

Financial Results Release

For the Year Ended March 31, 2014

May 13, 2014

[U.S. GAAP]

Name of registrant: Nippon Telegraph and Telephone Corporation ("NTT")

Code No.: 9432

Stock exchange on which the Company's shares are listed: Tokyo

(URL <http://www.ntt.co.jp/ir/>)

Representative: Hiroo Unoura, President and Chief Executive Officer

Contact: Kazuhiko Nakayama, Head of IR, Finance and Accounting Department/ TEL +81-3-6838-5481

Scheduled date of the ordinary general meeting of shareholders: June 26, 2014

Scheduled date of dividend payment: June 27, 2014

Scheduled filing date of securities report: June 30, 2014

Supplemental material on financial results: Yes

Presentation on financial results: Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the Year Ended March 31, 2014 (April 1, 2013 - March 31, 2014)

Amounts are rounded off to nearest million yen.

(1) Consolidated Results of Operations

(Millions of yen)

	Operating Revenues		Operating Income		Income (Loss) before Income Taxes		Net Income (Loss)	
Year ended March 31, 2014	10,925,174	2.1%	1,213,653	1.0%	1,294,195	8.1%	585,473	12.2%
Year ended March 31, 2013	10,700,740	1.8%	1,201,968	(1.7)%	1,197,647	(3.4)%	521,932	11.6%

Note: Percentages above represent changes from the previous year.

	Earnings (Loss) per Share	Diluted Earnings per Share	ROE (Ratio of Net Income to Shareholders' Equity)	ROA (Ratio of Income (Loss) before Income Taxes to Total Assets)	Operating Income Margin (Ratio of Operating Income to Operating Revenues)
Year ended March 31, 2014	509.21 (yen)	- (yen)	7.0%	6.5%	11.1%
Year ended March 31, 2013	430.68 (yen)	- (yen)	6.5%	6.2%	11.2%

Notes: Comprehensive income (loss) attributable to NTT: For the year ended March 31, 2014: 873,371 million yen (27.2%)

For the year ended March 31, 2013: 686,843 million yen (66.1%)

Equity in earnings (losses) of affiliated companies: For the year ended March 31, 2014: (50,792) million yen

For the year ended March 31, 2013: (16,093) million yen

Figures for Year ended March 31, 2013 have been revised from those disclosed on May 10, 2013, as described in "4. CONSOLIDATED FINANCIAL STATEMENTS (7) Change in Significant Matters Serving as a Basis for the Preparation of Consolidated Financial Statements" on page 29.

(2) Consolidated Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Total Equity	Shareholders' Equity	Equity Ratio (Ratio of Shareholders' Equity to Total Assets)	Shareholders' Equity per Share
March 31, 2014	20,284,949	10,924,806	8,511,354	42.0%	7,667.57 (yen)
March 31, 2013	19,549,067	10,522,003	8,231,439	42.1%	6,944.17 (yen)

Note: Figures for March 31, 2013 have been revised from those disclosed on May 10, 2013, as described in "4. CONSOLIDATED FINANCIAL STATEMENTS (7) Change in Significant Matters Serving as a Basis for the Preparation of Consolidated Financial Statements" on page 29.

(3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Year ended March 31, 2014	2,727,904	(2,106,806)	(622,440)	984,463
Year ended March 31, 2013	2,453,682	(1,776,253)	(745,181)	961,433

2. Dividends

	Dividends per Share					Total Annual Dividends	Payout Ratio (Consolidated)	Ratio of Dividends to Shareholders' Equity (Consolidated)
	End of the First Quarter	End of the Second Quarter	End of the Third Quarter	Year-end	Total			
Year ended March 31, 2013	—	80.00 (yen)	—	80.00 (yen)	160.00 (yen)	192,571 (Millions of yen)	37.2 %	2.4 %
Year ended March 31, 2014	—	80.00 (yen)	—	90.00 (yen)	170.00 (yen)	191,249 (Millions of yen)	33.4 %	2.3 %
Year ending March 31, 2015 (Forecasts)	—	90.00 (yen)	—	90.00 (yen)	180.00 (yen)	—	33.6 %	—

3. Consolidated Financial Results Forecasts for the Year Ending March 31, 2015 (April 1, 2014 - March 31, 2015)

(Millions of yen)

	Operating Revenues	Operating Income	Income before Income Taxes	Net Income Attributable to NTT	Basic Earnings per Share Attributable to NTT
Year ending March 31, 2015	11,200,000 2.5 %	1,215,000 0.1 %	1,195,000 (7.7)%	586,000 0.1 %	536.00 (yen)

Note: Percentages above represent changes from the previous year.

***Notes**

(1) Change in reporting entities (change in significant consolidated subsidiaries): None

(2) Change of accounting policy

1. Change due to revision of accounting standards and other regulations: Yes

2. Others: None

(For further details, please see “(7) Change in significant matters serving as a basis for the preparation of consolidated financial statements” on page 29.)

(3) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock) at end of year:

March 31, 2014: 1,136,697,235 shares

March 31, 2013: 1,323,197,235 shares

2. Number of treasury stock at end of year:

March 31, 2014: 26,650,807 shares

March 31, 2013: 137,822,603 shares

3. Weighted average number of shares outstanding:

For the year ended March 31, 2014: 1,149,758,214 shares

For the year ended March 31, 2013: 1,211,880,769 shares

(Reference) Non-Consolidated Financial Results

For the Year Ended March 31, 2014

[Japanese GAAP]

1. Non-consolidated Financial Results for the Year Ended March 31, 2014 (April 1, 2013 - March 31, 2014)

Amounts are rounded off per 1 million yen.

(1) Non-consolidated Results of Operations

(Millions of yen, except per share amounts)

	Operating Revenues		Operating Income		Recurring Profit		Net Income	
Year ended March 31, 2014	430,843	(0.4)%	283,530	1.8%	277,322	1.1%	279,224	2.8%
Year ended March 31, 2013	432,785	5.2 %	278,610	8.1%	274,429	5.8%	271,527	5.5%

Note: Percentages above represent changes from the previous year.

	Earnings per Share	Earnings per Share after Potential Dilution Adjustments
Year ended March 31, 2014	242.86 (yen)	- (yen)
Year ended March 31, 2013	224.05 (yen)	- (yen)

(2) Non-consolidated Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Net Assets	Equity Ratio (Ratio of Shareholders' Equity to Total Assets)	Net Assets per Share
March 31, 2014	7,302,096	4,329,004	59.3%	3,899.84 (yen)
March 31, 2013	7,467,851	4,641,171	62.1%	3,915.36 (yen)

(Reference) Shareholders' equity: For the year ended March 31, 2014: 4,329,004 million yen

For the year ended March 31, 2013: 4,641,171 million yen

2. Non-consolidated Financial Results Forecasts for the Year Ending March 31, 2015 (April 1, 2014 - March 31, 2015)

(Millions of yen, except per share amounts)

	Operating Revenues		Operating Income		Recurring Profit		Net Income		Earnings per Share
Year ending March 31, 2015	422,000	(2.1)%	277,000	(2.3)%	272,000	(1.9)%	274,000	(1.9)%	250.00 (yen)

Note: Percentages above represent changes from the previous year.

* The figures for the payout ratio (consolidated) and the earnings per share (consolidated/non-consolidated) for the fiscal year ending March 31, 2015 (forecasts) are based on the assumption that NTT will repurchase up to 44 million shares for up to 250 billion yen, as resolved at the board of directors' meeting held on May 13, 2014, and retain these shares as treasury stock.

* Presentation on the status of audit process:

This financial results release is not subject to the audit process as required by the Financial Instruments and Exchange Act of Japan. As of the date when this financial results release was issued, the audit process on financial statements as required by the Financial Instruments and Exchange Act was still ongoing.

* Explanation for forecasts of operation and other notes:

With regard to the assumptions and other related matters concerning the above estimated results, please refer to page 46.

As NTT evaluates its business performance on an annual basis, prospects on a semi-annual basis are not provided.

On Tuesday, May 13, 2014, NTT will hold a presentation on its financial results for institutional investors and analysts. Shortly thereafter, NTT plans to post on its website explanatory details, along with the materials used at the presentation.

1. BUSINESS RESULTS

(1) Analysis Concerning Business Results

Overview of Consolidated Business Results (April 1, 2013 – March 31, 2014)

			(Billions of yen)	
	Fiscal Year Ended March 31, 2013 (April 1, 2012 – March 31, 2013)	Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)	Change	Percent Change
Operating revenues	10,700.7	10,925.2	224.4	2.1 %
Operating expenses	9,498.8	9,711.5	212.7	2.2 %
Operating income	1,202.0	1,213.7	11.7	1.0 %
Income before income taxes	1,197.6	1,294.2	96.5	8.1 %
Net income attributable to NTT	521.9	585.5	63.5	12.2 %

In the fiscal year ended March 31, 2014, while the US economy was buoyant and there were also indications of recovery in Europe, there was only modest growth overall in the global economy due to a slowdown in China and other emerging countries. Against a backdrop of government and other policy stimulus measures, the Japanese economy continued to make a gentle recovery, centered around domestic demand.

In the information and telecommunications market, optical broadband services, LTE services and Wi-Fi-based broadband speeds, as well as the permeation of smartphones, tablets and various other devices have all increased, and the use of social media and cloud services continued to expand. There has also been a worldwide trend of various new participants, in addition to telecommunications companies, entering the market, and rapid growth in the variety and sophistication of services.

In light of these circumstances, NTT Group worked to expand its global cloud services and strengthen its network service competitiveness in line with its Medium-Term Management Strategy adopted in November 2012, entitled “Towards the Next Stage.”

● Expansion of Global Cloud Services

NTT Group worked to expand its provision of global cloud services by taking advantage of its strengths as a corporate group to provide comprehensive cloud services from the information and telecommunications platforms stage, such as data centers and the IP backbone, to the ICT management and applications stage.

In the field of research and development, a new research and development base, NTT Innovation Institute, Inc. (NTT I³), was established in North America—the most competitive market—in order to rapidly develop and bring to market top-level global security and cloud technologies. The unique consulting tools developed by NTT I³ have led to the receipt of new orders from customers.

To reinforce the structure by which global cloud services are provided, NTT Group acquired the following subsidiaries: security services provider Solutionary, Inc. (head office: United States), data center service provider RagingWire Data Centers (head office: United States), and network service provider Virtela Technology Services Incorporated (head office: United States). To strengthen the provision of teleconferencing services, NTT Group acquired Arkadin International SAS (head office: France), a provider of teleconference, Web conference and video conference services in 32 countries worldwide. In addition, NTT Group acquired everis Group (head office: Spain), a comprehensive provider of ICT services, to strengthen NTT Group’s operating base in Europe and Latin America.

In order to strengthen its provision of data center services, NTT Group established new data centers in Hong Kong, which has a high concentration of financial institutions with significant requirements for high-quality and stable ICT environments, as well as in Malaysia, where there is little impact from natural disasters, and in Tokyo, with its highly convenient transportation systems. The strengths of these data centers include safe facilities and high-quality networks.

Various NTT Group companies collaborated to obtain orders from companies such as Yum! Brands, Inc. (head office: United States), one of the world’s largest restaurant chain operators, whose portfolio includes Kentucky Fried Chicken and Pizza Hut, for the provision of cloud-based collective systems for operations and outsourcing services, and from the Texas Department of Transportation, for optimization solutions and operation services for its core systems.

- Strengthening Network Service Competitiveness

In the fixed-line communications field, NTT Group worked to increase new subscriptions for its FLET'S Hikari service, including provision of the new service "Donto wari," which offers subscribers a discount on monthly charges commencing from the start of use for a maximum of two years.

In the mobile communications field, NTT Group worked to expand the use of smartphones, including the launch of sales of the iPhone^{*}, and at the same time further expanded the service area of its Xi service (LTE service). In addition, NTT Group launched a Quad-Band LTE service supporting the following four frequency bands: 800MHz, 1.5GHz, 1.7GHz and 2GHz, providing an environment with even greater network convenience for users.

To strengthen competitiveness in network services, NTT Group endeavored to cut costs in fixed-line and mobile communications services. Specifically, NTT Group has worked to further enhance infrastructure efficiency by introducing high-performance equipment and by making effective use of existing equipment, while cutting the cost of laying optical transmission lines by increasing construction projects that do not require the dispatch of NTT employees and working to further improve the efficiency of its maintenance and operations business.

- Promoting Corporate Social Responsibility (CSR)

In order to contribute to the sustainable development of society, NTT Group companies undertook a range of activities and engaged in proactive information disclosure based on the eight Priority Activities of the "NTT Group CSR Priority Activities" plan and quantitative indicators, which were established in accordance with the "NTT Group CSR Charter" to promote collective group initiatives.

