

# Financial Results Release

For the Year Ended March 31, 2017

May 15, 2017

[U.S. GAAP]

Name of registrant :Nippon Telegraph and Telephone Corporation (“NTT”) / URL <http://www.ntt.co.jp/ir/>  
 Code No. :9432  
 Stock exchanges on which the Company's shares are listed :Tokyo  
 Representative :Hiroo Unoura, President and Chief Executive Officer  
 Contact :Takashi Ameshima, Head of IR, Finance and Accounting / TEL +81-3-6838-5481  
 Scheduled date of the ordinary general meeting of shareholders:June 27, 2017  
 Scheduled date of dividend payments :June 28, 2017  
 Scheduled filing date of securities report :June 30, 2017  
 Supplemental material on financial results :Yes  
 Presentation on financial results :Yes (for institutional investors and analysts)

## 1. Consolidated Financial Results for the Year Ended March 31, 2017 (April 1, 2016 - March 31, 2017)

Amounts are rounded to nearest million yen.

### (1) Consolidated Results of Operations

(Millions of yen)

	Operating Revenues		Operating Income		Income (Loss) before Income Taxes		Net Income (Loss) Attributable to NTT	
Year ended March 31, 2017	11,391,016	(1.3)%	1,539,789	14.2%	1,527,769	14.9%	800,129	8.5%
Year ended March 31, 2016	11,540,997	4.0%	1,348,149	24.3%	1,329,259	24.6%	737,738	42.4%

Note: Percentages above represent changes from the previous year.

	Basic Earnings (Loss) per Share Attributable to NTT	Diluted Earnings per Share Attributable to NTT	ROE (Ratio of Net Income Attributable to NTT)	ROA (Ratio of Income (Loss) before Income Taxes to Total Assets)	Operating Income Margin (Ratio of Operating Income to Operating Revenues)
Year ended March 31, 2017	390.94 (yen)	- (yen)	8.9%	7.2%	13.5%
Year ended March 31, 2016	350.34 (yen)	- (yen)	8.4%	6.4%	11.7%

Notes: 1.Comprehensive income (loss) attributable to NTT: For the year ended March 31, 2017: 860,200 million yen (103.8%)

For the year ended March 31, 2016: 422,153 million yen ((38.9)%)

2.Equity in earnings (losses) of affiliated companies: For the year ended March 31, 2017: (21) million yen

For the year ended March 31, 2016: 5,772 million yen

3.NTT conducted a two-for-one stock split of its common stock, with an effective date of July 1, 2015. The figures for Basic Earnings (Loss) per Share Attributable to NTT have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

### (2) Consolidated Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Total Equity (Net Assets)	Shareholders' Equity	Equity Ratio (Ratio of Shareholders' Equity to Total Assets)	Shareholders' Equity per Share
March 31, 2017	21,250,325	11,507,756	9,052,479	42.6%	4,491.73 (yen)
March 31, 2016	21,035,931	11,240,082	8,833,806	42.0%	4,214.32 (yen)

### (3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Year ended March 31, 2017	2,917,357	(2,089,311)	(981,511)	925,213
Year ended March 31, 2016	2,711,845	(1,759,778)	(707,575)	1,088,275

## 2. Dividends

	Dividends per Share					Total Annual Dividends	Payout Ratio (Consolidated)	Ratio of Dividends to Shareholders' Equity (Consolidated)
	End of the First Quarter	End of the Second Quarter	End of the Third Quarter	Year-end	Total			
Year ended March 31, 2016	—	50.00 (yen)	—	60.00 (yen)	110.00 (yen)	230,677 (millions of yen)	31.4 %	2.6 %
Year ended March 31, 2017	—	60.00 (yen)	—	60.00 (yen)	120.00 (yen)	243,147 (millions of yen)	30.7 %	2.7 %
Year ending March 31, 2018 (Forecasts)	—	75.00 (yen)	—	75.00 (yen)	150.00 (yen)	—	36.2 %	—

## 3. Consolidated Financial Results Forecasts for the Year Ending March 31, 2018 (April 1, 2017 - March 31, 2018)

(Millions of yen)

	Operating Revenues		Operating Income		Income before Income Taxes		Net Income Attributable to NTT		Basic Earnings per Share Attributable to NTT	
Year ending March 31, 2018	11,750,000	3.2%	1,590,000	3.3%	1,580,000	3.4%	830,000	3.7%	414.00 (yen)	

Note: Percentages above represent changes from the previous year.

**\*Notes**

(1) Change in reporting entities (change in significant consolidated subsidiaries): Yes

Newly added: One company (NTT DATA Services, L.L.C.)

(2) Change of accounting policy

i. Change due to revision of accounting standards and other regulations: None

ii. Other change: Yes

(For further details, please see “(7) Change in Significant Matters Serving as a Basis for the Preparation of Consolidated Financial Statements” on page 21.)

(3) Number of shares outstanding (common stock)

i. Number of shares outstanding (including treasury stock) at end of year:

March 31, 2017: 2,096,394,470 shares

March 31, 2016: 2,096,394,470 shares

ii. Number of shares of treasury stock at end of year:

March 31, 2017: 81,026,959 shares

March 31, 2016: 255,269 shares

iii. Weighted average number of shares outstanding:

For the year ended March 31, 2017: 2,046,678,144 shares

For the year ended March 31, 2016: 2,105,782,828 shares

Note: NTT conducted a two-for-one stock split of its common stock, with an effective date of July 1, 2015. The figures for “Number of shares outstanding (common stock)” have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

**(Reference) Non-Consolidated Financial Results**

For the Year Ended March 31, 2017

[Japanese GAAP]

**1. Non-consolidated Financial Results for the Year Ended March 31, 2017 (April 1, 2016 - March 31, 2017)**

Amounts are rounded off per 1 million yen.

(1) Non-consolidated Results of Operations

(Millions of yen, except per share amounts)

	Operating Revenues		Operating Income		Recurring Profit		Net Income	
Year ended March 31, 2017	474,380	(9.1)%	339,686	(11.6)%	334,901	(12.2)%	288,117	(56.8)%
Year ended March 31, 2016	521,742	26.7%	384,076	40.2%	381,487	40.1%	666,679	19.8%

Note: Percentages above represent changes from the previous year.

	Earnings per Share	Diluted Earnings per Share
Year ended March 31, 2017	140.77 (yen)	- (yen)
Year ended March 31, 2016	316.59 (yen)	- (yen)

Note: NTT conducted a two-for-one stock split of its common stock, with an effective date of July 1, 2015. The figures for Earnings per Share have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

(2) Non-consolidated Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Net Assets	Equity Ratio (Ratio of Shareholders' Equity to Total Assets)	Net Assets per Share
March 31, 2017	6,681,061	4,383,510	65.6%	2,175.04 (yen)
March 31, 2016	7,052,062	4,717,924	66.9%	2,250.77 (yen)

(Reference) Shareholders' equity: For the year ended March 31, 2017: 4,383,510 million yen

For the year ended March 31, 2016: 4,717,924 million yen

**2. Non-consolidated Financial Results Forecasts for the Year Ending March 31, 2018 (April 1, 2017 - March 31, 2018)**

(Millions of yen, except per share amounts)

	Operating Revenues		Operating Income		Recurring Profit		Net Income		Earnings per Share
Year ending March 31, 2018	662,000	39.6%	532,000	56.6%	529,000	58.0%	530,000	84.0%	264.00(yen)

Note: Percentages above represent changes from the previous year.

