

THE 33RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

NOTICE OF CONVOCAATION

Information

Date and Time:

Tuesday, June 26, 2018 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

Matters to be resolved:

First Item Distribution of Earned Surplus
Second Item Election of Twelve (12) Members of the Board

NIPPON TELEGRAPH AND TELEPHONE CORPORATION

5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo

(Code No.: 9432)

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Items Posted on the Company's Website



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

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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 33rd 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.

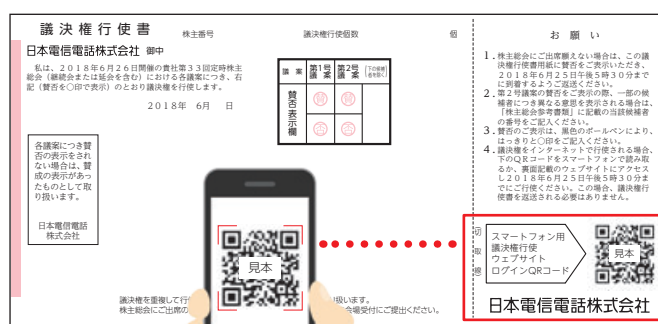
► We have newly introduced a voting rights exercising service for smartphones.

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

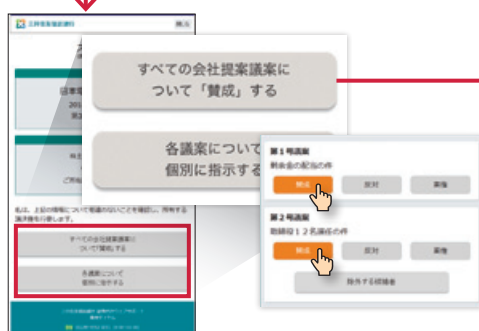
STEP 1

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.



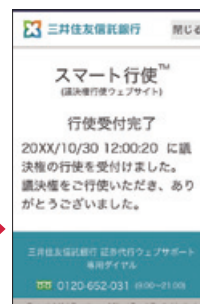
STEP 2

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.



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



*These services are only available in Japanese.

Notice of Convocation of the 33rd 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 33rd Ordinary General Meeting of Shareholders, which will be held on Tuesday, June 26, 2018. A report on our business operations for the 33rd term (April 1, 2017 – March 31, 2018) 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, aiming toward growth in EPS (earnings per share), NTT strived to enhance profitability of its domestic network services business and to accelerate overseas profit generation in the global business based on "Towards the Next Stage 2.0," the Medium-Term Management Strategy established in May 2015. In the promotion of the B2B2X model, which is aimed at pioneering new markets and is another pillar of the Medium-Term Management Strategy, we utilized the competitive technology born from our research and development (R&D), the source of NTT Group's growth potential, and pursued collaboration with our partners in a wide range of fields.

NTT Group will remain committed to supporting digital transformation, consisting of both reforming the existing business models of our customers and partners and creating new business models, as well as to creating new value and resolving social issues.

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

June 1, 2018

鵜浦博夫

Hiroo Unoura

President and Chief Executive Officer

Representative Member of the Board

NIPPON TELEGRAPH AND TELEPHONE CORPORATION



1 Date and Time:	Tuesday, June 26, 2018 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	1 Report on the Business Report, Consolidated Financial Statements and audit results of independent auditors and Audit & Supervisory Board for the 33rd fiscal year (from April 1, 2017 to March 31, 2018) 2 Report on the Non-consolidated Financial Statements for the 33rd fiscal year (from April 1, 2017 to March 31, 2018)	
	Matters to be resolved	First Item Distribution of Earned Surplus Second Item Election of Twelve (12) Members of the Board	
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 business day \(5:30 p.m. JST\) on Monday, June 25, 2018](#).

Exercising Your Voting Rights

You are requested to review the attached Reference Materials for the Ordinary General Meeting of Shareholders (pages 5 to 13) 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 26, 2018
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 33rd Ordinary General Meeting of Shareholders (this document).

B

Voting via mail

MAIL DEADLINE

Monday, June 25, 2018
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 '日本電信電話株式会社' (Nippon Telegraph and Telephone Corporation). It includes a section for '議決権行使者' (Voting Rights Exerciser) with fields for name and shareholder number. There is a table for indicating approval or disapproval of resolutions, with columns for '賛成' (Approval), '反対' (Disapproval), and '棄権' (Abstention). A QR code is provided for internet voting, with instructions to use a smartphone app or a web browser to scan the code and enter the login QR code.

Please indicate your approval or disapproval of the resolutions here.

For Resolution No. 1

- If you approve, put a circle in the box marked
- If you disapprove, put a circle in the box marked

For Resolution No. 2

- If you approve all candidates, put a circle in the box marked
- If you disapprove all candidates, put a circle in the box marked
- If you disapprove of some candidates, put a circle in the box marked and write the candidates' number of whom you disapprove.

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

[1] Duplicate voting via mail or online will be handled as follows:

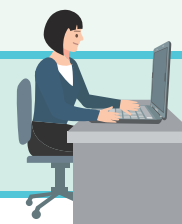
- (1) In the case of duplicate voting via mail, the votes on the last voting rights exercise form received will be considered valid.
 - (2) In the case of duplicate voting online, the last vote placed will be considered valid.
 - (3) In the case of duplicate voting done via both mail and online, the 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 on a resolution, it will be treated as an approval vote for such resolution.
- [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.



Voting via the Internet*

INTERNET DEADLINE

Monday, June 25, 2018
5:30 p.m. (JST)



"Smart Vote" method

New

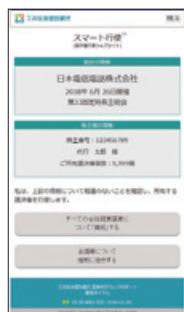
- By scanning the QR code® located on the bottom right of the voting rights exercise form, you can simply exercise your voting rights without entering your voting code and password.



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.

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



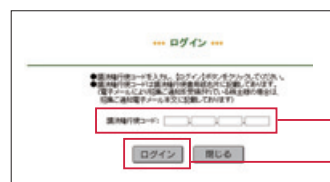
If you have questions about the use of a PC, smartphone or mobile phone for exercising your vote via the Internet, please contact:

"Voting Code/Password Input" method

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

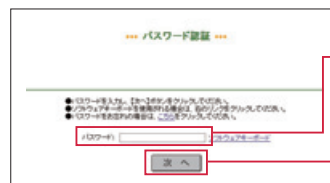


- Please enter the "Voting Code" given on the voting rights exercise form.



Enter the
"Voting Code"
Click "Login"

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



Enter your
"Password"
Click "Next"

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

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

Reference Materials for the Ordinary General Meeting of Shareholders

Resolutions and matters for reference

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, 2018, 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: ¥75

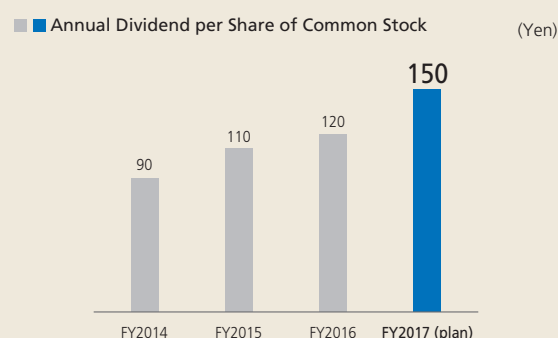
Total amount of dividends: ¥147,830,693,400

As the Company has already distributed an interim dividend of ¥75 per share of common stock, the annual dividend for the fiscal year will be ¥150 per one share of common stock.

3 Date on which the dividend becomes effective:

June 27, 2018

(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.

Reference: Please refer to page 49 for the capital policy. >>

Second Item Election of Twelve (12) Members of the Board

The Company is seeking approval for the election of twelve Members of the Board following the expiration of the term of office of all current Members of the Board at the conclusion of this Ordinary General Meeting of Shareholders.

The candidates for Members of the Board are as follows:

Candidate No.	Name	Current Position and Responsibilities	
1	Hiromichi Shinohara	Senior Executive Vice President Representative Member of the Board In charge of technical strategy and international standardization Head of Research and Development Planning	Reelection
2	Jun Sawada	Senior Executive Vice President Representative Member of the Board In charge of business strategy and risk management	Reelection
3	Akira Shimada	Executive Vice President Member of the Board Head of General Affairs	Reelection
4	Motoyuki Ii	Senior Executive Vice President Senior Executive Manager of the Business Innovation Headquarters Representative Member of the Board of Nippon Telegraph and Telephone East Corporation	New Election
5	Tsunehisa Okuno	Senior Vice President Member of the Board Head of Global Business	Reelection
6	Hiroki Kuriyama	Senior Vice President Member of the Board Head of Strategic Business Development In charge of 2020 Project	Reelection
7	Takashi Hiroi	Senior Vice President Member of the Board Head of Finance and Accounting	Reelection
8	Eiichi Sakamoto	Senior Vice President Member of the Board Head of Corporate Strategy Planning	Reelection
9	Katsuhiko Kawazoe	Head of the Service Innovation Laboratory Group	New Election
10	Ryota Kitamura	Vice President of Corporate Strategy Planning	New Election
11	Katsuhiko Shirai	Member of the Board	Outside Independent Reelection
12	Sadayuki Sakakibara	Member of the Board	Outside Independent Reelection



**Number of shares of
the Company held:**
17,400 shares

**Years served as
Member of the Board:**
9 years

Held	Attended (Percent)
12	12 (100%)

1 Hiromichi Shinohara (March 15, 1954)

[Reelection](#)

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

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

[Reasons for Reelection as a Member of the Board]

Mr. Hiromichi Shinohara has a wealth of experience as a senior corporate manager in the Company as represented by his role in implementing NTT Group's medium-term management strategies as the person responsible for technology and research and development strategies. The Company also believes him to have a high level of integrity and insight.



**Number of shares of
the Company held:**
13,600 shares

**Years served as
Member of the Board:**
4 years

Held	Attended (Percent)
12	12 (100%)

2 Jun Sawada (July 30, 1955)

[Reelection](#)

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

April 1978:	Joined Nippon Telegraph and Telephone Public Corporation
June 2008:	Senior Vice President Executive Manager of the Corporate Strategy Planning Department Member of the Board of NTT Communications Corporation
June 2011:	Executive Vice President Executive Manager of the Corporate Strategy Planning Department Member of the Board of NTT Communications Corporation
June 2012:	Senior Executive Vice President Executive Manager of the Corporate Strategy Planning Department Representative Member of the Board of NTT Communications Corporation
June 2013:	Senior Executive Vice President Representative Member of the Board of NTT Communications Corporation
June 2014:	Senior Executive Vice President Representative Member of the Board of the Company (present post)
June 2016:	Representative Director and President, Chief Executive Officer of NTT Security Corporation (expected to resign on June 20, 2018)

[Reasons for Reelection as a Member of the Board]

Mr. Jun Sawada has a wealth of experience as a senior corporate manager in the Company as represented by his role in implementing NTT Group's medium-term management strategies as the person responsible for business strategy. The Company also believes him to have a high level of integrity and insight.



Number of shares of
the Company held:

8,804 shares

Years served as
Member of the Board:
6 years

Held	Attended (Percent)
12	12 (100%)

3 Akira Shimada

(December 18, 1957)

Reelection

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

April 1981:	Joined Nippon Telegraph and Telephone Public Corporation
June 2007:	Vice President of Corporate Strategy Planning of the Company
July 2007:	General Manager of the Accounts and Finance Department of Nippon Telegraph and Telephone West Corporation
July 2009:	General Manager of the General Affairs and Personnel Department of Nippon Telegraph and Telephone East Corporation
June 2011:	Senior Vice President General Manager of the General Affairs and Personnel Department Member of the Board of Nippon Telegraph and Telephone East Corporation
June 2012:	Senior Vice President Head of General Affairs Member of the Board of the Company
June 2012:	Member of the Board of Nippon Telegraph and Telephone West Corporation (expected to resign on June 22, 2018)
June 2015:	Executive Vice President Head of General Affairs Member of the Board of the Company (present post)

[Reasons for Reelection as a Member of the Board]

Mr. Akira Shimada has a wealth of experience as a senior corporate manager in the Company 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 Company also believes him to have a high level of integrity and insight.



Number of shares of
the Company held:

5,700 shares

4 Motoyuki Ii

(November 17, 1958)

New Election

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

April 1983:	Joined Nippon Telegraph and Telephone Public Corporation
June 2011:	Senior Vice President Executive Manager of the Plant Department of the Network Business Headquarters Executive Manager of the Planning Department of the Network Business Headquarters Member of the Board of Nippon Telegraph and Telephone East Corporation
July 2013:	Senior Vice President Executive Manager of the Plant Planning Department of the Network Business Headquarters Member of the Board of Nippon Telegraph and Telephone East Corporation
June 2014:	Senior Vice President Senior Executive Manager of the Corporate Sales Promotion Headquarters Member of the Board of Nippon Telegraph and Telephone East Corporation
June 2015:	Executive Vice President Senior Executive Manager of the Corporate Sales Promotion Headquarters Representative Member of the Board of Nippon Telegraph and Telephone East Corporation
June 2016:	Senior Executive Vice President Senior Executive Manager of the Corporate Sales Promotion Headquarters Representative Member of the Board of Nippon Telegraph and Telephone East Corporation
July 2017:	Senior Executive Vice President Senior Executive Manager of the Business Innovation Headquarters Representative Member of the Board of Nippon Telegraph and Telephone East Corporation (expected to resign on June 22, 2018)

[Reasons for Election as a Member of the Board]

Mr. Motoyuki Ii has a wealth of experience as a senior corporate manager that includes serving as Senior Executive Vice President of a Group company and his role in plant strategy, which included increasing network sophistication.
The Company also believes him to have a high level of integrity and insight.



