

Moving Forward Together

As Your Value Partner

Nippon Telegraph and Telephone Corporation

ANNUAL REPORT 2016

For the year ended March 31, 2016

Overview

NTT Group in Five Minutes

NTT Group's History of Transformation 2

Market Environment and Direction of Growth Strategies 4

NTT Group Formation 6

NTT Group Topics 8

Performance Highlights 10

Non-Financial Highlights 14

Strategy

Top Message 16

Medium-Term Management Strategy, “Towards the Next Stage 2.0” 26

Expanding Global Business / Increasing Overseas Profit 28

Enhancing Profitability of Domestic Network Business 34

Expanding B2B2X Businesses 36

Stock Repurchases 37

ESG

Corporate Governance 38

Value Creation through Social and Environmental Contributions 56

Social 62

Environment 74

Operation

Operations in Review

Regional Communications Business 82

Long Distance and International Communications Business 84

Mobile Communications Business 86

Data Communications Business 88

Other Businesses 90

Innovation

Research and Development 92



Forward-Looking Statements

The forward-looking statements and projected figures concerning the future performance of NTT and its subsidiaries and affiliates contained or referred to in this report are based on a series of assumptions, projections, estimates, judgments, and beliefs of the management of NTT in light of information currently available to it regarding the economy, the telecommunications industry in Japan, and other factors. These projections and estimates may be affected by the future business operations of NTT and its subsidiaries and affiliates, the state of the economy in Japan and abroad, possible fluctuations in the securities markets, the pricing of services, the effects of competition, the performance of new products, services and new businesses, changes to laws and regulations affecting the telecommunications industry in Japan and elsewhere and other changes in circumstances that could cause actual results to differ materially from the forecasts contained or referred to in this report.

Editorial Policy

This is an integrated report that combines information that is important to shareholders and investors, including not only such information as growth strategies and financial results but also environmental (E), social (S), and governance (G) information. The report focuses on explanations of NTT Group’s initiatives targeting increases in corporate value over the medium to long term. In editing this report, reference was made to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). The report is intended to help readers to understand NTT Group, which is accelerating the process of business structure transformation to be a “Value Partner” and working to increase corporate value by contributing to the realization of a sustainable society.

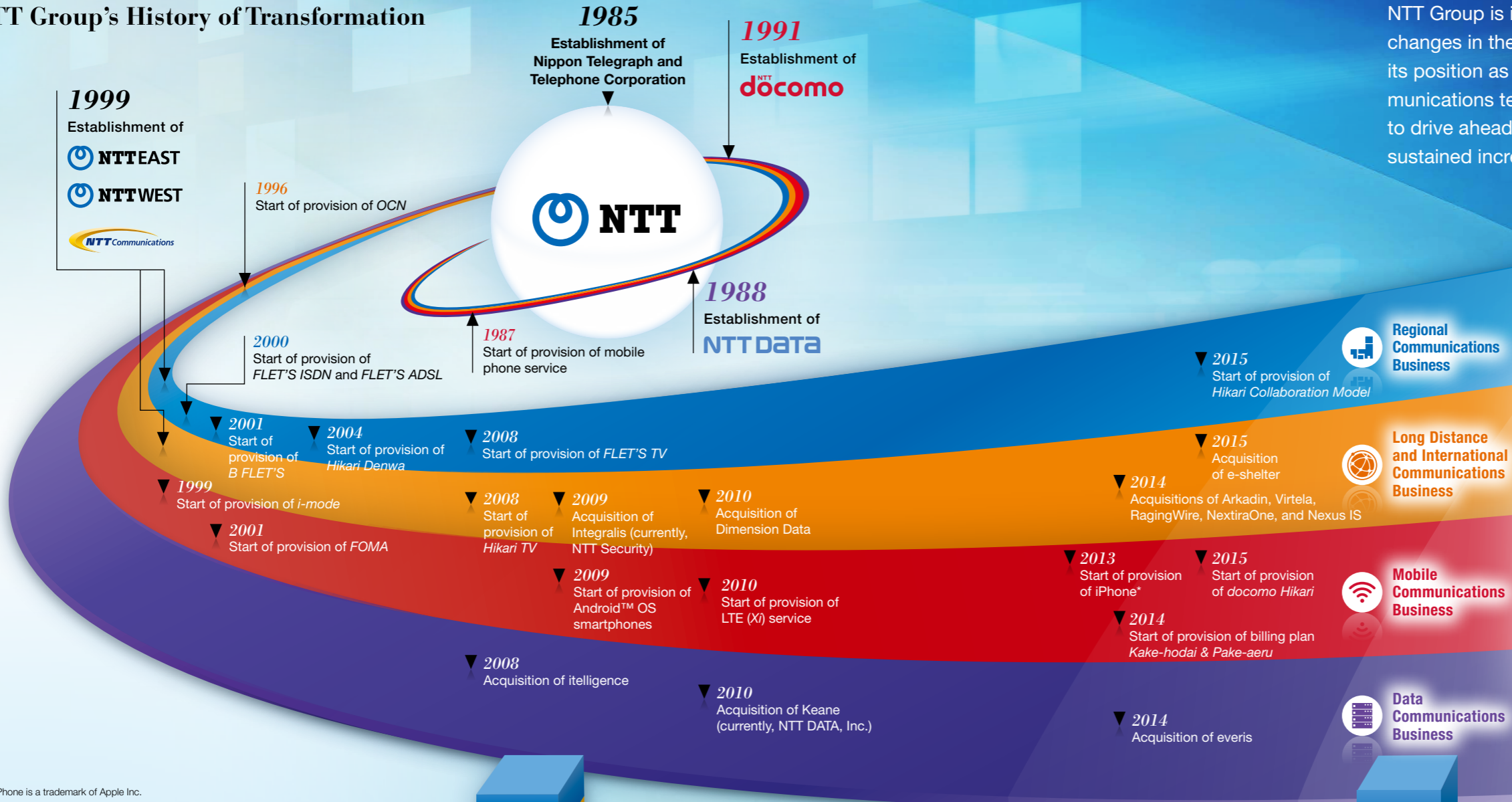
Other Materials

- **Shareholders’ Newsletter “NTTis”**
http://www.ntt.co.jp/ir/library_e/nttis/
- **Presentation Materials**
http://www.ntt.co.jp/ir/library_e/presentation/
- **Shareholders’ Meeting Materials**
http://www.ntt.co.jp/ir/shares_e/shareholders_meetings.html

- **Financial Results**
http://www.ntt.co.jp/ir/library_e/results/
- **Form 20-F**
http://www.ntt.co.jp/ir/library_e/sec/
- **Sustainability Report**
http://www.ntt.co.jp/csr_e/report.html

NTT Group in Five Minutes

NTT Group's History of Transformation



NTT Group is implementing strategic initiatives that address changes in the social structure while simultaneously reinforcing its position as a leading innovator in information and telecommunications technologies. In this way, the Group is continuing to drive ahead with a process of self-transformation to achieve sustained increases in its corporate value.

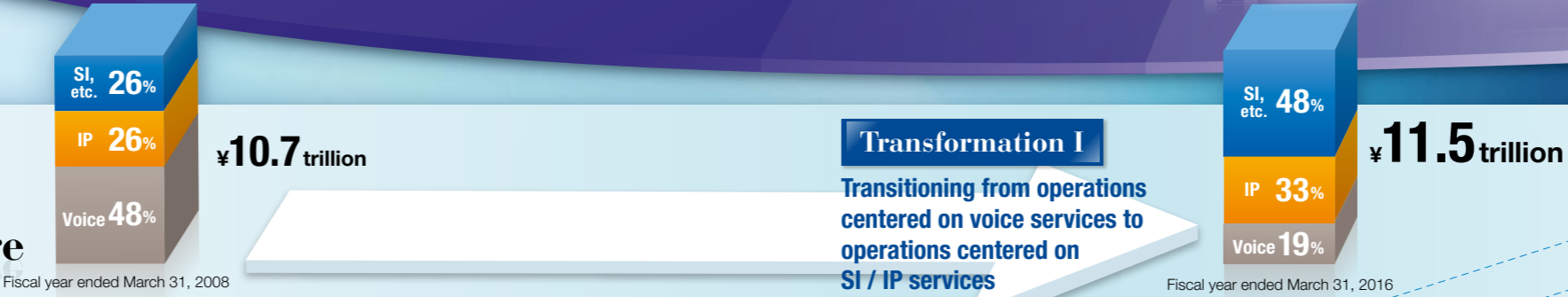
2015 — Towards the Next Stage 2.0

Accelerating Self-Transformation towards a “Value Partner” and Embarking on a Profit Growth Track

Developing New Markets by Further Promoting the B2B2X Model

* iPhone is a trademark of Apple Inc.
The iPhone trademark is used under a license by AIPHONE CO., LTD.

Transformation in the Revenue Structure



Medium-Term Management Strategy 2008–
Road to Service Creation Business Group
Full-scale roll-out of broadband and ubiquitous service

Transformation I
Transitioning from operations centered on voice services to operations centered on SI / IP services

Medium-Term Management Strategy 2012–
Towards the Next Stage
The “Value Partner” that customers continue to select

Transformation II
Expanding overseas sales

Business Development in the Global Market



Market Environment and Direction of Growth Strategies

Global ICT Market

BACKGROUND

- ▶ Global corporate ICT expenditures are expected to grow at an average annual rate of 7%, with the market reaching \$2,700.0 billion in 2020.
- ▶ Cloud services are expected to expand rapidly, at an average annual rate of 27%.
- ▶ There is a need for the comprehensive provision of ICT services that address the diversifying needs of companies.

OUR DIRECTION

With a focus on growth in the global ICT market, NTT Group is strengthening global business, centered on cloud services as the Group's new growth pillar.

Expanding Global Business / Increasing Overseas Profit ▶ P.28

Domestic Telecommunications Market

BACKGROUND

- ▶ The number of fixed-line telephone subscriptions is declining, while the number of subscriptions to mobile communications continues to expand due in part to demand for second devices.
- ▶ Growth in the number of fixed-line broadband subscriptions is sluggish, and there is a need for the creation of new business and high-value-added services by a diverse range of enterprises.

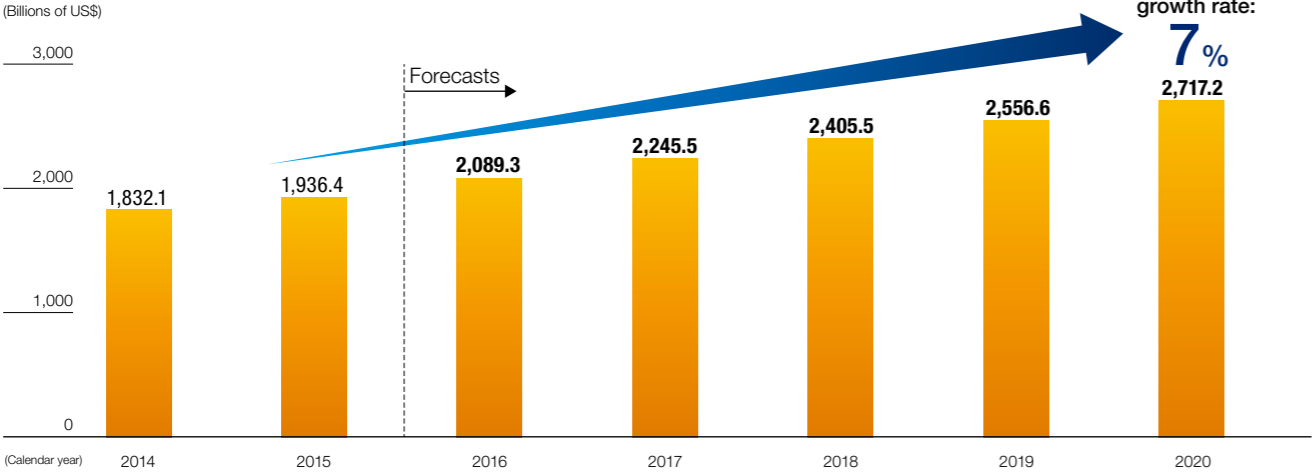
OUR DIRECTION

Targeting sustained growth in domestic businesses, we will strengthen profitability in network business, and we will create high-value-added business models.

Enhancing Profitability of Domestic Network Business ▶ P.34

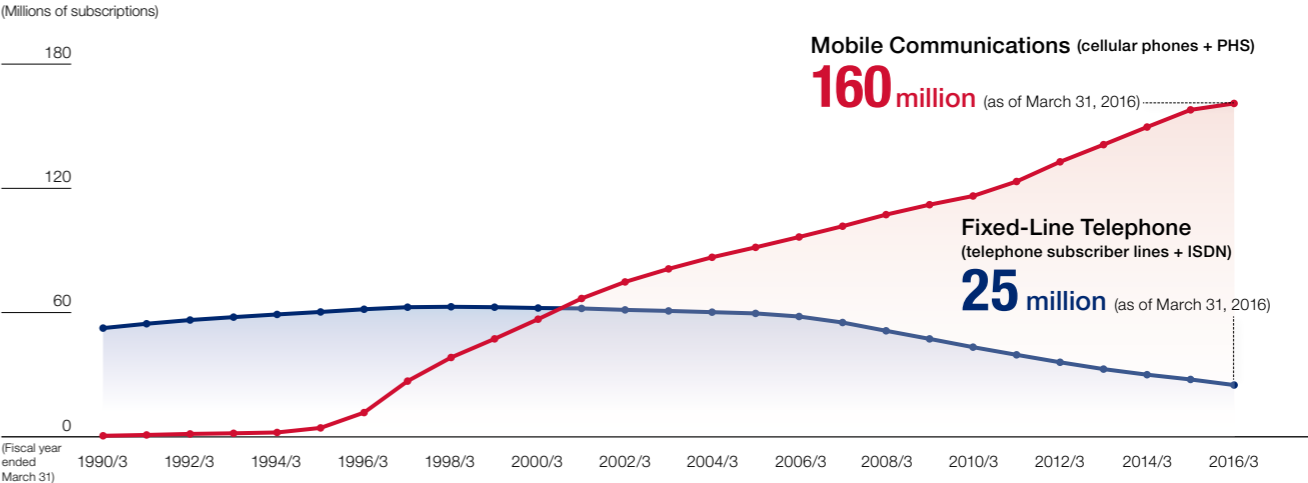
Expanding B2B2X Businesses ▶ P.36

Global ICT Expenditures: Trends and Forecasts



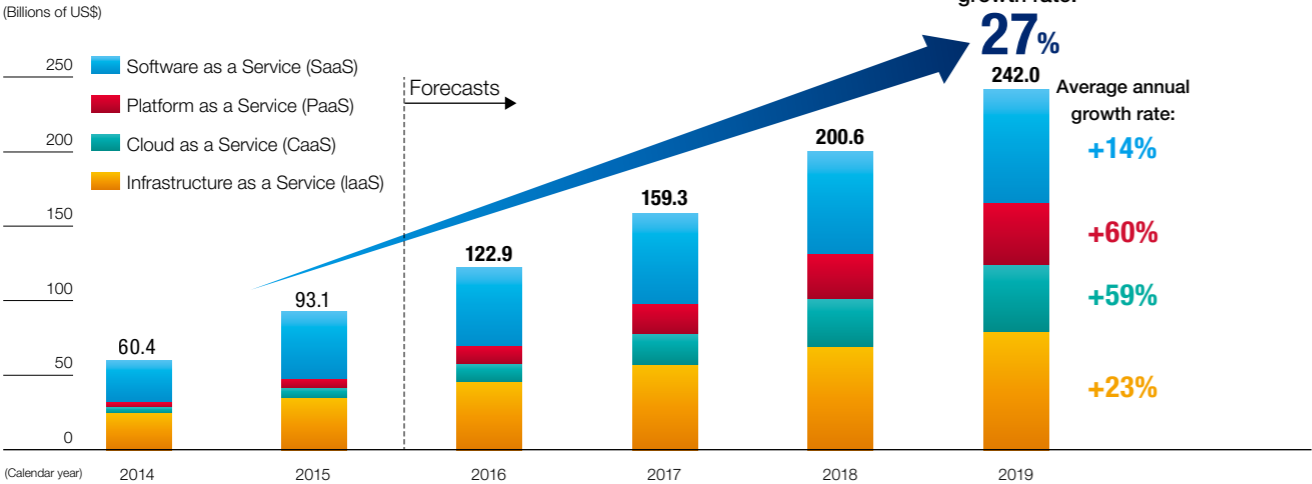
Source: IHS Technology

Fixed-Line Telephone / Mobile Communications: Number of Subscriptions



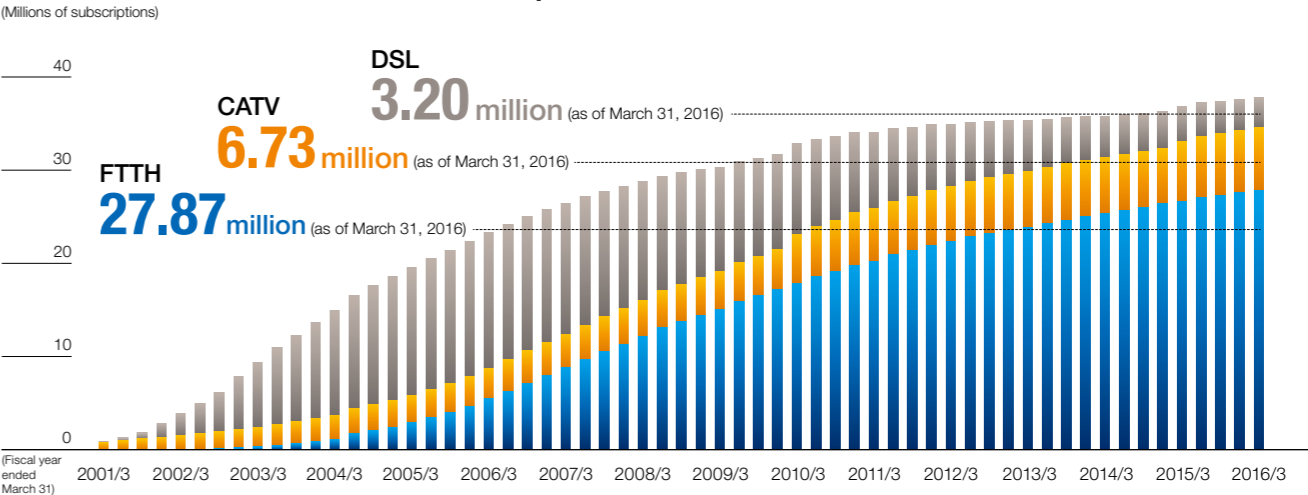
Source: Created from data in MIC information and communications statistics database
<http://www.soumu.go.jp/johotsusintokei/field/tsuushin02.html> (Japanese)

Scale of Global Market for Cloud Services: Trends and Forecasts



Source: IHS Technology

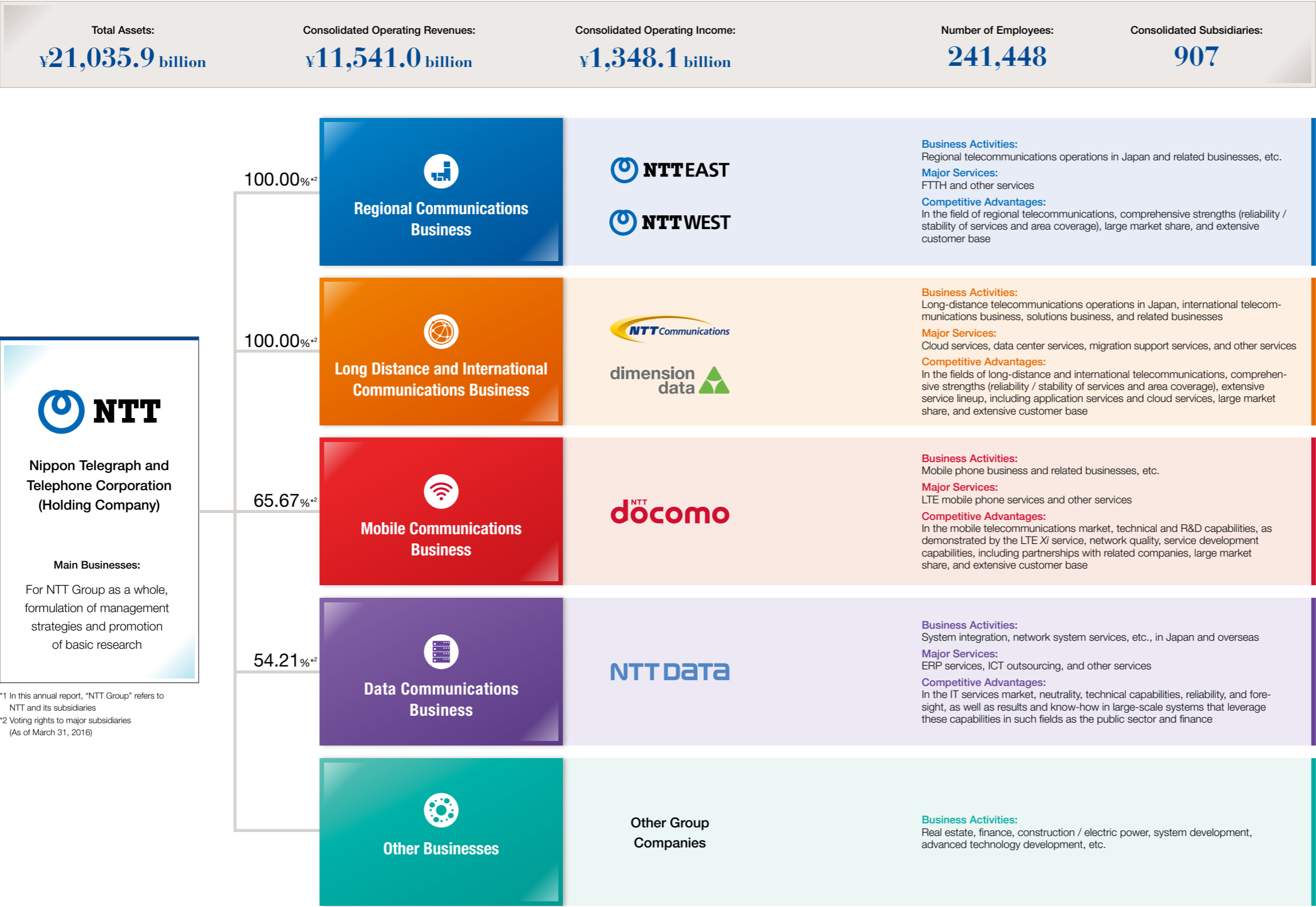
Fixed-Line Broadband: Number of Subscriptions



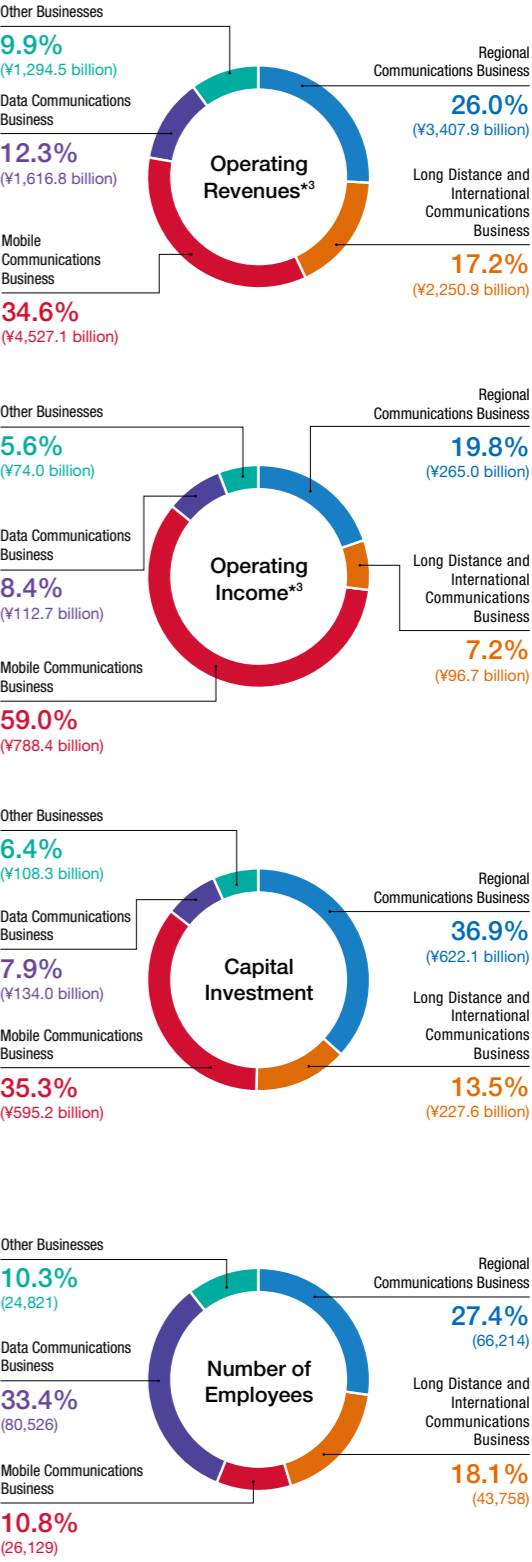
Sources: Created from data in MIC information and communications statistics database
<http://www.soumu.go.jp/johotsusintokei/field/tsuushin01.html> (Japanese)

NTT Group Formation (Fiscal year ended March 31, 2016)

NTT Group*1



Composition by Segments



*3 Percentage of simple sum of all segments (including intersegment transactions)

NTT Group Topics

(Fiscal year ended March 31, 2016)

In accordance with the Medium-Term Management Strategy, “Towards the Next Stage 2.0,” each segment implemented initiatives to accelerate the process of self-transformation to a “Value Partner” and to return NTT Group to a track of growth in profits.

First quarter

Holding company

April

Concluded comprehensive partnership agreement with Fukuoka City to work together to develop regional services

Working to increase efficiency of municipal operations and to enhance services for residents through the use of ICT

福岡市

FUKUOKA CITY

Field provision

Tourism

Safety and security

Disaster prevention

NTT

Provision of ICT services and technology

Education

Health and welfare

June

Concluded business alliance with Panasonic for the development of new businesses

Proposing new standard model for visual communications for 2020 and thereafter

NTT Group

Broadband solutions

Panasonic

High-definition visual solutions

September

Concluded “Sapporo City Development Partnership Agreement” with Sapporo City

Supporting the development of industries, such as tourism and sports, through the use of ICT

札幌市

City of Sapporo

NTT

Tourism

Sports

Environment

Industrial development

Human resources development education

Safety and security

Disaster prevention

etc.

October

Entered business alliance with Hitachi to support “vitalization of local economies” initiatives

Providing support for the maintenance and construction of urban infrastructure using ICT

NTT

HITACHI

Inspire the Next

November

Cooperated with DAIICHIKOSHO CO., LTD., in start of testing related to support for karaoke for senior citizens through use of communications robots

Creating new value through karaoke X ICT

第一興商

NTT

Leading company in the karaoke industry

R&D that leads information and communications around the world

February

Worked with Toyota and PFN to give shape to concept of *Crashless Car*

Facilitating the real-time analysis and study of information collected from vehicles and roadside infrastructure facilities and the provision of information to vehicles that are in operation

Second quarter

Regional Communications Business

May

Application for smartphones, etc., that supports child-rearing while offering entertainment

Smartphone application that supports child-rearing while offering entertainment

July

NTT East surpassed 1 million subscriptions under Hikari Collaboration Model

October

NTT East agreed to collaborative project with Iida Cable Television Co., Ltd.

December

NTT West surpassed 1 million subscriptions under Hikari Collaboration Model

February

Concluded comprehensive partnership agreements with Nagasaki City and Nagasaki University regarding use of ICT to activate tourism

Collaborating in a variety of fields, including giving shape to “Tourism X ICT”

長崎市

Nagasaki Web City

Field provision

Safety and security

Tourism development

長崎大学

NAGASAKI UNIVERSITY

Provision of technical seeds

City resident services

Health and welfare

etc.


NTT WEST

Provision of ICT services and technology

Long Distance and International Communications Business

April

Began to provide services at California Sacramento 3 (CA3) Data Center



August

Began to provide *Multi-Cloud Connect*, which links cloud services, including NTT Communications' cloud services as well as Microsoft Azure and Amazon Web Services

September

Received highest evaluation in research report released by IDC, of United States

Selected as a leader among global data communications services companies

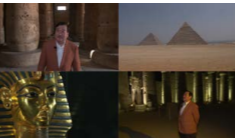
October


Opened one of India's largest data centers in Mumbai

November

Hikari TV began to provide 4K-IP broadcasts

Providing Owarai Live and original programming through 4K broadcasts and VOD





©Hikari TV / IMAGINE CR, INC. ©YOSHIMOTO KOGYO

February


Began free provision of malware blocking service through OCN

Mobile Communications Business

May

Agreed to business alliance with Lawson


Offering 3% discount when using DOCOMO credit services, beginning June



June

Jointly developed with TOMY COMPANY, LTD., OHaNAS cloud-type talking robot

Applying *Shabette Concier*® natural conversation techniques



OHaNAS ©TOMY

September

Began provision of *Kake-hodai Light Plan*


Offering flat-rate voice call plan allowing unlimited domestic voice calls of 5 minutes or less


October

Began joint testing of provision of customer support in financial institution branches through use of robots (Resona Bank)

November

Began provision of *dPOINT*, a new point service






December

docomo Hikari fiber-optic broadband service surpassed 1 million subscriptions

January

Following 2014 project at Vatican Apostolic Library, participated in digital archiving project for Spanish Royal Family



March

Added *Share pack 5*, which allows 5 GB of data volume to be shared among family members each month, to *Kake-hodai* & *Pake-aeru*

Data Communications Business

April

Reached basic agreement with METAWATER Co., Ltd., for collaboration in field of IoT services for supply and waste water utility operators

July

NTT DATA, Inc., acquired Carlisle & Gallagher Consulting Group, Inc.

Contributing to further growth of customer companies as a result of the acquisition of consulting capabilities in the financial services industry











March

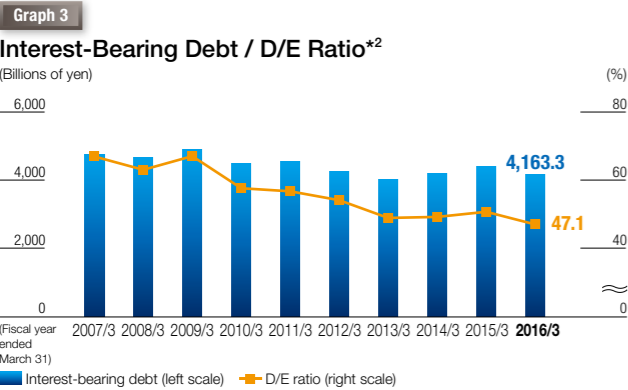
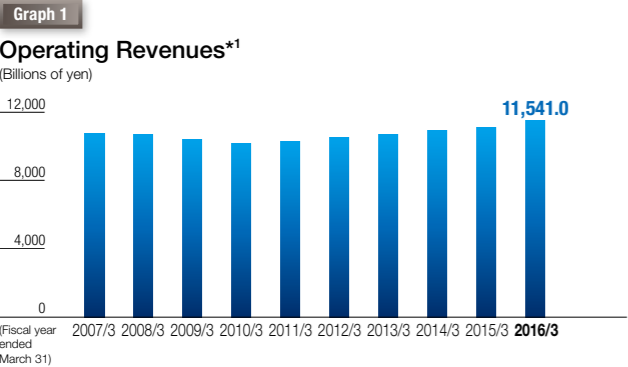
Reached an agreement to acquire IT-services-related business from Dell Inc.

Further accelerating the expansion, enhancement, and reinforcement of global business

Performance Highlights

Finanacial Data

Financial Data												Billions of yen
(End of year / month)	2006/3	2007/3	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	
Operating revenues* ¹ 	¥10,741.1	¥10,760.6	¥10,680.9	¥10,416.3	¥10,181.4	¥10,305.0	¥10,507.4	¥10,700.7	¥10,925.2	¥11,095.3	¥11,541.0	
Operating expenses	9,550.4	9,653.5	9,376.3	9,306.6	9,063.7	9,090.1	9,284.4	9,498.8	9,711.5	10,010.8	10,192.8	
Operating income 	1,190.7	1,107.0	1,304.6	1,109.8	1,117.7	1,214.9	1,223.0	1,202.0	1,213.7	1,084.6	1,348.1	
Net income attributable to NTT* ¹ * ⁸ 	503.1	481.4	635.2	538.7	492.3	509.6	467.7	521.9	585.5	518.1	737.7	
Total assets* ¹	18,820.2	18,291.1	18,518.8	18,796.4	18,939.1	19,665.6	19,389.7	19,549.1	20,284.9	20,702.4	21,035.9	
Shareholders' equity* ¹	6,734.4	7,120.8	7,410.8	7,298.1	7,788.2	8,020.7	7,882.6	8,231.4	8,511.4	8,681.9	8,833.8	
Interest-bearing debt 	5,296.2	4,770.8	4,677.2	4,899.3	4,491.7	4,553.5	4,274.0	4,036.0	4,200.0	4,406.7	4,163.3	
D/E ratio (%)* ² 	78.6%	67.0%	63.1%	67.1%	57.7%	56.8%	54.2%	49.0%	49.3%	50.8%	47.1%	
Capital investment* ³ 	2,191.9	2,236.9	2,128.9	2,145.1	1,987.1	1,870.1	1,946.6	1,970.0	1,892.8	1,817.5	1,687.2	
Capex to sales ratio (%)* ⁴ 	20.4%	20.8%	19.9%	20.6%	19.5%	18.1%	18.5%	18.4%	17.3%	16.4%	14.6%	
Depreciation 	2,110.9	2,097.3	2,161.9	2,139.2	2,012.1	1,962.5	1,910.7	1,899.2	1,880.3	1,828.0	1,766.3	
R&D expenses	308.4	272.1	271.1	268.2	278.1	268.2	267.9	269.2	249.3	233.8	213.4	
EBITDA* ⁵ 	3,442.6	3,340.5	3,607.0	3,369.8	3,240.8	3,282.2	3,219.1	3,207.4	3,192.3	3,017.3	3,221.9	
EBITDA margin (%) 	32.1%	31.0%	33.8%	32.4%	31.8%	31.9%	30.6%	30.0%	29.2%	27.2%	27.9%	
Cash flows from operating activities	3,242.9	2,361.3	3,090.8	2,514.1	2,817.8	2,830.9	2,508.3	2,453.7	2,727.9	2,391.8	2,711.8	
Cash flows from investing activities	(2,077.3)	(2,151.0)	(1,990.6)	(2,269.7)	(2,308.9)	(2,052.2)	(1,971.2)	(1,776.3)	(2,106.8)	(1,868.6)	(1,759.8)	
Free cash flows* ⁶	1,165.6	210.3	1,100.2	244.4	508.9	778.7	537.1	677.4	621.1	523.2	952.1	
Cash dividends, applicable to earnings for the year (Yen)* ⁷	30	40	45	55	60	60	70	80	85	90	110	
Dividend payout ratio (%)	17.1%	23.0%	19.5%	27.5%	32.3%	31.2%	38.2%	37.2%	33.4%	38.0%	31.4%	
ROE (%)	7.5%	6.9%	8.7%	7.3%	6.5%	6.4%	5.9%	6.5%	7.0%	6.0%	8.4%	
Net income attributable to NTT per share (Yen) * ¹ * ⁷ * ⁸ 	176	174	231	200	186	193	183	215	255	237	350	



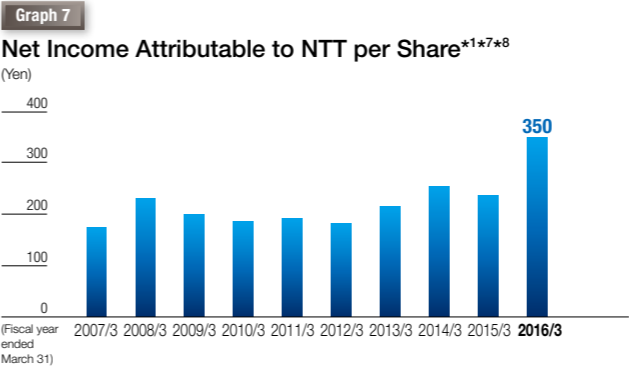
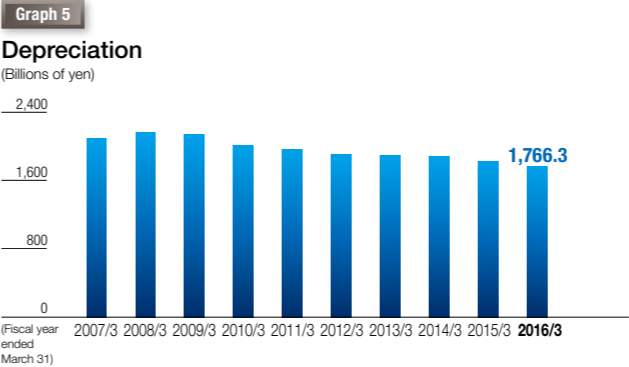
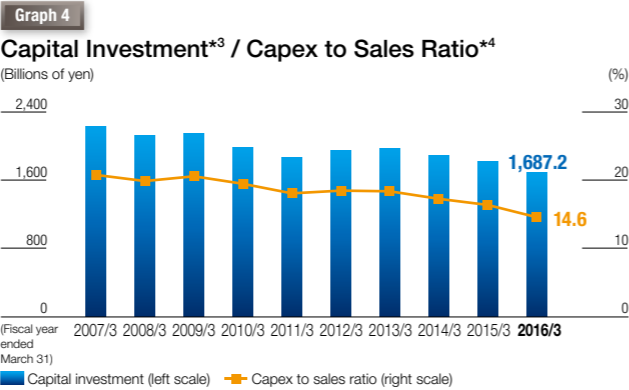
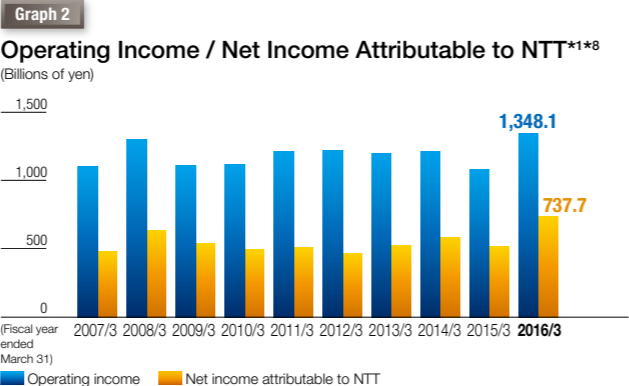
*1 In regard to affiliates that became subject to the application of the equity method in the fiscal year ended March 31, 2008, and in the fiscal year ended March 31, 2014, the equity method has been applied retroactively to past years, and consequently figures for the period from the fiscal year ended March 31, 2006, to the fiscal year ended March 31, 2013, have been retroactively adjusted.

*2 D/E ratio = Interest-bearing debt / Shareholders' equity x 100

*3 Capital investment is recognized on an accrual basis for the acquisition of property, plant and equipment.

*4 Capex to sales ratio = Capital investment / Operating revenues x 100

Excluding sales and investments related to real estate and solar power generation operations, the capex to sales ratio was 18.4% in the fiscal year ended March 31, 2012, 18.1% in the fiscal year ended March 31, 2013, 16.7% in the fiscal year ended March 31, 2014, 15.6% in the fiscal year ended March 31, 2015, and 14.2% in the fiscal year ended March 31, 2016.

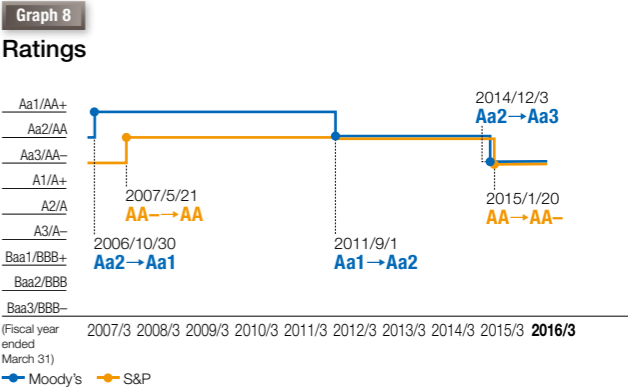
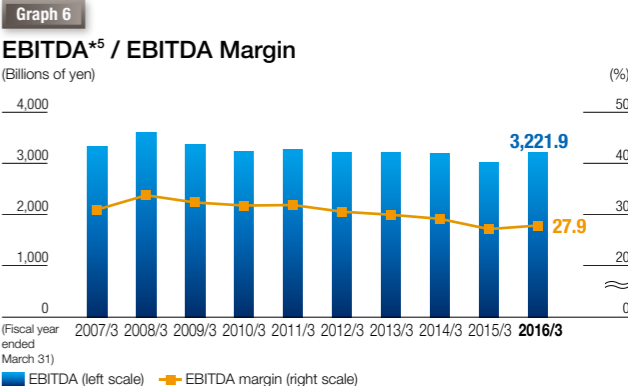


*5 EBITDA = Operating income + Depreciation and loss on disposal of property, plant and equipment

*6 Free cash flows = Cash flows from operating activities + Cash flows from investing activities

*7 Adjusted for a stock split of common stock (100-for-1) with an effective date of January 4, 2009, and a stock split of common stock (2-for-1) with an effective date of July 1, 2015.

*8 With the application of the accounting pronouncement issued by the Financial Accounting Standards Board ("FASB") in December 2007, relating to noncontrolling interests in consolidated financial statements, starting from the fiscal year ended March 31, 2010, the name of this line item was changed.

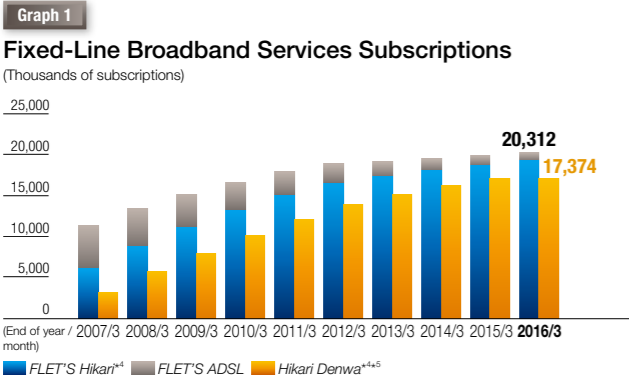


Performance Highlights

Operational Data (End of year / month)

		Thousands of subscriptions										
Number of subscriptions*1, etc.		2006/3	2007/3	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3
Fixed-line communications services	Telephone subscriber line*2 + INS-Net*3	54,770	50,495	46,034	42,085	38,330	34,884	31,672	28,766	26,366	24,344	22,718
Fixed-line broadband services subscriptions	Graph 1 <i>FLET'S ADSL</i>	5,682	5,323	4,656	3,992	3,381	2,858	2,322	1,848	1,483	1,219	1,053
	<i>FLET'S Hikari</i> *4	3,419	6,076	8,777	11,134	13,251	15,059	16,564	17,300	18,050	18,716	19,259
	<i>Hikari Collaboration Model</i>	—	—	—	—	—	—	—	—	—	270	4,691
	<i>Hikari Denwa</i> *4*5	867	3,174	5,725	8,011	10,142	12,113	13,900	15,169	16,256	17,108	17,374
Video services subscriptions	<i>Hikari TV</i>	—	—	—	552	1,009	1,413	2,004	2,453	2,823	3,014	3,052
	<i>FLET'S TV</i> *4	—	—	—	120	270	592	861	1,003	1,161	1,345	1,432
Mobile communications services subscriptions	Graph 2 <i>Xi + FOMA + mova</i>	51,144	52,621	53,388	54,601	56,082	58,010	60,129	61,536	63,105	66,595	70,964
	<i>FOMA</i>	23,463	35,529	43,949	49,040	53,203	56,746	57,905	49,970	41,140	35,851	32,285
	LTE (Xi)	—	—	—	—	—	26	2,225	11,566	21,965	30,744	38,679
<i>dmarket</i> (10,000 subscriptions)*6	<i>dmarket</i>	—	—	—	—	—	—	74	499	769	1,188	1,554
	<i>dTV</i>	—	—	—	—	—	—	74	413	441	468	499
	<i>dhits</i>	—	—	—	—	—	—	—	52	208	304	375
	<i>danime store</i>	—	—	—	—	—	—	—	34	115	183	204
	<i>dkids</i>	—	—	—	—	—	—	—	—	5	41	47
	<i>dmagazine</i>	—	—	—	—	—	—	—	—	—	191	325
	<i>dgourmet</i>	—	—	—	—	—	—	—	—	—	—	103
	Billing plan <i>Kake-hodai</i> & <i>Pake-aeru</i> (10,000 subscriptions)*7	—	—	—	—	—	—	—	—	—	1,783	2,970

		Yen										
ARPU*8												
ARPU of fixed-line (Telephone subscriber line*2 + INS-Net subscriber line*3)	NTT East	¥3,190	¥3,170	¥3,110	¥3,050	¥2,980	¥2,930	¥2,860	¥2,810	¥2,760	¥2,700	¥2,650
	NTT West	3,050	3,020	2,960	2,900	2,850	2,800	2,760	2,720	2,690	2,650	2,610
ARPU of <i>FLET'S Hikari</i> *4	Graph 3 NTT East	4,650	5,050	5,310	5,580	5,740	5,880	5,920	5,860	5,660	5,490	5,510
	NTT West	4,890	5,120	5,460	5,620	5,780	5,890	5,940	5,880	5,830	5,680	5,470
Mobile aggregate ARPU*9	Graph 4 Mobile aggregate ARPU	6,910	6,700	6,360	5,710	5,350	5,070	5,140	4,900	4,370	4,100	4,170
	Voice ARPU	5,030	4,690	4,160	3,330	2,900	2,530	2,200	1,760	1,490	1,280	1,210
	Packet ARPU	1,880	2,010	2,200	2,380	2,450	2,540	2,590	2,720	2,880	2,820	2,910
	Smart ARPU	—	—	—	—	—	—	350	420	—	—	—
	<i>docomo Hikari</i> ARPU	—	—	—	—	—	—	—	—	—	—	50



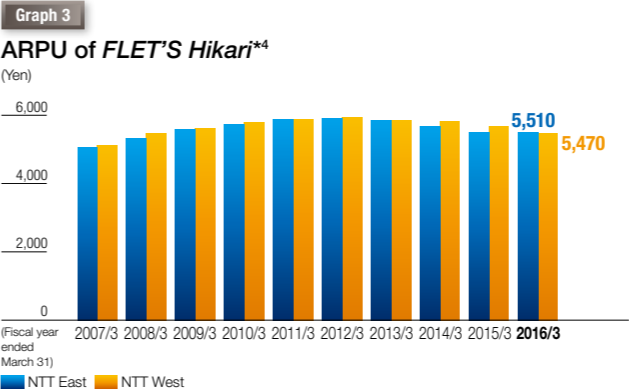
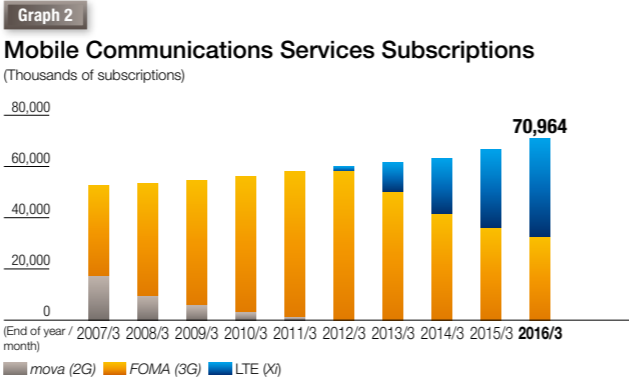
*1 As of each fiscal year-end

*2 Number of Telephone subscriber line is the total of individual lines and central station lines (*Subscriber Telephone Light Plan* is included).

*3 Number of INS-Net is the total of INS-Net 64 and INS-Net 1500 (INS-Net 64 Lite Plan is included). In terms of number of channels, transmission rate, and line use rate (base rate), INS-Net 1500 is in all cases roughly 10 times greater than INS-Net 64. For this reason, one INS-Net 1500 subscription is calculated as 10 INS-Net 64 subscriptions.

*4 The figures for *FLET'S Hikari*, *Hikari Denwa*, and *FLET'S TV* include wholesale services provided to service providers by NTT East and NTT West.

*5 Number of *Hikari Denwa* subscriptions is calculated by number of channels in thousands.



*6 The number of *dmarket* subscriptions is the total for *dTV*, *dhits*, *danime store*, *dkids*, *dmagazine*, and *dgourmet*.

*7 Billing plan with four central components—*Kake-hodai*, which offers nationwide voice calls for a flat monthly rate; *Share Pack*, which allows packet data volume to be shared among family members; *Zutto DOCOMO Wari*, which is a discount service based on the number of years of use; and *U25 Ouen Discount*, which supports customers who are age 25 or younger.

*8 Please see page 100 for the ARPU calculation method and other details.

*9 The ARPU calculation method was changed from the fiscal year ended March 31, 2016. Accompanying this change, the new method has been applied retroactively to the ARPU figures for the fiscal year ended March 31, 2014, and the fiscal year ended March 31, 2015. Packet ARPU from the fiscal year ended March 31, 2009, to the fiscal year ended March 31, 2011, includes an amount corresponding to Smart ARPU.

