

# Financial Results Release

For the Year Ended March 31, 2018

May 11, 2018

[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 26, 2018  
 Scheduled date of dividend payments :June 27, 2018  
 Scheduled filing date of securities report :June 30, 2018  
 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, 2018 (April 1, 2017 - March 31, 2018)

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, 2018	11,799,587	3.6%	1,642,843	6.7%	1,755,624	14.9%	909,695	13.7%
Year ended March 31, 2017	11,391,016	(1.3)%	1,539,789	14.2%	1,527,769	14.9%	800,129	8.5%

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, 2018	455.78 (yen)	- (yen)	9.8%	8.2%	13.9%
Year ended March 31, 2017	390.94 (yen)	- (yen)	8.9%	7.2%	13.5%

Notes: 1.Comprehensive income (loss) attributable to NTT: For the year ended March 31, 2018: 956,013 million yen (11.1%)  
 For the year ended March 31, 2017: 860,200 million yen (103.8%)

2.Equity in earnings (losses) of affiliated companies: For the year ended March 31, 2018: 5,551 million yen  
 For the year ended March 31, 2017: (21) million yen

### (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, 2018	21,675,770	12,032,551	9,485,981	43.8%	4,812.59 (yen)
March 31, 2017	21,250,325	11,507,756	9,052,479	42.6%	4,491.73 (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, 2018	2,637,547	(1,841,777)	(931,658)	780,300
Year ended March 31, 2017	2,917,357	(2,089,311)	(981,511)	925,213

## 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, 2017	—	60.00 (yen)	—	60.00 (yen)	120.00 (yen)	243,147 (millions of yen)	30.7 %	2.7 %
Year ended March 31, 2018	—	75.00 (yen)	—	75.00 (yen)	150.00 (yen)	298,314 (millions of yen)	32.9 %	3.2 %
Year ending March 31, 2019 (Forecasts)	—	85.00 (yen)	—	85.00 (yen)	170.00 (yen)	—	37.7 %	—

Note: As NTT has adopted International Financial Reporting Standards (IFRS) beginning with the fiscal year ending March 31, 2019, the payout ratio (consolidated) for the fiscal year ending March 31, 2019 (forecasts) has been calculated in accordance with IFRS.

## 3. Consolidated Financial Results Forecasts for the Year Ending March 31, 2019 (April 1, 2018 - March 31, 2019)

(Millions of yen)

	Operating Revenues	Operating Income	Income before Income Taxes	Income Attributable to Owners of Parent	Basic Earnings per Share
Year ending March 31, 2019	11,830,000 —%	1,690,000 —%	1,686,000 —%	880,000 —%	451.00 (yen)

Notes: 1.As NTT has adopted International Financial Reporting Standards (IFRS) beginning with the fiscal year ending March 31, 2019, the consolidated financial results forecasts have been prepared in accordance with IFRS.

2.Percentages above represent changes from the previous year.

**\*Notes**

(1) Change in reporting entities (change in significant consolidated subsidiaries): None

(2) Change of accounting policy

i. Change due to revision of accounting standards and other regulations: Yes

ii. Other change: Yes

(For further details, please see “(7) Change in Basis for the Preparation of Consolidated Financial Statements” on page 22.)

(3) Number of shares outstanding (common stock)

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

March 31, 2018: 2,096,394,470 shares

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

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

March 31, 2018: 125,318,558 shares

March 31, 2017: 81,026,959 shares

iii. Weighted average number of shares outstanding:

For the year ended March 31, 2018: 1,995,912,757 shares

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

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

For the Year Ended March 31, 2018

[Japanese GAAP]

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

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, 2018	663,118	39.8%	530,552	56.2%	528,143	57.7%	724,908	151.6%
Year ended March 31, 2017	474,380	(9.1)%	339,686	(11.6)%	334,901	(12.2)%	288,117	(56.8)%

Note: Percentages above represent changes from the previous year.

	Earnings per Share	Diluted Earnings per Share
Year ended March 31, 2018	363.20 (yen)	- (yen)
Year ended March 31, 2017	140.77 (yen)	- (yen)

(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, 2018	6,710,444	4,602,591	68.6%	2,335.07 (yen)
March 31, 2017	6,681,061	4,383,510	65.6%	2,175.04 (yen)

(Reference) Shareholders' equity: For the year ended March 31, 2018: 4,602,591 million yen

For the year ended March 31, 2017: 4,383,510 million yen

**2. Non-consolidated Financial Results Forecasts for the Year Ending March 31, 2019 (April 1, 2018 - March 31, 2019)**

(Millions of yen, except per share amounts)

	Operating Revenues		Operating Income		Recurring Profit		Net Income		Earnings per Share
Year ending March 31, 2019	748,000	12.8%	615,000	15.9%	613,000	16.1%	614,000	(15.3)%	315.00(yen)

Note: Percentages above represent changes from the previous year.

\* This financial results release is not subject to the audit process of NTT's certified public accountants or auditing firm.

\* 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 29.

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

On Friday, May 11, 2018, 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, 2017 – March 31, 2018)

			(Billions of yen)	
	Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)	Change	Percent Change
Operating revenues	11,391.0	<b>11,799.6</b>	408.6	3.6%
Operating expenses	9,851.2	<b>10,156.7</b>	305.5	3.1%
Operating income	1,539.8	<b>1,642.8</b>	103.1	6.7%
Income before income taxes and equity in earnings (losses) of affiliated companies	1,527.8	<b>1,755.6</b>	227.9	14.9%
Net income attributable to NTT	800.1	<b>909.7</b>	109.6	13.7%

(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, 2018, the information and telecommunications market saw the increased spread and market penetration of devices that utilize fixed-line and broadband, as well as the continued emergence of new services made possible by the evolution of technologies such as cloud services, IoT, Big Data, and AI. Through these technologies, a range of data has been accumulated, and with improvements to the usage environment, the analysis and utilization of that data is expanding, leading to a wide range of changes including improved convenience in people's everyday lives and productivity in various industries. 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 NTT Group strengthened its efforts to accelerate overseas profit generation through the following initiatives.

- To expand its global cloud services operating base, NTT Group pursued M&A in various regions including North America, Europe, and Asia.
- While pursuing the integration of the former Dell Services Division, for which NTT Group completed the acquisition last year, NTT Group promoted cross-selling centered on its global network, cloud migration, and IT outsourcing projects, through collaboration with Group companies, and beginning with customers in the European energy industry, NTT Group received numerous orders in various global regions.
- NTT Group worked to strengthen and streamline the services and operations in its global cloud business, such as through the consolidation of its cloud services business at the major subsidiaries in its Long Distance and International Communications Business, NTT Communications and Dimension Data, while also working to reduce costs and improve profits through the coordinated strengthening of group-wide service provision.

#### ● 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.
- By simplifying and streamlining networks, NTT Group promoted the reduction of expenses in subsequent fiscal years. Furthermore, NTT Group worked to increase the efficiency of capital investment by increasing the usage of existing facilities and reducing procurement costs.

