

Financial Results Release

For the Year Ended March 31, 2016

May 13, 2016

[U.S. GAAP]

Name of registrant :Nippon Telegraph and Telephone Corporation (“NTT”) / URL <http://www.ntt.co.jp/ir/>
 Code No. :9432
 Stock exchanges on which the Company's shares are listed :Tokyo
 Representative :Hiroo Unoura, President and Chief Executive Officer
 Contact :Yasutake Horinouchi, Head of IR, Finance and Accounting / TEL +81-3-6838-5481
 Scheduled date of the ordinary general meeting of shareholders:June 24, 2016
 Scheduled date of dividend payments :June 27, 2016
 Scheduled filing date of securities report :June 30, 2016
 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, 2016 (April 1, 2015 - March 31, 2016)

Amounts are rounded to nearest million yen.

(1) Consolidated Results of Operations

(Millions of yen)

	Operating Revenues		Operating Income		Income (Loss) before Income Taxes		Net Income (Loss) Attributable to NTT	
Year ended March 31, 2016	11,540,997	4.0%	1,348,149	24.3%	1,329,259	24.6%	737,738	42.4%
Year ended March 31, 2015	11,095,317	1.6%	1,084,566	(10.6%)	1,066,629	(17.6%)	518,066	(11.5%)

Note: Percentages above represent changes from the previous year.

	Basic Earnings (Loss) per Share Attributable to NTT	Diluted Earnings per Share Attributable to NTT	ROE (Ratio of Net Income Attributable to NTT)	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, 2016	350.34 (yen)	- (yen)	8.4%	6.4%	11.7%
Year ended March 31, 2015	236.85 (yen)	- (yen)	6.0%	5.2%	9.8%

Notes: 1.Comprehensive income (loss) attributable to NTT: For the year ended March 31, 2016: 422,153 million yen ((38.9%))

For the year ended March 31, 2015: 691,332 million yen ((20.8%))

2.Equity in earnings (losses) of affiliated companies: For the year ended March 31, 2016: 5,772 million yen

For the year ended March 31, 2015: 5,889 million yen

3.NTT conducted a two-for-one stock split of its common stock, with an effective date of July 1, 2015. The figures for Basic Earnings (Loss) per Share Attributable to NTT have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

(2) Consolidated Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Total Equity (Net Assets)	Shareholders' Equity	Equity Ratio (Ratio of Shareholders' Equity to Total Assets)	Shareholders' Equity per Share
March 31, 2016	21,035,931	11,240,082	8,833,806	42.0%	4,214.32 (yen)
March 31, 2015	20,702,427	11,049,810	8,681,860	41.9%	4,100.63 (yen)

Note: NTT conducted a two-for-one stock split of its common stock, with an effective date of July 1, 2015. The figures for Shareholders' Equity per Share have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

(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, 2016	2,711,845	(1,759,778)	(707,575)	1,088,275
Year ended March 31, 2015	2,391,812	(1,868,579)	(678,008)	849,174

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, 2015 (Prior to Stock Split) (Reference) Year ended March 31, 2015 (After Stock Split)	—	90.00 (yen)	—	90.00 (yen)	180.00 (yen)	195,140 (millions of yen)	38.0 %	2.3 %
Year ended March 31, 2016	—	45.00 (yen)	—	45.00 (yen)	90.00 (yen)	195,140 (millions of yen)	38.0 %	2.3 %
Year ended March 31, 2016	—	50.00 (yen)	—	60.00 (yen)	110.00 (yen)	230,677 (millions of yen)	31.4 %	2.6 %
Year ending March 31, 2017 (Forecasts)	—	60.00 (yen)	—	60.00 (yen)	120.00 (yen)	—	33.1 %	—

Note: NTT conducted a two-for-one stock split of its common stock, with an effective date of July 1, 2015.

3. Consolidated Financial Results Forecasts for the Year Ending March 31, 2017 (April 1, 2016 - March 31, 2017)

(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, 2017	11,450,000 (0.8%)	1,430,000 6.1%	1,410,000 6.1%	750,000 1.7%	363.00 (yen)

Note: Percentages above represent changes from the previous year.

*Notes

- (1) Change in reporting entities (change in significant consolidated subsidiaries): Yes
Eliminations: One company (Verio Inc.)
- (2) Change of accounting policy
 - i. Change due to revision of accounting standards and other regulations: None
 - ii. Other change: Yes
(For further details, please see "(7) Change in Significant Matters Serving as a Basis for the Preparation of Consolidated Financial Statements" on page 26.)
- (3) Number of shares outstanding (common stock)
 - i. Number of shares outstanding (including treasury stock) at end of year:
 - March 31, 2016: 2,096,394,470 shares
 - March 31, 2015: 2,273,394,470 shares
 - ii. Number of shares of treasury stock at end of year:
 - March 31, 2016: 255,269 shares
 - March 31, 2015: 156,195,212 shares
 - iii. Weighted average number of shares outstanding:
 - For the year ended March 31, 2016: 2,105,782,828 shares
 - For the year ended March 31, 2015: 2,187,360,018 shares

Note: NTT conducted a two-for-one stock split of its common stock, with an effective date of July 1, 2015. The figures for "Number of shares outstanding (common stock)" have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

(Reference) Non-Consolidated Financial Results

For the Year Ended March 31, 2016

[Japanese GAAP]

1. Non-consolidated Financial Results for the Year Ended March 31, 2016 (April 1, 2015 - March 31, 2016)

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, 2016	521,742 26.7%	384,076 40.2%	381,487 40.1%	666,679 19.8%
Year ended March 31, 2015	411,828 (4.4%)	273,969 (3.4%)	272,393 (1.8%)	556,578 99.3%

Note: Percentages above represent changes from the previous year.

	Earnings per Share	Diluted Earnings per Share
Year ended March 31, 2016	316.59 (yen)	- (yen)
Year ended March 31, 2015	254.45 (yen)	- (yen)

Note: NTT conducted a two-for-one stock split of its common stock, with an effective date of July 1, 2015. The figures for Earnings per Share have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

(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, 2016	7,052,062	4,717,924	66.9%	2,250.77 (yen)
March 31, 2015	7,027,374	4,345,475	61.8%	2,052.46 (yen)

(Reference) Shareholders' equity: For the year ended March 31, 2016: 4,717,924 million yen

For the year ended March 31, 2015: 4,345,475 million yen

Note: NTT conducted a two-for-one stock split of its common stock, with an effective date of July 1, 2015. The figures for Net Assets per Share have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

2. Non-consolidated Financial Results Forecasts for the Year Ending March 31, 2017 (April 1, 2016 - March 31, 2017)

(Millions of yen, except per share amounts)

	Operating Revenues	Operating Income	Recurring Profit	Net Income	Earnings per Share
Year ending March 31, 2017	473,000 (9.3%)	339,000 (11.7%)	335,000 (12.2%)	336,000 (49.6%)	163.00(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, 2017 (forecasts) are based on the assumption that NTT will repurchase up to 68 million shares for up to 350.0 billion yen, as resolved at the board of directors' meeting held on May 13, 2016, 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 financial results forecasts and other notes:
With regard to the assumptions and other related matters concerning the above estimated results, please refer to page 43.
As NTT evaluates its business performance on an annual basis, prospects on a semi-annual basis are not provided.
On Friday, May 13, 2016, 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, 2015 – March 31, 2016)

(Billions of yen)

	Fiscal Year Ended March 31, 2015 (April 1, 2014 – March 31, 2015)	Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Change	Percent Change
Operating revenues	11,095.3	11,541.0	445.7	4.0%
Operating expenses	10,010.8	10,192.8	182.1	1.8%
Operating income	1,084.6	1,348.1	263.6	24.3%
Income before income taxes	1,066.6	1,329.3	262.6	24.6%
Net income attributable to NTT	518.1	737.7	219.7	42.4%

(Note): The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States.

In the fiscal year ended March 31, 2016, a wide range of changes took place in the information and telecommunications market with the increased spread and market penetration of devices such as smart devices that utilize fixed-line and mobile broadband, and improved convenience in people's everyday lives and productivity in various industries through the evolution of technologies such as cloud services, IoT, and Big Data. In addition, the role of information and telecommunications is becoming increasingly important, including strengthening security measures against increasingly sophisticated and complex cyberattacks, strengthening natural disaster countermeasures and managing safe and secure social systems. This change can be seen on a global scale.

