Management Vision/ Medium-Term Management Strategy and Business Development

1985-2014
Management Vision/ Medium-Term Management Strategy and Business Development

Establishment of Nippon Telegraph and Telephone Corporation

On December 20, 1984, the Japanese Diet passed three new laws concerning the telecommunications industry and the Nippon Telegraph and Telephone Public Corporation was privatized. The Nippon Telegraph and Telephone Corporation (NTT) was newly launched as a privatized joint stock corporation on April 1, 1985, with capital of 780 billion yen, 314,000 employees and total assets valued at approximately 10.520 billion yen.

Privatization was a result of a revision of the Public Telecommunications Act into the Telecommunications Business Act that liberalized the telephone and wire telecommunications system. With the newly launched NTT, one issue was the formation of an organization that could absorb the elastic actions by employees responding to the transformed environment and how to change the organization from an administrative and bureaucratic structure to an organization that was managed by NTT.

The formation of this new organization was based on achieving the new corporation's ideals of "respecting customers," "efficient operations," and "motivated employees" and was formed on the following four pillars, 1) the introduction of a divisional system; 2) formation of business divisions that can respond to competition; 3) establishment of strategic functions and streamlining of management systems; and 4) unified operation of revitalized workplaces and customer service activities

The Newly Launched NTT's Corporate Concept

As a private company, NTT adopted CI (Corporate Identity) in order to establish new corporate ideals and to form an image befitting the corporation.

NTT's corporate logo is affectionately known as the "dynamic loop."

This new logo symbolizes the ideal of all NTT Group members who aim to use communication for the benefit of social development and the enrichment of people's lives and for this purpose have put the customer at the foundation of our conception of continual dynamic self-innovation always focused on the future to create a human corporation that has a genuine benefit for society.

At the time of its launch, the corporation's concept was "A Human Corporation Envisioning the Future"—a corporation that feels the warmth of humans who are at the root of communication, a corporation that works to optimally display the abundant creativity possessed by each and every of our individual employees, and a corporation that humbly listens and responds to social needs while aiming to dynamically develop a harmonious human and technology relationship for a future without limit.

Listing on Stock Markets

Following the sale of 1.95 million government-owned shares of NTT stock during 1986, on February 9, 1987, NTT listed on stock exchanges in Tokyo, Osaka, Nagoya and other locations in Japan to become a "privatized" corporation in both name and substance.

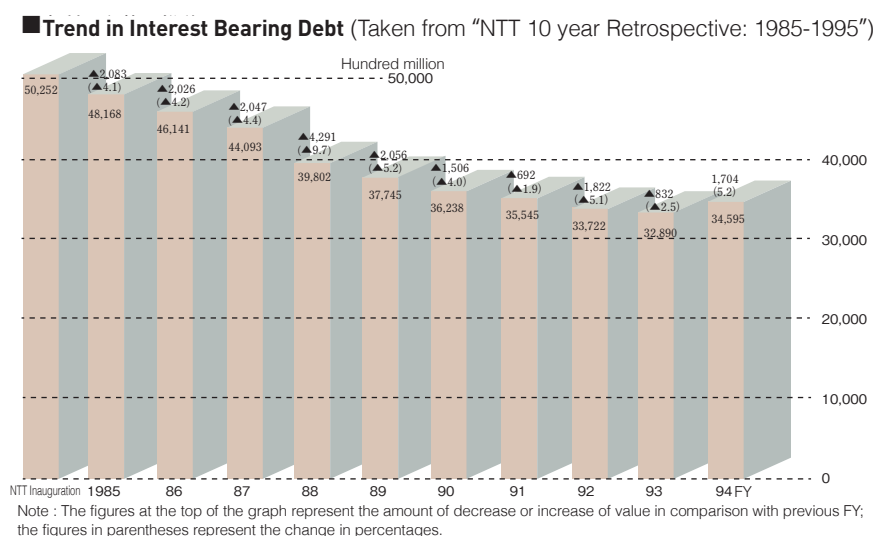In 1992, with the revision of Nippon Telegraph and Telephone Public Corporation Law (NTT Law herein), the road to listing stock on foreign markets was open with the relaxation of foreign investment restrictions. This led to NTT listing on the New York Stock Exchange in September 1994 and then on the London Stock Exchange in October of the same year (delisted from London Stock Exchange in March 2014).

Reducing Interest Bearing Debts and Raising Funds for Infrastructure Investments for More Flexible Operations

Since being privatized, NTT has been focusing its efforts on a financial strategy centered on reducing borrowing. Although at the time of privatization NTT inherited a large-scale interest bearing debt to the amount of 5,025.2 billion yen from the Nippon Telegraph and Telephone Public Corporation, this had been reduced to 3,459.5 billion yen by March 1995.

On the other hand, almost 2,000 billion yen in infrastructure investment funds continued to be delivered annually, and various initiatives were undertaken to make these raised funds in beneficial conditions.

As one example, in order to raise beneficial funds both in Japan and overseas, we attained an international Triple A rating. Furthermore, during the bond issue in May 1987, we stopped

■**Trend in Interest Bearing Debt** (Taken from "NTT 10 year Retrospective: 1985-1995")

Note : The figures at the top of the graph represent the amount of decrease or increase of value in comparison with previous FY; the figures in parentheses represent the change in percentages.

using spot issuance and switched to a proposal method. In addition, we introduced a fixed price offering in December 1991.

Group Strategy

With privatization, NTT lost its monopoly of the telecommunications Industry and the amount of liberalization for business development broadened dramatically.

While promoting a rationalized and streamlined organizational structure capable of combating competition with new players in the market, we also aimed to diversify and expand our fields of business and actively entered into new markets.

NTT's corporate group strategy was divided into three large areas to match these aims.

The first area is new business companies aimed at expanding our fields of business.

The second area is divestiture by splitting business

departments. The business departments have been wholly split from the NTT company itself. NTT DATA and NTT DOCOMO are examples of this.

The third area is to concentrate, specialize and separate specialist functions within the main NTT company into different and separate companies. NTT FACILITIES is an example of this type of company. In fields that have development potential even within the main NTT company, these companies have the aim of increasing specialization and increasing productivity through separation into different companies.

In April 1995, NTT DATA was listed on the second section of the Tokyo Stock Exchange and with this NTT gained a selling profit of 47.4 billion yen.

Restructuring of NTT

In Article 2 of the NTT Law, there is the provision that "The Government shall, within five years after the date of the incorporation of the Company, review the status of the Company," and consequently discussions to review NTT's management style got underway.

Following this, in July 1997, revisions to the NTT law were enacted. With the ban on a pure holding company lifted, NTT became fully privatized and was reorganized into a long-distance company and two regional companies under a holding company, which is a special company.

On July 1, 1999, NTT was reorganized into three companies: NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (NTT EAST), NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (NTT WEST) and NTT Communications Corporation under a holding company .

Following the reorganization, 1) In accordance with the revision to the NTT Law, and respecting laws governing shareholders rights, the holding company will demonstrate the Group's comprehensive functions and strengthen mutual cooperation between Group companies while strictly adhering

to fair competition; 2) Under the holding company's Group strategy, the East and West regional companies, long-distance company, and existing group companies run themselves as independent business entities, taking responsibility for their own management to dynamically developing business; the holding company ensured the overall strength of the Group and enhanced the Group's total corporate value.

Establishment of "NTT Group Three-Year Business Plan"

Following the reorganization, along with coordinating the basic philosophy for running the Group, the holding company established the "NTT Group Three-Year Business Plan" as a management strategy to specify the NTT Group's philosophy.

Announced in April 2000, the "NTT Group Three-Year Business Plan" aimed at transforming the existing reorganized business focused on telephones into a "Global Information Sharing Corporate Group," and along with assigning the direction of the business of the Group as a whole, it aimed at taking initiatives to develop new businesses, and on the basis of this, all the initiatives of the Group companies were assembled to establish the Group's first three year plan (2000-2002).

Although three-year plans are not common, in order for the NTT Group to correctly respond within the rapidly changing telecommunications industry, it was necessary to create rolling strategy plans every year and to discuss and share them throughout the Group. Within this, the features of the Group's strategy, such as how the nature of demand will change, what kind of businesses should be developed, how to incorporate management tasks laterally across the group to have it work in society are brought to the fore.

Structural Reform Initiatives

With telephone subscriptions continuing to decrease beyond expectations, and the introduction of "Long Run Incremental Cost Methodology" and intensification of competitive environment, large declines in the prices of connection fees and customer fees lead to severe loss in earnings and conditions to remove NTT East and NTT West from the red became increasingly difficult.

In order to respond to this situation, in November 1999 the holding company and NTT East and NTT West announced the "Mid-term Restructuring Plan" that focused on "reducing personnel costs" and "deeper cuts in capital investment." Along with proceeding with thoroughly making all business operations generally more efficient, such as the reorganization of business bases and streamlining of head office and back office sections, 4000 employees were reallocated. In regards to reducing capital investments, NTT East and NTT West reduced capital investments over the three-year period from 2000-2002 by 900 billion yen.
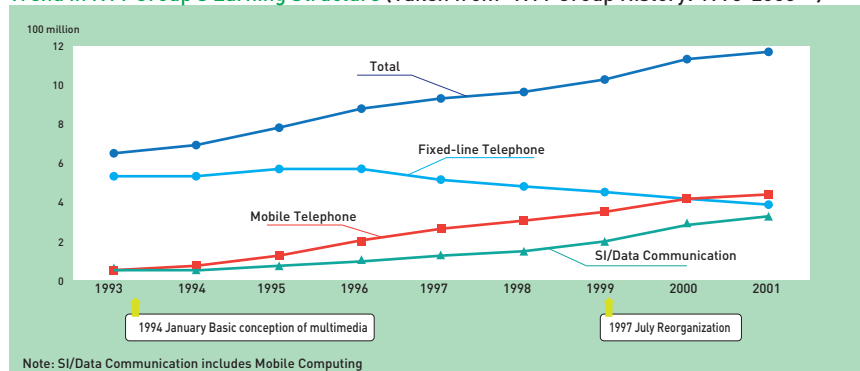
In November 2001, the holding company and NTT East and NTT West announced the "Structural Reform of NTT East and NTT West."

It was made up various measures, but focused on four in particular, 1) restructuring of earnings and services focusing on services connected to IP broadband internet; 2) radical cost restructuring including review of general expenses,

Trend in NTT Group's Earning Structure (Taken from "NTT Group History: 1995-2005")

Note: SI/Data Communication includes Mobile Computing

Group business expenditure and investment; 3) introduction of retirement and reemployment scheme and consigning operational tasks with a view to business operations with a more competitive market price; and 4) expansion of reallocation of DOCOMO and other Group employees and reallocation of employees with outsourcing. Consequently, we have introduced a diversified reallocation system that retires employees over 51 from NTT East and NTT West and rehires them in outsourcing companies. A total of 100,000 employees from Group companies (including NTT-ME and others) were relocated to outsourcing companies. Of these, 60,000, which represents 60% of the total number, were from NTT East and NTT West.

Since then, NTT East and NTT West have continually pushed ahead with earnings restructuring and making operations more efficient.

Establishment of Medium-Term Management Strategy

In response to the rapidly changing telecommunications market, and in order to provide services that satisfy customer needs, it was decided that a clear management for the Group was needed. In November 2004, we formulated the NTT Group's Medium-Term Management Strategy that directed the Group's unified strengths toward achieving a safe, secure and convenient network environment and constructing a

broadband access base. We then announced the "Road to Service Creation Business Group" in 2008, and "Towards the Next Stage" in November 2012 as the Group's management strategy. On the basis of the Medium-Term Management Strategy, we have been able to construct a cutting-edge broadband environment and develop services that use this network as well as create global business opportunities.

Promoting Globalization

Amidst increasing doubts about where the global economy is heading, many companies are seeking further growth and the speed of the development of new businesses and globalization is intensifying. At the same time, the development of new cloud services is rapidly increasing on a global level. From a comprehensive perspective ranging from applications to infrastructure and networks, as a unique Global Partner providing customer support the NTT Group is aiming to provide comprehensive cloud services suitable for the varied business environments of customers.

By acquiring Dimension Data Holdings plc, which has offices in 49 countries around the world, and Keane International, Inc. (currently NTT DATA Inc.) which has offices in 11 countries centered on North America, in 2010, the NTT Group has constructed a framework which enables it to provide global one-stop ICT services in Australia, South America, the Middle East and Africa, in addition to Asia, Europe and the United States.

To strengthen its cloud services, NTT acquired the American company Centerstance in November 2012. In addition, in June 2013, the American based Solutionary which focuses on management security services was also acquired.

As of 2014, the NTT Group's global base of corporate customers extends to more than 10,000 companies in 196 countries and regions around the world. As a world-class global IP backbone operator, the Group provides IP-VPN
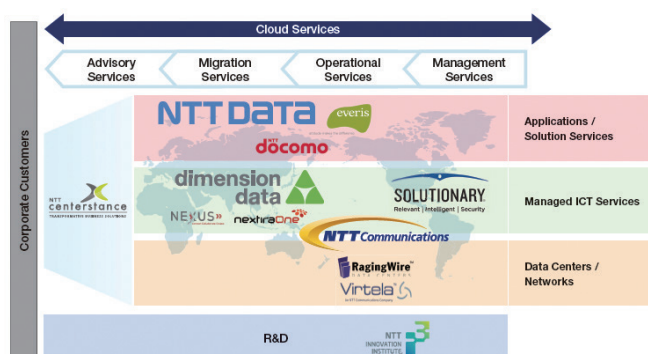
※Global Development of cloud business as of fiscal 2015

and other data communications networks as well as global network services, such as Internet access.

We operate more than 250 data centers around the world, and we provide colocation services, which entail the provision of data center space, as well as hosting services, under which we provide sets of equipment and space.

Approximately 71,000 employees in 78 overseas countries provide a wide range of services to the customers of the NTT Group. These include system Integration (SI) services, such as corporate ICT system planning, design, development, construction, installation, maintenance, and operation; outsourcing services, such as business process outsourcing (BPO); and application services using SAP, Oracle, and other applications.

Result Trends

Following the 1985 privatization and 1999 reorganization, and within structural reforms in the market and intense competition, the decreasing profit and income trend has continued since 2005. This has been caused by continued shrinking of the fixed line telephone market and reducing fees in the mobile communications market to become more competitive. In response to this, we have progressed with tough restructuring and financial improvement measures in the areas of fixed line communication and long-distance communication.

With the aim of achieving the construction of an optical fiber network based on our Medium-Term Management Strategy

coming within sight in March 2011, we were able to break the trend of decreasing profit and income. The steady gain in profits recorded by NTT East, NTT West and NTT DOCOMO in March 2011, was the first profit and income increase in seven years. This achievement was based on preventing annual capital investments totaling over 2,000 billion yen and the steady results from the progress with structural reforms in Group companies.

Furthermore, since fiscal 2012, Dimension Data and NTT DATA, Inc. and other companies have increased overseas sales and greatly contributed to increasing income and profits.

2005

In the fiscal year ended March 31, 2006, while operating revenues from fixed voice related services continued to decline, in part because of fee reductions implemented in the previous fiscal year, this was partially offset by growth in Internet protocol /packet communications revenues as a result of increased sales of B FLET'S and FOMA, and growth in the systems integration business and revenues from terminal equipment sales. As a result, operating revenues in the fiscal year ended March 31, 2006, declined from the prior year to 10,741.1 billion yen, and while this followed a year-on-year decline in operating revenues in the prior year, the rate of decline was decreased. Because of efforts to increase business efficiency, such as continuing reductions in personnel and depreciation expenses, operating expenses declined 0.5% from the previous year to 9,550.4 billion yen. Consequently, NTT Group was able to limit the decrease in operating profits to a fall of 1.7% from the prior year to 1,190.7 billion yen. While revenues and profits continue to decline, the extent of the declines compared to the previous fiscal year were smaller for both revenues (which dropped 2.6% in the year ended March 2005) and profits (which fell 22.4% in the year ended March 2005).

The Release of Initiatives for Promoting NTT Group's Medium-Term Management Strategy

The NTT Group released its Medium-Term Management Strategy in November 2004. This was followed up in November 2005 with an action plan - Promoting NTT Group's Medium -Term Management Strategy - that presented a roadmap for building the next-generation network and developing ubiquitous broadband services.

Construction of a Next-Generation Network

NTT Group is working to create a network environment capable of delivering ubiquitous and broadband services that are fast, easy to use, safe, secure, and make connections possible anywhere, at any time, with any device. We believe that, constructing a next generation network that enables customers to use a variety of application services simply and conveniently, NTT Group will contribute to the development of a rich communication environment for individuals and communities, enable businesses to be more efficient, and stimulate the creation of new business opportunities.

Basic Concepts of the Next-Generation Network

A Safe, Secure, and Convenient Network

The next-generation network will be a safe, secure and convenient network that is equipped with functions to control traffic congestion and unauthorized traffic, as well as the ability to withstand threats including cyber terrorism and natural disasters. By ensuring the quality and bandwidth necessary for a wide range of services, we will create a network that combines the quality, reliability, and safety of the existing fixed-line network with the flexibility, economy, and openness of IP networks.