Specifically, to "contribute to a sustainable society by providing customers with value," NTT Group's solutions, which enable the resolution of issues, including those associated with Japan's aging population and lack of medical resources, while also facilitating continuity of medical operations in the event of a natural disaster, were adopted, constructed and deployed in the Ishinomaki/Kesennuma medical care districts of Miyagi Prefecture.

Furthermore, as a result of NTT Group's initiatives to reduce greenhouse gases utilizing ICT as a means of "creating a low-carbon society," NTT Group was recognized by the Carbon Disclosure Project (CDP), the world's largest organization for the evaluation of companies in the context of climate change issues, as one of the leading companies in Japan for climate change disclosure. NTT Group was also the only Japanese telecommunications provider to achieve a position in the Climate Disclosure Leadership Index (CDLI).

Moreover, NTT Group continued to promote initiatives aimed at "securing high-level stability and reliability in key infrastructure," including improving the earthquake resistance and water resistance of exchange offices and re-examining transmission lines in light of lessons learned from the Great East Japan Earthquake.

As a result of the above efforts, NTT Group's consolidated operating revenues for the fiscal year ended March 31, 2014 were 10,925.2 billion yen (an increase of 2.1% from the previous fiscal year). Consolidated operating expenses were 9,711.5 billion yen (an increase of 2.2% from the previous fiscal year). As a result, consolidated operating income was 1,213.7 billion yen (an increase of 1.0% from the previous fiscal year), consolidated income before income taxes was 1,294.2 billion yen (an increase of 8.1% from the previous fiscal year), and consolidated net income attributable to NTT was 585.5 billion yen (an increase of 12.2% from the previous fiscal year).

The forecast for the fiscal year ending March 31, 2015 is as follows: operating revenues of 11,200.0 billion yen (an increase of 2.5% year-over-year), operating income of 1,215.0 billion yen (an increase of 0.1% year-over-year), income before income taxes of 1,195.0 billion yen (a decrease of 7.7% year-over-year), and net income attributable to NTT of 586.0 billion yen (an increase of 0.1% year-over-year).

Notes: 1. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States.

2. Figures from the same period of the previous fiscal year have been revised due to the effect of the retrospective application of the equity method to investments.

* TM and © 2014 Apple Inc. All rights reserved. iPhone is a trademark of Apple Inc.. The iPhone trademark is used under license from AIPHONE CO., LTD.

The business results for NTT (Holding Company) and each of its business segments for the consolidated fiscal year ended March 31, 2014 are as follows.

Nippon Telegraph and Telephone Corporation (Holding Company)

Overview of Non-consolidated Business Results (April 1, 2013 – March 31, 2014)

			(Billions of yen)	
	Fiscal Year Ended March 31, 2013 (April 1, 2012 – March 31, 2013)	Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)	Change	Percent Change
Operating revenues	432.7	430.8	(1.9)	(0.4) %
Operating expenses	154.1	147.3	(6.8)	(4.5) %
Operating income	278.6	283.5	4.9	1.8 %
Recurring profit	274.4	277.3	2.8	1.1 %
Net income	271.5	279.2	7.6	2.8 %

In its capacity as the holding company of the NTT Group companies, during the past fiscal year, NTT continued working to plan group-wide strategies and redistribute managerial resources in line with changes in the business environment. NTT also conducted fundamental research and development and provided the results to each group company for their broader dissemination, while planning and promoting the commercialization of fundamental technologies. Furthermore, NTT exercised voting and other shareholder rights at the general shareholders' meetings of each group company.

During fiscal 2013, NTT repurchased 48,737,200 shares of its common stock for an aggregate of 250 billion yen pursuant to a resolution passed at its board of directors' meeting held on May 10, 2013. In addition, on November 15, 2013, NTT cancelled 186,500,000 shares held as treasury stock pursuant to a resolution passed at its board of directors' meeting held on November 8, 2013, and repurchased a further 26,556,800 shares of its common stock for an aggregate of 156.5 billion yen pursuant to a resolution passed at its board of directors' meeting held on February 6, 2014.

NTT plans to set its annual dividends at 170 yen per share for the fiscal year ended March 31, 2014.

[1] Provision of Advice and Intermediary Services to Group Companies

NTT continues to provide appropriate and timely advice and intermediary services to group companies to facilitate the performance of their business activities in line with group policies and objectives.

Specifically, NTT Group provided advice and intermediary services aimed at expanding its provision of global cloud services and strengthening its network service competitiveness in line with its Medium-Term Management Strategy "Towards the Next Stage." As compensation for these services, NTT received 18.4 billion yen in group management and administration revenues for the fiscal year ended March 31, 2014 (a decrease of 2.6% from the previous fiscal year).

[2] Fundamental Research & Development Activities

Pursuant to its Medium-Term Management Strategy "Towards the Next Stage," NTT Group has worked on research and development on fundamental technologies that contribute to the provision of safe and secure cloud services, the realization of an enjoyable user experience for each and every user, and the provision of highly competitive network services, to contribute toward realizing a more comfortable and enriched society serviced by a wide range of devices connected to the cloud. NTT worked to achieve technological development based on market trends and formulate business plans through the "General Production System" to promptly commercialize the results of its research and development. In addition, to create new value, NTT promoted open innovation through collaboration with other companies and engaged in cutting-edge future-oriented research.

● Research & Development Contributing to the Provision of Safe and Secure Cloud Services

- By participating in the community that develops the open source software "OpenStack" to build a cloud computing platform, NTT Group efficiently met its customers' requirements and developed functions for differentiating NTT Group from its competitors, contributing to the early provision of a user-friendly cloud service in which customers can effortlessly put in place their network architectures in the cloud.
- NTT became the world's first company to develop a statistical analysis system incorporating Secure Computation Technologies at the commercial level as a security platform for the secure use of cloud services, which enables confidential data to undergo statistical processing while maintaining the confidentiality of the data.

- In the big data field, where the privacy of personal data is paramount, NTT Group developed an anonymization system that maintains the usability of personal data while ensuring advanced security.
 - To promote further dissemination of Jubatus, an open source processing platform for real-time analytical processing of big data, NTT launched a support service to provide installation and operational support in response to customer requests.
- Research & Development Contributing to Realizing a Superior User Experience
 - Against a background of growing requirements for the distribution of ultra-high definition 4K and 8K video, NTT developed compression software that offers the highest level of video compression performance in the world.
 - NTT developed “Dialogue Engine” technology that enables natural conversation between humans and computers, through computers’ correct recognition of the conversation topic and context, and creation and selection of responses from a vast amount of data.
- Research & Development Contributing to Provision of Highly Competitive Network Services
 - To strengthen its network service competitiveness, NTT undertook research and development aimed at realizing carrier networks that utilize virtualization technology, including developing technology for achieving highly reliable network services on an inexpensive general-purpose server, technology that automatically provides necessary services in a flexible and rapid manner, and elemental technology to realize the world’s fastest transfer speeds on a general-purpose server using a software switch.
 - NTT continued to develop “edge computing technology”—the installation of an edge server close to smartphones or other devices to disperse certain processes. This is a new form of network technology used for the provision of services required in real time and traffic reduction between M2M equipment involving frequent communications and servers. It is also used for achieving faster application speeds in a way that is not equipment-dependent.
 - Based on lessons learned from the Great East Japan Earthquake, NTT has developed an “ICT Car,” a vehicle that provides the apparatus necessary for the provision of an ICT environment for telecommunications and information processing, etc. in compact form, to enable the immediate recovery of communications in the event of a natural disaster.
- Promoting Open Innovation
 - NTT collaborated with Toray Industries, Inc. to develop the advanced nanofiber material “hitoe,” a fabric coated with a conductive resin which, when worn, can acquire the wearer’s biometric information such as heart rate and electrocardiogram waveform.
 - In partnership with DWANGO Co., Ltd., NTT created an immersive visual experience through the high-quality distribution of images from ceiling-wide cameras installed in the Nicofarre performance venue, and developed viewing quality optimization technology that optimizes quality during the distribution of images according to customers’ equipment environment and the degree of network congestion.
 - Through joint research with Japan Aerospace Exploration Agency (JAXA), NTT succeeded in the world’s first microwave electric-field measurement in plasma within a microwave discharge ion engine using on-board asteroid probes, etc., utilizing a sensor combining optical fiber and electro-optic crystal, thereby contributing to the understanding of the plasma production mechanism.
- Promoting Advanced Research
 - NTT developed “Buru-Navi 3,” a far more compact version of its “Buru-Navi” technology that uses the characteristics of human perception to guide the user by generating the sense of being drawn along by special vibrations.
 - NTT developed a novel integration technology based on nanophotonics, the first of its kind in the world, aimed at a drastic reduction in power consumption in the ICT field, which makes it possible to replace the electrical wiring on a processor chip with a high-density optical network.
 - NTT developed sensor equipment incorporating a wireless circuit operating at nanowatt-level (1 nanowatt = 1 billionth of 1 watt) power consumption, with the goal of realizing new services utilizing sensor equipment that requires less maintenance.

As a result of these research and development activities, NTT's total expenditures on research and development during the fiscal year ended March 31, 2014 were 119.9 billion yen (a decrease of 5.6% from the previous fiscal year), and NTT received basic research and development revenues of 114.4 billion yen (a decrease of 5.4% from the previous fiscal year) as compensation for these research and development activities.

[3] Share Ownership and Exercise of Voting Rights

NTT exercises its rights as a shareholder based on the principle that each group company should conduct its business activities in line with NTT Group's policies and objectives, while maintaining its independence and autonomy. When exercising voting rights as a shareholder at the general shareholders' meetings of each group company during the fiscal year ended March 31, 2014, NTT determined that the business practices, financial conditions, retained earnings, and other conditions during the previous consolidated fiscal year (the fiscal year ended March 31, 2013) were appropriate and, accordingly, NTT voted to approve the disposition of unappropriated retained earnings based on proposals from each group company as well as the election of directors and other matters. As a result, NTT received 288.1 billion yen in dividends (an increase of 1.9% from the previous fiscal year).

As a result of the above, NTT's operating revenues for the fiscal year ended March 31, 2014 were 430.8 billion yen (a decrease of 0.4% from the previous fiscal year), recurring profit was 277.3 billion yen (an increase of 1.1% from the previous fiscal year), and net income was 279.2 billion yen (an increase of 2.8% from the previous fiscal year).

Regional Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2013 – March 31, 2014)

				(Billions of yen)
	Fiscal Year Ended March 31, 2013 (April 1, 2012 – March 31, 2013)	Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)	Change	Percent Change
Operating revenues	3,659.8	3,572.3	(87.5)	(2.4)%
Operating expenses	3,566.9	3,445.1	(121.8)	(3.4)%
Operating income	93.0	127.2	34.3	36.9 %

Number of Subscriptions

				(Thousands)
	March 31, 2013	March 31, 2014	Change	Percent Change
FLET'S Hikari	17,300	18,050	750	4.3 %
NTT East	9,750	10,187	437	4.5 %
NTT West	7,550	7,863	313	4.1 %
Hikari Denwa	15,169	16,256	1,087	7.2 %
NTT East	8,085	8,694	610	7.5 %
NTT West	7,084	7,562	477	6.7 %

Notes:

1. Number of "FLET'S Hikari" subscribers includes subscribers to "B FLET'S," "FLET'S Hikari Next," "FLET'S Hikari Light" and "FLET'S Hikari WiFi Access" provided by NTT East, and subscribers to "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" provided by NTT West.
2. The figures for Hikari Denwa indicate the number of channels (in thousands).

NTT East and NTT West, the main subsidiaries of NTT in the regional communications business segment, worked to secure solid revenue streams by collaborating with other business operators, expanding their respective FLET'S Hikari service offerings, promoting fiber-optic and IP-related services through the expansion of opportunities for use of Hikari utilizing Wi-Fi, and improving support services to increase customer retention. The main initiatives are set out below.

[1] Number of Subscriptions for Major Services

- FLET'S Hikari: 18.05 million subscriptions (an increase of 0.75 million subscriptions from the previous fiscal year)
- Hikari Denwa: 16.26 million channels (an increase of 1.09 million channels from the previous fiscal year)
- FLET'S TV: 1.16 million subscriptions (an increase of 0.16 million subscriptions from the previous fiscal year)

[2] Promotion of Fiber-optic and IP Services

Major Services Launched in the Fiscal Year Under Review

Service or Product	Description
FLET'S Hikari Next Prio (NTT East)	An optical broadband service for corporate customers, with a maximum communication speed of around 1Gbps and priority bandwidth for stable communications.
Donto Wari (NTT West)	A service aimed at promoting new subscriptions to FLET'S Hikari by providing further discounts on monthly charges after applying "Hikari Motto2 Wari," for a maximum of two years from commencement of use of FLET'S Hikari.
FLET'S Azukeru (NTT East)	A service for users of FLET'S Hikari that allows users to store data such as photos and video via online storage and to share and view their data.
FLET'S Smart Pay (NTT East)	A simple and easy-to-install payment service for stores that use FLET'S Hikari, which aims to help stimulate business in downtown stores by further spreading and increasing the use of non-cash payment.

