Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



THE 32ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

# NOTICE OF CONVOCATION

## Information

### Date and Time:

Tuesday, June 27, 2017 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:

**Item** Distribution of Earned Surplus

**NIPPON TELEGRAPH AND TELEPHONE CORPORATION**

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

(Code No.: 9432)

# Table of contents

**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 a 🌐 are posted on NTT's website and are therefore not included in the Attachments to the Notice of Convocation.

Notice of Convocation of the 32nd Ordinary General Meeting of Shareholders ····· 1
(Reference) Exercising Your Voting Rights ····· 3
Reference Materials for the Ordinary General Meeting of Shareholders
Item: Distribution of Earned Surplus ····· 5

Attachments to the Notice of Convocation of the 32nd Ordinary General Meeting of Shareholders ····· 7
Business Report
(Reference) Value Creation Image Based on the Medium-Term Management Strategy ····· 7
Outline of the Business of NTT Group ····· 9
Business Progress and Results of NTT Group ··· 10
Issues Facing the Corporate Group ····· 26
Capital Investment of NTT Group / External Financing of NTT Group ····· 29
Main Lenders and Outstanding Borrowings of NTT Group ····· 30
Material Subsidiaries ····· 31
Main Businesses of NTT Group 🌐
Main Locations, etc. of NTT Group 🌐
NTT Group Employment 🌐
Changes in Consolidated Assets and Consolidated Income of NTT Group 🌐
Changes in Non-consolidated Assets and Non-consolidated Income of NTT 🌐
Matters Regarding Shares ····· 34
Status of Corporate Governance and Matters Regarding Corporate Officers ····· 35
Matters Regarding Independent Auditors 🌐
Content of Resolutions Concerning the Systems to Ensure the Propriety of NTT's Business 🌐
Outline of Operations of the Systems to Ensure Propriety of NTT's Business 🌐
(Reference) Glossary of Terms ····· 47

Consolidated Financial Statements
Consolidated Balance Sheet ····· 49
Consolidated Statement of Income ····· 50
Consolidated Statement of Changes in Equity 🌐
Notes to Consolidated Financial Statements 🌐
Non-consolidated Financial Statements
Non-consolidated Balance Sheet ····· 51
Non-consolidated Statement of Income ····· 52
Non-consolidated Statement of Changes in Shareholders' Equity and Other Net Assets 🌐
Notes to Non-consolidated Financial Statements 🌐
Auditor's Reports
Auditor's Report on Consolidated Financial Statements ····· 53
Auditor's Report on Non-consolidated Financial Statements ····· 54
Audit & Supervisory Board's Report ····· 55
Other
(Reference) Outline of the financial statements for Nippon Telegraph and Telephone East Corporation, Nippon Telegraph and Telephone West Corporation and NTT Communications Corporation 🌐

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

# We have introduced “Smart Convocation” *

スマート招集

To further deepen communication with our shareholders, starting with “The 32nd Ordinary General Meeting of Shareholders Notice of Convocation,” we have introduced “Smart Convocation,” which allows the main content of the notice of convocation to be viewed and voting rights to be exercised via smartphones and other devices. Please use the following URL or QR code to access and reference the “Smart Convocation” service.

You can view the convocation notice via your smartphone, tablet, or PC.

**http://p.sokai.jp/9432/**

## ❶ The notice of convocation can be viewed anytime and anywhere.

With the introduction of “Smart Convocation,” we have increased convenience for our shareholders, allowing convocation notices to be accessed via your smartphone and other devices.

## ❷ Voting rights can be exercised via the Internet

You can now access the designated website for the exercise of voting rights directly from “Smart Convocation,” bringing the exercise of voting rights closer to you via the Internet.

## ❸ Multi-device compatibility

Depending on the shareholder’s Internet environment, the designated website for the exercise of voting rights can be viewed through a smartphone, tablet, or PC.

*This service is only available in Japanese.

# Notice of Convocation of the 32nd 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 32nd Ordinary General Meeting of Shareholders, which will be held on Tuesday, June 27, 2017. A report on our business operations for the 32nd term (April 1, 2016 – March 31, 2017) 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, NTT strived to strengthen the profitability of its domestic network service business through the promotion of collaboration and to accelerate profit growth in the global business through streamlining and optimizing services and operations, based on "Towards the Next Stage 2.0,"

| | |
|---|---|
| 1 Date and Time: | Tuesday, June 27, 2017 10:00 a.m. (Registration will start at 8:30 a.m.) |
| 2 Venue: | International Convention Center PAMIR Grand Prince Hotel New Takanawa<br>13-1, Takanawa 3-chome, Minato-ku, Tokyo |
| 3 Purpose of the Meeting: | **Matters to be reported**<br>1 Report on the Business Report, Consolidated Financial Statements and audit results of independent auditors and Audit & Supervisory Board Members for the 32nd fiscal year (from April 1, 2016 to March 31, 2017)<br>2 Report on the Non-consolidated Financial Statements for the 32nd fiscal year (from April 1, 2016 to March 31, 2017)<br><br>**Matters to be resolved**<br>**Item** Distribution of Earned Surplus |

the medium-term management strategy established in May 2015. In the promotion of the B2B2X model, another pillar of the medium-term management strategy, we have steadily accumulated concrete business alliances to pioneer new markets. NTT Group will remain committed to the challenge of transforming lifestyles and resolving social issues by creating new value and emotions through collaboration with all of our different partners.

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

June 1, 2017

鵜浦博夫

Hiroo Unoura
President and Chief Executive Officer
Representative Member of the Board
NIPPON TELEGRAPH AND TELEPHONE CORPORATION

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 "(Reference) Exercising Your Voting Rights" on page 3.
3. 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 32nd Ordinary General Meeting of Shareholders as well as items posted on our website (excluding "(Reference)").
4. 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.

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

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 26, 2017.

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 exercise your voting rights in some other way, please advise us in writing three days prior to the Ordinary General Meeting of Shareholders, stating your reasons therefor.

END

(Reference)

# Exercising Your Voting Rights

You are requested to review the attached Reference Materials for the Ordinary General Meeting of Shareholders (page 5) before exercising your voting rights. Shareholders may exercise their voting rights in the following three ways.

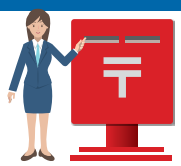
## A Voting by attending the shareholders' meeting in person

Please submit the enclosed voting rights exercise form to the receptionist at the meeting site. Please also bring your Notice of Convocation of the 32nd Ordinary General Meeting of Shareholders (this document).

SCHEDULED START

Tuesday, June 27, 2017
10:00 a.m.

## B Voting via mail



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.

MAIL DEADLINE

Monday, June 26, 2017
5:30 p.m.

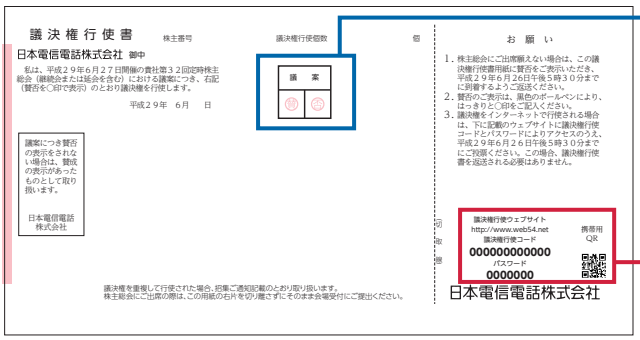
## C Voting via the Internet

Please access the designated website for shareholder voting (http://www.web54.net) and input before the deadline.

INTERNET DEADLINE

Monday, June 26, 2017
5:30 p.m.

### How to Fill Out Your Voting Rights Exercise Form




**Please indicate your approval or disapproval of the resolution here.**

- If you approve, put a circle in the APPROVAL box.
- If you disapprove, put a circle in the DISAPPROVAL box.

**You will need the "Voting Code" and "Password" given on the enclosed voting rights exercise form in order to vote via the Internet.**

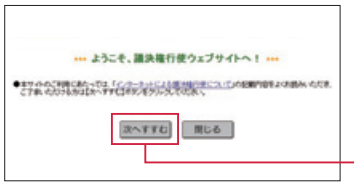
# Exercising Your Voting Rights via the Internet*1

When you exercise your voting rights via the Internet, please be aware of the following.

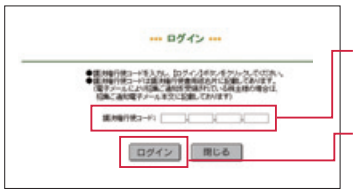
## About the Website

**1** Exercise of your voting rights via the Internet is only available by accessing the designated website for shareholder voting (**http://www.web54.net**) from any one of PCs, smartphones and mobile phones (i-mode, EZweb, Yahoo!Keitai)*2.

**2** Please access the designated website for shareholder voting.

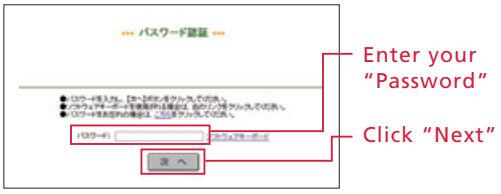



**3** Please enter the "Voting Code" given on the voting rights exercise form.




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

- In order to prevent unauthorized access ("spoofing") by persons other than shareholders and the falsification of votes, when you connect to the designated website for the exercise of voting rights via the Internet for the first time, you will be asked to change your password on the website.
- Please safeguard your password as your password is required to verify that the person exercising voting rights is the intended shareholder.
- Your initial password and your chosen password will only be valid for the upcoming general meeting of shareholders (a new password will be issued for the next general meeting of shareholders).




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

* Depending on the Internet environment, the Internet service, device and model of your PC, smartphone or mobile phone, you may have difficulties accessing the website for shareholder voting. For details, please call the number below.
* If you access the website for shareholder voting through a smartphone, you will be directed to the PC-compatible website.
* Votes due to duplicate voting will be handled as described on page 2, 1.
* The costs of using the Internet website to exercise your voting rights, such as the connection fees of Internet service providers and applicable communications fees (e.g., call charges), will be borne by the shareholder.

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

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

*1 Institutional investors can utilize the electronic voting platform operated by ICJ, Inc.
*2 i-mode, EZweb, Yahoo!, and Yahoo!Keitai are the trademarks, registered trademarks or product names of NTT DOCOMO, INC., KDDI Corporation, Yahoo! Inc., USA, and SOFTBANK MOBILE Corporation, respectively.

END

# Reference Materials for the Ordinary General Meeting of Shareholders

## Resolutions and matters for reference

**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, 2017, 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.

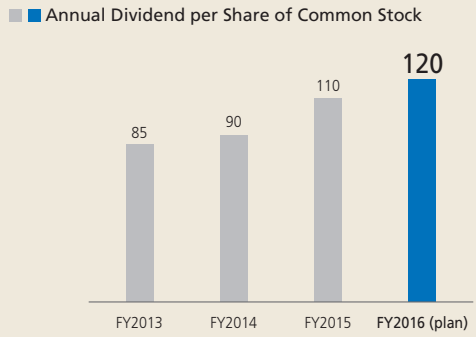
**1 Type of asset to be distributed:**
Cash

**2 Matters relating to allotment of dividends and total amount of dividends to be distributed:**
Per share of common stock: ¥60
Total amount of dividends: ¥120,922,050,660

As the Company has already distributed an interim dividend of ¥60 per share of common stock, the annual dividend for the fiscal year will be ¥120 per one share of common stock.