A Network Compatible with Seamlessly Integrated Services

NTT Group is working to create an IP-based network that will allow it to provide services that seamlessly link intra- and inter-prefectural communications, communications between eastern and western Japan, and communications between fixed-line phones and mobile phones. These services will be offered through the collaboration of NTT Group companies, consistent with the terms of fair competition as defined under the current legal framework. Through such a next-generation network, NTT Group will provide triple-play packages offering high-speed Internet access, IP telephony, and video distribution services, as well as interactive video (data) communications, and services that combine fixed-line phones and mobile phones (i.e., fixed mobile convergence, or FMC services).

An Open Network

NTT Group will create an open network that maintains the current level of voice communications connectivity and enables various service providers such as application service providers, home appliance vendors, and video-distribution service providers to provide customers with a

variety of application services.

Structural Elements of the Next-Generation Network

Next-Generation Network

Subscriber Facilities — Relay Facilities — Relay Facilities — Subscriber Facilities
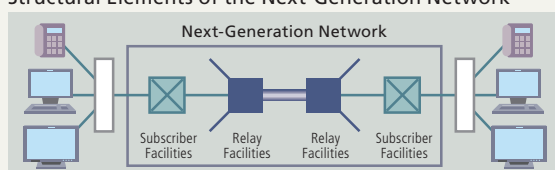
Roadmap for Next-Generation Network Construction

STEP 1: Starting in December 2006, NTT Group will conduct field trials with the participation of a wide range of home appliance vendors, service providers, and other carriers to test the technologies in preparation for the commercial introduction of the next-generation network. As for fixed-line communications, NTT Group will begin

construction of relay networks by deploying relay nodes and optical wavelength transmitters in the IP networks of NTT East and NTT West.

STEP 2: Beginning in the second half of the fiscal year ending March 2008, NTT Group will commence installation of edge nodes that will accommodate optical subscriber lines and service control functions as it beings construction of the next-generation subscriber network services (overlaying the existing IP network service areas).

STEP 3: NTT Group expects to achieve seamless integration of the next-generation network and wireless networks by introducing mobile network edge nodes and converting the ATM network (voice) to an IP network, in conjunction with the introduction of NTT DOCOMO's super 3G services.

Fiscal Year	2006	2007	2008~	
Steps introducing the next generation network	STEP1 Field trials	STEP2	STEP3	Introduction of optical fiber to 30M users (End of fiscal 2011)
Core network	Construction of relay network (-deploy relay nodes) -deploy optical wavelength transmission equipment	Construction of subscriber network (deploy edge nodes)	Seamless integration with mobile network	
Service control functions		Deployment of service control functions (IMS deployment (Conforming to ITU standards))		
Service development	Trial services <Field trials with limited regions and users>	Full scale development of next generation services	• Broadband Internet access • IP telephony • Multicast transmission for video distribution • Intractive video (data) communication • Ethernet services, etc.	

Development of Ubiquitous Broadband Services

By enhancing the efficiency of our business operations through the effective utilization of NTT Group's resources, and by responding to the demand for convergence of services and technologies while satisfying the conditions for fair competition under the current legal framework, we will actively promote the development of ubiquitous broadband services.

To this end, we will clearly define the role and responsibility of each company for each network service, upper layer service, and corporate customer service. At the same time, we will strengthen intra-Group collaboration and promote alliances with other companies.

(1) Network services

In connection with the next-generation network, NTT East, NTT West and NTT DOCOMO Group will build the network and provide seamless integration between fixed line services (intra-prefectural/inter-prefectural, and eastern Japan/western Japan) and mobile IP-based services. Additionally, NTT Communications will provide corporate customers with one-stop services that include solutions services.

i) Fixed-line communications

With recent demand increasing sharply, the number of

subscribers using B FLET'S optical access services reached 2.3 million at the end of September 2005. By providing faster, more diversified, and more reliable services, we plan for even further acceleration in the expansion of this service and aim to raise the subscriber figure to 30 million by fiscal 2011.

Specific measures include the following: (1) providing faster and more convenient broadband Internet access; (2) expanding services that will become possible due to IP telephony's multi-channel and multi telephone number functions; (3) providing more high-value added functions such as IP-Centrex; (4) diversifying fee structures (e.g., quasi-flat rates) and work to promote flat rates; (5) enhancing high quality, bi-directional video communications service (videophone) and bi-directional communications service for large data volume; and (6) expanding multicast communications for video distribution which will enable high-quality video-on-demand services and IP-based TV broadcasting services.

ii) Mobile Communications

NTT DOCOMO Group will offer high-speed downlink packet access (HSDPA) and super 3G services to enable such services as high-speed high-volume video, audio and

text distribution and video communications. In addition, based on the "Seikatsu-Keitai" concept (the mobile phone as a multifunctional tool useful for people's diverse lifestyle needs), NTT DOCOMO Group plans to promote diversification of mobile phone handset use by building in credit card and electronic money functions as well as incorporating functions such as GPS (Global Positioning System).

iii) Fixed Mobile Convergence (FMC)

We will offer our individual customers handsets that serve as both a fixed-line and a mobile phone by having dual connectivity with Wi-Fi and FOMA (One Phone). We are also making preparations for the timely provision of services such as forwarding calls between fixed-line and mobile phones when there is no response, and rate discounts for service packages.

We will also provide flexible, high-level communications services that can move seamlessly between fixed-line and mobile communications by introducing the next-generation network and combining it with Wi-Fi, WiMAX or other wireless broadband technologies.

(2) Upper layer services (Internet connection, portal services, etc.)

In relation to the services that Group companies currently offer-e.g., Internet connection, IP telephony (050 numbers), video distribution (provision of platform and content) and portal services-we intend to improve the efficiency of our business operations by consolidating our facilities and operations as well as our procurement activities into one entity. Also, by vertically integrating these businesses, we intend to promote the construction of a new business model by offering service packages comprised of flexible combinations of upper layer services and creating a common points system.

(3) Corporate services

With regard to corporate services, we will aim to develop a centralized service and response system for corporate users, and to strengthen our total solutions products and services for fixed/mobile services, for networks, and for software / information systems. In addition, we will look to create new businesses by further promoting alliances with other companies.

In order to provide enhanced solutions using open-source software, which is expected to expand in the future, we will consolidate the open source software-related operations dispersed throughout NTT Group to create a uniform support system from systems development to operations, and we will also increase our ability to develop strategic software. Moreover, in response to increasing diversification in payment methods and growth

in applications using IC cards for personal identification, we will strengthen our card solutions that incorporate user authentication technology and encryption technology using IC cards.

(4) Convergence of telecommunications and broadcasting

By proactively responding to the convergence of telecommunications and broadcasting, we will aim to increase the market penetration of our optical services, improve the video distribution platform business, and expand our content distribution business by forming alliances with content owners.

In line with the movement toward system reforms to enable IP retransmissions of digital terrestrial broadcasts, we will address the fiscal 2006 research conducted by the Ministry of Internal Affairs and Communications, and continue to work toward commencement of IP retransmission services by moving ahead with efforts to unify our intra-Group video distribution platform, by actively participating in the formulation of technical specifications, and by promoting alliances with TV set manufacturers.

We will also promote alliances with terrestrial broadcasters, for example by jointly establishing sales and operating companies that offer multi-channel pay TV services using optical fiber, and by jointly developing new services that promote the convergence of telecommunications and broadcasting and take advantage of the new opportunities created by the commencement of one segment broadcasting for hand-held receivers. Furthermore, we will promote alliances with broadcasters to improve content for our video-on-demand (VOD) services.

(5)International business

With increasing demand for global services that bring together domestic and international services and with competition unfolding on a global scale, NTT Group will use the expertise it has developed and the fruits of research it has obtained in ubiquitous broadband services to form alliances with equipment manufacturers to actively create business opportunities overseas. To strengthen Japan's international competitiveness, we intend to actively participate in the formulation of international standards and other international initiatives through the International Telecommunication Union (ITU) and the World Summit on the Information Society (WSIS). Accordingly, we will establish an international section within the holding company, which will be tasked with formulating NTT Group's international business strategy and international standardization strategy and coordinating the international businesses of the Group companies.

(6) Providing one-stop services to our customers

Amidst the diversification and convergence of services due to the shift to IP-based networks, we will ensure the availability of one-stop services for customers, and seek collaboration between Group and non-group companies to increase customer convenience in all facets of our business (sales, installation, user support, repairs, etc.).

Particularly, customers have made especially strong requests for a unified billing service for NTT Group services. Although we have already been accommodating the individual needs of our corporate customers, we now intend to increase customer convenience by enabling individual users to pay fixed and mobile phone bills online with a single sign-on. This service is expected to be in place by the end of the first half of fiscal 2007. We are also considering other measures to increase customer convenience.

(7) Working toward a safe and secure society in line with the e-Japan Strategy and the u-Japan Policy

NTT Group is working hard toward the realization of the goals of the e-Japan Strategy and the u-Japan Policy by assertively addressing social problems such as falling birthrate and aging society, employment mismatch, nursing care and health care, crime and disaster prevention, and energy and environmental problems through the use of ICT (Information and Communication Technology).

More specifically, we are working to make remote medical care possible by using our next-generation network to carry out health monitoring and consulting via video. Additionally, we are developing technologies and providing system solutions so that health-care systems can exchange information with each other.

Establishment of the Corporate Management Strategy Division, etc.

After the Medium-Term Management Strategy was announced in November 2004, and with the objective of developing specific measures for the implementation of the Medium-Term Management Strategy, we initiated a group-wide project to consider major issues facing NTT Group, such as the construction of the next generation network, development of broadband and ubiquitous services, and a fundamental review of business procedures. The measures considered included the creation of a roadmap for the next-generation network, clarification of our service strategy, and a thorough review of our business processes as we enter the optical access and IP era. By creating our roadmap for the next-generation network, we look to work with related industries such as hardware and software vendors in creating standards and developing services. As broadband and other IP based services become more prevalent, we envision that there will be a convergence between fixed and mobile communications, a convergence between communications media and broadcasting media, and a convergence between communications and finance (as in settlement operations), and we intend to unveil service strategies and alliance strategies in such areas of convergence. Finally, we put in place plans to review any overlapping business processes across NTT Group, which will enable us to provide a "one-stop" service suited to the optical access/IP era and to achieve cost reductions through standardization of operations.

In May 2005, we enacted organizational changes to enable the steady and prompt implementation of these tasks. Specifically, we established the Corporate Management Strategy Division, which reports directly to NTT's President. We also established the Next Generation Network Promotion Office, which is charged with network construction, and the Business Process Innovation Office, which is charged with reforming group-wide business processes. Currently, these three offices are leading the group-wide effort to promote NTT Group's Medium-Term Management Strategy.

Furthermore, based on the viewpoint of strengthening the NTT Group's global business, NTT announced action plans in November 2005 designed to drive the promoting of the NTT Group Medium-Term Management Strategy which included the establishment of a Global Business Strategy Office in Department 1.
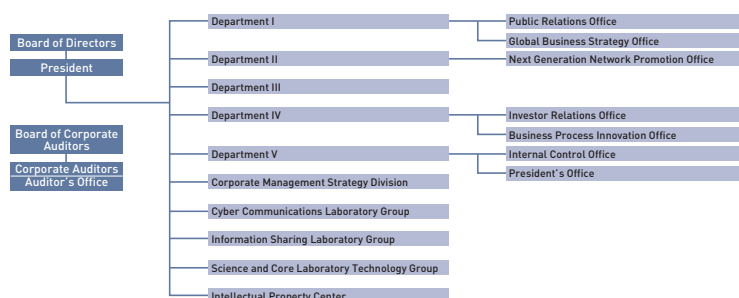
2006

In the fiscal year ended March 31, 2007, consolidated operating revenues grew by 0.2% year on year to 10,760.6 billion yen. despite a decline in operating revenues from voice related services, such as fixed-line telephone, that was mainly due to a decline in the total number of fixed-line subscribers.

This was the first yearly increase in three years, and it resulted from an increase in operating revenues from IP-related services, such as B FLET'S and FOMA, and an increase in revenues from the systems integration (SI) business.

On the other hand, consolidated operating expenses were 1.1% higher at 9,653.5 billion yen, mainly because of cost increases associated with the growth in SI revenues, and an increase in sales-related expenses, including the cost of mobile handsets. This severely affected consolidated operating income, which was 7.0% lower year on year at 1,107.0 billion yen.

Commencement of NGN Field Trials

In order to ascertain the technological requirements and customer needs in order to begin operation of a fully commercialized NGN network, a field trial of the NGN network was undertaken.

NGN Network Overview

Extracted from Annual Report 2007

NTT Group aims to be the first telecommunications company in the world to deploy a nationwide next-generation optical IP network. This Next-Generation Network (NGN) will combine the reliability and stability of a conventional telephone network with the convenience and economic efficiency of an IP network.

While IP networks have superior features that make it easier to offer various application services at attractive charges, and also enable lower network construction and maintenance costs, a number of issues are becoming evident, such as ensuring service quality during rapid

In December 2006, NTT Group opened NGN field trial show- rooms, known as NOTE (NGN Open Trial Exhibition), in Tokyo and Osaka and kept them in operation until September 2014.

growth in IP traffic, responding to physical damage caused by natural disasters, maintaining security against cyber-terrorism and preventing unauthorized transactions. Solutions to these problems must be found before a ubiquitous broadband society can be developed.

With expertise and experience obtained in the construction and maintenance of the conventional fixed-line telephone network, the NGN is providing solutions to these problems, including appropriate redundancies in the network and ensuring reliability with traffic control functions during network congestion, and increasing security against unauthorized traffic. In addition, the NGN will provide QoS that guarantee quality and bandwidth upon customer request, as well as best effort-type services, which like current internet services will offer no quality guarantee.

"Openness" and "collaboration" have been keywords ever since NTT Group began constructing the NGN. With opening its interface, NTT Group will interconnect the NGN openly with other providers' networks and work together with third parties, such as Application Service Providers (ASP) and video-distribution service providers, to create new services and added value. Furthermore, NTT Group will offer application services that are only possible through the NGN.

As said previously, the NGN will be the first optical IP network in the world. It will be implemented with state-of-the-art technologies compliant with international standards, and enable customers to use a secure and convenient network

that combines the reliability and stability of a conventional fixed-line telephone network with the convenience and economic efficiency of an IP network.

Reviewing the Organizational Structure—Upper-layer Services and Corporate Services

There were also significant changes in our organizational structure for the provision of corporate services and our so-called "upper-layer services." The upper-layer services, which include ISP (Internet Service Provider) services, internet portal site services and video distribution services, as well as support for large corporate customers were integrated under NTT Communications to enhance operating efficiency through efficient allocation of Group resources, and to strengthen our marketing capabilities while improving customer services.

1. Upper-layer services

In August 2006, NTT Group reviewed its organizational structure for the provision of upper-layer services, and several NTT Group companies became subsidiaries of NTT Communications. These include NTT Resonant Inc., which provides the "goo" portal site, and Plala Networks Inc., which provides ISP services and video distribution services to TV-sets. As a result of these initiatives, NTT Communications has now created a single, integrated structure for providing services to approximately 8 million customers, making this the biggest integrated ISP customer base in Japan.

In addition, the number of browsers of the goo portal site also continues to expand steadily, and now reaches 36 million per month (as of March 2007). To leverage the advantages of owning the largest, integrated ISP customer base, NTT Communications will now lead a major initiative to provide more user-attractive services, while raising the operating efficiency and pursuing synergy effects among upper-layer services.

At the same time, NTT Group has resolved to establish a new Net Business Division within NTT Communications to manage the marketing alliance strategy for all the upper-layer services provided by NTT Group and to oversee the operations of NTT Group's upper-layer services as a whole.

2. Corporate Services

NTT Group will revise its customer accounts system to improve the one-stop services it offers to corporate customers and to achieve operating efficiencies through the efficient allocation of NTT Group resources.

Specifically, the entities responsible for certain customers will be redesignated so that NTT Group can enhance its customer services and strengthen its ability to provide total solutions for networks and information systems. NTT Communications will become responsible for the provision of services to nationwide or global customers including city banks, large-scale trading companies and central government agencies, and NTT East and NTT West will be responsible for local governments and regional banks.

Establishment of Internal Control Office

On May 12, 2006, NTT has set up the Internal Control Office under Department to improve Group-wide internal control functions including its response to the Company Law of Japan and the Sarbanes-Oxley Act of the United States, and to increase transparency and soundness of the Group's management.

With the establishment of the Internal Control Office, all the works previously handled by the Internal Audit Office under Department IV have been transferred to the Internal Control Office.

2007

Despite increases in IP/packet communications service revenues from FLET'S Hikari and FOMA and system integration revenues, NTT Group's consolidated operating revenues were 10,680.9 billion yen for the fiscal year ended March 31, 2008 (a decrease of 0.7% from the previous fiscal year) due to a decline in fixed voice related services revenues. Consolidated operating expenses were 9,376.3 billion yen (a decrease of 2.9% from the previous fiscal year), due to cost reductions and a decrease in operating expenses resulting from the transfer of the substitutional portion of pension fund benefit obligations and related plan assets to the Government.

