



# NEWS RELEASE

Press Relations

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## **Submission for Approval of Business Operation Plan for the Fiscal Year Ending March 31, 2016**

Nippon Telegraph and Telephone Corporation (“NTT”) today submitted its business operation plan for the fiscal year ending March 31, 2016 to the Minister for Internal Affairs and Communications for approval.

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The information and communications services network and environment are bringing about changes in industry structure and every aspect of people's lives, as seen in the enhancement of the broadband communications environment, including FTTH and LTE, the rapid proliferation of smartphones, tablets and other devices, and the growing use of social media and cloud computing. The use of ICT by a number of service providers in the information and communications services market is becoming more widespread, as is the use of information and communications to generate innovative new services that will contribute to greater economic growth and the vitalization of local economies driven by the Tokyo Olympics and Paralympics, and also to work to resolve Japan's anticipated social issues, such as the low birthrate and aging population. At the same time, security threats have emerged, as can be seen in the increase in incidents of cyber-terrorism, and the role of information and communications services in achieving the secure and reliable operation of social systems and enriching people's lifestyles is becoming increasingly important.

To help ensure that universal services are maintained amid this evolving information and communications environment, NTT intends to provide all necessary advice, coordination, and other assistance to Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation (the "regional companies"). NTT will also endeavor to promote research and development in information communications technology, which serves as a foundation for telecommunications.

In addition, NTT announced the "Hikari Collaboration Model" in May 2014 pursuant to the announcement of NTT Group's "Towards the Next Stage" strategy in November 2012 aimed at promoting initiatives to create a variety of services and business opportunities. Each NTT Group company, including the regional companies, will continue to pursue a B2B2C model by working to reform its own business model and collaborating with a variety of service providers as a Value Partner that customers continue to select. As NTT undertakes these initiatives, it intends to continue to ensure fair competitive conditions under the existing legal framework, as it has done thus far. In addition to these measures, NTT will also work to increase corporate value by actively expanding its global business and engaging in management directed at the development of NTT Group as a whole.

Based on these fundamental concepts, in the management of its business operations for the fiscal year ending March 31, 2016, NTT will aim to grow its businesses by actively developing global business and strengthening the profitability of its network services, while also striving for business growth by supporting the creation of new services through the Hikari Collaboration Model. NTT will seek to ensure the stable development of its operations in the future, and to return the fruits of these efforts to customers, shareholders and the community at large by building an advanced broadband network, creating a variety of services, and engaging in research and development activities that will strengthen open innovation and generate the technology and human capital to support a new business model.

Based on the concepts outlined above, pursuant to the business operation plan for the fiscal year ending March 31, 2016, NTT expects to manage its business by prioritizing the following activities, and doing so in a flexible manner so as to respond to changes in the business environment.

#### 1. Advice, coordination, and other assistance

NTT will aim to exercise appropriate shareholder rights and provide all necessary advice, coordination and other assistance to its regional companies to ensure the maintenance of high-quality and stable universal services. Such assistance will include planning and coordination relating to the quality and upgrading of telecommunications networks, deployment of control and coordination capabilities in the event of natural disasters and other emergencies, efficient financing, and formulation of policies for material procurement.

NTT will support the efforts of each NTT Group company, including the regional companies, to streamline their business operations and expand their business opportunities, and will assist with the development of human capital that will form the core of NTT Group as well as compliance with applicable regulations.

#### 2. Promotion of basic research and development

NTT Group will work to harmonize network platform technologies, technologies that provide a basis for new services and applications, as well as general advanced and basic technologies, while at the same time accelerating innovation and collaboration. Through these undertakings, NTT Group will focus its efforts on higher value-added research and development, as well as continue to be actively involved in expansion and standardization activities, such as participating in research and development activities in collaboration with other research and development institutions and in technology exchanges both in Japan and abroad.

NTT will seek to further increase research efficiency and ensure the continuous execution of basic research and development efforts through revenues generated from the use of such efforts, and the bearing of related expenses on an ongoing basis, by the regional companies and other NTT Group companies.

Specifically, NTT will give priority to the following areas of NTT's research and development activities:

##### (1) Infrastructure-related research and development

In order to develop an information network infrastructure to “connect” everything under the concepts of “smart,” “simple” and “sustainable,” NTT Group will undertake research and development concerning future network technology. Specifically, NTT will pursue research and development aimed at the realization of a network co-created with service providers on network simplification technology using NFV (Network Function Virtualization) and other software, and “service chaining” technology that enables the selective use of multiple network services by users. NTT will also pursue research and development that supports disaster-resistant networks as well as research and development directed toward realizing common network platforms usable in different services and fields, such as strengthening the relationship between fixed-line and mobile communications and further convergence of telephone and IP networks.

## (2) User-related research and development

With a view toward creating advanced services that enrich the lives of and provide comfort to customers, NTT Group plans to undertake research and development in technologies that integrate telecommunications and computer technology, such as media processing, personalization, cloud services and security. Specifically, NTT Group will promote research and development in the following technologies: next-generation video codec technology on which development is being carried out for use in 4K/8K video, data analysis technology to provide services in accordance with the user’s circumstances and intentions, cloud platform technology that enables the efficient use of networks in data centers and flexible links between on-premise and public clouds, and security-related technology, such as SIEM (Security Information and Event Management) platforms, to counteract cyberattacks.

NTT also intends to engage in activities that provide support to other companies, universities and other institutions with the goal of raising the cybersecurity skill level in all industries while simultaneously developing security experts within NTT Group.

