

Your Value Partner

THE 34TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

NOTICE OF CONVOCATION

Information

**Date
and
Time:**

Tuesday, June 25, 2019 10:00 a.m.
(Registration will start at 8:30 a.m.)

Venue:

International Convention Center PAMIR
Grand Prince Hotel New Takanawa
13-1, Takanawa 3-chome, Minato-ku, Tokyo

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Based on the applicable laws and regulations, and Article 16 of the Articles of Incorporation, the following items are posted on NTT's website and are therefore not included in the Attachments to the Notice of Convocation.

Business Report

- Outline of the Business of NTT Group
 - Main Businesses
 - Main Locations, etc.
 - Employment
 - Changes in Consolidated Assets and Consolidated Profit or Loss
 - Changes in Non-consolidated Assets and Non-consolidated Income of NTT
- Matters Regarding Corporate Officers
 - Agreements Limiting Liability
- Matters Regarding Independent Auditors
- Content of Resolutions Concerning the Development of Systems to Ensure the Propriety of NTT's Business
- Outline of Operations of the Systems to Ensure the Propriety of NTT's Business

Consolidated Financial Statements

- Consolidated Statement of Changes in Equity
- Notes to Consolidated Financial Statements

Non-consolidated Financial Statements

- Non-consolidated Statement of Changes in Shareholders' Equity and Other Net Assets
- Notes to Non-consolidated Financial Statements



NTT Website

http://www.ntt.co.jp/ir/index_e.html

- The Business Report, audited by Audit & Supervisory Board Members, and the Consolidated Financial Statements and the Non-consolidated Financial Statements, audited by independent auditors and Audit & Supervisory Board Members, are the documents presented in the Attachments to the Notice of Convocation of the 34th Ordinary General Meeting of Shareholders as well as items posted on our website (excluding "(Reference)").
- Any subsequent revisions to the reference materials for the Ordinary General Meeting of Shareholders or the Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements will be posted on our website.

You can exercise your voting rights or view the convocation notice via your smartphone.

• You may use a voting rights exercising service for smartphones.

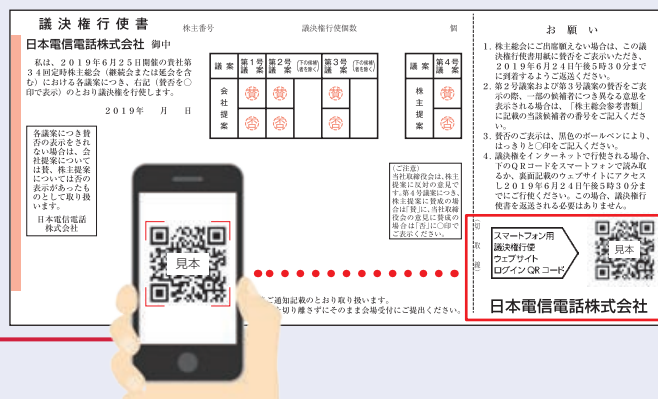
By using your smartphone to scan the QR code® on the voting rights exercise form, you can log in to the designated website and exercise the voting rights without entering your voting code and password.

Image for use

STEP 1

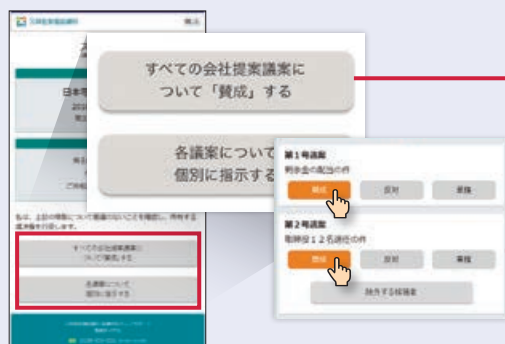
Use your smartphone or tablet device to scan the "QR code for login to the voting rights exercising website for smartphones" located in the bottom-right of the enclosed voting rights exercise form.

You **do not need** to enter your voting code or password



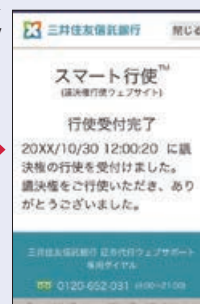
STEP 2

Access the URL shown on the screen to open the voting rights exercising website. Two methods for exercising voting rights are available.



STEP 3

When the confirmation screen appears, check there is no problem with your selected vote and click "exercise this content" button to finish your exercise!



*QR code is a trademark of DENSO WAVE INCORPORATED.

• You can view major contents of the convocation notice via your smartphone.



<https://p.sokai.jp/9432/>



Notice of Convocation of the 34th Ordinary General Meeting of Shareholders

To All Shareholders

I would like to take this opportunity to thank all of NTT's shareholders for your continued support. We are pleased to send you this notice of convocation for the 34th Ordinary General Meeting of Shareholders, which will be held on Tuesday, June 25, 2019. A report on our business operations for the 34th term (April 1, 2018 – March 31, 2019) and the resolutions to be discussed at the Ordinary General Meeting of Shareholders are enclosed. Please see the attachments for details.

During the fiscal year under review, we announced the Medium-Term Management Strategy "Your Value Partner 2025." As "Your Value Partner," NTT Group aims to resolve social issues together with all our partners through our business activities. By undertaking such efforts, we expect to be contributing to the realization of "Society 5.0" put forward by the Japanese government and the achievement of the "Sustainable Development Goals" (SDGs) advocated by the United Nations.

In order to achieve our vision, we will promote both our customers' digital transformation and our own digital transformation while leveraging talent, technologies and assets, promoting ESG management, and enhancing the returns of shareholders and, in turn, improve our corporate value. NTT Group promotes both profit growth and returns of shareholders, and accordingly has established EPS (earnings per share) as one of our important financial indicators.

I would like to conclude this message by thanking our shareholders in advance for your continued understanding and support.

May 31, 2019



Jun Sawada
President and Chief Executive Officer
Representative Member of the Board
NIPPON TELEGRAPH AND TELEPHONE CORPORATION



| | |
|----------------------------------|---|
| 1 Date and Time: | Tuesday, June 25, 2019 10:00 a.m. (Registration will start at 8:30 a.m.) |
| 2 Venue: | International Convention Center PAMIR Grand Prince Hotel New Takanawa 13-1, Takanawa 3-chome, Minato-ku, Tokyo |
| 3 Purpose of the Meeting: | Matters to be reported <ol style="list-style-type: none"> 1 Report on the Business Report, Consolidated Financial Statements and audit results of independent auditors and Audit & Supervisory Board for the 34th fiscal year (from April 1, 2018 to March 31, 2019) 2 Report on the Non-consolidated Financial Statements for the 34th fiscal year (from April 1, 2018 to March 31, 2019) |
| | Matters to be resolved <p>[Company Proposals]</p> <p>First Item Distribution of Earned Surplus</p> <p>Second Item Election of Three (3) Members of the Board</p> <p>Third Item Election of Five (5) Audit & Supervisory Board Members</p> <p>[Shareholder Proposal]</p> <p>Fourth Item Removal of Director Akira Shimada</p> |

1. When attending the meeting in person, you are kindly requested to submit the enclosed voting rights exercise form to the receptionist at the meeting site.
2. When exercising your voting rights, you are kindly requested to read the information entitled "Exercising Your Voting Rights" on page 3.

In the event you are unable to attend, it is possible to exercise your voting rights in writing by submitting the voting rights exercise form via mail or online. You are requested to review the attached reference documents and exercise your voting rights by the end of [the end of the business day \(5:30 p.m. JST\) on Monday, June 24, 2019](#).

Exercising Your Voting Rights

You are requested to review the attached Reference Materials for the Ordinary General Meeting of Shareholders (pages 7 to 16) before exercising your voting rights. Shareholders may exercise their voting rights in the following three ways.

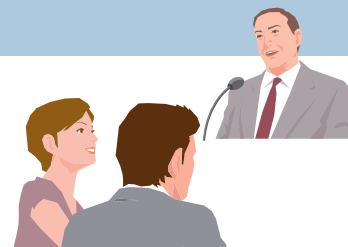
A

Voting by attending the shareholders' meeting in person

SCHEDULED START
Tuesday, June 25, 2019
10:00 a.m.

Please submit the enclosed voting rights exercise form to the receptionist at the meeting site.

Please also bring your Notice of Convocation of the 34th Ordinary General Meeting of Shareholders (this document).



B

Voting via mail

MAIL DEADLINE
Monday, June 24, 2019
5:30 p.m.

Please indicate your approval or disapproval of the resolutions on the enclosed voting rights exercise form and return it to the Company by mail so that it arrives before the deadline.



How to Fill Out Your Voting Rights Exercise Form

The form is titled '議決権行使書' (Voting Rights Exercise Form) for Nippon Telegraph and Telephone Corporation. It contains fields for the shareholder's name, address, and shares held. There is a table with columns for '議案' (Proposal), '賛成' (Approve), and '反対' (Disapprove). A QR code is provided for online voting, with instructions to use a smartphone app or a web browser.

You will need the "QR code" given on the enclosed voting rights exercise form in order to vote via the Internet.

Please indicate your approval or disapproval of each resolution here.

- If you approve, put a circle in the box marked 賛 [Approve].
- If you disapprove, put a circle in the box marked 否 [Disapprove].

• When indicating approval of the Company's proposals/Board of Directors opinions

• When indicating disapproval of the Company's proposals/Board of Directors opinions

Examples for the following two cases are given on the next page.

- 1 Duplicate voting via mail or online will be handled as follows:
 - (1) In the case of duplicate voting via mail, the votes on the last voting rights exercise form received will be considered valid.
 - (2) In the case of duplicate voting online, the last vote placed will be considered valid.
 - (3) In the case of duplicate voting done via both mail and online, the vote received last will be considered valid. If both votes are received on the same day, the votes placed online will be considered valid.
- 2 If no approval or disapproval is expressed for the respective proposals, it will be treated as an approval vote for the Company's proposals and a disapproval vote for the shareholder's proposal.
- 3 If you wish to make a diverse exercise of your voting rights, please advise us in writing three days prior to the Ordinary General Meeting of Shareholders, stating your reasons therefor.

Examples of Filling Out Voting Rights Exercise Form

When indicating approval of the Company's proposals/Board of Directors opinions

| 会社提案議案 | | | | |
|--------|------------------------------------|------------------------------------|------------------------------------|------------|
| 議案 | 第1号議案 | 第2号議案 | 第3号議案 | (下の候補者を除く) |
| 賛否表示欄 | <input checked="" type="radio"/> 賛 | <input checked="" type="radio"/> 賛 | <input checked="" type="radio"/> 賛 | |
| | <input type="radio"/> 否 | <input type="radio"/> 否 | <input type="radio"/> 否 | |

Important points

1. If approving the shareholder's proposal, circle 賛 [Approve].
2. If disapproving the shareholder's proposal, circle 否 [Disapprove].

The opinion of the Board of Directors of the Company is to disapprove the shareholder's proposal.

This is the opinion of the Board of Directors of the Company.

"We disapprove the shareholder's proposal."

| 株主提案議案 | |
|--------|------------------------------------|
| 議案 | 第4号議案 |
| 賛否表示欄 | <input checked="" type="radio"/> 賛 |
| | <input type="radio"/> 否 |

When indicating disapproval of the Company's proposals/Board of Directors opinions

| 会社提案議案 | | | | |
|--------|------------------------------------|------------------------------------|------------------------------------|------------|
| 議案 | 第1号議案 | 第2号議案 | 第3号議案 | (下の候補者を除く) |
| 賛否表示欄 | <input type="radio"/> 賛 | <input type="radio"/> 賛 | <input type="radio"/> 賛 | |
| | <input checked="" type="radio"/> 否 | <input checked="" type="radio"/> 否 | <input checked="" type="radio"/> 否 | |

Important points

1. If approving the shareholder's proposal, circle 賛 [Approve].
2. If disapproving the shareholder's proposal, circle 否 [Disapprove].

The opinion of the Board of Directors of the Company is to disapprove the shareholder's proposal.

| 株主提案議案 | |
|--------|------------------------------------|
| 議案 | 第4号議案 |
| 賛否表示欄 | <input type="radio"/> 賛 |
| | <input checked="" type="radio"/> 否 |

C Voting via the Internet*

MAIL DEADLINE
Monday, June 24, 2019
5:30 p.m. (JST)



"Smart Vote" method

- 1 By scanning the QR code® located on the bottom right of the voting rights exercise form, you can simply exercise your voting rights without entering your voting code and password.



Caution

If you need to make a correction to the content of your vote after you have exercised your voting rights, please log in by entering your voting code and password for the PC site to make the correction.

- 2 Please input "For" or "Against" following the instructions displayed on the screen.

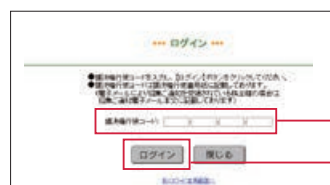


"Voting Code/Password Input" method

- 1 Exercise of your voting rights via the Internet is only available by accessing the designated web site for shareholder voting (<https://www.web54.net>) from any one of PCs, smartphones and mobile phones.



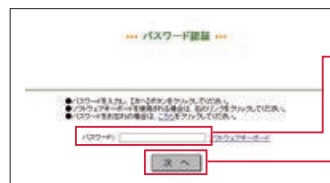
- 2 Please enter the "Voting Code" given on the voting rights exercise form.



Enter the
"Voting Code"

Click "Login"

- 3 Please enter the "Password" given on the voting rights exercise form.



Enter your
"Password"

Click "Next"

- 4 Next, indicate your approval or disapproval of the resolutions by following the instructions on the screen.

If you have questions about the use of a PC, smartphone or mobile phone for exercising your vote via the Internet, please contact:

Sumitomo Mitsui Trust, Securities Agent
Web Support Hotline
0120-652-031 (Toll Free)
(9:00 to 21:00)

* Institutional investors can utilize the electronic voting platform operated by ICJ, Inc.

*QR code is a trademark of DENSO WAVE INCORPORATED.

END

Resolutions and matters for reference

[Company Proposals]

First Item Distribution of Earned Surplus

Nippon Telegraph and Telephone Corporation (the “Company”) has set as its important management challenge the maximization of corporate value over the medium- to long-term, and the Company has identified the return of profits to shareholders as an important management goal.

In determining the level of dividends for the fiscal year ended March 31, 2019, the Company, while giving consideration to stability and sustainability, takes into account a full range of factors, including business performance, financial standing and dividend payout ratio.

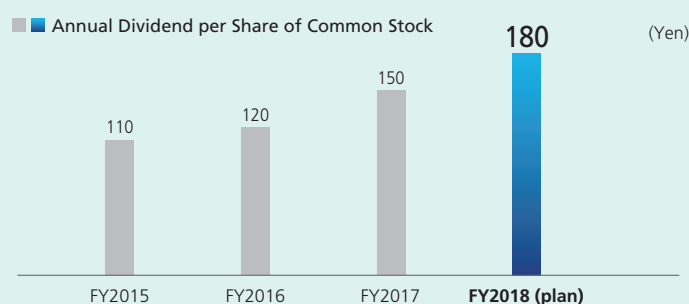
1 Type of asset to be distributed: Cash

2 Matters relating to allotment of dividends and total amount of dividends to be distributed: Per share of common stock : ¥95
Total amount of dividends : ¥182,152,688,780

As the Company has already distributed an interim dividend of ¥85 per share of common stock, the annual dividend for the fiscal year will be ¥180 per one share of common stock.

3 Date on which the dividend becomes effective: June 26, 2019

(Reference) Changes in Dividends per Share



Note: NTT implemented a two-for-one stock split of common stock with an effective date of July 1, 2015. Figures for annual dividend per share of common stock have been adjusted to reflect the stock split.

Please refer to page 52 for the capital policy ►

Second Item Election of Three (3) Members of the Board

The Company is seeking approval to increase the number of Members of the Board by one to enhance the management system for the advancement of its Medium-Term Management Strategy, and at the same time is seeking approval to increase the number of outside Members of the Board by two to strengthen the supervisory function of the Board of Directors and improve corporate governance, and therefore proposes the election of a total of three Members of the Board.

The candidates for Members of the Board are as follows:

| | | | | |
|--|---|---|--------------|---|
| 1 | Atsuko Oka | (October 18, 1963) *The surname of Atsuko Oka is Sumi in the family register. | New Election | Number of shares of the Company held: 0 shares |
|  | Career summary, position, responsibilities and description of significant concurrent positions | | | |
| | April 1988: | Joined Nippon Telegraph and Telephone Corporation | | |
| | August 2006: | Director of IP Service Department of the Net Business Division of NTT Communications Corporation | | |
| | July 2010: | Representative Director and President of NTT NaviSpace Corporation | | |
| | July 2012: | Director of Integrated Customer Portal Taskforce of the Corporate Strategy Planning Department of NTT Communications Corporation | | |
| | August 2015: | Vice President of IoT Office of the Corporate Strategy Planning Department of NTT Communications Corporation | | |
| | July 2017: | General Manager of Business Platform Division Member of the Board of NTT Resonant Incorporated | | |
| | October 2017: | General Manager of Solutions Business Division Member of the Board of NTT Resonant Incorporated (present post) | | |
| Reasons for Election as a Member of the Board | | | | |
| Ms. Atsuko Oka has a wealth of experience in business execution, having been widely involved with IT and internet-related operations at Group companies. The Company also believes her to have a high level of integrity and insight. | | | | |



Career summary, position, responsibilities and description of significant concurrent positions

| | |
|---------------|---|
| April 2000: | Professor of the Interfaculty Initiative in Information Studies and the Graduate School of Interdisciplinary Information Studies of the University of Tokyo |
| January 2002: | Director of YRP Ubiquitous Networking Laboratory (present post) |
| April 2009: | Director of Institute of Infrastructure Application of Ubiquitous Computing of the Interfaculty Initiative in Information Studies of the University of Tokyo |
| October 2014: | President of Vitalizing Local Economy Organization by Open Data & Big Data (present post) |
| April 2017: | Professor and Dean of Faculty of Information Networking for Innovation and Design of Toyo University (present post) Head of collaboration Hub for University and Business of Toyo University |
| June 2017: | Emeritus Professor of the University of Tokyo (present post) |

Reasons for Election as an Outside Member of the Board

Mr. Ken Sakamura has a wealth of experience as an operational director of research institutions including universities, and has a high level of integrity and insight. The Company therefore believes that he will help strengthen the supervisory function for business execution and expects to incorporate the advice he provides from his wide-ranging perspective.

Matters regarding independence

Although the Company and its major subsidiaries have relationships involving transactions and donations with the University of Tokyo, where Mr. Ken Sakamura previously served as a professor, and Toyo University, where he currently serves as a dean, as shown in the table below, both cases fulfill the independence criteria stipulated by the Tokyo Stock Exchange, on which the Company is listed, and the Company's own independence standards for independent officers.*

| Transaction counterparty | Content | Comparison basis | Comparative size |
|--|---|---|-----------------------------------|
| The University of Tokyo, where Mr. Ken Sakamura previously served as a professor | Total annual amount of transactions | Total annual operating revenues of the Company and its major subsidiaries | Less than 1% |
| | | Total annual income of the university | Less than 1% |
| | Total annual amount of donations | Total annual income of the university | Less than 1% |
| Toyo University, where Mr. Ken Sakamura currently serves as a dean | Total annual amount of transactions | Total annual operating revenues of the Company and its major subsidiaries | Less than 1% |
| | | Total annual income of the university | Less than 1% |
| | Total annual amount of donations | — | Less than ¥10 million annually |

* Please refer to page 51 for details on the Company's independence standards for independent officers.

Notes: 1. Mr. Ken Sakamura is a candidate for outside Member of the Board.

Mr. Ken Sakamura has not previously been involved in the management of a company other than by way of becoming an outside Member of the Board or an outside Audit & Supervisory Board Member. However, as stated in the above reasons for election as an outside Member of the Board, the Company has determined that he is capable of adequately serving as an outside Member of the Board.

In addition, as stated in the above matters regarding independence, as Mr. Ken Sakamura fulfills the independence criteria stipulated by the Tokyo Stock Exchange, on which the Company is listed, and the Company's own independence standards for independent officers, and there is no concern that conflicts of interest with general shareholders would arise, the Company has designated him as an independent officer and filed the information related thereto with the aforementioned stock exchange. The Company plans to continue to designate Mr. Ken Sakamura as an independent officer should his election be approved.

2. In order for Mr. Ken Sakamura to fully perform his expected role as an outside Member of the Board, pursuant to the provisions of Article 427(1) of the Companies Act, the Company plans to enter into agreement with the candidate limiting his liability for damages pursuant to Article 423(1) of the same act. The maximum amount of liability for damages pursuant to such agreement is the minimum liability amount stipulated in Article 425(1) of the Companies Act.

3

Keiko Takegawa

(April 23, 1958)

New Election

Outside

Independent

Number of shares of the
Company held: 0 shares**Career summary, position, responsibilities and description of significant concurrent positions**

| | |
|----------------|--|
| July 2008: | Director-General for Policies on Cohesive Society and Minister's Secretariat of Cabinet Office |
| July 2009: | Director-General for Gender Equality Bureau of Cabinet Office |
| December 2012: | Director-General of the Public Relations Office of Cabinet Office |
| July 2014: | Director of the Gender Equality Bureau of Cabinet Office |
| April 2019: | Professor of Showa Women's University (present post) |

Reasons for Election as an Outside Member of the Board

Ms. Keiko Takegawa has a wealth of experience in public relations and diversity promotion within the government and has a high level of integrity and insight. The Company therefore believes that she will help strengthen the supervisory function for business execution and expects to incorporate the advice she provides from her wide-ranging perspective.

Matters regarding independence

Although the Company and its major subsidiaries have a relationship involving transactions with Showa Women's University, where Ms. Keiko Takegawa currently serves as a professor, as shown in the table below, this case fulfills the independence criteria stipulated by the Tokyo Stock Exchange, on which the Company is listed, and the Company's own independence standards for independent officers.*

| Transaction counterparty | Content | Comparison basis | Comparative size |
|--|-------------------------------------|---|------------------|
| Showa Women's University, where Ms. Keiko Takegawa currently serves as a professor | Total annual amount of transactions | Total annual operating revenues of the Company and its major subsidiaries | Less than 1% |
| | | Total annual income of the university | Less than 1% |

* Please refer to page 51 for details on the Company's independence standards for independent officers.

Notes: 1. Ms. Keiko Takegawa is a candidate for outside Member of the Board.

Ms. Keiko Takegawa has not previously been involved in the management of a company other than by way of becoming an outside Member of the Board or an outside Audit & Supervisory Board Member. However, as stated in the above reasons for election as an outside Member of the Board, the Company has determined that she is capable of adequately serving as an outside Member of the Board.

In addition, as stated in the above matters regarding independence, as Ms. Keiko Takegawa fulfills the independence criteria stipulated by the Tokyo Stock Exchange, on which the Company is listed, and the Company's own independence standards for independent officers, and there is no concern that conflicts of interest with general shareholders would arise, the Company has designated her as an independent officer and filed the information related thereto with the aforementioned stock exchange. The Company plans to continue to designate Ms. Keiko Takegawa as an independent officer should her election be approved.

2. In order for Ms. Keiko Takegawa to fully perform her expected role as an outside Member of the Board, pursuant to the provisions of Article 427(1) of the Companies Act, the Company plans to enter into agreement with the candidate limiting her liability for damages pursuant to Article 423(1) of the same act. The maximum amount of liability for damages pursuant to such agreement is the minimum liability amount stipulated in Article 425(1) of the Companies Act.

Third Item Election of Five (5) Audit & Supervisory Board Members

The Company is seeking approval for the election of five Audit & Supervisory Board Members following the expiration of their terms of office of five current Audit & Supervisory Board Members at the conclusion of this Ordinary General Meeting of Shareholders.

Audit & Supervisory Board supports this proposal.

The candidates for Audit & Supervisory Board Members are as follows:

| Candidate No. | Name | Current Position | | |
|---------------|---------------|--|--------------|------------------------|
| 1 | Akiko Ide | Full-time Audit & Supervisory Board Member | Reelection | |
| 2 | Takao Maezawa | Full-time Audit & Supervisory Board Member | Reelection | |
| 3 | Takashi Iida | Audit & Supervisory Board Member | Reelection | Outside Independent |
| 4 | Hideki Kanda | — | New Election | Outside Independent |
| 5 | Kaoru Kashima | — | New Election | Outside Independent |

1 Akiko Ide

(February 28, 1955)

Reelection

Number of shares of the
Company held: 10,200 shares



Years served as Audit & Supervisory Board Member
5 years

Number of Board of Directors Meetings attended (Percent)
13/13 (100%)

Number of Audit & Supervisory Board Meetings attended (Percent)
24/24 (100%)

Career summary, position and description of significant concurrent positions

| | |
|--------------|--|
| April 1977: | Joined Nippon Telegraph and Telephone Public Corporation |
| June 2006: | Executive Director and General Manager of Corporate Citizenship Department of NTT DoCoMo, Inc. (currently NTT DOCOMO, INC.) |
| July 2008: | Executive Director and General Manager for Chugoku regional office of NTT DoCoMo, Inc. |
| June 2012: | Executive Director and Director of Information Security of NTT DoCoMo, Inc. |
| May 2013 : | President and Chief Executive Officer of Radishbo-ya Co., Ltd. (resigned on May 29, 2014) |
| June 2013: | Executive Director and Senior Manager In charge of Commerce Business Promotion of NTT DoCoMo, Inc. (currently NTT DOCOMO, INC.) |
| June 2014: | Full-time Audit & Supervisory Board Member of the Company (present post) |
| August 2018: | Audit & Supervisory Board Member of NTT, Inc. (present post) |

Reasons for Reelection as an Audit & Supervisory Board Member

Ms. Akiko Ide has served as an Executive Director of NTT DOCOMO and the president of one of the Group companies, and has a wealth of experience. The Company expects that she will conduct future audits based on the knowledge and insight she has gained throughout her career.

2 Takao Maezawa

(October 24, 1955)

Reelection

Number of shares of the
Company held: 9,704 shares



Years served as Audit & Supervisory Board Member
3 years

Number of Board of Directors Meetings attended (Percent)
13/13 (100%)

Number of Audit & Supervisory Board Meetings attended (Percent)
24/24 (100%)

Career summary, position and description of significant concurrent positions

| | |
|--------------|---|
| April 1978: | Joined Nippon Telegraph and Telephone Public Corporation |
| June 2006: | Executive Manager of Human Resources Management Department General Manager of Training Institute Executive Manager of the General Affairs of NTT Communications Corporation |
| June 2008: | Senior Vice President Deputy General Manager of the Enterprise Business Division Member of the Board of NTT Communications Corporation |
| June 2011: | Executive Vice President Deputy General Manager of the Enterprise Business Division Member of the Board of NTT Communications Corporation |
| August 2011: | Executive Vice President Head of Second Sales Division Member of the Board of NTT Communications Corporation |
| June 2012: | President and CEO of NTT PC Communications Incorporated |
| June 2016: | Full-time Audit & Supervisory Board Member of the Company (present post) |
| August 2018: | Audit & Supervisory Board Member of NTT Inc. (present post) |

Reasons for Reelection as an Audit & Supervisory Board Member

Mr. Takao Maezawa has a wealth of experience in financial operations of the Company and of other companies, and has served as president of an NTT Group company. The Company expects that he will conduct future audits based on the knowledge and insight he has gained throughout his career.