Consolidated operating income was ¥1,304.6 billion (an increase of 17.8% from the previous fiscal year), consolidated income before income taxes, minority interests and equity in earnings (losses) of affiliated companies was 1,322.3 billion yen (an increase of 16.7% from the previous fiscal year), and consolidated net income was 635.2 billion yen (an increase of 31.9% from the previous fiscal year), and we succeeded in halting the downward trend in income, and launched NGN service commercialization on schedule. We were able to clarify the level of future capital investment, and have also made progress in reducing interest-bearing debt.

NTT's Next Generation Network Development

In March 2008, we began to offer commercialized services of the Next-Generation Network (NGN) in parts of the Tokyo Metropolitan Area and Osaka City. We will further expand the service areas to the major cities with government ordinance designation status, as well as prefectural capitals. By leveraging the NGN's excellent features, such as its high quality and high security, we will enhance our capability to offer more convenient services.

The Four Key Features of the Next-Generation Network
1. Quality of Service (QoS)

The NGN comes with four quality classes (top priority, high priority, priority, and best-effort), each of which is selectable depending on the application. With its solid guarantee of the necessary bandwidth, the highest quality class delivers the clearest sounds and the crispest high definition video images on the network.
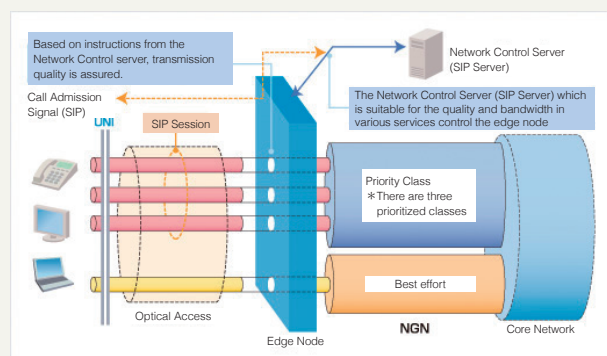
2. Security

On the NGN, the sender ID assigned to each line, such as a telephone number, is verified to protect against spoofing. It also comes with a function for blocking unwanted traffic at the network gate.
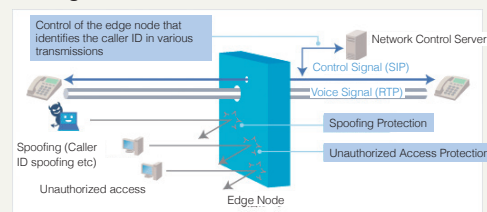
3. Reliability

The NGN will inherit the reliability and security know-how that NTT Group has built up through its experience with the conventional fixed-line telephone network.

To guarantee delivery of important communications, the NGN uses a redundant architecture encompassing all transmission lines and equipment and carries out traffic control in case of congestion.
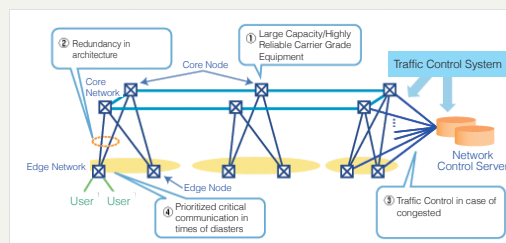
4. Open Interfaces

The NGN uses open interfaces, which means that interface specifications and network usage conditions are made available to authorized third parties. This allows NTT Group to work with other companies in other business fields to create new applications that use the network's unique telecommunication functions. In order to accommodate the variety of applications being developed, the NGN is equipped with interactive functions for high-quality voice and image transmission, with unicast and multicast functionality for content delivery in addition to internet connectivity, and high-quality next-generation Ethernet functionality.
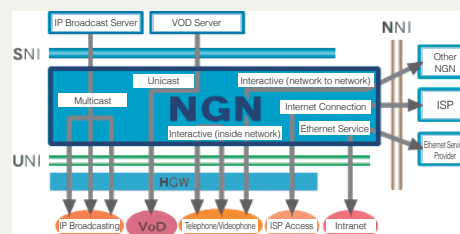
Strengthening the Industry-Academia link with Universities

In order to actively take up initiatives for "Create a new market for broadband and ubiquitous communications" as proposed in the Mid-Term Management Strategy, we are actively promoting various alliances. As one of these, we are strengthening our research tie-ups with universities in fiscal 2008. We are taking part in a comprehensive alliance that aims at creating new industry by researching and developing next generation, organic, revolutionary electronic devices. In the collaborative research with the Kyoto University since August1, 2000, we decided together that for one part of that research to be commercialized further collaborative research and development was needed and we reached agreement on a basic contract to continue the alliance in a new form.

We also reached agreement with the Tokyo University for Proprius 21 "Creating innovation in the area of telecommunications." Aiming at creating innovation in the area of telecommunications, and returning research results in the area of telecommunications to society and strengthening the administration of NTT's research and development, through using the Prorpius 21 Program's format to activate debate between researchers, the program aims to create and solve problems and issues that are specific to university and industry collaborations.

Furthermore, we also reached an agreement with Waseda University. The agreement is to share resources in the areas of telecommunications, especially basic and device technology, security technology and other telecommunication platform technology and construct a new relationship with the possibility of an inter-organizational tie-up.

From fiscal 2009, we are promoting collaborative agreements with Tohoku University, Tokyo Institute of Technology, Hokkaido University and others.

International Standard Adoption

The Medium-Term Management Strategy raised the issue of the need for the public and private sectors working together to formulate a grand design incorporating international standards in an effort to reach consensus regarding security standards as well as connectivity between communications carriers and between networks and consumer handsets and ongoing progress on international standards was made in 2007.

Furthermore, the quality estimation model for video-telephony services, which was developed and proposed to ITU-T SG12 by NTT Service Integration Laboratories, was recently adopted as G.1070. This was developed this as an overall quality estimation model for the NTT Group's video-telephony services capable of quality estimation.

In addition, NTT and four other organizations, ETRI (Korea), France Telecom (France), Huawei Technologies (China), and VoiceAge (Canada) made a joint proposal to have wide-band speech coding adopted by ITU-T as an international standard and this was approved as G.711 Wideband Extension. With this coding technology installed in next-generation VoIP phones and voice conferencing devices, it is possible to have conversations that possess much higher quality and clarity. In addition, using this technology on the internet makes it possible to have seamless conversations and connect to conventional telephones.

2008

NTT Group's consolidated operating revenues for the fiscal year ended March 31, 2009 were 10,416.3 billion yen (a decrease of 2.5% from the previous fiscal year) and consolidated operating expenses were 9,306.6 billion yen (a decrease of 0.7% from the previous fiscal year). Consolidated operating income was 1,109.8 billion yen (a decrease of 14.9% from the previous fiscal year), consolidated income before income taxes was 1,105.2 billion yen (a decrease of 16.4% from the previous fiscal year), and consolidated net income was 538.7 billion yen (a decrease of 15.2% from the previous fiscal year).

There were two primary reasons. One was in the "Other Businesses segment," specifically a widening of the increase in doubtful accounts expenses for finance businesses, and sluggishness and an increase in write-downs in the residential property sales business—both were directly affected by the deterioration in business conditions. The other reason, which affected both the Long Distance and International Communications Business segment and the Data Communications Business segment, was lower operating income in the systems integration (SI) business for enterprise customers. Impacted by reduced capital investment by corporate customers and other factors, the effects became gradually apparent during the second half of the fiscal year.

Announcement of Medium-Term Management Strategy: "Road to Service Creation Business Group"

On May 13, 2008, we published NTT Group's operating results for the year ended March 31, 2008. As a new step of our Medium-Term Management Strategy, we also unveiled our five-year vision "Road to Service Creation Business Group."

Extracted from Annual Report 2008

Full-Scale Rollout of Broadband and Ubiquitous Services

Network services have been provisioned according to certain usage categories, such as business (enterprise), home (individual) and mobile. However, there has been a gradual blurring of the boundaries between fixed-line and mobile services. This is illustrated by the one-phone system, which allows customers to use the same handsets as fixed-line telephones on their premises and mobile phones outside. There has also been a trend toward service convergence, as evidenced by the use of both computers and mobile phones to access Internet-based services, such as searches and social networking services (SNS). We plan,

therefore, to accelerate this convergence by deploying both fixed and mobile full-IP network infrastructures by the year ending March 31, 2011.

As for the creation of broadband and ubiquitous services, we would like to accelerate a full-scale convergence of services that reach across industry boundaries through communications with customers and collaborations with partner companies. The Next-Generation Services Joint-Development Forum is expected to play a central role in this process. Participation is not limited to the information communication technology (ICT) industry. The purpose of

Full-Scale Rollout of Broadband and Ubiquitous Services

Year ending March 31, 2009 | Year ending March 31, 2010 | Year ending March 31, 2011 | Year ending March 31, 2012 | Year ending March 31, 2013

Launch of NGN service commercialization (March 2008)

Reinforce and enhance NGN & 3G network services

Create services through partnerships with application providers etc.

Deployment of both fixed and mobile full-IP network infrastructures (Establishment of the service convergence infrastructure)

Progress full-fledged service convergence

Full-scale rollout of broadband and ubiquitous services

● Expand NGN service area to current fiber-optic access services area

● 20 million fiber-optic access services subscribers (Shift approx. half of them to the NGN)

● Launch Super-3G service

● Complete the migration from the existing regional IP network to the NGN

this Forum is to help people in a wide range of fields and industries to broaden their understanding of the NGN, and to foster dynamic information sharing and collaboration on various levels.

The resources of the entire NTT Group will be harnessed in market expansion initiatives aimed at capturing any opportunities arising in the Forum. For instance, the timely development and commercialization of services will be facilitated by providing consultation on network technology and testing environments for the verification of services and technologies. Financial backing in the form of investment through NTT Investment Partners, Inc. (currently NTT DOCOMO Ventures, Inc.) will also be available for services and the projects that are seen as offering business opportunities for NTT Group.

■ Reinforcing and enhancing NGN and 3G network services, and promoting service creations through partnerships with application providers.
■ Deploying full-IP network infrastructures with a target of year ending March, 2011 and accelerating full-scale various service convergences and partnerships

Year ending March 31, 2009 – Year ending March 31, 2011 | Year ending March 31, 2012 –

Business
ICT solutions supporting business expansion /efficiency

VPN etc
Hikari Denwa
Content Distribution

SaaS platform
FLET'S VPN Wide
Tele presence
New key telephone system (compatible with NGN)
Music broadcast
Information fee charging and collecting service

Line Authentication Application
VPN with QoS, On-demand VPN
Hikari Denwa (for large-sized biz)
Digital cinema
Digital signage
Metaverse (Fictional virtual space)

Home
Safe, secure and high quality triple-play services

Hikari TV
Hikari Denwa
FLET'S Hikari Next

Archives on demand
VOD with QoS
PC soft phone, Messaging High-quality sound phone
HD video distribution for PC / TV   Home Control
Behavioral targeting portal site (Advanced search, Behavioral targeting ad)

BS retransmission over IP
Interactive shopping
Presence application service

Mobile
Promoting wireless broadband and enhancing Seikatsu-Keitai*

FOMA (3G)
i-mode

FOMA-PC federation/shared service
One-phone, One-number
Living behavioral targeting services

Femtocell   Super 3G (LTE)
HSUPA (High speed uplink)

Deploy full-IP network infrastructures

EHR Platform
[Networking to exchange medical info]

Extremely realistic and free-viewpoint video conference

40Gb / 100Gb Ethernet

Virtual cohabitation, virtual office

Panorama live video distribution (as if sitting in a VIP seat)

Life-log applications (Health Instruction etc)

Multimedia broadcast for mobile terminal

Note: above services include those offered by service providers, other than NTT Group, using the NGN etc.
Purple: Application, terminal, etc.

Offer broadband, ubiquitous and fixed-mobile seamless services, jointly-develop services with service providers

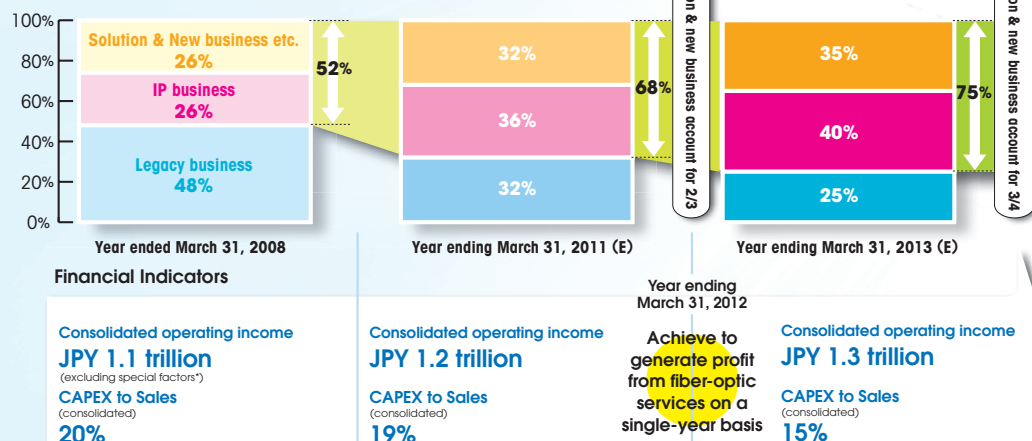## Initiatives to Transform Business Portfolio

In readiness for the full-scale rollout of broadband and ubiquitous services in the early 2010s, we plan to transform our business portfolio over the next five years. This will result in a transformation of business portfolio from legacy businesses, such as the existing fixed-line telephone services, to IP and solution businesses centered on IP-based services, such as "FLET'S Hikari". We will implement this realignment by reviewing our business operations, personnel deployment and other aspects of our business activities. Where necessary, we will also promote reforms to the business operations of group companies in conjunction with the above transformation.

Since IP networks offer significant economic advantages and provide an extremely flexible environment for the provision of services, allowing us to minimize costs and provide upper layer businesses and high-value-added solutions, we will shift from a portfolio in which legacy businesses accounted for one-half of consolidated revenue in the year ended March 31, 2008 to a portfolio in which IP businesses, and solutions and new businesses account for three-quarters of revenue by the year ending March 31, 2013. Through this shift, we will ensure the total earning performance of the NTT Group.

We expect fiber-optic services to generate profit by the year ending March 31, 2012. By implementing the transformation outlined above, we aim to achieve a consolidated operating income of 1.300 billion yen in the year ending March 31, 2013. As for capital investment, we expect to complete most of our forward investment in infrastructure, especially for fixed-line services by the year ending March 31, 2011. The focus will then shift to service creation, and we will be able to control the level of capital investment in relation to consolidated revenue.

Consolidated Revenue Composition (image)

Year ended March 31, 2008

- Solution & New business etc. **26%**
- IP business **26%**
- Legacy business **48%**

52%

Year ending March 31, 2011 (E)

- 32%
- 36%
- 32%

68%

IP and solution & new business account for 2/3

Year ending March 31, 2013 (E)

- 35%
- 40%
- 25%

75%

IP and solution & new business account for 3/4

Financial Indicators

Consolidated operating income
JPY 1.1 trillion
(excluding special factors*)
CAPEX to Sales
(consolidated)
20%

Consolidated operating income
JPY 1.2 trillion
CAPEX to Sales
(consolidated)
19%

Year ending
March 31, 2012
Achieve to generate profit from fiber-optic services on a single-year basis

Consolidated operating income
JPY 1.3 trillion
CAPEX to Sales
(consolidated)
15%

* Special factors are gain on transfer of substitutional portion of the Employee Pension Fund and others.

Our business portfolio transformation plans call for the development of full-IP network infrastructures, the NGN with fiber-optic access and 3G/Super 3G, as well as for the dynamic expansion of IP-related revenues through the provision of broad- band and ubiquitous services. We will begin by providing data communication network services suitable for software as a service (SaaS) applications.

We will also develop various optional services designed to enhance network security and convenience, including "Remote Support" services for terminal equipment.

In addition to the expansion of our existing ISP businesses, portal service and video distribution services, we will create new IP-based upper layer businesses.

Action plan to transform business portfolio

IP Business

Boosting IP network revenue from NGN with fiber-optic access and 3G/Super 3G

- Expanding high speed broadband network services for consumers and business customers, matching needs for Quality of Service (QoS) and security (Including data network service subscription, such as virtual private network (VPN) for SaaS)
- Enhancing value-added services including maintenance service
- Promoting SNI* subscription by service providers   *SNI=Application Server-Network Interface

Expanding new IP-based upper layer business, in addition to ISP, portal and video distribution

- Evolving service delivery platform business such as search, content distribution, and information fee charging & collecting service
- Reinforcing advertising business model in portal business etc.
- Offering application services such as SaaS

Solution and New business

Increasing solution revenue through various means, including M&A, in response to globalizing customer needs, in addition to the exploitation of domestic ICT demand

Developing new business mainly in real estate, energy, environmental fields and utilization of R&D results.

EXPAND GLOBAL BUSINESS

In the area of solution services, we aim to receive more orders from customers in industrial sector in addition to those in public administration sector and financial sector. For this purpose, and to continually target revenue growth in this area, we will actively respond to the needs of globalizing customers through means including M&A, as exemplified by the recent acquisition of intelligence AG as a subsidiary of NTT DATA.

