

To Shareholders:

**INTERNET DISCLOSURE INFORMATION IN CONNECTION WITH
THE NOTICE OF CONVOCAION OF THE 32ND 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.

June 1, 2017

NIPPON TELEGRAPH AND TELEPHONE CORPORATION

Business Report

Outline of the Business of NTT Group

Main Businesses of NTT Group

Category	Main businesses
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
Mobile Communications Business	Mobile telephone services and related services
Data Communications Business	System integration services, network system services and other services
Other Business	Real estate business, finance business, construction and power business, system development business, and other businesses

Main Locations, etc. of NTT Group

■ NTT

<Head Office>

Chiyoda-ku, Tokyo

<Laboratories>

○ Laboratory Groups

- Service Innovation Laboratory Group (Kanagawa)
- Information Network Laboratory Group (Tokyo)
- Science & Core Technology Laboratory Group (Kanagawa)

○ Total number of laboratories*:12

* "Laboratory" means a section of Laboratory Groups.

■ Subsidiaries

Category	Name of Main Company	Main Location
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	NTT Communications Corporation	Chiyoda-ku, Tokyo
	Dimension Data Holdings plc	United Kingdom
	NTT Security Corporation	Chiyoda-ku, Tokyo
Mobile Communications Business	NTT DOCOMO, INC.	Chiyoda-ku, Tokyo
Data Communications Business	NTT DATA CORPORATION	Koto-ku, Tokyo
Other Business	NTT URBAN DEVELOPMENT CORPORATION	Chiyoda-ku, Tokyo
	NTT FINANCE CORPORATION	Minato-ku, Tokyo
	NTT FACILITIES, INC.	Minato-ku, Tokyo
	NTT COMWARE CORPORATION	Minato-ku, Tokyo

NTT Group Employment

Number of employees in NTT Group (as of March 31, 2017): 274,844 (an increase of 33,396 from the previous fiscal year)

Category	Number of Employees
Regional Communications Business	68,243
Long Distance and International Communications Business	43,842
Mobile Communications Business	26,734
Data Communications Business	111,657
Other Business	24,368

Changes in Consolidated Assets and Consolidated Income of NTT Group

Category	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Operating revenues (billions of yen)	10,925.2	11,095.3	11,541.0	11,391.0
Operating income (billions of yen)	1,213.7	1,084.6	1,348.1	1,539.8
Income before income taxes (billions of yen)	1,294.2	1,066.6	1,329.3	1,527.8
Net income (billions of yen)	585.5	518.1	737.7	800.1
Net income per share (yen)	254.61	236.85	350.34	390.94
Total assets (billions of yen)	20,284.9	20,702.4	21,035.9	21,250.3
Shareholders' equity (billions of yen)	8,511.4	8,681.9	8,833.8	9,052.5
Shareholders' equity per share (yen)	3,833.78	4,100.63	4,214.32	4,491.73

- Notes:
1. The consolidated financial statements of NTT Group are prepared in accordance with U.S. Generally Accepted Accounting Principles.
 2. Net income reflects net income attributable to NTT (excluding the portion attributable to noncontrolling interests).
 3. Net income per share reflects net income per share attributable to NTT (excluding the portion attributable to noncontrolling interests).
 4. Net income 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.
 5. 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, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Operating revenues (billions of yen)	430.8	411.8	521.7	474.3
Operating income (billions of yen)	283.5	273.9	384.0	339.6
Recurring profit (billions of yen)	277.3	272.3	381.4	334.9
Net income (billions of yen)	279.2	556.5	666.6	288.1
Net income per share (yen)	121.43	254.45	316.59	140.77
Total assets (billions of yen)	7,302.0	7,027.3	7,052.0	6,681.0
Net assets (billions of yen)	4,329.0	4,345.4	4,717.9	4,383.5
Net assets per share (yen)	1,949.92	2,052.46	2,250.77	2,175.04

- 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 Independent Auditors

- Name of Independent Auditor

KPMG AZSA LLC

- Compensation to Independent Auditor during the Fiscal Year Ended March 31, 2017

Independent Auditor	Amount
KPMG AZSA LLC	¥289 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.

- Total Monetary and Other Financial Benefits Payable by NTT and its Subsidiaries

Independent Auditor	Amount
KPMG AZSA LLC	¥3,372 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.