Note: In order for Ms. Akiko Ide and Mr. Takao Maezawa to fully perform their expected role as an Audit & Supervisory Board Members, pursuant to the provisions of Article 427(1) of the Companies Act, the Company has entered into agreement with the candidates limiting their liability for damages pursuant to Article 423(1) of the same act. The maximum amount of liability for damages pursuant to such agreement is the minimum liability amount stipulated in Article 425(1) of the Companies Act. In the event that the appointment of Ms. Akiko Ide and Mr. Takao Maezawa is approved, the Company intends to continue the said agreements with them.

3 Takashi Iida

(September 5, 1946)

Reelection

Outside

Independent

Number of shares of the Company held: 3,200 shares



Years served as Audit & Supervisory Board Member
5 years

Number of Board of Directors Meetings attended (Percent)
13/13 (100%)

Number of Audit & Supervisory Board Meetings attended (Percent)
24/24 (100%)

Career summary, position and description of significant concurrent positions

| | |
|---------------|--|
| April 1974: | Registered as attorney-at-law (Daini Tokyo Bar Association) (registration up-to-date) Joined Mori Sogo Law Offices (currently Mori Hamada & Matsumoto) (retired on December 31, 2011) |
| April 1991: | Deputy Chairman of the Daini Tokyo Bar Association (resigned on March 31, 1992) |
| April 1997: | Executive Governor of the Japan Federation of Bar Associations (resigned on March 31, 1998) |
| April 2006: | Chairman of the Daini Tokyo Bar Association (resigned on March 31, 2007) |
| April 2006: | Vice President of the Japan Federation of Bar Associations (resigned on March 31, 2007) |
| January 2012: | Established Kowa Law Office (present post) |
| June 2012: | Corporate Auditor (Part-Time) for Shimadzu Corporation (present post) |
| June 2013: | Corporate Auditor of JAFCO Co., Ltd. |
| June 2013: | Outside Director of Alps Electric Co., Ltd. (currently ALPS ALPINE CO., LTD.) (present post) |
| June 2014: | Audit & Supervisory Board Member of the Company (present post) |

Reasons for Reelection as an Outside Audit & Supervisory Board Member

Mr. Takashi Iida is an attorney with a wealth of experience in the legal sector. The Company expects that he will conduct future audits based on the knowledge and insight he has gained throughout his career.

Matters regarding independence

Although the Company and its major subsidiaries have relationships involving transactions with Mori Hamada & Matsumoto, where Mr. Takashi Iida previously served, and Kowa Law Office, where he currently serves as a representative, as shown in the table below, this case fulfills the independence criteria stipulated by the Tokyo Stock Exchange, on which the Company is listed, and the Company's own independence standards for independent officers.*1

| Transaction counterparty | Content | Comparison basis | Comparative size |
|--|-------------------------------------|---|-------------------|
| Mori, Hamada & Matsumoto, where Mr. Takashi Iida previously served | Total annual amount of transactions | Total annual operating revenues of the Company and its major subsidiaries | Less than 1% |
| Kowa Law Office, where Mr. Takashi Iida currently serves as a representative | Total annual amount of transactions | Total annual operating revenues of the Company and its major subsidiaries | Less than 1% (*2) |

*1 Please refer to page 51 for details on the Company's independence standards for independent officers.

*2 Applicable transactions only include those related to common communication services.

Notes: 1. Mr. Takashi Iida is a candidate for outside Audit & Supervisory Board Member.

Mr. Takashi Iida has not previously been involved in the management of a company other than by way of becoming an outside Member of the Board or an outside Audit & Supervisory Board Member. However, as stated in the above reasons for reelection as an outside Audit & Supervisory Board Member, the Company has determined that he is capable of adequately serving as an outside Audit & Supervisory Board Member.

- As stated in the above matters regarding independence, as Mr. Takashi Iida fulfills the independence criteria stipulated by the Tokyo Stock Exchange, on which the Company is listed, and the Company's own independence standards for independent officers, and there is no concern that conflicts of interest with general shareholders would arise, the Company has designated him as an independent officer and filed the information related thereto with the aforementioned stock exchange. The Company plans to continue to designate him as an independent officer should his election be approved.
- It has been five years since Mr. Takashi Iida was first appointed as an outside Members of the Board in June 2014.
- In order for Mr. Takashi Iida to fully perform his expected role as an outside Audit & Supervisory Board Member, pursuant to the provisions of Article 427(1) of the Companies Act, the Company has entered into agreement with the candidate limiting his liability for damages pursuant to Article 423(1) of the same act. The maximum amount of liability for damages pursuant to such agreement is the minimum liability amount stipulated in Article 425(1) of the Companies Act. In the event that the appointment of Mr. Takashi Iida is approved, the Company intends to continue the said agreement with him.

4

Hideki Kanda

(September 24, 1953)

New Election

Outside

Independent

Number of shares of the
Company held: 0 shares**Career summary, position and description of significant concurrent positions**

| | |
|-------------|---|
| April 1977: | Research Assistant of Faculty of Law of the University of Tokyo |
| April 1980: | Lecturer of Faculty of Law of Gakushuin University |
| April 1982: | Associate Professor of Faculty of Law of Gakushuin University |
| April 1988: | Associate Professor of Faculty of Law of the University of Tokyo |
| April 1991: | Associate Professor of Graduate Schools for Law and Politics of the University of Tokyo |
| May 1993: | Professor of Graduate Schools for Law and Politics of the University of Tokyo |
| April 2016: | Professor of Professional School of Law (Law School) of Gakushuin University (present post) |
| June 2016: | Emeritus Professor of the University of Tokyo (present post) |
| June 2017: | Director of Sumitomo Mitsui Trust Bank, Limited (present post) |

Reasons for Election as an Outside Audit & Supervisory Board Member

Mr. Hideki Kanda is an expert with a wealth of experience in the legal sector and has served as a university professor specializing in law for many years. The Company expects that he will conduct future audits based on the knowledge and insight he has gained throughout his career.

Matters regarding independence

Although the Company and its subsidiaries have relationships involving transactions and donations with the University of Tokyo, where Mr. Hideki Kanda previously served as a professor, and Gakushuin University, where he currently serves as a professor, as shown in the table below, both cases fulfill the independence criteria stipulated by the Tokyo Stock Exchange, on which the Company is listed, and the Company's own independence standards for independent officers.

| Transaction counterpart | Content | Comparison basis | Comparative size |
|--|-------------------------------------|---|------------------|
| The University of Tokyo, where Mr. Hideki Kanda previously served as a professor | Total annual amount of transactions | Total annual operating revenues of the Company and its major subsidiaries | Less than 1% |
| | | Total annual income of the university | Less than 1% |
| | Total annual amount of donations | Total annual income of the university | Less than 1% |
| Gakushuin University, where Mr. Hideki Kanda currently serves as a professor | Total annual amount of transactions | Total annual operating revenues of the Company and its major subsidiaries | Less than 1% |
| | | Total annual income of the university | Less than 1% |

* Please refer to page 51 for details on the Company's independence standards for independent officers.

Notes: 1. Mr. Hideki Kanda is a candidate for outside Audit & Supervisory Board Member.

Mr. Hideki Kanda has not previously been involved in the management of a company other than by way of becoming an outside Member of the Board or an outside Audit & Supervisory Board Member. However, as stated in the above reasons for election as an outside Audit & Supervisory Board Member, the Company has determined that he is capable of adequately serving as an outside Audit & Supervisory Board Member.

- As stated in the above matters regarding independence, as Mr. Hideki Kanda fulfills the independence criteria stipulated by the Tokyo Stock Exchange, on which the Company is listed, and the Company's own independence standards for independent officers, and there is no concern that conflicts of interest with general shareholders would arise, the Company has designated him as an independent officer and filed the information related thereto with the aforementioned stock exchange. The Company plans to continue to designate him as an independent officer should his election be approved.
- In order for Mr. Hideki Kanda to fully perform his expected role as an outside Audit & Supervisory Board Member, pursuant to the provisions of Article 427(1) of the Companies Act, the Company plans to enter into agreement with the candidate limiting his liability for damages pursuant to Article 423(1) of the same act. The maximum amount of liability for damages pursuant to such agreement is the minimum liability amount stipulated in Article 425(1) of the Companies Act.

5 Kaoru Kashima

(January 20, 1958)

*The surname of Kaoru Kashima is Taya in the family register.

New Election

Outside

Independent

Number of shares of the Company held: 0 shares



Career summary, position and description of significant concurrent positions

November 1981: Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)
 April 1985: Registered as a certified public accountant (registration up-to-date)
 June 1996: Partner of Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)
 June 2002: Senior Partner of ShinNihon & Co. (currently Ernst & Young ShinNihon LLC) (present post)
 July 2006: In charge of personnel of HR Development Headquarters of ShinNihon & Co.
 September 2010: Managing Director of Ernst & Young ShinNihon LLC
 In charge of Corporate Culture Promotion Office
 In charge of Public Relations Office
 July 2012: General Manager of Knowledge Headquarters
 Managing Director of Ernst & Young ShinNihon LLC
 July 2013: Representative Director of Ernst & Young Institute Co., Ltd.

Reasons for Election as an Outside Audit & Supervisory Board Member

Ms. Kaoru Kashima is an expert with a wealth of experience as a certified public accountant. The Company expects that she will conduct future audits based on the knowledge and insight she has gained throughout her career.

Matters regarding independence

Although the Company and its subsidiaries have relationships involving transactions with Ernst & Young ShinNihon LLC, where Ms. Kaoru Kashima currently serves, as shown in the table below, this case fulfills the independence criteria stipulated by the Tokyo Stock Exchange, on which the Company is listed, and the Company's own independence standards for independent officers.*

| Transaction counterparty | Content | Comparison basis | Comparative size |
|---|-------------------------------------|---|------------------|
| Ernst & Young ShinNihon LLC, where Ms. Kashima currently serves | Total annual amount of transactions | Total annual operating revenues of the Company and its major subsidiaries | Less than 1% |
| | | Total annual income of the university | Less than 1% |

* Please refer to page 51 for details on the Company's independence standards for independent officers.

Ms. Kaoru Kashima is expected to assume the position of Audit & Supervisory Board Member of the Company on June 26, 2019.

Notes: 1. Ms. Kaoru Kashima is a candidate for outside Audit & Supervisory Board Member.

- As stated in the above-mentioned matters regarding independence, as Ms. Kaoru Kashima fulfills the independence criteria stipulated by the Tokyo Stock Exchange, on which the Company is listed, and the Company's own independence standards for independent officers, and there is no concern that conflicts of interest with general shareholders would arise, the Company has designated her as an independent officer and filed the information related thereto with the aforementioned stock exchange. The Company plans to continue to designate her as an independent officer should her election be approved.
- In order for Ms. Kaoru Kashima to fully perform her expected role as an outside Audit & Supervisory Board Member, pursuant to the provisions of Article 427(1) of the Companies Act, the Company plans to enter into agreement with the candidate limiting her liability for damages pursuant to Article 423(1) of the same act. The maximum amount of liability for damages pursuant to such agreement is the minimum liability amount stipulated in Article 425(1) of the Companies Act.

[Shareholder Proposal]

The proposal and the reason is stated verbatim as proposed by the Shareholder.

Fourth Item Removal of Director Akira Shimada

Reasons

Director Akira Shimada was aware of unjustified charges billed by Nippon Telegraph and Telephone East Corporation (hereinafter referred to as "NTT East") and gave them tacit approval. This action violated his duty of loyalty as a director. I therefore propose his removal from the post of director.

To provide details, I cite my question at the 32nd Ordinary General Meeting of Shareholders.

I would like to provide an explanation again, and then to ask a question regarding the unjustified charges billed by NTT East. Previously I subscribed to a pay-as-you-go billing plan for the "FLET'S Hikari Light" service. Although I did not use the service beyond the scope of the minimum charge, I was billed six times the amount, and in some months nearly 10 times.

I inquired to various places, and also visited the Head Office for clarification regarding the grounds for the charges. When I did so, I was told in all cases that the matter would be looked into and I would receive a reply, but there was none.

I made proposals that might shed some light on the matter, such as investigating my usage status, but these proposals were ignored. Not only that, but also where NTT East should have acted themselves to investigate the issue, they did not do so.

After I was finally obliged to raise the matter at the General Meeting of Shareholders last year, I received an explanation—two years after my initial inquiry. However, this did not include the key explanation of the reason for the charges.

Incidentally, I have notified them of my usage status during the period, including what dates I used the service and the specific times of my use, including specific start and finish times.

Furthermore, the unjustified charges continued, obliging me to change to an inconvenient flat-rate plan. I haven't used it at all for over a year since last spring.

My question, then, is this:

For me, when a provider is unable to show clear grounds for the charges billed, it is natural that they should refund the unjustified charges. Naturally, this includes the difference between my current flat-rate plan and the minimum charge for the pay-as-you-go plan. I want to ask whether or not the company will refund this to me.

The answer to this question I received was that "there was no system fault and other matters will not be explained."

When I subscribed for the "FLET'S Hikari Light" service, I was told that it was a "pay-as-you-go system where we pay only for the amount of use," and that "the basic charge will cover up to 200 MB of use. This corresponds to using the Internet for around 30 minutes once a week. Using it five times that amount would cost around the same as the flat-rate service."

Afterwards as well, I have barely used the Internet. My primary wish is to change from my current flat-rate plan to a favorable pay-as-you-go plan, but with a pay-as-you-go plan that incomprehensibly costs more than the flat-rate plan, I am unable to do so.

Opinion of the Board of Director

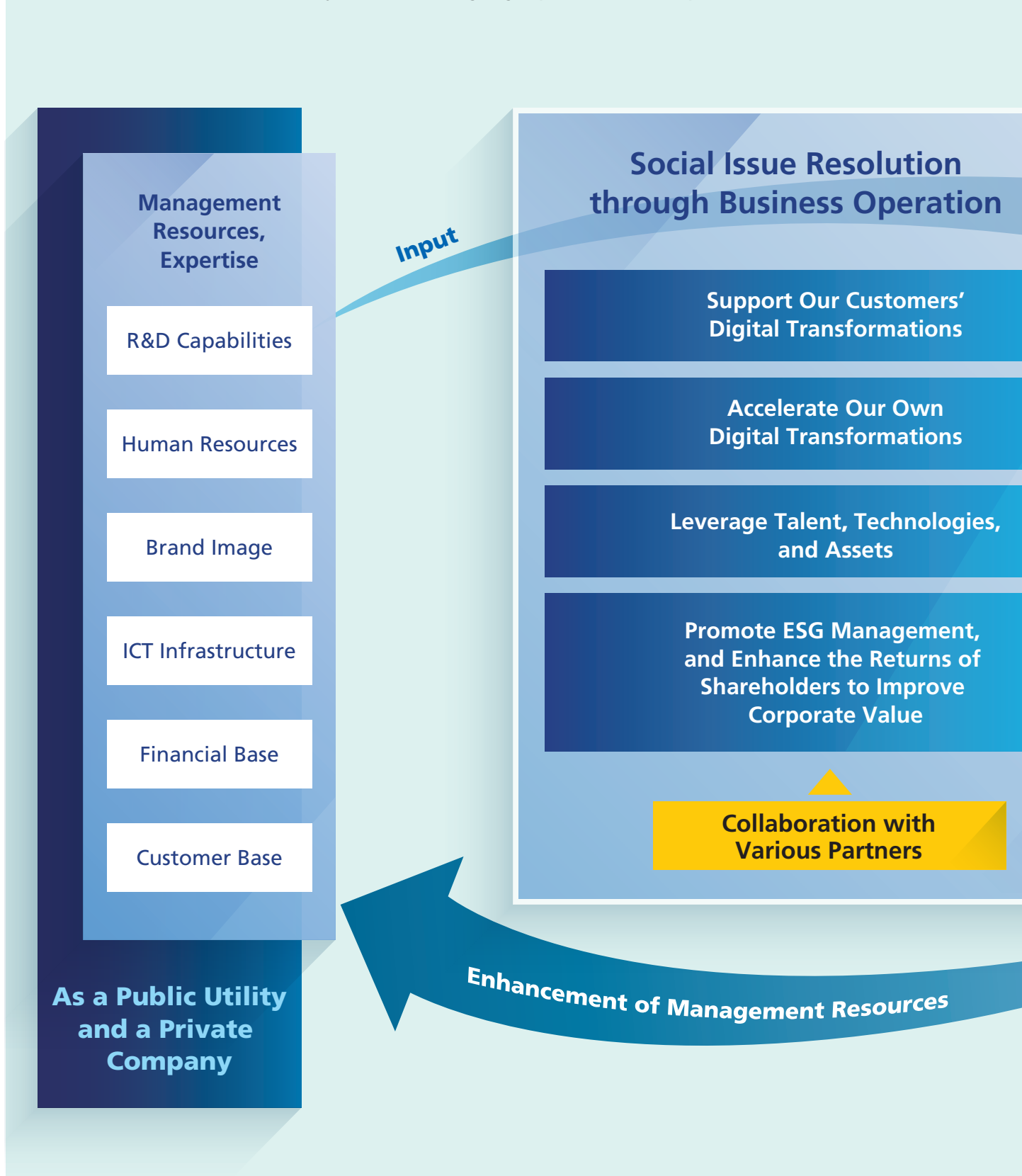
The Board of Directors is against this proposal.

It is the view of the Board of Directors that the above does not constitute a reason for the dismissal of a Director. Furthermore, concerning the transaction mentioned in the Shareholder's Proposal, it has been confirmed by NTT East that the charges from such company to the proposing shareholder are justified. Director Akira Shimada has a wealth of experience as a senior corporate manager as represented by his role in overseeing business operations relating to such areas as human resources, legal affairs and general affairs of the entire NTT Group. The Board of Directors also believes him to have a high level of integrity and insight, and accordingly nominated him at the 33rd Ordinary General Meeting of Shareholders as a candidate for Director, and at that general meeting of shareholders, he was duly elected.

Accordingly, the Board of Directors is against this proposal.

END

(Reference) Value Creation Process ~Cycle to Realize Ongoing Improvements of Corporate Value~



Contribute to
Realization
of Smart World/
Society 5.0

Outcome

Towards a sustainable society/SDGs

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



Financial Targets

| | | Target |
|---|--------------------|--------------------------------------|
| EPS Growth | +50%* ¹ | FY2023* ² (vs. FY2017) |
| Overseas Sales / Overseas Operating Profit Margin* ³ | \$25B/7% | FY2023 |
| Cost Reductions (in fixed-line/mobile access networks) | at least ¥800B | FY2023 (vs. FY2017) |
| ROIC Return on invested capital | 8% | FY2023 |
| Capex to Sales (Domestic Network Business* ⁴) Capital expenditure to sales ratio | 13.5% or less | FY2021 |

*1 Approximately 640 yen/share (FY2023).

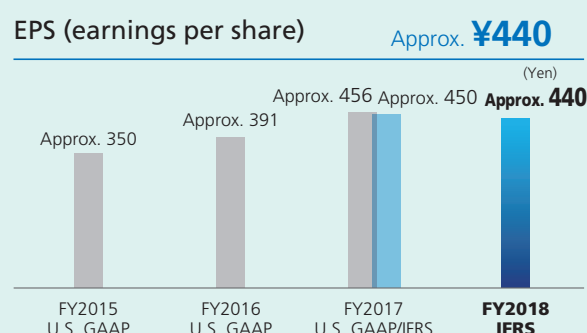
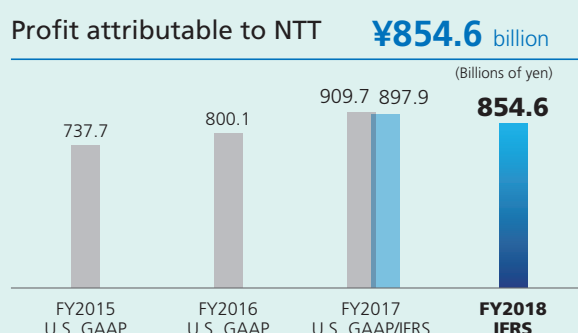
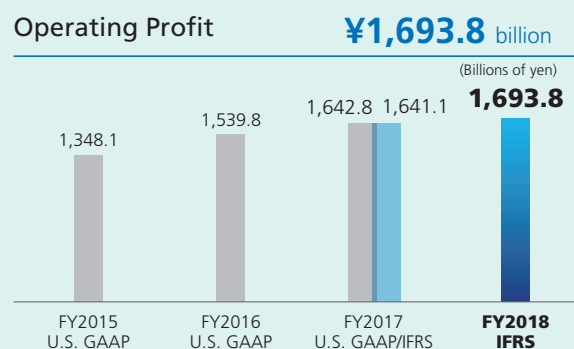
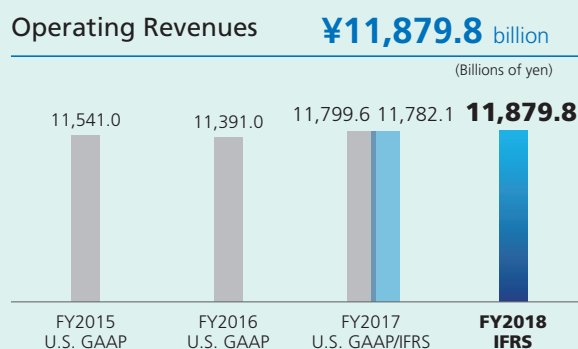
*2 Excludes the effects of the arbitration award received from Tata Sons Limited.

*3 Including results from the global holding company, its subsidiaries and its affiliates. Operating Profit excludes temporary expenses, such as M&A-related depreciation costs of intangible fixed assets.

*4 Excludes NTT Communications' data centers and certain other assets.

I Outline of the Business of NTT Group

(Reference)



(Note) NTT implemented a two-for-one stock split of common stock with an effective date of July 1, 2015. The figures above have been adjusted to reflect the stock split.

(Regarding the Contents of the Business Report)

- In this Business Report, "NTT DOCOMO," "NTT East," "NTT West," "NTT Communications," "Dimension Data," "NTT Security," "NTT Plala," "NTT Data," and "NTT Urban Development" refer to NTT DOCOMO, INC., Nippon Telegraph and Telephone East Corporation, Nippon Telegraph and Telephone West Corporation, NTT Communications Corporation, Dimension Data Holdings plc, NTT Security Corporation, NTT Plala Inc., NTT DATA Corporation, and NTT Urban Development Corporation, respectively.
- Beginning in the fiscal year under review, the consolidated financial statements of NTT have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") in place of generally accepted accounting principles in the United States ("U.S. GAAP"), which had previously been used, with figures from the previous fiscal year also being recalculated under IFRS for the purpose of comparison and analysis.
- With respect to amounts appearing in this report, figures determined in accordance with Japanese accounting standards are rounded down to the nearest whole unit, and figures determined in accordance with the IFRS are rounded to the nearest whole unit.
- With respect to underlined terms, a definition of each term is provided in the "Glossary of Terms" (pages 57 - 58).
- The forward-looking statements, remarks 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 this Business Report.

1. Business Progress and Results

(1) Business Environment

In the fiscal year ended March 31, 2019, the information and telecommunications market saw increased usage of a variety of digital services as a result of rapid advances in such areas as [cloud services](#), [IoT](#), [big data](#) and [AI](#).

The analysis and utilization (data management) of data accumulated through the use of such services are driving a global [digital transformation](#) resulting in reforms that will further take in a positive direction, such as by improving the convenience of people's daily lives, creating new business models and enhancing productivity. In addition, it is becoming increasingly necessary to take steps such as strengthening information security against increasingly sophisticated and complex cyberattacks, reinforcing anti-disaster measures, and contributing to the protection of the global environment.

The role of information and telecommunications is becoming more important in terms of resolving these wide-ranging social issues.

(2) Business Status

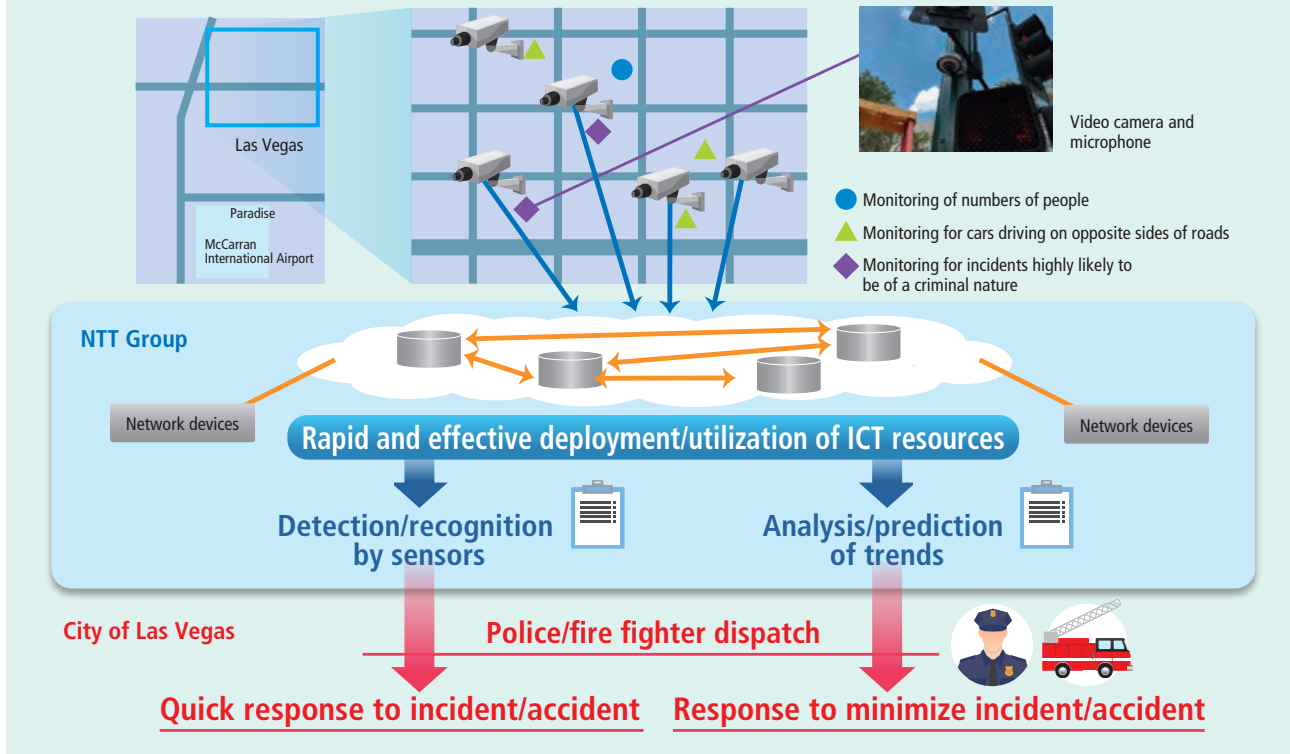
In light of these circumstances, during the fiscal year under review, NTT Group formulated and announced its new "Your Value Partner 2025" Medium-Term Management Strategy, with the aim of working together with all our partners to promote initiatives to resolve social issues in its role as "Your Value Partner."

Supporting our Customers' Digital Transformations

We have proceeded with initiatives including the promotion of the [B2B2X](#) model to support the creation of new value, initiatives to implement and launch [5G](#) services, and increasingly personalized services to support lifestyle changes, among other efforts.