\* This financial results release is not subject to the audit process.

\* Explanation for financial results forecasts and other notes:

With regard to the assumptions and other related matters concerning the above estimated results, please refer to page 26.

As NTT evaluates its business performance on an annual basis, prospects on a semi-annual basis are not provided.

On Monday, May 15, 2017, NTT will hold a presentation on its financial results for institutional investors and analysts. Shortly thereafter, NTT plans to post on its website explanatory details, along with the materials used at the presentation.

## 1. BUSINESS RESULTS

### (1) Summary of Business Results

#### Overview of Consolidated Business Results (April 1, 2016 – March 31, 2017)

(Billions of yen)

	Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Change	Percent Change
Operating revenues	11,541.0	<b>11,391.0</b>	(150.0)	(1.3)%
Operating expenses	10,192.8	<b>9,851.2</b>	(341.6)	(3.4)%
Operating income	1,348.1	<b>1,539.8</b>	191.6	14.2%
Income before income taxes	1,329.3	<b>1,527.8</b>	198.5	14.9%
Net income attributable to NTT	737.7	<b>800.1</b>	62.4	8.5%

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

In the fiscal year ended March 31, 2017, a wide range of changes took place in the information and telecommunications market with the increased spread and market penetration of devices that utilize fixed-line and mobile broadband, and improved convenience in people's everyday lives and productivity in various industries through the emergence of new services made possible by the evolution of technologies such as cloud services, AI, Big Data, and IoT. In addition, the role of information and telecommunications is becoming increasingly important, including strengthening security measures against increasingly sophisticated and complex cyberattacks, strengthening natural disaster countermeasures and managing safe and secure social systems. This change can be seen on a global scale.

In light of these circumstances, NTT Group accelerated its self-transformation as a "Value Partner" and worked to place the entire NTT Group towards a profit growth track based on the medium-term management strategy "Towards the Next Stage 2.0" formulated and announced in May 2015.

#### ● Status of Initiatives to Expand Global Business and Increase Overseas Profit Generation

NTT Group seeks to establish and expand its global cloud service as a cornerstone of its business operations, and strengthened its efforts to accelerate overseas profit generation through the following initiatives.

- In order to enhance NTT Group's global provision of security services, NTT Group established NTT Security Corporation for the integration of NTT Group's specialized security technologies and service platforms.
- NTT Group promoted cross-selling through collaboration among group companies through its global network, cloud migration, and IT outsourcing projects and received orders from customers in a range of industries from various global regions, including Public Transport Victoria in Australia, as well as the finance, manufacturing, and shipping industries.
- While streamlining and optimizing its services and operations in NTT Group's global cloud business, in procurement, NTT Group has promoted the unified specifications of procured goods and narrowing down of models to cut procurement costs, working to reform its business structure to strengthen the competitiveness of the entire NTT Group.

#### ● Status of Initiatives to Improve Efficiency and Enhance Profitability of Domestic Network Businesses

NTT Group worked to enhance profitability by creating high value-added services as well as optimizing capital investments and reducing costs for its domestic network businesses.

- Through its efforts with the "Hikari Collaboration Model" and "+d" to promote collaboration among various businesses, NTT Group worked to create high value-added services.
- In addition to simplifying and streamlining networks, NTT Group worked to increase the efficiency of capital investment by increasing the usage of existing facilities and reducing procurement costs.
- NTT Group continued to work to reduce costs by controlling marketing costs through the development of the "Hikari Collaboration Model" and by increasing business efficiency.

In addition, in order to support the above initiatives, NTT Group worked to increase the transparency of information regarding group management, further standardize the group's accounting principles, and bolster cash management including overseas subsidiaries. Furthermore, through project teams formed in FY2015, NTT Group reviewed initiatives aimed at cost reduction and generating profits.

- Status of Initiatives to Expand B2B2X Business

The Japanese government has been developing and implementing a variety of policies centered on the Olympic and Paralympic Games Tokyo 2020 and the Japanese government's "Vitalization of Local Economies" initiatives. NTT Group plans to make use of these opportunities to accelerate migration to the B2B2X model and, together with businesses in other fields and local governments, strengthen measures aimed at creating services that will become the standard of the next generation.

- In the sports business, NTT Group developed its B2B2X business through collaborations with the J. League and the U.K.-based Perform Group. As a test case, at NACK5 Stadium Omiya, the home stadium of the J. League soccer club Omiya Ardija, NTT Group implemented the creation of smart stadiums, working to create a new way to enjoy the match through fans' smartphones and to stimulate the local communities by mutually referring customers to nearby businesses. NTT Group also began to roll out smart stadiums in J. League stadiums nationwide, establishing Wi-Fi access in Yurtec Stadium Sendai as the first project. Additionally, NTT Group launched a new sports content distribution service including video from J. League matches. NTT Group made the "DAZN for docomo" service provided to smartphone users, and provided the "DAZN for docomo" and "DAZN" services for IP TV users through "Hikari-TV."
- NTT Group promoted collaboration in the entertainment field including traditional arts such as joint testing with SHOCHIKU Co., Ltd. on a collaboration between NTT Group's cutting-edge audiovisual recognition technology and kabuki.
- In addition to NTT Group's agreement with FANUC CORPORATION, which involves collaborative projects in the area of making factories smarter by utilizing edge computing technology and application distribution technology, NTT Group promoted collaborations in a range of industrial fields, including initiatives to make agriculture smarter by monitoring crop-raising conditions through sensor information, aerial drone photography, and image analysis.
- In July 2016, the "Sapporo City ICT Utilization Platform Study Panel" was established with the goal of utilizing Sapporo City's ICT to resolve regional social issues using NTT Group's ICT technology in fields starting with tourism and sports, and including traffic and snow control, health, and childcare. NTT Group promoted the utilization of ICT in the tourism field in Sapporo City by collecting and analyzing big data (the flow of people and purchasing data centered on tourists) from Sapporo City and regional commercial facilities. Additionally, to establish Sapporo's brand as a tourism and sports city, at the 2017 Sapporo Asian Winter Games held in February 2017, NTT Group proposed a new way to watch sports using cutting-edge ICT, working to invigorate sports tourism.

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

- Status of Fundamental Research & Development

NTT Group pursued a range of R&D pursuant to NTT Group's Medium-Term Management Strategy "Towards the Next Stage 2.0." NTT Group established the "corevo®" brand, a collective term for NTT Group's AI technology, and promoted collaboration with partners in various industries. Furthermore, in order to commercialize the results of development, NTT Group developed business plans tailored to market trends based on NTT Group's Comprehensive Commercialization System and worked to promote development for practical use.

- Initiatives to Expand B2B2X Business
  - In the area of edge computing technology, which accomplishes the real-time and wide-ranging processing of data in the IoT age, NTT Group agreed to collaborations with FANUC CORPORATION to further the optimization of the manufacturing field, and with TOYOTA MOTOR CORPORATION to further technological development and technological evaluation in the field of connected cars.
  - In partnership with Mitsubishi Heavy Industries, Ltd., NTT Group developed a prototype for a control system that automatically detects and defends against cyberattacks on industrial equipment including public infrastructure.