**3 Date on which the dividend becomes effective:**
June 28, 2017

**(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 41 for the capital policy. >>

END

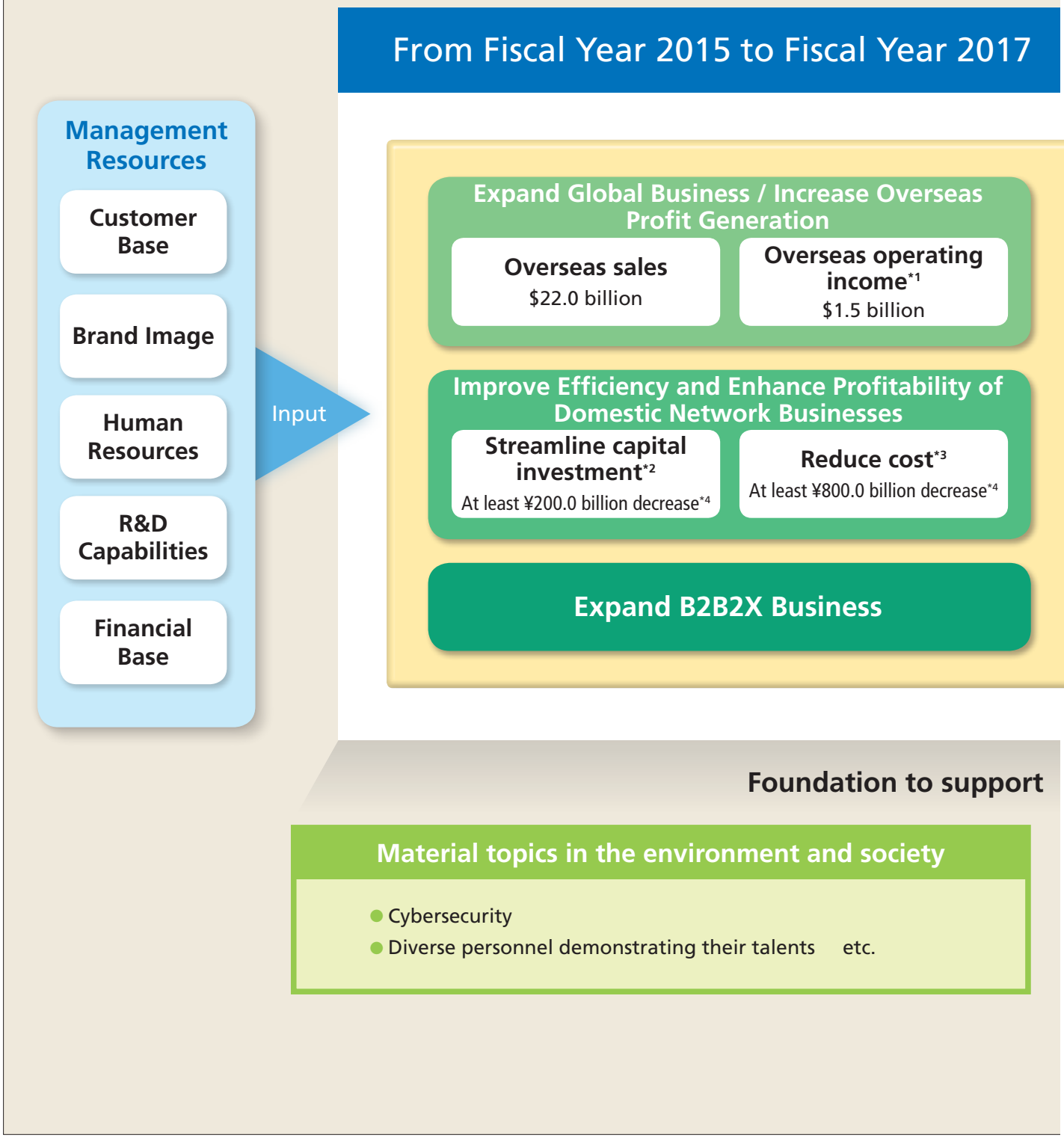
# Memo

Attachments to the Notice of Convocation of the 32nd Ordinary General Meeting of Shareholders

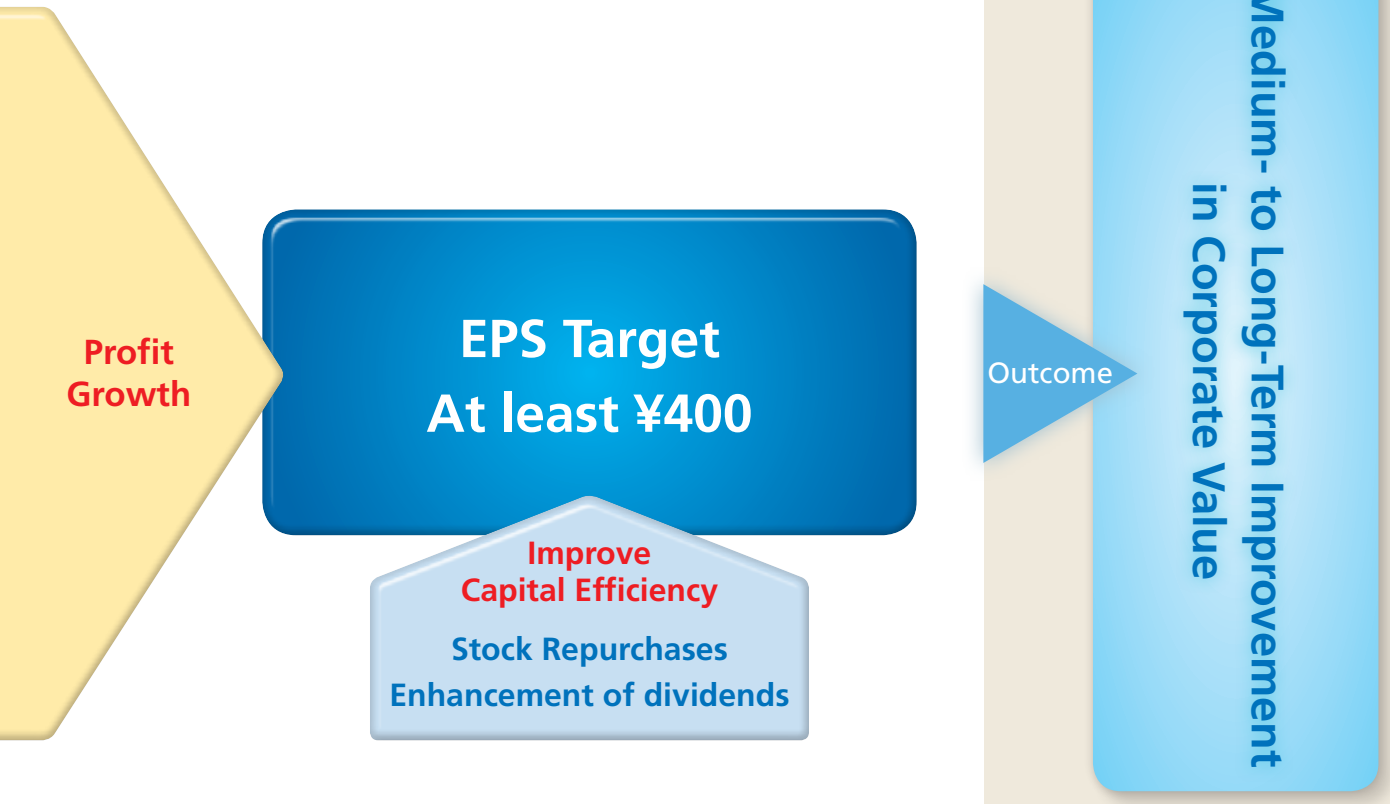
# Business Report (For the Fiscal Year ended March 31, 2017)

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



# "Towards the Next Stage 2.0"




## the 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.

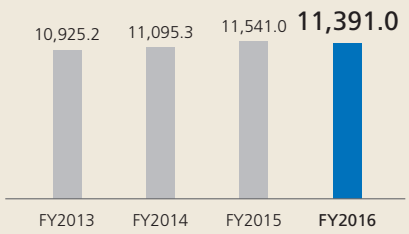
*1 Overseas operating income excludes M&A-related temporary expenses, such as depreciation costs of intangible fixed assets.
*2 Domestic network business (excluding NTT Communications' data centers and certain other assets)
*3 Fixed-line / mobile access networks (excluding the impact of the change in depreciation method)
*4 Compared to the fiscal year ended March 31, 2015

# Outline of the Business of NTT Group

(Reference)

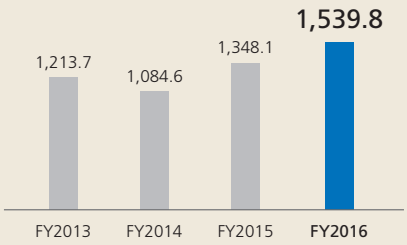
**Operating Revenues** ¥11,391.0 billion

(Billions of yen)



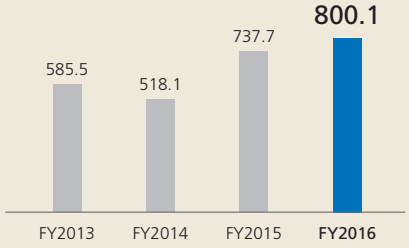

**Operating Income** ¥1,539.8 billion

(Billions of yen)



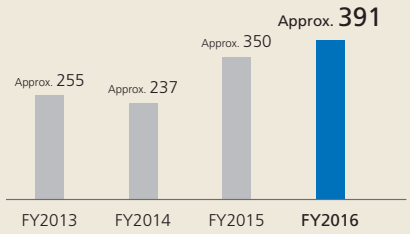

**Net Income** ¥800.1 billion

(Billions of yen)




**EPS (earnings per share)** Approx. ¥391

(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 47 - 48).
- 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, 2017, a wide range of changes took place in the information and telecommunications market with the increased spread and market penetration of devices that utilize fixed-line and mobile broadband, and improved convenience in people's everyday lives and productivity in various industries through the emergence of new services made possible by the evolution of technologies such as cloud services, AI, Big Data, and IoT. 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.

- In order to enhance our global provision of security services, we established NTT Security Corporation for the integration of NTT Group's specialized security technologies and service platforms.
- We promoted cross-selling through collaboration among group companies through our global network, cloud migration, and IT outsourcing projects and received orders from customers in a range of industries from various global regions, including Public Transport Victoria in Australia, as well as the finance, manufacturing, and shipping industries.
- While streamlining and optimizing our services and operations in our global cloud business, in procurement, we have promoted the unified specifications of procured goods and narrowing down of models to cut procurement costs, working to reform our business structure to strengthen the competitiveness of the entire NTT Group.

## 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.
- In addition to simplifying and streamlining networks, we worked to increase the efficiency of capital investment by increasing the usage of existing facilities and reducing procurement costs.
- We continued to work to reduce costs by controlling marketing costs through the development of the "Hikari Collaboration Model" and by increasing business efficiency.

In addition, in order to support the above initiatives, we worked to increase the transparency of information regarding group management, further standardize the group's accounting principles, and bolster cash management including overseas subsidiaries. Furthermore, through project teams formed in FY2015, we reviewed initiatives aimed at cost reduction and generating profits.