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

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

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

- In order to further strengthen our ability to provide full-stack and full-life-cycle services, we pursued M&A and worked to expand our cloud computing platform through establishing data centers.
- We promoted cross-selling through collaboration among group companies through our global network, cloud migration, and IT outsourcing projects and received orders from leading companies in various industries including manufacturing and finance.
- We have been resolutely engaged in streamlining and optimizing our services and operations in our global cloud business while implementing thorough cost reduction measures by reducing procurement costs across group companies.

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

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

- Through our efforts with the "Hikari Collaboration Model" and "+d" to promote collaboration among various businesses, we worked to create high value-added services.
- In addition to simplifying and streamlining networks, we worked to increase the efficiency of capital investment by increasing the usage of existing facilities and reducing procurement costs.
- We worked to reduce costs by controlling marketing costs through the development of the "Hikari Collaboration Model" and by increasing business efficiency.

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

● Status of Initiative to Expand B2B2X Business

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

- Based on its mission to help resolve the many issues that exist in various regions and help build communities through ICT, NTT Group concluded comprehensive partnership agreements with Fukuoka City and Sapporo City.
- With the aim of achieving "visual service innovations" and an "evolution of user experience" toward 2020 and beyond, NTT and Panasonic Corporation have agreed to enter a business alliance.
- In order to contribute to the "vitalization of local economies," NTT entered into a business alliance with Hitachi, Ltd. to develop services utilizing ICT such as Big Data, and IoT aimed to assist in developing and maintaining a safe, secure, comfortable and efficient urban infrastructure.

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

● Status of Fundamental Research & Development

Pursuant to its Medium-Term Management Strategy "Towards the Next Stage 2.0," we promoted various initiatives including cutting-edge research with a view towards the future. Furthermore, in order to commercialize the results of development, we developed business plans tailored to market trends based on our Comprehensive Production System and worked to promote development for practical use.

- Core Technological Development to Place the Entire Group on a Profit Growth Track
 - In order to counter new and increasingly sophisticated cyberattacks, we pursued research and development in security orchestration technology using virtualization technologies to automatically detect attacks on a network, take appropriate countermeasures and automatically restore the network itself.
 - We pursued the development of edge computing technology which places servers on the periphery of the network and facilitates the real-time capability and reduced terminal loads required by IoT.
 - We developed "R-env:™," a cloud-responsive interaction control technology which easily allows the flexible combination of robots and other IoT devices with applications and facilitates the development of new services, pursuing open innovation activities such as hackathons.
 - With respect to AI, where there is a growing interest in recent years as a prime driver of social revolution, we promoted the development of "corevo™," which is a collective term for the technology that aims "to compensate for and draw out human being's capabilities."
- Initiatives to Improve Efficiency and Enhance Profitability of Domestic Network Businesses
 - To realize the "NetroSphere concept," which makes it possible to create a variety of services by modularizing network functions and flexibly assembling these modules, we pursued joint research with various ICT vendors and providers and built a testing environment to conduct technological evaluation.
 - In order to reduce inspection costs and improve the safety of our iron covers of 680,000 manholes in Japan, we supported the introduction and commercialization of technology that utilizes images taken by digital cameras to estimate the levels of unevenness and degrees of deterioration.
 - To reduce cases where optical fiber cables cannot be used because of aesthetic issues, we have developed a "transparent optical fiber," which is thin and transparent like a fishing line, to help blend in with various wall surfaces and prevent it from standing out.
- Promoting the Creation of New Value through Collaboration
 - We collaborated with Panasonic Corporation with the aim of creating a service that allows intuitive operations where information is displayed simply by swiping a simple portable device, which is equipped with a transparent type display.
 - In collaboration with Toyota Motor Corporation and Preferred Networks, Inc., we demonstrated the "crashless car" concept using edge computing and deep learning technology.
 - We contributed to the development of the "Study Panel for Inter-Industry Human Resources Development on Cyber Security" which has more than 40 companies as members primarily from the key areas of the infrastructure industry, by defining the type of personnel needed in the industry and identifying discussion points.
 - We began a joint research project with Mitsubishi Heavy Industries, Ltd. relating to cyber security technology for Application in Critical Infrastructure Control Systems.
- Research and Development in Technologies that Enable Highly Immersive New Experiences

- We successfully provided real-time broadcasting on a specifically identified individual through simulated 3D that utilizes “Kirari!” technology, which provides ultra-high-presence “as if you were there” experiences.
- We developed the “Visual Explorer” technology that enables users to download relevant information by simply swiping their smartphone and tested it at Haneda Airport. We allowed visitors to the “NTT R&D Forum 2016” to experience the “Visual Explorer” and the “Real-time Crowded Map” application, which offers a visual image of the state of congestion in public facilities.
- We developed composition and display technology that can be applied in sports training by providing highly realistic views using a head-mounted display. This technology virtually recreates difficult-to-capture images such as the view from an athlete’s eyes during a game.
- Promoting Cutting-edge Research
 - We were recognized as number one worldwide in recognition precision in an international technological evaluation of mobile voice recognition technology in noisy public areas such as an urban district.
 - Aiming to realize AI that interprets mental indicators and physical actions that humans are not aware of as data to offer “comfortable circumstances for humans,” we developed technology that reads subliminal mental fluctuations in humans from eye movement.
 - In order to deliver a simple and highly efficient quantum cryptography system, we developed technology that makes it unnecessary to install an error rate monitor between the sender and receiver.

- Status of Initiatives to Promote Corporate Social Responsibility (CSR)

In order to contribute to society and to promote growth of its business, we have been revising our “NTT Group CSR Charter” and “NTT Group Priority Activities.” Furthermore, in order to contribute to the sustainable development of society, NTT Group companies undertook a range of activities and engaged in proactive information disclosure.

- Enrich Social Communication
 - In order to provide an ICT environment and services that anyone can use easily, we began providing a text entry application, “Move & Flick,” with the aim of promoting the use of smartphones by individuals with visual disabilities. The application allows smartphones to be used without being mindful of the starting position for text entry.
- Protect the Global Environment
 - Through the “Total Power Revolution (TPR) movement,” which is aimed at promoting the reduction of electrical power consumption, etc., we worked to reduce the CO₂ emissions generated by our own business activities. Furthermore, by expanding the service area of cycle sharing utilizing ICT and building solar power generation system, we worked to reduce the environmental impact of society as a whole.
- Ensure Reliable Communications
 - In order to secure high levels of stability and reliability as key infrastructure, we implemented group-wide disaster drills and entered into agreements, such as ones with the Japan Post Group and the Petroleum Association of Japan, to enable cooperation when natural disasters occur and information sharing in normal circumstances. Furthermore, in order to counter increasingly diverse and large-scale cyberattacks, while conducting exercises, we developed more sophisticated security policies through countermeasures against targeted attacks and vulnerable areas, and promoted various initiatives in human resources development using various educational methods.
- Unite the Energies of Team NTT
 - We worked to create awareness among employees on sexual minorities such as LGBT persons and persons with disabilities, promoting the creation of a work environment that ensures a broad range of personnel can demonstrate their talents, and holding diversity workshops.

In light of the foregoing and other similar endeavors, NTT Group was selected as one of the Asia-Pacific Region index companies of the Dow Jones Sustainability Index (DJSI), a global index for socially responsible investing, for the second consecutive year.

As a result of the above efforts, NTT Group's consolidated operating revenues for the fiscal year ended March 31, 2016 were 11,541.0 billion yen (an increase of 4.0% from the previous fiscal year) and consolidated operating expenses were 10,192.8 billion yen (an increase of 1.8% from the previous fiscal year). As a result, consolidated operating income was 1,348.1 billion yen (an increase of 24.3% from the previous fiscal year), consolidated income before income taxes was 1,329.3 billion yen (an increase of 24.6% from the previous fiscal year), and consolidated net income attributable to NTT was 737.7 billion yen (an increase of 42.4% from the previous fiscal year).