Major Collaborative Projects with Other Businesses Relating to Provision of Services Entered into During the Fiscal Year Under Review

Business Partner	Description
T-MEDIA Holdings Co., Ltd. (NTT East)	Launched the smart TV device "TSUTAYA Stick," which allows customers to view "TSUTAYA TV," a video distribution service from T-MEDIA Holdings, via NTT East's FLET'S Hikari.
Sohgo Security Services Co., Ltd. (NTT West)	Launched a security service co-developed with Sohgo Security for autonomous crime prevention measures, utilizing a camera equipped with a sensor and an information device such as a PC or smartphone.

[3] Improving Customer Service

Expanding and Enhancing Customer Support

- Subscriptions for "Remote Support Service," which provides remote responses to a broad range of customer inquiries concerning all aspects of broadband services, reached 4.60 million. (NTT East/NTT West).
- Subscriptions to the "FLET'S Hikari Members Club" (for NTT East) and "CLUB NTT-West" (for NTT West) membership privilege programs, which offer special content and points based on monthly usage, reached a total of 10.61 million.

As a result of the above, and despite an increase in IP / packet communications revenues attributable to the increase in "FLET'S Hikari" and "Hikari Denwa" subscriptions, consolidated operating revenues in the regional communications business segment for the fiscal year ended March 31, 2014 decreased to 3,572.3 billion yen (a decrease of 2.4% from the previous fiscal year) due to a decrease in fixed voice related revenues resulting from the decline in fixed-line telephone subscriptions. On the other hand, due to a decrease in personnel expenses and operating expenses, among other factors, consolidated operating expenses were 3,445.1 billion yen in the fiscal year ended March 31, 2014 (a decrease of 3.4% from the previous fiscal year). As a result, consolidated operating income was 127.2 billion yen (an increase of 36.9% from the previous fiscal year).

Long-distance and International Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2013 – March 31, 2014)

			(Billions of yen)	
	Fiscal Year Ended March 31, 2013 (April 1, 2012 – March 31, 2013)	Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)	Change	Percent Change
Operating revenues	1,657.9	1,809.9	152.0	9.2%
Operating expenses	1,536.7	1,682.4	145.8	9.5%
Operating income	121.3	127.5	6.2	5.1%

Pursuant to its “Vision 2015” business strategy, NTT Communications worked to become the optimal business partner that global customers choose to work with and a true leading global player (Global ICT Partner). For corporate clients, NTT Communications worked to provide total global ICT outsourcing services unique to telecommunication providers that combine networks, data centers, applications and security. For individual customers, NTT Communications worked to provide more convenient applications and rich content, enabling new lifestyles. The main initiatives are set out below.

[1] Number of Subscriptions for Major Services

- Hikari TV: 2.82 million subscriptions (an increase of 0.37 million subscriptions from the previous fiscal year)
- OCN: 8.15 million subscriptions (a decrease of 0.06 million subscriptions from the previous fiscal year)
- Plala: 2.97 million subscriptions (a decrease of 0.10 million subscriptions from the previous fiscal year)

[2] Development of Global Business

Strengthening of Systems for Service Provision

- NTT Communications launched the operation of Tokyo No. 6 Data Center, the city’s largest data center with a total floor area of about 20,000m², and Hong Kong Financial Data Centre, which has Tier IV-compatible infrastructure—the highest global quality level in the data center sector—and a total floor area of about 70,000m². In addition, NTT Communications established NexcenterTM as a unified global brand name for its data center services.
- To expand the available server room area of high-quality data centers in the United States and meet demand for cloud services, NTT Communications acquired RagingWire Data Centers (head office: United States), a data center provider.
- To achieve greater business efficiency through the integration of operations and expand services that utilize network virtualization technology, NTT Communications acquired Virtela Technology Services, Incorporated (head office: United States), a provider of network services and cloud-based managed network services.
- To enhance the functions offered by videoconferencing services and accelerate expansion of the range of countries in which it offers services, NTT Communications acquired Arkadin International SAS (head office: France), a provider of collaborative services including voice, Web and teleconferencing services.
- NTT Communications established “WideAngle” as the unified global brand name for its security services.

Network Expansion

- To meet the demand for high-quality, highly reliable IP backbones, NTT Communications established new connection points as part of its Global Internet Access service “Global IP Network” in six cities across four countries, including Jakarta.

[3] Development of Services for Corporate Customers

Main Services Launched in the Fiscal Year Under Review

Service	Description
Biz Hosting Enterprise Cloud	
On-premises connection	Cloud migration service that provides for smooth and flexible migration from a client's premises to the cloud via a virtual network.
Colocation connection	A service connecting NTT Communications' specified cloud and colocation in the same segment via a virtual network.
WideAngle Professional Services	Highly specialized security services provided by security consultants and engineers with extensive experience in security.

[4] Development of Services for Individual Customers

Main Services Launched in the Fiscal Year Under Review

Service	Description
OCN Mobile ONE	An LTE-compatible mobile data communications service that allows the user to select the best option for accommodating his or her communication volume and speed.

As a result of the above, and despite a decline in fixed voice related revenues, consolidated operating revenues in the long-distance and international communications business segment for the fiscal year ended March 31, 2014 were 1,809.9 billion yen (an increase of 9.2% from the previous fiscal year) due to the depreciation of the yen and an increase in system integration revenues, in addition to an increase in the number of consolidated subsidiaries. On the other hand, despite a decrease in operating expenses as a result of improved operating efficiency, consolidated operating expenses for the fiscal year ended March 31, 2014 were 1,682.4 billion yen (an increase of 9.5% from the previous fiscal year) due to the depreciation of the yen, an increase in revenue-linked expenses and an increase in the number of consolidated subsidiaries. As a result, consolidated operating income was 127.5 billion yen (an increase of 5.1% from the previous fiscal year).

Mobile Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2013 – March 31, 2014)

	Fiscal Year Ended March 31, 2013 (April 1, 2012 – March 31, 2013)	Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)	Change	Percent Change
Operating revenues	4,470.1	4,461.2	(8.9)	(0.2)%
Operating expenses	3,633.7	3,644.0	10.3	0.3 %
Operating income	836.4	817.2	(19.2)	(2.3)%

(Billions of yen)

Number of Subscriptions

	March 31, 2013	March 31, 2014	Change	Percent Change
Mobile phone services	61,536	63,105	1,569	2.6 %
FOMA services	49,970	41,140	(8,830)	(17.7)%
Xi services	11,566	21,965	10,399	89.9 %
i-mode services	32,688	26,415	(6,273)	(19.2)%
sp-mode services	18,285	23,781	5,497	30.1 %

(Thousands)

Notes:

- Figures for mobile phone service subscriptions, FOMA service subscriptions and mova service subscriptions include communications module service subscriptions.
- Effective March 3, 2008, the use of the “2-in-1” service, in principle, requires a “FOMA” subscription; the number of mobile phone service subscriptions and the number of “FOMA” service subscriptions include such “FOMA” subscriptions.

Based on its medium-term management policy, “Medium-Term Vision 2015: Shaping a Smart Life,” NTT DOCOMO worked to strengthen its total capability in the four areas of “devices,” “networks,” “services” and “fees and channels,” and to expand new services in its “dmarket,” to encourage even more customers to choose NTT DOCOMO as their “Smart Life Partner.” The main initiatives are set out below.

[1] Number of Subscriptions to Main Services

To meet customers’ wide-ranging needs and encourage even more customers to use NTT DOCOMO’s unique services, NTT DOCOMO launched sales of the iPhone* and expanded its smartphone lineup.

*TM and © 2014 Apple Inc. All rights reserved. iPhone is a trademark of Apple Inc. The iPhone trademark is used under license from AIPHONE CO, Ltd..

- Number of mobile phone service subscriptions: 63.11 million (an increase of 1.57 million subscriptions from the previous fiscal year)
(Partial listing only) FOMA service subscriptions: 41.14 million (a decrease of 8.83 million subscriptions from the previous fiscal year)
(Partial listing only) Xi (LTE service) subscriptions: 21.97 million (an increase of 10.40 million subscriptions from the previous fiscal year)
- (Note) Number of subscriptions to mobile phone services and “FOMA” services includes communication module service subscriptions.

Main Services Launched in the Fiscal Year Under Review

Service, etc.	Description
dmarket	
d creators	A service for displaying and offering for purchase items such as accessories and novels created by aspiring artists and writers, etc.
d fashion	A dedicated fashion e-commerce site operated jointly with MAGASseek Corporation, an online fashion retailer.
d kids	A service offering educational content such as picture books and illustrated reference books for kids.
d travel	A service provided in partnership with JTB Corporation offering comprehensive support to customers from the trip-planning stage to the trip itself
docomo mail	A service that allows for the storing of sent and received emails on the cloud and the use of the same email address from multiple devices.
Pet Fit	A service that allows for the management of a pet dog's health and the confirmation of its current location by attaching a tag equipped with telecommunication functionality.

[2] Expansion of Service Area

- The number of Xi service (LTE service) base stations nationwide increased to 55,300 stations as of the end of the fiscal year ended March 31, 2014 (an increase of 30,900 stations compared with the end of the previous fiscal year). NTT DOCOMO also worked to further expand its service area, including subway stations and Shinkansen stations, commercial facilities and schools, and Mount Fuji (during the July-August climbing season), which has been registered as a World Heritage site.
- NTT DOCOMO launched the operation of Quad-Band LTE, which facilitates the provision of a convenient high-speed, high-volume communication environment by utilizing the characteristics of four frequency bands (800MHz, 1.5GHz, 1.7GHz, and 2GHz).

[3] Efforts in New Fields

- docomo Healthcare, Inc. launched the new health management service “WM” (Watashi Move).
- To provide a variety of payment services in the European online goods market, NTT DOCOMO acquired fine trade gmbh (head office: Austria), a payment services provider.

As a result of the above, and despite an increase in revenues from communications handset sales as a result of robust smartphone sales efforts and an increase in revenues associated with operations in new business sectors, consolidated operating revenues for the mobile communications business segment for the fiscal year ended March 31, 2014 were 4,461.2 billion yen (a decrease of 0.2% from the previous fiscal year) due to a decline in voice revenues as a result of the impact of “Monthly Support” discount programs and a decrease in billable MOU(*1). On the other hand, despite a decrease in operating expenses due to the promotion of cost-cutting efforts, consolidated operating expenses for the fiscal year ended March 31, 2014 were 3,644.0 billion yen (an increase of 0.3% from the previous fiscal year) due to an increase in depreciation expenses from the expansion of “Xi” service base stations and the enhancement of network facilities, an increase in the wholesale unit prices of handsets in conjunction with the increase in smartphone sales and an increase in expenses associated with operations in new business sectors. As a result, consolidated operating income was 817.2 billion yen (a decrease of 2.3% from the previous fiscal year).

Note:

(*1) MOU (Minutes Of Use): average monthly minutes of use per subscriber.

Data Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2013 – March 31, 2014)

			(Billions of yen)	
	Fiscal Year Ended March 31, 2013 (April 1, 2012 – March 31, 2013)	Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)	Change	Percent Change
Operating revenues	1,303.5	1,343.9	40.3	3.1 %
Operating expenses	1,217.7	1,275.9	58.2	4.8 %
Operating income	85.8	67.9	(17.9)	(20.9)%

NTT DATA has evolved into a corporate group that efficiently provides a wide range of ICT services on a global scale, and is working to achieve its business goals of “Global Top 5 (Revenue over 1,500 billion yen)” and “EPS (Earnings Per Share) of 200 yen*.” NTT DATA’s Medium-Term Management Plan for the fiscal year ended March 31, 2013 through the fiscal year ending March 31, 2016 has the following focus areas: “Expansion of new fields and reinforcement of product competitiveness,” “Expansion, enhancement and reinforcement of global business” and “Pursuit of overall optimization.” The main initiatives are set out below.

(Note) On October 1, 2013, NTT DATA carried out a 100-for-1 stock split. As a result, it amended its target EPS to 200 yen from 20,000 yen.

[1] Management Policies

- To expand its global business, NTT DATA acquired the following companies: everis Group (head office: Spain), a provider of a wide range of ICT services, mainly in Spain and Latin America, including consulting, systems integration and outsourcing; and Optimal Solutions Integration Inc.* (head office: United States), a leading provider of SAP expert services in the North America region.
- NTT DATA promoted “remarketing” and “strategic R&D” to redefine existing concepts and rebuild the market in response to recent changes in the business environment and ICT.
- With a view to making management more efficient, NTT DATA organized its in-house “Group Business Management Core System” in order to optimize allocation of management resources according to the specifics of each project, achieve expeditious management and enhance the precision of decision-making information, thereby creating additional group synergies.

* Optimal Solutions Integration Inc. changed its business name to NTT DATA Enterprise Services, Inc. on March 31, 2014.