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

Content of Resolutions Concerning the 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 Maintenance of Internal Control Systems

- I. Basic Concepts for the Development of 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 U.S. Public Company Accounting Reform and Investor Protection Act of 2002 ("Sarbanes-Oxley Act") and 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 in charge, to clarify the structure of responsibilities for corporate ethics. It addresses promotion of corporate ethics, improvement of compliance awareness, maintenance of corporate discipline, and investigates whistleblowers' allegation.
 - (4) NTT shall establish an internal Corporate Ethics Helpline and an external Corporate Ethics Helpline handled by an independent law firm in order to foster a more open group-wide 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 helplines.
 - (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 effective and efficient business operations.
 - (2) NTT shall establish the Business Risk Management Committee, chaired by the Senior Executive Vice President in charge, 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 directors 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.
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
- To ensure that audits by Audit & Supervisory Board Members are carried out effectively, NTT shall adopt the following measures concerning reporting to Audit & Supervisory Board Members by Members of the Board and employees with regard to important matters relating to the performance of their duties:
- (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 cause 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 Control Office 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 Propriety of NTT's Business

The following section provides an outline of operations of the systems to ensure 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 Helplines 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 Helpline received 247 reports. NTT stipulates and appropriately implements regulations on Corporate Ethics Helpline operating procedures to ensure that whistleblowers will not suffer disadvantage as a result of using these helplines.

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 a Senior Executive Vice President, the Business Risk Management Committee spearheads efforts to develop and operate a PDCA cycle for managing risk. During the fiscal year under review, the committee held one meeting during which discussions involved identifying risks that could potentially have a 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 12 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 32 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 are held 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.): 12
- Finance Strategy Committee (Basic strategies related to finance, policies for addressing financial issues): 6

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 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, Audit & Supervisory Board Members Preliminary Deliberation Meeting was held 36 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, 2016 to March 31, 2017)

(Millions of yen)

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

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

Notes to Consolidated Financial Statements

Matters Pertaining to the Preparation of Consolidated Financial Statements

Significant Accounting Policies

1. Standards for preparation of consolidated financial statements
Pursuant to the stipulations of Article 120-3(1) of the Ordinance of Companies Accounting, NTT's consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles. However, certain statements and notes required by U.S. Generally Accepted Accounting Principles are omitted in accordance with the second sentence of Article 120(1) of the said Ordinance, as applied mutatis mutandis pursuant to Article 120-3(3) of the said Ordinance.
2. Valuation standard and method for marketable securities
NTT Group applies Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320 "Investments - Debt and Equity Securities."
 - (1) Securities held to maturity
Amortized cost method
 - (2) Available-for-sale securities
Stated at fair value based on market price as of the balance sheet date with valuation differences directly reported as a separate component of shareholders' equity. The cost of securities sold is determined by the moving average method.
3. Valuation standard and method for inventories
Inventories consist of telecommunications equipment to be sold, projects in progress, materials and supplies, which are stated at the lower of cost or market price. The cost of telecommunications equipment to be sold and materials are determined on a first-in first-out basis. The cost of projects in progress is mainly attributable to the cost of software production under contracts with customers or the construction costs of real estate held for resale, including the costs of labor and subcontractors. The cost of supplies is determined by the weighted-average method or by the specific identification method.
4. Depreciation and amortization of fixed assets
 - (1) Property, plant and equipment
Straight-line method
 - (2) Goodwill, Software and Other intangible assets
Straight-line method, except that, in accordance with ASC 350 "Intangibles - Goodwill and Other," goodwill and intangible assets whose useful lives cannot be determined are not amortized, but are tested for impairment at least once a year.
5. 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.
 - (2) Accrued liabilities for point programs
NTT Group offers "points" to customers based on the usage of mobile and other services, which can be exchanged for benefits, including discounts on merchandise, and records "Accrued liabilities for point programs" relating to such points that customers earn.

6. Accounting standards for liability for employees' retirement benefits

In accordance with ASC 715 "Compensation – Retirement Benefits," benefit obligations and plan assets are estimated and accrued at fair value as of year-end to provide for employees' retirement benefits.

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

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

7. Accounting for consumption taxes

Consumption taxes are accounted for separately by excluding them from each transaction amount.

