

NTTNIPPON TELEGRAPH AND TELEPHONE
CORPORATION

NEWS RELEASE

This English text is a translation of the Japanese original. The Japanese original is authoritative.

Press Relations

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Submission for Approval of Business Operation Plan for the Fiscal Year Ending March 31, 2018

Nippon Telegraph and Telephone Corporation (“NTT”) today submitted its business operation plan for the fiscal year ending March 31, 2018 to the Minister for Internal Affairs and Communications for approval.

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Information and communications services have started to realize the creation and provision of new value in a wide range of fields including improvements in the convenience of people's lives and greater efficiency in each industry. It is now possible to store and analyze various types of data due to the enhancement of the broadband communications environment, including FTTH and LTE, the proliferation and penetration of smartphones, tablets and other devices, the growing use of cloud computing and advances in technologies such as AI, Big Data, and IoT.

The use of ICT by a number of service providers in the information and communications services market is becoming more widespread, and business partnerships that go beyond the boundaries of industry sectors and business types have started to generate an increasing variety of innovative new services in order to contribute to greater economic growth and the vitalization of local economies driven by the Olympic and Paralympic Games Tokyo 2020, and also to work to resolve Japan's anticipated social issues, such as the low birthrate and aging population.

At the same time, the strengthening of countermeasures against increasingly sophisticated and complex security threats and for disaster prevention demonstrate that 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 Group's Medium-Term Management Strategy entitled, "Towards the Next Stage," announced in November 2012 was revised in May 2015. Each NTT Group company, including the regional companies, will continue to pursue a B2B2X model by working to reform its own business model with the aim of becoming a "Value Partner" that customers continue to select and collaborating with a variety of service providers.

As NTT undertakes these initiatives, it intends to continue to ensure fair competitive conditions under the existing legal framework.

In addition to these measures, NTT will also work to increase corporate value by actively expanding its global business, strengthening the profitability of its network services, and to engage 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, 2018, NTT will aim to continuously grow its businesses by actively developing global business and strengthening the profitability of its network services, while also striving to accelerate the shift to a B2B2X model for business growth by supporting the creation of new services and business opportunities through collaborations with business partners in a variety of industrial fields.

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 society by providing an advanced broadband network, creating a variety of services, and engaging in research and development activities that will produce the technology and human capital to support a new business model by sustaining and strengthening open innovation.

Based on the concepts outlined above, pursuant to the business operation plan for the fiscal year ending March 31, 2018, 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 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 focusing its efforts on higher value-added research and development. NTT will also be actively involved in innovation in collaboration with business partners, starting with other research and development institutions, in technology exchanges both in Japan and abroad and expansion and standardization activities.

NTT will seek to further increase research efficiency and ensure the continuous execution of basic research and development efforts through revenues from basic R&D generated from the regional companies and other NTT Group companies that use the fruits of these efforts and bear related expenses on an ongoing basis.

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, NTT will undertake research and development to realize a highly profitable information network that can flexibly respond to the various needs of the customers and service providers who use it.

Specifically, NTT will pursue research and development such as technology for transmission-related functions that combines general-use equipment to develop a flexible network, and a server architecture with high scalability and redundancy in which the scale can be changed flexibly using software in response to demand, in addition to control technology for these network functions.

NTT will also pursue research and development for technology related to the maintenance of communications facilities, a vital part of social infrastructure, research and development that supports disaster-resistant networks as well as research and development directed toward realizing common network platforms usable in different fields such as the fusion of various services such as voice and videos that make use of the unique characteristics of 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 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 will promote research and development in the following technologies: technology for the real-time transmission of highly immersive videos that makes comprehensive use of media synchronization technology and next-generation video compression technology, data analysis technology to provide services in accordance with the user's circumstances and intentions, cloud-based device cooperation control platforms that enable the linking of sensors and robots that support AI and IoT, and security-related technology to counteract cyberattacks such as authentication and encryption in anticipation of the change in environment due to the development of IoT.

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 innovative improvement and 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: the next generation extra high-speed fiber-optic communications technologies that aim to realize a high capacity fiber-optic communications infrastructure that can support connectivity of 1 Tbps, and optical devices and integrated nanophotonics technologies.

NTT will also pursue research on innovative principles and new concepts, including quantum computing-related technology that exceeds current information processing capabilities; a broad range of cutting-edge materials and nanobiology, including nitride semiconductors and grapheme; 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.

**Capital Investment Plan for
the Fiscal Year Ending March 31, 2018**

(Billions of yen)

Item	Expected investment
1. R&D facilities	15
2. Other facilities	3
Total	18

Attachment 1

**Revenues and Expenses Plan for
the Fiscal Year Ending March 31, 2018**

(Billions of yen)

Item	Amount
Revenues	
Operating revenues	610 [*]
Non-operating revenues	23
Total revenues	633
Expenses	
Operating expenses	130
Non-operating expenses	26
Total expenses	156
Recurring profit	477

* This figure includes revenues from basic R&D of 95 billion yen and revenues from Group management and other sources of 21 billion yen.

Attachment 2

**Planned Sources and Applications of Funds for
the Fiscal Year Ending March 31, 2018**

(Billions of yen)

Item	Amount
Sources:	
Operational:	545
Operating revenues	522
Non-operating revenues	23
Financial:	312
Long-term loans and bonds	60
Other financial income	252
Estimated consumption tax receipts	11
Balance brought forward from previous fiscal year	1
Total	869
Applications:	
Operational:	137
Operating expenses	114
Non-operating expenses	23
Financial:	540
Capital investments	18
Other financial expenses	522
Account settlement expenses	183
Provisional consumption tax payments	8
Balance carried forward to following fiscal year	1
Total	869