- In terms of supporting the creation of new value, we signed an agreement for comprehensive collaboration for realizing a super-smart society by utilizing public and private data with the city of Yokohama in Kanagawa Prefecture and Yokohama City University, and have begun initiatives to enhance the daily lives of City residents. In addition, we worked with Dell Technologies Inc. in the city of Las Vegas to conduct proof of concept testing for implementing public safety solutions by providing quick responses to accidents and incidents and predictive measures using [AI](#). Furthermore, we concluded a capital and business alliance agreement with Netyear Group Corporation for the purpose of strengthening support for digital marketing. The [B2B2X](#) Strategy Committee has been established within NTT so as to expand these projects in cooperation with other members of the Group with the aim of further promoting this kind of [B2B2X](#) model.

(Reference) Diagram of Public Safety Solutions in Las Vegas



- In the “[DOCOMO 5G](#) Open Partner Program,” with a wide range of partners, we expanded initiatives aimed at creating new use cases for the implementation and launch of [5G](#) services. Moreover, in outdoor trials of [5G](#), we achieved a world first by reaching a communication speed of 27Gbps, exceeding the 20Gbps communication speed to mobile devices required for 5G, in addition to advancing other initiatives related to the use of [5G](#) in a wide range of environments.
- In order to promote the personalization of services and in response to diversifying customer lifestyles, it was decided that NTT DOCOMO would make NTT Plala its subsidiary as an effort to strengthen its video content business. In addition, NTT Plala took an equity stake in EAST GROUP HOLDINGS

- INC., a major program production company, with the aim of improving its proprietary content. In addition, we launched the “Basic Share pack” and “Basic pack,” which are intended for the convenience of customers with low data usage, and the “Welcome Sumaho Wari” for customers who switch from feature phones to smartphones for the first time. The number of subscriptions to the “docomo with” discounted billing plan, which is for customers who use one device over a long period of time, exceeded 5 million.
- Due to the impact of the workstyle reforms trending recently, more than 3,000 companies have now introduced the “WinActor®” [RPA](#) tool provided by NTT Group.

Accelerating Our Own Digital Transformation

We advanced initiatives such as the “One NTT” global growth strategy to enhance the competitiveness of our global business and digital transformation of our domestic business.

- In order to enhance the competitiveness of our global business, we newly established a global holding company under NTT (company name: NTT, Inc.), and transferred control of NTT Communications, Dimension Data, NTT Security, and NTT Data to this holding company. In order to accelerate investment activity, primarily into areas of technology for which the global market is expected to grow, a global innovation fund (company name: NTT Venture Capital, L.P.) has also been established. Furthermore, NTT has established a new company specializing in procurement in the United States (company name: NTT Global Sourcing, Inc.) for hardware, software and services purchased jointly by Group companies in order to centralize price negotiations and enter into comprehensive agreements with manufacturers and vendors around the globe.

*NTT, NTT East and NTT West are not covered by this procurement initiative.

- To enable NTT, NTT DOCOMO, NTT East, NTT West and NTT Communications to move forward with their own digital transformation, Chief Digital Officers (CDO) have been appointed in each

company so as to further improve business process efficiency and provide new value-added services. The CDO of each company will be responsible for formulating and promoting a digital strategy to deal quickly and flexibly with a variety of changes in the business environment, such as the introduction of 5G and the PSTN migration.

*NTT Data had already assigned an operating officer to drive its digital strategy before the beginning of the fiscal year under review.

- NTT Communications promoted the digital transformation of contact centers through the creation of new points of contact with customers via live chat and AI-driven automatic chatbots with 24-hour-a-day availability, and introduced operator support systems that use voice recognition and analysis technology, causing chat-based inquiries at its contact center (Nagoya City, Aichi Prefecture) to increase by around 4.5 times. These moves have been well received in the industry, resulting in NTT Communications winning the “Best Technology Category Prize” at the Contact Center Awards 2018.

Leveraging Talent, Technologies and Assets

We also worked on initiatives to create new businesses including utilization of real estate and the supply of energy, and to revitalize local communities and regional economies.

- NTT Group is promoting a new urban solutions business that goes beyond conventional real estate development by leveraging its strengths in real estate, ICT, energy and environmental technology and other fields to the fullest extent. Specifically, as a way of strengthening the structure to facilitate group-wide initiatives, preparations are under way to establish an urban solutions business promotion company (company name: NTT Urban

Solutions, Inc.), including such measures as making NTT Urban Development, which plays a central role in the real estate business in the NTT Group, a wholly owned subsidiary through a tender offer.

- NTT created collaborative business operations to respond to societal demands for the promotion of energy conservation and decarbonization, and for energy supplies that are resistant to natural

disasters, and also established a joint venture with Tokyo Electric Power Company Holdings, Inc. called TNcross Corporation with the aim of driving business development that is responsive to changes in markets and society. As a specific example of these measures, we have entered into

an agreement with the city of Chiba in Chiba Prefecture relating to the testing of new energy solutions, with the goals of stabilizing residents' daily lives as quickly as possible in times of natural disaster and of enhancing residential services in normal times.

Promoting ESG Management and Enhancing the Returns of Shareholders to Improve Corporate Value

We consider the continuous enhancement of corporate value and the return of profits to shareholders to be important management issues, and are working to reduce our environmental impact, leverage diverse human resources, reinforce information security, and enhance the returns of shareholders.

- In terms of environmental initiatives, NTT is the first telecommunications operator worldwide to become a member of the "EP100" and "EV100" global initiatives operated by The Climate Group, an international NPO. We have worked to promote the introduction of high-efficiency DC power equipment, energy-saving in communications equipment, and [EV conversions](#) to reduce NTT's environment impact and its vehicle ownership costs.
- As part of our cybersecurity initiatives, we participate in the Council to Secure the Digital Economy (CSDE), an international body established to work for the safety and security of the digital economy, and publish the [International Anti-Botnet Guide](#), and contributed to the domestic rollout of this publication through ICT-ISAC Japan. Furthermore, to protect users of ICT and to improve the safety, stability and resilience of virtual space, NTT has endorsed the "Cybersecurity Tech Accord," a shared commitment by more than 80 companies that underpin global communications and IT.
- Recognizing diversity management as a key part of our management strategy, we have striven to ensure that diverse personnel can demonstrate their talents. In terms of initiatives aimed at sexual minorities such as [LGBT](#) persons, we have extended overall systems relating to spouses and families, such as various allowances and benefits, to apply to same-sex partners. In addition, we are actively promoting diverse work styles by the use of working-from-home systems and other teleworking systems as well as flextime systems as an ICT provider. NTT Group participated in the Telework Days event that took place in July 2018. During this event, more than 15 thousand NTT Group employees took part in the flexible work styles.
- In recognition of the wide range of initiatives we have implemented for sustained improvements in corporate value, NTT was selected for inclusion in the Dow Jones Sustainability World Index (DJSI World), a leading global index of ESG investment, for the first time. NTT has also been selected for the Asia Pacific Index, a component index of the Asia Pacific area, for the fifth consecutive year.
- In terms of the returns of shareholders, NTT paid dividends and implemented share buybacks.

(Reference)

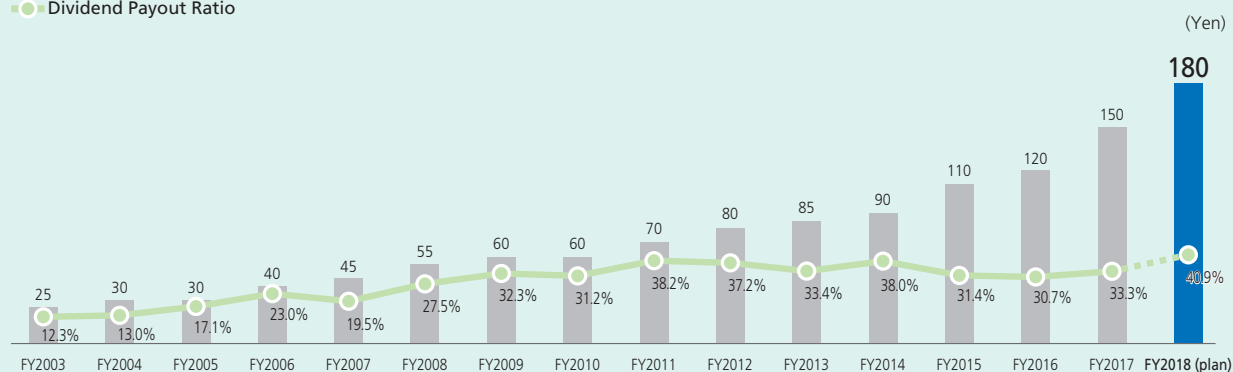
For details of our CSR initiatives, please refer to the following website.

<http://www.ntt.co.jp/activity/csrvideo/en/>



(Reference) Trends of Dividends and Share Buyback Amounts

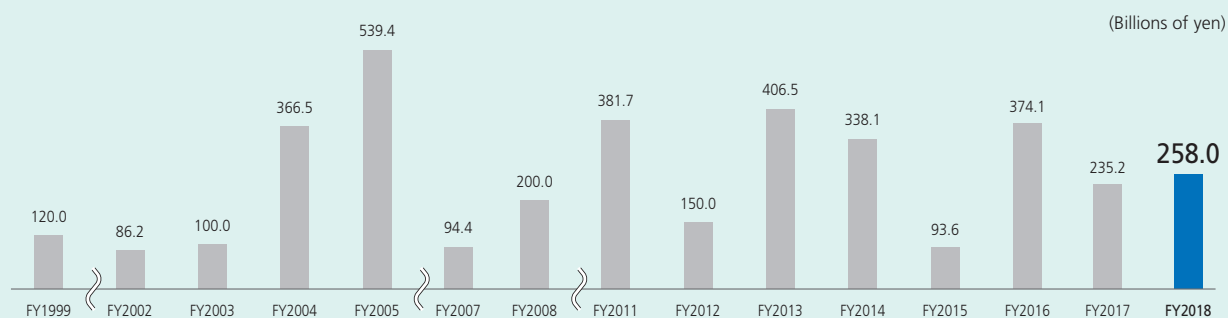
■ Annual Dividend per Share of Common Stock
○ Dividend Payout Ratio



Note: 1. NTT implemented a 100-for-one stock split of common stock with an effective date of January 4, 2009 and a two-for-one stock split of common stock with an effective date of July 1, 2015. Figures for annual dividend per share of common stock have been adjusted to reflect these stock splits.

2. Beginning in the fiscal year under review, NTT has applied IFRS, with the dividend payout ratio of the previous fiscal year also being recalculated under IFRS.

■ Amount of Share Buybacks



(3) Status of Fundamental Research & Development, etc.

In accordance with the “Your Value Partner 2025” Medium-Term Management Strategy, NTT Group is promoting innovative research and development with the aim of effecting global change. In order for research and development to be a wellspring of new value to be created in diverse fields, we have promoted initiatives together with parties in a wide range of industrial fields with the goal of enhancing industrial competitiveness and resolving societal issues.

Research and Development to Promote the B2B2X Model

- Together with Mitsubishi Heavy Industries, Ltd., we applied technology derived from optical fiber for communications use to laser processing with the aim of creating a revolution in manufacturing technology used in social infrastructure industries and succeeded in transmitting high-power single-mode laser light over distances ranging from several tens to several hundreds of meters, where previously it was able to transmit no more than a few meters, while maintaining a level of quality suitable for high-precision processing.
- NTT and Mitsubishi Heavy Industries, Ltd. jointly developed a cybersecurity technology for critical infrastructure control systems that is able to detect anomalies caused by unknown cyberattacks and respond in real time, which was subsequently commercialized as “InterSePT®” and is now on sale.
- NTT and Toyota Motor Corporation, which is a joint research partner of ICT platforms for connected cars, have begun trials with the aim of establishing a technology platform for achieving automated driving.
- With regard to MaaS, which the NTT Group is promoting for consideration in the “Mobility Innovation Consortium” founded by East Japan Railway Company, trials have begun that link transport operators, on-demand transportation and commercial facilities, using the SUICA authentication system, which is based on cloud-based ID authentication system developed along with associated services by NTT Data and JR EAST MECHATRONICS CO., LTD.
- NTT and Shochiku Co., Ltd. have entered into an agreement to jointly conduct new commercial performances of Kabuki by means of collaborations that involve Kabuki and the latest ICT. It has been announced that the first of these collaborations, hosted jointly by “NTT-Shochiku Partners,” a voluntary partnership established by both companies, will be held as the “Minamiza Reopening Commemorative Event ‘August Minamiza Chokabuki’” at the Kyoto Minamiza Theatre.

Strengthening and Globalizing Research and Development

- With the aim of accelerating digital transformation, NTT and major French telecommunications operator Orange, which primarily operates its business in Europe, have signed a strategic research and development (R&D) framework agreement to facilitate the mutual use of research findings in several key areas, including 5G, network transformation, AI, IoT and cybersecurity.
- With the goal of solving social challenges that are common between Japan and Australia, NTT, Deakin University, Western Sydney University, and Dimension Data Australia have entered into a partnership agreement in order to share a vision of “a society in which elderly people can lead safe, healthy, and independent lives,” and to find innovative solutions to implement this vision.

Research and Development Aimed at Achieving Immersive and Natural Worlds

- NTT has further evolved its “Kirari!” processing technology, which aims to create worlds that provide “just like being there,” ultrahigh-immersion experiences in real time that can be accessed anywhere. The newly developed techniques not only enable the processing and transmission of the image of subjects from video broadcasts, along with 3D positioning information, but also allows them to be reproduced at the destination in a pseudo-3D display that generates in the viewer the sense that the subjects also move towards and away from the viewer. This results in the achievement of an audience experience in which the subjects appear to move in three dimensions at the destination.
- NTT has developed natural forms of AI that can be more easily integrated into society, such as angle-free rigid and non-rigid object information retrieval technology that can, for example, improve the efficiency of warehouse management and save labor in cash register operations by recognizing an object as the same item even after it has changed shape.
- NTT has also started a new “Point of Atmosphere” program of research that allows not only electronic terminals but also various everyday objects to be used as devices to convey information more naturally.

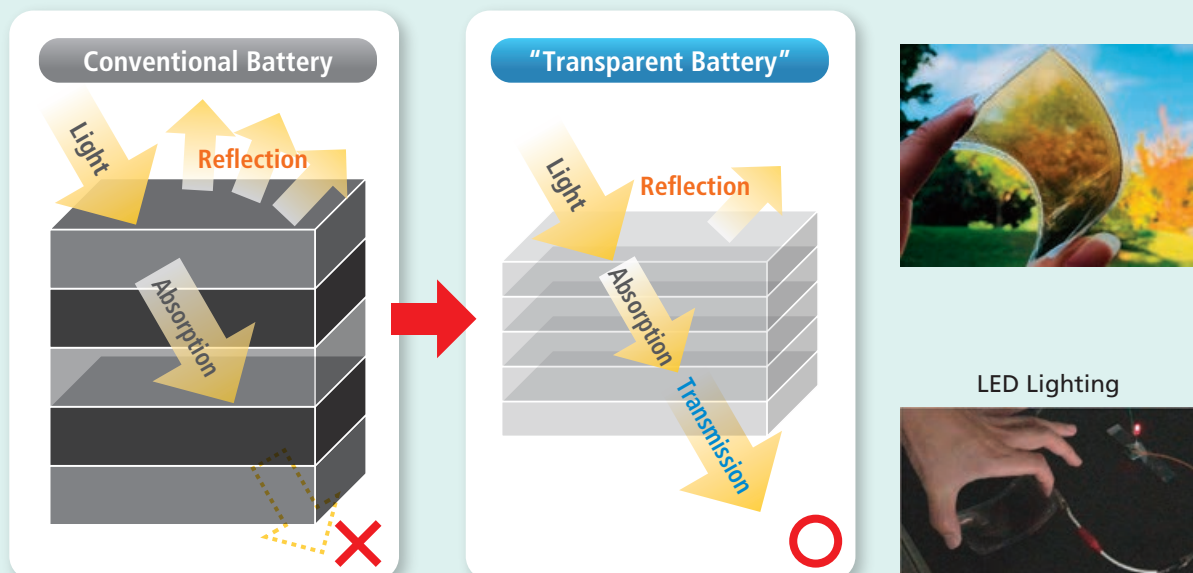
(Reference) Diagram of “Point of Atmosphere”



Promoting Cutting-edge Research

- Given that it is anticipated that there will be further evolution of high-capacity optical networks in preparation for the full-scale adoption of [IoT](#) and [5G](#) services, NTT has developed new proprietary technology for digital signal processing and ultra wide area optical [devices](#), increasing the channel capacity per wavelength to the point that transmission speeds achieve a level more than 10 times that of current commercial systems, and succeeding in achieving a global first of 1 terabit/sec of capacity in long-distance wavelength-division multiplexed transmission trials.
- NTT has succeeded in achieving high-capacity wireless transmissions at approximately 100 times the speed of [LTE](#) and Wi-Fi, and five times that of [5G](#), by using two technologies. First, we succeeded in wireless transmission at rates of 100Gb/sec in the 28GHz band by using a new principle called OAM multiplexing. Second, in a joint effort with National University Corporation Tokyo Institute of Technology, we developed an ultra-fast IC that enables wireless transmissions of 100Gb/sec in the 300GHz band, where it is relatively easy to expand the transmission band.
- Through advances in the research and development of the LASOLV Laser ising machine, a new computer that is capable of solving difficult problems by using the physical properties of light, NTT researchers have enabled it to be applied to a variety of combinatorial optimization problems, which are expected to be used in such areas as drug discovery, relieving traffic congestion and [AI](#) machine learning.
- Focusing on the trend towards enabling the [devices](#) in our daily lives to connect to the Internet, NTT has proposed a transparent battery that blends in with its surroundings without drawing attention to itself, and have confirmed its operation as a battery.

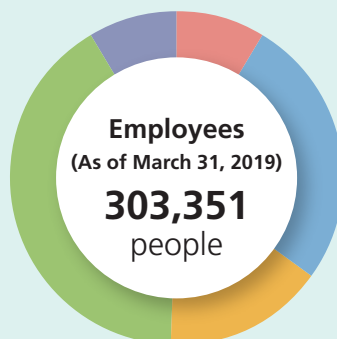
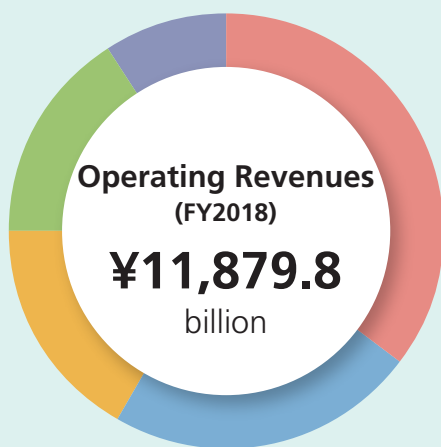
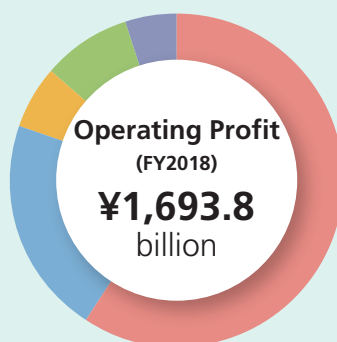
(Reference) Diagram of a “Transparent Battery”



As a result of the above efforts, NTT Group's consolidated operating revenues for the fiscal year ended March 31, 2019 were 11,879.8 billion yen (an increase of 0.8% from the previous fiscal year) and consolidated operating expenses were 10,186.0 billion yen (an increase of 0.4% from the previous fiscal year). As a result, consolidated operating profit was 1,693.8 billion yen (an increase of 3.2% from the previous fiscal year), consolidated profit before taxes was 1,671.9 billion yen (a decrease of 3.9% from the previous fiscal year), and consolidated profit attributable to NTT was 854.6 billion yen (a decrease of 4.8% from the previous fiscal year).

(4) Status by Segment

(Reference) Group Structure



Mobile Communications Business

In addition to providing LTE services and “docomo Hikari,” we are promoting collaboration with a variety of vendors to provide new added value.

Regional Communications Business

We provide fixed line communications services centered around “FLET’S Hikari” and work to revitalize regional communities and economies by deploying the “Hikari Collaboration Model.”

Long Distance and International Communications Business

For corporate clients, we provide global ICT services to support the expansion of business, while for individual customers, we provide more convenient applications and rich content.

Data Communications Business

Leveraging our advanced technologies and our customer relationships both inside and outside Japan, we expand our businesses such as network system services and system integration.

Other Business

We provide services related mainly to real estate, finance, construction/electric power and system development.

Composition of
Operating Revenues*
(FY2018)

Composition of
Operating Profit*
(FY2018)

Composition of Number
of Employees
(As of March 31, 2019)

35.4%

(¥4,840.8 billion)

59.4%

(¥1,013.6 billion)

8.8%

(26,629 people)

NTT
docomo

23.1%

(¥3,152.3 billion)

21.1%

(¥360.7 billion)

26.2%

(79,534 people)

NTT
EAST

NTT
WEST

16.7%

(¥2,278.7 billion)

5.9%

(¥100.1 billion)

15.8%

(48,020 people)

NTT
Communications

dimension
data



NTT
NTT, Inc.

15.8%

(¥2,163.6 billion)

8.6%

(¥147.7 billion)

40.8%

(123,884 people)

NTT
DATA

9.1%

(¥1,240.3 billion)

5.0%

(¥85.6 billion)

8.3%

(25,284 people)

NTT
Urban Solutions

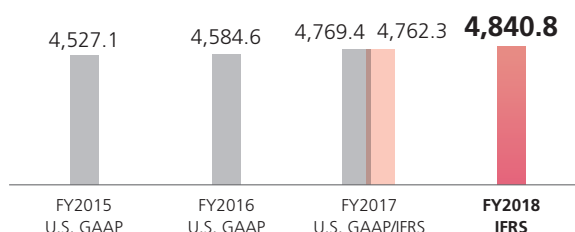
Other Group
Companies

* Percentage of simple sum of each segment (including intersegment transactions)

Operating revenues

¥4,840.8 billion

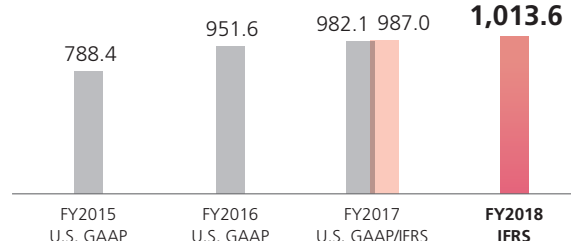
(billions of yen)



Operating profit

¥1,013.6 billion

(billions of yen)



Overview

In the Mobile Communications Business Segment, we worked to promote sales of the billing plans “docomo with” and “docomo Hikari” and also collaborated with various business partners in an effort to provide new value-added services in the smart life area.

Details of Main Initiatives

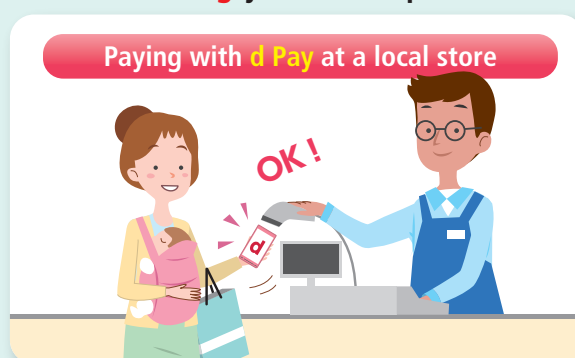
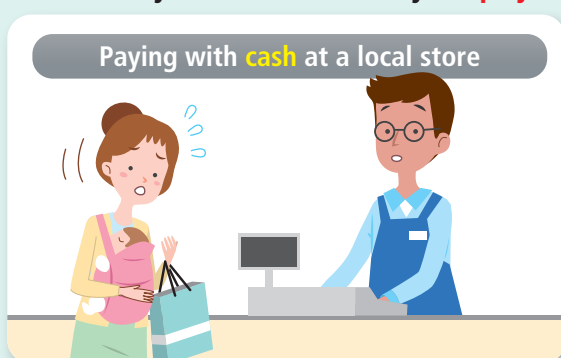
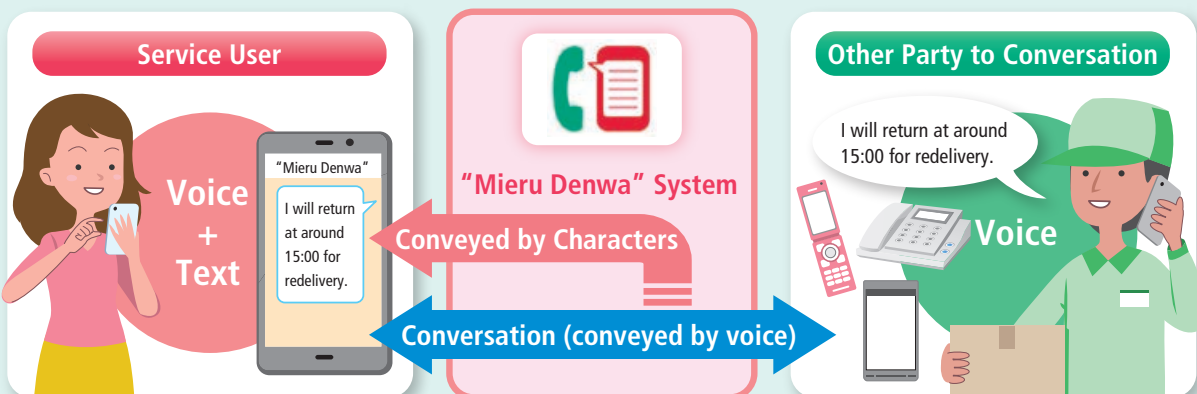
- We worked to expand the number of retail outlets using the new “d Pay” smartphone payment service, which uses barcodes and QR codes, and to increase the number of retail outlets utilizing “d POINTs” both in Japan and overseas. As a result, the number of “d POINT CLUB” subscribers reached 70.15 million, while the number of registered “d POINT CARD” came to 33.72 million.
- By increasing the number of booked appointments to stores, revising explanation methods, and strengthening our web presence, we made efforts to reduce customer waiting times and support times at docomo Shops.
- By establishing systems whereby the information obtained from smartphones is used by AI to show recommended insurance plans, we aim to drive an evolution from “insurance for mobile phones” to “insurance entrusted to mobile phones,” and to this end, we have come to an agreement with Tokio Marine & Nichido Fire Insurance Co., Ltd. to start studies on the “use of AI for insurance recommendation” and the “full digitization of insurance processes.”
- For customers who are hard of hearing, we have begun offering the Mieru Denwa (literally “visible telephone”), in which the content of the other party’s speech is shown as characters on a screen.
- In collaboration with AGC Inc., we became the first in the world to develop a glass antenna that can be fixed onto the inner surface of existing window glass to transmit and receive radio waves without disrupting screen visibility.