[2] Status of Business Activity Measures

- NTT DATA, which is recognized for its track record in providing services to a wide range of industries, began providing ICT support services to the Texas Department of Transportation, including application development and maintenance and service desk operations, maintenance of network and communications systems, and end-user support.
- NTT DATA launched a Service Delivery Center in Louisville, Kentucky to provide business processes and ICT outsourcing services to U.S. corporations, and began providing outsourcing services for administrative tasks and related information systems in areas such as finance, general affairs, and human resources to Yum! Brands, Inc. (head office: United States), an operator of restaurant chains worldwide including Kentucky Fried Chicken and Pizza Hut.
- NTT DATA entered into an initial agreement with the Vatican Apostolic Library (location: Vatican City) to carry out digital archiving and long-term storage of approximately 80,000 manuscripts stored on-site, a legacy of human history spanning the second to the twentieth centuries, amounting to some 40 million pages.

Main Services Launched in the Fiscal Year Under Review

Service	Description
Multi-Cloud Infrastructure Service	A service that allows for the provision and selection of the cloud service that best meets the diverse needs of the customer.

As a result of the above, and despite a decrease in revenues caused by the scaling down of existing large-scale systems, consolidated operating revenues from the data communications business segment for the fiscal year ended March 31, 2014 were 1,343.9 billion yen (an increase of 3.1% from the previous fiscal year) due to, among other things, an increase in operating revenues of NTT's overseas subsidiaries and the depreciation of the yen. On the other hand, consolidated operating expenses were 1,275.9 billion yen (an increase of 4.8% from the previous fiscal year) due to, among other things, the effects of an increase in unprofitable transactions, the depreciation of the yen and an increase in personnel expenses attributable to the increase in number of employees. As a result, consolidated operating income was 67.9 billion yen (a decrease of 20.9% from the previous fiscal year).

Other Business Segment

Overview of Business Results by Business Segment (April 1, 2013 – March 31, 2014)

	Fiscal Year Ended March 31, 2013 (April 1, 2012 – March 31, 2013)	Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)	Change	Percent Change
Operating revenues	1,251.9	1,328.5	76.7	6.1%
Operating expenses	1,198.6	1,272.4	73.8	6.2%
Operating income	53.3	56.1	2.8	5.3%

In the other business segment, due to increased revenues in the finance business, increased revenues in the real estate business as a result of an increase in the number of apartments delivered and increased revenues in the construction and power businesses, consolidated operating revenues for the fiscal year ended March 31, 2014 were 1,328.5 billion yen (an increase of 6.1% from the previous fiscal year). On the other hand, consolidated operating expenses for the fiscal year ended March 31, 2014 were 1,272.4 billion yen (an increase of 6.1% from the previous fiscal year) due to, among other things, an increase in revenue-linked expenses. As a result, consolidated operating income was 56.1 billion yen (an increase of 5.3% from the previous fiscal year).

(2) Analysis of Financial Position

Consolidated cash flow from operating activities for the fiscal year ended March 31, 2014 was 2,727.9 billion yen. Compared to the previous fiscal year, cash flow increased 274.2 billion yen (11.2%) due to, among other factors, a decrease in payments of sales commissions to resellers in addition to the impact from the bank holidays.

Consolidated cash flow from investment activities amounted to 2,106.8 billion yen in cash outlays. Compared to the previous fiscal year, cash outlays increased 330.6 billion yen (18.6%). This increase was due to, among other factors, a decrease in income from the redemption of short-term investments associated with cash management activities exceeding three months in duration and an increase in payments for the purchase of non-current investments and other such investments, despite a decrease in capital investments.

Consolidated cash flow from financing activities amounted to cash outlays of 622.4 billion yen. Compared to the previous fiscal year, cash outlays decreased 122.7 billion yen (16.5%). This decrease was due to, among other factors, an increase in borrowings that offset an increase in stock repurchases.

As a result of the above, NTT Group's consolidated cash and cash equivalents at the end of the fiscal year ended March 31, 2014 totaled 984.5 billion yen, an increase of 23.0 billion yen (2.4%) compared with the fiscal year ended March 31, 2013.

	(Billions of yen)			
	Fiscal Year Ended March 31, 2013 (April 1, 2012 – March 31, 2013)	Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)	Change	Percent Change
Cash flow from operating activities	2,453.7	2,727.9	274.2	11.2 %
Cash flow from investment activities	(1,776.3)	(2,106.8)	(330.6)	(18.6)%
Cash flow from financing activities	(745.2)	(622.4)	122.7	16.5 %
Cash and cash equivalents at the end of year	961.4	984.5	23.0	2.4 %

(3) Basic Policy Concerning Profit Distribution; Dividends in the Current Term and Next Term

In addition to increasing corporate value over the medium- and long-term, NTT has identified the return of profits to shareholders as an important management goal. In determining the level of dividends, NTT, while giving consideration to stability and sustainability, takes into account a full range of factors, including business performance, financial standing and dividend payout ratio.

It is planned that dividends for the current annual period will be 170 yen per share, comprising a 90-yen end-of-term dividend and a 80-yen interim dividend. For the next annual period, dividends are planned to be 180 yen for the full year.

While maintaining a good financial standing and as part of a capital policy to improve capital efficiency, NTT intends to use internal funds for investments in new business opportunities.

2. STATUS OF THE NTT CORPORATE GROUP

NTT Group consists of NTT (Holding Company), its 946 subsidiaries and 123 affiliated companies (as of March 31, 2014). The principal businesses of NTT Group are its regional communications business, long-distance and international communications business, mobile communications business, and data communications business.

The principal elements of NTT Group's businesses and the main consolidated subsidiaries in each business are as follows.

Among NTT's main consolidated subsidiaries, NTT DOCOMO, INC. (NTT DOCOMO), NTT DATA CORPORATION (NTT DATA), NTT URBAN DEVELOPMENT CORPORATION (NTTUD) and XNET Corporation are listed on the First Section of the Tokyo Stock Exchange, NJK Corporation is listed on the Second Section of the Tokyo Stock Exchange and NTT DATA INTRAMART CORPORATION is listed on the Tokyo Stock Exchange Mothers.

(1) Regional Communications Business

The principal elements in this business are intra-prefectural communications services and related ancillary services pertaining to domestic communications services.

The consolidated subsidiaries in the regional communications business are NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (NTT East), NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (NTT West), NTT EAST-TOKYO CORPORATION, NTT-ME CORPORATION, NTT INFRASTRUCTURE NETWORK CORPORATION, NTT BUSINESS SOLUTIONS CORPORATION(*1), NTT NEOMEIT CORPORATION, NTT MARKETING ACT CORPORATION, NTT FIELDTECHNO CORPORATION, NTT DIRECTORY SERVICES Co., NTT Quaris Corporation, TelWel East Japan Corporation, NTT Solco Corporation, NTT CARD SOLUTION CORP., NTT EAST PROPERTIES, INC., NTT SOLMARE CORPORATION, NTT WEST ASSET PLANNING CORPORATION, TelWel West Nippon Corporation, and 49 other companies.

(2) Long-distance and International Communications Business

The principal elements in this business are inter-prefectural communications services, international communications services, solution services and related services thereof.

The consolidated subsidiaries in the long-distance and international communications business are NTT COMMUNICATIONS CORPORATION (NTT Communications), Dimension Data Holdings plc (Dimension Data), NTT PC Communications Incorporated, NTT Plala Inc., NTT Resonant Inc., NTT America, Inc., NTT EUROPE LTD., NTT AUSTRALIA PTY. LTD., Verio Inc., NTT Com Security AG(*2), Virtela Technology Services Incorporated, RagingWire Data Centers, Inc., RW Holdco, Inc., RW Midco, Inc., Arkadin International SAS, Spectrum Holdings Inc, Dimension Data Commerce Centre Ltd, Dimension Data (US) II Inc, Dimension Data (US) Inc, Dimension Data North America, Inc, and 319 other companies.

(3) Mobile Communications Business

The principal elements in this business are mobile telephone services and related services.

The consolidated subsidiaries in the mobile communications business are NTT DOCOMO, DOCOMO Service Inc., DOCOMO Engineering Inc., DOCOMO Mobile Inc., DOCOMO Support Inc., DOCOMO Systems, Inc., DOCOMO Technology, Inc., DOCOMO Business Net, Inc., DOCOMO Guam Holdings, Inc., MCV Guam Holding Corp., D2C Inc., mmbi, Inc., OAK LAWN MARKETING, INC., Tower Records Japan Inc., NTT DOCOMO Ventures, Inc. (*3), ABC HOLDINGS Co.,Ltd., DOCOMO Deutschland GmbH, Buongiorno S.p.A., net mobile AG, DOCOMO interTouch Pte. Ltd., and 175 other companies.

(4) Data Communications Business

The principal elements in this business are systems integration services and network system services.

The consolidated subsidiaries in the data communications business are NTT DATA, NTT DATA i CORPORATION, NTT DATA KANSAI CORPORATION, XNET Corporation, Japan Information Processing Service Co., Ltd., NTT DATA INTRAMART CORPORATION, JSOL CORPORATION, NJK Corporation, NTT DATA CUSTOMER SERVICE CORPORATION, NTT DATA INTERNATIONAL L.L.C., NTT DATA EUROPE GmbH & Co. KG, itelligence AG, NTT DATA Deutschland GmbH, NTT DATA International Services, Inc., NTT DATA, Inc., NTT DATA Italia S.p.A., NTT DATA EMEA Ltd., NTT DATA Enterprise Services Holding, Inc., NTT DATA Asia Pacific Pte. Ltd., Everis Participaciones, S.L., and 243 other companies.

(5) Other Business

The principal elements in this business are the real estate business, financing business, construction and electricity business, system development business and advanced technology development business.

Other consolidated subsidiaries of NTT are NTTUD, UD EUROPE LIMITED, NTT FINANCE CORPORATION, NTT FACILITIES, INC., NTT COMWARE CORPORATION, NTT ADVANCED TECHNOLOGY CORPORATION, NTT Electronics Corporation, NTT Software Corporation, NTT ADVERTISING, INC., InfoCom Research, Inc., NTT Human Solutions Corporation, NTT LEARNING SYSTEMS CORPORATION, NTT BUSINESS ASSOCIE Corporation, NTT LOGISCO Inc., NTT Broadband Platform, Inc., and 67 other companies.

*1: NTT WEST KANSAI CORPORATION merged with NTT WEST-TOKAI CORPORATION and changed its name to NTT BUSINESS SOLUTIONS CORPORATION on October 1, 2013.

*2: Integralis AG changed its name to NTT Com Security AG on June 24, 2013.

*3: DOCOMO Innovation Ventures, Inc. changed its name to NTT DOCOMO Ventures, Inc. on July 1, 2013.

A group organizational chart appears on the following page.

Customer

NTT GROUP

<Regional Communications Business>

NTT East
NTT West
Regional Communications Support Group
Regional Communications Related Businesses
NTT EAST-TOKYO CORPORATION
NTT-WE CORPORATION
NTT INFRASTRUCTURE NETWORK CORPORATION
NTT BUSINESS SOLUTIONS CORPORATION
NTT NEOWEIT CORPORATION
NTT MARKETING ACT CORPORATION
NTT FIELDTECHNO CORPORATION
Others
NTT DIRECTORY SERVICES Co.
NTT Quaris Corporation
TelWel East Japan Corporation
NTT Solco Corporation
NTT CARD SOLUTION CORP.
NTT EAST PROPERTIES, INC.
NTT SOLWARE CORPORATION
NTT WEST ASSET PLANNING CORPORATION
TelWel West Nippon Corporation and others

<Long-distance and International Communications Business>

NTT Communications Dimension Data
Long-distance and International Communications Support Group
Internet and International Communications Related Businesses
NTT PC Communications Incorporated
NTT Plala Inc.
NTT Resonant Inc.
NTT America, Inc.
NTT EUROPE LTD.
NTT AUSTRALIA PTY. LTD.
Verio Inc.
NTT Com Security AG
Virtela Technology Services Incorporated
RagingWire Data Centers, Inc.
RW Holdco, Inc.
RW Midco, Inc.
Arkadin International SAS
Spectrum Holdings Inc
Dimension Data Commerce Centre Ltd
Dimension Data (US) II Inc
Dimension Data (US) Inc
Dimension Data North America, Inc and others

<Mobile Communications Business>

NTT DOCOMO
Mobile Communications Support Group
Mobile Communications Related Businesses
DOCOMO Service Inc.
DOCOMO Engineering Inc.
DOCOMO Mobile Inc.
DOCOMO Support Inc.
DOCOMO Systems, Inc.
DOCOMO Technology, Inc.
DOCOMO Business Net, Inc.
DOCOMO Guam Holdings, Inc.
MCV Guam Holding Corp.
Others
D2C Inc.
mobi, Inc.
OAK LAWN MARKETING, INC.
Tower Records Japan Inc.
NTT DOCOMO Ventures, Inc.
ABC HOLDINGS Co., Ltd.
DOCOMO Deutschland GmbH
Buongiorno S.p.A.
net mobile AG
DOCOMO interTouch Pte. Ltd. and others