Scope of Consolidated Subsidiaries and Equity Method Investments

Scope of consolidated subsidiaries and equity method investments

As of March 31, 2017, NTT Group comprised 944 consolidated subsidiaries and 118 equity method affiliates.

Notes on Change of Accounting Policies

Change of the fiscal year end of subsidiaries

As of April 1, 2016, certain of the Company's consolidated subsidiaries changed their fiscal year ends from December 31 to March 31, thereby eliminating a three-month discrepancy between their fiscal year ends and the Company's fiscal year end in the consolidated financial statements. In line with this change of the fiscal year end, retained earnings, accumulated other comprehensive income (loss) and noncontrolling interests at the beginning of the fiscal year ended March 31, 2017 were adjusted by ¥(214) million, ¥(1,454) million, ¥(1,408) million, respectively.

Notes regarding Reclassifications

Beginning April 1, 2016, other intangible asset impairments previously classified under "Goodwill and other intangible asset impairments" have been reclassified into "Impairment losses — Other," and goodwill impairments previously classified under "Goodwill and other intangible asset impairments" have been reclassified into "Impairment losses — Goodwill." In accordance with this reclassification, impairment losses of property, plant and equipment and software previously classified under "Impairment losses" have been reclassified into "Impairment losses — Other."

Notes to Change in Accounting Estimate

NTT and its domestic consolidated subsidiaries, as a general rule, traditionally used the declining-balance method for calculating depreciation of property, plant, and equipment. Effective April 1, 2016, NTT Group, as a general rule, adopted the straight-line method of depreciation.

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

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

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

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

As a result of this change in the depreciation method, "Depreciation and amortization" decreased by ¥244,177 million, and "Net income attributable to NTT" and "Net income attributable to NTT per share" increased by ¥132,222 million and ¥64.60 for the fiscal year ended March 31, 2017, respectively.

Notes to Consolidated Balance Sheet

1. "Accumulated other comprehensive income (loss)" includes unrealized gain (loss) on securities, unrealized gain (loss) on derivative instruments, foreign currency translation adjustments, and pension liability adjustments.
2. 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.
3. Outstanding guarantees and others: ¥75,791 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, 2017
Common stock: 2,096,394,470 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 24, 2016 Ordinary general meeting of shareholders	Common stock	125,768	60	March 31, 2016	June 27, 2016
November 11, 2016 Board of Directors meeting	Common stock	122,225	60	September 30, 2016	December 12, 2016

- (2) Dividends for which the record date fell in the fiscal year ended March 31, 2017 with an effective date falling in the following fiscal year

Resolution	Type of Shares	Source of Funding for Dividend	Total Dividends (Millions of yen)	Dividends per Share (Yen)	Record Date	Effective Date
June 27, 2017 Ordinary general meeting of shareholders	Common stock	Retained earnings	120,922	60	March 31, 2017	June 28, 2017

Notes Concerning Financial Instruments

1. Qualitative information on financial instruments

In the normal course of its business, NTT Group has certain outstanding financial instruments, including available-for-sale securities, debt securities held to maturity, long-term debt and other financial assets and liabilities incurred. Since debt mainly involves market risk due to fluctuations in interest rates and foreign currency exchange rates, efforts to alleviate such risk include establishing risk management policies and entering into derivative transactions, including forward exchange contracts, interest rate swap agreements, currency swap agreements and currency option agreements. NTT Group does not use derivative transactions for trading or speculative purposes.

2. Fair value of financial instruments

The value of the financial instruments reported on the consolidated balance sheet, their fair values as of March 31, 2017 and the differences between those values are as follows.

(Millions of yen)

	Value reported on consolidated balance sheet	Fair value	Difference
Assets			
Investments in affiliated companies	152,725	189,553	36,828
Marketable securities and other investments			
Available-for-sale securities			
Equity securities	334,394	334,394	—
Debt securities	97,498	97,498	—
Held-to-maturity securities			
Debt securities	4,479	4,554	75
Liabilities			
Long-term debt including current portion	(3,850,382)	(3,953,631)	103,249
Derivatives			
Forward exchange contracts	105	105	—
Interest rate swap agreements	(3,649)	(3,649)	—
Currency swap agreements	59,375	59,375	—
Currency option agreements	(1,336)	(1,336)	—

* 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, notes and accounts receivable, trade, short-term borrowings, accounts payable, trade, 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:
 - Investments in affiliated companies
If active market prices are available, fair value is measured by quoted prices for identical assets in active markets. If market prices are not available, the investment is not included in the above table since determining fair value is difficult.

