

NTTNIPPON TELEGRAPH AND TELEPHONE
CORPORATION

NEWS RELEASE

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Submission for Approval of Business Operation Plan for the Fiscal Year Ending March 31, 2017

Nippon Telegraph and Telephone Corporation (“NTT”) today submitted its business operation plan for the fiscal year ending March 31, 2017 to the Minister for Internal Affairs and Communications for approval.

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The information and communications services network and environment are bringing about a broad range of changes such as improvements in the convenience of people's lives and greater efficiency in each industry through advances in technologies such as IoT, AI and Big Data. Through these developments, it is now possible to store and analyze various types of data due to the enhancement of the broadband communications environment, including FTTH and LTE, the proliferation and penetration of smartphones, tablets and other devices, and the growing use of cloud computing.

The use of ICT by a number of service providers in the information and communications services market is becoming more widespread, and business partnerships that go beyond the boundaries of industry sectors and business types are expected to generate a variety of innovative new services in order to contribute to greater economic growth and the vitalization of local economies driven by the Tokyo 2020 Olympic and Paralympic Games, and also to work to resolve Japan's anticipated social issues, such as the low birthrate and aging population.

At the same time, increasingly sophisticated and complex security threats and the strengthening of disaster prevention measures demonstrate that the role of information and communications services in achieving the secure and reliable operation of social systems and enriching people's lifestyles is becoming increasingly important.

To help ensure that universal services are maintained amid this evolving information and communications environment, NTT intends to provide all necessary advice, coordination, and other assistance to Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation (the "regional companies"). NTT will also endeavor to promote research and development in information communications technology, which serves as a foundation for telecommunications.

In addition, NTT Group's Medium-Term Management Strategy entitled, "Towards the Next Stage," announced in November 2012 was revised in May 2015. Each NTT Group company, including the regional companies, will continue to pursue a B2B2X model by working to reform its own business model with the aim of becoming a "Value Partner" that customers continue to select and collaborating with a variety of service providers.

As NTT undertakes these initiatives, it intends to continue to ensure fair competitive conditions under the existing legal framework.

In addition to these measures, NTT will also work to increase corporate value by actively expanding its global business, strengthening the profitability of its network services, and engaging in management directed at the development of NTT Group as a whole.

Based on these fundamental concepts, in the management of its business operations for the fiscal year ending March 31, 2017, NTT will aim to grow its businesses by actively developing global business and strengthening the profitability of its network services, while also striving to accelerate the shift to a B2B2X model for business growth by supporting the creation of new services and business opportunities through the Hikari Collaboration Model.

NTT will seek to ensure the stable development of its operations in the future, and to return the fruits of these efforts to customers, shareholders and the community at large by providing an advanced broadband network, creating a variety of services, and engaging in research and development activities that will sustain and strengthen open innovation and produce the technology and human capital to support a new business model.

Based on the concepts outlined above, pursuant to the business operation plan for the fiscal year ending March 31, 2017, NTT expects to manage its business by prioritizing the following activities, and doing so in a flexible manner so as to respond to changes in the business environment.

1. Advice, coordination, and other assistance

NTT will aim to exercise appropriate shareholder rights and provide all necessary advice, coordination and other assistance to its regional companies to ensure the maintenance of high-quality and stable universal services. Such assistance will include planning and coordination relating to the quality and upgrading of telecommunications networks, deployment of control and coordination capabilities in the event of natural disasters and other emergencies, efficient financing, and formulation of policies for material procurement.

NTT will support the efforts of each NTT Group company, including the regional companies, to streamline their business operations and expand their business opportunities, and will assist with the development of human capital that will form the core of NTT Group as well as compliance with applicable regulations.

2. Promotion of basic research and development

NTT will work to harmonize network platform technologies, technologies that provide a basis for new services and applications, as well as general advanced and basic technologies, while focusing its efforts on higher value-added research and development. NTT will also be actively involved in innovation, expansion and standardization activities in collaboration with business partners, starting with other research and development institutions, and in technology exchanges both in Japan and abroad.