- Utilizing the “angle-free object search technology (corevo®),” which can recognize and search for objects photographed from any angle with a high level of precision, NTT Group implemented joint testing with Seven & i Holdings Co., Ltd. to search for and provide information on products in convenience stores, and with Tokyo Metro Co., Ltd. within subway stations to provide current location data with photos taken of station map signs and to provide limited-time offers through photos taken of advertising posters.
  - Aiming to increase manufacturing facility operating rate and product quality, NTT Group provided Hitachi Zosen Corporation with “abnormal sound detection technology (corevo®),” which objectively visualizes and analyzes the characteristics of both operating sounds and malfunctions of manufacturing facility devices.
  - NTT Group implemented joint practical testing among six group companies to further the realization of services using a device coordination technology (corevo®) centered on communication robots.
- R&D to Improve Efficiency and Enhance Profitability of Domestic Network Businesses
    - NTT Group developed an “operation-collaboration function,” which facilitates cost reductions by service providers through the use of the “Hikari Collaboration Model” by cataloging the services of telecommunications operators and service providers, including competitors, and consolidating the management of multiple services from the point they are ordered through the start of service and maintenance.
    - NTT Group developed software which makes high-quality and low-cost network services possible by using general-purpose products utilized in data centers and other facilities.
    - NTT Group developed “malfunction source estimation technology (corevo®)” which largely reduces the time required to investigate the cause of a network malfunction by autonomously extracting the causal relationship between the network malfunction and the alarm sent from the device.
  - Research & Development that Enable Highly Immersive New Experiences
    - NTT Group developed a training system for professional baseball players using “athlete first-person vision synthesis technology,” which enables players to experience simulations of pitches with a high degree of realism, and carried out practical testing with RAKUTEN BASEBALL, INC. (Tohoku Rakuten Golden Eagles).
    - NTT Group developed MaPiece technology, which allows even those without specialized knowledge to easily collect accessibility information on steps and stairs required to provide directions to wheelchair users, as well as 2.5D map representation technology that realizes simple relief map display that is easy to understand even for foreign visitors to Japan.
    - Utilizing “Kirari!®” technology, which provides ultra-high presence “as if you were there” experiences, NTT Group implemented practical testing of its overseas real-time broadcasting technology to broadcast video from a studio in Japan to the 2017 SXSW (South by Southwest) in Austin, Texas as well as broadcasting the “KABUKI LION SHI-SHI-O: The Adventures of the Mythical Lion show” performed in Las Vegas, Nevada by SHOCHIKU Co., Ltd. To Japan.
    - In order to be able to provide entirely new services that touch the senses and emotions of humans and create new awe-inspiring experiences in public spaces moving forward into 2020, NTT Group began joint research with the international media art research institute Ars Electronica Futurelab.
    - NTT Group conducted practical testing of digital signage which simultaneously delivers information at the time of disaster and provides information based on the language and location of foreign tourists to ensure that urban functions are comfortable and safe.
  - Promoting Cutting-edge Research
    - NTT Group developed a “Quantum Neural Network” calculator based on an entirely new principle of using light to quickly solve problems which are difficult for traditional computers, such as searching for chemical compounds in drug development.
    - NTT Group was the first in the world to solve the macroscopic realism problem of whether the quantum mechanical behavior of a single electron appears in the everyday macroscopic world.
    - To discover how the brains of superior athletes regulate their mental state and control their bodily movements to deliver top-level performance, NTT Group launched the “Sports Brain Science Project” to elucidate the brain’s information processing in order to “Train the Brain to Win,” and started R&D.

- Status of Initiatives for Sustained Improvement in Corporate Value

While working to minimize medium- to long-term business risks by appropriately responding to social and environmental issues at NTT Group, NTT Group is promoting initiatives toward sustained improvement in corporate value by making effective contributions to the resolution of social and environmental issues through NTT Group's business activities. Taking into account the UN's "Sustainable Development Goals: SDGs," NTT Group has been engaged in various activities including modifying the "NTT Group CSR Charter" in May 2016 and affirming NTT Group's agreement with the SDGs in September 2016.

- Status of Initiatives for Cybersecurity
  - While promoting cutting-edge R&D and moving forward with the development of the latest R&D results, NTT Group promoted a group-wide initiative through the "Group CISO Committee." Furthermore, through the newly established NTT Security Corporation, NTT Group has created a system to provide cutting-edge security technology to NTT Group's customers. Additionally, in terms of the nationwide issue of developing IT security engineers, NTT Group promoted human resource development within NTT Group and participated in the study panel for inter-industry human resources development, contributing to security personnel development on a national level.
- Status of Initiatives to Ensure Diverse Personnel Can Demonstrate their Talents
  - Recognizing diversity management as a key part of NTT Group's management strategy, NTT Group has striven to ensure diverse personnel can demonstrate their talents. For example, in terms of sexual minorities such as LGBT persons, in addition to receiving the highest level "GOLD" evaluation in the "PRIDE Index," which evaluates companies' approaches to sexual minorities such as LGBT persons, NTT Group promoted initiatives such as clarifying that the systems including leave for marriage also apply to same-sex partners. Furthermore, in terms of NTT Group's "Work Style Reform," NTT Group is actively promoting the usage of the teleworking and flextime systems, regardless of rank or position, to create an easier working environment for all of NTT Group's employees.
- Status of Initiatives for the Environment
  - In September 2016, NTT Group announced the "NTT Group Environmental Statement" and "The Eco Strategy 2030," pledging to contribute to lowering the environmental burden on society while contributing to adapting to climate change and preserving the ecosystem by providing ICT services and cutting-edge technology. While continuing to promote energy saving and cost cutting by introducing cutting-edge electrical power units, NTT Group is also contributing to energy saving in society through sales of these units.

In addition to the above, NTT Group has taken group-wide initiatives to ensure the high stability and reliability of NTT Group's networks. While quickly and efficiently recovering networks following the 2016 Kumamoto Earthquake, NTT Group also provided support to those affected by the disaster by installing a temporary free Wi-Fi hotspot in the evacuation center.

As a result of the above efforts, NTT Group's consolidated operating revenues for the fiscal year ended March 31, 2017 were 11,391.0 billion yen (a decrease of 1.3% from the previous fiscal year) and consolidated operating expenses were 9,851.2 billion yen (a decrease of 3.4% from the previous fiscal year). As a result, consolidated operating income was 1,539.8 billion yen (an increase of 14.2% from the previous fiscal year), consolidated income before income taxes was 1,527.8 billion yen (an increase of 14.9% from the previous fiscal year), and consolidated net income attributable to NTT was 800.1 billion yen (an increase of 8.5% from the previous fiscal year).

The forecast for the fiscal year ending March 31, 2018 is as follows: operating revenues of 11,750.0 billion yen (an increase of 3.2% year-over-year), operating income of 1,590.0 billion yen (an increase of 3.3% year-over-year), income before income taxes of 1,580.0 billion yen (an increase of 3.4% year-over-year), and net income attributable to NTT of 830.0 billion yen (an increase of 3.7% year-over-year).