(Reference) Number of Subscriptions for Major Services

- “Mobile telecommunications services”
: 78.45 million subscriptions (increase of 2.08 million year-on-year)
- “[docomo Hikari](#)”
: 5.76 million subscriptions (increase of 1.00 million year-on-year)
- “Number of d POINT CLUB members”
: 70.15 million subscriptions (increase of 4.55 million year-on-year)

(Reference) Diagram of Payment Services Using “d Pay”

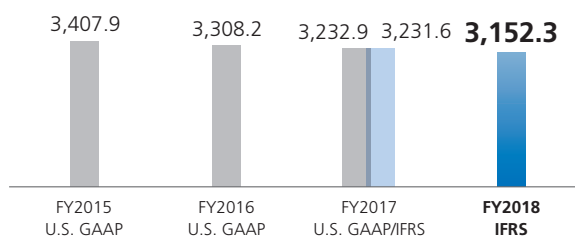
d Pay is the smart way to pay with one hand using your smartphone

**(Reference) Diagram of “Mieru Denwa” Usage**

Operating revenues

¥3,152.3 billion

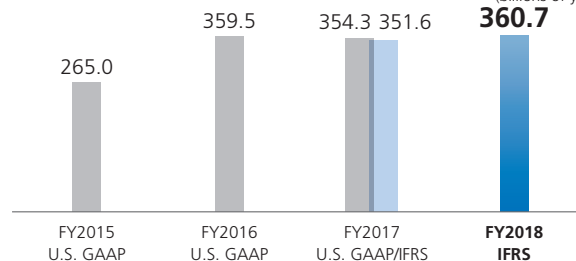
(billions of yen)



Operating profit

¥360.7 billion

(billions of yen)



Overview

In the Regional Communications Business Segment, we worked on the “Hikari Collaboration Model,” which provides wholesale fiber-optic access services, among other things, to various service providers, as well as strengthening our solutions business with the aim of revitalizing local communities and regional economies.

Details of Main Initiatives

- In the “Hikari Collaboration Model,” we have developed a business model whereby we provide social infrastructure operators with an integrated service for end users that includes electricity, gas and fiber-optic services, to be used when opportunities arise, such as when end users are relocating, thus increasing our collaborations with other industries. Through such initiatives, the number of service providers providing wholesale services was approximately 750 companies at the end of the fiscal year ended March 31, 2019, while under the same model, the number of subscriptions to fiber-optic access services came to 12.69 million.
- We have begun offering IoT packages for factories that enable the visualization of production sites. The adoption of such packages enables the accumulation of operating data from production machinery, the use of alerts to allow the early discovery of abnormal stoppages, and the use of network cameras to record images from the time at which abnormal stoppages occurred. By combining such packages with such efforts as revising operating processes and ensuring the generational hand-down of employee skills, we have achieved improved productivity at production sites, reductions in labor used and development of human resources.
- As a first step towards the realization of the “Regional Revitalization Clouds” concept, we have begun a collaboration with Microsoft Japan Co., Ltd. to deploy and develop cloud service platforms for local governments, with the aim of supporting local government-led industrial revitalization, generating employment and dealing with population aging, as well as delivering the improvements in work efficiency demanded by regional companies, which tend to struggle with labor shortages.

- In order to effectively encourage the use of the “Disaster Emergency Message Dial (171)” and “Disaster Emergency Bulletin Board (web171),” we have set up a trial usage period. In addition, during the training in countermeasures to assist those who are stranded as a result of natural

disasters in Toshima-ku, Tokyo, we collaborated with Aquabit Spirals Inc. to offer a service that provides a simple display of emergency information in a person’s native language so that it can be shown to overseas visitors sheltering in hotels.

(Reference) Number of Subscriptions for Major Services

○“FLET’S Hikari”

: 21.08 million subscriptions (increase of 0.55 million year-on-year)

○(Included in the Above) “Hikari Collaboration Model”

: 12.69 million subscriptions (increase of 1.57 million year-on-year)

○“Hikari Denwa”

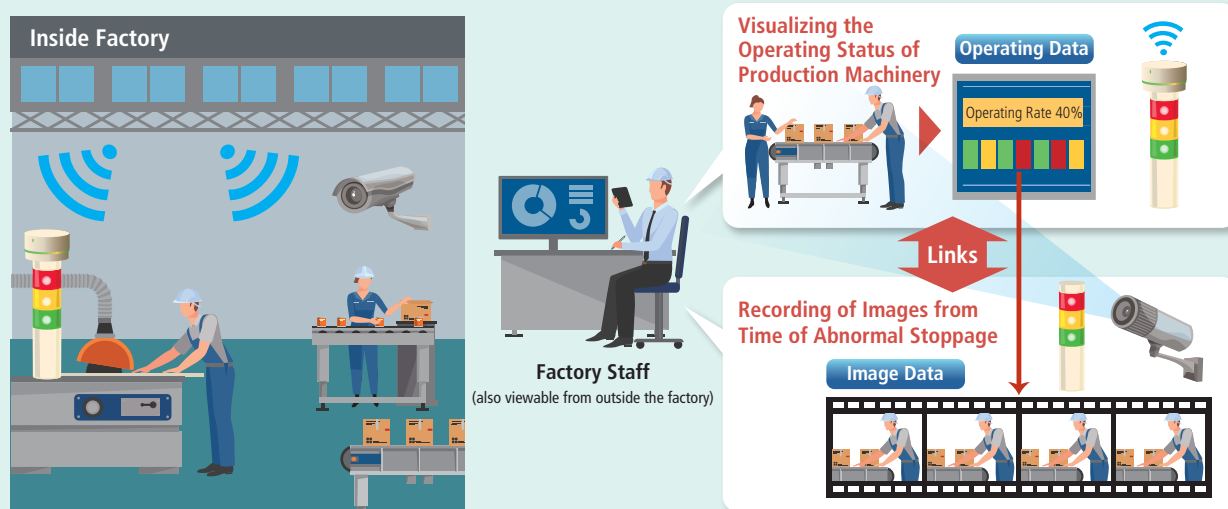
: 18.24 million channels (increase of 0.21 million channels year-on-year)

○“FLET’S TV”

: 1.72 million subscriptions (increase of 0.10 million subscriptions year-on-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.

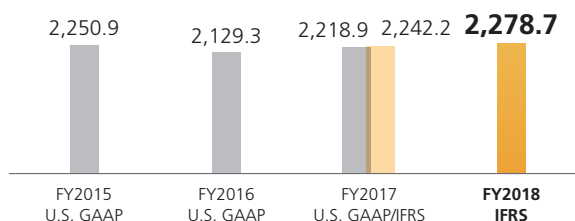
(Reference) Visualization of Production Sites Using “IoT Packages for Factories”



Operating revenues

¥2,278.7 billion

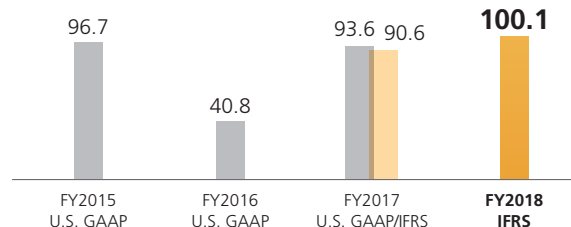
(billions of yen)



Operating profit

¥100.1 billion

(billions of yen)



Overview

In the Long Distance and International Communications Business Segment, in addition to enhancing our ability to provide ICT solutions, which combine network, security and other services, we worked to enhance our service provision in growth areas such as cloud services and IT outsourcing.

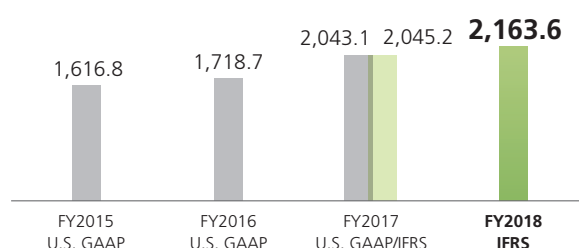
Details of Main Initiatives

- By combining chat AI, including the “COTOHA® Virtual Assistant” chat-based natural language analysis AI engine, with RPA such as “WinActor®,” we provided a “Contact Center DX Solution” that enables the automation of all processes from contact center responses to business processing, for significant increases in productivity. As a result, instead of the previous “person-centric” contact center response, we realized an environment in which “AI+RPA” provide the primary response and are able to complete all operations.
- In order to provide a comprehensive response to our customers’ security needs, we signed an agreement to acquire US-based WhiteHat Security, Inc., a leading application security operator, as our wholly owned subsidiary.
- To respond to demand for cloud services and data centers in various regions worldwide, we advanced the expansion of our service provision systems in various countries that have continuous market expansion. In addition, we established an investment subsidiary company, with the objective of centralizing the construction, ownership and the provision of wholesale equipment for data centers of the NTT Group.

Operating revenues

¥2,163.6 billion

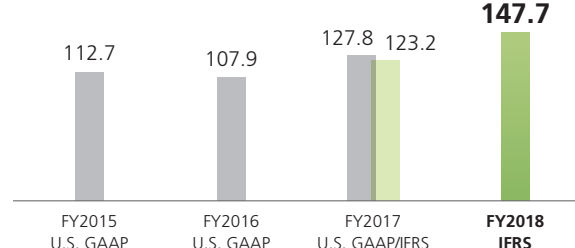
(billions of yen)



Operating profit

¥147.7 billion

(billions of yen)



Overview

In the Data Communications Business Segment, we responded to the acceleration of our customers' digital transformation at a global level, and to their increasingly diversified and sophisticated needs, by working to expand our business in the global market and to extend and consistently provide a range of IT services, such as offerings of digitalization and system integration, that are responsive to the changes in the market.

Details of Main Initiatives

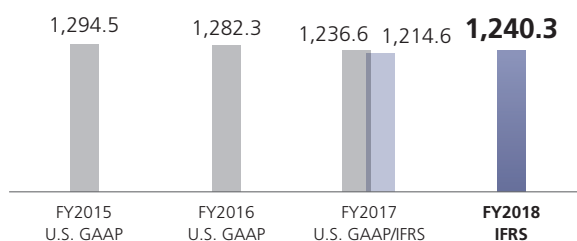
- In collaboration with local governments and local municipalities, we used "WinActor®" to research and test improvements in process efficiencies and workstyle reforms. As a result, we confirmed a reduction effect in routine work related to individual and corporate taxes, as well as high accuracy for AI-OCR when reading a variety of forms, and announced the practicality of the solutions.
- We decided to begin offering a service whereby retail operators can handle various code payment methods, such as QR codes and one-dimensional bar codes from both Japan and overseas, by using just one payment terminal or a single interface for "CAFIS," the largest payment platform in Japan. Also, for local governments, we began offering the "Mobile Register Public Fund Credit Collection Service," which enables credit payments via smartphone. Moreover, in preparation for expanding our electronic payments business in the APAC region, we took steps such as signing an agreement to acquire India-based Atom Technologies Limited a subsidiary, thus promoting initiatives to provide highly convenient and sophisticated pay-related services both in Japan and overseas.
- In order to further strengthen our service provision capabilities, primarily in the digital area, we acquired UK-based MagenTys Holdings Limited, Germany-based Sybit GmbH, and Canada-based Sierra Systems Group, Inc. as subsidiaries.

Other Business

Operating revenues

¥1,240.3 billion

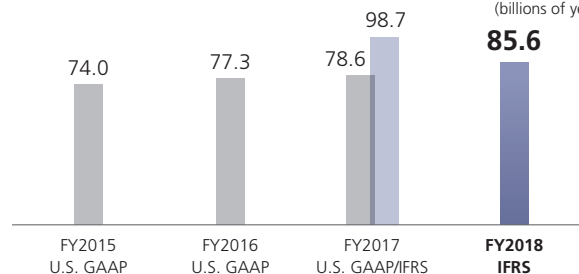
(billions of yen)



Operating profit

¥85.6 billion

(billions of yen)



Overview

In the Other Business Segment, we 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 the Otemachi district of Chiyoda-ku, Tokyo, which is moving ahead to strengthen its functions to serve as an international business center, we opened Otemachi PLACE, whose facilities include the highest-level communications environment in Japan and a large hall that can deal with international conferences. In addition, we moved ahead with preparations to establish an urban solutions business promotion company, which will centralize functions of the NTT Group's real estate business.

Finance Business

- We have developed financial services such as leasing and financing to facilitate the popularization of ICT devices and resolve social challenges revolving around the environmental, educational and medical fields. Furthermore, we provided billing and collection services for telecommunication service bills, and credit card transaction settlement services.

Construction and Electric Power Business

- By combining and utilizing our technologies in ICT, energy and construction to the fullest extent, we have implemented initiatives for the utilization of natural energy, such as by completing solar power plants, including the Minamisoma Kawabusa Power Generation Mega Solar Power Plant, as well as for 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

- We worked to develop network operation systems and application services to provide optimized, high-quality ICT services. Additionally, we worked to develop solutions utilizing cutting-edge technologies such as [IoT](#), [big data](#) and [AI](#).

2. Issues to be Addressed

(1) Future Outlook of the Business Environment

With the rise in the global population and the spread of urbanization increasingly accelerating, and with progressively serious environmental problems being accompanied by an ever more uncertain international situation, there has been a movement around the world towards more sustainable societies, based on the SDGs (Sustainable Development Goals) adopted by the United Nations.

Under such social conditions, the information and telecommunications market is seeing intensifying competition, some of it driven by new players. We expect that new services that utilize cutting-edge technologies such as 5G, virtualization and AI will be developed, and through the process of digital transformation, smart societies will be achieved. When that happens, in order to create new value and to resolve societal issues, there will be an increase in cooperation and connections between a variety of players that transcends the boundaries of traditional business areas, and the role that information and communications will be required to play will increasingly expand.

(2) Business Developments Pursuant to the Medium-Term Management Strategy

Based on the “Your Value Partner 2025” Medium-Term Management Strategy, NTT Group will work with all our partners to resolve societal issues through our business activities.

Going forward, we will continue our efforts to raise corporate value by proceeding with the following initiatives.

Supporting our Customers' Digital Transformations

We are increasing the number of projects we work on to promote a B2B2X model that utilizes digital services and data management, in order to achieve a smart society. In preparation for the implementation and expansion of 5G services, commercial services for which are scheduled to be launched in 2020, we will simultaneously generate new value by leveraging the characteristics of 5G to provide “highly immersive” and “interactive” services while proceeding to

investigate possibilities with a wide range of partners. Furthermore, starting with the roll-out of new billing plans such as “Gigaho” and “Gigalight” by NTT DOCOMO, scheduled for June 2019, we will implement “personal solutions” that provide highly personalized offerings to each individual customer, thus supporting customers' lifestyle changes.

Accelerating Our Own Digital Transformation

While enhancing synergistic effects by combining integrated solutions to promote customer digitalization with innovative initiatives utilizing cutting-edge technology, in alignment with the NTT Group's global resources and branding, we will strengthen the competitiveness and accelerate the growth of our international business as "One NTT." Specifically, we plan to reorganize the operations of the three companies of NTT Communications, Dimension Data and NTT Security into a global operating company and a Japan operating company, under a global holding company established under NTT. This initiative will strengthen global corporate governance and allow the knowledge and experience of personnel who are closely familiar with global markets to be rapidly integrated into the management of the global holding company, as we

seek to strengthen the global market competitiveness of NTT Group as a whole and improve profitability.

For the domestic business, measures for digitalization will be driven primarily by the CDOs appointed to the main companies. In addition to seeking to raise efficiency through the digitalization of our own business processes by using [AI](#) and [RPA](#), we will implement smart operations that do not require human intervention, which will include the business processes of external partner companies. Though the digitalization of our own business, we will facilitate the implementation of new services such as solutions that enable centralized and optimized management of ICT resources for corporate customers, and personalized solutions that leverage digital marketing for individual customers.

Leveraging Talent, Technologies and Assets

Centering on an urban solutions business promotion company, preparations for the establishment of which are currently under way, we will leverage NTT Group's strengths in real estate, ICT, energy and environmental technology and other fields to the fullest extent and advance a new urban solutions business beyond conventional real estate development. Furthermore, in order to swiftly provide new energy solutions, we have established an energy business promotion company, and will advance service development and provision, and the optimization of operating resources as a means of promoting a smart energy business that makes full use of ICT.

In addition, by leveraging management resources such as our community-based sales structures, cutting-edge technology, facilities and locations, and through collaborations with a variety of partners, such as local governments, we will support the improvement of administrative and life services and the revitalization of local industry.

We will continue to focus our efforts on ensuring a safe and secure ICT platform, such as by further strengthening communications infrastructure used in disaster countermeasures, improving our initial response by means of [AI](#)-based damage prediction, and further improving the way we provide information during times of emergency.

Promoting ESG Management and Enhancing the Returns of Shareholders to Improve Corporate Value

By applying ESG (environmental, social, governance) management, we seek to resolve societal issues, and achieve continuous improvements to corporate value. From the perspective of ESG management, the most important areas with the highest levels of priority have been set as "reducing environmental impact," "strengthening security," "leveraging diverse human resources," "reinforcing disaster countermeasures," and "strengthening corporate governance in order to achieve continuous growth," with the aim of

expanding business opportunities while minimizing business risks.

In addition, in order to secure high levels of stability and reliability for our network, we will work to provide even safer and more secure services through the accumulation of everyday network operational knowhow.

With regard to dividends, our basic policy is to steadily increase dividends, and we also flexibly carry out buybacks to improve capital efficiency.

(Reference) Financial Targets

| | | Target |
|---|---------------------------|--------------------------------------|
| EPS Growth | +50% ^{*1} | FY2023 ^{*2} (vs. FY2017) |
| Overseas Sales / Overseas Operating Profit Margin ^{*3} | US\$25B/7% | FY2023 |
| Cost Reductions (in fixed-line/mobile access networks) | at least ¥800B | FY2023 (vs. FY2017) |
| ROIC Return on invested capital | 8% | FY2023 |
| Capex to Sales (Domestic Network Business ^{*4}) Capital expenditure to sales ratio | 13.5% or less | FY2021 |

*1 Approximately 640 yen/share (FY2023).

*2 Excludes the effects of the arbitration award received from Tata Sons Limited.

*3 Including results from the global holding company, its subsidiaries and its affiliates. Operating Profit excludes temporary expenses, such as M&A-related depreciation costs of intangible fixed assets.

*4 Excludes NTT Communications' data centers and certain other assets.

(3) Promotion of Fundamental Research & Development, etc.

As well as strengthening joint research activities with a variety of research institutions and proactively using cutting-edge technology from outside the company, we plan to expand research investments into new growth areas.

Moreover, we will work to globalize research and development by strengthening basic research in overseas locations. Specifically, we will establish three research locations overseas to take ownership of the research themes of quantum science & computing, cryptography & information security and medical & health informatics, rolling out the results of research on a global basis and promoting the globalization of research targets.

3. Capital Investment

NTT Group made a total of ¥1,697.0 billion of capital investments (a decrease of 0.1% from the previous fiscal year), focused on responding to customer demands for various services such as LTE service (Xi) and “FLET’S Hikari (including the Hikari Collaboration Model)” among others.

| Category | Capital Investment (billions of yen) |
|---|---|
| Mobile Communications Business | 593.7 |
| Regional Communications Business | 541.0 |
| Long Distance and International Communications Business | 244.3 |
| Data Communications Business | 179.2 |
| Other Business | 138.7 |

4. External Financing

NTT Group raised capital for capital investment and other purposes in the form of long-term funding in the amount of ¥389.6 billion.

The details of the long term funding are as follows:

| Category | Amount (billions of yen) |
|----------------------|-----------------------------|
| Corporate Bonds | 14.9 |
| Long-term borrowings | 374.7 |
| Total | 389.6 |

NTT raised ¥150.0 billion as long-term borrowings from subsidiaries for the purpose of making loans to NTT Communications.

5. Main Lenders and Outstanding Borrowings

| Lender | Outstanding Borrowings (billions of yen) |
|-------------------------------------|---|
| MUFG Bank, Ltd. | 635.1 |
| Mizuho Bank, Ltd. | 533.3 |
| Sumitomo Mitsui Banking Corporation | 241.2 |
| Nippon Life Insurance Company | 124.0 |
| Sumitomo Mitsui Trust Bank, Limited | 120.4 |
| Meiji Yasuda Life Insurance Company | 99.0 |
| Shinkin Central Bank | 88.0 |
| The Norinchukin Bank | 80.6 |
| The Nishi-Nippon City Bank, Ltd. | 47.5 |
| Mizuho Trust & Banking Co., Ltd. | 43.0 |

6. Material Subsidiaries

| Segment | Company | NTT's equity ownership percentage (%) | Main business activities |
|--|---|---------------------------------------|---|
| Mobile Communications Business | NTT DOCOMO, INC. | 64.10 (0.01) | Provision of mobile communication services and smart life area services |
| Regional Communications Business | Nippon Telegraph and Telephone East Corporation | 100.00 | Provision of intra-prefectural communications services in the eastern part of Japan |
| | Nippon Telegraph and Telephone West Corporation | 100.00 | Provision of intra-prefectural communications services in the western part of Japan |
| Long Distance and International Communications Business / Data Communications Business | NTT, Inc. | 100.00 | Governance and strategy formulation, and promotion of measures in the global business of NTT Group |
| Long Distance and International Communications Business | NTT Communications Corporation | 0 (100.00) | Provision of inter-prefectural communications services, international communications services and internet-related services |
| | Dimension Data Holdings | 0 (100.00) | IT system building and maintenance support for corporations |
| | NTT Security Corporation | 0 (100.00) | Provision of professional security services |
| | NTT America | 0 (100.00) | Provision of ICT services in North America |
| | NTT EUROPE | 0 (100.00) | Provision of ICT services in Europe |
| | Lux e-shelter 1 | 0 (86.70) | Provision of data center-related services in Europe |
| | Arkadin International | 0 (100.00) | Provision of teleconference, web conference and video conference services |

| Segment | Company | NTT's equity ownership percentage (%) | Main business activities |
|---|---------------------------------------|---------------------------------------|---|
| Long Distance and International Communications Business | RagingWire Data Centers | 0 (100.00) | Provision of data center-related services in North America |
| | NTT Global Networks | 0 (100.00) | Provision of network services |
| | NETMAGIC SOLUTIONS | 0 (100.00) | Provision of data center-related services in India |
| | GYRON INTERNET | 0 (100.00) | Provision of data center-related services in the UK |
| | NTT Plala Inc. | 0 (95.39) | Provision of internet connection and video distribution services |
| | Secure-24 Intermediate Holdings, Inc. | 0 (100.00) | Provision of IT-managed services in North America |
| | Transatel | 0 (80.70) | Provision of mobile connectivity services for IoT |
| Data Communications Business | NTT DATA CORPORATION | 0 (54.21) | Provision of data communications systems services and network system services |
| | NTT DATA | 0 (100.00) | Consulting, system design and development in North America |
| | NTT DATA Services | 0 (100.00) | Consulting, system design and development in North America |
| | EVERIS PARTICIPACIONES | 0 (100.00) | Consulting, system design and development |

| Segment | Company | NTT's equity ownership percentage (%) | Main business activities |
|----------------|-----------------------------------|---------------------------------------|--|
| Other Business | NTT-SH Corporation | 100.00 | A holding company of NTT URBAN DEVELOPMENT CORPORATION and NTT FACILITIES, INC. |
| | NTT URBAN DEVELOPMENT CORPORATION | 0 (100.00) | Real estate acquisition, development, leasing, and management |
| | NTT FACILITIES, INC. | 0 (100.00) | Design, management, and maintenance-related to buildings, equipment, and electric power facilities |
| | NTT FINANCE CORPORATION | 92.17 (7.83) | Lease and installment sales of telecommunications-related devices, and billing and collection of charges for communications and other services |
| | NTT COMWARE CORPORATION | 100.00 | Development, production, operation and maintenance of information communications systems and software |

Notes: 1. The equity ownership percentages are calculated exclusive of the treasury stock each company owns. The figures in parentheses represent the equity ownership percentages of NTT's subsidiaries.

2. NTT-SH Corporation was reorganized into NTT Urban Solutions, Inc. on April 1, 2019. In addition, NTT Urban Solutions, Inc. plans to begin operations as the point of contact for services offered by the NTT Group in relation to urban solutions.

3. During the fiscal year under review, NTT Global Networks changed its name from Virtela Technology Services.

4. During the fiscal year under review, the companies NTT, Inc., Secure-24 Intermediate Holdings, Transatel, and NTT-SH Corporation have been newly added as material subsidiaries.

5. During the fiscal year under review, NTT transferred all shares that it owned of NTT Communications Corporation, Dimension Data Holdings, NTT Security Corporation and NTT DATA Corporation to NTT, Inc.

6. During the fiscal year under review, NTT transferred all shares that it owned of NTT Urban Development Corporation and NTT Facilities, Inc. to NTT-SH Corporation.

7. The status of specific wholly owned subsidiaries as of March 31, 2019 is as follows:

| Name | Address | Total book value | Total assets of NTT |
|---|--|--------------------|---------------------|
| Nippon Telegraph and Telephone East Corporation | 19-2, Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo | ¥2,014,365 million | ¥7,098,890 million |
| Nippon Telegraph and Telephone West Corporation | 3-15, Banba-cho, Chuo-ku, Osaka-shi, Osaka | ¥1,875,124 million | |

I Matters Regarding Shares

1. Total number of shares authorized to be issued by NTT

6,192,920,900 shares

2. Total number of shares issued and outstanding

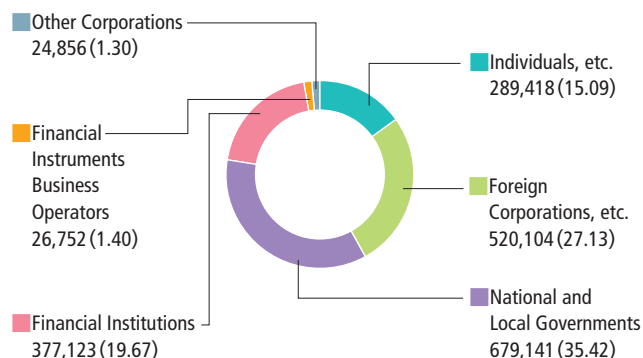
1,950,394,470 shares
(treasury stock: 32,997,746 shares)

3. Number of shareholders as of the end of the fiscal year ended March 31, 2019

821,175 shareholders

(Reference) Breakdown of Shares by Shareholder

The number of shares is rounded down to the nearest thousand. The figures in parentheses represent percentage of total shares owned for each category of shareholder.



Notes: 1. The percentages represent the ratio of shareholders' shares to the total number of issued shares excluding treasury stock.

2. "Other Corporations" above includes 28 thousand shares in the name of Japan Securities Depository Center.

4. Principal Shareholders

| Shareholders | Number of Shares Held (thousands) | Equity Ownership (%) |
|--|-----------------------------------|----------------------|
| The Minister of Finance | 679,121 | 35.42 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 85,651 | 4.47 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 79,101 | 4.13 |
| Japan Trustee Services Bank, Ltd. (Trust Account 9) | 29,504 | 1.54 |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 26,339 | 1.37 |
| Japan Trustee Services Bank, Ltd. (Trust Account 1) | 17,537 | 0.91 |
| JPMorgan Chase Bank 385632 | 17,442 | 0.91 |
| Moxley & Co. LLC | 16,345 | 0.85 |
| Japan Trustee Services Bank, Ltd. (Trust Account 2) | 16,301 | 0.85 |
| Japan Trustee Services Bank, Ltd. (Trust Account 7) | 16,012 | 0.84 |

Notes: 1. Number of Shares Held is rounded down to the nearest thousand.