The key assets for the expansion of our global business

are NTT Group's comprehensive line-up of ICT services, and the high quality of these services, as confirmed by the results of a customer satisfaction survey conducted by the Telemark Services, Ltd. (U.K.). We will continue to enhance our customer base and the ability to deliver services overseas. We will also expand our network, with the construction of submarine cable systems linking Japan and Russia, and Japan, China and the United States.

Furthermore, based on our extensive experience in the

development and commercialization of advanced services, which include the NGN and broadband services such as fiber-optic access services and 3G, we will work to expand business operations tailored to conditions in national and regional markets. We will also create new business models and support development and commercialization activities of applications to be run on the NGN in collaboration with overseas carriers and other partners.

Expansion of Global Business
■ Recent major investment
■ Planned investments

Global expansion through our strengths with high quality ICT service line up in Asia, Europe & Americas

itelligence
Germany

Russia

NTT-KT Venture Forum
Held in July 2008
in California, USA

Revere, Tryarc
USA

Europe

HSCS Route,
HSCS Submarine Cable (To Russia)

Middle East

KTF
Korea

TPE Submarine Cable (To the US)

USA

Global Data Service
(JV with VNPT for data center services in Vietnam)

U Mobile
Malaysia

Asia

PLDT
Philippines

South America

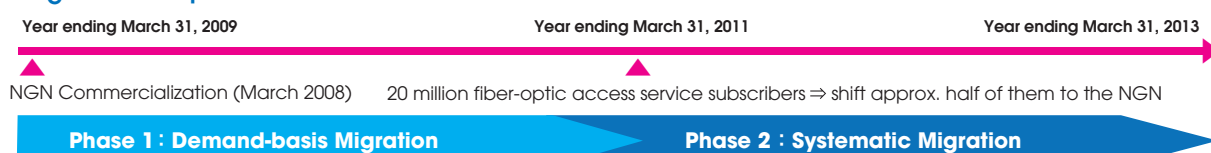## Generating Profit from Fiber-optic Services and Migration to the NGN

The transformation of our business portfolio will place increasing emphasis on IP business, and we expect fiber-optic services, i.e. the combination of fiber-optic access services with the NGN or existing regional IP networks, to play a central role. By the year ending March 31, 2011, we aim to increase the number of fiber- optic access services subscribers to 20 million, with NGN connections accounting for around one-half of that number. The commercialization of the NGN will trigger enhancement and diversification of our services, and this is expected to result in revenue growth. The expansion of the subscriber base will meanwhile lead to improvements in capacity utilization and operating efficiency. These factors, together with reductions in facility-related costs resulting from the excellent economic efficiency of the NGN, are expected to bring profitability improvements and a shift to positive single-year results in the year ending March 31, 2012.

Until the year ending March 31, 2011, the migration of fiber-optic access services subscribers from existing regional IP networks to the NGN will be basically on a customer demand basis, meaning that customers applying for access to NGN services will be accommodated within the NGN as the service area coverage expands. By the year ending March 31, 2011, the NGN's coverage area will have expanded to the area currently covered by fiber-optic access services. Thereafter, subscribers will be transferred to the NGN through a systematic migration, which we aim to complete by the end of March 2013.

Prior to the systematic migration phase, we will work to minimize migration costs by developing technology, installation methods, and smooth operation methods needed for remote firmware updates on customer equipment and by establishing an efficient operation flow for network conversion work in the premises of NTT East and NTT West. Our goal is to devise a customer- focused approach that will allow us to provide an efficient response to the needs of customers and service providers. The single- network, single-operation structure created through this migration from existing regional IP networks to the NGN, is expected to reduce costs and improve the profitability of fiber-optic services.

Migrate fiber-optic access service subscribers to the NGN

Year ending March 31, 2009	Year ending March 31, 2011	Year ending March 31, 2013

NGN Commercialization (March 2008)　　20 million fiber-optic access service subscribers ⇒ shift approx. half of them to the NGN

Phase 1 : Demand-basis Migration　　　　**Phase 2 : Systematic Migration**

*The general outlook of PSTN migration will be released in the fiscal year ending March 31, 2011, in consideration of various factors including:
- Life cycle of PSTN switching equipment (D70 switch board and multimedia handling nodes)
- Economic comparison between NGN incorporating copper access in fiber-optic area by introducing IP equipment enabled for copper access and NGN introducing fiber-based plain old telephone service
- Regulatory structures related to fixed-line telephone services, such as Myline (career selection service), universal service fund, etc.
- Direction of central and municipal government policies for resolving digital divide

2009

Due to such factors as a decrease in telecommunications equipment sales revenues and mobile voice-related revenues arising from penetration of new handset sales models in the mobile communications business and a decrease in voice-related revenues arising from the decline in the number of subscriptions for fixed-line telephone services, NTT Group's consolidated operating revenues for the fiscal year ended March 31, 2010 were 10,181.4 billion yen (a decrease of 2.3% from the previous fiscal year). Consolidated operating expenses were 9,063.7 billion yen (a decrease of 2.6% from the previous fiscal year) due to a decrease in expenses for purchase of goods and services and other expenses and depreciation and amortization costs. As a result, consolidated operating income was 1,117.7 billion yen (an increase of 0.7% from the previous fiscal year), consolidated income before income taxes was 1,120.1 billion yen (an increase of 1.3% from the previous fiscal year), and consolidated net income attributable to NTT was 492.3 billion yen (a decrease of 8.6% from the previous fiscal year).

Despite the decrease in operating revenues, the NTT Group surpassed its targets for operating revenues and operating income.

Expanding of Broadband Ubiquitous Service

Building a Broadband Platform

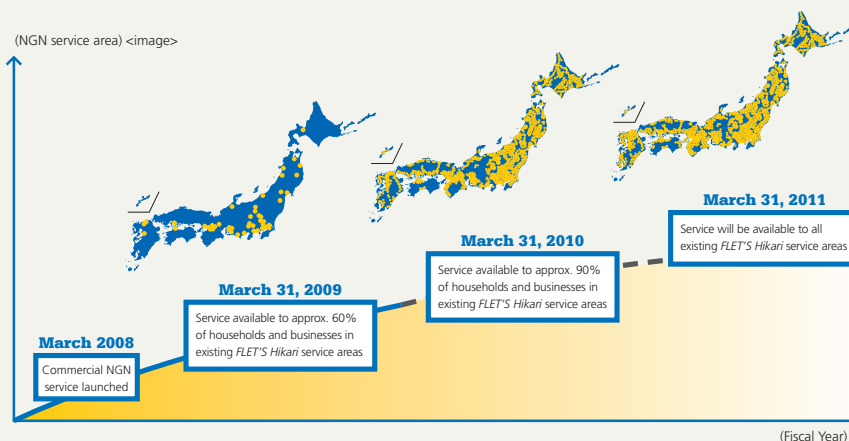#### Expanding of Fiber-optic Broadband

For fiber-optic access services, NTT Group saw the number of subscriptions reach 11.13 million as of March 31, 2009, after recording net increases of more than 2 million subscriptions for three consecutive years. This mainly reflects the expansion of service areas aimed at making fiber-optic access services available to roughly 90% of Japanese households as well as aggressive marketing, improvements in support services and expansion of the upper layer services centered on video distribution.

In March 2008, NTT Group began offering commercial Next- Generation Network (NGN) services such as the fiber-optic broadband service "FLET'S Hikari Next." Expansion of NGN service areas is proceeding on schedule. As of March 31, 2009, NGN services had expanded to approximately 60% of the existing "FLET'S Hikari" service area.

Looking ahead, we expect to expand NGN service areas to approximately 90% of the existing "FLET'S Hikari" service area by March 31, 2010, and to all of this area by March 31, 2011.

For multi-unit residence customers, NTT Group will continue to promote the expansion of NGN and fiber-optic access services through an optical wiring system within multi-unit residences that uses fiber- optic cables to connect directly to every residence in buildings.

(NGN service area) <image>

March 31, 2011
Service will be available to all existing *FLET'S Hikari* service areas

March 31, 2010
Service available to approx. 90% of households and businesses in existing *FLET'S Hikari* service areas

March 31, 2009
Service available to approx. 60% of households and businesses in existing *FLET'S Hikari* service areas

March 2008
Commercial NGN service launched

(Fiscal Year)

Driving Mobile Broadband Services With LTE

In parallel, the development of increasingly sophisticated and diverse mobile broadband services is currently under way.
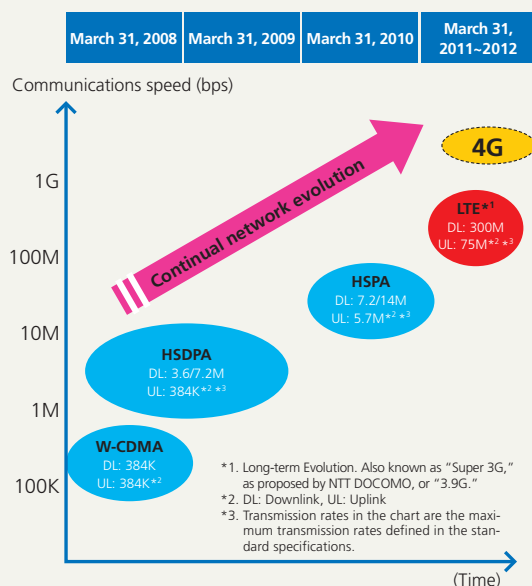
NTT DOCOMO is engaged in the development of Long Term Evolution (LTE), a standard that will drive significant

evolution in current 3G mobile communications standards such as FOMA. LTE anticipates customer demands for using large-volume content such as video in a stress-free environment, along with a projected surge in communications traffic as more and more customers choose fixed billing plans.

LTE was promoted as "Super 3G" by NTT DOCOMO in the course of international standardization activities. The standard substantially reduces communications delays, while improving band- width usage efficiency and enabling high-speed communications (downlink speed of up to approx. 300 Mbps).

LTE is planned for deployment from 2010. Services will be provided after a high-speed, minimal delay, large-capacity net- work is built at low cost and with high efficiency. Through this ultra-high-speed mobile communications infrastructure, it is anticipated to develop new styles of communication and business environments.
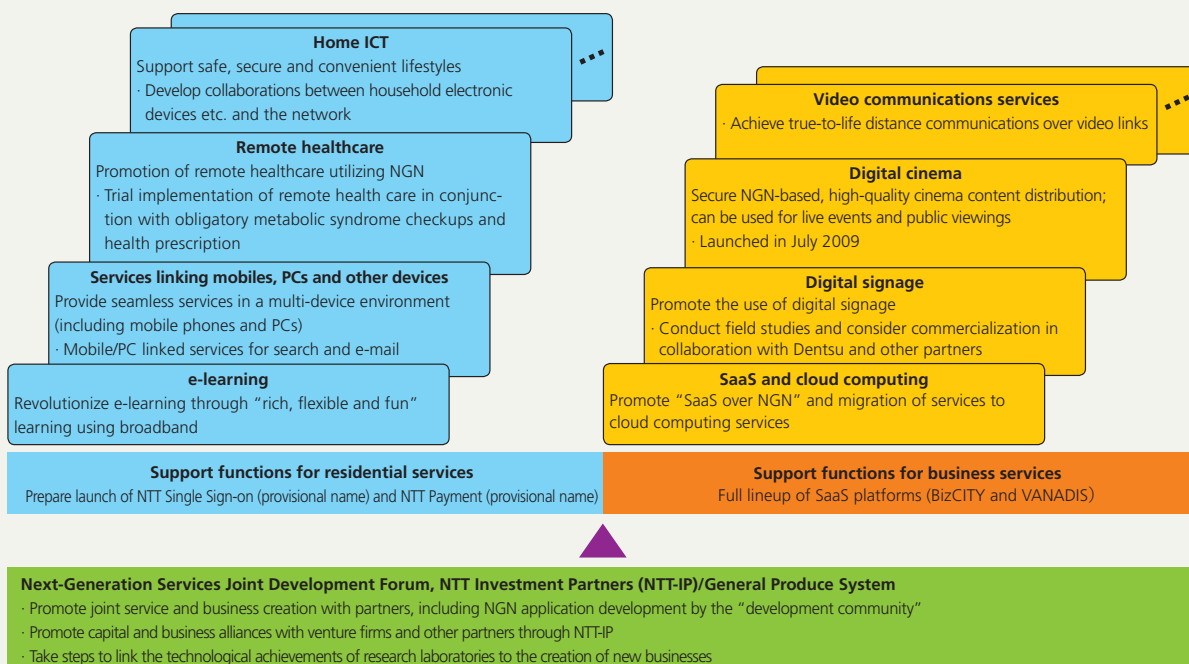
March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011~2012

Communications speed (bps)

Continual network evolution

4G

1G

100M

LTE[1]
DL: 300M
UL: 75M[2][3]

10M

HSPA
DL: 7.2/14M
UL: 5.7M[2][3]

HSDPA
DL: 3.6/7.2M
UL: 384K[2][3]

1M

100K

W-CDMA
DL: 384K
UL: 384K[2]

[1]. Long-term Evolution. Also known as "Super 3G," as proposed by NTT DOCOMO, or "3.9G."
[2]. DL: Downlink, UL: Uplink
[3]. Transmission rates in the chart are the maximum transmission rates defined in the standard specifications.

(Time)

New Service Development and Expansion

Expansion of Upper Layer Business

In the upper layer business, NTT is looking to expand various network based services and is working to create new services and businesses mainly through collaboration with prominent partners around the world. At the same time, NTT is conducting "produce" activities that link the technological achievements of research laboratories to the creation of new businesses.

Specifically, NTT Group has worked to create new businesses and develop NGN applications, mainly by carrying out Next-Generation Services Joint Development Forum activities, while forming capital and business alliances with domestic and foreign venture firms, mainly by making investments via NTT Investment Partners, Inc. In addition, we worked to effectively link the technological achievements of research laboratories to the creation of new businesses through the "General Produce System."

Home ICT
Support safe, secure and convenient lifestyles
· Develop collaborations between household electronic devices etc. and the network

Remote healthcare
Promotion of remote healthcare utilizing NGN
· Trial implementation of remote health care in conjunction with obligatory metabolic syndrome checkups and health prescription

Services linking mobiles, PCs and other devices
Provide seamless services in a multi-device environment (including mobile phones and PCs)
· Mobile/PC linked services for search and e-mail

e-learning
Revolutionize e-learning through "rich, flexible and fun" learning using broadband

Video communications services
· Achieve true-to-life distance communications over video links

Digital cinema
Secure NGN-based, high-quality cinema content distribution; can be used for live events and public viewings
· Launched in July 2009

Digital signage
Promote the use of digital signage
· Conduct field studies and consider commercialization in collaboration with Dentsu and other partners

SaaS and cloud computing
Promote "SaaS over NGN" and migration of services to cloud computing services

Support functions for residential services
Prepare launch of NTT Single Sign-on (provisional name) and NTT Payment (provisional name)

Support functions for business services
Full lineup of SaaS platforms (BizCITY and VANADIS)

Next-Generation Services Joint Development Forum, NTT Investment Partners (NTT-IP)/General Produce System
· Promote joint service and business creation with partners, including NGN application development by the "development community"
· Promote capital and business alliances with venture firms and other partners through NTT-IP
· Take steps to link the technological achievements of research laboratories to the creation of new businesses
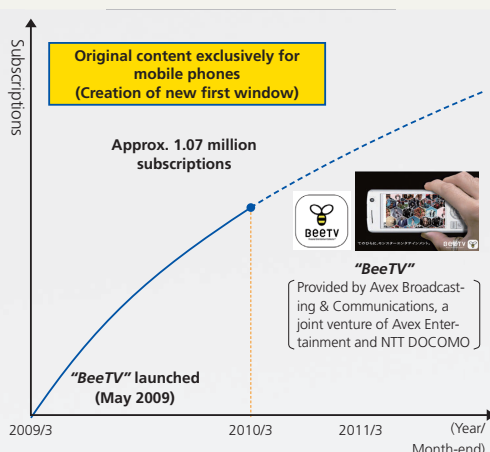
Expanding Video Services Using Optical Fiber and Mobile Phones

Broadband network platforms for both fixed and mobile networks that will enable the creation of new services are already taking shape. Video services distributed over such broadband networks are emerging as a new market.

Subscriptions to fiber-optic video services "Hikari TV"
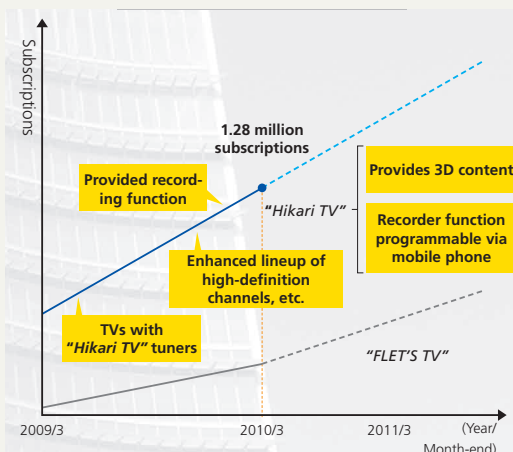
and "FLET'S TV" doubled over the past year to a combined total of 1.28 million at the end of March 2010. The mobile video service "BeeTV" launched in May 2009 has also grown quickly, with 1.07 million subscriptions at the end of March 2010.

