

## **2. OTHERS**

- (1) Change in significant consolidated subsidiaries during the six months ended September 30, 2016, that resulted in changes in the scope of consolidation: None
- (2) Adoption of accounting which is simplified or exceptional for quarterly consolidated financial statements: None
- (3) Change of accounting policy: Yes

### Change in depreciation method

NTT and its subsidiaries in Japan traditionally used the declining-balance method for calculating depreciation of property, plant, and equipment. Effective April 1, 2016, NTT and its subsidiaries adopted the straight-line method of depreciation.

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

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

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

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

As a result of the change in the depreciation method, depreciation expenses on a consolidated basis for the six and three months ended September 30, 2016 decreased by ¥126,663 million and ¥63,039 million, respectively. Consolidated net income attributable to NTT and consolidated basic net income attributable to NTT per share for the six and three months ended September 30, 2016 increased by ¥70,817 million and ¥34,773 million, and ¥34.34 and ¥17.07, respectively.

### Change in Fiscal Year End of Certain Subsidiaries

As of April 1, 2016, certain of NTT's consolidated subsidiaries changed their fiscal year ends from December 31 to March 31, thereby eliminating a three-month discrepancy between their fiscal year ends and NTT's fiscal year end in NTT's quarterly financial statements. The elimination of this discrepancy was applied as a change in accounting policy. NTT did not make any retrospective adjustments to its financial statements as these changes did not have a material impact on the consolidated financial statements for the six months ended September 30, 2015 or the year ended March 31, 2016. As a result of this change, NTT's retained earnings, accumulated other comprehensive income (loss) and noncontrolling interests have decreased by ¥214 million, ¥1,454 million and ¥1,408 million, respectively, in each case as of the beginning of the current fiscal year. In addition, the change in cash and cash equivalents resulting from this change in fiscal year end is presented in the consolidated statements of cash flows under "Increase (decrease) in cash and cash equivalents due to change in fiscal year end of consolidated subsidiaries."