

In addition to continuing and strengthening initiatives pursuant to its Medium-Term Management Strategy “Towards the Next Stage 2.0,” we reviewed the financial targets of our medium-term management strategies to reflect the impact of adopting the straight-line method, effective beginning the fiscal year ending March 31, 2017, as the method for depreciating property, plant and equipment, which previously, as a general rule, had been depreciated by the declining balance method.

Through these efforts, while focusing mainly on profit growth, by continuing to increase our capital efficiency through stock repurchases, we aim to grow our EPS (Earnings Per Share) to 400 yen or more by the fiscal year ending March 31, 2018.

Review of financial targets of Medium-Term Management Strategy “Towards the Next Stage 2.0”

Category	Financial Target for the fiscal year ending March 31 2018
EPS growth (Net Income per share)	At least ¥350 → At least ¥400
Overseas Sales/Overseas Operating Income	\$22.0 billion/ \$1.5 billion
Streamlining Capital Investment (Domestic Network Business) [compared against the fiscal year ended March 31 2015]	At least ¥200.0 billion decrease
Cost Reductions (fixed-line/mobile access-related) [compared against the fiscal year ended March 31 2015]	At least ¥600.0 billion decrease → At least ¥800.0 billion decrease

Notes:

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

●Promotion of Fundamental Research & Development

We will develop the core technologies required for the achievement of our Medium-Term Management Strategy, including cloud, security, AI, and IoT, and in order to contribute to the acceleration of profit creation, we will also develop technology to create common parts for network equipment and reduce the time required for network building, maintenance, and operations, contributing to cost reductions. Simultaneously, through the promotion of collaboration with other companies toward the creation of new value, we will consistently transform output of research and development into new businesses and proactively expand both in Japan and abroad.

●Promotion of Corporate Social Responsibility (CSR)

In order to help resolve the many social issues that exist both in and outside Japan, we will continue to make a collective effort to promote CSR in accordance with the guidelines set out in the “NTT Group CSR Charter,” and will also work to increase management transparency by further enhancing the content of, for example, our Annual Report and Sustainability Report, and by promoting information disclosure.

With respect to environmental issues, which are a global concern, we will contribute to reducing the environmental burden on society as a whole through the utilization of ICT services and the services and technology provided by NTT Group, and work to reduce the environmental burden across all of our business activities. At the same time, we will promote initiatives, such as those for environmental protection, that engage the cooperation of all stakeholders, such as NTT Group employees, business partners and local communities.

Furthermore, to secure high levels of stability and reliability in our communications services, we will work to provide even safer and more secure services through the implementation of disaster drills based on our collaborative framework with external agencies. In addition, in order to counter increasingly diverse and large-scale cyber-attacks, we are promoting the introduction of research and development results as well as strengthening training efforts to produce cybersecurity experts that possess more advanced skills.

Additionally, we respect and utilize personnel with diverse values and individuality, creating a work environment that ensures a broad range of personnel can demonstrate their talents, irrespective of gender, age, race, nationality, disability status, sexual orientation, or gender identity.

4. BASIC APPROACH TO THE SELECTION OF ACCOUNTING STANDARDS

NTT Group is considering adopting International Financial Reporting Standards (“IFRS”) beginning with the three months ending June 30, 2018 in order to, among other things, improve the international comparability of its financial information in the capital markets and increase the efficiency of its financial reporting.