Subscriptions

1.28 million subscriptions

Provided record-ing function

Provides 3D content

Recorder function programmable via mobile phone

"Hikari TV"

Enhanced lineup of high-definition channels, etc.

TVs with "Hikari TV" tuners

"FLET'S TV"

2009/3   2010/3   2011/3   (Year/Month-end)

Subscriptions

Original content exclusively for mobile phones (Creation of new first window)

Approx. 1.07 million subscriptions

"BeeTV"
Provided by Avex Broadcast-ing & Communications, a joint venture of Avex Enter-tainment and NTT DOCOMO

"BeeTV" launched (May 2009)

2009/3   2010/3   2011/3   (Year/Month-end)

Strengthening Global Business

NTT worked to enhance the lineup of its solution services and customer support services overseas. For instance, we increased the number of "Premium Data Centers" overseas which meet rigorous quality standards in approximately 130 categories, leveraging our expertise gained from extensive data center operations. Another example is the acquisition of overseas companies, including a SAP solution business provider, in order to enhance our capabilities.

We also enlarged our global network with the acquisition of a submarine cable operator, and expanded international roaming service areas. Looking ahead, we plan to make continued efforts to drive growth in our customer base, and sharpen our service delivery capabilities.

Going Global with Comprehensive ICT Services

NTT Group is strengthening global business development to meet customer needs for high-quality services that are provided seamlessly in Japan and overseas.

NTT Group will provide total ICT solutions—networks, data centers, security and other solutions—in the world's major cities by further extending its service area and expanding its network of business offices. We are also working to increase the convenience and reliability of our network services by enhancing our networks through investment in submarine cable systems providers and expanding the international roaming service area for our mobile phones. We are also developing application services on a global basis, including a mobile phone

Global ICT Solutions for Corporate Customers
- **ICT Solutions**: Provided in 99 cities in Asia, U.S. and Europe (by NTT subsidiaries, Germany's itelligence, etc.)
- **Data centers**: Owned and operated in 31 cities in Asia, U.S. and Europe (NTT Communications)
- **Security operations**: Global support provided (NTT Communications)

Global Development of Network Services
- **IP-VPN and other data communications services**: Provided in 159 countries and regions (NTT Communications)
- Global reach provided as a Global **Tier 1 provider** (NTT Communications)
- Laying and operating **submarine cable systems** (NTT Communications)
- **International mobile roaming service**: Provided in 207 countries and regions (NTT DOCOMO)
- **"TATA DOCOMO" mobile phone service in India** (NTT DOCOMO)

Global Development of Content Distribution and Other Application Services
- **Mobile phone comic distribution**: Offered in 30 countries and regions in Asia, U.S. and Europe (NTT Solmare)
- net mobile AG became a **content distribution** subsidiary **in Europe** (NTT DOCOMO)

distribution service for comics that is provided overseas as well as investment in companies operating mobile content distribution and billing platforms.
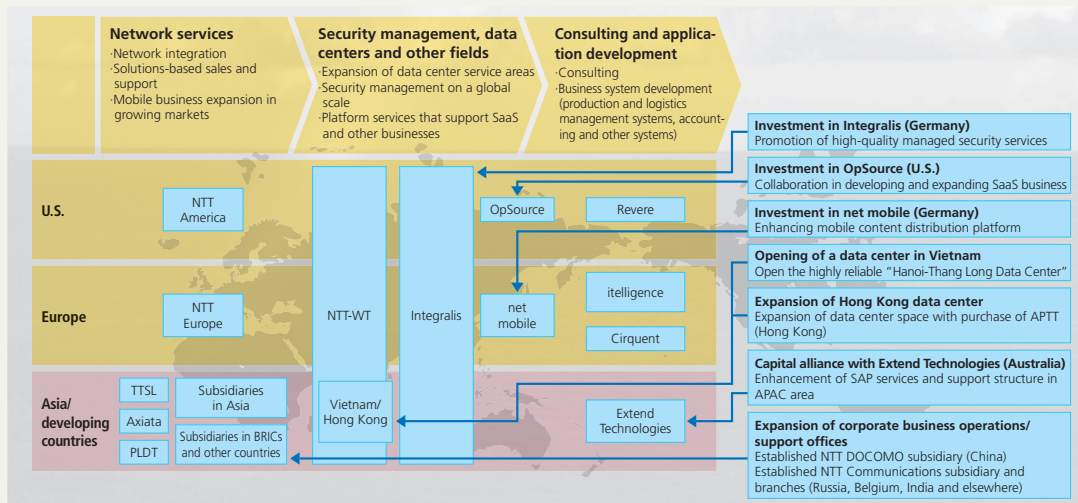
Enhancing the Service Lineup for Corporate Customers

In the field of services for corporate customers, we have enhanced our network of overseas offices in Russia, the Philippines and other Asian and BRIC countries in order to support the global corporate activities of our customers.

In addition, we are enhancing service lineups through mergers and acquisitions.

Examples include investing in German security provider Integralis to help reinforce high-quality managed security services and in Australia's Extend Technologies to strengthen ERP consulting services in the Asia-Pacific region.

Network services
·Network integration
·Solutions-based sales and support
·Mobile business expansion in growing markets

Security management, data centers and other fields
·Expansion of data center service areas
·Security management on a global scale
·Platform services that support SaaS and other businesses

Consulting and application development
·Consulting
·Business system development (production and logistics management systems, accounting and other systems)

U.S.: NTT America

Europe: NTT Europe

Asia/developing countries: TTSL, Axiata, PLDT, Subsidiaries in Asia, Subsidiaries in BRICs and other countries

NTT-WT, Integralis, OpSource, Revere, net mobile, itelligence, Cirquent, Vietnam/Hong Kong, Extend Technologies

Investment in Integralis (Germany)
Promotion of high-quality managed security services

Investment in OpSource (U.S.)
Collaboration in developing and expanding SaaS business

Investment in net mobile (Germany)
Enhancing mobile content distribution platform

Opening of a data center in Vietnam
Open the highly reliable "Hanoi-Thang Long Data Center"

Expansion of Hong Kong data center
Expansion of data center space with purchase of APTT (Hong Kong)

Capital alliance with Extend Technologies (Australia)
Enhancement of SAP services and support structure in APAC area

Expansion of corporate business operations/support offices
Established NTT DOCOMO subsidiary (China)
Established NTT Communications subsidiary and branches (Russia, Belgium, India and elsewhere)

Expanding the Solutions Business in Asia

As a part of efforts to strengthen the ICT solutions business, which provides Japan Quality on a global basis, we will begin construction in the year ending March 31, 2011 on premium data centers in Singapore and Vietnam that will provide high levels of quality and reliability.

We will also launch the Inter-Data Center Connectivity Service utilizing a large-capacity backbone for high-speed, seamless, rack-to-rack connectivity among core data centers in Singapore, Hong Kong, Japan and the U.S. The service will provide high-capacity communication lines to corporate customers with shorter delivery periods, and will be offered with guaranteed bandwidth or best-effort delivery.

Seamless Support of Global Companies in Japan and Overseas

- Solution Bases
  (●Bases acquired through M&As in the past 2 years)
- Data Centers
- Major Investment Targets

HSCS*
Europe
Asia
APG*
PC-1*
North America/South America

(Europe)

(Solution bases)
· No. of ICT solution bases: 45 cities
· No. of employees: approx. 4,500

(Major investment targets)
· itelligence [Germany]: SAP solutions, etc.
· Cirquent [Germany]: SI/IT consultation for the auto industry and financial business, etc.

(Asia)

(Solution bases)
· No. of ICT solution bases: 34 cities
· No. of employees: approx. 4,200

(Major investment targets)
· PLDT [The Philippines]: fixed-line and mobile
· Tata (TTSL/TTML) [India]: Fixed-line and mobile
· KT [South Korea]:

(North America/South America)

(Solution bases)
· No. of ICT solution bases: 20 cities
· No. of employees: approx. 1,900

(Major investment targets)
· Verio/NTT America [US]: Tier 1 provider, hosting services
· Pacific Crossing [US]: Submarine cable system connecting Japan and the United States

*HSCS: Hokkaido-Sakhalin Cable System
APG: Asia-Pacific Gateway (Operation scheduled to commence in 2011)
PC-1: Pacific Crossing-1

2010

The NTT Group surpassed its targets for consolidated operating revenues and consolidated operating income in the fiscal year ended March 31, 2011. Moreover, despite the impact of the Great East Japan Earthquake, NTT East, NTT West, and NTT DOCOMO recorded steady gains in profits, and consequently we achieved year-on-year increases in operating revenues and operating income for the first time in seven years. NTT Group's consolidated operating revenues for the fiscal year ended March 31, 2011 were 10,305.0 billion yen (an increase of 1.2% from the previous fiscal year). Consolidated operating expenses were 9,090.1 billion yen (an increase of 0.3% from the previous fiscal year). As a result, consolidated operating income was 1,214.9 billion yen (an increase of 8.7% from the previous fiscal year), consolidated income before income taxes was 1,175.8 billion yen (an increase of 5.0% from the previous fiscal year), and consolidated net income attributable to NTT was 509.6 billion yen (an increase of 3.5% from the previous fiscal year).

Initiatives to Expand Broadband Services

Extracted from Annual Report 2011

Broadband Access: Higher Speed and Broader Area Coverage

The NTT Group's Medium-Term Management Strategy, "Road to Service Creation Business Group," was formulated in May 2008. In accordance with this strategy, the NTT Group has worked to build full-IP networks for both fixed-line and mobile communications and to promote the creation and adoption of broadband and ubiquitous services using those networks. In fixed-line communications, FLET'S Hikari service is available to more than 90% of the households in Japan. In mobile, in addition to FOMA which is already available throughout Japan, we launched Xi ("crossy"), an LTE service, in December 2010, thereby fostering further progress in increasing speeds. In this way, Japan's broadband environment is the most advanced in the world in terms of both speed and service area coverage.
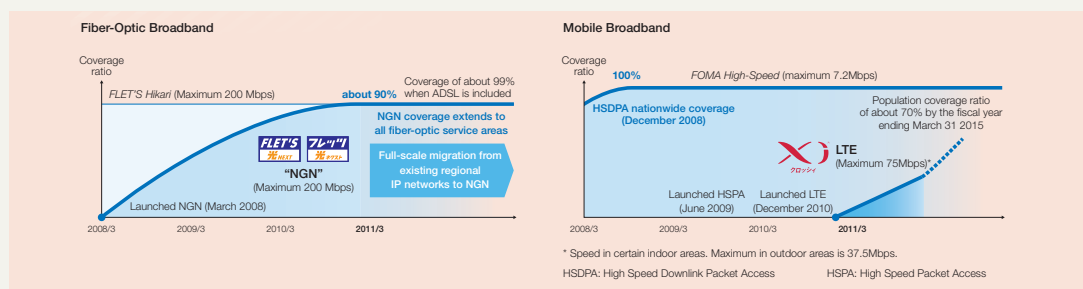
Increasing FLET'S Hikari Penetration and Boosting ARPU

NTT East and NTT West have worked to increase user coverage by expanding the NGN provision area and by installing fiber-optic cables into internal condominium wiring conduits, and they have also worked to strengthen customer retention initiatives by enhancing their members-only programs and promoting sales of video services. Moreover, NTT East and NTT West have taken steps to generate new demand through a new type of device, Hikari i-Frame. As a result, at the end of March 2011 the number of FLET'S Hikari subscriptions had surpassed 15 million. In addition, starting with the NTT East service area, we have launched FLET'S Hikari Light. This two-tiered fixed-rate service offers economical pricing for customers who want to start using the Internet or do not have the opportunity to use the Internet regularly. In this way, we have worked to expand the base of FLET'S Hikari users. Moreover, through
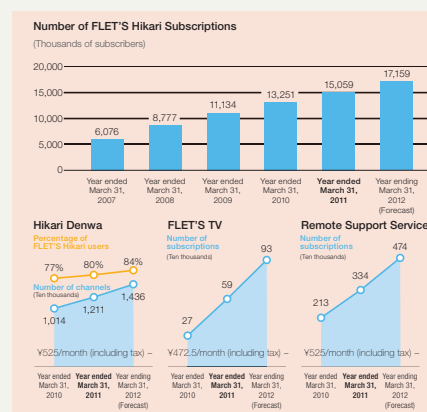
the expansion of optional services, such as Hikari Denwa and Remote Support Services, we have steadily increased ARPU.

LTE Service Xi ("crossy")

In December 2010, NTT DOCOMO launched Xi, a service based on the new Long Term Evolution (LTE) communication standard, which features high-speed, large-capacity, and low latency. This service was initially launched in certain areas of Tokyo, Nagoya, and Osaka, and in July 2011, the service area was expanded to six other major cities —Sapporo, Sendai, Kanazawa, Takamatsu, Hiroshima, and Fukuoka. In the future, the service area will be expanded to include prefectural-capital-sized cities, and plans call for Xi-compatible mobile Wi-Fi routers and an expanded lineup of devices, such as tablet devices and smartphones. We are aiming to surpass 1 million subscriptions by March 31, 2012.

Fixed-Mobile Convergence

Currently, as for fixed-line communications, FLET'S Hikari, which offers stable, ultra-high-speed communications, is available to more than 90% of the households in Japan. On the other hand, as for mobile, FOMA High Speed is available throughout the entire country, followed by the launch of the even-higher-speed LTE service. Based on this progress, the business environments to provide seamless services on the foundation of a full-IP network for both fixed-line and mobile communications are completed. The NTT Group is now providing a range of products and services that combine fixed-line and mobile communication .One example is a mobile Wi-Fi router that makes it possible for customers to use the best broadband connection without paying any attention to location or communications network. Another is Hikari TV Dokodemo, which enables Hikari TV content to be viewed not only at home but also on devices such as smartphones. Moving forward, the NTT Group will continue to respond to customer needs and accelerate the provision of new services that combine fixed-line and mobile.
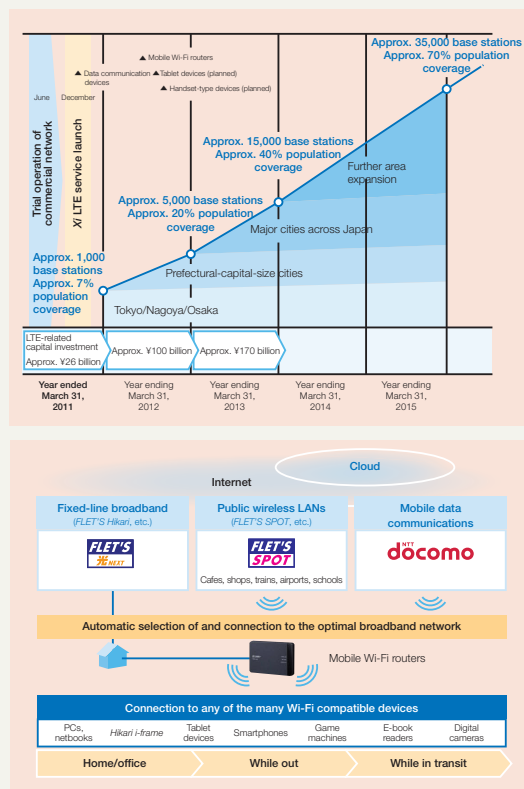
Upper Layer Services are Growing

Fiber Optic Video Services

The fiber-optic video services Hikari TV and FLET'S TV have contributed to the growth in FLET'S Hikari sales as these services provide a fiber-optic usage scenario other than Internet connectivity and they are also effective customer retention tools.

With Hikari TV, customers can view video-on-demand (VOD) and multichannel broadcast content, and they can also use IP-based services, such as Hikari TV Shopping and Hikari TV Dokodemo, which offers on-demand viewing on such devices as smartphones. With FLET'S TV, on the other hand, customers can view terrestrial digital broadcasts at reasonable prices without a special tuner. In the areas where demand is concentrated, such as the Tokyo and Kansai metropolitan areas, we are increasing the choices available to customers by providing both Hikari TV and FLET'S TV. In this way, we are working to expand the market for fiber-optic video services.
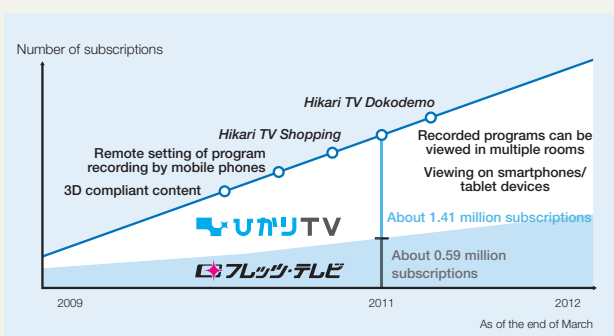
e-Learning

In November 2009, the NTT Group launched N-Academy, a network based school. The content is provided through lecture videos and SNS, and the teachers at N-Academy are well known experts who are active in various fields.

Since the service was launched, the number of lectures has steadily expanded. As of the end of August 2011, about 100 programs were available and there were approximately 11,000 registered members.

Also, in July 2010, we launched Virtual English Conversation Lessons in cooperation with ALC Press, Inc. By providing an English learning environment that draws on the strengths of online communications and the language lesson know-how of the ALC Group, which has a strong track record in the field, we are providing an efficient and effective English teaching service.