The forecast for the fiscal year ending March 31, 2017 is as follows: operating revenues of 11,450.0 billion yen (a decrease of 0.8% year-over-year), operating income of 1,430.0 billion yen (an increase of 6.1% year-over-year), income before income taxes of 1,410.0 billion yen (an increase of 6.1% year-over-year), and net income attributable to NTT of 750.0 billion yen (an increase of 1.7% year-over-year).

The business results for each business segment for the consolidated fiscal year ended March 31, 2016 are as follows.

■Regional Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2015 – March 31, 2016)

(Billions of yen)

	Fiscal Year Ended March 31, 2015 (April 1, 2014 – March 31, 2015)	Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Change	Percent Change
Operating revenues	3,505.5	3,407.9	(97.7)	(2.8%)
Operating expenses	3,336.7	3,142.9	(193.8)	(5.8%)
Operating income	168.9	265.0	96.1	56.9%

Number of Subscriptions

(Thousands of subscriptions)

	As of March 31, 2015	As of March 31, 2016	Change	Percent Change
FLET'S Hikari (including Hikari Collaboration Model) ⁽¹⁾	18,716	19,259	543	2.9%
NTT East	10,403	10,666	264	2.5%
NTT West	8,313	8,593	280	3.4%
Hikari Collaboration Model	270	4,691	4,421	1,634.6%
NTT East	190	3,077	2,886	1,517.2%
NTT West	80	1,615	1,534	1,913.1%
Hikari Denwa	17,108	17,374	267	1.6%
NTT East	9,032	9,123	91	1.0%
NTT West	8,076	8,252	176	2.2%

Notes:

- Number of "FLET'S Hikari (including Hikari Collaboration Model)" subscribers includes subscribers to "B FLET'S," "FLET'S Hikari Next," "FLET'S Hikari Light," "FLET'S Hikari Lightplus" and "FLET'S Hikari WiFi Access" provided by NTT East, 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 and subscribers to the "Hikari Collaboration Model," the wholesale provision of services to service providers by NTT East and NTT West.
- The figures for Hikari Denwa indicate the number of channels (in thousands). Number of "Hikari Denwa" subscribers includes wholesale services provided to service providers by NTT East and NTT West.

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

●Details of Main Initiatives

- With regard to the "Hikari Collaboration Model," the number of service providers providing wholesale service was around 350 companies at the end of the fiscal year ended March 31, 2016, as we promoted collaborative projects with not only mobile network operators and ISPs but also business operators in diverse industries including the energy industry, real estate industry, and security industry. In the cable television industry, new use cases were born, including the adoption of the "Hikari Collaboration Model" in the conversion of all service areas to fiber optics. As a result of these initiatives, the number of fiber-optic access service subscriptions using this model was 4.69 million.
- With the development of the "Hikari Collaboration Model," we achieved a large-scale reduction in marketing costs. Furthermore, by simplifying and streamlining networks and further increasing the usage of existing facilities, we worked to make capital investment more efficient.
- As companies and local governments are proactively promoting the use of Wi-Fi as a powerful information service tool, in various regions, we implemented an initiative to improve convenience for the increasing number of visitors to Japan by expanding the coverage area of Wi-Fi. The number of Wi-Fi area owners reached 393, marking a large increase from the previous fiscal year.

●Number of Subscriptions for Major Services

- FLET'S Hikari: 19.26 million subscriptions (an increase of 0.54 million subscriptions from the previous fiscal year)
- (Included in the above) "Hikari Collaboration Model": 4.69 million subscriptions (an increase of 4.42 million subscriptions from the previous fiscal year)
- Hikari Denwa: 17.37 million channels (an increase of 0.27 million channels from the previous fiscal year)
- FLET'S TV: 1.43 million subscriptions (an increase of 0.09 million subscriptions from the previous fiscal year)

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

As a result of the above, consolidated operating revenues in the Regional Communications Business Segment for the fiscal year ended March 31, 2016 were 3,407.9 billion yen (a decrease of 2.8% from the previous fiscal year). On the other hand, consolidated operating expenses were 3,142.9 billion yen (a decrease of 5.8% from the previous fiscal year). As a result, consolidated operating income was 265.0 billion yen (an increase of 56.9% from the previous fiscal year).

■Long Distance and International Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2015 – March 31, 2016)

	(Billions of yen)			
	Fiscal Year Ended March 31, 2015 (April 1, 2014 – March 31, 2015)	Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Change	Percent Change
Operating revenues	1,998.6	2,250.9	252.3	12.6%
Operating expenses	1,885.1	2,154.2	269.2	14.3%
Operating income	113.6	96.7	(16.9)	(14.9%)

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

●Details of Main Initiatives

- In order to strengthen our ability to meet the demand for cloud services and data centers in various global regions, we began providing services at new data centers, that achieve high reliability through redundancy of electric power facilities and telecommunications equipment as well as enhanced security, in Sacramento in North America, Vienna in Europe, and Hong Kong, Mumbai, and Bangkok in Asia. Furthermore, we acquired one of the largest data center providers in Indonesia, PT. Cyber CSF (headquartered in Jakarta). As a result of efforts to proactively expand cloud computing platforms, NTT Group's data centers were ranked as top class in the world in terms of both total floor area and potential server installation floor area according to a report by U.S. TeleGeography (published in October 2015).
- Toward our goal of business expansion in growth fields such as cloud services and IT outsourcing, we strengthened our operational structure by securing personnel in various regions.

●Number of Subscriptions for Major Services

- Number of customers for Cloud services: 8,300 customers (an increase of 1,000 customers from the previous fiscal year)
- Hikari TV: 3.05 million subscriptions (an increase of 0.04 million subscriptions from the previous fiscal year)

As a result of the above, consolidated operating revenues in the Long Distance and International Communications Business Segment for the fiscal year ended March 31, 2016 were 2,250.9 billion yen (an increase of 12.6% from the previous fiscal year). On the other hand, consolidated operating expenses were 2,154.2 billion yen (an increase of 14.3% from the previous fiscal year). As a result, consolidated operating income was 96.7 billion yen (a decrease of 14.9% from the previous fiscal year).

■ Mobile Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2015 – March 31, 2016)

(Billions of yen)

	Fiscal Year Ended March 31, 2015 (April 1, 2014 – March 31, 2015)	Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Change	Percent Change
Operating revenues	4,383.4	4,527.1	143.7	3.3%
Operating expenses	3,747.6	3,738.8	(8.9)	(0.2%)
Operating income	635.8	788.4	152.6	24.0%

Number of Subscriptions

(Thousands of subscriptions)

	As of March 31, 2015	As of March 31, 2016	Change	Percent Change
Mobile phone services	66,595	70,964	4,368	6.6%
New billing plan	17,827	29,704	11,877	66.6%
LTE (“Xi” services)	30,744	38,679	7,934	25.8%
FOMA services	35,851	32,285	(3,566)	(9.9%)

Notes:

- Number of subscriptions to mobile phone services, LTE (“Xi”) and “FOMA” services includes communication 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.

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

● Details of Main Initiatives

- In addition to promoting the sales of its “Kake-hodai & Pake-aeru”, as a new billing plan tailored to suit a customer’s stage of life that offers more affordable rates to long-term users, we newly launched the “Kake-hodai Light Plan” in September 2015, and the “Share pack 5” in March 2016. As a result, the number of subscriptions to “Kake-hodai & Pake-aeru,” reached 29.70 million.
- By utilizing the “Hikari Collaboration Model” from the Regional Communications Business Segment, we promoted the sales of the “docomo Hikari Pack,” which bundles fiber-optic access infrastructure services, internet access service, and mobile service. As a result, the number of subscriptions to “docomo Hikari” reached 1.57 million.
- In order to strengthen profitability in the Smart Life area, in addition to content services, finance and settlement services, we pursued the “+d” initiative, which was aimed at creating new added value through collaboration with various business partners. Specifically, in addition to commencing testing of a revolutionary rice-planting management system in Niigata City, we began offering “d POINTs,” our new loyalty point program that can be used at convenience stores and fast food restaurants, etc.