The business results for each business segment for the consolidated fiscal year ended March 31, 2017 are as follows.

## ■Regional Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2016 – March 31, 2017)

(Billions of yen)

	Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Change	Percent Change
Operating revenues	3,407.9	<b>3,308.2</b>	(99.6)	(2.9)%
Operating expenses	3,142.9	<b>2,948.7</b>	(194.2)	(6.2)%
Operating income	265.0	<b>359.5</b>	94.5	35.7%

### Number of Subscriptions

(Thousands of subscriptions)

	As of March 31, 2016	As of March 31, 2017	Change	Percent Change
FLET'S Hikari (including Hikari Collaboration Model) <sup>(1)</sup>	19,259	<b>20,053</b>	794	4.1%
NTT East	10,666	<b>11,173</b>	507	4.8%
NTT West	8,593	<b>8,880</b>	287	3.3%
Hikari Collaboration Model	4,691	<b>8,744</b>	4,053	86.4%
NTT East	3,077	<b>5,328</b>	2,251	73.2%
NTT West	1,615	<b>3,416</b>	1,801	111.6%
Hikari Denwa	17,374	<b>17,759</b>	385	2.2%
NTT East	9,123	<b>9,369</b>	246	2.7%
NTT West	8,252	<b>8,390</b>	139	1.7%

#### Notes:

- Number of "FLET'S Hikari (including Hikari Collaboration Model)" subscribers includes subscribers to "B FLET'S," "FLET'S Hikari Next," "FLET'S Hikari Light," "FLET'S Hikari Lightplus" and "FLET'S Hikari WiFi Access" provided by NTT East, subscribers to "B FLET'S," "FLET'S Hikari Premium," "FLET'S Hikari Mytown," "FLET'S Hikari Next," "FLET'S Hikari Light" and "FLET'S Hikari WiFi Access" provided by NTT West and subscribers to the "Hikari Collaboration Model," the wholesale provision of services to service providers by NTT East and NTT West.
- The figures for Hikari Denwa indicate the number of channels (in thousands). Number of "Hikari Denwa" subscribers includes wholesale services provided to service providers by NTT East and NTT West.

In the Regional Communications Business Segment, NTT Group worked to develop its B2B2X business through the "Hikari Collaboration Model," the wholesale provision of fiber-optic access infrastructure services, among other things, to various service providers.

#### ●Details of Main Initiatives

- With regard to the "Hikari Collaboration Model," the number of service providers providing wholesale service was approximately 550 companies at the end of the fiscal year ended March 31, 2017, as NTT Group further expanded collaborative projects with not only business operators in the communications industry, energy industry, real estate industry, and security industry, but also business operators in diverse industries including the housing industry and media industry in the fiscal year ended March 31, 2017. Furthermore, in the housing industry, new use cases were born, including providing total lifestyle support after home purchases, which includes a combination of this model, Home Energy Management System (HEMS) service and lifestyle-related services. As a result of these initiatives, the number of fiber-optic access service subscriptions using this model was 8.74 million.
- With the development of the "Hikari Collaboration Model," NTT Group worked to continually reduce marketing costs. Furthermore, by simplifying and streamlining networks and further increasing the usage of existing facilities, NTT Group worked to make capital investment more efficient.
- As companies and local governments are proactively promoting the use of Wi-Fi as a powerful information service tool, in various regions, NTT Group continually worked to improve convenience for the increasing number of visitors to Japan by expanding the coverage area of Wi-Fi, resulting in the number of Wi-Fi area owners reaching 557.

●Number of Subscriptions for Major Services

- FLET’S Hikari: 20.05 million subscriptions (an increase of 0.79 million subscriptions from the previous fiscal year)
- (Included in the above) “Hikari Collaboration Model”: 8.74 million subscriptions (an increase of 4.05 million subscriptions from the previous fiscal year)
- Hikari Denwa: 17.76 million channels (an increase of 0.38 million channels from the previous fiscal year)
- FLET’S TV: 1.52 million subscriptions (an increase of 0.09 million subscriptions from the previous fiscal year)

(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.

As a result of the above, consolidated operating revenues in the Regional Communications Business Segment for the fiscal year ended March 31, 2017 were 3,308.2 billion yen (a decrease of 2.9% from the previous fiscal year). On the other hand, consolidated operating expenses were 2,948.7 billion yen (a decrease of 6.2% from the previous fiscal year). As a result, consolidated operating income was 359.5 billion yen (an increase of 35.7% from the previous fiscal year).

■Long Distance and International Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2016 – March 31, 2017)

	(Billions of yen)			
	Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Change	Percent Change
Operating revenues	2,250.9	<b>2,129.3</b>	(121.7)	(5.4)%
Operating expenses	2,154.2	<b>2,088.4</b>	(65.8)	(3.1)%
Operating income	96.7	<b>40.8</b>	(55.9)	(57.8)%

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

●Details of Main Initiatives

- To provide an ICT solution based on a more highly reliable international network to NTT Group's enterprise clients, in October 2016 NTT Group began operations of the “Asia Pacific Gateway,” its high-bandwidth optical submarine cable network. Additionally, to respond to demand for cloud services and data centers in various global regions, in the continually growing market of America, in addition to launching service at its “Virginia Ashburn 2 (VA2) Data Center,” NTT Group began construction on its “Virginia Ashburn 3 (VA3) Data Center,” designed to achieve strong security and high-level energy savings, thus proactively expanding NTT Group's cloud platform by working to provide different variations of data centers. As a result of these initiatives, NTT Group’s data centers were ranked as top class in the world in terms of both total floor area and potential server installation floor area according to a report by U.S. TeleGeography (published in November 2016).
- NTT Group received an IT outsourcing order from major U.K. insurance provider ReAssure UK Services Limited, and began providing infrastructure services including introduction of cloud services for the company’s servers and security oversight services.

●Number of Subscriptions for Major Services

- Number of customers for Cloud services: 9,000 customers (an increase of 700 customers from the previous fiscal year)
- Hikari TV: 3.02 million subscriptions (a decrease of 0.03 million subscriptions from the previous fiscal year)

As a result of the above, consolidated operating revenues in the Long Distance and International Communications Business Segment for the fiscal year ended March 31, 2017 were 2,129.3 billion yen (a decrease of 5.4% from the previous fiscal year). On the other hand, consolidated operating expenses were 2,088.4 billion yen (a decrease of 3.1% from the previous fiscal year). As a result, consolidated operating income was 40.8 billion yen (a decrease of 57.8% from the previous fiscal year).



## ■ Mobile Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2016 – March 31, 2017)

(Billions of yen)

	Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Change	Percent Change
Operating revenues	4,527.1	<b>4,584.6</b>	57.4	1.3%
Operating expenses	3,738.8	<b>3,632.9</b>	(105.8)	(2.8)%
Operating income	788.4	<b>951.6</b>	163.3	20.7%

Number of Subscriptions

(Thousands of subscriptions)

	As of March 31, 2016	As of March 31, 2017	Change	Percent Change
Mobile Telecommunications Services	70,964	<b>74,880</b>	<b>3,916</b>	5.5%
"Kake-hodai & Pake-aeru" billing plan	29,704	<b>37,066</b>	<b>7,362</b>	24.8%
Telecommunications Services (LTE (Xi))	38,679	<b>44,544</b>	<b>5,865</b>	15.2%
Telecommunications Services (FOMA (3G))	32,285	<b>30,336</b>	<b>(1,949)</b>	(6.0)%

Notes:

1. Number of Mobile Telecommunications Services (including "Telecommunications Services (LTE (Xi))" and "Telecommunications Services (FOMA (3G))") includes Communication Module Services.

