal information management, the prevention of improper access; the implementation of physical, system-level security measures to prevent information loss, alteration, leakage, etc.; training and awareness-raising for officers and employees; appropriate supervision of contractors; and the publication of manuals.

Disaster Risk
Five Group companies—NTT East, NTT West, NTT Communications, and NTT DOCOMO—have been designated public institutions under the Basic Act on Disaster Control Measures. Accordingly, in preparation for a disaster, NTT Group has formulated the Disaster Management Operation Plan for the purpose of smooth, appropriate implementation of measures to prevent damage.

Investment Risk
NTT Group actively engages in joint ventures, alliances, and collaborations, both domestically and overseas, as well as acquisitions and other strategic investments in order to respond rapidly to changes in market structures and customer needs. Before investments are made, commercial viability and risks are investigated and analyzed. After investments are made, major projects are monitored in accordance with KPI that have been established in advance.

In regard to investments by NTT Group companies, consultation and advance reporting are required for projects that exceed a certain scale, and commercial viability and risks are investigated and analyzed. After investments are made, major projects are monitored in accordance with KPI that have been established in advance.

Strategic Shareholdings
NTT’s business policy is to promote collaboration and open innovation with a variety of industry partners. In order to generally take into consideration the strengthening of relationships and promoting cooperation with partner companies, and from the perspective of improving corporate value, NTT owns shares of partner companies if necessary.

With respect to exercising voting rights of strategic shareholding, NTT exercises voting rights acquired through share ownership, as it sees fit, from the perspective of sustainable holding, as it sees fit, from the perspective of sustainable holding, as it sees fit, from the perspective of sustainable holding, as it sees fit, from the perspective of sustainable holding, as it sees fit, from the perspective of sustainable holding, as it sees fit, from the perspective of sustainable holding, as it sees fit.

During discussions with shareholders, insider information is strictly controlled, and information is proactively disclosed with due consideration to fair disclosure (timely, fair, and impartial information disclosure). To increase convenience for overseas investors, we strive to release Japanese- and English-language disclosure materials at the same time. The Japanese- and English-language versions of the entire Notice of Convocation for the ordinary general meeting of shareholders, including the business report, were released at the same time, more than one month prior to the date of the ordinary general meeting of shareholders.

Dialogue with Shareholders and Other Investors
NTT promotes management that prioritizes discussions with shareholders, which not only includes discussions at General Meetings of Shareholders but also involves senior management, including the president, actively promoting discussions with shareholders about medium-term management strategies, corporate governance, business performance trends, and other topics through one-on-one meetings with institutional investors and briefings targeting individual investors.

The opinions received from shareholders through such discussions are shared in the Company. NTT considered and formulated the medium-term management strategy that was announced in May 2015 in light of shareholder opinions.

In addition to one-on-one meetings, we hold briefings, etc., in accordance with themes that reflect investor needs. In regard to investments by NTT Group companies, consultation and advance reporting are required for projects that exceed a certain scale, and commercial viability and risks are investigated and analyzed. After investments are made, major projects are monitored in accordance with KPI that have been established in advance.

In addition to one-on-one meetings, we hold briefings, etc., in accordance with themes that reflect investor needs. In regard to investments by NTT Group companies, consultation and advance reporting are required for projects that exceed a certain scale, and commercial viability and risks are investigated and analyzed. After investments are made, major projects are monitored in accordance with KPI that have been established in advance.

Policy for Constructive Dialogue with Shareholders and Other Investors

Appointments, Members of the Board

Measures to ensure positive cooperation between internal departments

Promotion of opportunities for dialogue

Appropriate and effective feedback

Control of insider information

Initiatives to Enhance Dialogue

For Institutional Investors
- Implementing quarterly financial results presentations (4 times)
- Participating in IR conferences in Japan and overseas (9 times)
- Holding NTT IR DAY (presenting for institutional investors, 1 time)
- Implementing one-on-one briefings in Japan and overseas (total of more than 400 times)
(Topics: medium-term management strategy, financial results, corporate governance, etc.)

For Individual Investors
- Implementing Company briefings (20 times)
  (including 3 company briefings by senior executives)
- Implementing online Company briefings (1 time)
- Participating in individual investor fairs (1 time)

Note: The numbers of times are for the fiscal year ended March 31, 2016.

Receipt of awards for IR activities

Best IR Award
(Japan Investor Relations Association)

Awards for Excellence in Corporate Disclosure
(The Securities Analysts Association of Japan)

Internet IR Excellence Awards
(Daiwa Investor Relations)

Corporate Governance

Information Security Risk
If there is a leak or other misuse of confidential information, such as personal information, the action may affect NTT Group’s business, including its credibility and reputation, and the Group’s ability to obtain new subscribers or secure government contracts may be adversely impacted. To prevent such a situation, NTT Group is making efforts to protect confidential information obtained in the course of its business, including the personal information of customers. In addition, NTT Group has formulated the NTT Group Information Security Policy, which outlines its stance on ensuring information security. Furthermore, NTT Group continues to take steps on a Groupwide basis to protect the personal information of customers and prevent any leakage, including enhanced internal information management, the prevention of improper access; the implementation of physical, system-level security measures to prevent information loss, alteration, leakage, etc.; training and awareness-raising for officers and employees; appropriate supervision of contractors; and the publication of manuals.

Disaster Risk
Five Group companies—NTT East, NTT West, NTT Communications, and NTT DOCOMO—have been designated public institutions under the Basic Act on Disaster Control Measures. Accordingly, in preparation for a disaster, NTT Group has formulated the Disaster Management Operation Plan for the purpose of smooth, appropriate implementation of measures to prevent damage.

Investment Risk
NTT Group actively engages in joint ventures, alliances, and collaborations, both domestically and overseas, as well as acquisitions and other strategic investments in order to respond rapidly to changes in market structures and customer needs. Before investments are made, commercial viability and risks are investigated and analyzed. After investments are made, major projects are monitored in accordance with KPI that have been established in advance.

In regard to investments by NTT Group companies, consultation and advance reporting are required for projects that exceed a certain scale, and commercial viability and risks are investigated and analyzed. After investments are made, major projects are monitored in accordance with KPI that have been established in advance.

Strategic Shareholdings
NTT’s business policy is to promote collaboration and open innovation with a variety of industry partners. In order to generally take into consideration the strengthening of relationships and promoting cooperation with partner companies, and from the perspective of improving corporate value, NTT owns shares of partner companies if necessary.

With respect to exercising voting rights of strategic shareholding, NTT exercises voting rights acquired through share ownership, as it sees fit, from the perspective of sustainable holding, as it sees fit, from the perspective of sustainable holding, as it sees fit, from the perspective of sustainable holding, as it sees fit, from the perspective of sustainable holding, as it sees fit, from the perspective of sustainable holding, as it sees fit, from the perspective of sustainable holding, as it sees fit.

During discussions with shareholders, insider information is strictly controlled, and information is proactively disclosed with due consideration to fair disclosure (timely, fair, and impartial information disclosure). To increase convenience for overseas investors, we strive to release Japanese- and English-language disclosure materials at the same time. The Japanese- and English-language versions of the entire Notice of Convocation for the ordinary general meeting of shareholders, including the business report, were released at the same time, more than one month prior to the date of the ordinary general meeting of shareholders.

Dialogue with Shareholders and Other Investors
NTT promotes management that prioritizes discussions with shareholders, which not only includes discussions at General Meetings of Shareholders but also involves senior management, including the president, actively promoting discussions with shareholders about medium-term management strategies, corporate governance, business performance trends, and other topics through one-on-one meetings with institutional investors and briefings targeting individual investors.

The opinions received from shareholders through such discussions are shared in the Company. NTT considered and formulated the medium-term management strategy that was announced in May 2015 in light of shareholder opinions.

In addition to one-on-one meetings, we hold briefings, etc., in accordance with themes that reflect investor needs. In regard to investments by NTT Group companies, consultation and advance reporting are required for projects that exceed a certain scale, and commercial viability and risks are investigated and analyzed. After investments are made, major projects are monitored in accordance with KPI that have been established in advance.

Policy for Constructive Dialogue with Shareholders and Other Investors

Appointments, Members of the Board

Measures to ensure positive cooperation between internal departments

Promotion of opportunities for dialogue

Appropriate and effective feedback

Control of insider information

Initiatives to Enhance Dialogue

For Institutional Investors
- Implementing quarterly financial results presentations (4 times)
- Participating in IR conferences in Japan and overseas (9 times)
- Holding NTT IR DAY (presenting for institutional investors, 1 time)
- Implementing one-on-one briefings in Japan and overseas (total of more than 400 times)
(Topics: medium-term management strategy, financial results, corporate governance, etc.)

For Individual Investors
- Implementing Company briefings (20 times)
  (including 3 company briefings by senior executives)
- Implementing online Company briefings (1 time)
- Participating in individual investor fairs (1 time)

Note: The numbers of times are for the fiscal year ended March 31, 2016.

Receipt of awards for IR activities

Best IR Award
(Japan Investor Relations Association)

Awards for Excellence in Corporate Disclosure
(The Securities Analysts Association of Japan)

Internet IR Excellence Awards
(Daiwa Investor Relations)
Effective contributions to the resolution of social and environmental issues serve to reduce medium-to-long-term risks for NTT Group while also increasing corporate value by helping realize a sustainable society.
As a “Value Partner,” NTT Group will aim for the realization of sustainable growth together with stakeholders.

By providing NTT Group’s ICT platforms to a diverse variety of partners in each industry, we will work to create new innovation through collaboration among companies in different fields. To contribute to the resolution of social and environmental issues in Japan and overseas, NTT Group will strive to realize sustainable growth together with stakeholders as a “Value Partner” that customers continue to select.

Contributing to the Resolution of Social and Environmental Issues

Sustainable Growth Together with Stakeholders

NTT Group’s Approach to Stakeholders

NTT Group conducts business in Japan and overseas. To increase business sustainability, NTT Group operates its business in an integrated, Groupwide manner while focusing on the expectations and needs of its various stakeholders.

Customers (Enterprises and Individuals)

All customers, both enterprise and individual, who use services provided by NTT Group

Examples of Engagement

• Venues for customer inquiries
• Utilization of websites and social media
• Publication of yearly reports (Annual Reports, etc.)

Reasons for Engagement

• NTT Group endeavors to understand customer needs and perspectives in order to provide customers with higher-quality products and services and thereby increase customer satisfaction while at the same time striving to become a “Value Partner” to customers.

Shareholders and Investors

Individual and institutional investors including the shareholders and creditors of NTT Group

Examples of Engagement

• General Meetings of Shareholders and financial results announcements
• Explanatory presentations for individual investors
• Explanatory presentations for institutional investors
• Publication of yearly reports (Annual Reports, etc.)

Reasons for Engagement

• By communicating with shareholders and other investors, we provide information necessary for investment decisions and help ensure that the Group is properly evaluated. We also utilize input received through interactions in Group management.

Employees (Employees, Their Families, and Retired Employees)

Employees who work at NTT Group, their families, and retired employees who support NTT Group’s CSR ideals

Examples of Engagement

• Conducting employee satisfaction surveys
• Communication between management and employees
• Groupwide Corporate Ethics Help Line
• CSR conferences

Reasons for Engagement

• By creating safe and healthy workplaces and providing lifelong support for employees, we hope to enable them to realize their full potential and to go about their work while remaining highly aware of CSR.

Local Communities

People in local communities who are connected to us through the core businesses of NTT Group companies

Examples of Engagement

• Support and collaboration through social contribution activities
• Negotiation with local community residents when constructing or installing equipment
• Donations, sponsorship, and other support

Reasons for Engagement

• Through engagement, we strive to contribute to the development of enriched local communities and also to understand the issues faced by communities in order to make social contributions and implement disaster countermeasures.

Business Partners

Business partners who provide a range of cooperation in the provision of NTT Group services

Examples of Engagement

• Creation of inquiry forms
• Disclosure of procurement policies and guidelines, etc.
• Surveys for suppliers
• Explanatory presentations for suppliers

Reasons for Engagement

• Engagement with business partners helps us procure products that take into account the environment, human rights, and other issues and build fair partnerships to exercise CSR and continue growing together with our business partners.

ICT Companies and Industry Associations

Other ICT companies and people in industry associations who are striving to develop information and telecommunications

Examples of Engagement

• Entry into industry associations
• Participation in committees, etc.

Reasons for Engagement

• Through discussions on the direction and initiatives for the information and telecommunications industry, not only in Japan but from a global perspective, and to seek to address diverse social issues together.

Central Government and Administrative Agencies

Central and local governments that make policy decisions on information and telecommunications, employment and the economy, the environment, and other issues

Examples of Engagement

• Compliance with laws and regulations
• Suggestions for government policy
• Participation in public-private partnership projects

Reasons for Engagement

• We aim to conduct appropriate business activities while adhering to the policies of the central government and local governments and to help resolve the social issues faced by the central government and local governments.
NTT Group exercises CSR through social and environmental initiatives.

NTT Group exercises CSR through initiatives for enhancing corporate value by contributing to the resolution of social and environmental issues. In recent years, an increasing amount of global activity for realizing a sustainable society has been seen, as visible in such events as the approval of the Sustainable Development Goals at the United Nations General Assembly in September 2015. At the same time, the business scope of the Group has been transforming as it develops global businesses and transitions to the B2B2X model. In light of this transformation, in May 2016, we revised NTT Group CSR Priority Activities, which define material issues for the CSR activities to be addressed through a concerted effort by Group companies, and also modified NTT Group CSR Charter. NTT Group CSR Charter consists of a statement of our commitment to CSR and the four CSR goals that outline specific priority aspects of our CSR activities.

Our Commitment
NTT Group delivers the highest quality ICT solutions as a "Value Partner" for customers and contributes to the creation of a prosperous and sustainable society with vibrant communication.

Our CSR Goals

1. Enrich Social Communication
   - Our innovative ICT expertise enhances societal connectivity and convenience while providing a communications environment for addressing local and international challenges to sustainable community development.

2. Protect the Global Environment
   - We reduce environmental impact throughout our business, apply ICT to alleviate the environmental load of society, and actively engage in resolving worldwide environmental issues.

3. Ensure Reliable Communications
   - We address social and ethical concerns as an infrastructure enterprise that supports society while protecting livelihoods by securing online information in a robust communications environment that can withstand natural disasters and cyber-attacks.

4. Unite the Energies of Team NTT
   - Team NTT and its partners maintain the highest ethical standards and respect for human rights in business; value diversity and personal growth in the workplace; and contribute to building vibrant local communities.

### CSR Priority Activities

#### Enrich Social Communication

<table>
<thead>
<tr>
<th>CSR Priority Activities</th>
<th>Medium-Term Targets</th>
<th>CSR Quantitative Indicators (KPIs) / Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve access to ICT</td>
<td>Reduce carbon emissions by 2030 (by FY20213)</td>
<td>Reducing the environmental impact of global cloud services for the entire society</td>
</tr>
<tr>
<td>Pursue customer satisfaction</td>
<td>Provide high-value-added products and services and fine-tuned support</td>
<td>Number of improvements made based on suggestions from customers</td>
</tr>
<tr>
<td>Generate innovation</td>
<td>In order to maintain our research and development as an important driver of NTT Group for the future, promote advanced R&amp;D that will lead the world’s information communications technologies</td>
<td>Increasing the number of academic papers published outside the Company</td>
</tr>
</tbody>
</table>

#### Protect the Global Environment

<table>
<thead>
<tr>
<th>CSR Priority Activities</th>
<th>Medium-Term Targets</th>
<th>CSR Quantitative Indicators (KPIs) / Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use ICT to contribute to the environment</td>
<td>While reducing CO2 emissions of the Company, contribute to the reduction of CO2 emissions of all society, including value chains, through the utilization of ICT</td>
<td>Amount of contribution to the reduction of CO2 emissions of all society</td>
</tr>
<tr>
<td>Address climate change</td>
<td>Improve electrical efficiency to reduce the environmental impact of business operations</td>
<td>Electrical efficiency of the communications services</td>
</tr>
<tr>
<td>Reduce the environmental impact of business operations</td>
<td>Control the final disposal ratio of waste and work toward the effective use of resources</td>
<td>Final disposal ratio of waste: Zero emissions (under 1%)</td>
</tr>
</tbody>
</table>

#### Ensure Reliable Communication

<table>
<thead>
<tr>
<th>CSR Priority Activities</th>
<th>Medium-Term Targets</th>
<th>CSR Quantitative Indicators (KPIs) / Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protect personal information</td>
<td>Prevent leaks of personal information</td>
<td>Number of incidents of personal information leaks: 0</td>
</tr>
<tr>
<td>Enhance information security</td>
<td>Train security experts</td>
<td>Number of security experts: 10,000 (by FY2020)</td>
</tr>
<tr>
<td>Ensure the stability and reliability of communications services</td>
<td>Provide stable communications services free of major communications problems</td>
<td>Number of major accidents: 0</td>
</tr>
</tbody>
</table>

#### Unite the Energies of Team NTT

<table>
<thead>
<tr>
<th>CSR Priority Activities</th>
<th>Medium-Term Targets</th>
<th>CSR Quantitative Indicators (KPIs) / Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote diversity</td>
<td>Actively promote the active participation of women</td>
<td>Ratio of female managers: 6.0% (by FY2020)</td>
</tr>
<tr>
<td>Respect human rights</td>
<td>Conduct business activities with respect for human rights at all business locations by introducing the United Nations Guiding Principles on Business and Human Rights (Ruggie Framework) and other international principles</td>
<td>Percentage of participation in training concerning human rights</td>
</tr>
<tr>
<td>Respect value chain management (social)</td>
<td>Implement appropriate management of environmental and social risks, including value chains</td>
<td>Number of confirmed high-risk suppliers: 0</td>
</tr>
<tr>
<td>Promote safety, health, and wellness</td>
<td>Enhance safety measures and the safety mindset of employees with measures to prevent accidents causing injury or death during construction work</td>
<td>Number of accidents causing injury or death during construction work: 0</td>
</tr>
<tr>
<td>Create attractive workplaces</td>
<td>Provide workplaces where employees can work with good spirits</td>
<td>Employee satisfaction: Better than in the previous fiscal year</td>
</tr>
<tr>
<td>Promote a united Group effort for social contribution activities</td>
<td>Encourage employees’ active participation</td>
<td>Percentage of employees participating in volunteer activities: 30% (by FY2020)</td>
</tr>
</tbody>
</table>

* For more details regarding NTT Group CSR Priority Activities and related performance in the fiscal year ended March 31, 2016, please refer to NTT Group Sustainability Report 2016.
Contributions to Increased Productivity in Agriculture through ICT

As the number of agricultural workers declines and active workers age, Japan’s agricultural industry is suffering from a serious lack of successors to replace those who leave the industry. To address this issue, NTT DOCOMO concluded a partnership agreement with Niigata City, vegetalia, inc., and water-cell inc. to advance a verification project for an innovative rice cultivation management system.

