

## **1. Qualitative Information**

### **(1) Qualitative Information Relating to Consolidated Business Results**

#### **i. Consolidated results**

Three-Month Period Ended June 30, 2016 (April 1, 2016 – June 30, 2016)

	(Billions of yen)			
	<b>Three Months Ended June 30, 2015</b>	<b>Three Months Ended June 30, 2016</b>	<b>Change</b>	<b>Percent Change</b>
Operating revenues	2,706.5	2,716.7	10.3	0.4%
Operating expenses	2,347.7	2,229.3	(118.4)	(5.0)%
Operating income	358.8	487.4	128.6	35.9%
Income before income taxes and equity in earnings (losses) of affiliated companies	367.4	446.1	78.7	21.4%
Net income attributable to NTT	193.2	243.6	50.5	26.1%

During the three months ended June 30, 2016, pursuant to its Medium-Term Management Strategy, adopted in May 2015, entitled “Towards the Next Stage 2.0,” NTT implemented measures to embark on a profit growth track by accelerating its self-transformation towards becoming a “Value Partner.”

#### <Efforts to Expand NTT’s Global Business and Increase Profit Generation>

NTT Group seeks to expand and establish its global business as a cornerstone of its business operations and to accelerate profit generation through the following initiatives.

Specifically, NTT Group promoted cross-selling through collaboration among its group companies, including businesses related to global networks, cloud migration, and IT outsourcing, and received orders from companies in the transportation and finance industries and other industries.

In order to provide security services globally, NTT established NTT Security Corporation, which aggregates the specialized security expertise of NTT Com Security, Solutionary, Dimension Data, NTT Innovation Institute and NTT Communications.

Furthermore, each NTT Group Company has been resolutely engaged in optimizing services and operations and reducing procurement costs by continuously implementing cost reduction measures.

In addition, in order to support the above measures, NTT Group aims to strengthen its group governance and risk management, by increasing the transparency of information regarding group management, further unifying group accounting standards and practices, bolstering cash management, and enhancing collaboration within NTT Group’s global subsidiaries.

#### <Efforts to Optimize Domestic Network Businesses and Enhance Profitability>

NTT Group aimed to enhance profit generation of its domestic network businesses by optimizing capital investments and reducing costs. With regard to optimizing capital investments, NTT worked to improve the efficiency of its facility use and reduce procurement costs, in addition to simplifying and streamlining its network systems. A project team formed last year is in the process of reviewing various topics and initiatives aimed at generating profits.

In the regional communications business segment, NTT promoted initiatives for its “Hikari Collaboration Model” and subscriptions for Hikari access services for the “Hikari Collaboration Model” reached over 5.0 million. In the mobile communications business segment, NTT worked to enhance profitability by promoting the sales of its “Kake-hodai &Pake-aeru” billing plan through the further expansion of “Zutto DOCOMO Discount” and as a result of strengthened sales promotion, reaching over 31.0 million subscriptions. Through the above efforts, NTT worked to reduce costs beginning with controlling marketing costs.

#### <Efforts to Achieve Sustainable Growth >

The Japanese government has been developing and implementing a variety of policies centered on the 2020 Tokyo Olympic and Paralympic Games and the Japanese government’s “Vitalization of Local Economies” initiative. NTT Group plans to make use of these opportunities to accelerate migration to the B2B2X model and strengthen measures aimed at creating services that will become the standards of the next generation.

Specifically, NTT entered into a partnership agreement with Kubota Corporation (“Kubota”) through which Kubota’s infrastructure solutions for agriculture and water management capabilities will be combined with NTT’s research and development capabilities and with each NTT Group company’s ICT services, with the goal of new value creation.

In addition, NTT promoted initiatives towards the realization of “Vitalization of Local Economies” through ICT use by, among other things, launching “Iida Cable Television & FLET’S Hikari” and entering into a “Collaboration and Cooperation Framework Agreement” with Ehime Prefecture and Matsuyama City.