Safe, Secure, Highly Reliable Cloud Computing Services from the NTT Group

The NTT Group's high-quality infrastructure includes networks and data centers in Japan and overseas, and we can utilize that infrastructure to provide safe, highly reliable cloud computing services. Moving forward, we will combine applications, platforms, networks, and terminal devices to offer one-stop, total ICT solution services, from system integration to operation and troubleshooting.

NTT DATA provides BizXaaS comprehensive cloud computing services for public agencies, local government offices, and large companies that provides a total response to corporate customer needs, from public clouds to private clouds. BizXaaS draws on the system development and operation experience and the consulting capabilities that have been cultivated by NTT DATA.

NTT Communications provides BizCity, a cloud computing services that make use of its own networks as a telecommunications carrier. It is principally targeted at large and medium-sized companies and software vendors offering SaaS services.

NTT East and NTT West offer SaaS services utilizing NGNs. For a monthly fee, customers can use a variety

of applications offered by software vendors through the FLET'S Software Delivery Service. Furthermore, NTT West launched Biz Hikari Cloud in March 2011 in cooperation with Group companies. The principal target is local governments, companies, and medical, educational, and other communities.

NTT DOCOMO offers Mobile Secure Desktop, which makes it possible to conduct work on PCs and tablet devices even when outside the office. This is principally targeted at individuals and mobile business persons. NTT DOCOMO also offers the Mobile Groupware service, which facilitates the easy use of internal company information using such devices as smartphones in an effective manner.

The NTT Group will combine the strengths of Group companies, such as data centers, middleware, networks, authentication and payment collection, and operations capabilities, and strive to realize "cloud computing services as social infrastructure," with one-stop solutions from the NTT Group.
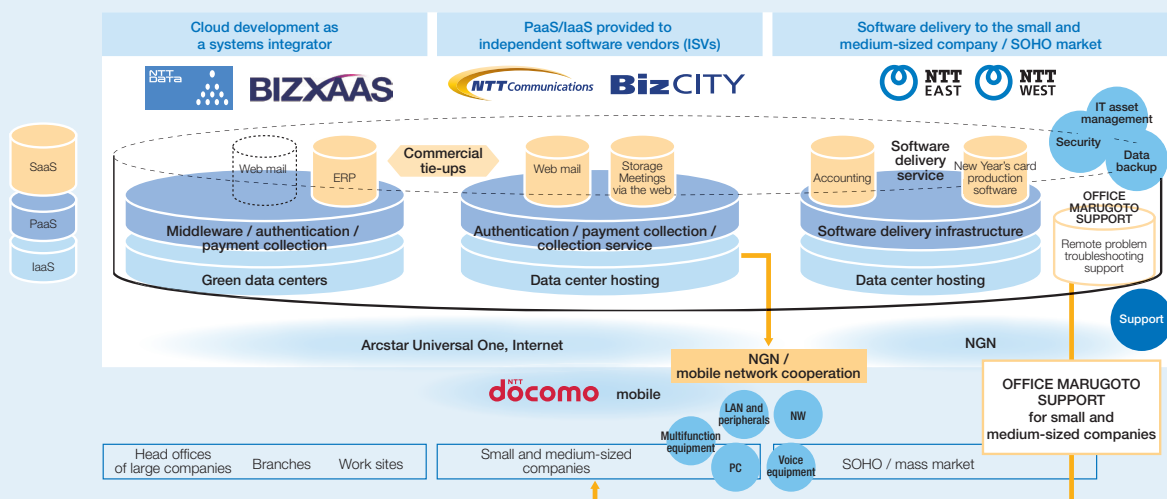
M&As Accelerate Growth of Global Business

Targeting global development of ICT services for corporate customers, NTT acquired Dimension Data Holdings plc in October 2010. In this way, NTT further solidified its position as an end-to-end, global one-step provider of high-quality total ICT services. Dimension Data and the NTT Group have ideal complementary profiles in terms of geographic coverage, service lineups, and customer bases. Dimension Data provides IT facility infrastructure, operation, and maintenance in Asia, Europe, North America, Africa, the Middle East, and Australia, while the NTT Group provides networks and data centers in Asia, Europe, and North America.

In addition, in December 2010 NTT DATA acquired Keane International Inc. (currently NTT DATA Inc.) a U.S.-based IT service company. This acquisition will enable NTT DATA to provide fully integrated IT services in the United States in addition to the strong global SAP service capabilities it has built to date. Moreover, as a member of the NTT Group, Keane will be able to support its customers on an even more global basis through cooperation with the NTT Group's European and Asian operations.

As a result, we added Australia, South America, the Middle East, and Africa to our existing operations in Asia, Europe, and the United States. In this way the NTT Group has established a framework that enables it to provide one-stop total ICT services on a global basis. By enhancing our service lineup and area coverage, we will leverage operational synergies among the Group and accelerate growth in our global business.

Furthermore, we are aiming to strengthen service capabilities to meet the cloud computing needs of customers by bolstering the synergy effect of global management resources.

Global Business

	Asia	Europe	North America	Australia, South America, Africa, and others
Applications				
Customized	Subsidiaries in Asia	cirquent NTT DATA	Keane an NTT DATA Company	
Packaged (SAP and others)		itelligence	INTELLIGROUP an NTT DATA Company	extend TECHNOLOGIES an NTT DATA Company
Platforms		INTEGRALIS	VERIO An NTT Communications Company	
Data Centers	NTT Worldwide Telecommunication			
Networks	Subsidiaries in Asia	NTT Europe	NTT America	Subsidiaries in BRICs and other countries
Office ICT (Customer Worksites)	Locations in 49 countries (including Africa and the Middle East)			

Respond to the needs for high-quality, comprehensive ICT services from corporate customers in Japan and abroad with global, end-to-end, one-stop services

2011

In the fiscal year ended March 31, 2012, we achieved higher consolidated operating revenues and operating income for the second year in a row. In fact, this marked the second consecutive year for higher revenues and the third consecutive year for higher income. In operating revenues, the fixed-line business recorded lower revenues, but higher overseas revenues, such as at Dimension Data and NTT DATA Inc., made a substantial contribution to our results, and consolidated operating revenues reached 10,507.4 billion yen, a year-on-year increase of 202.4 billion yen. Operating income was 1,223.0 billion yen. NTT East, NTT West, and NTT DATA recorded lower operating income, but NTT DOCOMO and NTT Communications recorded increases in operating income. Consequently, although we did not achieve our forecast for operating income, we did secure a year-on-year increase of 8.1 billion yen in operating income.

Progress on Medium-Term Management Strategy

In accordance with the Medium-Term Management Strategy, we have worked to establish a leading-edge broadband environment, to create services utilizing that environment, and to generate global business opportunities. As a result, we have made steady progress in transforming our business structure, and we expect to basically meet our targets for major indicators.

We have advanced structural reforms as a leader among the world's telecommunications companies.

In reforming our business structure, we have shifted to a structure that supports global development of the IP-related services and solution businesses, with broadband as a foundation. We expect the IP-related, solutions, and other businesses to account for 75% of our consolidated net sales in the fiscal year ending March 31, 2013, compared with 52% in the fiscal year ended March 31, 2008. We have transformed our business structure as a leader among the world's telecommunications companies.

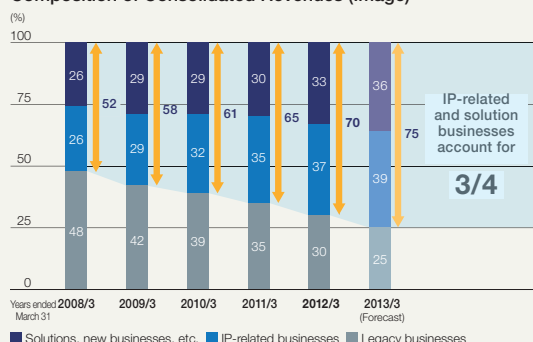### Achieved profitability in fiber-optic services in FY 2012.3, according to plan

As for fiber-optic services, which are the core of the fixed line communications businesses, we previously announced our objective of generating a profit in the fiscal year ended March 31, 2012. Due to upfront investment, we recorded

successive losses on a single-year basis, but as a result of our efforts to expand our customer base, NTT East and NTT West have both achieved the objective of profitability in these services. This is a highly significant turning point for the Regional Communications Business segment, and will be an extremely important factor in our ability to continue to increase our profits.
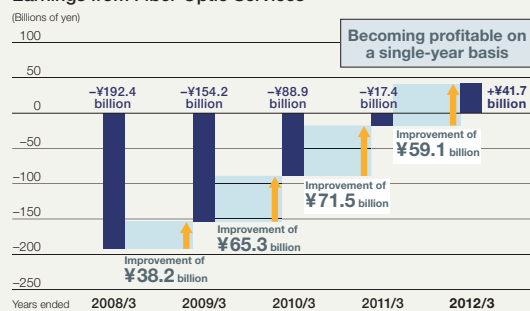
Achieved revenues target of US$10.0 billion from global business one year ahead of the target of FY 2013.3

In global business, we have taken steps to expand our operations, centered on the solutions business. One such step was the acquisition of Dimension Data. We achieved our target of revenues from global business of US$10.0 billion in the fiscal year ended March 31, 2012, one year earlier than previously planned.

Composition of Consolidated Revenues (Image)

Years ended March 31	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3 (Forecast)
Solutions, new businesses, etc.	26	29	29	30	33	36
IP-related businesses	26	29	32	35	37	39
Legacy businesses	48	42	39	35	30	25
(IP-related total)	52	58	61	65	70	75

IP-related and solution businesses account for **3/4**

Earnings from Fiber-Optic Services (Billions of yen)

Years ended March 31	2008/3	2009/3	2010/3	2011/3	2012/3
	−¥192.4 billion	−¥154.2 billion	−¥88.9 billion	−¥17.4 billion	+¥41.7 billion

Becoming profitable on a single-year basis

Improvement of **¥38.2** billion
Improvement of **¥65.3** billion
Improvement of **¥71.5** billion
Improvement of **¥59.1** billion

(Notes) FY2008/3 and FY 2009/3: Figures of designated telecommunications services except specified telecommunications services.
FY 2010/3 and thereafter: Figures of designated telecommunications services (FTTH access and other services) except specified telecommunications services.

Providing One-Stop Services in the Global ICT Market

While the future course of business conditions is increasingly unclear, many companies are targeting further growth. In this setting, they are opening up new fields of business and accelerating globalization, and these initiatives are becoming the driving force behind the development of new ICT services, such as cloud services, on a global basis. In the midst of these initiatives, global companies have concerns about the management and running costs of systems that are dispersed around the world, while regional companies face difficulties in remaining up-to-date with the latest technologies with only their in-house resources. The public sector, meanwhile, is faced with the need to improve the cost-effectiveness of complex systems. Moreover, to protect the security and privacy of residents, the public sector needs systems that facilitate the ongoing provision of services even in times of disaster while also offering high-level security.

Leveraging comprehensive ICT services to support customers with a variety of business models

Using Worldwide Management Resources to Provide Services that Draw on NTT's Distinctive Strengths

The NTT Group has developed its global business in accordance with the principles of "expanding our service lineup" and "increasing our area coverage." By the end of March 2012, we had built a customer base of more than 10,000 customers in 69 countries, and our overseas revenues in the fiscal year ended March 31, 2012, surpassed US$10.0 billion. In addition, in terms of data center server room floor space we are No. 2 in the world, and in terms of total capacity of marine cable systems we are in the top 3 in Asia and the top 10 worldwide.

In line with customer needs, the NTT Group provides integrated services at all layers, from business process reengineering (BPR) and other consulting services to integrated management of network services, data centers, ICT infrastructure applications, security, and maintenance services. NTT's highly-secure global networks and data center services can help to optimize the ICT system management of global companies. Our comprehensive ICT infrastructure outsourcing services can free regional companies from complex system management while simultaneously reducing ICT-related costs. In addition, through data backups at data centers in different locations, the NTT Group facilitates business continuity for customers in times of disaster, and through high-level security we help to protect municipal systems from cyber attacks. In this way, the NTT Group has reinforced its service lineup and area coverage, and in the fiscal year ending March 31, 2013, we aim to achieve revenues from global business of US$13.0 billion through the provision to customers around the world of services that leverage the distinctive strengths of the NTT Group.

NTT Group's Global Business

NTT Group is the No. 1 telecom player in the world by revenues

- US$130+ billion revenues in total
- US$11.6 billion overseas revenues
- Over 45,000 people on the ground
- in 69 countries
- 80% of Fortune Global 100
- 10,000+ enterprise clients (outside Japan)

The NTT Group offers business solutions, flexible ICT solutions across all ICT layers, and single management

End devices

Applications

ICT Infrastructure

Network services / Data centers
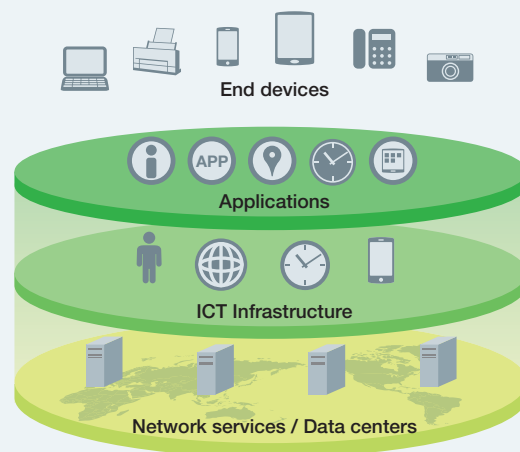
2012

During the fiscal year ended March 31, 2013, NTT Group has worked to expand its provision of broadband and ubiquitous services pursuant to its Medium-Term Management Strategy, adopted in May 2008, entitled "Road to Service Creation Business Group." NTT Group's consolidated operating revenues for the fiscal year ended March 31, 2013 were 10,700.7 billion yen (an increase of 1.8% from the previous fiscal year). Consolidated operating expenses were 9,498.8 billion yen (an increase of 2.3% from the previous fiscal year). As a result, consolidated operating income was 1,202.0 billion yen (a decrease of 1.7% from the previous fiscal year), consolidated income before income taxes was 1,201.1 billion yen (a decrease of 3.1% from the previous fiscal year), and consolidated net income attributable to NTT was 524.1 billion yen (an increase of 12.1% from the previous fiscal year).

In the fiscal year ended March 31, 2013, our overseas sales were $12.0 billion, an increase of $0.6 billion year on year, and the proportion of corporate sales represented by overseas sales was 32%.

Announcement of Medium-Term Management Strategy: "Towards the Next Stage"

Extracted from Annual Report 2013 and other sources

In November 2012, the NTT Group released its new Medium-Term Management Strategy, "Towards the Next Stage."
Under this plan, the cornerstone of our business operations will be "Global Cloud Services," and our strategic focus will be Comprehensively Strengthen Network Service Competitiveness." On that basis, we will work to become the "Value Partner" that customers continue to select. In addition, our medium-term financial target is growth of 60% or more in earnings per share (EPS), which we will strive to achieve by the fiscal year ending March 31, 2016. In this way, we will work to increase corporate value.

The Next Stage

These days, both businesses and individuals engage in activities that are increasingly globalized and cloud-based. A variety of new technologies have served as "change enablers" behind these trends, which will lead to an even bigger change, as NTT heads towards the "Next Stage" of Inter-Service.

Accompanying the transition to a cloud services paradigm, users will be freed from the constraints of devices, operating systems, and uniform user interfaces. In other words, in the next stage users themselves will decide what combinations of services to use, and from what providers. As a result, user choices will expand dramatically.

From a "Provider" to a "Value Partner"

Amid these changes, NTT Group will seek to pursue growth by self-transformation and aim to become a "Value Partner" that customers continue to select, by connecting a variety of services with other services and customers' needs to services.

The basic concept of the NTT Group's new Medium-Term Management Strategy can be summed up as a transition "from a provider to a value partner." The NTT Group is aiming at the transformation from being a provider

to a value partner especially in terms of "supporting the business model transformation of our corporate customers" and "supporting the enriched lifestyles of our individual customers."

Present

| Internet |
Obtain a great variety of information over the Internet
Use of applications available on the Internet
- Dependent on device, operating system, and network
- Uniform user interfaces

Acceleration of the transformation

Next Stage

| "Inter-service" |
Compatibility among Internet-based services and convergence between real-world businesses and Internet-based services will lead to higher value-added services
- Open and seamless usage environment (device-free, OS-free)
- Personalized user interface and user experience (simple and user-friendly)

Change Enabler

- Big Data
- M2M, Internet of Things
- Virtualization
- HTML5, Web applications
- Natural language processing
- Secure dispersion / computation
- Cloud forensics
- Edge computing, etc.