This verification project was conducted over the period from May 2015 to March 2016 with the goal of improving the productivity and value of rice cultivation. The management of rice paddies has long been dependent on the experience and intuition of individual farmers. Seeking to create an agricultural ICT solution that will realize more efficient management, we introduced a management system on a test basis at the paddies of rice farmers seeking to reform large-scale operations in Niigata City, which has been designated as a National Strategic Special Zone for implementing an innovative agricultural techniques. This system comprises rice paddy sensors and a cloud-based system linked to these sensors to allow for easy management of water levels, one of the more time-consuming chores of rice cultivation. Leveraging the telecommunications technologies used in its core business, NTT DOCOMO created the environment for communications between this cloud-based management system and rice paddy sensors through collaboration with vegetalia and water-cell. This system helps improve the efficiency of daily management tasks while enabling farmers to view information that contributes to labor savings, cost reductions, and increased crop yield and quality via their smartphone.

The verification project sought to determine the extent to which improvements in the efficiency of work and water management by farmers could contribute to increased productivity and yield volumes. Going forward, we will look to deploy the insight gained through this project across the nation with the aim of further instilling ICT into Japan’s agricultural industry.

Overview of the Verification Project

Contributions to Addressing Global Increase in Information Security Threats

In recent years, the techniques used to access systems without authorization and launch cyberattacks have been growing more sophisticated, and the need to address such threats is growinganering as an issue of global importance. NTT Group is expanding its global business under the Medium-Term Management Strategy and views information security services as an important offering in growing our operations globally. We are therefore actively developing sophisticated information security technologies and services to address customers’ security issues.

MAXIMIZING SECURITY THROUGH NEW TECHNOLOGY

Victory in Contest of Personal Data Protection Technologies

A 2015 revision to the Act on the Protection of Personal Information has created requirements for technologies to ensure anonymity in order to allow personal data to be protected while being used effectively. These anonymization technologies must guard the privacy of individuals by guaranteeing that they cannot be identified while at the same time enabling the continued use of data to be utilized. It can be assumed that, in the development of privacy protection technologies and standards that fulfill both of these requirements, it will be important for the academic institutions advancing research and development to proactively engage in discussion and other exchanges with the technicians that use data in the field.

It was based on this perspective that the first Privacy Workshop (PWS2015) was held over the period from October 21 to 23, 2015, alongside Computer Security Symposium 2015, an event at which nearly 500 security researchers, technicians, and other representatives assembled. The PWS CUP, a contest testing anonymization and simulated microdata creation competition for its sophisticated technology for randomizing the characteristics of data while it remained saved.

Victory in Contest of Personal Data Protection Technologies

- Re-identification: Competition of ability to re-identify simulated microdata and make it unable to be re-identified (offense)

- Simulated microdata creation: Competition of ability to develop programs for creating simulated microdata from statistical data

The team from NTT claimed first place in all three of these competitions, being named the overall champion of the event. The winners of these competitions were decided based on the total scores of created anonymized data, which was determined using several predetermined indicators.
Value Creation through Social Contributions

Reinforcement of Information Security and Personal Information Protection

NTT Group serves numerous customers, ranging from individuals to enterprises, and it has thus been entrusted with vast quantities of personal information. Recent occurrences of large-scale personal information leaks in Japan and overseas are increasing customers’ expectations for the protection of personal information. The regulatory environment is also becoming a greater influence on the needs for personal information protection, as indicated by the introduction of personal information protection regulations by the European Union. Accordingly, the requirements for effective information management are growing ever more rigorous.

Were a leak of personal information to occur, NTT Group’s operations would suffer from a decrease in corporate value, the loss of customers, and other negative impacts. It is therefore crucial that we reinforce our information security and personal information protection systems to ensure stringent information management.

Measures to Reinforce Information Security and Personal Information Protection

NTT Group has established policies and rules concerning customer, shareholder, employee, and other information in accordance with NTT Group Information Security Policy. In the Group’s information management structure, a senior executive vice president (Representative Member of the Board) takes charge as the Chief Information Security Officer (CISO), the highest authority for information management, guiding us in ensuring stringent information management. The Group CISO Committee was established in 2015 as a body for promoting rigorous information security by formulating initiative policies, planning and instituting various measures, and reviewing activities. In addition, Groupwide working groups have been created to seek out resolutions to information security issues. Similar structure is in place at Group companies.

Furthermore, each Group company has developed a personal information protection structure that matches its particular business and formulated its own information protection policies. Group companies are also advancing various other initiatives, including establishing organizations for promoting information security management and introducing security systems. Specific measures include introducing security systems and implementing strict hardware and software security measures to prevent unauthorized access to information; loss, alteration, or leakage of information; and infection of systems by computer viruses and to manage removal of information from Company premises. At the same time, we are conducting other ongoing information security initiatives, including thoroughly educating employees and appropriately supervising outsourcing contractors.

Security Personnel Development Measures

Threats to information security are becoming increasingly sophisticated and diverse, making damage from cyberattacks and information leaks a public concern. However, Japanese companies currently lack a sufficient number of technicians capable of understanding information security tasks, and those they do have are often lacking in skills. In this context, NTT Group is working to enhance its staff of security personnel. Believing that such efforts are also necessary at the national level, we will collaborate with the government, other companies, and educational institutions to contribute to the training of security personnel across Japan.

For its security personnel development measures, NTT Group set a goal to increase the number of security experts in Japan from the level of 2,500 in November 2014 to about 10,000 by the fiscal year ending March 31, 2021. Meanwhile, we aim to increase the number of security personnel at Group companies from 10,000 on March 31, 2016. We will continue to enhance our security workforce to ensure that we have enough personnel to address various information security risks.

In addition, the Group is working to enhance its staff of security personnel. As of March 31, 2016, the Group has a total of 10,123 security personnel, up from 9,868 on March 31, 2015. The number of certified security personnel reached close to 1,000 on March 31, 2016. We will continue to enhance our range of ever more practical development programs to increase the number of intermediate and advanced personnel, who are core to our security field operations.

Furthermore, NTT Group has participated in the Cross-Industry Committee on Cybersecurity Personnel Development as a secretariat since its establishment in June 2015. This committee is comprised of companies related to cybersecurity from various industries centered on important infrastructure sectors. Through this participation and various other initiatives, the Group is contributing to the development of security personnel on the national level.

Ensuring Stable and Reliable Telecommunications Services

NTT Group has defined three key themes for disaster countermeasures—improving communications network resiliency, securing critical communications, and promptly restoring telecommunications services. We have been strengthening efforts based on these themes since the Great East Japan Earthquake.

Specifically, we are taking measures to improve the reliability of our telecommunications infrastructure. To ensure that our telecommunications systems operate without interruption at all times, we employ trunk line multi-routing, have enacted black-out countermeasures for telecommunications buildings and base stations, and are making communications buildings more disaster resistant. In addition, we are expanding the assortment of power supply vehicles and other disaster response equipment that we have positioned throughout Japan. We are continually conducting training to prepare for major natural disasters. We are also stepping up coordination with external institutions with regard to disaster response measures.

For example, we have concluded agreements with the Japan Post Group and the Petroleum Association of Japan to coordinate efforts in times of disaster and share information even under normal circumstances.

In the fiscal year ended March 31, 2016, no serious telecommunications disruptions occurred at any of the four telecommunications business companies (NTT East, NTT West, NTT Communications, and NTT DOCOMO) and service stability was maintained at 100%.

<table>
<thead>
<tr>
<th>NTT Group’s Basic Policy on Disaster Countermeasures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Disaster Countermeasures</strong></td>
</tr>
<tr>
<td><strong>Level</strong></td>
</tr>
<tr>
<td>---</td>
</tr>
</tbody>
</table>
| Basic | Security management committee | *Measures for securing critical communications*
| | Early resolution of communication breakdowns | *Enhancements of disaster message services*
| | Further information system implementation | *Practicing measures for disaster recovery and restoration purposes, etc.* |
| Intermediate | Security operation | *Building up of stock of disaster response equipment*
| | Security development | *Enhancement of organization for disaster countermeasure operation*
| | Security personnel | *Training of crisis management personnel and sharing of knowledge and skills* |
| Advanced | Security infrastructure | *Promptly restoring telecommunications services*
| | Information networks | *Building facilities resilient to earthquakes, fires, storms, floods, and other disasters; conducting regular training and controlling network round the clock, etc.* |
| | Outside NTT Group | *Countermeasures strengthened since the Great East Japan Earthquake* |
| | Security development | *Enhanced disaster resistance (damage prediction, monitoring, etc.)*
| | Information networks | *Stable provision of communications services (improvement of business continuity, etc.)* |

*1 Number of disruptions that led to a stop of or lower quality for telecommunications services and that fulfill the following conditions:
  * No service affected for more than 2 hours with more than 30,000 people affected or service impacted for more than 1 hour with more than 100,000 people affected
  * Other services: Service impacted for more than 2 hours with more than 30,000 people affected or service impacted for more than 1 hour with more than 100,000 people affected

*2 31 hours under the impact of serious disruptions (number of affected users) / hours of serious disruptions (hours of serious disruptions × number of affected users × 24 hours × 365 days) × 100%
Pursuit of Customer Satisfaction

NTT Group companies supply products and services for consumers and services for enterprises, serving a wide range of customers. For this reason, improving customer satisfaction will not only help to ensure ongoing usage by existing customers but also to acquire new customers. Based on this recognition, NTT Group companies work to provide high-value-added products and services and offer fine-tuned support in the pursuit of improved customer satisfaction.

Customer Consultation Venues

The NTT Group companies build and deploy frameworks for gathering opinions, requests, and other feedback from stakeholders, including customers, and for improving their work processes, products, and services and developing new products and services based on that feedback. They also implement various initiatives for improving customer satisfaction. Specifically, each company has established call centers for responding to customer inquiries regarding products and services and for addressing service failures. Major NTT Group call centers receive more than 180 thousand calls each day on average, and we strive to respond to inquiries without keeping customers waiting.

Improvement of Customer Support

The NTT Group companies have in place frameworks for improving work processes, products, and services and developing new products and services based on opinions, requests, and other feedback from customers received through call centers and other venues. Unique targets have been set to improve response rates and the quality of responses and support provided by each call center. In addition, we hold call response contests, conduct trainings for improving response skills, and implement various other initiatives for the betterment of call centers.

As a result, the average response rate of major call centers was 73.3% in the fiscal year ended March 31, 2016. Average response rate = (Total number of calls received in a year) / (Total number of calls resolved in a year) × 100%

Value Creation through Social Contributions


text continues...
Value Creation through Social Contributions

In October 2013, we reconstructed our human resources management system to encourage employees to think and act for themselves in the execution of their work duties through the steady implementation of an evaluation process that incorporates the setting of targets and the provision of feedback to employees.

Fair Evaluation Process
We endeavor to enhance the fairness and objectivity of our evaluation process. To this end, we have taken steps to prevent inappropriate evaluations due to subjective and arbitrary elements by having all of the evaluators in the same business unit in the annual evaluation period.

In-House Recruitment Program
We raise motivation and promote networking within the Group by providing ambitious employees with opportunities to seek new challenges in a wide range of fields through our NTT Group Job Challenge in-house recruitment program. In recent years, to raise the number of employees across the whole Group who are capable of working globally, we have been actively providing opportunities for employees to transfer to global posts by creating new global posts and increasing recruit numbers. In the fiscal year ended March 31, 2016, 317 employees used the Job Challenge program, with 99 transferring as a result to their desired workplace.

Employee Evaluations
NTT Group operates an in-house qualification system that puts priority on performance and sets behavior and performance targets tailored to each qualification rank. Our human resources management system is designed to encourage employees to make periodic human resources relations with consideration for the status of each employee’s skill development status and career plan.

Employee Assignment
NTT Group’s businesses extend over a wide range of areas. To smoothly advance these various businesses, it is important to place the right people in the right positions so that all employees can work to their full potential. From this perspective, we implement periodic human resources relations with consideration for the status of each employee’s skill development status and career plan.

Promotion of Active Participation by Women
In December 2013, we announced a plan to double the ratio of female managers in Japan by the fiscal year ending March 31, 2021. We are reviving efforts to support the career development of female employees in the 41 companies of NTT Group. We thereby aim to increase the ratio of female managers from 2.9% on March 31, 2013, to 6.0% by March 31, 2021.

In addition, NTT Group companies also hold joint forums and training sessions to promote networking among management-level female employees and motivate them to nurture future female leaders.

External Recognition
• Highest ranking of “EndoRai L Star”: L Islands for Lady, Labour and Lavableability certification for superior companies bestowed by the Ministry of Health, Labour and Welfare (NTT East, NTT Communications)
• Inclusion in the FY 2015 New Diversity Management Selection 100 sponsored by the Ministry of Economy, Trade and Industry (NTT East, NTT Communications, NTT DOCOMO)

As of March 31, 2016

Employment of Globally Capable Human Resources
Approximately 30% of Group employees are working overseas in various countries. We apply the same conditions in the 41 companies of NTT Group. We thereby aim to increase the ratio of female managers from 2.9% on March 31, 2013, to 6.0% by March 31, 2021.

In addition, NTT Group companies also hold joint forums and training sessions to promote networking among management-level female employees and motivate them to nurture future female leaders.

Consideration for the LGBT Community
NTT Group aims to create an organization that allows people to work while being themselves, regardless of their sexual orientation or gender identity, and to strive to contribute to the realization of a society that is equally accepting. To this end, we are developing a working environment that is inclusive and diverse, in which everyone can fully exercise their talents.

In April 2016, NTT Group announced that its support systems related to important life events are applicable to same-sex partners. These systems include leave, monetary payments, and telegrams to congratulate employees, such as in the case of marriage, or to offer condolences, such as in the case of the passing of a family member.

Employment of People with Disabilities
NTT Group actively recruits people with disabilities and endeavors to expand hiring opportunities for them. To this end, we have established special purpose subsidiaries*1 and are working to create pleasant workplaces for people in the right job so that all employees can work to their full potential.

In 2015, DOCOMO PlusHearty, a special purpose subsidiary of NTT DOCOMO, was established, bringing the total number of NTT Group special-purpose subsidiaries to four. The Group’s special-purpose subsidiaries and NTT Laboratories are working together to create systems to ensure that NTT Group is able to guarantee web accessibility*2 while undertaking other initiatives that utilize the unique capabilities of people with disabilities.

*1 As of March 2016
*2 Subsidiaries that give special consideration to the employment of people with disabilities in order to promote and establish the employment of people with disabilities
*3 Provided with access to information through the Internet to all people, including senior citizens and people with disabilities, regardless of their access environment or physical or mental limitations

Continued Employment of Post-Retirement Age Workers
From the perspective of fully utilizing limited human resources in business operations going forward, we introduced an employment extension system in October 2013 that enables employees who want to continue working after the mandatory retirement age to receive employment up to age 65.

As of April 1, 2016

Employment Data

<table>
<thead>
<tr>
<th>Company</th>
<th>Number of Employees</th>
<th>Male</th>
<th>Female</th>
<th>Number of Male Managers</th>
<th>Number of Female Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTT East</td>
<td>118,000</td>
<td>91,000</td>
<td>27,000</td>
<td>51,000</td>
<td>17,000</td>
</tr>
<tr>
<td>NTT West</td>
<td>25,000</td>
<td>20,000</td>
<td>5,000</td>
<td>14,000</td>
<td>3,000</td>
</tr>
<tr>
<td>NTT DOCOMO</td>
<td>26,050</td>
<td>17,000</td>
<td>9,050</td>
<td>13,000</td>
<td>3,050</td>
</tr>
</tbody>
</table>

*1 Excludes employees of NTT Group special-purpose subsidiaries.
*2 As of March 31, 2016, total number of employees of NTT Group special-purpose subsidiaries.
*3 As of March 31, 2016, total number of employees of NTT Group special-purpose subsidiaries.
*4 As of March 31, 2016, total number of employees of NTT Group special-purpose subsidiaries.
To further promote the work-life management of all employees, NTT Group encourages them to use their annual paid vacation days. In conjunction with consecutive holidays and the summer vacation period, we conduct activities to encourage employees to use their annual paid vacation days, and we are working to create an environment in which it is easy to use those days. In the fiscal year ended March 31, 2016, the average of paid vacation days used was 19, and the ratio of paid vacation days used was 95.1%.

Changes in Work-Style through Promotion of Working-from-Home System Use

NTT Group seeks to create new value through innovation. In order to accomplish this goal, we are focused on changing working-from-home system and other teleworking regardless of their rank or position, and actively promoting the system for rehiring former employees.

As of March 31, 2016, 39 people had been rehired through this system.

Enhancement of Employee Satification

NTT Group strives to understand the obstacles to making working environments more comfortable for employees. As part of these efforts, we regularly conduct surveys of employees at Group companies and use the results to improve working environments. Results of the survey conducted at Group companies in the fiscal year ended March 31, 2016, showed the level of employee satisfaction was 3.88 out of 5.00 points, representing a year-on-year increase of 0.19 points.

Turnover Rate

Human resources play a crucial role in the growth of companies and the advancement of corporate strategies, and the ability to secure talented human resources is vital for a company to achieve sustainable growth. We collect data on the turnover rate at NTT Group’s 8 principal companies (including their affiliated companies). In the fiscal year ended March 31, 2016, the turnover rate was 8.5% , improved 0.3 points year on year.

1 Including all employees retiring at the mandatory retirement age.
Respect for Human Rights

NTT Group is expanding its global business in accordance with the Medium-Term Management Strategy, “Towards the Next Stage 2.0.” As our business grows more global, it is crucial that we act in compliance with global expectations for human rights with regard to the rights of our employees worldwide as well as the various other people connected to NTT Group’s value chain.

The NTT Group’s Human Rights Charter
NTT Group realizes that its social responsibilities is to respect the human rights of employees and all of its other stakeholders. In 2014, the NTT Group’s Human Rights Charter was established to make clear our commitment to fulfilling this responsibility. This charter incorporates the ideals of such standards as the Guiding Principles on Business and Human Rights, which were approved by the United Nations Human Rights Council in 2011. The human rights needing to be respected are defined in the charter as “internationally recognized human rights.” We thus believe that the basis for standards of universal human rights is represented by the standards described in the Universal Declaration of Human Rights, the International Bill of Human Rights, and the eight core conventions of the ILO Declaration on Fundamental Principles and Rights at Work. We expect all Group companies to observe these standards. As a new initiative in the fiscal year ending March 31, 2017, human rights management surveys will be conducted with regard to human rights. We will also continue efforts to ensure that the contents and principles of the NTT Group’s Human Rights Charter are understood and entrenched throughout the Group. At the same time, the Group will share this commitment to human rights with its various partners, working together with them to promote respect for human rights on a global basis.