- By increasing productivity through the systematizing of work and streamlining development costs, and through other initiatives, NTT Group continually worked to reduce costs.

- Status of Initiatives to Expand B2B2X Business

We are supporting the communications services field as a Gold Partner (Telecommunications Services) for the Olympic and Paralympic Games Tokyo 2020\*, and we see the initiative to bring about Society 5.0 (the creation of a new smart society that helps resolve social issues), which is being promoted through public-private partnerships, as a great opportunity to utilize NTT's collective strength. We have further accelerated the transition to the B2B2X model and strengthened initiatives with businesses in other fields and local governments to create services that will be inherited by the next generation.

- In the sports business, NTT Group further deepened collaboration with the J. League by concluding a “top partner contract” and an “official technology partner contract.” Aiming to expand the opportunities for fans and supporters of J. League club teams to view games and improve spectator capacity utilization at stadiums, NTT Group promoted fan-participation-type viewing experiences linked with NTT Group's ICT services and social media, etc. and large-screen public viewing to enable live viewing of away games at home stadiums. Furthermore, to pioneer a new group of fans, NTT Group developed a new entertainment experience using the latest technologies of NTT Group starting with AR and VR, promoted the use of past images owned by J. League, and while pursuing collaboration between digital content and docomo Shop, worked to strengthen the digital customer base of J. League club teams.
- NTT Group promoted collaboration in the entertainment field including traditional arts, such as through joint testing with SHOCHIKU Co., Ltd. on a collaboration between kabuki and the latest ICT technology aimed at an entirely new kabuki viewing experience.
- In addition to FANUC CORPORATION launching operations of domestic services in October 2017 as a result of its collaboration in the area of platforms for the manufacturing industry, NTT Group also promoted collaborations in a range of industrial fields, including initiatives to make the agriculture and livestock industries smarter by monitoring crop and livestock raising conditions through sensor information and image analysis.
- Since establishing the “Sapporo City ICT Utilization Platform Study Panel” through partnerships with industry, government, and academia including Sapporo City, Hokkaido University, and local companies, NTT Group created new value through the collection and combination of public-private data in a wide range of fields including tourism, traffic, and snow control, and promoted smart city initiatives aimed at increasing convenience for residents and visitors, resolving a range of regional issues, and revitalizing the region. In addition to implementing the first testing of automated driving on a public street in the center of Sapporo City, NTT Group pursued initiatives toward more active utilization of data by both Sapporo residents and local companies, including the launch of the open data website “DATA-SMART CITY SAPPORO,” a platform using Sapporo City ICT that provides information and data created and collected by Sapporo City and local companies.

(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 its Medium-Term Management Strategy “Towards the Next Stage 2.0.” NTT Group promoted collaborations with partners in various industries based on the “corevo®” brand, which NTT Group established as a collective term for NTT Group's AI technology. Furthermore, in order to commercialize the results of development, NTT Group developed business plans tailored to market trends based on its Comprehensive Commercialization System and worked to promote development for practical use.

- Initiatives to Expand B2B2X Business
  - To promote the creation of a platform to support the various services required for the realization of connected cars, such as driving support through vehicle control and cloud computing, NTT Group formed a consortium with partners such as Toyota Motor Corporation and Intel Corporation to create a network platform and a computing platform for automobile big data.
  - With the goal of developing robot technology capable of proactively supporting human activities, NTT Group began joint research with Toyota Motor Corporation on robotic services making use of lifestyle support robots utilizing the AI technology “corevo®,” which achieves high-level dialogue with humans that includes both body language and hand gestures.

- To establish a next-generation platform for marine vessel IoT to monitor detailed ship data including operating conditions and equipment conditions, and to share information between the ship and the shore, NTT Group conducted successful joint testing with companies including Nippon Yusen Kabushiki Kaisha.
  - NTT Group carried out field testing with Kubota Corporation aimed at achieving energy savings in the agricultural and aquatic environment fields, including energy savings in the monitoring of rice paddies and labor reduction in aquatic environment facilities, etc.
  - In the rehabilitation field, in collaboration with the Fujita Academy Incorporated Educational Institution FUJITA HEALTH UNIVERSITY and Toray Industries, Inc., NTT Group promoted the field testing of optimized intervention and early recovery through 24-hour monitoring, quantitative results measurement, and visualization of the patient's pulse and activity information using "hitoe®," a functional material capable of measuring biomedical signals.
- R&D to Improve Efficiency and Enhance Profitability of Network Businesses
    - With the objective of reducing network costs and increasing the sophistication of services for carriers, to advance the introduction of universal devices such as white box switches, NTT Group promoted joint testing utilizing NTT-developed open-source software with companies including Taiwan's Chungwa Telecom.
    - In crowded environments such as stadiums that experience overcrowding of wireless LAN devices including smartphones, tablets, and laptop computers, NTT Group developed a new wireless LAN technology to increase communication speeds, and succeeded in transmission testing that achieved more than double the previous communication speeds.
    - In anticipation of the spread of 5G and the increase in 5G mobile system base stations, NTT Group developed fiber-optic access network technology that contributes to reducing the number of fiber-optics required by base stations, and succeeded in the field testing of fiber-optic access systems in conjunction with mobile systems.
  - R&D that Enable Highly Immersive New Experiences
    - NTT Group held a "New Music Experience Live Event" utilizing "Kirari!®" technology, whose ultra-high sense of presence makes it feel like you are actually there, and other transmission technologies that incorporate various visual technologies and 5G. Staging various performances in three cities around the world, NTT Group synchronized the coverage to remove any time lags in the visual and audio occurring due to the distance and combined it as a single live visual broadcast. NTT Group managed to provide a completely new, space-surpassing entertainment experience.
    - As part of the joint testing being pursued with SHOCHIKU Co., Ltd., using "Kirari!®" technology, NTT Group transmitted the dances of kabuki actors being performed in different locations in real time, achieving the world's first kabuki performance that merged the real with the virtual.
    - To determine the utility of various technologies including "Kazashite Guidance®," which allows valuable information to be obtained in one's native language by simply pointing a smartphone camera at signage and other objects, and to create services offering valuable tools for use both inside and outside the airport, NTT Group implemented public testing of information universal design at Haneda Airport, offering real-world application.
  - Promoting Cutting-edge Research
    - As part of its "Quantum Neural Network," which performs high-speed computation utilizing the quantum nature of light, NTT Group released an online cloud service that allows users to experience the rapid solving of problems difficult for traditional computers to solve.
    - NTT Group created the "Tsuchinikaeru Battery®," a biodegradable battery made only of materials with a low environmental impact that returns to the soil without any negative effects on the soil or organisms, and confirmed its functioning as a battery.
    - NTT Group started joint testing with the Japan Softball Association in the "Sports Brain Science Project" to discover how the brains of elite athletes regulate their mental state and control physical exercise to deliver top-level performance. The aim is to elucidate the information processing of the brain to "Tone up the Brain to Win."