In the Mobile Communications Business Segment, NTT Group has worked toward the promotion of sales of the billing plan, "Kake-hodai & Pake-aeru," and "docomo Hikari," promoting collaboration with various business partners and providing new value-added services to enhance profitability in the smart life area.

### ● Details of Main Initiatives

- In addition to continuing to promote the sales of its "Kake-hodai & Pake-aeru," as a billing plan tailored to suit a customer's stage of life that offers more affordable rates to long-term users, in November 2016 NTT Group began offering its "docomo Child Raising Support Program" and other initiatives, working to enhance returns to NTT Group's customers. As a result, the number of subscriptions to "Kake-hodai & Pake-aeru" reached 37.07 million.
- By utilizing the "Hikari Collaboration Model" from the Regional Communications Business Segment, NTT Group 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 3.40 million.
- In order to strengthen profitability in the Smart Life area, NTT Group pursued the "+d" initiative, which was aimed at creating new added value through collaboration with various business partners, and expanded its content, finance, and settlement services. Specifically, NTT Group collaborated with Perform Group to begin providing the sports streaming service "DAZN for docomo," and worked to expand the number of member stores for NTT Group's "d POINTs" loyalty point program.

As a result of the above, consolidated operating revenues in the Mobile Communications Business Segment for the fiscal year ended March 31, 2017 were 4,584.6 billion yen (an increase of 1.3% from the previous fiscal year). On the other hand, consolidated operating expenses were 3,632.9 billion yen (a decrease of 2.8% from the previous fiscal year). As a result, consolidated operating income was 951.6 billion yen (an increase of 20.7% from the previous fiscal year).

## ■Data Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2016 – March 31, 2017)

(Billions of yen)

	Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Change	Percent Change
Operating revenues	1,616.8	<b>1,718.7</b>	101.9	6.3%
Operating expenses	1,504.1	<b>1,610.8</b>	106.7	7.1%
Operating income	112.7	<b>107.9</b>	(4.9)	(4.3)%

In the Data Communications Business Segment, NTT Group responded to the acceleration of its customers' expansion in the global market and the diversification and increased sophistication of their needs by working to expand NTT Group's 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 Main Initiatives

- To increase NTT Group's presence through the acquisition of a North America-focused operating base and to enhance cloud services and BPO services, NTT Group acquired the businesses of the Dell Services Division, which has been highly regarded by customers for providing digital solutions and BPO services tailored to the healthcare industry.
- To create new finance-related services through Open Innovation, together with venture firms and regional banks, NTT Group established “BeSTA FinTech Lab,” working to provide new services utilizing FinTech including the implementation of practical testing of information distribution services with location data.
- Aiming for the expanded use of global geospatial information, creation of new markets, and the stimulation of related industries, in April 2016 NTT Group began to offer the world's highest-resolution “AW3D® Global High-resolution 3D Map” developed with the Remote Sensing Technology Center of Japan (RESTEC) to all global land spaces.

As a result of the above, consolidated operating revenues in the Data Communications Business Segment for the fiscal year ended March 31, 2017 were 1,718.7 billion yen (an increase of 6.3% from the previous fiscal year). On the other hand, consolidated operating expenses were 1,610.8 billion yen (an increase of 7.1% from the previous fiscal year). As a result, consolidated operating income was 107.9 billion yen (a decrease of 4.3% from the previous fiscal year).

## ■Other Business Segment

Overview of Business Results by Business Segment (April 1, 2016 – March 31, 2017)

(Billions of yen)

	Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Change	Percent Change
Operating revenues	1,294.5	<b>1,282.3</b>	(12.2)	(0.9)%
Operating expenses	1,220.4	<b>1,205.0</b>	(15.5)	(1.3)%
Operating income	74.0	<b>77.3</b>	3.3	4.4%

In the Other Business Segment, NTT Group mainly provided services related to the real estate business, finance business, construction and electric power business, and system development business.

### ●Details of Main Initiatives

- Real Estate Business  
NTT Group pursued its office and retail operations centered on office buildings and commercial facilities and its residential operations principally through the “Wellith” brand. Furthermore, NTT Group utilized its know-how developed in these operations to pursue global and hotels & resorts businesses.

- Finance Business  
NTT Group provided financial services such as leasing, installation payment, and other finance areas concentrating on information-related equipment, billing and collection services for telecommunication service bills, and credit card transaction settlement services.
- Construction and Electric Power Business  
By combining and utilizing NTT Group's technology in “ICT, energy, and construction” to the fullest extent, NTT Group designed and built large-scale solar power generation systems and data centers.
- System Development Business  
To provide optimized, high-quality ICT services, NTT Group worked to develop network operation systems and application services.

As a result of the above, consolidated operating revenues in the Other Business Segment for the fiscal year ended March 31, 2017 were 1,282.3 billion yen (a decrease of 0.9% from the previous fiscal year). On the other hand, consolidated operating expenses were 1,205.0 billion yen (a decrease of 1.3% from the previous fiscal year). As a result, consolidated operating income was 77.3 billion yen (an increase of 4.4% from the previous fiscal year).

## (2) Summary of Financial Position

Net cash provided by operating activities for the fiscal year ended March 31, 2017 increased by 205.5 billion yen (7.6%) from the previous fiscal year to 2,917.4 billion yen. This increase was due to, among other factors, an increase in collection of accounts receivable.

Net cash used in investing activities increased by 329.5 billion yen (18.7%) from the previous fiscal year to 2,089.3 billion yen. This increase was due to, among other factors, an increase in payments for capital investments.

Net cash used in financing activities increased by 273.9 billion yen (38.7%) from the previous fiscal year to 981.5 billion yen. This increase was due to, among other factors, an increase in stock repurchases by NTT and an increase in stock repurchases by NTT's subsidiaries.

As a result of the above, NTT Group's consolidated cash and cash equivalents as of March 31, 2017 totaled 925.2 billion yen, a decrease of 163.1 billion yen (15.0%) from the end of the previous fiscal year.