Measure for Strengthening Human Rights Management
A company that develops its business on a global scale must consider the impacts of its activities on the human rights of various stakeholders. To ensure that such consideration is entrenched throughout the organization, it is essential for a company to be aware of how its activities can and do impact the human rights of stakeholders. As one facet of its activities to understand its impacts on human rights, NTT plans to conduct human rights management surveys of all Group companies, including those overseas, during the fiscal year ending March 31, 2017. These surveys are designed to determine what human rights issues are viewed as important to specific Group companies and how these issues are being addressed. The next step will be to perform assessments based on survey findings. In addition, we will examine the possibility of creating tools for checking human rights-related areas of operations while referencing reviews from external experts on these matters. Through these and other efforts, the Group will advance a concerted effort to strengthen human rights management, which will include the implementation of a PDCA cycle.

Promotion of CSR Procurement
In recent years, a variety of supply chain issues have been exposed, including excessive work hours, child labor, unlawful disposal of chemicals, bribery, and other examples of malpractice. These issues have served to intensify society’s expectations for companies to fulfill their social responsibilities by complying with legal and social standards in their procurement activities.

As a result of this situation, we formulated the NTT Guidelines for CSR in Supply Chain in December 2013 to guide our efforts as we work together with business partners, suppliers in particular, in order to conduct procurement activities in a socially responsible manner. The NTT Guidelines for CSR in Supply Chain have been released in both Japanese and English and provided to our various suppliers in Japan and overseas. We have also disclosed the Procurement Policies and the Guidelines for Green Procurement.

Procurement Policies
1. NTT will strive to provide competitive opportunities for fairness to both domestic and foreign suppliers, and to build mutual trust and understanding.
2. NTT will conduct economically rational procurement of competitive goods and services that meet its business needs, deciding on suppliers based on quality, price, delivery times, and stable supply in a comprehensive manner.
3. NTT will conduct procurement in a manner that follows laws and regulations as well as social norms, and takes the environment, human rights, and other issues into account to contribute to society.

Supply Chain Risk Assessments
NTT Group assesses social and environmental risks along the supply chain through supply chain CSR surveys using supply chain CSR promotion check sheets in order to confirm that suppliers are in compliance with its various guidelines and technical requirements.

Specifically, we check suppliers with regard to such factors as general environmental management, freedom of association, child labor, forced labor, prevention of discrimination, and general management, requesting further improvements where necessary. These surveys target tier-one suppliers but also include items confirming the supplier’s efforts to raise social responsibility awareness among tier-two suppliers. We thereby assess risks further upstream on the supply chain.

In the fiscal year ended March 31, 2016, 100% of tier-one suppliers decided to take surveys completed and no high-risk suppliers were identified.

Cooperation with Suppliers
In addition to the above, we also conduct seminars and hold other forums for suppliers and present awards to suppliers that have provided us with improvement proposals related to such areas as environmental preservation. These activities help strengthen relationships with suppliers and facilitate efforts to cooperate with them in smoothing the process of procuring products that are considerate of the environment and human rights.

Cooperation with Business Partners
Companies have responsibilities with regard to their own activities as well as to activities related to their business across the value chain, spanning from upstream to downstream areas. It is therefore vital for companies to monitor the entire value chain to identify environmental, social, and governance (ESG) risks and impacts on the sustainability of operations.

NTT Group’s value chain extends to manufacturers of mobile phones and telecommunications equipment as well as to construction contractors, software developers, and other business partners. Furthermore, it can be expected that our value chain will become more even extensive in the future as we endeavor to grow our global business and expand the B2B2X model under the Medium-Term Management Strategy, “Towards the Next Stage 2.0.” For this reason, NTT Group will need to step up its monitoring activities across the value chain.

The NTT Group’s Human Rights Charter
We recognize that the respect for human rights is a corporate responsibility and aim to create a safe, secure and rich social environment by fulfilling our responsibility.

1. We*1 respect internationally recognized human rights*, including the Universal Declaration of Human Rights in all company activities.
2. We respect human rights by efforts to reduce any negative impacts on human rights holders. We respond appropriately, when negative impacts on human rights occur.
3. We aim to not be complicit in infringing human rights, including being involved in discrimination, directly or indirectly.
4. When negative impacts on human rights are done by a business partner and are linked to a product or service of NTT Group, we will respect the business partners human rights and not to infringe on them.

*1 “Internationally recognized human rights” are rights included in declarations and rules that form the basis for international standards of universal human rights throughout the world and specifically refer to the following:

• The Universal Declaration of Human Rights
• The International Covenant on Economic, Social and Cultural Rights
• The International Covenant on Civil and Political Rights
• The ILO Declaration on Fundamental Principles and Rights at Work

In light of this situation, we formulated the NTT Guidelines for CSR in Supply Chain in December 2013 to guide our efforts as we work together with business partners, suppliers in particular, in order to conduct procurement activities in a socially responsible manner.

The NTT Guidelines for CSR in Supply Chain have been released in both Japanese and English and provided to our various suppliers in Japan and overseas. We have also disclosed the Procurement Policies and the Guidelines for Green Procurement.

The Guidelines for Green Procurement were established to stimulate concrete requirements related to the environment.

We have also created the Energy Efficiency Guidelines for the same purpose.

In addition, aiming to procure products that are of high quality while also being safe and eco-friendly, we have formulated and released technical requirements that include provisions for helping lower environmental impacts. We ask all suppliers to adhere to these requirements.

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Value Creation through Environmental Contributions

NTT Group Environmental Statement and 2030 Environmental Targets

Reducing CO₂ emissions and otherwise lowering environmental load is recognized as an important issue needing to be addressed internationally in order to create a sustainable society. With expanding its global business and transitioning to the B2B2X model at the core of its business strategies, NTT Group is pursuing sustainable business development over the medium-to-long term. For this reason, reducing our environmental load is absolutely essential to further growth. We are therefore actively advancing initiatives to this end through cooperation with our various stakeholders.

2030 Environmental Targets

NTT has established the 2030 Environmental Targets, a set of environmental targets to be accomplished by the fiscal year ending March 31, 2031, that is meant to guide us in realizing the future described in NTT Group Environmental Statement. The 2030 Environmental Targets comprise goals related to the environmental issues prioritized by NTT Group, including those regarding climate change, energy, resources, and ecosystems. To help minimize the CO₂ emissions from all actions of society and realize a low carbon future, we have defined targets for our contribution to reductions in society’s CO₂ emissions, the electrical efficiency of NTT Group’s businesses, and the extent to which we help address climate change. For implementing closed loop recycling, we have set a target for the final disposal rate for waste. Furthermore, we have established related targets for ecosystem preservation activities to guarantee that we are able to continue receiving the blessings of nature on into the future.

Provision of Services Addressing Environmental Load Reduction Needs

We are witnessing a substantial increase in the needs for means of reducing environmental load, such as by cutting CO₂ emissions or effectively using water, to realize a sustainable society.

NTT Group will provide services that respond to these needs in order to help reduce the load placed on the environment while expanding its business.

Solar Power Generation Systems for Reducing CO₂ Emissions

Group company NTT FACILITIES, performs planning, design, construction, maintenance, and other tasks related to the Group’s telecommunications equipment and power facilities. This company also offers total support for the introduction of solar power generation systems by companies and municipalities that ranges from planning and design to construction and operation. In addition, NTT FACILITIES is engaged in the power generation business with the objectives of contributing to the adoption and expansion of renewable energy, which is being advanced by the central government, reducing environmental impacts across society, and accumulating further know-how related to solar power generation.

By generating electricity through the use of solar power, which is natural energy, it is possible to reduce consumption of fossil fuels, such as petroleum, coal, and natural gas, and to make a contribution to lower emissions of CO₂ produced by the combustion of fuel.

As of March 31, 2016, we had participated in the construction of 1,280 solar power generation systems in Japan with a total capacity of more than 407 MW. In addition, as an electricity producer we have become a leader in the establishment of an environmentally friendly society by building and operating our own mega solar power plants in 65 locations.

CASE

Solar Power Generation Systems for Reducing CO₂ Emissions

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Locations of Solar Power Generation Systems Provided by NTT FACILITIES

- Yodorozu Mega Solar Power Plant
- F. Kanazaki Solar Power Plant

Sustainability

Overview

Strategy

Eco

Operation

Innovation

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NIPPON TELEGRAPH AND TELEPHONE CORPORATION
Japan’s Foremost Large-Scale Eco-Friendly Complex—Shinagawa Season Terrace

Opened on May 28, 2015, Shinagawa Season Terrace was developed as part of a joint project between Taisei Corporation, Hulic Co., Ltd., Tokyo City Development Co. Ltd., and NTT URBAN DEVELOPMENT CORPORATION. This building was constructed through a large-scale development project based on the theme of coexistence with the environment, designed to contribute to a sustainable community by linking the activities of people with sunlight, wind, water, greenery, and other elements of nature. Moreover, the development project was conducted in conjunction with the reconstruction of the Shibaura Water Reclamation Center, which is managed by the Tokyo Metropolitan Government and has supported urban activity and the lives of residents for more than 80 years since 1931. The aim of this move was to make use of the plentiful space above the facility.

Eco-Friendly Features of Shinagawa Season Terrace

One concept behind Shinagawa Season Terrace was the development of a cutting-edge green building, and various eco-friendly features were installed to this end. Specifically, solar lighting systems, LED lighting combined with next-generation people sensors, automated sunlight tracking blinds, 100 kW solar power generation facilities, systems for using reclaimed water and wastewater heat, and other state-of-the-art environmental technologies were actively introduced into this building. In addition, an expansive 3.5-hectare park was established next to the building. We believe this building serves as an advanced model case on how to develop sustainable communities.

These various features of Shinagawa Season Terrace have led to reductions in CO₂ emissions throughout the building’s office space, and overall emissions are 43% lower than the standard level.

CO₂ Emissions of Shinagawa Season Terrace

<table>
<thead>
<tr>
<th>CO₂ Emissions of Shinagawa Season Terrace</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard CO₂ emissions 123 kg-CO₂ / year / m²</td>
</tr>
</tbody>
</table>

Utilization of NTT Group Technologies

Technologies from NTT Group companies can be found throughout Shinagawa Season Terrace. To reduce environmental impacts, NTT FACILITIES supplied the building with solar power generation facilities as well as a building energy management system that tracks energy usage conditions and conducts energy-saving diagnoses. Attention was also paid to disaster countermeasures, and satellite phone services from NTT DOCOMO were introduced for use in times of disaster alongside earthquake early warning services from NTT Communications. Telecommunications equipment includes fiber-optic cables from NTT East and public Wi-Fi from NTT Broadband Platform. These cutting-edge NTT Group technologies help reduce the environmental load of Shinagawa Season Terrace while also providing solutions for various social issues.

Environmental Ratings and Third-Party Verification

Shinagawa Season Terrace is neighbored by an expansive 3.5-hectare park that breathes life into the area and creates opportunities for community interaction. This park enriches this business district while also contributing to the area as a spot for breating a sense of community. Located at the border between the Musashino Plateau area and the Tokyo Bay coastal area, this park is anticipated to merge the eco-systems of both areas. The park was rated highly by the Organization for Landscape and Urban Green Infrastructure, earning Shinagawa Season Terrace certification under the Social and Environmental Green Evaluation System (SEGES) as a development project that contributes to society and the environment through the preservation and creation of greenery (SEGES for Urban Development).

In addition, the various other eco-friendly features of Shinagawa Season Terrace have won the building the highest ratings under numerous third-party verification systems, including an S rank under the Comprehensive Assessment System for Built Environment Efficiency (CASBEE).

NTT Group’s Contribution to Reducing Society’s CO₂ Emissions

ICT contributes to the reduction of the environmental load of our lives and society in various ways. For example, the digitalization of books, music, movies, and other content cuts back on the energy consumed in transporting the books, CDs, DVDs, and other physical media that are normally used to distribute such content. In addition, to providing alternatives for moving goods and people, ICT can also contribute by making our lives and work more efficient.

In the fiscal year ended March 31, 2016, NTT Group as a whole contributed to a reduction in the CO₂ emissions of society by 60.32 million tons through the utilization of ICT.

The spread of smartphones and the development of high-speed, large-capacity networks have given rise to various new services, such as video streaming services, and expanded the opportunities for customers to utilize these services. The CO₂ reducing benefits of this situation have also been growing with each coming year. NTT Group will continue contributing to the reduction of society’s environmental footprint in various fields by utilizing ICT.

Calculation method

Calculation method NTT Group’s contribution to reducing society’s CO₂ emissions was calculated using the Telecommunication Technology Committee’s Methodology for the Assessment of the Environmental Impact of Information and Communication Technology, which is based on the organization’s Greenhouse Gas Emission and Mitigation Report 2012 (SEGES for Urban Development). The methodology has been approved by the Japan Association for Information and Communication Technology (ICT) ECO Efficiency Evaluation. The results of an online questionnaire survey regarding average ICT service usage time and usage of different ICT services were also used.
Value Creation through Environmental Contributions

To reduce the environmental load of its business activities to the greatest extent possible, NTT Group is taking steps to track and analyze what types of resources and energy it is using in what processes and what type of environmental load is occurring.

In addition to direct environmental load of its business activities, the Group also calculates and discloses information on greenhouse gas emissions from the value chain (Scope 3 of the Greenhouse Gas Protocol), including such indirect emissions as those from ICT service provision.

In the fiscal year ended March 31, 2016, greenhouse gas emissions applicable under Scope 3 amounted to 17.59 million tons. Of these emissions more than 85% came from category 1 (purchased goods and services), category 2 (capital goods), and category 11 (use of sold products). We are promoting the introduction of products with low environmental load based on our Guidelines for Green Procurement and pursuing initiatives aimed at encouraging the use of energy-saving devices by our customers.

CO2 Emissions Reductions through Energy-Saving Equipment

The reduction of CO2 and other greenhouse gas emissions, which are known causes of climate change, is an important issue for the international society. In the ICT field, a primary area of business for NTT Group, the advancement of the technology brings concerns for the risks in electricity consumption that accompany the need for processing larger volumes of data and cooling massive servers. For this reason, ICT companies are increasingly being expected to make their operations more energy efficient in order to lower emissions.

NTT Group provides data center services and various other ICT services, and the use of electricity purchased to supply such services accounts for more than 90% of the Group’s CO2 emissions.

We are therefore implementing energy-saving initiatives, realizing that these efforts will also contribute to reductions in CO2 emissions.

The Group uses large amounts of electricity, with purchased electricity amounting to more than 8.8 billion kWh a year. Due to the rise in the price of electricity as a result of the start of the feed-in tariff scheme for renewable energy, NTT Group faces a large risk that it will be affected financially. Accordingly, reductions in CO2 emissions through the use of energy-saving equipment are also being pursued from a financial standpoint.

Measures conducted in the fiscal year ended March 31, 2016, included consolidating telecommunications equipment, making equipment more energy efficient, and introducing new technologies, such as optimal air-conditioning control systems and direct current (DC) power transmission systems. These measures for reducing CO2 emissions from electricity consumption were conducted through an investment of ¥7.8 billion and contributed to a ¥940.0 million kWh decrease in electricity consumption. By advancing such efforts, we are contributing to the realization of a low-carbon society while simultaneously mitigating financial risks for the Group.

- Energy Saving at Data Centers

NTT Communications offers data centers with power usage effectiveness (PUE) of less than 1.2, and NTT COMWARE Corporation offers data centers with PUE of less than 1.1, which are at the world’s highest level for energy efficiency.

We are striving to enhance PUE for our other data centers as well by introducing five-star equipment with the highest level of energy efficiency in accordance with the NTT Group Energy Efficiency Guidelines. NTT FACILITIES has been advancing the development of higher efficiency technologies for electrical power systems, and other technologies and thereby contributing to reduced electricity consumption at centers.

We are also operating some data centers using renewable energy and have installed a 5 kW solar power generation system at NTT East’s Kornagame Data Center. Solar power systems have also been set up at NTT East’s Chiba Data Center; NTT West’s Osaka Data Center; NTT Communications’ Tokyo No. 2, No. 4, and No. 5 data centers; and the Takamatsu No. 2 Data Center in an effort to promote energy savings at these facilities.

* Power usage effectiveness (PUE) is calculated by dividing the total electricity consumption of a data center by the electricity consumption of the servers and other IT equipment (PUE = Watts/Total heat dissipation).
Energy-Saving Verification Project for HVDC Power Transmission System at U.S. Data Center

Electricity is supplied in the forms of alternating current (AC), which is used from household outlets, and direct current (DC), which is used on railroads, for telecommunications, and is used from U.S. Data Center air-conditioning equipment, and lighting and other electrical current must be transformed, thereby realizing greater energy savings than would be possible with conventional AC power transmission systems. With the aim of further spreading and developing these systems, the Group has partnered with the New Energy and Industrial Technology Development Organization (NEDO) of Japan to conduct a verification project in the United States. The system to be tested in this project is linked to a solar power generation system that supplies it with DC electricity and is anticipated to display substantial energy saving benefits. With these benefits, the system is expected to contribute to the creation of larger and more energy-efficient data centers. The system is thus garnering much attention, and we expect that usage of this system will spread throughout the United States and other overseas markets.

Through a contract from NEDO, NTT FACILITIES began constructing an HVDC power transmission system at the Texas Advanced Computing Center of the University of Texas at Austin, the United States, in August 2015, and is undertaking an energy-saving verification project leading up to March 2017 that began in August 2016. The United States is home to the world-leading ICT market. By conducting a verification project in this market, we will be able to present objective data on the benefits of HVDC power transmission systems, which include energy savings, reliability, and ease of maintenance and operation. This project will thereby help us spread usage of HVDC power transmission systems and work to reduce energy consumption at data centers.

Going forward, we will utilize the findings of this verification project to globally deploy HVDC power transmission systems in markets centered on the United States, the world's largest market for data centers.

Overview of System to Be Verified

Introduction: HVDC electricity powered servers, air-conditioning equipment, and lighting and vastly energy saving benefits

HVDC Power Transmission System

DC power distribution board

380V DC

HVDC rectifier

Solar panels

1000V DC

HVC compatible power conditioner

HVDC power conditioner

Mobile Phone Recycling Process Receiving Wide-Area Authorization from the Ministry of the Environment

For the purpose of providing telecommunications services, NTT Group owns various types of communications equipment, including telephone poles, switching equipment, communications cables, public telephone booths, and public telephones. These are decommissioned and disposed of when they reach the end of their service life or are replaced during system upgrades for new services. We reuse and recycle decommissioned communications equipment within the Group.