5 Tsunehisa Okuno

(October 12, 1960)

Reelection

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

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

Number of shares of
the Company held:

5,500 shares

Years served as

Member of the Board:

6 years

Held	Attended (Percent)
12	12 (100%)

[Reasons for Reelection as a Member of the Board]

Mr. Tsunehisa Okuno has a wealth of experience in the execution of business operations in the Company, including his role in expanding the global business of the entire NTT Group. The Company also believes him to have a high level of integrity and insight.



6 Hiroki Kuriyama

(May 27, 1961)

Reelection

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

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

Number of shares of
the Company held:

4,370 shares

Years served as

Member of the Board:

4 years

Held	Attended (Percent)
12	12 (100%)

[Reasons for Reelection as a Member of the Board]

Mr. Hiroki Kuriyama has a wealth of experience in the execution of business operations in the Company, including his role in developing new business of the entire NTT Group. The Company also believes him to have a high level of integrity and insight.



7 Takashi Hiroi

(February 13, 1963)

Reelection

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

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

Number of shares of
the Company held:
3,800 shares

Years served as
Member of the Board:
3 years

Held	Attended (Percent)
12	12 (100%)

[Reasons for Reelection as a Member of the Board]

Mr. Takashi Hiroi has a wealth of experience in the execution of business operations in the Company, including his role in overseeing the financial and IR operations of the entire NTT Group. The Company also believes him to have a high level of integrity and insight.



8 Eiichi Sakamoto

(September 3, 1963)

Reelection

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

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

Number of shares of
the Company held:
3,400 shares

Years served as
Member of the Board:
2 years

Held	Attended (Percent)
12	12 (100%)

[Reasons for Reelection as a Member of the Board]

Mr. Eiichi Sakamoto has a wealth of experience in the execution of business operations in the Company, including his role in overseeing business operations such as the corporate strategy planning of the entire NTT Group. The Company also believes him to have a high level of integrity and insight.



Number of shares of
the Company held:
600 shares

9

Katsuhiko Kawazoe

(September 5, 1961)

New Election

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

April 1987:	Joined the Company
August 2003:	Senior Research Engineer of the Cyberspace Laboratories of the Cyber Communications Laboratory Group of the Company
October 2007:	Senior Research Engineer of the Cyber Solutions Laboratories of the Cyber Communications Laboratory Group of the Company
July 2008:	Vice President of Research and Development Planning of the Company
July 2014:	Head of the Service Evolution Laboratories of the Service Innovation Laboratory Group of the Company
July 2016:	Head of the Service Innovation Laboratory Group of the Company (present post)

[Reasons for Election as a Member of the Board]

Mr. Katsuhiko Kawazoe has a wealth of experience in the execution of business operations in the Company, including his role in overseeing a wide range of R&D from network services to application services, and R&D strategies.

The Company also believes him to have a high level of integrity and insight.



Number of shares of
the Company held:
1,500 shares

10

Ryota Kitamura

(January 20, 1965)

New Election

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

April 1988:	Joined the Company
October 2003:	Senior Manager of the Corporate Strategy Planning Department of Nippon Telegraph and Telephone East Corporation
June 2011:	Head of the Marketing Strategy Group of the Corporate Strategy Planning Department of Nippon Telegraph and Telephone East Corporation
July 2015:	Vice President of Corporate Strategy Planning of the Company (present post)

[Reasons for Election as a Member of the Board]

Mr. Ryota Kitamura has a wealth of experience in the execution of business operations in the Company and Group companies, including his involvement in roles such as corporate strategy planning.

The Company also believes him to have a high level of integrity and insight.



11 Katsuhiko Shirai

(September 24, 1939)

Reelection

Outside

Independent

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

April 1965:	Assistant of the First Faculty of Science and Engineering of Waseda University
April 1968:	Full-time lecturer of the Faculty of Science and Engineering of Waseda University
April 1970:	Assistant Professor of the Faculty of Science and Engineering of Waseda University
April 1975:	Professor of the Faculty of Science and Engineering of Waseda University
November 1994:	Director of Academic Affairs and Director of the International Exchange Center of Waseda University
November 1998:	Executive Director of Waseda University
November 2002:	President of Waseda University
November 2010:	Educational Advisor of Waseda University
April 2011:	Chairperson of the Foundation for the Open University of Japan (resigned on March 31, 2017)
June 2012:	Member of the Board of the Company (present post)
June 2012:	Director of Japan Display, Inc. (present post)
November 2016:	Honorar Advisor of Waseda University (present post)

Number of shares of the Company held:
3,800 shares

Years served as Member of the Board:
6 years

Held	Attended (Percent)
12	11 (92%)

[Reasons for Reelection as an Outside Member of the Board]

Mr. Katsuhiko Shirai has a wealth of experience as an operational director of an educational institution and has a high level of integrity and insight. The Company believes that he will help strengthen the supervisory function for business execution and expects to incorporate the advice he provides from his wide-ranging managerial perspective.

[Matters regarding independence]

Mr. Katsuhiko Shirai 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 (*). Although there are transactions conducted between Waseda University, at which Mr. Katsuhiko Shirai served as President, and the Company and its major subsidiaries, and also between the Foundation for the Open University of Japan, at which he served as Chairperson, and the Company and its major subsidiaries, the total annual amount of transactions of the aforementioned university and the total annual amount of transactions of the aforementioned foundation that have been carried out with the Company or its major subsidiaries within the most recent three fiscal years both account for less than 1% of the total annual operating revenues of the Company and its major subsidiaries in the corresponding fiscal year.

Moreover, although the Company and its major subsidiaries provide donations to the aforementioned university and donations to the aforementioned foundation, the respective annual amounts of donations respectively account for less than 1% of the aforementioned university's and the aforementioned foundation's respective total annual incomes.

Based on the aforementioned reasons, the Company has determined that Mr. Katsuhiko Shirai's independence is maintained.

* Please refer to page 45 for details on the Company's independence standards for independent officers.

- Notes: 1. Mr. Katsuhiko Shirai is a candidate for Outside Member of the Board. Mr. Katsuhiko Shirai 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 appointment as an Outside Member of the Board, the Company determined that he is capable of adequately serving as an Outside Member of the Board. As stated in the above-mentioned matters regarding independence, as Mr. Katsuhiko Shirai 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 independent officer and filed the information related thereto with the aforementioned stock exchange. The Company plans to continue to designate Mr. Katsuhiko Shirai as independent officer should his election be approved.
2. In order for Mr. Katsuhiko Shirai to fully perform his expected role as Outside Member of the Board, 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 compensation for damages pursuant to Article 423(1) of the same act. The maximum amount of liability for compensation 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. Katsuhiko Shirai is approved, the Company intends to continue the said agreements with him.



**Number of shares of
the Company held:**

8,800 shares

**Years served as
Member of the Board:**

6 years

Held	Attended (Percent)
12	10 (83%)

12 Sadayuki Sakakibara (March 22, 1943)

Reelection

Outside

Independent

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

April 1967:	Joined Toyo Rayon Co., Ltd. (currently registered as Toray Industries, Inc.)
June 1994:	Director of the Corporate Planning Department of Toray Industries, Inc.
June 1996:	Director of the Board of Toray Industries, Inc.
June 1998:	Managing Director of Toray Industries, Inc.
June 1999:	Senior Managing Director of Toray Industries, Inc.
June 2001:	Executive Vice President of Toray Industries, Inc.
June 2002:	President of Toray Industries, Inc.
June 2010:	Chairman and Representative Member of the Board of Toray Industries, Inc.
June 2010:	Director of Mitsui O.S.K. Lines, Ltd. (resigned on June 24, 2014)
June 2012:	Member of the Board of the Company (present post)
June 2013:	Director of Hitachi, Ltd. (expected to resign on June 20, 2018)
June 2014:	Chairman of the Japan Business Federation (Keidanren) (expected to resign on May 31, 2018)
June 2014:	Chairman of the Board of Directors of Toray Industries, Inc.
June 2015:	Chief Senior Adviser and Chief Senior Counselor of Toray Industries, Inc.
June 2017:	Senior Adviser of Toray Industries, Inc. (present post)

[Reasons for Reelection as an Outside Member of the Board]

Mr. Sadayuki Sakakibara has a wealth of experience as a corporate manager and has a high level of integrity and insight. The Company believes that he will help strengthen the supervisory function for business execution and expects to incorporate the advice he provides from his wide-ranging managerial perspective.

[Matters regarding independence]

Mr. Sadayuki Sakakibara 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 (*).

Although there are transactions conducted between Toray Industries, Inc., at which Mr. Sadayuki Sakakibara served as Chairman of the Board of Directors, and the Company and its major subsidiaries, the total annual amount of transactions of the aforementioned company that have been carried out with the Company or its major subsidiaries within the most recent three fiscal years account for less than 1% of the total annual operating revenues of the Company and its major subsidiaries in the corresponding fiscal year.

Moreover, although there are transactions conducted between the Japan Business Federation, at which Mr. Sadayuki Sakakibara serves as Chairman, and the Company and its major subsidiaries, the total annual amount of transactions of the aforementioned association that have been carried out with the Company or its major subsidiaries within the most recent three fiscal years account for less than 1% of the total annual operating revenues of the Company and its major subsidiaries in the corresponding fiscal year.

Based on the aforementioned reasons, the Company has determined that Mr. Sadayuki Sakakibara's independence is maintained.

* Please refer to page 45 for details on the Company's independence standards for independent officers.

- Notes: 1. Mr. Sadayuki Sakakibara is a candidate for Outside Member of the Board. As stated in the above-mentioned matters regarding independence, as Mr. Sadayuki Sakakibara 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 independent officer and filed the information related thereto with the aforementioned stock exchange. The Company plans to continue to designate Mr. Sadayuki Sakakibara as independent officer should his election be approved.
2. In order for Mr. Sadayuki Sakakibara to fully perform his expected role as Outside Member of the Board, 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 compensation for damages pursuant to Article 423(1) of the same act. The maximum amount of liability for compensation 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. Sadayuki Sakakibara is approved, the Company intends to continue the said agreements with him.

END

Attachments to the Notice of Convocation of the 33rd Ordinary General Meeting of Shareholders

Business Report (For the Fiscal Year ended March 31, 2018)

This report describes the status of the corporate group ("NTT Group") including Nippon Telegraph and Telephone Corporation ("NTT").

(Reference) Value Creation Image Based on the Medium-Term Management Strategy

From Fiscal Year 2015 to Fiscal Year 2017

Management Resources

Customer Base

Brand Image

Human Resources

R&D Capabilities

Financial Base

Input

Expand Global Business / Increase Overseas Profit Generation

Overseas sales

\$22.0 billion

Overseas operating income^{*1}

\$1.5 billion

Improve Efficiency and Enhance Profitability of Domestic Network Businesses

Streamline capital investment^{*2}

At least ¥200.0 billion decrease^{*4}

Reduce cost^{*3}

At least ¥800.0 billion decrease^{*4}

Expand B2B2X Business

Foundation to support

Material topics in the environment and society

- Cybersecurity
- Diverse personnel demonstrating their talents etc.

"Towards the Next Stage 2.0"

**Profit
Growth**

**EPS Target
At least ¥400**

**Improve
Capital Efficiency**
Stock Repurchases
Enhancement of dividends

Outcome

**Medium- to Long-Term Improvement
in Corporate Value**

value creation

Corporate Governance

- Supervisory function carried out by outside independent Members of the Board in relation to business execution
- Management oversight function carried out by Audit & Supervisory Board Members, including outside independent Audit & Supervisory Board Members etc.

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

*2 Domestic network business (excluding NTT Communications' data centers and certain other assets)

*3 Fixed-line / mobile access networks (excluding the impact of the change in depreciation method)

*4 Compared to the fiscal year ended March 31, 2015

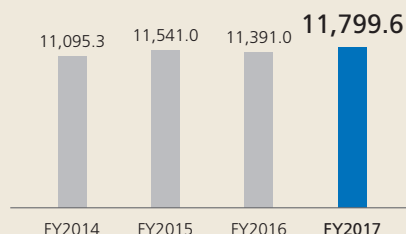
Outline of the Business of NTT Group

(Reference)

Operating Revenues

¥11,799.6 billion

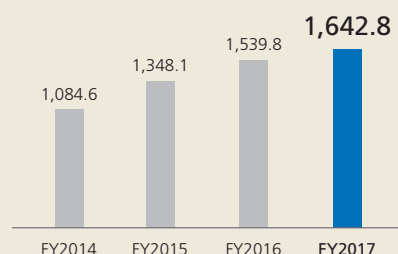
(Billions of yen)



Operating Income

¥1,642.8 billion

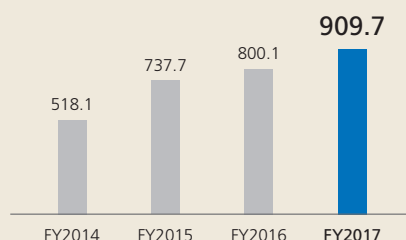
(Billions of yen)



Net Income

¥909.7 billion

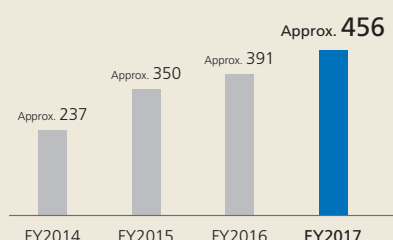
(Billions of yen)



EPS (earnings per share)

Approx. ¥456

(Yen)



(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 East," "NTT West," "NTT Communications," and "NTT DOCOMO" refer to Nippon Telegraph and Telephone East Corporation, Nippon Telegraph and Telephone West Corporation, NTT Communications Corporation and NTT DOCOMO, INC., respectively.
- 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 U.S. accounting principles 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 55 - 56).
- 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.