- 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 with a goal of sustained improvement in corporate value by making effective contributions to the resolution of social and environmental issues through its business activities. With the “NTT Group CSR Charter” as its basic guidelines, created taking into account the United Nations’ Sustainable Development Goals (SDGs), NTT Group has been engaged in wide-ranging activities.

- Status of Initiatives for Cybersecurity
  - While promoting cutting-edge R&D and advancing the development of the latest R&D results, NTT Group has coordinated with global experts in both technology and policy on an industry-by-industry basis. To evaluate effective and practical solutions, with other international companies in the IT and telecommunications industries, NTT Group participated in the creation of the Council to Secure the Digital Economy (CSDE), which aims for a secure digital economy. Furthermore, through NTT Security Corporation, established as an integrated organization to provide security services to its customers, NTT Group promoted coordination among NTT Group companies to provide the advanced, high-level security technology of NTT Group. Additionally, in terms of the nationwide issue of developing IT security engineers, NTT Group continued to promote human resource development within NTT Group.
- Status of Initiatives to Ensure Diverse Personnel Can Demonstrate their Talents
  - Recognizing diversity management as a key part of its 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, starting with the highest-level “GOLD” evaluation that NTT has received for two straight years in the “PRIDE Index,” which evaluates companies’ approaches to sexual minorities such as LGBT persons, a total of 16 NTT Group companies won “PRIDE Index” awards. Furthermore, in terms of overall systems relating to spouses and families, NTT Group promoted initiatives to further expand systems to same-sex partners. Regarding “Work Style Reform,” NTT Group issued the “NTT Group Work Style Reform Declaration,” and while working with its business partners to improve overall work processes, in addition to promoting flexible work styles utilizing teleworking including working from home, NTT Group had managers show initiative in reforming ways of taking breaks so that it may lead to more proactive taking of leave. Furthermore, NTT Group worked to create an easy-to-work environment for all employees, such as by opening a company-led daycare center.
- Status of Initiatives for the Environment
  - Based on the “NTT Group Environmental Statement” and “The Eco Strategy 2030,” NTT Group promoted initiatives to contribute to lowering the environmental impact on society while contributing to adapting to climate change and preserving the ecosystem by providing ICT services and cutting-edge technology. Furthermore, utilizing IoT and AI technologies, NTT Group began practical testing aimed at making climate-control systems in data centers more efficient, pursuing initiatives aimed at providing services with a low environmental impact.

In addition to the above, NTT Group has taken group-wide initiatives to ensure the high stability and reliability of its networks. While quickly and efficiently recovering networks following disasters such as the July 2017 torrential rains in Northern Kyushu by utilizing past experience from large-scale disasters, NTT Group also provided support to those affected by the disaster by installing temporary free Wi-Fi hotspots in the evacuation centers.

As a result of the above efforts, NTT Group’s consolidated operating revenues for the fiscal year ended March 31, 2018 were 11,799.6 billion yen (an increase of 3.6% from the previous fiscal year) and consolidated operating expenses were 10,156.7 billion yen (an increase of 3.1% from the previous fiscal year). As a result, consolidated operating income was 1,642.8 billion yen (an increase of 6.7% from the previous fiscal year), consolidated income before income taxes and equity in earnings (losses) of affiliated companies was 1,755.6 billion yen (an increase of 14.9% from the previous fiscal year), and consolidated net income attributable to NTT was 909.7 billion yen (an increase of 13.7% from the previous fiscal year).

The forecast for the fiscal year ending March 31, 2019 is as follows: operating revenues of 11,830.0 billion yen, operating income of 1,690.0 billion yen, income before income taxes of 1,686.0 billion yen, and income attributable to owners of parent of 880.0 billion yen.

(Note) : As NTT has adopted International Financial Reporting Standards (IFRS) beginning with the fiscal year ending March 31, 2019, the consolidated financial results forecasts have been prepared in accordance with IFRS.

The business results for each business segment for the consolidated fiscal year ended March 31, 2018 are as follows.

## ■Regional Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2017 – March 31, 2018)

(Billions of yen)

	Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)	Change	Percent Change
Operating revenues	3,308.2	<b>3,232.9</b>	(75.3)	(2.3)%
Operating expenses	2,948.7	<b>2,878.6</b>	(70.1)	(2.4)%
Operating income	359.5	<b>354.3</b>	(5.2)	(1.4)%

### Number of Subscriptions

(Thousands of subscriptions)

	As of March 31, 2017	As of March 31, 2018	Change	Percent Change
FLET'S Hikari (including Hikari Collaboration Model) <sup>(1)</sup>	20,053	<b>20,533</b>	480	2.4%
NTT East	11,173	<b>11,491</b>	318	2.8%
NTT West	8,880	<b>9,041</b>	162	1.8%
Hikari Collaboration Model	8,744	<b>11,117</b>	2,373	27.1%
NTT East	5,328	<b>6,602</b>	1,274	23.9%
NTT West	3,416	<b>4,515</b>	1,099	32.2%
Hikari Denwa	17,759	<b>18,032</b>	273	1.5%
NTT East	9,369	<b>9,558</b>	190	2.0%
NTT West	8,390	<b>8,474</b>	83	1.0%

#### 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 Mytown 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 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 700 companies at the end of the fiscal year ended March 31, 2018, as NTT Group continued to expand collaborative projects with not only business operators in the communications industry, energy industry, real estate industry, security industry, and housing industry, but also with business operators in diverse industries including social infrastructure operators and FinTech operators. New use cases were developed among business operators operating social infrastructure businesses, as the Hikari Collaboration Model was adopted to promote the conversion to fiber-optics in networks connected to traffic signals. As a result of these initiatives, the number of fiber-optic access service subscriptions using this model was 11.12 million.
- By increasing productivity and streamlining development costs, among other things, and through the systematizing of work, NTT Group continually worked to reduce 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 744.

●Number of Subscriptions for Major Services

- FLET’S Hikari: 20.53 million subscriptions (an increase of 0.48 million subscriptions from the previous fiscal year)
- (Included in the above) “Hikari Collaboration Model”: 11.12 million subscriptions (an increase of 2.37 million subscriptions from the previous fiscal year)
- Hikari Denwa: 18.03 million channels (an increase of 0.27 million channels from the previous fiscal year)
- FLET’S TV: 1.62 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, 2018 were 3,232.9 billion yen (a decrease of 2.3% from the previous fiscal year). On the other hand, consolidated operating expenses were 2,878.6 billion yen (a decrease of 2.4% from the previous fiscal year). As a result, consolidated operating income was 354.3 billion yen (a decrease of 1.4% from the previous fiscal year).