For example, concrete waste from discarded concrete poles is recycled for use as road building material. Public telephone booths and public telephones are taken to a specialized intermediate treatment plant, where parts of the booths are sorted into aluminum, stainless steel, glass, and plastic. Similarly, the baseboards, copper wires, and various plastics used in public telephones are meticulously sorted. These components are then sent to a recycling plant to be recycled into such materials as rare metals, copper, and pellets. At intermediate treatment plants, materials are carefully sorted by hand. As a result, the precision of this sorting has a large influence on the recycling rate.

To prevent the inappropriate treatment of the materials, such as illegal dumping, NTT East collaborated with NTT ME to construct a system that uses GPS and photography to confirm proper handling from the site of disposal to the disposal plant.

Recycled construction waste: A special measure specified in Articles 9-9 and 15-4-3 of the Waste Management and Public Cleansing Act (#137, 1970) that relieves businesses engaged in the effective recycling of their products of the need to obtain local authority permissions related to waste disposal.

Although our one-way society of mass production, consumption, and disposal has brought affluence and convenience to our lives, it has also created massive amounts of waste and given rise to various issues, such as concern for illegal dumping and the depletion of natural resources. The impacts of these issues extend beyond the continuity of business activities. To resolve these issues, we must initially review how companies manage their businesses as well as our social and economic systems and shift to a closed loop society.

@ Results of Waste Final Disposal Rate

In the fiscal year ended March 31, 2016, the amount of waste produced by NTT Group was 683 thousand tons. Of this amount, 674 thousand tons of waste was recycled and 1 thousand tons of waste was reduced via incineration. As a result, the amount of waste sent to landfills for final disposal was approximately 6 thousand tons (making for a final disposal rate of 0.9%), and the Group was thus able to achieve its target of zero emissions (emissions of less than 1%) in terms of the final disposal rate for waste.

Reused and Recycled Wastes

<table>
<thead>
<tr>
<th>Amount of recycled wastes</th>
<th>Amount of waste reduced via incineration</th>
<th>Amount of landfill waste</th>
</tr>
</thead>
<tbody>
<tr>
<td>242 thousand tons</td>
<td>244 thousand tons</td>
<td>1 thousand tons</td>
</tr>
<tr>
<td>141 thousand tons</td>
<td>37 thousand tons</td>
<td>6 thousand tons</td>
</tr>
<tr>
<td>674 thousand tons</td>
<td>1 thousand tons</td>
<td></td>
</tr>
</tbody>
</table>

Mobile Pho Recycling Process Receiving Wide-Area Authorization from the Ministry of the Environment

At NTT Group, we practice the 3Rs (reduce, reuse, recycle), working to reduce the amount of materials consumed by our business activities and reuse or recycle the resources that are consumed. We thereby aim to contribute to the realization of a closed loop society while furthering the sustainable development of NTT Group.
## Operations in Review

### Regional Communications Business

In the Regional Communications Business Segment, we worked to develop our B2B2X business through the Hikari Collaboration Model, the wholesale provision of fiber-optic access infrastructure services to various service providers.

**Expanding Collaboration with Companies in Other Industries under the Hikari Collaboration Model**

With regard to the Hikari Collaboration Model, the number of service providers providing wholesale service was around 350 companies at the end of the fiscal year ended March 31, 2016, as we promoted collaborative projects with not only mobile network operators and ISPs but also business operators in diverse industries including the energy industry, real estate industry, and security industry. In the cable television industry, new use cases were born, including the adoption of the Hikari Collaboration Model in the conversion of all service areas to fiber optics. As a result of these initiatives, the number of fiber-optic access services subscriptions using this model was 4.69 million as of March 31, 2016.

**Reducing Costs and Raising Efficiency in Capital Investment**

With the development of the Hikari Collaboration Model, we achieved a large-scale reduction in marketing costs. Furthermore, by simplifying and streamlining networks and further increasing the usage of existing facilities, we worked to make capital investment more efficient.

**Expanding Wi-Fi Service Coverage Areas**

For companies and municipalities, Wi-Fi is a powerful tool for the provision of their own information services. We took steps to promote the introduction of Wi-Fi in various regions as an opportunity to improve convenience for the increasing number of visitors to Japan. As a result, the number of Wi-Fi area owners reached 393, as of March 31, 2016, a substantial increase from the end of the previous fiscal year.

### Financial Results for the Year Ended March 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>Fiscal year ended March 31</th>
<th>Fiscal year ended March 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Billions of yen)</td>
<td>(Billions of yen)</td>
</tr>
<tr>
<td>Operating Revenues</td>
<td>$3,407.9 billion</td>
<td>$265.0 billion</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$265.0 billion</td>
<td>$168.9 billion</td>
</tr>
</tbody>
</table>

### Number of Subscriptions for Major Services (as of March 31, 2016)

<table>
<thead>
<tr>
<th>Service</th>
<th>Number of Subscriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>FLET'S Hikari (FTTH)</td>
<td>19.26 million</td>
</tr>
<tr>
<td>NHK Digital Service</td>
<td>12.55 million</td>
</tr>
<tr>
<td>Hikari Collaboration Model</td>
<td>4.69 million</td>
</tr>
<tr>
<td>NTT East Digital Service</td>
<td>17.37 million</td>
</tr>
<tr>
<td>FLET'S TV</td>
<td>1.43 million</td>
</tr>
</tbody>
</table>

Note: The figures for FLET'S Hikari, NHK Denwa, and FLET'S TV include the number of subscriptions for wholesale services provided to service providers through the use of the Hikari Collaboration Model by NTT East and NTT West.

### Creation of New Value through Business Activities

#### Provision of an ICT System that Reduces the Burden of Work for Childcare Workers

The government is implementing a plan to accelerate the elimination of waiting lists for day care, and to achieve that objective, obtaining childcare workers has become an important issue. On the other hand, a new support system for children and child-rearing was started in fiscal 2015 and day-care hours, which had previously been uniform, now vary for each day-care center in accordance with the work hours of the parents. Accordingly, day care centers need to keep accurate records of the arrival and departure times of the children. Day care centers also need to prepare forms requesting payment from parents of extended hours fees, which vary for different day-care hours, as well as forms needed for applications for assistance from municipalities. This has resulted in an increased work burden for childcare workers.

In cooperation with ANS, NTT West began to provide an arrival and departure management system from June 2015. This system automates tasks that are performed by hand at many day care centers—the recording of arrival and departure times and the preparation and management of forms. With this system, the arrival and departure times of the children can be recorded and stored through the use of IC cards, and forms submitted to municipalities can be prepared automatically. In addition to increasing work efficiency, this system can prevent errors resulting from hand-written work.

In these ways, we are working to reduce the burden on childcare workers and contribute to efforts to obtain human resources for childcare centers, as well as to realize environments in which workers can focus on childcare and education that help children to reach their full potential.

#### Expanding Collaboration with Companies in Other Industries under the Hikari Collaboration Model

In cooperation with ANS, NTT West began to provide an arrival and departure management system from June 2015. This system automates tasks that are performed by hand at many day care centers—the recording of arrival and departure times and the preparation and management of forms. With this system, the arrival and departure times of the children can be recorded and stored through the use of IC cards, and forms submitted to municipalities can be prepared automatically. In addition to increasing work efficiency, this system can prevent errors resulting from hand-written work.

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#### Number of Subscriptions for Major Services

<table>
<thead>
<tr>
<th>Service</th>
<th>Number of Subscriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>FLET'S Hikari (FTTH)</td>
<td>19.26 million</td>
</tr>
<tr>
<td>NHK Digital Service</td>
<td>12.55 million</td>
</tr>
<tr>
<td>Hikari Collaboration Model</td>
<td>4.69 million</td>
</tr>
<tr>
<td>NTT East Digital Service</td>
<td>17.37 million</td>
</tr>
<tr>
<td>FLET'S TV</td>
<td>1.43 million</td>
</tr>
</tbody>
</table>

Note: The figures for FLET'S Hikari, NHK Denwa, and FLET'S TV include the number of subscriptions for wholesale services provided to service providers through the use of the Hikari Collaboration Model by NTT East and NTT West.

#### Creating New Value through Business Activities

**Provision of an ICT System that Reduces the Burden of Work for Childcare Workers**

The government is implementing a plan to accelerate the elimination of waiting lists for day care, and to achieve that objective, obtaining childcare workers has become an important issue. On the other hand, a new support system for children and child-rearing was started in fiscal 2015 and day-care hours, which had previously been uniform, now vary for each day-care center in accordance with the work hours of the parents. Accordingly, day care centers need to keep accurate records of the arrival and departure times of the children. Day care centers also need to prepare forms requesting payment from parents of extended hours fees, which vary for different day-care hours, as well as forms needed for applications for assistance from municipalities. This has resulted in an increased work burden for childcare workers.

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Long Distance and International Communications Business

In the Long Distance and International Communications Business Segment, in addition to expanding our cloud computing platforms and enhancing our provision of seamless ICT solutions combining network and security, etc., we worked to enhance our service provision in growth areas such as cloud services and IT outsourcing.

Details of Major Initiatives

1. Strengthening Our Platform for the Provision of Cloud Services
   In order to strengthen our ability to meet the demand for cloud services and data centers in various global regions, we began providing services at new data centers, that achieve high reliability through redundancy of electric power facilities and telecommunications equipment as well as enhanced security, in Sacramento in North America, Vienna in Europe, and Hong Kong, Mumbai, and Bangkok in Asia. Furthermore, we acquired one of the largest data center operators in Indonesia, PT Cyber CSF (headquartered in Jakarta). As a result of efforts to proactively expand cloud computing platforms, NTT Group’s data centers were ranked as top class in the world in terms of both total floor space and potential server installation floor space according to a report by U.S. TeleGeography (published in October 2015).

2. Strengthening Network Services Functions
   In August 2015, we commenced the provision of Multi-Cloud Connect, which enables the secure usage of cloud services, such as Microsoft Azure and Amazon Web Services, using Arcstar Universal One, a VPN for companies. In this way, we continued working to expand access services.

3. Strengthening Our Marketing System
   Toward our goal of business expansion in growth fields such as cloud services and IT outsourcing, we strengthened our operational structure by securing personnel in various regions.

Operations in Review

Number of Subscriptions for Major Services (as of March 31, 2016)

<table>
<thead>
<tr>
<th>Service</th>
<th>Number of Subscriptions to Major Services</th>
<th>Number of customers for cloud services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hikari TV</td>
<td>3.05 million</td>
<td>8.300 million</td>
</tr>
<tr>
<td>Ogenki Rhythm (provisional name)</td>
<td>0.34 million</td>
<td>3.05 million</td>
</tr>
</tbody>
</table>

Creating New Value through Business Activities

Strengthening the Framework for Data Center Provision

In the fiscal year ended March 31, 2016, we began to provide services through new data centers in Hong Kong, Mumbai, Bangkok, and Jakarta, and as of March 31, 2016, we had data centers in 244 locations in 21 countries. In addition, with total floor space for NTT Group of approximately 1.3 million square meters, we have a position in the top class in the world. Moving forward, data center demand is expected to increase, and accordingly we will optimally combine services that leverage the distinctive strengths of NTT Group, such as cloud services, networks, security, and managed ICT.

In this way, we will advance initiatives through the provision of total services.

Cooperation with Kanazawa-Nishi Hospital to Jointly Launch Field Trials of Ogenki Rhythm (provisional name), a Service to Watch over Senior Citizens

As society ages, there are growing needs for the ability to watch over the health of senior citizens who live in distant locations. By leveraging its strengths in such areas as IoT, cloud services, and network services, NTT Communications commenced field trials of Ogenki Rhythm (provisional name) in August 2015. This service for watching over senior citizens is easy for both those monitoring and those being monitored. The installation of an IoT device (sensor) on the distribution switchboard enables the lifestyle rhythms of senior citizens who are living alone to be determined from trends in their electricity consumption (sleeping, out of the house, and at home). The results can be seen on a smartphone application. In cooperation with Kanazawa-Nishi Hospital in Kanazawa City, Ishikawa Prefecture, field trials are being conducted and verification is being implemented in preparation for commercialization.
Mobile Communications Business

In the Mobile Communications Business Segment, we worked to promote sales of the billing plan Kake-hodai & Pake-aeru and of docomo Hikari. In addition, we took steps to enhance revenue and profitability in the Smart Life area, such as providing value-added services through collaboration with various business partners.

Details of Major Initiatives

1. Enhancing Billing Plans
   In addition to promoting the sales of its Kake-hodai & Pake-aeru, as a billing plan tailored to suit a customer’s stage of life that offers more affordable rates to long-term users, we newly launched the Kake-hodai Light Plan in September 2015, and the Share pack 5 in March 2016. As a result, the number of subscriptions to Kake-hodai & Pake-aeru, reached 29.70 million as of March 31, 2016.

2. Advancing Sales of docomo Hikari
   By utilizing the Hikari Collaboration Model from the Regional Communications Business Segment, we promoted the sales of the docomo Hikari Pack, which bundles fiber-optic access infrastructure services, internet access service, and mobile service. As a result, the number of subscriptions to docomo Hikari reached 1.57 million as of March 31, 2016.

3. Strengthening Profitability in the Smart Life Area
   In order to strengthen profitability in the Smart Life area, in addition to content services, finance and settlement services, we pursued the d initiative, which was aimed at creating new added value through collaboration with various business partners. Specifically, in addition to commencing testing of a revolutionary rice-planting management system in Niigata City, we began offering d POINTs, our new loyalty point program that can be used at convenience stores and fast food restaurants, etc.

Financial Results for the Year Ended March 31, 2016

Operating Revenues

<table>
<thead>
<tr>
<th>Fiscal year ended March 31</th>
<th>2016/3</th>
<th>2015/3</th>
<th>2014/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues (Billions of yen)</td>
<td>¥4,527.1</td>
<td>¥4,470.1</td>
<td>¥4,383.4</td>
</tr>
</tbody>
</table>

Operating Income

<table>
<thead>
<tr>
<th>Fiscal year ended March 31</th>
<th>2016/3</th>
<th>2015/3</th>
<th>2014/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income (Billions of yen)</td>
<td>¥788.4</td>
<td>¥635.8</td>
<td>¥788.4</td>
</tr>
</tbody>
</table>

Number of Subscriptions for Major Services (as of March 31, 2016)

<table>
<thead>
<tr>
<th>Service</th>
<th>Number of Subscriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>docomo Hikari</td>
<td>1.57 million</td>
</tr>
<tr>
<td>d POINT CLUB</td>
<td>Approximately 58.00 million</td>
</tr>
</tbody>
</table>

Creating New Value through Business Activities

Start of the Provision of Move & Flick®, a New Text Entry Application

In August 2015, NTT DOCOMO commenced free distribution of Move & Flick®, a new text entry application for smartphones. This application facilitates the entry of text by not only individuals with visual disabilities but also all customers. Going forward, we will continue working to enhance services that make lifestyles more convenient and comfortable for all customers.
Data Communications Business

In the Data Communications Business Segment, we responded to the acceleration of our customers’ expansion in the global market and the diversification and increased sophistication of their needs by working to expand our business in the global market and to expand and reliably provide a range of IT services, such as system integration, that are responsive to the changes in the market.

Details of Major Initiatives

1. Strengthening Global Business Foundation through M&A
To strengthen consulting services to the global financial services industry, we acquired Carlisle & Gallagher Consulting Group, Inc. (headquartered in the U.S.), a leading US provider of financial IT consulting and system deployment. To increase our presence centered on North America and to enhance cloud services and BPO services using cutting-edge technology, we reached an agreement with Dell Inc. to acquire the Dell Services Division, a leading provider of digital solutions services tailored to the healthcare industry.

2. Supporting Advances in Omni-Channel Initiatives in the Retail Industry
In the retail industry, we took steps to provide support for the development of omni-channel initiatives, which link real stores and e-commerce sites to provide purchase opportunities that are aligned with the activities of users. To that end, we provided total solution services for integrated management of product, customer, inventory, and order information.

3. Advancing the Provision of IoT Services
We started providing IoT platforms that collect and distribute the information of various “things” including electronic devices such as sensors and plants, and we promoted the development of IoT services for supply and waste water utility operators.

Financial Results for the Year Ended March 31, 2016

<table>
<thead>
<tr>
<th>Financial Results</th>
<th>2016/3</th>
<th>2015/3</th>
<th>2014/3</th>
<th>2013/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues (Billions of yen)</td>
<td>¥1,616.8</td>
<td>¥1,511.0</td>
<td>¥1,430.3</td>
<td>¥1,303.5</td>
</tr>
<tr>
<td>Operating Income  (Billions of yen)</td>
<td>¥112.7</td>
<td>¥66.4</td>
<td>¥67.9</td>
<td>¥64.4</td>
</tr>
</tbody>
</table>

Participation in the Establishment of a Digital Archive, Including Assets of the Spanish Royal Family

We received an order from Patrimonio Nacional, an organization that manages the assets of the Spanish royal family. This order is about establishing a digital archive system covering valuable books and magazines as well as relevant contents that have been individually stored and managed by multiple institutions including the Royal Library of Spain.

To date, we have utilized IT to contribute to the passing down of precious historical treasures, such as participating in a digital archive project at the Vatican Apostolic Library. This project uses the AMLAD® (Advanced Museum Library Archives Deposit) digital archive solution for the centralized archiving of rare collections that have been managed at the national level in Spain. In this way, we will strive to contribute not only to the achievement of increased efficiency in the management of assets but also to the passing down of culture to future generations. We will use the results from these socially and culturally significant projects to reinforce our brand power and expand our overseas business.
Other Businesses

In other businesses, we mainly provided services related to the real estate, finance, construction and electric power, and system development businesses.

### Details of Major Initiatives

#### Real Estate Business

**NTT UD**

NTT Urban Development, which is the Group’s only comprehensive real estate company, engages in office building and commercial facility operations, as well as residential operations, which are implemented principally through the Wellith brand. In addition, NTT Urban Development utilizes the know-how that it has cultivated in these business fields to implement initiatives in such areas as global business and real estate fund business.

#### Construction and Electric Power Business

**NTT FACILITIES**

NTT FACILITIES provides one-stop solutions for buildings and energy facilities, ranging from planning and design services to construction, maintenance, operation, and upkeep services. NTT FACILITIES takes steps to combine and utilize its technologies in the fields of ICT, energy, and construction to the fullest extent. These initiatives include the design, construction, and operation of large-scale solar power generation systems and data centers. In addition, NTT FACILITIES makes proposals for secure, safe construction projects featuring high environmental capabilities and long lives.

#### System Development Business

**NTT COMWARE**

To support the NTT Group’s telecommunications networks, NTT COMWARE has enhanced its capabilities in the areas of technology, development, operations, and support. On that foundation, NTT COMWARE works in the system integration business, centered on work within NTT Group. NTT COMWARE has defined its core competencies as integration, migration, and operations. NTT COMWARE is working to develop systems and services to provide optimal, high-quality ICT services to customers.