Business Progress and Results of NTT Group

Business Environment

In the fiscal year ended March 31, 2018, the information and telecommunications market saw the increased spread and market penetration of devices that utilize fixed-line and broadband, as well as the continued emergence of new services made possible by the evolution of technologies such as cloud services, IoT, Big Data, and AI. Through these technologies, a range of data has been accumulated, and with improvements to the usage environment, the analysis and utilization of that data is expanding, leading to a wide range of changes including improved convenience in people's everyday lives and productivity in various industries. In addition, the role of information and telecommunications is becoming increasingly important, including strengthening security measures against increasingly sophisticated and complex cyberattacks, strengthening natural disaster countermeasures and managing safe and secure social systems. This change can be seen on a global scale.

Business Status

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

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

We seek to establish and expand our global cloud service as a cornerstone of our business operations, and we strengthened our efforts to accelerate overseas profit generation through the following initiatives.

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

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

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

- Through our efforts with the “[Hikari Collaboration Model](#)” and “[+d](#)” to promote collaboration among various businesses, we worked to create high value-added services.
- By simplifying and streamlining networks, we promoted the reduction of expenses in subsequent fiscal years. Furthermore, we worked to increase the efficiency of capital investment by increasing the usage of existing facilities and reducing procurement costs.
- By increasing productivity through the systematizing of work and streamlining development costs, and through other initiatives, we continually worked to reduce costs.

Status of Initiatives to Expand B2B2X Business

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

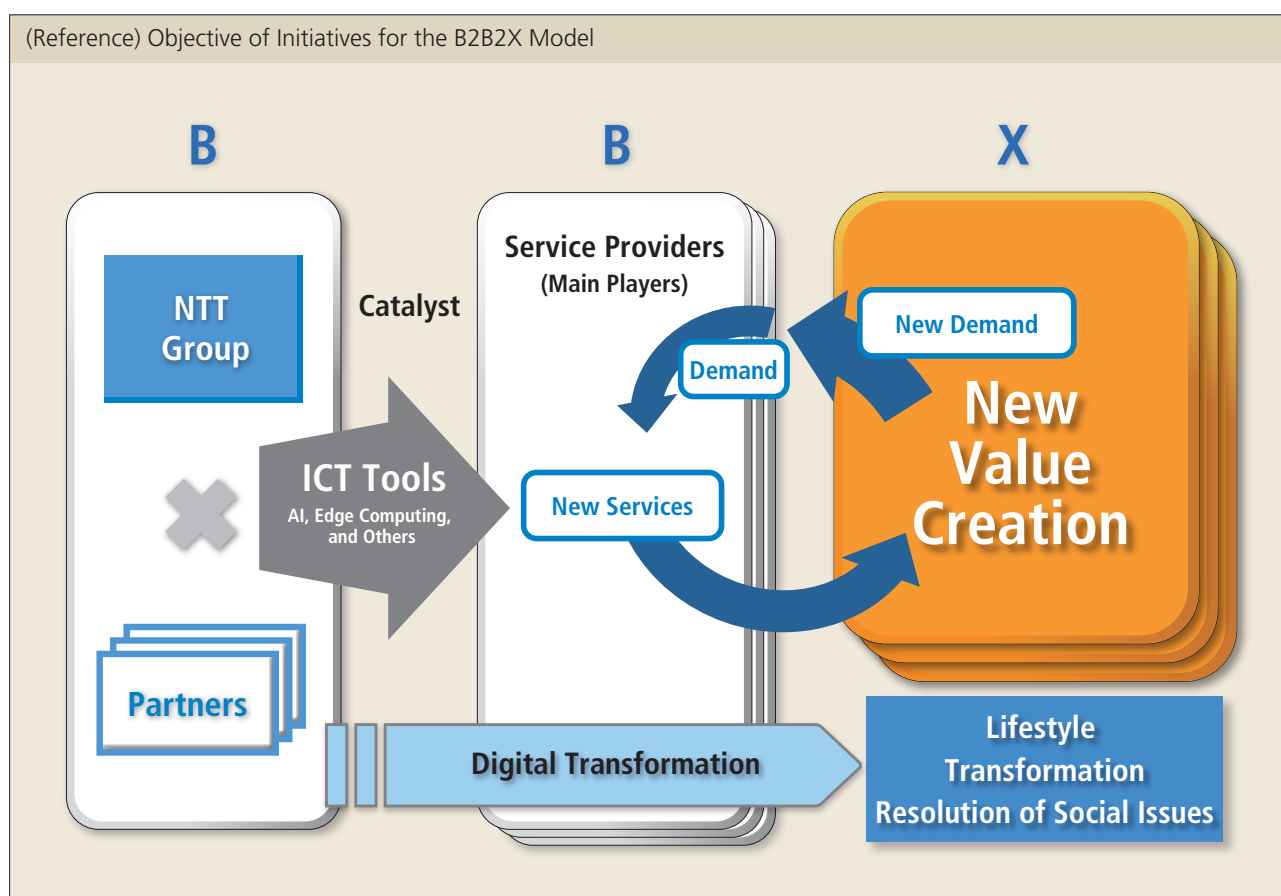
- In the sports business, we further deepened collaboration with the J. League by concluding a “top partner contract” and an “official technology partner contract.”
Aiming to expand the opportunities for fans and supporters of J. League club teams to view games and improve spectator capacity utilization at stadiums, we promoted fan-participation-type viewing experiences linked with NTT Group's ICT services and social media, etc. and large-screen public viewing to enable live viewing of away games at home stadiums. Furthermore, to pioneer a new group of fans, we developed a new entertainment experience using the latest technologies of NTT Group starting with [AR](#) and [VR](#), promoted the use of past images owned by J. League, and while pursuing collaboration between digital content and docomo Shop, worked to strengthen the digital customer base of J. League club teams.
- We promoted collaboration in the entertainment field including traditional arts, such as through joint testing with SHOCHIKU Co., Ltd. on a collaboration between kabuki and the latest ICT technology aimed at an entirely new kabuki viewing experience.
- In addition to FANUC CORPORATION launching operations of domestic services in October 2017 as a result of our collaboration in the area of platforms for the manufacturing industry, we also promoted collaborations in a range of industrial fields, including initiatives to make the agriculture

and livestock industries smarter by monitoring crop and livestock raising conditions through sensor information and image analysis.

- Since establishing the “Sapporo City ICT Utilization Platform Study Panel” through partnerships with industry, government, and academia including Sapporo City, Hokkaido University, and local companies, we created new value through the collection and combination of public-private data in a wide range of fields including tourism, traffic, and snow control, and promoted smart city initiatives aimed at increasing convenience for

residents and visitors, resolving a range of regional issues, and revitalizing the region. In addition to implementing the first testing of automated driving on a public street in the center of Sapporo City, we pursued initiatives toward more active utilization of data by both Sapporo residents and local companies, including the launch of the open data website “DATA-SMART CITY SAPPORO,” a platform using Sapporo City ICT that provides information and data created and collected by Sapporo City and local companies.

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

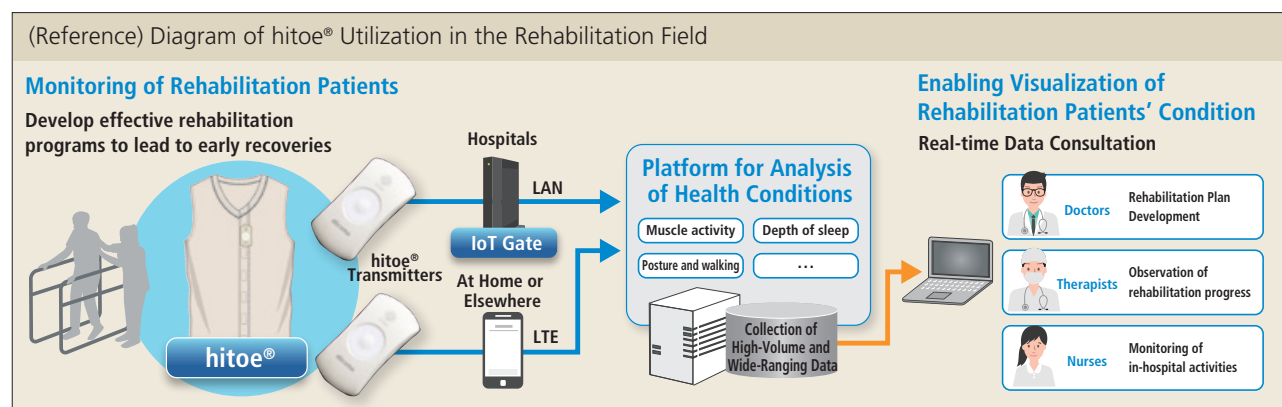


Status of Fundamental Research & Development

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

Initiatives to Expand B2B2X Business

- To promote the creation of a platform to support the various services required for the realization of connected cars, such as driving support through vehicle control and cloud computing, we formed a consortium with partners such as Toyota Motor Corporation and Intel Corporation to create a network platform and a computing platform for automobile big data.
- With the goal of developing robot technology capable of proactively supporting human activities, we began joint research with Toyota Motor Corporation on robotic services making use of lifestyle support robots utilizing the AI technology “corevo®,” which achieves high-level dialogue with humans that includes both body language and hand gestures.
- To establish a next-generation platform for marine vessel IoT to monitor detailed ship data including operating conditions and equipment conditions, and to share information between the ship and the shore, we conducted successful joint testing with companies including Nippon Yusen Kabushiki Kaisha.
- We carried out field testing with Kubota Corporation aimed at achieving energy savings in the agricultural and aquatic environment fields, including energy savings in the monitoring of rice paddies and labor reduction in aquatic environment facilities, etc.
- In the rehabilitation field, in collaboration with the Fujita Academy Incorporated Educational Institution FUJITA HEALTH UNIVERSITY and Toray Industries, Inc., we promoted the field testing of optimized intervention and early recovery through 24-hour monitoring, quantitative results measurement, and visualization of the patient’s pulse and activity information using “hitoe®,” a functional material capable of measuring biomedical signals.



R&D to Improve Efficiency and Enhance Profitability of Network Businesses

- With the objective of reducing network costs and increasing the sophistication of services for carriers, to advance the introduction of universal devices such as white box switches, we promoted joint testing utilizing NTT-developed open-source software with companies including Taiwan's Chungwa Telecom.
- In crowded environments such as stadiums that experience overcrowding of wireless LAN devices including smartphones, tablets, and laptop computers, we developed a new wireless LAN technology to increase communication speeds, and succeeded in transmission testing that achieved more than double the previous communication speeds.
- In anticipation of the spread of 5G and the increase in 5G mobile system base stations, we developed fiber-optic access network technology that contributes to reducing the number of fiber-optics required by base stations, and succeeded in the field testing of fiber-optic access systems in conjunction with mobile systems.

R&D that Enable Highly Immersive New Experiences

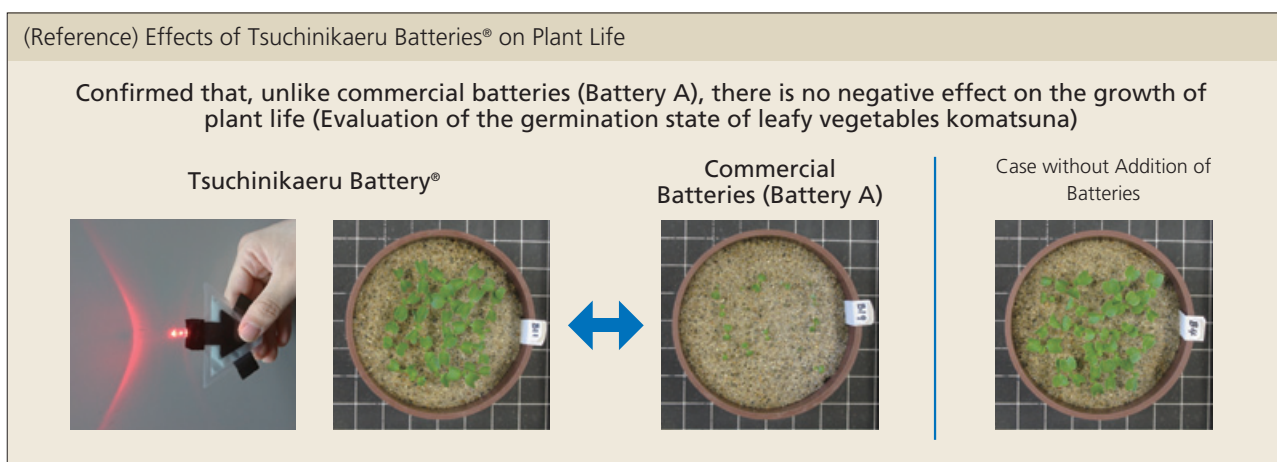
- We held a "New Music Experience Live Event" utilizing "Kirari!®" technology, whose ultra-high sense of presence makes it feel like you are actually there, and other transmission technologies that incorporate various visual technologies and 5G. Staging various performances in three cities around the world, we synchronized the coverage to remove any time lags in the visual and audio occurring due to the distance and combined it as a single live visual broadcast. We managed to provide a completely new, space-surpassing entertainment experience.
- As part of the joint testing being pursued with SHOCHIKU Co., Ltd., using "Kirari!®" technology, we transmitted the dances of kabuki actors being performed in different locations in real time, achieving the world's first kabuki performance that merged the real with the virtual.
- To determine the utility of various technologies including "Kazashite Guidance®," which allows valuable information to be obtained in one's native language by simply pointing a smartphone camera at signage and other objects, and to create services offering valuable tools for use both inside and outside the airport, we implemented public testing of information universal design at Haneda Airport, offering real-world application.

Promoting Cutting-edge Research

- As part of our “Quantum Neural Network,” which performs high-speed computation utilizing the quantum nature of light, we released an online cloud service that allows users to experience the rapid solving of problems difficult for traditional computers to solve.
- We created the “Tsuchinikaeru Battery®,” a biodegradable battery made only of materials with a low environmental impact that returns to the soil without any negative effects on the soil or

organisms, and confirmed its functioning as a battery.