Non-Financial Highlights

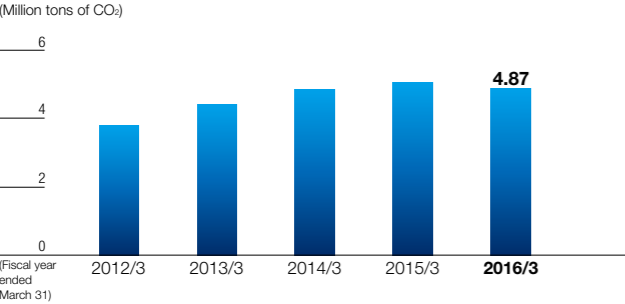
Environmental / Social Data

Environmental Data

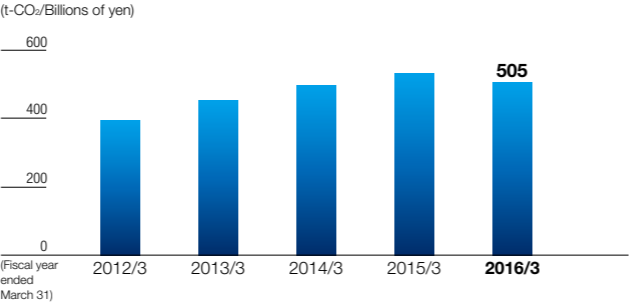
	2012/3	2013/3	2014/3	2015/3	2016/3
CO ₂ emissions volume* ¹ (Million tons of CO ₂)	3.79	4.41	4.85	5.07	4.87
CO ₂ emissions volume per sales (t-CO ₂ /Billions of yen)	395	452	498	533	505
Final disposal rate for waste (%)	1.75	1.45	1.15	0.88	0.82
Paper usage volume* ² (Thousands of tons)	66	68	60	50	45

*¹ Total for Scope 1 (direct emissions from the use of fuel, etc.) and Scope 2 (indirect emissions accompanying the use of energy, such as electricity)
*² Amount of paper used for bills, office paper, telegrams, and telephone books

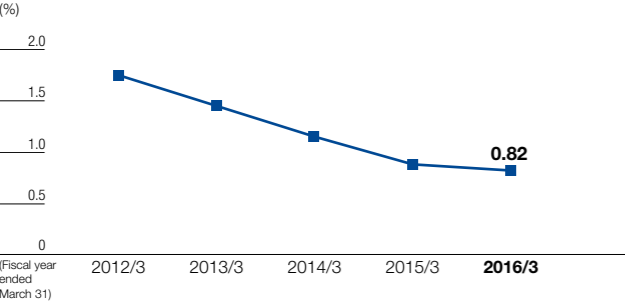
CO₂ Emissions Volume



CO₂ Emission Volume per Sales

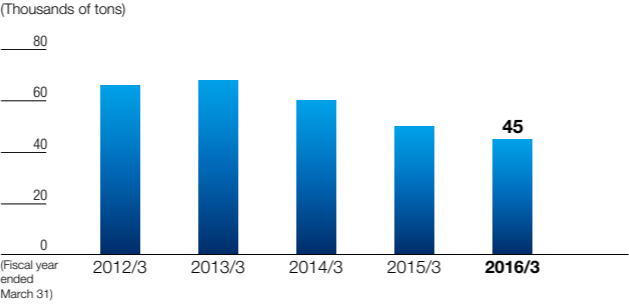


Final Disposal Rate for Waste



Note: Scope data collection: Japan

Paper Usage Volume

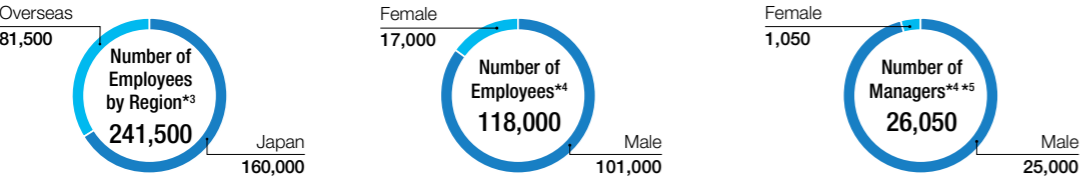


Social Data

Numbers of Consolidated Group Companies and Employees

	2012/3	2013/3	2014/3	2015/3	2016/3
Number of Group companies (Companies)	772	827	946	917	907
Number of employees (Employees)	224,250	227,150	239,750	241,600	241,500

Employment



*³ As of March 31, 2016, estimated number of employees for 907 consolidated companies in the NTT Group
*⁴ As of March 31, 2016, total number of employees of NTT, directly affiliated companies in Japan, and their affiliated companies in Japan (total of 41 companies)
*⁵ Section manager level or higher

External Evaluations

	2012	2013	2014	2015	2016
--	------	------	------	------	------

SRI Indexes and Other External Evaluations

Dow Jones Sustainability Index Index evaluating corporate sustainability from the three perspectives of economy, environment, and society. Developed through collaboration by Dow Jones, of the U.S., and RobecoSAM, of Switzerland, a specialist in the investigation of SRI.	—	—	○ Asia Pacific As of September	○ Asia Pacific As of September	○ Asia Pacific As of September
FTSE4 Good Index Global ESG index from FTSE Russell, of the U.K., a wholly owned subsidiary of the London Stock Exchange.	—	—	—	—	○ As of June
MSCI Global Sustainability Indexes Index selecting companies with superior performance in ESG, developed by Morgan Stanley Capital Investment, of the U.S.	—	—	—	○	○
Morningstar Socially Responsible Investment Index From among approximately 4,000 listed companies in Japan, Morningstar selects 150 companies for superior social responsibility and converts their stock prices into the index, which is the first SRI index in Japan.	○	—	○	○	○
Intellectual Property Related					
Thomson Reuters Top 100 Global Innovators Top 100 organizations selected as global business leaders each year by Thomson Reuters. Organizations are selected on the basis of granted IP rights for unique inventions and successful commercialization.	○	○	○	○	○
Brand Related					
Brand Finance Global 500 Brand Finance is a global leader in brand valuation and strategic consultancy, with a presence in more than 20 countries. Brand Finance uses an original methodology to quantify and rank corporate brands for companies in a wide range of categories.	14	16	67	70	23 As of February 2nd among Japanese companies
BrandZ Top 100 Most Valuable Global Brands 2016 Millward Brown, which is one of the world's leading market research firms, conducts branding, media, and communications related operations. Millward Brown, which is one of the world's leading market research firms, conducts branding, media, and communications related operations. Millward Brown used an original methodology to rank approximately 23,000 company brands, with comprehensive consideration of company finances and corporate image based on consumer surveys.	—	—	—	—	47 As of June 2nd among Japanese companies

Note: Unless otherwise noted, as of January.

Steadily implementing the Medium-Term Management Strategy and aiming to achieve sustained gains in corporate value as the “Value Partner” that customers continue to select

Introduction

1

Business transformation based on the Medium-Term Management Strategy

When I became president in 2012, accompanying the transition of fixed-line and mobile communications to broadband as well as the rapidly growing use of smart-phones, services and handsets were becoming increasingly diverse and sophisticated. In addition, a wide range of players other than telecommunications operators were providing network-based services, and customers were able to freely select and combine services. In this environment, under the Medium-Term Management Strategy, “Towards the Next Stage,” which was announced in November 2012, we endeavored to rigorously bolster our competitiveness by reducing costs in domestic network services and by increasing efficiency in capital investment. Also, we implemented initiatives to break away from simple competition among telecommunications

September 2016

President and Chief Executive Officer,
Representative Member of the Board

Hiroyo Uemura

operators and make a transition to a new competitive stage as a “Value Partner.” The *Hikari Collaboration Model* is a representative example of those initiatives. Launched in February 2015, this is the world’s first model for full-scale fiber-access services offered through a wholesale framework. Through collaboration among telecommunications operators as well as companies from other industries, this model will promote the creation of new businesses and high-value-added services and the use of fiber access. In addition, by supporting the business development initiatives of partner companies, the *Hikari Collaboration Model* will help to ensure that NTT Group continues to be selected by partners and records gains in corporate value, which are the model’s primary aims. The launch of the *Hikari Collaboration Model* —a B2B2X business—marked a major turning point in the transformation of the NTT Group’s business models.

On the other hand, the global ICT market was expected to record growth. We believed that it was necessary to expand the NTT Group’s fields of business to global markets. Consequently, another reform that we implemented to foster further growth was the expansion of our global business centered on cloud services.

Overseas, cloud services were making rapid progress and the market was expanding. Cloud services are based on networks and data centers, which are the NTT Group’s traditional strengths, and cloud services are also a field in which we can leverage the SI know-how that we have cultivated. As a comprehensive player that can provide cloud services in global markets on a one-stop basis, we decided to take on the challenge of cloud services and develop them into a pillar of our future growth. Our initial objectives were to expand our customer base and increase our sales.

Growth in EPS was our highest priority objective, and we set a target of growth in EPS of at least 60% over four years. The entire Group worked together to tackle this transformation of our business structure, and as a result we were able to substantially exceed this target and achieve growth in EPS of 91%. We also achieved our targets for cost reductions and increases in efficiency in capital investment.

In consideration of this steady progress in reforming our business structure, in May 2015 we formulated “Towards the Next Stage 2.0” as a management strategy for realizing further growth in profits.

Progress and Outlook for the Medium-Term Management Strategy,
“Towards the Next Stage 2.0”

2

Strong start in the initial year of “Towards the Next Stage 2.0”

Under “Towards the Next Stage 2.0,” our fundamental strategic focus remains the same. With a stepped-up emphasis on profit growth, we will follow a course of increasing EPS. Targeting profit growth, in our global business we will work to further increase sales and





established new objectives for operating income, and we began to implement initiatives to accelerate the generation of profits overseas. In domestic network services, we further advanced rigorous measures to increase business efficiency and, in turn, to strengthen profitability.

Moreover, targeting sustained growth, we decided to move ahead with the opening up of new domestic markets through the expansion of B2B2X businesses.

“Towards the Next Stage 2.0” is a three-year management strategy, and I believe that we got off to a strong start in the initial year of this strategy, the fiscal year ended March 31, 2016. We set a target of increasing

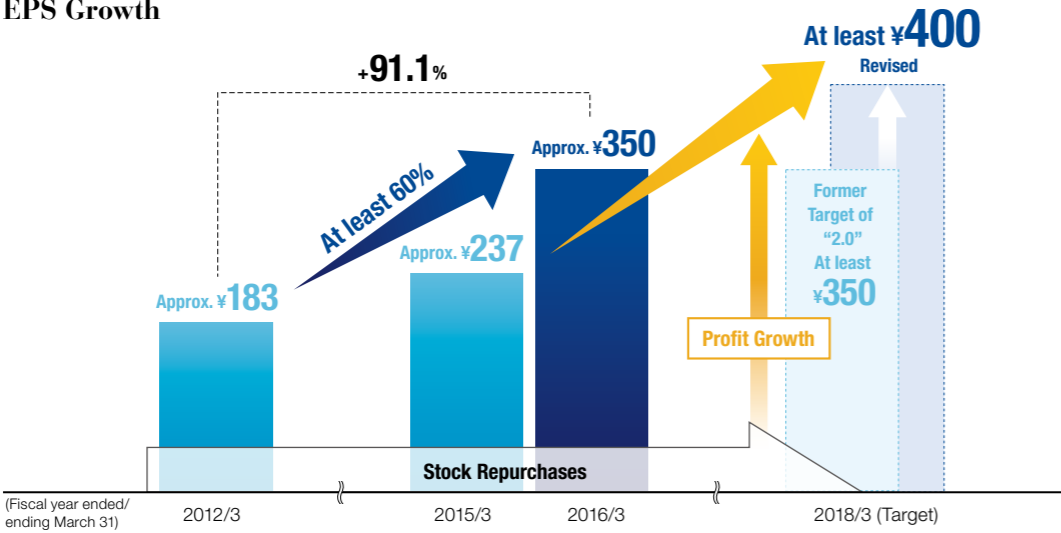
EPS, the most-important medium-term financial target, from ¥237 in the fiscal year ended March 31, 2015, to at least ¥350 over three years. However, we achieved this target in the fiscal year ended March 31, 2016, and in consideration of this result, in May 2016 we raised our EPS target to at least ¥400.

Review of Financial Targets in the Medium-Term Management Strategy, “Towards the Next Stage 2.0”

Category	Financial targets to be achieved by the fiscal year ending March 31, 2018
 EPS Growth	At least ¥350 ⇒ At least ¥400
 Overseas Sales / Operating Income	\$22.0 billion / \$1.5 billion
 Streamlining Capital Investment (in domestic network business) [vs. FY ended March 31, 2015]	At least ¥200.0 billion
 Cost Reductions (fixed-line / mobile access networks) [vs. FY ended March 31, 2015]	At least ¥600.0 billion ⇒ At least ¥800.0 billion

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

EPS Growth



Taking on the challenge of achieving growth in overseas operating income through Groupwide initiatives

For our global business, we have set a target of increasing overseas sales from \$15.0 billion in the fiscal year ended March 31, 2015, to \$22.0 billion over three years. In addition, we have set a target of raising overseas operating income from \$0.67 billion in the fiscal year ended March 31, 2015, to \$1.5 billion over three years, more than double the level in the fiscal year ended March 31, 2015. We have effectively utilized M&As to build a system that can provide cloud services on a worldwide basis. Consequently, we have established a unique global position as a comprehensive ICT player that can provide full-stack, full life-cycle services (full stack: wide range of fields related to cloud services, from infrastructure to applications; full life-cycle: from consulting prior to cloud migration to maintenance after migration).

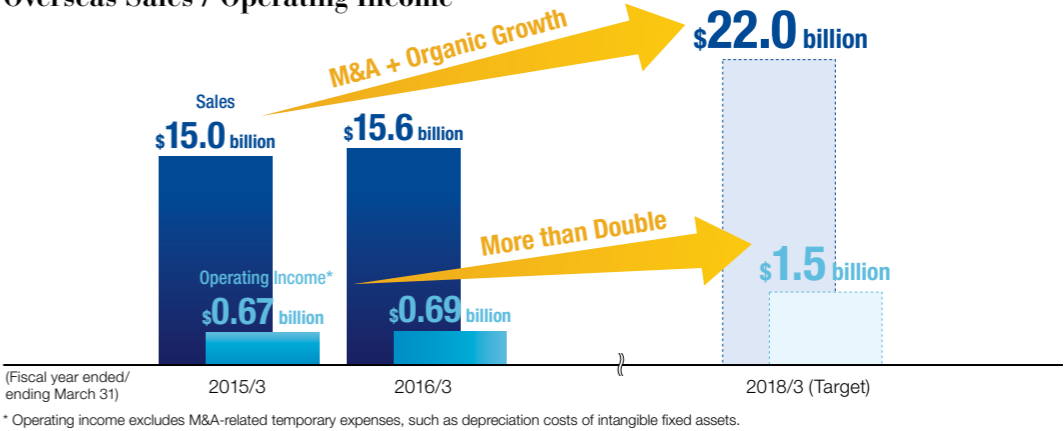
To achieve our targets, we have formed Groupwide working groups to address such themes as further growth in sales and increases in cost efficiency. Specifically, to expand cross-selling (obtaining orders through collaboration among Group companies), we are bolstering joint Group proposals to leading companies around the world. In addition, in regard to increasing

cost efficiency, we have already seen results in the field of procurement.

Security is an important key to rolling out global business initiatives, and we have consolidated the specialized security technologies of NTT Group with the establishment of NTT Security, which began operations in August 2016. Moving forward, we will undertake worldwide development of the advanced security technologies and services provided by NTT Security utilizing the overall marketing capabilities of NTT Group.

Overseas sales were \$15.6 billion in the fiscal year ended March 31, 2016, and we anticipate continued steady gains through M&As and organic growth. Our target of \$22.0 billion has come into view. On the other hand, overseas operating income was \$0.69 billion in the fiscal year ended March 31, 2016, and we will continue efforts to accelerate growth in profits stemming from higher sales and initiatives to raise cost efficiency, centered on our Groupwide working groups. Our target for overseas operating income is challenging, but the entire Group will work together to achieve this target.

Overseas Sales / Operating Income



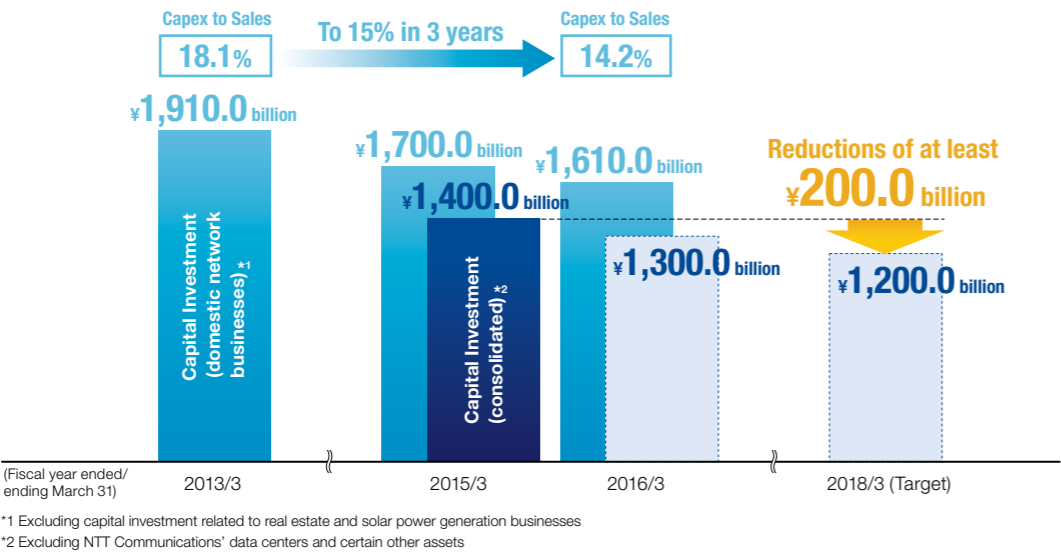
* Operating income excludes M&A-related temporary expenses, such as depreciation costs of intangible fixed assets.

Steady progress in enhancing profitability in our domestic network business

We are making steady progress with the *Hikari Collaboration Model* in fixed-line communications. The number of partner companies had increased to more than 400 as of August 2016, and it continues to rise. New subscriptions through partner companies are growing on a quarterly basis, and we are seeing steady results in the area of net increases while controlling marketing costs. By expanding the wholesale menu and bolstering support with consideration for the requirements of partner companies, we will collaborate with companies in a wider range of industries and work to expand fiber-optic demand by creating new businesses. In mobile communications, *Kake-hodai* & *Pake-aeru* billing plan, which enables customers to select in accordance with their life stage, continues to record favorable growth in subscriptions. In addition, utilizing the *Hikari Collaboration Model*,

NTT DOCOMO is recording steady expansion in subscriptions to *docomo Hikari*, which is provided together with fiber-optic access services and mobile services. In increasing efficiency in our domestic network business, we are aiming to achieve reductions in capital investment of at least ¥200.0 billion over three years, and we are making favorable progress. Moving forward, we will implement initiatives to achieve further increases in efficiency, such as continued improvements in efficiency in the use of existing facilities and reductions in procurement costs. Furthermore, in regard to cost reductions in fixed-line and mobile access networks, our target was to achieve reductions of at least ¥600.0 billion over three years. However, due to reduced marketing costs under the *Hikari Collaboration Model* and to lower depreciation costs, in the fiscal year ended March 31, 2016, the first

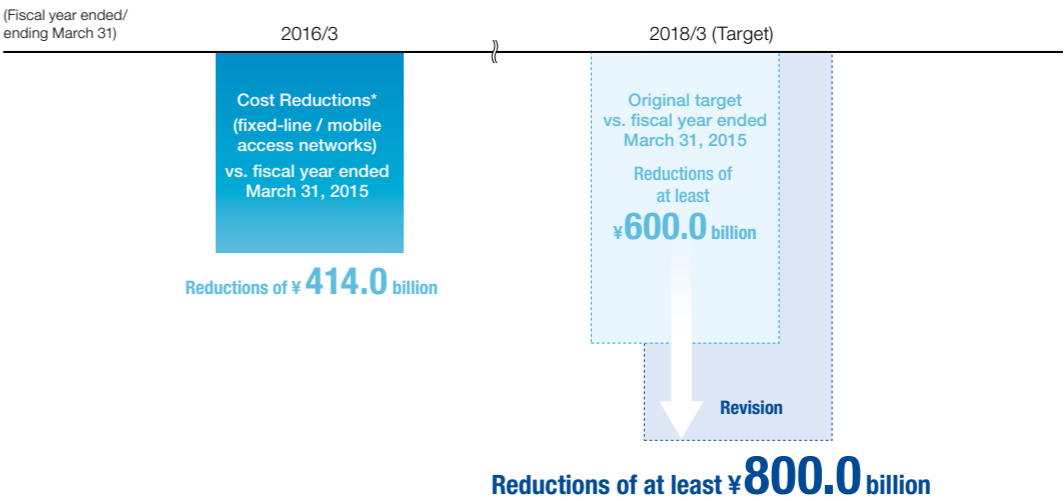
Streamlining Capital Investment



year of "Towards the Next Stage 2.0," we achieved substantial reductions that exceeded ¥400.0 billion. In the fiscal year ending March 31, 2017, we expect to be able to achieve the previous target of reductions of at least ¥600.0 billion, and consequently we have raised that

previous target by ¥200.0 billion, to reductions of at least ¥800.0 billion. Moving forward, we will continue to implement rigorous initiatives to achieve further cost reductions, such as through measures to significantly increase operational efficiency.

Cost Reductions



Increasing free cash flow and continuing to enhance shareholder return

We have emphasized shareholder return up to the present, and we will continue working to further enhance shareholder return as we move forward. I believe that we should implement management with a focus on increasing free cash flow. While maintaining an emphasis on dividends, we will implement share buybacks in an agile and flexible manner. In this way, we will continue to enhance shareholder return. For the fiscal year ended March 31, 2016, we raised per-share dividends by ¥20, to ¥110 per share, and for the fiscal year ending March 31, 2017, we plan to increase per-share dividends by an additional ¥10, to ¥120 per share. Over the 13 years since we first raised dividends in the fiscal year ended March 31, 2005, we

have increased dividends to nearly five times the level for the fiscal year ended March 31, 2005. Moving forward, we will strive to implement continued dividend increases. Working toward the achievement of our EPS target, we will continue to implement share buybacks, with consideration for business trends, market trends, and capital efficiency. We implemented acquisitions of treasury stock of ¥93.6 billion in the fiscal year ended March 31, 2016, and in the fiscal year ending March 31, 2017, we had implemented acquisitions of treasury stock of ¥267.4 billion as of August 2016.

Note:
The dividend amounts are split-adjusted figures with effective dates of January 4, 2009 (100-for-1 stock split) and July 1, 2015 (2-for-1 stock split).

Targeting Further Gains in Corporate Value

3

From “competition” to “collaboration”

In the past, telecommunications operators provided infrastructure and services in a single package. Currently, a diverse range of players are providing services that utilize telecommunications, including over-the-top (OTT) enterprises that provide SNS and other upper-layer services. The market is reaching the point at which telecommunications operators can no longer provide all services on their own. In response to these changes in the market environment, NTT Group has targeted sustained growth by changing its business model from “competition” to “collaboration.” On that basis, we are taking on the challenge of opening up new markets and creating new services.

In advancing collaboration, the Tokyo 2020 Olympic and Paralympic Games* will present business opportunities in a range of areas in the sports business field. Such opportunities will include the so-called smartification of stadiums, video services that provide new forms of entertainment, e-commerce offered in cooperation with local regions, and Big Data analysis and strategy formulation that leverage the Internet of Things (IoT). Overseas, these businesses have already started to expand markets, and we believe that the time is right to expand these businesses in Japan as well. We have already begun the smartification of the NACK5 Stadium Omiya, the home stadium of the Omiya Ardija in the J1 League. In accordance with a basic agreement with the J.League concluded in July 2016, we will support the J.League's smartification initiatives at all stadiums in Japan.

In addition, I believe that NTT Group can also make a significant contribution to the vitalization of local economies initiatives that are being aggressively advanced by the Japanese government. Our focus on these initiatives will create business models that will resolve social issues for the next generation. Municipalities face a range of problems, such as declining and aging populations, sluggish regional economies, and deteriorating infrastructure. Targeting the resolution of these social problems, NTT has concluded comprehensive partnership agreements with Fukuoka City and Sapporo City. We are considering ways to achieve the vitalization of local economies by utilizing the NTT Group's resources and knowledge in such areas as telecommunications and information systems and regional development. These initiatives will extend to such fields as tourism, disaster prevention, and transportation.

In this way, we will work with municipalities and partners in a range of industries to build new business models and create high-value-added services that will revitalize the Japanese economy. Our domestic business results are posting a favorable recovery, and our global business is also recording steady expansion. I believe that now is the time for NTT Group to take decisive steps targeting sustained growth.

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

Increasing corporate value through solutions to social issues

Around the world, there are increasingly active developments regarding the realization of a sustainable society, such as the United Nations General Assembly's approval of Sustainable Development Goals (SDGs) in September 2015. To date, NTT Group has contributed to the resolution of social issues through the use of ICT, and in the future I believe that this role will be ever more important for NTT. In accordance with the NTT Group CSR Charter, we will do our utmost to contribute to the creation of a prosperous and sustainable society with vibrant communication. As a “Value Partner” for customers, we will work to further expand B2B2X businesses and collaboration. In this way, we will strive to contribute to the resolution of social issues and to increase corporate value.

In regard to the vitalization of local economies initiatives discussed above, I will discuss in more detail the types of social issues that NTT Group will strive to resolve and the businesses that the Group will develop. In particular, to achieve the vitalization of local economies, I believe that it will be necessary to advance the utilization of Japanese-style IoT, Big Data, and AI in a way that shares data throughout society. This undertaking will involve the use of Big Data from IoT initiatives to collect information from a variety of fields, such as transportation, medical services, the environment, agriculture, manufacturing, and education. This data will be used as a public resource to resolve a range of social issues. For example, by combining transportation and medical services data, it will be possible to shorten the time required to convey

patients in emergency situations. Also, by combining environmental (energy) and manufacturing data, it might be possible to control electricity consumption during peak periods. In Europe and the United States, progress is being made with initiatives utilizing IoT and Big Data, known as Industry 4.0 and the Industrial Internet. Under these European and U.S. style initiatives, the Big Data is kept within companies or industries. However, in Japan, if Big Data is used by society as a whole, it will be possible to fully leverage the potential of Big Data and to link it to the development of regional-style businesses.

To that end, it will be necessary for municipalities to play the central role in collecting the Big Data assembled by companies and combining it with the open data held by municipalities, such as population, map, and disaster prevention information, which will then be provided to industry. In addition, it will be necessary for the results of the use of Big Data by companies to be provided as feedback to municipalities, thereby advancing the second-level and third-level use of Big Data and resulting in the enhancement of Big Data in terms of both quality and quantity. To realize this concept, NTT Group will approach municipalities and provide support for speeding up the formation and utilization of Big Data through the use of the Group's network and ICT technologies. These efforts will lead to the creation of new businesses and services, to the use of the Group's ICT services in new ways, and to expansion in the NTT Group's businesses.

Governance that supports sustained gains in corporate value

I believe that the effective functioning of corporate governance is indispensable for sustained gains in corporate value. Accordingly, NTT is working to bolster the effective functioning of corporate governance based on its fundamental policies of ensuring sound management, conducting appropriate decision-making and business activities, clarifying accountability, and maintaining thorough compliance. I will introduce initiatives that we have implemented to address several points.

From the perspective of securing sound management, in order to strengthen functions for appropriately supervising business execution, NTT has appointed two outside independent Members of the Board and established the Audit & Supervisory Board, of which outside independent Audit & Supervisory Board Members make up a majority. In addition, in 2005 NTT voluntarily established the Appointment and Compensation Committee, which consists of two outside independent Members of the Board and two internal Members of the Board, to further increase the objectivity and transparency of decisions relating to appointment and compensation of corporate officers. Moreover, outside independent Members of the Board, Representative Members of the Board, and Audit & Supervisory Board Members meet to exchange opinions. At these meetings, discussions on a wide range of themes are held to enhance the functioning of corporate governance, such as the effectiveness of the Board of Directors and the state of Group management.

The Company believes that accountability is one of its important responsibilities. To date, NTT has implemented management with an emphasis on communication with the markets. I strive to meet with investors as often as possible, and we held NTT IR Day with the participation of Members of the Board as well as top executives from the operating companies. In these ways, executives are proactively exchanging opinions with investors and working to deepen investors’ understanding. In addition, we strive to reflect the opinions of investors in our management.

Furthermore, a rigorous approach to compliance is also indispensable in achieving sustained gains in corporate value. NTT Group recognizes that its most important mission is to conduct business in compliance with laws and regulations and in accordance with high ethical standards. Accordingly, I continually ask the presidents of Group companies to take a rigorous approach to compliance, and the presidents of Group companies work to promote compliance within their own organizations. The NTT Group Corporate Ethics Charter sets forth conduct guidelines for all corporate officers and employees. By implementing Groupwide initiatives to strengthen compliance, we are creating a work environment in which there is zero tolerance for wrongdoing.

Moving forward, we will continue to work to support the effective functioning of corporate governance while advancing dialogue with investors.

In Closing

4

Look forward to sustained increases in corporate value for NTT Group

ICT continues to advance on a daily basis. The Internet has changed people’s lifestyles, and cloud services have substantially increased companies’ productivity. In the same way, IoT, Big Data, and AI technologies will likely foster further significant changes around the world. NTT Group is aware of its role as an enterprise with responsibility for ICT, and we will work to create new

businesses and services and to achieve sustained gains in corporate value through collaboration with a variety of partners around the world as the “Value Partner” that customers continue to select.

I would like to ask for your ongoing support of NTT Group in the years ahead.

The NTT Group’s EPS-Focused Management

NTT Group has undergone a transformation of business structure based on “Towards the Next Stage,” the medium-term management strategy announced in 2012.

In May 2015, NTT Group announced “Towards the Next Stage 2.0,” which aims to continue on with and strengthen the strategy, and it is now taking steps toward becoming a “Value Partner” that customers continue to select.

Fiscal year ending
March 31, 2018

EPS
At least
400 yen

Achieved

Fiscal year ended
March 31, 2016

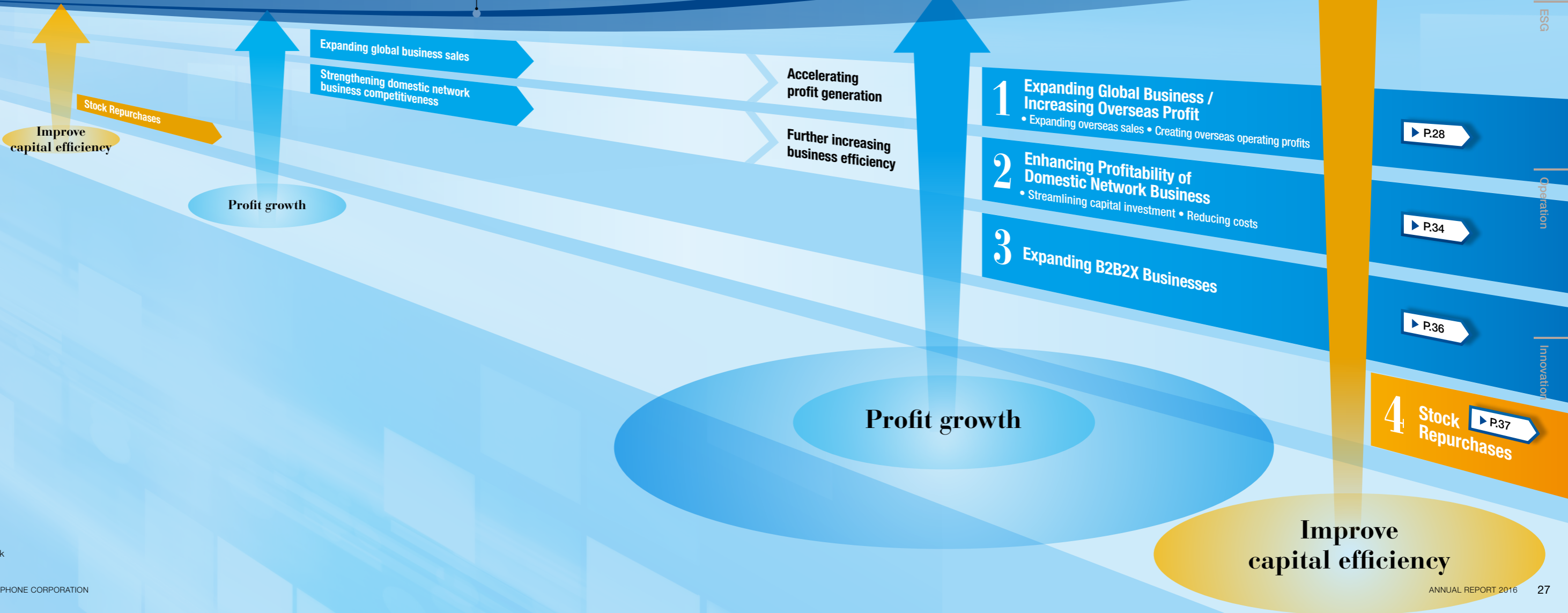
EPS Growth*
At least
60 %

Announced in May 2015

“Towards the Next Stage 2.0”

Announced in November 2012

“Towards the Next Stage”



* FY2011 as benchmark

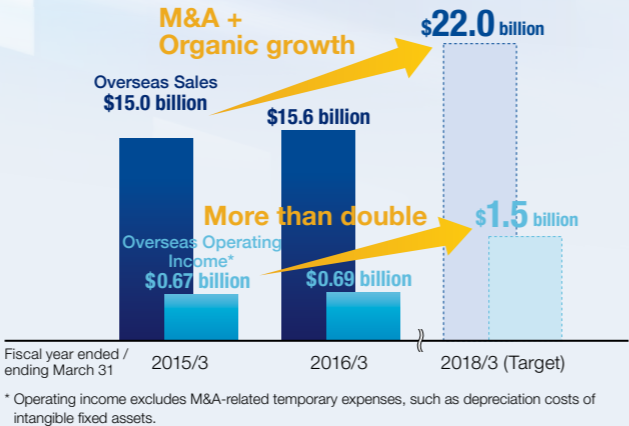
1 Expanding Global Business / Increasing Overseas Profit

Accelerating Profit Generation of Global Cloud Services

NTT Group has taken steps to enhance its global cloud services lineup through M&A, and we have promoted cross-selling through collaboration among Group companies. Consequently, we are starting to see solid results in our global business.

In the fiscal year ended March 31, 2016, overseas sales increased to \$15.6 billion, and overseas operating income rose to \$0.69 billion.

Overseas sales of \$22.0 billion has come into view. Moving forward, we will take on the challenge of achieving our target for operating income, which has been set at a high level. To that end, we will accelerate Groupwide initiatives to increase sales and enhance cost efficiency.

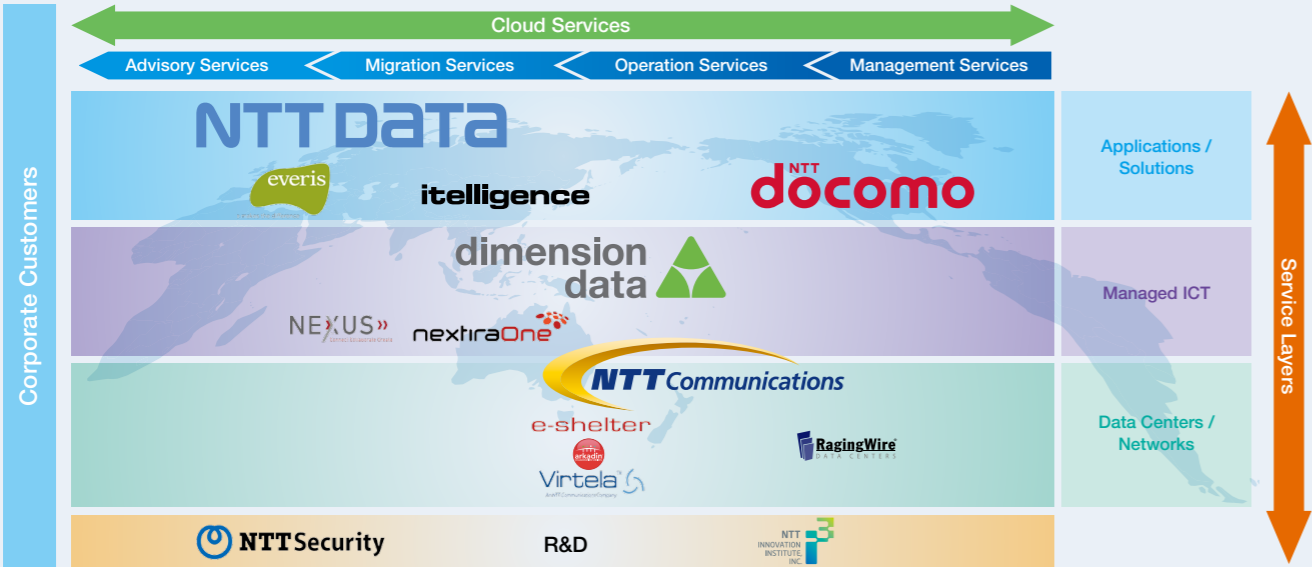


Strengthening the Service Promotion System on Three Axes

To provide one-stop solutions to the diverse needs of customers around the world, we are strengthening the service promotion system on the following three axes.

- (1) **Full stack**: Provision of services in a wide range of fields related to cloud services, from ICT infrastructure to applications.
- (2) **Full life-cycle**: Ability to handle everything from cloud migration consulting to system construction and maintenance.
- (3) **Footprint expansion**: Ability to provide services on a global scale

Global Cloud Business Promotion System



Strengths of NTT Group

NTT Group is a unique all-round player that has the ability to provide full-stack, full life-cycle services.

In global cloud services, it is important to be able to provide total solutions—from data centers and networks to applications. Accordingly, global cloud services is a field in which NTT Group can fully leverage its strengths.

Ability to Provide Global Business Services—Comparison of NTT Group and Other Companies

	NTT	Telecom (A)	Cloud (A)	IT Vendor (A)	Sler (I)
Data Centers (including co-location)	Leader	○	—	—	●
Network Integration	Leader	●	—	●	●
Network	Leader	●	—	—	—
Apps (ERP, etc.)	Attacker	—	—	●	●
Cloud	Attacker	—	—	●	●
Security	Attacker	○	—	—	●

Note: Evaluation of ability to provide global cloud services ● Top tier ◐ 2nd tier ◑ Specific fields ○ Geographically limited — Not provided / provided on limited basis

External Evaluations

NTT Group has earned high evaluations in the ICT services field from overseas research institutions, and the Group’s presence in global markets is steadily increasing. Consequently, we are receiving an increasing number of inquiries from global companies.

Global Cloud Business Evaluations

Data center total floor space Top ranks worldwide (TeleGeography research)	NTT Group	Network Services, Global*** Leaders Quadrant (Gartner research)	NTT Communications
Internet Intelligence-Transit* Top ranks worldwide (Dyn research)	NTT Group	Cloud-Enabled Managed Hosting, Asia/Pacific**** Leaders Quadrant (Gartner research)	NTT Communications
Managed Security Services, Worldwide** Challengers Quadrant (Gartner research)	NTT Group	Cloud Professional Services***** a leader (IDC research)	NTT DATA

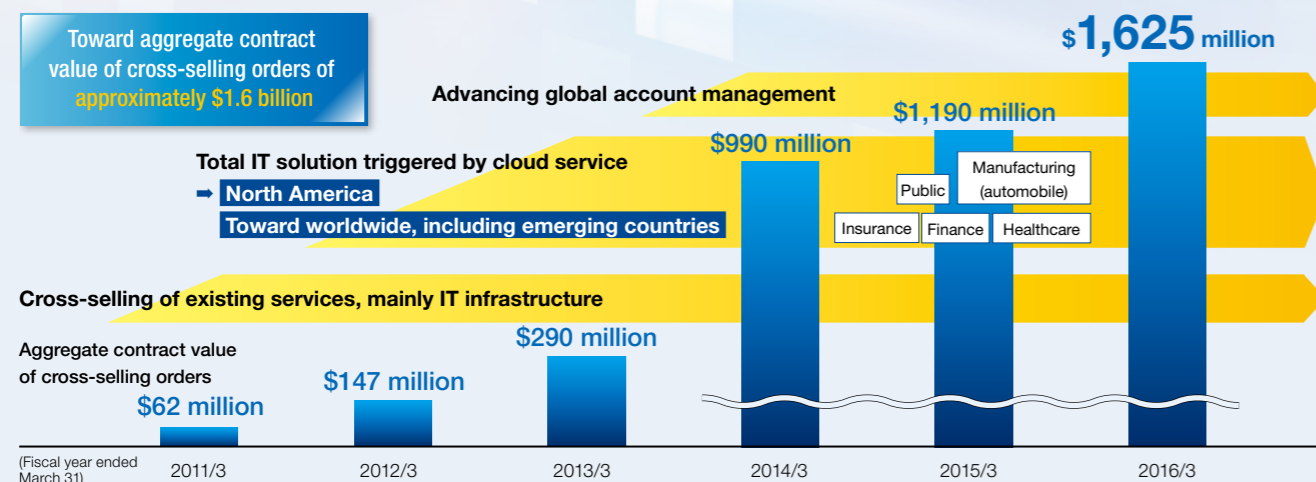
* Source: “A Baker’s Dozen, 2015 Edition” Earl Zmijewski, 12 April 2016
** Source: “Magic Quadrant for Managed Security Services, Worldwide” Kelly M. Kavanagh/Toby Bussa, 23 December 2015
*** Source: “Magic Quadrant for Network Services, Global” Neil Rickard/Bjarne Munch, 14 January 2016
**** Source: “Magic Quadrant for Cloud-Enabled Managed Hosting, Asia/Pacific” To Chee Eng/Kenshi Tazaki/Vincent Fu/Arup Roy, 11 November 2015
Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner’s research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.
The Gartner Report(s) described herein, (the “Gartner Report(s)”) represent(s), research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. (“Gartner”), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Annual Report) and the opinions expressed in the Gartner Report(s) are subject to change without notice.
*****Source: IDC ITMarketScape: Worldwide Cloud Professional Services 2016 Vendor Assessment (Apr 2016, Doc # US40149616_JP)

1 Expanding Global Business / Increasing Overseas Profit

Cross-Selling

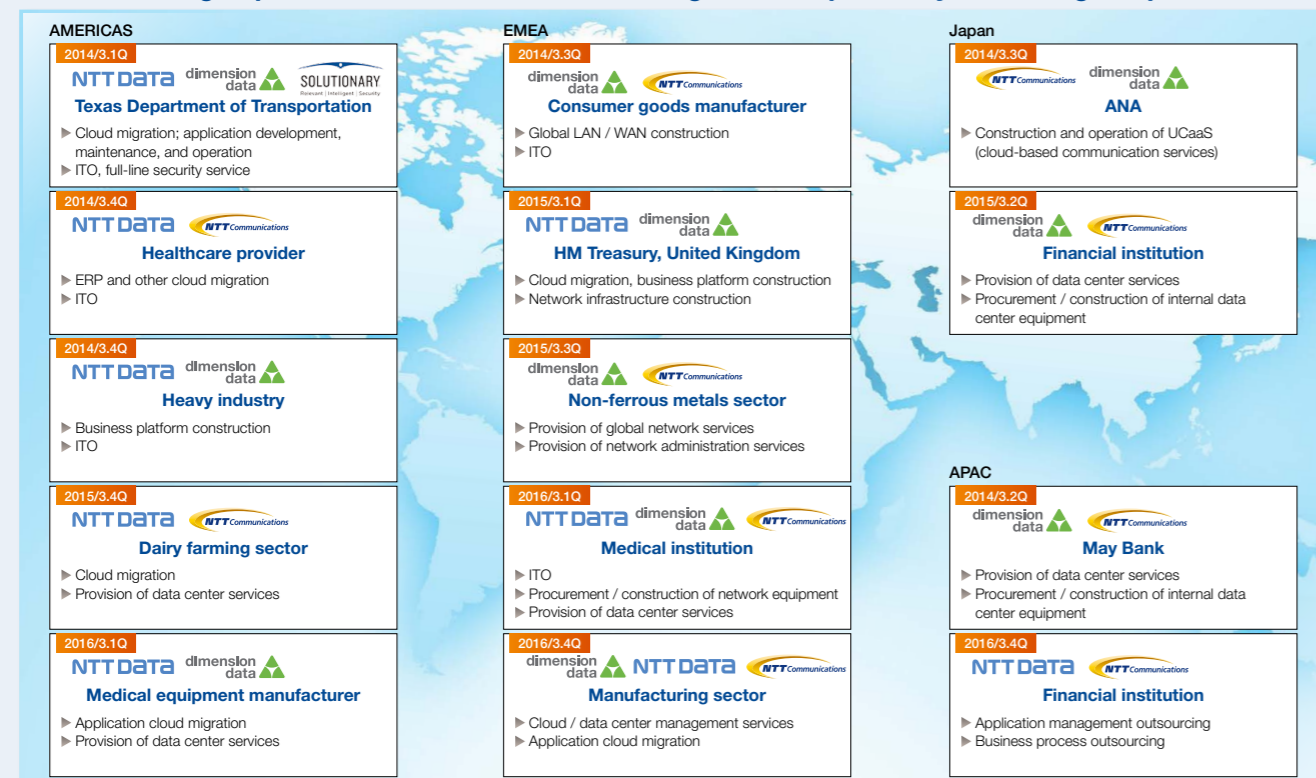
In regard to global cross-selling in the fiscal year ended March 31, 2016, we received an order totaling more than \$100 million from a customer in the manufacturing industry in Europe and the United States for large cloud-migration and IT full-outsourcing projects. The contract value of cross-selling orders totaled \$400 million for the fiscal year, and the aggregate contract value of cross-selling orders reached \$1.6 billion.

Moving forward, we will continue working to strengthen cross-selling. To that end, we will target projects centered on growth drivers, such as cloud and security projects, and on projects that leverage the comprehensive strengths of NTT Group for global accounts.



Principal Cross-Selling Orders Track Record

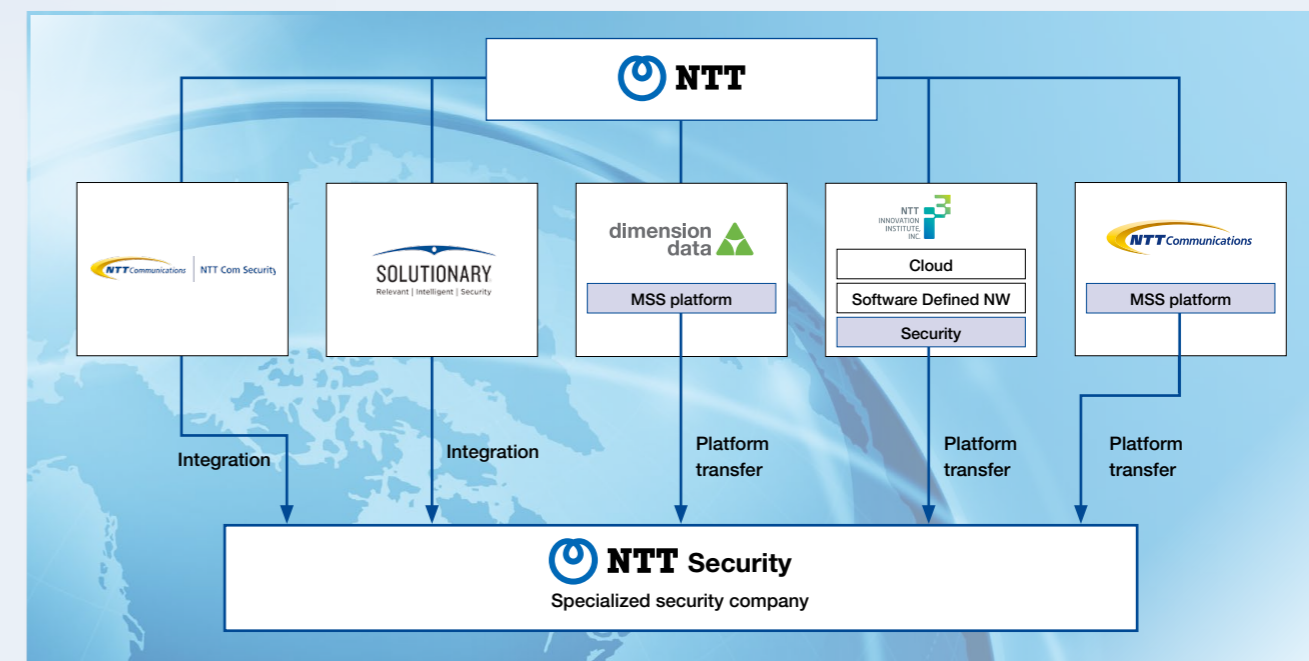
Increasing inquiries from and transactions with global companies by enhancing our presence



Strengthening Competitiveness of Security Services

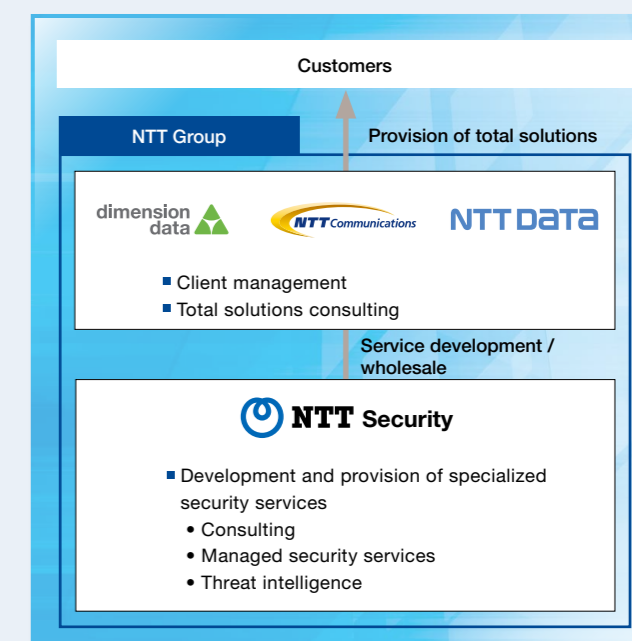
Establishing NTT Security

To support the global provision of competitive security services, in June 2016 NTT established NTT Security, a specialized security company. NTT Security integrates the advanced analytics technologies, threat intelligence, and the security experts of NTT Com Security, Solutionary, Dimension Data, NTT Innovation Institute, and NTT Communications.



Positioning of NTT Security

As a service development and wholesale company, NTT Security will provide managed security services through NTT Group operating companies on a worldwide basis. Dimension Data, NTT Communications, NTT DATA, and other NTT Group operating companies will fully utilize their individual marketing capabilities and implement the worldwide provision of total solutions that combine the advanced technologies and services offered by NTT Security.



Germany

June 2015

e-shelter, the largest data center operator in Germany, became a subsidiary



M&A

Austria

June 2015

Start of provision of services at Austria Vienna 1 Data Center



DC

India

October 2015

Opening of India Mumbai 5 Data Center, one of India's largest data centers



DC

China

December 2015

Extension of Hong Kong Financial Data Center, one of Hong Kong's largest data centers



DC

Thailand

December 2015

Opening of Thailand Bangkok 2 Data Center, one of Thailand's largest data centers



DC

Indonesia

October 2015

PT.Cyber CSF, one of the largest data center operators in Indonesia, became a subsidiary



M&A

United States

April 2015

Start of provision of services at California Sacramento 3 (CA3) Data Center



DC

July 2015

Carlisle & Gallagher Consulting Group, Inc., a financial IT consulting company, became a subsidiary

M&A

NTT Data

September 2015

Start of construction of Texas Dallas 1 (TX1) Data Center



DC

March 2016

Reached agreement with Dell Inc. to acquire the Dell Services Division, a provider of cloud services, applications-related services, and other services, with principal customers in the healthcare and other industries.

M&A

NTT Data

M&A Merger and acquisition

DC Data center

Overview

Strategy

ESG

Operation

Innovation

Strategic Moves for Global Services

From April 2015 to March 2016

2 Enhancing Profitability of Domestic Network Business

Aggressively Streamlining Capital Investment and Reducing Costs

In network services, we are working to thoroughly increase efficiency in existing businesses and to strengthen profitability.