As a result of the above, consolidated operating revenues in the Mobile Communications Business Segment for the fiscal year ended March 31, 2016 were 4,527.1 billion yen (an increase of 3.3% from the previous fiscal year). On the other hand, consolidated operating expenses were 3,738.8 billion yen (a decrease of 0.2% from the previous fiscal year). As a result, consolidated operating income was 788.4 billion yen (an increase of 24.0% from the previous fiscal year).

■Data Communications Business Segment

Overview of Business Results by Business Segment (April 1, 2015 – March 31, 2016)

(Billions of yen)

	Fiscal Year Ended March 31, 2015 (April 1, 2014 – March 31, 2015)	Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Change	Percent Change
Operating revenues	1,511.0	1,616.8	105.8	7.0%
Operating expenses	1,424.7	1,504.1	79.4	5.6%
Operating income	86.4	112.7	26.4	30.5%

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

●Details of Main Initiatives

- To strengthen consulting services to the global financial services industry, we acquired Carlisle & Gallagher Consulting Group, Inc. (headquartered in the U.S.), a leading US provider of financial IT consulting and system deployment. To increase our presence through the acquisition of a North America-focused operating base and to enhance cloud services and BPO services using cutting-edge technology, we reached an agreement with Dell Inc. to acquire the Dell Services Division, a leading provider of digital solutions services tailored to the healthcare industry.
- We participated in the development of a digital archive management of rare collections including the Spanish Royal Family library, which is managed by Patrimonio Nacional, a state institution responsible for preserving the assets of the Spanish Crown.
- We started providing IoT platforms that collect and distribute the information of various “things” including electronic devices such as sensors and plants, and we promoted the development of IoT services for monitoring services for supply and waste water utility operators.

As a result of the above, consolidated operating revenues in the Data Communications Business Segment for the fiscal year ended March 31, 2016 were 1,616.8 billion yen (an increase of 7.0% from the previous fiscal year). On the other hand, consolidated operating expenses were 1,504.1 billion yen (an increase of 5.6% from the previous fiscal year). As a result, consolidated operating income was 112.7 billion yen (an increase of 30.5% from the previous fiscal year).

■Other Business Segment

Overview of Business Results by Business Segment (April 1, 2015 – March 31, 2016)

(Billions of yen)

	Fiscal Year Ended March 31, 2015 (April 1, 2014 – March 31, 2015)	Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Change	Percent Change
Operating revenues	1,272.2	1,294.5	22.2	1.7%
Operating expenses	1,204.8	1,220.4	15.7	1.3%
Operating income	67.5	74.0	6.6	9.7%

In the Other Business Segment, we mainly provided services related to the real estate business, finance business, construction and electric power business, and system development business.

●Details of Main Initiatives

- Real Estate Business
We pursued our real estate leasing operations centered on office buildings and commercial facilities and our condominium operations principally through the “Wellith” brand. Furthermore, we utilized our know-how developed in these operations to pursue global and real estate fund businesses.

- Finance Business
We provided financial services such as leasing, installation payment, and other finance areas concentrating on information-related equipment, billing and collection services for telecommunication service bills, and credit card transaction settlement services.
- Construction and Electric Power Business
By combining and utilizing our technology in “ICT, energy, and construction” to the fullest extent, we designed and built large-scale solar power generation systems and data centers.
- System Development Business
To provide optimized, high-quality ICT services to our customers, we worked to develop network operation systems and application services.

As a result of the above, consolidated operating revenues in the Other Business Segment for the fiscal year ended March 31, 2016 were 1,294.5 billion yen (an increase of 1.7% from the previous fiscal year). On the other hand, consolidated operating expenses were 1,220.4 billion yen (an increase of 1.3% from the previous fiscal year). As a result, consolidated operating income was 74.0 billion yen (an increase of 9.7% from the previous fiscal year).

(2) Analysis of Financial Position

Net cash provided by operating activities for the fiscal year ended March 31, 2016 increased by 320.0 billion yen (13.4%) from the previous fiscal year to 2,711.8 billion yen. This increase was due to, among other factors, an increase in operating income.

Net cash used in investing activities decreased by 108.8 billion yen (5.8%) from the previous fiscal year to 1,759.8 billion yen. This decrease was due to, among other factors, a decrease in capital investments and other such investments partially offset by an increase in payments for the purchases of non-current investments.

Net cash used in financing activities increased by 29.6 billion yen (4.4%) from the previous fiscal year to 707.6 billion yen. This increase was due to, among other factors, a decrease in proceeds from borrowings partially offset by a decrease in stock repurchases.

As a result of the above, NTT Group's consolidated cash and cash equivalents as of March 31, 2016 totaled 1,088.3 billion yen, an increase of 239.1 billion yen (28.2%) from the end of the previous fiscal year.

	(Billions of yen)			
	Fiscal Year Ended March 31, 2015 (April 1, 2014 – March 31, 2015)	Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)	Change	Percent Change
Cash flows provided by operating activities	2,391.8	2,711.8	320.0	13.4%
Cash flows used in investing activities	(1,868.6)	(1,759.8)	108.8	5.8%
Cash flows used in financing activities	(678.0)	(707.6)	(29.6)	(4.4%)
Cash and cash equivalents at the end of year	849.2	1,088.3	239.1	28.2%

(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.

NTT is planning to distribute dividends of 110 yen per share for the current annual period, comprising a 60-yen end-of-term dividend and a 50-yen interim dividend. For the next annual period, dividends are planned to be 120 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 907 subsidiaries and 122 affiliated companies (as of March 31, 2016). 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-MINAMIKANTO CORPORATION, NTT-ME CORPORATION, NTT INFRASTRUCTURE NETWORK CORPORATION, NTT EAST SERVICE CORPORATION, NTT BUSINESS SOLUTIONS CORPORATION, NTT NEOMEIT CORPORATION, NTT MARKETING ACT CORPORATION, NTT FIELDTECHNO CORPORATION, NTT DIRECTORY SERVICES Co., NTT Printing 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 33 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., NTT Communications Deutschland AG, NTT Com Security AG, Virtela Technology Services Incorporated, RagingWire Data Centers, Inc., RW Holdco Inc., RW Midco Inc., Arkadin International SAS, GYRON INTERNET LIMITED, NETMAGIC SOLUTIONS PRIVATE LIMITED, NETMAGIC IT SERVICES PRIVATE LIMITED, Lux e-shelter 1 S.a.r.l., Lux e-shelter 3 S.a.r.l., e-shelter Services Holding GmbH, e-shelter Properties Holding S.a.r.l., Spectrum Holdings Inc., Dimension Data Commerce Centre Limited, Dimension Data (U.S.) II, Inc., Dimension Data (U.S.) Inc., Dimension Data North America, Inc., Dimension Data International Limited, Dimension Data Holdings Nederland B.V., Dimension Data Australia Pty Limited, Dimension Data Cloud Solutions Australia Pty Ltd, Solutionary, Inc., NTT Innovation Institute, Inc., and 350 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 CS, Inc., DOCOMO Support, Inc., DOCOMO Systems, Inc., DOCOMO Technology, Inc., DOCOMO Guam Holdings, Inc., DOCOMO PACIFIC, INC.(*1), DOCOMO PACIFIC(SAIPAN), INC., D2C Inc., mmbi, Inc.(*2), OAK LAWN MARKETING, INC., Tower Records Japan Inc., NTT DOCOMO Ventures, Inc., ABC Cooking Studio Co.,Ltd, DOCOMO ANIME STORE, INC., docomo Healthcare, Inc., DOCOMO Digital GmbH(*3), Buongiorno S.p.A., net mobile AG, DOCOMO Innovations, Inc.(*4), DCM Reinsurance Company, Inc. and 104 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, Inc., NTT DATA EMEA LTD., NTT DATA Enterprise Services Holding, Inc., NTT DATA ASIA PACIFIC PTE. LTD., EVERIS PARTICIPACIONES, S.L.U., NTT DATA (CHINA) INVESTMENT Co., LTD, Carlisle & Gallagher Consulting Group, Inc.(*5) and 238 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, Downtown Properties Owner, LLC, 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 LEARNING SYSTEMS CORPORATION, NTT BUSINESS ASSOCIE Corporation, NTT LOGISCO Inc., NTT Broadband Platform, Inc., and 74 other companies.