■Long Distance and International Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2017 – March 31, 2018)

	(Billions of yen)			
	Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Fiscal Year Ended <b>March 31, 2018</b> (April 1, 2017 – <b>March 31, 2018)</b>	Change	Percent Change
Operating revenues	2,129.3	<b>2,218.9</b>	89.6	4.2%
Operating expenses	2,088.4	<b>2,125.3</b>	36.9	1.8%
Operating income	40.8	<b>93.6</b>	52.7	129.1%

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

●Details of Main Initiatives

- Aiming to strengthen its framework to efficiently maintain and operate a wide range of applications including SAP and Oracle, and to expand the provision capabilities of its managed services, which provide comprehensive maintenance and operations of ICT environments to its customers, NTT Group entered into a stock purchase agreement for Secure-24 Intermediate Holdings, a U.S. IT managed services business operator.
- To respond to demand for cloud services and data centers in various regions worldwide, NTT Group advanced the expansion of its service provision systems in various countries with continuous market expansion. NTT Group launched the “Texas Dallas 1 (TX1) Data Center” and the “Virginia Ashburn 3 (VA3) Data Center” in the United States, the “Germany Munich 2 Data Center” and the “Germany Rhein-Ruhr 1 Data Center” in Germany, and new data center services in South Africa.
- To strengthen the competitiveness of its cloud services, NTT Group promoted the consolidation and strengthening of the cloud services business, such as through the transfer of cloud service facilities, development, and operational tasks from Dimension Data to NTT Communications.

●Number of Subscriptions for Major Services

- Number of customers for Cloud Services: 9,900 customers (an increase of 900 customers from the previous fiscal year)
- Hikari TV: 3.02 million subscriptions (a decrease of 0.01 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, 2018 were 2,218.9 billion yen (an increase of 4.2% from the previous fiscal year). On the other hand, consolidated operating expenses were 2,125.3 billion yen (an increase of 1.8% from the previous fiscal year). As a result, consolidated operating income was 93.6 billion yen (an increase of 129.1% from the previous fiscal year).



## ■ Mobile Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2017 – March 31, 2018)

(Billions of yen)

	Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)	Change	Percent Change
Operating revenues	4,584.6	<b>4,769.4</b>	184.9	4.0%
Operating expenses	3,632.9	<b>3,787.3</b>	154.3	4.2%
Operating income	951.6	<b>982.1</b>	30.5	3.2%

Number of Subscriptions

(Thousands of subscriptions)

	As of March 31, 2017	As of March 31, 2018	Change	Percent Change
Mobile Telecommunications Services	74,880	<b>76,370</b>	1,491	2.0%
"Kake-hodai & Pake-aeru" billing plan	37,066	<b>41,964</b>	4,899	13.2%
Telecommunications Services (LTE (Xi))	44,544	<b>50,097</b>	5,553	12.5%
Telecommunications Services (FOMA (3G))	30,336	<b>26,273</b>	(4,062)	(13.4)%

Note:

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 worked toward the promotion of sales of the billing plans, "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," a billing plan tailored to suit a customer's stage of life that offers more affordable rates to long-term users, NTT Group began offering its "Simple Plan" and "docomo with," among other initiatives, working to enhance returns to its customers. As a result, the number of subscriptions to "Kake-hodai & Pake-aeru" reached 41.96 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 4.76 million.
- With Komatsu Ltd. and other parties, NTT Group agreed to jointly plan and operate "LANDLOG," a new platform connecting the entire construction manufacturing process. In addition to starting field testing of LANDLOG, NTT Group implemented initiatives utilizing advanced technology, including the launch of "AI Taxi®," a taxi ride demand forecasting service utilizing AI, as well as "5G Trial Site," advancing "d+" initiatives to jointly create new added value through collaboration with various business operators.

As a result of the above, consolidated operating revenues in the Mobile Communications Business Segment for the fiscal year ended March 31, 2018 were 4,769.4 billion yen (an increase of 4.0% from the previous fiscal year). On the other hand, consolidated operating expenses were 3,787.3 billion yen (an increase of 4.2% from the previous fiscal year). As a result, consolidated operating income was 982.1 billion yen (an increase of 3.2% from the previous fiscal year).

## ■Data Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2017 – March 31, 2018)

(Billions of yen)

	Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)	Change	Percent Change
Operating revenues	1,718.7	<b>2,043.1</b>	324.4	18.9%
Operating expenses	1,610.8	<b>1,915.3</b>	304.4	18.9%
Operating income	107.9	<b>127.8</b>	19.9	18.5%

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 its 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

- Under NTT DATA Services, launched in April 2017, NTT Group steadily achieved the integration of the former Dell Services Division, for which NTT Group completed the acquisition last year, and pursued the integration of its business centered on North America. In particular, NTT Group promoted initiatives to expand its businesses that utilize NTT Group's abundant outsourcing results and knowledge in various fields including healthcare, the public sector, and finance, and to further enhance its local presence.
- NTT Group pursued initiatives to utilize cutting-edge blockchain technology, establishing a consortium as the organizing office to complete a trade information collaborative platform, promoting activities together with 14 companies representing various industries. Furthermore, NTT Group was selected as a partner vendor in the Japanese Bankers Association's "Collaborative Blockchain Platform," contributing to the promotion of practical testing to develop new services.
- In terms of RPA solutions for the automation and streamlining of desk work, which is rapidly spreading due to the increasing move toward work style reforms in recent years, NTT Group promoted sales of "WinActor," developed by NTT Group. In addition to launching the English-language version, by strengthening the functions for financial accounting operations, which have a particularly strong need for automation, and by other initiatives, NTT Group was able to introduce WinActor to customers in a range of industries, supporting work style reforms.

As a result of the above, consolidated operating revenues in the Data Communications Business Segment for the fiscal year ended March 31, 2018 were 2,043.1 billion yen (an increase of 18.9% from the previous fiscal year). On the other hand, consolidated operating expenses were 1,915.3 billion yen (an increase of 18.9% from the previous fiscal year). As a result, consolidated operating income was 127.8 billion yen (an increase of 18.5% from the previous fiscal year).

## ■Other Business Segment

Overview of Business Results by Business Segment (April 1, 2017 – March 31, 2018)

(Billions of yen)

	Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)	Change	Percent Change
Operating revenues	1,282.3	<b>1,236.6</b>	(45.7)	(3.6)%
Operating expenses	1,205.0	<b>1,158.0</b>	(47.0)	(3.9)%
Operating income	77.3	<b>78.6</b>	1.3	1.7%

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

In addition to its core office and retail operations and its residential operations led by the “Wellith” brand, NTT Group pursued its global and hotels & resorts businesses. NTT Group also launched “LIFORK,” a new type of shared-office business combining daycare facilities and office space.

#### ○ Finance Business

NTT Group developed financial services such as leasing, installation payment, and other finance areas in response to changes including diversification in needs and the economic environment, as well as advancing globalization. Furthermore, NTT Group provided billing and collection services for telecommunication service bills, and credit card transaction settlement services.