#### Advanced Technology Development Business

These companies work in the advanced technology development business, where they offer technology consulting using combinations of network technologies, media processing technologies, and other advanced technologies from Japan and overseas. In addition, these companies work in the development, production, and sales of communications-use custom LSIs and optical devices that are indispensable in the realization of high-capacity communications networks. Other initiatives include the provision of total solutions related to software design/development and information/communications networks as well as the application of the advanced technologies of NTT Laboratories in the design, development, maintenance, and operation of products and in the provision of services.

#### Finance Business

**NTT FINANCE**

As the core finance company of NTT Group, NTT FINANCE provides leasing, financing, and other financial services, centered on information-related equipment. NTT FINANCE also provides billing and collection services for telecommunications service bills as well as credit card transaction settlement services.

#### Other Businesses

#### Financial Results for the Year Ended March 31, 2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td>¥1,294.5 billion</td>
<td>¥1,294.5 billion</td>
<td>¥1,294.5 billion</td>
<td>¥1,294.5 billion</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>¥74.0 billion</td>
<td>¥74.0 billion</td>
<td>¥74.0 billion</td>
<td>¥74.0 billion</td>
</tr>
</tbody>
</table>

**Details of Major Initiatives**

**NTT Electronic Business**

#### NTTAD

NTTAD

#### ICR

WireCom Research, Inc.

#### NTT Learning Systems

#### NTT Business Associate

#### NTT LOGISCO

#### NTTBP

e.tc.
Research and Development

NTT Group's R&D

**R&D That Advances Growth Strategies**

NTT Group is moving ahead with initiatives to follow a track of growth in profits under the Medium-Term Management Strategy, "Towards the Next Stage 2.0." The Group is implementing R&D activities in accordance with this strategy.

We are working to create competitive technologies, which are the source of growth for the Group, and to implement development activities that support increased cost efficiency, such as network simplification. Furthermore, we are striving to develop technologies to advance the creation of new value through collaboration with other companies and to implement leading-edge research with a focus on the future. Moreover, we will use the new technologies that result from these R&D initiatives to address a number of objectives. These include working to achieve sustained gains in corporate value through the resolution of social issues, such as the aging of the population; to strengthen industrial competitiveness, which is an objective of the national government; and to contribute to the development of society through the utilization of local economies.

Creating Competitive Technologies That Will Be Sources of Growth for NTT Group

**Security Orchestration**

Strategically, security is an extremely important development theme for maintaining a competitive edge in global cloud services and for building a solid platform for the generation of new businesses through the B2B2X model.

Cyber-attacks continue to grow more skilled and sophisticated each year. In particular, there is a need for rapid, effective security measures for networks, which can influence the entire social infrastructure. Accordingly, NTT Group is advancing the development of security orchestration technologies. For example, reflection DDoS attacks cause network congestion with huge amounts of traffic, but our security orchestration technologies can shut off these attacks at the optimal point, without hindering normal traffic. In addition, networks can be restored in an autonomous manner through automatic control.

NTT Group will examine the introduction of these technologies on entire networks.

**AI and IoT Targeted by NTT Group**

NTT Group does not aim for AI that emulates human intelligence or thinking but rather for AI that substitutes for and supports certain activities and that coexists and co-creates with people, thereby fostering the realization of abundant lifestyles.

We have defined four types of AI technologies that we will work with: Agent-AI, Heart-Touching-AI, Ambient-AI, and Network-AI, and we have chosen corevo™ as the brand name for the Group’s AI technologies.

We are already advancing a variety of initiatives that utilize our AI through collaboration with diverse partners, and these initiatives incorporate the concept of fostering a revolution in technology. NTT Group is aiming for sentient IoT, which integrates locally, which is one of the characteristics of IoT, with the concept of Ambient-AI (analysis of humans, objects, and environments; instant forecasting and management). Based on this approach, NTT Group has developed and is providing R:env REmxB®, a general-use, shared interface that facilitates free combinations of robots and a wide range of other IoT devices, Big Data processing technologies, visual and voice recognition technologies, and other technologies. New services utilizing these technologies are already being created in such fields as finance, transportation, nursing care, lifestyles, and business.

Increasing Network Cost Efficiency

**Achieving Both Cost Reductions and Flexible, Rapid Service Provision**

To date, it has been difficult to advance the utilization of general-use products on carrier networks, where high reliability and high scalability are required. Accordingly, there have been limits on operational flexibility and on thorough cost reduction initiatives.

NTT Group has formulated the NetroSphere concept, which makes it possible to divide network functions into small modular components and freely assemble those components to create diverse services. Targeting the realization of this concept, we are implementing R&D initiatives utilizing virtualization technologies with next-generation carrier networks. Through the use of virtualization technologies, such as NFV*1 and SDN*2, and Inexpensive, general-use products, we are working to develop technologies that realize highly reliable network services utilizing inexpensive, general-use products and also provide necessary services in a flexible, rapid manner. These technologies will facilitate efficient network operation, and reductions in capital investment and operating expenses can be anticipated.

*1 Network Functions Virtualization

*2 Software Defined Networking
Creating New Value through Collaboration

**Functional material hitoe®**

hitoe® is a functional material that was developed jointly with Toray Industries. Biometric signals can be measured and collected when a user wears clothing that incorporates hitoe®. These biometric signals, which are weak electrical signals emitted by the body, include electrocardiographic, electromyo-

graphic, and electroencephalographic signals. Since 2014, NTT DOCOMO has provided Runtastic for docomo, a service that supports training through the recording and management of data measured with the use of hitoe®.

**Strengths of hitoe®**

- When a user wears clothing that incorporates hitoe®, it is possible to monitor biometric information for the heart rate, electrocardiogram waveform, and accelerometer for long periods without stress.
- It is possible to evaluate both physical and mental condition through analysis of the biometric information that has been acquired.
- It is possible to monitor multiple people simultaneously and in real time because the results of the analysis are managed on the cloud.

**Crashless Car**

Together with Toyota and Preferred Networks, NTT has implemented a demonstration of the concept of Crashless Car. Toyota’s concept of AI driving was realized with the use of NTT’s edge computing technologies and high-reliability wireless technologies and the utilization of Preferred Networks’ deep learning technologies and distributed processing technologies. Preferred Networks’ AI, which runs on edge servers that are deployed on the periphery of networks, learns about the surrounding environment, which changes from moment to moment. In line with the circumstances, driving support information is provided in real time, and by sharing the learning statuses of multiple vehicles, the time required for learning is reduced. In the future, real-time data collection from multiple vehicles and roadside infrastructure equipment will foster the realization of advanced driving support, such as traffic congestion forecasts and the establishment of traffic priorities for vehicles in times of emergency or disaster.

**Future Applications of Crashless Car**

Cloud

- Wide-area dynamic map
- Recording information of surroundings

Edge computing

- Deep learning
- Dynamic map
- Providing information for driving support in real time

Visual Search uses NTT’s Angle-free Object Recognition Technology. We are making progress with testing of Visual Search as one facet of R&D initiatives for the purpose of using ICT to provide world-class experiences, impressions, and hospitality for visitors to Japan in preparation for 2020. When visitors have a question about a transfer at a station, they can simply point their smartphone, tablet, or other device at the information board. The information that they need to proceed to their destination, such as a map showing the current location and route guidance, is translated into an appropriate language and provided to them. The limits on such factors as viewing angle at the time of recognition are less restrictive than those for QR codes and bar codes, and there is no need to move close to take a picture. Accordingly, Visual Search will contribute not only to increasing convenience but also to alleviating congestion. At Haneda Airport International Passenger Terminal and nearby Tokyo Station, we are already moving ahead with testing to improve image recognition accuracy and to verify usefulness in such areas as guidance expressions.

**Initiatives for 2020**

**Kirariri!**

Kirariri! is an immersive telepresence technology that combines next-generation compression standards (HEVC) and Advanced MMT, a technology that synchronizes various media to produce highly realistic sensations developed by NTT. Kirariri! will enable the transmission of not only athletes’ images and sounds but also information about their surroundings and environment. With projection mapping technology, Kirariri! makes it appear as if athletes are competing right in front of the viewers, even from remote locations. To date, we have conducted testing with partners in a wide variety of fields, including not only sports but also culture and entertainment. For example, together with DWANGO and Shochiku, we have taken on the challenge of realizing an entirely new Kabuki experience. Targeting 2020, we continue to advance R&D for Kirariri! Through the creation of highly realistic sensations, we will aim to transmit and reproduce in real time the entire game spaces, not only in Japan and but also around the world.

Through the utilization of Kirariri! technology in such areas as sports competition and concerts, it will be possible to enjoy realistic sports viewing and public performances even from remote locations.
### 10-Year Financial Summary

**Nippon Telegraph and Telephone Corporation**

Data as of March 31, 2015

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td>¥18,291 billion</td>
<td>¥18,519 billion</td>
<td>¥18,796 billion</td>
<td>¥18,939 billion</td>
<td>¥19,666 billion</td>
<td>¥19,389 billion</td>
<td>¥19,549 billion</td>
<td>¥20,285 billion</td>
<td>¥20,702 billion</td>
<td></td>
</tr>
<tr>
<td><strong>Net property, plant and equipment</strong></td>
<td>¥10,424 billion</td>
<td>¥10,386 billion</td>
<td>¥10,202 billion</td>
<td>¥10,060 billion</td>
<td>¥9,729 billion</td>
<td>¥9,479 billion</td>
<td>¥9,239 billion</td>
<td>¥9,472 billion</td>
<td>¥9,729 billion</td>
<td></td>
</tr>
<tr>
<td><strong>Net long-term liabilities</strong></td>
<td>¥5,605 billion</td>
<td>¥5,332 billion</td>
<td>¥5,957 billion</td>
<td>¥5,580 billion</td>
<td>¥5,896 billion</td>
<td>¥5,848 billion</td>
<td>¥5,528 billion</td>
<td>¥5,657 billion</td>
<td>¥5,903 billion</td>
<td></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>¥7,121 billion</td>
<td>¥7,411 billion</td>
<td>¥7,300 billion</td>
<td>¥7,788 billion</td>
<td>¥8,021 billion</td>
<td>¥7,883 billion</td>
<td>¥8,231 billion</td>
<td>¥8,512 billion</td>
<td>¥8,683 billion</td>
<td></td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>199,000</td>
<td>193,000</td>
<td>196,000</td>
<td>195,000</td>
<td>219,000</td>
<td>224,000</td>
<td>227,000</td>
<td>240,000</td>
<td>242,000</td>
<td></td>
</tr>
</tbody>
</table>

**Key Performance Indicators**

- **ROE (%)**: 6.9% to 6.0%
- **EBITDA margin**: 31.0% to 29.2%
- **Price earnings ratio**: 31.8% to 29.2%
- **Dividends per share**: 110.0 yen to 115.0 yen

**Other Financial Data**

- **Capital investment (For the year)**: ¥2,236 billion to ¥2,145 billion
- **Research and development expenses (For the year)**: ¥272.1 billion to ¥262.9 billion
- **Employees (Thousands)**: 199,000 to 242,000

**Per Share of Common Stock**

- **Net income attributable to NTT**: ¥676.2 billion to ¥675.2 billion
- **Dividends per share**: ¥20.21 to ¥23.54

**Notes**

1. NTT has retroactively applied the equity method of accounting to prior years for an affiliate investment as a result of the acquisition by NTT Group of additional shares of the affiliate during the fiscal years ended March 31, 2008 and 2014. The amounts in the table above for the fiscal years ended March 31, 2007 to March 31, 2013, have been adjusted accordingly.

2. With the application of the accounting pronouncement issued by the Financial Accounting Standards Board (“FASB”) in December 2007, relating to noncontrolling interests in consolidated financial statements, starting from the fiscal year ended March 31, 2010, the format of this line item was changed. As a result of this change, the amount for the fiscal year ended March 31, 2009 was also revised.

3. During the fiscal years ended March 31, 2010 and 2014, the name of this line item was changed.

4. Cash dividends, applicable to earnings for the year.

5. Adjusted for the 1-for-1 stock split with an effective date of July 1, 2015.
### Overview

#### Major Subsidiaries' Data

#### NTT East

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Total Operating Revenues</td>
<td>¥2,061.3</td>
<td>¥2,002.7</td>
<td>¥1,951.5</td>
<td>¥1,901.2</td>
<td>¥1,824.3</td>
<td>¥1,763.0</td>
<td>¥1,676.3</td>
<td>¥1,545.1</td>
<td>¥1,389.7</td>
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<td>Total Operating Income</td>
<td>¥100.8</td>
<td>¥97.5</td>
<td>¥93.2</td>
<td>¥92.6</td>
<td>¥90.8</td>
<td>¥89.4</td>
<td>¥91.3</td>
<td>¥90.8</td>
<td>¥90.8</td>
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<tr>
<td>Operating expenses</td>
<td>¥2,001.4</td>
<td>¥1,957.7</td>
<td>¥1,916.2</td>
<td>¥1,881.0</td>
<td>¥1,879.9</td>
<td>¥1,850.3</td>
<td>¥1,801.2</td>
<td>¥1,766.7</td>
<td>¥1,707.0</td>
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<tr>
<td>Non-operating revenues</td>
<td>¥29.4</td>
<td>¥32.3</td>
<td>¥25.0</td>
<td>¥23.7</td>
<td>¥24.7</td>
<td>¥27.4</td>
<td>¥27.1</td>
<td>¥27.4</td>
<td>¥27.1</td>
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<td>Operating income</td>
<td>¥59.9</td>
<td>¥44.9</td>
<td>¥47.6</td>
<td>¥77.1</td>
<td>¥50.3</td>
<td>¥66.7</td>
<td>¥101.6</td>
<td>¥101.6</td>
<td>¥101.6</td>
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<td>Recurring profit</td>
<td>¥39.3</td>
<td>¥43.7</td>
<td>¥40.5</td>
<td>¥37.5</td>
<td>¥33.5</td>
<td>¥36.3</td>
<td>¥32.9</td>
<td>¥32.9</td>
<td>¥32.9</td>
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<td>Net income</td>
<td>¥84.3</td>
<td>¥96.8</td>
<td>¥107.6</td>
<td>¥100.8</td>
<td>¥94.2</td>
<td>¥111.7</td>
<td>¥112.0</td>
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#### NTT West

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<tbody>
<tr>
<td>Total Operating Revenues</td>
<td>¥2,000.5</td>
<td>¥1,951.5</td>
<td>¥1,901.2</td>
<td>¥1,824.3</td>
<td>¥1,763.0</td>
<td>¥1,676.3</td>
<td>¥1,545.1</td>
<td>¥1,389.7</td>
<td>¥1,322.8</td>
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<tr>
<td>Total Operating Income</td>
<td>¥94.2</td>
<td>¥92.6</td>
<td>¥90.8</td>
<td>¥90.8</td>
<td>¥90.8</td>
<td>¥90.8</td>
<td>¥90.8</td>
<td>¥90.8</td>
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<tr>
<td>Operating expenses</td>
<td>¥1,931.0</td>
<td>¥1,887.3</td>
<td>¥1,816.5</td>
<td>¥1,762.3</td>
<td>¥1,708.4</td>
<td>¥1,639.3</td>
<td>¥1,608.7</td>
<td>¥1,573.2</td>
<td>¥1,538.5</td>
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<td>Non-operating revenues</td>
<td>¥40.4</td>
<td>¥43.7</td>
<td>¥40.5</td>
<td>¥37.5</td>
<td>¥33.5</td>
<td>¥36.3</td>
<td>¥32.9</td>
<td>¥32.9</td>
<td>¥32.9</td>
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<tr>
<td>Operating income</td>
<td>¥54.0</td>
<td>¥48.5</td>
<td>¥40.3</td>
<td>¥39.3</td>
<td>¥36.4</td>
<td>¥39.3</td>
<td>¥33.6</td>
<td>¥31.9</td>
<td>¥12.8</td>
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<tr>
<td>Recurring profit</td>
<td>¥28.3</td>
<td>¥31.7</td>
<td>¥15.4</td>
<td>¥24.8</td>
<td>¥49.0</td>
<td>¥20.4</td>
<td>¥20.9</td>
<td>¥18.7</td>
<td>¥13.9</td>
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<td>Net income (loss)</td>
<td>¥181.3</td>
<td>¥128.7</td>
<td>¥173.4</td>
<td>¥120.6</td>
<td>¥121.4</td>
<td>¥112.0</td>
<td>¥112.0</td>
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### Debt-Related Data

#### Interest-Bearing Debt / D/E Ratio*

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<tr>
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</thead>
<tbody>
<tr>
<td>Interest-bearing debt (left scale)</td>
<td>¥4,743.9</td>
<td>¥4,634.7</td>
<td>¥4,494.7</td>
<td>¥4,014.5</td>
<td>¥3,865.2</td>
<td>¥3,850.0</td>
<td>¥3,803.4</td>
<td>¥3,744.4</td>
<td>¥3,744.4</td>
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<td>Interest-bearing debt (right scale)</td>
<td>47%</td>
<td>46%</td>
<td>45%</td>
<td>44%</td>
<td>43%</td>
<td>43%</td>
<td>43%</td>
<td>43%</td>
<td>43%</td>
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</tbody>
</table>

* D/E ratio = Interest-bearing debt / Shareholders' equity x 100
Reconciliation of Capital Investment

<table>
<thead>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Payments for property, plant and equipment</td>
<td>¥1,395.1</td>
<td>¥1,538.1</td>
<td>¥1,486.7</td>
<td>¥1,444.9</td>
<td>¥1,265.8</td>
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<tr>
<td>Payments for acquisition of intangible fixed assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of intangible assets and other assets</td>
<td>458.2</td>
<td>446.6</td>
<td>416.6</td>
<td>358.2</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>¥1,853.3</td>
<td>¥1,984.7</td>
<td>¥1,903.2</td>
<td>¥1,803.1</td>
<td>¥1,637.8</td>
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<tr>
<td>Differences between capital investment</td>
<td>(53.7)</td>
<td>14.7</td>
<td>10.6</td>
<td>(14.4)</td>
<td>26.7</td>
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</table>

Reconciliation of EBITDA Margin

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>¥1,223.0</td>
<td>¥1,202.0</td>
<td>¥1,213.7</td>
<td>¥1,084.6</td>
<td>¥1,348.1</td>
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<tr>
<td>Depreciation and amortization of property, plant and equipment</td>
<td>1,996.2</td>
<td>2,005.5</td>
<td>1,978.6</td>
<td>1,932.7</td>
<td>1,873.8</td>
</tr>
<tr>
<td>EBITDA</td>
<td>3,219.1</td>
<td>3,207.4</td>
<td>3,192.3</td>
<td>3,017.3</td>
<td>3,221.9</td>
</tr>
<tr>
<td>Operating revenues</td>
<td>10,507.4</td>
<td>10,700.7</td>
<td>10,925.2</td>
<td>11,095.3</td>
<td>11,041.0</td>
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<tr>
<td>EBITDA margin</td>
<td>30.6%</td>
<td>30.0%</td>
<td>29.2%</td>
<td>27.2%</td>
<td>27.3%</td>
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</tbody>
</table>

Average Monthly Revenues per Unit (ARPU)

Average monthly revenue per unit or ARPU, is used to measure average monthly operating revenues attributable to each designated service on a per subscriber (user) basis. In the case of NTT Group’s fixed-line business, ARPU is calculated by dividing revenue items included in the operating revenues of NTT Group’s regional communications business segment (i.e., telephone subscriber lines, INS-Net and FLET’S Hikari) by the number of Active Subscribers to the relevant services. In the case of the mobile communications business, ARPU is calculated by dividing revenue items included in operating revenues from NTT Group’s mobile communications business segment, such as revenues from LTE (i.e. mobile phone services and FOMA mobile phone services, that are incurred consistently each month (i.e. basic monthly charges and voice / packet transmission charges), by the number of Active users to the relevant services. The calculation of these figures excludes revenues that are not representative of monthly average usages, such as telecommunications equipment sales, activation fees and universal service charges.