As a result of these efforts, NTT Group’s consolidated operating revenues for the three-month period ended June 30, 2016 were ¥2,716.7 billion (an increase of 0.4% from the same period of the previous fiscal year), consolidated operating expenses were ¥2,229.3 billion (a decrease of 5.0% from the same period of the previous fiscal year), consolidated operating income was ¥487.4 billion (an increase of 35.9% from the same period of the previous fiscal year), consolidated income before income taxes and equity in earnings (losses) of affiliated companies was ¥446.1 billion (an increase of 21.4% from the same period of the previous fiscal year), and net income attributable to NTT was ¥243.6 billion (an increase of 26.1% from the same period of the previous fiscal year).

Notes: (1) The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States.

(2) NTT, NTT East, NTT West, NTT Communications, and NTT DOCOMO are Gold Partners (Telecommunications Services) of the Tokyo 2020 Olympic and Paralympic Games.

## ii. Segment results

Results by business segment are as follows.

### Regional Communications Business Segment

Three-Month Period Ended June 30, 2016 (April 1, 2016 – June 30, 2016)

	(Billions of yen)			
	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016	Change	Percent Change
Operating revenues	836.5	802.9	(33.6)	(4.0)%
Operating expenses	765.4	675.1	(90.3)	(11.8)%
Operating income	71.1	127.8	56.7	79.7%

Operating revenues in the regional communications business segment for the three-month period ended June 30, 2016 decreased 4.0% from the same period of the previous fiscal year to ¥802.9 billion due to, among other things, a decrease in fixed voice-related revenues. On the other hand, operating expenses for the three-month period ended June 30, 2016 decreased 11.8% from the same period of the previous fiscal year to ¥675.1 billion due to efforts to streamline operating expenses, particularly with respect to sales-related expenses in connection with the expansion of the “Hikari Collaboration Model,” in addition to the effect of the change in the depreciation method of property, plant and equipment, among other factors. As a result, segment operating income for the three-month period ended June 30, 2016 increased 79.7% from the same period of the previous fiscal year to ¥127.8 billion.

Number of subscriptions

	(Thousands of subscriptions)			
	As of March 31, 2016	As of June 30, 2016	Change	Percent Change
FLET’S Hikari (including Hikari Collaboration Model) <sup>(1)</sup>	19,259	19,520	261	1.4%
NTT East	10,666	10,839	173	1.6%
NTT West	8,593	8,681	88	1.0%
Hikari Collaboration Model	4,691	5,912	1,221	26.0%
NTT East	3,077	3,781	705	22.9%
NTT West	1,615	2,131	516	32.0%
Hikari Denwa <sup>(2)</sup>	17,374	17,451	77	0.4%
NTT East	9,123	9,180	58	0.6%
NTT West	8,252	8,271	19	0.2%

Notes:

(1) Number of FLET'S Hikari (including Hikari Collaboration Model) subscribers includes subscribers to "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, subscribers to "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 subscribers to the "Hikari Collaboration Model," the wholesale provision of services by NTT East and NTT West to service providers.

(2) Figures for "Hikari Denwa" indicate the number of channels (in thousands), and include wholesale services provided by NTT East and NTT West to service providers.

#### Long Distance and International Communications Business Segment

Three-Month Period Ended June 30, 2016 (April 1, 2016 – June 30, 2016)

(Billions of yen)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016	Change	Percent Change
Operating revenues	518.1	519.0	0.9	0.2%
Operating expenses	496.9	492.0	(4.9)	(1.0)%
Operating income	21.2	27.0	5.8	27.3%

Operating revenues in the long-distance and international communications business segment for the three-month period ended June 30, 2016 increased 0.2% from the same period of the previous fiscal year to ¥519.0 billion. This increase was due to, among other things, an increase in IP/packet communications revenues due to the expansion of "OCN Hikari" and other services, partially offset by a decrease in fixed voice-related revenues and the impact of exchange rate fluctuations on NTT's overseas businesses. Furthermore, operating expenses for the three-month period ended June 30, 2016 decreased 1.0% from the same period of the previous fiscal year to ¥492.0 billion primarily due to the streamlining of sales-related expenses, among other things. As a result, segment operating income for the three-month period ended June 30, 2016 increased 27.3% from the same period of the previous fiscal year to ¥27.0 billion.