#### ○ Construction and Electric Power Business

By combining and utilizing its technology in “ICT, energy, and construction” to the fullest extent, NTT Group paved the way for both the utilization of natural energy and the efficient, waste-free use of limited energy, working toward safe and secure urban development that is resilient against the risk of natural disaster.

#### ○ System Development Business

To provide optimized, high-quality ICT services, NTT Group worked to develop network operation systems and application services. Additionally, NTT Group worked to develop solutions utilizing cutting-edge technologies such as AI.

As a result of the above, consolidated operating revenues in the Other Business Segment for the fiscal year ended March 31, 2018 were 1,236.6 billion yen (a decrease of 3.6% from the previous fiscal year). On the other hand, consolidated operating expenses were 1,158.0 billion yen (a decrease of 3.9% from the previous fiscal year). As a result, consolidated operating income was 78.6 billion yen (an increase of 1.7% from the previous fiscal year).

## (2) Summary of Financial Position

Net cash provided by operating activities for the fiscal year ended March 31, 2018 decreased by 47.9 billion yen (1.6%) from the previous fiscal year to 2,869.5 billion yen. This decrease was due to, among other factors, a decrease in collection of accounts receivable.

Net cash used in investing activities decreased by 247.5 billion yen (11.8%) from the previous fiscal year to 1,841.8 billion yen. This decrease was due to, among other factors, a decrease in payments for capital investments.

Net cash used in financing activities decreased by 49.9 billion yen (5.1%) from the previous fiscal year to 931.7 billion yen. This decrease was due to, among other factors, a decrease in stock repurchases, partially offset by an increase in repayments for borrowings.

As a result of the above, NTT Group's consolidated cash and cash equivalents as of March 31, 2018 totaled 1,012.2 billion yen, an increase of 87.0 billion yen (9.4%) from the end of the previous fiscal year.

	(Billions of yen)			
	Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)	Change	Percent Change
Cash flows provided by operating activities (Excluding the effect of a non-business day*)	2,917.4	<b>2,869.5</b>	(47.9)	(1.6)%
Cash flows used in investing activities	(2,089.3)	<b>(1,841.8)</b>	247.5	11.8%
Cash flows used in financing activities	(981.5)	<b>(931.7)</b>	49.9	5.1%
Cash and cash equivalents at the end of year (Excluding the effect of a non-business day*)	925.2	<b>1,012.2</b>	87.0	9.4%

\* Cases in which 231.9 billion yen was included as cash and cash equivalents rather than as accounts receivable, since the last day of the fiscal year ended March 31, 2018 fell on a non-business day, resulting in the due date for certain bills, including telecommunication services bills, being set to the first business day of the fiscal year ending March 31, 2019. Cash flows provided by operating activities for the fiscal year ended March 31, 2018, including the effect of the non-business day, were 2,637.5 billion yen, and cash and cash equivalents at the end of year for the fiscal year ended March 31, 2018, including the effect of the non-business day, were 780.3 billion yen.

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

NTT Group decided to replace the currently applied Generally Accepted Accounting Principles in the United States (“U.S. GAAP”) and adopt International Financial Reporting Standards (“IFRS”) for its consolidated financial statements in order to improve the international comparability of its financial information in the capital markets, among other reasons. The period for disclosure based on IFRS will begin with the first quarter of the fiscal year ending March 31, 2019.

### 3. CONSOLIDATED FINANCIAL STATEMENTS

#### (1) CONSOLIDATED BALANCE SHEETS

	Millions of yen		
	March 31, 2017	March 31, 2018	Increase (Decrease)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents(*)	¥925,213	¥780,300	¥(144,913)
Short-term investments	63,844	31,641	(32,203)
Notes and accounts receivable, trade(*)	2,699,708	2,976,467	276,759
Allowance for doubtful accounts	(48,626)	(52,332)	(3,706)
Accounts receivable, other	505,145	662,190	157,045
Inventories	365,379	393,582	28,203
Prepaid expenses and other current assets	573,170	575,704	2,534
Deferred income taxes	228,590	—	(228,590)
<b>Total current assets</b>	<b>5,312,423</b>	<b>5,367,552</b>	<b>55,129</b>
<b>Property, plant and equipment:</b>			
Telecommunications equipment	11,046,115	10,917,851	(128,264)
Telecommunications service lines	16,064,732	14,217,566	(1,847,166)
Buildings and structures	6,147,869	6,280,584	132,715
Machinery, vessels and tools	2,032,389	2,127,201	94,812
Land	1,292,685	1,307,985	15,300
Construction in progress	421,819	438,604	16,785
	37,005,609	35,289,791	(1,715,818)
Accumulated depreciation	(27,286,588)	(25,468,698)	1,817,890
<b>Net property, plant and equipment</b>	<b>9,719,021</b>	<b>9,821,093</b>	<b>102,072</b>
<b>Investments and other assets:</b>			
Investments in affiliated companies	484,596	502,936	18,340
Marketable securities and other investments	495,290	525,170	29,880
Goodwill	1,314,645	1,329,275	14,630
Software	1,209,485	1,223,985	14,500
Other intangible assets	453,918	394,489	(59,429)
Other assets	1,492,076	1,590,636	98,560
Deferred income taxes	768,871	920,634	151,763
<b>Total investments and other assets</b>	<b>6,218,881</b>	<b>6,487,125</b>	<b>268,244</b>
<b>Total assets</b>	<b>¥21,250,325</b>	<b>¥21,675,770</b>	<b>¥425,445</b>

\* Cash and cash equivalents for the fiscal year ended March 31, 2018 decreased and notes and accounts receivable, trade for the fiscal year ended March 31, 2018 increased by 231,929 million yen from the previous fiscal year, since the last day of the fiscal year ended March 31, 2018 fell on a non-business day, resulting in the due date for certain bills, including telecommunication service bills, being set to the first business day of the fiscal year ending March 31, 2019.