- We started joint testing with the Japan Softball Association in the “Sports Brain Science Project” to discover how the brains of elite athletes regulate their mental state and control physical exercise to deliver top-level performance. The aim is to elucidate the information processing of the brain to “Tone up the Brain to Win.”



Status of Initiatives for Sustained Improvement in Corporate Value

While working to minimize medium- to long-term business risks by appropriately responding to social and environmental issues at NTT Group, NTT Group is promoting initiatives with a goal of sustained improvement in corporate value by making effective contributions to the resolution of social and environmental issues through our business activities. With the “NTT Group CSR Charter” as our basic guidelines, created taking into account the United Nations’ Sustainable Development Goals (SDGs), we have been engaged in wide-ranging activities.

■ Status of Initiatives for Cybersecurity

- While promoting cutting-edge R&D and advancing the development of the latest R&D results, we have coordinated with global experts in both technology and policy on an industry-by-industry basis. To evaluate effective and practical solutions, with other international companies in the IT and telecommunications industries, we participated in the creation of the Council to Secure the Digital Economy (CSDE), which aims for a secure digital

economy. Furthermore, through NTT Security Corporation, established as an integrated organization to provide security services to our customers, we promoted coordination among NTT Group companies to provide the advanced, high-level security technology of NTT Group. Additionally, in terms of the nationwide issue of developing IT security engineers, we continued to promote human resource development within NTT Group.

■ Status of Initiatives to Ensure Diverse Personnel Can Demonstrate their Talents

■ Recognizing diversity management as a key part of our management strategy, we have striven to ensure diverse personnel can demonstrate their talents. For example, in terms of sexual minorities such as LGBT persons, starting with the highest-level “GOLD” evaluation that NTT has received for two straight years in the “PRIDE Index,” which evaluates companies’ approaches to sexual minorities such as LGBT persons, a total of 16 NTT Group companies won “PRIDE Index” awards. Furthermore, in terms of overall systems relating to spouses and families, we promoted initiatives to further expand systems to same-sex partners. Regarding “Work Style Reform,” we issued the “NTT Group Work Style Reform Declaration,” and while working with our business partners to improve overall work processes, in addition to promoting flexible work styles utilizing teleworking

including working from home, we had managers show initiative in reforming ways of taking breaks so that it may lead to more proactive taking of leave. Furthermore, we worked to create an easy-to-work environment for all employees, such as by opening a company-led daycare center.

■ Status of Initiatives for the Environment

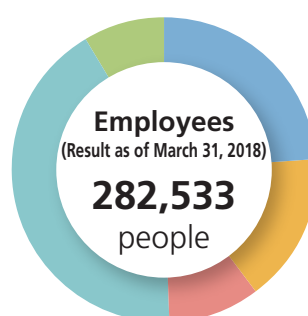
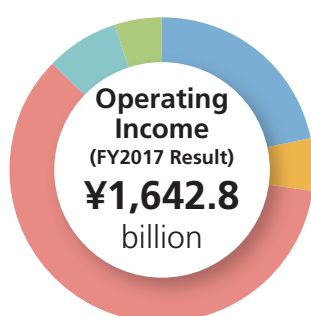
■ Based on the “NTT Group Environmental Statement” and “The Eco Strategy 2030,” we promoted initiatives to contribute to lowering the environmental impact on society while contributing to adapting to climate change and preserving the ecosystem by providing ICT services and cutting-edge technology. Furthermore, utilizing IoT and AI technologies, we began practical testing aimed at making climate-control systems in data centers more efficient, pursuing initiatives aimed at providing services with a low environmental impact.

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

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

Status by Segment

(Reference) Group Structure



Regional
Communications
Business



Long Distance and
International
Communications
Business



Mobile
Communications
Business



Data
Communications
Business



Other Business

Composition of
Operating Revenues*
(FY2017 Results)Composition of
Operating Income*
(FY2017 Results)Composition of Number
of Employees
(Results as of March 31, 2018)

We provide fixed line communications services centered around "FLET'S Hikari" and work to promote B2B2X business by deploying the "Hikari Collaboration Model".

23.9%
(¥3,232.9 billion)

21.7%
(¥354.3 billion)

23.9%
(67,592 people)

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

16.4%
(¥2,218.9 billion)

5.7%
(¥93.6 billion)

16.0%
(45,320 people)

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

35.3%
(¥4,769.4 billion)

60.0%
(¥982.1 billion)

9.7%
(27,464 people)

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

15.1%
(¥2,043.1 billion)

7.8%
(¥127.8 billion)

41.8%
(118,006 people)

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

9.2%
(¥1,236.6 billion)

4.8%
(¥78.6 billion)

8.5%
(24,151 people)

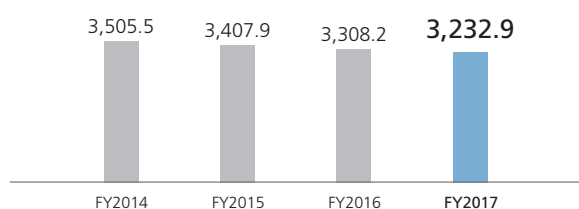
* Percentage of simple sum of each segment (including intersegment transactions)

Regional Communications Business **NTT EAST** **NTT WEST**

Changes in Revenues and Income

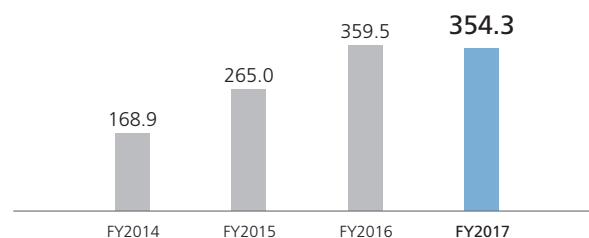
Operating revenues **¥3,232.9 billion**

(billions of yen)



Operating income **¥354.3 billion**

(billions of yen)



Overview

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

Details of Main Initiatives

- With regard to the “Hikari Collaboration Model,” the number of service providers providing wholesale service was approximately 700 companies at the end of the fiscal year ended March 31, 2018, as we continued to expand collaborative projects with not only business operators in the communications industry, energy industry, real estate industry, security industry, and housing industry, but also with business operators in diverse industries including social infrastructure operators and FinTech operators. New use cases were developed among business operators operating social infrastructure businesses, as the Hikari Collaboration Model was adopted to promote the conversion to fiber-optics in networks connected to traffic signals. As a result of these initiatives, the number of fiber-optic access service subscriptions using this model was 11.12 million.
- By increasing productivity and streamlining development costs, among other things, and through the systematizing of work, we continually worked to reduce costs. Furthermore, by simplifying and streamlining networks and further increasing the usage of existing facilities, we worked to make capital investment more efficient.
- As companies and local governments are proactively promoting the use of Wi-Fi as a powerful information service tool, in various regions, we continually worked to improve convenience for the increasing number of visitors to Japan by expanding the coverage area of Wi-Fi, resulting in the number of Wi-Fi area owners reaching 744.

(Reference) Status of Provision of Major Services

Number of Subscriptions for Major Services

"FLET'S Hikari": 20.53 million subscriptions (increase of 0.48 million year-on-year)

(Included in the Above) "Hikari Collaboration Model":

11.12 million subscriptions (increase of 2.37 million year-on-year)

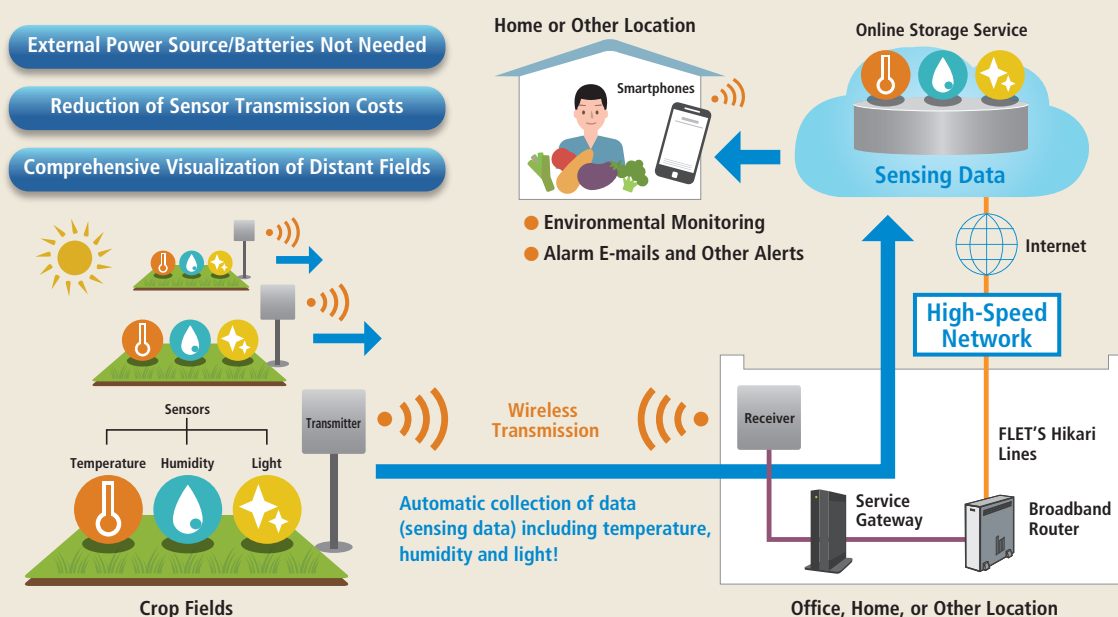
"Hikari Denwa": 18.03 million channels (increase of 0.27 million channels year-on-year)

"FLET'S TV": 1.62 million subscriptions (increase of 0.09 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) Promotion of Smart Agriculture through the Use of IoT in the Agriculture Industry

In collaboration with JA Fukushima Mirai, NTT Group is promoting improved productivity in agriculture. We are offering a service that visualizes the crop field environment by utilizing smartphone and other applications that automatically collect and utilize crop field data including temperature, humidity and light, gathered through sensors and wireless transmission devices placed in crop fields.



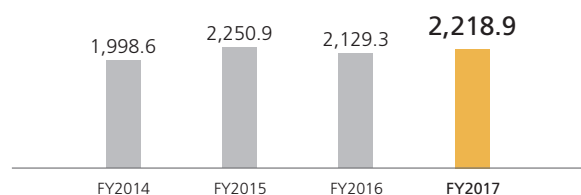
Long Distance and International Communications Business



Changes in Revenues and Income

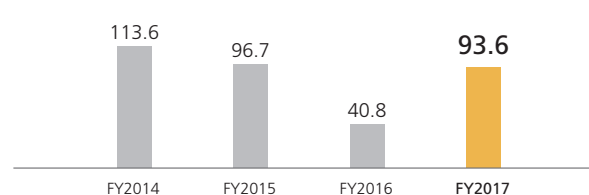
Operating revenues **¥2,218.9 billion**

(billions of yen)



Operating income **¥93.6 billion**

(billions of yen)



Overview

In the Long Distance and International Communications Business Segment, in addition to enhancing our provision of seamless ICT solutions combining 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

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

(Reference) Status of Provision of Major Services

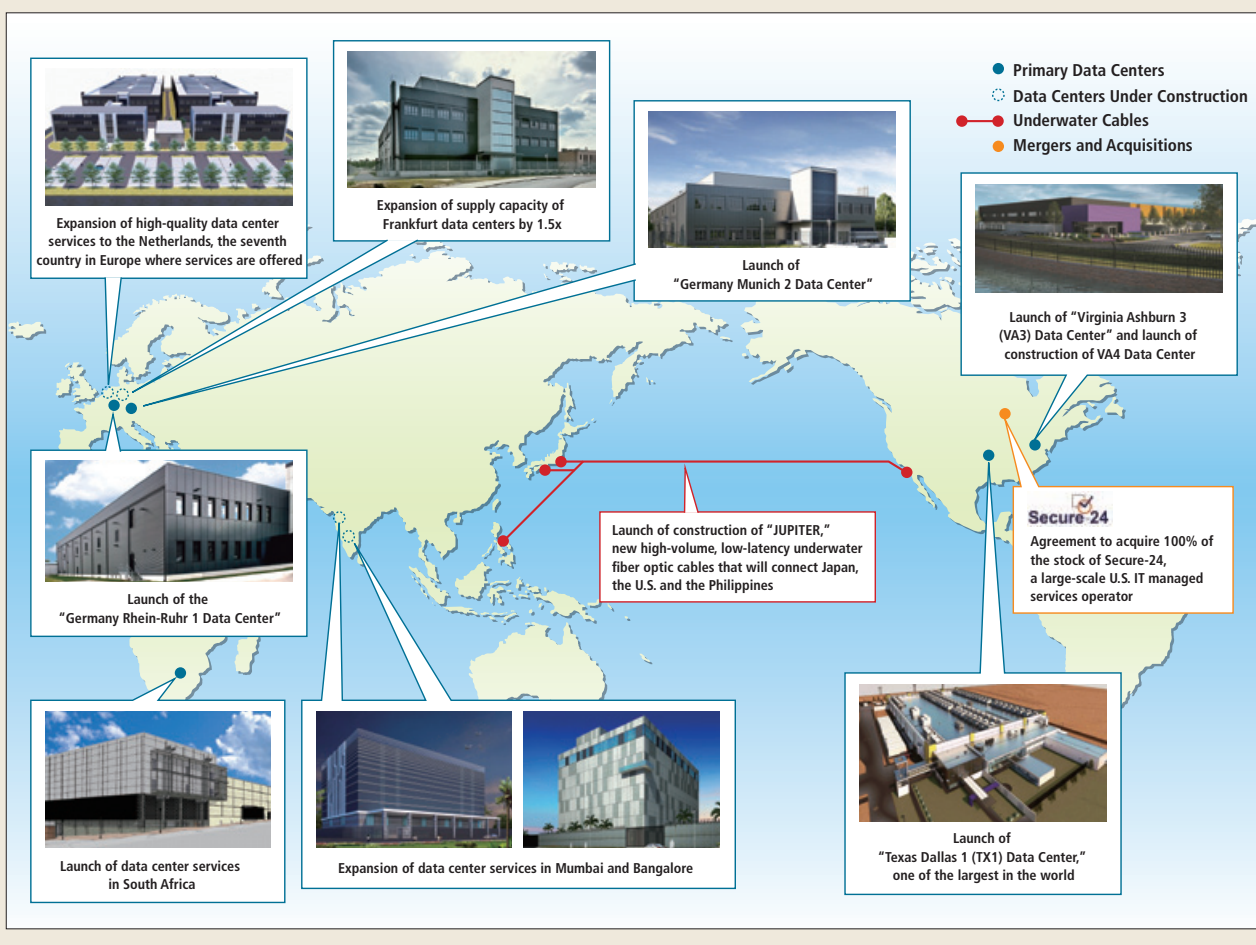
Number of Subscriptions for Major Services, etc.