- (2) Marketable securities and other investments
If active market prices are available, fair value is measured by quoted prices for identical assets in active markets. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by financial institutions.
Long-term investment securities accounted for under the cost method are not included in the above.
- (3) Long-term debt including current portion
Fair value is measured at discount rates for similar debt instruments of comparable maturities currently offered to NTT Group.
- (4) Derivatives
Forward exchange contracts, interest rate swap contracts, currency swap contracts and currency option contracts are measured by inputs derived principally from observable market data provided by financial institutions.

Notes Concerning Investment Property

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

(Millions of yen)	
Amount included in the consolidated balance sheet *1	Fair value *2
1,008,418	1,971,774

*1 Amount included in the consolidated balance sheet 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:	¥4,491.73
Net income attributable to NTT per share:	¥390.94

Other

Significant business combinations

On November 2, 2016 (U.S. time), NTT DATA CORPORATION (hereinafter "NTT DATA"), a subsidiary of NTT, acquired 100% of the outstanding shares of Dell Systems Corporation, Dell Technology & Solutions Limited, and Dell Services Pte. Ltd., and 100% of the equity interests in U.S. Services L.L.C., from Dell Inc. through three companies including NTT DATA, Inc., a subsidiary of NTT DATA, and such companies became consolidated subsidiaries of NTT DATA. In addition, NTT DATA acquired Dell group's IT services-related business (hereinafter "NTT DATA Services Division"), primarily based in North America, through three companies including NTT DATA, Inc., a subsidiary of NTT DATA. The total acquisition cost for these acquisitions was ¥317,179 million in cash.

Through this acquisition, NTT intends to expand its business in each industry mainly in North America and enhance its cloud services and BPO services using cutting-edge technology. Although this acquisition is accounted for by the acquisition method, the calculations of the fair value of assets and liabilities that are identifiable as of March 31, 2017, have not been completed, and the purchase price allocation has not been finalized. Therefore, a provisional purchase price allocation was performed based on information available at the time. On the date of the purchase the amounts of assets transferred, liabilities assumed and trade rights recognized as goodwill were ¥203,164 million, ¥35,656 million and ¥149,671 million, respectively.

The goodwill was recognized from reasonable estimates of future excess earning power expected from the future business development of the NTT DATA Services Division.

The accounting period of the acquired companies that are included in the consolidated statement of income and of the business operating results acquired thereof is from November 2, 2016 to January 31, 2017.

Corporate bonds

On March 24, 2017, 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 April 1 to June 30, 2017.

Goodwill impairment

As a result of the annual impairment test conducted for the fiscal year ended March 31, 2017, a goodwill impairment loss of ¥48,823 million was recognized during the fiscal year ended March 31, 2017 for goodwill attributable to Dimension Data. The fair value of the reporting unit was determined using the discount cashflow method.

Subsequent Events

Acquisition of treasury stock

On December 12, 2016, the Board of Directors of the Company resolved that NTT may acquire up to 33 million shares of its outstanding common stock for an amount in total not exceeding ¥150.0 billion from December 13, 2016 through June 30, 2017. Based on this resolution, NTT repurchased 21,693,800 shares of its common stock for a total purchase price of ¥106,763 million from December 2016 through March 2017. NTT also repurchased 8,893,400 shares of its common stock at ¥43,235 million on April 2017, and concluded the repurchase of its common stock authorized by Board of Directors' resolution.