<Data Communications Business>

NTT DATA
Data Communications Support Group
System Integration Related Businesses
NTT DATA I CORPORATION
NTT DATA KANSAI CORPORATION
XNET Corporation
Japan Information Processing Service Co., Ltd.
NTT DATA INTRAMART CORPORATION
JSOL CORPORATION
NJK Corporation
NTT DATA CUSTOMER SERVICE CORPORATION
NTT DATA INTERNATIONAL L.L.C.
NTT DATA EUROPE GmbH & Co. KG
Intelligence AG
NTT DATA Deutschland GmbH
NTT DATA International Services, Inc.
NTT DATA, Inc.
NTT DATA Italia S.p.A.
NTT DATA EMEA Ltd.
NTT DATA Enterprise Services Holding, Inc.
NTT DATA Asia Pacific Pte. Ltd.
Everis Participaciones, S.L. and others

<Other Business>

Real Estate Business
NTTUD
UD EUROPE LIMITED
Financing Business
NTT FINANCE CORPORATION
Construction & Electricity Business
NTT FACILITIES, INC.
System development Business
NTT COMWARE CORPORATION
Advanced Technology Development Businesses
NTT ADVANCED TECHNOLOGY CORPORATION
NTT Electronics Corporation
NTT Software Corporation
Others
NTT ADVERTISING, INC.
InfoCom Research, Inc.
NTT Human Solutions Corporation
NTT LEARNING SYSTEMS CORPORATION
NTT BUSINESS ASSOCIATE Corporation
NTT LOGISCO Inc.
NTT Broadband Platform, Inc. and others

NIPPON TELEGRAPH AND TELEPHONE CORPORATION

3. BUSINESS OPERATION POLICY

(1) Basic Business Operation Policy and Medium-Term Management Objectives

For over 100 years, NTT Group has been the mainstay behind the growth and development of Japanese telecommunications; this track record, the confidence that comes with it, and one of the world's leading R&D capabilities serve as the foundation from which we will "continue to provide safe and secure services, and continue to always earn the trust of our customers and stakeholders." In order to do so, we will fulfill the legal responsibilities and social mission demanded of each of our businesses in a market environment characterized by intense competition, and at the same time move proactively to develop our businesses to meet the needs of the diversifying and expanding ICT industry. Our aim is for sustainable development backed always by a high level of trust from both our customers and our shareholders.

In furtherance of this basic business operation policy, in November 2012, NTT Group formulated its Medium-Term Strategy, entitled "Towards the Next Stage," in order to respond to the increasingly faster globalization of the market and the development of cloud services. Based on this new management strategy, NTT Group will make global cloud services, which are expected to grow going forward, the cornerstone of its efforts to accelerate global business development, support the transformation of the business models of its corporate customers and to provide support for the various lifestyles of individual customers. Through these efforts, NTT Group will promote collaboration and innovation with various customers, endeavor to become the "valued partner" that customers continue to select, and contribute to the development of society.

(2) Issues Facing the Corporate Group

In terms of the overall global economy, the trend of gradual recovery is expected to continue, with the United States and China expected to stage a gradual recovery, and Europe also expected to move toward recovery. The recovery of the Japanese economy is also expected to continue, underpinned by the positive effects of various government policy measures.

A number of both domestic and foreign companies have entered the information and telecommunications market, and as services and equipment rapidly diversify and become increasingly sophisticated, changes in the market, centered around cloud services, are expected to accelerate going forward. Moreover, fierce market competition above and beyond existing business sector boundaries is expected to further intensify globally.

Based on the Medium-Term Management Strategy "Toward the Next Stage," NTT Group is committed to creating new services and generating business opportunities through collaboration with a wide range of market players with the aim of becoming a "valued partner" that customers continue to choose over others.

Specifically, NTT Group will implement the following initiatives.

- Expansion of Global Cloud Services

NTT Group continues to provide cloud migration services to meet its customers' wide-ranging needs, including pre-migration consulting and post-migration operations and management, and will work to further strengthen the framework for its provision of a broad lineup of global cloud services, from the information and telecommunications platforms stage, such as networks and data centers, through to cloud platforms, ICT management and applications.

In addition, to address the critical issue of security, which relates to the safe and secure use of cloud services, NTT Group will work to implement effective and efficient research and development by promoting collaboration among NTT Group research and development bases including NTT I³, which was established during the fiscal year ended March 31, 2014, and with external business partners.

As a result of the above, NTT aims to reach US\$20 billion in overseas sales by the end of the fiscal year ending March 31, 2017, which reached US\$12.2 billion by the end of the fiscal year ended March 31, 2014, and to increase the proportion of corporate sales represented by overseas sales, which reached 36.6% at the end of the fiscal year ended March 31, 2014, to 50% or more by the fiscal year ending March 31, 2017.

- Strengthening Network Service Competitiveness

In the fixed-line communications field, NTT Group aims to achieve further penetration and expansion of fiber-optic lines by creating new lifestyle-based ICT use scenarios. In the mobile communications field, NTT Group is aiming to further strengthen “devices,” “networks,” “services” and “charges and channels.”

In addition, NTT Group will work to control capital investment as appropriate according to changes in business models and the market. To handle rapidly increasing traffic volumes, NTT Group will seek to anticipate fluctuations in demand and promote research and development aimed at realizing technologies that can be efficiently controlled by software, thereby building efficient infrastructure. NTT Group will also work to establish streamlined, highly efficient business operations through continued efforts to cut costs associated with laying optical transmission lines by increasing construction projects that do not require the dispatch of NTT employees, and to further improve the efficiency of its maintenance and operations business.

As a result of the above efforts, NTT Group expects to further reduce fixed-line and mobile communications services-related costs, which it cut by ¥412.0 billion as of the end of the fiscal year ended March 31, 2014 compared with the fiscal year ended March 31, 2012. NTT Group will continue to comprehensively strengthen the competitiveness of its existing network services.

In addition to the foregoing, NTT Group aims to reduce its capex to sales ratio, which was 16.7% at the end of the fiscal year ended March 31, 2014, to 15% by the fiscal year ending March 31, 2016 through drastic streamlining of capital investments. Funds generated through increased efficiency will be utilized effectively in areas such as M&A focused on cloud services and on returns to shareholders.

Through these efforts, NTT Group will work toward earnings per share (EPS) growth of 60% or more (compared with the fiscal year ended March 31, 2012) by the fiscal year ending March 31, 2016.

- Promoting Corporate Social Responsibility (CSR)

Based on its social mission to contribute to society through ICT in order to help resolve the many social issues that exist both in and outside Japan, NTT Group will continue to make a collective effort to promote CSR in accordance with the guidelines set out in the “NTT Group CSR Charter.” NTT Group will also work to increase management transparency by further enhancing the content of CSR reports and website content and promoting information disclosure relating to NTT Group’s initiatives.

With respect to environmental issues, which are a global concern, NTT Group will work to reduce the environmental burden associated with its own business activities and contribute to reducing the environmental burden on society as a whole through the utilization of ICT services, and will further undertake environmental contribution initiatives involving NTT Group employees.

Furthermore, in light of the extent of the predicted damage expected to occur as a result of a future large-scale earthquake, NTT Group will work to achieve stable network operation by promoting initiatives that include ensuring power supply for telecommunication facilities in the event of prolonged power outages. NTT Group also plans to build security countermeasures necessary to handle wide-scale and diversified cyberattacks.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) CONSOLIDATED BALANCE SHEETS

	Millions of yen		
	March 31, 2013	March 31, 2014	Increase (Decrease)
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 961,433	¥ 984,463	¥ 23,030
Short-term investments	53,753	38,949	(14,804)
Notes and accounts receivable, trade	2,428,099	2,509,030	80,931
Allowance for doubtful accounts	(44,961)	(46,893)	(1,932)
Accounts receivable, other	357,255	345,197	(12,058)
Inventories	350,721	415,309	64,588
Prepaid expenses and other current assets	338,794	394,294	55,500
Deferred income taxes	224,194	220,662	(3,532)
Total current assets	4,669,288	4,861,011	191,723
Property, plant and equipment:			
Telecommunications equipment	13,432,047	12,959,564	(472,483)
Telecommunications service lines	15,143,239	15,408,604	265,365
Buildings and structures	5,993,215	6,060,129	66,914
Machinery, vessels and tools	1,868,972	1,949,903	80,931
Land	1,139,636	1,238,742	99,106
Construction in progress	334,326	359,014	24,688
	37,911,435	37,975,956	64,521
Accumulated depreciation	(28,134,748)	(28,136,268)	(1,520)
Net property, plant and equipment	9,776,687	9,839,688	63,001
Investments and other assets:			
Investments in affiliated companies	551,883	521,634	(30,249)
Marketable securities and other investments	357,222	407,766	50,544
Goodwill	824,216	1,086,636	262,420
Software	1,340,682	1,309,912	(30,770)
Other intangibles	278,272	401,194	122,922
Other assets	997,989	1,195,608	197,619
Deferred income taxes	752,828	661,500	(91,328)
Total investments and other assets	5,103,092	5,584,250	481,158
Total assets	¥ 19,549,067	¥ 20,284,949	¥ 735,882

	Millions of yen		
	March 31, 2013	March 31, 2014	Increase (Decrease)
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings	¥ 77,455	¥ 269,444	¥ 191,989
Current portion of long-term debt	703,304	425,351	(277,953)
Accounts payable, trade	1,436,643	1,540,249	103,606
Current portion of obligations under capital leases	16,368	16,929	561
Accrued payroll	437,609	448,061	10,452
Accrued interest	8,971	7,925	(1,046)
Accrued taxes on income	228,736	256,994	28,258
Accrued consumption tax	54,667	47,376	(7,291)
Advances received	183,723	266,743	83,020
Other	351,913	397,752	45,839
Total current liabilities	3,499,389	3,676,824	177,435
Long-term liabilities:			
Long-term debt	3,234,631	3,483,673	249,042
Obligations under capital leases	36,254	35,951	(303)
Liability for employees' retirement benefits	1,505,571	1,327,873	(177,698)
Accrued liabilities for point programs	156,233	130,466	(25,767)
Deferred income taxes	198,824	233,151	34,327
Other	396,162	446,293	50,131
Total long-term liabilities	5,527,675	5,657,407	129,732
Redeemable noncontrolling interests	-	25,912	25,912
Equity:			
NTT shareholders' equity			
Common stock, no par value	937,950	937,950	-
Additional paid-in capital	2,827,612	2,827,010	(602)
Retained earnings	5,227,268	4,808,361	(418,907)
Accumulated other comprehensive income (loss)	(192,932)	94,966	287,898
Treasury stock, at cost	(568,459)	(156,933)	411,526
Total NTT shareholders' equity	8,231,439	8,511,354	279,915
Noncontrolling interests	2,290,564	2,413,452	122,888
Total equity	10,522,003	10,924,806	402,803
Total liabilities and equity	¥ 19,549,067	¥ 20,284,949	¥ 735,882

(2) CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED MARCH 31

Consolidated Statements of Income

	Millions of yen		
	2013	2014	Increase (Decrease)
Operating revenues:			
Fixed voice related services	¥ 1,712,877	¥ 1,578,941	¥ (133,936)
Mobile voice related services	1,257,490	1,052,622	(204,868)
IP / packet communications services	3,712,766	3,711,866	(900)
Sale of telecommunication equipment	844,883	969,664	124,781
System integration	2,009,953	2,275,034	265,081
Other	1,162,771	1,337,047	174,276
	10,700,740	10,925,174	224,434
Operating expenses:			
Cost of services (exclusive of items shown separately below)	2,303,672	2,360,916	57,244
Cost of equipment sold (exclusive of items shown separately below)	864,251	885,288	21,037
Cost of system integration (exclusive of items shown separately below)	1,402,259	1,643,988	241,729
Depreciation and amortization	1,899,245	1,880,293	(18,952)
Impairment losses	5,416	5,738	322
Selling, general and administrative expenses	2,992,588	2,929,111	(63,477)
Goodwill and other intangible assets impairments	31,341	6,187	(25,154)
	9,498,772	9,711,521	212,749
Operating income	1,201,968	1,213,653	11,685
Other income (expenses):			
Interest and amortization of bond discounts and issue costs	(54,339)	(47,684)	6,655
Interest income	17,638	17,632	(6)
Other, net	32,380	110,594	78,214
	(4,321)	80,542	84,863
Income before income taxes and equity in earnings (losses) of affiliated companies	1,197,647	1,294,195	96,548
Income tax expense (benefit):			
Current	461,995	483,113	21,118
Deferred	11,959	3,433	(8,526)
	473,954	486,546	12,592
Income before equity in earnings (losses) of affiliated companies	723,693	807,649	83,956
Equity in earnings (losses) of affiliated companies	(16,093)	(50,792)	(34,699)
Net income	707,600	756,857	49,257
Less – Net income attributable to noncontrolling interests	185,668	171,384	(14,284)
Net income attributable to NTT	¥ 521,932	¥ 585,473	¥ 63,541
Per share of common stock:			
Weighted average number of shares outstanding (Shares)	1,211,880,769	1,149,758,214	
Net income attributable to NTT (Yen)	¥ 430.68	¥ 509.21	