Number of customers for Cloud Services:

9,900 customers (an increase of 900 customers from the previous fiscal year)

"Hikari TV": 3.02 million subscriptions (decrease of 0.01 million subscriptions from the previous fiscal year)

(Reference) Initiatives to Strengthen Provision of Global Cloud Services



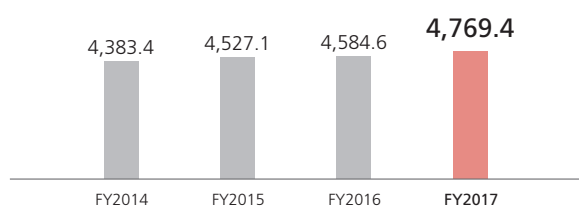
Mobile Communications Business

NTT
docomo

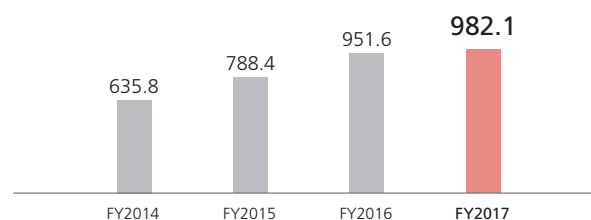
Changes in Revenues and Income

Operating revenues ¥4,769.4 billion

(billions of yen)


Operating income ¥982.1 billion

(billions of yen)



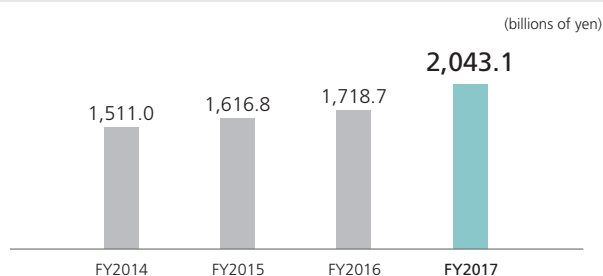
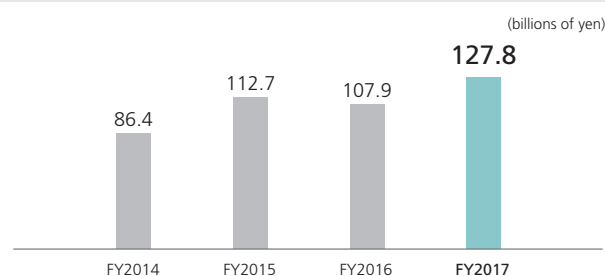
Overview

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

Details of Main Initiatives

- In addition to continuing to promote the sales of our “Kake-hodai & Pake-aeru,” a billing plan tailored to suit a customer’s stage of life that offers more affordable rates to long-term users, we began offering our “Simple Plan” and “docomo with,” among other initiatives, working to enhance returns to our customers. As a result, the number of subscriptions to “Kake-hodai & Pake-aeru” reached 41.96 million.
- By utilizing the “Hikari Collaboration Model” from the Regional Communications Business Segment, we promoted the sales of the “docomo Hikari Pack,” which bundles fiber-optic access infrastructure services, internet access service, and mobile service. As a result, the number of subscriptions to “docomo Hikari” reached 4.76 million.
- With Komatsu Ltd. and other parties, we agreed to jointly plan and operate “LANDLOG,” a new platform connecting the entire construction manufacturing process. In addition to starting field testing of LANDLOG, we implemented initiatives utilizing advanced technology, including the launch of “AI Taxi®,” a taxi ride demand forecasting service utilizing AI, as well as “5G Trial Site,” advancing “d+” initiatives to jointly create new added value through collaboration with various business operators.

Changes in Revenues and Income

Operating revenues **¥2,043.1 billion**Operating income **¥127.8 billion**

Overview

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

Details of Main Initiatives

- Under NTT DATA Services, launched in April 2017, we steadily achieved the integration of the former Dell Services Division, for which we completed the acquisition last year, and pursued the integration of our business centered on North America. In particular, we promoted initiatives to expand our businesses that utilize our abundant outsourcing results and knowledge in various fields including healthcare, the public sector, and finance, and to further enhance our local presence.
- We pursued initiatives to utilize cutting-edge blockchain technology, establishing a consortium as the organizing office to complete a trade information collaborative platform, promoting activities together with 14 companies representing various industries. Furthermore, we were selected

as a partner vendor in the Japanese Bankers Association's "Collaborative Blockchain Platform," contributing to the promotion of practical testing to develop new services.

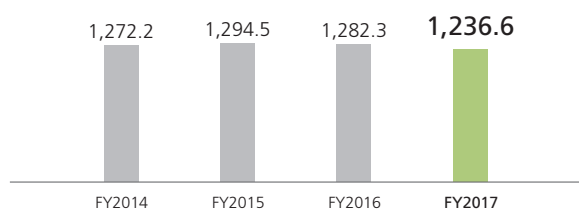
- In terms of RPA solutions for the automation and streamlining of desk work, which is rapidly spreading due to the increasing move toward work style reforms in recent years, we promoted sales of "WinActor," developed by NTT Group. In addition to launching the English-language version, by strengthening the functions for financial accounting operations, which have a particularly strong need for automation, and by other initiatives, we were able to introduce WinActor to customers in a range of industries, supporting work style reforms.

Other Business

Changes in Revenues and Income

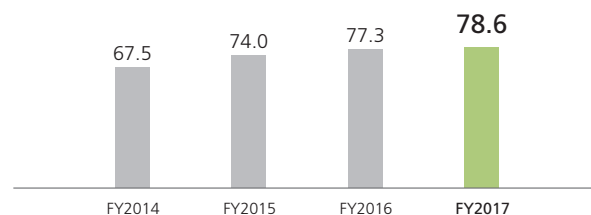
Operating revenues **¥1,236.6 billion**

(billions of yen)



Operating income **¥78.6 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.

■ Real Estate Business

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

■ Finance Business

■ We developed financial services such as leasing, installation payment, and other finance areas in response to changes including diversification in needs and the economic environment, as well as advancing globalization. Furthermore, 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 technology in “ICT, energy, and construction” to the fullest extent, we paved the way for both the utilization of natural energy and the efficient, waste-free use of limited energy, working toward safe and secure urban development that is resilient against the risk of natural disaster.

■ System Development Business

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

Issues Facing the Corporate Group

Future Outlook of the Business Environment

In the information and telecommunications market, the development of new technologies, such as the further acceleration of the use of cloud services, IoT, Big Data, and AI, is expected. Furthermore, with the entrance of new players, market competition that surpasses existing business sector boundaries is expected to further intensify, and collaborative coordination and cooperation among businesses working to create new added value is also expected to progress. From these changes, the necessary role of information and telecommunications should both expand and become more important.

Business Developments Pursuant to the Medium-Term Management Strategy

In line with our Medium-Term Management Strategy "Towards the Next Stage 2.0," we have continued to reform our business structure.

Regarding the financial targets of the Medium-Term Management Strategy from the fiscal year ended March 31, 2016 through the fiscal year ended March 31, 2018, in the fiscal year under review, the target fiscal year, EPS (earnings per share), the most important target, reached ¥456, achieving the target of ¥400 or more. In terms of the other targets, regarding capital investment in the domestic network business, we reduced costs by ¥204.9 billion compared to our target of ¥200.0 billion or more, and regarding fixed-line/mobile access-related costs, we reduced costs by ¥856.0 billion compared to our target of ¥800.0 billion or more, achieving both targets. Furthermore, overseas sales and overseas operating income totaled US\$19.5 billion and US\$1.0 billion, respectively, compared to targets of US\$22.0 billion and US\$1.5 billion. We will continue to work to achieve our targets.

While continuing to focus on profit growth by promoting the initiatives described below, we will also increase our capital efficiency through stock repurchases and other measures, aiming to further grow our EPS.

- * Increased efficiency in capital investment (domestic network business) is in comparison to FY2014 and excludes NTT Communications' data centers and certain other assets.
- * Cost reductions (fixed-line/mobile access-related) are in comparison to FY2014 and exclude the impact of the change of depreciation method for property, plant and equipment.
- * Overseas operating income excludes M&A-related temporary expenses, such as depreciation costs of intangible fixed assets.

Initiatives to Expand Global Business and Increase Overseas Profit Generation

To achieve steady sales growth in our overseas business, we will work to further enhance our global business promotion system as well as our services and products. Furthermore, by expanding our global accounts and promoting up-selling and cross-selling,

we will work to enhance our sales and marketing. Additionally, we will continue to work to reform our business structure by maximizing cost efficiency and strengthening group governance and risk management.

Initiatives to Improve Efficiency and Enhance Profitability of Domestic Network Business

In the highly competitive domestic fixed-line communications market and mobile communications market, we will continue to make efforts toward profit generation through increased efficiency in capital investment and through cost reductions.

Specifically, in relation to the increased efficiency in capital investment, we will work to make networks simplified and streamlined, to utilize the results of research and development including software control technology, to further increase the usage efficiency of existing facilities, and to unify specifications of procured goods and narrow down models in order to cut procurement costs. Additionally, we will work to

make our IT systems more efficient through promoting shared platforms by utilizing the latest technology, including [virtualization](#).

With regard to cost reductions, we are continually enhancing initiatives to improve work processes by further standardizing and systematizing work. We will boost the competitiveness of our products and services through cost reductions, improve our user service and enhance returns to our customers, while simultaneously working to establish simple, efficient business operations based on our transition to the [B2B2X](#) model and other initiatives.

Initiatives to Expand B2B2X Business

We are supporting the communications services field as a Gold Partner (Telecommunications Services) for the Olympic and Paralympic Games Tokyo 2020, and we see the initiative to bring about Society 5.0 (the creation of a new smart society that helps resolve social issues), which is being promoted through public-private partnerships, as a great opportunity to utilize NTT's collective strength and organically use our national-scale fixed-line and mobile broadband networks, as well as our technology and know-how in

the information systems field. In particular, by expanding our collaborations with businesses in other fields, local governments and other service providers, and by supporting the digital transformation of service providers, we will contribute to the resolution of social issues and accelerate the creation of new value. Through the above efforts, we will create services that will be inherited by the next generation and connect to sustained growth in our domestic business.

Promotion of Fundamental Research & Development

We will develop the core technologies required for the achievement of our Medium-Term Management Strategy, including cloud, security, IoT, and AI in order to contribute to the acceleration of profit generation. We will also develop technology to reduce equipment cost by segmentalizing functions of network equipment, and to reduce the time required for network building, maintenance, and operations. Simultaneously, through the promotion of collaboration with other companies toward the creation of new value, we will consistently transform output of R&D into new businesses and proactively expand both in Japan and abroad.

Initiatives for Sustained Improvement in Corporate Value

In accordance with the guidelines set out in the “NTT Group CSR Charter,” we will help resolve the social and environmental issues that exist both in and outside of Japan and promote collective initiatives toward improved corporate value and the sustainable development of society.

■ Initiatives for Cybersecurity

- To continue to counter increasingly sophisticated and complex cyberattacks on international events, governments, and companies, while promoting the introduction of the latest R&D results, we will enhance our initiative to develop security personnel with high-level skills.

■ Initiatives to Ensure Diverse Personnel Can Demonstrate their Talents

- We respect and utilize personnel with diverse values and individuality, creating a work environment that ensures diverse personnel can demonstrate their talents, irrespective of gender, age, race, nationality, disability status, sexual orientation, or gender identity, advancing initiatives

to deepen understanding of work-life management among all of our employees and promote our “Work Style Reform.”

■ Initiatives for the Environment

- In accordance with the “NTT Group Environmental Statement,” we are promoting initiatives to contribute to lowering the environmental burden and adapting to climate change through the services and technologies provided by the Group companies such as our ICT services, as well as to preserve ecosystems in cooperation with all of our stakeholders including our business partners and local communities. Furthermore, we are continually working to improve energy efficiency and resource circulation throughout our business activities.

In addition to the above initiatives, 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 and implementation of disaster drills based on our collaborative frameworks with external agencies.

Capital Investment of NTT Group

NTT Group made a total of ¥1,674.8 billion of capital investments (a decrease of 1.5% from the previous fiscal year), focused on responding to customer demands for various services such as “FLET’S Hikari (including the Hikari Collaboration Model)” and LTE service (Xi) among others.

Category	Capital Investment (billions of yen)
Regional Communications Business	549.6
Long Distance and International Communications Business	232.5
Mobile Communications Business	576.4
Data Communications Business	194.1
Other Business	122.1

External Financing of NTT Group

NTT Group raised capital for capital investment and other purposes in the form of long-term funding in the amount of ¥431.5 billion.

The details of the long term funding are as follows:

Category	Amount (billions of yen)
Corporate Bonds	96.2
Long-term borrowings	335.3
Total	431.5

NTT raised ¥11.2 billion from long-term funding to be used by NTT for the purpose of making loans to NTT West and NTT Communications, and raised ¥120.0 billion as long-term borrowings from subsidiaries.