	(Billions of yen)			
	Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Fiscal Year Ended <b>March 31, 2017</b> ( <b>April 1, 2016 –</b> <b>March 31, 2017</b> )	Change	Percent Change
Cash flows provided by operating activities	2,711.8	<b>2,917.4</b>	205.5	7.6%
Cash flows used in investing activities	(1,759.8)	<b>(2,089.3)</b>	(329.5)	(18.7)%
Cash flows used in financing activities	(707.6)	<b>(981.5)</b>	(273.9)	(38.7)%
Cash and cash equivalents at the end of year	1,088.3	<b>925.2</b>	(163.1)	(15.0)%

## **2. BASIC APPROACH TO THE SELECTION OF ACCOUNTING STANDARDS**

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

### 3. CONSOLIDATED FINANCIAL STATEMENTS

#### (1) CONSOLIDATED BALANCE SHEETS

	Millions of yen		
	March 31, 2016	March 31, 2017	Increase (Decrease)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	¥1,088,275	¥925,213	¥(163,062)
Short-term investments	33,076	63,844	30,768
Notes and accounts receivable, trade	2,733,116	2,699,708	(33,408)
Allowance for doubtful accounts	(45,236)	(48,626)	(3,390)
Accounts receivable, other	473,192	505,145	31,953
Inventories	414,581	365,379	(49,202)
Prepaid expenses and other current assets	469,529	573,170	103,641
Deferred income taxes	260,446	228,590	(31,856)
<b>Total current assets</b>	<b>5,426,979</b>	<b>5,312,423</b>	<b>(114,556)</b>
<b>Property, plant and equipment:</b>			
Telecommunications equipment	11,586,812	11,046,115	(540,697)
Telecommunications service lines	15,870,097	16,064,732	194,635
Buildings and structures	6,069,437	6,147,869	78,432
Machinery, vessels and tools	1,996,898	2,032,389	35,491
Land	1,273,209	1,292,685	19,476
Construction in progress	382,196	421,819	39,623
	37,178,649	37,005,609	(173,040)
Accumulated depreciation	(27,626,728)	(27,286,588)	340,140
<b>Net property, plant and equipment</b>	<b>9,551,921</b>	<b>9,719,021</b>	<b>167,100</b>
<b>Investments and other assets:</b>			
Investments in affiliated companies	515,716	484,596	(31,120)
Marketable securities and other investments	474,247	495,290	21,043
Goodwill	1,229,208	1,314,645	85,437
Software	1,212,482	1,209,485	(2,997)
Other intangible assets	391,977	453,918	61,941
Other assets	1,486,840	1,492,076	5,236
Deferred income taxes	746,561	768,871	22,310
<b>Total investments and other assets</b>	<b>6,057,031</b>	<b>6,218,881</b>	<b>161,850</b>
<b>Total assets</b>	<b>¥21,035,931</b>	<b>¥21,250,325</b>	<b>¥214,394</b>

	Millions of yen		
	March 31, 2016	March 31, 2017	Increase (Decrease)
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings	¥129,656	¥227,207	¥97,551
Current portion of long-term debt	476,777	681,904	205,127
Accounts payable, trade	1,572,797	1,612,996	40,199
Current portion of obligations under capital leases	14,711	14,430	(281)
Accrued payroll	430,248	443,308	13,060
Accrued taxes on income	249,356	239,755	(9,601)
Accrued consumption tax	83,481	75,083	(8,398)
Advances received	290,132	324,342	34,210
Other	493,970	512,368	18,398
<b>Total current liabilities</b>	<b>3,741,128</b>	<b>4,131,393</b>	<b>390,265</b>
<b>Long-term liabilities:</b>			
Long-term debt (excluding current portion)	3,546,203	3,168,478	(377,725)
Obligations under capital leases (excluding current portion)	27,630	25,568	(2,062)
Liability for employees' retirement benefits	1,688,611	1,599,381	(89,230)
Accrued liabilities for point programs	89,003	103,047	14,044
Deferred income taxes	166,547	166,751	204
Other	491,630	497,132	5,502
<b>Total long-term liabilities</b>	<b>6,009,624</b>	<b>5,560,357</b>	<b>(449,267)</b>
<b>Redeemable noncontrolling interests</b>	<b>45,097</b>	<b>50,819</b>	<b>5,722</b>
<b>Equity:</b>			
NTT shareholders' equity			
Common stock, no par value	937,950	937,950	—
Additional paid-in capital	2,879,560	2,862,035	(17,525)
Retained earnings	5,074,234	5,626,155	551,921
Accumulated other comprehensive income (loss)	(57,055)	1,562	58,617
Treasury stock, at cost	(883)	(375,223)	(374,340)
<b>Total NTT shareholders' equity</b>	<b>8,833,806</b>	<b>9,052,479</b>	<b>218,673</b>
Noncontrolling interests	2,406,276	2,455,277	49,001
<b>Total equity</b>	<b>11,240,082</b>	<b>11,507,756</b>	<b>267,674</b>
<b>Total liabilities and equity</b>	<b>¥21,035,931</b>	<b>¥21,250,325</b>	<b>¥214,394</b>

(2) CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED MARCH 31

**Consolidated Statements of Income**

	Millions of yen		
	2016	2017	Increase (Decrease)
<b>Operating revenues:</b>			
Fixed voice related services	¥1,329,963	¥1,233,885	¥(96,078)
Mobile voice related services	837,818	865,293	27,475
IP / packet communications services	3,757,846	3,808,972	51,126
Sale of telecommunications equipment	953,022	806,493	(146,529)
System integration	3,063,501	3,041,587	(21,914)
Other	1,598,847	1,634,786	35,939
	11,540,997	11,391,016	(149,981)
<b>Operating expenses:</b>			
Cost of services (excluding items shown separately below)	2,458,057	2,487,588	29,531
Cost of equipment sold (excluding items shown separately below)	970,478	879,725	(90,753)
Cost of system integration (excluding items shown separately below)	2,197,506	2,161,007	(36,499)
Depreciation and amortization	1,766,325	1,462,235	(304,090)
Impairment losses			
Goodwill	4,719	53,294	48,575
Other	28,002	20,558	(7,444)
Selling, general and administrative expenses	2,767,761	2,786,820	19,059
	10,192,848	9,851,227	(341,621)
<b>Operating income</b>	1,348,149	1,539,789	191,640
<b>Other income (expenses):</b>			
Interest and amortization of bond discounts and issue costs	(41,670)	(37,761)	3,909
Interest income	17,708	17,753	45
Other, net	5,072	7,988	2,916
	(18,890)	(12,020)	6,870
<b>Income before income taxes and equity in earnings (losses) of affiliated companies</b>	1,329,259	1,527,769	198,510
<b>Income tax expense (benefit):</b>			
Current	457,674	472,711	15,037
Deferred	(102,849)	(4,341)	98,508
	354,825	468,370	113,545
<b>Income before equity in earnings (losses) of affiliated companies</b>	974,434	1,059,399	84,965
Equity in earnings (losses) of affiliated companies	5,772	(21)	(5,793)
<b>Net income</b>	980,206	1,059,378	79,172
Less – Net income attributable to noncontrolling interests	242,468	259,249	16,781
<b>Net income attributable to NTT</b>	¥737,738	¥800,129	¥62,391
<b>Per share of common stock*:</b>			
Weighted average number of shares outstanding (Shares)	2,105,782,828	2,046,678,144	
Net income attributable to NTT (Yen)	¥350.34	¥390.94	

\* "Per share of common stock" figures for the fiscal year ended March 31, 2016 have been adjusted to reflect the two-for-one stock split.