From a "Provider" to a "Value Partner"

The "Value Partner" that customers continue to select
—Linking a wide range of services, connecting users and services—
- Supporting business model transformation of our corporate customers (B2B2C business model)
- Supporting the enriched lifestyles of our individual customers
- Pursuing growth by self-transformation

| **Role of the NTT Group** | Suitable for customers' needs | - Flexible combination of infrastructure, platforms, and applications
- Appropriate service-matching support on behalf of customers |
| | Simple and convenient | - Simple and user-friendly interface & user experience
- Meet customer demands at reasonable rates |
| | Secure and safe | - Protect customers from security threats with leading technology and operations |

Changes in Earnings Structure

The market is currently undergoing significant change. Information processing capabilities have undergone a cycle of concentration (from user devices to networks) and dispersion (from networks to user devices). That process of concentration and dispersion is now making further advances and is nearing its final form—cloud services. Clearly, we are entering an age in which cloud services will play the central role, and accordingly, I believe that global markets and cloud services must be considered the growth pillars of the NTT Group.

Accompanying the transition to a cloud services paradigm, users will be freed from the constraints of devices, operating systems, and uniform user interfaces. Under the cloud paradigm, customers will be able to freely select the services they use, and we expect network services to be sold in bundles with applications and platforms rather than on a single-item basis. However, this does not mean that

Changes in Earnings Structure
- "Global Cloud Services" as the Cornerstone of NTT's Business Operations
- Comprehensively Strengthen Network Service Competitiveness
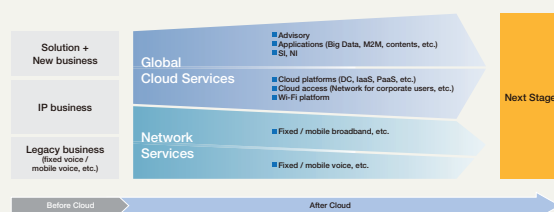
the importance of networks will decline. On the contrary, the importance of the infrastructure supporting the cloud will increase further in the years ahead. We will not compromise on investment that is needed to provide high-quality services, but we will also emphasize facility efficiency and take steps to thoroughly increase our competitiveness in network services.

Medium-Term Financial Targets

In May 2012, we announced that we would work toward an increase of 60% or more in EPS over the medium term as a financial target. Under our Medium-Term Management Strategy, we continue to position earnings per share (EPS) growth as our most important indicator. We have set a clear target for reaching that goal by the fiscal year ending March 31, 2016.I understand that ROE is the focus of special attention among sales and financial targets, particularly in Europe and the United States. However, I have met and exchanged ideas with shareholders and investors, and in

consideration of their opinions I concluded that setting EPS as a key target and working to increase it is more important for shareholders and investors to understand changes in corporate value.

To clearly express our intention to grow over the medium term, we are using EPS not as a single-year target but as a medium-term target. EPS is calculated with a numerator (net income) and a denominator (number of shares issued), and we ultimately settled on growth of more than 60% after considering a variety factors, such as future profit trends and acquisitions of treasury stock.

Medium-Term Financial Targets

|The Path to Profit Recovery and Growth|

I "Global Cloud Services" as the cornerstone of NTT's business operations

By the fiscal year ending March 31, 2017:
Proceeds from overseas sales: **$20.0** billion
Proportion of corporate sales represented by overseas sales: **50%** or more

II Comprehensively strengthen network service competitiveness

By the fiscal year ending March 31, 2015:
At least **¥400.0** billion in cost reductions in fixed-line / mobile access networks (compared with the fiscal year ended March 31, 2012)

|Cash Control and Effective Utilization|
- Streamlining capital investment
- Increasing M&A with a focus on cloud-related businesses
- Enhancing shareholder returns in the medium term

By the fiscal year ending March 31, 2016:
Capex to sales ratio **15%**

EPS growth of 60% or more by the fiscal year ending March 31, 2016
(compared with the fiscal year ended March 31, 2012)

"Global Cloud Services" as the Cornerstone of NTT's Business Operations

Extracted from Annual Report 2013

The Extensive Coverage of the NTT Group
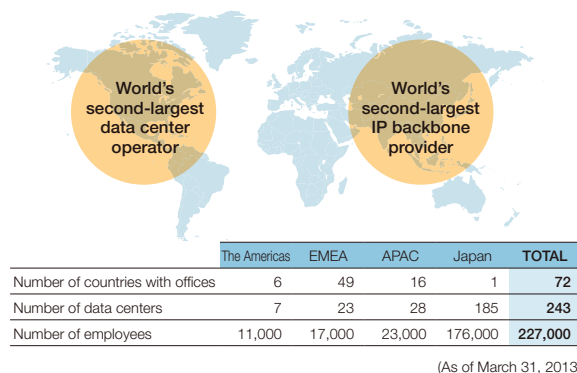
The NTT Group's Global Services

The NTT Group offers a wide range of services in markets around the world, including network / data center, managed ICT, and solution / application services. The ability to provide this comprehensive range of services is one of the NTT Group's key strengths.

(1) Network / Data center services

Currently, the NTT Group provides more than 10,000 global companies in 160 countries and regions with IP-VPN and other data network services as well as Internet access and other global network services. The NTT Group operates the world's second largest global IP backbone.

As infrastructure that stores customer information, data centers—in combination with networks—are an important business platform for the provision of ICT services to customers. The NTT Group operates more than 240 data centers around the world. We offer colocation services, in which we provide data center space, and hosting services, where we provide bundles of equipment and data center space. The NTT Group is number two in the world in terms of server room floor space.

Direct Presence in 72 Countries, Service Provision in 160 Countries / Regions

World's second-largest data center operator

World's second-largest IP backbone provider

	The Americas	EMEA	APAC	Japan	TOTAL
Number of countries with offices	6	49	16	1	72
Number of data centers	7	23	28	185	243
Number of employees	11,000	17,000	23,000	176,000	227,000

(As of March 31, 2013)

(2) Managed ICT services

The NTT Group provides end-to-end ICT services, such as network integration and IT outsourcing.

(3) Solution / Application services (including systems integration)

The NTT Group has about 29,000 IT consultants and system engineers in 136 cities in 34 overseas countries. These employees provide IT consulting, systems integration services, outsourcing services, such as Application Management Outsourcing (AMO) and Business Process Outsourcing (BPO), and application services that utilize management systems such as SAP and Oracle.
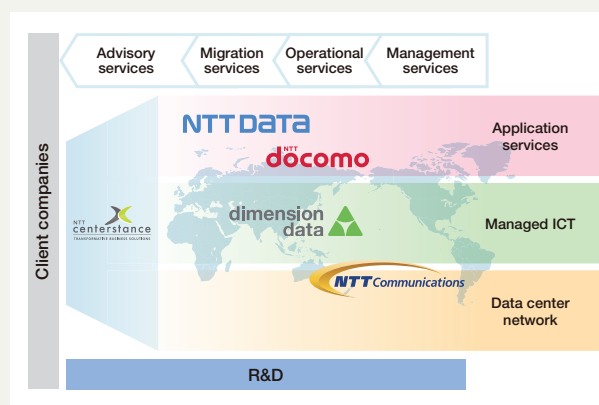
The NTT Group has built a system that can provide a full-service lineup, from networks and data centers to managed ICT services and systems integration. In markets characterized by competition among large numbers of global companies, the NTT Group has a unique position. Leveraging this strength, the NTT Group is aiming to achieve growth through progress in Global Cloud Services. NTT Group companies overseas are generating synergies by leveraging the service provision capabilities and customer bases of other NTT Group companies.

Our Strengths in Global Cloud Services

Recent Initiatives to Strengthen Cloud Services

To strengthen cloud services, in November 2012 we acquired Centerstance Inc., of the United States, a consulting company that specializes in corporate business process analysis and support for the migration of existing systems to the cloud. Centerstance Inc., is also one of a limited number of Salesforce.com Platinum Partners. Through this acquisition, the NTT Group has strengthened its cloud advisory and application migration capabilities.

In addition, in June 2013 we agreed to acquire all of

Group Global Business Development

Existing IT systems	Advisory services	ICT services		ICT management
		Industrially developed countries	Emerging countries	

Existing IT systems

Applications

PF

Infrastructure
- Global data centers
- Global networks
- Wi-Fi
- Mobile networks

Focus on value for customers

Advisory services

Business analysis — Cloud, Security, Mobility → Big Data, M2M

Proposals combining business analysis and ICT services

ICT services

On-premises | Off-premises

Migration of business applications to the cloud

Industry platform

Standardized cloud, etc.

Security

Cloud platform
- Global data centers
- Global networks
- Wi-Fi
- Mobile networks

Provision of flexible, high-quality ICT services, even incorporating the services of other companies

ICT management

- Total system visualization, from applications to devices
- Security management

Provision of end-to-end, secure ICT management

Support for the business model transformations of customers as an ICT strategy partner

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the shares of Solutionary, Inc., which is based in the United States and offers managed security services. With this acquisition, we are further advancing our business in North America through the reinforcement of our security services, which will play a key role in the maintenance and expansion of our ICT business, centered on the cloud. Specifically Solutionary, Inc., has the ability to provide security platforms and security operations as well as security consulting resources, while the NTT Group has established a total ICT business, from infrastructure and networks to solutions. Moving forward, we will work to establish a new business model that leverages these strengths.

We believe that the source of our competitiveness is our ability to continue to be selected by customers. Overall, the NTT Group's business is defined by a phrase that uses the letters NTT: **N**ext Value Partner for **T**ransformation by **T**otal Solutions. In other words, through differentiation in services and technologies, we will help our customers to implement business model transformations, and thereby earn their trust.

NTT Group Cloud Services: Key Points of Difference

As the only truly global partner that supports customers with an integrated perspective that extends across applications, infrastructure, and networks, the NTT Group will provide comprehensive cloud services that accommodate the diverse business environments of its clients.

The key points of difference for our products and services are as follows.

Advisory services	Migration services	Operational services	Management services
■ Hardware / Software / vendor and architecture neutral ■ No "legacy / incumbent" bias ■ Cross layer optimized advisory experience and capability	■ Any to any capability—"Any" legacy to "any" cloud infrastructure migration ■ Leading Salesforce.com migration capability ■ Combines deep understanding of legacy architecture and leading cloud technology	■ "Application aware" infrastructure ■ Seamless federation between NTT public / private clouds and customer clouds—globally ■ Optimized cost / performance (by workload, location) ■ Best in class network security & integration expertise ■ Pre-configured & tuned environments for highly productized applications	■ Integrated monitoring and management across network, infrastructure and applications ■ 24x7 global coverage with service operation centers that leverage onsite, offshore & near-shore resources

2013

In the information and communication technology (ICT) market, the adoption of social media and cloud services is expanding, supported by wider bandwidth resulting from the deployment of fiber-optic and LTE services and the widespread market acceptance of smartphones, tablets, and other devices. There is a global trend of new entrants to the market—in addition to telecommunications carriers—and there is also rapid progress in the variety and sophistication of services.

As a result of the above efforts, NTT Group's consolidated operating revenues for the fiscal year ended March 31, 2014 were 10,925.2 billion yen (an increase of 2.1% from the previous fiscal year). Consolidated operating expenses were 9,711.5 billion yen (an increase of 2.2% from the previous fiscal year). As a result, consolidated operating income was 1,213.7 billion yen (an increase of 1.0% from the previous fiscal year), consolidated income before income taxes was 1,294.2 billion yen (an increase of 8.1% from the previous fiscal year), and consolidated net income attributable to NTT was 585.5 billion yen (an increase of 12.2% from the previous fiscal year).

Strong Growth in "Global Cloud Services"

Extracted from Annual Report 2014

Full Lineup of Cloud Services from the NTT Group

In its Medium-Term Management Strategy, "Towards the Next Stage," the NTT Group announced the concept of working to become the Value Partner that customers continue to select. The strategy also positioned Global Cloud Services as the future growth driver of the NTT Group and included the objective of "$20.0 billion in overseas sales by the fiscal year ending March 31, 2017".

Cloud services comprise applications / solution services, managed ICT services, and data centers / networks. The NTT Group provides a full lineup of services that meet customer needs at each of these layers, from advisory services for the customer's migration to the cloud to management services after the migration is completed.

Global Cloud Business Promotion System
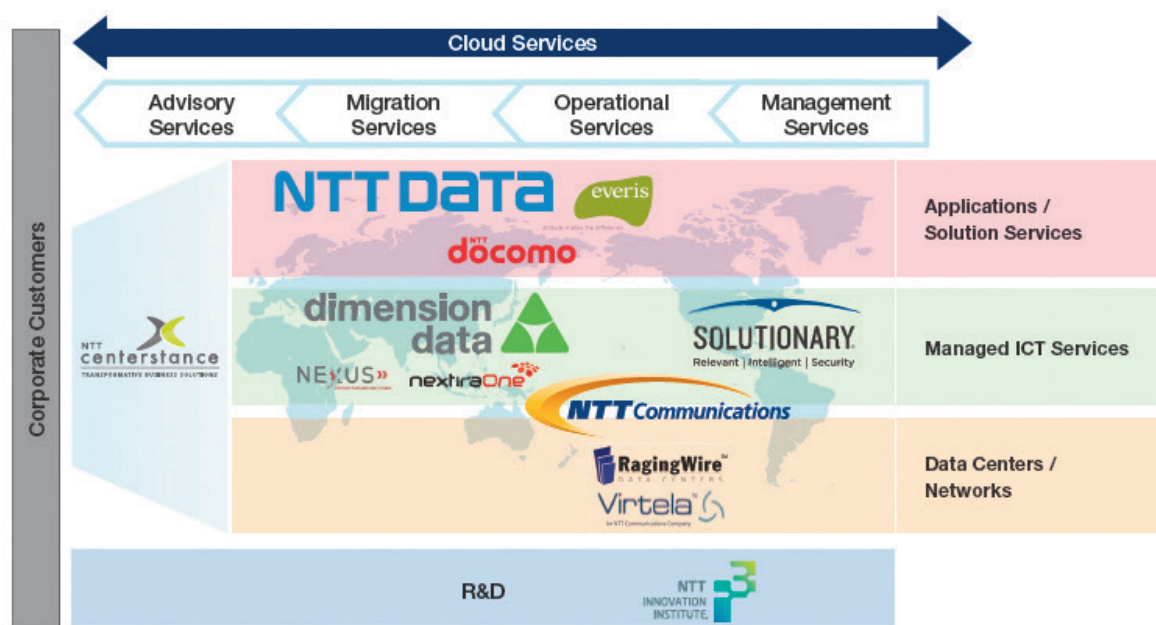
Applications / Solution Services

Approximately 42,000 employees in 175 cities in 41 overseas countries provide a wide range of services to the customers of the NTT Group. These include system Integration (SI) services, such as corporate ICT system planning, design, development, construction, installation, maintenance, and operation; outsourcing services, such as business process outsourcing (BPO); and application services using SAP, Oracle, and other applications.

Managed ICT Services

The NTT Group provides a wide range of ICT services in an end-to-end manner. These range from network integration (NI) —such as design for network construction and the installation and set-up of communications equipment—to IT outsourcing (ITO), including monitoring, maintenance, and operation of networks after they are put into operation.

Data Centers / Networks

Data centers are an extremely important operational platform for the provision of cloud services to corporate customers, and the NTT Group is in the top ranks worldwide in terms of server room floor space. We operate more than 250 data centers around the world, and we provide colocation services, which entail the provision of data center space, as well as hosting services, under which we provide sets of equipment and space.

In addition, the NTT Group's global base of corporate customers extends to more than 10,000 companies in 196 countries and regions around the world. As a world-class global IP backbone operator, the Group provides IP-VPN and other data communications networks as well as global network services, such as Internet access.

At NTT Laboratories, we are enhancing high-value-added technologies, such as cloud migration support technologies and security management technologies. In this way, we are working to differentiate our cloud business services.

Further Bolstering the Scope and Depth of Our Business Operations

To provide higher quality cloud services to customers, the NTT Group is working to further reinforce the footprint of its operations, which indicates the scope of its business fields, as well as the depth of its operations, which indicates its ability to provide solutions in those fields. To that end, the Group is implementing M&A transactions.

Overview and Purpose of Major M&A Transactions in the Past Year

NTT DaTa

January 2014 Acquisition — everis

The acquisition of the everis Group has expanded our footprint. Through this transaction, we acquired a robust business foundation in Spain and major countries in Central and South America, and we strengthened our comprehensive solutions provision capability from upstream to downstream. The everis Group has near-shore and offshore development bases, and we still strive to use those assets to increase our price competitiveness and service quality.

December 2013 Acquisition — optimal *

* In May 2014, the consolidation of Optimal Solutions Integration into the NTT DATA brand was completed.

In North America, we brought Optimal Solutions Integration, which has advanced skills and abundant training in the SAP field, where we expect to see strong demand growth, into the NTT Group. Going forward, we will expand our fields of business to include the provision of SAP services to the public sector, retail, distribution, and other entities.

dimension data

February 2014 Acquisition — nextiraOne

In Europe, we acquired NextiraOne, which has technological strengths in unified communication and collaboration services. NextiraOne's technologies will strengthen Dimension Data's ICT service provision capabilities, leading to a larger market share in Europe for the NTT Group.

April 2014 Acquisition — NEXUS

In the United States, we acquired Nexus IS, which provides advanced ICT services. As a result of this acquisition, Dimension Data's presence on the west coast and southeastern regions of the United States have been substantially enhanced, and the scale of our operations in the United States as a whole has been increased by about 40%. In addition, it will now be possible to provide customers with a wider range of more specialized services.