Main Lenders and Outstanding Borrowings of NTT Group

Lender	Outstanding Borrowings (billions of yen)
Mizuho Bank, Ltd.	596.3
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	408.3
Sumitomo Mitsui Banking Corporation	250.7
Mitsubishi UFJ Trust and Banking Corporation	169.0
Nippon Life Insurance Company	124.0
Sumitomo Mitsui Trust Bank, Limited	109.1
Shinkin Central Bank	99.5
Meiji Yasuda Life Insurance Company	99.0
Mizuho Trust & Banking Co., Ltd.	61.4
The Nishi-Nippon City Bank, Ltd.	49.5

Note: The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd. as of April 1, 2018. On April 16, 2018, the claims of Mitsubishi UFJ Trust and Banking Corporation for outstanding borrowings were assumed by MUFG Bank, Ltd. due to a company split of the former company.

Material Subsidiaries

Segment	Company	NTT's equity ownership percentage (%)	Main business activities
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	NTT Communications Corporation	100.00	Provision of inter-prefectural communications services, international communications services and internet-related services
	Dimension Data Holdings	100.00	IT system building and maintenance support for corporations
	NTT Security Corporation	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
	Virtela Technology Services	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
Mobile Communications Business	NTT DOCOMO, INC.	66.64 (0.01)	Provision of mobile communication services and smart life area services
Data Communications Business	NTT DATA CORPORATION	54.19 (0.02)	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 URBAN DEVELOPMENT CORPORATION	67.30	Real estate acquisition, development, leasing, and management
	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 FACILITIES, INC.	100.00	Design, management, and maintenance of buildings, equipment, and electric power facilities
	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. Status of specific wholly owned subsidiaries as of March 31, 2018 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	¥6,710,444 million
Nippon Telegraph and Telephone West Corporation	3-15, Banba-cho, Chuo-ku, Osaka-shi, Osaka	¥1,875,124 million	

Matters Regarding Shares

Total number of shares authorized to be issued by NTT

6,192,920,900 shares

Total number of shares issued and outstanding

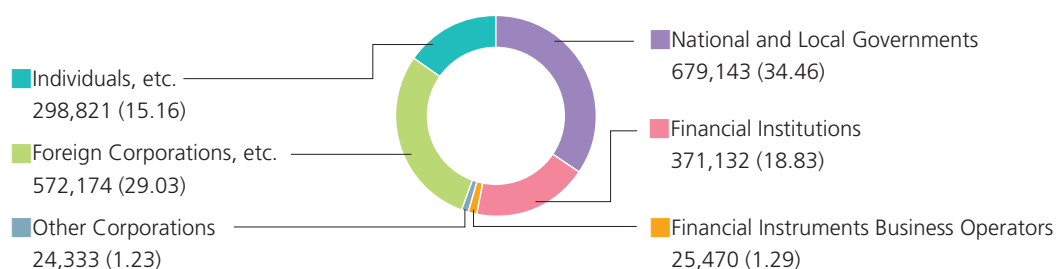
2,096,394,470 shares (treasury stock: 125,318,558 shares)

Number of shareholders as of the end of the fiscal year ended March 31, 2018

842,518 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 29 thousand shares in the name of Japan Securities Depository Center.

Principal Shareholders

Shareholders	Number of Shares Held (thousands)	Equity Ownership (%)
The Minister of Finance	679,122	34.45
Japan Trustee Services Bank, Ltd. (Trust Account)	84,566	4.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	72,864	3.70
JPMorgan Chase Bank 380055	39,826	2.02
Japan Trustee Services Bank, Ltd. (Trust Account 9)	28,099	1.43
Japan Trustee Services Bank, Ltd. (Trust Account 5)	26,911	1.37
Japan Trustee Services Bank, Ltd. (Trust Account 1)	19,993	1.01
Japan Trustee Services Bank, Ltd. (Trust Account 2)	19,728	1.00
Moxley & Co. LLC	19,199	0.97
JPMorgan Chase Bank 385632	18,267	0.93

Notes: 1. Number of Shares Held is rounded down to the nearest thousand.
2. NTT's holdings of treasury stock (125,318,558 shares) are not included in the above table.
3. Equity ownership percentages do not include treasury stock.

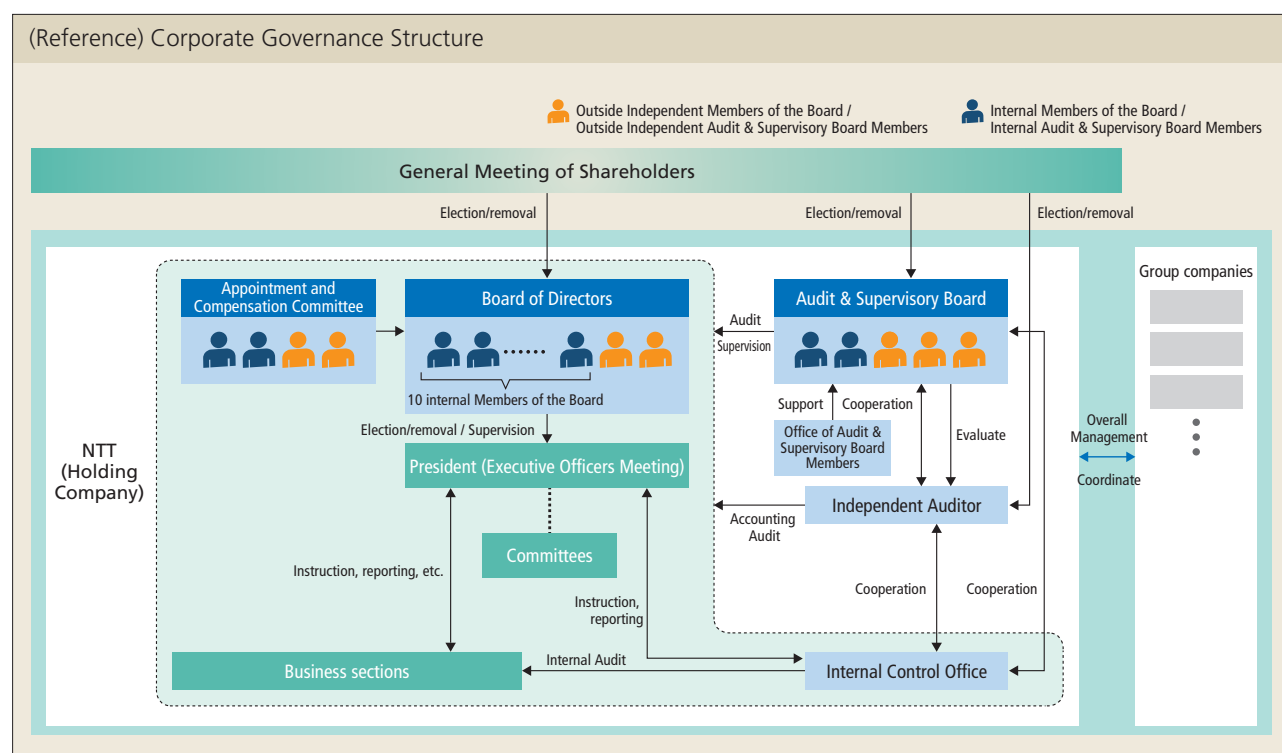
Status of Corporate Governance and Matters Regarding Corporate Officers

Status of Corporate Governance

Fundamental Policies

We believe that strengthening the structure 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 "Towards the Next Stage 2.0" formulated in May 2015, in order to embark on a profit growth track by accelerating our self-transformation towards a "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.



Overview of Corporate Governance Structure

We believe 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, we have strengthened the function of appropriately supervising the business execution.

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.

We have elected 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.

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 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.

Appointment and Compensation Committee

For the purpose of improving objectivity and transparency in the decisions of appointments and compensation of Members of the Board, we have 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.

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

From the perspectives of strengthening supervising functions for execution and guaranteeing appropriate audits of the execution of duties by Members of the Board, we have 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. We designate 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 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 NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, NTT COMMUNICATIONS CORPORATION, NTT DATA CORPORATION, and NTT DOCOMO, INC.
- *4 "An organization that received donations exceeding NTT's Standards" is defined as an organization which received donations from NTT and its major subsidiaries 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.

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 a senior executive vice president 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, 2018, active discussions were held centering on initiatives based on the Medium-Term Management Strategy, such as business integration aimed at expanding profits in the near term for global cloud services. Furthermore, in terms of the monitoring of the status of the execution of duties, we revised the contents of reports on the status of important initiatives in each execution field, making them easier to understand and 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 affiliated companies, and site visits were arranged for research and development and the security business, which the Company is focusing its efforts into.

Additionally, ideas and opinions on issues in 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 discussion, thereby ensuring the Board's effectiveness.

Taking into account these initiatives, we have evaluated that the effectiveness of the Board of Directors is being ensured, and we will work to further improve the Board's effectiveness going forward.

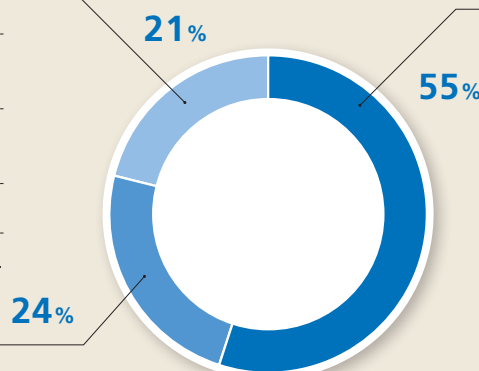
(Reference) Breakdown of matters discussed at the meetings of the Board of Directors (April 2017 through March 2018)

Corporate Governance

- General Meeting of Shareholders related
- Evaluation of the effectiveness of internal control systems
- Operational status of internal whistleblowing system
- Human resources
- Etc.

Capital policy

- Shareholder returns (stock repurchases and dividends)
- Financing and loans



Management strategy

- NTT Group operations
- Global strategy
- M&A matters of operating companies
- Report on the status of execution of duties
- Approval of Form 20-F and financial statements
- Research and development plans
- Etc.

Composition of the Board of Directors, Nomination Procedure of Directors, etc.

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.

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 "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 electing 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 elected 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 of 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 elects 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 electing 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 elects individuals who present no risk of a conflict of interest with general shareholders. In accordance with the Companies Act, NTT ensures that outside independent Audit & Supervisory Board Members make up half or more of the Audit & Supervisory Board.

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 independent Audit & Supervisory Board Members, and consent is granted if appropriate. The candidates are then approved by the Board of Directors and presented for voting at the General Meeting of Shareholders.

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 Group companies and of the latest R&D results at the research facilities of the Company.

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.

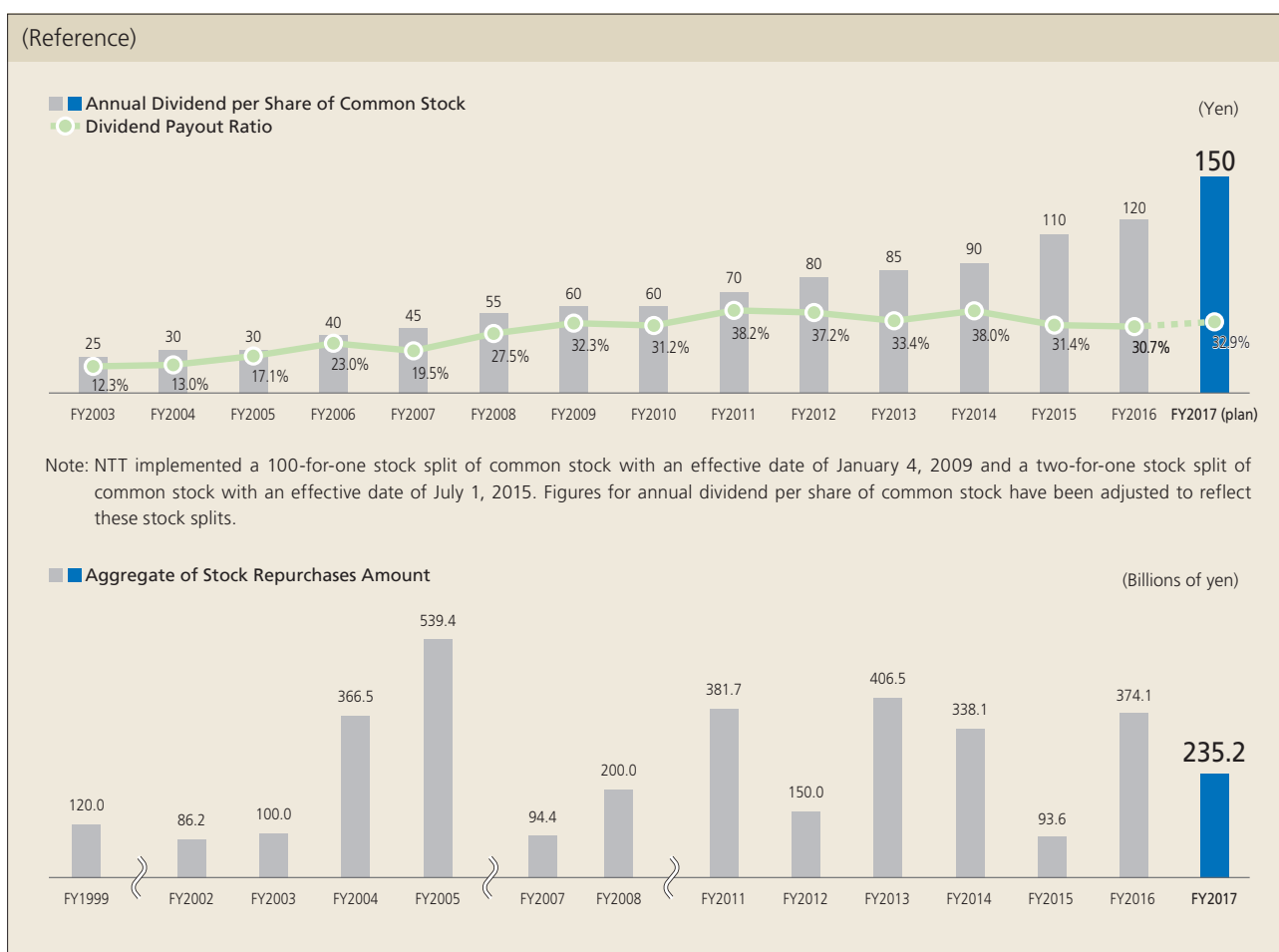
On the other hand, as one of its business policies, the Company pursues collaboration and open innovation with partners in various industries to contribute to medium- to long-term improvement in corporate value. Based on this policy, we own shares of partner companies as necessary.