Streamlining Capital Investment

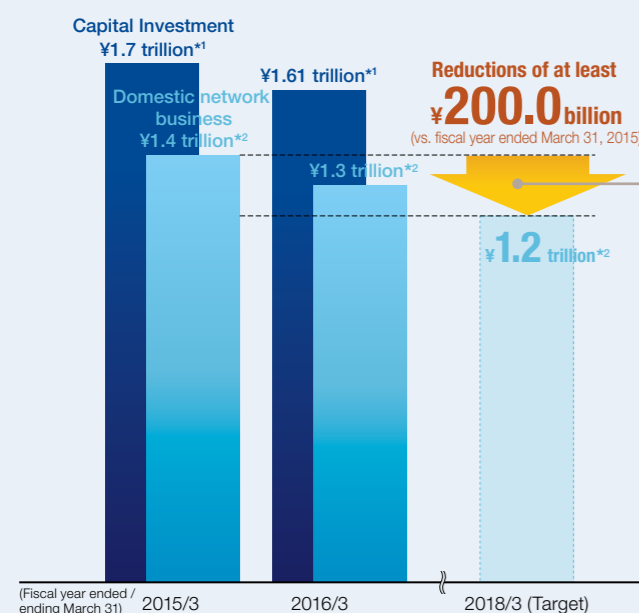
We will invest aggressively to expand business in growth fields, such as the global cloud business. On the other hand, we will implement thorough measures to increase efficiency in capital investment in the domestic network business.

We have a target of reducing capital investment in the domestic network business by at least ¥200.0 billion over the three-year period ending March 31, 2018. The expansion of DOCOMO's LTE service area has transitioned from wide-ranging expansion to spot-based initiatives, and as a result

investment has been reduced. In addition, NTT East and NTT West have reduced fiber-optic related investment. Consequently, we achieved reductions of ¥95.7 billion in the fiscal year ended March 31, 2016. We are making favorable progress toward the achievement of our medium-term financial targets.

Moving forward, we will work to achieve our reduction target by continuing to cooperate with Group companies and advancing initiatives to further increase efficiency.

Reducing capital investment in domestic network business by at least ¥200.0 billion by the fiscal year ending March 31, 2018



Improving Efficiency of Facility Use

- ① Introducing more-advanced, higher-capacity equipment
- ② Building efficient facilities through software control technologies

Reducing Procurement Costs

- Implementing efficient procurement by unifying technical specifications for procured goods

Improving and Optimizing IT Systems

- Increasing efficiency of IT systems through the use of virtualization technologies and other leading-edge technologies

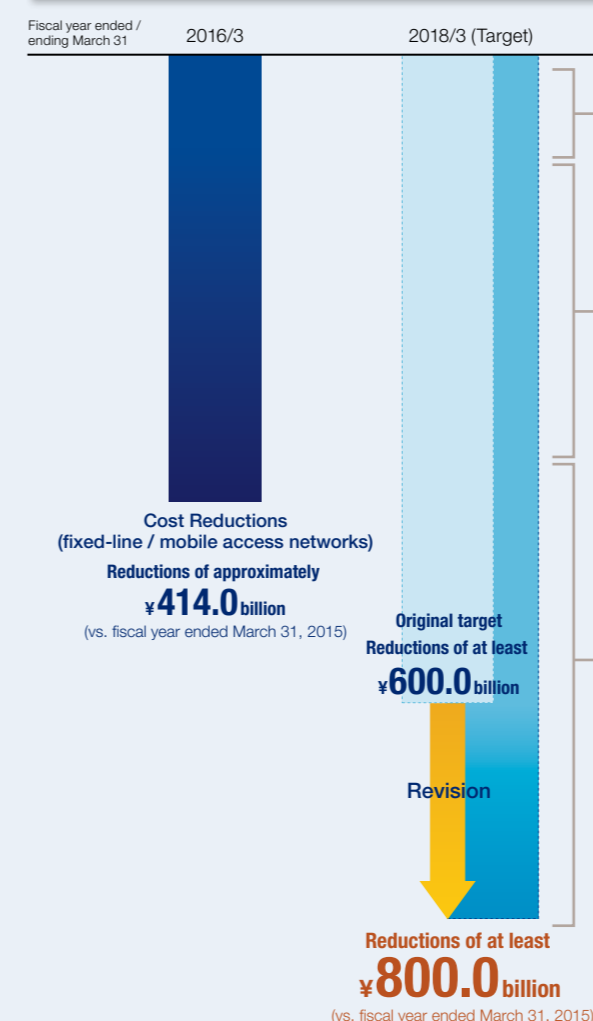
Reducing Cost

In regard to cost reductions in fixed-line/mobile access networks, we were targeting reductions of at least ¥600.0 billion over the three-year period ending March 31, 2018, and we achieved reductions of ¥414.0 billion in the fiscal year ended March 31, 2016. We now expect to achieve the target in the fiscal year ending March 31, 2017, which will be one year ahead of plan. We will implement rigorous initiatives to achieve further

cost reductions, such as thorough measures to increase operational efficiency. To accelerate profit growth, our revised target calls for cost reductions of at least ¥800.0 billion.

Moving forward, we will continue to thoroughly increase efficiency in investment and operations at each company, and we will implement rigorous Groupwide efficiency measures to thoroughly reduce costs.

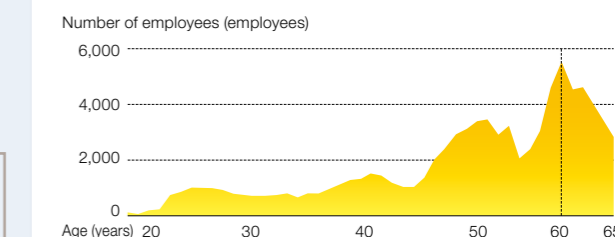
Reducing costs in fixed-line / mobile access networks by at least ¥800.0 billion by the fiscal year ending March 31, 2018



Specific Breakdown of Cost Reduction Amounts

Human Resources Costs

Approximately ¥100.0 billion reduction accompanying a decline in the number of employees due to retirements, principally in the NTT East Group and NTT West Group, etc.



Facilities Costs

Approximately ¥300.0 billion reduction in depreciation expenses due to further streamlining of capital investment (Additional ¥100.0 billion in May 2016) etc.

Other Costs

Approximately ¥400.0 billion reduction due to further gains in operational efficiency resulting from lower marketing costs accompanying increased efficiency in sales (Additional ¥100.0 billion in May 2016) etc.

3 Expanding B2B2X Businesses

Make Good Use of “2020” and the Government’s “Vitalization of Local Economies” Initiative as Opportunities to Accelerate the Migration to B2B2X

Targeting sustained growth in domestic businesses, we will create high-value-added services and accelerate the transition to the new B2B2X business model through collaboration with companies in other fields and with municipalities.

In preparation for the Tokyo 2020 Olympic and Paralympic Games*, we will advance collaboration with partner companies.

We will also work to support “vitalization of local economies” initiatives. In these ways, we will aim to open up new markets and create services that will become the standard of the next generation.

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

Conclusion of Cooperation on “Smart Stadium” Project

In July 2016, NTT Group, the J.League, and DAZN (live sports streaming service provided by Perform Group) concluded a cooperation on the Smart Stadium project, a groundbreaking initiative to promote the advancement of ICT (Information and Communication Technology) in J.League stadiums and club hometowns. Beginning with the home grounds of J1 League clubs, the Smart Stadium project will seek to establish Wi-Fi access and information services in stadiums throughout Japan. From internet access to new enjoyable content and services, the ICT initiative will extend the fan experience from the stadium to nearby communities in exciting ways. Clubs and players will be provided with innovative ways to cultivate new fans through this initiative, in turn establishing deeper connections with their local regions.

Conclusion of Cooperation on “Smart Stadium” Project among J.League, DAZN, and NTT Group

– Deal to promote ICT infrastructure advancement in J.League stadiums and hometowns, provide brand new experiences for Japanese sports fans –

Aims of stadium smartification

Value provided

- Offering a new way to enjoy the match through innovative technologies
- Using sports to stimulate local economies via digital marketing

Development of the sports industry linked to local regions

– Creating a post-2020 legacy –



Strengths of NTT Group (Contributing to the J.League)

Customer reach	ICT services	Regional relations
Wide-ranging customer base with 70 million mobile customers, etc.	Mobile / Wi-Fi / Fiber-optic broadband, Video distribution system, Big Data	Nationwide bases and close ties to local communities, history, and brand

Participating in the Sapporo City ICT Utilization Platform Study Panel

In July 2016, aiming to build an advanced model for new-generation ICT community development, NTT joined the Sapporo City ICT Utilization Platform Study Panel, which was established by Sapporo City.

As a member of the study panel, through the provision of know-how related to advanced ICT, NTT will work to support the creation of new businesses by local companies, the realization of highly convenient lifestyles, and the enhancement of services for residents. We will take steps in preparation for the 2017 Sapporo

Asian Winter Games (opening in February 2017), for which NTT East and NTT DOCOMO are Gold Partners. In the Sports / Tourism ICT Promotion Subcommittee, we will consider how to further establish the Sapporo brand in Asia and around the world. To that end, we will examine the establishment and testing of a framework for the total enjoyment of tourism in Sapporo City before, during, and after this event through the utilization of advanced ICT.

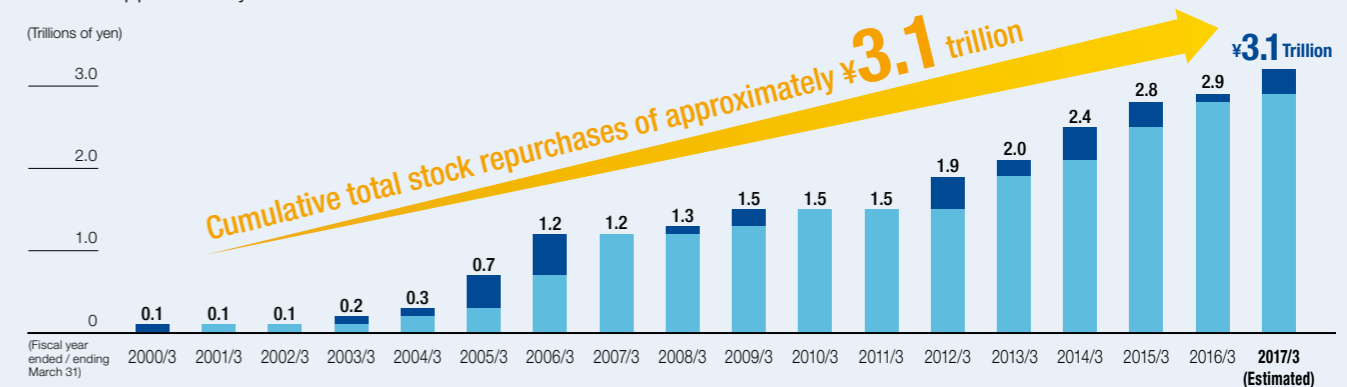
4 Stock Repurchases

Policy for Stock Repurchases

With the objectives of achieving EPS targets and improving capital efficiency, the Company takes an agile and flexible approach to stock repurchases, with consideration for business and market trends. Moving forward, we will work to achieve EPS target of at least ¥400 through profit growth and stock repurchases.

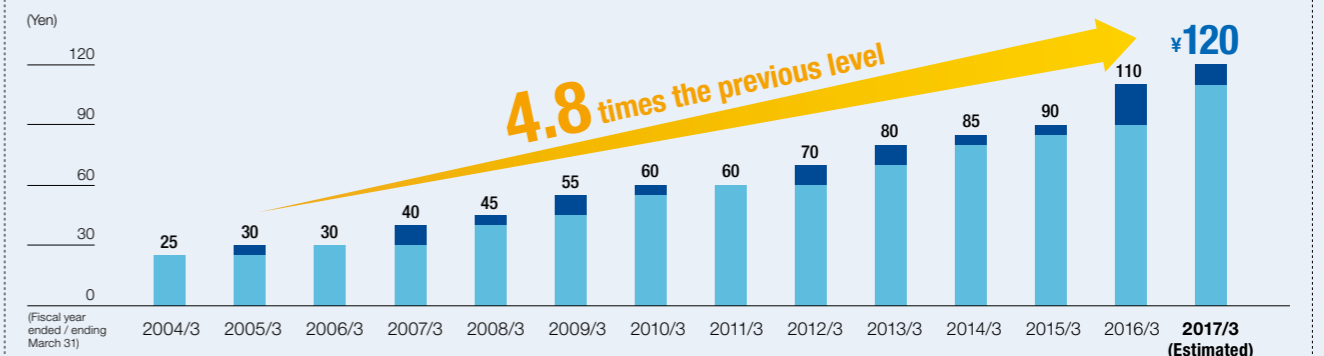
Stock Repurchases (Cumulative)

We had implemented stock repurchases of ¥93.6 billion in the fiscal year ended March 31, 2016, and in the fiscal year ending March 31, 2017, we implemented stock repurchases of ¥267.4 billion as of August 2016. The cumulative total of stock repurchases has reached approximately ¥3.1 trillion.



(Reference) Dividends per share

NTT’s basic dividend policy positions dividends as the central element in shareholder return and calls for enhancing dividends over the medium term. In the fiscal year ending March 31, 2017, the Company plans to increase annual dividends by ¥10 per share, to ¥120 per share, an increase of 4.8 times over a period of 13 years. Moving forward, the Company will work to enhance dividends, taking into account a full range of factors, including business performance, financial standing, and dividend payout ratio while giving consideration to stability and sustainability.



* The Company implemented a 100-for-1 stock split with an effective date of January 4, 2009. In addition, the Company implemented a 2-for-1 stock split with an effective date of July 1, 2015. In the above graph, the annual dividend amounts from the fiscal year ended March 31, 2004, to the fiscal year ending March 31, 2017 (estimated), have been adjusted for the two stock splits.

Overview of Corporate Governance Systems

Basic Policy

NTT believes that raising the effectiveness of corporate governance is an important management issue for meeting the expectations of various stakeholders, including shareholders and other investors, as well as customers, business partners, and employees, and for maximizing corporate value. Accordingly, NTT is working to strengthen corporate governance based on the purpose of the principles of Japan's Corporate Governance Code.

To advance the Medium-Term Management Strategy, "Towards the Next Stage 2.0," and place the entire Group on a profit growth track, NTT will work to realize its basic policies of: (1) ensuring sound management; (2) executing appropriate decision-making and business activities; (3) clarifying accountability; and (4) maintaining thorough compliance.

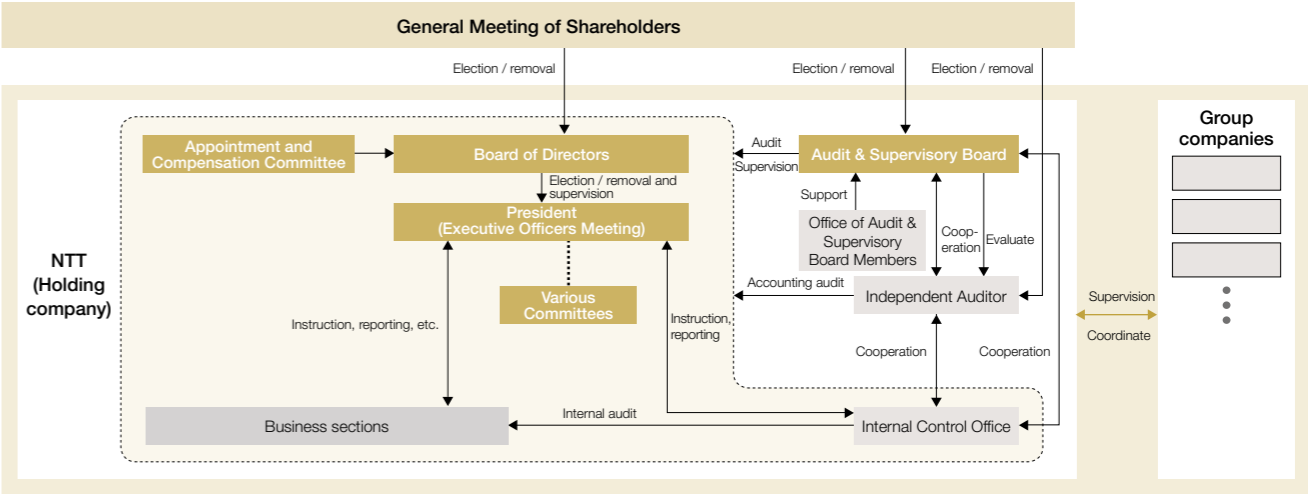
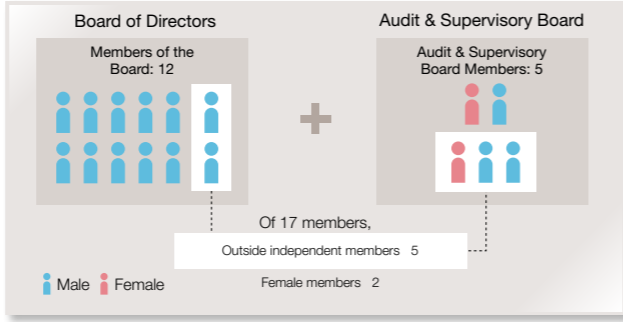
Overview of Corporate Enhancing Governance System

Revisions of Related Laws and Regulations Related to Corporate Governance	2002 2004	Passage of U.S. Sarbanes-Oxley Act Establishment of TSE's corporate governance principles for listed companies	2006 2007	Enforcement of Companies Act Enforcement of Financial Instruments and Exchange Act	2015	Enforcement of revised Companies Act Enforcement of TSE's Corporate Governance Code
	-2005		-2010		-2016	
Business Execution / Supervision Systems	1985 2003 2005	Establishment of NTT, appointment of several outside Members of the Board Increase in number of Audit & Supervisory Board Members: from 4 members (2 inside members, 2 outside members) to 5 members (3 inside members, 2 outside members) Establishment of Appointment and Compensation Committee	2006	Increase in number of outside Audit & Supervisory Board Members: from 5 members (3 inside members, 2 outside members) to 5 members (2 inside members, 3 outside members) Appointment of financial expert as Audit & Supervisory Board Member	2011 2015	Appointment of first female corporate officer (1 outside Audit & Supervisory Board Member) Establishment of independence standards for independent Members of the Board and independent Audit & Supervisory Board Members
Internal Control / Risk Management	2002 2003 2005	Establishment of Business Risk Management Committee Formulation of NTT Group Business Risk Management Manual Establishment of NTT Group Corporate Ethics Charter Establishment of Corporate Ethics Committee Establishment of Groupwide Corporate Ethics Help Line Commencement of response to U.S. Sarbanes-Oxley Act Establishment of Internal Audit Office	2006 2010	Establishment of Internal Control Office Consolidation of Internal Audit Office Establishment of Basic Policy for the Development of Internal Control Systems Establishment of Risk Management Rules	2015 2016	Revision of Basic Policy for the Development of Internal Control Systems Commencement of disclosing information on operation (overview) of internal control systems
Ensuring the Exercise of Shareholder Voting Rights	2002	Implementation of electronic voting for exercise of rights	2006	Introduction of ICJ's electronic voting platform for institutional investors	2012 2015 2016	Commencement of providing notes to non-consolidated financial statements, etc. over Internet Commencement of making Notice of Convocation available on Internet prior to mailing (42 days before date of ordinary general meeting of shareholders) Implementation of Internet disclosure of Notice of Convocation prior to mailing (same day for Japanese- and English-language versions, 42 days before date of ordinary general meeting of shareholders) Expansion of Internet disclosure of information
Information Disclosure	2003 2005	Commencement of disclosure of quarterly information Establishment of disclosure regulations Establishment of Disclosure Committee Establishment of IR Office Establishment of CSR Promotion Office Establishment of CSR Committee Commencement of issuance of CSR reports	2006 2010	Commencement of disclosure of Corporate Governance Report Publication of disclosure policy	2014 2015	Commencement of issuance of integrated reports Commencement of disclosure of Corporate Governance Report in response to Corporate Governance Code Commencement of issuance of sustainability reports

Corporate Governance System

NTT, in order to strengthen functions for appropriately supervising business execution, appoints several outside independent Members of the Board and establishes the Audit & Supervisory Board, of which outside independent Audit & Supervisory Board Members make up a majority to strengthen its auditing system. Additionally, NTT has voluntarily established the Appointment and Compensation Committee, which consists of two outside independent Members of the Board and two internal Members of the Board, to further increase the objectivity and transparency of decisions relating to appointment and compensation. NTT has determined that governance functions based on the Company with Board of Company Auditors model are sufficiently effective to achieve this purpose.

Composition of Board of Directors / Audit & Supervisory Board



Board of Directors

Number of meetings in the fiscal year ended March 31, 2016: 12

The Board of Directors consists of 12 Member of the Board, including two outside independent Members of the Board. The Board of Directors makes decisions on matters stipulated by law and on important matters related to corporate management and Group management. Moreover, through such means as periodic reports from Members of the Board on the status of the execution of members' duties, the Board of Directors supervises the execution of duties by Members of the Board.

Audit & Supervisory Board

Number of meetings in the fiscal year ended March 31, 2016: 25

The Audit & Supervisory Board consists of a total of five Audit & Supervisory Board Members, comprising two internal Audit & Supervisory Board Members and three outside independent Audit & Supervisory Board Members. From an independent perspective that differs from that of executives, the Audit & Supervisory Board implement operational audits and accounting audits and audit the status of the execution of duties by Members of the Board.

Appointment and Compensation Committee

Number of meetings in the fiscal year ended March 31, 2016: 2

For the purpose of improving objectivity and transparency in the decisions of appointments and compensation of Members of the Board, NTT has established on a non-statutory basis the Appointment and Compensation Committee, which consists of four Members of the Board, including two outside Members of the Board, as a preliminary review institution of the Board of Directors.

Executive Officers Meeting

Number of meetings in the fiscal year ended March 31, 2016: 36

Important corporate matters to be decided are, in principle and in advance, discussed by the Executive Officers Meeting, which is made up of the president, senior executive vice presidents, full-time directors, and the heads of staff organizations. The Executive Officers Meeting is held about once a week. To improve the transparency of management decision-making, one Audit & Supervisory Board Member participates in the Executive Officers Meeting.

Various Committees

A number of committees have been established below the Executive Officers Meeting to discuss specific issues related to corporate and Group management strategies. These committees, which are convened as necessary throughout the year, are in principle chaired by the president or a senior executive vice president and are attended by relevant Members of the Board and others.

Major Committees

Committee name	Overview
CSR Committee	Formulates basic CSR strategy and CSR goals for the Group, formulates basic policy for CSR-related reports
Corporate Ethics Committee	Establishes corporate ethics, takes thorough steps to maintain discipline
Human Rights Education Committee	Establishes human rights education systems and responds to discrimination incidents, etc.
Technology Strategy Committee	Formulates R&D vision, technology development strategy, and R&D alliance strategy
Investment Strategy Committee	Formulates investment strategy related to large investment projects, etc.
Finance Strategy Committee	Formulates basic strategies related to finance and policies for addressing financial issues
Business Risk Management Committee	Undertakes crisis management for the handling of business risks related to corporate management
Disclosure Committee	Establishes policies for compiling yearly reports
U.S. Sarbanes-Oxley Act Internal Control Committee	Tracks status of internal control in accordance with the Sarbanes-Oxley Act on a Groupwide basis, verifies and monitors measures to improve deficiencies
Group CISO Committee	Formulates of the Group's information security management strategies

Board of Directors

Members of the Board (As of June 30, 2016)

Senior Vice President
Member of the Board
Takashi Hiroi
Head of Finance and Accounting

Senior Vice President
Member of the Board
Tsunechisa Okuno
Head of Global Business

Executive Vice President
Member of the Board
Mitsuyoshi Kobayashi
Head of Technology Planning

Senior Executive Vice President
Representative Member of the Board
Hiromichi Shinohara
Chief Technology Officer
Chief Information Security Officer
In charge of technical strategy and
international standardization
Head of Research and
Development Planning

Senior Executive Vice President
Representative Member of the Board
Jun Sawada
Chief Financial Officer
Chief Compliance Officer
Chief Information Officer
In charge of business strategy and
risk management

Executive Vice President
Member of the Board
Akira Shimada
Head of General Affairs

Senior Vice President
Member of the Board
Hiroki Kuriyama
Head of Strategic Business Development
In charge of 2020 Project

Senior Vice President
Member of the Board
Eiichi Sakamoto
Head of Corporate Strategy Planning



Outside Independent
Member of the Board
Katsuhiko Shirai
Chairperson of the Foundation
for the Open University of Japan
Director of Japan Display, Inc.

Chairman of the Board
Satoshi Miura

President and Chief Executive Officer
Representative Member of the Board
Hiroo Unoura

Outside Independent
Member of the Board
Sadayuki Sakakibara
Chief Senior Adviser and Chief Senior
Counselor of Toray Industries, Inc.
Director of Hitachi, Ltd.
Chairman of the Japan Business Federation
(Keidanren)

Background and Experience of Members of the Board (As of June 30, 2016)



Satoshi Miura

Date of Birth: April 3, 1944
Chairman of the Board
Years served as Member of the Board: 11
Shares Owned: 32,540
Number of Meetings Attended (Percent): 12/12 (100%)

Background and Experience

Apr. 1967 : Joined Nippon Telegraph and Telephone Public Corporation
Jun. 1996 : Senior Vice President
Head of Personnel
Member of the Board of the Company
Jul. 1996 : Senior Vice President
Head of Personnel for Industrial Relations
Member of the Board of the Company
Jun. 1998 : Executive Vice President
Head of Personnel for Industrial Relations
Member of the Board of the Company
Jan. 1999 : Executive Vice President
Deputy Senior Executive Manager of the NTT-East Provisional Headquarters
Member of the Board of the Company
Jul. 1999 : Senior Executive Vice President
Representative Director of Nippon Telegraph and Telephone East Corporation
Jun. 2002 : President and Representative Director of Nippon Telegraph and Telephone East Corporation
Jun. 2005 : Senior Executive Vice President
Head of the Corporate Management Strategy Division
Representative Member of the Board of the Company
Jun. 2007 : President and Chief Executive Officer
Representative Member of the Board of the Company
Jun. 2012 : Chairman of the Board of the Company (present post)
Jun. 2016 : External Director of Hiroshima Bank, Ltd. (present post)

Principal Concurrent Positions

External Director of Hiroshima Bank, Ltd.



Hiroo Unoura

Date of Birth: January 13, 1949
President and Chief Executive Officer
Representative Member of the Board
Years served as Member of the Board: 14
Shares Owned: 27,200
Number of Meetings Attended (Percent): 12/12 (100%)

Background and Experience

Apr. 1973 : Joined Nippon Telegraph and Telephone Public Corporation
Jun. 2002 : Senior Vice President
Head of Department I
Member of the Board of the Company
Jun. 2005 : Senior Vice President
Head of Department V
Member of the Board of the Company
Jun. 2007 : Executive Vice President
Head of Corporate Strategy Planning
Head of Corporate Business Strategy
Member of the Board of the Company
Jun. 2008 : Senior Executive Vice President
Head of Strategic Business Development
Representative Member of the Board of the Company
Jun. 2011 : Senior Executive Vice President
Representative Member of the Board of the Company
Jun. 2012 : President and Chief Executive Officer
Representative Member of the Board of the Company (present post)

Principal Concurrent Positions

None



Tsunehisa Okuno

Date of Birth: October 12, 1960
Senior Vice President
Head of Global Business
Member of the Board
Years served as Member of the Board: 4
Shares Owned: 4,300
Number of Meetings Attended (Percent): 10/12 (83%)

Background and Experience

Apr. 1983 : Joined Nippon Telegraph and Telephone Public Corporation
Jul. 2007 : Vice President of the Corporate Business Strategy of the Company
Jun. 2008 : Head of the Global Business Strategy Office of Strategic Business Development of the Company
Jan. 2011 : Senior Vice President of Dimension Data Holdings plc (present post)
Jun. 2011 : Head of Global Business of the Company
Jun. 2012 : Senior Vice President
Head of Global Business
Member of the Board of the Company (present post)
Jun. 2016 : Director of NTT Security Corporation (present post)

Principal Concurrent Positions

Senior Vice President of Dimension Data Holdings plc
Director of NTT Security Corporation



Hiroki Kuriyama

Date of Birth: May 27, 1961
Senior Vice President
Head of Strategic Business Development
In charge of 2020 Project
Member of the Board
Years served as Member of the Board: 2
Shares Owned: 2,970
Number of Meetings Attended (Percent): 12/12 (100%)

Background and Experience

Apr. 1985 : Joined the Company
Feb. 2003 : Vice President of Department I of the Company
May 2005 : Vice President of Corporate Business Strategy of the Company
Jun. 2008 : Vice President of Corporate Strategy Planning of the Company
Jun. 2012 : Vice President of President's Office of General Affairs of the Company
Jun. 2014 : Senior Vice President
Head of Strategic Business Development
Member of the Board of the Company (present post)

Principal Concurrent Positions

None



Hiromichi Shinohara

Date of Birth: March 15, 1954
Senior Executive Vice President
Chief Technology Officer
Chief Information Security Officer
In charge of technical strategy and international standardization
Head of Research and Development Planning
Representative Member of the Board
Years served as Member of the Board: 7
Shares Owned: 14,300
Number of Meetings Attended (Percent): 12/12 (100%)

Background and Experience

Apr. 1978 : Joined Nippon Telegraph and Telephone Public Corporation
Jun. 2009 : Senior Vice President
Head of Research and Development Planning
Member of the Board of the Company
Jun. 2011 : Senior Vice President
Head of Research and Development Planning
Head of the Information Sharing Laboratory Group
Member of the Board of the Company
Oct. 2011 : Senior Vice President
Head of Research and Development Planning
Member of the Board of the Company
Jun. 2012 : Executive Vice President
Head of Research and Development Planning
Member of the Board of the Company
Jun. 2014 : Senior Executive Vice President
Head of Research and Development Planning
Representative Member of the Board of the Company (present post)

Principal Concurrent Positions

None



Jun Sawada

Date of Birth: July 30, 1955
Senior Executive Vice President
Chief Financial Officer
Chief Compliance Officer
Chief Information Officer
In charge of business strategy and risk management
Representative Member of the Board
Years served as Member of the Board: 2
Shares Owned: 10,500
Number of Meetings Attended (Percent): 12/12 (100%)

Background and Experience

Apr. 1978 : Joined Nippon Telegraph and Telephone Public Corporation
Jun. 2008 : Senior Vice President
Executive Manager of Corporate Strategy Planning Department
Member of the Board of NTT Communications Corporation
Jun. 2011 : Executive Vice President
Executive Manager of Corporate Strategy Planning Department
Member of the Board of NTT Communications Corporation
Jun. 2012 : Senior Executive Vice President
Executive Manager of Corporate Strategy Planning Department
Representative Member of the Board of NTT Communications Corporation
Jun. 2013 : Senior Executive Vice President
Representative Member of the Board of NTT Communications Corporation
Jun. 2014 : Senior Executive Vice President
Representative Member of the Board of the Company (present post)
Jun. 2016 : Representative Director and President, Chief Executive Officer of NTT Security Corporation (present post)

Principal Concurrent Positions

Representative Director and President, Chief Executive Officer of NTT Security Corporation



Takashi Hiroi

Date of Birth: February 13, 1963
Senior Vice President
Head of Finance and Accounting
Member of the Board
Years served as Member of the Board: 1
Shares Owned: 2,700
Number of Meetings Attended (Percent): 9/9 (100%)

Background and Experience

Apr. 1986 : Joined the Company
May 2005 : Vice President of Corporate Business Strategy of the Company
Jun. 2008 : Vice President of Strategic Business Development of the Company
Jul. 2009 : Vice President of Corporate Strategy Planning of the Company
Jun. 2014 : Head of Finance and Accounting of the Company
Jun. 2015 : Senior Vice President
Head of Finance and Accounting
Member of the Board of the Company (present post)

Principal Concurrent Positions

None



Eiichi Sakamoto

Date of Birth: September 3, 1963
Senior Vice President
Head of Corporate Strategy Planning
Member of the Board
Years served as Member of the Board: (First appointed in June 2016)
Shares Owned: 2,500
Number of Meetings Attended (Percent): —

Background and Experience

Apr. 1986 : Joined the Company
Apr. 2002 : Senior Manager of the Planning Department of Nippon Telegraph and Telephone East Corporation
Oct. 2005 : Head of the Business Management Group of the Corporate Strategy Planning Department of Nippon Telegraph and Telephone East Corporation
Jul. 2009 : Head of the Planning Group of the Corporate Strategy Planning Department of Nippon Telegraph and Telephone East Corporation
Jul. 2011 : Head of the Public Relations of the Corporate Strategy Planning of the Company
Jun. 2015 : Senior Vice President, Managing Director of Corporate Marketing Strategy Department of NTT DOCOMO, INC.
Jun. 2016 : Senior Vice President
Head of the Corporate Strategy Planning of the Company
Member of the Board of the Company (present post)
Member of the Board of Nippon Telegraph and Telephone East Corporation (present post)

Principal Concurrent Positions

Member of the Board of Nippon Telegraph and Telephone East Corporation



Mitsuyoshi Kobayashi

Date of Birth: November 3, 1957
Executive Vice President
Head of Technology Planning
Member of the Board
Years served as Member of the Board: 4
Shares Owned: 7,800
Number of Meetings Attended (Percent): 12/12 (100%)

Background and Experience

Apr. 1982 : Joined Nippon Telegraph and Telephone Public Corporation
Jun. 2006 : General Manager of Okayama Branch of Nippon Telegraph and Telephone West Corporation
Jul. 2008 : General Manager of the Service Management Department of Nippon Telegraph and Telephone West Corporation
Jun. 2010 : Senior Vice President
General Manager of the Service Management Department
Member of the Board of Nippon Telegraph and Telephone West Corporation
Jun. 2012 : Senior Vice President
Head of Technology Planning
Head of Strategic Business Development
Member of the Board of the Company
Jun. 2012 : Senior Vice President
Member of the Board of NTT COMWARE CORPORATION (present post)
Jun. 2014 : Executive Vice President
Head of Technology Planning
Member of the Board of the Company (present post)

Principal Concurrent Positions

Member of the Board of NTT COMWARE CORPORATION



Akira Shimada

Date of Birth: December 18, 1957
Executive Vice President
Head of General Affairs
Member of the Board
Years served as Member of the Board: 4
Shares Owned: 7,404
Number of Meetings Attended (Percent): 12/12 (100%)

Background and Experience

Apr. 1981 : Joined Nippon Telegraph and Telephone Public Corporation
Jul. 2007 : General Manager of the Accounts and Finance Department of Nippon Telegraph and Telephone West Corporation
Jul. 2009 : General Manager of the General Affairs and Personnel Department of Nippon Telegraph and Telephone East Corporation
Jun. 2011 : Senior Vice President
General Manager of the General Affairs and Personnel Department
Member of the Board of Nippon Telegraph and Telephone East Corporation
Jun. 2012 : Senior Vice President
Head of the General Affairs
Member of the Board of the Company
Jun. 2012 : Member of the Board of Nippon Telegraph and Telephone West Corporation (present post)
Jun. 2015 : Executive Vice President
Head of General Affairs
Member of the Board of the Company (present post)

Principal Concurrent Positions

Member of the Board of Nippon Telegraph and Telephone West Corporation



Katsuhiko Shirai

Date of Birth: September 24, 1939
Outside Independent Member of the Board
Years served as Member of the Board: 4
Shares Owned: 2,900
Number of Meetings Attended (Percent): 12/12 (100%)

Background and Experience

Apr. 1965 : Assistant of the First Faculty of Science and Engineering of Waseda University
Apr. 1968 : Full-time lecturer of the Faculty of Science and Engineering of Waseda University
Apr. 1970 : Assistant Professor of the Faculty of Science and Engineering of Waseda University
Apr. 1975 : Professor of the Faculty of Science and Engineering of Waseda University
Nov. 1994 : Director of Academic Affairs and Director of the International Exchange Center of Waseda University
Nov. 1998 : Executive Director of Waseda University
Nov. 2002 : President of Waseda University
Nov. 2010 : Educational Advisor of Waseda University (present post)
Apr. 2011 : Chairperson of the Foundation for the Open University of Japan (present post)
Jun. 2012 : Member of the Board of the Company (present post)
Jun. 2012 : Director of Japan Display, Inc. (present post)

Principal Concurrent Positions

Chairperson of the Foundation for the Open University of Japan
Director of Japan Display, Inc.



Sadayuki Sakakibara

Date of Birth: March 22, 1943
Outside Independent Member of the Board
Years served as Member of the Board: 4
Shares Owned: 7,300
Number of Meetings Attended (Percent): 12/12 (100%)

Background and Experience

Apr. 1967 : Joined Toyo Rayon Co., Ltd. (currently registered as Toray Industries, Inc.)
Jun. 1994 : Director of the Corporate Planning Department of Toray Industries, Inc.
Jun. 1996 : Director of the Board of Toray Industries, Inc.
Jun. 1998 : Managing Director of Toray Industries, Inc.
Jun. 1999 : Senior Managing Director of Toray Industries, Inc.
Jun. 2001 : Executive Vice President of Toray Industries, Inc.
Jun. 2002 : President of Toray Industries, Inc.
Jun. 2010 : Chairman and Representative Member of the Board of Toray Industries, Inc.
Jun. 2012 : Member of the Board of the Company (present post)
Jun. 2013 : Director of Hitachi Ltd. (present post)
Jun. 2014 : Chairman of the Japan Business Federation (Keidanren) (present post)
Jun. 2014 : Chairman of the Board of Directors, Toray Industries, Inc.
Jun. 2015 : Chief Senior Adviser and Chief Senior Counselor of Toray Industries, Inc. (present post)

Principal Concurrent Positions

Chief Senior Adviser, Chief Senior Counselor of Toray Industries, Inc.
Director of Hitachi, Ltd.
Chairman of the Japan Business Federation (Keidanren)

Notes: 1 Number of shares held is as of June 30, 2016.

2 Number of meetings attended is for the fiscal year ended March 31, 2016.

Composition of the Board of Directors

The Board of Directors is of a size appropriate to the Group’s business, and the composition of the Board of Directors reflects consideration for a balance of experience and specialties and for diversity. The Board of Directors has 12 Members of the Board, including two outside independent Members of the

Board who have been appointed in order to strengthen functions for appropriately supervising business execution.
For information about the past experience and specialties of individual Members of the Board, please refer to Background and Experience of Member of the Board on pages 42 and 43.

Activities of the Board of Directors

In principle, the Board of Directors meets once per month. In addition, extraordinary meetings are held as needed. The Board of Directors makes decisions on matters stipulated by law and on important matters related to corporate management and Group management. Moreover, through such means as periodic reports from Members of the Board on the status of the execution of members’ duties, the Board of Directors supervises the execution of duties by Members of the Board.

In the fiscal year ended March 31, 2016, the Board of Directors met 12 times and made decisions on important matters relating to corporate management and Group management, such as the Medium-Term Management Strategy, “Towards the Next Stage 2.0,” and “the future of fixed phones,” which is a medium-to-long-term issue for local communications businesses. These decisions were made through a process of lively debate among Members of the Board.

Evaluation of the Effectiveness of the Board of Directors

To improve the effectiveness of the Board of Directors, and to strengthen corporate governance, meetings intended for the exchange of opinions among outside independent Members of the Board and Audit & Supervisory Board Members and among outside independent Members of the Board and Representative Members of the Board were held based on a variety of themes. In these meetings, NTT received opinions on NTT’s Board of

Directors that adequate information is provided and Members of the Board engage in active debate, thereby ensuring the Board’s effectiveness. As a result, these opinions constitute an assessment that the effectiveness of the Board of Directors has been ensured, and NTT will work to further improve the Board’s effectiveness going forward.

Nomination Policies and Procedure for Members of the Board

NTT Group strives to contribute to the resolution of social issues and the realization of a safer, more secure, and more affluent society. To accomplish this goal, the Group acts as a trusted “Value Partner” that customers continue to select in order to provide them with new value on a global basis. We have established the policy of positioning human resources that share these ideals in the upper ranks of NTT Group’s management, and we are selecting these human resources from both inside and outside the Group.
In regard to Member of the Board candidates, individuals who are selected have the broad-ranging perspective and experience necessary to contribute to the overall development of NTT Group in order to facilitate the increase of NTT Group’s corporate value. From the perspective of strengthening the function of supervising business execution, for outside independent Members of

the Board, NTT selects individuals who present no risk of a conflict of interest with general shareholders. In principle, NTT appoints several outside independent Members of the Board.
The nomination procedure for candidates for Members of the Board involves the review of candidates by the Appointment and Compensation Committee. The candidates are then approved by the Board of Directors and presented for voting at the General Meeting of Shareholders.
For information about the nomination and appointment of each Member of the Board and Audit & Supervisory Board Member, please refer to pages 6 through 13 of the “Notice of Convocation of the 31st Ordinary General Meeting of Shareholders” (http://www.ntt.co.jp/ir/shares_e/shareholders_meetings/pdf/shmeeting31_1.pdf).

Support System for Members of the Board

NTT has concluded contracts with the lawyers and other specialists who may be called upon as necessary to provide advice at the expense of NTT.
The secretariat of the Board of Directors is made available as

a venue of contact for outside independent Members of the Board, which they can use to receive support with regard to their daily duties through explanations, responses to inquiries about business execution, and other means.

Training for Members of the Board

When Members of the Board are elected, they are trained with respect to market trends, compliance, and other matters. After appointment, they continue to undergo training on broad spectrum of topics, including domestic and overseas economic and social issues. Their broad-ranging perspectives and management skills, which contribute to the overall development

of NTT Group, are further enhanced. Additionally, outside Members of the Board can gain a deeper understanding of NTT and NTT Group businesses through opportunities to attend briefings on the business trends of Group companies, tour research facilities, and take part in other activities.

Compensation of Members of the Board

NTT Group has established the following NTT Group Personnel Policy, which defines policies for determining the amounts and calculation methods for compensation of Members of the Board. Based on this policy, for the purpose of improving objectivity and transparency in the decisions of compensation of

Members of the Board, NTT has established on a non-statutory basis the Appointment and Compensation Committee, which consists of four Members of the Board, including two outside independent Members of the Board, as a preliminary review institution of the Board of Directors.

NTT Group Personnel Policy (extract)

Compensation of Members of the Board

Compensation of Members of the Board (excluding outside Members of the Board) consists of a base salary and a bonus. The base salary is paid monthly on the basis of the scope of each Member of the Board’s roles and responsibilities. The bonus is paid taking into account NTT’s business results for the respective fiscal year.
Also, Members of the Board make monthly contributions of a minimum defined amount from their base salary for the purchase of NTT shares through the Board Members Shareholding Association in order to reflect NTT’s medium- and long-term business results in compensation. Purchased shares are to be held by the Members of the Board throughout their terms of office.
In order to maintain a high level of independence, compensation of outside Members of the Board consists of a base salary only, and is not linked to NTT’s business results.

Total Compensation of Members of the Board (Fiscal Year Ended March 31, 2016)

Position	Number of payees	Total compensation
Members of the Board	12	¥521 million

Notes: 1 The maximum limit on total annual compensation of Members of the Board was set at an aggregate of ¥750 million at the 21st Ordinary General Meeting of Shareholders held on June 28, 2006.
2 Total compensation of Members of the Board includes ¥93 million in bonuses for the current fiscal year.
3 In addition to the above, an aggregate of ¥13 million is to be paid to Members of the Board who are also employees as bonuses for their service as employees.

Audit & Supervisory Board

Audit & Supervisory Board Members (As of June 30, 2016)

Outside Independent Audit & Supervisory Board Member

Seiichi Ochiai

Audit & Supervisory Board Member

Takao Maezawa

Outside Independent Audit & Supervisory Board Member

Takashi Iida



Audit & Supervisory Board Member

Akiko Ide

Outside Independent Audit & Supervisory Board Member

Michiko Tomonaga

Composition of the Audit & Supervisory Board

The Audit & Supervisory Board comprises three outside independent Audit & Supervisory Board Members, who have experience and knowledge in a range of fields—as a Certified Public Accountant, university professor, and lawyer—and two internal Audit & Supervisory Board Members. We conduct effective audits by combining the independence of outside Audit & Supervisory Board Members with the superior information collection capabilities of internal Audit & Supervisory Board Members. Two of Audit & Supervisory Board Members have extensive knowledge concerning finance and accounting matters.

Activities of the Audit & Supervisory Board

Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings. In addition, Audit & Supervisory Board Members meet periodically with Representative Members of the Board and Members of the Board to exchange ideas and opinions and hold discussions on various topics. In this way, Audit & Supervisory Board Members maintain an understanding of the execution of duties by Members of the Board and provide their opinions as needed.

In the fiscal year ended March 31, 2016, the Audit & Supervisory Board met 25 times. Moreover, separate from meetings of the Audit & Supervisory Board, the Audit & Supervisory Board Members Preliminary Deliberation Meeting met approximately 40 times. These meetings provide a venue for the sharing of information. For example, at these meetings Audit & Supervisory Board Members receive explanations from corporate officers of matters to be discussed at the Executive Officers Meeting. Furthermore, Audit & Supervisory Board Members exchanged opinions with the Independent Auditor and the Internal Control Office approximately 10 times. Audit & Supervisory Board Members also receive explanations of audit plans and reports on the status of internal control systems and provide advice as needed.

In initiatives related to Group companies, Audit & Supervisory Board Members received information from the Representative Members of the Board of approximately 20 major Group companies regarding the status of corporate governance and measures to maintain and enhance corporate governance, and discussions were conducted on those matters. In addition, Audit & Supervisory Board Members visited major bases in Japan and overseas (approximately 20 bases), received information from local representatives, and conducted discussions. Furthermore, Audit & Supervisory Board Members received reports regarding audit results, etc., from Audit & Supervisory Board Members of major Group companies and exchanged opinions with them. In addition, the Audit & Supervisory Board is implementing initiatives that contribute to enhancing the auditing activities of Audit & Supervisory Board Members of major Group companies, including regularly holding training sessions by outside experts for Audit & Supervisory Board Members of major Group companies.

Through these activities, Audit & Supervisory Board Members support the sound, steady growth of NTT and Group companies from an independent perspective that differs from that of executives. In addition, Audit & Supervisory Board Members contribute to the strengthening of corporate governance systems and the fostering of awareness of compliance matters.

Background and Experience of Audit & Supervisory Board Members (As of June 30, 2016)



Akiko Ide

Date of Birth: February 28, 1955
Audit & Supervisory Board Member
Years served as Audit & Supervisory Board Member: 2
Shares Owned: 5,000
Board of Directors Number of Meetings Attended (Percent): 12/12 (100%)
Audit & Supervisory Board Number of Meetings Attended (Percent): 25/25 (100%)

Principal Concurrent Positions
None

Background and Experience

Apr. 1977 : Joined Nippon Telegraph and Telephone Public Corporation
Jun. 2003 : General Manager of Customer Services of NTT DOCOMO, INC.
Sep. 2004 : Concurrently General Manager of Customer Services and General Manager of Information Security of NTT DOCOMO, INC.
Jun. 2005 : General Manager of Customer Services of NTT DOCOMO, INC.
Apr. 2006 : General Manager of Corporate Citizenship Department of NTT DOCOMO, INC.
Jun. 2006 : Executive Director and General Manager of Corporate Citizenship Department of NTT DOCOMO, INC.
Jul. 2008 : Executive Director and General Manager for Chugoku regional office of NTT DOCOMO, INC.
Jun. 2012 : Executive Director and Director of Information Security of NTT DOCOMO, INC.
May 2013 : President and Chief Executive Officer of Radishbo-ya Co., Ltd.
Jun. 2013 : Executive Director and Senior Manager in Charge of Commerce Business Promotion of NTT DOCOMO, INC.
Jun. 2014 : Full Time Audit & Supervisory Board Member of NTT (present post)



Takao Maezawa

Date of Brith: October 24, 1955
Audit & Supervisory Board Member
Years served as Audit & Supervisory Board Member: (First appointed in June 2016)
Shares Owned: 9,004
Board of Directors Number of Meetings Attended (Percent): —
Audit & Supervisory Board Number of Meetings Attended (Percent): —

Principal Concurrent Positions
None

Background and Experience

Apr.1978 : Joined Nippon Telegraph and Telephone Public Corporation
Jun. 2006 : Executive Manager of Human Resources Management Department, General Manager of Training Institute
Executive Manager of the General Affairs of NTT Communications Corporation
Jun. 2008 : Senior Vice President
Deputy General Manager of the Enterprise Business Division
Member of the Board of NTT Communications Corporation
Jun. 2011 : Executive Vice President
Deputy General Manager of the Enterprise Business Division
Member of the Board of NTT Communications Corporation
Aug. 2011 : Executive Vice President
Head of Second Sales Division
Member of the Board of NTT Communications Corporation
Jun. 2012 : President and CEO of NTT PC Communications Incorporated
Jun. 2016 : Full Time Audit & Supervisory Board Member of NTT (present post)
* Mr. Maezawa has extensive knowledge concerning finance and accounting matters resulting from experience in accounting departments at the Company and related companies.



Michiko Tomonaga

Date of Birth: July 26, 1947
Outside Independent Audit & Supervisory Board Member
Years served as Audit & Supervisory Board Member: 5
Shares Owned: 2,300
Board of Directors Number of Meetings Attended (Percent): 11/12 (92%)
Audit & Supervisory Board Number of Meetings Attended (Percent): 24/25 (96%)

Principal Concurrent Positions
Certified Public Accountant
Outside Director of Keikyu Corporation

Background and Experience

Mar. 1975 : Registered as a certified public accountant (certification up-to-date)
Jul. 2007 : Vice President of the Japanese Institute of Certified Public Accountants
Jul. 2008 : Senior Partner at Ernst & Young Japan
Jun. 2010 : Outside Corporate Auditor of Keikyu Corporation
Jun. 2011 : Outside Audit & Supervisory Board Member of NTT (present post)
Feb. 2012 : Audit & Supervisory Board Member of the Corporation for Revitalizing Earthquake affected Business
Jun. 2014 : Outside Director of Japan Exchange Group, Inc.
Jun. 2016 : Outside Director of Keikyu Corporation (present post)
* Audit & Supervisory Board Member Michiko Tomonaga is a Certified Public Accountant who has extensive knowledge concerning finance and accounting matters.



Seiichi Ochiai

Date of Birth: April 10, 1944
Outside Independent Audit & Supervisory Board Member
Years served as Audit & Supervisory Board Member: 4
Shares Owned: 4,804
Board of Directors Number of Meetings Attended (Percent): 11/12 (92%)
Audit & Supervisory Board Number of Meetings Attended (Percent): 24/25 (96%)

Principal Concurrent Positions
Lawyer
Director of Meiji Yasuda Life Insurance Company
Outside Auditor of Ube Industries, Ltd.