## Status of Initiatives to Expand B2B2X Business

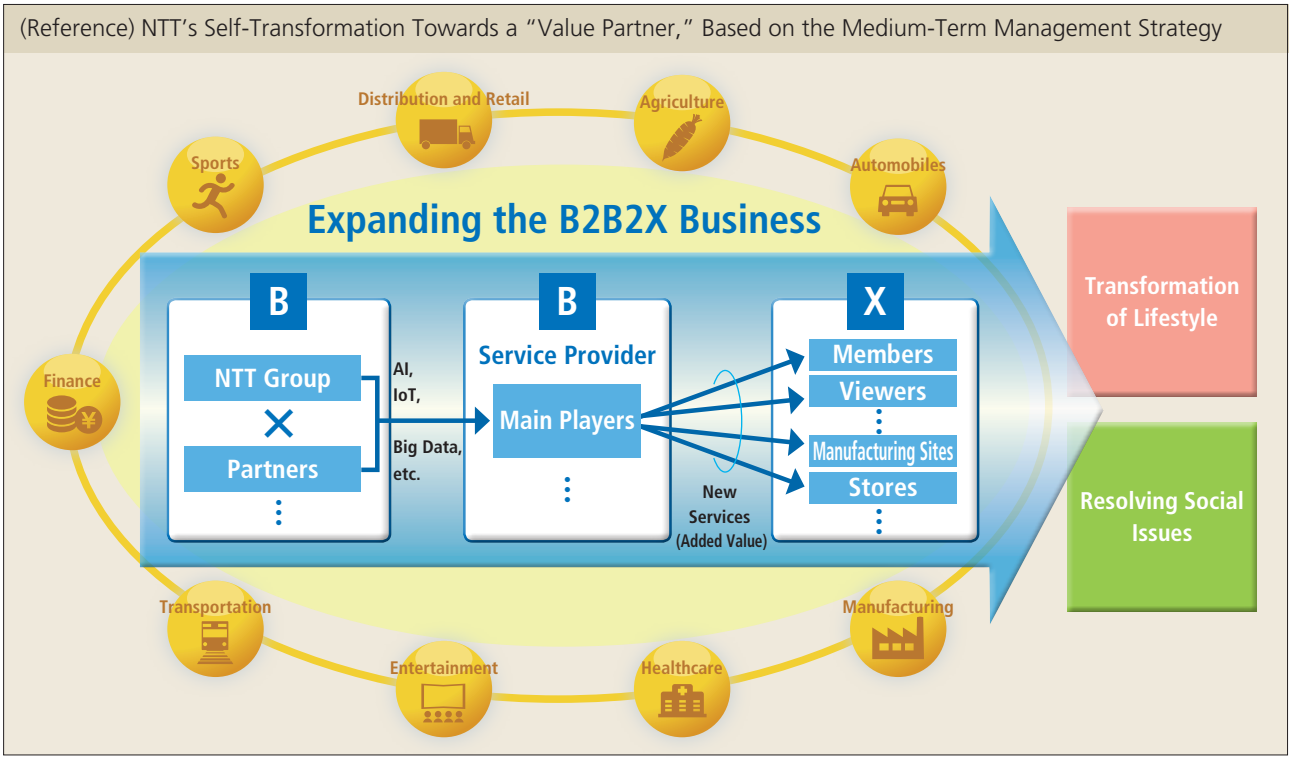
The Japanese government has been developing and implementing a variety of policies centered on the Olympic and Paralympic Games Tokyo 2020* and the Japanese government's "Vitalization of Local Economies" initiatives. NTT Group plans to make use of these opportunities to accelerate migration to the B2B2X model and, together with businesses in other fields and local governments, strengthen measures aimed at creating services that will become the standard of the next generation.

- In the sports business, we developed our B2B2X business through collaborations with the J. League and the U.K.-based Perform Group. As a test case, at NACK5 Stadium Omiya, the home stadium of the J. League soccer club Omiya Ardija, we implemented the creation of smart stadiums, working to create a new way to enjoy the match through fans' smartphones and to stimulate the local communities by mutually referring customers to nearby businesses.
  We also began to roll out smart stadiums in J. League stadiums nationwide, establishing Wi-Fi access in Yurtec Stadium Sendai as the first project.
  Additionally, we launched a new sports content distribution service including video from J. League matches. We made the "DAZN for docomo" service provided to smartphone users, and provided the "DAZN for docomo" and "DAZN" services for optical IP TV users through "Hikari-TV."
- We promoted collaboration in the entertainment field including traditional arts such as joint testing with SHOCHIKU Co., Ltd. on a collaboration between NTT Group's cutting-edge audiovisual recognition technology and kabuki.

- In addition to our agreement with FANUC CORPORATION, which involves collaborative projects in the area of making factories smarter by utilizing edge computing technology and application distribution technology, we promoted collaborations in a range of industrial fields, including initiatives to make agriculture smarter by monitoring crop-raising conditions through sensor information, aerial drone photography, and image analysis.
- In July 2016, the "Sapporo City ICT Utilization Platform Study Panel" was established with the goal of utilizing Sapporo City's ICT to resolve regional social issues using NTT Group's ICT technology in fields starting with tourism and sports, and including traffic and snow control, health, and childcare. We promoted the utilization of ICT in the tourism field in Sapporo City by collecting and analyzing big data (the flow of people and purchasing data centered on tourists) from Sapporo City and regional commercial facilities. Additionally, to establish Sapporo's brand as a tourism and sports city, at the 2017 Sapporo Asian Winter Games held in February 2017, we proposed a new way to watch sports using cutting-edge ICT, working to invigorate sports tourism.

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

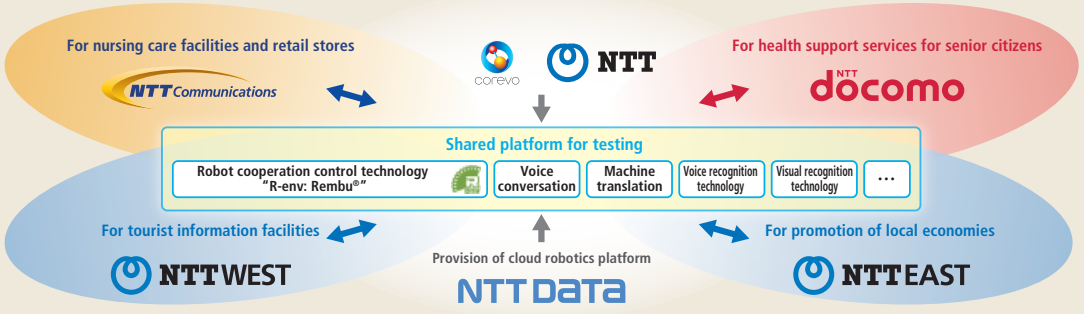
(Reference) NTT's Self-Transformation Towards a "Value Partner," Based on the Medium-Term Management Strategy



## 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 established the "corevo®" brand, a collective term for NTT Group's AI technology, and promoted collaboration with partners in various industries. 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.

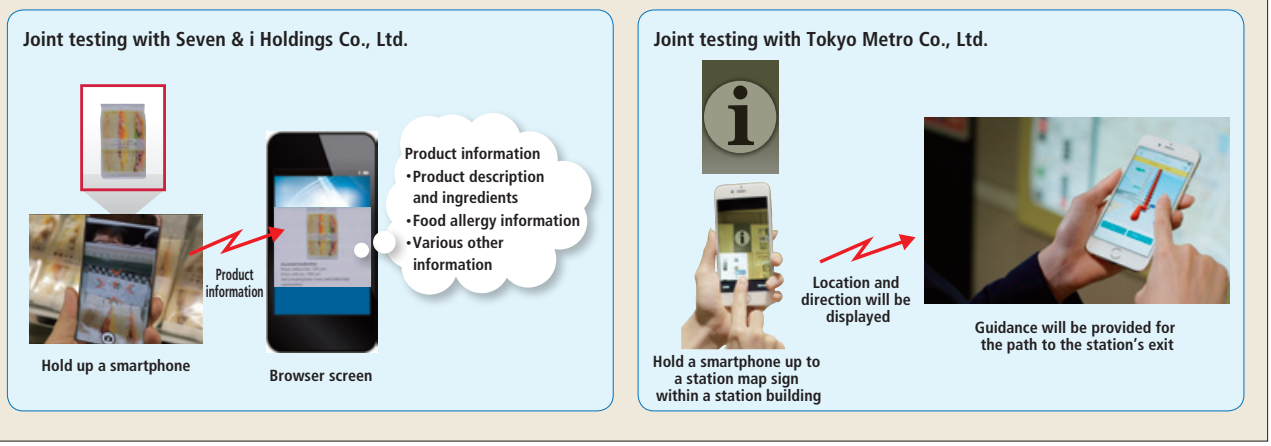
(Reference) Visual Representation of Joint Practical Testing for Communication Robots Using "corevo®"




## Initiatives to Expand B2B2X Business

- In the area of edge computing technology, which accomplishes the real-time and wide-ranging processing of data in the IoT age, we agreed to collaborations with FANUC CORPORATION to further the optimization of the manufacturing field, and with TOYOTA MOTOR CORPORATION to further technological development and technological evaluation in the field of connected cars.
- In partnership with Mitsubishi Heavy Industries, Ltd., we developed a prototype for a control system that automatically detects and defends against cyberattacks on industrial equipment including public infrastructure.
- Utilizing the "angle-free object search technology (corevo®)," which can recognize and search for objects photographed from any angle with a high level of precision, we implemented joint testing with Seven & i Holdings Co., Ltd. to search for and provide information on products in convenience stores, and with Tokyo Metro Co., Ltd. within subway stations to provide current location data with photos taken of station map signs and to provide limited-time offers through photos taken of advertising posters.
- Aiming to increase manufacturing facility operating rate and product quality, we provided Hitachi Zosen Corporation with "abnormal sound detection technology (corevo®)," which objectively visualizes and analyzes the characteristics of both operating sounds and malfunctions of manufacturing facility devices.
- We implemented joint practical testing among six group companies to further the realization of services using a device coordination technology (corevo®) centered on communication robots.

(Reference) Visual Representation of Joint Testing by Using Angle-Free Object Search Technology (corevo®)




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

- We developed an "operation-collaboration function," which facilitates cost reductions by service providers through the use of the "Hikari Collaboration Model" by cataloging the services of telecommunications operators and service providers, including competitors, and consolidating the management of multiple services from the point they are ordered through the start of service and maintenance.
- We developed software which makes high-quality and low-cost network services possible by using general-purpose products utilized in data centers and other facilities.
- We developed "malfunction source estimation technology (corevo®)" which largely reduces the time required to investigate the cause of a network malfunction by autonomously extracting the causal relationship between the network malfunction and the alarm sent from the device.

## Research & Development that Enable Highly Immersive New Experiences

- We developed a training system for professional baseball players using "athlete first-person vision synthesis technology," which enables players to experience simulations of pitches with a high degree of realism, and carried out practical testing with RAKUTEN BASEBALL, INC. (Tohoku Rakuten Golden Eagles).
- We developed "MaPiece™" technology, which allows even those without specialized knowledge to easily collect accessibility information on steps and stairs required to provide directions to wheelchair users, as well as 2.5D map representation technology that realizes simple relief map display that is easy to understand even for foreign visitors to Japan.
- Utilizing "Kirari!®" technology, which provides ultra-high presence "as if you were there" experiences, we implemented practical testing of our overseas real-time broadcasting technology to broadcast video from a studio in Japan to the 2017 SXSW (South by Southwest) in Austin, Texas as well as broadcasting the "KABUKI LION SHI-SHI-O: The Adventures of the Mythical Lion show" performed in Las Vegas, Nevada by SHOCHIKU Co., Ltd. to Japan.
- In order to be able to provide entirely new services that touch the senses and emotions of humans and create new awe-inspiring experiences in public spaces moving forward into 2020, we began joint

research with the international media art research institute Ars Electronica Futurelab.

- We conducted practical testing of digital signage which simultaneously delivers information at the time of disaster and provides information based on the language and location of foreign tourists to ensure that urban functions are comfortable and safe.

(Reference) Concept for a Training System Designed for Professional Baseball Players

**Through the use of a head-mounted display, players can experience pitches being thrown as if they were actually in the batter's box**

**[Visual representation of the visuals provided by the system]**

## Promoting Cutting-edge Research

- We developed a "Quantum Neural Network" calculator based on an entirely new principle of using light to quickly solve problems which are difficult for traditional computers, such as searching for chemical compounds in drug development.
- We were the first in the world to solve the macroscopic realism problem of whether the quantum mechanical behavior of a single electron appears in the everyday macroscopic world.
- To discover how the brains of superior athletes regulate their mental state and control their bodily movements to deliver top-level performance, we launched the "Sports Brain Science Project" to elucidate the brain's information processing in order to "Train the Brain to Win," and started R&D.