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

Capital Policy

We have set the returning of profits to shareholders, while maximizing corporate value over the medium-to long-term, as one of our important management challenges.

We aim to enhance the return of profits to shareholders in the medium-to long-term, and while payment of dividends is the primary means, we also adroitly and flexibly implement stock repurchases.



Pursuant to applicable laws and regulations, and Article 16 of NTT's Articles of Incorporation, "Content of Resolutions Concerning the Systems to Ensure the Propriety of NTT's Business" and "Outline of Operations of the Systems to Ensure Propriety of NTT's Business" are posted on NTT's website.

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

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

Position	Name	Responsibilities	Description of Principal Concurrent Positions
Chairman of the Board	Satoshi Miura		External Director of THE HIROSHIMA BANK, LTD. Outside Director of Nippon Life Insurance Company
President and Chief Executive Officer Representative Member of the Board	Hiroo Unoura		
Senior Executive Vice President Representative Member of the Board	Hikomichi Shinohara	In charge of technical strategy and international standardization Head of Research and Development Planning	
Senior Executive Vice President Representative Member of the Board	Jun Sawada	In charge of business strategy and risk management	Representative Director and President, Chief Executive Officer of NTT Security Corporation
Executive Vice President Member of the Board	Mitsuyoshi Kobayashi	Head of Technology Planning	Member of the Board of NTT COMWARE CORPORATION
Executive Vice President Member of the Board	Akira Shimada	Head of General Affairs	Member of the Board of Nippon Telegraph and Telephone West Corporation
Senior Vice President Member of the Board	Tsunehisa Okuno	Head of Global Business	Senior Vice President of Dimension Data Holdings plc Director of NTT Security Corporation
Senior Vice President Member of the Board	Hiroki Kuriyama	Head of Strategic Business Development In charge of 2020 Project	
Senior Vice President Member of the Board	Takashi Hiroi	Head of Finance and Accounting	
Senior Vice President Member of the Board	Eiichi Sakamoto	Head of Corporate Strategy Planning	Member of the Board of Nippon Telegraph and Telephone East Corporation
Member of the Board	Katsuhiko Shirai		Outside Director of Japan Display, Inc. Senior Advisor of Toray Industries, Inc. Outside Director of Hitachi, Ltd. Chairman of the Japan Business Federation (Keidanren)
Member of the Board	Sadayuki Sakakibara		
Full-time Audit & Supervisory Board Member	Akiko Ide		
Full-time Audit & Supervisory Board Member	Takao Maezawa		
Audit & Supervisory Board Member	Michiko Tomonaga		Certified Public Accountant Outside Director of Keikyu Corporation
Audit & Supervisory Board Member	Seiichi Ochiai		Lawyer Outside Director of Meiji Yasuda Life Insurance Company Outside Auditor of Ube Industries, Ltd.
Audit & Supervisory Board Member	Takashi Iida		Lawyer Outside Corporate Auditor of Shimadzu Corporation Outside Director of Alps Electric Co., Ltd.

Notes: 1. Changes in principal concurrent positions of Members of the Board and Audit & Supervisory Board Members in the fiscal year under review are as described in the following table.

Position	Name	Company Where Concurrent Position Is Held	Description of Concurrent Position	Remarks
Member of the Board	Satoshi Miura	Nippon Life Insurance Company	Outside Director	Assumed on July 4, 2017
Member of the Board	Sadayuki Sakakibara	Toray Industries, Inc.	Chief Senior Advisor and Chief Senior Counselor	Retired on June 27, 2017
			Senior Advisor	Assumed on June 27, 2017

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 outside independent Members of the Board and filed the information related thereto with the Tokyo Stock Exchange. There is no special relationship between NTT and the companies where Mr. Katsuhiko Shirai and Mr. Sadayuki Sakakibara hold concurrent positions.
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 outside independent Audit & Supervisory Board Members and filed the information related thereto with the Tokyo Stock Exchange. There is no special relationship between NTT and the companies where Ms. Michiko Tomonaga, Mr. Seiichi Ochiai and Mr. Takashi Iida hold concurrent positions.
4. 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.

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.

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

Policies

With regard to matters concerning the compensation of Members of the Board, 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.

Compensation of Members of the Board (excluding outside Members of the Board) consists of a base salary and a bonus. The base salary is paid monthly on the basis of the scope of each Member of the Board's roles and responsibilities. The bonus is paid taking into account NTT's business results for the current term. 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- and long-term business results in compensation. Purchased shares are to be held by the Members of the Board throughout their terms of office.

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

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, 2018

Position	Number of Persons	Total Compensation (Millions of yen)
Members of the Board	12	549
Audit & Supervisory Board Members	5	119
Total	17	668

Notes: 1. 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.

2. Total compensation of Members of the Board includes ¥101 million in bonuses for the fiscal year ended March 31, 2018.

3. In addition to the above, an aggregate of ¥14 million is to be paid to Members of the Board who are also employees as bonuses for their service as employees.

Outside Members of the Board and Audit & Supervisory Board Members

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

Attendance at and statements made at Board of Directors Meetings and Audit & Supervisory Board Meetings

Position	Name	Statements made at Board of Directors Meetings and Audit & Supervisory Board Meetings	Board of Directors Meetings		Audit & Supervisory Board Meetings	
			Number of Meetings Attended	Attendance Rate	Number of Meetings Attended	Attendance Rate
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.	11/12	92%	–	–
	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.	10/12	83%	–	–
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.	11/12	92%	21/22	95%
	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.	10/12	83%	19/22	86%
	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.	12/12	100%	22/22	100%

Note: Even in circumstances where members were unable to attend a meeting, they were provided with an explanation in advance and they submitted their opinions.

Total Compensation of Outside Members of the Board and Audit & Supervisory Board Members during the Fiscal Year Ended March 31, 2018

	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 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, 2018" on page 53.



(Reference)

Glossary of Terms

(Alphabetical order)

■ +d

Collective name for the initiative being pursued by NTT DOCOMO to create new added value through collaboration with a wide range of external partners.

■ 5G

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

■ AI

Artificial Intelligence

■ AR (Augmented Reality)

An artificial world created by adding computer-generated information including images and text to the real world.

■ B2B2X

An initiative aimed at working together with service providers of 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.

■ Blockchain

Technologies used mainly for virtual currencies which directly connect network devices and allow for dispersed transaction processing and recording.

■ 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.

■ Comprehensive

Commercialization System

Activities to promote the prompt business development of results developed in research facilities.

■ Connected Cars

Vehicles which have ICT device functionality.

■ Cross-selling

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

■ FinTech

Term combining "Finance" and "Technology." FinTech creates new financial services by integrating ICT and finance.

■ 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.

■ Hikari Collaboration Model

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

■ IoT (Internet of Things)

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

■ 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 experience a mismatch between their assigned sex and gender identity.

■ LTE (Long Term Evolution)

A wireless communication standard characterized by high speed, high capacity, efficient radio wave use and low-latency.

■ 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.

■ Open-source software

Software for which the internal source code is published online either free or at low cost for anyone to use or redistribute.

■ RPA (Robotic Process Automation)

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

■ Seamless

Without seams.

■ System Integration

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

■ Up-selling

Marketing method in which a product from a higher category is recommended to a customer considering the purchase of a certain product.

■ Virtualization

Technology which allows multiple virtual computers to be created within one computer and separate core software to be installed and run on each.

■ VR (Virtual Reality)

An artificial world created using computer-generated images and sounds.

■ White box switch

General-purpose communication devices allowing users to freely select hardware and software.

Consolidated Financial Statements

Consolidated Balance Sheet (At March 31, 2018)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES AND EQUITY	
Current assets		Current liabilities	
Cash and cash equivalents	780,300	Short-term borrowings	270,743
Short-term investments	31,641	Current portion of long-term debt	624,385
Notes and accounts receivable, trade	2,976,467	Accounts payable, trade	1,613,516
Allowance for doubtful accounts	(52,332)	Current portion of obligations under capital leases	12,567
Accounts receivable, other	662,190	Accrued payroll	460,357
Inventories	393,582	Accrued taxes on income	245,326
Prepaid expenses and other current assets	575,704	Accrued consumption tax	88,420
Total current assets	5,367,552	Advances received	374,444
Property, plant and equipment		Other	549,263
Telecommunications equipment	10,917,851	Total current liabilities	4,239,021
Telecommunications service lines	14,217,566	Long-term liabilities	
Buildings and structures	6,280,584	Long-term debt (excluding current portion)	2,947,945
Machinery, vessels and tools	2,127,201	Obligations under capital leases (excluding current portion)	22,587
Land	1,307,985	Liability for employees' retirement benefits	1,619,907
Construction in progress	438,604	Accrued liabilities for point programs	105,037
Accumulated depreciation	(25,468,698)	Deferred income taxes	128,833
Net property, plant and equipment	9,821,093	Other	529,959
Investments and other assets		Total long-term liabilities	5,354,268
Investments in affiliated companies	502,936	Redeemable noncontrolling interests	
Marketable securities and other investments	525,170		49,930
Goodwill	1,329,275	Equity	
Software	1,223,985	NTT shareholders' equity	
Other intangible assets	394,489	Common stock, no par value	937,950
Other assets	1,590,636	Additional paid-in capital	2,853,613
Deferred income taxes	920,634	Retained earnings	6,260,631
Total investments and other assets	6,487,125	Accumulated other comprehensive income (loss)	44,529
		Treasury stock, at cost	(610,742)
		Total NTT shareholders' equity	9,485,981
		Noncontrolling interests	2,546,570
		Total equity	12,032,551
Total assets	21,675,770	Total liabilities and equity	21,675,770

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

Consolidated Statement of Income (from April 1, 2017 to March 31, 2018)

(Millions of yen)

Item	Amount	Total
Operating revenues		
Fixed voice related services	1,146,901	
Mobile voice related services	942,183	
IP/packet communications services	3,801,771	
Sale of telecommunications equipment	843,548	
System integration	3,443,147	
Other	1,622,037	11,799,587
Operating expenses		
Cost of services (excluding items shown separately below)	2,348,541	
Cost of equipment sold (excluding items shown separately below)	915,540	
Cost of system integration (excluding items shown separately below)	2,471,347	
Depreciation and amortization	1,339,423	
Impairment losses		
Goodwill	18,864	
Metal cables	124,800	
Other	18,505	
Selling, general and administrative expenses	2,919,724	10,156,744
Operating income		1,642,843
Other income (expenses)		
Interest and amortization of bond discounts and issue costs	(32,188)	
Interest income	19,094	
Income from arbitration award	147,646	
Other, net	(21,771)	112,781
Income before income taxes and equity in earnings (losses) of affiliated companies		1,755,624
Income tax expense (benefit)		
Current	532,525	
Deferred	9,339	541,864
Income before equity in earnings (losses) of affiliated companies		1,213,760
Equity in earnings (losses) of affiliated companies		5,551
Net income		1,219,311
Less—Net income attributable to noncontrolling interests		309,616
Net income attributable to NTT		909,695

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

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (At March 31, 2018)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets		Current liabilities	
Cash and bank deposits	359	Accounts payable, trade	343
Accounts receivable, trade	1,090	Current portion of long-term borrowings	221,500
Supplies	176	Short-term borrowings	146,088
Advance payment	885	Lease obligations	16
Deferred income taxes	885	Accounts payable, other	21,882
Short-term loans receivable	112,605	Accrued expenses	5,413
Accounts receivable, other	170,411	Accrued taxes on income	716
Other	6,050	Advances received	1,199
Total current assets	292,465	Deposits received	14,959
Fixed assets		Deposits received from subsidiaries	63,767
Property, plant and equipment		Other	55
Buildings	90,121	Total current liabilities	475,943
Structures	4,454	Long-term liabilities	
Machinery, equipment and vehicles	369	Corporate bonds	486,751
Tools, furniture and fixtures	19,639	Long-term borrowings	886,886
Land	29,151	Long-term borrowings from subsidiaries	220,000
Lease assets	29	Lease obligations	15
Construction in progress	921	Liability for employees' retirement benefits	33,492
Total property, plant and equipment	144,687	Asset retirement obligations	1,564
Intangible fixed assets		Other	3,198
Software	12,694	Total long-term liabilities	1,631,909
Lease assets	0	Total liabilities	2,107,853
Other	280	NET ASSETS	
Total intangible fixed assets	12,975	Shareholders' equity	
Investments and other assets		Common stock	937,950
Investment securities	11,388	Capital surplus	
Investments in subsidiaries and affiliated companies	5,166,558	Additional paid-in capital	2,672,826
Other securities of subsidiaries and affiliated companies	9,454	Other capital surplus	1
Contributions to affiliated companies	132	Total capital surplus	2,672,827
Long-term loans receivable to subsidiaries	1,054,206	Earned surplus	
Prepaid pension costs	1,583	Legal reserve	135,333
Deferred income taxes	15,549	Other earned surplus	
Other	1,442	Accumulated earned surplus	1,466,991
Total investments and other assets	6,260,315	Total earned surplus	1,602,324
Total fixed assets	6,417,978	Treasury stock	(610,741)
		Total shareholders' equity	4,602,360
		Unrealized gains (losses), translation adjustments, and others	
		Net unrealized gains (losses) on securities	230
		Total unrealized gains (losses), translation adjustments, and others	230
		Total net assets	4,602,591
Total assets	6,710,444	Total liabilities and net assets	6,710,444