Millions of yen

	March 31, 2017	March 31, 2018	Increase (Decrease)
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings	¥227,207	¥270,743	¥43,536
Current portion of long-term debt	681,904	624,385	(57,519)
Accounts payable, trade	1,612,996	1,613,516	520
Current portion of obligations under capital leases	14,430	12,567	(1,863)
Accrued payroll	443,308	460,357	17,049
Accrued taxes on income	239,755	245,326	5,571
Accrued consumption tax	75,083	88,420	13,337
Advances received	324,342	374,444	50,102
Other	512,368	549,263	36,895
Total current liabilities	4,131,393	4,239,021	107,628
<b>Long-term liabilities:</b>			
Long-term debt (excluding current portion)	3,168,478	2,947,945	(220,533)
Obligations under capital leases (excluding current portion)	25,568	22,587	(2,981)
Liability for employees' retirement benefits	1,599,381	1,619,907	20,526
Accrued liabilities for point programs	103,047	105,037	1,990
Deferred income taxes	166,751	128,833	(37,918)
Other	497,132	529,959	32,827
Total long-term liabilities	5,560,357	5,354,268	(206,089)
<b>Redeemable noncontrolling interests</b>	50,819	49,930	(889)
<b>Equity:</b>			
NTT shareholders' equity			
Common stock, no par value	937,950	937,950	—
Additional paid-in capital	2,862,035	2,853,613	(8,422)
Retained earnings	5,626,155	6,260,631	634,476
Accumulated other comprehensive income (loss)	1,562	44,529	42,967
Treasury stock, at cost	(375,223)	(610,742)	(235,519)
Total NTT shareholders' equity	9,052,479	9,485,981	433,502
Noncontrolling interests	2,455,277	2,546,570	91,293
Total equity	11,507,756	12,032,551	524,795
Total liabilities and equity	¥21,250,325	¥21,675,770	¥425,445

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

YEAR ENDED MARCH 31

**Consolidated Statements of Income**

	Millions of yen		
	2017	2018	Increase (Decrease)
<b>Operating revenues:</b>			
Fixed voice related services	¥1,233,885	¥1,146,901	¥(86,984)
Mobile voice related services	865,293	942,183	76,890
IP / packet communications services	3,808,972	3,801,771	(7,201)
Sale of telecommunications equipment	806,493	843,548	37,055
System integration	3,041,587	3,443,147	401,560
Other	1,634,786	1,622,037	(12,749)
	11,391,016	11,799,587	408,571
<b>Operating expenses:</b>			
Cost of services (excluding items shown separately below)	2,487,588	2,348,541	(139,047)
Cost of equipment sold (excluding items shown separately below)	879,725	915,540	35,815
Cost of system integration (excluding items shown separately below)	2,161,007	2,471,347	310,340
Depreciation and amortization	1,462,235	1,339,423	(122,812)
Impairment losses			
Goodwill	53,294	18,864	(34,430)
Metal cables	—	124,800	124,800
Other	20,558	18,505	(2,053)
Selling, general and administrative expenses	2,786,820	2,919,724	132,904
	9,851,227	10,156,744	305,517
<b>Operating income</b>	1,539,789	1,642,843	103,054
<b>Other income (expenses):</b>			
Interest and amortization of bond discounts and issue costs	(37,761)	(32,188)	5,573
Interest income	17,753	19,094	1,341
Income from arbitration award	—	147,646	147,646
Other, net	7,988	(21,771)	(29,759)
	(12,020)	112,781	124,801
<b>Income before income taxes and equity in earnings (losses) of affiliated companies</b>	1,527,769	1,755,624	227,855
<b>Income tax expense (benefit):</b>			
Current	472,711	532,525	59,814
Deferred	(4,341)	9,339	13,680
	468,370	541,864	73,494
<b>Income before equity in earnings (losses) of affiliated companies</b>	1,059,399	1,213,760	154,361
Equity in earnings (losses) of affiliated companies	(21)	5,551	5,572
<b>Net income</b>	1,059,378	1,219,311	159,933
Less – Net income attributable to noncontrolling interests	259,249	309,616	50,367
<b>Net income attributable to NTT</b>	¥800,129	¥909,695	¥109,566
<b>Per share of common stock:</b>			
Weighted average number of shares outstanding (Shares)	2,046,678,144	1,995,912,757	
Net income attributable to NTT (Yen)	¥390.94	¥455.78	

## Consolidated Statements of Comprehensive Income

	Millions of yen		
	2017	2018	Increase (Decrease)
<b>Net income</b>	¥1,059,378	¥1,219,311	¥159,933
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on securities	12,308	25,720	13,412
Unrealized gain (loss) on derivative instruments	495	1,982	1,487
Foreign currency translation adjustments	(24,657)	9,419	34,076
Pension liability adjustments	91,034	23,712	(67,322)
Total other comprehensive income (loss)	79,180	60,833	(18,347)
<b>Total comprehensive income (loss)</b>	1,138,558	1,280,144	141,586
Less – Comprehensive income attributable to noncontrolling interests	278,358	324,131	45,773
<b>Total comprehensive income (loss) attributable to NTT</b>	¥860,200	¥956,013	¥95,813



(3) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITYYEAR ENDED MARCH 31, 2017

	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	¥2,879,560	¥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

YEAR ENDED MARCH 31, 2018

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	¥2,862,035	¥5,626,155	¥1,562	¥(375,223)	¥9,052,479	¥2,455,277	¥11,507,756
Adjustments due to change in fiscal year end of consolidated subsidiaries			964	(3,351)		(2,387)	(2,012)	(4,399)
At beginning of year (as adjusted )	937,950	2,862,035	5,627,119	(1,789)	(375,223)	9,050,092	2,453,265	11,503,357
Net income			909,695			909,695	307,980	1,217,675
Other comprehensive income (loss)				46,318		46,318	14,101	60,419
Cash dividends			(271,405)			(271,405)	(126,362)	(397,767)
Changes in NTT's ownership interest in subsidiaries		(1,836)				(1,836)	(102,414)	(104,250)
Stock compensation transactions		(6,587)				(6,587)		(6,587)
Acquisition of treasury stock					(235,531)	(235,531)		(235,531)
Resale of treasury stock		1			12	13		13
Adjustment of redeemable noncontrolling interests to redemption value			(4,778)			(4,778)		(4,778)
At end of year	¥937,950	¥2,853,613	¥6,260,631	¥44,529	¥(610,742)	¥9,485,981	¥2,546,570	¥12,032,551

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED MARCH 31

	Millions of yen		
	2017	2018	Increase (Decrease)
<b>Cash flows from operating activities:</b>			
Net income	¥1,059,378	¥1,219,311	¥159,933
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	1,462,235	1,339,423	(122,812)
Impairment losses	73,852	162,169	88,317
Deferred taxes	(4,341)	9,339	13,680
Losses on disposals of property, plant and equipment	105,790	69,585	(36,205)
Gains on sales of property, plant and equipment	(15,633)	(9,201)	6,432
Equity in (earnings) losses of affiliated companies	21	(5,551)	(5,572)
(Increase) decrease in notes and accounts receivable, trade(*)	63,842	(231,845)	(295,687)
(Increase) decrease in inventories	(731)	(44,491)	(43,760)
(Increase) decrease in other current assets	(30,143)	(139,684)	(109,541)
Increase (decrease) in accounts payable, trade and accrued payroll	52,872	12,437	(40,435)
Increase (decrease) in accrued consumption tax	(7,258)	12,918	20,176
Increase (decrease) in advances received	36,925	52,790	15,865
Increase (decrease) in accrued taxes on income	(8,931)	7,516	16,447
Increase (decrease) in other current liabilities	8,934	72,822	63,888
Increase (decrease) in liability for employees' retirement benefits	7,133	35,930	28,797
Increase (decrease) in other long-term liabilities	41,785	21,703	(20,082)
Other	71,627	52,376	(19,251)
Net cash provided by operating activities	¥2,917,357	¥2,637,547	¥(279,810)