NTT believes that its ARPU figures calculated in this way provide useful information regarding the monthly average usage of its subscribers. The revenue items included in the numerators of NTT Group’s ARPU figures are based on its financial results comprising its U.S. GAAP results of operations.

Method of Calculating ARPU

(a) NTT East and NTT West

NTT separately calculates the following two categories of ARPU for the fixed-line business conducted by each of NTT East and NTT West, using the following measures:

- Aggregated Fixed-line ARPU (Telephone Subscriber Lines + INS-Net Subscriber Lines): Calculated based on revenues from monthly charges and call charges for Telephone Subscriber Lines and INS-Net Subscriber Lines, which are included in operating revenues from Voice Transmission Services (excluding IP Services), and revenues from FLET’S Hikari ADSL and FLET’S Hikari ISDN, which are included in operating revenues from IP Services.
- FLET’S Hikari ARPU: Calculated based on revenues from FLET’S Hikari (including FLET’S Hikari optional services), which are included in operating revenues from IP Services and Supplementary Business Services. Revenues from monthly charges, call charges and device connection charges for Hikari Denwa, which are included in operating revenues from IP Services, and revenues from FLET’S Hikari optional services, which are included in Supplementary Business Services.

(1) FLET’S Hikari includes B FLET’S, FLET’S Hikari Next, FLET’S Hikari Light, FLET’S Hikari Lightplus and FLET’S Hikari WiFi Access provided by NTT East, B FLET’S, FLET’S Hikari Premium, FLET’S Hikari Mytown, FLET’S Hikari Next, FLET’S Hikari Light and FLET’S Hikari WiFi Access provided by NTT West, and the Hikari Collaboration Model wholesale provision of services provided by NTT East and NTT West to service providers.

(b) NTT DOCOMO

NTT computes ARPU for NTT DOCOMO as follows:

Mobile Aggregate ARPU = Voice ARPU + Packet ARPU + docomo Hikari ARPU.

(1) NTT DOCOMO’s Voice ARPU is based on operating revenues related to voice services, such as basic monthly charges and voice communication charges, and its Packet ARPU is based on operating revenues related to packet services, such as basic monthly charges, flat monthly fees and packet communication charges attributable to its LTE (Xi) and FOMA services, and its docomo Hikari ARPU is based on operating revenues from basic monthly charges and voice communication charges for docomo Hikari (including docomo Hikari optional services).

(2) NTT DOCOMO’s ARPU calculation methods changed from the fiscal year ended March 31, 2016. Accordingly, the ARPU data for the results for the fiscal year ended March 31, 2014 and 2015 have been changed retrospectively.

(3) Number of Active Users used in the ARPU calculation of NTT DOCOMO is as below:

PY Results: Sum of number of Active Subscribers for each month from April to March

Active Subscribers = number of subscribers at end of previous month + number of subscribers at end of current month / 2

(4) The number of users used to calculate ARPU is the total number of subscriptions, excluding the subscriptions listed below:

No. of active users = subscriptions

- Subscriptions of communication module services, Phone Number Storage, Mail Address Storage, docomo Business Transceiver and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to Mobile Virtual Network Operators (MVNOs); and
- Data Plan subscriptions in the case where the customer contracting for such subscription in his / her name also has a subscription for Xi or FOMA services in his / her name.

Revenues from communication module services, Phone Number Storage, Mail Address Storage, docomo Business Transceiver and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to Mobile Virtual Network Operators (MVNOs) are not included in NTT DOCOMO’s ARPU calculation.
## Consolidated Balance Sheets

**Nippon Telegraph and Telephone Corporation and its subsidiaries**

**March 31**

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents ¥</td>
<td>849,174</td>
<td>1,088,275</td>
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<tr>
<td>Short-term investments</td>
<td>36,342</td>
<td>33,076</td>
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<tr>
<td>Notes and accounts receivable, trade</td>
<td>2,663,012</td>
<td>2,733,116</td>
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<tr>
<td>Allowance for doubtful accounts</td>
<td>43,230 (45,236)</td>
<td>(45,236)</td>
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<td>Accounts receivable, other</td>
<td>408,051</td>
<td>473,192</td>
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<td>Inventories</td>
<td>390,523</td>
<td>414,581</td>
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<td>Prepaid expenses and other current assets</td>
<td>434,023</td>
<td>469,529</td>
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<td>Deferred income taxes</td>
<td>219,333</td>
<td>260,446</td>
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<td><strong>Total current assets</strong></td>
<td>4,957,228</td>
<td>5,426,979</td>
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<td><strong>Property, plant and equipment:</strong></td>
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</tr>
<tr>
<td>Telecommunications equipment</td>
<td>12,592,070</td>
<td>11,586,812</td>
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<tr>
<td>Telecommunications service lines</td>
<td>15,647,879</td>
<td>15,870,097</td>
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<tr>
<td>Buildings and structures</td>
<td>6,107,299</td>
<td>6,069,437</td>
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<tr>
<td>Machinery, vessels and tools</td>
<td>1,995,879</td>
<td>1,996,898</td>
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<td>Land</td>
<td>1,299,072</td>
<td>1,273,209</td>
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<td>Construction in progress</td>
<td>404,698</td>
<td>382,196</td>
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<td><strong>Accumulated depreciation</strong></td>
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<tr>
<td>Net property, plant and equipment</td>
<td>38,046,897</td>
<td>37,178,499</td>
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<tr>
<td><strong>Total assets</strong> ¥</td>
<td>20,702,427</td>
<td>21,035,931</td>
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### LIABILITIES AND EQUITY

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<thead>
<tr>
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<th>2015</th>
<th>2016</th>
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<tr>
<td><strong>Current liabilities:</strong></td>
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<tr>
<td>Short-term borrowings ¥</td>
<td>330,423</td>
<td>129,656</td>
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<td>Current portion of long-term debt</td>
<td>370,279</td>
<td>478,777</td>
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<td>Accounts payable, trade</td>
<td>1,579,572</td>
<td>1,572,797</td>
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<td>Current portion of obligations under capital leases</td>
<td>20,604</td>
<td>14,711</td>
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<td>Accrued payroll</td>
<td>429,440</td>
<td>430,248</td>
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<td>Accrued taxes on income</td>
<td>124,861</td>
<td>249,356</td>
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<td>Accrued consumption tax</td>
<td>148,168</td>
<td>83,481</td>
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<td>Advances received</td>
<td>243,263</td>
<td>290,132</td>
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<tr>
<td><strong>Total current liabilities</strong> ¥</td>
<td>5,963,657</td>
<td>6,009,624</td>
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<tr>
<td><strong>Long-term liabilities:</strong></td>
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<tr>
<td>Long-term debt (excluding current portion)</td>
<td>3,888,925</td>
<td>3,546,293</td>
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<td>Obligations under capital leases (excluding current portion)</td>
<td>34,382</td>
<td>27,690</td>
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<tr>
<td>Liability for employees’ retirement benefits</td>
<td>1,387,962</td>
<td>1,688,611</td>
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<td>Accrued liabilities for point programs</td>
<td>108,099</td>
<td>89,003</td>
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<tr>
<td>Deferred income taxes</td>
<td>196,853</td>
<td>166,547</td>
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<td>Other</td>
<td>486,536</td>
<td>491,630</td>
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<tr>
<td><strong>Total long-term liabilities</strong> ¥</td>
<td>5,963,657</td>
<td>6,009,624</td>
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<tr>
<td><strong>Redeemable noncontrolling interests:</strong></td>
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<td></td>
</tr>
<tr>
<td>Treasury stock, at cost —</td>
<td>937,950</td>
<td>937,950</td>
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<tr>
<td><strong>Total liabilities and equity</strong> ¥</td>
<td>20,702,427</td>
<td>21,035,931</td>
</tr>
</tbody>
</table>

### Equity

- Nippon Telegraph and Telephone Corporation ("NTT") shareholders’ equity
  - Common stock, no par value — Authorized — 8,192,925,999 shares
  - Issued — 6,273,394,470 shares in 2015 and 2,096,394,470 shares in 2016
  - Additional paid-in capital | 2,986,723 | 2,879,500 |
  - Accumulated other comprehensive income (loss) | 1,497,657 | 5,074,234 |
  - Total NTT shareholders’ equity | 8,681,862 | 8,833,806 |

- Noncontrolling interests
  - Treasury stock | 2,972,950 | 2,406,276 |
  - Total equity | 11,049,810 | 11,240,082 |

### Commitments and contingent liabilities

**Total liabilities and equity** ¥20,702,427 ¥21,035,931
### Consolidated Statements of Comprehensive Income

**Nippon Telegraph and Telephone Corporation and its subsidiaries**  
Year ended March 31, 2016

#### Overview

<table>
<thead>
<tr>
<th>Strategy</th>
<th>ESG</th>
<th>Operation</th>
<th>Innovation</th>
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#### Consolidated Statements of Income

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<th>Millions of yen</th>
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<td>2014</td>
<td>2015</td>
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<tr>
<td><strong>Operating revenues:</strong></td>
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<tr>
<td>Fixed voice related services</td>
<td>¥1,578,941</td>
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<td>Mobile voice related services</td>
<td>1,052,622</td>
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<tr>
<td>IP / packet communications services</td>
<td>3,711,866</td>
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<td>Sale of telecommunication equipment</td>
<td>909,694</td>
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<td>System integration</td>
<td>2,275,034</td>
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<td>Other</td>
<td>1,337,047</td>
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<tr>
<td><strong>Total</strong></td>
<td>10,825,174</td>
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#### Operating expenses:

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<th>2014</th>
<th>2015</th>
<th>2016</th>
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</thead>
<tbody>
<tr>
<td>Cost of services (excluding items shown separately below)</td>
<td>¥2,360,916</td>
<td>¥2,434,870</td>
<td>¥2,458,057</td>
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<td>Cost of equipment sold (excluding items shown separately below)</td>
<td>865,268</td>
<td>948,903</td>
<td>970,478</td>
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<tr>
<td>Cost of system integration (excluding items shown separately below)</td>
<td>1,643,088</td>
<td>1,900,319</td>
<td>2,197,056</td>
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<td>Depreciation and amortization</td>
<td>1,880,293</td>
<td>1,827,908</td>
<td>1,766,325</td>
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<tr>
<td>Impairment losses</td>
<td>5,738</td>
<td>36,739</td>
<td>19,821</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>2,029,111</td>
<td>2,856,458</td>
<td>2,795,761</td>
</tr>
<tr>
<td>Goodwill and other intangible asset impairments</td>
<td>8,167</td>
<td>3,464</td>
<td>12,900</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,711,621</td>
<td>10,010,751</td>
<td>10,192,848</td>
</tr>
</tbody>
</table>

#### Income before income taxes and equity in earnings (losses)

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Income before income taxes and equity in earnings (losses)</td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>¥17,632</td>
</tr>
<tr>
<td>Operating income</td>
<td>1,213,653</td>
</tr>
<tr>
<td>Goodwill and other intangible asset impairments</td>
<td>6,187</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>5,738</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,540,997</td>
</tr>
</tbody>
</table>

#### Income before equity in earnings (losses) of affiliated companies

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Income before equity in earnings (losses) of affiliated companies</td>
<td></td>
</tr>
<tr>
<td>System integration</td>
<td>2,275,034</td>
</tr>
<tr>
<td>Sale of telecommunication equipment</td>
<td>969,664</td>
</tr>
<tr>
<td>Other services (excluding items shown separately below)</td>
<td>2,360,916</td>
</tr>
<tr>
<td>Operating expenses (excluding items shown separately below)</td>
<td>11,540,997</td>
</tr>
<tr>
<td>Net income attributable to NTT</td>
<td>¥254.61</td>
</tr>
</tbody>
</table>

#### Income before equity in earnings (losses) of subsidiaries

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Income before equity in earnings (losses) of subsidiaries</td>
<td></td>
</tr>
<tr>
<td>System integration</td>
<td>2,275,034</td>
</tr>
<tr>
<td>Sale of telecommunication equipment</td>
<td>969,664</td>
</tr>
<tr>
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<td>2,360,916</td>
</tr>
<tr>
<td>Operating expenses (excluding items shown separately below)</td>
<td>11,540,997</td>
</tr>
<tr>
<td>Net income attributable to NTT</td>
<td>¥254.61</td>
</tr>
</tbody>
</table>

#### Income attributable to NTT shareholders' equity

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Income attributable to NTT shareholders' equity</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>¥2,527,502</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>585,473</td>
</tr>
<tr>
<td>Income tax expense (benefit):</td>
<td></td>
</tr>
<tr>
<td>Deferred</td>
<td>3,433</td>
</tr>
<tr>
<td>Income before equity in earnings (losses) of affiliated companies</td>
<td>585,473</td>
</tr>
</tbody>
</table>

#### Net income attributable to holders of common stock of NTT

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Common stock</td>
<td>¥768,857</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
</tr>
<tr>
<td>Noncontrolling interests</td>
<td></td>
</tr>
<tr>
<td>Treasury stock at cost</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥768,857</td>
</tr>
</tbody>
</table>

#### Additional information

- Changes in the redeemable noncontrolling interest are not included in the table.
- *Changes in the redeemable noncontrolling interest are not included in the table."*
### Consolidated Statements of Cash Flows

Nippon Telegraph and Telephone Corporation

Year ended March 31

#### 2014

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>¥ 756,857</td>
<td>¥ 675,169</td>
<td>¥ 980,206</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,880,293</td>
<td>1,627,908</td>
<td>1,766,325</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>5,738</td>
<td>38,759</td>
<td>19,821</td>
</tr>
<tr>
<td>Deferred taxes attributable to operating activities</td>
<td>3,433</td>
<td>32,024</td>
<td>(102,849)</td>
</tr>
<tr>
<td>Goodwill and other intangible asset impairments</td>
<td>6,187</td>
<td>4,364</td>
<td>12,900</td>
</tr>
<tr>
<td>Losses on disposals of property, plant and equipment</td>
<td>98,317</td>
<td>104,718</td>
<td>107,474</td>
</tr>
<tr>
<td>Gains on sales of property, plant and equipment</td>
<td>(33,119)</td>
<td>(54,394)</td>
<td>(20,264)</td>
</tr>
<tr>
<td>Gains resulting from the exchange of rights</td>
<td>(59,996)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Equity in (earnings) losses of affiliated companies</td>
<td>50,792</td>
<td>(9,289)</td>
<td>(5,772)</td>
</tr>
<tr>
<td>(Increase) decrease in notes and accounts receivable, trade accounts receivable</td>
<td>17,415</td>
<td>(12,476)</td>
<td>(72,575)</td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>(68,776)</td>
<td>(12,044)</td>
<td>(47,569)</td>
</tr>
<tr>
<td>(Increase) decrease in other current assets</td>
<td>(16,656)</td>
<td>(86,809)</td>
<td>(63,107)</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable, trade and accrued payroll</td>
<td>96,032</td>
<td>(21,538)</td>
<td>(54,539)</td>
</tr>
<tr>
<td>Increase (decrease) in accrued tax</td>
<td>(11,621)</td>
<td>99,661</td>
<td>(84,596)</td>
</tr>
<tr>
<td>Increase (decrease) in advances received</td>
<td>37,691</td>
<td>(52,481)</td>
<td>46,191</td>
</tr>
<tr>
<td>Increase (decrease) in accrued taxes on income</td>
<td>20,919</td>
<td>(133,694)</td>
<td>124,900</td>
</tr>
<tr>
<td>Increase (decrease) in other current liabilities</td>
<td>(20,351)</td>
<td>60,141</td>
<td>8,198</td>
</tr>
<tr>
<td>Increase (decrease) in liability for employees' retirement benefits</td>
<td>42,964</td>
<td>38,753</td>
<td>49,360</td>
</tr>
<tr>
<td>Increase (decrease) in other long-term liabilities</td>
<td>(53,125)</td>
<td>2,588</td>
<td>(1,965)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>2,727,904</td>
<td>2,391,812</td>
<td>2,711,846</td>
</tr>
</tbody>
</table>

#### 2015

#### 2016

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for property, plant and equipment</td>
<td>[1,466,651]</td>
<td>(1,444,917)</td>
<td>(1,265,622)</td>
</tr>
<tr>
<td>Payments for intangibles</td>
<td>(416,563)</td>
<td>(568,209)</td>
<td>(371,024)</td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td>(30,861)</td>
<td>54,424</td>
<td>63,821</td>
</tr>
<tr>
<td>Payments for purchases of non-current investments</td>
<td>(50,517)</td>
<td>(31,097)</td>
<td>(56,641)</td>
</tr>
<tr>
<td>Proceeds from sales and redemptions of non-current investments</td>
<td>15,444</td>
<td>24,478</td>
<td>57,173</td>
</tr>
<tr>
<td>Acquisitions of subsidiaries, net of cash acquired</td>
<td>(211,146)</td>
<td>(42,217)</td>
<td>(120,596)</td>
</tr>
<tr>
<td>Payments for purchases of short-term investments</td>
<td>(50,485)</td>
<td>(81,364)</td>
<td>(26,521)</td>
</tr>
<tr>
<td>Proceeds from redemptions of short-term investments</td>
<td>90,396</td>
<td>70,644</td>
<td>23,095</td>
</tr>
<tr>
<td>Other</td>
<td>(59,304)</td>
<td>(83,921)</td>
<td>(83,263)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>2,106,906</td>
<td>(1,968,279)</td>
<td>(1,755,776)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from issuance of long-term debt</td>
<td>657,259</td>
<td>615,353</td>
<td>398,348</td>
</tr>
<tr>
<td>Payments for settlement of long-term debt</td>
<td>(739,834)</td>
<td>496,729</td>
<td>(449,025)</td>
</tr>
<tr>
<td>Proceeds from issuance of short-term debt</td>
<td>4,872,714</td>
<td>5,031,864</td>
<td>4,460,110</td>
</tr>
<tr>
<td>Payments for settlement of short-term debt</td>
<td>(4,718,724)</td>
<td>(9,998,243)</td>
<td>(4,695,686)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(196,174)</td>
<td>(199,770)</td>
<td>(200,182)</td>
</tr>
<tr>
<td>Proceeds from sale of (payments for acquisition of) treasury stock, net</td>
<td>(406,603)</td>
<td>(439,399)</td>
<td>(93,924)</td>
</tr>
<tr>
<td>Acquisitions of shares of subsidiaries from noncontrolling interests</td>
<td>5,834</td>
<td>(175,088)</td>
<td>(15,716)</td>
</tr>
<tr>
<td>Other</td>
<td>(84,030)</td>
<td>(125,796)</td>
<td>(147,498)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(822,443)</td>
<td>(878,208)</td>
<td>(707,579)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>42,813</td>
<td>1,799</td>
<td>7,419</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>23,096</td>
<td>(135,289)</td>
<td>237,073</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>961,433</td>
<td>894,463</td>
<td>849,174</td>
</tr>
<tr>
<td>Increase (decrease) in cash and cash equivalents due to change in fiscal year end of consolidated subsidiaries</td>
<td>—</td>
<td>—</td>
<td>2,028</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>¥ 984,463</td>
<td>¥ 849,174</td>
<td>¥ 8,086,275</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash paid during the year:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>¥ 48,836</td>
<td>¥ 44,795</td>
<td>¥ 41,626</td>
</tr>
<tr>
<td>Income taxes, net</td>
<td>462,349</td>
<td>543,354</td>
<td>342,431</td>
</tr>
<tr>
<td>Noncash investing and financing activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital lease obligations incurred during the year</td>
<td>14,303</td>
<td>20,876</td>
<td>11,009</td>
</tr>
<tr>
<td>Cancellation of treasury stock</td>
<td>818,009</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Assets acquired through exchange of rights</td>
<td>¥ 50,221</td>
<td>¥ —</td>
<td>—</td>
</tr>
<tr>
<td>Assets acquired through exchange of buildings</td>
<td>¥ —</td>
<td>¥ 18,719</td>
<td>¥ —</td>
</tr>
</tbody>
</table>

### Operating and Financial Review

#### Operating Revenues and Expenses

**Operating Revenues**

NTT Group’s operating revenues are divided into six service categories, comprising fixed voice related services, mobile voice related services, IP / packet communications services, sales of telecommunications equipment, system integration and other services.