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

Non-consolidated Statement of Income (from April 1, 2017 to March 31, 2018)

(Millions of yen)

Item	Amount	Total
Operating revenues		
Dividends received	535,380	
Revenues from group management	21,049	
Revenues from basic R&D	94,999	
Other services	11,688	663,118
Operating expenses		
Administration	23,745	
Experiment and research	88,697	
Depreciation and amortization	15,509	
Retirement of fixed assets	1,155	
Miscellaneous taxes	3,458	132,565
Operating income		530,552
Non-operating revenues		
Interest income	9,514	
Lease and rental income	10,387	
Miscellaneous income	1,917	21,819
Non-operating expenses		
Interest expenses	10,994	
Corporate bond interest expenses	7,470	
Lease and rental expenses	5,241	
Miscellaneous expenses	522	24,228
Recurring profit		528,143
Special profit		
Gains on sales of investments in subsidiaries and affiliated companies	199,696	199,696
Special losses		
Write-off of investment securities	2,665	2,665
Income before income taxes		725,174
Corporation, inhabitant, and enterprise taxes	1,498	
Deferred tax expenses (benefits)	(1,231)	266
Net income		724,908

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

Auditor's Reports

Auditor's Report on Consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT (CONSOLIDATED)

May 8, 2018

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 balance sheet, the consolidated statement of income, 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, 2018 and for the fiscal year from April 1, 2017 to March 31, 2018 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 Ordinance of Companies Accounting, as applied mutatis mutandis pursuant to Article 120-3(3) of the said Ordinance, that prescribes some omissions of disclosure items required under U.S. Generally Accepted Accounting Principles, 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 control 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, while 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 Ordinance of Companies Accounting, as applied mutatis mutandis pursuant to Article 120-3(3) of the said Ordinance, that prescribes some omissions of disclosure items required under U.S. Generally Accepted Accounting Principles, 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, 2018

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, 2018 and for the 33rd fiscal year from April 1, 2017 to March 31, 2018 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 control 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, while 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 33rd fiscal year from April 1, 2017, to March 31, 2018. 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 Ordinance of Companies 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 balance sheet, consolidated statement of income, 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 10, 2018

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 33rd 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)



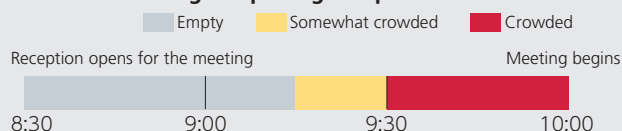
To shareholders who will attend the meeting

- 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.

We ask for your cooperation to help conduct a smooth meeting.

The reception is expected to be heavily crowded just before the start of the meeting.
To alleviate crowding, we ask for your cooperation in arriving early.

Level of crowding at opening reception



To Shareholders:

**INTERNET DISCLOSURE INFORMATION IN CONNECTION WITH
THE NOTICE OF CONVOCAION OF THE 33RD 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, 2018

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, 2018): 282,533 (an increase of 7,689 from the previous fiscal year)

Category	Number of Employees
Regional Communications Business	67,592
Long Distance and International Communications Business	45,320
Mobile Communications Business	27,464
Data Communications Business	118,006
Other Business	24,151

Changes in Consolidated Assets and Consolidated Income of NTT Group

Category	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Operating revenues (billions of yen)	11,095.3	11,541.0	11,391.0	11,799.6
Operating income (billions of yen)	1,084.6	1,348.1	1,539.8	1,642.8
Income before income taxes (billions of yen)	1,066.6	1,329.3	1,527.8	1,755.6
Net income (billions of yen)	518.1	737.7	800.1	909.7
Net income per share (yen)	236.85	350.34	390.94	455.78
Total assets (billions of yen)	20,702.4	21,035.9	21,250.3	21,675.8
Shareholders' equity (billions of yen)	8,681.9	8,833.8	9,052.5	9,486.0
Shareholders' equity per share (yen)	4,100.63	4,214.32	4,491.73	4,812.59

- 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, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Operating revenues (billions of yen)	411.8	521.7	474.3	663.1
Operating income (billions of yen)	273.9	384.0	339.6	530.5
Recurring profit (billions of yen)	272.3	381.4	334.9	528.1
Net income (billions of yen)	556.5	666.6	288.1	724.9
Net income per share (yen)	254.45	316.59	140.77	363.20
Total assets (billions of yen)	7,027.3	7,052.0	6,681.0	6,710.4
Net assets (billions of yen)	4,345.4	4,717.9	4,383.5	4,602.5
Net assets per share (yen)	2,052.46	2,250.77	2,175.04	2,335.07

- 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, 2018

Independent Auditor	Amount
KPMG AZSA LLC	¥380 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	¥3,410 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, 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 at each NTT Group company and a group-wide external Corporate Ethics Helpline 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 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 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 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 287 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 33 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.): 10
- Finance Strategy Committee (Basic strategies related to finance, policies for addressing financial issues): 5

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, 2017 to March 31, 2018)

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

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
 - (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, materials, projects in progress and supplies, which are stated at the lower of cost or net realizable value (based on estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation). The cost of telecommunications equipment to be sold 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 goodwill and intangible assets with indefinite lives 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

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

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

Prior service cost arising from changes to benefit schemes is amortized from the time of recognition on a straight-line basis over the estimated 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, 2018, NTT Group comprised 922 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, 2017, certain of NTT's consolidated subsidiaries changed their fiscal year ends from December 31 or January 31 to March 31, thereby eliminating a three-month or two-month lag between their fiscal year ends and NTT's fiscal year end in NTT's consolidated financial statements. As a result of this change, NTT's retained earnings have increased by ¥964 million, and its accumulated other comprehensive income (loss) and noncontrolling interests have decreased by ¥3,351 million and ¥2,012 million, respectively, as of the beginning of the fiscal year ended March 31, 2018.

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: ¥85,025 million

Notes to Consolidated Statement of Changes in Equity

- Number and type of shares issued and outstanding as of the end of the fiscal year ended March 31, 2018

Common stock: 2,096,394,470 shares

- Dividends

- (1) Payment of dividends

Resolution	Type of Shares	Total Dividends (Millions of yen)	Dividends per Share (Yen)	Record Date	Effective Date
June 27, 2017 Ordinary general meeting of shareholders	Common stock	120,922	60	March 31, 2017	June 28, 2017
November 10, 2017 Board of Directors meeting	Common stock	150,484	75	September 30, 2017	December 11, 2017

- (2) Dividends for which the record date fell in the fiscal year ended March 31, 2018 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 26, 2018 Ordinary general meeting of shareholders	Common stock	Retained earnings	147,831	75	March 31, 2018	June 27, 2018

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, 2018 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	150,913	160,683	9,770
Marketable securities and other investments			
Available-for-sale securities			
Equity securities	349,200	349,200	—
Debt securities	116,908	116,908	—
Held-to-maturity securities			
Debt securities	4,508	4,582	74
Liabilities			
Long-term debt including current portion	(3,572,330)	(3,638,118)	65,788
Derivatives			
Forward exchange contracts	(5,310)	(5,310)	—
Interest rate swap agreements	(2,151)	(2,151)	—
Currency swap agreements	(21,068)	(21,068)	—
Currency option agreements	(842)	(842)	—

* 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
1,043,150	2,118,767

*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:	¥4,812.59
Net income attributable to NTT per share:	¥455.78

Other

Significant business combinations

On November 2, 2016 (U.S. time), NTT DATA CORPORATION ("NTT DATA"), a subsidiary of NTT, acquired Dell Systems Corporation and other corporations (currently, NTT DATA Services Corporation) through its subsidiaries, and such companies became its subsidiaries. NTT DATA also acquired Dell group's IT services-related business. The accounting procedures of these business acquisitions were finalized in the fiscal year ended March 31, 2018.

On the date of the acquisitions, the amounts of assets acquired, liabilities assumed and goodwill recognized were ¥167,503 million, ¥25,897 million and ¥178,999 million, respectively, and the total acquisition cost was ¥320,605 million.

Corporate bonds

On March 26, 2018, the Board of Directors resolved that NTT may raise up to ¥90.0 billion by issuing telegraph and telephone bonds and foreign currency bonds during the period from July 1 to September 30, 2018.

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

In December 2017, NTT Group determined that a portion of the metal cables used for its telecommunications business was idle assets with no prospect of future use

The usage rate of metal cables has been decreasing continuously. In addition to the downward trend in the number of subscribers to the fixed-line services that use these cables, NTT Group and other related parties such as service providers have recognized that the decrease in such services is unavoidable going forward.

Based on the changes in the business environment described above, NTT Group determined that a certain unused portion of the metal cables was idle assets with no prospect of future use and thus reduced the carrying amount to the fair value. Consequently, NTT Group recorded ¥124,800 million of impairment losses for "Telecommunications service lines" as "Impairment losses-Metal cables" on its consolidated statement of income. The fair value was measured based on the market valuation approach, considering the market price of the metal cables' major materials less the related cost incurred if the metal cables are made available for sale.

Payment received in respect of the arbitration award related to stake in Tata Teleservices Limited

In accordance with the Court (London Court of International Arbitration) decision as to Tata Sons Limited's ("Tata Sons") breach regarding execution of an option for sale of stake in Tata Teleservices Limited ("TTSL") pursuant to the shareholders agreement among TTSL, Tata Sons and NTT DOCOMO, Inc. ("NTT DOCOMO"), a subsidiary of NTT, NTT DOCOMO received payment of an arbitration award* from Tata Sons on October 31, 2017. As a result of this transaction, NTT Group recorded the award amount of ¥147,646 million as "Income from arbitration award" on its consolidated statement of income. Concurrent with the receipt of the above award amount, all shares in TTSL held by NTT DOCOMO were transferred to Tata Sons and companies designated by Tata Sons. Upon the transfer of NTT DOCOMO's shares in TTSL, NTT Group discontinued the application of the equity method to the investment in TTSL. As a result, NTT Group recorded ¥29,841 million of loss on transfer of investment in an affiliate, equal to the reclassification adjustments of foreign currency translation adjustments, in "Other, net" on its consolidated statement of income.

* The amount received included interest earned and other costs awarded.

Subsequent Events

Acquisition of treasury stock

On February 21, 2018, the Board of Directors resolved that NTT may acquire up to 31 million shares of its outstanding common stock for an amount in total not exceeding ¥150.0 billion from February 22, 2018 through June 30, 2018. Based on this resolution, NTT repurchased 8,400,000 shares of its common stock for a total purchase price of ¥42,010 million in March 2018. NTT also repurchased 12,000,000 shares of its common stock for a total purchase price of ¥61,557 million in April 2018.

Non-consolidated Financial Statements

Non-consolidated Statement of Changes in Shareholders' Equity and Other Net Assets (from April 1, 2017 to March 31, 2018)

(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	0	2,672,826	135,333	1,013,489	1,148,822	(375,222)	4,384,376	(865)	(865)	4,383,510
Net change during the annual period												
Cash dividends						(271,405)	(271,405)		(271,405)			(271,405)
Net income						724,908	724,908		724,908			724,908
Payments to acquire treasury stock								(235,530)	(235,530)			(235,530)
Resale of treasury stock			1	1				11	12			12
Others, net										1,096	1,096	1,096
Total net change during the annual period	-	-	1	1	-	453,502	453,502	(235,519)	217,984	1,096	1,096	219,080
At end 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

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
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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, 2018.

(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, 2018.

[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, 2018.

[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 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)	¥486,751 million
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2. Accumulated depreciation on property, plant and equipment: ¥296,727 million

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

Short-term accounts receivable:	¥251,866 million
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Long-term accounts receivable:	¥861 million
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Short-term accounts payable:	¥169,691 million
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Long-term accounts payable:	¥1,154 million
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Notes to Non-Consolidated Statement of Income

1. Transactions with affiliated companies

Balance of operating transactions

Operating revenues	¥124,966 million
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Operating expenses	¥50,691 million
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Balance of non-operating transactions	¥231,246 million
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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.

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, 2018.

Treasury stock:	125,318,558 shares
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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 ¥39,962 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	—	Long-term loans to subsidiaries	225,220
				Receipt of interest ¹	3,302	Other current assets	158
				Receipt of expenses relating to basic research and development ²	32,457	—	—
				Lease of land and buildings ³	5,661	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	100,000	Short-term loans receivable	60,000
						Long-term loans to subsidiaries	631,000
				Receipt of interest ¹	5,719	Other current assets	676
				Receipt of expenses relating to basic research and development ²	33,600	—	—
Subsidiary	NTT Communications Corporation	100% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Loan of capital ¹	31,248	Short-term loans receivable	50,000
						Long-term loans to subsidiaries	197,986
				Receipt of interest ¹	473	Other current assets	53
Subsidiary	NTT Finance Corporation	92% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Borrowing of capital ⁴	202,444 ⁵	Short-term borrowings	146,088
		7% indirect ownership				Long-term borrowings from subsidiaries	220,000
				Payment of interest ⁴	165	Accrued expense	29
				Transfer of capital among NTT Group companies	95,107	Accounts receivable, other	3,649

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.

Notes Concerning Financial Data per Share

Net assets per share	¥2,335.07
Net income per share	¥363.20

Notes Concerning Significant Subsequent Events

On February 21, 2018, the Board of Directors resolved that NTT may acquire up to 31 million shares of its outstanding common stock for an amount in total not exceeding ¥150.0 billion from February 22, 2018 through June 30, 2018. Based on this resolution, NTT repurchased 8,400,000 shares of its common stock for a total purchase price of ¥42,010 million in March 2018. NTT also repurchased 12,000,000 shares of its common stock for a total purchase price of ¥61,557 million in April 2018.

Other

Corporate bonds

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