	Millions of yen		
	2017	2018	Increase (Decrease)
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment	¥(1,301,697)	¥(1,308,727)	¥(7,030)
Payments for intangibles	(400,110)	(401,995)	(1,885)
Proceeds from sales of property, plant and equipment	24,920	15,842	(9,078)
Payments for purchases of non-current investments	(40,344)	(53,843)	(13,499)
Proceeds from sales and redemptions of non-current investments	58,835	27,018	(31,817)
Acquisitions of subsidiaries, net of cash acquired	(329,005)	(19,614)	309,391
Payments for purchases of short-term investments	(178,939)	(208,043)	(29,104)
Proceeds from redemptions of short-term investments	146,132	249,987	103,855
Other	(69,103)	(142,402)	(73,299)
<b>Net cash used in investing activities</b>	<b>(2,089,311)</b>	<b>(1,841,777)</b>	<b>247,534</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term debt	320,464	440,903	120,439
Payments for settlement of long-term debt	(485,612)	(635,900)	(150,288)
Proceeds from issuance of short-term debt	4,987,795	6,810,893	1,823,098
Payments for settlement of short-term debt	(4,897,024)	(6,769,488)	(1,872,464)
Dividends paid	(247,994)	(271,405)	(23,411)
Proceeds from sale of (payments for acquisition of) treasury stock, net	(374,436)	(235,570)	138,866
Acquisitions of shares of subsidiaries from noncontrolling interests	(155,905)	(132,466)	23,439
Other	(128,799)	(138,625)	(9,826)
<b>Net cash used in financing activities</b>	<b>(981,511)</b>	<b>(931,658)</b>	<b>49,853</b>
Effect of exchange rate changes on cash and cash equivalents	(6,959)	(3,106)	3,853
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(160,424)</b>	<b>(138,994)</b>	<b>21,430</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,088,275</b>	<b>925,213</b>	<b>(163,062)</b>
<b>Increase (decrease) in cash and cash equivalents due to change in fiscal year end of consolidated subsidiaries</b>	<b>(2,638)</b>	<b>(5,919)</b>	<b>(3,281)</b>
<b>Cash and cash equivalents at end of year(*)</b>	<b>¥925,213</b>	<b>¥780,300</b>	<b>¥(144,913)</b>

\* Cash and cash equivalents at end of year for the fiscal year ended March 31, 2018 decreased and notes and accounts receivable, trade for the fiscal year ended March 31, 2018 increased by 231,929 million yen from the previous fiscal year, since the last day of the fiscal year ended March 31, 2018 fell on a non-business day, resulting in the due date for certain bills, including telecommunication service bills, being set to the first business day of the fiscal year ending March 31, 2019.

(5) Going Concern Assumption

None

(6) 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, etc.).

**Principal Accounting Policies**

**Marketable Securities**

(1) Securities held to maturity

Amortized cost method

(2) Available-for-sale securities

Marketable securities are stated at fair value based on market price as of the balance sheet date with valuation differences directly reported as a separate component of shareholders’ equity. The cost of securities sold is determined by the moving average method.

**Inventories**

Inventories are stated at the lower of cost or net realizable value (based on estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation). 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**

Amortization is computed using the straight-line method, except that, goodwill and intangible assets with indefinite lives are not amortized, but are tested for impairment on an annual basis.

**Liability for Employees’ Retirement Benefits**

Benefit obligations and plan assets are estimated and accrued at fair value as of year-end to provide for employees’ retirement benefits.

If the actuarial net gain or loss exceeds 10% of the greater of the benefit obligations or the fair value of plan assets, the portion in excess is amortized from the following fiscal year on a straight-line basis over the average remaining service periods at the time of recognition.

Prior service cost is amortized from the time of recognition on a straight-line basis over the average remaining service periods at the time of recognition.

**Derivative Financial Instruments**

All derivatives are recognized as either assets or liabilities in the consolidated balance sheet at fair value. Changes in fair value of derivative financial instruments are either recognized in income (loss) or shareholders’ equity (as a component of accumulated other comprehensive income (loss)), depending on whether the derivative financial instrument qualifies as a hedge and the derivative is being used to hedge changes in fair value or cash flows.

**Income Taxes**

Income taxes are computed based on income before income taxes in the consolidated statements of income. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the financial statement carrying amounts and the tax bases of assets or liabilities and operating loss carryforwards.

## (7) Change in Basis for the Preparation of Consolidated Financial Statements

### **Balance Sheet Classification of Deferred Taxes**

On November 20, 2015, the FASB issued ASU2015-17 “Balance sheet classification of deferred taxes” which requires that all deferred tax liabilities and assets be classified as noncurrent on the balance sheet.

Effective April 1, 2017, NTT Group adopted this ASU prospectively and prior periods were not retrospectively adjusted.

### **Simplifying the Test for Goodwill Impairment**

On January 26, 2017, the FASB issued ASU 2017-04 “Simplifying the Test for Goodwill Impairment,” which replaces the two-step goodwill impairment test with the one-step goodwill impairment test. The amendments in this update require that an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value.

The adoption of ASU 2017-04 would be permitted for goodwill impairment tests with measurement dates after January 1, 2017. NTT Group adopted this ASU for goodwill impairment test with measurement date on July 1, 2017.

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

As of April 1, 2017, certain of NTT's consolidated subsidiaries changed their fiscal year ends from December 31 or January 31 to March 31, thereby eliminating a three-month or two-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, 2017. As a result of this change, NTT’s retained earnings have increased by ¥964 million, and its accumulated other comprehensive income (loss) and noncontrolling interests have decreased by ¥3,351 million and ¥2,012 million, respectively, 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, 2017	Year ended March 31, 2018	Increase (Decrease)
Regional communications business			
External customers	¥2,736,664	¥2,581,751	¥(154,913)
Intersegment	571,542	651,182	79,640
Total	3,308,206	3,232,933	(75,273)
Long-distance and international communications business			
External customers	2,040,209	2,124,443	84,234
Intersegment	89,055	94,443	5,388
Total	2,129,264	2,218,886	89,622
Mobile communications business			
External customers	4,535,829	4,709,448	173,619
Intersegment	48,723	59,961	11,238
Total	4,584,552	4,769,409	184,857
Data communications business			
External customers	1,609,163	1,926,272	317,109
Intersegment	109,558	116,802	7,244
Total	1,718,721	2,043,074	324,353
Other			
External customers	469,151	457,673	(11,478)
Intersegment	813,120	778,897	(34,223)
Total	1,282,271	1,236,570	(45,701)
Elimination	(1,631,998)	(1,701,285)	(69,287)
Consolidated total	¥11,391,016	¥11,799,587	¥408,571