*1: MCV Guam Holding Corp. merged into DOCOMO PACIFIC, INC. on December 31, 2015.

*2: mmbi, Inc. will merged into NTT DOCOMO on July 1, 2016.

*3: DOCOMO Deutschland GmbH changed its name to DOCOMO Digital GmbH on October 15, 2015.

*4: DOCOMO Capital, Inc. merged with DOCOMO Innovations, Inc. and changed its name to DOCOMO Innovations, Inc. on October 1, 2015.

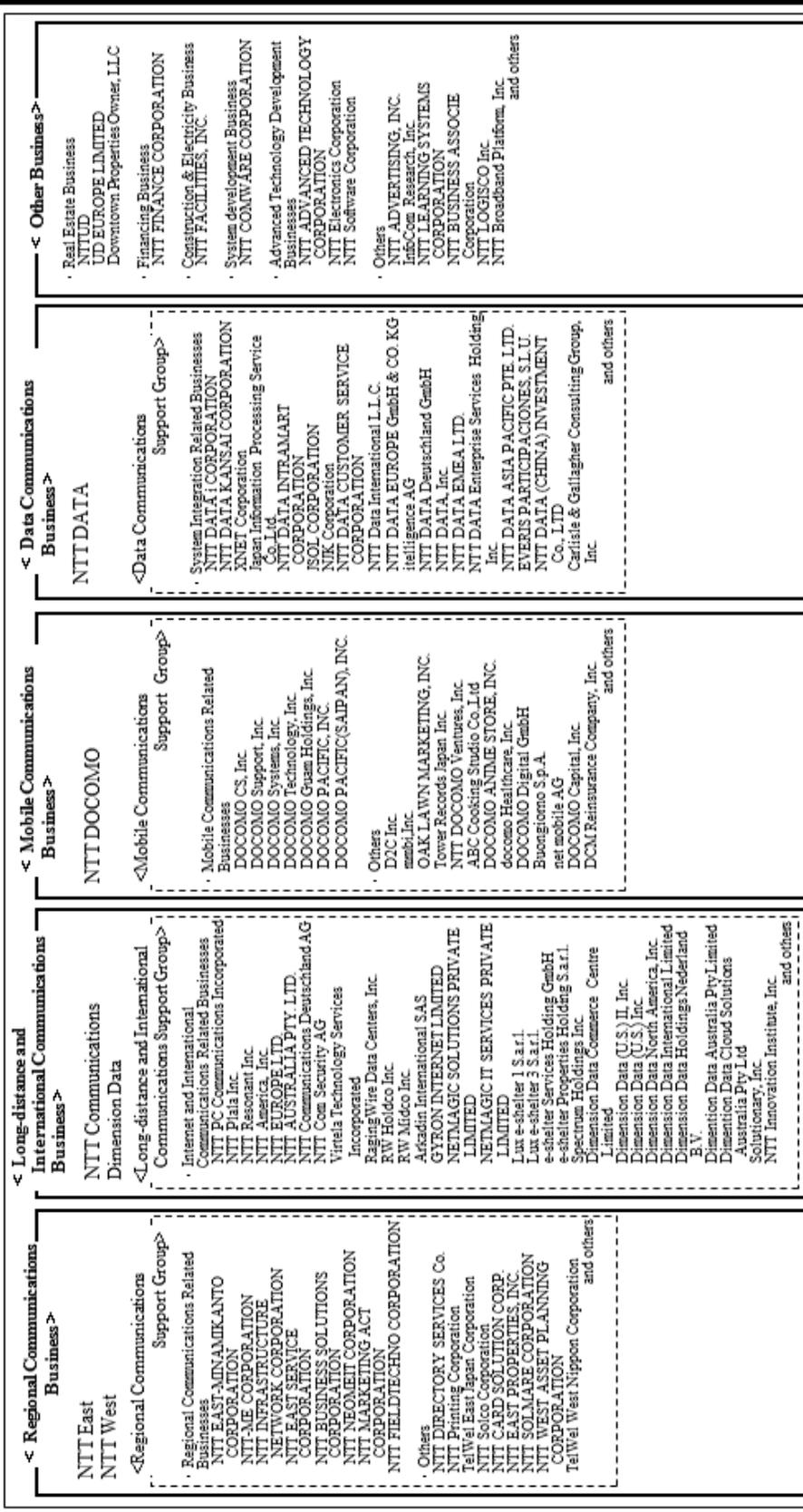
*5: Carlisle & Gallagher Consulting Group, Inc. changed its name to NTT DATA Consulting, Inc. on April 14, 2016.

A group organizational chart appears on the following page.

ORGANIZATIONAL CHART OF THE NTT GROUP

Customer

NTT GROUP



NIPPON TELEGRAPH AND TELEPHONE CORPORATION

3. BUSINESS OPERATION POLICY

(1) Basic Business Operation Policy and Medium- and Long-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 May 2015, NTT Group formulated and announced its Medium-Term Management Strategy "Towards the Next Stage 2.0." NTT Group has worked to place the entire NTT Group on a profit growth track accelerating its self-transformation as a "Value Partner" and has been executing new initiatives to further promote the B2B2X Model.

(2) Issues Facing the Corporate Group

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

- **Business Developments Pursuant to the Medium-Term Management Strategy**

In line with its Medium-Term Management Strategy "Towards the Next Stage 2.0," NTT Group will continue to work to reform its business structure.

- **Initiatives to Expand Global Business and Increase Overseas Profit Generation**

To realize solid sales growth in our overseas business, we will work to further enhance our global business promotion system as well as our services and products. Furthermore, by expanding our global accounts and promoting up-selling and cross-selling, we will work to enhance our sales and marketing. Additionally, we will work to maximize cost efficiency and strengthen group governance and risk management.

- **Initiatives to Improve Efficiency and Enhanced Profitability of Domestic Network Business**

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

Specifically, in relation to the increased efficiency in capital investment, we will work to make networks simplified and streamlined, to utilize the results of research and development including software control technology, to further increase the usage efficiency of existing facilities, and to unify specifications of procured goods and narrow down model types in order to cut procurement costs. Additionally, we will work to make our IT systems more efficient through the use of the latest technology, including virtualization as well as shared platforms.

With regard to cost reductions, we will continue to reduce marketing costs through the development of the "Hikari Collaboration Model" and to strengthen our efforts. We will boost the competitiveness of our products and services and improve our user service through cost reductions, while simultaneously working to establish simple, efficient business operations based on our transition to the B2B2X model and other initiatives.

- **Initiatives to Expand B2B2X Business**

We are currently supporting the communications services field as a Gold Partner (Telecommunications Services) for the Tokyo 2020 Olympic and Paralympic Games promoted through a public-private partnership, and we will see "Vitalization of Local Economies" as a great opportunity to utilize our collective strength and organically use our national-scale fixed-line and mobile broadband networks, as well as our technology, know-how, and assets in the information systems field. In particular, through collaborations with businesses in other fields and local governments, we will promote the transition to the B2B2X model and work to create high value-added services. Through the above efforts, we aim to create services that will be inherited as the standard of the next generation and connect to sustained growth in our domestic business.

In addition to continuing and strengthening initiatives pursuant to its Medium-Term Management Strategy “Towards the Next Stage 2.0,” we reviewed the financial targets of our medium-term management strategies to reflect the impact of adopting the straight-line method, effective beginning the fiscal year ending March 31, 2017, as the method for depreciating property, plant and equipment, which previously, as a general rule, had been depreciated by the declining balance method.

Through these efforts, while focusing mainly on profit growth, by continuing to increase our capital efficiency through stock repurchases, we aim to grow our EPS (Earnings Per Share) to 400 yen or more by the fiscal year ending March 31, 2018.