NTT will seek to further increase research efficiency and ensure the continuous execution of basic research and development efforts through revenues generated from the use of such efforts, and the bearing of related expenses on an ongoing basis, by the regional companies and other NTT Group companies.

Specifically, NTT will give priority to the following areas of NTT's research and development activities:

(1) Infrastructure-related research and development

In order to develop an information network infrastructure to "connect" everything under the concepts of "smart," "simple" and "sustainable," NTT will undertake research and development to realize a highly profitable information network that can flexibly respond to the various needs of the customers and service providers who use it.

Specifically, NTT will pursue research and development such as technology for transmission-related functions that combines general-use equipment to develop a flexible network, and a server architecture with high scalability and redundancy in which the scale can be changed flexibly in response to demand.

NTT will also pursue research and development that supports disaster-resistant networks as well as research and development directed toward realizing common network platforms usable in different fields such as the fusion of various services such as voice and images that make use of the unique characteristics of IP networks.

(2) User-related research and development

With a view toward creating advanced services that enrich the lives of and provide comfort to customers, NTT plans to undertake research and development in technologies that integrate telecommunications and computer technology, such as media processing, personalization, cloud services and security.

Specifically, NTT will promote research and development in the following technologies: technology for the real-time transmission of highly immersive images that makes comprehensive use of media synchronization technology and next-generation video compression technology, data analysis technology to provide services in accordance with the user's circumstances and intentions, voice and image recognition technology and cloud-based device cooperation control platforms that enable the linking of sensors and robots as technologies that support AI and IoT, and security-related technology such as attack detection and control technology to counteract cyberattacks.

NTT also intends to engage in activities that provide support to other companies, universities and other institutions with the goal of raising the cybersecurity skill level in all industries while simultaneously developing security experts within NTT Group.

(3) Research and development in basic technologies

NTT is committed to contributing to innovative improvement and development of information and telecommunications in Japan to ensure a leading position in technology research that will support the future of telecommunications. To fulfill these commitments, NTT will undertake research and development activities in basic technologies.

Specifically, this will include research in areas such as: the next generation extra high-speed fiber-optic communications technologies that aim to realize a high capacity fiber-optic communications infrastructure that can support connectivity of 100 Gbps, and optical devices and integrated nanophotonics technologies.

NTT will also pursue research on innovative principles and new concepts, including quantum computing-related technology that exceeds current information processing capabilities; a broad range of cutting-edge materials, including nitride semiconductors and grapheme, and nanobiology; and a scientific analysis of the human sensory, physical and emotional mechanisms related to communications.

The following table presents an overview of NTT's capital investment plan for the above-mentioned activities.

**Capital Investment Plan for
the Fiscal Year Ending March 31, 2017**

(Billions of yen)

Item	Expected investment
1. R&D facilities	14
2. Other facilities	4
Total	18

Attachment 1

**Revenues and Expenses Plan for
the Fiscal Year Ending March 31, 2017**

(Billions of yen)

Item	Amount
Revenues	
Operating revenues	447 *
Non-operating revenues	25
Total revenues	472
Expenses	
Operating expenses	134
Non-operating expenses	29
Total expenses	163
Recurring profit	309

Note: * This includes revenues from basic R&D of 100 billion yen and revenues from Group management and other sources of 21 billion yen.

Attachment 2

**Planned Sources and Applications of Funds for
the Fiscal Year Ending March 31, 2017**

(Billions of yen)

Item	Amount
Sources:	
Operational:	418
Operating revenues	393
Non-operating revenues	25
Financial:	333
Long-term loans and bonds	103
Other financial income	230
Estimated consumption tax receipts	11
Balance brought forward from previous fiscal year	1
Total	763
Applications:	
Operational:	141
Operating expenses	115
Non-operating expenses	26
Financial:	507
Capital investments	18
Other financial expenses	489
Account settlement expenses	107
Provisional consumption tax payments	7
Balance carried forward to following fiscal year	1
Total	763