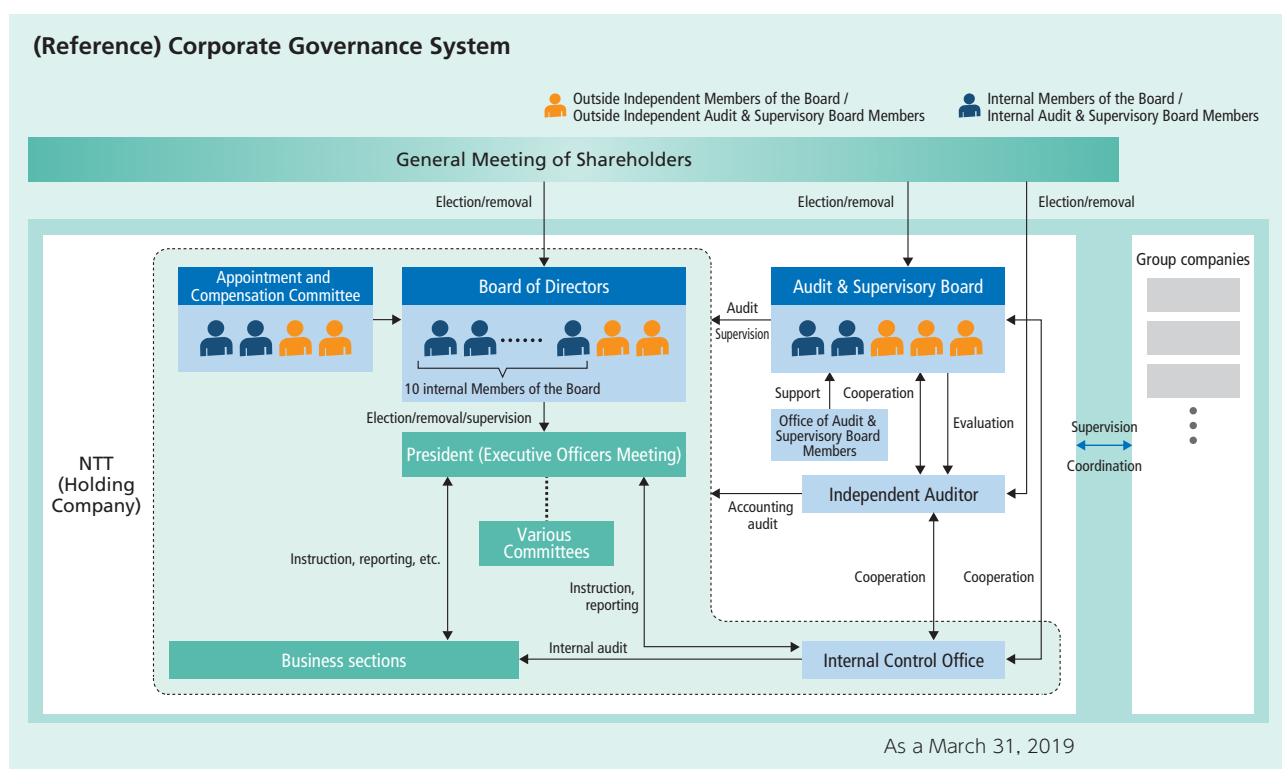
2. NTT's holdings of treasury stock (32,997,746 shares) are not included in the above table.

3. Equity ownership percentages do not include treasury stock.

III Matters Regarding Corporate Governance

1. Fundamental Policies

We believe that strengthening the system of corporate governance in accordance with the purposes of each principle of the “Corporate Governance Code” of the Tokyo Stock Exchange is an important management issue for maximizing corporate value while meeting the expectations of various stakeholders (interested parties), including shareholders and other investors, as well as customers, business partners, and employees. Based on “Your Value Partner 2025,” our new Medium-Term Management Strategy formulated and released in the fiscal year ended March 31, 2019, in order to advance activities that aim to solve social issues together with all our partners as “Your Value Partner,” we are working to strengthen corporate governance based on our fundamental policies of ensuring sound management, executing appropriate decision-making and business activities, clarifying accountability, and maintaining thorough compliance.



2. Overview of Corporate Governance System

NTT believes that an auditing system based on Audit & Supervisory Board Members, including outside independent Audit & Supervisory Board Members, is an effective means of supervising management. Accordingly, we chose the company with Board of Company Auditors (Audit & Supervisory Board) model. In addition, through the election of outside independent Members of the Board, NTT has strengthened the function of appropriately supervising the business execution.

3. Board of Directors

The Board of Directors consists of 12 Members of the Board, including two outside independent Members of the Board. In principle, the ordinary meetings of the Board of Directors are held once per month. In addition, extraordinary meetings are held as needed. The Board of Directors makes decisions on matters stipulated by law and on important matters related to company management and group management. Moreover, through such means as periodic reports from Members of the Board on the status of business execution, the Board of Directors supervises the business execution of Members of the Board.

NTT has nominated two outside independent Members of the Board to strengthen the supervisory function for business execution. Each outside independent Member of the Board has extensive experience and a high level of integrity and insight. We believe that the outside independent Members of the Board will help strengthen the supervisory function for business execution and expect to incorporate the opinion they provide from their wide-ranging managerial perspective.

Evaluation of the Effectiveness of the Board of Directors

The Board of Directors of the Company, which is a pure holding company, plays the role of monitoring the specific business operations of the Group companies based on the medium- to long-term business strategy of the entire Group.

The Board of Directors of the Company decides important items related to the Group's management which have passed the "Executive Officers Meeting," made up of the president, senior executive vice presidents, full-time directors, and the heads of the staff organizations, as well as the review of the various committees chaired by the president or senior executive vice presidents and attended by the relevant directors, while also monitoring the status of the execution of the duties of the individual Members of the Board.

At the meetings of the Board of Directors, based on the authority of the individual Members of the Board, current issues in group management and the initiatives being taken to resolve them are reported and reviewed, and in the fiscal year ended March 31, 2019, active discussions were held centering on important matters related to company and group management, such as the formulation and release of the NTT Group Medium-Term Management Strategy "Your Value Partner 2025," and the establishment of a Global Holding Company and related transfer of subsidiaries. Furthermore, in addition to holding advance explanations for outside independent Members of the Board on matters discussed at previous meetings of the Board of Directors, in the fiscal year ended March 31, 2019, explanations of matters such as immediate issues and the status of considerations were also given by Representative Members of the Board after meetings of the Board of Directors. By striving to clarify the focus of execution of duties and the point of initiatives, we are working to strengthen the supervisory function of the Board of Directors.

Furthermore, to allow the outside independent Members of the Board to more deeply understand the Company's business, meetings were held to exchange ideas and opinions on the executives and individual management strategies of the major subsidiaries, and they attended exhibitions of the research and development which the Company is focusing its efforts into and received explanations on topics such as the results of cutting-edge research.

Additionally, ideas and opinions on issues in NTT Group management were exchanged among the outside independent Members of the Board and the Audit & Supervisory Board Members, among the outside independent Members of the Board and the Representative Members of the Board, among the outside independent Members of the Board and the executives of the major Group companies in and outside Japan, and

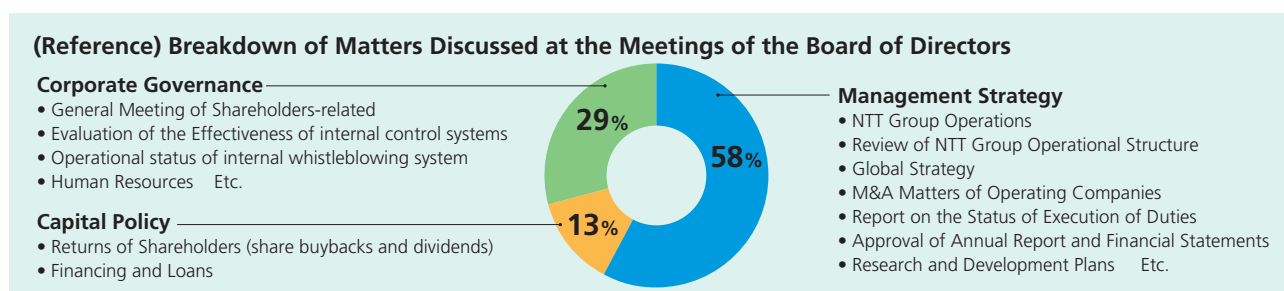
among the outside independent Members of the Board of the Company and the outside independent Members of the Board of the major Group companies and other members.

In these meetings, we received opinions on NTT's Board of Directors from the outside independent Members of the Board and the Audit & Supervisory Board Members that adequate information is provided and Members of the Board engage in active discussions, thereby ensuring the Board's effectiveness.

Also, with the aim of strengthening corporate governance through continuous improvement of the effectiveness of the Board of Directors, in the fiscal year ended March 31, 2019, questionnaire surveys regarding the Board of Directors were conducted targeting all Members of the Board, and the effectiveness of the Board was evaluated. Questions were asked with regard to the role and responsibilities of the Board of Directors, its composition, and its operation, and the results, which were compiled through a third-party organization, confirmed that the Board was sufficiently fulfilling its important role and responsibilities, with a majority of positive opinions for about 80% of the questions.

Moreover, given that there were opinions that recommended increasing the number of outside Members of the Board and ensuring diversity among Members of the Board, NTT is proposing an increase of two outside independent Members of the Board and the appointment of two female Members of the Board at the Ordinary General Meeting of Shareholders to be held on June 25, 2019.

Taking into account these initiatives, we have evaluated that the effectiveness of the Board of Directors is being ensured.



4. Audit & Supervisory Board

The Audit & Supervisory Board consists of a total of five Audit & Supervisory Board Members: two internal Audit & Supervisory Board Members and three outside independent Audit & Supervisory Board Members (including two women, one in each category). The Audit & Supervisory Board Members periodically conduct meetings with NTT's Representative Members of the Board to exchange ideas and opinions and also hold discussions with other Members of the Board as well as the Representative Members of the Board of Group companies with regard to various themes. Through these efforts, the Audit & Supervisory Board Members maintain an understanding of the status of the business execution by Members of the Board, providing suggestions when necessary. In the fiscal year ended March 31, 2019, six exchanges of ideas and opinions with Representative Members of the Board and 37 discussions with Representative Members of the Board of group companies were held.

In addition, the Audit & Supervisory Board Members, including outside independent Audit & Supervisory Board Members, attend important meetings, such as meetings of the Board of Directors, and conduct appropriate audits regarding the status of the business execution by Members of the Board. They also work closely with the Independent Auditor, periodically exchanging information on audit plans and audit results to enhance the audit system. Furthermore, the Audit & Supervisory Board Members strive to cooperate with the Internal Control Office through such means as exchanging audit plan information with them, and listening to reports on the

results of internal audits. The Audit & Supervisory Board also conducts audits in partnership with the Audit & Supervisory Board Members of Group companies.

In the fiscal year ended March 31, 2019, an evaluation of the effectiveness of the Audit & Supervisory Board was conducted for the purpose of evaluating audit activities, reflecting this in audit plans for the next fiscal year, improving the quality of audits performed by the Audit & Supervisory Board and other matters. This evaluation was implemented through discussions and verifications regarding effectiveness between all Audit & Supervisory Board Members, based on the results of a self-assessment questionnaire taken by each Audit & Supervisory Board Member. As a result, we evaluated that the effectiveness of the Audit & Supervisory Board is being ensured, and we will work to further improve the Board's effectiveness going forward.

5. Appointment and Compensation Committee

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

In the fiscal year ended March 31, 2019, in addition to holding meetings of the Appointment and Compensation Committee three times, Committee Members also met to exchange opinions and ideas on multiple occasions and active discussions were held.

6. Nomination of Directors

In terms of the composition of the Company's Board of Directors, the nomination of executives is based on the "NTT Group Personnel Policy," and personnel with the skills to resolve issues recognized by NTT Group are nominated broadly from inside and outside of the Group. Outside Members of the Board and outside Audit & Supervisory Board Members are elected with the expectation that they can provide opinions based on a broad management perspective or as an expert. Furthermore, both non-outside and outside Members of the Board are elected in line with NTT Group's promotion of diversity. For the General Meeting of Shareholders to be held on June 25, 2019, NTT is proposing to increase the number of outside independent Members of the Board by two and, at the same time, to appoint two female Members of the Board for the first time. If this proposal is approved, the ratio of outside Members of the Board will be 26.7%.

NTT Group Personnel Policy

[Basic Policy]

NTT Group strives to contribute to the resolution of social issues and the realization of a safer, more secure, and more affluent society. To accomplish this goal, the Group acts as a trusted "Your Value Partner" that customers continue to select in order to provide them with new value on a global basis. We have established the policy of positioning individuals that share these ideals in the upper ranks of NTT Group's management, and we are nominating such individuals from both inside and outside the Group.

[Nomination of Candidates for Members of the Board]

In regard to Member of the Board candidates, individuals are nominated based on the broad-ranging perspective

and experience, superior management skill and leadership, business sense and motivation necessary to contribute to the overall development of NTT Group in order to facilitate the improvement in NTT Group's corporate value. The Board of Directors is of a size appropriate to the Group's business, and the composition of the Board of Directors takes into account a balance of specialties and diversity.

From the perspective of strengthening the function of supervising business execution, for outside independent Members of the Board, NTT nominates individuals who present no risk of a conflict of interest with general shareholders. In principle, NTT appoints several outside independent Members of the Board.

[Nomination of Candidates for Audit & Supervisory Board Members]

NTT has the policy of nominating candidates for Audit & Supervisory Board Members that have the capacity to provide audits based on specialized experience and insight.

From the perspective of guaranteeing fair audits of the execution of duties by Members of the Board, for outside independent Audit & Supervisory Board Members, NTT nominates individuals who present no risk of a conflict of interest with general shareholders. In accordance with the Companies Act, NTT ensures that outside Audit & Supervisory Board Members make up half or more of the Audit & Supervisory Board.

With regard to the nomination of Members of the Board, NTT has established the Appointment and Compensation Committee, which consists of four Members of the Board including two outside independent Members of the Board. The committee discusses candidates and then makes proposals to be approved by the Board of Directors and presented for voting at the General Meeting of Shareholders.

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

(1) Succession Plan

With respect to successor candidates for the CEO position, we view it as important to secure successor candidates who can respond to technological innovation, market trends, and the speed of changes in the business environment. By securing the diversity of candidates through offering experience of a broad range of jobs and appointments to important posts, we are cultivating personnel for promotion who, in addition to possessing integrity and insight, are exceptionally well-suited to the times. The decision regarding the appointment is made by the Board of Directors after it has been presented for deliberation to the Appointment and Compensation Committee, which consists of four Members of the Board including two outside independent Members of the Board.

(2) Independence of Outside Members of the Board and Outside Audit & Supervisory Board Members

From the perspectives of strengthening the supervisory function for execution and guaranteeing appropriate audits of the execution of duties by Members of the Board, NTT has the policy of selecting individuals to serve as outside Members of the Board and outside Audit & Supervisory Board Members who do not represent risks of conflicts of interest with general shareholders. NTT designates outside Members of the Board and outside Audit & Supervisory Board Members who fulfill both the independence criteria stipulated by the Tokyo Stock Exchange and NTT's own independence standards as independent Members of the Board or independent Audit & Supervisory Board Members.

Independence Standards

In order to meet the independence criteria, a person may not fall under any of the categories below in the last three fiscal years

- (1) A person who executes business in a partner company that exceeds NTT's Standards^{*1}
 - (2) A person who executes business in a lending company that exceeds NTT's Standards^{*2}
 - (3) A consultant, accountant, lawyer, or any other person providing professional services, who received monetary payments or any other gain in assets equal to or more than ¥10 million, excluding the Board Members' or Audit & Supervisory Board Members' compensation, from NTT or its major subsidiaries^{*3} in any of the last three fiscal years
 - (4) A person who executes business in an organization that received donations exceeding NTT's Standards^{*4}
Even if any of (1) through (4) above applies to a person, where it has been decided that a person meets the Independence Standards, the reasons shall be explained and disclosed at the time of the person's appointment as the independent Member of the Board or independent Audit & Supervisory Board Member.
- *1 "A partner company that exceeds NTT's Standards" is defined as a company that has had any business dealing with NTT and its major subsidiaries^{*3} in any of the last three fiscal years equal to or more than 2% of the total operating revenues of NTT and its major subsidiaries for the respective fiscal year.
- *2 "A lending company that exceeds NTT's Standards" is defined as a company in which the total amount of borrowings on a consolidated basis in any of the last three fiscal years equals to or is more than 2% of NTT's consolidated total assets for the respective fiscal year.
- *3 The major subsidiaries are NTT DOCOMO, INC., NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, NTT COMMUNICATIONS CORPORATION, and NTT DATA CORPORATION.
- *4 "An organization that received donations exceeding NTT's Standards" is defined as an organization which received donations from NTT and its major subsidiaries^{*3} in any of the last three fiscal years exceeding ¥10 million or 2% of the total income of the organization, whichever is larger, during the respective fiscal year.

7. Training for Members of the Board and Audit & Supervisory Board Members

NTT Group works to cultivate candidates suitable for top management who are able to respond to the rapidly changing management environment, by creating a range of training opportunities in areas including domestic and overseas economic and social issues, compliance, and risk management, and by allowing employees to accumulate new job experiences. Additionally, outside independent Members of the Board can gain a deeper understanding of the Company's group businesses through opportunities to deepen their understanding of the business trends of NTT Group companies and of the latest R&D results at the research facilities of the Company.

8. Strategic Shareholdings

NTT does not hold so-called "cross-held shares" to create stable shareholders, and has no plans to hold them in the future.

On the other hand, as one of its business policies, the Company pursues collaboration and open innovation with partners in various industries to contribute to medium- to long-term improvement in corporate value. Based on this policy, the Company verifies whether a holding will contribute to medium- to long-term improvement in corporate value and holds or sells shares accordingly.

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

9. Capital Policy

Regarding the returns of shareholders, our basic policy is to steadily increase dividends. We also flexibly carry out buybacks to improve capital efficiency.

IV Matters Regarding Corporate Officers

1. Status of Members of the Board and Audit & Supervisory Board Members

| Name | | Position and Responsibilities | Number of Shares of the Company Held |
|---------------------|--|--|--------------------------------------|
| Hiromichi Shinohara | | Chairman of the Board | 19,600 shares |
| Jun Sawada | | President and Chief Executive Officer Representative Member of the Board | 15,400 shares |
| Akira Shimada | | Senior Executive Vice President Representative Member of the Board In charge of business strategy and risk management | 9,804 shares |
| Motoyuki Ii | | Senior Executive Vice President Representative Member of the Board In charge of technical strategy and international standardization Vice President, Head of Technology Planning Department | 6,900 shares |
| Tsunehisa Okuno | | Executive Vice President Member of the Board Vice President, Head of Global Business Office | 6,300 shares |
| Hiroki Kuriyama | | Member of the Board Vice President, Head of Strategic Business Development Division In charge of 2020 Project | 5,170 shares |
| Takashi Hiroi | | Member of the Board Vice President, Head of Finance and Accounting Department | 4,500 shares |
| Eiichi Sakamoto | | Member of the Board Vice President, Head of General Affairs Department | 4,000 shares |
| Katsuhiko Kawazoe | | Member of the Board Vice President, Head of Research and Development Planning Department | 2,200 shares |
| Ryota Kitamura | | Member of the Board Vice President, Head of Corporate Strategy Planning Department | 1,800 shares |
| Katsuhiko Shirai | Outside Member of the Board | Outside Independent Member of the Board Member of the Board | 4,300 shares |
| Sadayuki Sakakibara | Outside Member of the Board | Outside Independent Member of the Board Member of the Board | 9,500 shares |
| Akiko Ide | | Full-time Audit & Supervisory Board Member | 10,200 shares |
| Takao Maezawa | | Full-time Audit & Supervisory Board Member | 9,704 shares |
| Michiko Tomonaga | Outside Audit & Supervisory Board Member | Outside Independent Audit & Supervisory Board Member Audit & Supervisory Board Member | 3,000 shares |
| Seiichi Ochiai | Outside Audit & Supervisory Board Member | Outside Independent Audit & Supervisory Board Member Audit & Supervisory Board Member | 5,504 shares |
| Takashi Iida | Outside Audit & Supervisory Board Member | Outside Independent Audit & Supervisory Board Member Audit & Supervisory Board Member | 3,200 shares |

Notes: 1. Of the 17 Members of the Board and Audit & Supervisory Board Members, 15 are male and two are female (both of whom are Audit & Supervisory Board Members).

2. Of the Members of the Board, Mr. Katsuhiko Shirai and Mr. Sadayuki Sakakibara are outside Members of the Board as defined in Article 2, paragraph 15 of the Companies Act. Also, based on the listing rules of the Tokyo Stock Exchange, NTT has designated Mr. Katsuhiko Shirai and Mr. Sadayuki Sakakibara as independent Members of the Board and filed the information related thereto with the Tokyo Stock Exchange.

3. Of the Audit & Supervisory Board Members, Ms. Michiko Tomonaga, Mr. Seiichi Ochiai and Mr. Takashi Iida are outside Audit & Supervisory Board Members as defined in Article 2, paragraph 16 of the Companies Act. Also, based on the listing rules of the Tokyo Stock Exchange, NTT has designated Ms. Michiko Tomonaga, Mr. Seiichi Ochiai and Mr. Takashi Iida as independent Audit & Supervisory Board Members and filed the information related thereto with the Tokyo Stock Exchange.

| Term of Office | Attendance Rate | | Description of Principal Concurrent Positions |
|----------------|-----------------------------|------------------------------------|--|
| | Board of Directors Meetings | Audit & Supervisory Board Meetings | |
| 10 years | 13/13(100%) | — | |
| 5 years | 13/13(100%) | — | President and Chief Executive Officer of NTT, Inc. (Assumed on August 7, 2018) [Representative Director and President, Chief Executive Officer of NTT Security Corporation] (Retired on June 20, 2018) |
| 7 years | 13/13(100%) | — | Senior Executive Vice President of NTT, Inc. (Assumed on August 7, 2018) [Member of the Board of Nippon Telegraph and Telephone West Corporation (Retired on June 22, 2018)] |
| 1 year | 10/10(100%) | — | |
| 7 years | 13/13(100%) | — | Member of the Board of NTT, Inc. (Assumed on August 7, 2018) Senior Vice President of Dimension Data Holdings Director of NTT Security Corporation |
| 5 years | 13/13(100%) | — | |
| 4 years | 13/13(100%) | — | |
| 3 years | 13/13(100%) | — | Member of the Board of Nippon Telegraph and Telephone East Corporation |
| 1 year | 10/10(100%) | — | |
| 1 year | 10/10(100%) | — | Member of the Board of Nippon Telegraph and Telephone West Corporation (Assumed on June 22, 2018) |
| 7 years | 13/13(100%) | — | Outside Director of Japan Display, Inc. |
| 7 years | 13/13(100%) | — | Special Adviser of Toray Industries, Inc. (Assumed on August 26, 2018) Outside Director of SHIMANO INC. (Assumed on March 26, 2019) [Senior Adviser of Toray Industries, Inc. (Retired on August 26, 2018) Chairman of the Japan Business Federation (Retired on May 31, 2018) Outside Director of Hitachi, Ltd. (Retired on June 20, 2018)] |
| 5 years | 13/13(100%) | 24/24(100%) | Audit & Supervisory Board Member of NTT, Inc. (Assumed on August 7, 2018) |
| 3 years | 13/13(100%) | 24/24(100%) | Audit & Supervisory Board Member of NTT, Inc. (Assumed on August 7, 2018) |
| 8 years | 13/13(100%) | 24/24(100%) | Certified Public Accountant Outside Director of Keikyu Corporation |
| 7 years | 11/13(85%) | 23/24(96%) | Lawyer Outside Director of Meiji Yasuda Life Insurance Company Outside Auditor of Ube Industries, Ltd. |
| 5 years | 13/13(100%) | 24/24(100%) | Lawyer Outside Corporate Auditor of Shimadzu Corporation Outside Director of ALPS ALPINE CO., LTD. |

- Audit & Supervisory Board Member Takao Maezawa has business experience in the accounting division of NTT and its related companies, and Audit & Supervisory Board Member Michiko Tomonaga is a certified public accountant. Both individuals have extensive knowledge of finance and accounting matters.
- There is no special relationship between NTT and the companies where outside Members of the Board and outside Audit & Supervisory Board Members hold concurrent positions.
- Even in circumstances where outside Members of the Board and outside Audit & Supervisory Board Members were unable to attend a meeting, they were provided with an explanation in advance and they submitted their opinions.
- Directors Mr. Satoshi Miura, Mr. Hiroo Unoura and Mr. Mitsuyoshi Kobayashi retired from their positions at the conclusion of the Ordinary General Meeting of Shareholders held on June 26, 2018 due to the expiration of their terms of office.

2. Policies Concerning, and Total Compensation of Members of the Board and Audit & Supervisory Board Members

With regard to compensation policy and the composition and levels of compensation of Members of the Board of NTT, in order to improve objectivity and transparency, NTT established the Appointment and Compensation Committee, comprised of four Members of the Board, including two outside independent Members of the Board. Compensation matters are decided by the Board of Directors after deliberation by this committee. In the fiscal year under review, in addition to holding meetings of the Appointment and Compensation Committee three times, Committee Members also met to exchange opinions and ideas on multiple occasions.

Compensation of Members of the Board (excluding outside Members of the Board) consists of a base salary and a bonus. The base salary is paid monthly on the basis of the scope of each Member of the Board's roles and responsibilities. The bonus is paid taking into account factors including the degree of achievement of performance indicators, such as operating profit for the fiscal year ended March 31, 2019. Also, Members of the Board make contributions of a certain defined amount or more from their base salary and bonus for the purchase of NTT shares through the Board Members Shareholding Association in order to reflect NTT's medium- to long-term business results in compensation. Purchased shares are to be held by the Members of the Board throughout their terms of office. The composition ratio of compensation in a case where standard business results are achieved is roughly 70/30 of fixed compensation to performance-related compensation.

Also, with the aim of realizing a stronger awareness of achieving the Medium-Term Management Strategy, sustainable growth, and medium- to long-term improvement in corporate value, NTT is considering paying a bonus in accordance with the degree to which the KPI linked to the Medium-Term Management Strategy are achieved from fiscal 2019, and expanding the ratio of overall compensation occupied by performance-related compensation from fiscal 2020.

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

Compensation of Audit & Supervisory Board Members is determined by resolution of the Audit & Supervisory Board and consists of a base salary only, for the same reasons as those cited above with respect to outside Members of the Board.

Total Compensation of Members of the Board and Audit & Supervisory Board Members during the Fiscal Year Ended March 31, 2019

| Position | Number of Persons | Total Compensation (Millions of yen) |
|-----------------------------------|-------------------|---|
| Members of the Board | 15 | 577 |
| Audit & Supervisory Board Members | 5 | 119 |
| Total | 20 | 696 |

Notes: 1. Compensation amounts shown above include compensation paid to three Members of the Board who retired on June 26, 2018, at the conclusion of the 33rd Ordinary General Meeting of Shareholders.

2. Maximum limits on total annual compensation of Members of the Board and Audit & Supervisory Board Members were set at ¥750 million for Members of the Board and ¥200 million for Audit & Supervisory Board Members at the 21st Ordinary General Meeting of Shareholders held on June 28, 2006.

3. Total compensation of Members of the Board includes ¥112 million in bonuses for the fiscal year ended March 31, 2019.

4. In addition to the above, an aggregate of ¥17 million is to be paid to Members of the Board who are also employees as bonuses for their service as employees.