## 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 toward sustained improvement in corporate value by making effective contributions to the resolution of social and environmental issues through our business activities. Taking into account the UN's "Sustainable Development Goals: SDGs," we have been engaged in various activities including modifying the "NTT Group CSR Charter" in May 2016 and affirming our agreement with the SDGs in September 2016.

### Status of Initiatives for Cybersecurity

- While promoting cutting-edge R&D and moving forward with the development of the latest R&D results, we promoted a group-wide initiative through the "Group CISO Committee." Furthermore, through the newly established NTT Security Corporation, we have created a system to provide cutting-edge security technology to our customers. Additionally, in terms of the nationwide issue of developing IT security engineers, we promoted human resource development within NTT Group and participated in the study panel for inter-industry human resources development, contributing to security personnel development on a national level.

### 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, in addition to receiving the highest level "GOLD" evaluation in the "PRIDE Index," which evaluates companies' approaches to sexual minorities such as LGBT persons, we promoted initiatives such as clarifying that the systems including leave for marriage also apply to same-sex partners. Furthermore, in terms of our "Work Style Reform," we are actively promoting the usage of the teleworking and flextime systems, regardless of rank or position, to create an easier working environment for all of our employees.

### Status of Initiatives for the Environment

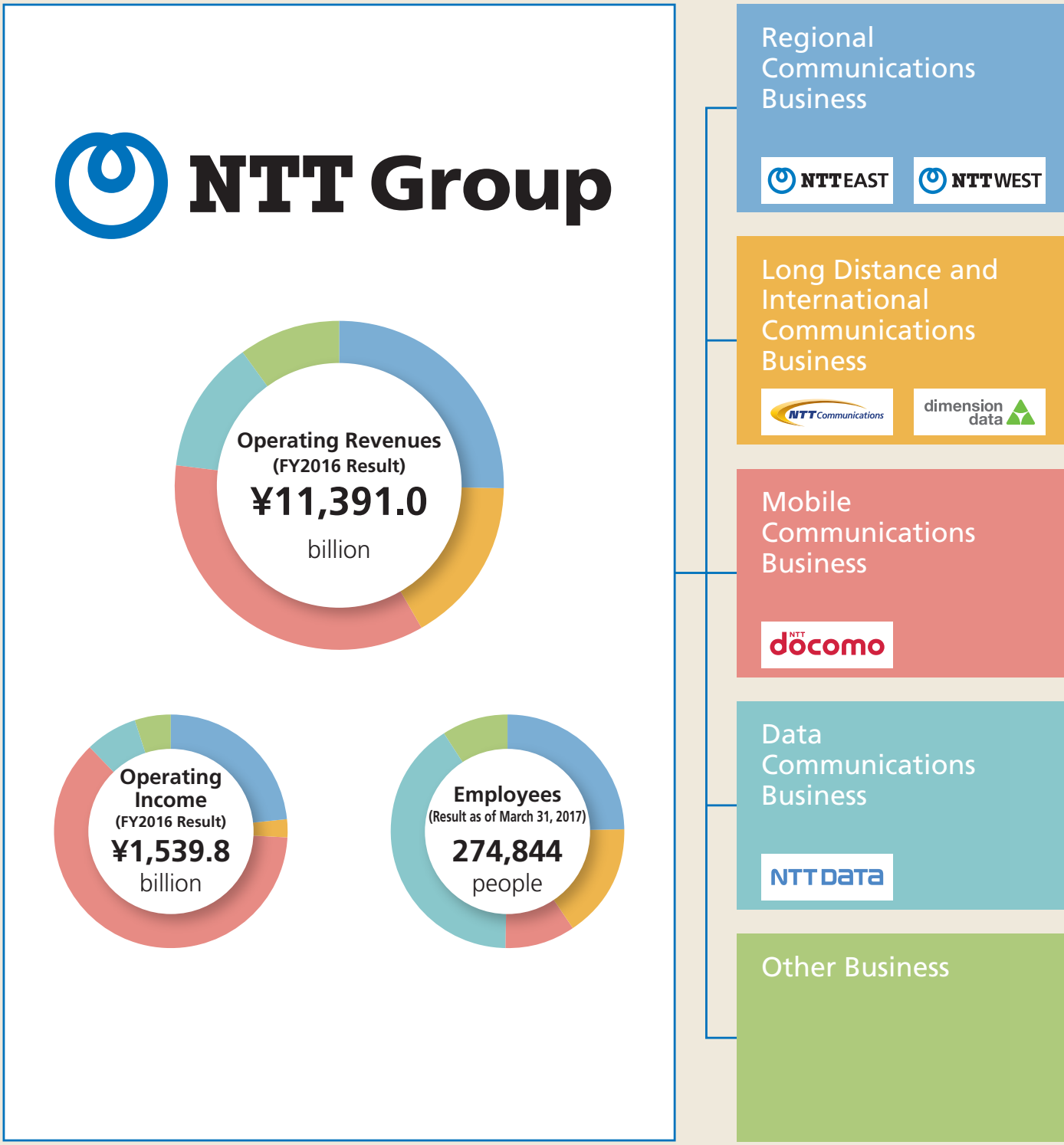
- In September 2016, we announced the "NTT Group Environmental Statement" and "The Eco Strategy 2030," pledging to contribute to lowering the environmental burden on society while contributing to adapting to climate change and preserving the ecosystem by providing ICT services and cutting-edge technology. While continuing to promote energy saving and cost cutting by introducing cutting-edge electrical power units, we are also contributing to energy saving in society through sales of these units.

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 the 2016 Kumamoto Earthquake, we also provided support to those affected by the disaster by installing a temporary free Wi-Fi hotspot in the evacuation center.

As a result of the above efforts, NTT Group's consolidated operating revenues for the fiscal year ended March 31, 2017 were 11,391.0 billion yen (a decrease of 1.3% from the previous fiscal year) and consolidated operating expenses were 9,851.2 billion yen (a decrease of 3.4% from the previous fiscal year). As a result, consolidated operating income was 1,539.8 billion yen (an increase of 14.2% from the previous fiscal year), consolidated income before income taxes was 1,527.8 billion yen (an increase of 14.9% from the previous fiscal year), and consolidated net income attributable to NTT was 800.1 billion yen (an increase of 8.5% from the previous fiscal year).

## Status by Segment

(Reference) Group Structure



| | Composition of Operating Revenues* (FY2016 Results) | Composition of Operating Income* (FY2016 Results) | Composition of Number of Employees (Results as of March 31, 2017) |
|---|---|---|---|
| We provide fixed line communications services centered around "FLET'S Hikari" and work to promote B2B2X business by deploying the "Hikari Collaboration Model". | 25.4% (¥3,308.2 billion) | 23.4% (¥359.5 billion) | 24.8% (68,243 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% (¥2,129.3 billion) | 2.7% (¥40.8 billion) | 16.0% (43,842 people) |
| In addition to providing LTE services and "docomo Hikari," we are promoting collaboration with a variety of vendors to provide new added value. | 35.2% (¥4,584.6 billion) | 61.9% (¥951.6 billion) | 9.7% (26,734 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. | 13.2% (¥1,718.7 billion) | 7.0% (¥107.9 billion) | 40.6% (111,657 people) |
| We provide services related mainly to real estate, finance, construction/electric power and system development. | 9.8% (¥1,282.3 billion) | 5.0% (¥77.3 billion) | 8.9% (24,368 people) |

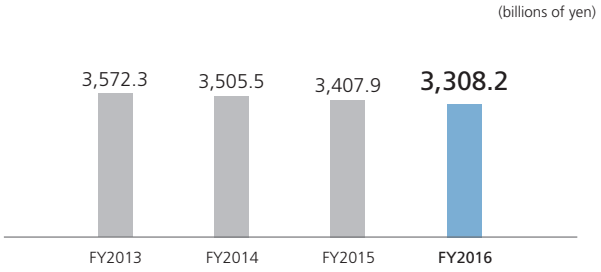
* Percentage of simple sum of each segment (including intersegment transactions)

# Regional Communications Business

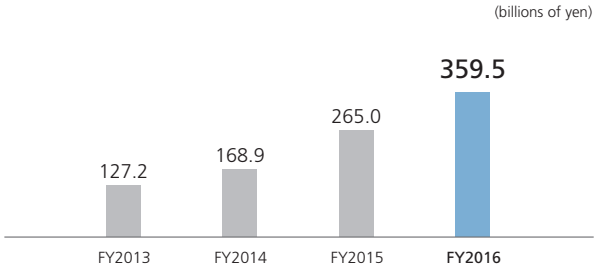
NTT EAST NTT WEST

## Changes in Revenues and Income

Operating revenues ¥3,308.2 billion




Operating income ¥359.5 billion




## 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 infrastructure 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 550 companies at the end of the fiscal year ended March 31, 2017, as we further expanded collaborative projects with not only business operators in the communications industry, energy industry, real estate industry, and security industry, but also business operators in diverse industries including the housing industry and media industry in the fiscal year ended March 31, 2017. Furthermore, in the housing industry, new use cases were born, including providing total lifestyle support after home purchases, which includes a combination of this model and HEMS service and lifestyle-related services. As a result of these initiatives, the number of fiber-optic access service subscriptions using this model was 8.74 million.
- With the development of the "Hikari Collaboration Model," we worked to continually reduce marketing 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 557.

(Reference) Status of Provision of Major Services

## Number of Subscriptions for Major Services

"FLET'S Hikari": 20.05 million subscriptions (an increase of 0.79 million subscriptions from the previous fiscal year)

(Included in the above) "Hikari Collaboration Model":
8.74 million subscriptions (an increase of 4.05 million subscriptions from the previous fiscal year)

"Hikari Denwa": 17.76 million channels (an increase of 0.38 million channels from the previous fiscal year)

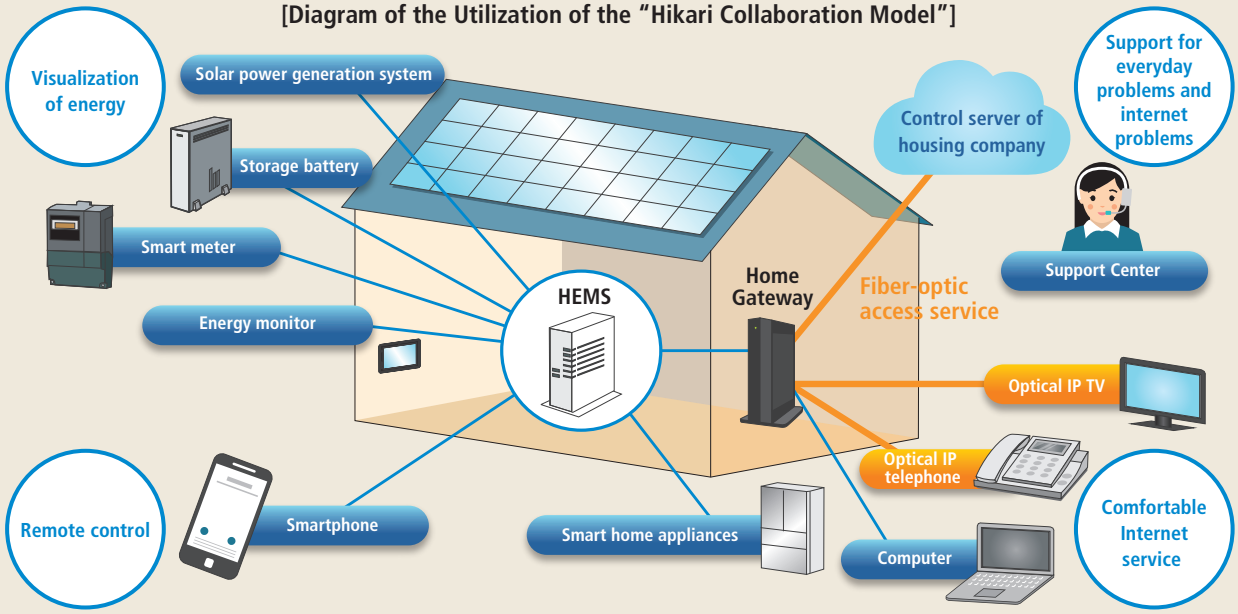
"FLET'S TV": 1.52 million subscriptions (an increase of 0.09 million subscriptions from the previous fiscal year)

Note: The figures for "FLET'S Hikari," "Hikari Denwa" and "FLET'S TV" include the number of subscriptions for wholesale services provided to service providers through the use of the "Hikari Collaboration Model" by NTT East and NTT West.