Operating revenues in the fiscal year ended March 31, 2016 increased 4.0% from the previous fiscal year to ¥11,541.0 billion. This increase was due to such factors as an increase in domestic business revenues as a result of an increase in mobile communications and system integration revenues, in addition to the growth in overseas business.

Operating revenues for each service category for the fiscal year ended March 31, 2016 are summarized as follows:

- **Fixed Voice-Related Services**
- **Mobile Voice-Related Services**
- **Other**
- **Sales of Telecommunications Equipment**
- **System Integration**
- **Mobile Voice-Related Services**
- **IP / Packet Communications Services**

**Sales of Telecommunications Equipment**

This category includes a portion of the services NTT Group provides in the regional communications business segment and the mobile communications business segment.

In the fiscal year ended March 31, 2016, revenues from telecommunications equipment sales decreased 4.4% from the previous fiscal year to ¥903.0 billion, accounting for 8.3% of the total operating revenues. This decrease was due to a decrease in the number of wholesale sales of handsets, such as smartphones, in the mobile communications business segment.

**System Integration**

NTT Group’s system integration services include its data communications business segment and a portion of the services it provides in the long distance and international communications business segment and the regional communications business segment.

In the fiscal year ended March 31, 2016, revenues from system integration increased 13.8% from the previous fiscal year to ¥3,063.5 billion, accounting for 26.5% of total operating revenues. This increase was due to factors such as the growth in both domestic and overseas business.

**Other Services**

Other services principally comprised building maintenance, real estate rental, as well as developments, leasing activities and research and development.

In the fiscal year ended March 31, 2016, revenues from other services increased 12.5% from the previous fiscal year to ¥1,598.3 billion, accounting for 13.9% of total operating revenues. This increase was mainly due to an increase in revenues associated with operations in the Smart Life business in the mobile communications business segment and an increase in revenues in the real estate business.

**Operating Expenses**

Operating expenses in the fiscal year ended March 31, 2016 increased 1.8% from the previous fiscal year to ¥10,119.8 billion. The reasons for the increase are discussed below. Personnel expenses and expenses for purchase of goods and services and other expenses, described below, are included in cost of service, cost of equipment sold, cost of systems integration, and selling, general and administrative expenses in the consolidated statements of income.

**Personnel Expenses**

Personnel expenses in the fiscal year ended March 31, 2016 increased 1.8% from the previous fiscal year to ¥10,119.8 billion. This increase was mainly due to an increase in personnel expenses due to the increase in consolidated overseas subsidiaries and the increase in overseas business operations, despite the focus on reducing the number of personnel employed in the regional communications business segment.
## Operating and Financial Review

### The fiscal year ended March 31, 2016, compared with the fiscal year ended March 31, 2016

<table>
<thead>
<tr>
<th>Fiscal year ended March 31</th>
<th>2015</th>
<th>2016</th>
<th>Change</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>¥11,095.3</td>
<td>¥11,541.0</td>
<td>445.7</td>
<td>4.0%</td>
</tr>
<tr>
<td>Fixed voice-related services</td>
<td>1,441.4</td>
<td>1,330.0</td>
<td>(111.4)</td>
<td>(7.7)%</td>
</tr>
<tr>
<td>Mobile voice-related services</td>
<td>872.1</td>
<td>837.8</td>
<td>(34.3)</td>
<td>(3.9)%</td>
</tr>
<tr>
<td>IP / Packet communications services</td>
<td>3,672.2</td>
<td>3,757.8</td>
<td>85.7</td>
<td>2.3%</td>
</tr>
<tr>
<td>Sales of telecommunications equipment</td>
<td>987.0</td>
<td>953.0</td>
<td>(34.0)</td>
<td>(3.4)%</td>
</tr>
<tr>
<td>System integration</td>
<td>2,691.8</td>
<td>3,063.5</td>
<td>371.7</td>
<td>13.8%</td>
</tr>
<tr>
<td>Other</td>
<td>1,421.0</td>
<td>1,598.6</td>
<td>177.6</td>
<td>12.5%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>10,010.8</td>
<td>10,192.8</td>
<td>182.1</td>
<td>1.8%</td>
</tr>
<tr>
<td>Operating income</td>
<td>1,084.6</td>
<td>1,348.1</td>
<td>263.6</td>
<td>24.3%</td>
</tr>
<tr>
<td>Other income (expenses)</td>
<td>(17.9)</td>
<td>(16.9)</td>
<td>(1.0)</td>
<td>(5.3)%</td>
</tr>
<tr>
<td>Income before income taxes and equity in earnings (losses) of affiliated companies</td>
<td>1,066.6</td>
<td>1,329.3</td>
<td>262.6</td>
<td>24.6%</td>
</tr>
<tr>
<td>Income tax expense (benefit)</td>
<td>397.3</td>
<td>354.8</td>
<td>(42.5)</td>
<td>(10.7)%</td>
</tr>
<tr>
<td>Equity in earnings (losses) of affiliated companies</td>
<td>5.9</td>
<td>5.8</td>
<td>(0.1)</td>
<td>(2.0)%</td>
</tr>
<tr>
<td>Net income</td>
<td>675.2</td>
<td>980.2</td>
<td>305.0</td>
<td>45.2%</td>
</tr>
<tr>
<td>Less—Net income attributable to noncontrolling interests</td>
<td>157.1</td>
<td>242.5</td>
<td>85.4</td>
<td>54.3%</td>
</tr>
<tr>
<td>Net income attributable to NTT</td>
<td>518.1</td>
<td>737.7</td>
<td>219.7</td>
<td>42.4%</td>
</tr>
</tbody>
</table>

### Expenses for Purchase of Goods and Services and Other Expenses

In the fiscal year ended March 31, 2016, expenses for purchase of goods and services and other expenses increased 4.1% from the previous fiscal year to ¥5,675.8 billion. Efforts to improve operating capi-

### Depreciation and Amortization Expenses

Depreciation and amortization expenses in the fiscal year ended March 31, 2016 decreased 3.4% from the previous fiscal year to ¥1,062.7 billion. This decrease in depreciation and amortization expenses is due to the decrease in capital investments for the previous fiscal year as a result of, among other things, an increase in the number of consolidated overseas subsidiaries.

### Net Income and Net Income Attributable to NTT

As a result, net income for the fiscal year ended March 31, 2016 increased 45.2% from the previous fiscal year to ¥1,348.1 billion.

### Liquidity and Capital Resources

The decrease in payments for investments in property, plant and equipment and in intangible assets computed on a cash basis, partially offset by a ¥76.4 bil-

### Other Operating Revenues and Expenses

Other income (expenses) for the fiscal year ended March 31, 2016 decreased 10.7% from the previous fiscal year to ¥1,303.3 billion. In the reasons discussed above.

### Income Before Income Taxes and Equity in Earnings (Losses) of Affiliated Companies

Net income before income taxes in the fiscal year ended March 31, 2016 increased 24.6% from the previous fiscal year to ¥1,303.3 billion for the reasons discussed above.

### Income Tax Expense (Benefit)

In the fiscal year ended March 31, 2016, income tax expense decreased 10.7% from the previous fiscal year to ¥1,062.7 billion. This decrease in income tax expense was primarily due to the decrease of the valuation allowance resulting from the change in the estimate of realizability of deferred tax assets by NTT West and NTT DOCOMO. As a result, effective tax rates for the fiscal year March 31, 2015 and for the fiscal year ended March 31, 2016 were 37.25%, and 26.69%, respectively.

### Equity in Earnings (Losses) of Affiliated Companies

Equity in earnings (losses) of affiliated companies for the fiscal year ended March 31, 2016 was approximately equivalent to the previous fiscal year, decreasing slightly to ¥1,348.1 billion compared to ¥1,303.3 billion for the previous fiscal year.

### As of March 31, 2016, the total balance of the interest-bearing debt of NTT Group was ¥4,168.3 billion, a decrease of ¥243.4 billion compared to the balance of ¥4,410.7 billion as of the end of the previous fiscal year. The ratio of interest-bearing debt to shareholders’ equity stood at 47.1% as of March 31, 2016 (compared to 50.8% as of the end of the previous fiscal year). Interest-bearing debt as of March 31, 2016 comprises short-term debt and long-term debt as well as ¥10.7 billion in deposits received pursuant to depositary agreements.

NTT Group believes that the net cash it expects to generate from operating activities, financing made available to NTT Group from banks and other financial institutions and/or offerings of equity or debt securities in the capital markets will provide the requisite financial resources to meet NTT Group’s currently anticipated capital invest-

### Net Income Attributable to NTT

Net income attributable to NTT for the fiscal year ended March 31, 2016 amounted to ¥1,759.8 billion, a decrease of ¥108.8 billion from ¥1,868.6 billion in the fiscal year ended March 31, 2015. This decrease was primarily the result of, among other things, an increase in operating income in the fiscal year ended March 31, 2016 compared to the fiscal year ended March 31, 2015. NTT Group used the net cash provided by operating activities mainly to acquire property, plant and equipment, repay interest-bearing debt and pay dividends.

Net cash used in investing activities during the fiscal year ended March 31, 2016 amounted to ¥1,329.3 billion. The decr...
NTT Group’s operating revenues may suffer from changes in market structure and increased competition.

With the growing popularity of smartphones, tablets and high-speed wireless broadband services, including Long-Term Evolution (LTE) – a wireless communication standard characterized by high speed, high efficiency, the use of signals and low latency, with specifications formulated by the 3rd Generation Partnership Project, the use of cloud services is expanding. At the same time, the structure of the telecommunication market is changing due to various new stakeholders joining telecommunications operators in the market, providing services over the-top (OTT) content distribution service utilizing other companies’ communication infrastructure, allowing a service provider to distribute services without owning its own communications infrastructure, provider expansion, and competition increases on a global scale.

Additionally, the combination of fixed and mobile services procedes as communications services has accelerated the development of FMC (fixed-mobile convergence) services. Competition remains active among telecommunications providers, and the competitive environment in which NTT Group operates is becoming more rigorous. NTT Group is unable to respond appropriately to increased competition and other changes in the structure of the telecommunications market, its operating revenues may decline.

In the fixed-line communications field, the trend in the fixed line is the increasing fixed voice revenues as a result of the impact of fixed-rate voice services and free or low-cost telecommunications services provided by OTT operators has become an issue. In addition, growth in broadband services is slowing as the level of penetration increases and the market matures. Furthermore, as a result of the increasing speed and wireless broadband services, customers, particularly young adults who do not use fixed-line communications, are shifting towards exclusively using smartphones and other mobile devices as their main method of communications.

In the mobile communications market, intense competition with other service providers continues with respect to charges (including the handset prices), network quality, and the provision of services. In addition, competition resulting from structural changes in the market, including competition with few or low-cost communications services provided by OTT businesses, as well as the expansion of mobile virtual network operators (which provide wireless communications services over networks to which they gain access by paying mobile network operators for use of their infrastructure), is increasing. Under these market conditions, in order to provide more advanced and wide-ranging services and increase customer convenience, NTT Group has provided a variety of new rate plans and services and has been working towards conversion to the BeBiBox model, which aims to ensure sustainable growth in domestic operations in Japan.

Further, in addition to their traditional business model of providing fiber-optic access services directly to users, NTT East and West provide the Hikari Collaboration Model, a new business model in which they provide fiber-optic access services to a variety of players, and each player then combines fiber-optic access services with its own services to provide as their own new services to end users.

NTT DOCOMO provides the Kakehodai & Pake-aeru billing plan, which enables subscribers to make domestic calls at a fixed monthly rate and to share packet communications data plans with family members. NTT DOCOMO also offers the Hikari Collaboration Model, utilizing fiber-optic broadband services docomo Hikari and docomo Hikari Pack, a bundle package that allows users to use docomo Hikari and smartphones / docomo feature phones service. In addition, NTT DOCOMO is continuing to work to increase revenues by expanding into new business areas resulting from the convergence of services area with mobile communications such as finance / account settlement, commerce, business relating to everyday life, IoT (“Internet of Things,” the concept that all things are connected wirelessly and can be controlled via the Internet), environment / energy / education / learning.

However, NTT Group’s results and operations and financial condition could still be adversely affected if, despite these efforts, the number of subscribers that NTT Group acquires or retains fails to meet expected levels or if subscription ratios for various fee / discount services, trends in the number of subscription transfers to feasible services, or other adverse effects occur.

NTT Group expects the solutions business to be a major area of growth in the information service market, and hardware vendors and other players are also focused on this business. Moreover, the growth of information service companies in rapidly developing nations, such as India and China, is bringing about global competition. Intensified competition resulting from new competitors’ aggressive market entry may have an adverse effect on NTT Group’s results of operations and financial condition.

Moreover, NTT Group conducts a variety of business activities in markets outside of the information and communications sector, and it is possible that these operations will fail to achieve forecasted revenue results, which may result in an adverse effect on NTT Group’s results of operations and financial condition.

NTT Group’s growth in its global business may be lower than anticipated.

NTT Group is expanding its global business as a cornerstone of its operations, and has also implemented initiatives to accelerate profit creation in this area. In order to deliver consistent growth of sales in overseas business operations, NTT Group will strengthen its sales force and marketing efforts, such as by expanding its global accounts and further promoting its up-selling and cross-selling efforts, while strengthening the entire NTT Group’s sales services and products. Stringent cost-efficiency initiatives are also underway in each of the Group’s companies to, among other things, improve efficiency, optimize services and sales organizations, and lower procurement costs.

However, if these efforts do not progress as anticipated, or the cloud services market does not grow as anticipated, or revenues do not grow as expected due to increased competition or other factors, NTT Group’s results of operations and financial condition may be adversely affected.

NTT Group may not achieve anticipated cost savings.

NTT Group is working to generate profits by increasing capital expenditure efficiencies and reducing costs in the domestic fixed-line and mobile communications business. NTT Group is also taking measures to improve capital expenditure efficiencies, NTT Group is working to simplify and streamline the network in each company, as well as further its efficiency in using its existing facilities and reduce procurement costs. NTT Group is also working to reduce the capital expenditures necessary to oversee its business and operations. NTT Group is continuously working to reduce costs and is working to ensure simple yet highly productive business operations based on initiatives such as the conversion to the BeBiBox model.

However, despite these initiatives to improve efficiencies in the domestic network business, it is possible that NTT Group will be unable to fully achieve the anticipated optimization of its capital expenditures or reductions in sales expenses, facility-related costs, and personnel and other costs due to changes in the competitive environment or due to the current state of progress in streamlining equipment or general business operations. Any such failures to achieve intended cost reductions could adversely impact NTT Group’s results of operations and financial condition.

NTT Group’s international and domestic investments, acquisitions, alliances and corporate collaborations may not be successful, or NTT Group may be unable to exert the necessary control over its foreign subsidiaries.

NTT Group actively engages in joint ventures, alliances and collaborations, both domestically and overseas, as well as acquisitions and other strategic investments in response to changes in market structures and customers’ needs. However, NTT Group may not be able to maintain or enhance the value or financial performance of, or achieve sufficient synergies with, the domestic or overseas operations in which it has invested or agreed to invest in or that it may acquire in the future. In addition, there may be occasions when NTT Group is unable to fully achieve its expected returns resulting from the dissolution or disposition of its investments, partnerships or other cooperative initiatives.

NTT Group is proactively driving to expand its global business operations, and has worked to achieve expected returns from these endeavors by carrying out periodic post-acquisition monitoring of its investments. In addition, NTT Group is taking initiatives to enhance its group governance and risk management. However, the recent increase in the number of foreign subsidiaries within NTT Group may result in increased fragmentation within the group and render a complex structure more difficult to achieve. There may be occasions when it is necessary for NTT to exert control over its overseas subsidiaries necessary to oversee their business and operations. In addition, there is a risk that factors related to cross-border business, such as legal restrictions relating to investment and competition, differences in tax systems, differences in business customs including contract practices, labor relations, and international politics, may pose challenges to NTT Group’s management of its overseas business activities.