## (3) Research and development in basic technologies

NTT is committed to contributing to the innovative development of information and telecommunications in Japan to ensure a leading position in technology research that will support the future of telecommunications. To fulfill these commitments, NTT will undertake research and development activities in basic technologies. Specifically, this will include research in areas such as: wearable biosensing technology such as “hitoe,” a performance material capable of measuring biometric information, and optical devices and integrated nanophotonics technologies that enable ultra-compact 100Gbps digital coherent transceivers. NTT will also pursue research on innovative principles and new concepts, including quantum computer-related technology that exceeds current information processing capabilities; a broad range of cutting-edge materials, including nitride

semiconductors and grapheme, and nanobiology; and a scientific analysis of the human sensory, physical and emotional mechanisms related to communications.

The following table presents an overview of NTT's capital investment plan for the above-mentioned activities.

Table

**Capital Investment Plan for  
the Fiscal Year Ending March 31, 2016**

(Billions of yen)

Item	Expected investment
1. R&D facilities	18
2. Other facilities	3
Total	21

Attachment 1  
(Reference)

**Revenues and Expenses Plan for  
the Fiscal Year Ending March 31, 2016**

(Billions of yen)

Item	Amount
Revenues	
Operating revenues	417 *
Non-operating revenues	28
Total revenues	445
Expenses	
Operating expenses	136
Non-operating expenses	32
Total expenses	168
Recurring profit	277

Note: \* This includes revenues from basic R&D of 102 billion yen and revenues from Group management and other sources of 19 billion yen.

Attachment 2  
(Reference)

**Planned Sources and Applications of Funds for  
the Fiscal Year Ending March 31, 2016**

(Billions of yen)

Item	Amount
Sources:	
Operational:	392
Operating revenues	364
Non-operating revenues	28
Financial:	571
Long-term loans and bonds	283
Other financial income	288
Estimated consumption tax receipts	12
Balance brought forward from previous fiscal year	10
Total	985
Applications:	
Operational:	140
Operating expenses	111
Non-operating expenses	29
Financial:	713
Capital investments	21
Other financial expenses	692
Account settlement expenses	115
Provisional consumption tax payments	7
Balance carried forward to following fiscal year	10
Total	985

# **Business Operation Plan for the Fiscal Year Ending March 31, 2016**



February 27, 2015

# 1. Basic Concepts of the Business Operation Plan **NTT**

## for the Fiscal Year Ending March 31, 2016

- Pursuant to NTT Group’s “Towards the Next Stage” strategy announced in 2012, each NTT Group company, including the regional companies, will create a variety of services and business opportunities as a “Value Partner” that customers continue to select. NTT will also work to increase corporate value by actively expanding its global business and engaging in management directed at the development of NTT Group as a whole.
- In the management of its business operations for the fiscal year ending March 31, 2016, NTT will aim to grow its businesses by expanding new businesses of each NTT Group company and strengthening the profitability of its network services, while striving for business growth by supporting the creation of new services through the Hikari Collaboration Model. In addition to building an advanced broadband network and creating a variety of services, NTT will engage in research and development activities that will strengthen open innovation and generate the technology and human capital to support a new business model.

## 2. Revenues and Expense Plan



(Billions of yen)

	FY2014 forecast*	FY2015 plan	
			Change from previous fiscal year
Operating Revenues	412.0 [±0]	417.0	5.0
Revenues from Group management and other sources	19.0 [±0]	19.0	±0
Revenues from basic R&D	106.0 [±0]	102.0	(4.0)
Revenues from transfer of research results and other sources	5.0 [±0]	5.0	±0
Revenues from commissioned research	7.0 [±0]	8.0	+1.0
Dividends received	275.0 [±0]	283.0	+8.0
Operating Expenses	140.0 [±0]	136.0	(4.0)
Operating Income	272.0 [±0]	281.0	+9.0
Other Income (Expenses)	(4.0) [±0]	(4.0)	±0
Recurring Profit	268.0 [±0]	277.0	+9.0

\*Figures in brackets [ ] represent the change from the original forecast.  
Business Operation Plan for the Fiscal Year Ending March 31, 2016

### 3. Capital Investment Plan and Planned Sources and Applications of Funds



#### ○ Capital Investment Plan

(Billions of yen)

	FY2014 revised forecast*	FY2015 plan	
			Change from previous fiscal year
R&D Facilities	18.0 [(1.0)]	18.0	±0
Other Facilities	3.0 [±0]	3.0	±0
Total	21.0 [(1.0)]	21.0	±0

\* Figures in brackets [ ] represent the change from the original forecast.

#### ○ Planned Sources and Applications of Funds

(Billions of yen)

	FY2015 plan
Sources	985.0
Long-term loans and bonds	283.0
Applications	985.0
Long-term loans and bonds	438.0

The forward-looking statements and projected figures concerning the future performance of NTT and its subsidiaries and affiliates contained or referred to herein 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 NTT and its subsidiaries and affiliates, the economy and telecommunications industry in Japan and overseas, 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 to laws and regulations affecting the telecommunications industry in Japan and elsewhere, other changes in circumstances that could cause actual results to differ materially from the forecasts contained or referred to herein, as well as other risks included in NTT's most recent Annual Report on Form 20-F and other filings and submissions with the United States Securities and Exchange Commission.

Accounting policies used to determine the figures in this presentation are consistent with those used to prepare financial statements in accordance with accounting principles generally accepted in Japan.

- “FY” in this material indicates the fiscal year ending March 31 of the succeeding year.