(Reference) Collaboration with the housing industry

In the housing industry, the Hikari Collaboration Model provided by NTT East and NTT West is being utilized to assist the spread of the "Smart House," which allows household power to be visualized and home appliances to be regulated through ICT technology.

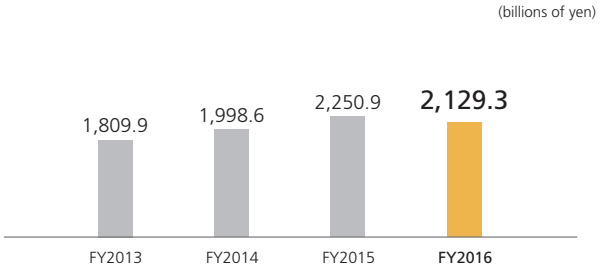
**[Diagram of the Utilization of the "Hikari Collaboration Model"]**



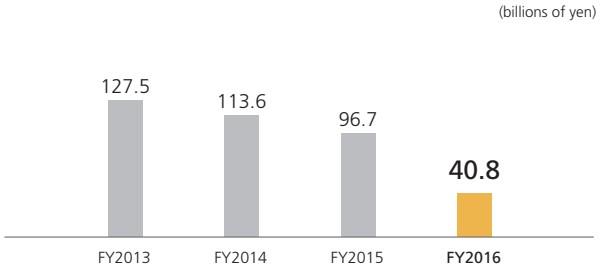
# Long Distance and International Communications Business

## Changes in Revenues and Income

Operating revenues ¥2,129.3 billion




Operating income ¥40.8 billion




## Overview

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

## Details of Main Initiatives

- To provide an ICT solution based on a more highly reliable international network to our enterprise clients, in October 2016 we began operations of the "Asia Pacific Gateway," our high-bandwidth optical submarine cable network. Additionally, to respond to demand for cloud services and data centers in various global regions, in the continually growing market of America, in addition to launching service at our "Virginia Ashburn 2 (VA2) Data center," we began construction on our "Virginia Ashburn 3 (VA3) Data center," designed to achieve strong security and high-level energy savings, thus proactively expanding our cloud platform by working to provide different variations of data centers. As a result of these initiatives, NTT Group's data centers were ranked as top class in the world in terms of both total floor area and potential server installation floor area according to a report by U.S. TeleGeography (published in November 2016).
- We received an IT outsourcing order from major U.K. insurance provider ReAssure UK Services Limited, and began providing infrastructure services including introduction of cloud services for the company's servers and security oversight services.

(Reference) Status of Provision of Major Services

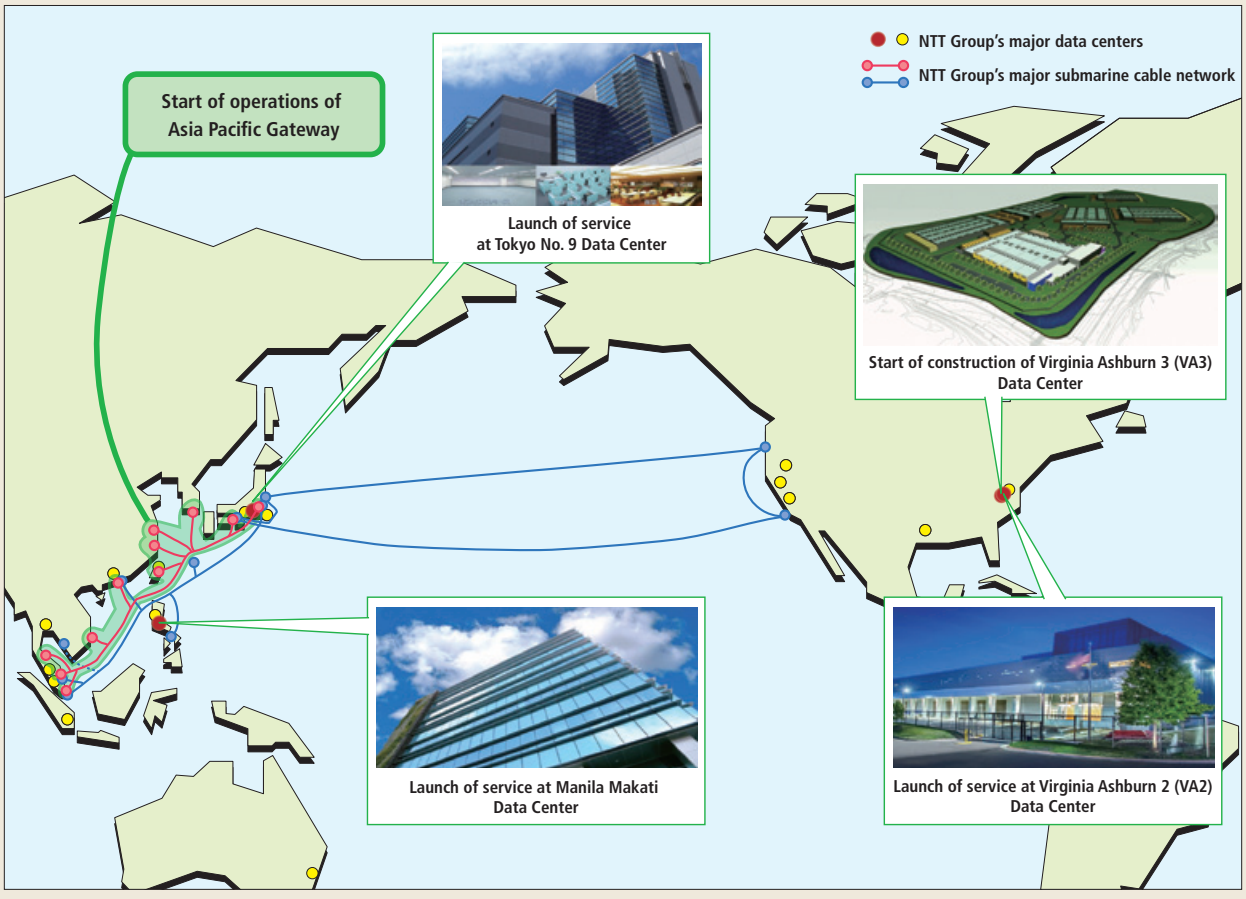
## Number of Subscriptions for Major Services, etc.

Number of customers for Cloud Services:

9,000 customers (an increase of 700 customers from the previous fiscal year)

"Hikari TV": 3.02 million subscriptions (a decrease of 0.03 million subscriptions from the previous fiscal year)

(Reference) Strengthening the Framework for Global Cloud Service Provision

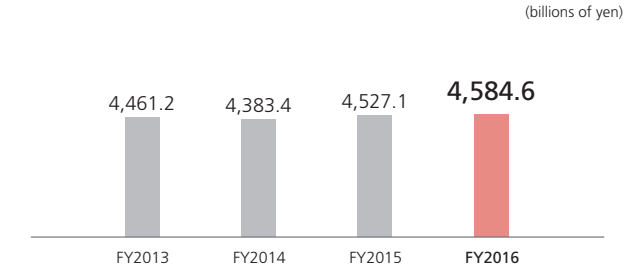


# Mobile Communications Business

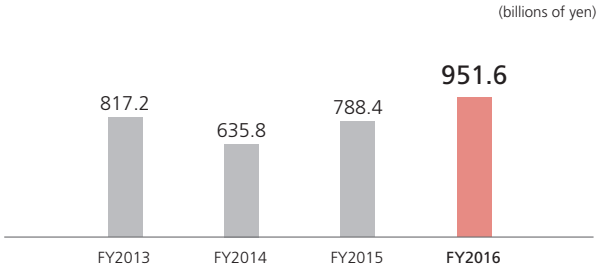
docomo

## Changes in Revenues and Income

Operating revenues ¥4,584.6 billion




Operating income ¥951.6 billion




## Overview

In the Mobile Communications Business Segment, we have worked toward the promotion of sales of the billing plan, "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

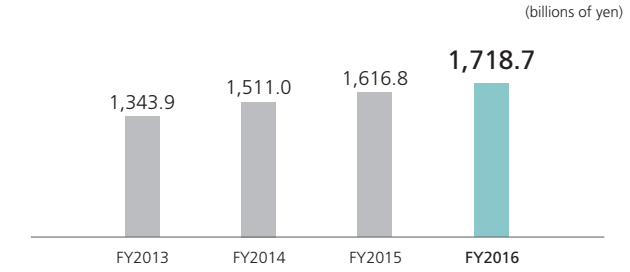
- In addition to continuing to promote the sales of our "Kake-hodai & Pake-aeru," as a billing plan tailored to suit a customer's stage of life that offers more affordable rates to long-term users, in November 2016 we began offering our "docomo Child Raising Support Program" and other initiatives, working to enhance returns to our customers. As a result, the number of subscriptions to "Kake-hodai & Pake-aeru" reached 37.07 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 3.40 million.
- In order to strengthen profitability in the Smart Life area, we pursued the "+d" initiative, which was aimed at creating new added value through collaboration with various business partners, and expanded our content, finance, and settlement services. Specifically, we collaborated with Perform Group to begin providing the sports streaming service "DAZN for docomo," and worked to expand the number of member stores for our "d POINTs" loyalty point program.

# Data Communications Business

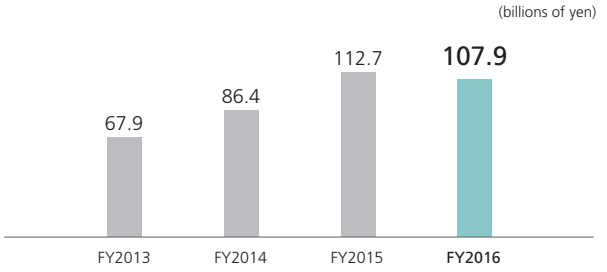
NTT DATA

## Changes in Revenues and Income

Operating revenues ¥1,718.7 billion




Operating income ¥107.9 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.

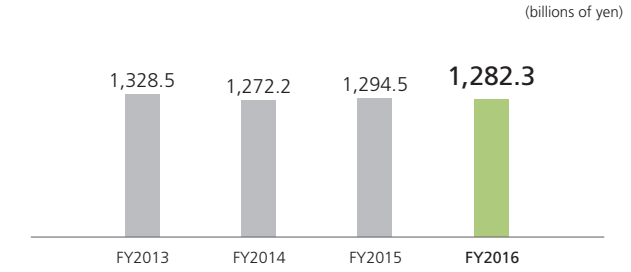
## Details of Main Initiatives

- To increase our presence through the acquisition of a North America-focused operating base and to enhance cloud services and BPO services, we acquired the businesses of the Dell Services Division, which has been highly regarded by customers for providing digital solutions and BPO services tailored to the healthcare industry.
- To create new finance-related services through open innovation, together with venture firms and regional banks, we established "BeSTA FinTech Lab," working to provide new services utilizing FinTech including the implementation of practical testing of information distribution services with location data.
- Aiming for the expanded use of global geospatial information, creation of new markets, and the stimulation of related industries, in April 2016 we began to offer the world's highest-resolution "AW3D® Global High-resolution 3D Map" developed with the Remote Sensing Technology Center of Japan (RESTEC) to all global land spaces.