NTT Communications

January 2014 Acquisition — RagingWire DATA CENTERS

Through the acquisition of RagingWire, a U.S. data center operator, NTT Communications' data center floor space in the United States has doubled from about 20,000 square meters to about 43,000 square meters. Moreover, RagingWire has know-how related to efficient data center facility design and operation, and moving forward we will apply that know-how to other data centers.

January 2014 Acquisition — Virtela

We also acquired Virtela Technology Services, which has strengths in network virtualization technologies. Through this acquisition, the area in which NTT Communications provides network services to corporate customers has expanded from 160 countries and regions to 196 countries and regions. Moving forward, we will draw on the advanced, highly efficient operational know-how of Virtela Technology Services to further enhance the quality and competitiveness of our global network services.

Approach to M&A Transactions in the Future
We will implement M&A transactions that expand our footprint of our business fields, strengthen our ability to provide services, and enable us to leverage synergies on a Groupwide basis in building new business models.

The Unique Strengths of the NTT Group ~ Total solutions that leverage the distinctive strengths of a telecommunications carrier

The Distinctive Strengths of Carrier Cloud

The NTT Group includes telecommunications carriers, and this is a major strength in comparison with many other cloud vendors. The unique advantages of carrier cloud include seamless connections to the cloud using optical fiber, which is an existing asset for carriers, and integrated control of service performance and stability.

The NTT Group's data center in Hong Kong, which is operated by NTT Communications, succeeded in reducing the time required for a signal to travel between Tokyo and Hong Kong by 0.001 second through the use of a fiber-optic submarine cable linking Japan and Hong Kong. This achievement has been highly evaluated by customers in the financial industry who conduct ultra-high-speed transactions. To meet future growth in demand, in 2015 we plan to further expand the floor space of this data center, which is already one of the largest in Hong Kong.

Hong Kong Financial Data Center

■High reliability at Tier IV level, the highest quality level in the world
■The data center has an ideal location near the Hong Kong stock exchange data center, high security, and a low latency network.

Total Solutions Provided through Leading Companies at Each Layer

At each layer—applications / solution services, managed ICT services, and data centers / networks—industry analysts have given the NTT Group high evaluations that place the Group in the top ranks worldwide. The NTT Group includes leading companies in each of these fields, and those companies mutually leverage their service provision capabilities and customer bases to generate synergies. In this way, the Group is further enhancing its ability to provide total solutions. Hybrid cloud services, which combine on-premises private clouds and public clouds, are a good example. The system linkage between the private and public clouds requires advanced provision capabilities at each layer as well as cooperation among the service providers. Consequently, our ability to draw on our full lineup, from applications to infrastructure, in the provision of total solutions is a major strength.

NTT's Cloud Technologies Advanced by R&D

Key Aspects of Global Cloud Services

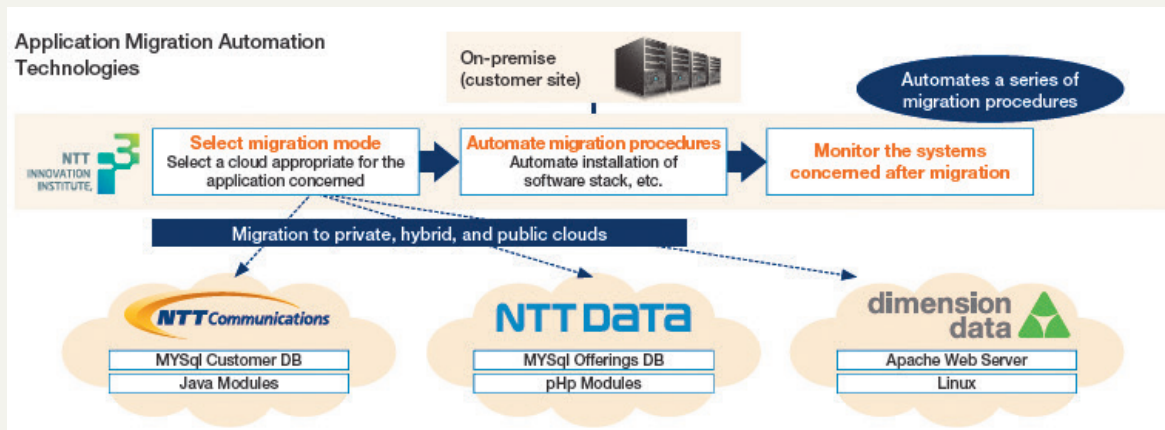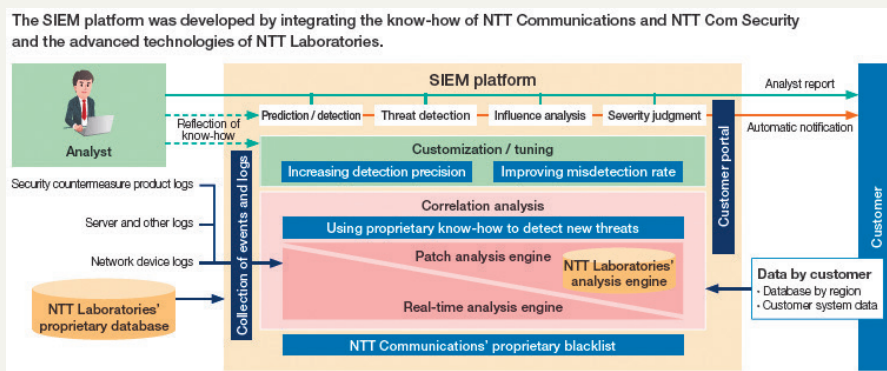|	
Leader's Quadrant Gartner's Magic Quadrant for Communications Outsourcing and Professional Services*	**Dimension Data**
Leader's Quadrant Gartner's Magic Quadrant for Global Network Service Providers**	**NTT Communications**
World-Class Global IP Backbone (Traffic volume (Source: Renesys Corporation))	
World-Class Data Centers (Server-room floor space: 0.425 million square meters (as of the end of March 2014))	**NTT Group**
Salesforce.com's Platinum Cloud Alliance Partner	**NTT Centerstance** **NTT DATA**

Cloud Migration Support Technologies

In migrating from an on-premises environment to the cloud, corporate customers have a variety of concerns, such as to what kind of cloud they should implement the migration, what the procedures will be, and if they will be able to operate in a safe and secure manner.

In response, we provide services that address those concerns. These services utilize technologies to analyze the customer application profile (current), identify those

The SIEM platform was developed by integrating the know-how of NTT Communications and NTT Com Security and the advanced technologies of NTT Laboratories.

applications that can be migrated to cloud services, and support the formulation of a migration plan, as well as application migration automation technologies.

World-Class Security Services

As the uptake of cloud services progresses, the threat of cyber attacks is increasing. Through its advanced security technologies, the NTT Group protects the valuable data that customers have entrusted to the cloud.

The NTT Group's Security Information & Event Management (SIEM) platform utilizes world-leading log analysis technologies and malware countermeasure technologies developed independently by NTT Laboratories. Previously, cyber attacks and incidents continuing over an extended period of time, such as targeted attacks, were difficult to defend against. The SIEM platform, however, can rapidly detect signs of these attacks and defensive measures can be implemented.

Going forward, we will enhance our detection logic, which is not available from other companies, and incorporate into our services differentiated technologies and know-how that can respond to cyber attacks, which continue to become more sophisticated. In this way, we will maintain our world-class security services.

Overseas Sales Leading Growth in the Group's Top Line

Growth in Cross-Selling Order Volume
(Orders received through Group collaboration)

By advancing Group collaboration and further strengthening our business system through M&A transactions, we have substantially enhanced the Group's ability to provide total solutions, from IT infrastructure to applications. We are recording growth in cross-selling orders leveraging cloud and IT outsourcing (ITO) services as triggers. Consequently, our cross-selling contract value has increased substantially, rising from $143 million in the previous year to $700 million in the fiscal year ended March 31, 2014.

The expansion of our business in the global market and the receipt of large orders has further increased recognition of the NTT Group around the world and generated a favorable cycle leading to new transactions with global enterprises.

Growth in Cross-Selling
(Cross-Selling Contract Value)
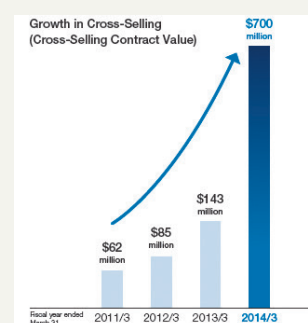
Overseas Sales

On a dollar basis, overseas sales in the fiscal year ended March 31, 2014, were $12.2 billion. Targeting the achievement of our objective of overseas sales of $20.0 billion by the fiscal year ending March 31, 2017, we will strive to achieve organic growth at each Group company, centered on NTT DATA, Dimension Data, and NTT Communications. In addition, through M&A transactions we will further strengthen our operational scope (expand our footprint / fields of business) and operational depth (ability to provide solutions). We will also strive to make additional gains in cross-selling. As a result, we are forecasting overseas sales of $15.0 billion in the fiscal year ending March 31, 2015.

We are making steady progress toward our objective of increasing the proportion of corporate sales represented by overseas sales to 50% or more in the fiscal year ending March 31, 2017. Due to steady growth by overseas sales, the proportion of corporate sales represented by overseas sales increased 4.8 points year on year, to 36.6%, in the fiscal year ended March 31, 2014, and we are forecasting a further increase to 43.1% in the fiscal year ending March 31, 2015.

Overseas Sales
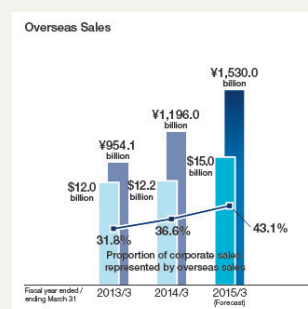
2014

During the three quarters (April 1, 2014 – December 31, 2014) of the fiscal year ending March 31, 2015, the NTT Group made steady progress toward becoming a value partner that customers continue to select and took steps to implement "Global Cloud Services" and to "Comprehensively Strengthen Network Service Competitiveness" based on the new Medium-Term Management Strategy, "Towards the Next Stage," that was announced in November 2012. As a result of the above efforts, NTT Group's consolidated operating revenues for the first three quarters of the fiscal year ending March 31, 2015 were 8,182.5 billion yen (an increase of 2.0% from the previous fiscal year). Consolidated operating expenses were 7,271.6 billion yen (an increase of 2.2% from the previous fiscal year). As a result, consolidated operating income was 910.9 billion yen (a decrease of 7.5% from the previous fiscal year), consolidated income before income taxes was 910.2 billion yen (an decrease of 11.1% from the previous fiscal year), and consolidated net income attributable to NTT was 449.9 billion yen (an decrease of 7.1 % from the previous fiscal year).

Announcement of Hikari Collaboration Model

Extracted from Annual Report 2014

In November 2012, the NTT Group released its new Medium-Term Management Strategy, "Towards the Next Stage." Under this strategy, we are taking steps to "implement Global Cloud Services" and to "Comprehensively Strengthen Network Service Competitiveness" as pillars for growth in our profits. In May 2014, we announced our next initiative, the Hikari Collaboration Model. This new business model represents the world's first full-scale fiber-access services offered through a wholesale framework. In the past, fiber-access services were offered directly to customers, but we will now open those services to a wide variety of players. We have leased access line functions to operators in accordance with connection rules determined by law.

In contrast, under the Hikari Collaboration Model, fiber-access services, including the core network, will be provided to partner companies on a wholesale basis. It will be a challenge to implement this model, which is the world's first fiber-access services wholesale model that covers an entire country. Through this model, the previous B2C model of NTT East and NTT West will be transitioned to a B2B2C model.

With the Hikari Collaboration Model we decided to discard our insistence on doing everything in-house and to open up fiber-access services to a wide range of industry players. We decided to introduce the Hikari Collaboration Model.

We will consider fiber-access services to be "tools" rather than "products," and we will devote ourselves to being a "Value Partner" that supports companies in a wide range of industries as they implement business initiatives as main players. We believe that this approach will ultimately lead to growth in the use of fiber access.

We expect that the NTT Group's creation of value with
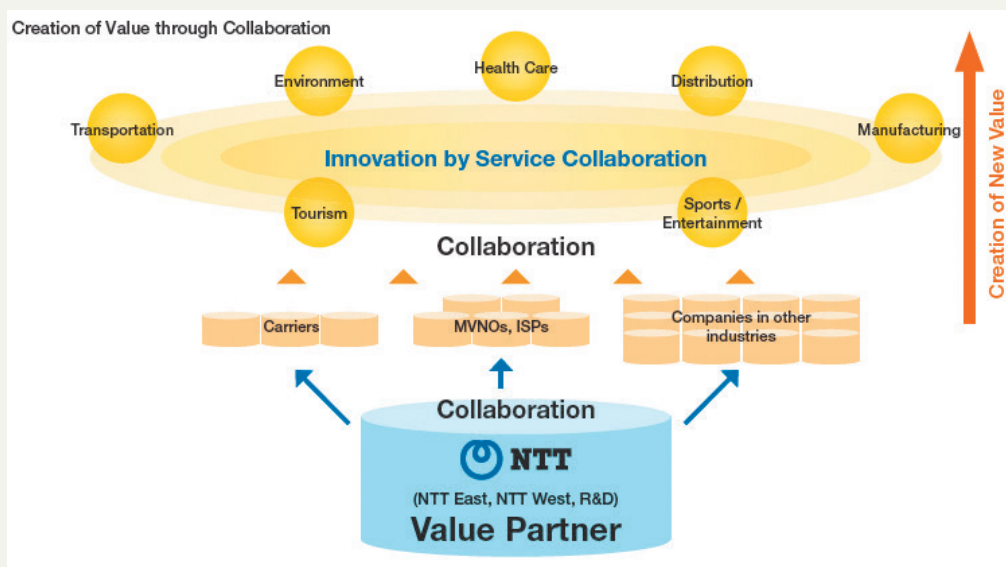
the development of extensive and varied services will lead to value creation and invigorate the entire ICT market. This initiative, in turn, will help of address social issues and reinforce the competitiveness of Japanese industry.
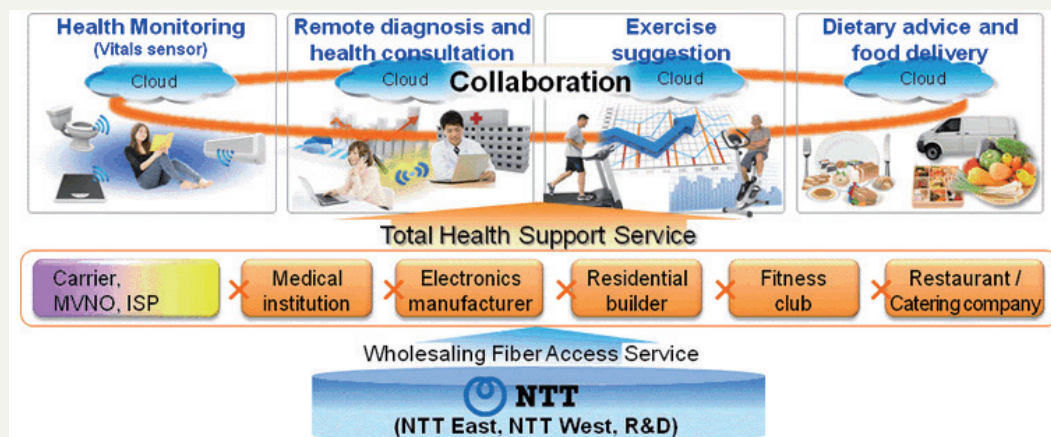
NTT Appointed as First Gold Partner for the Tokyo 2020 Olympic and Paralympic Games

NTT announced that it has entered into a partnership agreement with the Tokyo Organising Committee of the Olympic and Paralympic Games (hereafter "Tokyo 2020"). The agreement relates to competitors representing Japan in the Olympics and Paralympics, and extends for six years, spanning the Tokyo 2020 Olympics and Paralympics to be held in 2020. With this agreement, NTT Corporation becomes the first gold partner, which is the highest level of domestic sponsorship program.

Principal services
Telecommunications Services

Principal group companies involved
NTT Corporation
NTT East Corporation
NTT West Corporation
NTT Communications Corporation
NTT DOCOMO, Inc.

Tokyo 2020's vision of creating a truly cohesive society that affirms all forms of diversity aligns with the aims of NTT, which uses ICT to connect people with one another and Japan with the world. To help bring about a cohesive society, NTT will play its part in the Tokyo 2020 Olympics and Paralympics and contribute to creating a legacy for posterity.

In the past, NTT provided a variety of telecommunications services for the 1964 Tokyo Olympics, the 1972 Sapporo Winter Olympics, and the 1998 Nagano Winter Olympics and Paralympics. With the rapid evolution of ICT, the Tokyo 2020 Olympics and Paralympics require telecommunications convenience to be accompanied by safety more than ever before. In addition to helping make the Games' telecommunications safe, secure, and welcoming, NTT is taking advantage of the Group's telecommunications related security technologies and its telecommunications service infrastructure inside and outside Japan, endeavoring to act as a "Value Partner" in providing an unprecedented level of hospitality to the Tokyo 2020 and other relevant organizations, as well as competitors and guests from Japan and overseas.