3. Outside Members of the Board and Outside Audit & Supervisory Board Members

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

| Position | Name | Statements made at Board of Directors Meetings and Audit & Supervisory Board Meetings |
|---|---------------------|---|
| Outside Members of the Board | Katsuhiko Shirai | Board Member Katsuhiko Shirai made comments mainly concerning the circumstances of Group management, and global strategy from his perspective as an operational director of an educational institution with extensive experience. |
| | Sadayuki Sakakibara | Board Member Sadayuki Sakakibara made comments mainly concerning the circumstances of Group management, and capital policies from his perspective as a corporate executive with extensive experience. |
| Outside Audit & Supervisory Board Members | Michiko Tomonaga | Audit & Supervisory Board Member Michiko Tomonaga made comments mainly concerning the accounting audit based on the professional perspective fostered through her extensive experience as a certified public accountant. |
| | Seiichi Ochiai | Audit & Supervisory Board Member Seiichi Ochiai made comments mainly concerning corporate governance based on the professional perspective fostered through his extensive experience as a university professor and a lawyer. |
| | Takashi Iida | Audit & Supervisory Board Member Takashi Iida made comments mainly concerning corporate governance based on the professional perspective fostered through his extensive experience as a lawyer. |

Total Compensation of Outside Members of the Board and Outside Audit & Supervisory Board Members during the Fiscal Year Ended March 31, 2019

| Position | Number of Members of the Board and Audit & Supervisory Board Members | Total compensation (Millions of yen) |
|--|--|--------------------------------------|
| Total compensation of outside Members of the Board and Outside Audit & Supervisory Board Members | 5 | 75 |

Note: Total amount of compensation for outside Members of the Board and outside Audit & Supervisory Board Members is included in "Total Compensation of Members of the Board and Audit & Supervisory Board Members during the Fiscal Year Ended March 31, 2019" on page 55.

(Reference) Glossary of Terms

■ General Terms

▼ 5G

Next-generation mobile communications systems currently under research and development aimed at achieving dramatically higher speeds and capacity and supporting diverse services for a high-speed information society.

▼ AI

Artificial Intelligence

▼ B2B2X

An initiative aimed at working together with service providers such as local government bodies or business operators in other fields (B) to provide solutions to social problems and new value creation for end users (X) through working behind the scene or in intermediary roles to expand cooperation with the aforementioned service providers and conducting activities that support digital transformation.

▼ Big Data

A constellation of data, which are so vast in quantity and complex in structure that it becomes difficult to manage and process with traditional technology.

▼ Botnet

A massive network of computers and devices infected with malicious and harmful programs (viruses, Trojans, etc.), which can be used by external third parties

to run unauthorized instructions without the owner's knowledge.

▼ Chat

System that lets you exchange dialogue-like messages through a network in real time.

▼ Cloud/Cloud services

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

▼ Connected Cars

Vehicles that have ICT device functionality.

▼ Device

Machine that can connect to computers or networks.

▼ Digital Transformation

Process of creating new business models or transforming existing business models by using ICT tools to accumulate data or use data in management.

▼ EV (Electric Vehicle) Conversion

Movement promoting the spread of electric vehicles and developing charging infrastructure in response to rising concern about resource constraints and environmental issues.

▼ IoT (Internet of Things)

A network equipping not only information and communications devices such as computers, but also all everyday objects with communication functions to connect to the Internet and communicate among themselves for functions such as automated recognition, automated operation and remote measurement.

▼ IT Outsourcing

The complete entrustment of operation and maintenance of systems to an external specialist contractor or similar organization.

▼ LGBT

Acronym for "lesbian, gay, bisexual and transgender," used as a general term for sexual minorities whose preferred partner is of the same sex or not only of a different sex, or who experiences a mismatch between their assigned sex and gender identity.

▼ LTE (Long Term Evolution)

Telecommunications standard with features including high transmission speeds, large capacity, efficient use of radio waves and low delay. Achieves high-speed telecommunication in a mobile phone at speeds on a par with optical fiber.

▼ MaaS (Mobility as a Service)

Service aiming to solve problems such as congestion in urban areas and poor public transport conditions in rural areas by building more convenient systems integrating search, booking and payment of public transportation and other means of transport and by increasing efficiency through car sharing and self-driving vehicles.

▼ OCR (Optical Character Recognition)

Equipment or software that analyzes an image of a piece of physical paper, recognizes characters contained in it, and extracts the written content as character data.

▼ Open Innovation

The creation of innovative products or business models by combining technologies and ideas from a wide range of sources, both inside and outside the company.

▼ PSTN Migration

The migration of the network for fixed-line telephone services from the traditional PSTN (Public Switched Telephone Network) to an IP network, which utilizes internet technology.

▼ RPA (Robotic Process Automation)

Automated solutions that divide tasks into rules and use robots to perform the tasks currently performed by humans.

▼ System Integration

Implementation of the construction and operation of information communications systems in an integrated manner, tailored to clients' operations.

▼ Virtualization

Technology to allow multiple virtual computers to be created within a single computer and different operating systems to be installed and run on each.

■ Terms Related to NTT Group Services

▼ docomo Hikari

An optical Internet service provided by NTT DOCOMO using a FLET'S HIKARI line or cable TV equipment.

▼ FLET'S Hikari

Collective name for "B FLET'S," "FLET'S Hikari Next," "FLET'S Hikari Light," "FLET'S Hikari Lightplus" and "FLET'S Hikari WiFi Access" by NTT East, and "B FLET'S," "FLET'S Hikari Premium,"

"FLET'S Hikari Mytown," "FLET'S Hikari Next," "FLET'S Hikari Mytown Next," "FLET'S Hikari Light" and "FLET'S Hikari WiFi Access" by NTT West.

▼ FLET'S TV

Service that enables subscribers to receive terrestrial / BS digital broadcasts using FLET'S Hikari optical fiber provided by NTT East and NTT West.

▼ Hikari Collaboration Model

The wholesale provision of FLET'S Hikari and other services provided by NTT East and NTT West to various service providers.

▼ Hikari Denwa

A value-priced IP- and optical fiber-based telephone service using FLET'S Hikari by NTT East and NTT West.

Consolidated Financial Statements

Consolidated Statement of Financial Position (March 31, 2019)

(Millions of yen)

| Item | Amount | Item | Amount |
|---|-------------------|---|-------------------|
| ASSETS | | LIABILITIES AND EQUITY | |
| Current assets | | Current liabilities | |
| Cash and cash equivalents | 946,134 | Short-term debt | 1,397,545 |
| Trade and other receivables | 4,391,434 | Trade and other payables | 2,092,479 |
| Other financial assets | 117,753 | Other financial liabilities | 44,305 |
| Inventories | 331,634 | Accrued payroll | 468,216 |
| Other current assets | 550,487 | Accrued taxes on income | 237,282 |
| Sub Total | 6,337,442 | Other current liabilities | 988,244 |
| Assets held for sale | 242,524 | Total current liabilities | 5,228,071 |
| Total current assets | 6,579,966 | Non-current liabilities | |
| Non-current assets | | Long-term debt | 2,865,181 |
| Property, plant and equipment | 9,012,947 | Other financial liabilities | 175,087 |
| Goodwill | 886,531 | Defined benefit liabilities | 1,878,013 |
| Intangible assets | 1,627,762 | Deferred tax liabilities | 61,189 |
| Investment property | 967,006 | Other non-current liabilities | 282,815 |
| Investments accounted for using equity method | 298,261 | Total non-current liabilities | 5,262,285 |
| Other financial assets | 1,138,502 | Total liabilities | 10,490,356 |
| Deferred tax assets | 1,124,467 | Equity | |
| Other non-current assets | 659,704 | Nippon Telegraph and Telephone Corporation ("NTT") shareholders' equity | |
| Total non-current assets | 15,715,180 | Common stock | 937,950 |
| | | Additional paid-in capital | 2,341,206 |
| | | Retained earnings | 5,954,305 |
| | | Treasury stock | (150,635) |
| | | Other components of equity | 182,087 |
| | | Total NTT shareholders' equity | 9,264,913 |
| | | Non-controlling interests | 2,539,877 |
| | | Total equity | 11,804,790 |
| Total assets | 22,295,146 | Total liabilities and equity | 22,295,146 |

Note: Amounts are rounded off to the nearest million yen.

Consolidated Statement of Profit or Loss (Fiscal Year Ended March 31, 2019)

(Millions of yen)

| Item | Amount | |
|---|-----------|-------------------|
| Operating revenues | | 11,879,842 |
| Operating expenses | | |
| Personnel expenses | 2,391,617 | |
| Expenses for purchase of goods and services and other expenses | 5,917,693 | |
| Depreciation and amortization | 1,333,647 | |
| Expenses on disposal of fixed assets | 172,167 | |
| Impairment losses | | |
| Goodwill | 39,443 | |
| Metal cables | 66,003 | |
| Other | 20,952 | |
| Taxes and dues | 244,487 | 10,186,009 |
| Operating profit | | 1,693,833 |
| Finance income | | 24,465 |
| Finance costs | | 36,362 |
| Share of profit (loss) of entities accounted for using equity method | | (10,075) |
| Profit before taxes | | 1,671,861 |
| Income taxes | | 533,174 |
| Profit | | 1,138,687 |
| Profit attributable to NTT | | 854,561 |
| Profit attributable to Non-controlling interests | | 284,126 |

Note: Amounts are rounded off to the nearest million yen.

Non-Consolidated Financial Statements

Non-consolidated Balance Sheet (At March 31, 2019)

(Millions of yen)

| Item | Amount | Item | Amount |
|---|------------------|---|------------------|
| ASSETS | | LIABILITIES | |
| Current assets | | Current liabilities | |
| Cash and bank deposits | 408 | Accounts payable, trade | 342 |
| Accounts receivable, trade | 922 | Current portion of corporate bonds | 146,814 |
| Supplies | 198 | Current portion of long-term borrowings | 124,500 |
| Advance payment | 1,002 | Current portion of long-term borrowings from subsidiaries | 70,000 |
| Short-term loans receivable | 319,112 | Lease obligations | 19 |
| Accounts receivable, other | 207,736 | Accounts payable, other | 31,224 |
| Subsidiary deposits | 42,985 | Accrued expenses | 5,085 |
| Other | 5,630 | Accrued taxes on income | 1,417 |
| Total current assets | 577,997 | Advances received | 878 |
| Fixed assets | | Deposits received | 228 |
| Property, plant and equipment | | Deposits received from subsidiaries | 50,740 |
| Buildings | 87,509 | Other | 1,590 |
| Structures | 4,704 | Total current liabilities | 432,841 |
| Machinery, equipment and vehicles | 369 | Long-term liabilities | |
| Tools, furniture and fixtures | 21,382 | Corporate bonds | 339,959 |
| Land | 29,200 | Long-term borrowings | 762,386 |
| Lease assets | 30 | Long-term borrowings from subsidiaries | 300,000 |
| Construction in progress | 1,815 | Lease obligations | 12 |
| Total property, plant and equipment | 145,011 | Liability for employees' retirement benefits | 35,639 |
| Intangible fixed assets | | Asset retirement obligations | 1,526 |
| Software | 16,214 | Other | 4,274 |
| Lease assets | 1 | Total long-term liabilities | 1,443,800 |
| Other | 273 | Total liabilities | 1,876,641 |
| Total intangible fixed assets | 16,488 | NET ASSETS | |
| Investments and other assets | | Shareholders' equity | |
| Investment securities | 11,806 | Common stock | 937,950 |
| Investments in subsidiaries and affiliated companies | 5,380,418 | Capital surplus | |
| Other securities of subsidiaries and affiliated companies | 14,603 | Additional paid-in capital | 2,672,826 |
| Contributions to affiliated companies | 118 | Total capital surplus | 2,672,826 |
| Long-term loans receivable to subsidiaries | 932,386 | Earned surplus | |
| Prepaid pension costs | 1,280 | Legal reserve | 135,333 |
| Deferred income taxes | 17,178 | Other earned surplus | |
| Other | 1,598 | Accumulated earned surplus | 1,625,957 |
| Total investments and other assets | 6,359,391 | Total earned surplus | 1,761,290 |
| Total fixed assets | 6,520,892 | Treasury stock | (150,634) |
| | | Total shareholders' equity | 5,221,432 |
| | | Unrealized gains (losses), translation adjustments, and others | |
| | | Net unrealized gains (losses) on securities | 816 |
| | | Total unrealized gains (losses), translation adjustments, and others | 816 |
| | | Total net assets | 5,222,248 |
| Total assets | 7,098,890 | Total liabilities and net assets | 7,098,890 |

Note: Amounts are rounded down to the nearest million yen.

Non-consolidated Statement of Income (from April 1, 2018 to March 31, 2019)

(Millions of yen)

| Item | Amount | |
|--|---------|----------------|
| Operating revenues | | |
| Dividends received | 618,903 | |
| Revenues from group management | 23,300 | |
| Revenues from basic R&D | 97,999 | |
| Other services | 10,537 | 750,740 |
| Operating expenses | | |
| Administration | 26,211 | |
| Experiment and research | 89,961 | |
| Depreciation and amortization | 15,711 | |
| Retirement of fixed assets | 1,178 | |
| Miscellaneous taxes | 3,843 | 136,906 |
| Operating income | | 613,833 |
| Non-operating revenues | | |
| Interest income | 7,099 | |
| Lease and rental income | 11,524 | |
| Miscellaneous income | 1,426 | 20,050 |
| Non-operating expenses | | |
| Interest expenses | 9,590 | |
| Corporate bond interest expenses | 5,440 | |
| Lease and rental expenses | 5,244 | |
| Miscellaneous expenses | 745 | 21,021 |
| Recurring profit | | 612,862 |
| Special profit | | |
| Gains on sales of investments in subsidiaries and affiliated companies | 596,161 | 596,161 |
| Special losses | | |
| Write-off of investments in subsidiaries and affiliated companies | 9,389 | 9,389 |
| Income before income taxes | | 1,199,634 |
| Corporation, inhabitant, and enterprise taxes | 6,990 | |
| Deferred tax expenses (benefits) | (140) | 6,850 |
| Net income | | 1,192,784 |

Note: Amounts are rounded down to the nearest million yen.

Auditor's Report on Consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT (CONSOLIDATED)

May 8, 2019

To the Board of Directors
Nippon Telegraph and Telephone Corporation

KPMG AZSA LLC

Takuji Kanai (seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kensuke Sodekawa (seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masashi Oki (seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity, and the notes to consolidated financial statements of Nippon Telegraph and Telephone Corporation (the "Company") as at March 31, 2019 and for the fiscal year from April 1, 2018 to March 31, 2019 in accordance with Article 444(4) of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the second sentence of Article 120(1) of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, although the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above, which were prepared in accordance with the second sentence of Article 120(1) of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards, present fairly, in all material respects, the financial position and the results of operations of the Company and its consolidated subsidiaries for the period for which the consolidated financial statements were prepared.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Auditor's Report on Non-consolidated Financial Statement

INDEPENDENT AUDITOR'S REPORT (NON-CONSOLIDATED)

May 8, 2019

To the Board of Directors
Nippon Telegraph and Telephone Corporation

KPMG AZSA LLC

Takuji Kanai (seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kensuke Sodekawa (seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masashi Oki (seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the non-consolidated financial statements, comprising the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in shareholders' equity and other net assets, the notes to non-consolidated financial statements and the supplementary schedules of Nippon Telegraph and Telephone Corporation (the "Company") as at March 31, 2019 and for the 34th fiscal year from April 1, 2018 to March 31, 2019 in accordance with Article 436(2)-(i) of the Companies Act.

Management's Responsibility for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with Japanese Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements and supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, although the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period for which the financial statements and the supplementary schedules were prepared, in accordance with Japanese Generally Accepted Accounting Principles.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Audit & Supervisory Board's Report

AUDIT & SUPERVISORY BOARD'S REPORT

Based on reports from each Audit & Supervisory Board Member, and following due discussion at meetings, the Audit & Supervisory Board has prepared this report regarding the execution of the duties of the Members of the Board in the 34th fiscal year from April 1, 2018, to March 31, 2019. The Board reports as follows:

1. Outline of Audit Methodology

(1) The Audit & Supervisory Board established auditing policies and received reports from each Audit & Supervisory Board Member on the status of the implementation of audits and the results thereof, as well as reports regarding the status of execution of duties from the Members of the Board and other persons and the Independent Auditors, and requested explanations as necessary.

(2) On the basis of the Audit & Supervisory Board Rules, and in accordance with its auditing policies, the Audit & Supervisory Board Members sought mutual understanding with Members of the Board, the internal auditing department and employees and other persons in their efforts to collect information and achieve an environment conducive to audits, and conducted the audits based on the methods described below.

I. The Audit & Supervisory Board Members attended meetings of the Board of Directors and other important meetings, and received reports from Members of the Board, employees and other persons regarding performance of their duties, requested explanations as necessary, perused important statements regarding decisions and approvals made and investigated the status of operations and assets at the head office and R&D laboratories. Regarding the subsidiaries, the Audit & Supervisory Board sought to achieve a mutual understanding and exchange of information with Members of the Board and Audit & Supervisory Board Members and other persons of the subsidiaries, and where necessary received business reports from the subsidiaries.

II. With respect to the particulars of Board of Directors resolutions relating to establishment of structures as set forth in Article 100 (1) and (3) of the Ordinance for Enforcement of the Companies Act, necessary to ensure that Board Members' performance of their duties, as stated in the Business Report, is in conformity with laws and regulations and their company's Articles of Incorporation and to otherwise ensure the appropriateness of the business of a corporate group consisting of a kabushiki kaisha and its subsidiaries, as well as the structures established pursuant to such resolutions (internal control systems), the Audit & Supervisory Board Members received reports regularly from Members of the Board and other employees regarding the status of the establishment and implementation of the systems, requested explanations as necessary, and expressed opinions thereon.

III. The Audit & Supervisory Board Members audited and verified whether the Independent Auditor maintained its independence and carried out its audits appropriately, received reports from the Independent Auditor regarding the execution of its duties and, where necessary, requested explanations. Also, the Audit & Supervisory Board received notification from the Independent Auditors to the

effect that the "structure to ensure that duties are executed appropriately" (the matters listed in Article 131 of the Regulation on Corporate Accounting) has been established in accordance with "Quality Control Standards for Auditing" (Business Accounting Council, October 28, 2005) and, where necessary, requested explanations.

Based on the above methodology, the Audit & Supervisory Board audited the Business Report and related supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in shareholders' equity and other net assets, notes to non-consolidated financial statements) and related supplementary schedules, as well as the consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and notes to consolidated financial statements) related to the fiscal year under review.

2. Audit Results

(1) Results of the audit of the Business Report

I. We find that the Business Report and its supplementary schedules accurately reflect the conditions of the company in accordance with applicable laws and the Articles of Incorporation.

II. No inappropriate conduct concerning the execution of duties by Members of the Board or material facts in violation of law or the Articles of Incorporation were found.

III. We find that the particulars of Board of Directors' resolutions concerning the internal control systems are appropriate. Further, no matters worthy of note were found with respect to the content of the Business Report and Board Members' execution of duties in regards to the internal control systems.

(2) Results of the audit of the non-consolidated financial statements and supplementary schedules

We find that the methodology and results of the audit by the Independent Auditor, KPMG AZSA LLC, are appropriate.

(3) Results of the audit of the consolidated financial statements

We find that the methodology and results of the audits conducted by the Independent Auditor, KPMG AZSA LLC, are appropriate.

May 9, 2019

Nippon Telegraph and Telephone Corporation
Audit & Supervisory Board

Full-time Audit & Supervisory Board Member Akiko Ide (seal)

Full-time Audit & Supervisory Board Member Takao Maezawa (seal)

Audit & Supervisory Board Member Michiko Tomonaga (seal)

Audit & Supervisory Board Member Seiichi Ochiai (seal)

Audit & Supervisory Board Member Takashi Iida (seal)

Note: Audit & Supervisory Board Members Michiko Tomonaga, Seiichi Ochiai and Takashi Iida are outside Audit & Supervisory Board Members as prescribed in Article 2(xvi), and Article 335(3) of the Companies Act.

END

The Location of the 34th Ordinary General Meeting of Shareholders

Venue

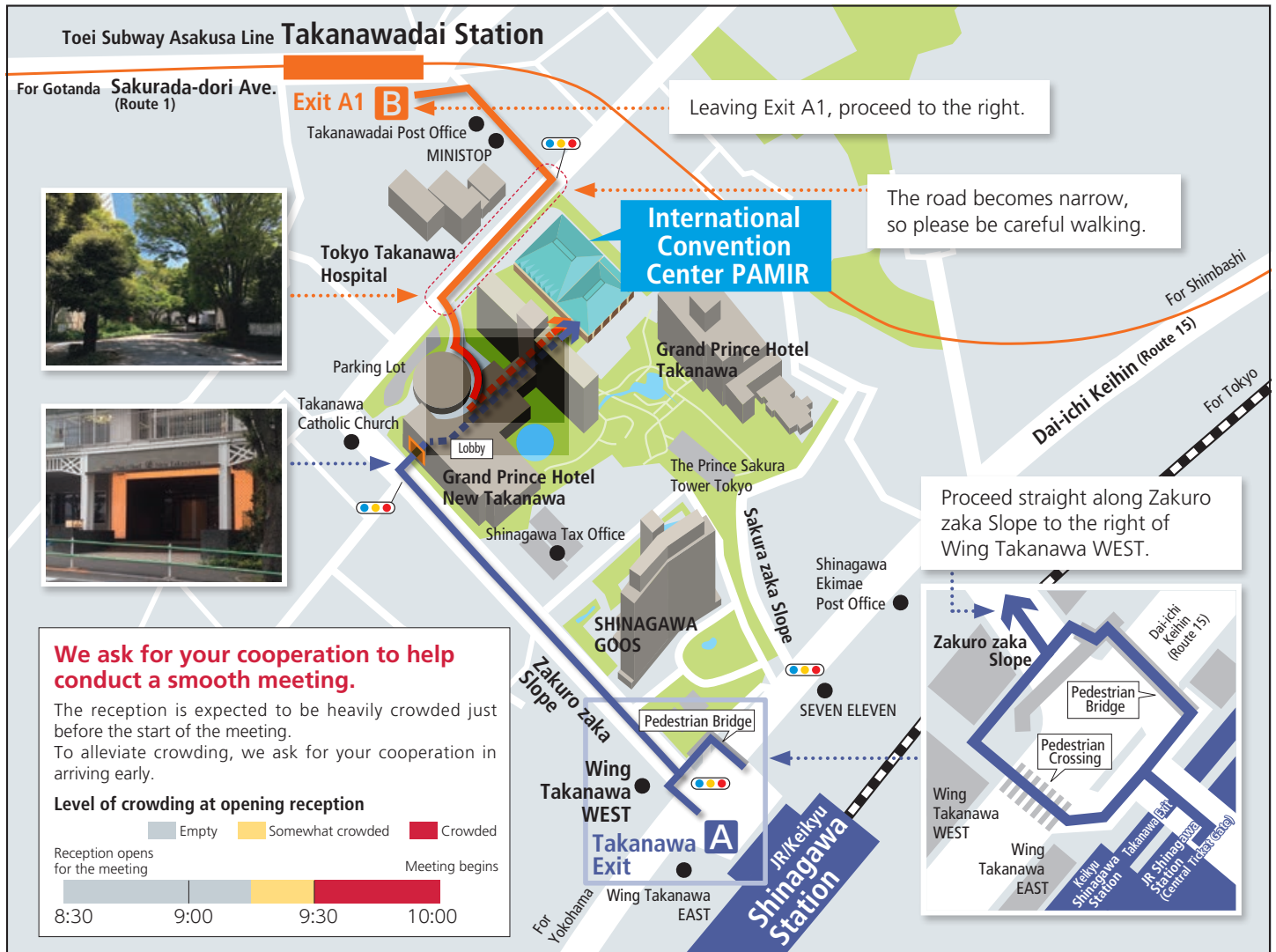
International Convention Center PAMIR

Grand Prince Hotel New Takanawa 13-1, Takanawa
3-chome, Minato-ku, Tokyo Phone: 03-3442-1111

Transportation

A 8-minute walk from Shinagawa Station (JR and Keikyu Lines)

B 6-minute walk from Takanawadai Station (Toei Subway Asakusa Line)



To shareholders who will attend the meeting

- We have souvenirs for all shareholders attending the Ordinary General Meeting. Please note that these are limited to one per shareholder attending the meeting.
- Please note that the reception is expected to be heavily crowded.
- As traffic will be heavy in this area on the day of the meeting, it is recommended you do not come by car.
- You are requested to leave hand baggage in the cloakroom. We appreciate your cooperation.

To Shareholders:

**INTERNET DISCLOSURE INFORMATION IN CONNECTION WITH
THE NOTICE OF CONVOCAION OF THE 34TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

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Pursuant to applicable laws and regulations, and Article 16 of NTT's Articles of Incorporation, the above matters are deemed to be provided to the shareholders by posting them on NTT's website.

May 31, 2019

NIPPON TELEGRAPH AND TELEPHONE CORPORATION

Business Report

Outline of the Business of NTT Group

Main Businesses

| Category | Main businesses |
|---|---|
| Mobile Communications Business | Mobile telephone services and related services |
| Regional Communications Business | Domestic intra-prefectural communication services and related ancillary services |
| Long Distance and International Communications Business | Domestic inter-prefectural communication services, international communication services, solutions services, and related services |
| Data Communications Business | Network system services, system integration services and other services |
| Other Business | Real estate business, finance business, construction and power business, system development business, and other businesses |

Main Locations, etc.

1. NTT

- **Head Office**

Chiyoda-ku, Tokyo

- **Laboratories**

○ Laboratory Groups

- Service Innovation Laboratory Group (Yokosuka-shi, Kanagawa)
- Information Network Laboratory Group (Musashino-shi, Tokyo)
- Science & Core Technology Laboratory Group (Atsugi-shi, Kanagawa)

○ Total number of laboratories*:12

* The 12 laboratories are internal sections of the 3 Laboratory Groups.

2. Subsidiaries

| Category | Name of Main Company | Main Location |
|--|---|---------------------------|
| Mobile Communications Business | NTT DOCOMO, INC. | Chiyoda-ku, Tokyo |
| Regional Communications Business | Nippon Telegraph and Telephone East Corporation | Shinjuku-ku, Tokyo |
| | Nippon Telegraph and Telephone West Corporation | Chuo-ku, Osaka-shi, Osaka |
| Long Distance and International Communications Business / Data Communications Business | NTT, Inc. | Chiyoda-ku, Tokyo |
| Long Distance and International Communications Business | NTT Communications Corporation | Chiyoda-ku, Tokyo |
| | Dimension Data Holdings | United Kingdom |
| | NTT Security Corporation | Chiyoda-ku, Tokyo |
| Data Communications Business | NTT DATA CORPORATION | Koto-ku, Tokyo |
| | NTT-SH Corporation | Chiyoda-ku, Tokyo |
| | NTT URBAN DEVELOPMENT CORPORATION | Chiyoda-ku, Tokyo |
| Other Business | NTT FACILITIES, INC. | Minato-ku, Tokyo |
| | NTT FINANCE CORPORATION | Minato-ku, Tokyo |
| | NTT COMWARE CORPORATION | Minato-ku, Tokyo |

Note: NTT-SH Corporation was reorganized into NTT Urban Solutions, Inc. on April 1, 2019. In addition, NTT Urban Solutions, Inc. plans to begin operations as the point of contact for services offered by the NTT Group in relation to urban solutions.