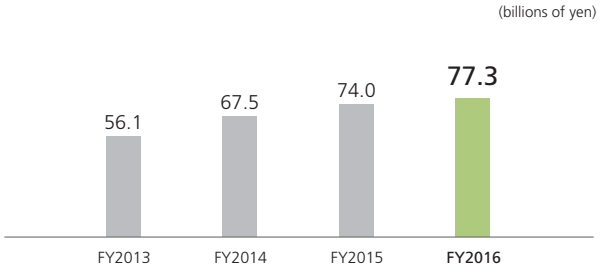
# Other Business

## Changes in Revenues and Income

Operating revenues ¥1,282.3 billion




Operating income ¥77.3 billion




## 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

- We pursued our office and retail operations centered on office buildings and commercial facilities and our residential operations principally through the "Wellith" brand. Furthermore, we utilized our know-how developed in these operations to pursue global and hotels & resorts businesses.

### Finance Business

- We provided financial services such as leasing, installation payment, and other finance areas concentrating on information-related equipment, 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 designed and built large-scale solar power generation systems and data centers.

### System Development Business

- To provide optimized, high-quality ICT services, we worked to develop network operation systems and application services.

# Issues Facing the Corporate Group

## Future Outlook of the Business Environment

In the information and telecommunications market, the development of new technologies is expected such as further acceleration of the use of cloud services, AI, Big Data, and IoT. 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 should also progress. From these changes, the required 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 will continue to place our focus on profit growth by reforming our business structure, and to increase our capital efficiency through stock repurchases, aiming to grow our EPS (earnings per share) to 400 yen or more by the fiscal year ending March 31, 2018.

### Initiatives to Expand Global Business and Increase Overseas Profit Generation

To realize solid 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. Through the above initiatives, we will continually work to achieve our financial targets of US$22.0 billion in overseas sales and US$1.5 billion in overseas operating income.

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

### 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 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 the use of the latest technology, including virtualization as well as shared platforms.

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.

As a result of the above initiatives, by the fiscal year ending March 31, 2018, we are working to reduce capital investment in the domestic network business by at least ¥200.0 billion compared to the fiscal year ended March 31, 2015, and to reduce fixed-line and mobile access-related costs by at least ¥800.0 billion compared to the fiscal year ended March 31, 2015.

* Streamlining capital investment (domestic network business) excludes NTT Communications' data centers and certain other assets.
* Cost reductions (fixed-line/mobile access-related) excludes the impact of the change of depreciation method for property, plant and equipment.

## 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 to resolve social issues), which is being promoted through public-private partnerships, as a great opportunity to utilize our 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 and local governments, we will accelerate the transition to the B2B2X model and work to create new value and emotions aimed at resolving social issues. Through the above efforts, we will create services that will be inherited as the standard of 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, AI, and IoT in order to contribute to the acceleration of profit creation. 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 many 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 diverse and large-scale 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 promoting 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 ¥1,700.0 billion of capital investments (an increase of 0.8% 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 | 583.4 |
| Long Distance and International Communications Business | 244.9 |
| Mobile Communications Business | 597.1 |
| Data Communications Business | 158.1 |
| Other Business | 116.6 |

## 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 ¥320.5 billion.

The details of the long term funding are as follows:

| Category | Amount (billions of yen) |
|---|---|
| Corporate Bonds | 128.3 |
| Long-term borrowings | 192.2 |
| Total | 320.5 |

NTT raised ¥22.8 billion from long-term funding to be used by NTT for the purpose of making loans to NTT West and NTT Communications, and raised ¥50.0 billion as long-term borrowings from subsidiaries.

## Main Lenders and Outstanding Borrowings of NTT Group

| Lender | Outstanding Borrowings (billions of yen) |
|---|---|
| Mizuho Bank, Ltd. | 592.5 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 345.3 |
| Sumitomo Mitsui Banking Corporation | 216.4 |
| Mitsubishi UFJ Trust and Banking Corporation | 142.3 |
| Nippon Life Insurance Company | 124.0 |
| Meiji Yasuda Life Insurance Company | 100.0 |
| Sumitomo Mitsui Trust Bank, Limited | 89.6 |
| Shinkin Central Bank | 78.5 |
| The Nishi-Nippon City Bank, Ltd. | 66.5 |
| Mizuho Trust & Banking Co., Ltd. | 44.0 |

## 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 (92.68) | 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 (81.63) | 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. | 66.65 (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, construction, management, and leasing |
| | 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. In light of the status of the M&A being pursued by the Group in the past year, we have reviewed the standards used to list material subsidiaries.
2. 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.
3. Status of specific wholly owned subsidiaries as of March 31, 2017 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 | ¥6,681,061 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

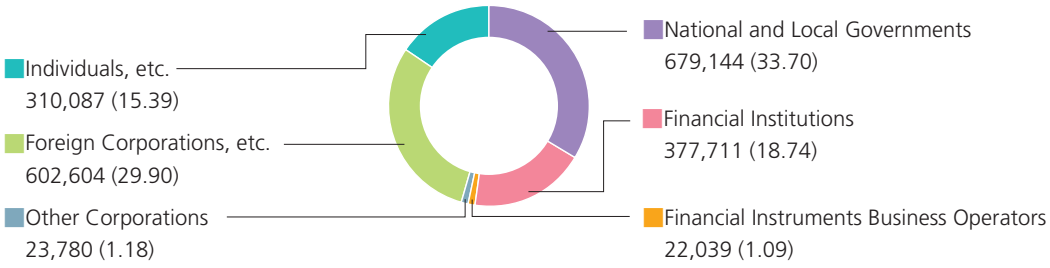
2,096,394,470 shares (treasury stock: 81,026,959 shares)

## Number of shareholders as of the end of the fiscal year ended March 31, 2017

867,301 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. NTT's holdings of treasury stock (81,026,959 shares) are not included in the above.
2. The percentages represent the ratio of shareholders' shares to the total number of issued shares excluding treasury stock.
3. "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 | 679,123 | 33.70 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 89,022 | 4.42 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 70,946 | 3.52 |
| JPMorgan Chase Bank 380055 | 47,369 | 2.35 |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 29,108 | 1.44 |
| Moxley & Co. LLC | 27,079 | 1.34 |
| Japan Trustee Services Bank, Ltd. (Trust Account 9) | 26,709 | 1.33 |
| Japan Trustee Services Bank, Ltd. (Trust Account 1) | 21,548 | 1.07 |
| Japan Trustee Services Bank, Ltd. (Trust Account 2) | 21,343 | 1.06 |
| JPMorgan Chase Bank 385632 | 20,654 | 1.02 |

Notes: 1. Number of Shares Held is rounded down to the nearest thousand.
2. NTT's holdings of treasury stock (81,026,959 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

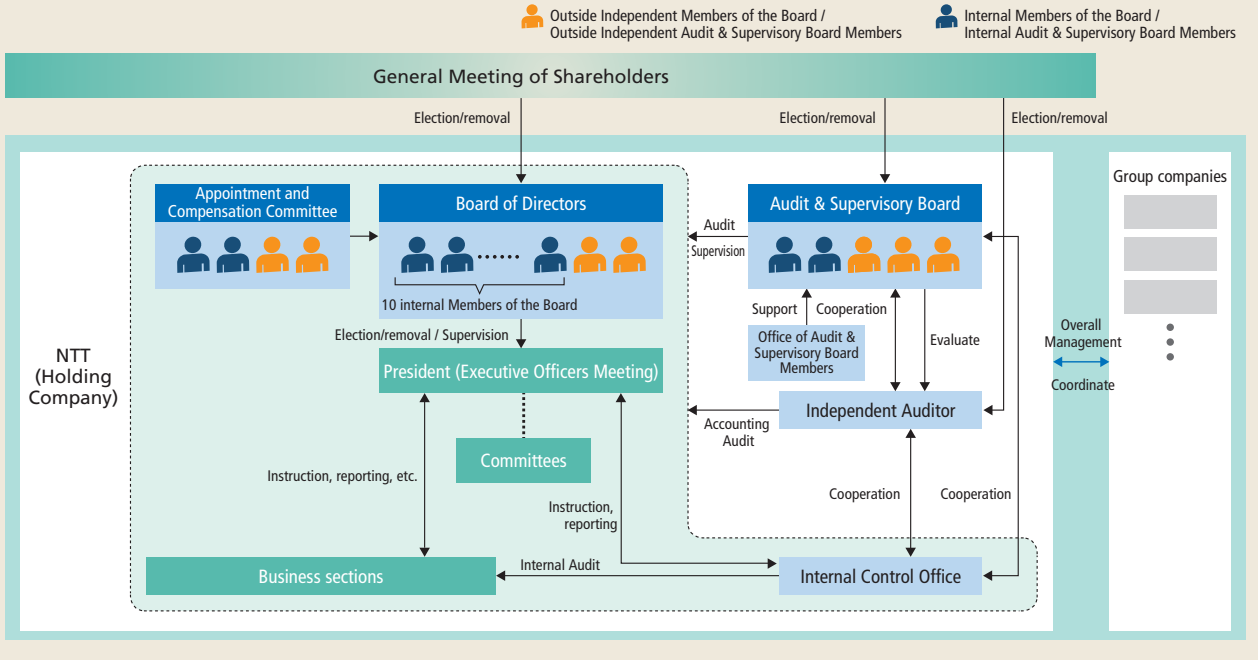
## Status of Corporate Governance

### 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, 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.

(Reference) Corporate Governance Structure



## 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, including outside independent 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 exchange information with the Internal Control Office, through means such as receiving 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*3 in any of the last three fiscal years exceeding ¥10 million or 2% of the total income of the organization, whichever is larger, during the respective fiscal year.

## 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 organization, 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, 2017, in terms of "Toward the Next Stage 2.0," discussions were held over initiatives to expand profits in the near term for global cloud services, the status of business recovery, new policies aimed at sustained growth in network services, and improving returns to shareholders.

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.

## 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.

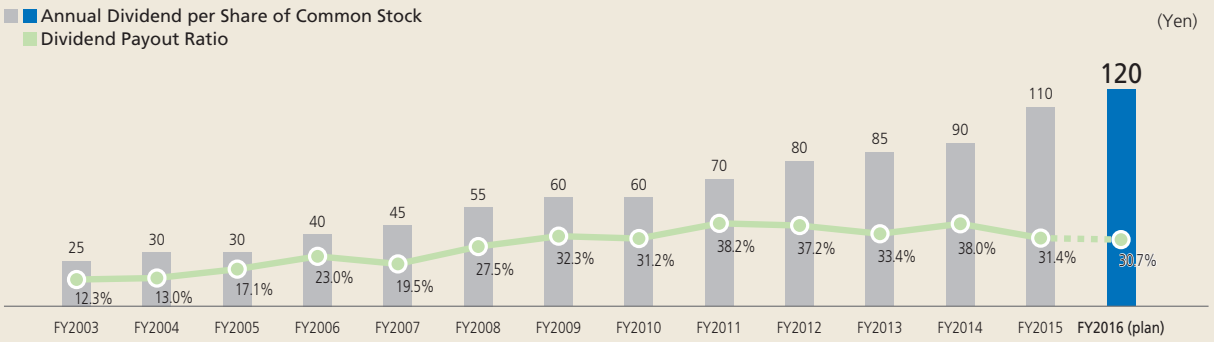
With respect to exercising voting rights of strategic shareholding, NTT exercises voting rights acquired through share ownership, as it sees fit, from the perspective of sustainable growth of the companies NTT invests in and improving corporate value for both NTT and the companies.