Consolidated Statements of Comprehensive Income

	Millions of yen		
	2013	2014	Increase (Decrease)
Net income	¥ 707,600	¥ 756,857	¥ 49,257
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on securities	47,509	16,057	(31,452)
Unrealized gain (loss) on derivative instruments	(4,736)	(4,895)	(159)
Foreign currency translation adjustments	112,388	156,471	44,083
Pension liability adjustments	35,646	163,241	127,595
Total other comprehensive income (loss)	190,807	330,874	140,067
Total comprehensive income (loss)	898,407	1,087,731	189,324
Less – Comprehensive income attributable to noncontrolling interests	211,564	214,360	2,796
Total comprehensive income (loss) attributable to NTT	¥ 686,843	¥ 873,371	¥ 186,528

(3) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED MARCH 31, 2013

	Millions of yen							
	NTT shareholders' equity						Noncontrolling interests	Total Equity
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total		
At beginning of year	¥937,950	¥2,832,165	¥4,888,746	¥(357,843)	¥(418,431)	¥7,882,587	¥2,165,142	¥10,047,729
Net income			521,932			521,932	185,668	707,600
Other comprehensive income (loss)				164,911		164,911	25,896	190,807
Cash dividends			(183,405)			(183,405)	(92,012)	(275,417)
Changes in NTT's ownership interest in subsidiaries		(4,553)				(4,553)	5,870	1,317
Acquisition of treasury stocks					(150,066)	(150,066)		(150,066)
Resale of treasury stocks			(5)		38	33		33
At end of year	¥937,950	¥2,827,612	¥5,227,268	¥(192,932)	¥(568,459)	¥8,231,439	¥2,290,564	¥10,522,003

YEAR ENDED MARCH 31, 2014

	Millions of yen							
	NTT shareholders' equity						Noncontrolling interests	Total Equity
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total		
At beginning of year	¥937,950	¥2,827,612	¥5,227,268	¥(192,932)	¥(568,459)	¥8,231,439	¥2,290,564	¥10,522,003
Net income			585,473			585,473	171,384	756,857
Other comprehensive income (loss)				287,898		287,898	42,976	330,874
Cash dividends			(186,174)			(186,174)	(96,203)	(282,377)
Changes in NTT's ownership interest in subsidiaries		(1,069)				(1,069)	4,731	3,662
Stock compensation transactions		467				467		467
Acquisition of treasury stocks					(406,696)	(406,696)		(406,696)
Resale of treasury stocks			3		13	16		16
Cancellation of treasury stock		(3)	(818,206)		818,209	-		-
At end of year	¥937,950	¥2,827,010	¥4,808,361	¥94,966	¥(156,933)	¥8,511,354	¥2,413,452	¥10,924,806

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED MARCH 31

	Millions of yen		
	2013	2014	Increase (Decrease)
Cash flows from operating activities:			
Net income	¥ 707,600	¥ 756,857	¥ 49,257
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	1,899,245	1,880,293	(18,952)
Impairment losses	5,416	5,738	322
Deferred taxes	11,959	3,433	(8,526)
Goodwill and other intangible assets impairments	31,341	6,187	(25,154)
Loss on disposal of property, plant and equipment	106,215	98,317	(7,898)
Gains on sales of property, plant and equipment	(18,469)	(33,119)	(14,650)
The gains resulting from the exchange of rights	-	(59,996)	(59,996)
Equity in (earnings) losses of affiliated companies	16,093	50,792	34,699
(Increase) decrease in notes and accounts receivable, trade	(119,381)	17,415	136,796
(Increase) decrease in inventories	(2,139)	(38,913)	(36,774)
(Increase) decrease in other current assets	(90,565)	(16,658)	73,907
Increase (decrease) in accounts payable, trade and accrued payroll	(81,297)	66,032	147,329
Increase (decrease) in accrued consumption tax	7,236	(11,621)	(18,857)
Increase (decrease) in accrued interest	(1,089)	(1,555)	(466)
Increase (decrease) in advances received	(9,770)	37,691	47,461
Increase (decrease) in accrued taxes on income	28,449	20,909	(7,540)
Increase (decrease) in other current liabilities	4,489	(20,351)	(24,840)
Increase (decrease) in liability for employees' retirement benefits	26,476	42,964	16,488
Increase (decrease) in other long-term liabilities	(50,234)	(33,122)	17,112
Other	(17,893)	(43,389)	(25,496)
Net cash provided by (used in) operating activities	¥ 2,453,682	¥ 2,727,904	¥ 274,222

	Millions of yen		
	2013	2014	Increase (Decrease)
Cash flows from investing activities:			
Payments for property, plant and equipment	¥ (1,538,115)	¥ (1,486,651)	¥ 51,464
Payments for intangibles	(446,588)	(416,583)	30,005
Proceeds from sale of property, plant and equipment	38,929	50,625	11,696
Payments for purchase of non-current investments	(35,309)	(50,517)	(15,208)
Proceeds from sale and redemption of non-current investments	19,812	15,444	(4,368)
Acquisitions of subsidiaries, net of cash acquired	(38,490)	(211,195)	(172,705)
Payments for purchase of short-term investments	(682,359)	(60,485)	621,874
Proceeds from redemption of short-term investments	936,211	92,396	(843,815)
Other	(30,344)	(39,840)	(9,496)
Net cash provided by (used in) investing activities	(1,776,253)	(2,106,806)	(330,553)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	402,271	637,253	234,982
Payments for settlement of long-term debt	(675,295)	(735,894)	(60,599)
Proceeds from issuance of short-term debt	3,015,099	4,872,714	1,857,615
Payments for settlement of short-term debt	(3,029,279)	(4,713,795)	(1,684,516)
Dividends paid	(183,405)	(186,174)	(2,769)
Proceeds from sale of (payments for acquisition of) treasury stock, net	(150,033)	(406,680)	(256,647)
Acquisition of treasury stocks by subsidiary	(15,558)	(5,834)	9,724
Other	(108,981)	(84,030)	24,951
Net cash provided by (used in) financing activities	(745,181)	(622,440)	122,741
Effect of exchange rate changes on cash and cash equivalents	9,042	24,372	15,330
Net increase (decrease) in cash and cash equivalents	(58,710)	23,030	81,740
Cash and cash equivalents at beginning of year	1,020,143	961,433	(58,710)
Cash and cash equivalents at end of year	¥ 961,433	¥ 984,463	¥ 23,030
Cash paid during the year for:			
Interest	¥ 55,200	¥ 48,836	¥ (6,364)
Income taxes, net	433,344	610,549	177,205
Noncash investing and financing activities:			
Capital lease obligations incurred during the year	24,022	14,933	(9,089)
Cancellation of treasury stock	-	818,209	818,209
Assets acquired through exchange of rights	-	62,221	62,221

(5) Going Concern Assumption

None

(6) Significant Matters Serving as a Basis for the Preparation of Consolidated Financial Statements

The consolidated financial statements of NTT have been prepared in conformity with accounting principles generally accepted in the United States of America (Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), etc.).

Principal Accounting Policies, etc.

Marketable Securities

ASC320, “Investments - Debt and Equity Securities” applies.

Inventories

Inventories are stated at the lower of cost or market. The cost of telecommunications equipment to be sold is determined by the first-in first-out method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed principally using the declining-balance method with the exception of buildings for which the straight-line method is used.

Goodwill and Other Intangible Assets

ASC350, “Intangibles - Goodwill and Other” applies.

Liability for Employees’ Retirement Benefits

ASC715, “Compensation - Retirement Benefits” applies.

Derivative Financial Instruments

ASC815, “Derivatives and Hedging” applies.

Income Taxes

Income taxes are computed based on income before income taxes in the consolidated statements of income. According to the asset and liability approach, the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities and of operating loss carryforward are recognized as deferred tax assets or liabilities.

(7) Change in Significant Matters Serving as a Basis for the Preparation of Consolidated Financial Statements

Change in accounting estimate

Effective April 1, 2013, NTT Group has revised its estimate of the expected useful life of metal cables based on actual utilization to reflect an extended expected useful life. This modification complies with FASB Accounting Standards Codification Topic 250, *Accounting Changes and Error Corrections*, and will be applied going forward as a change in accounting estimates.

The financial impact from this change in accounting estimate on the fiscal year ended March 31, 2014 to “Income before income taxes and equity in earnings (losses) of affiliated companies,” “Net income attributable to NTT” and “Per share of common stock” of “Net income attributable to NTT” is ¥23,264 million, ¥14,392 million, and ¥12.52, respectively.

Retrospective application of equity method for an investee

As a result of the application of the equity method for NTT Group's investment in Philippine Long Distance Telephone Company from the beginning of the three months ended June 30, 2013, the equity method of accounting was applied retrospectively, in accordance with Accounting Standards Codification Topic 323, *Investments – Equity Method and Joint Ventures*, issued by the FASB. Consequently, the reported consolidated financial statements for the fiscal year ended March 31, 2013 have been revised in NTT Group's consolidated financial statements for this retrospective application as follows.

The impact on major items on the consolidated balance sheet as of March 31, 2013 was a ¥140,512 million increase in “Investments in affiliated companies,” a ¥303,601 million decrease in “Marketable securities and other investments,” a ¥58,467 million increase in “Deferred income taxes” under “Investments and other assets” and a ¥85,456 million decrease in “Accumulated other comprehensive income (loss).”

The impact on major items on the consolidated statements of income for the year ended March 31, 2013 was a ¥3,452 million decrease in “Other, net” under “Other income (expenses),” a ¥1,614 million increase in “Equity in earnings (losses) of affiliated companies” and a ¥2,139 million decrease in “Net income attributable to NTT.”

The impact on “Net income attributable to NTT” under “Per share of common stock” was a decrease of ¥1.77.

Reclassifications

Effective as of the three months ended June 30, 2013, in connection with NTT Group's current state of business and initiatives such as efforts to expand into new business areas in the mobile communications business, NTT has reclassified, among other things, part of its Mobile Voice Related Services revenues and IP/Packet Communications Services revenues as Other revenues, and part of its Other revenues as System Integration revenues. Results for the fiscal year ended March 31, 2013 have been revised reflect such reclassification.

(8) Business Segments

1. Operating revenues

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014	Increase (Decrease)
Regional communications business			
External customers	3,204,258	3,129,362	(74,896)
Intersegment	455,562	442,948	(12,614)
Total	3,659,820	3,572,310	(87,510)
Long-distance and international communications business			
External customers	1,554,706	1,713,439	158,733
Intersegment	103,241	96,463	(6,778)
Total	1,657,947	1,809,902	151,955
Mobile communications business			
External customers	4,431,032	4,422,614	(8,418)
Intersegment	39,090	38,589	(501)
Total	4,470,122	4,461,203	(8,919)
Data communications business			
External customers	1,154,143	1,221,481	67,338
Intersegment	149,373	122,374	(26,999)
Total	1,303,516	1,343,855	40,339
Other			
External customers	356,601	438,278	81,677
Intersegment	895,261	890,248	(5,013)
Total	1,251,862	1,328,526	76,664
Elimination	(1,642,527)	(1,590,622)	51,905
Consolidated total	10,700,740	10,925,174	224,434

2. Segment profit

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014	Increase (Decrease)
Segment profit			
Regional communications business	92,965	127,240	34,275
Long-distance and international communications business	121,293	127,476	6,183
Mobile communications business	836,446	817,230	(19,216)
Data communications business	85,818	67,916	(17,902)
Other	53,257	56,098	2,841
Total segment profit	1,189,779	1,195,960	6,181
Elimination	12,189	17,693	5,504
Consolidated total	1,201,968	1,213,653	11,685

3. Segment assets

(Millions of yen)

	March 31, 2013	March 31, 2014	Increase (Decrease)
Segment assets			
Regional communications business	7,337,100	7,162,076	(175,024)
Long-distance and international communications business	1,871,626	2,314,780	443,154
Mobile communications business	7,336,070	7,676,820	340,750
Data communications business	1,597,446	1,774,562	177,116
Other	10,422,450	10,664,076	241,626
Total segment assets	28,564,692	29,592,314	1,027,622
Elimination	(9,015,625)	(9,307,365)	(291,740)
Consolidated total	19,549,067	20,284,949	735,882