Review of financial targets of Medium-Term Management Strategy “Towards the Next Stage 2.0”

Category	Financial Target for the fiscal year ending March 31 2018
EPS growth (Net Income per share)	At least ¥350 → At least ¥400
Overseas Sales/Overseas Operating Income	\$22.0 billion/ \$1.5 billion
Streamlining Capital Investment (Domestic Network Business) [compared against the fiscal year ended March 31 2015]	At least ¥200.0 billion decrease
Cost Reductions (fixed-line/mobile access-related) [compared against the fiscal year ended March 31 2015]	At least ¥600.0 billion decrease → At least ¥800.0 billion decrease

Notes:

1. Overseas operating income excludes M&A-related temporary expenses, such as depreciation costs of intangible fixed assets.
2. Streamlining capital investment (domestic network business) excludes NTT Communications’ data centers and certain other assets.
3. Cost reductions (fixed-line/mobile access-related) excludes the impact of the change of depreciation method for property, plant and equipment.
4. The financial targets for overseas sales, overseas operating income and streamlining capital investment (domestic network business) have not been revised.

●Promotion of Fundamental Research & Development

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

●Promotion of Corporate Social Responsibility (CSR)

In order to help resolve the many social issues that exist both in and outside Japan, we will continue to make a collective effort to promote CSR in accordance with the guidelines set out in the “NTT Group CSR Charter,” and will also work to increase management transparency by further enhancing the content of, for example, our Annual Report and Sustainability Report, and by promoting information disclosure.

With respect to environmental issues, which are a global concern, we will contribute to reducing the environmental burden on society as a whole through the utilization of ICT services and the services and technology provided by NTT Group, and work to reduce the environmental burden across all of our business activities. At the same time, we will promote initiatives, such as those for environmental protection, that engage the cooperation of all stakeholders, such as NTT Group employees, business partners and local communities.

Furthermore, to secure high levels of stability and reliability in our communications services, we will work to provide even safer and more secure services through the implementation of disaster drills based on our collaborative framework with external agencies. In addition, in order to counter increasingly diverse and large-scale cyber-attacks, we are promoting the introduction of research and development results as well as strengthening training efforts to produce cybersecurity experts that possess more advanced skills.

Additionally, we respect and utilize personnel with diverse values and individuality, creating a work environment that ensures a broad range of personnel can demonstrate their talents, irrespective of gender, age, race, nationality, disability status, sexual orientation, or gender identity.

4. BASIC APPROACH TO THE SELECTION OF ACCOUNTING STANDARDS

NTT Group is considering adopting International Financial Reporting Standards (“IFRS”) beginning with the three months ending June 30, 2018 in order to, among other things, improve the international comparability of its financial information in the capital markets and increase the efficiency of its financial reporting.

5. CONSOLIDATED FINANCIAL STATEMENTS

(1) CONSOLIDATED BALANCE SHEETS

	Millions of yen		
	March 31, 2015	March 31, 2016	Increase (Decrease)
ASSETS			
Current assets:			
Cash and cash equivalents	¥849,174	¥1,088,275	¥239,101
Short-term investments	36,342	33,076	(3,266)
Notes and accounts receivable, trade	2,663,012	2,733,116	70,104
Allowance for doubtful accounts	(43,230)	(45,236)	(2,006)
Accounts receivable, other	408,051	473,192	65,141
Inventories	390,523	414,581	24,058
Prepaid expenses and other current assets	434,023	469,529	35,506
Deferred income taxes	219,333	260,446	41,113
Total current assets	4,957,228	5,426,979	469,751
Property, plant and equipment:			
Telecommunications equipment	12,592,070	11,586,812	(1,005,258)
Telecommunications service lines	15,647,879	15,870,097	222,218
Buildings and structures	6,107,299	6,069,437	(37,862)
Machinery, vessels and tools	1,995,879	1,996,898	1,019
Land	1,299,072	1,273,209	(25,863)
Construction in progress	404,698	382,196	(22,502)
	38,046,897	37,178,649	(868,248)
Accumulated depreciation	(28,245,427)	(27,626,728)	618,699
Net property, plant and equipment	9,801,470	9,551,921	(249,549)
Investments and other assets:			
Investments in affiliated companies	542,247	515,716	(26,531)
Marketable securities and other investments	515,580	474,247	(41,333)
Goodwill	1,186,161	1,229,208	43,047
Software	1,247,956	1,212,482	(35,474)
Other intangible assets	413,552	391,977	(21,575)
Other assets	1,448,296	1,486,840	38,544
Deferred income taxes	589,937	746,561	156,624
Total investments and other assets	5,943,729	6,057,031	113,302
Total assets	¥20,702,427	¥21,035,931	¥333,504

	Millions of yen		
	March 31, 2015	March 31, 2016	Increase (Decrease)
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings	¥330,423	¥129,656	¥(200,767)
Current portion of long-term debt	370,279	476,777	106,498
Accounts payable, trade	1,579,572	1,572,797	(6,775)
Current portion of obligations under capital leases	20,604	14,711	(5,893)
Accrued payroll	429,440	430,248	808
Accrued taxes on income	124,861	249,356	124,495
Accrued consumption tax	148,168	83,481	(64,687)
Advances received	243,263	290,132	46,869
Other	475,078	493,970	18,892
Total current liabilities	3,721,688	3,741,128	19,440
Long-term liabilities:			
Long-term debt (excluding current portion)	3,688,825	3,546,203	(142,622)
Obligations under capital leases (excluding current portion)	34,382	27,630	(6,752)
Liability for employees' retirement benefits	1,387,962	1,688,611	300,649
Accrued liabilities for point programs	108,099	89,003	(19,096)
Deferred income taxes	196,853	166,547	(30,306)
Other	486,536	491,630	5,094
Total long-term liabilities	5,902,657	6,009,624	106,967
Redeemable noncontrolling interests	28,272	45,097	16,825
Equity:			
NTT shareholders' equity			
Common stock, no par value	937,950	937,950	—
Additional paid-in capital	2,846,723	2,879,560	32,837
Retained earnings	5,126,657	5,074,234	(52,423)
Accumulated other comprehensive income (loss)	268,232	(57,055)	(325,287)
Treasury stock, at cost	(497,702)	(883)	496,819
Total NTT shareholders' equity	8,681,860	8,833,806	151,946
Noncontrolling interests	2,367,950	2,406,276	38,326
Total equity	11,049,810	11,240,082	190,272
Total liabilities and equity	¥20,702,427	¥21,035,931	¥333,504

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

YEAR ENDED MARCH 31

Consolidated Statements of Income

	Millions of yen		
	2015	2016	Increase (Decrease)
Operating revenues:			
Fixed voice related services	¥1,441,383	¥1,329,963	¥(111,420)
Mobile voice related services	872,062	837,818	(34,244)
IP / packet communications services	3,672,157	3,757,846	85,689
Sale of telecommunications equipment	996,996	953,022	(43,974)
System integration	2,691,766	3,063,501	371,735
Other	1,420,953	1,598,847	177,894
	11,095,317	11,540,997	445,680
Operating expenses:			
Cost of services (excluding items shown separately below)	2,434,870	2,458,057	23,187
Cost of equipment sold (excluding items shown separately below)	948,903	970,478	21,575
Cost of system integration (excluding items shown separately below)	1,900,319	2,197,506	297,187
Depreciation and amortization	1,827,998	1,766,325	(61,673)
Impairment losses	38,739	19,821	(18,918)
Selling, general and administrative expenses	2,856,458	2,767,761	(88,697)
Goodwill and other intangible asset impairments	3,464	12,900	9,436
	10,010,751	10,192,848	182,097
Operating income	1,084,566	1,348,149	263,583
Other income (expenses):			
Interest and amortization of bond discounts and issue costs	(44,016)	(41,670)	2,346
Interest income	18,398	17,708	(690)
Other, net	7,681	5,072	(2,609)
	(17,937)	(18,890)	(953)
Income before income taxes and equity in earnings (losses) of affiliated companies	1,066,629	1,329,259	262,630
Income tax expense (benefit):			
Current	364,845	457,674	92,829
Deferred	32,504	(102,849)	(135,353)
	397,349	354,825	(42,524)
Income before equity in earnings (losses) of affiliated companies	669,280	974,434	305,154
Equity in earnings (losses) of affiliated companies	5,889	5,772	(117)
Net income	675,169	980,206	305,037
Less – Net income attributable to noncontrolling interests	157,103	242,468	85,365
Net income attributable to NTT	¥518,066	¥737,738	¥219,672
Per share of common stock*:			
Weighted average number of shares outstanding (Shares)	2,187,360,018	2,105,782,828	
Net income attributable to NTT (Yen)	¥236.85	¥350.34	

* "Per share of common stock" figures for the fiscal years ended March 31, 2015 and 2016 have been adjusted to reflect the two-for-one stock split.