Non-consolidated Financial Statements

Non-consolidated Statement of Changes in Shareholders' Equity and Other Net Assets (from April 1, 2016 to March 31, 2017)

(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 Accumulated earned surplus	Total earned surplus					
At beginning of year	937,950	2,672,826	-	2,672,826	135,333	973,364	1,108,698	(883)	4,718,591	(666)	(666)	4,717,924
Net change during the annual period												
Cash dividends						(247,993)	(247,993)		(247,993)			(247,993)
Net income						288,117	288,117		288,117			288,117
Payments to acquire treasury stock								(374,346)	(374,346)			(374,346)
Resale of treasury stock			0	0				7	7			7
Others, net										(198)	(198)	(198)
Total net change during the annual period	-	-	0	0	-	40,124	40,124	(374,339)	(334,214)	(198)	(198)	(334,413)
At end of year	937,950	2,672,826	0	2,672,826	135,333	1,013,489	1,148,822	(375,222)	4,384,376	(865)	(865)	4,383,510

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 amortized 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
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Tools, furniture and fixtures:	3 to 26 years
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(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, 2017.

(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, 2017.

[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, 2017.

[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.

(Additional Information)

Effective from the fiscal year ended March 31, 2017, the Company has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

Notes on Change of Accounting Policies

Change in the depreciation method

NTT, as a general rule, traditionally used the declining-balance method for calculating depreciation of property, plant, and equipment. Effective April 1, 2016, NTT adopted the straight-line method of depreciation.

As a result of NTT Group generally completing the expansion of its service areas for fiber-optic services and LTE services in the network business, it has shifted the focus of its capital investments to one of maintaining the current functionality. As part of this shift, NTT Group changed its adopted method of depreciation to the straight-line method effective April 1, 2016 as going forward, it expects stable use of property, plant and equipment.

This change was also carried out at NTT on the belief that straight-line depreciation method better reflects the pattern of consumption of future benefits.

In line with the change in the depreciation method, NTT reviewed the residual values and made changes for certain assets where necessary.

As a result of this change in the depreciation method, operating income, recurring profit and income before income taxes each decreased by ¥287 million.

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)	¥686,440 million
2. Accumulated depreciation on property, plant and equipment:	¥296,940 million
3. Accounts receivable from and payable to affiliates are as follows (excluding those otherwise classified):	
Short-term accounts receivable:	¥375,454 million
Long-term accounts receivable:	¥944 million
Short-term accounts payable:	¥98,973 million
Long-term accounts payable:	¥1,159 million

Notes to Non-Consolidated Statement of Income

1. Transactions with affiliated companies

Balance of operating transactions

Operating revenues ¥127,882 million

Operating expenses ¥41,189 million

Balance of non-operating transactions ¥43,173 million

2. The loss on valuation of shares of subsidiaries and associates is a loss on valuation arising from the loss on impairment recognized for shares in Dimension Data Holdings plc and NTT Security Corporation.

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, 2017.

Treasury stock: 81,026,959 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 deferred tax liabilities were "assets adjusted for gains or losses on transfer" and "prepaid pension costs."

Deferred tax assets exclude ¥34,122 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	140,615
				Receipt of interest ¹	4,621	Long-term loans to subsidiaries	225,220
						Other current assets	401
				Receipt of expenses relating to basic research and development ²	37,550	—	—
			Lease of land and buildings ³	5,736	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	50,000	Short-term loans receivable	110,707
				Receipt of interest ¹	7,087	Long-term loans to subsidiaries	591,000
						Other current assets	1,022
				Receipt of expenses relating to basic research and development ²	37,676	—	—
Subsidiary	NTT Communications Corporation	100% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Loan of capital ¹	22,864	Long-term loans to subsidiaries	216,738
				Receipt of interest ¹	609	Other current assets	44
Subsidiary	NTT Finance Corporation	92% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Borrowing of capital ⁴	61,052 ⁵	Short-term borrowings	86,002
						Long-term borrowings from subsidiaries	100,000
				Payment of interest ⁴	114	Accrued expense	(7)
		7% indirect ownership		Deposit of capital ⁶	78,416 ⁷	—	—
				Receipt of interest ⁶	0	—	—
			Transfer of capital among NTT Group companies	99,556	Accounts receivable, other	7,800	

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 from the CMS (Cash Management System) is the average balance during the fiscal year. The transaction amount for borrowings from other than the CMS is the total amount.
- 6 Interest on deposit of capital is set taking into consideration market rates.
- 7 The transaction amount for deposits into the CMS is the average balance during the fiscal year. The transaction amount for deposits into other than the CMS is the total amount.