## Consolidated Statements of Comprehensive Income

	Millions of yen		
	2016	2017	Increase (Decrease)
<b>Net income</b>	¥980,206	¥1,059,378	¥79,172
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on securities	(32,960)	12,308	45,268
Unrealized gain (loss) on derivative instruments	(4,079)	495	4,574
Foreign currency translation adjustments	(115,599)	(24,657)	90,942
Pension liability adjustments	(208,644)	91,034	299,678
Total other comprehensive income (loss)	(361,282)	79,180	440,462
<b>Total comprehensive income (loss)</b>	618,924	1,138,558	519,634
Less – Comprehensive income attributable to noncontrolling interests	196,771	278,358	81,587
<b>Total comprehensive income (loss) attributable to NTT</b>	¥422,153	¥860,200	¥438,047

(3) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITYYEAR ENDED MARCH 31, 2016

	Millions of yen							Total Equity
	NTT shareholders' equity					Total	Noncontrolling interests	
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost			
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



YEAR ENDED MARCH 31, 2017

Millions of yen

	NTT shareholders' equity					Total	Noncontrolling interests	Total Equity
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost			
At beginning of year	¥937,950	¥2,879,560	¥5,074,234	¥(57,055)	¥(883)	¥8,833,806	¥2,406,276	¥11,240,082
Adjustments due to change in fiscal year end of consolidated subsidiaries			(214)	(1,454)		(1,668)	(1,408)	(3,076)
At beginning of year (as adjusted )	937,950	2,879,560	5,074,020	(58,509)	(883)	8,832,138	2,404,868	11,237,006
Net income			800,129			800,129	257,593	1,057,722
Other comprehensive income (loss)				60,071		60,071	20,389	80,460
Cash dividends			(247,994)			(247,994)	(113,167)	(361,161)
Changes in NTT's ownership interest in subsidiaries		(18,700)				(18,700)	(114,406)	(133,106)
Stock compensation transactions		1,175				1,175		1,175
Acquisition of treasury stock					(374,348)	(374,348)		(374,348)
Resale of treasury stock					8	8		8
At end of year	¥937,950	¥2,862,035	¥5,626,155	¥1,562	¥(375,223)	¥9,052,479	¥2,455,277	¥11,507,756

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED MARCH 31

	Millions of yen		
	2016	2017	Increase (Decrease)
<b>Cash flows from operating activities:</b>			
Net income	¥980,206	¥1,059,378	¥79,172
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	1,766,325	1,462,235	(304,090)
Impairment losses	32,721	73,852	41,131
Deferred taxes	(102,849)	(4,341)	98,508
Losses on disposals of property, plant and equipment	107,474	105,790	(1,684)
Gains on sales of property, plant and equipment	(20,364)	(15,633)	4,731
Equity in (earnings) losses of affiliated companies	(5,772)	21	5,793
(Increase) decrease in notes and accounts receivable, trade	(72,575)	63,842	136,417
(Increase) decrease in inventories	(47,569)	(731)	46,838
(Increase) decrease in other current assets	(63,107)	(30,143)	32,964
Increase (decrease) in accounts payable, trade and accrued payroll	(34,539)	52,872	87,411
Increase (decrease) in accrued consumption tax	(64,596)	(7,258)	57,338
Increase (decrease) in advances received	46,191	36,925	(9,266)
Increase (decrease) in accrued taxes on income	124,905	(8,931)	(133,836)
Increase (decrease) in other current liabilities	8,198	8,934	736
Increase (decrease) in liability for employees' retirement benefits	49,360	7,133	(42,227)
Increase (decrease) in other long-term liabilities	(1,965)	41,785	43,750
Other	9,801	71,627	61,826
Net cash provided by operating activities	¥2,711,845	¥2,917,357	¥205,512

	Millions of yen		
	2016	2017	Increase (Decrease)
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment	¥(1,265,622)	¥(1,301,697)	¥(36,075)
Payments for intangibles	(371,924)	(400,110)	(28,186)
Proceeds from sales of property, plant and equipment	83,521	24,920	(58,601)
Payments for purchases of non-current investments	(56,641)	(40,344)	16,297
Proceeds from sales and redemptions of non-current investments	57,173	58,835	1,662
Acquisitions of subsidiaries, net of cash acquired	(120,596)	(329,005)	(208,409)
Payments for purchases of short-term investments	(26,521)	(178,939)	(152,418)
Proceeds from redemptions of short-term investments	23,095	146,132	123,037
Other	(82,263)	(69,103)	13,160
Net cash used in investing activities	(1,759,778)	(2,089,311)	(329,533)
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term debt	398,348	320,464	(77,884)
Payments for settlement of long-term debt	(449,025)	(485,612)	(36,587)
Proceeds from issuance of short-term debt	4,460,110	4,987,795	527,685
Payments for settlement of short-term debt	(4,659,686)	(4,897,024)	(237,338)
Dividends paid	(200,182)	(247,994)	(47,812)
Proceeds from sale of (payments for acquisition of) treasury stock, net	(93,924)	(374,436)	(280,512)
Acquisitions of shares of subsidiaries from noncontrolling interests	(15,718)	(155,905)	(140,187)
Other	(147,498)	(128,799)	18,699
Net cash used in financing activities	(707,575)	(981,511)	(273,936)
Effect of exchange rate changes on cash and cash equivalents	(7,419)	(6,959)	460
Net increase (decrease) in cash and cash equivalents	237,073	(160,424)	(397,497)
Cash and cash equivalents at beginning of year	849,174	1,088,275	239,101
Increase (decrease) in cash and cash equivalents due to change in fiscal year end of consolidated subsidiaries	2,028	(2,638)	(4,666)
Cash and cash equivalents at end of year	¥1,088,275	¥925,213	¥(163,062)

(5) Going Concern Assumption

None

(6) Significant Matters Serving as a Basis for the Preparation of Consolidated Financial Statements

The consolidated financial statements of NTT have been prepared in conformity with accounting principles generally accepted in the United States of America (Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), etc.).

**Principal Accounting Policies, etc.**

**Marketable Securities**

ASC320, “Investments - Debt and Equity Securities” applies.

**Inventories**

Inventories are stated at the lower of cost or market. The cost of telecommunications equipment to be sold is determined by the first-in first-out method.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Depreciation is computed principally using the straight-line method.

**Goodwill, Software and Other Intangible Assets**

ASC350, “Intangibles - Goodwill and Other” applies.

**Liability for Employees' Retirement Benefits**

ASC715, “Compensation - Retirement Benefits” applies.

**Derivative Financial Instruments**

ASC815, “Derivatives and Hedging” applies.

**Income Taxes**

Income taxes are computed based on income before income taxes in the consolidated statements of income. According to the asset and liability approach, the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities and of operating loss carryforwards are recognized as deferred tax assets or liabilities.

## (7) Change in Significant Matters Serving as a Basis for the Preparation of Consolidated Financial Statements

### **Change in depreciation method**

NTT and its subsidiaries in Japan traditionally used the declining-balance method for calculating depreciation of property, plant and equipment. Effective April 1, 2016, NTT and its subsidiaries adopted the straight-line method of depreciation.

As NTT Group plans to complete the expansion of its service areas for fiber-optic services and LTE services in the network business, it has been shifting the focus of its capital investments to improving the efficiency in using facilities while maintaining the current functionality. With respect to network services, NTT has started providing the "Hikari Collaboration Model," the wholesale provision of fiber-optic access services, which can be used by customers of both fixed-line communications services and mobile communications services in the long-term. Through these efforts, NTT expects the stable usage of property, plant and equipment going forward.