If such material NTT Group’s results of operations and financial condition may be adversely affected.
NTT Group is a business that operates internationally, and it is subject to a variety of risks. These risks can affect the company’s financial results and reputation. The company faces risks related to intellectual property, cybersecurity, and data protection, among others. The company also faces risks related to its operations, such as disruptions to its services, and issues with system architecture. NTT Group is working to strengthen its group-wide compliance regime to address these risks. The company is also working to improve its cybersecurity measures, such as developing more sophisticated security measures and strengthening its group-wide compliance regime. Despite these efforts, there is always the possibility that NTT Group may face unforeseen events that could affect its operations and financial results.
The Government owns enough NTT shares to give it considerable influence over whether resolutions at NTT shareholder meetings are adopted, and rules and regulations in Japan provide the Government with regulatory authority over NTT Group companies.

The Government, through the Minister of Finance, currently owns 35.21% of NTT's issued shares (35.21% of NTT's outstanding shares excluding treasury stock), which equates to 35.26% of the voting rights, calculated on the basis of issued Shares minus treasury stock and less-than-one-unit Shares. The Government, in its capacity as a shareholder, votes at NTT shareholder meetings and, by virtue of its statutorily mandated position as the largest shareholder, has the power to exert considerable influence over decisions made at such meetings. In 1997, in a statement at the Diet, the Government stated that it did not intend to actively use its position as a shareholder to direct the management of NTT. In fact, the Government has not historically used its power as a shareholder to direct the management of NTT.

The sale or issuance of additional NTT Shares or concerns regarding additional supply of NTT Shares in the stock market may affect the trading price of NTT Shares and ADSs. Until October 1986, the Government owned 100% of the issued Shares of NTT. As a result of sales of Shares by the Government to the public and sales of Shares by the Government to NTT as part of NTT’s Shares repurchase programs, as of March 31, 2016, the Government’s ownership of Shares was 35.21% of NTT’s issued Shares (35.21% of NTT’s outstanding Shares excluding treasury stock). In the event the NTT Act is revised again in order to ease or repeal the requirements regarding Government ownership of Shares, or if NTT cancels a significant amount of its treasury stock, the number of Shares the Government is allowed to sell would increase. The sale of Shares by the Government or the issuance, sale or other disposal of treasury stock by NTT (or the potential for such transactions) could have an impact on the market price of Shares and ADSs.

Investors may have difficulty enforcing judgments under the laws of foreign countries, including the U.S. securities laws regarding the civil liabilities of NTT. NTT is a limited liability stock corporation established under the laws of Japan. All of NTT’s directors and management reside in Japan. All or a substantial portion of the assets of such persons or NTT are located in Japan. As a result, it may not be possible for investors to enforcing any judgments against office space outside Japan, upon such transactions or NTT to enforce against them judgments predicated upon the laws of foreign countries, including the civil liability provisions of the U.S. securities laws, in federal or state courts in the United States or other foreign courts. NTT has been advised by its Japanese counsel that there is uncertainty as to the enforceability, in actions originated in Japan, of judgments predicated solely upon the laws of foreign countries, including the U.S. securities laws, and as to the enforceability by NTT in judgments of federal or state courts in the United States or other foreign courts obtained in actions predicated upon the laws of foreign countries, including the civil liability provisions of the U.S. securities laws.

Risks Associated with the Government, including Rules, Regulations and Others

Changes or decisions regarding telecommunications regulations may affect NTT Group's results of operations and financial condition.

The regulatory environment in Japan has evolved in many areas, including amendments to telecommunications laws aimed at promoting competition, protecting service users and other purposes. Decisions relating to Government regulations and the resulting changes in the telecommunications industry may affect NTT Group’s results of operations and financial condition.

The frequencies that NTT Group can use are limited, and it is possible that it will not be able to secure adequate frequency spectrum for its operations. NTT Group has limited frequencies available for its services. For example, in areas such as major urban centers, mobile communications networks may suffer deteriorations of service quality at peak times, when use of available frequencies is at or near its limit.

In addition, the number of subscribers and the traffic per subscriber are expected to increase in conjunction with the expanded use of devices, such as smartphones and tablet devices, if NTT Group were unable to obtain the frequency spectrum required for unlimited operation or if the start of operations on a different band frequency did not progress as planned, NTT Group may suffer deterioration of service quality and incur additional costs.

The Group is working to obtain new frequencies and to improve the efficiency of frequency usage.

However, there can be no assurance that NTT Group’s efforts will be sufficient to avoid deterioration in service quality. If NTT Group is unable to address such problems sufficiently and in a timely manner, it may face constraints in providing wireless services or lose subscribers to competitors, which could have a material adverse effect on NTT Group’s results of operations or financial condition.

NTT Group may be impacted by laws, regulations and systems relating to the environment, such as those relating to reduction of greenhouse gas emissions. NTT Group is subject, both in Japan and overseas, to laws and regulations relating to the environment, such as those governing the reduction of greenhouse gas emissions, energy conservation, waste disposal and harmful substance removal. NTT Group has implemented a variety of measures, such as introducing highly efficient devices, such as smartphones and tablet devices, if NTT Group were unable to obtain the frequency spectrum required for unlimited operation or if the start of operations on a different band frequency did not progress as planned, NTT Group may suffer deterioration of service quality and incur additional costs.

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### MOBILE COMMUNICATIONS BUSINESS SEGMENT

<table>
<thead>
<tr>
<th>Company</th>
<th>Capital</th>
<th>Voting rights</th>
<th>Main line(s) of business</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTT DOCOMO, INC.</td>
<td>949,679</td>
<td>65.87</td>
<td>Mobile telecommunications services, development, maintenance, and sales of mobile telecommunications</td>
</tr>
<tr>
<td>NTT DOCOMO, LTD.</td>
<td>1,500</td>
<td>100.00</td>
<td>Mobile/tablet marketing support, sales, consultation, maintenance, and operation of telecommunications equipment</td>
</tr>
<tr>
<td>NTT DOCOMO Business Inc.</td>
<td>20</td>
<td>100.00</td>
<td>Consultation, consulting, sales of telecommunications equipment</td>
</tr>
<tr>
<td>NTT DOCOMO Systems, Inc.</td>
<td>117,260</td>
<td>100.00</td>
<td>Design and development of systems</td>
</tr>
<tr>
<td>NTT DOCOMO Technology, Inc.</td>
<td>100</td>
<td>100.00</td>
<td>Research and development of telecommunications systems</td>
</tr>
<tr>
<td>NTT DOCOMO Global Holdings, Inc.</td>
<td>5,507</td>
<td>100.00</td>
<td>Holding company for DOCOMO PRONIC, INC. and DOCOMO Guam Holding Corp.</td>
</tr>
<tr>
<td>NTT DOCOMO, INC.</td>
<td>2,339.27</td>
<td>100.00</td>
<td>Provision of cable TV and Internet services in Guam</td>
</tr>
<tr>
<td>NTT DOCOMO PACIFIC (SAPIN), INC.</td>
<td>2,960</td>
<td>100.00</td>
<td>Provision of cable TV and Internet services in the Commonwealth of the Northern Mariana Islands</td>
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<td>DOC Inc.</td>
<td>5,340</td>
<td>100.00</td>
<td>Digital advertising sales and marketing</td>
</tr>
<tr>
<td>InHiTa, Inc.</td>
<td>248,800</td>
<td>100.00</td>
<td>Provision of basic broadcasting services supplied by the Broadcasting Law and its related services</td>
</tr>
<tr>
<td>TIG CAVAN MARKETING, INC.</td>
<td>1,550</td>
<td>51.40</td>
<td>Mall retail sales centered on TV media</td>
</tr>
<tr>
<td>Vroom Electronic Design, Inc.</td>
<td>1,100</td>
<td>100.00</td>
<td>Consultation to provide products and services to related businesses</td>
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<tr>
<td>NTT DOCOMO Ventures, Inc.</td>
<td>80</td>
<td>100.00</td>
<td>Fund management</td>
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<tr>
<td>ABC Cooking Studio Co., Ltd.</td>
<td>10</td>
<td>11.10</td>
<td>Nationwide development of ABC Cooking Studio and sales of kitchen and oven related products</td>
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<tr>
<td>DOCOMO ARTS HOLDING, Inc.</td>
<td>1,000</td>
<td>60.00</td>
<td>Uniform distribution of animation videos</td>
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<tr>
<td>DOCOMO Healthcare, Inc.</td>
<td>1,000</td>
<td>68.80</td>
<td>Platforms for the management, utilization, and sharing of data related to the human body, health, and medical treatment</td>
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<tr>
<td>DOCOMO Deutschland GmbH</td>
<td>ELR10.12</td>
<td>100.00</td>
<td>Holding company for net mobile AG and Bizmogeno S.P.A.</td>
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<td>Rangyondo S.P.A.</td>
<td>ELR833.9</td>
<td>100.00</td>
<td>Provision of platform for B-to-B distribution of mobile content and billing services</td>
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<td>net mobile AG</td>
<td>ELR889.69</td>
<td>49.79</td>
<td>Provision to carriers of platform for mobile content distribution and billing services</td>
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<tr>
<td>DOCOMO Innovations, Inc.</td>
<td>USD170.98</td>
<td>100.00</td>
<td>Discovery and investment in venture companies that possess advanced technology that can be used with mobile communications services or other innovative technologies</td>
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<tr>
<td>DOCMi Reinsurance Company, Inc.</td>
<td>700</td>
<td>100.00</td>
<td>Reinsurance business for mobile phone protection services</td>
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### OTHER BUSINESSES

<table>
<thead>
<tr>
<th>Company</th>
<th>Capital</th>
<th>Voting rights</th>
<th>Main line(s) of business</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTT G大臣发展有限公司</td>
<td>48,750</td>
<td>67.00</td>
<td>Acquisition, construction, management, and rental of real estate</td>
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<tr>
<td>NTT DATA CORPORATION</td>
<td>84,360</td>
<td>100.00</td>
<td>Information and communication services systems and software</td>
</tr>
<tr>
<td>NTT DATA CORPORATION</td>
<td>1,000</td>
<td>100.00</td>
<td>Technology transfer; design and development of hardware, software, and computer/telecommunications systems; analytical research on technical trends; technical consulting</td>
</tr>
<tr>
<td>NTT Electronics Corporation</td>
<td>5,600</td>
<td>100.00</td>
<td>Technology transfer, design and development of hardware, software, and computer/telecommunications systems; analytical research on technical trends; technical consulting</td>
</tr>
<tr>
<td>NTT Software Corporation</td>
<td>4,478</td>
<td>95.76</td>
<td>Development design, manufacturing, and sales of custom I/S and robotic components for communications applications and related electronic installations and systems</td>
</tr>
<tr>
<td>NTT Advertising Co., Ltd.</td>
<td>115</td>
<td>100.00</td>
<td>Advertising and related businesses</td>
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<tr>
<td>NTT Information &amp; Systems Corporation</td>
<td>7,750</td>
<td>100.00</td>
<td>Real estate-related business, consigned business for company, housing management, management systems, and settlement services</td>
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<tr>
<td>NTT Solutions Co., Ltd.</td>
<td>4,690</td>
<td>100.00</td>
<td>Commercial systems solutions</td>
</tr>
<tr>
<td>NTT Broadcast, Inc.</td>
<td>100</td>
<td>100.00</td>
<td>Installation of base stations for shared wireless LAN and wholesale services for wireless LAN base station equipment</td>
</tr>
</tbody>
</table>

Other 799 companies
Glossary of Terms

Explanations of specialized terms as used in this report

General Terms

- Advisory Services involving the provision of advice and proposals to customers and the resolution of issues utilizing specialized knowledge and technologies.
- AI Artificial Intelligence.
- Application Software developed and used for specific functions and purposes.
- ARPU (Average Revenue Per User) Monthly average telecommunication revenue per subscriber.
- B2B2C A business that supports and promotes the customer-based businesses of other companies. "B" represents the company and "X" represents customers, such as individuals, corporations, employees and government agencies.
- B2C (Business to Consumer) Business operations in which companies conduct transactions with general consumers.
- Base Station Antenna and other network devices that communicate directly with mobile phones.
- Big Data A constellation of data, including character data, images, graphs, audio, etc., which are part of SME, word-of-mouth websites, and more, so vast in quantity and complex in structure that it becomes difficult to manage and process with traditional technology.
- BPM (Business Process Outsourcing) The entrustment of part of a company’s business processes to an external specialist company.
- Broadband Internet connection service compatible with large volume communications.
- Cloud / Cloud Services Type of service whereby software and hardware can be used through a network. The service can be used on an on-demand basis without the need to purchase hardware, such as a server, or software.
- Cross-selling Marketing method in which NTT Group companies collaborate to meet their customers’ needs by combining their services to propose and sell.
- Cyber-Attack Attack that causes the functionality of the target system to fail as well as unauthorized access of a target computer or network resulting in theft, destruction, or alteration of data.
- Data Center Facility entrusted with servers and other systems by customers that provides operation and management services, including Internet connectivity.
- DDOS (Distributed Denial of Service) Attack Attack in which large numbers of computers distributed over multiple networks generate connection requests at the same time for a specific network or computer in order to crash that network or computer through a traffic overload.
- Deep Learning Machine learning method with technology that studies the characteristics of data, recognizes and classifies events, and realizes functionality with a capacity to learn similarly to the way humans learn naturally.
- Digital Archiving Digitization and preservation of the collections and cultural resources (cultural materials and properties) of museums, art galleries, archives, and libraries.
- DSL (Digital Subscriber Line) Technology to realize high-speed communications using general analog circuits.
- Edge Computing Technology that reduces distance to servers and minimizes latency by distributing edge servers close to end users.
- ERP (Enterprise Resource Planning) Method of comprehensively managing and utilizing the various resources of a company (personnel, funds, facilities, materials, information, etc.) to increase operational efficiency and optimize management on an overall basis.
- Footprint Base or area at which business activities are conducted.
- FTTH (Fiber To The Home) Method of fiber-optic communications access using optical fiber as the transmission trunk line connected directly to general consumer residences.
- ICT (Information and Communications Technology) Collectively refers to technologies related to information and communications, including hardware and software used for information and communications functions of computers, and technologies used in ICT systems and data communications.
- IoT (Internet of Things) Equipping not only information and communications devices such as computers, but also all everyday objects with communication functions to connect to the internet and communicate among themselves for functions such as automated recognition, automated operation, and remote measurement.
- ISP (Internet Service Provider) Company providing Internet connection services.
- IT Outsourcing (ITO) The complete entrustment of operation and maintenance of systems to an external specialist contractor or similar organization.
- Layer For example, applications / solutions, managed ICT, and data centers / networks are layers.
- LTE (Long Term Evolution) Telecommunications standard with features including high transmission speeds, large capacity, efficient use of radio waves, and low delay. Achieves high-speed telecommunication in a mobile phone at speeds on a par with optical fiber.
- M&A (Merger and Acquisition) General term for business mergers and acquisitions.
- Malware General term for malicious software (code) that uses a variety of techniques to infect a user’s computer and is automatically activated through remote operation, such as spam distribution or theft of Internet banking information.
- Managed ICT Service Integrated provision of communications equipment installation and set-up, maintenance, and management, which are essential in the use of communications services.
- National Strategic Special Zone Economic zones for which the government is leading initiatives, such as deregulation and special tax treatment. The intent is to attract large numbers of companies and resources from within Japan and overseas and establish an international business environment.
- NFV (Network Functions Virtualization) Technology for the provision in software of network functions that had previously been realized through the use of dedicated hardware. Used with general-purpose servers.
- Omni-Channel Concept and strategy for approaching customers in a wide range of locations, including stores and events, without regard to the channel, such as Internet or mobile.
- Open Innovation The creation of innovative products or business models by combining technologies and ideas from a wide range of sources, both inside and outside the company.
- Organic Growth Growth achieved through the use of existing management resources. Used in comparison with growth achieved through M&A transactions, etc.
- OTT (Over The Top) Operators Companies other than telecommunications operators that provide messaging, voice, and video content through Internet circuits.
- Packet Telecommunications Method of computer telecommunication in which data is sent and received as individual small packets.
- Projecting Mapping Technologies Technologies for portraying pictures on buildings, objects, spaces, etc., using computer graphics and projection equipment.
- SDN (Software-Defined Networking) Technology for the use of software to implement integrated control of the operation of network equipment.
- Seamless Not having seams.
- Solution Identification of issues faced by customers and the provision of systems, etc., that can resolve those issues.
- System Integration Implementing the construction and operation of information communications systems in an integrated manner, tailored to clients’ operations.
- Ubiquitous Ability to access the Internet and other information networks anytime, anywhere.
- User Experience (UX) The experience and satisfaction level of the user when using the product, system, or service, also used as a guideline for improvement in system and service development.
- Virtualization Technologies Technology for the creation of multiple virtual computers on a single computer and the installation and use of operating systems on each of the virtual computers.
- VPN (Virtual Private Network) Service that enables the use of public circuits as if they were a customer’s private network by limiting the devices that can be connected and encrypting intermediate routes to offer high security.
- Wi-Fi Technology for wireless connection to a network.
- 4K High definition resolution with four times the number of pixels (3,840 x 2,160) as full high definition (1,920 x 1,080).
**Terms Related to NTT Group Services**


- **Kikari TV**: A service that allows users to enjoy multi-channel broadcasting, video, karaoke, and other services by connecting FLET’S Hikari's links to their TVs. [https://www.kikarinet.net/english/](https://www.kikarinet.net/english/)

- **Stmnet**: Smartphone content marketplace operated by NTT DOCOMO. [https://stmnet.com/english/](https://stmnet.com/english/)

- **d POINT CLUB**: A point program provided by NTT DOCOMO with no sign-up or annual fees that anybody can become a member of under a personal name. [http://www.nttdocomo.co.jp/english/support/dpoint/](http://www.nttdocomo.co.jp/english/support/dpoint/)


- **OCN**: An internet connectivity service provided by NTT Communications that stands for Open Computer Network. [https://www.ocn.ne.jp/english/](https://www.ocn.ne.jp/english/)

- **FLET’S TV**: Service provided by NTT East and NTT West that enables subscribers to receive terrestrial / BS digital broadcasts using FLET’S Hikari optical fiber. [https://www.nttdocomo.co.jp/english/support/fletstv/](https://www.nttdocomo.co.jp/english/support/fletstv/)

- **Hikari Denso**: A value-priced IP- and optical fiber-based telephone service using FLET’S Hikari.

- **Kake-hodai** & **Pake-aeru**: Service provided by NTT DOCOMO that combines a discount with a basic plan and a Packet Pack. [https://www.nttdocomo.co.jp/english/charges/new_plan/index.html](https://www.nttdocomo.co.jp/english/charges/new_plan/index.html)

- **Arteris Universal One**: A service that allows users to enjoy multi-channel broadcasting, video, karaoke, and other services by connecting FLET’S Hikari's links to their TVs. [https://www.kikarinet.net/english/](https://www.kikarinet.net/english/)

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