## Capital Policy

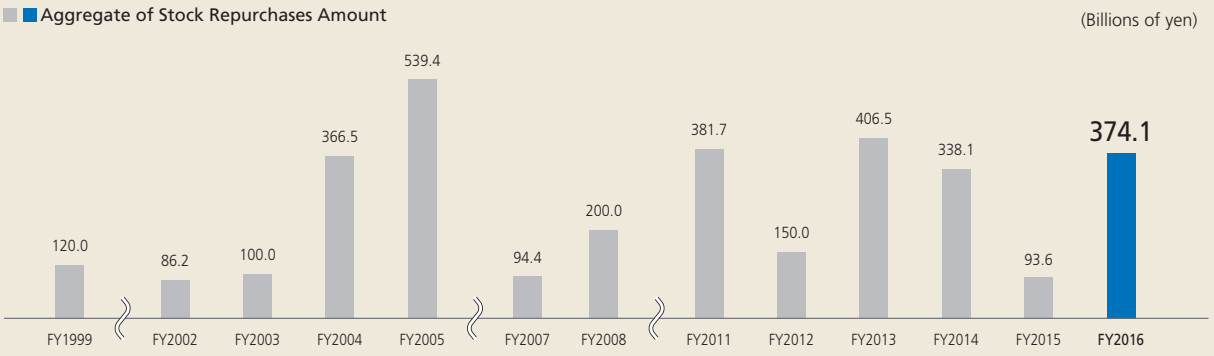
We have set the returning of profits to shareholders, while maximizing corporate value over the medium- to long-term, as one of our important management challenges.

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.

(Reference)




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




Pursuant to applicable laws and regulations, and Article 16 of NTT's Articles of Incorporation, "Content of Resolutions Concerning Maintenance of Structures to Ensure the Propriety of NTT's Business" and "Outline of Operation Effectiveness of Systems for Ensuring the Propriety of the Business Activities" are posted on NTT's website.

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

# Memo

# 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. |
| President and Chief Executive Officer Representative Member of the Board | Hiroo Unoura | | |
| Senior Executive Vice President Representative Member of the Board | Hiromichi Shinohara | Chief Technology Officer<br>Chief Information Security Officer<br>In charge of technical strategy and international standardization<br>Head of Research and Development Planning | |
| Senior Executive Vice President Representative Member of the Board | Jun Sawada | Chief Financial Officer<br>Chief Compliance Officer<br>Chief Information Officer<br>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<br>Director of NTT Security Corporation |
| Senior Vice President Member of the Board | Hiroki Kuriyama | Head of Strategic Business Development<br>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 | | Chairperson of the Foundation for the Open University of Japan<br>Outside Director of Japan Display, Inc. |
| Member of the Board | Sadayuki Sakakibara | | Chief Senior Advisor and Chief Senior Counselor of Toray Industries, Inc.<br>Outside Director of Hitachi, Ltd.<br>Chairman of the Japan Business Federation (Keidanren) |
| 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<br>Outside Director of Keikyu Corporation |
| Audit & Supervisory Board Member | Seiichi Ochiai | | Lawyer<br>Outside Director of Meiji Yasuda Life Insurance Company<br>Outside Auditor of Ube Industries, Ltd. |
| Audit & Supervisory Board Member | Takashi Iida | | Lawyer<br>Outside Corporate Auditor of Shimadzu Corporation<br>Outside Director of Alps Electric Co., Ltd. |

Notes: 1. The Members of the Board and Audit & Supervisory Board Members who retired in the fiscal year under review are listed in the following table.

| Name | Retirement Date | Reason for retirement | Position at time of retirement | Responsibilities at time of retirement |
|---|---|---|---|---|
| Hiroshi Tsujigami | June 24, 2016 | Expiration of term | Senior Vice President<br>Member of the Board | Head of Corporate Strategy Planning |
| Kiyoshi Kosaka | June 24, 2016 | Resignation | Full-time Audit & Supervisory Board Member | — |

2. The Members of the Board and Audit & Supervisory Board Members who were newly elected and assumed office at the 31st Ordinary General Meeting of Shareholders convened on June 24, 2016 are listed in the following table.

| Name | Position | Responsibilities |
|---|---|---|
| Eiichi Sakamoto | Senior Vice President<br>Member of the Board | Head of Corporate Strategy Planning |
| Takao Maezawa | Full-time Audit & Supervisory Board Member | |

3. 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 Held | Description of Concurrent Position | Remarks |
|---|---|---|---|---|
| Member of the Board | Satoshi Miura | THE HIROSHIMA BANK, LTD. | External Director | Appointed on June 28, 2016 |
| | Jun Sawada | NTT Security Corporation | Representative Director and President, Chief Executive Officer | Appointed on June 23, 2016 |
| | Tsunehisa Okuno | NTT Security Corporation | Director | Appointed on June 23, 2016 |
| | Eiichi Sakamoto | Nippon Telegraph and Telephone East Corporation | Member of the Board | Appointed on June 24, 2016 |
| | Katsuhiko Shirai | The Foundation for the Open University of Japan | Chairperson | Resigned on March 31, 2017 |
| Audit & Supervisory Board Members | Michiko Tomonaga | Keikyu Corporation | Outside Corporate Auditor | Resigned on June 29, 2016 |
| | | | Outside Director | Appointed on June 29, 2016 |
| | | Japan Exchange Group, Inc. | Outside Director | Resigned on June 21, 2016 |

4. 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.
5. 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.
6. 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 monthly contributions of a certain defined amount or more from their base salary 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, 2017

| Position | Number of Persons | Total Compensation (Millions of yen) |
|---|---|---|
| Members of the Board | 13 | 539 |
| Audit & Supervisory Board Members | 6 | 117 |
| Total | 19 | 656 |

Notes: 1. Compensation amounts shown above include compensation paid to one Member of the Board and one Audit & Supervisory Board Member who retired on June 24, 2016, after the conclusion of the 31st Ordinary General Meeting of Shareholders.
2. Maximum limits on total annual compensation of Members of the Board and Audit & Supervisory Board Members were set at ¥750 million for Members of the Board and ¥200 million for Audit & Supervisory Board Members at the 21st Ordinary General Meeting of Shareholders held on June 28, 2006.
3. Total compensation of Members of the Board includes ¥98 million in bonuses for the fiscal year ended March 31, 2017.
4. In addition to the above, an aggregate of ¥13 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 Concurrent Positions of Outside Members of the Board and Audit & Supervisory Board Members

| Position | Name | Company Where Concurrent Position Held | Description of Concurrent Position |
|---|---|---|---|
| Outside Members of the Board | Katsuhiko Shirai | The Foundation for the Open University of Japan<br>Japan Display, Inc. | Chairperson<br>Outside Director |
| | Sadayuki Sakakibara | Toray Industries, Inc.<br><br>Hitachi, Ltd.<br>The Japan Business Federation (Keidanren) | Chief Senior Advisor and Chief Senior Counselor<br>Outside Director<br>Chairman |
| Outside Audit & Supervisory Board Members | Michiko Tomonaga | Keikyu Corporation | Outside Director |
| | Seiichi Ochiai | Meiji Yasuda Life Insurance Company<br>Ube Industries, Ltd. | Outside Director<br>Outside Auditor |
| | Takashi Iida | Shimadzu Corporation<br>Alps Electric Co., Ltd. | Outside Corporate Auditor<br>Outside Director |

Note: There is no special relationship between NTT Group and the companies where outside Members of the Board and Audit & Supervisory Board Members hold concurrent positions.

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

### Attendance at Board of Directors Meetings and Audit & Supervisory Board Meetings

| Position | Name | 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 | 12/12 | 100% | – | – |
| | Sadayuki Sakakibara | 12/12 | 100% | – | – |
| Outside Audit & Supervisory Board Members | Michiko Tomonaga | 11/12 | 92% | 22/22 | 100% |
| | Seiichi Ochiai | 9/12 | 75% | 18/22 | 82% |
| | Takashi Iida | 12/12 | 100% | 22/22 | 100% |

### Statements made at Board of Directors Meetings and Audit & Supervisory Board Meetings

Board Member Katsuhiko Shirai made comments mainly concerning the business strategies of Group companies, R&D, and global strategy from his perspective as an operational director of an educational institution with extensive experience.

Board Member Sadayuki Sakakibara made comments mainly concerning the business strategies of Group companies, business plans, and investment from his perspective as a corporate executive with extensive experience.

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.

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.

Audit & Supervisory Board Member Takashi Iida made comments mainly concerning corporate governance based on the professional perspective fostered through his extensive experience as a lawyer.

## Total Compensation of Outside Members of the Board and Audit & Supervisory Board Members during the Fiscal Year Ended March 31, 2017

| | 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 | 71 |

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, 2017" on page 45.

(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.

**AI**

Artificial Intelligence

**B2B2X**

A business that supports and promotes the customer-based businesses of other companies. "B" represents the company and "X" represents customers, such as individuals, corporations, employees and government agencies.

**Big Data**

A constellation of data, including character data, images, graphs, audio, etc., which are part of SNS, word-of-mouth websites, and more, so vast in quantity and complex in structure that it becomes difficult to manage and process with traditional technology.

**BPO (Business Process Outsourcing)**

The entrustment of part of a company's business processes to an external specialist company.

**CISO**

Chief Information Security Officer

**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 clients' needs by combining their services to propose and sell.

**Digital Signage**

Collective name for the system which uses electronic signage devices such as displays to distribute information in various locations including stores, public spaces, and public transportation.

**Drone**

Small pilotless aircraft flown by remote control.

**Edge Computing**

Technology that reduces distances from end users to servers and minimizes latency by distributing edge servers close to end users.

**FinTech**

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

**FLET'S Hikari**

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

**HEMS (Home Energy Management System)**

Collective name for the system providing visualization and integrated management of energy including the amount of power used in the home.

### 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 communication method 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.

### Seamless
Without seams.

### Smart Stadiums
A new stadium scheme which allows fans to easily connect to Wi-Fi while also enjoying in-stadium content and services by using ICT and connecting them to local areas outside the stadium.

### Sports Tourism
New style of tourism providing experiences that combine viewing and attending sports events with tourism and exchange in the local region where the events are held.

### System Integration
Implementing the construction and operation of information communications systems in an integrated manner, tailored to clients' operations.

### Upselling
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.

# Consolidated Financial Statements

## Consolidated Balance Sheet (At March 31, 2017)

(Millions of yen)

| Item | Amount |
|---|---|
| **ASSETS** | |
| **Current assets** | |
| Cash and cash equivalents | 925,213 |
| Short-term investments | 63,844 |
| Notes and accounts receivable, trade | 2,699,708 |
| Allowance for doubtful accounts | (48,626) |
| Accounts receivable, other | 505,145 |
| Inventories | 365,379 |
| Prepaid expenses and other current assets | 573,170 |
| Deferred income taxes | 228,590 |
| **Total current assets** | **5,312,423** |
| **Property, plant and equipment** | |
| Telecommunications equipment | 11,046,115 |
| Telecommunications service lines | 16,064,732 |
| Buildings and structures | 6,147,869 |
| Machinery, vessels and tools | 2,032,389 |
| Land | 1,292,685 |
| Construction in progress | 421,819 |
| Accumulated depreciation | (27,286,588) |
| **Net property, plant and equipment** | **9,719,021** |
| **Investments and other assets** | |
| Investments in affiliated companies | 484,596 |
| Marketable securities and other investments | 495,290 |
| Goodwill | 1,314,645 |
| Software | 1,209,485 |
| Other intangible assets | 453,918 |
| Other assets | 1,492,076 |
| Deferred income taxes | 768,871 |
| **Total investments and other assets** | **6,218,881** |
| | |
| **Total assets** | **21,250,325** |

| Item | Amount |
|---|---|
| **LIABILITIES AND EQUITY** | |
| **Current liabilities** | |
| Short-term borrowings | 227,207 |
| Current portion of long-term debt | 681,904 |
| Accounts payable, trade | 1,612,996 |
| Current portion of obligations under capital leases | 14,430 |
| Accrued payroll | 443,308 |
| Accrued taxes on income | 239,755 |
| Accrued consumption tax | 75,083 |
| Advances received | 324,342 |
| Other | 512,368 |
| **Total current liabilities** | **4,131,393** |
| **Long-term liabilities** | |
| Long-term debt (excluding current portion) | 3,168,478 |
| Obligations under capital leases (excluding current portion) | 25,568 |
| Liability for employees' retirement benefits | 1,599,381 |
| Accrued liabilities for point programs | 103,047 |
| Deferred income taxes | 166,751 |
| Other | 497,132 |
| **Total long-term liabilities** | **5,560,357** |
| **Redeemable noncontrolling interests** | **50,819** |
| **Equity** | |
| NTT shareholders' equity | |
| Common stock, no par value | 937,950 |
| Additional paid-in capital | 2,862,035 |
| Retained earnings | 5,626,155 |
| Accumulated other comprehensive income (loss) | 1,562 |
| Treasury stock, at cost | (375,223) |
| **Total NTT shareholders' equity** | **9,052,479** |
| **Noncontrolling interests** | **2,455,277** |
| **Total equity** | **11,507,756** |
| **Total liabilities and equity** | **21,250,325** |