Background and Experience

Apr. 1974 : Instructor in the Faculty of Law of the University of Tokyo
Apr. 1977 : Associate Professor in the Faculty of Law of Seikei University
Apr. 1981 : Professor in the Faculty of Law of Seikei University
Apr. 1990 : Professor at the University of Tokyo Graduate Schools for Law and Politics and the Faculty of Law of the University of Tokyo
Apr. 2007 : Professor at Chuo Law School
Apr. 2007 : Registered as attorney-at-law (Dai-ichi Tokyo Bar Association) (registration up-to-date)
Jun. 2007 : Emeritus Professor at the University of Tokyo (present post)
Jun. 2008 : Outside Director of EBARA CORPORATION
Jun. 2012 : Outside Audit & Supervisory Board Member of NTT (present post)
Jul. 2012 : Director of Meiji Yasuda Life Insurance Company (present post)
Jun. 2013 : Outside Auditor of Ube Industries, Ltd. (present post)



Takashi Iida

Date of Birth: September 5, 1946
Outside Independent Audit & Supervisory Board Member
Years served as Audit & Supervisory Board Member: 2
Shares Owned: 2,400
Board of Directors Number of Meetings Attended (Percent): 12/12 (100%)
Audit & Supervisory Board Number of Meetings Attended (Percent): 25/25 (100%)

Principal Concurrent Positions
Lawyer
Corporate Auditor of Shimadzu Corporation
Director of Alps Electric Co., Ltd.

Background and Experience

Apr. 1974 : Registered as attorney-at-law (Daini Tokyo Bar Association) (registration up-to-date)
Joined Mori Sogo Law Offices (currently Mori Hamada & Matsumoto)
Apr. 1991 : Deputy Chairman of the Daini Tokyo Bar Association
Apr. 1997 : Executive Governor of the Japan Federation of Bar Associations
Apr. 2006 : Chairman of the Daini Tokyo Bar Association
Apr. 2006 : Vice President of the Japan Federation of Bar Associations
Jan. 2012 : Established Kowa Law Office (present post)
Jun. 2012 : Corporate Auditor for Shimadzu Corporation (present post)
Jun. 2013 : Corporate Auditor of JAFECO Co., Ltd
Jun. 2013 : Director of Alps Electric Co., Ltd. (present post)
Jun. 2014 : Outside Audit & Supervisory Board Member of NTT (present post)

Notes: 1 Number of shares held is as of June 30, 2016.
2 Number of meetings attended is for the fiscal year ended March 31, 2016.

Nomination Policies and Procedure for Audit & Supervisory Board Members

NTT has the policy of selecting candidates for Audit & Supervisory Board Members that have the capacity to provide audits based on specialized experience and insight. From the perspective of guaranteeing fair audits of the execution of duties by Members of the Board, for outside independent Audit & Supervisory Board Members NTT selects people who present no risk of a conflict of interest with general shareholders. In accordance with the Companies Act, NTT ensures that outside independent Audit & Supervisory Board Members make up half or more of the Audit & Supervisory Board.

The procedure for nomination involves Members of the Board proposing Audit & Supervisory Board Member candidates based on the aforementioned nomination policies. These proposals are then discussed by the Audit & Supervisory Board, which consists of half or more of outside independent Audit & Supervisory Board Members, and consent is granted if appropriate. The candidates are then approved by the Board of Directors and presented for voting at the General Meeting of Shareholders.

Compensation of Audit & Supervisory Board Members

Compensation of Audit & Supervisory Board Members is determined by resolution of the Audit & Supervisory Board.

Total Compensation of Audit & Supervisory Board Members (Fiscal Year Ended March 31, 2016)

Position	Number of payees	Total compensation
Audit & Supervisory Board Members	5	¥110 million

Note: The maximum limit on total annual compensation of Audit & Supervisory Board Members was set at an aggregate of ¥200 million at the 21st Ordinary General Meeting of Shareholders held on June 28, 2006.

Support Structures for Audit & Supervisory Board Members

The Office of Audit & Supervisory Board Members, which has four dedicated NTT employees, has been established as a structure to support audits by the Audit & Supervisory Board Members. In addition, NTT has concluded contracts with the lawyers and other specialists who may be called upon as necessary to provide advice at the expense of NTT. In addition, when Audit & Supervisory Board Members are elected, they are trained with respect to market trends and

compliance. They then continue to undergo training on broad spectrum of topics, including domestic and overseas economic and social issues, after appointment. Moreover, we are creating opportunities for tours and implementing other initiatives so that outside Audit & Supervisory Board Members can further deepen their understanding of NTT and NTT Group.

Independent Members of the Board and Audit & Supervisory Board Members

Nomination Procedure for Outside Members of the Board and Outside Audit & Supervisory Board Members

From the perspectives of strengthening supervising functions for execution and guaranteeing appropriate audits of the execution of duties by Members of the Board, NTT has the policy of selecting individuals to serve as outside Members of the Board and outside Audit & Supervisory Board Members who do not represent risks of conflicts of interest with general shareholders.

NTT designates outside Members of the Board and outside Audit & Supervisory Board Members who fulfill both the independence criteria stipulated by the Tokyo Stock Exchange and NTT's own independence standards as independent Members of the Board or independent Audit & Supervisory Board Members.

Independence Standards

In order to meet the independence standards, a person may not fall under any of the categories below in the last three fiscal years
(1) A person who executes business in a partner company that exceeds NTT's standards*1
(2) A person who executes business in a lending company that exceeds NTT's standards*2
(3) A consultant, an accountant, a lawyer, or any other person providing professional services, who received monetary payments or any other gain in assets equal to or more than ¥10 million, excluding the Board Members' or Audit & Supervisory Board Members' compensation, from NTT or its major subsidiaries*3 in any of the last three fiscal years
(4) A person who executes business in an organization that received donations exceeding NTT's standards
Even if any of (1) through (4) above applies to a person, where it has been decided that a person meets the independence standards, the reasons shall be explained and disclosed at the time of the person's appointment as the Independent Member of the Board or Audit & Supervisory Board Member.

*1 "A company that exceeds NTT's standards" is defined as a company that has had any business dealing with NTT and its major subsidiaries*3 in any of the last three fiscal years equal to or more than 2% of the total operating revenues of NTT and its major subsidiaries for the respective fiscal year.
*2 "A lending company that exceeds NTT's borrowing standards" is defined as a company in which the total amount of borrowings on a consolidated basis in any of the last three fiscal years equals to or is more than 2% of NTT's consolidated total assets for the respective fiscal year.
*3 The major subsidiaries are NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, NTT COMMUNICATIONS CORPORATION, NTT DATA CORPORATION, and NTT DOCOMO, INC.
*4 An "organization that received donations exceeding NTT's standards" is defined as an organization which received donations from NTT and its major subsidiaries*3 in any of the last three fiscal years exceeding ¥10 million or 2% of the total income of the organization, whichever is larger, during the respective fiscal year.

Reason for Nomination and Status of Independence

Outside Members of the Board (Independent Members of the Board)

Name	Reason for nomination	Status of independence			
		Total amount of transactions with and total amount of donations from NTT and its major subsidiaries in the last three fiscal years			
Katsuhiko Shirai	Katsuhiko Shirai has a wealth of experience as operational director of an educational institution and a high level of integrity and insight. NTT believes that he will help strengthen the supervisory function for business execution and expects to incorporate the opinion he provides from his wide-ranging experience and his managerial perspective.	Waseda University, at which Katsuhiko Shirai has served as President	Total of transactions	Comparison with total annual operating revenues of NTT and its major subsidiaries	Less than 1%
				Comparison with total annual revenues of the university	Less than 1%
		The Open University of Japan Foundation, at which Katsuhiko Shirai currently serves as Chairperson	Total of donations	Comparison with total annual revenues of the university	Less than 1%
			Total of transactions	Comparison with total annual operating revenues of NTT and its major subsidiaries	Less than 1%
Sadayuki Sakakibara	Sadayuki Sakakibara has a wealth of experience, including as operational director of an educational institution, and a high level of integrity and insight. NTT believes that he will help strengthen the supervisory function for business execution and expects to incorporate the opinion he provides from his wide-ranging experience and his managerial perspective.	Toray Industries, Inc., at which Sadayuki Sakakibara served as Chairman of the Board	Total of transactions	Comparison with total annual operating revenues of NTT and its major subsidiaries	Less than 1%
				Comparison with total annual revenues of the company	Less than 1%
		Japan Business Federation (Keidanren), at which Sadayuki Sakakibara currently serves as Chairman	Total of transactions	Comparison with total annual operating revenues of NTT and its major subsidiaries	Less than 1%

Outside Audit & Supervisory Board Members (Independent Audit & Supervisory Board Members)

Name	Reason for nomination	Status of independence			
		Total amount of transactions with and total amount of donations from NTT and its major subsidiaries in the last three fiscal years			
Michiko Tomonaga	Michiko Tomonaga has worked for many years as a Certified Public Accountant, and NTT expects that she will conduct future audits based on the knowledge and insight that she has gained through her career.	Ernst & Young Japan, at which Michiko Tomonaga worked as Senior Partner (retired in June 2010)	Total of transactions	Comparison with total annual operating revenues of NTT and its major subsidiaries	Less than 1%
				Comparison with total annual revenues of the audit firm	Less than 1%
		Japanese Institute of Certified Public Accountants, at which Michiko Tomonaga served as Vice President (retired in July 2010)	Total of transactions	Comparison with total annual operating revenues of NTT and its major subsidiaries	Less than 1%
				Comparison with total annual revenues of the association	Less than 1%
Seiichi Ochiai	Seiichi Ochiai has been serving for many years as a university professor specializing in the study of law, and NTT expects that he will conduct future audits based on the knowledge and insight that he has gained through his career.	Tokyo University, at which Seiichi Ochiai was a professor	Total of transactions	Comparison with total annual operating revenues of NTT and its major subsidiaries	Less than 1%
				Comparison with total annual revenues of the university	Less than 1%
		Chuo University, at which Seiichi Ochiai was a professor (retired in March 2015)	Total of donations	Comparison with total annual revenues of the university	Less than 1%
			Total of transactions	Comparison with total annual operating revenues of NTT and its major subsidiaries	Less than 1%
Takashi Iida	Takashi Iida has worked for many years in legal sectors, and NTT expects that he will conduct future audits based on the knowledge and insight that he has gained through his career.	Mori Hamada & Matsumoto with which Takashi Iida was affiliated (retired in December 2011)	Total of transactions	Comparison with total annual operating revenues of NTT and its major subsidiaries	Less than 1%
		Daini Tokyo Bar Association, at which Takashi Iida served as Chairman (retired in March 2007)	Total of transactions	Comparison with total annual operating revenues of NTT and its major subsidiaries	Less than 1%
		Japan Federation of Bar Associations, at which Takashi Iida served as Vice President (retired in March 2007)	Total of transactions	Comparison with total annual operating revenues of NTT and its major subsidiaries	Less than 1%
		Kowa Law Office, which Takashi Iida established	Total of transactions	Comparison with total annual revenues of the association	Less than 1%

Status of Activities of Outside Members of the Board and Outside Audit & Supervisory Board Members

	Name	Statements made at Board of Directors' Meetings and Audit & Supervisory Board Meetings
Outside Members of the Board (Independent Members of the Board)	Katsuhiko Shirai	Katsuhiko Shirai made comments mainly concerning the business strategies of Group companies, global strategy, and research and development from his perspective as an operational director of an educational institution with extensive experience.
	Sadayuki Sakakibara	Sadayuki Sakakibara made comments mainly concerning the business strategies of Group companies, investment, and business plans from his perspective as a corporate executive with extensive experience.
Outside Audit & Supervisory Board Members (Independent Audit & Supervisory Board Members)	Michiko Tomonaga	Michiko Tomonaga made comments mainly concerning the accounting audit based on the professional perspective fostered through her extensive experience as a Certified Public Accountant.
	Seiichi Ochiai	Seiichi Ochiai made comments mainly concerning corporate governance based on the professional perspective fostered through his extensive experience as a university professor and a lawyer.
	Takashi Iida	Takashi Iida made comments mainly concerning corporate governance based on the professional perspective fostered through his extensive experience as a lawyer.

Compensation of Outside Members of the Board and Outside Audit & Supervisory Board Members

In order to maintain a high level of independence, compensation of outside Members of the Board and outside Audit & Supervisory Board Members consists of a base salary only and is not linked to NTT's business results.

Total Compensation of Outside Members of the Board and Outside Audit & Supervisory Board Members

(Fiscal Year Ended March 31, 2016)

	Number of persons	Total
Total compensation	5	¥60 million

Note: The above figures are included in the amounts listed in "Total Compensation of Members of the Board" on page 45 and "Total Compensation of Audit & Supervisory Board Members" on page 48.

Independent Auditor

Activities of the Independent Auditor

NTT has appointed KPMG AZSA LLC as its Independent Auditor.

The Independent Auditor maintains the level of coordination with the Audit & Supervisory Board and the Internal Control Office necessary to conduct appropriate audits. As part of this coordination, the Independent Auditor appropriately audits

through reporting the audit plans and audit results to the Audit & Supervisory Board and working together with the Internal Control Office to establish systems for monitoring the status of oversight related to evaluating internal control systems for financial reports.

Nomination of the Independent Auditor

NTT believes that it is important to maintain and enhance audit quality while increasing audit efficiency. Based on this policy, the Audit & Supervisory Board evaluates Independent Auditor candidates from the perspectives of their independence and specialties and the appropriateness and adequateness of their auditing activities. The candidates that are approved by the Audit & Supervisory Board are then presented for voting at the Ordinary General Meeting of Shareholders.

The Audit & Supervisory Board may choose to dismiss or not

reappoint the Independent Auditor in any of the cases described in Article 340 (1) of the Companies Act based on a unanimous vote by all Audit & Supervisory Board Members. In addition, if the Board of Directors determines that it would be difficult for the Independent Auditor to perform proper audits, the Audit & Supervisory Board may propose a resolution to the Ordinary General Meeting of Shareholders that the Independent Auditor be discharged or that the Independent Auditor not be reappointed.

Compensation of Independent Auditor

NTT and its major subsidiaries pay compensation to KPMG AZSA LLC, NTT's Independent Auditor, and other member firms of the KPMG network for audit services and for non-audit services.

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Compensation for audit services	¥4,527 million	¥4,812 million
Compensation for non-audit services	¥200 million	¥447 million
Total	¥4,728 million	¥5,259 million

Note: Audit services refer to the auditing of the financial statements of NTT and its consolidated subsidiaries in Japan and overseas.
Non-audit services include the provision of guidance and advice related to International Financial Reporting Standards, tax returns and tax consultation for consolidated subsidiaries in Japan and overseas.

Internal Control

Overview of Internal Control Systems

NTT maintains internal control systems related to financial reporting based on the U.S. Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley Act), Section 404, and the Financial Instruments and Exchange Act of Japan. Based on tests and evaluations of the design and operational effectiveness of these systems, we were able to confirm, as of March 31, 2016, the effectiveness of these systems without any particular issues.

In regard to general internal control systems, internal audits are conducted by the internal auditing divisions of each Group company, and the results of these auditing activities are reviewed by NTT. In addition, standardized audits are performed with

regard to major risk factors that are common issues throughout the Group, and we are continually enhancing and verifying their effectiveness. As for internal audits, the Internal Control Office and its staff of 22 people verify the internal control systems in place throughout the Group and the status of their implementation. NTT is continually accelerating its efforts to develop and implement IT and other Groupwide internal control systems and to improve their operational procedures and efficiency.

For information on Basic Policy for the Development of Internal Control Systems, please refer to the following NTT website.

http://www.ntt.co.jp/about_e/internalcontrol.html

Compliance Systems

Establishment of the NTT Group Corporate Ethics Charter

Recognizing that it is imperative to conduct business in compliance with laws and regulations and to maintain high ethical standards in order to promote sound corporate activities, NTT established the NTT Group Corporate Ethics Charter in November 2002.

The charter, which applies to all officers and employees of NTT Group, lays out the basic principles for corporate ethics and provides specific guidelines for ethical behavior. These

guidelines are intended to remind everyone of their duty as members of a group that bears significant responsibility to society. This responsibility includes preventing dishonesty, misconduct, and the disclosure of corporate secrets as well as refraining from exchanging excessive favors with customers and suppliers. The guidelines are also meant to ensure that employees conduct themselves according to the highest ethical standards in both private and public activities.

NTT Group Corporate Ethics Charter

1. Recognizing the establishment of corporate ethics as one of its most important missions, top management shall exert its leadership to ensure that the spirit of this Charter is adopted throughout the Company, and shall assume full responsibility for solving any problems when any event inconsistent with that spirit occurs.
2. Every person with subordinate employees shall not only act in a self-disciplined manner, but shall also always provide guidance and assistance to his / her subordinate staff to ensure that their conduct is in conformity with our corporate ethics.
3. Every officer and employee of NTT Group shall not only comply with all laws and regulations, social standards, and internal company rules whether in Japan or overseas, but officers and employees shall also hold the highest ethical philosophy within himself / herself both in public and in any private situations. Among other things, each officer and employee, as an officer or employee of a member of a Global Information Sharing Corporate Group, shall keep himself / herself fully aware that any disclosure of customer or other internal privileged information constitutes a materially wrongful act. Also, as a member of a group of companies which holds great social responsibilities, he / she shall strictly refrain from giving or receiving from customers, business partners, and other interested parties excessive gratuities.
4. Each NTT Group company, at the first opportunity, shall take initiatives to provide training programs in order to help its officers and employees enhance their awareness of our corporate ethics.
5. Every officer and employee of NTT Group shall direct his / her efforts to prevent wrongful or scandalous acts which may potentially occur as specialization and advancement of our business proceeds. Each NTT Group company shall improve its system to prevent such acts, including, for instance, the re-assignment of contract representatives who have remained with the same customers for a long period of time, and the improvement of monitoring tools to protect customer and other information.
6. Any officer or employee who may come to know of the occurrence of any wrongful act or any scandal shall promptly report the wrongful act or scandal to his / her superior or other appropriate persons. If he / she is not able to make such a report, he / she may contact the Corporate Ethics Help Line (Contact Point). It should be noted that every officer and employee who reports the occurrence of any wrongful act or scandal shall be protected so that the reporting party shall not suffer any negative consequences due to such reporting.
7. In the event of an occurrence of any wrongful act or scandal, each NTT Group company shall be committed to the settlement of the problem by taking appropriate steps through a speedy and accurate fact finding process, and responding in a timely, suitable, and transparent manner in order to fulfill its social accountability.

● Initiatives to Promote Awareness of the NTT Group Corporate Ethics Charter

To ensure the effectiveness of the NTT Group Corporate Ethics Charter, NTT Group companies offer training sessions on corporate ethics to employees. In addition, on a website for employees, examples of corporate ethics issues are explained in detail. In these ways, NTT is working to enhance the understanding of employees. Furthermore, NTT conducts annual surveys of employees to measure their awareness, and the results are then used for awareness-enhancement initiatives.

● Groupwide Corporate Ethics Help Line (External Help Line)

To prevent dishonesty or misconduct, each Group company has set up an internal consulting center. In addition, NTT has established the Groupwide Corporate Ethics Help Line as an external contact point and outsources its operation to a law firm.

The content of the consultations and reports are investigated and handled by the staff member in charge, and a report is submitted to the Corporate Ethics Committee of each Group company. All reports are collected at least once a year by NTT, where the response status is ascertained and reported to the Board of Directors.

The NTT Group Corporate Ethics Charter clearly states that people who file reports with the Groupwide Corporate Ethics Help Line are protected from any disadvantage arising from the fact that they filed a report.

● Reports Filed through the Groupwide Corporate Ethics Help Line

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Number of reports	266	312	322	304

● Prevention of Bribery

In recognition that it is essential to conduct business in compliance with laws and regulations and in accordance with high ethical standards, NTT Group forbids dishonesty, including all forms of bribery, provision of preferential treatment to suppliers, and facilitation payments*.

In particular, in regard to the prevention of bribery, we have prepared a bribery prevention handbook, which has also been made available on the in-house website. We are working to ensure that all Group employees, including those at overseas subsidiaries, are aware of bribery prevention. In these ways, we are taking steps to foster a thorough understanding of bribery prevention.

In addition, NTT, NTT East, and NTT West stipulate that bribery is forbidden under the Law Concerning Nippon Telegraph and Telephone Corporation, and that breaches are punishable by law.

* Facilitation payments: Small payments made with the sole objective of smoothing procedures related to ordinary administrative services.

● Coordination with Suppliers

NTT has established and disclosed the NTT Guidelines for CSR in Supply Chain with the aim of fulfilling its social responsibilities by working together with suppliers to ensure conformity with social norms and legal compliance. We thereby aim to prevent bribery and other forms of misconduct along the supply chain.

The NTT Guidelines for CSR in Supply Chain states that suppliers are requested “to maintain a sound and normal relationship with political bodies and government administrations, without resorting to bribery and / or making illegal political donations” and “not to offer and / or request inappropriate benefits to / from stakeholders.” We expect suppliers to comply with these requests, and are striving to prevent misconduct at suppliers and throughout the entire supply chain.

Participation in PRI in Person 2015

In September 2015, NTT was invited to PRI in Person 2015, a global conference about responsible investment and reported on activities through a dialogue with Sparinvest, an institutional investor.

Institutional investors evaluate corporate activities in accordance with major benchmarks and request improvements to companies. Companies leverage dialogue with institutional investors to make improvements.

NTT has continued to conduct dialogues with Sparinvest for two years, and we have been able to make a significant improvement in the achievement rate* for the prevention of misconduct, from 18% to 80%.

Moving forward, with consideration for the concerns of institutional investors, we will conduct information disclosure with attention to major benchmarks and we will actively conduct dialogue with institutional investors.

* Degree of achievement based on the benchmark from Transparency International that is used by PRI



(Photograph provided by QUICK ESG Research Center)

Promotion of Risk Management

With respect to business risk management, NTT has established Risk Management Rules stipulating basic policies on risk management with the aims of, among others, anticipating and preventing the materialization of potential risks and minimizing losses if any risk materializes. Chaired by a senior executive vice president, the Business Risk Management Committee spearheads efforts to develop and operate a PDCA cycle for managing risk. During the fiscal year under review, the committee held one meeting during which discussions involved identifying risks that could potentially have a Companywide impact, policies for managing such risks, and other such matters.

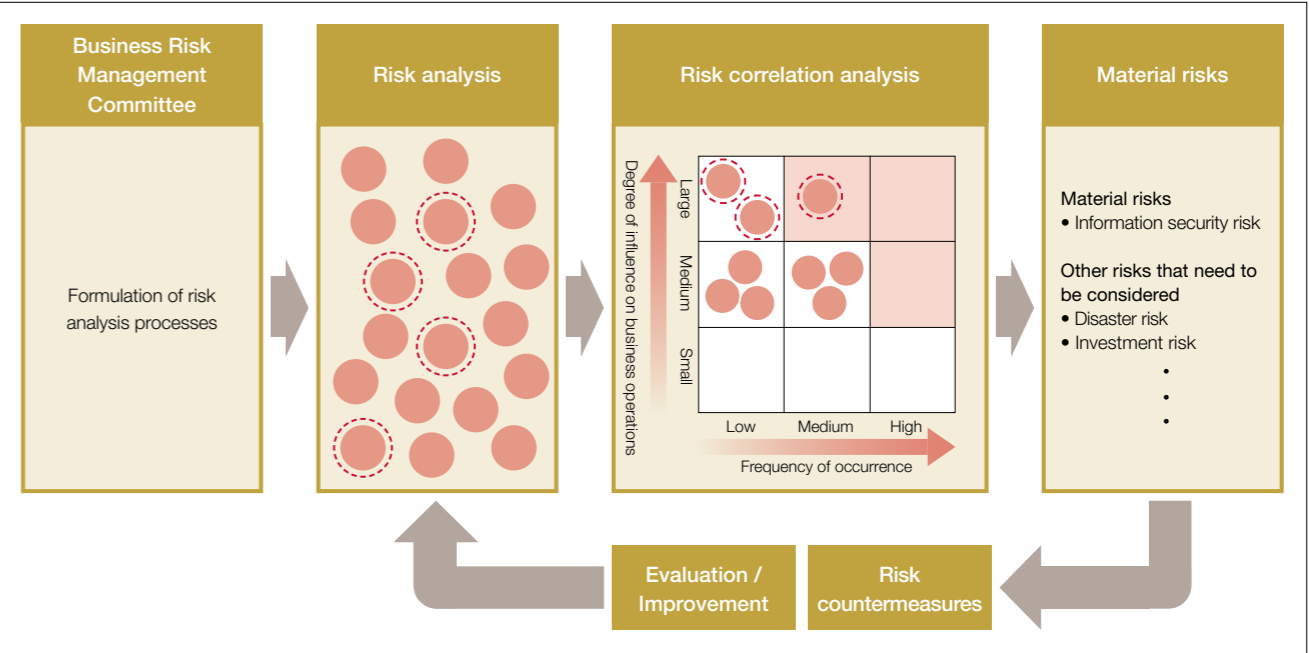
NTT has also formulated the NTT Group Business Risk Management Manual, and distributed it to each Group company, in order to facilitate Groupwide risk management initiatives. On the basis of the manual, which stipulates matters that include proactive measures for potential risks, collaborative Groupwide approaches and policies for addressing risks that materialize, and pathways for communicating information, systems have been developed and implemented that enable swift action to be taken.

Identification of Risks / Specified Material Risks

From time to time, NTT reviews assumed risks and management policies based on changes in the social environment.

In the identification of risks, the Business Risk Management Committee plays the central role. Analysis processes for the risks faced by NTT Group are formulated, and risk analysis is

periodically implemented in accordance with these processes. In this way, Companywide risks are identified. In addition, correlation analyses are implemented for these risks. Those risks with the potential to have the greatest influence are specified as “material risks,” and countermeasures are formulated.



Information Security Risk

If there is a leak or other misuse of confidential information, such as personal information, the action may affect NTT Group's business, including its credibility and reputation, and the Group's ability to obtain new subscribers or secure governmental contracts may be adversely impacted.

To prevent such a situation, NTT Group is making efforts to protect confidential information obtained in the course of its business, including the personal information of customers. In addition, NTT Group has formulated the NTT Group Information Security Policy, which outlines its stance on

ensuring information security. Furthermore, NTT Group continues to take steps on a Groupwide basis to protect the personal information of customers and prevent any leakage, including enhanced internal information management; the prevention of improper access; the implementation of physical, system-level security measures to prevent information loss, alteration, leakage, etc.; training and awareness-raising for officers and employees; appropriate supervision of contractors; and the publication of manuals.

Disaster Risk

Five Group companies—NTT, NTT East, NTT West, NTT Communications, and NTT DOCOMO—have been designated public institutions under the Basic Act on Disaster Control Measures.

Accordingly, in preparation for a disaster, NTT Group has formulated the Disaster Management Operation Plan for the purpose of smooth, appropriate implementation of measures to prevent damage.

Damage prevention measures require an ongoing process of periodic review to reflect the latest knowledge and legal revisions. In June 2014, the Japanese government revised the Nankai Trough Earthquake Countermeasures Basic Plan. In response, NTT Group has revised the Disaster Management Operation Plan and is strengthening damage prevention measures.

Investment Risk

NTT Group actively engages in joint ventures, alliances, and collaborations, both domestically and overseas, as well as acquisitions and other strategic investments in order to respond rapidly to changes in market structures and customer needs. Before investments are made, commercial viability and risks are investigated and analyzed. In addition, after investments are made, monitoring is conducted periodically. In these ways, the Group is working to obtain the expected investment returns and to strengthen governance and risk management.

In regard to investments by NTT Group companies, consultation and advance reporting are required for projects that exceed a certain scale, and commercial viability and risks are investigated and analyzed. After investments are made, major projects are monitored in accordance with KPI that have been established in advance.

Strategic Shareholdings

NTT's business policy is to promote collaboration and open innovation with a variety of industry partners. In order to generally take into consideration the strengthening of relationships and promoting cooperation with partner companies, and from the perspective of improving corporate value, NTT owns shares of partner companies if necessary.

With respect to exercising voting rights of strategic shareholding, NTT exercises voting rights acquired through share ownership, as it sees fit, from the perspective of sustainable growth of the companies NTT invests in and improving corporate value for both NTT and the companies.

Dialogue with Shareholders and Other Investors

NTT promotes management that prioritizes discussions with shareholders, which not only includes discussions at General Meetings of Shareholders but also involves senior management, including the president, actively promoting discussions with shareholders about medium-term management strategies, corporate governance, business performance trends, and other topics through one-on-one meetings with institutional investors and briefings targeting individual investors.

The opinions received from shareholders through such discussions are shared in the Company. NTT considered and formulated the medium-term management strategy that was announced in May 2015 in light of shareholder opinions.

During discussions with shareholders, insider information is strictly controlled, and information is proactively disclosed with due consideration to fair disclosure (timely, fair, and impartial information disclosure). To increase convenience for overseas investors, we strive to release Japanese- and English-language disclosure materials at the same time. The Japanese- and English-language versions of the entire Notice of Convocation for the ordinary general meeting of shareholders, including the business report, were released at the same time, more than one month prior to the date of the ordinary general meeting of shareholders.

Policy for Constructive Dialogue with Shareholders and Other Investors



Initiatives to Enhance Dialogue

- **For institutional investors**
 - Implementing quarterly financial results presentations (4 times)
 - Participating in IR conferences in Japan and overseas (9 times)
 - Holding NTT IR DAY (briefing for institutional investors, 1 time)
 - Implementing one-on-one briefings in Japan and overseas (total of more than 400 times)(Topics: medium-term management strategy, financial results, corporate governance, etc.)

- **For individual investors**
 - Implementing Company briefings (20 times) (including 3 company briefings by senior executives)
 - Implementing online Company briefings (1 time)
 - Participating in individual investor fairs (1 time)

Note: The numbers of times are for the fiscal year ended March 31, 2016.

Receipt of awards for IR activities

Best IR Award
(Japan Investor Relations Association)



Awards for Excellence in Corporate Disclosure
(The Securities Analysts Association of Japan)



Internet IR Excellence Awards
(Daiwa Investor Relations)



Value Creation through Social and Environmental Contributions

Effective contributions to the resolution of social and environmental issues serve to reduce medium-to-long-term risks for NTT Group while also increasing corporate value by helping realize a sustainable society.

Medium-Term Management Strategy
Towards the Next Stage 2.0

Management Resources

Financial Base

R&D Capabilities

Human Resources

Customer Base

Brand Image

INPUT

	Social	Environmental
Increasing corporate value through the provision of services that contribute to the realization of a sustainable society	<ul style="list-style-type: none">Contributions to Increased Productivity in Agriculture through ICT ▶ P.62Contributions to Addressing Global Increase in Information Security Threats ▶ P.63	<ul style="list-style-type: none">Provision of Services Addressing Environmental Load Reduction Needs ▶ P.75<ul style="list-style-type: none">Solar Power Generation SystemsShinagawa Season Terrace
Reinforcing NTT Group competitiveness and medium-to-long-term risk minimization	<ul style="list-style-type: none">Reinforcement of Information Security and Personal Information Protection ▶ P.64Ensuring stable and Reliable Telecommunications Services ▶ P.65Pursuit of Customer Satisfaction ▶ P.66Initiatives to Help Employees Fully Exercise Their Talents ▶ P.67Respect for Human Rights ▶ P.72Cooperation with Business Partners ▶ P.73	<ul style="list-style-type: none">Reduction of the Environmental Load of NTT Group's Business ▶ P.78<ul style="list-style-type: none">CO₂ Emissions Reductions through Energy-Saving EquipmentInitiatives in Resource Redction, Reuse, and Recycling

OUTCOME

Contributions to the realization of a sustainable society

Increasing Corporate Value

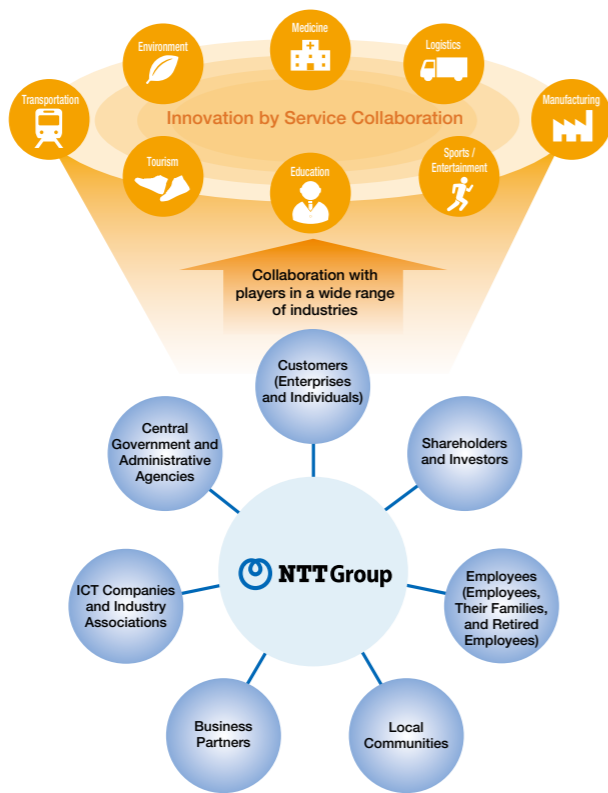
Medium-to-long-term risk minimization

Create a sustainable society by delivering the highest quality ICT solutions

As a “Value Partner,” NTT Group will aim for the realization of sustainable growth together with stakeholders.

By providing NTT Group's ICT platforms to a diverse variety of partners in each industry, we will work to create new innovation through collaboration among companies in different fields. To contribute to the resolution of social and environmental issues in Japan and overseas, NTT Group will strive to realize sustainable growth together with stakeholders as a “Value Partner” that customers continue to select.

Contributing to the Resolution of Social and Environmental Issues



Sustainable Growth Together with Stakeholders

NTT Group’s Approach to Stakeholders

NTT Group conducts business in Japan and overseas. To increase business sustainability, NTT Group operates its business in an integrated, Groupwide manner while focusing on the expectations and needs of its various stakeholders.

Customers (Enterprises and Individuals)		
All customers, both enterprise and individual, who use services provided by NTT Group		
NTT Group's Approach	Examples of Engagement	Reasons for Engagement
Aiming to be selected by customers as a “Value Partner,” each individual employee will strive for an even higher awareness of CSR to provide safe, secure services that are high in quality and convenient from the customer's standpoint.	<ul style="list-style-type: none">■ Venues for customer inquiries■ Conducting customer satisfaction surveys■ Utilization of websites and social media■ Publication of yearly reports (Annual Reports, etc.)	NTT Group endeavors to understand customer needs and perspectives in order to provide customers with higher-quality products and services and thereby increase customer satisfaction while at the same time striving to become a “Value Partner” to customers.

Shareholders and Investors

Individual and institutional investors including the shareholders and creditors of NTT Group

NTT Group's Approach	Examples of Engagement	Reasons for Engagement
We will return profits to shareholders while maintaining a sound financial standing and enhancing our corporate value. We will also endeavor to disclose information related to the Group in a timely, fair, and impartial manner.	<ul style="list-style-type: none">■ General Meetings of Shareholders and financial results announcements■ Explanatory presentations for individual investors■ Explanatory presentations for institutional investors■ Publication of yearly reports (Annual Reports, etc.)	By communicating with shareholders and other investors, we provide information necessary for investment decisions and help ensure that the Group is properly evaluated. We also utilize input received through interactions in Group management.

Employees (Employees, Their Families, and Retired Employees)

Employees who work at NTT Group, their families, and retired employees who support NTT Group's CSR ideals

NTT Group's Approach	Examples of Engagement	Reasons for Engagement
We will advance various employee initiatives to create safe and healthy workplaces in which everyone can realize their full potential and be rewarded in their work and daily lives. We will also value communication with retired employees.	<ul style="list-style-type: none">■ Conducting employee satisfaction surveys■ Regular interviews■ Communication between management and employees■ Groupwide Corporate Ethics Help Line■ CSR conferences	By creating safe and healthy workplaces and providing lifestyle support for employees, we hope to enable them to realize their full potential and to go about their work while remaining highly aware of CSR.

Local Communities

People in local communities who are connected to us through the core businesses of NTT Group companies

NTT Group's Approach	Examples of Engagement	Reasons for Engagement
We will advance alongside local communities by making social contributions and implementing disaster countermeasures through our business activities.	<ul style="list-style-type: none">■ Support and collaboration through social contribution activities■ Negotiation with local community residents when constructing or installing equipment■ Donations, sponsorship, and other support	Through engagement, we strive to contribute to the development of enriched local communities and also to understand the issues faced by communities in order to make social contributions and implement disaster countermeasures.

Business Partners

Business partners who provide a range of cooperation in the provision of NTT Group services

NTT Group's Approach	Examples of Engagement	Reasons for Engagement
We will aim to work together to create and roll out services to resolve a variety of social issues.	<ul style="list-style-type: none">■ Creation of inquiry forms■ Disclosure of procurement policies and guidelines, etc.■ Surveys for suppliers■ Explanatory presentations for suppliers	Engagement with business partners helps us procure products that take into account the environment, human rights, and other issues and build fair partnerships to exercise CSR and continue growing together with our business partners.

ICT Companies and Industry Associations

Other ICT companies and people in industry associations who are striving to develop information and telecommunications

NTT Group's Approach	Examples of Engagement	Reasons for Engagement
We will engage in discussions on the direction and initiatives for the information and telecommunications industry, not only in Japan but from a global perspective, and seek to address diverse social issues together.	<ul style="list-style-type: none">■ Entry into industry associations■ Participation in committees, etc.	Through discussions on the direction and initiatives for the information and telecommunications industry, we will invigorate the entire industry and contribute to society through telecommunications development and advancement.

Central Government and Administrative Agencies

Central and local governments that make policy decisions on information and telecommunications, employment and the economy, the environment, and other issues

NTT Group's Approach	Examples of Engagement	Reasons for Engagement
We will fulfill our responsibility as an information and telecommunications company by adhering to the policies of the central government, administrative agencies, and local governments.	<ul style="list-style-type: none">■ Compliance with laws and regulations■ Suggestions for government policy■ Participation in public-private partnership projects	We aim to conduct appropriate business activities while adhering to the policies of the central government and local governments and to help resolve the social issues faced by the central government and local governments.

NTT Group exercises CSR through social and environmental initiatives.

NTT Group exercises CSR through initiatives for enhancing corporate value by contributing to the resolution of social and environmental issues. In recent years, an increasing amount of global activity for realizing a sustainable society has been seen, as visible in such events as the approval of the Sustainable Development Goals at the United Nations General Assembly in September 2015. At the same time, the business scope of the Group has been transforming as it develops global businesses and transitions to the B2B2X model. In light of this transformation, in May 2016, we revised NTT Group CSR Priority Activities, which define material issues for the CSR activities to be addressed through a concerted effort by Group companies, and also modified NTT Group CSR Charter.

NTT Group CSR Charter consists of a statement of our commitment to CSR and the four CSR goals that outline specific priority aspects of our CSR activities.



Our Commitment

NTT Group delivers the highest quality ICT solutions as a “Value Partner” for customers and contributes to the creation of a prosperous and sustainable society with vibrant communication.

Our CSR Goals

1	Enrich Social Communication
Our innovative ICT expertise enhances societal connectivity and convenience while providing a communications environment for addressing local and international challenges to sustainable community development.	
2	Protect the Global Environment
We reduce environmental impact throughout our business, apply ICT to alleviate the environmental load of society, and actively engage in resolving worldwide environmental issues.	
3	Ensure Reliable Communications
We address social and ethical concerns as an infrastructure enterprise that supports society while protecting livelihoods by securing online information in a robust communications environment that can withstand natural disasters and cyber-attacks.	
4	Unite the Energies of Team NTT
Team NTT and its partners maintain the highest ethical standards and respect for human rights in business; value diversity and personal growth in the workplace; and contribute to building vibrant local communities.	

CSR Priority Activities

Enrich Social Communication		
CSR Priority Activities	Medium-Term Targets	CSR Quantitative Indicators (KPIs) / Targets
Contribute to society through ICT	Accelerate the B2B2X business model by taking opportunities to use “2020” and “Vitalization of Local Economies”	Acceleration of the B2B2X business model
Improve access to ICT	Enhance the system to provide diverse ICT services centered around “Global Cloud Services” for the entire world	Sales of global services: \$22.0 billion (by FY2017)
	Make ICT services available for a broad range of customers, including the elderly and persons with disabilities	Expanding global footprint
		Percentage of the access network converted to fiber optics: NTT East: 95%, NTT West: 93%
Pursue customer satisfaction	Provide high-value-added products and services and fine-tuned support	Expanding the percentage of the population covered by LTE
		Increasing the number of UD-capable products and services provided
		Customer satisfaction survey: Better than in the previous fiscal year
Generate innovation	In order to maintain our research and development as an important growth driver of NTT Group for the future, promote advanced R&D that will lead the world's information communications technologies	Number of improvements made based on suggestions from customers: More than in the previous fiscal year
		Response rate and number of response hours at our call centers: Better than in the previous fiscal year
		Improve facility utilization efficiency: Reduce cost by at least ¥200 billion (by FY2017)
		Establish highly efficient business operations: Reduce cost by at least ¥800 billion (by FY2017)
		Increasing the number of patent applications
		Expanding the number of academic papers published outside the Company
		Person-days of participation in international standardization meetings

Protect the Global Environment		
CSR Priority Activities	Medium-Term Targets	CSR Quantitative Indicators (KPIs) / Targets
Use ICT to contribute to the environment	While reducing CO ₂ emissions of the Company, contribute to the reduction of CO ₂ emissions of all society, including value chains, through the utilization of ICT	Amount of contribution to the reduction of CO ₂ emissions of all society: At least 10 times of the Company's emissions (by FY2030)
Reinforce value chain management		
Address climate change	Improve electrical efficiency to reduce the environmental impact of business operations	Electrical efficiency of the communications services: At least 10 times higher than in FY2013 (by FY2030)
Reduce the environmental impact of business operations	Control the final disposal ratio of waste and work toward the effective use of resources	Final disposal ratio of waste: Zero emissions (under 1%) (by FY2030)
Effectively use resources		

Ensure Reliable Communication		
CSR Priority Activities	Medium-Term Targets	CSR Quantitative Indicators (KPIs) / Targets
Protect personal information	Prevent leaks of personal information	Number of incidents of personal information leaks: 0
Reinforce information security	Train security experts	Number of security experts: 10,000 (by FY2020)
Ensure the stability and reliability of communications services	Provide stable communications services free of major communications problems	Stable service provision rate: 99.99%
		Number of major accidents: 0

Unite the Energies of Team NTT		
CSR Priority Activities	Medium-Term Targets	CSR Quantitative Indicators (KPIs) / Targets
Promote diversity	Aggressively promote the active participation of women	Ratio of female managers: 6.0% (by FY2020)
Respect human rights	Conduct business activities with respect for human rights at all business locations by introducing the United Nations Guiding Principles on Business and Human Rights (Ruggie Framework) and other international principles	Number of confirmed human rights violations: 0
		Percentage of participation in training concerning human rights: Better than in the previous fiscal year
Reinforce value chain management (social)	Implement appropriate management of environmental and social risks, including value chains	Number of confirmed high-risk suppliers: 0
Promote safety, health, and welfare	Enhance safety measures and the safety mindset of employees in order to prevent accidents causing injury or death and industrial accidents	Number of accidents causing injury or death during construction work: 0
Create attractive workplaces	Provide workplaces where employees can work with good spirits	Number of industrial accidents: 0
		Employee satisfaction: Better than in the previous fiscal year
Promote a united Group effort for social contribution activities	Encourage employee's active participation	Percentage of employees participating in volunteer activities: 80% (by FY2020)

* For more details regarding NTT Group CSR Priority Activities and related performance in the fiscal year ended March 31, 2016, please refer to NTT Group Sustainability Report 2016.

Contributions to Increased Productivity in Agriculture through ICT

NTT Group is accelerating its transition to the B2B2X model and stepping up efforts to create services that will become standard for the next generation. As one facet of these efforts, we aim to help resolve the various issues faced by local governments and companies by using ICT. We are thus pushing forward with joint projects with local government agencies and partner companies in the fields of such as agriculture and public infrastructure.

CASE

Verification Project for Innovative Rice Cultivation Management System Using Rice Paddy Sensors

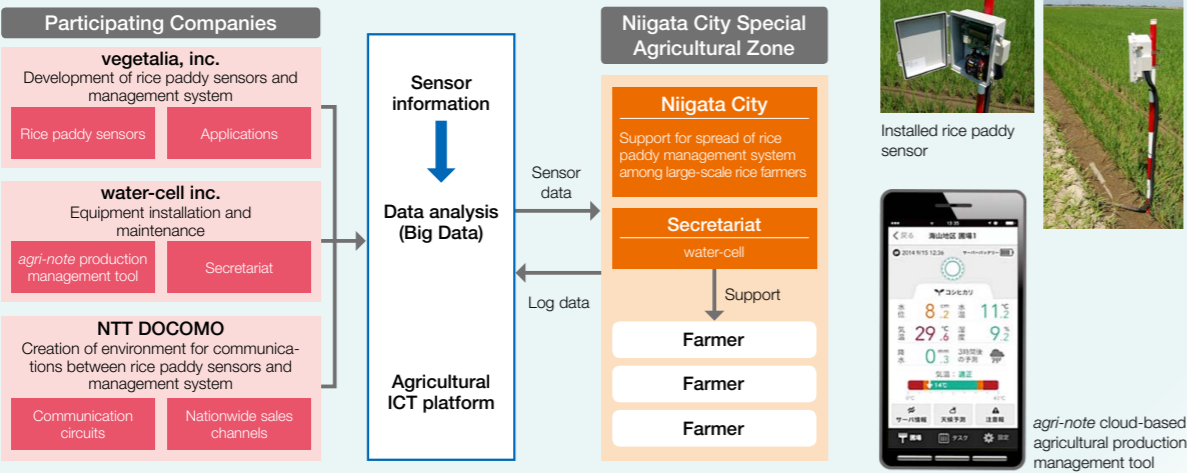
As the number of agricultural workers declines and active workers age, Japan's agricultural industry is suffering from a serious lack of successors to replace those who leave the industry. To address this issue, NTT DOCOMO concluded a partnership agreement with Niigata City, vegetalia, inc., and water-cell inc. to advance a verification project for an innovative rice cultivation management system.

This verification project was conducted over the period from May 2015 to March 2016 with the goal of improving the productivity and value of rice cultivation. The management of rice paddies has long been dependent on the experience and intuition of individual farmers. Seeking to create an agricultural ICT solution that will realize more efficient management, we introduced a management system on a test basis at the paddies of rice farmers seeking to reform large-scale operations in Niigata City, which has been designated as a National Strategic Special Zone for implementing innovative agricultural techniques. This system comprises rice paddy sensors and a cloud-based system linked to

these sensors to allow for easy management of water levels, one of the more time-consuming chores of rice cultivation. Leveraging the telecommunications technologies used in its core business, NTT DOCOMO created the environment for communications between this cloud-based management system and rice paddy sensors through collaboration with vegetalia and water-cell. This system helps improve the efficiency of daily management tasks while enabling farmers to view information that contributes to labor savings, cost reductions, and increased crop yield and quality via their smartphone.

The verification project sought to determine the extent to which improvements in the efficiency of work and water management by farmers could contribute to increased productivity and yield volumes. Going forward, we will look to deploy the insight gained through this project across the nation with the aim of further instilling ICT into Japan's agricultural industry.

Overview of the Verification Project



Contributions to Addressing Global Increase in Information Security Threats

In recent years, the techniques used to access systems without authorization and launch other cyberattacks have been growing more sophisticated, and the need to address to such threats is garnering attention as an issue of global importance. NTT Group is expanding its global business under the Medium-Term Management Strategy and views information security services as an important offering in growing our operations globally. We are therefore actively developing sophisticated information security technologies and services to address customers' security issues.

CASE

Victory in Contest of Personal Data Protection Technologies

A 2015 revision to the Act on the Protection of Personal Information has created requirements for technologies to ensure anonymity in order to allow personal data to be protected while being used effectively. These anonymization technologies must guard the privacy of individuals by guaranteeing that they cannot be identified while at the same time enabling this anonymized data to be utilized. It can be assumed that, in the development of privacy protection technologies and standards that fulfill both of these requirements, it will be important for the academic institutions advancing research and development to proactively engage in discussion and other exchanges with the technicians that use data in the field.

It was based on this perspective that the first Privacy Workshop (PWS2015) was held over the period from October 21 to 23, 2015, alongside Computer Security Symposium 2015, an event at which nearly 500 security researchers, technicians, and other representatives assembled. The PWS CUP, a contest testing anonymization and anonymized data re-identification technologies, took place at PWS2015. A team from NTT entered this competition armed with their accumulated anonymization technology development and safety verification expertise. The contest consisted of the following events.

- Anonymization: Competition of ability to anonymize simulated microdata and make it unable to be re-identified (defense)
 - Re-identification: Competition of ability to re-identify simulated microdata and anonymized data created in anonymization competition (offense)
 - Simulated microdata creation: Competition of ability to develop programs for creating simulated microdata from statistical data
- The team from NTT claimed first place in all three of these competitions, being named the overall champion of the event. The winners of these competitions were decided based on the total score of created anonymized data, which was determined using several predetermined indicators.

Maximizing scores for each indicator required teams to go beyond simply applying standard anonymization procedures by implementing carefully crafted techniques. The NTT team specialized in randomization techniques, which they utilized in anonymizing data to ensure that the data was both highly usable and highly secure. This approach won them the top score in the anonymization competition. In the re-identification competition, the team took advantage of its broad knowledge of anonymization procedures to address unusual re-identification methods not encountered in the course of normal research, thereby succeeding in re-identifying the highest number of datasets. The team earned great praise in the simulated microdata creation competition for its sophisticated technology for randomizing the characteristics of data while it remained saved.

NTT is committed to helping further the development of society and industry by contributing to the realization of a society in which personal data can be utilized appropriately without fear of violations of people's privacy. For this reason, we will continue to take part in activities for establishing domestic anonymity and privacy standards while forging ahead with research and development of sophisticated privacy protection and anonymization technologies.



Reinforcement of Information Security and Personal Information Protection

NTT Group serves numerous customers, ranging from individuals to enterprises, and it has thus been entrusted with vast quantities of personal information. Recent occurrences of large-scale personal information leaks in Japan and overseas are increasing customers' expectations for the protection of personal information. The regulatory environment is also becoming a greater influence on the needs for personal information protection, as indicated by the introduction of personal information protection regulations by the European Union. Accordingly, the requirements for effective information management are growing ever more rigorous.

Were a leak of personal information to occur, NTT Group's operations would suffer from a decrease in corporate value, the loss of customers, and other negative impacts. It is therefore crucial that we reinforce our information security and personal information protection systems to ensure stringent information management.

Measures to Reinforce Information Security and Personal Information Protection

NTT Group has established policies and rules concerning customer, shareholder, employee, and other information in accordance with NTT Group Information Security Policy.

In the Group's information management structure, a senior executive vice president (Representative Member of the Board) takes charge as the Chief Information Security Officer (CISO), the highest authority for information management, guiding us in ensuring stringent information management. The Group CISO Committee was established in 2015 as a body for promoting rigorous information security by formulating initiative policies, planning and instituting various measures, and reviewing activities. In addition, Groupwide working groups have been created to seek out resolutions to information security issues. Similar

structure are in place at Group companies.