Consolidated Statements of Comprehensive Income

	Millions of yen		
	2015	2016	Increase (Decrease)
Net income	¥675,169	¥980,206	¥305,037
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on securities	76,308	(32,960)	(109,268)
Unrealized gain (loss) on derivative instruments	2,903	(4,079)	(6,982)
Foreign currency translation adjustments	129,863	(115,599)	(245,462)
Pension liability adjustments	16,370	(208,644)	(225,014)
Total other comprehensive income (loss)	225,444	(361,282)	(586,726)
Total comprehensive income (loss)	900,613	618,924	(281,689)
Less – Comprehensive income attributable to noncontrolling interests	209,281	196,771	(12,510)
Total comprehensive income (loss) attributable to NTT	¥691,332	¥422,153	¥(269,179)

(3) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITYYEAR ENDED MARCH 31, 2015

	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	¥2,827,010	¥4,808,361	¥94,966	¥(156,933)	¥8,511,354	¥2,413,452	¥10,924,806
Net income			518,066			518,066	156,013	674,079
Other comprehensive income (loss)				173,266		173,266	50,943	224,209
Cash dividends			(199,770)			(199,770)	(96,100)	(295,870)
Changes in NTT's ownership interest in subsidiaries		17,421				17,421	(156,358)	(138,937)
Stock compensation transactions		2,292				2,292		2,292
Acquisition of treasury stock					(340,781)	(340,781)		(340,781)
Resale of treasury stock					12	12		12
At end of year	¥937,950	¥2,846,723	¥5,126,657	¥268,232	¥(497,702)	¥8,681,860	¥2,367,950	¥11,049,810

YEAR ENDED MARCH 31, 2016

	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	¥2,846,723	¥5,126,657	¥268,232	¥(497,702)	¥8,681,860	¥2,367,950	¥11,049,810
Adjustments due to change in fiscal year end of consolidated subsidiaries			700	(9,702)		(9,002)	(595)	(9,597)
At beginning of year (as adjusted)	937,950	2,846,723	5,127,357	258,530	(497,702)	8,672,858	2,367,355	11,040,213
Net income			737,738			737,738	241,075	978,813
Other comprehensive income (loss)				(315,585)		(315,585)	(44,749)	(360,334)
Cash dividends			(200,182)			(200,182)	(105,568)	(305,750)
Changes in NTT's ownership interest in subsidiaries		28,666				28,666	(51,837)	(23,171)
Stock compensation transactions		4,171				4,171		4,171
Acquisition of treasury stock					(93,886)	(93,886)		(93,886)
Resale of treasury stock		8			18	26		26
Cancellation of treasury stock		(8)	(590,679)		590,687	—		—
At end of year	¥937,950	¥2,879,560	¥5,074,234	¥(57,055)	¥(883)	¥8,833,806	¥2,406,276	¥11,240,082

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED MARCH 31

	Millions of yen		
	2015	2016	Increase (Decrease)
Cash flows from operating activities:			
Net income	¥675,169	¥980,206	¥305,037
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	1,827,998	1,766,325	(61,673)
Impairment losses	38,739	19,821	(18,918)
Deferred taxes	32,504	(102,849)	(135,353)
Goodwill and other intangible asset impairments	3,464	12,900	9,436
Losses on disposals of property, plant and equipment	104,718	107,474	2,756
Gains on sales of property, plant and equipment	(34,191)	(20,364)	13,827
Equity in (earnings) losses of affiliated companies	(5,889)	(5,772)	117
(Increase) decrease in notes and accounts receivable, trade	(126,476)	(72,575)	53,901
(Increase) decrease in inventories	(12,044)	(47,569)	(35,525)
(Increase) decrease in other current assets	(86,809)	(63,107)	23,702
Increase (decrease) in accounts payable, trade and accrued payroll	(21,538)	(34,539)	(13,001)
Increase (decrease) in accrued consumption tax	99,661	(64,596)	(164,257)
Increase (decrease) in advances received	(32,481)	46,191	78,672
Increase (decrease) in accrued taxes on income	(133,894)	124,905	258,799
Increase (decrease) in other current liabilities	60,141	8,198	(51,943)
Increase (decrease) in liability for employees' retirement benefits	38,753	49,360	10,607
Increase (decrease) in other long-term liabilities	2,588	(1,965)	(4,553)
Other	(38,601)	9,801	48,402
Net cash provided by operating activities	¥2,391,812	¥2,711,845	¥320,033

	Millions of yen		
	2015	2016	Increase (Decrease)
Cash flows from investing activities:			
Payments for property, plant and equipment	¥(1,444,917)	¥(1,265,622)	¥179,295
Payments for intangibles	(358,209)	(371,924)	(13,715)
Proceeds from sales of property, plant and equipment	54,424	83,521	29,097
Payments for purchases of non-current investments	(31,097)	(56,641)	(25,544)
Proceeds from sales and redemptions of non-current investments	27,478	57,173	29,695
Acquisitions of subsidiaries, net of cash acquired	(42,217)	(120,596)	(78,379)
Payments for purchases of short-term investments	(61,364)	(26,521)	34,843
Proceeds from redemptions of short-term investments	70,644	23,095	(47,549)
Other	(83,321)	(82,263)	1,058
Net cash used in investing activities	(1,868,579)	(1,759,778)	108,801
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	615,353	398,348	(217,005)
Payments for settlement of long-term debt	(496,729)	(449,025)	47,704
Proceeds from issuance of short-term debt	5,931,664	4,460,110	(1,471,554)
Payments for settlement of short-term debt	(5,889,243)	(4,659,686)	1,229,557
Dividends paid	(199,770)	(200,182)	(412)
Proceeds from sale of (payments for acquisition of) treasury stock, net	(338,399)	(93,924)	244,475
Acquisitions of shares of subsidiaries from noncontrolling interests	(175,088)	(15,718)	159,370
Other	(125,796)	(147,498)	(21,702)
Net cash used in financing activities	(678,008)	(707,575)	(29,567)
Effect of exchange rate changes on cash and cash equivalents	19,486	(7,419)	(26,905)
Net increase (decrease) in cash and cash equivalents	(135,289)	237,073	372,362
Cash and cash equivalents at beginning of year	984,463	849,174	(135,289)
Increase (decrease) in cash and cash equivalents due to change in fiscal year end of consolidated subsidiaries	—	2,028	2,028
Cash and cash equivalents at end of year	¥849,174	¥1,088,275	¥239,101
Cash paid during the year for:			
Interest	¥44,795	¥41,626	¥(3,169)
Income taxes, net	543,354	342,431	(200,923)
Noncash investing and financing activities:			
Capital lease obligations incurred during the year	20,987	11,099	(9,888)
Cancellation of treasury stock	—	590,687	590,687
Assets acquired through exchange of buildings	¥18,719	¥—	¥(18,719)

(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, Software 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 carryforwards 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 of accounting policy

As of April 1, 2015, certain of NTT's consolidated subsidiaries changed their fiscal year ends from December 31 to March 31, thereby eliminating a three-month discrepancy between their fiscal year ends and NTT's fiscal year end in NTT's consolidated financial statements. The elimination of this discrepancy was applied as a change in accounting policy. NTT did not make any retrospective adjustments to its financial statements as these changes did not have a material impact on the consolidated financial statements for the fiscal year ended March 31, 2015. As a result of this change, NTT's retained earnings have increased by ¥700 million, and its accumulated other comprehensive income (loss), noncontrolling interests and redeemable noncontrolling interests have decreased by ¥9,702 million, ¥595 million and ¥419 million, respectively, in each case as of the beginning of the current fiscal year. In addition, the change in cash and cash equivalents resulting from this change in fiscal year end is presented in the consolidated statements of cash flows under "Increase (decrease) in cash and cash equivalents due to change in fiscal year end of consolidated subsidiaries."