4. Other significant items

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014	Increase (Decrease)
Depreciation and amortization			
Regional communications business	794,246	751,906	(42,340)
Long-distance and international communications business	142,309	149,734	7,425
Mobile communications business	701,658	719,132	17,474
Data communications business	137,961	135,358	(2,603)
Other	117,451	118,415	964
Total segment	1,893,625	1,874,545	(19,080)
Elimination	5,620	5,748	128
Consolidated total	1,899,245	1,880,293	(18,952)

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014	Increase (Decrease)
Capital investments for segment assets (*)			
Regional communications business	786,004	722,829	(63,175)
Long-distance and international communications business	147,503	168,413	20,910
Mobile communications business	753,660	703,124	(50,536)
Data communications business	122,113	147,725	25,612
Other	160,695	150,672	(10,023)
Consolidated total	1,969,975	1,892,763	(77,212)

(*) The figures for capital investments are the accrual-based amounts required for acquisition of property, plant and equipment, and intangibles. The differences from the figures for "Payments for property, plant and equipment" and "Payments for intangibles" in the consolidated statements of cash flows are as follows:

Millions of yen			
	Year ended March 31, 2013	Year ended March 31, 2014	Increase (Decrease)
Payments for property, plant and equipment	1,538,115	1,486,651	(51,464)
Payments for intangibles	446,588	416,583	(30,005)
Total	1,984,703	1,903,234	(81,469)
Difference from the total of capital investments	14,728	10,471	(4,257)

(9) Income Taxes

Significant components of deferred tax assets and liabilities:

(Millions of yen)

	March 31, 2013	March 31, 2014
Deferred tax assets:		
Liability for employees' retirement benefits	543,520	474,772
Property, plant and equipment and intangible assets principally due to differences in depreciation	382,626	381,764
Operating loss carryforwards	170,523	197,012
Other	461,066	479,089
Total gross deferred tax assets	1,557,735	1,532,637
Less - Valuation allowance	(253,693)	(259,921)
Total deferred tax assets	1,304,042	1,272,716
Deferred tax liabilities:		
Unrealized gain on securities	(30,232)	(40,267)
Issuance of subsidiaries common stock etc.	(301,832)	(300,554)
Other	(198,552)	(288,500)
Total gross deferred tax liabilities	(530,616)	(629,321)
Net deferred tax assets	773,426	643,395

(10) Employees' Retirement Benefits

Retirement Benefits and Contract-type Corporate Pension Plan

1. Benefit obligations

(Millions of yen)

	March 31, 2013	March 31, 2014
Benefit obligation, end of year	(2,012,924)	(1,903,160)
Fair value of plan assets, end of year	1,125,165	1,130,188
Under funded status	(887,759)	(772,972)

The following table provides the amounts recognized in the consolidated balance sheets:

(Millions of yen)

	March 31, 2013	March 31, 2014
Liability for employees' retirement benefits	(887,816)	(831,192)
Other assets	57	58,220
Accumulated other comprehensive loss (income)	277,469	189,737
Net amount recognized	(610,290)	(583,235)

The following table provides the amounts recognized as accumulated other comprehensive loss (income):

(Millions of yen)

	March 31, 2013	March 31, 2014
Net actuarial loss	298,130	193,727
Transition obligation	776	609
Prior service cost	(21,437)	(4,599)
Total	277,469	189,737

2. Cost for employees' retirement benefits

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Service cost	72,628	72,631
Interest cost on projected benefit obligation	37,511	30,021
Expected return on plan assets	(21,179)	(22,069)
Net amortization	11,792	3,864
Curtailment gain from the change in pension plans	-	(12,966)
Total	100,752	71,481

3. Assumptions in determination of benefit obligations and costs

		Year ended March 31, 2013	Year ended March 31, 2014
Discount rate	Projected benefit obligation	1.5%	1.4%
	Net pension cost	1.9%	1.5%
Rate of compensation increase		2.4-3.4%	2.4-4.0%
Expected long-term return on plan assets		2.0%	2.0%

The NTT Kigyō-Nenkin-Kikin (NTT Corporate Defined Benefit Pension Plan)

1. Benefit obligations (Millions of yen)

	March 31, 2013	March 31, 2014
Benefit obligation, end of year	(1,601,091)	(1,553,265)
Fair value of plan assets, end of year	983,336	1,056,584
Under funded status	(617,755)	(496,681)

The following table provides the amounts recognized in the consolidated balance sheets:

(Millions of yen)

	March 31, 2013	March 31, 2014
Liability for employees' retirement benefits	(617,755)	(496,681)
Accumulated other comprehensive loss (income)	181,536	23,188
Net amount recognized	(436,219)	(473,493)

The following table provides the amounts recognized as accumulated other comprehensive loss (income):

(Millions of yen)

	March 31, 2013	March 31, 2014
Net actuarial loss	183,359	95,549
Prior service cost	(1,823)	(72,361)
Total	181,536	23,188

2. Cost for employees' retirement benefits (Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Service cost	37,647	39,098
Interest cost on projected benefit obligation	27,260	22,961
Expected return on plan assets	(21,743)	(23,871)
Net amortization	12,795	9,753
Employee contributions	(3,573)	(3,557)
Total	52,386	44,384

3. Assumptions in determination of benefit obligations and costs

		Year ended March 31, 2013	Year ended March 31, 2014
Discount rate	Projected benefit obligation	1.5%	1.4%
	Net pension cost	1.9%	1.5%
Rate of compensation increase		3.9%	3.4%
Expected long-term return on plan assets		2.5%	2.5%

(11) Investment Property

1. Investment Property

NTT Group maintains investment properties including office buildings.

2. Fair Value of Investment Property

(Millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Amount included in the consolidated balance sheets ⁽¹⁾		
Balance at beginning of year	801,869	832,372
Increase (Decrease)	30,503	67,505
Balance at end of year	832,372	899,877
Fair value at end of year ⁽²⁾	1,489,989	1,524,282

(1) "Amount included in the consolidated balance sheets" represents the original acquisition cost reduced by the accumulated depreciation amount and the accumulated impairment loss.

(2) "Fair value at end of year" is calculated primarily through real estate appraisal standards.

(12) Investments In Affiliated Companies

"Equity in earnings (losses) of affiliated companies" for the fiscal year ended March 31, 2014 includes impairment losses of ¥ 51,244 million, recognized on Indian telecommunications carrier Tata Teleservices Limited ("TTSL").

(13) Subsequent Events

Decision to exercise option for sale of stake in TTSL

On April 25, 2014, the board of directors of NTT DOCOMO, a subsidiary of NTT, resolved to exercise option for the sale of NTT DOCOMO's entire stake (1,248,974,378 shares, or about 26.5% of outstanding shares) in TTSL, a NTT DOCOMO-affiliated company accounted for by the equity method, as soon as the conditions for such exercise are met.

NTT DOCOMO, TTSL and Tata Sons Limited, Tata Group's holding company, concluded a shareholder agreement when NTT DOCOMO entered into a business alliance with TTSL in March 2009. Under the agreement, NTT DOCOMO holds the right to require that its TTSL shares be acquired for 50% of the acquisition price, which amounts to 72,500 million Indian rupees (or ¥ 125,400 million*) or a fair market price, whichever is higher, in the event that TTSL fails to achieve certain specified performance targets (the above-mentioned option).

In the event that TTSL fails to achieve these performance targets by the end of the fiscal year ended March 31, 2014, NTT DOCOMO plans to exercise the above-mentioned right in or before June 2014. NTT DOCOMO expects to sell its TTSL shares in accordance with the agreement. It is uncertain how the option will be performed, however, and NTT DOCOMO is not able to predict how events will unfold. An estimate of this financial effect cannot be made due to these uncertainties. NTT may recognize gain or loss upon disposition of TTSL shares or if the transaction as described above will not be carried out.

* 1 rupee = ¥ 1.73 as of March 31, 2014

NTT DOCOMO's resolution of share repurchase up to prescribed maximum limit

On April 25, 2014, the board of directors of NTT DOCOMO, a subsidiary of NTT, resolved that NTT DOCOMO may repurchase up to 320 million shares of its common stock for an amount in total not exceeding ¥ 500 billion during the period from April 26, 2014 through March 31, 2015.

Resolution regarding NTT's repurchase of its common stock

On May 13, 2014, the board of directors of NTT resolved that NTT may acquire up to 44 million shares of its outstanding common stock for an amount in total not exceeding ¥ 250 billion from July 1, 2014 through March 31, 2015.

5. NON-CONSOLIDATED FINANCIAL STATEMENTS

(1) NON-CONSOLIDATED BALANCE SHEETS

(Based on accounting principles generally accepted in Japan)

	Millions of yen	
	March 31, 2013	March 31, 2014
ASSETS		
Current assets:		
Cash and bank deposits	20,869	10,308
Accounts receivable, trade	2,769	2,695
Supplies	227	220
Advance payment	772	828
Deferred income taxes	918	789
Short-term loans receivable	355,474	290,523
Accounts receivable, other	69,536	67,730
Subsidiary deposits	101,312	2,340
Other	4,330	5,705
Total current assets	556,211	381,143
Fixed assets:		
Property, plant and equipment		
Buildings	115,285	110,612
Structures	4,617	4,589
Machinery, equipment and vehicles	486	419
Tools, furniture and fixtures	17,145	17,048
Land	29,674	31,320
Lease assets	424	412
Construction in progress	2,153	1,658
Total property, plant and equipment	169,788	166,062
Intangible fixed assets	43,905	37,520
Investments and other assets		
Investment securities	8,718	15,756
Investments in subsidiaries and affiliated companies	5,073,510	5,094,091
Other securities of subsidiaries and affiliated companies	8,562	8,869
Contributions to affiliated companies	159	146
Long-term loans receivable to subsidiaries	1,588,072	1,579,922
Prepaid pension costs	1,947	1,962
Deferred income taxes	15,858	15,104
Other	1,117	1,515
Total investments and other assets	6,697,946	6,717,369
Total fixed assets	6,911,640	6,920,952
TOTAL ASSETS	7,467,851	7,302,096

	Millions of yen	
	March 31, 2013	March 31, 2014
LIABILITIES		
Current liabilities:		
Accounts payable, trade	184	249
Current portion of corporate bonds	120,000	139,998
Current portion of long-term borrowings	223,300	138,150
Short-term borrowings	-	150,000
Lease obligations	41	42
Accounts payable, other	22,716	21,476
Accrued expenses	8,164	7,071
Accrued taxes on income	19,708	13,077
Advance received	871	141
Deposit received	355	263
Deposit received from subsidiaries	89,376	82,698
Unearned revenue	0	1
Other	2	34,003
Total current liabilities	484,720	587,173
Long-term liabilities:		
Corporate bonds	1,046,258	1,006,277
Long-term borrowings	1,021,530	1,104,380
Long-term borrowings from subsidiary	240,000	240,000
Lease obligations	757	749
Liability for employees' retirement benefits	31,858	32,773
Asset retirement obligations	1,140	1,390
Other	413	347
Total long-term liabilities	2,341,959	2,385,918
TOTAL LIABILITIES	2,826,680	2,973,091
NET ASSETS		
Shareholders' equity:		
Common stock	937,950	937,950
Capital surplus		
Additional paid-in capital	2,672,826	2,672,826
Total capital surplus	2,672,826	2,672,826
Earned surplus		
Legal reserve	135,333	135,333
Other earned surplus		
Other reserve	531,000	531,000
Accumulated earned surplus	932,528	207,372
Total earned surplus	1,598,861	873,705
Treasury stock	(568,458)	(156,932)
Total shareholders' equity	4,641,179	4,327,549
Unrealized gains (losses), translation adjustments, and others:		
Net unrealized gains (losses) on securities	(7)	1,455
Total unrealized gains (losses), translation adjustments, and others	(7)	1,455
TOTAL NET ASSETS	4,641,171	4,329,004
TOTAL LIABILITIES AND NET ASSETS	7,467,851	7,302,096

(2) NON-CONSOLIDATED STATEMENTS OF INCOME
YEAR ENDED MARCH 31
(Based on accounting principles generally accepted in Japan)

	Millions of yen	
	2013	2014
Operating revenues:		
Dividends received	282,679	288,155
Revenues from group management	19,000	18,499
Revenues from basic R&D	120,999	114,499
Other services	10,105	9,687
Total operating revenues	432,785	430,843
Operating expenses:		
Administration	21,603	21,629
Experiment and research	92,297	86,949
Depreciation and amortization	36,364	35,083
Retirement of fixed assets	1,219	1,056
Miscellaneous taxes	2,689	2,594
Total operating expenses	154,174	147,313
Operating income	278,610	283,530
Non-operating revenues:		
Interest income	24,997	21,366
Lease and rental income	11,537	11,163
Miscellaneous income	1,473	1,393
Total non-operating revenues	38,008	33,924
Non-operating expenses:		
Interest expenses	16,650	14,969
Corporate bond interest expenses	17,849	15,597
Lease and rental expenses	5,659	5,633
Miscellaneous expenses	2,029	3,931
Total non-operating expenses	42,189	40,131
Recurring profit	274,429	277,322
Special losses:		
Write-off of investments in affiliated companies	4,530	-
Total special losses	4,530	-
Income before income taxes	269,898	277,322
Corporation, inhabitant and enterprise taxes	(1,142)	(1,977)
Deferred tax expenses (benefits)	(486)	75
Total income taxes	(1,629)	(1,902)
Net income	271,527	279,224