Furthermore, each Group company has developed a personal information protection structure that matches its particular business and formulated its own information protection policies. Group companies are also advancing various other initiatives, including establishing organizations for promoting information security management and introducing security systems. Specific measures include introducing security systems and implementing strict hardware and software security measures to prevent unauthorized access to information; loss, alteration, or leakage of information; and infection of systems by computer viruses and to manage removal of information from Company premises. At the same time, we are conducting other ongoing information security measures, including thoroughly educating employees and appropriately supervising outsourcing contractors.

Security Personnel Development Measures

Threats to information security are becoming increasingly sophisticated and diverse, making damage from cyberattacks and information leaks a public concern. However, Japanese companies currently lack a sufficient number of technicians capable of undertaking information security tasks, and those they do have are often lacking in skills. In this context, NTT Group is working to enhance its staff of security personnel. Believing that such efforts are also necessary at the national level, we will cooperate with the government, other companies, and educational institutions to contribute to the training of security personnel across Japan.

For its security personnel development measures, NTT Group set a goal to increase the number of security experts in Japan from the level of 2,500 in November 2014 to about 10,000 by the fiscal year ending March 31, 2021. Meanwhile, Group companies are implementing human resources development measures based on the types and levels of security personnel.

The number of certified security personnel reached close to 20,000 on March 31, 2016. We will continue to enhance our range of ever more practical development programs to increase

the number of intermediate and advanced personnel, who are core to our security field operations.

Furthermore, NTT Group has participated in the Cross-Industry Committee on Cybersecurity Personnel Development as a secretariat since its establishment in June 2015. This committee is comprised of companies related to cybersecurity from various industries centered on important infrastructure sectors. Through this participation and various other initiatives, the Group is contributing to the development of security personnel on the national level.

		Title	Job classification		
			Security management consulting	Security operation	Security development
Level	Advanced	Security master Security principal	Produce first-rate experts with best performance in the industry		
	Intermediate	Security professional	Reinforce the pool of specialists with deep experience and judgment		
	Beginner	Security expert	Raise the level of workers who can do their work with the required knowledge		

NTT Group CSIRT

NTT Group established NTT-CERT (computer emergency response team) in 2004 to function as a computer security incident response team (CSIRT). This team collects information regarding security incidents associated with the Group. It then offers support for addressing these incidents, formulates measures to prevent reoccurrence, develops training programs, and provides security-related information. As a central element of

NTT Group's security initiatives, NTT-CERT provides a reliable venue for consultations regarding information security. The team also collaborates with organizations and specialists inside and outside NTT Group to offer support for detecting and resolving security incidents, minimizing damages, and preventing occurrence. NTT-CERT is thereby contributing to better security for both NTT Group and societies that are permeated by information networks.

Ensuring Stable and Reliable Telecommunications Services

NTT Group has defined three key themes for disaster countermeasures—improving communications network reliability, securing critical communications, and promptly restoring telecommunications services. We have been strengthening efforts based on these themes since the Great East Japan Earthquake.

Specifically, we are taking measures to improve the reliability of our telecommunications infrastructure. To ensure that our telecommunications services operate without interruption at all times, we employ transmission trunk line multi-routing, have enacted blackout countermeasures for communications buildings and base stations, and are making communications buildings more disaster resistant. In addition, we are expanding the assortment of power supply vehicles and other disaster

response equipment that we have positioned throughout Japan and are continually conducting training to prepare for major natural disasters. We are also stepping up coordination with external institutions with regard to disaster response measures. For example, we have concluded agreements with the Japan Post Group and the Petroleum Association of Japan to coordinate efforts in times of disaster and share information even under normal circumstances.

In the fiscal year ended March 31, 2016, no serious telecommunications disruptions*¹ occurred at any of the four telecommunications business companies (NTT East, NTT West, NTT Communications, and NTT DOCOMO) and service stability was maintained at 100%*².

NTT Group's Basic Policy on Disaster Countermeasures



*1 Number of disruptions that led to a stop of or lower quality for telecommunications services and that fulfill the following conditions:

- Voice services usable for emergency reports (110, 119, etc.): Service impacted for more than 1 hour with more than 30,000 people affected
- Voice services not usable for emergency reports: Service impacted for more than 2 hours with more than 30,000 people affected or service impacted for more than 1 hour with more than 100,000 people affected
- Internet-related services (free): Service impacted for more than 12 hours with more than 1,000,000 people affected or service impacted for more than 24 hours with more than 100,000 people affected
- Other services: Service impacted for more than 2 hours with more than 30,000 people affected or service impacted for more than 1 hour with more than 1,000,000 people affected

*2 [1 – total hours under the impact of serious disruptions (number of affected users × hours of serious disruptions) / total hours of major service provision (number of users × 24 hours × 365 days)] × 100%

Pursuit of Customer Satisfaction

NTT Group companies supply products and services for consumers and services for enterprises, serving a wide range of customers. For this reason, improving customer satisfaction will not only help to ensure ongoing usage by existing customers but also to acquire new customers.

Based on this recognition, NTT Group companies work to provide high-value-added products and services and offer fine-tuned support in the pursuit of improved customer satisfaction.

Customer Consultation Venues

NTT Group companies build and deploy frameworks for gathering opinions, requests, and other feedback from stakeholders, including customers, and for improving their work processes, products, and services and developing new products and services based on that feedback. They also each implement their own initiatives for improving customer satisfaction.

Specifically, each Group company has established call centers for responding to customer inquiries regarding products and services and for addressing service failures. Major NTT Group call centers receive more than 180 thousand calls each day on average, and we strive to respond to inquiries without keeping customers waiting.

Unique targets have been set to improve response rates and the quality of responses and support provided by each call center. In addition, we hold call response contests, conduct trainings for improving response skills, and implement various other initiatives for the betterment of call centers.

As a result, the average response rate* at major call centers was 73.3% in the fiscal year ended March 31, 2016.

* Average response rate = Total number of calls responded to in a year / Total number of calls received in a year × 100%

Improvement of Customer Support

NTT Group companies have in place frameworks for improving work processes, products, and services and developing new products and services based on opinions, requests, and other feedback from customers received through call centers and other venues.

Initiatives	
NTT East	<p>“Service with a Smile” Activities</p> <p>NTT East discusses the opinions and requests received from customers through its Customer Consultation Center and other channels from various angles. This input undergoes final examination at the Smile Committee, which is chaired by the president, after which NTT East applies the committee's recommendations on a companywide basis. Negative feedback is shared with relevant sections, and the whole company acts to prevent recurrence.</p>
NTT West	<p>“Customers First” Activities</p> <p>Every month, the Customers First Activities Working Group convenes under the leadership of a senior executive vice president to discuss customer feedback received through NTT West's 116 customer service line, the Customer Consultation Center, and other channels. At meetings of this working group, directives for groupwide improvements are decided, which are then reflected into service improvement activities.</p>
NTT Communications	<p>Analyses of Customer Opinions Based on Social Media Postings</p> <p>NTT Communications' efforts to gather customer feedback extend beyond voice of the customer surveys to include analyses of customer input received through daily call center operations and based on postings on Twitter and other forms of social media. The customer opinions and requests identified through these activities are communicated to customer service divisions and related service improvement measures are disclosed on the company's website.</p>
NTT DOCOMO	<p>Communication of Customer Input and Uncovered Desires to Employees</p> <p>Customer feedback received through docomo shops, call centers, customer surveys, and other venues is made readily available to NTT DOCOMO employees, and information is transmitted throughout the NTT DOCOMO Group practically in real-time. In addition, an internal system is in place to inform the appropriate division of customer desires related to product, service, or work process improvements that have been uncovered by any of the staff or employees related to NTT DOCOMO operations during their interactions with customers.</p>

In the fiscal year ended March 31, 2016, these four companies implemented 558 improvements to work processes based on customer feedback.

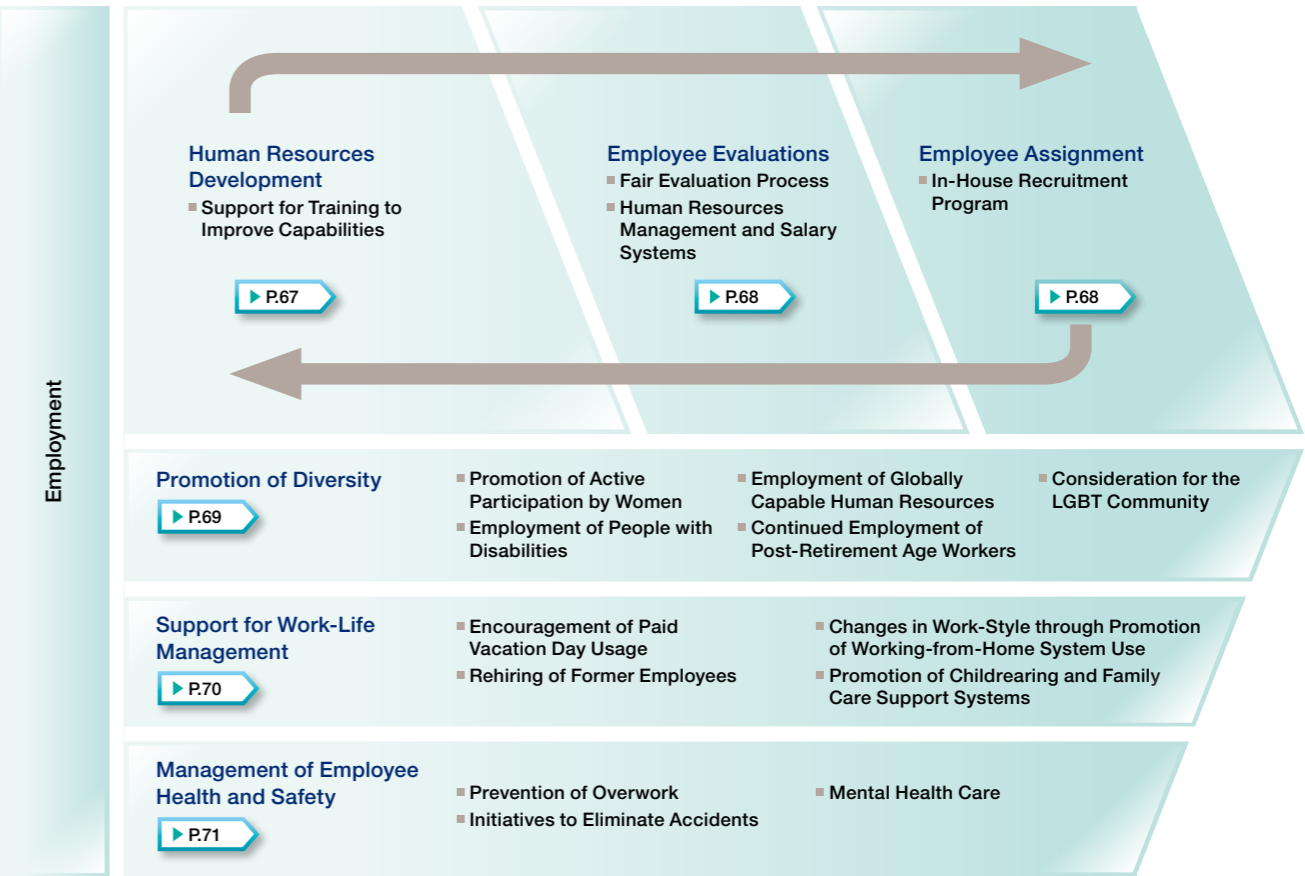
Customer Satisfaction Surveys

NTT Group companies have been rated highly in customer satisfaction surveys conducted by external investigation firms. We will continue to improve upon products and services to earn even greater levels of customer satisfaction on into the future.

NTT East	Nikkei Computer 2015–2016 Customer Satisfaction Survey (Nikkei Business Publications, Inc.) Network Service (Wired) Category Ranked No. 1 for 3 consecutive years
NTT Communications	Voice of the Customer: Global Data VPN, Issue 20 (Ocean82, Ltd., of the United Kingdom) Ranked No. 1 in overall customer satisfaction for 5 consecutive years (as of May 2016)
NTT DOCOMO	Ranked No. 1 for mobile phone service customer satisfaction Source: 2015 Japan Business Mobile Phone Service Studies SM , J.D. Power Asia Pacific (japan.jdpower.com)

Initiatives to Help Employees Fully Exercise Their Talents

NTT Group believes that enabling employees to realize their full potential is an important management issue needing to be addressed in order to become a “Value Partner” that customers continue to select by responding to rapidly changing markets and diversifying customer needs. To this end, we are advancing initiatives for (1) improvement of procedures for developing, evaluating, and assigning human resources, (2) promotion of diversity, (3) support for work-life management, and (4) management of employee health and safety.



(1) Improvement of Procedures for Developing, Evaluating, and Assigning Human Resources

Human Resources Development

We are committed to establishing human resources development systems that enable all of our employees to make the most of their abilities through their work and deliver high value. Employees formulate their own career plans based on the special skills necessary for each job. Skills are then improved through the implementation of the plan-do-check-act (PDCA) cycle. In addition, we have taken steps to establish a variety of systems related to human resources development, such as instituting a framework for defining specialized fields in line with business characteristics and work details and certifying skills.

Support for Training to Improve Capabilities

In addition to Group training and on-the-job training for enabling employees to gain necessary skills in their respective fields of business, we provide many other opportunities for employees who are eager to get ahead, including distance learning, e-learning, in-house certification of skill levels to verify the results of education programs, and support for acquiring qualifications. In addition, to nurture personnel capable of performing on the global stage, we also send employees to study at overseas graduate schools or participate in overseas work experience programs.

Status of Training at Each Company

Group Companies	Annual Training Expenditures per Employee (¥10,000 / Person)	Annual Training Time per Employee (Hours / Person)	Number of Training Programs
NTT (Holding Company)	14.6	17	570
NTT East	4.4	8	1,255
NTT West	3.4	6	1,400
NTT Communications	8.9	11	1,070
NTT DOCOMO	7.4	50	1,040
NTT DATA	12.2	77	1,676
NTT COMWARE	6.2	25	510
NTT FACILITIES	13.0	43	230

Employee Evaluations

NTT Group operates an in-house qualification system that puts priority on performance and sets behavior and performance targets tailored to each qualification rank. Our human resources management system is designed to encourage employees to think and act for themselves in the execution of their work duties through the steady implementation of an evaluation process that incorporates the setting of targets and the provision of feedback to employees.

Fair Evaluation Process

We endeavor to enhance the fairness and objectivity of our evaluation process. To this end, we have taken steps to prevent inappropriate evaluations due to subjective and arbitrary elements by having all of the evaluators in the same business unit hold evaluator meetings to align their evaluation criteria and perspectives.

Human Resources Management and Salary Systems

In October 2013, we reconstructed our human resources management and salary systems. The new systems, which reflect the distinctive business characteristics of NTT Group, are designed to better reward employees who perform the roles and produce the results expected of them through introducing evaluation-based compensation and expanding results-based awards.

Employee Assignment

NTT Group's businesses extend over a wide range of areas. To smoothly advance these various businesses, it is important to place the right person in the right job so that all employees can work to their full potential. From this perspective, we implement periodic human resources rotations with consideration for the status of each employee's skill development status and career plan.

In-House Recruitment Program

We raise motivation and promote networking within the Group by providing ambitious employees with opportunities to seek new challenges in a wide range of fields through our NTT Group Job Challenge in-house recruitment program. In recent years, to raise the number of employees across the whole Group who are capable of working globally, we have been actively providing opportunities for employees to transfer to global posts by creating new global posts and increasing recruit numbers. In the fiscal year ended March 31, 2016, 317 employees used the Job Challenge program, with 99 transferring as a result to their desired workplace.

Promotion of Diversity

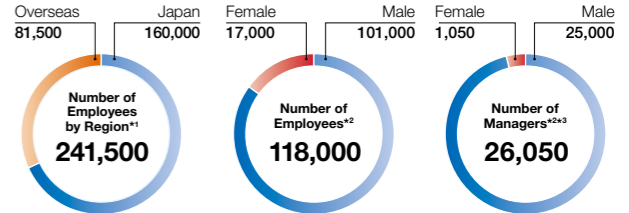
NTT Group, which aims to be a global ICT company and to increase overseas sales and profits, has about 80,000 employees working overseas. We are endeavoring to establish workplaces at which a diverse range of people can actively participate, regardless of their gender, age, race, nationality, mental or physical disability, sexual orientation, or gender identity.

In October 2007, NTT established the Diversity Management Office, and by April 2008 diversity promotion supervisors were in place in Group companies. Since that time, the Diversity Management Office and diversity promotion supervisors have worked together to conduct educational activities aimed at reforming corporate culture and ingrained practices.

We also hold twice yearly diversity promotion conferences to enable individual Group companies to share their initiatives with the whole NTT Group, and we monitor female manager ratios,

the status of the hiring of people with disabilities, and other diversity management indicators.

Employment Data



^{*1} Estimated number of employees of 907 consolidated companies for NTT Group as of March 31, 2016
^{*2} As of March 31, 2016, total number of employees of NTT, directly affiliated companies in Japan, and their affiliated companies in Japan (total of 41 companies)
^{*3} Section manager level or higher

Promotion of Active Participation by Women

In December 2013, we announced a plan to double the ratio of female managers in Japan by the fiscal year ending March 31, 2021. We are intensifying our efforts to support the career development of female employees in the 41 companies of NTT Group. We thereby aim to increase the ratio of female managers from 2.9% on March 31, 2013, to 6.0% by March 31, 2021.

In addition, NTT Group companies also hold joint forums and training sessions to promote networking among managerial-level female employees and motivate them to nurture future female leaders.

- External Recognition**
- Highest ranking of "Eruboshi ('L Star': L stands for Lady, Labour and Laudable)" certification for superior companies bestowed by the Ministry of Health, Labour and Welfare (NTT East, NTT Communications)
 - Inclusion in the FY 2015 New Diversity Management Selection 100 sponsored by the Ministry of Economy, Trade and Industry (NTT East, NTT Communications, NTT DOCOMO)

^{*} As of March 31, 2016

Ratio of female managers:
4.0%^{*}

Employment of Globally Capable Human Resources

Approximately 30% of Group employees are working overseas in various countries. We apply the same conditions to the hiring and promotion of non-Japanese personnel as we do to our Japanese employees, and we allow non-Japanese candidates to be interviewed or give presentations in English.

^{*} As of March 31, 2016

Ratio of non-Japanese personnel:
3.1%^{*}

Consideration for the LGBT Community

NTT Group aims to create an organization that allows people to work while being themselves, regardless of their sexual orientation or gender identity, and it strives to contribute to the realization of a society that is equally accepting. To this end, we are developing a working environment that is receptive toward diversity and in which everyone can fully exercise their talents.

In April 2016, NTT Group announced that its support systems related to important life events are applicable to same-sex partners. These systems include leave, monetary payments, and telegrams to congratulate employees, such as in the case of marriage, or to offer condolences, such as in the case of the passing of a family member.



Employment of People with Disabilities

NTT Group actively recruits people with disabilities and endeavors to expand hiring opportunities for them. To this end, we have established special purpose subsidiaries^{*2} and are working to create pleasant workplaces for people with disabilities. In September 2015, DOCOMO PlusHearty, a special-purpose subsidiary of NTT DOCOMO, was established, bringing the total number of NTT Group special-purpose subsidiaries to four.

The Group's special-purpose subsidiaries and NTT Laboratories are working together to create systems to ensure that NTT Group is able to guarantee web accessibility^{*3} while undertaking other initiatives that utilize the unique capabilities of people with disabilities.

^{*1} As of June 2016
^{*2} Subsidiaries that give special consideration to the employment of people with disabilities in order to promote and stabilize the employment of people with disabilities
^{*3} Provision of access to information through the Internet to all people, including senior citizens and people with disabilities, regardless of their access environment or any physical or mental limitations

Ratio of employees with disabilities:
2.30%^{*1}

Continued Employment of Post-Retirement Age Workers

From the perspective of fully utilizing limited human resources in business operations going forward, we introduced an employment extension system in October 2013 that enables employees who want to continue working after the mandatory retirement age to receive employment up to age 65.

^{*} As of April 1, 2016

Number of people using employment extension system:
22,000^{*}

(3) Support for Work-Life Management

● Encouragement of Paid Vacation Day Usage

To further promote the work-life management of all employees, NTT Group encourages them to use their annual paid vacation days. In conjunction with consecutive holidays and the summer vacation period, we conduct activities to encourage employees to use their annual paid vacation days, and we are working to create an environment in which it is easy to use these days. In the fiscal year ended March 31, 2016, the average of paid vacation days used was 19, and the ratio of paid vacation days used was 95.1%.

● Changes in Work-Style through Promotion of Working-from-Home System Use

NTT Group seeks to create new value through innovation. In order to accomplish this goal, we are focused on changing work-style to help employees break away from traditional work styles to adopt more efficient practices and thereby exercise greater levels of independence and creativity.

We are changing the work styles of all NTT Group employees, regardless of their rank or position, and actively promoting the usage of the working-from-home system and other teleworking systems as well as flextime systems as an ICT provider. We thereby aim to realize more efficient and flexible work styles.

● Rehiring of Former Employees

Many former Group employees who left their jobs to raise children or provide long-term care to family members, because their spouse was transferred elsewhere, or for other similar reasons are eager to return to work at NTT Group. To address such aspirations and to leverage the experience and skills they gained while working for the Group, we have established a system for rehiring former employees.

As of March 31, 2016, 39 people had been rehired through this system.

● Promotion of Childrearing and Family Care Support Systems

NTT Group believes in the importance of balancing careers with private life and offers childcare and family care benefits that go beyond legally mandated levels. In April 2008, NTT was awarded “Kurumin” mark certification by the Ministry of Health, Labour and Welfare in recognition of Company efforts to support childrearing by employees. Following the revision to the Act on Advancement of Measures to Support Raising Next-Generation Children, NTT acquired new “Kurumin” mark*1 certification in August 2015. Each Group company has also acquired new “Kurumin” mark certification as well*2. With regard to family care support, the Ministry of Health, Labour and Welfare created the “Tomonin” symbol mark in November 2014 to encourage the establishment of working environments for balancing work and family care. NTT has been actively using the mark to publicize its initiatives and promote the development of a working environment in which employees can achieve a balance between work and family care.

*1 “Kurumin” mark
Companies that have developed an action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children and achieved the goals set out in the plan while also meeting certain standards can apply to be recognized as childcare supporting companies by the Minister of Health, Labour and Welfare and awarded “Kurumin” mark certification.

*2 Companies that have acquired either “Kurumin” mark or new “Kurumin” mark certification:
NTT, NTT East, NTT West, NTT Communications, NTT DOCOMO, NTT DATA, NTT URBAN DEVELOPMENT, NTT FACILITIES, NTT COMWARE, etc.



On-Site Day Care Centers

NTT DATA set up the Egg Garden day care center in its head office building (Koto-ku, Tokyo) in 2011, while NTT East established the DAI★KIDS HATSUDAI on-site day care center in its head office building (Shinjuku-ku, Tokyo) in 2012. By creating an environment in which employees can return quickly from childrearing holidays or leave and participate fully at work, these companies are strengthening support for employees in leveraging their strengths and engaging in highly productive work, even when their life stage changes, such as due to childbirth or childrearing.



Interior of DAI★KIDS HATSUDAI

NTT Group Childrearing and Childcare Support Site

We have created NTT-LiFE+, a childrearing and family care support site, on NTT Group intranet. In addition to providing details and instructions on the use of the Group's various support systems, NTT-LiFE+ offers all sorts of other information, including articles about employees who have succeeded in balancing work, childrearing, and family care commitments, and other new additions.

Seminars and Individual Interviews

In regard to childrearing, we hold seminars on childcare support and returning to work after childcare, and conduct personal talks with employees prior to maternity leave and after returning from childcare leave. In regard to family care, Group companies are organizing family care study sessions.

Rehiring of Employees Who Left Their Jobs for Childrearing or Family Care Reasons

We have established a system for rehiring employees who had worked for three consecutive years prior to leaving their job to look after a child that has not yet completed the third grade or to care for a family member. If employees request such a reemployment, we will decide whether or not to rehire them after conducting interviews and health examinations.

(4) Management of Employee Health and Safety

In order for diverse human resources to fully exercise their talents, it is vital that a working environment be in place that allows employees to remain safe and healthy in their jobs. To ensure occupational health and safety, NTT Group observes relevant laws and regulations, such as the Labor Standards Act and the Industrial Safety and Health Law, and has also established its own Safety Management Rules and Health Management Rules with the objective of promoting safety and health management. In this way, the Group is working to better protect its employees' safety and health and to advance initiatives targeting smooth business operations.

● Prevention of Overwork

NTT Group implements measures to prevent employees from overworking and protect their health, including designating every Wednesday as a day on which employees should refrain from working outside business hours. Group companies are taking steps to ensure appropriate working hours and to prevent overwork, such as the use of log management, which records the time when employees log into and out of their computers.

In the fiscal year ended March 31, 2016, the average overtime hours worked per person over the year was 14.7.

● Mental Health Care

To enhance the day-to-day management of the mental health of employees, NTT Group has established internal and external consultation services and is implementing mental health examinations and interviews regarding overwork. In addition, we offer periodic training to raise employee awareness.

● Initiatives to Eliminate Accidents

In the fiscal year ended March 31, 2016, two severe accidents occurred during telecommunications-related works and repairs conducted by NTT Group or commissioned to partner companies. One accident entailed an individual falling during high-place work and the other involved an individual falling during nighttime work. Both accidents were the result of a failure to observe basic procedures. To prevent future accidents, we have taken steps to reconfirm and re-entrench basic procedures and redoubled efforts to understand potential dangers at worksites before beginning work and to raise caution. Initiatives such as these are being advanced through a Groupwide effort to raise the safety awareness of individuals and help all employees maintain a mindset that has not been dulled by familiarity.

In addition, we have designated one day each month as “Safety Day.” This day is observed throughout NTT Group and involves all employees taking part in such activities as hazard prediction drills based on past accident cases. We have also installed frameworks to allow for details of accident occurrences to be quickly shared with workers to swiftly raise caution in on-site work. Furthermore, NTT Group institutes Safety Measure Reinforcement Periods, which it has been holding twice a year since the fiscal year ended March 31, 2015 (June 1–July 7 and December 1–January 15 of the following year, periods only held once a year previously). During these periods, we promote the understanding of safety measures to eliminate accidents through initiatives that include reconfirming previously established rules for preventing reoccurrence of past accidents and displaying standardized NTT Group safety posters.

* Severe accidents: Accidents in which an individual passed away or was rendered permanently unable to work

Enhancement of Employee Satisfaction

NTT Group strives to understand the obstacles to making working environments more comfortable for employees. As part of these efforts, we regularly conduct surveys of employees at Group companies and use the results to improve working environments. Results of the survey conducted at Group companies in the fiscal year ended March 31, 2016, showed the level of employee satisfaction at 3.88 out of 5.00 points, representing a year-on-year increase of 0.19 points.

Fiscal year ended March 31	2015	2016
Employee Satisfaction (Out of 5.00 points)	3.69 points	3.88 points

Turnover Rate

Human resources play a crucial role in the growth of companies and the advancement of corporate strategies, and the ability to secure talented human resources is vital for a company to achieve sustainable growth.

We collect data on the turnover rate at NTT Group's 8 principal companies (including their affiliated companies). In the fiscal year ended March 31, 2016, the turnover rate was 8.5%*, improved 0.3 points year on year.

* Including employees retiring at the mandatory retirement age

Respect for Human Rights

NTT Group is expanding its global business in accordance with the Medium-Term Management Strategy, “Towards the Next Stage 2.0.” As our business grows more global, it is crucial that we act in compliance with global expectations for human rights with regard to the rights of our employees worldwide as well as the various other people connected to NTT Group’s value chain.

The NTT Group’s Human Rights Charter

NTT Group realizes that one of its social responsibilities is to respect the human rights of employees and all of its other stakeholders. In 2014, the NTT Group’s Human Rights Charter was established to make clear our commitment to fulfilling this responsibility. This charter incorporates the ideals of such standards as the Guiding Principles on Business and Human Rights, which were approved by the United Nations Human Rights Council in 2011.

The human rights needing to be respected are defined in the charter as “internationally recognized human rights.” We thus believe that the basis for standards of universal human rights is represented by the standards described in the Universal Declaration of Human Rights, the International Bill of Human

Rights*, and the eight core conventions of the ILO Declaration on Fundamental Principles and Rights at Work. We expect all Group companies to observe these standards. As a new initiative in the fiscal year ending March 31, 2017, human rights management surveys will be conducted with regard to human rights. We will also continue efforts to ensure that the contents and principles of the NTT Group’s Human Rights Charter are understood and entrenched throughout the Group. At the same time, the Group will share this commitment to human rights with its various partners, working together with them to promote respect for human rights on a global basis.

* Name given to the United Nations General Assembly resolution consisting of the Universal Declaration of Human Rights; the International Covenant on Economic, Social and Cultural Rights; and the International Covenant on Civil and Political Rights

The NTT Group’s Human Rights Charter

We recognize that the respect for human rights is a corporate responsibility and aim to create a safe, secure and rich social environment by fulfilling our responsibility.

1. We*¹ respect internationally recognized human rights*², including the Universal Declaration of Human Rights in all company activities.
2. We responsibly respect human rights by efforts to reduce any negative impacts on human rights holders. We respond appropriately when negative impacts on human rights occur.
3. We aim to not be complicit in infringing human rights, including being involved in discrimination, directly or indirectly.
4. When negative impacts on human rights are done by a business partner and are linked to a product or service of NTT Group, we will expect the business partners to respect human rights and not to infringe on them.

*1 “We” means NTT Group and its officers and employees.

*2 “Internationally recognized human rights” are rights included in declarations and rules that form the basis for international standards of universal human rights throughout the world and specifically refer to the following.

- United Nations (the Universal Declaration of Human Rights and the two Covenants on human rights)
 - The Universal Declaration of Human Rights (adopted by the United Nations General Assembly in 1948)
 - International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights (adopted by the United Nations General Assembly in 1966, in force from 1977)
- International Labour Organization (eight core conventions of the ILO Declaration)
 - ILO Declaration on Fundamental Principles and Rights at Work (adopted at the 86th International Labour Conference in 1998) core conventions: Forced Labour Convention, Right to Organise and Collective Bargaining Convention, Freedom of Association and Protection of the Right to Organise Convention, Equal Remuneration Convention, Abolition of Forced Labour Convention, Discrimination (Employment and Occupation) Convention, Minimum Age Convention, and Worst Forms of Child Labour Convention

Measures for Strengthening Human Rights Management

A company that develops its business on a global scale must consider the impacts of its activities on the human rights of various stakeholders. To ensure that such consideration is entrenched throughout the organization, it is essential for a company to be aware of how its activities can and do impact the human rights of stakeholders.

As one facet of its activities to understand its impacts on human rights, NTT plans to conduct human rights management surveys of all Group companies, including those overseas, during the fiscal year ending March 31, 2017. These surveys are

designed to determine what human rights issues are viewed as important to specific Group companies and how these issues are being addressed. The next step will be to perform assessments based on survey findings. In addition, we will examine the possibility of creating tools for checking human rights-related areas of operations while referencing reviews from external experts on these matters. Through these and other efforts, the Group will advance a concerted effort to strengthen human rights management, which will include the implementation of a PDCA cycle.

Cooperation with Business Partners

Companies have responsibilities with regard to their own activities as well as to activities related to their business across the value chain, spanning from upstream to downstream areas. It is therefore vital for companies to monitor the entire value chain to identify environmental, social, and governance (ESG) risks and impacts on the sustainability of operations.

NTT Group’s value chain extends to manufacturers of mobile phones and telecommunications equipment as well as to construction contractors, software developers, and other business partners. Furthermore, it can be expected that our value chain will become more even extensive in the future as we endeavor to grow our global business and expand the B2B2X model under the Medium-Term Management Strategy, “Towards the Next Stage 2.0.” For this reason, NTT Group will need to step up its monitoring activities across the value chain.

Promotion of CSR Procurement

In recent years, a variety of supply chain issues have been exposed, including excessive work hours, child labor, unlawful disposal of chemicals, bribery, and other examples of malpractice. These issues have served to intensify society’s expectations for companies to fulfill their social responsibilities by complying with legal and social standards in their procurement activities.

In light of this situation, we formulated the NTT Guidelines for CSR in Supply Chain in December 2013 to guide our efforts as we work together with business partners, suppliers in particular, in order to conduct procurement activities in a socially responsible manner.

The NTT Guidelines for CSR in Supply Chain have been released in both Japanese and English and provided to our

various suppliers in Japan and overseas. We have also disclosed the Procurement Policies and the Guidelines for Green Procurement.

The Guidelines for Green Procurement were established to stipulate concrete requirements related to the environment. We have also created the Energy Efficiency Guidelines for the same purpose.

In addition, aiming to procure products that are of high quality while also being safe and eco-friendly, we have formulated and released technical requirements that include provisions for helping lower environmental impacts. We ask all suppliers to adhere to these requirements.

Procurement Policies

1. NTT will strive to provide competitive opportunities with fairness to both domestic and foreign suppliers, and to build mutual trust and understanding.
2. NTT will conduct economically rational procurement of competitive goods and services that meet its business needs, deciding on suppliers based on quality, price, delivery times, and stable supply in a comprehensive manner.
3. NTT will conduct procurement in a manner that follows laws and regulations as well as social norms, and takes the environment, human rights, and other issues into account to contribute to society.

Supply Chain Risk Assessments

NTT Group assesses social and environmental risks along the supply chain through supply chain CSR surveys using supply chain CSR promotion check sheets in order to confirm that suppliers are in compliance with its various guidelines and technical requirements.

Specifically, we check suppliers with regard to such factors as general environmental management, freedom of association, child labor, forced labor, prevention of discrimination, and

general management, requesting further improvements where necessary. These surveys target tier-one suppliers but also include items confirming the supplier’s efforts to raise social responsibility awareness among tier-two suppliers. We thereby assess risks further upstream on the supply chain.

In the fiscal year ended March 31, 2016, 100% of tier-one suppliers asked to take surveys complied, and no high-risk suppliers were identified.

Cooperation with Suppliers

In addition to the above, we also conduct seminars and hold other forums for suppliers and present awards to suppliers that have provided us with improvement proposals related to such areas as environmental preservation. These activities help

strengthen relationships with suppliers and facilitate efforts to cooperate with them in smoothing the process of procuring products that are considerate of the environment and human rights.

NTT Group Environmental Statement and 2030 Environmental Targets

Reducing CO₂ emissions and otherwise lowering environmental load is recognized as an important issue needing to be addressed internationally in order to create a sustainable society. With expanding its global business and transitioning to the B2B2X model at the core of its business strategies, NTT Group is pursuing sustainable business development over the medium-to-long term. For this reason, reducing our environmental load is absolutely essential to further growth. We are therefore actively advancing initiatives to this end through cooperation with our various stakeholders.

NTT Group Environmental Statement

The NTT Group Environmental Statement compiles our vision for the future of the global environment we aim to build with our stakeholders, our environmental initiatives for building that future, and the company we aim to become through these efforts. The declaration begins with the words “People & Planet in Harmony.” These words symbolize our goal of creating a future housing a sustainable society in which everyone and everything around the world is interconnected. To help realize

such a future, we at NTT Group will push forward with our daily environmental activities to fully exercise our capabilities as forerunners in environmental contribution. We have defined three characteristics of the vision for the future encapsulated in the words “People & Planet in Harmony.” NTT Group will contribute to endowing the future with these characteristics through the provision of ICT services and cutting-edge technologies.

NTT Group Environmental Statement

People & Planet in Harmony

Dedicated to Environmental Preservation

To ensure a future that's better for all life on Earth, we are devoting great resources to groundbreaking technological advances and superlative eco-oriented ICT services.

Realizing a Low Carbon Future

We are contributing to the reduction CO₂ emissions and facilitating adaptation to climate change.

Implementing Closed Loop Recycling

We are working toward more effective resource allocation.

Planning a Future of Natural Harmony

We are contributing to the preservation of ecosystems.

2030 Environmental Targets

NTT has established the 2030 Environmental Targets, a set of environmental targets to be accomplished by the fiscal year ending March 31, 2031, that is meant to guide us in realizing the future described in NTT Group Environmental Statement. The 2030 Environmental Targets comprise goals related to the environmental issues prioritized by NTT Group, including those regarding climate change, energy, resources, and ecosystems. To help minimize the CO₂ emissions from all actions of society and realize a low carbon future, we have defined targets for our contribution to reductions in society's CO₂ emissions, the electrical efficiency of NTT Group's businesses, and the extent to which we help address climate change. For implementing closed loop recycling, we have set a target for the final disposal rate for waste. Furthermore, we have established targets for ecosystem preservation activities to guarantee that we are able to continue receiving the blessings of nature on into the future.

Realizing a Low Carbon Future	We will seek to increase the amount of CO ₂ emissions reduction of society by our contribution to at least 10 times more than the NTT Group's own emissions.
	We will seek to raise power efficiency per communication data for our Telecommunication businesses to at least 10 times higher than in fiscal 2014.
	We will seek to play our part in adaptation to climate change by actively promoting initiatives through all our activities. Also, we will collaborate with our stakeholders.
Implementing Closed Loop Recycling	We will seek to achieve zero emissions* with regard to the final disposal ratio for waste discharged from the NTT Group.
Planning a Future of Natural Harmony	We will seek to play our part in preservation ecosystems by actively promoting initiatives through all our activities. Also, we will collaborate with our stakeholders.

* zero emissions: NTT Group defines zero emission as a final disposal rate of 1% or less.

Provision of Services Addressing Environmental Load Reduction Needs

We are witnessing a substantial increase in the needs for means of reducing environmental load, such as by cutting CO₂ emissions or effectively using water, to realize a sustainable society. NTT Group will provide services that respond to these needs in order to help reduce the load placed on the environment while expanding its business.

CASE

Solar Power Generation Systems for Reducing CO₂ Emissions

Group company NTT FACILITIES, performs planning, design, construction, maintenance, and other tasks related to the Group's telecommunications equipment and power facilities. This company also offers total support for the introduction of solar power generation systems by companies and municipalities that ranges from planning and design to construction and operation. In addition, NTT FACILITIES is engaged in the power generation business with the objectives of contributing to the adoption and expansion of natural energy, which is being advanced by the central government, reducing environmental impacts across society, and accumulating further know-how related to solar power generation. By generating electricity through the use of solar power, which is natural energy, it is possible to reduce consumption of fossil fuels, such as petroleum, coal, and natural gas, and to make a contribution to lower emissions of CO₂ produced by the combustion of fuel. As of March 31, 2016, we had participated in the construction of 1,280 solar power generation systems in Japan with a total capacity of more than 407 MW. In addition, as an electricity producer we have become a leader in the establishment of an environmentally friendly society by building and operating our own mega solar power plants in 65 locations.



Locations of Solar Power Generation Systems Provided by NTT FACILITIES



Yoshinogari Mega Solar Power Plant (Nickname: TeruTeru Forest)



F Kanzaki Solar Power Plant



CASE

Japan's Foremost Large-Scale Eco-Friendly Complex—Shinagawa Season Terrace

Opened on May 28, 2015, Shinagawa Season Terrace was developed as part of a joint project between Taisei Corporation, Hulic Co., Ltd., Tokyo City Development Co. Ltd., and NTT URBAN DEVELOPMENT CORPORATION. This building was constructed through a large-scale development project based on the theme of coexistence with the environment, designed to contribute to a sustainable community by linking the activities of people with sunlight, wind, water, greenery, and other elements of nature. Moreover, the development project was conducted in conjunction with the reconstruction of the Shibaura Water Reclamation Center, which is managed by the Tokyo Metropolitan Government and has supported urban activity and the lives of residents for more than 80 years since 1931. The aim of this move was to make use of the plentiful space above the facility.



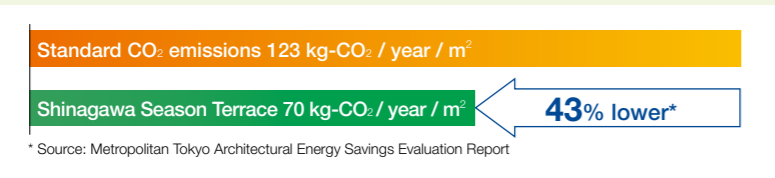
(Photograph provided by Forward Stroke Inc.)

Eco-Friendly Features of Shinagawa Season Terrace

One concept behind Shinagawa Season Terrace was the development of a cutting-edge green building, and various eco-friendly features were installed to this end. Specifically, solar lighting systems, LED lighting combined with next-generation people sensors, automated sunlight tracking blinds, 100 kW solar power generation facilities, systems for using reclaimed water and wastewater heat, and other state-of-the-art environmental technologies were actively introduced into this building. In addition, an expansive 3.5-hectare park was established next to the building. We believe this building serves as an advanced model case on how to develop sustainable communities.

These various features of Shinagawa Season Terrace have led to reductions in CO₂ emissions throughout the building's office space, and overall emissions are 43% lower than the standard level.

CO₂ Emissions of Shinagawa Season Terrace



Utilization of NTT Group Technologies

Technologies from NTT Group companies can be found throughout Shinagawa Season Terrace. To reduce environmental impacts, NTT FACILITIES supplied the building with solar power generation facilities as well as a building energy management system that tracks energy usage conditions and conducts energy-saving diagnoses. Attention was also paid to disaster countermeasures, and

satellite phone services from NTT DOCOMO were introduced for use in times of disaster alongside earthquake early warning services from NTT Communications. Telecommunications equipment includes fiber-optic cables from NTT East and public Wi-Fi from NTT Broadband Platform. These cutting-edge NTT Group technologies help reduce the environmental load of Shinagawa Season Terrace while also providing solutions for various social issues.

Eco-Friendly Systems Installed at Shinagawa Season Terrace

- Sunlight**
 - Solar lighting systems
 - Solar power generation facilities
 - Automated sunlight tracking blinds
 - External solar retro-reflector panels
 - High-performance, low-e insulated glazing
 - LED lighting combined with next-generation people sensors
- Wind**
 - Passive night purge system
 - Natural ventilation openings on exterior
 - Large-volume outdoor air cooling system
- Water**
 - Reclaimed water usage system for restrooms
 - Heat supply system that captures heat from wastewater
 - Cooled walkways and walls
 - Rainwater utilization system
- Greenery**
 - Greenery on roofs and walls

Environmental Ratings and Third-Party Verification

Shinagawa Season Terrace is neighbored by an expansive 3.5-hectare park that breathes life into the area and creates opportunities for community interaction. This park enriches this business district while also contributing to the area as a spot for breeding a sense of community. Located at the border between the Musashino Plateau area and the Tokyo Bay coastal area, this park is anticipated to merge the eco-systems of both areas. The park was rated highly by the Organization for Landscape and Urban Green Infrastructure,

earning Shinagawa Season Terrace certification under the Social and Environmental Green Evaluation System (SEGES) as a development project that contributes to society and the environment through the preservation and creation of greenery (SEGES for Urban Development). In addition, the various other eco-friendly features of Shinagawa Season Terrace have won the building the highest ratings under numerous third-party verification systems, including an S rank under the Comprehensive Assessment System for Built Environment Efficiency (CASBEE).

Environmental Ratings of Shinagawa Season Terrace			
Tokyo Building Environment Planning System Level 3 (Highest Rating)	Comprehensive Assessment System for Built Environment Efficiency (CASBEE) S Rank (Highest Rating)	DBJ Green Building Certification Platinum (Highest Rating)	Development Project That Contributes to Society and the Environment through the Preservation and Creation of Greenery (SEGES for Urban Development)

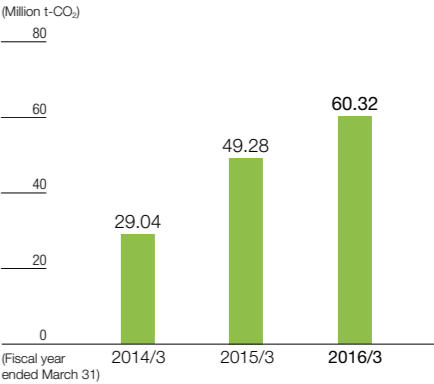
NTT Group's Contribution to Reducing Society's CO₂ Emissions

ICT contributes to the reduction of the environmental load of our lives and society in various ways. For example, the digital distribution of books, music, movies, and other content cuts back on the energy consumed in transporting the books, CDs, DVDs, and other physical media that are normally used to distribute such content. In addition, to providing alternatives for moving goods and people, ICT can also contribute by making our lives and work more efficient. In the fiscal year ended March 31, 2016, NTT Group as a whole contributed to a reduction in the CO₂ emissions of society of 60.32 million tons through the utilization of ICT. The spread of smartphones and the development of high-speed, large-capacity networks have given rise to various new services, such as video streaming services, and expanded the opportunities for customers to utilize these services. The CO₂ reducing benefits of this situation have also been growing with each coming year. NTT Group will continue contributing to the reduction of society's environmental footprint in various fields by utilizing ICT.

* Calculation method: NTT Group's contribution to reducing society's CO₂ emissions was calculated using the Telecommunication Technology Committee's Methodology for the Assessment of the Environmental Impact of Information and Communication Technology Goods, Networks and Services (JT-L1410) and Life Cycle Assessment Society of Japan's Guideline for Information and Communication Technology (ICT) Eco-Efficiency Evaluation. The results of an online questionnaire survey regarding average ICT service usage time and usage of different ICT services were also used.

Note: Data collected from operations in Japan only

NTT Group's Contribution to Reducing Society's CO₂ Emissions through ICT Services*



Reduction of the Environmental Load of NTT Group’s Business

To reduce the environmental load of its business activities to the greatest extent possible, NTT Group is taking steps to track and analyze what types of resources and energy it is using in what processes and what type of environmental load are occurring.

In addition to direct environmental load of its business activities, the Group also calculates and discloses information on greenhouse gas emissions from across the value chain (Scope 3 of the Greenhouse Gas Protocol), including such indirect emissions as those from ICT service provision.

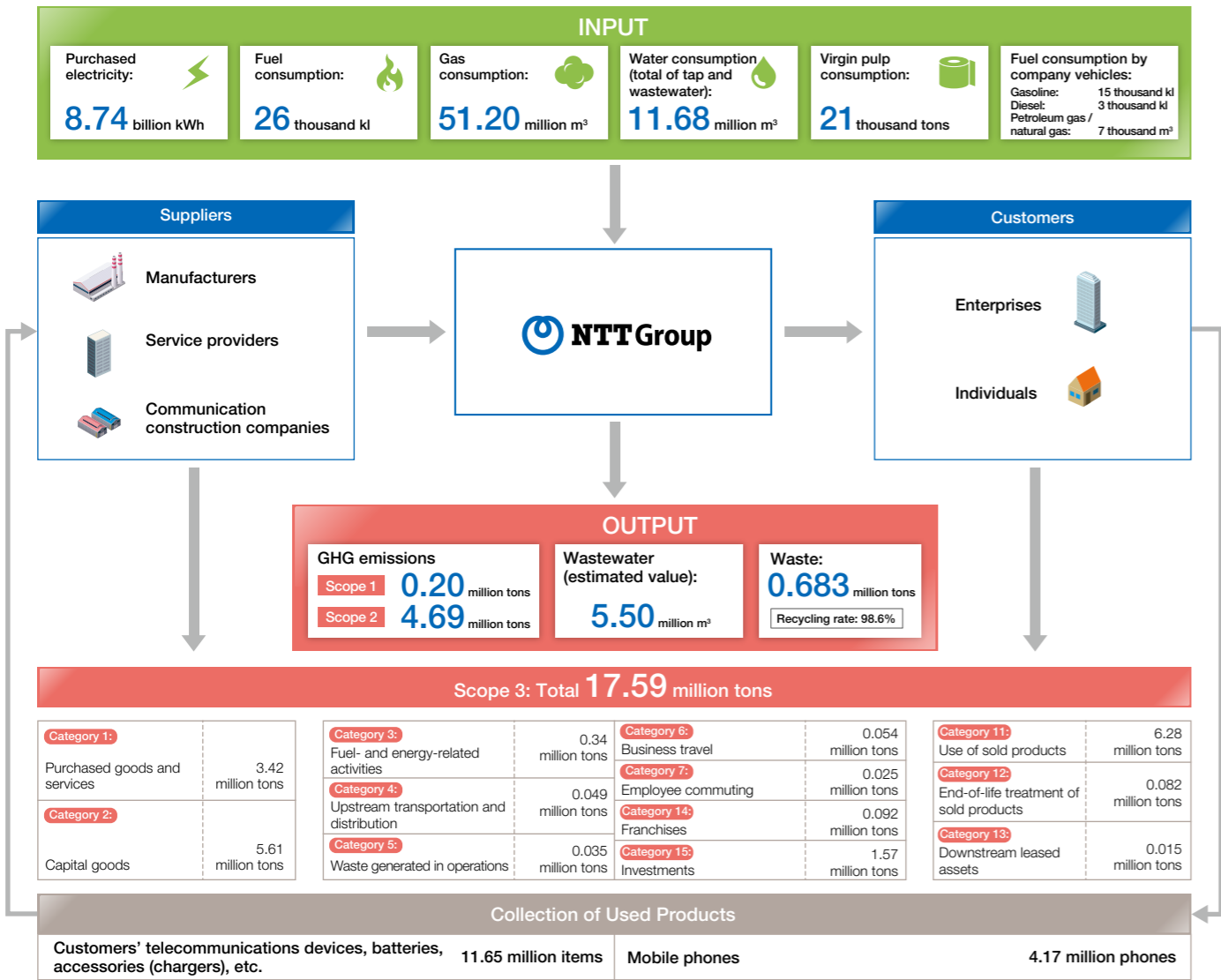
In the fiscal year ended March 31, 2016, greenhouse gas emissions applicable under Scope 3 amounted to 17.59 million tons. Of these emissions more than 85% came from category 1

(purchased goods and services), category 2 (capital goods), and category 11 (use of sold products). We are promoting the introduction of products with low environmental load based on our Guidelines for Green Procurement and pursuing initiatives aimed at encouraging the use of energy-saving devices by our customers.

* Scope 1: Greenhouse gas emissions generated directly; Scope 2: Greenhouse gas emissions generated indirectly in conjunction with energy use; Scope 3: Greenhouse gas emissions generated indirectly over the whole value chain

** Categories: 15 subdivisions categorizing activities from portions of the value chain covered under Scope 3 (activities not conducted directly by a company) including activities related to products and services purchased by the company (upstream) and activities related to products and services sold by the company (downstream)

The NTT Group’s Material Balance* (Fiscal Year Ended March 31, 2016)



* Relationship between volume of resources and energy required for business activities and associated waste and emissions production

CO₂ Emissions Reductions through Energy-Saving Equipment

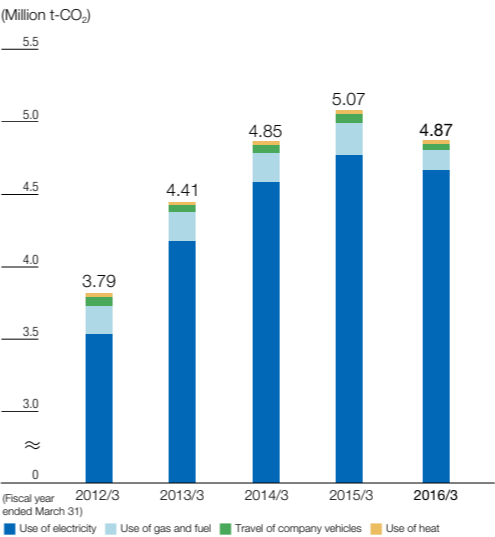
The reduction of CO₂ and other greenhouse gas emissions, which are known causes of climate change, is an important issue for the international society. In the ICT field, a primary area of business for NTT Group, the advancement of technologies brings concerns for the rises in electricity consumption that accompany the need for processing larger volumes of data and cooling massive servers. For this reason, ICT companies are increasingly being expected to make their operations more energy efficient in order to lower emissions.