Notes Concerning Financial Data per Share

Net assets per share	¥2,175.04
Net income per share	¥140.77

Notes Concerning Significant Subsequent Events

On December 12, 2016, the Board of Directors of the Company resolved that NTT may acquire up to 33 million shares of its outstanding common stock for an amount in total not exceeding ¥150.0 billion from December 13, 2016 through June 30, 2017. Based on this resolution, NTT repurchased 21,693,800 shares of its common stock for a total purchase price of ¥106,763 million from December 2016 through March 2017. NTT also repurchased 8,893,400 shares of its common stock at ¥43,235 million on April 2017, and concluded the repurchase of its common stock authorized by Board of Directors' resolution.

Other

Corporate bonds

On March 24, 2017, 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 April 1 to June 30, 2017.

(Reference)

1. Outline of the financial statements for Nippon Telegraph and Telephone East Corporation, Nippon Telegraph and Telephone West Corporation and NTT Communications Corporation

Outline figures for Nippon Telegraph and Telephone East Corporation

Condensed Balance Sheet

(at March 31, 2017)

		(Billions of yen)	
Item	Amount	Item	Amount
Assets		Liabilities and net assets	
Fixed assets	2,803.5	Long-term liabilities	525.8
Fixed assets – telecommunications businesses	2,605.2	Long-term borrowings from parent company	225.2
Property, plant and equipment	2,521.1	Liability for employees' retirement benefits	247.3
Machinery and equipment	339.6	Other long-term liabilities	53.3
Local line facilities	866.7	Current liabilities	688.7
Engineering facilities	588.6	Current portion of long-term borrowings from parent company	140.6
Buildings	409.8	Accounts payable, other	198.6
Land	197.2	Deposits received	215.7
Others	118.9	Other current liabilities	133.7
Intangible fixed assets	84.1	Total liabilities	1,214.6
Investments and other assets	198.3	Shareholders' equity	2,282.1
Deferred income taxes	125.2	Common Stock	335.0
Other investments and assets	73.8	Capital Surplus	1,499.7
Allowance for doubtful accounts	(0.7)	Earned Surplus	447.4
Current assets	697.5	Unrealized gains (losses), translation adjustments, and others	4.2
Accounts receivable, trade	230.7	Net unrealized gains (losses) on securities	4.2
Accounts receivable, other	119.1		
Deposits	288.4	Total net assets	2,286.4
Other current assets	59.5		
Allowance for doubtful accounts	(0.3)		
Total assets	3,501.0	Total liabilities and net assets	3,501.0

Condensed Statement of Income (from April 1, 2016 to March 31, 2017)

		(Billions of yen)	
Item	Amount	Item	Amount
Telecommunications businesses			
Operating revenues	1,534.7		
Operating expenses	1,367.6		
Operating income from telecommunications businesses	167.1		
Supplementary businesses			
Operating revenues	137.4		
Operating expenses	115.5		
Operating income from supplementary businesses	21.9		
Operating income	189.1		
Non-operating revenues	20.2		
Non-operating expenses	4.9		
Recurring profit	204.4		
Income before income taxes	204.4		
Corporation, inhabitant, and enterprise taxes	67.4		
Deferred tax expenses (benefits)	(12.6)		
Net income	149.6		

Outline figures for Nippon Telegraph and Telephone West Corporation

Condensed Balance Sheet

(at March 31, 2017)

		(Billions of yen)	
Item	Amount	Item	Amount
Assets		Liabilities and net assets	
Fixed assets	2,704.3	Long-term liabilities	859.0
Fixed assets – telecommunications businesses	2,517.4	Long-term borrowings from parent company	591.0
Property, plant and equipment	2,452.9	Liability for employees' retirement benefits	242.2
Machinery and equipment	297.7	Other long-term liabilities	25.8
Local line facilities	1,051.3	Current liabilities	665.2
Engineering facilities	517.7	Current portion of long-term borrowings from parent company	110.7
Buildings	312.9	Accounts payable, other	199.1
Land	173.0	Deposits received	143.9
Others	100.1	Other current liabilities	211.4
Intangible fixed assets	64.4	Total liabilities	1,524.3
Investments and other assets	186.9	Shareholders' equity	1,578.9
Deferred income taxes	128.9	Common Stock	312.0
Other investments and assets	58.7	Capital Surplus	1,170.0
Allowance for doubtful accounts	(0.6)	Earned Surplus	96.9
Current assets	399.3	Unrealized gains (losses), translation adjustments, and others	0.3
Accounts receivable, trade	199.8	Net unrealized gains (losses) on securities	0.3
Accounts receivable, other	79.4		
Deposits	48.0	Total net assets	1,579.3
Other current assets	72.5		
Allowance for doubtful accounts	(0.3)		
Total assets	3,103.7	Total liabilities and net assets	3,103.7