(3) NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND OTHER NET ASSETS

(Based on accounting principles generally accepted in Japan)

YEAR ENDED MARCH 31, 2013

	Millions of yen							
	NTT shareholders' equity							
	Capital surplus				Earned surplus			
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other earned surplus		Total earned surplus
						Other reserve	Accumulated earned surplus	
At beginning of year	¥ 937,950	¥ 2,672,826	¥ -	¥ 2,672,826	¥ 135,333	¥ 531,000	¥ 844,410	¥ 1,510,743
Net change during the annual period								
Cash dividends							(183,404)	(183,404)
Net income							271,527	271,527
Payments to acquire treasury stock								
Resale of treasury stocks							(4)	(4)
Others, net								
Total net change during the annual period	-	-	-	-	-	-	88,118	88,118
At end of year	¥ 937,950	¥ 2,672,826	¥ -	¥ 2,672,826	¥ 135,333	¥ 531,000	¥ 932,528	¥ 1,598,861

	Millions of yen				
	NTT shareholders' equity		Unrealized gains (losses), translation adjustments, and others		Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities	Total unrealized gains (losses), translation adjustments, and others	
At beginning of year	¥(418,431)	¥4,703,088	¥(60)	¥(60)	
Net change during the annual period					
Cash dividends		(183,404)			(183,404)
Net income		271,527			271,527
Payments to acquire treasury stock	(150,066)	(150,066)			(150,066)
Resale of treasury stocks	38	33			33
Others, net			53	53	53
Total net change during the annual period	(150,027)	(61,909)	53	53	(61,856)
At end of year	¥(568,458)	¥4,641,179	¥(7)	¥(7)	¥4,641,171

YEAR ENDED MARCH 31, 2014

	Millions of yen							
	NTT shareholders' equity							
	Capital surplus				Earned surplus			
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other earned surplus		Total earned surplus
						Other reserve	Accumulated earned surplus	
At beginning of year	¥ 937,950	¥ 2,672,826	¥ -	¥ 2,672,826	¥ 135,333	¥ 531,000	¥ 932,528	¥ 1,598,861
Net change during the annual period								
Cash dividends							(186,174)	(186,174)
Net income							279,224	279,224
Payments to acquire treasury stock								
Resale of treasury stocks			2	2				
Cancellation of treasury stock			(2)	(2)			(818,206)	(818,206)
Others, net								
Total net change during the annual period	-	-	-	-	-	-	(725,156)	(725,156)
At end of year	¥ 937,950	¥ 2,672,826	¥ -	¥ 2,672,826	¥ 135,333	¥ 531,000	¥ 207,372	¥ 873,705

	Millions of yen				
	NTT shareholders' equity		Unrealized gains (losses), translation adjustments, and others		
	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities	Total unrealized gains (losses), translation adjustments, and others	Total net assets
At beginning of year	¥(568,458)	¥4,641,179	¥(7)	¥(7)	¥4,641,171
Net change during the annual period					
Cash dividends		(186,174)			(186,174)
Net income		279,224			279,224
Payments to acquire treasury stock	(406,696)	(406,696)			(406,696)
Resale of treasury stocks	13	15			15
Cancellation of treasury stock	818,209	-			-
Others, net			1,462	1,462	1,462
Total net change during the annual period	411,526	(313,629)	1,462	1,462	(312,167)
At end of year	¥(156,932)	¥4,327,549	¥1,455	¥1,455	¥4,329,004

(4) NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED MARCH 31

(Based on accounting principles generally accepted in Japan)

	Millions of yen	
	2013	2014
Cash flows from operating activities:		
Income before income taxes	269,898	277,322
Depreciation and amortization	38,951	37,583
Loss on disposal of property, plant and equipment	833	741
Dividends received	(282,679)	(288,155)
Write-off of investments in affiliated companies	4,530	-
Increase (decrease) in liability for employees' retirement benefits	1,182	915
(Increase) decrease in accounts receivable	(15,204)	1,878
Increase (decrease) in accounts payable and accrued expenses	(6,128)	(1,720)
Increase (decrease) in accrued consumption tax	165	(201)
(Increase) decrease in other current assets	6	(2,387)
(Increase) decrease in subsidiary deposits	10,000	-
Increase (decrease) in deposit received from subsidiaries	(8,885)	(6,678)
Other	10,438	11,070
Sub-total	23,108	30,368
Interest and dividends received	308,072	310,612
Interest paid	(35,249)	(31,541)
Income taxes received (paid)	16,888	(4,771)
Net cash provided by (used in) operating activities	312,820	304,668
Cash flows from investing activities:		
Payments for property, plant and equipment	(32,359)	(27,192)
Payments for purchase of investment securities	(8,256)	(28,938)
Proceeds from sale of investment securities	536	-
Payments for long-term loans	(299,542)	(280,000)
Proceeds from long-term loans receivable	325,135	353,800
Other	(981)	27
Net cash provided by (used in) investing activities	(15,468)	17,696
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	449,422	320,950
Payments for settlement of long-term debt	(445,135)	(343,300)
Net increase (decrease) in short-term borrowings	-	183,971
Payments for settlement of lease obligations	(39)	(44)
Dividends paid	(183,404)	(186,174)
Proceeds from sale of (payments for acquisition of) treasury stock, net	(150,032)	(406,680)
Net cash provided by (used in) financing activities	(329,189)	(431,277)
Effect of exchange rate changes on cash and cash equivalents	(9)	80
Net increase (decrease) in cash and cash equivalents	(31,846)	(108,832)
Cash and cash equivalents at beginning of year	155,702	123,856
Cash and cash equivalents at end of year	123,856	15,023

6. Other

CHANGES IN BOARD OF DIRECTORS

(1)Candidates for Members of the Board

Jun Sawada (Senior Executive Vice President, NTT Communications Corporation)

Hiroki Kuriyama (Vice President of President's office, General Affairs Department)

(2)Candidates for Audit & Supervisory Board Members

Akiko Ide (Senior Vice President, NTT DOCOMO, INC.)

Takashi Iida (Lawyer, The Daini Tokyo Bar Association)

(3)Members of the Board scheduled to resign from office

Yasuyoshi Katayama (Senior Executive Vice President; scheduled to take office as Advisor)

Hiroki Watanabe (Senior Executive Vice President; scheduled to take office at The Japan Telecommunications Welfare Association)

Yoshiaki Sakai (Member of the Board; scheduled to take office as Senior Executive Vice President, NTT DOCOMO, INC.)

(4)Audit & Supervisory Board Members scheduled to resign from office

Toru Motobayashi (Audit & Supervisory Board Member)

Yoshitaka Makitani (Audit & Supervisory Board Member)

(5)Candidates for Executive Officers

①Candidate scheduled to be re-elected as Chairman

Satoshi Miura (Chairman)

②Candidate scheduled to be re-elected as President and Chief Executive Officer

Hiroo Unoura (President and Chief Executive Officer)

③Candidates scheduled to take office as Senior Executive Vice President

Hiromichi Shinohara (Executive Vice President)

Jun Sawada

④Candidate scheduled to take office as Executive Vice President

Mitsuyoshi Kobayashi (Member of the Board)

(6) New Executive Positions and Organizational Responsibilities

New Position(s) and Organizational Responsibilities	Name	Current Position(s) and Organizational Responsibilities
Senior Executive Vice President In charge of technical strategy In charge of international standardization Senior Vice President of Research and Development Planning	Hiromichi Shinohara	Executive Vice President Senior Vice President of Research and Development Planning In charge of international standardization
Senior Executive Vice President In charge of business strategy In charge of risk management	Jun Sawada	
Executive Vice President Senior Vice President of Technology Planning	Mitsuyoshi Kobayashi	Member of the Board Senior Vice President of Technology Planning and Strategic Business Development
Member of the Board Senior Vice President of General Affairs	Akira Shimada	Member of the Board Senior Vice President of General Affairs and Internal Control
Member of the Board Senior Vice President of Corporate Strategy Planning	Hiroshi Tsujigami	Member of the Board Senior Vice President of Corporate Strategy Planning
Member of the Board Senior Vice President of Global Business	Tsunehisa Okuno	Member of the Board Senior Vice President of Global Business
Member of the Board Senior Vice President of Strategic Business Development In charge of 2020 project	Hiroki Kuriyama	
Member of the Board	Katsuhiko Shirai	Member of the Board
Member of the Board	Sadayuki Sakakibara	Member of the Board

(Notes)

The following candidates shall assume responsibilities as follows:

Satoshi Miura as Chairman of the Board, Hiroo Unoura as Chief Executive Officer (CEO), Hiromichi Shinohara as Chief Technology Officer (CTO) and Jun Sawada as Chief Financial Officer (CFO), Chief Compliance Officer (CCO) and Chief Information Officer (CIO).

Of the candidates for Directors, Katsuhiko Shirai and Sadayuki Sakakibara are candidates for external directors.

The candidate for Audit & Supervisory Board Member, Takashi Iida, is a candidate for external Audit & Supervisory Board Member.

The Audit & Supervisory Board Members scheduled to resign from office will resign at the close of the 29th Ordinary General Meeting of Shareholders (to be held on June 26, 2014).

[Note]

The forward-looking statements 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 NTT's most recent Annual Report on Form 20-F and other filings and submissions with the United States Securities and Exchange Commission.

NTT's Shares and Shareholders (as of March 31, 2014)

1. Classification of Shareholders

Details		NTT's Shares and Shareholders (1 unit = 100 shares)							Shares Representing Less Than One Unit	
		Government and Public Bodies	Financial Institutions	Securities Firms	Other Domestic Corporations	Foreign Corporations, etc.		Domestic Individuals, etc.		Total
						Non-Individuals	Individuals			
Total Holders		4	259	66	6,604	1,154	868	803,848	812,303	--
Total Shares (Units)		4,052,317	1,714,413	120,717	156,383	3,092,519	5,473	2,208,311	11,350,133	1,683,935
	%	35.70	15.10	1.06	1.38	27.25	0.05	19.46	100.00	--

Notes:

- (1) "Domestic Individuals, etc." includes 266,511 units of treasury stock, and "Shares Representing Less Than One Unit" includes 7 shares of treasury stock. 26,651,107 shares of treasury stock represents the number of shares of treasury stock recorded in the shareholders' register; the actual number of treasury stock shares at the end of March 31, 2014 was 26,650,807.
- (2) "Other Domestic Corporations" includes 156 units under the name of the Japan Securities Depository Center, and "Shares Representing Less Than One Unit" includes 72 shares under the name of the Japan Securities Depository Center.
- (3) The number of shareholders who only own shares representing less than one unit is 228,705.

2. Classification by Number of Shares

Details	NTT's Shares and Shareholders (1 unit = 100 shares)								Shares Representing Less Than One Unit
	At Least 1,000 Units	At Least 500 Units	At Least 100 Units	At Least 50 Units	At Least 10 Units	At Least 5 Units	At Least 1 Unit	Total	
Number of Holders	385	164	809	950	22,569	52,423	735,003	812,303	--
%	0.05	0.02	0.10	0.12	2.78	6.45	90.48	100.00	--
Total Shares (Units)	9,215,422	111,699	166,167	61,131	345,523	318,274	1,131,917	11,350,133	1,683,935
%	81.19	0.98	1.46	0.54	3.04	2.80	9.97	100.00	--

Notes:

- (1) "At Least 1,000 Units" includes 266,511 units of treasury stock, and "Shares Representing Less Than One Unit" includes 7 shares of treasury stock.
- (2) "At Least 100 Units" includes 156 units under the name of the Japan Securities Depository Center, and "Shares Representing Less Than One Unit" includes 72 shares under the name of the Japan Securities Depository Center.

3. Principal Shareholders

Name	Share Holdings (in thousands of shares)	Percentage of Total Shares Issued (%)
The Minister of Finance	405,221	35.65
Japan Trustee Services Bank, Ltd. (Trust Account)	39,280	3.46
The Master Trust Bank of Japan, Ltd. (Trust Account)	32,138	2.83
Moxley and Co LLC	17,102	1.50
The Bank of New York Mellon SA/NV 10	10,404	0.92
NTT Employee Share-Holding Association	10,357	0.91
Japan Trustee Services Bank, Ltd. (Trust Account 1)	8,834	0.78
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	8,648	0.76
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,591	0.76
State Street Bank and Trust Company 505225	8,407	0.74
Total	548,985	48.30

Note: The Company's holdings of treasury stock (26,650,807 shares) are not included in the above table.