Employment

Number of employees (as of March 31, 2019): 303,351 (an increase of 20,818 from the previous fiscal year)

| Category | Number of Employees |
|---|---------------------|
| Mobile Communications Business | 26,629 |
| Regional Communications Business | 79,534 |
| Long Distance and International Communications Business | 48,020 |
| Data Communications Business | 123,884 |
| Other Business | 25,284 |

Changes in Consolidated Assets and Consolidated Profit or Loss

| Category | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 | Fiscal year ended March 31, 2018 | | Fiscal year ended March 31, 2019 |
|--|----------------------------------|----------------------------------|----------------------------------|----------|----------------------------------|
| | U.S. GAAP | U.S. GAAP | U.S. GAAP | IFRS | IFRS |
| Operating revenues (billions of yen) | 11,541.0 | 11,391.0 | 11,799.6 | 11,782.1 | 11,879.8 |
| Operating income / operating profit (billions of yen) | 1,348.1 | 1,539.8 | 1,642.8 | 1,641.1 | 1,693.8 |
| Income before income taxes / profit before taxes (billions of yen) | 1,329.3 | 1,527.8 | 1,755.6 | 1,740.5 | 1,671.9 |
| Net income / profit (billions of yen) | 737.7 | 800.1 | 909.7 | 897.9 | 854.6 |
| Net income per share / earnings per share (yen) | 350.34 | 390.94 | 455.78 | 449.86 | 440.25 |
| Total assets (billions of yen) | 21,035.9 | 21,250.3 | 21,675.8 | 21,541.4 | 22,295.1 |
| Shareholders' equity (billions of yen) | 8,833.8 | 9,052.5 | 9,486.0 | 9,050.4 | 9,264.9 |
| Shareholders' equity per share (yen) | 4,214.32 | 4,491.73 | 4,812.59 | 4,591.58 | 4,832.03 |

- Notes:
1. Commencing with the fiscal year under review, the consolidated financial statements of NTT Group have been prepared in accordance with IFRS with the amounts of the previous fiscal year being retroactively restated to IFRS for comparison purposes. For the fiscal years before the application of IFRS, consolidated financial statements were prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP").
 2. When a forward slash is shown in the categories listed above, the category is presented as "U.S. GAAP term / IFRS term."
 3. Net income / profit reflects net income / profit attributable to NTT (excluding the portion attributable to non-controlling interests).
 4. Net income per share / earnings per share reflects net income / profit per share attributable to NTT (excluding the portion attributable to non-controlling interests).
 5. Net income per share / earnings per share is calculated based on the average number of shares outstanding, excluding treasury stock, during the fiscal year. Shareholders' equity per share is calculated based on the number of shares outstanding, excluding treasury stock, at the end of the fiscal year.
 6. NTT implemented a 2-for-1 stock split of its common stock, with an effective date of July 1, 2015. Net income per share and shareholders' equity per share have been adjusted to reflect the impact of this stock split.

Changes in Non-consolidated Assets and Non-consolidated Income of NTT

| Category | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 | Fiscal year ended March 31, 2018 | Fiscal year ended March 31, 2019 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Operating revenues (billions of yen) | 521.7 | 474.3 | 663.1 | 750.7 |
| Operating income (billions of yen) | 384.0 | 339.6 | 530.5 | 613.8 |
| Recurring profit (billions of yen) | 381.4 | 334.9 | 528.1 | 612.8 |
| Net income (billions of yen) | 666.6 | 288.1 | 724.9 | 1,192.7 |
| Net income per share (yen) | 316.59 | 140.77 | 363.20 | 614.50 |
| Total assets (billions of yen) | 7,052.0 | 6,681.0 | 6,710.4 | 7,098.8 |
| Net assets (billions of yen) | 4,717.9 | 4,383.5 | 4,602.5 | 5,222.2 |
| Net assets per share (yen) | 2,250.77 | 2,175.04 | 2,335.07 | 2,723.61 |

- Notes:
1. The non-consolidated financial statements of NTT are prepared in accordance with Japanese Generally Accepted Accounting Principles.
 2. Net income per share is calculated based on the average number of shares outstanding, excluding treasury stock, during the fiscal year. Net assets per share is calculated based on the number of shares outstanding, excluding treasury stock, at the end of the fiscal year.
 3. NTT implemented a 2-for-1 stock split of its common stock, with an effective date of July 1, 2015. Net income per share and net assets per share have been adjusted to reflect the impact of this stock split.

Matters Regarding Corporate Officers

Agreements Limiting Liability

NTT has concluded agreements with outside Members of the Board and Audit & Supervisory Board Members to limit their personal liability as provided in Article 423(1) of the Companies Act and in accordance with Article 427(1) of that act. The limitation of liability is the lowest amount permitted by Article 425(1) of the Companies Act.

Matters Regarding Independent Auditors

1. Name of Independent Auditor

KPMG AZSA LLC

2. Compensation to Independent Auditor

| Independent Auditor | Amount |
|---------------------|--------------|
| KPMG AZSA LLC | ¥316 million |

Notes:

1. The audit engagement agreements between NTT and the independent auditor do not distinguish between compensation for audits performed pursuant to the Companies Act and compensation for audits performed pursuant to the Financial Instruments and Exchange Act, and since it is not practically possible to make such a distinction, the above amount represents the total figure for both audits.
2. The Audit & Supervisory Board consented to the compensation of the independent auditor pursuant to Article 399, paragraph 1 of the Companies Act after confirming and examining the details of the audit plan, the status of performing duties of financial audits, the basis for the calculation of the estimate of compensation of the independent auditor and other factors.

3. Total Monetary and Other Financial Benefits Payable by NTT and its Subsidiaries

| Independent Auditor | Amount |
|---------------------|----------------|
| KPMG AZSA LLC | ¥2,879 million |

Notes:

1. The non-audit services for which NTT pays compensation to KPMG AZSA LLC are the provision of guidance and advice and other services in relation to International Financial Reporting Standards (IFRS).
2. Of NTT's material subsidiaries, those overseas were audited by firms other than KPMG AZSA LLC.

4. Policies Concerning Decisions to Discharge or Not Reappoint Independent Auditor

In the event that the circumstances set forth in any item of Article 340(1) of the Companies Act apply to the independent auditor, the independent auditor may be discharged by a unanimous resolution of the Audit & Supervisory Board.

In addition, if it is determined that it would be difficult for the independent auditor to perform proper audits, the Audit & Supervisory Board may propose a resolution to the Ordinary General Meeting of Shareholders that the independent auditor be discharged or that the independent auditor not be reappointed.

Content of Resolutions Concerning the Development of Systems to Ensure the Propriety of NTT's Business

The Board of Directors made the resolution with respect to the "Basic Policy Concerning the Development of the Internal Control Systems for NTT Group." The contents of the resolution are set out below.

Basic Policies Concerning the Development of Internal Control Systems

- I. Basic Policy for the Development of the Internal Control Systems
 1. NTT shall develop a system of internal controls through taking measures for the prevention and minimization of losses, with the objectives of ensuring compliance with legal requirements, managing risks, and achieving appropriate and efficient business operations.
 2. NTT shall establish the Internal Control Office which oversees the establishment of internal control rules and frameworks. The Internal Control Office shall evaluate the effectiveness of the internal control systems based on internal audits regarding high risk matters affecting the entire NTT Group, and shall make sure that necessary corrective measures and improvements are implemented.
 3. NTT shall also take appropriate measures to ensure the reliability of its internal control systems for financial reporting based on the Financial Instruments and Exchange Act.
 4. As a chief executive officer, the president shall be responsible for ensuring the development and operation of the internal control systems.
- II. Development of the Internal Control Systems
 1. Systems to ensure that the performance of duties by Members of the Board and employees conform with laws and regulations and NTT's Articles of Incorporation

NTT shall implement the following measures with the objective of ensuring that its business is conducted in compliance with laws and regulations and in accordance with high ethical standards:

 - (1) NTT shall establish the Employment Rules which require employees to adhere faithfully to applicable laws, regulations and official notices, and to devote all their efforts to the performance of their duties so that business activities are appropriately and effectively carried out.
 - (2) NTT shall adopt the NTT Group Corporate Ethics Charter setting forth specific conduct guidelines concerning corporate ethics for all NTT Group officers and employees.
 - (3) NTT shall establish the Corporate Ethics Committee, chaired by the Senior Executive Vice President, to clarify the structure of responsibilities for corporate ethics. It addresses promotion of corporate ethics, improvement of compliance awareness and maintenance of corporate discipline, and investigates whistleblowers' allegation.
 - (4) NTT shall establish an internal Corporate Ethics Help Line at each NTT Group company and a group-wide external Corporate Ethics Help Line handled by an independent law firm in order to foster a more open corporate culture. Whistleblower reports may be made on an anonymous or identified basis. NTT shall ensure that whistleblowers do not suffer disadvantage as a result of using these help lines.
 - (5) Corporate ethics training shall be conducted as part of continuous educational activities for officers and employees. In addition, surveys on awareness of corporate ethics shall be conducted to check the effectiveness of these activities.
 2. Rules and other systems concerning business risk management

NTT shall take the following measures to appropriately manage business risks:

 - (1) NTT shall establish the Risk Management Rules to prescribe fundamental rules

concerning risk management and to promote appropriate and efficient business operations.

- (2) NTT shall establish the Business Risk Management Committee, chaired by the Senior Executive Vice President, to clarify responsibilities concerning management of business risks and to perform crisis management in response to new business risks affecting corporate operations.
 - (3) In order to address group-wide coordination of risk management, NTT shall also formulate the Business Risk Management Manual to focus on preventing and preparing for risks, and positioning NTT Group to respond appropriately and rapidly as risks materialize.
3. Systems for ensuring that Members of the Board efficiently perform their duties
NTT shall take the following measures to ensure that its business activities are managed efficiently through allocating responsibilities appropriately among Members of the Board and maintaining an appropriate oversight structure to monitor such matters:
 - (1) NTT shall adopt the Organization Rules governing the functions and operations of internal organizational groups, and the Authority Matrix setting forth the allocation of responsibilities among the various organizational groups.
 - (2) NTT shall adopt the Rules for the Board of Directors governing the function and responsibilities of the Board of Directors. In principle, the Board of Directors shall hold meetings once each month, and be responsible for decisions on important managerial matters on the basis of applicable laws and regulations, business judgment principles, and other considerations including the duty of care. Members of the Board shall report regularly to the Board of Directors the status of implementation of their duties.
 - (3) The Board of Directors shall include outside Members of the Board with independent perspectives to reinforce the oversight function for ensuring the impartial performance of duties.
 - (4) As a holding company that oversees and coordinates NTT Group, NTT shall establish the Executive Officers Meeting and subcommittees for the purpose of considering and deciding important managerial matters of NTT and NTT Group, with the objective of promoting efficient and effective group management.
NTT Group shall also establish a reporting structure for matters regarding business operations of group companies.
4. Systems for retaining and managing information related to the performance of duties of Members of the Board
NTT shall adopt the following measures to facilitate appropriate and efficient conduct of business activities through appropriate management of information on the performance of duties by Members of the Board:
 - (1) NTT shall adopt the Document Management Rules and the Rules for Information Security Management to manage documents (including related materials and information recorded on electronic media; referred to as "Documents") and other information properly.
 - (2) Documents shall be retained for the periods required by law and/or as necessary for business operations.
5. Systems for ensuring the propriety of the business activities of NTT Group
NTT shall ensure that transactions among NTT group companies are conducted appropriately and in compliance with laws and regulations, and that all group companies adopt following measures to conduct their business operations appropriately and to contribute to the growth and development of NTT Group:
 - (1) Establishing a crisis communication system to notify the parent company,
 - (2) Conducting employee education and training to prevent fraud or misconduct,

- (3) Establishing systems for information security and protection of personal information,
 - (4) Reporting regularly to the parent company on their financial condition, and
 - (5) Accepting audits by the parent company's internal audit division, etc.
6. Employees who assist Audit & Supervisory Board Members in the performance of their duties and the independence of those employees from Members of the Board
- NTT shall adopt the following measures with respect to employees who assist Audit & Supervisory Board Members in the performance of their duties to ensure the effective performance of audits by Audit & Supervisory Board Members:
- (1) Office of Audit & Supervisory Board Members shall be established as an integral part of NTT's corporate organization under the Companies Act. Office of Audit & Supervisory Board Members shall be staffed with dedicated personnel who work full time in assisting Audit & Supervisory Board Members in the performance of their duties.
 - (2) Personnel assigned to Office of Audit & Supervisory Board Members perform their responsibilities at the instruction and direction of Audit & Supervisory Board Members.
 - (3) Decisions on transfer of personnel assigned to Office of Audit & Supervisory Board Members, evaluations of such personnel shall be made with due regard for the opinion of the Audit & Supervisory Board.
7. Systems for reporting to Audit & Supervisory Board Members by Members of the Board and employees and systems for ensuring effective implementation of audits by Audit & Supervisory Board Members
- In order to ensure the effective implementation of audits by Audit & Supervisory Board Members, NTT shall adopt the following measures, including reports to Audit & Supervisory Board Members on material matters concerning the performance of duties by Members of the Board and employees:
- (1) Members of the Board and other personnel report the following matters concerning the performance of their duties:
 - (a) Matters resolved at Executive Officers Meeting;
 - (b) Matters that caused or may cause substantial damage to NTT;
 - (c) Monthly financial reports;
 - (d) Results of internal audits;
 - (e) Matters that pose a risk of violation of laws and regulations or the Articles of Incorporation;
 - (f) Whistleblowing;
 - (g) Material matters reported by group companies; and
 - (h) Other material compliance matters.
 - (2) Representative Members of the Board, accounting auditors, and the internal audit division shall report to and exchange ideas and opinions with Audit & Supervisory Board Members periodically or as needed upon request from Audit & Supervisory Board Members.
 - (3) Audit & Supervisory Board Members have the right to attend meetings of the Board of Directors and other important meetings.
 - (4) Audit & Supervisory Board Members may contract independently with and seek advice from external experts with respect to the performance of audit operations.
 - (5) Audit & Supervisory Board Members may request prepayment or reimbursement of expenses incurred in the execution of their duties. NTT shall provide prepayment or reimbursement upon such requests.

Outline of Operations of the Systems to Ensure the Propriety of NTT's Business

The following section provides an outline of operations of the systems to ensure the propriety of NTT's business on the basis of the Basic Policy for the Development of the Internal Control Systems for NTT Group.

1. Systems to ensure that the performance of duties by Members of the Board and employees conforms with laws and regulations and NTT's Articles of Incorporation

NTT strives to maintain and heighten awareness regarding corporate ethics and compliance with the objective of ensuring that its business is conducted in compliance with laws and regulations and in accordance with high ethical standards.

With respect to corporate ethics, the NTT Group Corporate Ethics Charter and the Employment Rules are disseminated via NTT's intranet. Also, the Corporate Ethics Committee held two meetings during the fiscal year under review, and was tasked with investigating matters reported to the Corporate Ethics Help Line for whistleblowing, and then reporting such matters to the Board of Directors, along with the status of actions taken to address such matters. During the fiscal year under review, NTT Group's external Corporate Ethics Help Line received 393 reports. NTT stipulates and appropriately implements regulations on Corporate Ethics Help Line operating procedures to ensure that whistleblowers will not suffer disadvantage as a result of using these help lines.

NTT aims to maintain and heighten compliance awareness through its efforts geared to improving the level of understanding of such issues among officers and employees. To that end, NTT offers training sessions on corporate ethics to its officers and employees, and also provides them with detailed explanations on case studies involving corporate ethics issues through NTT's intranet. NTT also conducts surveys of employee attitudes regarding corporate ethics, which it draws on in its efforts to further instill increasingly widespread awareness of corporate ethics.

2. Rules and other systems concerning business risk management

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

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

3. Systems for ensuring that Members of the Board efficiently perform their duties

NTT executes operations on the basis of the Organization Rules governing the functions and operations of internal organizational groups, and under the supervision of the Board of Directors, makes decisions on the basis of the Authority Matrix setting forth the allocation of responsibilities among the various organizational groups.

The Board of Directors makes decisions on matters stipulated in the Rules for the Board of Directors, including those required by laws and regulations, as well as those involving other important matters related to both corporate and Group management. Moreover, the Board of Directors supervises Members of the Board in performing their duties through such means as receiving periodic status reports from the Members of the Board with respect to performance

of their duties. The Board of Directors, which comprises 12 members including two outside independent Members of the Board, met 13 times during the fiscal year under review.

Important NTT decisions are deliberated and decided in principle at the Executive Officers Meeting, which is made up of the president, Senior Executive Vice Presidents, full-time directors, and the heads of the staff organization, and was held 35 times during the fiscal year under review. Under the Executive Officers Meeting, NTT has also established subcommittees that deliberate on issues pertaining to both corporate management strategy and Group management strategy, and which convene as necessary. The major subcommittees and the number of times that meetings of the respective subcommittees were held during the fiscal year under review are as follows.

- Technology Strategy Committee (R&D vision, technology development strategy, R&D alliance strategy): 1
- Investment Strategy Committee (Investment strategy related to large investment projects, etc.): 19
- Finance Strategy Committee (Basic strategies related to finance, policies for addressing financial issues): 8

NTT obtains necessary information regarding business operations of group companies including business planning and financial reporting of these companies. To that end, NTT has established systems for obtaining reports from each group company, and otherwise gets such information by gaining access to business reports, temporarily dispatching officers from NTT, and through other such means geared to the size and characteristics of its each group company.

4. Systems for retaining and managing information related to the performance of duties of Members of the Board

NTT has established the Document Management Rules and the Rules for Information Security Management with respect to its management of information, including information related to the performance of duties by Members of the Board. Those rules are disseminated via NTT's intranet. NTT retains documents (including those recorded on electronic media) for periods determined according to document type, as required by laws and regulations, and as necessary for business operations. NTT appropriately organizes and retains documents through initiatives that include assigning information managers to each division and adopting systems that make it possible to manage documents (computer files) in accordance with the regulations.

5. Systems for ensuring the propriety of the business activities of NTT Group

In the event of a crisis that could affect the overall group, NTT has established and appropriately implements a system for communicating with the parent company, stipulated in the Business Risk Management Manual. With the aim of maintaining and heightening compliance awareness across the entire NTT Group, NTT provides guidance to group companies on offering corporate ethics training sessions, and monitors progress of those training sessions.

In terms of ensuring information security across the entire NTT Group, NTT has established the NTT Group Information Security Policy and disseminated via NTT's corporate website. Further, NTT has established the Group CISO Committee, whose membership consists of Chief Information Security Officers (CISOs) of each group company, as a forum for deliberating on issues pertaining to information security. The committee met four times during the fiscal year under review.

Group companies appropriately report their financial status, including their quarterly and monthly results, to the parent company. Those results are reported as the monthly monitoring status to NTT's Executive Officers Meeting and its Board of Directors.

Moreover, NTT's Internal Control Office, which is responsible for internal audit activities, and the internal audit divisions of major group companies uniformly conducted audits of group companies and their respective affiliates, with such audits designed to reflect material risks

common throughout NTT Group as well as those risks inherent to the respective companies.

6. Employees who assist Audit & Supervisory Board Members in the performance of their duties and the independence of those employees from Members of the Board

NTT has established Office of Audit & Supervisory Board Members to act as a system for supporting audits performed by Audit & Supervisory Board Members. The office comprises four dedicated personnel who appropriately perform their responsibilities at the instruction and direction of Audit & Supervisory Board Members. Personnel matters of these staff members, such as transfers and evaluations, are coordinated with the Audit & Supervisory Board.

7. Systems for reporting to Audit & Supervisory Board Members by Members of the Board and employees and systems for ensuring effective implementation of audits by Audit & Supervisory Board Members

Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings. During the fiscal year under review, the Audit & Supervisory Board Members Preliminary Deliberation Meeting was held 37 times. Audit & Supervisory Board Members also hold periodic meetings for exchanges of ideas and opinions with Representative Members of the Board, and otherwise engage in discussions with Members of the Board on various topics. Through such forums, they gain access to status reports on matters such as performance of duties as indicated by NTT's Basic Policy, and also provide suggestions when necessary.

Audit & Supervisory Board Members also engage in initiatives that include: exchanging ideas and opinions with the accounting auditors and internal audit divisions; gaining access to reports containing explanations of audit plans, the status of internal control systems and other such content; and providing suggestions when necessary.

Audit & Supervisory Board Members have contracted independently with attorneys and other external experts in order to seek advice with respect to the performance of audit operations, and NTT appropriately covers required costs incurred in that regard, along with other costs necessary for performing audits.

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

(from April 1, 2018 to March 31, 2019)

(Millions of yen)

| | NTT shareholders' equity | | | | | | Non-controlling interests | Total equity |
|---|--------------------------|----------------------------|-------------------|------------------|----------------------------|------------------|---------------------------|-------------------|
| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock | Other components of equity | Total | | |
| At beginning of year | 937,950 | 2,396,555 | 6,125,957 | (610,742) | 200,638 | 9,050,358 | 2,515,296 | 11,565,654 |
| Cumulative effect of adoption of IFRS 9 "Financial Instruments" | — | — | 14,033 | — | (2,432) | 11,601 | 7,565 | 19,166 |
| At beginning of year (as adjusted) | 937,950 | 2,396,555 | 6,139,990 | (610,742) | 198,206 | 9,061,959 | 2,522,861 | 11,584,820 |
| Comprehensive income | | | | | | | | |
| Profit | — | — | 854,561 | — | — | 854,561 | 284,126 | 1,138,687 |
| Other comprehensive income | — | — | — | — | (28,407) | (28,407) | 4,469 | (23,938) |
| Total comprehensive income | — | — | 854,561 | — | (28,407) | 826,154 | 288,595 | 1,114,749 |
| Value of transactions with shareholders etc. | | | | | | | | |
| Dividends of surplus | — | — | (313,605) | — | — | (313,605) | (142,171) | (455,776) |
| Transfer to retained earnings | — | — | (8,383) | — | 8,383 | — | — | — |
| Transfer to nonfinancial assets | — | — | — | — | 3,905 | 3,905 | — | 3,905 |
| Purchase and disposal of treasury stock | — | 0 | — | (258,153) | — | (258,153) | — | (258,153) |
| Cancellation of treasury stock | — | (2) | (718,258) | 718,260 | — | — | — | — |
| Changes in ownership interest in subsidiaries | — | (61,233) | — | — | — | (61,233) | (135,038) | (196,271) |
| Share-based compensation transactions | — | (6,589) | — | — | — | (6,589) | — | (6,589) |
| Put options granted to non-controlling interests | — | 12,475 | — | — | — | 12,475 | 5,630 | 18,105 |
| Total value of transactions with shareholders etc. | — | (55,349) | (1,040,246) | 460,107 | 12,288 | (623,200) | (271,579) | (894,779) |
| At end of year | 937,950 | 2,341,206 | 5,954,305 | (150,635) | 182,087 | 9,264,913 | 2,539,877 | 11,804,790 |

Note: Amounts are rounded off to the nearest million yen.

Notes to Consolidated Financial Statements

Basis for the Preparation of Consolidated Financial Statements

Principal Accounting Policies

1. Standards for preparation of consolidated financial statements

NTT Group has applied IFRS beginning with this fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019). The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS") under Article 120, Paragraph 1 of the Regulation on Corporate Accounting. However, certain supplementary material and notes required under IFRS are omitted pursuant to the second sentence of the same paragraph.

2. Financial Assets

Classification, recognition and measurement

Upon initial recognition, financial assets are classified as (a) financial assets measured at amortized cost, (b) financial assets measured at fair value through other comprehensive income, or (c) financial assets measured at fair value through profit or loss. In each case, NTT Group initially recognizes these assets on the dates when NTT Group becomes party to the contract. If the contractual rights to the cash flows of the financial asset expire, or if the contractual rights to receive the cash flows of the financial asset are transferred and substantially all the risks and rewards of ownership of the financial asset are thereby transferred, the financial asset is derecognized and excluded from the consolidated statement of financial position.

(a) Financial Assets Measured at Amortized Cost

Of loans and other similar debt instruments, financial assets that satisfy both of the following conditions are classified as financial assets measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, these financial assets are measured at fair value plus any transaction costs directly attributable to the acquisition of the financial asset. Based on the timing of the payment of consideration for goods and services provided, the effect of the time value of money is immaterial, and trade receivables that do not include any significant financial elements are initially measured at their transaction price.

After initial recognition, they are measured at amortized cost by deducting loss allowance from the gross carrying amount calculated applying the effective interest method.

(b-1) Financial Assets Measured at Fair Value through Other Comprehensive Income (Debt Instruments)

Of corporate bonds and other similar debt instruments, debt instruments that satisfy both of the following conditions are classified as "financial assets measured at fair value through other comprehensive income."

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At the time of initial recognition, these financial assets are measured at fair value plus any transaction costs directly attributable to the acquisition of the financial asset. After initial recognition, they are measured at fair value and any subsequent changes in the fair value are recognized in other comprehensive income. Cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss when the asset is derecognized due to sales and other reasons.

(b-2) Financial Assets Measured at Fair Value through Other Comprehensive Income (Equity Instruments)

At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument such as stock that is not held for trading. NTT Group makes this designation for each financial instrument.

At the time of initial recognition, these financial assets are measured at fair value plus any transaction costs directly attributable to the acquisition of the financial asset. After initial recognition, they are measured at fair value and any subsequent changes in the fair value are recognized in other comprehensive income. Cumulative other comprehensive income recognized in "Other components of equity" is transferred to retained earnings and not to profit or loss, when these financial assets are derecognized. Dividends are recognized in profit or loss.

(c) Financial Assets Measured at Fair Value through Profit or Loss

Financial assets such as derivatives, other than those mentioned in (a), (b-1) and (b-2), are classified as financial assets measured at fair value through profit or loss.

At the time of initial recognition, these financial assets are measured at fair value, and any transaction costs directly attributable to the acquisition of the financial asset are recognized in profit or loss when incurred. After initial recognition, they are measured at fair value, with any subsequent changes in the fair value recognized in profit or loss.

Impairment

NTT Group determines the amount of impairment loss (loss allowance) for financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (debt instruments), lease receivables, contract assets, financial guarantee contracts, and loan commitments, based on the expected credit losses measured as below:

- If, at the end of the fiscal year, the credit risk on a financial asset has not increased significantly since initial recognition, the loss allowance is measured using the amount of the expected credit losses from a possible default within 12 months after the reporting date (12-month expected credit losses).
- If, at the end of the fiscal year, the credit risk on a financial asset has increased significantly since initial recognition, the loss allowance is measured using the amount of the expected credit losses from all possible defaults over the expected life of the financial instrument (lifetime expected credit losses).

Notwithstanding the above, the amounts of loss allowance for trade receivables and contract assets that do not include significant financial elements and lease receivables are always measured using the amount of the lifetime expected credit losses.

3. Inventories

Valuation standard

Inventories consist of telecommunications terminal equipment, materials to be sold, work in progress, and supplies, which are measured at the lower of cost and net realizable value (net realizable value is the estimated selling price in the ordinary course of business less estimated costs to sell).

Valuation method

The costs of telecommunications terminal equipment and materials to be sold are determined on a first-in, first-out basis. The cost of work in progress is mainly attributable to software production pursuant to contracts with customers and construction of real estate held for sale, including labor and subcontractors' costs. The cost of supplies is determined by the average cost method or the specific identification method.

4. Goodwill

Goodwill is not amortized, but are tested for impairment at the same time every year and goodwill is accounted for in the consolidated statement of financial position at the carrying amount by deducting the accumulated impairment losses from the cost.

5. Property, Plant and Equipment, Intangible Assets and Investment Property

Measurement method

NTT Group chooses the cost model which records an amount calculated by deducting accumulated depreciation and accumulated impairment losses from the acquisition cost.

Depreciation and amortization method

(1) Property, Plant and Equipment

Straight-line method

(2) Intangible Assets

Straight-line method, except that intangible assets with indefinite lives are not amortized, but are tested for impairment at the same time every year.