NTT Group provides data center services and various other ICT services, and the use of electricity purchased to supply such services accounts for over 90% of the Group’s CO₂ emissions. We are therefore implementing energy-saving initiatives, realizing that these efforts will also contribute to reductions in CO₂ emissions.

NTT Group uses large amounts of electricity, with purchased electricity amounting to more than 8.0 billion kWh a year. Due to

the rise in the price of electricity as a result of the start of the feed-in tariff scheme for renewable energy, NTT Group faces a large risk that it will be affected financially. Accordingly, reductions in CO₂ emissions through the use of energy-saving equipment are also being pursued from a financial standpoint. Measures conducted in the fiscal year ended March 31, 2016, included consolidating telecommunications equipment, making equipment more energy efficient, and introducing new technologies, such as optimal air-conditioning control systems and direct current (DC) power transmission systems. These measures for reducing CO₂ emissions from electricity consumption were conducted through an investment of ¥7.8 billion and contributed to a 940.0 million kWh decrease in electricity consumption. By advancing such efforts, we are contributing to the realization of a low-carbon society while simultaneously mitigating financial risks for the Group.

CO₂ Emissions from Business Activities



Breakdown of CO₂ Emissions from NTT Group

End of year / month		2012/3	2013/3	2014/3	2015/3	2016/3
(Breakdown)	CO ₂ from electricity (Millions of t-CO ₂)	3.53	4.17	4.61	4.84	4.67
	Electricity usage (Billions kWh)	8.66	8.56	8.52	8.95	8.74
	Emission coefficient (kg/kWh)*	0.408	0.488	0.541	0.540	0.534
CO ₂ from gas and fuel consumption (Millions of t-CO ₂)		0.177	0.164	0.164	0.159	0.139
CO ₂ from company vehicles (Millions of t-CO ₂)		0.066	0.059	0.055	0.047	0.042
CO ₂ from heating (Millions of t-CO ₂)		0.017	0.016	0.020	0.026	0.027
Total CO ₂ emissions (Millions of t-CO ₂)		3.79	4.41	4.85	5.07	4.87

* Weighted average of emission coefficients announced annually by each power company weighted according to the amount of electricity from each company used by NTT Group

Note: Data collected from operations in Japan only

Energy Saving at Data Centers

NTT Communications offers data centers with power usage effectiveness (PUE)* of less than 1.2, and NTT COMWARE CORPORATION offers data centers with PUE of less than 1.1, which are at the world’s highest level for energy efficiency. We are striving to enhance PUE for our other data centers as well by introducing five-star equipment with the highest level of energy efficiency in accordance with the NTT Group Energy Efficiency Guidelines. NTT FACILITIES has been advancing the development of higher efficiency technologies for electrical power units and air-conditioning systems, central data center air-conditioning control systems, and other technologies and thereby contributing to reduced electricity consumption at centers.

We are also operating some data centers using renewable energy and have installed a 5 kW solar power generation system at NTT East’s Komagome Data Center. Solar power systems have also been set up at NTT East’s Chiba Data Center; NTT West’s Osaka Data Center; NTT Communications’ Tokyo No. 2, No. 4, and No. 5 data centers; and the Takamatsu No. 2 Data Center in an effort to promote energy savings at these facilities.

* Power usage effectiveness: PUE is calculated by dividing the total electricity consumption of a data center by the electricity consumption of the servers and other IT equipment it houses. It is a figure larger than 1, with higher efficiencies represented by values approaching 1.

CASE

Energy-Saving Verification Project for HVDC Power Transmission System at U.S. Data Center

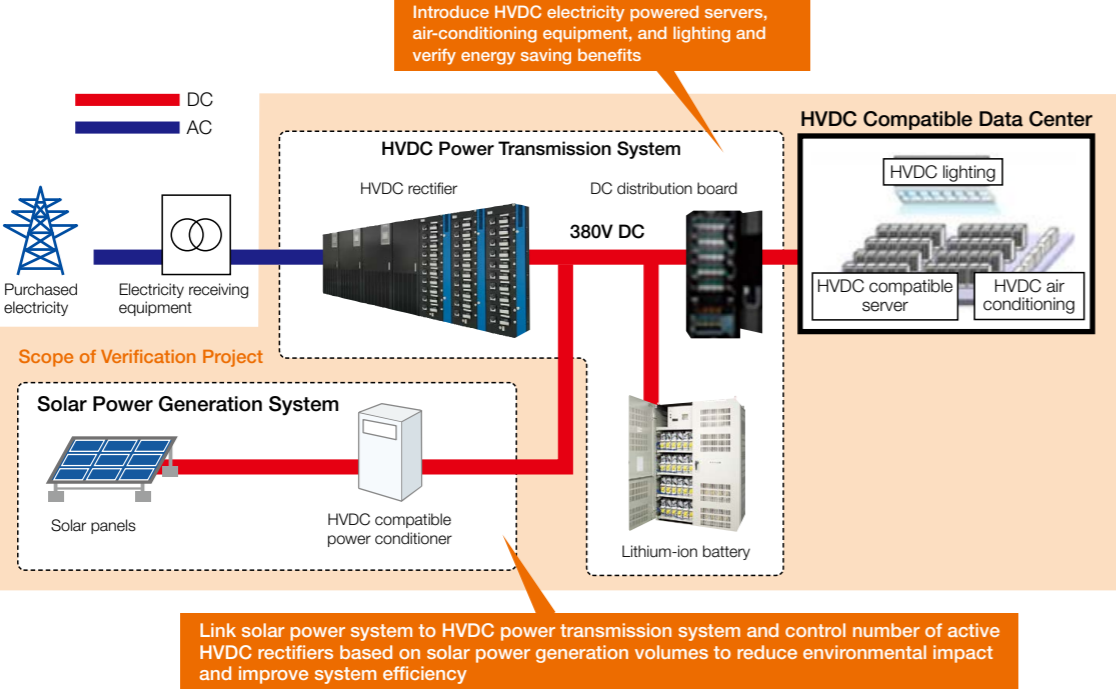
Electricity is supplied in the forms of alternating current (AC), which is used from household outlets, and direct current (DC), which is used on railroads, for telecommunications, and in electrical circuits. Transforming electricity into a different current type results in energy loss. For this reason, NTT Group has been moving forward with the introduction of high-voltage direct current (HVDC) power transmission systems. These systems reduce the number of times electrical current must be transformed, thereby realizing greater energy savings than would be possible with conventional AC power transmission systems. With the aim of further spreading and developing these systems, the Group has partnered with the New Energy and Industrial Technology Development Organization (NEDO) of Japan to conduct a verification project in the United States. The system to be tested in this project is linked to a solar power generation system that supplies it with DC electricity and is anticipated to display substantial energy saving benefits. With these benefits, the system is expected to contribute to the creation of larger and more energy-efficient data centers. The system is thus garnering much attention, and we expect

that usage of this system will spread throughout the United States and other overseas markets.

Through a contract from NEDO, NTT FACILITIES began constructing an HVDC power transmission system at the Texas Advanced Computing Center of the University of Texas at Austin, the United States, in August 2015, and is undertaking an energy-saving verification project leading up to March 2017 that began in August 2016. The United States is home to the world-leading ICT market. By conducting a verification project in this market, we will be able to present objective data on the benefits of HVDC power transmission systems, which include energy savings, reliability, and ease of maintenance and operation. This project will thereby help us spread usage of HVDC power transmission systems and work to reduce energy consumption at data centers.

Going forward, we will utilize the findings of this verification project to globally deploy HVDC power transmission systems in markets centered on the United States, the world's largest market for data centers.

Overview of System to Be Verified



Initiatives in Resource Reduction, Reuse, and Recycling

Although our one-way society of mass production, consumption, and disposal has brought affluence and convenience to our lives, it has also created massive amounts of waste and given rise to various issues, such as concern for illegal dumping and the depletion of natural resources. The impacts of these issues extend beyond the continuity of business activities. To resolve these issues, we must initially review how companies manage their businesses as well as our social and economic systems and shift to a closed loop society.

At NTT Group, we practice the 3Rs (reduce, reuse, recycle), working to reduce the amount of materials consumed by our business activities and reuse or recycle the resources that are consumed. We thereby aim to contribute to the realization of a closed loop society while furthering the sustainable development of NTT Group.

Results of Waste Final Disposal Rate

In the fiscal year ended March 31, 2016, the amount of waste produced by NTT Group was 683 thousand tons. Of this amount, 674 thousand tons of waste was recycled and 1 thousand tons of waste was reduced via incineration. As a result, the amount of waste sent to landfills for final disposal was approximately 6 thousand tons (making for a final disposal rate of 0.9%), and the Group was thus able to achieve its target of zero emissions (emissions of less than 1%) in terms of the final disposal rate for waste.

Recycled decommissioned communications equipment	Recycled construction waste	Recycled civil engineering works waste	Recycled office waste	Others	Amount of waste reduced by incineration	Amount of landfill waste
242 thousand tons	244 thousand tons	141 thousand tons	37 thousand tons	10 thousand tons		
Amount of recycled waste					674 thousand tons	1 thousand tons
						6 thousand tons

Reuse and Recycling of Communications Equipment

For the purpose of providing telecommunications services, NTT Group owns various types of communications equipment, including telephone poles, switching equipment, communications cables, public telephone booths, and public telephones. These are decommissioned and disposed of when they reach the end of their service life or are replaced during system upgrades for new services. We reuse and recycle decommissioned communications equipment within the Group.

For example, concrete waste from discarded concrete poles is recycled for use as road building material. Public telephone booths and public telephones are taken to a specialized intermediate treatment plant, where parts of the booths are sorted into aluminum, stainless steel, glass, and plastic. Similarly, the baseboards, copper wires, and various plastics used in public telephones are meticulously sorted. These components are then sent to a recycling plant to be recycled into such materials as rare metals, copper, and pellets. At intermediate treatment plants, materials are carefully sorted by hand. As a result, the precision of this sorting has a large influence on the recycling rate.

To prevent the inappropriate treatment of the materials, such as illegal dumping, NTT East collaborated with NTT-ME to construct a system that uses GPS and photography to confirm proper handling from the site of disposal to the disposal plant.

Mobile Phone Recycling Process Receiving Wide-Area Authorization from the Ministry of the Environment

Containing gold, silver, copper, palladium, and other metals, mobile phones could be regarded as a valuable recycling resource in Japan with its scarcity of mineral resources. NTT DOCOMO has accordingly collected used mobile phones from customers since the fiscal year ended March 31, 1999, at its approximately 2,400 docomo shops throughout Japan and through various events.

In the fiscal year ended March 31, 2012, NTT DOCOMO introduced a new recycling process in which plastics used in mobile phones are pyrolyzed to turn them into oil for use as a fuel, after which gold, silver, copper, and other metals are recovered from the residues. This is the only process in the telecommunications industry to have been authorized by the Ministry of Environment as a wide-area general and industrial waste disposal program^{*1}. In the fiscal year ended March 31, 2015, we made a broad call for cooperation in collecting mobile phones by exhibiting at CEATEC JAPAN and by delivering our message through social networking services.

Through these efforts, we were able to collect 4.17 million mobile phones^{*2} in the fiscal year ended March 31, 2016, bringing the aggregate total of collected phones to 95.6 million since the collections began. Corporate customers have also established systems for collecting mobile phones, with 424 companies cooperating in the fiscal year ended March 31, 2016.

We will seek to achieve greater efficiency in our recycling system and promote the collection of used mobile phones from customers going forward.

^{*1} Wide-area general and industrial waste disposal program: A special measure specified in Articles 9-9 and 15-4-3 of the Waste Management and Public Cleansing Act (#137, 1970) that relieves businesses engaged in the effective recycling of their products of the need to obtain local authority permissions related to waste disposal

^{*2} Figures for the fiscal year ended March 31, 2016, include units collected for reuse.

Regional Communications Business

In the Regional Communications Business Segment, we worked to develop our B2B2X business through the *Hikari Collaboration Model*, the wholesale provision of fiber-optic access infrastructure services to various service providers.



Details of Major Initiatives

- Expanding Collaboration with Companies in Other Industries under the *Hikari Collaboration Model***

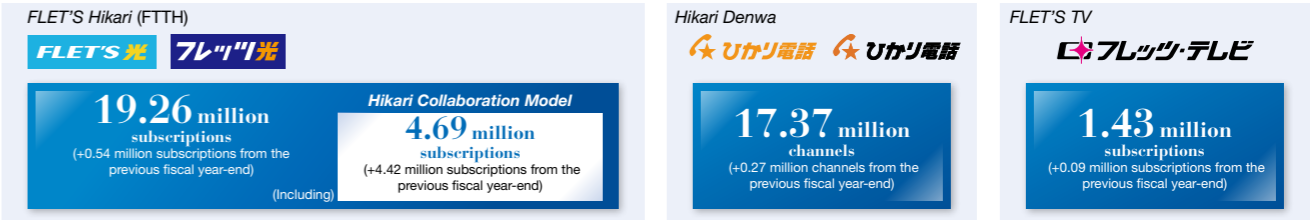
With regard to the *Hikari Collaboration Model*, the number of service providers providing wholesale service was around 350 companies at the end of the fiscal year ended March 31, 2016, as we promoted collaborative projects with not only mobile network operators and ISPs but also business operators in diverse industries including the energy industry, real estate industry, and security industry. In the cable television industry, new use cases were born, including the adoption of the *Hikari Collaboration Model* in the conversion of all service areas to fiber optics. As a result of these initiatives, the number of fiber-optic access services subscriptions using this model was 4.69 million as of March 31, 2016.
- Reducing Costs and Raising Efficiency in Capital Investment**

With the development of the *Hikari Collaboration Model*, we achieved a large-scale reduction in marketing costs. Furthermore, by simplifying and streamlining networks and further increasing the usage of existing facilities, we worked to make capital investment more efficient.
- Expanding Wi-Fi Service Coverage Areas**

For companies and municipalities, Wi-Fi is a powerful tool for the provision of their own information services. We took steps to promote the introduction of Wi-Fi in various regions as an opportunity to improve convenience for the increasing number of visitors to Japan. As a result, the number of Wi-Fi area owners reached 393, as of March 31, 2016, a substantial increase from the end of the previous fiscal year.



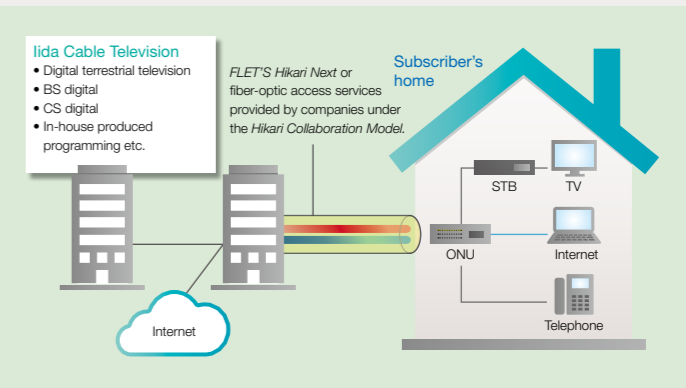
Number of Subscriptions for Major Services (as of March 31, 2016)



Note: The figures for FLET'S Hikari, Hikari Denwa, and FLET'S TV include the number of subscriptions for wholesale services provided to service providers through the use of the *Hikari Collaboration Model* by NTT East and NTT West.

PICK UP Collaborative Project with Iida Cable Television

In October 2015, Iida Cable Television and NTT East agreed to develop a collaborative project aimed at promoting local region activation through the conversion of Iida Cable Television's entire service area to fiber optics, the expansion of the service area, and the enhancement of services. This project will utilize NTT East's fiber-optic access services*. By extending this precedent to other cable television operators, we will work to promote further use of fiber-access services.



* FLET'S Hikari Next, which is provided by NTT East, or fiber-optic access services provided by companies under the *Hikari Collaboration Model*.

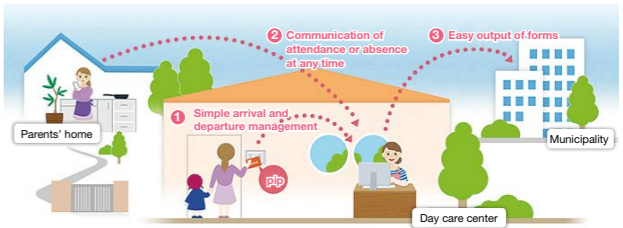
Creating New Value through Business Activities

Provision of an ICT System that Reduces the Burden of Work for Childcare Workers

The government is implementing a plan to accelerate the elimination of waiting lists for day care, and to achieve that objective, obtaining childcare workers has become an important issue. On the other hand, a new support system for children and child-rearing was started in fiscal 2015 and day-care hours, which had previously been uniform, now vary for each day-care center in accordance with the work hours of the parents. Accordingly, day care centers need to keep accurate records of the arrival and departure times of the children. Day care centers also need to prepare forms requesting payment from parents of extended hours fees, which vary for different day-care hours, as well as forms needed for applications for assistance from municipalities. This has resulted in an increased work burden for childcare workers.

In cooperation with ANS, NTT West began to provide an arrival and departure management system from June 2015. This system automates tasks that are performed by hand at many day care centers—the recording of arrival and departure times and the preparation and management of forms. With this system, the arrival and departure times of the children can be recorded and stored through the use of IC cards, and forms submitted to municipalities can be prepared automatically. In addition to increasing work efficiency, this system can prevent errors resulting from hand-written work.

In these ways, we are working to reduce the burden on childcare workers and contribute to efforts to obtain human resources for childcare centers, as well as to realize environments in which workers can focus on childcare and education that help children to reach their full potential.



Long Distance and International Communications Business

In the Long Distance and International Communications Business Segment, in addition to expanding our cloud computing platforms and enhancing our provision of seamless ICT solutions combining network and security, etc., we worked to enhance our service provision in growth areas such as cloud services and IT outsourcing.



Financial Results for the Year Ended March 31, 2016

Operating Revenues

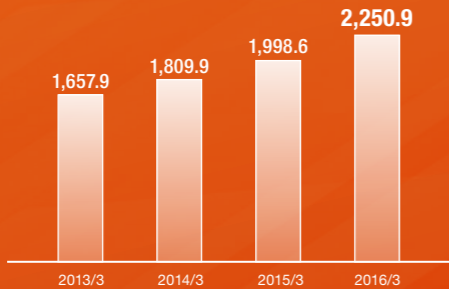
¥2,250.9 billion

Operating Income

¥96.7 billion

Operating Revenues

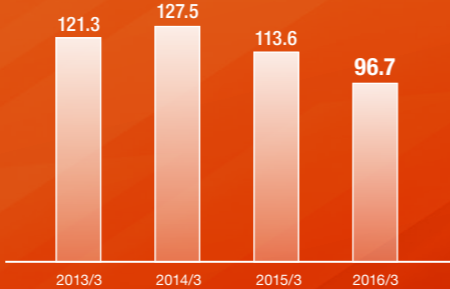
(Billions of yen)



Fiscal year ended March 31

Operating Income

(Billions of yen)



Fiscal year ended March 31

Details of Major Initiatives

1 Strengthening Our Platform for the Provision of Cloud Services

In order to strengthen our ability to meet the demand for cloud services and data centers in various global regions, we began providing services at new data centers, that achieve high reliability through redundancy of electric power facilities and telecommunications equipment as well as enhanced security, in Sacramento in North America, Vienna in Europe, and Hong Kong, Mumbai, and Bangkok in Asia. Furthermore, we acquired one of the largest data center operators in Indonesia, PT. Cyber CSF (headquartered in Jakarta). As a result of efforts to proactively expand cloud computing platforms, NTT Group's data centers were ranked as top class in the world in terms of both total floor space and potential server installation floor space according to a report by U.S. TeleGeography (published in October 2015).

2 Strengthening Network Services Functions

In August 2015, we commenced the provision of *Multi-Cloud Connect*, which enables the secure usage of cloud services, such as Microsoft Azure and Amazon Web Services, using *Arcstar Universal One*, a VPN for companies. In this way, we continued working to expand access services.

3 Strengthening Our Marketing System

Toward our goal of business expansion in growth fields such as cloud services and IT outsourcing, we strengthened our operational structure by securing personnel in various regions.



Number of Subscriptions for Major Services (as of March 31, 2016)

Number of customers for cloud services

8,300 customers
(+1,000 customers from the previous fiscal year-end)

Hikari TV

3.05 million subscriptions
(+0.04 million subscriptions from the previous fiscal year-end)

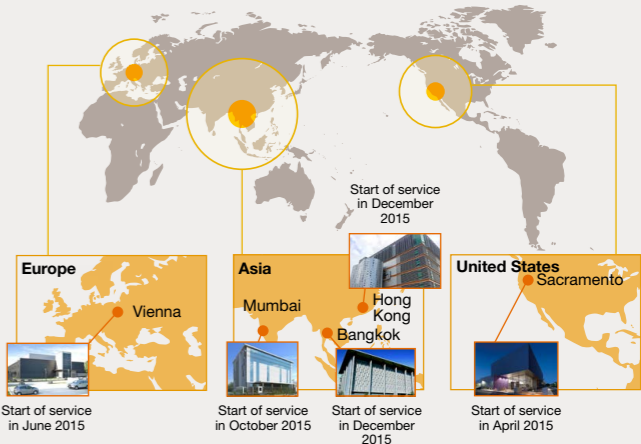
Number of subscriptions to networking services (VPN)

0.34 million subscriptions
(+0.04 million subscriptions from the previous fiscal year-end)

PICK UP

Strengthening the Framework for Data Center Provision

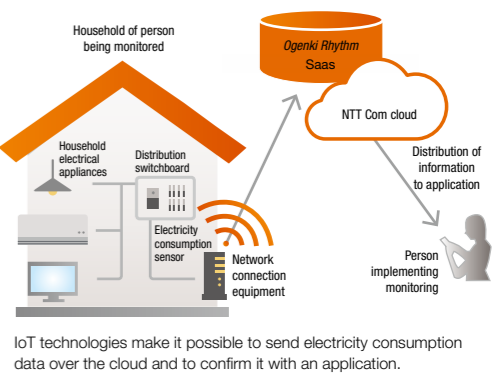
In the fiscal year ended March 31, 2016, we began to provide services through new data centers in Hong Kong, Mumbai, Bangkok, and Jakarta, and as of March 31, 2016, we had data centers in 244 locations in 21 countries. In addition, with total floor space for NTT Group of approximately 1.3 million square meters, we have a position in the top class in the world. Moving forward, data center demand is expected to increase, and accordingly we will optimally combine services that leverage the distinctive strengths of NTT Group, such as cloud services, networks, security, and managed ICT. In this way, we will advance initiatives through the provision of total services.



Creating New Value through Business Activities

Cooperation with Kanazawa-Nishi Hospital to Jointly Launch Field Trials of *Ogenki Rhythm* (provisional name), a Service to Watch over Senior Citizens Based on Their Electricity Usage

As society ages, there are growing needs for the ability to watch over the health of senior citizens who live in distant locations. By leveraging its strengths in such areas as IoT, cloud services, and network services, NTT Communications commenced field trials of *Ogenki Rhythm* (provisional name) in August 2015. This service for watching over senior citizens is easy for both those monitoring and those being monitored. The installation of an IoT device (sensor) on the distribution switchboard enables the lifestyle rhythms of senior citizens who are living alone to be determined from trends in their electricity consumption (sleeping, out of the house, and at home). The results can be seen on a smartphone application. In cooperation with Kanazawa-Nishi Hospital in Kanazawa City, Ishikawa Prefecture, field trials are being conducted and verification is being implemented in preparation for commercialization.

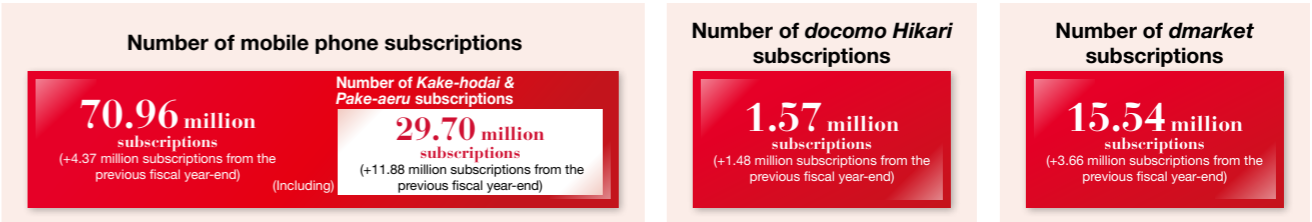


Mobile Communications Business

In the Mobile Communications Business Segment, we worked to promote sales of the billing plan *Kake-hodai & Pake-aeru* and of *docomo Hikari*. In addition, we took steps to enhance revenue and profitability in the Smart Life area, such as providing value-added services through collaboration with various business partners.



Number of Subscriptions for Major Services (as of March 31, 2016)



PICK UP Issuance of *d POINT CARDS* and *d CARDS*

We began to issue the *d POINT CARD* in December 2015. *d POINTs* can be earned and used simply by presenting this card when making a purchase at an affiliated store. In addition, we renewed the former *DCMX* credit service as the *d CARD*. The *d CARD* adds credit settlement functions and electronic money functions to the *d POINT CARD*, and accordingly the *d CARD* offers enhanced opportunities to accumulate *d POINTs*. The number of members in the *d POINT CLUB*, a membership program for customers, was approximately 58.00 million at the end of March 2016.



d CARD *d POINT CARD*



Details of Major Initiatives

- Enhancing Billing Plans**
In addition to promoting the sales of its *Kakehodai & Pake-aeru*, as a billing plan tailored to suit a customer's stage of life that offers more affordable rates to long-term users, we newly launched the *Kake-hodai Light Plan* in September 2015, and the *Share pack 5* in March 2016. As a result, the number of subscriptions to *Kake-hodai & Pake-aeru*, reached 29.70 million as of March 31, 2016.
- Advancing Sales of *docomo Hikari***
By utilizing the *Hikari Collaboration Model* from the Regional Communications Business Segment, we promoted the sales of the *docomo Hikari Pack*, which bundles fiber-optic access infrastructure services, internet access service, and mobile service. As a result, the number of subscriptions to *docomo Hikari* reached 1.57 million as of March 31, 2016.
- Strengthening Profitability in the Smart Life Area**
In order to strengthen profitability in the Smart Life area, in addition to content services, finance and settlement services, we pursued the +*d* initiative, which was aimed at creating new added value through collaboration with various business partners. Specifically, in addition to commencing testing of a revolutionary rice-planting management system in Niigata City, we began offering *d POINTs*, our new loyalty point program that can be used at convenience stores and fast food restaurants, etc.

Creating New Value through Business Activities

Start of the Provision of *Move & Flick®*, a New Text Entry Application

In August 2015, NTT DOCOMO commenced free distribution of *Move & Flick®*, a new text entry application for smartphones. This application facilitates the entry of text by not only individuals with visual disabilities but also all customers.

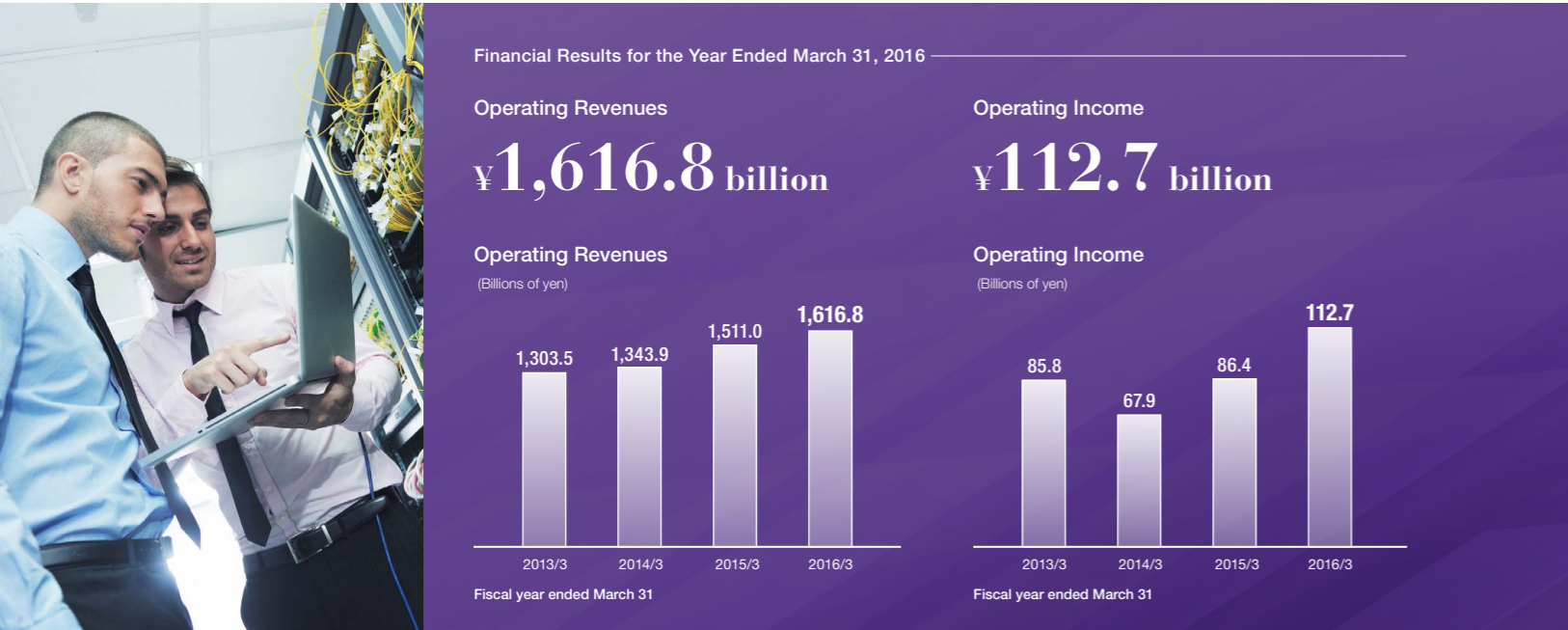
Previously, when entering text into a smartphone it was necessary to accurately determine the position of the text entry key and then touch the key. *Move & Flick®*, a text entry application that was developed with consideration for the opinions of people with visual disabilities, enables text to be entered from any location within the large text entry area in the center of the lower part of the smartphone screen. Accordingly, *Move & Flick®* increases the convenience of text entry not just for people with visual disabilities but for all customers. Going forward, we will continue working to enhance services that make lifestyles more convenient and comfortable for all customers.



Move & Flick® screen
This application facilitates the entry of text, such as for mail or searching, without looking at the screen. This convenient application is also easy to use for people with visual disabilities.

Data Communications Business

In the Data Communications Business Segment, we responded to the acceleration of our customers' expansion in the global market and the diversification and increased sophistication of their needs by working to expand our business in the global market and to expand and reliably provide a range of IT services, such as system integration, that are responsive to the changes in the market.



Details of Major Initiatives

- 1

Strengthening Global Business Foundation through M&A

To strengthen consulting services to the global financial services industry, we acquired Carlisle & Gallagher Consulting Group, Inc. (headquartered in the U.S.), a leading US provider of financial IT consulting and system deployment. To increase our presence centered on North America and to enhance cloud services and BPO services using cutting-edge technology, we reached an agreement with Dell Inc. to acquire the Dell Services Division, a leading provider of digital solutions services tailored to the healthcare industry.
- 2

Supporting Advances in Omni-Channel Initiatives in the Retail Industry

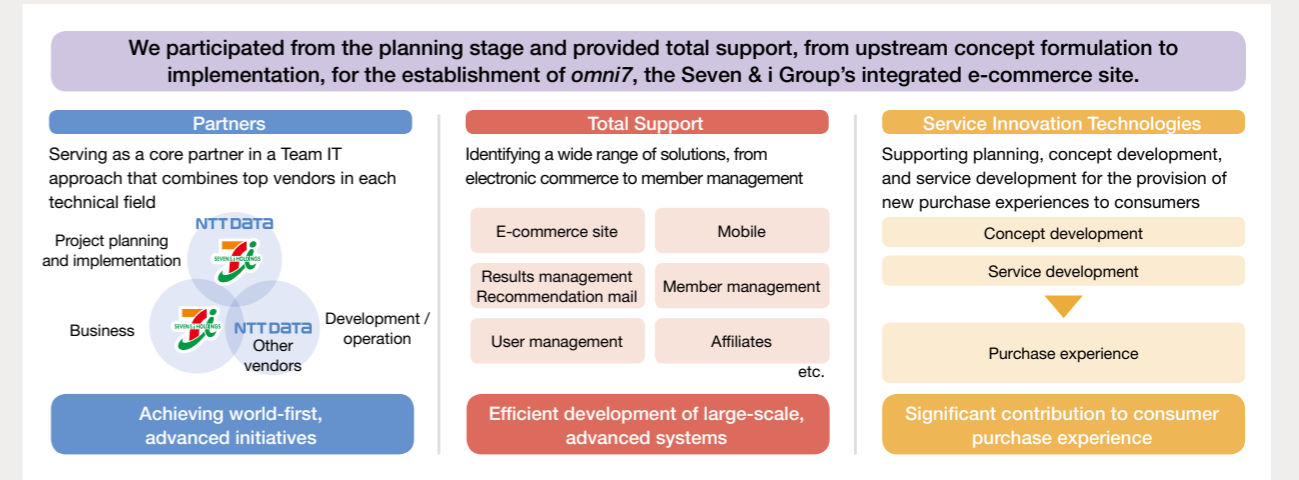
In the retail industry, we took steps to provide support for the development of omni-channel initiatives, which link real stores and e-commerce sites to provide purchase opportunities that are aligned with the activities of users. To that end, we provided total solution services for integrated management of product, customer, inventory, and order information.
- 3

Advancing the Provision of IoT Services

We started providing IoT platforms that collect and distribute the information of various “things” including electronic devices such as sensors and plants, and we promoted the development of IoT services for monitoring services for supply and waste water utility operators.

PICK UP Total Support for the Establishment of the Seven & i Group's omni7 E-Commerce Site

In response to omni-channelization by the Seven & i Group, which is aligning sales channels such as actual stores and EC sites beyond the barriers among convenience stores, supermarkets and department stores, we played a central role as a member of Team IT, a team of leading vendors from various technical fields. We worked on the creation of a cross-sectoral EC site of Group, *omni7*, from the planning stage and contributed to the grand opening of the site in November 2015 by supporting the entire process from the upstream stage of conception to designing of operations to execution of the system and by cooperating with a great number of parties concerned including other vendors.

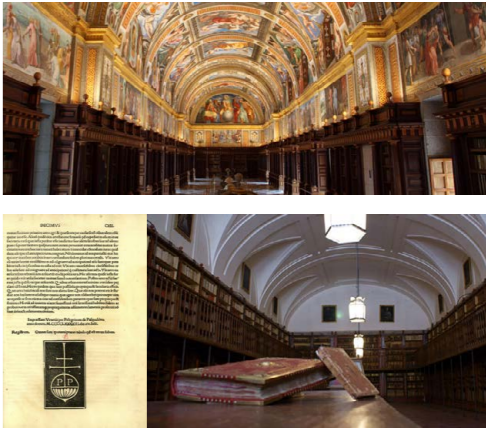


Creating New Value through Business Activities

Participation in the Establishment of a Digital Archive, Including Assets of the Spanish Royal Family

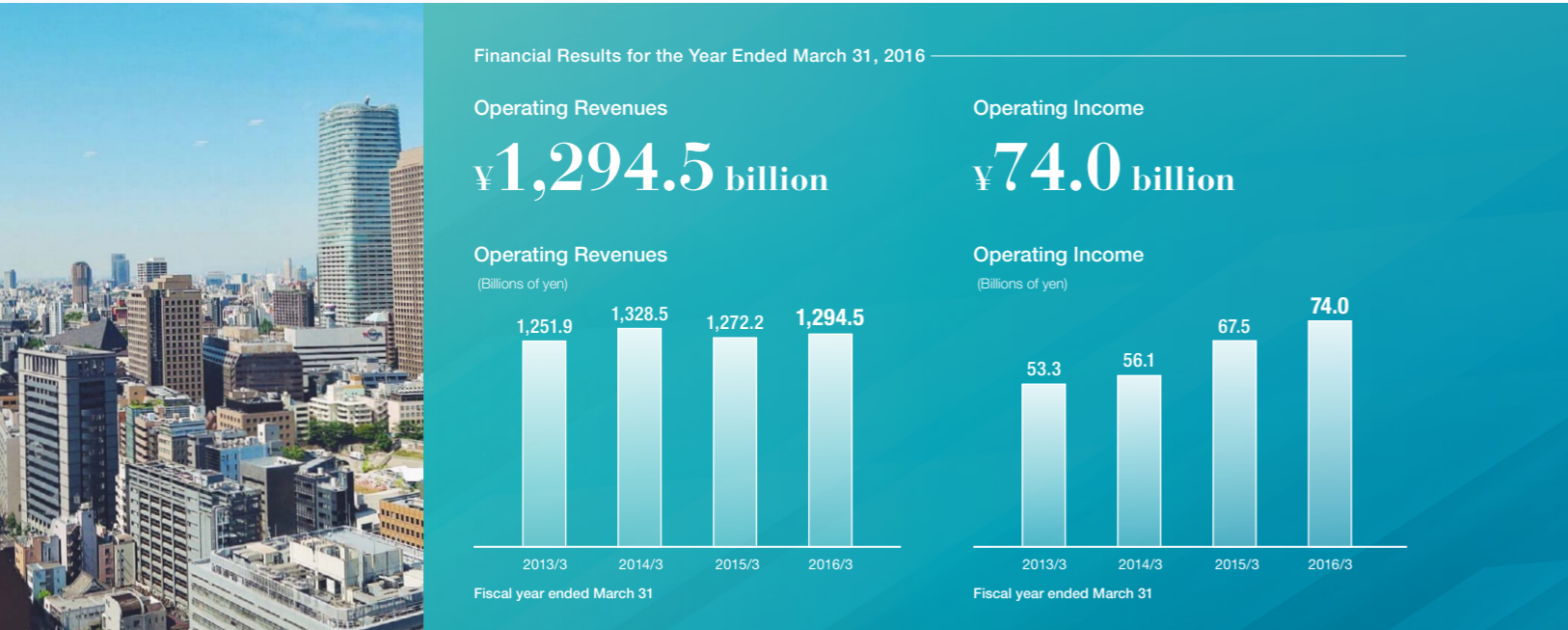
We received an order from Patrimonio Nacional, an organization that manages the assets of the Spanish royal family. This order is about establishing a digital archive system covering valuable books and magazines as well as relevant contents that have been individually stored and managed by multiple institutions including the Royal Library of Spain.

To date, we have utilized IT to contribute to the passing down of precious historical treasures, such as participating in a digital archive project at the Vatican Apostolic Library. This project uses the AMLAD® (Advanced Museum Library Archives Deposit) digital archive solution for the centralized archiving of rare collections that have been managed at the national level in Spain. In this way, we will strive to contribute not only to the achievement of increased efficiency in the management of assets but also to the passing down of culture to future generations. We will use the results from these socially and culturally significant projects to reinforce our brand power and expand our overseas business.



Other Businesses

In other businesses, we mainly provided services related to the real estate, finance, construction and electric power, and system development businesses.



Details of Major Initiatives

Real Estate Business



NTT Urban Development, which is the Group's only comprehensive real estate company, engages in office building and commercial facility operations, as well as residential operations, which are implemented principally through the *Wellith* brand. In addition, NTT Urban Development utilizes the know-how that it has cultivated in these business fields to implement initiatives in such areas as global business and real estate fund business.



Finance Business



As the core finance company of NTT Group, NTT FINANCE provides leasing, financing, and other financial services, centered on information-related equipment. NTT FINANCE also provides billing and collection services for telecommunications service bills as well as credit card transaction settlement services.

Construction and Electric Power Business



NTT FACILITIES provides one-stop solutions for buildings and energy facilities, ranging from planning and design services to construction, maintenance, operation, and upkeep services. NTT FACILITIES takes steps to combine and utilize its technologies in the fields of ICT, energy, and construction to the fullest extent. These initiatives include the design, construction, and operation of large-scale solar power generation systems and data centers. In addition, NTT FACILITIES makes proposals for secure, safe construction projects featuring high environmental capabilities and long lives.



System Development Business



To support the NTT Group's telecommunications networks, NTT COMWARE has enhanced its capabilities in the areas of technology, development, operations, and support. On that foundation, NTT COMWARE works in the system integration business, centered on work within NTT Group.

NTT COMWARE has defined its core competencies as integration, migration, and operations. NTT COMWARE is working to develop systems and services to provide optimal, high-quality ICT services to customers.

Advanced Technology Development Business



These companies work in the advanced technology development business, where they offer technology consulting using combinations of network technologies, media processing technologies, and other advanced technologies from Japan and overseas. In addition, these companies work in the development, production, and sales of communications-use custom LSIs and optical devices that are indispensable in the realization of high-capacity communications networks. Other initiatives include the provision of total solutions related to software design/development and information/communications networks as well as the application of the advanced technologies of NTT Laboratories in the design, development, maintenance, and operation of products and in the provision of services.

Others



etc.

Research and Development

NTT Group's R&D

R&D that Advances Growth Strategies

NTT Group is moving ahead with initiatives to follow a track of growth in profits under the Medium-Term Management Strategy, "Towards the Next Stage 2.0." The Group is implementing R&D activities in accordance with this strategy.

We are working to create competitive technologies, which are the source of growth for the Group, and to implement development activities that support increases in cost efficiency, such as network simplification. Furthermore, we are striving to develop technologies to advance the creation of new value through

collaboration with other companies and to implement leading-edge research with a focus on the future. Moreover, we will use the new technologies that result from these R&D initiatives to address a number of objectives. These include working to achieve sustained gains in corporate value through the resolution of social issues, such as the aging of the population; to strengthen industrial competitiveness, which is an objective of the national government; and to contribute to the development of society through the vitalization of local economies.

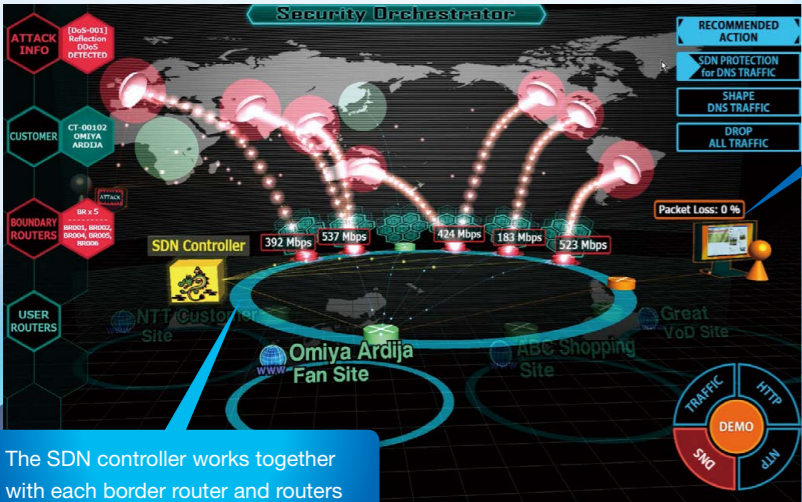
Creating Competitive Technologies That Will be Sources of Growth for NTT Group

Security Orchestration

Strategically, security is an extremely important development theme for maintaining a competitive edge in global cloud services and for building a solid platform for the generation of new businesses through the B2B2X model.

Cyber-attacks continue to grow more skilled and sophisticated each year. In particular, there is a need for rapid, effective security measures for networks, which can influence the entire social infrastructure. Accordingly, NTT Group is advancing the

development of security orchestration technologies. For example, reflection DDoS attacks cause network congestion with huge amounts of traffic, but our security orchestration technologies can shut off these attacks at the optimal point, without hindering normal traffic. In addition, networks can be restored in an autonomous manner through automatic control. NTT Group will examine the introduction of these technologies on entire networks.



The SDN controller works together with each border router and routers near the target site so that only attack traffic is blocked.

Elimination of network congestion through defensive measures.
Packet loss 0%.

AI and IoT Targeted by NTT Group

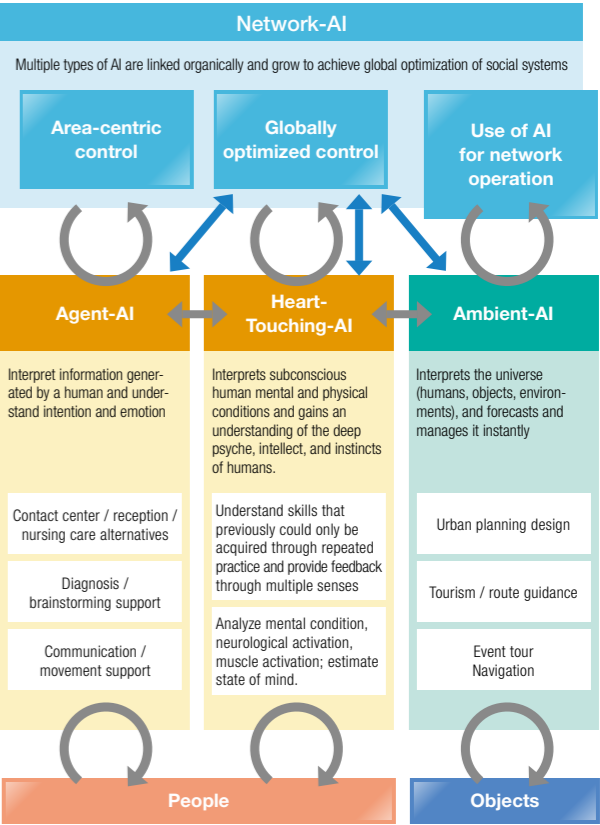
NTT Group does not aim for AI that emulates human intelligence or thinking but rather for AI that substitutes for and supports certain activities and that coexists and co-creates with people, thereby fostering the realization of abundant lifestyles.

We have defined four types of AI technologies that we will work with: Agent-AI, Heart-Touching-AI, Ambient-AI, and Network-AI, and we have chosen corevo™ as the brand name for the Group's AI technologies. We are already advancing a variety of initiatives that utilize our AI through collaboration with diverse partners, and these initiatives incorporate the concept of fostering a revolution in technology.



NTT Group is aiming for sentient IoT, which integrates locality, which is one of the characteristics of IoT, with the concept of Ambient-AI (analysis of humans, objects, and environments; instant forecasting and management). Based on this approach, NTT Group has developed and is providing R-env: Rembu®, a general-use, shared interface that facilitates free combinations of robots and a wide range of other IoT devices, Big Data processing technologies, visual and voice recognition technologies, and other technologies. New services utilizing these technologies are already being created in such fields as finance, transportation, nursing care, lifestyles, and business.

Four Types of AI in NTT's R&D



Increasing Network Cost Efficiency

Achieving Both Cost Reductions and Flexible, Rapid Service Provision

To date, it has been difficult to advance the utilization of general-use products on carrier networks, where high reliability and high scalability are required. Accordingly, there have been limits on operational flexibility and on thorough cost reduction initiatives.

NTT Group has formulated the NetroSphere concept, which makes it possible to divide network functions into small modular components and freely assemble those components to create diverse services. Targeting the realization of this concept, we are implementing R&D initiatives utilizing virtualization technologies with next-generation carrier networks. Through the use of

virtualization technologies, such as NFV*1 and SDN*2, and inexpensive, general-use products, we are working to develop technologies that realize highly reliable network services utilizing inexpensive, general-use products and also provide necessary services in a flexible, rapid manner. These technologies will facilitate efficient network operation, and reductions in capital investment and operating expenses can be anticipated.

*1 Network Functions Virtualization
*2 Software Defined Networking

Creating New Value through Collaboration

▶ Functional material *hitoe*®

hitoe® is a functional material that was developed jointly with Toray Industries. Biometric signals can be measured and collected when a user wears clothing that incorporates *hitoe*®. These biometric signals, which are weak electrical signals emitted by the body, include electrocardiographic, electromyographic, and electroencephalographic signals. Since 2014, NTT DOCOMO has provided Runtastic for docomo, a service that supports training through the recording and management of data measured with the use of *hitoe*®.

In addition, with the objectives of realizing heat countermeasures and safety management for work performed alone, such as late at night, we worked together with Toray to develop clothing that offers superior comfort. Moreover, we acquired and analyzed data and implemented initiatives to build a system with high level of accuracy and superior usefulness. We recently began to provide a service that uses *hitoe*® to monitor workers.

We are currently advancing collaborative initiatives with partners in a variety of industries, and moving forward we will strive to identify further possibilities for business creation.

● Strengths of *hitoe*®

- When a user wears clothing that incorporates *hitoe*®, it is possible to monitor biometric information for the heart rate, electrocardiogram waveform, and accelerometer for long periods without stress.
- It is possible to evaluate both physical and mental condition through analysis of the biometric information that has been acquired.
- It is possible to monitor multiple people simultaneously and in real time because the results of the analysis are managed on the cloud.



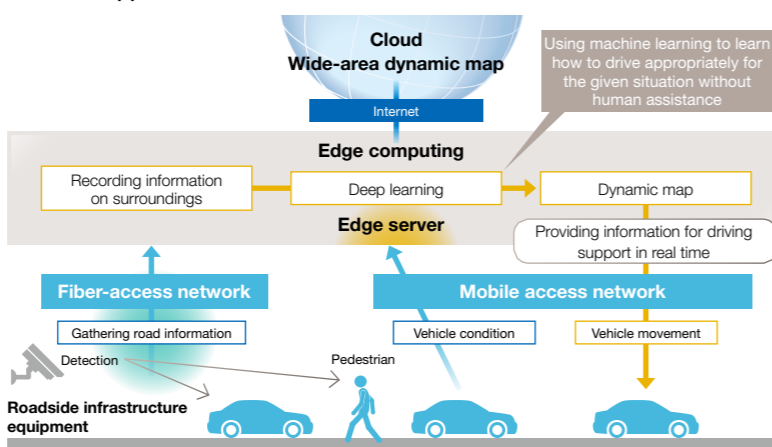
▶ Crashless Car

Together with Toyota and Preferred Networks, NTT has implemented a demonstration of the concept of *Crashless Car*. Toyota's concept of AI driving was realized with the use of NTT's edge computing technologies and high-reliability wireless technologies and the utilization of Preferred Networks' deep learning technologies and distributed processing technologies.