For these reasons, NTT believes that the straight-line depreciation method better reflects the pattern of consumption of the future benefits to be derived from those assets being depreciated.

The effect of the change in the depreciation method is recognized prospectively as a change in the accounting estimate pursuant to FASB ASC-250, "Accounting Changes and Error Corrections."

In line with the change in the depreciation method, NTT reviewed the residual carrying amount of property, plant and equipment and other necessary items and made changes where necessary.

As a result of the change in the depreciation method, depreciation expenses on a consolidated basis for the fiscal year ended March 31, 2017 decreased by ¥244,177 million. Consolidated net income attributable to NTT and consolidated net income attributable to NTT per share for the fiscal year ended March 31, 2017 increased by ¥132,222 million and ¥64.60, respectively.

### **Change in Fiscal Year End of Certain Subsidiaries**

As of April 1, 2016, certain of NTT's consolidated subsidiaries changed their fiscal year ends from December 31 to March 31, thereby eliminating a three-month lag between their fiscal year ends and NTT's fiscal year end in NTT's consolidated financial statements. The elimination of this lag was applied as a change in accounting policy. NTT did not make any retrospective adjustments to its financial statements as these changes did not have a material impact on the consolidated financial statements for the fiscal year ended March 31, 2016. As a result of this change, NTT's retained earnings, accumulated other comprehensive income (loss) and noncontrolling interests have decreased by ¥214 million, ¥1,454 million and ¥1,408 million, respectively, in each case as of the beginning of the current fiscal year. In addition, the change in cash and cash equivalents resulting from this change in fiscal year end is presented in the consolidated statements of cash flows under "Increase (decrease) in cash and cash equivalents due to change in fiscal year end of consolidated subsidiaries."

(8) Business Segments

## 1. Operating revenues

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)
Regional communications business			
External customers	¥2,908,249	¥2,736,664	¥(171,585)
Intersegment	499,604	571,542	71,938
Total	3,407,853	3,308,206	(99,647)
Long-distance and international communications business			
External customers	2,161,391	2,040,209	(121,182)
Intersegment	89,532	89,055	(477)
Total	2,250,923	2,129,264	(121,659)
Mobile communications business			
External customers	4,483,666	4,535,829	52,163
Intersegment	43,459	48,723	5,264
Total	4,527,125	4,584,552	57,427
Data communications business			
External customers	1,512,842	1,609,163	96,321
Intersegment	103,994	109,558	5,564
Total	1,616,836	1,718,721	101,885
Other			
External customers	474,849	469,151	(5,698)
Intersegment	819,617	813,120	(6,497)
Total	1,294,466	1,282,271	(12,195)
Elimination	(1,556,206)	(1,631,998)	(75,792)
Consolidated total	¥11,540,997	¥11,391,016	¥(149,981)

## 2. Segment profit

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)
Segment profit			
Regional communications business	¥264,957	¥359,491	¥94,534
Long-distance and international communications business	96,688	40,836	(55,852)
Mobile communications business	788,362	951,634	163,272
Data communications business	112,739	107,875	(4,864)
Other	74,042	77,308	3,266
Total segment profit	1,336,788	1,537,144	200,356
Elimination	11,361	2,645	(8,716)
Consolidated total	¥1,348,149	¥1,539,789	¥191,640

## 3. Segment assets

(Millions of yen)

	March 31, 2016	March 31, 2017	Increase (Decrease)
Segment assets			
Regional communications business	¥6,995,750	¥7,027,689	¥31,939
Long-distance and international communications business	2,762,138	2,772,961	10,823
Mobile communications business	7,341,102	7,599,619	258,517
Data communications business	1,981,578	2,364,387	382,809
Other	10,932,317	10,891,660	(40,657)
Total segment assets	30,012,885	30,656,316	643,431
Elimination	(8,976,954)	(9,405,991)	(429,037)
Consolidated total	¥21,035,931	¥21,250,325	¥214,394

## 4. Other significant items

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)
Depreciation and amortization			
Regional communications business	¥699,686	¥586,772	¥(112,914)
Long-distance and international communications business	177,818	171,670	(6,148)
Mobile communications business	629,502	455,779	(173,723)
Data communications business	150,242	155,352	5,110
Other	104,701	89,260	(15,441)
Total segment	1,761,949	1,458,833	(303,116)
Elimination	4,376	3,402	(974)
Consolidated total	¥1,766,325	¥1,462,235	¥(304,090)

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)
Capital investments for segment assets (*)			
Regional communications business	¥622,131	¥583,358	¥(38,773)
Long-distance and international communications business	227,564	244,859	17,295
Mobile communications business	595,264	597,078	1,814
Data communications business	134,030	158,140	24,110
Other	108,217	116,592	8,375
Consolidated total	¥1,687,206	¥1,700,027	¥12,821

(\*) The figures for capital investments are the accrual-based amounts required for acquisition of property, plant and equipment, and intangibles. The differences from the figures for "Payments for property, plant and equipment" and "Payments for intangibles" in the consolidated statements of cash flows are as follows:

	Millions of yen		
	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)
Payments for property, plant and equipment	¥1,265,622	¥1,301,697	¥36,075
Payments for intangibles	371,924	400,110	28,186
Total	1,637,546	1,701,807	64,261
Difference from the total of capital investments	¥(49,660)	¥1,780	¥51,440

As indicated in "3(7) Change in Significant Matters Serving as a Basis for the Preparation of Consolidated Financial Statements," effective April 1, 2016, NTT and its subsidiaries in Japan adopted the straight-line method of depreciation and reviewed the residual carrying amount of property, plant and equipment and other necessary items and made changes where necessary.

As a result of the change in depreciation method, segment profit on a consolidated basis for the fiscal year ended March 31, 2017 increased by ¥79,373 million for "Regional communications business," ¥6,633 million for "Long distance and international communications business," ¥154,050 million for "Mobile communications business," and ¥5,072 million for "Other," decreased by ¥951 million for "Data communications business," and increased by ¥244,177 million for "Total segment" and "Consolidated total."



(9) Subsequent Events

**NTT's repurchase of its common stock**

On December 12, 2016, the Board of Directors resolved that NTT may acquire up to 33 million shares of its outstanding common stock for an amount in total not exceeding ¥150 billion from December 13, 2016 through June 30, 2017. Based on this resolution, NTT repurchased 21,693,800 shares of its common stock for a total purchase price of ¥106,763 million between December 2016 and March 2017.

NTT also repurchased 8,893,400 shares of its common stock for a total purchase price of ¥43,235 million in April 2017 and concluded the repurchase of its common stock authorized by Board of Directors' resolution.

[Note]

The forward-looking statements and projected figures concerning the future performance of NTT and its subsidiaries and affiliates contained or referred to herein 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 NTT and its subsidiaries and affiliates, the economy and telecommunications industry in Japan and overseas, 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, other changes in circumstances that could cause actual results to differ materially from the forecasts contained or referred to herein, as well as other risks included in NTT's most recent Annual Report on Form 20-F and other filings and submissions with the United States Securities and Exchange Commission.