#### Mobile Communications Business Segment

Three-Month Period Ended June 30, 2016 (April 1, 2016 – June 30, 2016)

(Billions of yen)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016	Change	Percent Change
Operating revenues	1,076.9	1,108.7	31.8	3.0%
Operating expenses	842.2	810.4	(31.8)	(3.8)%
Operating income	234.7	298.3	63.6	27.1%

Despite a decline in revenues from sales of equipment, operating revenues for the mobile communications business segment for the three-month period ended June 30, 2016 increased 3.0% from the same period of the previous fiscal year to ¥1,108.7 billion due to a recovery in IP/packet communications revenues resulting from an increase in the number of subscribers to "Kake-hodai & Pake-aeru" and "docomo Hikari," as well as an increase in revenues from "dmarket" services and from the Smart Life area. On the other hand, despite an increase in revenue-linked expenses in the "docomo Hikari" and Smart Life areas, operating expenses for the three-month period ended June 30, 2016 decreased 3.8% from the same period of the previous fiscal year to ¥810.4 billion due to a decrease in depreciation expense resulting from the change of the depreciation method of property, plant and equipment, a decrease in the cost of equipment sold and efforts to streamline costs. As a result, segment operating income for the three-month period ended June 30, 2016 increased 27.1% from the same period of the previous fiscal year to ¥298.3 billion.

Number of subscriptions

(Thousands of subscriptions)

	As of March 31, 2016	As of June 30, 2016	Change	Percent Change
Mobile phone services	70,964	71,614	650	0.9%
"Kake-hodai & Pake-aeru" billing plan	29,704	31,586	1,882	6.3%
LTE(Xi) services	38,679	39,893	1,214	3.1%
FOMA services	32,285	31,721	(564)	(1.7)%

Notes:

The number of Mobile phone services subscribers (including LTE (Xi) and FOMA services) includes subscriptions to communication module services.

## Data Communications Business Segment

Three-Month Period Ended June 30, 2016 (April 1, 2016 – June 30, 2016)

	(Billions of yen)			
	<b>Three Months Ended June 30, 2015</b>	<b>Three Months Ended June 30, 2016</b>	<b>Change</b>	<b>Percent Change</b>
Operating revenues	360.2	373.5	13.2	3.7%
Operating expenses	341.4	351.6	10.2	3.0%
Operating income	18.9	21.9	3.0	16.0%

Despite the impact of exchange rate fluctuations on NTT's overseas businesses, operating revenues in the data communications business segment for the three-month period ended June 30, 2016 increased 3.7% from the same period of the previous fiscal year to ¥373.5 billion due to, among other things, expansion of NTT's domestic businesses. On the other hand, operating expenses for the three-month period ended June 30, 2016 increased 3.0% from the same period of the previous fiscal year to ¥351.6 billion due to, among other things, an increase in revenue-linked expenses. As a result, segment operating income for the three-month period ended June 30, 2016 increased 16.0% from the same period of the previous fiscal year to ¥21.9 billion.

## Other Business Segment

Three-Month Period Ended June 30, 2016 (April 1, 2016 – June 30, 2016)

	(Billions of yen)			
	<b>Three Months Ended June 30, 2015</b>	<b>Three Months Ended June 30, 2016</b>	<b>Change</b>	<b>Percent Change</b>
Operating revenues	267.1	272.1	5.0	1.9%
Operating expenses	256.8	259.8	3.0	1.2%
Operating income	10.4	12.3	2.0	19.1%

Operating revenues in the other business segment for the three-month period ended June 30, 2016 increased 1.9% from the same period of the previous fiscal year to ¥272.1 billion due to an increase in revenues of NTT Group's real estate business, among other things. On the other hand, operating expenses for the three-month period ended June 30, 2016 increased 1.2% from the same period of the previous fiscal year to ¥259.8 billion due to, among other things, an increase in revenue-linked expenses. As a result, segment operating income for the three-month period ended June 30, 2016 increased 19.1% from the same period of the previous fiscal year to ¥12.3 billion.