Preferred Networks' AI, which runs on edge servers that are deployed on the periphery of networks, learns about the surrounding environment, which changes from moment to

moment. In line with the circumstances, driving support information is provided in real time, and by sharing the learning statuses of multiple vehicles, the time required for learning is reduced. In the future, real-time data collection from multiple vehicles and roadside infrastructure equipment will foster the realization of advanced driving support, such as traffic congestion forecasts and the establishment of traffic priorities for vehicles in times of emergency or disaster.

● Future Applications of *Crashless Car*



Initiatives for 2020

▶ *Kirari!*

Kirari! is an immersive telepresence technology that combines next-generation compression standards (HEVC) and Advanced MMT, a technology that synchronizes various media to produce highly realistic sensations developed by NTT. *Kirari!* will enable the transmission of not only athletes' images and sounds but also information about their surroundings and environment. With projection mapping technology, *Kirari!* makes it appear as if athletes are competing right in front of the viewers, even from remote locations. To date, we have conducted testing with partners in a wide variety of fields, including not only sports but also culture and entertainment. For example, together with DWANGO and Shochiku, we have taken on the challenge of realizing an entirely new Kabuki experience.

Targeting 2020, we continue to advance R&D for *Kirari!*. Through the creation of highly realistic sensations, we will aim to transmit and reproduce in real time the entire game spaces, not only in Japan and but also around the world.

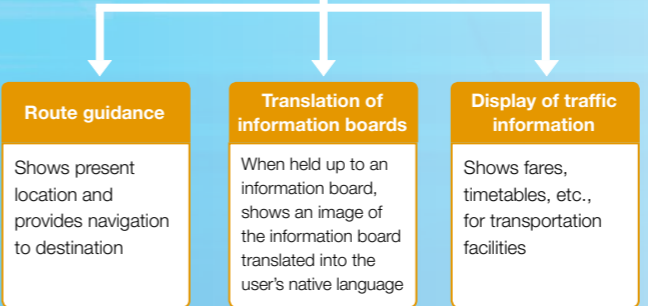


Through the utilization of *Kirari!* technology in such areas as sports competition and concerts, it will be possible to enjoy realistic sports viewing and public performances even from remote locations.

▶ Visual Search



Visual Search uses NTT's Angle-free Object Recognition Technology. We are making progress with testing of Visual Search as one facet of R&D initiatives for the purpose of using ICT to provide world-class experiences, impressions, and hospitality for visitors to Japan in preparation for 2020. When visitors have a question about a transfer at a station, they can simply point their smartphone, tablet, or other device at the information board. The information that they need to proceed to their destination, such as a map showing the current location and route guidance, is translated into an appropriate language and provided to them. The limits on such factors as viewing angle at the time of recognition are less restrictive than those for QR codes and bar codes, and there is no need to move close to take a picture. Accordingly, Visual Search will contribute not only to increasing convenience but also to alleviating congestion. At Haneda Airport International Passenger Terminal and nearby Tokyo Station, we are already moving ahead with testing to improve image recognition accuracy and to verify usefulness in such areas as guidance expressions.



10-Year Financial Summary

Nippon Telegraph and Telephone Corporation and its subsidiaries
Fiscal years ended March 31

	Billions of yen									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Profit and loss (For the year)										
Operating revenues	¥10,760.6	¥10,680.9	¥10,416.3	¥10,181.4	¥10,305.0	¥10,507.4	¥10,700.7	¥10,925.2	¥11,095.3	¥11,541.0
Operating expenses	9,653.5	9,376.3	9,306.6	9,063.7	9,090.1	9,284.4	9,498.8	9,711.5	10,010.8	10,192.8
Operating income	1,107.0	1,304.6	1,109.8	1,117.7	1,214.9	1,223.0	1,202.0	1,213.7	1,084.6	1,348.1
Other income (expenses) ⁽¹⁾	25.7	17.7	(4.6)	2.4	(39.1)	16.4	(4.3)	80.5	(17.9)	(18.9)
Income before income taxes and equity in earnings (losses) of affiliated companies ⁽¹⁾	1,132.7	1,322.3	1,105.2	1,120.1	1,175.8	1,239.3	1,197.6	1,294.2	1,066.6	1,329.3
Income tax expense ⁽¹⁾	471.0	531.7	371.3	452.9	474.6	583.2	474.0	486.5	397.3	354.8
Equity in earnings (losses) of affiliated companies ⁽¹⁾	14.5	41.9	(0.7)	14.7	0.7	(7.6)	(16.1)	(50.8)	5.9	5.8
Net income ⁽¹⁾⁽²⁾	676.2	832.5	733.2	681.9	701.9	648.6	707.6	756.9	675.2	980.2
Less—Net income attributable to noncontrolling interests ⁽¹⁾⁽²⁾	194.8	197.4	194.5	189.6	192.2	180.9	185.7	171.4	157.1	242.5
Net income attributable to NTT ⁽¹⁾⁽²⁾	¥ 481.4	¥ 635.2	¥ 538.7	¥ 492.3	¥ 509.6	¥ 467.7	¥ 521.9	¥ 585.5	¥ 518.1	¥ 737.7
Cash flows (For the year)										
Net cash provided by operating activities	¥ 2,361.3	¥ 3,090.8	¥ 2,514.1	¥ 2,817.8	¥ 2,830.9	¥ 2,508.3	¥ 2,453.7	¥ 2,727.9	¥ 2,391.8	¥ 2,711.8
Net cash used in investing activities	(2,151.0)	(1,990.6)	(2,269.7)	(2,308.9)	(2,052.2)	(1,971.2)	(1,776.3)	(2,106.8)	(1,868.6)	(1,759.8)
Net cash provided by (used in) financing activities	¥ (831.8)	¥ (726.4)	¥ (353.3)	¥ (651.3)	¥ (249.6)	¥ (948.1)	¥ (745.2)	¥ (622.4)	¥ (678.0)	¥ (707.6)
Balance sheet (At year-end)										
Net property, plant and equipment	¥10,423.8	¥10,385.6	¥10,201.5	¥10,057.5	¥ 9,900.6	¥ 9,806.4	¥ 9,776.7	¥ 9,839.7	¥ 9,801.5	¥ 9,551.9
Total assets ⁽¹⁾	18,291.1	18,518.8	18,796.4	18,939.1	19,665.6	19,389.7	19,549.1	20,284.9	20,702.4	21,035.9
Total current liabilities	3,730.8	3,911.9	3,694.2	3,588.3	3,689.1	3,494.3	3,499.4	3,676.8	3,721.7	3,741.1
Total long-term liabilities ⁽¹⁾	5,605.0	5,332.1	5,956.6	5,579.9	5,895.6	5,847.7	5,527.7	5,657.4	5,902.7	6,009.6
Interest-bearing debt	4,770.8	4,677.2	4,899.3	4,491.7	4,553.5	4,274.0	4,036.0	4,200.0	4,406.7	4,163.3
Capital stock (common stock plus additional paid-in capital)	3,782.1	3,779.0	3,779.0	3,776.9	3,772.0	3,770.1	3,765.6	3,765.0	3,784.7	3,817.5
Total NTT shareholders' equity ⁽¹⁾⁽²⁾	7,120.8	7,410.8	7,298.1	7,788.2	8,020.7	7,882.6	8,231.4	8,511.4	8,681.9	8,833.8
Noncontrolling interests ⁽²⁾	1,834.5	1,864.0	1,847.5	1,982.7	2,060.2	2,165.1	2,290.6	2,413.5	2,368.0	2,406.3
Total equity ⁽¹⁾⁽²⁾	¥ 8,955.3	¥ 9,274.8	¥ 9,145.6	¥ 9,770.9	¥10,080.9	¥10,047.7	¥10,522.0	¥10,924.8	¥11,049.8	¥11,240.1
Other financial data										
Capital investment (For the year) ⁽³⁾	¥ 2,236.9	¥ 2,128.9	¥ 2,145.1	¥ 1,987.1	¥ 1,870.1	¥ 1,946.6	¥ 1,970.0	¥ 1,892.8	¥ 1,817.5	¥ 1,687.2
Research and development expenses (For the year)	272.1	271.1	268.2	278.1	268.2	267.9	269.2	249.3	233.8	213.4
Employees (Thousands) (At year-end)	199	193	196	195	219	224	227	240	242	241
Performance indicators										
EBITDA margin ⁽³⁾	31.0%	33.8%	32.4%	31.8%	31.9%	30.6%	30.0%	29.2%	27.2%	27.9%
ROE (%)	6.9%	8.7%	7.3%	6.5%	6.4%	5.9%	6.5%	7.0%	6.0%	8.4%
Per share of common stock (Yen) ⁽⁴⁾										
Weighted average number of shares outstanding ⁽⁵⁾	2,764,153,832	2,755,122,724	2,690,604,822	2,646,524,966	2,646,346,778	2,551,038,800	2,423,761,538	2,299,516,428	2,187,360,018	2,105,782,828
Net income attributable to NTT ⁽¹⁾⁽²⁾⁽⁵⁾	¥ 174.15	¥ 230.54	¥ 200.21	¥ 186.00	¥ 192.58	¥ 183.34	¥ 215.34	¥ 254.61	¥ 236.85	¥ 350.34
Cash dividends, applicable to earnings for the year ⁽⁵⁾	¥ 40.00	¥ 45.00	¥ 55.00	¥ 60.00	¥ 60.00	¥ 70.00	¥ 80.00	¥ 85.00	¥ 90.00	¥ 110.00

(1) NTT has retroactively applied the equity method of accounting to prior years for an affiliate investment as a result of the acquisition by NTT Group of additional shares of the affiliate during the fiscal years ended March 31, 2008 and 2014. The amounts in the table above for the fiscal years ended March 31, 2007 to March 31, 2013, have been adjusted accordingly.

(2) With the application of the accounting pronouncement issued by the Financial Accounting Standards Board ("FASB") in December 2007, relating to noncontrolling interests in consolidated financial statements, starting from the fiscal year ended March 31, 2010, the name of this line item was changed.

(3) Please refer to Reconciliation of Capital Investment and Reconciliation of EBITDA Margin on page 100.

- Capital investment is on an accrual basis for the acquisition of property, plant and equipment.
- EBITDA margin = (Operating income + Depreciation and loss on disposal of property, plant and equipment) / Operating revenues × 100

(4) Financial data per share of common stock for the fiscal year ended March 31, 2008, and previous years have been adjusted to reflect the 100-for-1 stock split conducted in the fiscal year ended March 31, 2009.

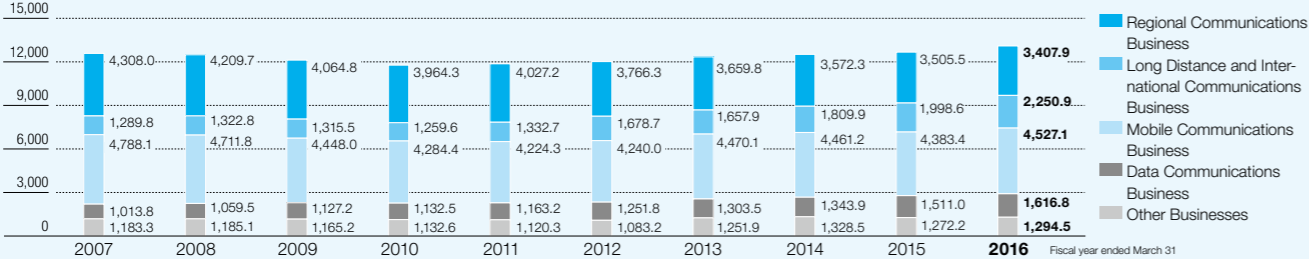
(5) Adjusted for the 2-for-1 stock split with an effective date of July 1, 2015.

10-Year Financial Summary

Segment Data

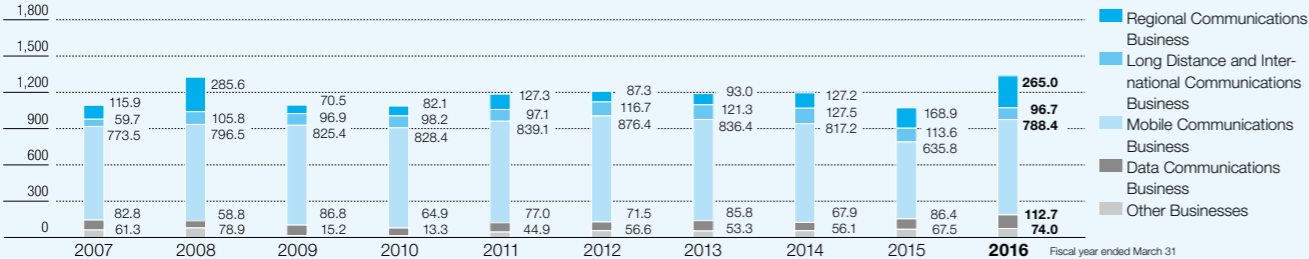
Total Operating Revenues

(Billions of yen)



Total Operating Income

(Billions of yen)



Major Subsidiaries' Data

NTT East

(JAPAN GAAP)

Fiscal year ended March 31	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating revenues	¥2,061.3	¥2,002.7	¥1,952.9	¥1,928.6	¥1,957.1	¥1,851.5	¥1,831.7	¥1,773.8	¥1,765.4	¥1,722.3
Operating expenses	2,001.4	1,957.7	1,916.2	1,881.0	1,879.9	1,801.2	1,766.7	1,707.0	1,655.5	1,560.4
Operating income	59.9	44.9	36.6	47.6	77.1	50.3	65.0	66.7	109.8	161.8
Non-operating revenues	70.4	66.1	69.2	61.6	53.8	58.4	60.1	58.0	23.7	17.5
Non-operating expenses	39.9	43.7	40.5	37.5	34.9	33.5	36.3	32.9	11.5	5.9
Recurring profit	90.3	67.4	65.3	71.7	96.0	75.2	88.8	91.7	122.0	173.4
Net income	¥ 84.3	¥ 96.8	¥ 77.5	¥ 50.5	¥ 52.3	¥ 32.1	¥ 52.8	¥ 53.9	¥ 69.5	¥ 118.7

NTT West

(JAPAN GAAP)

Fiscal year ended March 31	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating revenues	¥1,951.5	¥1,901.2	¥1,824.3	¥1,780.8	¥1,758.0	¥1,676.3	¥1,627.9	¥1,589.6	¥1,574.2	¥1,528.0
Operating expenses	1,931.0	1,887.3	1,816.5	1,762.3	1,708.4	1,639.3	1,608.7	1,573.2	1,538.5	1,453.9
Operating income	20.4	13.9	7.7	18.4	49.6	37.0	19.2	16.3	35.6	74.0
Non-operating revenues	76.8	59.4	52.1	51.1	49.8	44.6	42.7	41.6	6.0	5.7
Non-operating expenses	43.3	48.5	40.3	39.3	36.4	39.3	33.6	31.9	12.8	12.7
Recurring profit	54.0	24.8	19.5	30.3	63.0	42.3	28.3	26.0	28.8	67.1
Net income (loss)	¥ 28.3	¥ (37.7)	¥ 15.4	¥ 24.8	¥ 49.0	¥ 20.4	¥ 20.9	¥ 18.7	¥ 13.9	¥ 72.4

NTT Communications

(JAPAN GAAP)

Fiscal year ended March 31	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating revenues	¥1,145.4	¥1,154.5	¥1,127.1	¥1,079.2	¥1,033.4	¥981.0	¥944.8	¥944.0	¥909.9	¥918.3
Operating expenses	1,068.1	1,049.7	1,026.3	981.7	940.1	875.2	826.6	830.5	816.8	827.1
Operating income	77.3	104.7	100.8	97.5	93.2	105.7	118.1	113.4	93.1	91.1
Non-operating revenues	29.5	35.1	32.3	25.0	23.7	23.7	24.7	27.4	30.1	27.1
Non-operating expenses	29.1	27.8	19.6	14.0	13.3	10.4	13.1	8.3	8.4	8.1
Recurring profit	77.8	112.0	113.5	108.5	103.6	118.9	129.7	132.5	114.8	110.2
Net income	¥ 30.3	¥ 62.7	¥ 89.0	¥ 60.6	¥ 68.9	¥ 58.3	¥ 65.3	¥ 88.9	¥ 77.2	¥ 72.3

NTT DOCOMO (Consolidated)

(U.S. GAAP)

Fiscal year ended March 31	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating revenues	¥4,788.0	¥4,711.8	¥4,447.9	¥4,284.4	¥4,224.2	¥4,240.0	¥4,470.1	¥4,461.2	¥4,383.4	¥4,527.1
Operating expenses	4,014.5	3,903.5	3,617.0	3,450.1	3,379.5	3,365.5	3,632.9	3,642.0	3,744.3	3,744.1
Operating income	773.5	808.3	830.9	834.2	844.7	874.5	837.2	819.2	639.1	783.0
Non-operating income (loss)	(0.5)	(7.6)	(50.5)	1.9	(9.4)	2.5	(3.8)	13.9	4.8	(5.0)
Income before taxes	772.9	800.6	780.4	836.1	835.3	877.0	833.3	833.0	643.9	778.0
Net income attributable to NTT DOCOMO	¥ 457.2	¥ 491.2	¥ 471.8	¥ 494.7	¥ 490.4	¥ 463.9	¥ 491.0	¥ 464.7	¥ 410.1	¥ 548.4

NTT DATA (Consolidated)

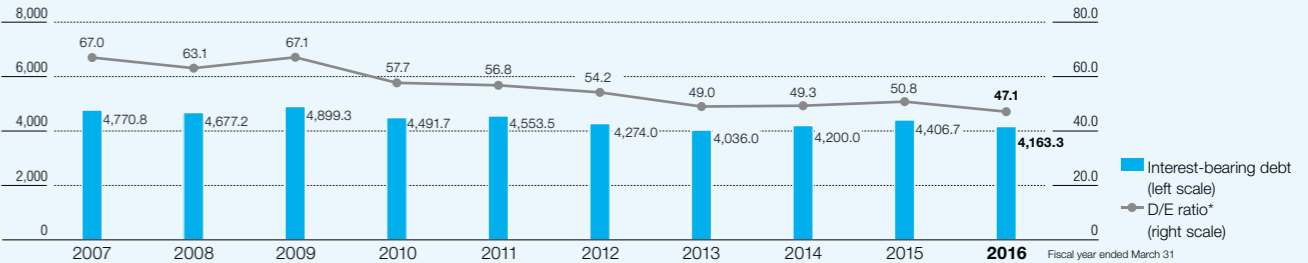
(JAPAN GAAP)

Fiscal year ended March 31	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net sales	¥1,044.9	¥1,074.4	¥1,139.0	¥1,142.9	¥1,161.9	¥1,251.1	¥1,301.9	¥1,343.7	¥1,511.8	¥1,614.8
Cost of sales	786.3	813.3	861.9	870.5	882.3	941.8	980.5	1,031.2	1,147.3	1,216.7
Gross profit	258.5	261.0	277.1	272.3	279.6	309.2	321.4	312.5	364.5	398.1
Selling, general and administrative expenses	168.3	165.1	178.6	190.6	201.3	228.8	235.7	249.9	280.4	297.2
Operating income	90.2	95.9	98.5	81.6	78.3	80.4	85.6	62.5	84.0	100.8
Non-operating income (loss)	(4.4)	(1.5)	(2.9)	(5.9)	(2.5)	(4.8)	(3.8)	(0.4)	(6.1)	(2.7)
Ordinary income	85.7	94.3	95.5	75.7	75.7	75.5	81.8	62.1	77.9	98.1
Net income attributable to owners of parent	¥ 50.6	¥ 30.4	¥ 48.3	¥ 35.6	¥ 37.3	¥ 30.4	¥ 43.5	¥ 23.2	¥ 32.1	¥ 63.3

Debt-Related Data

Interest-Bearing Debt / D/E Ratio*

(Billions of yen)



* D/E ratio = Interest-bearing debt / Shareholders' equity x 100

Reference Information

Reconciliation of Capital Investment

	Billions of yen				
	2012	2013	2014	2015	2016
Payments for property, plant and equipment	¥1,395.1	¥1,538.1	¥1,486.7	¥1,444.9	¥1,265.6
Payments for acquisition of intangible fixed assets	458.2	446.6	416.6	358.2	371.9
Acquisition of intangible assets and other assets	—	—	—	—	—
Total	¥1,853.3	¥1,984.7	¥1,903.2	¥1,803.1	¥1,637.5
Differences between capital investment	(93.3)	14.7	10.5	(14.4)	(49.7)

Reconciliation of EBITDA Margin

	Billions of yen				
	2012	2013	2014	2015	2016
Operating income	¥ 1,223.0	¥ 1,202.0	¥ 1,213.7	¥ 1,084.6	¥ 1,348.1
Depreciation and loss on disposal of property, plant and equipment	1,996.2	2,005.5	1,978.6	1,932.7	1,873.8
EBITDA	3,219.1	3,207.4	3,192.3	3,017.3	3,221.9
Operating revenues	10,507.4	10,700.7	10,925.2	11,095.3	11,541.0
EBITDA margin	30.6%	30.0%	29.2%	27.2%	27.9%

Average Monthly Revenue per Unit (ARPU)

Average monthly revenue per unit, or ARPU, is used to measure average monthly operating revenues attributable to each designated service on a per subscriber (user) basis. In the case of NTT Group's fixed-line business, ARPU is calculated by dividing revenue items included in the operating revenues of NTT Group's regional communications business segment (i.e., telephone subscriber lines, INS-Net and *FLET'S Hikari*) by the number of Active Subscribers to the relevant services. In the case of the mobile communications business, ARPU is calculated by dividing revenue items included in operating revenues from NTT Group's mobile communications business segment, such as revenues from LTE (X) mobile phone services and *FOMA* mobile phone services, that are incurred consistently each month (i.e., basic monthly charges and voice / packet transmission charges), by the number of Active users to the relevant services. The calculation of these figures excludes revenues that are not representative of monthly average usage, such as telecommunications equipment sales, activation fees and universal service charges.

NTT believes that its ARPU figures calculated in this way provide useful information regarding the monthly average usage of its subscribers. The revenue items included in the numerators of NTT Group's ARPU figures are based on its financial results comprising its U.S. GAAP results of operations.

Method of Calculating ARPU

(a) NTT East and NTT West

- NTT separately computes the following two categories of ARPU for the fixed-line business conducted by each of NTT East and NTT West, using the following measures:
- Aggregate Fixed-line ARPU (Telephone Subscriber Lines + INS-Net Subscriber Lines): Calculated based on revenues from monthly charges and call charges for Telephone Subscriber Lines and INS-Net Subscriber Lines, which are included in operating revenues from Voice Transmission Services (excluding IP Services), and revenues from *FLET'S ADSL* and *FLET'S ISDN*, which are included in operating revenues from IP Services.
 - FLET'S Hikari* ARPU: Calculated based on revenues from *FLET'S Hikari* (including *FLET'S Hikari* optional services), which are included in operating revenues from IP Services and Supplementary Business, revenues from monthly charges, call charges and device connection charges for *Hikari Denwa*, which are included in operating revenues from IP Services, and revenues from *FLET'S Hikari* optional services, which are included in Supplementary Business revenues.

- (1) *FLET'S Hikari* includes *B FLET'S*, *FLET'S Hikari Next*, *FLET'S Hikari Light*, *FLET'S Hikari Lightplus* and *FLET'S Hikari WiFi Access* provided by NTT East, *B FLET'S*, *FLET'S Hikari Premium*, *FLET'S Hikari Mytown*, *FLET'S Hikari Next*, *FLET'S Hikari Light* and *FLET'S Hikari WiFi Access* provided by NTT West, and the *Hikari Collaboration Model* wholesale provision of services provided by NTT East and NTT West to service providers. *FLET'S Hikari* optional services include wholesale services provided to service providers by NTT East and NTT West.
- (2) Revenues from interconnection charges are excluded from the calculation of Aggregate Fixed-line ARPU (Telephone Subscriber Lines + INS-Net Subscriber Lines) and *FLET'S Hikari* ARPU.

- (3) For purposes of calculating Aggregate Fixed-line ARPU (Telephone Subscriber Lines + INS-Net Subscriber Lines), the number of subscribers is determined using the number of lines for each service.
- (4) In terms of number of channels, transmission rate, and line use rate (base rate), INS-Net 1500 is in all cases roughly ten times greater than INS-Net 64. For this reason, one INS-Net 1500 subscription is calculated as ten INS-Net 64 subscriptions.
- (5) For purposes of calculating *FLET'S Hikari* ARPU, the number of subscribers is determined based on the number of *FLET'S Hikari* subscribers (including *B FLET'S*, *FLET'S Hikari Next*, *FLET'S Hikari Light*, *FLET'S Hikari Lightplus* and *FLET'S Hikari WiFi Access* provided by NTT East, *B FLET'S*, *FLET'S Hikari Premium*, *FLET'S Hikari Mytown*, *FLET'S Hikari Next*, *FLET'S Hikari Light* and *FLET'S Hikari WiFi Access* provided by NTT West), and *Hikari Collaboration Model* wholesale services provided by NTT East and NTT West to service providers.
- (6) Number of Active Subscribers used in the ARPU calculation of NTT East and NTT West is as below:
FY Results: Sum of number of Active Subscribers for each month from April to March
Active Subscribers = (number of subscribers at end of previous month + number of subscribers at end of current month) / 2

(b) NTT DOCOMO

NTT computes ARPU for NTT DOCOMO as follows:
Mobile Aggregate ARPU = Voice ARPU + Packet ARPU + *docomo Hikari* ARPU.

- (1) NTT DOCOMO's Voice ARPU is based on operating revenues related to voice services, such as basic monthly charges and voice communication charges, and its Packet ARPU is based on operating revenues related to packet services, such as basic monthly charges, flat monthly fees and packet communication charges attributable to its LTE (X) and *FOMA* services, and its *docomo Hikari* ARPU is based on operating revenues from basic monthly charges and voice communication charges for *docomo Hikari* (including *docomo Hikari* optional services).
- (2) NTT DOCOMO's ARPU calculation methods changed from the fiscal year ended March 31, 2016. Accordingly, the ARPU data for the results for the fiscal year ended March 31, 2014 and 2015 have been changed retrospectively.
- (3) Number of Active Users used in the ARPU calculation of NTT DOCOMO is as below.
FY Results: Sum of number of Active Users for each month from April to March
Active Users = (number of users at end of previous month + number of users at end of current month) / 2.
- (4) The number of users used to calculate ARPU is the total number of subscriptions, excluding the subscriptions listed below:
No. of active users = subscriptions
a. Subscriptions of communication module services, *Phone Number Storage*, *Mail Address Storage*, *docomo Business Transceiver* and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to Mobile Virtual Network Operators (MVNOs); and
b. Data Plan subscriptions in the case where the customer contracting for such subscription in his / her name also has a subscription for *Xi* or *FOMA* services in his / her name.

Revenues from communication module services, *Phone Number Storage*, *Mail Address Storage*, *docomo Business Transceiver* and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to Mobile Virtual Network Operators (MVNOs) are not included in NTT DOCOMO's ARPU calculation.

Consolidated Balance Sheets

Nippon Telegraph and Telephone Corporation and its subsidiaries
March 31

	Millions of yen	
	2015	2016
ASSETS		
Current assets:		
Cash and cash equivalents	¥ 849,174	¥ 1,088,275
Short-term investments	36,342	33,076
Notes and accounts receivable, trade	2,663,012	2,733,116
Allowance for doubtful accounts	(43,230)	(45,236)
Accounts receivable, other	408,051	473,192
Inventories	390,523	414,581
Prepaid expenses and other current assets	434,023	469,529
Deferred income taxes	219,333	260,446
Total current assets	4,957,228	5,426,979
Property, plant and equipment:		
Telecommunications equipment	12,592,070	11,586,812
Telecommunications service lines	15,647,879	15,870,097
Buildings and structures	6,107,299	6,069,437
Machinery, vessels and tools	1,995,879	1,996,898
Land	1,299,072	1,273,209
Construction in progress	404,698	382,196
	38,046,897	37,178,649
Accumulated depreciation	(28,245,427)	(27,626,728)
Net property, plant and equipment	9,801,470	9,551,921
Investments and other assets:		
Investments in affiliated companies	542,247	515,716
Marketable securities and other investments	515,580	474,247
Goodwill	1,186,161	1,229,208
Software	1,247,956	1,212,482
Other intangible assets	413,552	391,977
Other assets	1,448,296	1,486,840
Deferred income taxes	589,937	746,561
Total investments and other assets	5,943,729	6,057,031
Total assets	¥ 20,702,427	¥ 21,035,931

	Millions of yen	
	2015	2016
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	¥ 330,423	¥ 129,656
Current portion of long-term debt	370,279	476,777
Accounts payable, trade	1,579,572	1,572,797
Current portion of obligations under capital leases	20,604	14,711
Accrued payroll	429,440	430,248
Accrued taxes on income	124,861	249,356
Accrued consumption tax	148,168	83,481
Advances received	243,263	290,132
Other	475,078	493,970
Total current liabilities	3,721,688	3,741,128
Long-term liabilities:		
Long-term debt (excluding current portion)	3,688,825	3,546,203
Obligations under capital leases (excluding current portion)	34,382	27,630
Liability for employees' retirement benefits	1,387,962	1,688,611
Accrued liabilities for point programs	108,099	89,003
Deferred income taxes	196,853	166,547
Other	486,536	491,630
Total long-term liabilities	5,902,657	6,009,624
Redeemable noncontrolling interests:	28,272	45,097
Equity:		
Nippon Telegraph and Telephone Corporation ("NTT") shareholders' equity		
Common stock, no par value—		
Authorized—6,192,920,900 shares		
Issued—2,273,394,470 shares in 2015 and 2,096,394,470 shares in 2016	937,950	937,950
Additional paid-in capital	2,846,723	2,879,560
Retained earnings	5,126,657	5,074,234
Accumulated other comprehensive income (loss)	268,232	(57,055)
Treasury stock, at cost—		
156,195,212 shares in 2015 and 255,269 shares in 2016	(497,702)	(883)
Total NTT shareholders' equity	8,681,860	8,833,806
Noncontrolling interests	2,367,950	2,406,276
Total equity	11,049,810	11,240,082
Commitments and contingent liabilities:		
Total liabilities and equity	¥20,702,427	¥21,035,931

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Nippon Telegraph and Telephone Corporation and its subsidiaries
Year ended March 31

Consolidated Statements of Income

	Millions of yen		
	2014	2015	2016
Operating revenues:			
Fixed voice related services	¥ 1,578,941	¥ 1,441,383	¥ 1,329,963
Mobile voice related services	1,052,622	872,062	837,818
IP / packet communications services	3,711,866	3,672,157	3,757,846
Sale of telecommunication equipment	969,664	996,996	953,022
System integration	2,275,034	2,691,766	3,063,501
Other	1,337,047	1,420,953	1,598,847
	10,925,174	11,095,317	11,540,997
Operating expenses:			
Cost of services (excluding items shown separately below)	2,360,916	2,434,870	2,458,057
Cost of equipment sold (excluding items shown separately below)	885,288	948,903	970,478
Cost of system integration (excluding items shown separately below)	1,643,988	1,900,319	2,197,506
Depreciation and amortization	1,880,293	1,827,998	1,766,325
Impairment losses	5,738	38,739	19,821
Selling, general and administrative expenses	2,929,111	2,856,458	2,767,761
Goodwill and other intangible asset impairments	6,187	3,464	12,900
	9,711,521	10,010,751	10,192,848
Operating income	1,213,653	1,084,566	1,348,149
Other income (expenses):			
Interest and amortization of bond discounts and issue costs	(47,684)	(44,016)	(41,670)
Interest income	17,632	18,398	17,708
Other, net	110,594	7,681	5,072
	80,542	(17,937)	(18,890)
Income before income taxes and equity in earnings (losses) of affiliated companies	1,294,195	1,066,629	1,329,259
Income tax expense (benefit):			
Current	483,113	364,845	457,674
Deferred	3,433	32,504	(102,849)
	486,546	397,349	354,825
Income before equity in earnings (losses) of affiliated companies	807,649	669,280	974,434
Equity in earnings (losses) of affiliated companies	(50,792)	5,889	5,772
Net income	756,857	675,169	980,206
Less—Net income attributable to noncontrolling interests	171,384	157,103	242,468
Net income attributable to NTT	¥ 585,473	¥ 518,066	¥ 737,738

	Shares or yen		
	2014	2015	2016
Per share of common stock*:			
Weighted average number of shares outstanding (shares)	2,299,516,428	2,187,360,018	2,105,782,828
Net income attributable to NTT (yen)	¥254.61	¥236.85	¥350.34
Cash dividends to be paid to shareholders of record date (yen)	¥ 85.00	¥ 90.00	¥110.00

* "Per share of common stock" figures for the fiscal years ended March 31, 2014, 2015 and 2016 have been adjusted to reflect the two-for-one stock split carried out on July 1, 2015.

Consolidated Statements of Comprehensive Income

	Millions of yen		
	2014	2015	2016
Net income	¥ 756,857	¥675,169	¥ 980,206
Other comprehensive income (loss), net of tax			
Unrealized gain (loss) on securities	16,057	76,308	(32,960)
Unrealized gain (loss) on derivative instruments	(4,895)	2,903	(4,079)
Foreign currency translation adjustments	156,471	129,863	(115,599)
Pension liability adjustments	163,241	16,370	(208,644)
Total other comprehensive income (loss)	330,874	225,444	(361,282)
Total comprehensive income (loss)	1,087,731	900,613	618,924
Less—Comprehensive income attributable to noncontrolling interests	214,360	209,281	196,771
Total comprehensive income (loss) attributable to NTT	¥ 873,371	¥691,332	¥ 422,153

Consolidated Statements of Changes in Equity

Nippon Telegraph and Telephone Corporation and its subsidiaries
Year ended March 31

	Millions of yen							
	NTT shareholders' equity							Total equity
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total	Noncontrolling interests	
Year Ended March 31, 2014								
At beginning of year	¥937,950	¥2,827,612	¥5,227,268	¥(192,932)	¥(568,459)	¥8,231,439	¥2,290,564	¥10,522,003
Net income			585,473			585,473	171,384	756,857
Other comprehensive income (loss)				287,898		287,898	42,976	330,874
Cash dividends			(186,174)			(186,174)	(96,203)	(282,377)
Changes in NTT's ownership interest in subsidiaries		(1,069)				(1,069)	4,731	3,662
Stock compensation transactions		467				467		467
Acquisition of treasury stock					(406,696)	(406,696)		(406,696)
Resale of treasury stock		3			13	16		16
Cancellation of treasury stock		(3)	(818,206)		818,209	—		—
At end of year	¥937,950	¥2,827,010	¥4,808,361	¥ 94,966	¥(156,933)	¥8,511,354	¥2,413,452	¥10,924,806
Year Ended March 31, 2015								
At beginning of year	¥937,950	¥2,827,010	¥4,808,361	¥ 94,966	¥(156,933)	¥8,511,354	¥2,413,452	¥10,924,806
Net income			518,066			518,066	156,013	674,079
Other comprehensive income (loss)				173,266		173,266	50,943	224,209
Cash dividends			(199,770)			(199,770)	(96,100)	(295,870)
Changes in NTT's ownership interest in subsidiaries		17,421				17,421	(156,358)	(138,937)
Stock compensation transactions		2,292				2,292		2,292
Acquisition of treasury stock					(340,781)	(340,781)		(340,781)
Resale of treasury stock					12	12		12
At end of year	¥937,950	¥2,846,723	¥5,126,657	¥ 268,232	¥(497,702)	¥8,681,860	¥2,367,950	¥11,049,810
Year Ended March 31, 2016								
At beginning of year	¥937,950	¥2,846,723	¥5,126,657	¥ 268,232	¥(497,702)	¥8,681,860	¥2,367,950	¥11,049,810
Adjustments due to change in fiscal year end of consolidated subsidiaries			700	(9,702)		(9,002)	(595)	(9,597)
At beginning of year (as adjusted)	937,950	2,846,723	5,127,357	258,530	(497,702)	8,672,858	2,367,355	11,040,213
Net income			737,738			737,738	241,075	978,813
Other comprehensive income (loss)				(315,585)		(315,585)	(44,749)	(360,334)
Cash dividends			(200,182)			(200,182)	(105,568)	(305,750)
Changes in NTT's ownership interest in subsidiaries		28,666				28,666	(51,837)	(23,171)
Stock compensation transactions		4,171				4,171		4,171
Acquisition of treasury stock					(93,886)	(93,886)		(93,886)
Resale of treasury stock		8			18	26		26
Cancellation of treasury stock		(8)	(590,679)		590,687	—		—
At end of year	¥937,950	¥2,879,560	¥5,074,234	¥ (57,055)	¥ (883)	¥8,833,806	¥2,406,276	¥11,240,082

* Changes in the redeemable noncontrolling interest are not included in the table.

Consolidated Statements of Cash Flows

Nippon Telegraph and Telephone Corporation and its subsidiaries
Year ended March 31

	Millions of yen		
	2014	2015	2016
Cash flows from operating activities:			
Net income	¥ 756,857	¥ 675,169	¥ 980,206
Adjustments to reconcile net income to net cash provided by operating activities—			
Depreciation and amortization	1,880,293	1,827,998	1,766,325
Impairment losses	5,738	38,739	19,821
Deferred taxes	3,433	32,504	(102,849)
Goodwill and other intangible asset impairments	6,187	3,464	12,900
Losses on disposals of property, plant and equipment	98,317	104,718	107,474
Gains on sales of property, plant and equipment	(33,119)	(34,191)	(20,364)
Gains resulting from the exchange of rights	(59,996)	—	—
Equity in (earnings) losses of affiliated companies	50,792	(5,889)	(5,772)
(Increase) decrease in notes and accounts receivable, trade	17,415	(126,476)	(72,575)
(Increase) decrease in inventories	(68,776)	(12,044)	(47,569)
(Increase) decrease in other current assets	(16,658)	(86,809)	(63,107)
Increase (decrease) in accounts payable, trade and accrued payroll	66,032	(21,538)	(34,539)
Increase (decrease) in accrued consumption tax	(11,621)	99,661	(64,596)
Increase (decrease) in advances received	37,691	(32,481)	46,191
Increase (decrease) in accrued taxes on income	20,909	(133,894)	124,905
Increase (decrease) in other current liabilities	(20,351)	60,141	8,198
Increase (decrease) in liability for employees' retirement benefits	42,964	38,753	49,360
Increase (decrease) in other long-term liabilities	(33,122)	2,588	(1,965)
Other	(15,081)	(38,601)	9,801
Net cash provided by operating activities	2,727,904	2,391,812	2,711,845
Cash flows from investing activities:			
Payments for property, plant and equipment	(1,486,651)	(1,444,917)	(1,265,622)
Payments for intangibles	(416,583)	(358,209)	(371,924)
Proceeds from sales of property, plant and equipment	50,625	54,424	83,521
Payments for purchases of non-current investments	(50,517)	(31,097)	(56,641)
Proceeds from sales and redemptions of non-current investments	15,444	27,478	57,173
Acquisitions of subsidiaries, net of cash acquired	(211,195)	(42,217)	(120,596)
Payments for purchases of short-term investments	(60,485)	(61,364)	(26,521)
Proceeds from redemptions of short-term investments	92,396	70,644	23,095
Other	(39,840)	(83,321)	(82,263)
Net cash used in investing activities	(2,106,806)	(1,868,579)	(1,759,778)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	637,253	615,353	398,348
Payments for settlement of long-term debt	(735,894)	(496,729)	(449,025)
Proceeds from issuance of short-term debt	4,872,714	5,931,664	4,460,110
Payments for settlement of short-term debt	(4,713,795)	(5,889,243)	(4,659,686)
Dividends paid	(186,174)	(199,770)	(200,182)
Proceeds from sale of (payments for acquisition of) treasury stock, net	(406,680)	(338,399)	(93,924)
Acquisitions of shares of subsidiaries from noncontrolling interests	(5,834)	(175,088)	(15,718)
Other	(84,030)	(125,796)	(147,498)
Net cash used in financing activities	(622,440)	(678,008)	(707,575)
Effect of exchange rate changes on cash and cash equivalents	24,372	19,486	(7,419)
Net increase (decrease) in cash and cash equivalents	23,030	(135,289)	237,073
Cash and cash equivalents at beginning of year	961,433	984,463	849,174
Increase (decrease) in cash and cash equivalents due to change in fiscal year end of consolidated subsidiaries	—	—	2,028
Cash and cash equivalents at end of year	¥ 984,463	¥ 849,174	¥ 1,088,275
Cash paid during the year for:			
Interest	¥ 48,836	¥ 44,795	¥ 41,626
Income taxes, net	462,349	543,354	342,431
Noncash investing and financing activities:			
Capital lease obligations incurred during the year	14,933	20,987	11,099
Cancellation of treasury stock	818,209	—	590,687
Assets acquired through exchange of rights	¥ 62,221	¥ —	¥ —
Assets acquired through exchange of buildings	¥ —	¥ 18,719	¥ —

Operating and Financial Review

Operating Revenues and Expenses

Operating Revenues

NTT Group's operating revenues are divided into six service categories, comprising fixed voice related services, mobile voice related services, IP / packet communications services, sales of telecommunications equipment, system integration and other services.

Operating revenues in the fiscal year ended March 31, 2016 increased 4.0% from the previous fiscal year to ¥11,541.0 billion. This increase was due to such factors as an increase in domestic business revenues as a result of the increase in mobile communications and system integration revenues, in addition to the growth in overseas business.

Operating revenues for each service category for the fiscal year ended March 31, 2016 are summarized as follows:

■ Fixed Voice-Related Services

NTT Group's fixed voice related services include a portion of the services it provides in the regional communications business segment and long distance and international communications business segment, such as telephone subscriber lines, INS-Net, conventional leased circuits and high speed digital.

Fixed voice related revenues for the fiscal year ended March 31, 2016 decreased 7.7% from the previous fiscal year to ¥1,330.0 billion, accounting for 11.5% of total operating revenues. This was due to a continued decline in the number of subscriptions for telephone subscriber lines and INS-Net caused by the increased popularization of mobile phones and optical IP telephones, and an increase in free or low-priced communications services offered by OTT operators (content distribution services utilizing other companies' communications infrastructure, allowing a service provider to distribute services without owning its own communications infrastructure).

■ Mobile Voice-Related Services

Mobile voice related services include a portion of the services NTT Group provides in the mobile communications business segment, such as LTE (Xi).

Mobile voice related revenues for the fiscal year ended March 31, 2016 decreased 3.9% from the previous fiscal year to ¥837.8 billion, accounting for 7.3% of total operating revenues. This was due to, among other things, the discount effect of the *Monthly Support* discount program.

■ IP / Packet Communications Services

NTT Group's IP / packet communications services include a portion of the services it provides in the regional communications business segment, such as *FLET'S Hikari*, a portion of the services it provides in the long distance and international communications business segment, such as Arcstar Universal One, IP-VPN, and OCN, as well as a portion of the services it provides in the mobile communications business segment, such as LTE (Xi) packet communications services.

In the fiscal year ended March 31, 2016, revenues from IP / packet communications services increased 2.3% from the previous fiscal year to ¥3,757.8 billion, accounting for 32.6% of total operating revenues. This increase was due to, among other things, an increase in

subscriptions for *FLET'S Hikari* (including *Hikari Collaboration Model*) in the regional communications business segment and the promotion of upgrades to higher-level plans of the *Kakehodai & Pake-aeru* billing plan.

■ Sales of Telecommunications Equipment

This category includes a portion of the services NTT Group provides in the regional communications business segment and the mobile communications business segment.

In the fiscal year ended March 31, 2016, revenues from telecommunications equipment sales decreased 4.4% from the previous fiscal year to ¥953.0 billion, accounting for 8.3% of total operating revenues. This decrease was due to a decrease in the number of wholesale sales of handsets, such as smartphones, in the mobile communications business segment.

■ System Integration

NTT Group's system integration services include its data communications business segment and a portion of the services it provides in the long distance and international communications business segment and the regional communications business segment.

In the fiscal year ended March 31, 2016, revenues from system integration increased 13.8% from the previous fiscal year to ¥3,063.5 billion, accounting for 26.5% of total operating revenues. This increase was due to factors such as the growth in both domestic and overseas business.

■ Other

Other services principally comprise building maintenance, real estate rentals, systems development, leasing activities and research and development.

In the fiscal year ended March 31, 2016, revenues from other services increased 12.5% from the previous fiscal year to ¥1,598.8 billion, accounting for 13.9% of total operating revenues. This increase was due mainly to an increase in revenues associated with operations in the Smart Life business in the mobile communications business segment and an increase in revenues in the real estate business.

Operating Expenses

Operating expenses in the fiscal year ended March 31, 2016 increased 1.8% from the previous fiscal year to ¥10,192.8 billion. The reasons for the increase are discussed below. Personnel expenses and expenses for purchase of goods and services and other expenses, described below, are included in cost of services, cost of equipment sold, cost of system integration, and selling, general and administrative expenses in the consolidated statements of income.

■ Personnel Expenses

Personnel expenses in the fiscal year ended March 31, 2016 increased 0.9% from the previous fiscal year to ¥2,299.7 billion. This increase was mainly due to an increase in personnel expenses due to the increase in consolidated overseas subsidiaries and the increase in overseas business operations, despite the focus on reducing the number of personnel employed in the regional communications business segment.

The fiscal year ended March 31, 2016, compared with the fiscal year ended March 31, 2015

Fiscal year ended March 31	Billions of yen			
	2015	2016	Change	Percent change
Operating revenues:	¥11,095.3	¥11,541.0	445.7	4.0%
Fixed voice-related services	1,441.4	1,330.0	(111.4)	(7.7)%
Mobile voice-related services	872.1	837.8	(34.2)	(3.9)%
IP / Packet communications services	3,672.2	3,757.8	85.7	2.3%
Sales of telecommunications equipment	997.0	953.0	(44.0)	(4.4)%
System integration	2,691.8	3,063.5	371.7	13.8%
Other	1,421.0	1,598.8	177.9	12.5%
Operating expenses	10,010.8	10,192.8	182.1	1.8%
Operating income	1,084.6	1,348.1	263.6	24.3%
Other income (expenses)	(17.9)	(18.9)	(1.0)	(5.3)%
Income before income taxes and equity in earnings (losses) of affiliated companies	1,066.6	1,329.3	262.6	24.6%
Income tax expense (benefit)	397.3	354.8	(42.5)	(10.7)%
Equity in earnings (losses) of affiliated companies	5.9	5.8	(0.1)	(2.0)%
Net income	675.2	980.2	305.0	45.2%
Less—Net income attributable to noncontrolling interests	157.1	242.5	85.4	54.3%
Net income attributable to NTT	518.1	737.7	219.7	42.4%

■ Expenses for Purchase of Goods and Services and Other Expenses

In the fiscal year ended March 31, 2016, expenses for purchase of goods and services and other expenses increased 4.1% from the previous fiscal year to ¥5,675.9 billion. Efforts to improve operational efficiency led to reduced expenses in the regional communications business segment, long distance and international communications business segment and mobile communications business segment. However, overall expenses increased compared with the previous fiscal year as a result of, among other things, an increase in the number of consolidated overseas subsidiaries.

■ Depreciation and Amortization Expenses

Depreciation and amortization expenses in the fiscal year ended March 31, 2016 decreased 3.4% from the previous fiscal year to ¥1,766.3 billion. This decrease was mainly due to a reduction in investments as a result of making more efficient capital investments in the regional communications business and mobile communications business, which offset the increase in depreciation and amortization expenses due to the increase in capital investments for data centers and other investments in the long distance and international communications business segment.

Operating Income

As a result of the foregoing, operating income for the fiscal year ended March 31, 2016 increased 24.3% from the previous fiscal year to ¥1,348.1 billion.

Other Operating Revenues and Expenses

■ Other Income (Expenses)

Other income (expenses) for the fiscal year ended March 31, 2016 slightly decreased to ¥ (18.9) billion, from ¥ (17.9) billion in the previous fiscal year.

■ Income before Income Taxes and Equity in Earnings (Losses) of Affiliated Companies

Net income before income taxes in the fiscal year ended March 31, 2016 increased 24.6% from the previous fiscal year to ¥1,329.3 billion for the reasons discussed above.

■ Income Tax Expense (Benefit)

In the fiscal year ended March 31, 2016, income tax expense decreased 10.7% from the previous fiscal year to ¥354.8 billion. This decrease in income tax expense was primarily due to the decrease of the valuation allowance resulting from the change in the estimate of realizability of deferred tax assets by NTT West and NTT DOCOMO. As a result, effective tax rates for the fiscal year ended March 31, 2015 and for the fiscal year ended March 31, 2016 were 37.25%, and 26.69%, respectively.

■ Equity in Earnings (Losses) of Affiliated Companies

Equity in earnings (losses) of affiliated companies for the fiscal year ended March 31, 2016 was approximately equivalent to the previous fiscal year, decreasing slightly to ¥5.8 billion compared to ¥5.9 billion for the previous fiscal year.

■ Net Income and Net Income Attributable to NTT

As a result, net income for the fiscal year ended March 31, 2016 increased 45.2% from the previous fiscal year to ¥980.2 billion. Net income attributable to NTT (excluding the portion attributable to non-controlling interests) for the fiscal year ended March 31, 2016 increased 42.4% from the previous fiscal year to ¥737.7 billion.

Liquidity and Capital Resources

Financing, Capital Resources and Use of Funds

Net cash provided by operating activities during the fiscal year ended March 31, 2016 amounted to ¥2,711.8 billion, an increase of ¥320.0 billion from ¥2,391.8 billion in the fiscal year ended March 31, 2015. This increase was primarily the result of, among other things, an increase in operating income in the fiscal year ended March 31, 2016 compared to the fiscal year ended March 31, 2015.

NTT Group used the net cash provided by operating activities mainly to acquire property, plant and equipment, repay interest-bearing debt and pay dividends.

Net cash used in investing activities during the fiscal year ended March 31, 2016 amounted to ¥1,759.8 billion, a decrease of ¥108.8 billion from ¥1,868.6 billion in the fiscal year ended March 31, 2015. This decrease was due to, among other things, a ¥165.6 billion decrease in payments for property, plant and equipment and in intangible assets computed on a cash basis, partially offset by a ¥78.4 billion increase in expenditures on acquisitions of subsidiaries.

The decrease in payments for investments in property, plant and equipment and in intangible assets for the fiscal year ended March 31, 2016 resulted from, among other things, improved efficiency in the construction of LTE base stations in the mobile communications business, in addition to reduced fiber-optic-related capital expenditures in the regional communications business. For the fiscal year ended March 31, 2016, capital investments amounted to ¥1,687.2 billion on an accrual basis, of which ¥622.1 billion was invested in the regional communications business and ¥595.2 billion was invested in the mobile communications business.

Net cash used in financing activities during the fiscal year ended March 31, 2016 amounted to ¥707.6 billion, an increase in payments of ¥29.6 billion from ¥678.0 billion in the fiscal year ended March 31, 2015. The increase in payments was due to, among other things, a net increase of ¥411.3 billion in expenses from the repayment of short-term and long-term debt, partially offset by a net decrease of ¥244.5 billion in payments due to stock repurchases and a net decrease of ¥159.4 billion in payments for the acquisition of shares of subsidiaries from non-controlling interests. The capital raised from the issuance of long-term debt in the fiscal year ended March 31, 2016 includes ¥6.1 billion in net proceeds from corporate bond offerings and an aggregate of ¥392.2 billion in loans from financial institutions.