Condensed Statement of Income (from April 1, 2016 to March 31, 2017)

		(Billions of yen)	
Item	Amount	Item	Amount
Telecommunications businesses			
Operating revenues	1,325.5		
Operating expenses	1,242.4		
Operating income from telecommunications businesses	83.0		
Supplementary businesses			
Operating revenues	153.4		
Operating expenses	141.3		
Operating income from supplementary businesses	12.0		
Operating income	95.1		
Non-operating revenues	2.9		
Non-operating expenses	9.9		
Recurring profit	88.1		
Special losses	6.9		
Income before income taxes	81.2		
Corporation, inhabitant, and enterprise taxes	33.6		
Deferred tax expenses (benefits)	(12.1)		
Net income	59.7		

Outline figures for NTT Communications Corporation

Condensed Balance Sheet

(at March 31, 2017)

		(Billions of yen)	
Item	Amount	Item	Amount
Assets		Liabilities and net assets	
Fixed assets	1,213.2	Long-term liabilities	339.8
Fixed assets – telecommunications businesses	651.5	Long-term borrowings from parent company	222.3
Property, plant and equipment	552.7	Other long-term liabilities	117.4
Machinery and equipment	151.5	Current liabilities	203.3
Engineering facilities	49.8	Accounts payable, trade	29.5
Buildings	205.4	Accounts payable, other	153.9
Tools and fixtures	46.7	Accrued expenses	4.9
Land	48.5	Other current liabilities	14.8
Others	50.5	Total liabilities	543.1
Intangible fixed assets	98.8	Shareholders' equity	907.3
Investments and other assets	561.6	Common Stock	211.7
Investments in subsidiaries and affiliated companies	387.9	Capital Surplus	131.6
Other investments and assets	173.9	Earned Surplus	563.9
Allowance for doubtful accounts	(0.1)	Unrealized gains (losses), translation adjustments, and others	43.2
Current assets	280.5	Net unrealized gains (losses) on securities	43.0
Accounts receivable, trade	178.2	Other unrealized gains (losses), translation adjustments, and others	0.2
Accounts receivable, other	49.4	Total net assets	950.6
Subsidiary deposits	16.6		
Other current assets	37.6		
Allowance for doubtful accounts	(1.3)		
Total assets	1,493.8	Total liabilities and net assets	1,493.8

Condensed Statement of Income (from April 1, 2016 to March 31, 2017)

		(Billions of yen)	
Item	Amount	Item	Amount
Telecommunications businesses			
Operating revenues	697.3		
Operating expenses	620.3		
Operating income from telecommunications businesses	76.9		
Supplementary businesses			
Operating revenues	226.5		
Operating expenses	210.9		
Operating income from supplementary businesses	15.5		
Operating income	92.5		
Non-operating revenues	20.7		
Non-operating expenses	7.8		
Recurring profit	105.4		
Income before income taxes	105.4		
Corporation, inhabitant, and enterprise taxes	23.0		
Deferred tax expenses (benefits)	(2.6)		
Net income	85.0		

2. Major Facilities of Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation Completed during the Fiscal Year

Company	Item	Completed Facility
Nippon Telegraph and Telephone East Corporation	FLET'S Hikari	507 thousand subscribers
	Subscriber optical cable	13,700 km
Nippon Telegraph and Telephone West Corporation	FLET'S Hikari	287 thousand subscribers
	Subscriber optical cable	6,700 km

Note: Figures for "FLET'S Hikari" include wholesale services provided to service providers by Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation.

3. Outline of R&D Expenditures for Nippon Telegraph and Telephone East Corporation, Nippon Telegraph and Telephone West Corporation and NTT Communications Corporation

Company	Amounts
Nippon Telegraph and Telephone East Corporation	¥45.4 billion
Nippon Telegraph and Telephone West Corporation	¥45.8 billion
NTT Communications Corporation	¥13.4 billion