(3) Investment Property

Straight-line method

6. Provisions

Provisions are recognized in cases where NTT Group has present legal or constructive obligations as a result of past events, as well as where it is probable that the obligations will be required to be settled and when it is possible to reliably estimate the amount of the obligation.

Using a pre-tax interest rate that reflects the time value of money, provisions are measured by discounting the estimated future cash flows to the present value, taking into account the risks and uncertainties related to the obligation as of the fiscal year end. The provisions that NTT Group recognizes are primarily asset retirement obligations, provisions for environmental measures, and provisions for points programs.

7. Employee Benefits

Liabilities recognized in connection with the defined benefit plans (defined benefit liabilities) are determined by deducting the fair value of the plans assets from the present value of the defined benefit obligations as of the end of the fiscal year.

Remeasurements of the net amount of assets and liabilities in the defined benefit plans consist of actuarial gains and losses and the return on plan assets (excluding amounts included in interest). They are recognized in other comprehensive income, with the cumulative amount being promptly reclassified from "Other components of equity" to retained earnings.

8. Revenue

The main services of the NTT Group are fixed voice-related services, mobile voice-related services, IP/packet communications services, system integration services, sales of telecommunications equipment, and other services.

Regarding these services, revenue is recognized in an amount of the consideration to which NTT Group expects to be entitled in exchange for those goods or services transferred to customers based on the following five-step approach, excluding interest and dividend revenues pursuant to IFRS 9 and insurance premium revenues pursuant to IFRS 4.

Step 1: Identifying the contract with the customer

Step 2: Identifying the performance obligation in the contract

Step 3: Determining the transaction price

Step 4: Allocating the transaction price to separate performance obligations in the contract

Step 5: Recognizing revenue when or as the performance obligation is satisfied

The part of incremental costs of obtaining a contract and costs to fulfill a contract with customers that is expected to be recoverable is recognized as an asset.

9. Consumption Taxes

Consumption tax is separately accounted for by excluding it from each transaction amount.

Scope of Consolidated Subsidiaries and Equity Method Investments

Scope of consolidated subsidiaries and equity method investments

As of March 31, 2019, NTT Group comprised 919 consolidated subsidiaries and 119 equity method affiliates.

Changes in Accounting Policy

Adoption of IFRS 9 "Financial Instruments"

NTT Group has applied IFRS 9, "Financial Instruments" (as published in July 2014) from the beginning of the fiscal year ending March 31, 2019 (April 1, 2018).

Due to this change in accounting policies, equity instruments whose fair value was not easily determined and previously measured using the cost method are measured at fair value from the beginning of the current fiscal year. Pursuant to the exemptions under IFRS 1, the irrevocable election was made at the time of the application of IFRS 9 that all subsequent changes in the fair value would be recorded as increase/decrease of other components of equity.

The impact of this change on the consolidated statement of financial position

(Millions of yen)

| Accounting item | Balance as of the end of the previous fiscal year (March 31, 2018) | Balance at the beginning of the current fiscal year under IFRS 9 (April 1, 2018) | Adjustment factor |
|--|---|---|---|
| Non-current assets Other financial assets (Investment using cost method) | 54,364 | 67,258 | Impact of using fair value measurements for unlisted stocks |

Except for the above-mentioned adjustment factor, the impact of this change in the accounting policy is not material.

The cumulative effects at the beginning of the current fiscal year as a result of the application of IFRS 9

(Millions of yen)

| Accounting Item | Increase (Decrease) |
|---|---------------------|
| Investments accounted for using equity method | 4,993 |
| Other financial assets (Non-current) | 20,883 |
| Deferred tax assets | (5,912) |
| Deferred tax liabilities | 963 |
| Retained earnings | 14,033 |
| Other components of equity | (2,432) |
| Non-controlling interests | 7,565 |

The impact on "Profit" and "Basic earnings per share" for the fiscal year ended March 31, 2019 were not material.

Notes to Consolidated Statement of Financial Position

- Other components of equity includes the change in the fair value of financial assets measured at fair value through other comprehensive income, cash flow hedge, remeasurements of defined benefit plans, and Foreign currency translation adjustment.
- In accordance with the provisions of Article 9 of the "Act on Nippon Telegraph and Telephone Corporation, Etc.," NTT has pledged all of its assets as general collateral for corporate bonds issued.
- Outstanding guarantees and others ¥85,983 million
- Loss allowance deducted directly from assets

| | |
|--------------------------------------|-----------------|
| Trade and other receivables | ¥64,443 million |
| Other financial assets (Non-current) | ¥13,879 million |

5. Component of Property, plant and equipment

(Millions of yen)

| | Value reported on consolidated statement of financial position |
|--|--|
| Telecommunications equipment | 10,929,456 |
| Telecommunications service lines | 16,353,389 |
| Buildings and structures | 5,543,499 |
| Machinery, vessels and tools | 2,415,775 |
| Land | 699,178 |
| Construction in progress | 429,996 |
| Sub-total | 36,371,293 |
| Accumulated depreciation and impairment losses | 27,358,346 |
| Property, plant and equipment - total | 9,012,947 |

6. Accumulated depreciation and impairment losses of investment property ¥442,095 million

Notes to Consolidated Statement of Changes in Equity

1. Number and type of shares issued and outstanding as of the end of the fiscal year ended March 31, 2019
Common stock: 1,950,394,470 shares
2. Dividends
 - (1) Payment of dividends

| Resolution | Type of Shares | Total Dividends (Millions of yen) | Dividends per Share (Yen) | Record Date | Effective Date |
|---|----------------|--------------------------------------|---------------------------------|-----------------------|---------------------|
| June 26, 2018 Ordinary general meeting of shareholders | Common stock | 147,831 | 75 | March 31, 2018 | June 27, 2018 |
| November 6, 2018 Board of Directors meeting | Common stock | 165,774 | 85 | September 30, 2018 | December 5, 2018 |

- (2) Dividends for which the record date fell in the fiscal year ended March 31, 2019 with an effective date falling in the following fiscal year

| Proposed Resolution | Type of Shares | Source of Funding for Dividend | Total Dividends (Millions of yen) | Dividends per Share (Yen) | Record Date | Effective Date |
|---|----------------|--------------------------------------|--------------------------------------|---------------------------------|-------------------|------------------|
| June 25, 2019 Ordinary general meeting of shareholders | Common stock | Retained earnings | 182,153 | 95 | March 31, 2019 | June 26, 2019 |

Notes Concerning Financial Instruments

1. Qualitative information on financial instruments

NTT Group owns financial instruments mainly listed in "2. Fair value of financial instruments" below and is exposed to financial risks (credit risk, liquidity risk, and market risk) in conducting business activities. In order to avoid or reduce such risks, it manages risks based on certain policies. In addition, NTT Group reports on the status of major financial risk management to its management.

NTT Group has established risk management policies to alleviate market risk and is entering into derivative transactions, including forward exchange contracts, interest rate swap agreements, currency swap agreements and currency option agreements. NTT Group does not conduct derivative transactions for speculative purposes.

2. Fair value of financial instruments

(Millions of yen)

| | Carrying amount on consolidated statement of financial position | Fair value | Difference |
|--|---|-------------|------------|
| Financial liabilities measured at amortized cost | | | |
| Long-term debt (including current portion or balance due within 1 year) | (3,371,759) | (3,436,096) | (64,337) |
| Financial assets and financial liabilities measured at fair value | | | |
| Other financial assets (Current/ Non-current) | | | |
| Debt securities | 97,129 | 97,129 | — |
| Investments in capital | 34,467 | 34,467 | — |
| Equity securities | 410,617 | 410,617 | — |
| Loans receivable | 157,126 | 157,126 | — |
| Other financial assets / Other financial liabilities (Current / Non-current) | | | |
| Derivatives | (1,827) | (1,827) | — |

*1 Amounts of assets and liabilities related to derivatives are presented in net amounts.

*2 Amounts reported as liabilities are shown in parentheses.

Notes:

- Assets and liabilities with carrying amounts that approximate fair values, such as cash and cash equivalents, trade and other receivables, short-term borrowings, trade and other payables, and accrued payroll, are not included in the above table.
- Methods of calculating fair values of financial instruments and matters relating to marketable securities and derivative transactions
 - Long-term debt (including current portion or balance due within 1 year)
Fair value is measured at discount rates for similar debt instruments of comparable maturities currently offered to NTT Group.
 - Debt securities
Debt securities include corporate bonds and others. Their fair value is measured based on the pricing models developed independently by financial and other institutions using underlying conditions that are observable in markets, such as credit ratings and discount rates.

- (3) Investments in capital and equity securities
The fair value of investments in capital and equity securities is measured using an evaluation model that is selected through appropriate processes and that suits the circumstances of the investee, including reasonable estimates of inputs. As a result, these fair values are primarily measured using the adjusted net asset method.
- (4) Loans Receivable
Loans receivables measured in fair values among loans receivables, are calculated primarily by discounting the total principal and interest using interest rates assumed for similar new transactions.
- (5) Derivatives
Derivatives mainly comprise forward exchange contracts, currency swap agreements and interest rate swap agreements. The fair value of forward exchange contracts is measured using underlying conditions that are observable in markets, such as exchange rates. The fair value of currency swap agreements and interest rate swap agreements is measured by using underlying conditions that are observable in markets, such as London Inter-bank Offered Rate (LIBOR), swap rates, and exchange rates, and by discounting future cash flows to present value.

Notes Concerning Investment Property

1. Investment property
NTT Group maintains investment properties, including office buildings.
2. Fair value of investment property

| (Millions of yen) | |
|--|---------------|
| Carrying amount on consolidated statement of financial position *1 | Fair value *2 |
| 967,006 | 2,175,058 |

*1 Carrying amount on consolidated statement of financial position represents the original acquisition cost reduced by the accumulated depreciation and accumulated impairment losses.

*2 Fair value is calculated primarily through real estate appraisal standards.

Notes Concerning Financial Data Per Share

| | |
|---|-----------|
| Shareholders' equity per share: | ¥4,832.03 |
| Basic earnings per share attributable to NTT: | ¥440.25 |

Other

Corporate bonds

On March 25, 2019, the Board of Directors resolved that NTT may raise up to ¥80.0 billion by issuing telegraph and telephone bonds and foreign currency bonds during the period from July 1 to September 30, 2019.

Impairment losses for a portion of metal cables for the telecommunications business

In the three months ended December 31, 2018, NTT Group determined that a portion of the metal cables it had been expected to use in the future were also idle assets with no prospect of future use in addition to those recognized as idle assets in the prior fiscal year.

NTT Group has started concrete measures to shift some metal cable subscribers to the use of optical fiber cables, and has simplified the contract procedures for optical cable subscribers (eliminating the system of temporary compulsory use of metal cables when changing from one carrier to another).

In light of these changes in the business environment, NTT Group determined that a certain portion of the metal cables, which have been maintained with wiring to customers remained even after the termination of the related contracts, were unused idle assets with no prospect of future use thus reduce the carrying amount to their recoverable amount. As a result, in the consolidated results for this fiscal year ended March 31, 2019 NTT Group recorded ¥66,003 million of impairment losses on telecommunications service lines in the regional communications business segment. The recoverable amount of the metal cables was ¥47,816 million, based on the fair value less costs of disposal using the market approach. Under the market approach, the recoverable amount was estimated taking into consideration the market price of the main material and the cost incurred if the metal cables are made available for sale.

Subsequent Events

NTT DOCOMO's resolution to repurchase its common stock

On April 26, 2019, the Board of Directors of NTT DOCOMO resolved that NTT DOCOMO may repurchase up to 128.3 million shares of its outstanding common stock for an amount in total not exceeding ¥300,000 million from May 7, 2019 through April 30, 2020.

Sale of shares in an affiliate

As of March 31, 2019, NTT Group held 34% of the outstanding common shares of Sumitomo Mitsui Card Company, Limited. ("Sumitomo Mitsui Card"). Sumitomo Mitsui Card is a credit card operator in Japan and a privately held company.

In July 2005, NTT DOCOMO, a subsidiary of NTT entered into an agreement with Sumitomo Mitsui Card, Sumitomo Mitsui Financial Group, Inc. (SMFG) and Sumitomo Mitsui Banking Corporation to jointly promote credit transaction services which use mobile phones compatible with the "Osaifu-Keitai" (mobile wallet) service. The investment NTT DOCOMO made in Sumitomo Mitsui Card in accordance with this agreement had been accounted for using the equity method.

In September 2018, NTT DOCOMO entered into an agreement with Sumitomo Mitsui Card and Sumitomo Mitsui Financial Group, Inc. (SMFG) to sell all Sumitomo Mitsui Card shares in our possession to SMFG in April 2019.

Therefore, in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," NTT Group reclassified its investment in Sumitomo Mitsui Card from "Investment accounted for using the equity method" to "Asset held for sale." In addition, the application of the equity method was discontinued and the asset was subsequently measured at the lower of its carrying amount and fair value less costs to sell. As a result, the asset is recorded at carrying amount at the time when the equity method was discontinued as of March 31, 2019.

As of March 31, 2019, the carrying amount of "Asset held for sale" regarding the investment in Sumitomo Mitsui Card is ¥234,160 million.

As of April 1, 2019, NTT DOCOMO sold all Sumitomo Mitsui Card shares in our possession to SMFG. Cumulative other comprehensive income (net of taxes) related to "Asset held for sale" amounted to ¥30,620 million (credit) and was included in "Other components of equity" in the consolidated statements of financial position as of March 31, 2019. All of this amount are not recognized in profit or loss but are directly reclassified to "Retained earnings" when the asset was sold. This sale had no material effect on the consolidated statements of profit or loss.

Non-consolidated Financial Statements

Non-consolidated Statement of Changes in Shareholders' Equity and Other Net Assets

(from April 1, 2018 to March 31, 2019)

(Millions of yen)

| | Shareholders' equity | | | | | | | | | Unrealized gains (losses), translation adjustments, and others | | Total net assets |
|--|----------------------|----------------------------|-----------------------|-----------------------|----------------|----------------------------|----------------------|----------------|----------------------------|--|--|------------------|
| | Capital surplus | | | | Earned surplus | | | Treasury stock | Total shareholders' equity | Net unrealized gains (losses) on securities | Total unrealized gains (losses), translation adjustments, and others | |
| | Common stock | Additional paid-in capital | Other capital surplus | Total capital surplus | Legal reserve | Other earned surplus | Total earned surplus | | | | | |
| | | | | | | Accumulated earned surplus | | | | | | |
| At beginning of year | 937,950 | 2,672,826 | 1 | 2,672,827 | 135,333 | 1,466,991 | 1,602,324 | (610,741) | 4,602,360 | 230 | 230 | 4,602,591 |
| Cumulative impact of change in accounting policy | | | | | | (1,955) | (1,955) | | (1,955) | | | (1,955) |
| At beginning of year, restated | 937,950 | 2,672,826 | 1 | 2,672,827 | 135,333 | 1,465,036 | 1,600,369 | (610,741) | 4,600,404 | 230 | 230 | 4,600,635 |
| Net change during the annual period | | | | | | | | | | | | |
| Cash dividends | | | | | | (313,604) | (313,604) | | (313,604) | | | (313,604) |
| Net income | | | | | | 1,192,784 | 1,192,784 | | 1,192,784 | | | 1,192,784 |
| Payments to acquire treasury stock | | | | | | | | (258,171) | (258,171) | | | (258,171) |
| Resale of treasury stock | | | 0 | 0 | | | | 18 | 18 | | | 18 |
| Cancellation of treasury stock | | | (1) | (1) | | (718,258) | (718,258) | 718,260 | – | | | – |
| Others, net | | | | | | | | | | 585 | 585 | 585 |
| Total net change during the annual period | – | – | (1) | (1) | – | 160,921 | 160,921 | 460,107 | 621,027 | 585 | 585 | 621,612 |
| At end of year | 937,950 | 2,672,826 | – | 2,672,826 | 135,333 | 1,625,957 | 1,761,290 | (150,634) | 5,221,432 | 816 | 816 | 5,222,248 |

Note: Amounts are rounded down to the nearest million yen.

Notes to Non-consolidated Financial Statements

Notes Concerning Significant Accounting Policies

1. Valuation standard and method for certain assets

(1) Valuation standard and method for securities

[1] Investments in subsidiaries and affiliated companies

Investments in subsidiaries and affiliated companies are stated at cost, which is determined by the moving average method.

[2] Other securities

(a) Marketable securities

The securities are stated at fair value, which includes market price, as of the balance sheet date, with valuation differences directly reported as a separate component of net assets. The cost of securities sold is determined by the moving average method.

(b) Non-marketable securities

The securities whose fair values are not readily determinable are stated at cost, which is determined by the moving average method.

(2) Valuation standard and method for inventories

Supplies are stated at cost, which is determined by the last purchase cost method (balance sheet amount is computed by devaluing the book price to reflect declines in profitability).

2. Depreciation and amortization of fixed assets

(1) Property, plant and equipment (except lease assets)

Property, plant and equipment are depreciated using the straight-line method.

The useful life of assets is primarily as follows, and the residual values are calculated based on real residual values.

| | |
|------------|---------------|
| Buildings: | 4 to 56 years |
|------------|---------------|

| | |
|--------------------------------|---------------|
| Tools, furniture and fixtures: | 3 to 26 years |
|--------------------------------|---------------|

(2) Intangible fixed assets (except lease assets)

Intangible assets (except lease assets) are amortized using the straight-line method.

Internal-use software is amortized using the straight-line method over its estimated useful life (within 5 years).

(3) Lease assets

Financial leases other than those deemed to transfer ownership of properties to lessees

The useful lives of the assets are the terms of leases, and the residual values are calculated based on real residual values using the straight-line method.

3. Accounting standard for allowances

(1) Allowance for doubtful accounts

To cover expected losses from bad debts, estimated uncollectible amounts are accrued for general claims on the basis of historical bad-debt ratios, and for specific claims, including doubtful accounts, on the basis of their recoverability.

No allowance was accrued as of the end of the fiscal year ended March 31, 2019.

(2) Liability for employees' retirement benefits

To provide for employees' retirement benefits, benefit obligations and plan assets are estimated and accrued as of the end of the fiscal year ended March 31, 2019.

[1] Period allocation method of projected retirement benefits

When calculating retirement benefit obligations, the benefit formula method is used in determining the amount of the expected retirement benefit obligations attributed to the period up to the end of the fiscal year ended March 31, 2019.

[2] Method of recognizing actuarial differences and prior service costs

The amount of a prior service cost is accounted for as an expense in the fiscal year during which it arises, and calculated by using the straight-line method based on the average remaining service period of the employees in service.

Actuarial differences are accounted for as an expense from the fiscal year following the fiscal year in which such gains or losses are incurred, and calculated by using the straight-line method based on the average remaining service period of the employees in service.

4. Other material matters relating to the preparation of financial statements

(1) Accounting for hedging activities

Hedging activities are principally accounted for under "deferral hedge accounting." The designation "hedge accounting" is applied to forward exchange contracts and other foreign exchange contracts, and the designation "exceptional accounting" is applied to interest-rate swaps that qualify for "exceptional accounting" (Accounting Standards for Financial Instruments, Footnote 14).

(2) Accounting for consumption tax

Consumption tax is separately accounted for by excluding it from each transaction amount.

Notes on Change of Accounting Policies

Changes in Accounting Policies Relating to Special Accounting Fund for the NTT CDBP

In regard to the accounting policies relating to the Special Accounting Fund for the NTT CDBP (formally Special Accounting Fund for NTT Employees' Welfare Pension), NTT has previously recognized contributions made to the plan as expenses at the time of payment based on the rationale that the Fund is a social welfare pension scheme and it is considered a multi-employer plan. However, based on the rationale that the plan is a type of defined benefit plan and that, because an environment has been established in which the plan's accounting can carry out as a defined benefit plan during the fiscal year under review, it has become possible to implement rational actuarial calculations, effective the fiscal year under review, NTT has changed to a method of recognizing future projected retirement benefits as allowances for retirement benefits on its balance sheet, and will be appropriately reflected in the financial position and results of operations in NTT's financial statements.

The cumulative impact on net assets at the beginning of the fiscal year under review has been subtracted from retained earnings carried forward.

As a result of this change, as of the beginning of the fiscal year under review, allowances for retirement benefits increased by ¥2,817 million, and the beginning balance of retained earnings carried forward decreased by ¥1,955 million.

Notes regarding Reclassifications

Changes accompanying the "Partial Amendments to Accounting Standard for Tax Effect Accounting"

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the fiscal year ended March 31, 2019. Accordingly, deferred tax assets were presented under "Investments and other assets" and deferred tax liabilities were presented under "Non-current liabilities."

(Additional Information)

The "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) has been applied from the fiscal year ended March 31, 2019.

Notes to Non-Consolidated Balance Sheet

1. Assets offered as security and secured liabilities

In accordance with the provisions of Article 9 of the Act on Nippon Telegraph and Telephone Corporation, Etc., NTT has pledged all of its assets as general collateral for corporate bonds issued.

| | |
|--|------------------|
| Corporate bonds (including those maturing within one year) | ¥486,774 million |
|--|------------------|

2. Accumulated depreciation on property, plant and equipment: ¥302,834 million

3. Accounts receivable from and payable to affiliates are as follows (excluding those otherwise classified):

| | |
|---------------------------------|------------------|
| Short-term accounts receivable: | ¥426,315 million |
|---------------------------------|------------------|

| | |
|--------------------------------|----------------|
| Long-term accounts receivable: | ¥1,129 million |
|--------------------------------|----------------|

| | |
|------------------------------|-----------------|
| Short-term accounts payable: | ¥15,841 million |
|------------------------------|-----------------|

| | |
|-----------------------------|----------------|
| Long-term accounts payable: | ¥2,308 million |
|-----------------------------|----------------|

Notes to Non-Consolidated Statement of Income

1. Transactions with affiliated companies

Balance of operating transactions

| | |
|--------------------|------------------|
| Operating revenues | ¥128,604 million |
|--------------------|------------------|

| | |
|--------------------|-----------------|
| Operating expenses | ¥54,258 million |
|--------------------|-----------------|

| | |
|---------------------------------------|------------------|
| Balance of non-operating transactions | ¥628,999 million |
|---------------------------------------|------------------|

2. The "Gains on sales of investments in subsidiaries and affiliated companies" is the result of a partial sale of shares in NTT DOCOMO, INC., a subsidiary of NTT, following NTT DOCOMO's announcement of its decision to repurchase shares of its common stock.

3. The "Loss on valuation of shares of subsidiaries and affiliated companies" is a loss on valuation arising from an impairment loss recognized for shares in NTT Innovation Institute, Inc.

Notes to Non-Consolidated Statement of Changes in Shareholders' Equity and Other Net Assets

Number of shares of treasury stock outstanding as of the end of the fiscal year ended March 31, 2019.

| | |
|-----------------|-------------------|
| Treasury stock: | 32,997,746 shares |
|-----------------|-------------------|

Notes Concerning Tax Effect Accounting

The major causes of the occurrence of deferred tax assets were "securities" and "liability for employees' retirement benefits." The major causes of occurrence of deferred tax liabilities were "assets adjusted for gains or losses on transfer" and "prepaid pension costs."

Deferred tax assets exclude ¥42,276 million in valuation allowance.

Notes Concerning Related Party Transactions Subsidiaries

(Millions of yen)

| Affiliation | Name | Voting Rights Ownership Ratio | Relationship with Affiliated Party | Transaction Details | Transaction Amount | Category | Balance at End of Term |
|-------------|---|-------------------------------|--|---|----------------------|---|------------------------|
| Subsidiary | Nippon Telegraph and Telephone East Corporation | 100% direct ownership | Exercise of rights as shareholder, offering intermediary advice, and other support | Loan of capital ¹ | — | Short-term loans receivable | 66,820 |
| | | | | | | Long-term loans to subsidiaries | 158,400 |
| | | | | Receipt of interest ¹ | 1,857 | Other current assets | 158 |
| | | | | Receipt of expenses relating to basic research and development ² | 33,101 | — | — |
| | | | | Lease of land and buildings ³ | 5,651 | Advances received | 493 |
| Subsidiary | Nippon Telegraph and Telephone West Corporation | 100% direct ownership | Exercise of rights as shareholder, offering intermediary advice, and other support | Loan of capital ¹ | — | Short-term loans receivable | 205,000 |
| | | | | | | Long-term loans to subsidiaries | 426,000 |
| | | | | Receipt of interest ¹ | 4,628 | Other current assets | 653 |
| | | | | Receipt of expenses relating to basic research and development ² | 34,207 | — | — |
| Subsidiary | NTT Communications Corporation | 100% indirect ownership | Offering intermediary advice, and other support | Loan of capital ¹ | 253,566 ⁵ | Short-term loans receivable | 31,952 |
| | | | | | | Long-term loans to subsidiaries | 347,986 |
| | | | | Receipt of interest ¹ | 604 | Other current assets | 34 |
| Subsidiary | NTT Finance Corporation | 92% direct ownership | Exercise of rights as shareholder, offering intermediary advice, and other support | Borrowing of capital ⁴ | 356,090 ⁵ | Current portion of long-term borrowings from subsidiaries | 70,000 |
| | | 7% indirect ownership | | | | Long-term borrowings from subsidiaries | 300,000 |
| | | | | Payment of interest ⁴ | 337 | Accrued expense | 39 |
| | | | | Transfer of capital among NTT Group companies | 94,427 | Accounts receivable, other | 3,670 |
| Subsidiary | NTT, Inc. | 100% direct ownership | Exercise of rights as shareholder, offering intermediary advice, and other support | Underwriting of capital increase ⁶ | 1,149,454 | — | — |
| Subsidiary | NTT-SH Corporation | 100% direct ownership | Exercise of rights as shareholder, offering intermediary advice, and other support | Underwriting of capital increase ⁷ | 216,738 | — | — |

Transaction amounts do not include consumption taxes. Balance amounts at end of term include consumption taxes.

Transaction Conditions and Standards for Determining Transaction Conditions

Notes:

- 1 Loan conditions are the same as those for procurement of capital by NTT. No security is provided.
- 2 Payment of expenses for basic research and development is apportioned among those companies that continuously use the results of such research and development. Comprehensive determinations are made taking into consideration the expenses necessary for conducting basic research and development. Furthermore, settlement of funds for such transactions is conducted using intra-group companies' accounting systems.
- 3 With respect to leases of land and buildings, rents are set through periodic negotiations based on appraisals obtained from third parties and actual transactions involving nearby comparables. Furthermore, transfer of capital pursuant to such transactions takes place by means of group companies' accounting systems.
- 4 Interest on borrowing of capital is set taking into consideration market rates. No security is provided.
- 5 The transaction amount for borrowings and loans from the CMS (Cash Management System) is the average balance during the fiscal year. The transaction amount for borrowings and loans from other than the CMS is the total amount.
- 6 The Company underwrote a capital increase of NTT, Inc. through an investment of ¥1,109,454 million in subsidiary shares and ¥40,000 million in cash.
- 7 The Company underwrote a capital increase of NTT-SH Corporation through an investment of ¥34,838 million in subsidiary shares and ¥181,900 million in cash.

Notes Concerning Financial Data per Share

| | |
|----------------------|-----------|
| Net assets per share | ¥2,723.61 |
| Net income per share | ¥614.50 |

Other

Corporate bonds

On March 25, 2019, the Board of Directors resolved that NTT may raise up to ¥80.0 billion by issuing telegraph and telephone bonds and foreign currency bonds during the period from July 1 to September 30, 2019.