As of March 31, 2016, the total balance of the interest-bearing debt of NTT Group was ¥4,163.3 billion, a decrease of ¥243.4 billion compared to the balance of ¥4,406.7 billion as of the end of the previous fiscal year. The ratio of interest-bearing debt to shareholders' equity stood at 47.1% as of March 31, 2016 (compared to 50.8% as of the end of the previous fiscal year). Interest-bearing debt as of March 31, 2016 comprises short-term debt and long-term debt as well as ¥10.7 billion in deposits received pursuant to depositary agreements.

NTT Group believes that the net cash it expects to generate from operating activities, financing made available to NTT Group from banks and other financial institutions and/or offerings of equity or debt securities in the capital markets will provide the requisite financial resources to meet NTT Group's currently anticipated capital investment and expenditure needs and debt service requirements. Management believes NTT Group's working capital is sufficient for its present requirements.

For the fiscal year ending March 31, 2017, NTT Group expects to make capital investments totaling ¥1,720.0 billion on an accrual basis, an increase of ¥32.8 billion from the fiscal year ended March 31, 2016, due to, among other things, an increase in data center-related and cloud-related capital investments in the long distance and international communications business and an increase in capital investments due to the expansion of large-scale projects in the data communications business, partially offset by, among other things, a decrease in fiber-optic-related capital investments in the regional communications business and improved efficiency in the construction of LTE base stations in the mobile communications business. The total amount of expected capital investments includes ¥589.0 billion by the regional communications business and ¥585.0 billion by the mobile communications business. The actual amount of capital investments may vary from expected levels, since capital investments may be influenced by trends in demand, the competitive environment and other factors. In addition, the actual amount of NTT Group's funding will depend on its future performance, market conditions and other factors, and is therefore difficult to predict.

■ Liquidity

As of March 31, 2016, NTT Group had cash and cash equivalents balance (including short-term investments with principal maturities of less than three months) of ¥1,088.3 billion, an increase of ¥239.1 billion compared to the balance of ¥849.2 billion as of the end of the previous fiscal year. Cash equivalents represent a temporary cash surplus used to repay debts and make capital investments, among other things, and are used as working capital. Accordingly, the balance of cash equivalents fluctuates each fiscal year depending on particular funding and working capital requirements.

Risk Factors

In addition to the other information contained in this annual report, prospective investors should carefully consider the risks described below related to the NTT Group's business environment, business strategy and operations, regulations to which NTT is subject, and NTT's relationship with the government. Additional risks not currently known to NTT or that NTT now deems immaterial may also impair the NTT Group's business operations. This annual report also contains forward-looking statements that involve risks and uncertainties. The NTT Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including the risks the NTT Group faces as described below and elsewhere in this annual report.

Risks Associated with the Business Environment and NTT Group's Corresponding Business Strategies

NTT Group's business may be affected by both the global and Japanese economic situation.

NTT Group has operations all over the world, including Japan, North America, Latin America, Europe, Africa, the Middle East, Asia and Oceania. An economic slowdown or deceleration in the economic growth of any of these countries and regions may have an adverse effect on the demand for the services that NTT Group provides or on its operations. Although the proportion of NTT Group's overseas business is growing, the majority of its business revenues are derived from its business in Japan, and as a result, NTT Group's results of operations and financial condition may be heavily influenced by the state of the Japanese economy.

Of all of NTT Group's businesses, there is a tendency in the solutions business in particular for customers to curb their IT investment when an economic slowdown results in a decline in corporate revenues as they require cost reductions in corporate IT investment and scrutinize the effectiveness of such investment. This may lead to declines in the sales prices and the volume of orders for systems and services provided by NTT Group.

In the finance business, an economic slowdown may adversely affect the economic circumstances of NTT Group companies' counterparties more than anticipated by NTT Group's credit management predictions, which could lead to unrecoverable loans. In the real estate business, there is a possibility that demand in the real estate leasing market or, as has historically been the case, the condominium sales market will decline as a result of an economic slowdown, which could reduce the profitability of real estate investments. If these risks were to occur, they could adversely impact NTT Group's results of operations and financial condition.

In addition, NTT Group evaluates various means of capital procurement, including issuing corporate bonds and obtaining loans, and is working toward securing low-interest financing and stable sources of capital. However, any substantial fluctuations in the financial markets may lead to increases in NTT Group's financing costs.

NTT Group owns investment securities and other investment assets. If their asset value were to decline because of a recession in the stock and other financial markets, the resulting impairment losses may adversely affect NTT Group's results of operations. NTT Group

pension investments may also be adversely affected by the effect of a weakening economy on the capital markets.

NTT Group's operating revenues may suffer from changes in market structure and increased competition.

With the growing popularity of smartphones, tablets and high-speed wireless broadband services, including Long-Term Evolution ("LTE") (a wireless communication standard characterized by high speed, high capacity, the efficient use of signals and low latency, with specifications formulated by the 3rd Generation Partnership Project), the use of cloud services is expanding. At the same time, the structure of the telecommunications services market is changing dramatically as various new stakeholders join telecommunications operators in the market, services provided by over-the-top content ("OTT") (a content distribution service utilizing other companies' communications infrastructure, allowing a service provider to distribute services without owning its own communications infrastructure) providers expand, and competition increases on a global level. Additionally, the combination of fixed and mobile telecommunications services has accelerated the development of FMC (fixed-mobile convergence) services. Competition remains active among telecommunications providers, and the competitive environment in which NTT Group operates is becoming more rigorous. If NTT Group is unable to respond appropriately to increased competition and other changes in the structure of the telecommunications market, its operating revenues may decline.

In the fixed-line communications field, the continuing trend of decreasing fixed voice revenues as a result of the impact of fixed-rate voice services and free or low-cost telecommunications services provided by OTT operators has become an issue. In addition, growth in broadband services is slowing as the rate of penetration increases and the market matures. Furthermore, as a result of the increasing speeds of wireless broadband services, customers, particularly young adults who do not use fixed-line communications, are shifting towards exclusively using smartphones and other mobile devices as their sole method of communications.

In the mobile communications market, intense competition with other service providers continues with respect to charges (including handset prices), network quality, and the provision of services. In addition, competition resulting from structural changes in the market, including competition with free or low-cost communications services provided by OTT businesses, as well as the expansion of mobile virtual network operators (which provide wireless communications services over networks to which they gain access by paying mobile network operators for use of their infrastructure), is increasing.

Under these market conditions, in order to provide more advanced and wide-ranging services and increase customer convenience, NTT Group has provided a variety of new rate plans and services and has been working towards conversion to the B2B2X model, which aims to ensure sustainable growth in domestic operations in Japan.

Further, in addition to their traditional business model of providing fiber-optic access services directly to end users, NTT East and NTT West provide the *Hikari Collaboration Model*, a new business model in which they provide fiber-optic access services to a variety of players, and each player then combines fiber-optic access services with its own services to provide as their own new services to end users.

NTT DOCOMO provides the *Kakehodai & Pake-aeru* billing plan, which enables subscribers to make domestic calls at a fixed monthly rate and to share packet communications data plans with family members. NTT DOCOMO also offers the *Hikari Collaboration Model-utilizing* fiber-optic broadband services *docomo Hikari* and *docomo Hikari Pack*, a bundle package that allows users to use *docomo Hikari* and smartphones / docomo feature phones service. In addition, NTT DOCOMO is continuing to work to increase revenues by expanding into new business areas resulting from the convergence of service areas with mobile communications such as finance / account settlement, commerce, business relating to everyday life, IoT ("Internet of Things," the concept that all things are connected wirelessly and can be controlled via the Internet), environment / energy and education / learning.

However, NTT Group's results of operations and financial condition could still be adversely affected if, despite these efforts, the number of subscribers that NTT Group acquires or retains fails to meet expected levels or if subscription ratios for various fee / discount services, trends in the number of subscription transfers to flatrate services, or other initiatives do not proceed as expected.

NTT Group expects the solutions business to be a major area of growth in the information services market, and hardware vendors and other players are also focused on this business. Moreover, the growth of information service companies in rapidly developing nations, such as India and China, is bringing about global competition. Intensified competition resulting from new competitors' aggressive market entry may have an adverse effect on NTT Group's results of operations and financial condition.

Moreover, NTT Group conducts a variety of business activities in markets outside of the information and communications sector, and it is possible that these operations will fail to achieve forecasted revenues, which may result in an adverse effect on NTT Group's results of operations and financial condition.

NTT Group's growth in its global business may be lower than anticipated.

NTT Group is expanding its global business as a cornerstone of its operations, and has also implemented initiatives to accelerate profit creation in this area. In order to deliver consistent growth of sales in overseas business operations, NTT Group will strengthen its sales force and marketing efforts, such as by expanding its global accounts and further promoting its up-selling and cross-selling efforts, while strengthening the entire NTT Group's services and products. Stringent cost-efficiency initiatives are also underway in each of the Group's companies to, among other things, improve efficiency, optimize services and operations, and lower procurement costs.

However, if these efforts do not progress as anticipated, or the cloud services market does not grow as anticipated, or revenues do not grow as expected due to increased competition or other factors, NTT Group's results of operations and financial condition may be adversely affected.

NTT Group may not achieve anticipated cost savings.
NTT Group is working to generate profits by increasing capital expenditure efficiencies and reducing costs in the domestic fixed-line and mobile communications markets, which are becoming saturated. To improve capital expenditure efficiencies, NTT Group is working to simplify and streamline the network in each company, as well as further its efficiency in using its existing facilities and reduce procurement costs. Efforts are also being made to promote standardization by utilizing the latest technology. Meanwhile, NTT Group is continuously working to reduce costs and is working to ensure simple yet highly productive business operations based on initiatives such as the conversion to the B2B2X model.

However, despite these initiatives to improve efficiencies in the domestic network business, it is possible that NTT Group will be unable to fully achieve the anticipated optimization of its capital expenditures or reductions in sales expenses, facility-related costs, and personnel and other costs due to changes in the competitive environment or due to the current state of progress in streamlining equipment or general business operations. Any such failure to achieve intended cost reductions could adversely impact NTT Group's results of operations and financial condition.

NTT Group's international and domestic investments, acquisitions, alliances and corporate collaborations may not be successful, or NTT Group may be unable to exert the necessary control over its investments.

NTT Group actively engages in joint ventures, alliances and collaborations, both domestically and overseas, as well as acquisitions and other strategic investments in response to changes in market structure and customers' needs. However, NTT Group may not be able to maintain or enhance the value or financial performance of, or achieve sufficient synergies with, the domestic or overseas operations in which it has invested or agreed to invest or that it may in the future acquire. In addition, there may be occasions when NTT Group will suffer potential losses resulting from the dissolution or disposition of its investments, partnerships or other cooperative initiatives.

NTT Group is proactively striving to expand its global business operations, and has worked to achieve expected returns from these endeavors by carrying out periodic post-acquisition monitoring of its investments. In addition, NTT Group is taking initiatives to enhance its group governance and risk management. However, the recent increase in the number of foreign subsidiaries within NTT Group may result in increased fragmentation within the group and render a common understanding difficult to achieve. There may be occasions when it is difficult for NTT to exert the control over its overseas subsidiaries necessary to oversee their business and operations. In addition, there is a risk that factors related to cross-border business, such as legal restrictions relating to investment and competition, differences in tax systems, differences in business customs including contract practices, labor relations, and international politics, may pose challenges to NTT Group's management of its overseas business activities. If such risks materialize, NTT Group's results of operations and financial condition may be adversely affected.

NTT Group may be unable to obtain the licenses for third-party intellectual property necessary for the operation of its business, may be subject to claims related to the infringement of the intellectual property from other companies, or may be unable to protect its own intellectual property rights, all of which could adversely affect its business operations and financial position.

In order for NTT Group and its business partners to carry out their business operations, they at times need to obtain licenses and other rights to use the intellectual property and other rights of third parties. NTT Group and its business partners have entered into the necessary intellectual property licenses, and based on their experience as well as industry practice, NTT Group believes that it will continue to be able to obtain such licenses on reasonable terms. However, if NTT Group is unable to reach or maintain agreements with the holders of such rights on commercially acceptable terms or at all, NTT Group and its business partners may not be able to provide certain technologies, products or services to its customers.

Further, as NTT Group's global business expands, particularly through overseas acquisitions, claims of intellectual property infringement and other claims against NTT Group, particularly by foreign corporations in jurisdictions in which it has completed acquisitions, may increase as it develops new products, services and technologies, and acquires companies that may be subject to ongoing or future intellectual property litigation.

If NTT Group is subject to claims of infringement of intellectual property rights, it may be required to expend considerable time and costs to reach a resolution. If such claims are determined adversely to NTT Group, it may be required to pay substantial damages or royalties to third parties, or may be subject to a temporary or permanent injunction preventing certain NTT Group companies from offering certain products or services and required to develop non-infringing products or technologies, which could result in a loss of revenues from businesses related to such rights. Further, any improper use by third parties of NTT Group's intellectual property and other rights could result in a decrease in NTT Group's contemplated license revenues and compromise NTT Group's competitive advantage.

The occurrence of any of these risks could adversely affect NTT Group's results of operations and financial condition.

NTT Group may be unable to hire or retain necessary personnel, which could have an adverse effect on NTT Group's results of operations and financial condition.

A number of companies both in Japan and abroad have entered the information and telecommunications market, in which the diversity and sophistication of services and technology has rapidly increased, and where changes in the market, with a focus on cloud services in particular, are expected to accelerate even further going forward. In this environment, NTT Group's ability to hire and retain highly skilled personnel significantly affects the success of its business. If the hiring or retention of such key, highly skilled personnel by NTT Group does not proceed as expected, it could adversely affect NTT Group's ability to develop new technologies, design new products, enhance its existing products and execute its growth strategy, which could negatively impact its results of operations and financial condition.

Risks Associated with Business Management

System disruptions, network disruptions, disruptions to business operations or issues with system architecture that occur as a result of natural disasters, software and hardware failure, or cyberattacks may affect NTT Group's results of operations and financial condition.

NTT Group has operations both domestically and abroad, and has implemented a variety of measures with respect to its networks and systems in order to ensure safe and reliable services, including strengthening the durability and water resistance of exchange offices and re-assessing its transmission lines. However, natural disasters such as earthquakes, tsunamis, typhoons and floods, pandemics such as new strains of influenza, and other issues including software and hardware failure, cyberattacks, terrorism, armed action, regional conflict and various other events could cause system and network failure or threaten the safety of NTT Group employees. As a result, there may be occasions when disruptions in NTT Group's business operations make it impossible to provide reliable services, potentially damaging NTT Group's credibility and corporate image.

A large-scale disaster in particular could not only severely damage NTT Group's telecommunications networks, but could also harm NTT Group employees or cause damage to systems that could take a long time to restore, and the resulting emergency electricity use restrictions could hinder NTT Group's ability to provide reliable services. These events may lead to reductions in income and substantial repair costs.

The number of NTT Group services and products that use advanced technology has increased, resulting in increased quality control risk. In particular, applications and other software that runs on smartphones and tablets contain elements which could increase the load on NTT Group's network facilities beyond the level contemplated, such as communications applications that can secure or cut off connections, which cause an increase in control signals between devices and the network. While NTT Group is endeavoring to enhance quality and reliability by making capital investments in its network facilities to strengthen network resilience and to accelerate response time, if such traffic cannot be processed, there is a defect in an NTT Group service or product, or human error occurs, such as an error in equipment settings, NTT may be held liable for damages, and the reputation of NTT Group's services and products may be affected.

In addition, in recent years, information security countermeasures for smartphones, cloud services and other new ICT services are becoming an increasing concern. In order to counter increasingly diverse cyberattacks, NTT Group developed more sophisticated security countermeasures, such as addressing targeted attacks and vulnerabilities. NTT Group also conducted group-wide exercises and promoted initiatives in human resources development using various educational methods. If, however, an unforeseeable event occurs, it is possible that there will be cases of service delays, decrease in service quality, or information leak, damage or loss caused by network intrusions from unauthorized access, causing customers' trust in NTT Group to diminish and causing damage to NTT Group's corporate image.

NTT Group also provides and delivers systems and services to customers in the system integration business, and there is a possibility that there could be disruptions and faults in these systems and services. Some of the systems and services provided by NTT Group constitute vital social infrastructure that significantly affects economic activities and daily life. In particular, if problems such as interruption, impairment, unauthorized access, virus infections and cyberattacks occur to these systems and services, in addition to the possible need to provide compensation for damages, NTT Group's credibility and corporate image may suffer. Furthermore, the system integration business typically operates under a service contract model in which services are completed from the receipt of orders through the delivery dates. Under this model, NTT Group generally assumes full contractual responsibility at all stages, but there is a possibility that a deviation from initial estimates or problems in project management at the development stage could result in cost overruns or losses due to delivery delays.

Any of these risks could adversely affect NTT Group's results of operation and financial condition.

NTT's reputation and credibility may be affected by fraud or misconduct in Japan or abroad, or by inappropriate use or leaks of confidential business information and personal information.

NTT Group is subject to a wide variety of laws and regulations, as the scope of its business encompasses a variety of products and services both in Japan and abroad. As a result, some of NTT Group's business activities require licenses, notifications, and permit approvals. In addition, it is possible that NTT Group's growing business operations outside of Japan could be subject to additional burdens stemming from, among other things, the local rules and regulations of the countries in which NTT operates, or the lack thereof, the unpredictable nature of commercial and judicial interpretations of such local laws, the adoption of new laws and the revision of existing laws.

NTT Group considers legal compliance to be an extremely important corporate responsibility. In light of the recent tightening of bribery and anti-corruption laws in foreign countries, particularly the United States and the United Kingdom, NTT is working towards further strengthening its compliance systems. Although NTT Group has taken measures to strengthen its group-wide compliance regime, it may not always be possible to eliminate compliance and reputational risks, including, for example, in the case of an employee's improper personal behavior.

In addition, NTT Group has historically made efforts to protect confidential information obtained in the course of its business, including its customers' personal information, and NTT Group has also implemented the NTT Group Information Security Policy, which requires enhanced internal information management, training and awareness-raising for officers and employees. NTT Group expects to be able to ensure the proper management of confidential information in accordance with this policy. However, it is possible that NTT Group will be unable to completely eliminate the risk of a leak or other misuse of confidential information.

Such an event could adversely affect NTT Group's business, including its reputation and credibility, as well as NTT Group's ability to obtain new subscribers or its eligibility to secure governmental contracts, which could in turn adversely affect NTT Group's results of operations and financial condition.

Misuse of products and services offered by NTT Group may have an adverse impact on NTT Group's credibility and corporate image and could expose NTT Group to liability.

Inappropriate use of NTT Group's products and services by users may adversely affect the credibility of NTT Group's products and services and tarnish NTT Group's corporate image. For example, if cyber-crimes, such as unsolicited bulk e-mails, illegal money transfers made through online banking, or bank transfer scams, are perpetrated using NTT Group's services, or if NTT Group customers experience incidents of unsolicited bulk e-mails being sent through its servers, NTT Group customers may be harmed as a result of these actions. Further, there has been a wide range of debate regarding minors' access to illegal or harmful websites, and the effectiveness of filtering services intended to restrict minors from accessing such harmful sites. These problems may adversely impact customer satisfaction and damage NTT Group's corporate image, which may lead to an increase in the number of subscription cancellations.

In addition, there are also concerns over the increasing incidence of accidents caused by the use of mobile phones while operating vehicles or bicycles, as well as issues with increasing occurrence of problems caused by the use of mobile phones while walking. In addition, there are issues concerning the high fees charged for the excess use of paid content by subscribers and the leaking of private information by fraudulent applications and software. NTT Group believes that it has properly addressed these social issues by providing locks on smartphone use while users are walking, filtering and other functions, but it is not certain whether these functions will work as expected or whether NTT Group will be able to continue to carry out proper measures in the future. If NTT Group is unable to address these issues in an appropriate manner, this may result in an increasing number of cancellations among current subscribers and an inability to acquire the anticipated number of new subscribers, which may impact NTT Group's results of operations and financial condition.

NTT Group may be subject to unfavorable decisions in litigation or other proceedings, which could have an adverse effect on its operations.

Because NTT Group operates through a large number of sites both domestically and abroad, and offers a wide array of goods and services, it is possible that NTT Group will become a party to various types of litigation, disputes, or claims for damages. If NTT Group were to become party to any such litigation, dispute, or claim for damages, in addition to the possibility of a potential financial burden, an unfavorable decision could harm NTT Group's credibility and corporate image, and thereby adversely affect NTT Group's results of operation and financial condition.

Risks Associated with the Government, including Rules, Regulations and Others

Changes or decisions regarding telecommunications regulations may affect NTT Group's business.

The regulation of the Japanese telecommunications industry has evolved in many areas, including amendments to telecommunications laws aimed at promoting competition, protecting service users and other purposes. Decisions relating to Government regulations and the resulting changes in the telecommunications industry may affect NTT Group's results of operations and financial condition.

The frequencies that NTT Group can use are limited, and it is possible that it will not be able to secure adequate frequency spectrum for its operations.

NTT Group has limited frequencies available for its services. For example, in areas such as major urban centers, mobile communications networks may suffer deteriorations of service quality at peak times, when use of available frequencies is at or near its limit.

In addition, while the number of subscribers and the traffic per subscriber are expected to increase in conjunction with the expanded use of devices, such as smartphones and tablet devices, if NTT Group were unable to obtain the frequency spectrum required for unhindered operation or if the start of operations on a different band frequency did not progress as planned, NTT Group may suffer degradation of service quality and incur additional costs.

NTT Group is working to obtain new frequencies and to improve the efficiency of frequency usage.

However, there can be no assurance that NTT Group's efforts will be sufficient to avoid deterioration in service quality. If NTT Group is unable to address such problems sufficiently and in a timely manner, it may face constraints in providing wireless services or lose subscribers to competitors, which could have a material adverse effect on NTT Group's results of operations or financial condition.

NTT Group may be impacted by laws, regulations and systems relating to the environment, such as those relating to reduction of greenhouse gas emissions.

NTT Group is subject, both in Japan and overseas, to laws and regulations relating to the environment, such as those governing the reduction of greenhouse gas emissions, energy conservation, waste disposal and harmful substance removal. NTT Group has implemented a variety of measures, such as introducing highly efficient power supplies and reusing and recycling telecommunications facilities, in order to comply with such laws and regulations relating to the environment. In the event that stricter laws and regulations and societal demands with respect to the environment materialize in the future, or new laws and regulations are introduced, costs may increase, which may impact NTT Group's financial condition and results of operations.

The Government owns enough NTT Shares to give it considerable influence over whether resolutions at NTT shareholder meetings are adopted, and rules and regulations in Japan provide the Government with regulatory authority over NTT Group companies.

The Government, through the Minister of Finance, currently owns 35.21% of NTT's issued Shares (35.21% of NTT's outstanding Shares excluding treasury stock), which equates to 35.26% of the voting rights, calculated on the basis of issued Shares minus treasury stock and less-than-one-unit shares. The Government, in its capacity as a shareholder, votes at NTT shareholder meetings and, by virtue of its statutorily mandated position as the largest shareholder, has the power to exert considerable influence over decisions made at such meetings. In 1997, in a statement at the Diet, the Government stated that it did not intend to actively use its position as a shareholder to direct the management of NTT. In fact, the Government has not historically used its power as a shareholder to direct the management of NTT.

The issuance or sale of additional NTT Shares or concerns regarding additional supply of NTT Shares in the stock market may affect the trading price of NTT Shares and ADSs.

Until October 1986, the Government owned 100% of the issued Shares of NTT. As a result of sales of Shares by the Government to the public and sales of Shares by the Government to NTT as part of NTT's Share repurchase programs, as of March 31, 2016, the Government's ownership of Shares was 35.21% of NTT's issued Shares (35.21% of NTT's outstanding Shares excluding treasury stock). In the event the NTT Act is revised again in order to ease or repeal the requirements regarding Government ownership of Shares, or if NTT cancels a significant amount of its treasury stock, the number of Shares the Government is allowed to sell would increase.

The sale of Shares by the Government or the issuance, sale or other disposal of treasury stock by NTT (or the potential for such transactions) could have an impact on the market price of Shares and ADSs.

Investors may have difficulty enforcing judgments under the laws of foreign countries, including the U.S. securities laws regarding the civil liabilities of NTT.

NTT is a limited liability, joint-stock corporation established under the laws of Japan. All of NTT's directors and management reside in Japan. All or a substantial portion of the assets of such persons or NTT are located in Japan. As a result, it may not be possible for investors to effect legal service of process outside Japan upon such persons or NTT or to enforce against them judgments predicated upon the laws of foreign countries, including the civil liability provisions of the U.S. securities laws, in federal or state courts in the United States or other foreign courts. NTT has been advised by its Japanese counsel that there is uncertainty as to the enforceability, in actions originated in Japan, of liabilities predicated solely upon the laws of foreign countries, including the U.S. securities laws, and as to the enforceability in Japan of judgments of federal or state courts in the United States or other foreign courts obtained in actions predicated upon the laws of foreign countries, including the civil liability provisions of the U.S. securities laws.

Consolidated Subsidiaries

As of March 31, 2016

Company	Capital	Voting rights ratio	Main line(s) of business
Consolidated subsidiaries	Millions of yen	%	
REGIONAL COMMUNICATIONS BUSINESS SEGMENT			
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	335,000	100.00	Regional telecommunications services in eastern Japan. NTT (Holding Company) is making long-term capital loans to NTT East.
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	312,000	100.00	Regional telecommunications services in western Japan. NTT (Holding Company) is making long-term capital loans to NTT West.
NTT EAST-MINAMIKANTO CORPORATION	50	100.00	Consigned sales of telecommunications services provided by NTT East
NTT-ME CORPORATION	100	100.00	Construction, maintenance, and management of telecommunications facilities, IT-related consulting, products and services planning, development, sales, and maintenance
NTT INFRASTRUCTURE NETWORK CORPORATION	100	100.00	Survey, engineering, installation, maintenance, operation, and management and leasing of telecommunications facilities and public works
NTT EAST SERVICE CORPORATION	50	100.00	Consigned sales of telecommunications services provided by NTT East
NTT BUSINESS SOLUTIONS CORPORATION	100	100.00	Proposal, construction, and support of ICT systems for business users
NTT NEOMEIT CORPORATION	100	100.00	Maintenance and operation of information sharing networks, planning, development, and sales of IT solutions
NTT MARKETING ACT CORPORATION	100	100.00	Sales and handling of inquiries for various services, operation of contact centers, and human resources dispatch business
NTT FIELDTECHNO CORPORATION	100	100.00	Call center operations, such as receipt of problem reports and provision of telephone support; in-home maintenance; in-home support services
NTT DIRECTORY SERVICES Co.	100	100.00	Publishing of telephone directories, directory assistance, and operations using telephone number databases
NTT Printing Corporation	100	100.00	Printing of telephone directories and commercial printing
TelWel East Japan Corporation	100	100.00	Office-related operations, outsourcing business, telegrams, building cleaning and security, nursing care and dining hall services, and retail store sales operations
NTT Solco Corporation	100	100.00	Telemarketing services and worker dispatch operations
NTT CARD SOLUTION CORP.	100	84.54	Electronic money settlement operations; solutions operations using IC cards, etc.; pre-paid card production and sales
NTT EAST PROPERTIES, INC.	5,000	100.00	Real estate operations related to the effective use of and the promotion of the effective use of commercial real estate
NTT SOLMARE CORPORATION	100	100.00	Various content distribution businesses, including distribution of comics to mobile phones
NTT WEST ASSET PLANNING CORPORATION	110	100.00	Real estate leasing and brokerage as well as maintenance and management
TelWel West Nippon Corporation	100	100.00	Staffing, telegraph, and office solution services
LONG DISTANCE AND INTERNATIONAL COMMUNICATIONS BUSINESS SEGMENT			
NTT COMMUNICATIONS CORPORATION	211,763	100.00	Long distance and international telecommunications services, and multimedia network services. NTT (Holding Company) is making long-term capital loans to NTT Communications.
Dimension Data Holdings plc	USD388.52 million	100.00	Management of Dimension Data Group
NTT PC Communications Incorporated	4,000	100.00	Telecommunications business as defined in the Telecommunications Business Law
NTT Plala Inc.	12,321	95.39	Provision of Internet connection and video distribution services
NTT Resonant Inc.	7,184	100.00	Development and provision of broadband portal services and search services
NTT America, Inc.	USD1,893.02 million	100.00	Provision of Arcstar services in the U.S.
NTT EUROPE LTD.	GBP153.83 million	100.00	Provision of Arcstar services in Europe
NTT AUSTRALIA PTY. LTD.	AUD218.73 million	100.00	Provision of Arcstar services in Australia
NTT Communications Deutschland AG	EUR124.24 million	100.00	Holding company of NTT Com Security AG
NTT Com Security AG	EUR59.56 million	94.68	Consulting on security solutions, provision of integration, and security services
Virtela Technology Services Incorporated	USD513.53 million	100.00	Provision of network services
RagingWire Data Centers, Inc.	USD420.41 million	100.00	Provision of data center services in North America
RW Holdco, Inc.	USD420.44 million	100.00	Holding company for RagingWire Data Centers, Inc.
RW Midco, Inc.	USD346.97 million	80.05	Holding company for RW Holdco, Inc.
Arkadin International SAS	EUR165.93 million	92.68	Provision of voice conferencing services, web conferencing services, and video conferencing services
GYRON INTERNET LIMITED	GBP93.00 million	84.97	Data center-related services in the U.K.
NETMAGIC SOLUTIONS PRIVATE LIMITED	INR7,210.92 million	74.00	Data center-related services in India
NETMAGIC IT SERVICES PRIVATE LIMITED	INR5,545.00 million	100.00	IT outsourcing and managed services in India

Consolidated Subsidiaries

Company	Capital	Voting rights ratio	Main line(s) of business
Consolidated subsidiaries	Millions of yen	%	
Lux e-shelter 1 S.a.r.l.	EUR403.20 million	86.70	Holding company of e-shelter Group
Lux e-shelter 3 S.a.r.l.	EUR147.62 million	100.00	Headquarters of the operational functions within the e-shelter Group
e-shelter Services Holding GmbH	EUR143.00 million	100.00	Headquarters of the data center business in Germany
e-shelter Properties Holding S.a.r.l.	EUR118.44 million	100.00	Headquarters of the data center business in Austria
Spectrum Holdings Inc.	USD4,101.93 million	100.00	Management of Dimension Data Holdings plc's subsidiary companies in Europe
Dimension Data Commerce Centre Limited	USD782.67 million	100.00	Sales of communications equipment in the U.S.
Dimension Data (U.S.) II, Inc.	USD822.86 million	100.00	Investment in the U.S.
Dimension Data (U.S.) Inc.	USD480.24 million	100.00	Management of Dimension Data Holdings plc's subsidiary companies in the U.S.
Dimension Data North America, Inc.	USD375.56 million	100.00	Provision of voice conferencing services, web conferencing services, and video conferencing services
Dimension Data International Limited	USD109.62 million	100.00	Holding company of Dimension Data Holdings Nederland B.V.
Dimension Data Holdings Nederland B.V.	EUR80.93 million	100.00	Investment activities in Europe
Dimension Data Australia Pty Limited	AUD209.65 million	100.00	Building of ICT system infrastructure and provision of maintenance support
Dimension Data Cloud Solutions Australia Pty Ltd	AUD175.64 million	100.00	Provision of cloud solutions
Solutionary, Inc.	USD239.32 million	100.00	Provision of managed security services
NTT Innovation Institute, Inc.	USD10.05 million	100.00	Research and development in the security and cloud fields

MOBILE COMMUNICATIONS BUSINESS SEGMENT

NTT DOCOMO, INC.	949,679	65.67	Mobile telecommunications services, development, maintenance, and sales of mobile telecommunications
DOCOMO CS, Inc.	100	100.00	Mobile phone marketing support operations; construction, maintenance, and operation of telecommunications equipment
DOCOMO Support Inc.	20	100.00	Consignment of telephone reception, transactions, etc.
DOCOMO Systems, Inc.	11,382	100.00	Design and development of systems
DOCOMO Technology, Inc.	100	100.00	Research and development of telecommunications systems
DOCOMO Guam Holdings, Inc.	USD161.27 million	100.00	Holding company for DOCOMO PACIFIC, INC. and MCV Guam Holding Corp.
DOCOMO PACIFIC, INC.	USD36.67 million	100.00	Provision of cable TV and Internet services in Guam
DOCOMO PACIFIC (SAIPAN), INC.	USD0.01 million	100.00	Provision of cable TV and Internet services in the Commonwealth of the Northern Mariana Islands
D2C Inc.	3,480	54.00	Digital advertising sales and marketing
mmbi, Inc.	24,890	100.00	Provision of basic broadcasting business specified by the Broadcast Law and its related services
OAK LAWN MARKETING, INC.	1,467	51.00	Mail-order sales centered on TV media
Tower Records Japan Inc.	6,545	50.25	Sales of music and visual products as well as music-related goods
NTT DOCOMO Ventures, Inc.	50	100.00	Fund management
ABC Cooking Studio Co., Ltd.	10	51.00	Nationwide development of ABC Cooking Studios and sales of kitchen and other goods
DOCOMO ANIME STORE, INC.	1,000	60.00	Online distribution of animation videos
docomo Healthcare, Inc.	1,300	66.00	Platforms for the management, utilization, and sharing of data related to the human body, health, and medical treatment
DOCOMO Deutschland GmbH	EUR350.12 million	100.00	Holding company for net mobile AG and Buongiorno S.p.A.
Buongiorno S.p.A.	EUR83.05 million	100.00	Provision of platform for B-to-C distribution of mobile content and billing
net mobile AG	EUR88.66 million	95.79	Provision to carriers of platform for mobile content distribution and billing
DOCOMO Innovations, Inc.	USD110.38 million	100.00	Discovery of and investment in venture companies that possess advanced technologies that can be used with mobile communications services or other innovative technologies
DCM Reinsurance Company, Inc.	700	100.00	Reinsurance business for mobile phone protection services

Company	Capital	Voting rights ratio	Main line(s) of business
Consolidated subsidiaries	Millions of yen	%	
DATA COMMUNICATIONS BUSINESS SEGMENT			
NTT DATA CORPORATION	142,520	54.21	Systems integration and network systems services
NTT DATA i CORPORATION	100	100.00	Design and development of systems
NTT DATA KANSAI CORPORATION	400	100.00	Design, development, and sales of systems
XNET Corporation	783	51.01	Sales of systems
Japan Information Processing Service Co., Ltd.	2,460	80.00	Design and development of systems
NTT DATA INTRAMART CORPORATION	738	56.92	Sales of packaged software
JSOL CORPORATION	5,000	50.00	Design and development of systems
NJK Corporation	4,222	51.20	Design and development of systems
NTT DATA CUSTOMER SERVICE CORPORATION	2,000	100.00	System operations and maintenance
NTT Data International L.L.C.	USD1,649.67 million	100.00	Responsible for NTT DATA's operating subsidiaries in North America
NTT DATA EUROPE GmbH & Co. KG	EUR308.05 million	100.00	Responsible for NTT DATA's SAP operating subsidiaries overseas
itelligence AG	EUR82.78 million	100.00	Consulting and design and development of systems
NTT DATA Deutschland GmbH	EUR94.65 million	100.00	Consulting and design and development of systems
NTT DATA, Inc.	USD1,356.41 million	100.00	Consulting and design and development of systems
NTT DATA EMEA LTD.	EUR408.12 million	100.00	Management of NTT DATA CORPORATION's subsidiary companies in Europe
NTT DATA ENTERPRISE SERVICES HOLDING, INC.	USD130.09 million	100.00	Consulting and design and development of systems
NTT DATA ASIA PACIFIC PTE. LTD.	SGD184.76 million	100.00	Responsible for NTT DATA's APAC operating subsidiaries
EVERIS PARTICIPACIONES, S.L.U.	EUR72.99 million	100.00	Consulting and design and development of systems
NTT DATA (CHINA) INVESTMENT CO., LTD.	CNY380.19 million	100.00	Responsible for NTT DATA's China operating subsidiaries
CARLISLE & GALLAGHER CONSULTING GROUP, INC.	USD205.17 million	100.00	Consulting as well as system design and development

OTHER BUSINESSES

NTT URBAN DEVELOPMENT CORPORATION	48,760	67.30	Acquisition, construction, management, and rental of real estate
UD EUROPE LIMITED	GBP81.80 million	100.00	Investment and operation of real estate in the U.K.
Downtown Properties Owner, LLC	USD123.76 million	100.00	Real estate acquisition, operations, and management
NTT FINANCE CORPORATION	16,770	100.00	Leasing and installment sales of communications equipment; billing and collection services for communications service charges, etc.
NTT FACILITIES, INC.	12,400	100.00	Design, management, and maintenance of buildings, equipment, and electric power facilities
NTT COMWARE CORPORATION	20,000	100.00	Development, production operation, and maintenance of telecommunications systems and software
NTT ADVANCED TECHNOLOGY CORPORATION	5,000	100.00	Technology transfer; design and development of hardware, software, and computing / telecommunications systems; analytical research on technical trends; technical consulting
NTT Electronics Corporation	6,576	95.76	Development, design, manufacture, and sales of custom LSIs and optical components for communications applications and related electronic installations and systems
NTT Software Corporation	500	100.00	Systems development; system integration; total solutions and e-commerce consulting; product development and sales; development of advanced technologies
NTT ADVERTISING, INC.	115	100.00	Advertising and related businesses
InfoCom Research, Inc.	100	100.00	Investigation and research concerning the information and communications industry
NTT LEARNING SYSTEMS CORPORATION	100	100.00	Training and development
NTT BUSINESS ASSOCIE Corporation	7,750	100.00	Real estate-related business, consigned business for company housing management, management systems, and settlement services
NTT LOGISCO Inc.	4,000	100.00	Comprehensive logistics services
NTT Broadband Platform, Inc.	100	100.00	Installation of base stations for shared wireless LANs and wholesale operations for wireless LAN base station equipment

Other 799 companies

Glossary of Terms

Explanations of specialized terms as used in this report

General Terms

■ Advisory

Services entailing the provision of advice and proposals to customers and the resolution of issues utilizing specialized knowledge and technologies.

■ AI

Artificial Intelligence.

■ Application

Software developed and used for specific functions and purposes.

■ ARPU (Average Revenue Per User)

Monthly average telecommunications revenue per subscriber.

■ B2B2X

A business that supports and promotes the customer-based businesses of other companies. “B” represents the company and “X” represents customers, such as individuals, corporations, employees and government agencies.

■ B2C (Business to Consumer)

Business operations in which companies conduct transactions with general consumers.

■ Base Station

Antenna and other network devices that communicate directly with mobile phones.

■ Big Data

A constellation of data, including character data, images, graphs, audio, etc., which are part of SNS, word-of-mouth websites, and more, so vast in quantity and complex in structure that it becomes difficult to manage and process with traditional technology.

■ BPO (Business Process Outsourcing)

The entrustment of part of a company’s business processes to an external specialist company.

■ Broadband

Internet connection service compatible with large volume communications.

■ Cloud / Cloud Services

Type of service whereby software and hardware can be used through a network. The service can be used on an on-demand basis without the need to purchase hardware, such as a server, or software.

■ Cross-selling

Marketing method in which NTT Group companies collaborate to meet their clients’ needs by combining their services to propose and sell.

■ Cyber-Attack

Attack that causes the functionality of the target system to fail as well as unauthorized access of a target computer or network resulting in theft, destruction, or alteration of data.

■ Data Center

Facility entrusted with servers and other systems by customers that provides operation and management services, including Internet connectivity.

■ DDoS (Distributed Denial of Service) Attack

Attack in which large numbers of computers distributed over multiple networks generate connection requests at the same time for a specific network or computer in order to crash that network or computer through a traffic overload.

■ Deep Learning

Machine learning method with technology that studies the characteristics of data, recognizes and classifies events, and realizes functionality with a capacity to learn similarly to the way humans learn naturally.

■ Digital Archiving

Digitization and preservation of the collections and cultural resources (cultural materials and properties) of museums, art galleries, archives, and libraries.

■ DSL (Digital Subscriber Line)

Technology to realize high-speed communications using general analog circuits.

■ Edge Computing

Technology that reduces distances to servers and minimizes latency by distributing edge servers close to end users.

■ ERP (Enterprise Resource Planning)

Method of comprehensively managing and allocating the various resources of a company (personnel, funds, facilities, materials, information, etc.) to increase operational efficiency and optimize management on an overall basis.

■ Footprint

Bases at which business activities are conducted.

■ FTTH (Fiber To The Home)

Method of fiber-optic communications access using optical fiber as the transmission trunk line connected directly to general consumer residences.

■ ICT (Information and Communications Technology)

Collectively refers to technologies related to information and communications, including hardware and software used for information and communications functions of computers, and technologies used in IT systems and data communications.

■ IoT (Internet of Things)

Equipping not only information and communications devices such as computers, but also all everyday objects with communication functions to connect to the internet and communicate among themselves for functions such as automated recognition, automated operation, and remote measurement.

■ ISP (Internet Service Provider)

Company providing Internet connection services.

■ IT Outsourcing (ITO)

The complete entrustment of operation and maintenance of systems to an external specialist contractor or similar organization.

■ Layer

For example, applications / solutions, managed ICT, and data centers / networks are layers.

■ LTE (Long Term Evolution)

Telecommunications standard with features including high transmission speeds, large capacity, efficient use of radio waves, and low delay. Achieves high-speed telecommunication in a mobile phone at speeds on a par with optical fiber.

■ M&A (Merger and Acquisition)

General term for business mergers and acquisitions.

■ Malware

General term for malicious software (code) that uses a variety of techniques to infect a user’s computer and is automatically activated through remote operation, such as spam distribution or theft of Internet banking information.

■ Managed ICT Service

Integrated provision of communications equipment installation and set-up, maintenance, and management, which are essential in the use of communications services.

■ National Strategic Special Zone

Economic zones for which the government is leading initiatives, such as deregulation and special tax treatment. The intent is to attract large numbers of companies and resources from within Japan and overseas and establish an international business environment.

■ NFV (Network Functions Virtualization)

Technology for the provision in software of network functions that had previously been realized through the use of dedicated hardware. Used with general-purpose servers.

■ Omni-Channel

Concept and strategy for approaching customers in a wide range of locations, including stores and events, without regard to the channel, such as Internet or mobile.

■ Open Innovation

The creation of innovative products or business models by combining technologies and ideas from a wide range of sources, both inside and outside the company.

■ Organic Growth

Growth achieved through the use of existing management resources. Used in comparison with growth achieved through M&A transactions, etc.

■ OTT (Over The Top) Operators

Companies other than telecommunications operators that provide messaging, voice, and video content through Internet circuits.

■ Packet Telecommunications

Method of computer telecommunication in which data is sent and received as individual small packets.

■ Projection Mapping Technologies

Technologies for portraying pictures on buildings, objects, spaces, etc., using computer graphics and projection equipment.

■ SDN (Software-Defined Networking)

Technology for the use of software to implement integrated control of the operation of network equipment.

■ Seamless

Not having seams.

■ Solution

Identification of issues faced by customers and the provision of systems, etc., that can resolve those issues.

■ System Integration

Implementing the construction and operation of information communications systems in an integrated manner, tailored to clients’ operations.

■ Ubiquitous

Ability to access the Internet and other information networks anytime, anywhere.

■ User Experience (UX)

The experience and satisfaction level of the user when using the product, system, or service, also used as a guideline for improvement in system and service development.

■ Virtualization Technologies

Technology for the creation of multiple virtual computers on a single computer and the installation and use of operating systems on each of the virtual computers.

■ VPN (Virtual Private Network)

Service that enables the use of public circuits as if they were a customer’s private network by limiting the devices that can be connected and encrypting intermediate routes to offer high security.

■ Wi-Fi

Technology for wireless connection to a network.

■ 4K

High definition resolution with four times the number of pixels (3,840 x 2,160) as full high definition (1,920 x 1,080).

Terms Related to NTT Group Services

■ Arcstar Universal One

VPN service for clouds provided by NTT Communications that enables flexible packaging of different telecommunications layers and access line qualities.
http://www.ntt.com/en/services/network/virtual-private-network.html

■ dmarket

Smartphone content marketplace operated by NTT DOCOMO.

■ d POINT CLUB

A point program provided by NTT DOCOMO with no sign-up or annual fees that anybody can become a member of under a personal name.
https://www.nttdocomo.co.jp/english/support/dpoint/

■ FLET’S Hikari

B FLET’S, FLET’S Hikari Next, FLET’S Hikari Light, FLET’S Hikari Lightplus, and FLET’S Hikari WiFi Access by NTT East and B FLET’S, FLET’S Hikari Premium, FLET’S Hikari Mytown, FLET’S Hikari Next, FLET’S Hikari Light, and FLET’S Hikari WiFi Access by NTT West.
https://fleets.com/english/
http://fleets-w.com/english/

■ FLET’S TV

Service provided by NTT East and NTT West that enables subscribers to receive terrestrial / BS digital broadcasts using FLET’S Hikari optical fiber.

■ Hikari Denwa

A value-priced IP- and optical fiber-based telephone service using FLET’S Hikari.

■ Hikari TV

A service that allows users to enjoy multi-channel broadcasting, video, kara-oke, and other services by connecting FLET’S Hikari links to their TVs.
https://www.hikaritv.net/english/

■ Kake-hodai & Pake-aeru

Service provided by NTT DOCOMO that combines a discount with a basic plan and a Packet Pack.
https://www.nttdocomo.co.jp/english/charge/new_plan/index.html

■ OCN

An Internet connectivity service provided by NTT Communications that stands for Open Computer Network.
http://service.ocn.ne.jp/english/

Stock Information (As of March 31, 2016)

Corporate Information

Company name	NIPPON TELEGRAPH AND TELEPHONE CORPORATION		
Date of establishment	April 1, 1985		
Head office	Otemachi First Square, East Tower, 5-1, Otemachi 1-Chome, Chiyoda-ku, Tokyo 100-8116, Japan		
Telephone	81 (3) 6838-5111		
Common stock	¥937,950,000,000		
Total number of shares authorized to be issued by NTT	6,192,920,900 shares		
Total number of shares issued	2,096,394,470 shares		
Aggregate voting rights	20,934,291		
Number of shareholders (including holders of fractional shares)	892,652		

Stock Exchanges on Which the Company Is Listed

Tokyo (Stock Code: 9432)
New York (Ticker Symbol: NTT)

Investor Relations

http://www.ntt.co.jp/ir/contact_e/
Telephone: 81 (3) 6838-5481

Depository for NTT American Depositary Receipts (“ADRs”)

JPMorgan Chase Bank, N.A.
4 New York Plaza, Floor 12,
New York, NY 10004, U.S.A.

Inquiries	
JPMorgan Service Center	
P.O. Box 64504	
St. Paul, MN 55164-0504, U.S.A.	
Telephone: 1-800-990-1135 (General)	
1-651-453-2128 (From outside the U.S.A.)	

Principal Shareholders

Name	Number of shares held (Thousands)	Ratio of the number of shares held to the total number of shares issued (%)
The Minister of Finance	738,123	35.21
Japan Trustee Services Bank, Ltd. (Trust Account)	88,426	4.22
The Master Trust Bank of Japan, Ltd. (Trust Account)	63,112	3.01
Moxley & Co. LLC	30,822	1.47
Japan Trustee Services Bank, Ltd. (Trust Account 9)	26,823	1.28
State Street Bank and Trust Company	22,766	1.09
JPMorgan Chase Bank 385632	19,064	0.91
State Street Bank and Trust Company 505202	18,735	0.89
State Street Bank and Trust Company 505225	15,791	0.75
Japan Trustee Services Bank, Ltd. (Trust Account 1)	15,641	0.75

Notes: 1 Number of shares held is rounded down to the nearest thousand.
2 Equity ownership percentages do not include treasury stock.

Breakdown of Shares by Shareholder

The number of shares is rounded down to the nearest thousand.
The figures in parentheses represent percentage of total shares owned for each category of shareholder.



Notes: 1 The percentages represent the ratio of shareholders' shares to the total number of issued shares excluding fractional shares (2,709,570 shares).
2 "Other Corporations" above includes 29,000 shares in the name of Japan Securities Depository Center.
3 There are 186,570 holders who hold only fractional shares.

Restrictions under the NTT Act

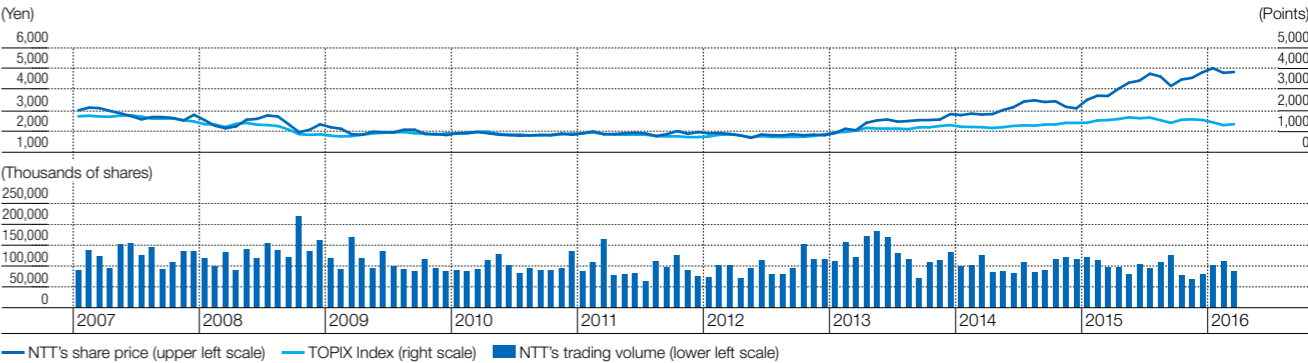
The NTT Act requires the government to own at least one-third of the total number of issued shares*. Pursuant to the NTT Act, the proportion of voting rights of foreign nationals and foreign corporations is limited to less than one-third of the total voting rights.

If the proportion of voting rights of foreign nationals and foreign corporations should exceed one-third, pursuant to the NTT Act, NTT is prohibited from registering ownership of shareholders in excess of such limit.

As of the end of March 2016, 6,280,931 of the voting rights were owned by foreign nationals and foreign corporations.

* For the time being, pursuant to Article 13 of the NTT Act, any increase in the number of shares attributable to the issuance of new shares is not included in calculating the total number of issued shares for the purposes of the NTT Act.

NTT’s Share Price on the Tokyo Stock Exchange



Notes: 1 NTT’s stock price and TOPIX Index are the simple average closing prices on the last trading day every month.
2 NTT’s trading volume refers to the number of NTT shares traded every month.
3 NTT conducted a 100-for-1 stock split of its common stock, with an effective date of January 4, 2009, and a 2-for-1 stock split of its common stock, with an effective date of July 1, 2015. NTT share prices have been adjusted to reflect the impact of these stock splits.