## 2. Segment profit

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018	Increase (Decrease)
Segment profit			
Regional communications business	¥359,491	¥354,339	¥(5,152)
Long-distance and international communications business	40,836	93,575	52,739
Mobile communications business	951,634	982,143	30,509
Data communications business	107,875	127,799	19,924
Other	77,308	78,615	1,307
Total segment profit	1,537,144	1,636,471	99,327
Elimination	2,645	6,372	3,727
Consolidated total	¥1,539,789	¥1,642,843	¥103,054

## 3. Segment assets

(Millions of yen)

	March 31, 2017	March 31, 2018	Increase (Decrease)
Segment assets			
Regional communications business	¥7,027,689	¥6,797,640	¥(230,049)
Long-distance and international communications business	2,772,961	2,913,622	140,661
Mobile communications business	7,599,619	7,906,325	306,706
Data communications business	2,364,387	2,372,963	8,576
Other	10,891,660	10,859,594	(32,066)
Total segment assets	30,656,316	30,850,144	193,828
Elimination	(9,405,991)	(9,174,374)	231,617
Consolidated total	¥21,250,325	¥21,675,770	¥425,445



## 4. Other significant items

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018	Increase (Decrease)
Depreciation and amortization			
Regional communications business	¥586,772	¥454,672	¥(132,100)
Long-distance and international communications business	171,670	166,617	(5,053)
Mobile communications business	455,779	487,521	31,742
Data communications business	155,352	150,843	(4,509)
Other	89,260	78,532	(10,728)
Total segment	1,458,833	1,338,185	(120,648)
Elimination	3,402	1,238	(2,164)
Consolidated total	¥1,462,235	¥1,339,423	¥(122,812)

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018	Increase (Decrease)
Capital investments for segment assets (*)			
Regional communications business	¥583,358	¥549,649	¥(33,709)
Long-distance and international communications business	244,859	232,501	(12,358)
Mobile communications business	597,078	576,412	(20,666)
Data communications business	158,140	194,054	35,914
Other	116,592	122,147	5,555
Consolidated total	¥1,700,027	¥1,674,763	¥(25,264)

(\*) 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, 2017	Year ended March 31, 2018	Increase (Decrease)
Payments for property, plant and equipment	¥1,301,697	¥1,308,727	¥7,030
Payments for intangibles	400,110	401,995	1,885
Total	1,701,807	1,710,722	8,915
Difference from the total of capital investments	¥1,780	¥35,959	¥34,179

## (9) Subsequent Events

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

On February 21, 2018, the Board of Directors resolved that NTT may acquire up to 31 million shares of its outstanding common stock for an amount in total not exceeding ¥150 billion from February 22, 2018 through June 30, 2018. Based on this resolution, NTT repurchased 8,400,000 shares of its common stock for a total purchase price of ¥42,010 million in March 2018.

NTT also repurchased 12,000,000 shares of its common stock for a total purchase price of ¥61,557 million in April 2018.

#### **4. OTHER**

##### CHANGES IN BOARD OF DIRECTORS

Scheduled appointment date: June 26, 2018

(1)Candidate for Member of the Board

Motoyuki Ii (Senior Executive Vice President, Representative Member of the Board of Nippon Telegraph and Telephone East Corporation)

Katsuhiko Kawazoe (Head of the Service Innovation Laboratory Group)

Ryota Kitamura (Vice President of Corporate Strategy Planning)

(2)Member of the Board scheduled to resign from office

Satoshi Miura (Chairman of the Board; scheduled to take office as Advisor)

Hiroo Unoura (President and Chief Executive Officer, Representative Member of the Board; scheduled to take office as Executive Advisor)

Mitsuyoshi Kobayashi (Executive Vice President, Member of the Board; scheduled to take office as President, Representative Member of the Board of Nippon Telegraph and Telephone West Corporation)

(3)Candidates for Chairman of the Board, Representative Member of the Board, and Executive Vice President, Member of the Board

①Candidate scheduled to be elected as Chairman of the Board

Hiromichi Shinohara (Senior Executive Vice President, Representative Member of the Board)

②Candidate scheduled to be elected as President and Chief Executive Officer, Representative Member of the Board

Jun Sawada (Senior Executive Vice President, Representative Member of the Board)

③Candidates scheduled to be elected as Senior Executive Vice President, Representative Members of the Board

Akira Shimada (Executive Vice President, Member of the Board)

Motoyuki Ii

④Candidate scheduled to be elected as Executive Vice President, Member of the Board

Tsunehisa Okuno (Senior Vice President, Member of the Board)

(4) New Executive Positions and Organizational Responsibilities

Scheduled appointment date: June 26, 2018

New Position(s) and Organizational Responsibilities	Name	Current Position(s) and Organizational Responsibilities
Chairman of the Board	Hiromichi Shinohara	Senior Executive Vice President In charge of technical strategy In charge of international standardization Head of Research and Development Planning Representative Member of the Board
President and Chief Executive Officer Representative Member of the Board	Jun Sawada	Senior Executive Vice President In charge of business strategy In charge of risk management Representative Member of the Board
Senior Executive Vice President In charge of business strategy In charge of risk management Representative Member of the Board	Akira Shimada	Executive Vice President Head of General Affairs Member of the Board
Senior Executive Vice President In charge of technical strategy In charge of international standardization Head of Technology Planning Representative Member of the Board	Motoyuki Ii	
Executive Vice President Head of Global Business Member of the Board	Tsunehisa Okuno	Senior Vice President Head of Global Business Member of the Board
Senior Vice President Head of Strategic Business Development In charge of 2020 Project Member of the Board	Hiroki Kuriyama	Senior Vice President Head of Strategic Business Development In charge of 2020 Project Member of the Board
Senior Vice President Head of Finance and Accounting Member of the Board	Takashi Hiroi	Senior Vice President Head of Finance and Accounting Member of the Board
Senior Vice President Head of General Affairs Member of the Board	Eiichi Sakamoto	Senior Vice President Head of Corporate Strategy Planning Member of the Board
Senior Vice President Head of Research and Development Planning Member of the Board	Katsuhiko Kawazoe	
Senior Vice President Head of Corporate Strategy Planning Member of the Board	Ryota Kitamura	
Member of the Board	Katsuhiko Shirai	Member of the Board
Member of the Board	Sadayuki Sakakibara	Member of the Board

(Notes)

The following candidates shall assume responsibilities as follows:

Jun Sawada as Chief Executive Officer (CEO), Akira Shimada as Chief Financial Officer (CFO) and Chief Compliance Officer (CCO), and Motoyuki Ii as Chief Technology Officer (CTO) and Chief Information Officer (CIO).

Of the candidates for Members of the Board, Katsuhiko Shirai and Sadayuki Sakakibara are candidates for Outside directors.

[Note]

This document is a translation of the Japanese original. The Japanese original is authoritative.

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 Securities Report and in any other materials publicly disclosed by NTT on its website.