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

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

(Millions of yen)

| Item | Amount | Total |
|---|---|---|
| **Operating revenues** | | |
| Fixed voice related services | 1,233,885 | |
| Mobile voice related services | 865,293 | |
| IP/packet communications services | 3,808,972 | |
| Sale of telecommunications equipment | 806,493 | |
| System integration | 3,041,587 | |
| Other | 1,634,786 | 11,391,016 |
| **Operating expenses** | | |
| Cost of services (excluding items shown separately below) | 2,487,588 | |
| Cost of equipment sold (excluding items shown separately below) | 879,725 | |
| Cost of system integration (excluding items shown separately below) | 2,161,007 | |
| Depreciation and amortization | 1,462,235 | |
| Impairment losses | | |
| Goodwill | 53,294 | |
| Other | 20,558 | |
| Selling, general and administrative expenses | 2,786,820 | 9,851,227 |
| **Operating income** | | **1,539,789** |
| **Other income (expenses)** | | |
| Interest and amortization of bond discounts and issue costs | (37,761) | |
| Interest income | 17,753 | |
| Other, net | 7,988 | (12,020) |
| **Income before income taxes and equity in earnings (losses) of affiliated companies** | | **1,527,769** |
| **Income tax expense (benefit)** | | |
| Current | 472,711 | |
| Deferred | (4,341) | 468,370 |
| **Income before equity in earnings (losses) of affiliated companies** | | **1,059,399** |
| **Equity in earnings (losses) of affiliated companies** | | **(21)** |
| **Net income** | | **1,059,378** |
| **Less—Net income attributable to noncontrolling interests** | | **259,249** |
| **Net income attributable to NTT** | | **800,129** |

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

# Non-consolidated Financial Statements

## Non-consolidated Balance Sheet (At March 31, 2017)

(Millions of yen)

| Item | Amount |
|---|---|
| ASSETS | |
| Current assets | |
| Cash and bank deposits | 324 |
| Accounts receivable, trade | 1,222 |
| Supplies | 196 |
| Advance payment | 862 |
| Deferred income taxes | 907 |
| Short-term loans receivable | 254,949 |
| Accounts receivable, other | 120,527 |
| Other | 3,860 |
| **Total current assets** | **382,850** |
| Fixed assets | |
| Property, plant and equipment | |
| Buildings | 93,460 |
| Structures | 3,500 |
| Machinery, equipment and vehicles | 388 |
| Tools, furniture and fixtures | 17,191 |
| Land | 27,698 |
| Lease assets | 10 |
| Construction in progress | 1,246 |
| **Total property, plant and equipment** | **143,495** |
| Intangible fixed assets | |
| Software | 13,365 |
| Lease assets | 0 |
| Other | 286 |
| **Total intangible fixed assets** | **13,652** |
| Investments and other assets | |
| Investment securities | 12,381 |
| Investments in subsidiaries and affiliated companies | 5,069,679 |
| Other securities of subsidiaries and affiliated companies | 7,562 |
| Contributions to affiliated companies | 161 |
| Long-term loans receivable to subsidiaries | 1,032,958 |
| Prepaid pension costs | 2,016 |
| Deferred income taxes | 14,695 |
| Other | 1,607 |
| **Total investments and other assets** | **6,141,063** |
| **Total fixed assets** | **6,298,210** |
| **Total assets** | **6,681,061** |

| Item | Amount |
|---|---|
| LIABILITIES | |
| Current liabilities | |
| Accounts payable, trade | 470 |
| Current portion of corporate bonds | 199,712 |
| Current portion of long-term borrowings | 131,600 |
| Short-term borrowings | 86,002 |
| Lease obligations | 8 |
| Accounts payable, other | 22,088 |
| Accrued expenses | 6,152 |
| Accrued taxes on income | 43,008 |
| Advances received | 827 |
| Deposits received | 4,158 |
| Deposits received from subsidiaries | 83,776 |
| Unearned revenues | 0 |
| Other | 60 |
| **Total current liabilities** | **577,866** |
| Long-term liabilities | |
| Corporate bonds | 486,728 |
| Long-term borrowings | 1,097,138 |
| Long-term borrowings from subsidiaries | 100,000 |
| Lease obligations | 7 |
| Liability for employees' retirement benefits | 30,873 |
| Asset retirement obligations | 1,433 |
| Other | 3,502 |
| **Total long-term liabilities** | **1,719,683** |
| **Total liabilities** | **2,297,550** |
| NET ASSETS | |
| Shareholders' equity | |
| Common stock | 937,950 |
| Capital surplus | |
| Additional paid-in capital | 2,672,826 |
| Other capital surplus | 0 |
| **Total capital surplus** | **2,672,826** |
| Earned surplus | |
| Legal reserve | 135,333 |
| Other earned surplus | |
| Accumulated earned surplus | 1,013,489 |
| **Total earned surplus** | **1,148,822** |
| **Treasury stock** | **(375,222)** |
| **Total shareholders' equity** | **4,384,376** |
| Unrealized gains (losses), translation adjustments, and others | |
| Net unrealized gains (losses) on securities | (865) |
| Total unrealized gains (losses), translation adjustments, and others | (865) |
| **Total net assets** | **4,383,510** |
| **Total liabilities and net assets** | **6,681,061** |

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

## Non-consolidated Statement of Income (from April 1, 2016 to March 31, 2017)

(Millions of yen)

| Item | Amount | Total |
|---|---|---|
| **Operating revenues** | | |
| Dividends received | 343,634 | |
| Revenues from group management | 21,050 | |
| Revenues from basic R&D | 99,999 | |
| Other services | 9,695 | 474,380 |
| **Operating expenses** | | |
| Administration | 22,133 | |
| Experiment and research | 85,412 | |
| Depreciation and amortization | 21,766 | |
| Retirement of fixed assets | 1,421 | |
| Miscellaneous taxes | 3,959 | 134,693 |
| **Operating income** | | **339,686** |
| **Non-operating revenues** | | |
| Interest income | 12,329 | |
| Lease and rental income | 10,446 | |
| Miscellaneous income | 1,412 | 24,188 |
| **Non-operating expenses** | | |
| Interest expenses | 11,746 | |
| Corporate bond interest expenses | 9,850 | |
| Lease and rental expenses | 5,049 | |
| Miscellaneous expenses | 2,328 | 28,974 |
| **Recurring profit** | | **334,901** |
| **Special losses** | | |
| Write-off of investments in subsidiaries and affiliated companies | 48,310 | 48,310 |
| **Income before income taxes** | | **286,590** |
| **Corporation, inhabitant, and enterprise taxes** | **(508)** | |
| **Deferred tax expenses (benefits)** | **(1,018)** | **(1,527)** |
| **Net income** | | **288,117** |

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 10, 2017

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, 2017 and for the fiscal year from April 1, 2016 to March 31, 2017 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.

**Emphasis of Matter**
As stated in "Notes to Change in Accounting Estimate" in the Notes to Consolidated Financial Statements, the Company and its domestic consolidated subsidiaries have changed the depreciation method of property, plant and equipment, and reviewed the residual values since April 1, 2016. These matters do not affect our opinion.

**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 10, 2017

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, 2017 and for the 32nd fiscal year from April 1, 2016 to March 31, 2017 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 32nd fiscal year from April 1, 2016, to March 31, 2017. 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 12, 2017

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.

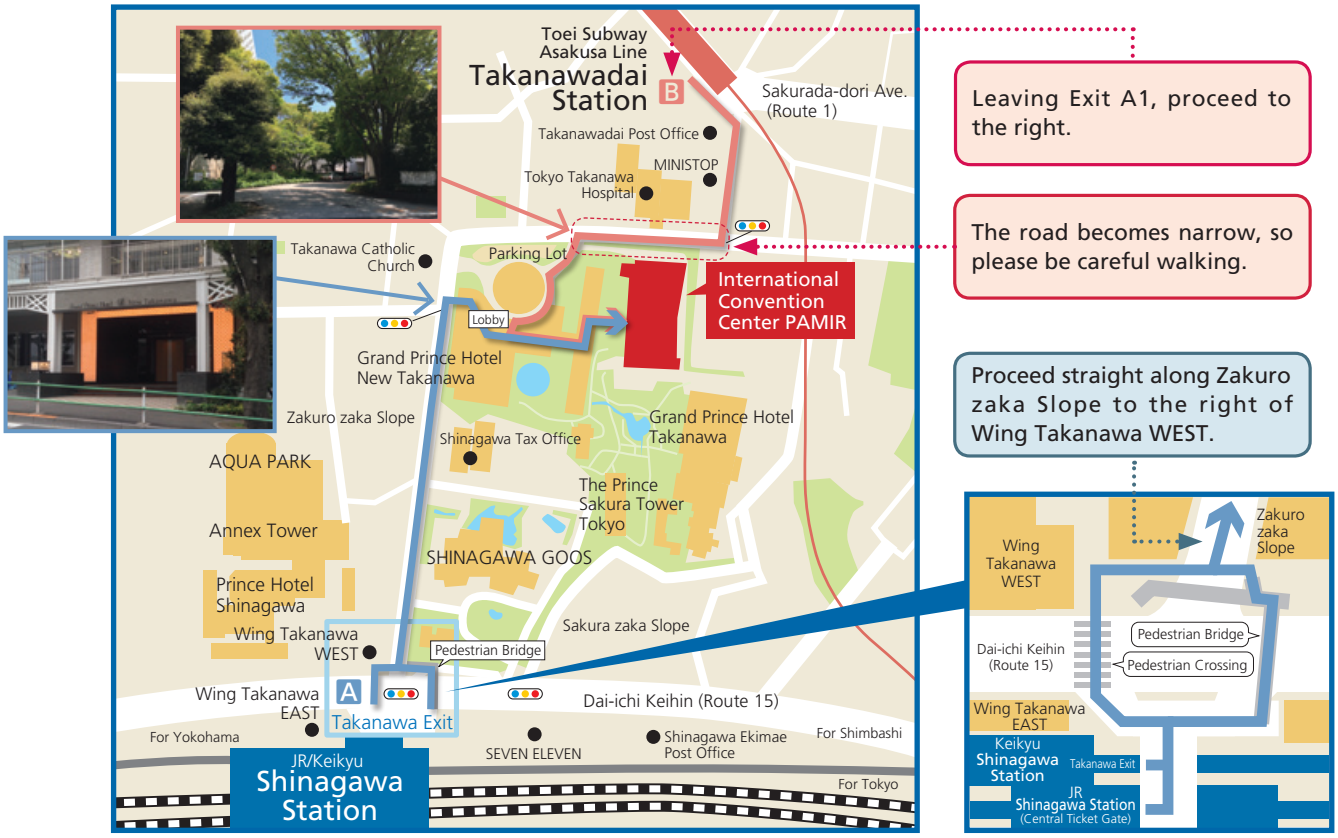
END

# Memo

# The Location of the 32nd 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.<br>● Please note that the reception is expected to be heavily crowded.<br>● As traffic will be heavy in this area on the day of the meeting, it is recommended you do not come by car.<br>● You are requested to leave hand baggage in the cloakroom. We appreciate your cooperation. |