Change in accounting estimate

Effective July 1, 2014, NTT Group revised its estimate of the expected useful life of a part of the software for telecommunications network and internal-use software based on the actual utilization of the software to reflect an extended expected useful life of up to 7 years. This change in estimate has been accounted for prospectively.

The financial impact from this change in accounting estimate on the fiscal year ended March 31, 2015 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 ¥51,307 million, ¥21,754 million, and ¥19.89, respectively.

(8) Business Segments

1. Operating revenues

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase (Decrease)
Regional communications business			
External customers	¥3,032,292	¥2,908,249	¥(124,043)
Intersegment	473,227	499,604	26,377
Total	3,505,519	3,407,853	(97,666)
Long-distance and international communications business			
External customers	1,906,784	2,161,391	254,607
Intersegment	91,857	89,532	(2,325)
Total	1,998,641	2,250,923	252,282
Mobile communications business			
External customers	4,340,317	4,483,666	143,349
Intersegment	43,080	43,459	379
Total	4,383,397	4,527,125	143,728
Data communications business			
External customers	1,401,348	1,512,842	111,494
Intersegment	109,671	103,994	(5,677)
Total	1,511,019	1,616,836	105,817
Other			
External customers	414,576	474,849	60,273
Intersegment	857,664	819,617	(38,047)
Total	1,272,240	1,294,466	22,226
Elimination	(1,575,499)	(1,556,206)	19,293
Consolidated total	¥11,095,317	¥11,540,997	¥445,680

2. Segment profit

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase (Decrease)
Segment profit			
Regional communications business	¥168,860	¥264,957	¥96,097
Long-distance and international communications business	113,568	96,688	(16,880)
Mobile communications business	635,751	788,362	152,611
Data communications business	86,361	112,739	26,378
Other	67,481	74,042	6,561
Total segment profit	1,072,021	1,336,788	264,767
Elimination	12,545	11,361	(1,184)
Consolidated total	¥1,084,566	¥1,348,149	¥263,583

3. Segment assets

(Millions of yen)

	March 31, 2015	March 31, 2016	Increase (Decrease)
Segment assets			
Regional communications business	¥7,041,285	¥6,995,750	¥(45,535)
Long-distance and international communications business	2,609,666	2,762,138	152,472
Mobile communications business	7,326,360	7,341,102	14,742
Data communications business	1,930,349	1,981,578	51,229
Other	10,589,357	10,932,317	342,960
Total segment assets	29,497,017	30,012,885	515,868
Elimination	(8,794,590)	(8,976,954)	(182,364)
Consolidated total	¥20,702,427	¥21,035,931	¥333,504

4. Other significant items

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase (Decrease)
Depreciation and amortization			
Regional communications business	¥734,518	¥699,686	¥(34,832)
Long-distance and international communications business	162,610	177,818	15,208
Mobile communications business	663,344	629,502	(33,842)
Data communications business	148,927	150,242	1,315
Other	113,814	104,701	(9,113)
Total segment	1,823,213	1,761,949	(61,264)
Elimination	4,785	4,376	(409)
Consolidated total	¥1,827,998	¥1,766,325	¥(61,673)

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase (Decrease)
Capital investments for segment assets (*)			
Regional communications business	¥666,164	¥622,131	¥(44,033)
Long-distance and international communications business	198,112	227,564	29,452
Mobile communications business	661,765	595,216	(66,549)
Data communications business	140,900	134,030	(6,870)
Other	150,582	108,265	(42,317)
Consolidated total	¥1,817,523	¥1,687,206	¥(130,317)

(*) 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, 2015	Year ended March 31, 2016	Increase (Decrease)
Payments for property, plant and equipment	¥1,444,917	¥1,265,622	¥(179,295)
Payments for intangibles	358,209	371,924	13,715
Total	1,803,126	1,637,546	(165,580)
Difference from the total of capital investments	¥(14,397)	¥(49,660)	¥(35,263)

(9) Employees' Retirement Benefits

Retirement Benefits and Contract-type Corporate Pension Plan

1. Benefit obligations (Millions of yen)

	March 31, 2015	March 31, 2016
Benefit obligation, end of year	¥(1,879,969)	¥(1,882,026)
Fair value of plan assets, end of year	1,122,736	1,041,561
Under funded status	¥(757,233)	¥(840,465)

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

(Millions of yen)

	March 31, 2015	March 31, 2016
Liability for employees' retirement benefits	¥(869,635)	¥(925,239)
Other assets	112,402	84,774
Accumulated other comprehensive loss (income)	162,053	235,895
Net amount recognized	¥(595,180)	¥(604,570)

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

(Millions of yen)

	March 31, 2015	March 31, 2016
Net actuarial loss	¥164,108	¥236,607
Transition obligation	453	404
Prior service cost	(2,508)	(1,116)
Total	¥162,053	¥235,895

2. Cost for employees' retirement benefits

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Service cost	¥65,160	¥63,669
Interest cost on projected benefit obligation	25,510	18,569
Expected return on plan assets	(22,027)	(21,624)
Net amortization	2,151	4,073
Total	¥70,794	¥64,687

3. Assumptions in determination of benefit obligations and costs

		Year ended March 31, 2015	Year ended March 31, 2016
Discount rate	Projected benefit obligation	1.0%	0.5%
	Net pension cost	1.4%	1.0%
Rate of compensation increase		2.4-4.0%	2.4-4.0%
Expected long-term return on plan assets		2.0%	2.0%

Defined Contribution Pension Plan

NTT and certain subsidiaries recorded ¥18,082 million and ¥19,513 million of retirement benefit expenses related to NTT Group's defined contribution benefit plan in the fiscal years ended March 31, 2015 and 2016, respectively.

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

1. Benefit obligations (Millions of yen)

	March 31, 2015	March 31, 2016
Benefit obligation, end of year	¥(1,683,431)	¥(1,910,252)
Fair value of plan assets, end of year	1,165,104	1,146,880
Under funded status	¥(518,327)	¥(763,372)

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

(Millions of yen)

	March 31, 2015	March 31, 2016
Liability for employees' retirement benefits	¥(518,327)	¥(763,372)
Accumulated other comprehensive loss (income)	28,015	269,435
Net amount recognized	¥(490,312)	¥(493,937)

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

(Millions of yen)

	March 31, 2015	March 31, 2016
Net actuarial loss	¥93,281	¥327,178
Prior service cost	(65,266)	(57,743)
Total	¥28,015	¥269,435

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

	Year ended March 31, 2015	Year ended March 31, 2016
Service cost	¥37,281	¥40,999
Interest cost on projected benefit obligation	21,278	16,602
Expected return on plan assets	(25,825)	(28,708)
Net amortization	(1,704)	(2,516)
Employee contributions	(3,753)	(3,270)
Total	¥27,277	¥23,107

3. Assumptions in determination of benefit obligations and costs

		Year ended March 31, 2015	Year ended March 31, 2016
Discount rate	Projected benefit obligation	1.0%	0.5%
	Net pension cost	1.4%	1.0%
Rate of compensation increase		3.4%	3.4%
Expected long-term return on plan assets		2.5%	2.5%

(10) Business Combinations

Acquisition of Lux e-shelter 1 S.a.r.l. ("e-shelter")

On June 22, 2015, NTT Communications acquired 86.7% of the outstanding shares of e-shelter, a German data center services provider, for ¥98,096 million. This business combination has been accounted for by applying the acquisition method. The fair values of the assets acquired and liabilities assumed, as well as the resulting goodwill and redeemable noncontrolling interests recognized as of the acquisition date were ¥130,829 million, ¥91,427 million, ¥70,422 million and ¥11,728 million, respectively.

(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, 2015	Year ended March 31, 2016
Amount included in the consolidated balance sheets ⁽¹⁾		
Balance at beginning of year	¥899,877	¥985,741
Increase (Decrease)	85,864	(9,912)
Balance at end of year	985,741	975,829
Fair value at end of year ⁽²⁾	¥1,718,560	¥1,828,057

(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) Additional Information

The Change in Corporate Tax Rates

Following the enactment of the Act for the Partial Revision of the Income Tax Act and the Act for the Partial Revision of the Local Tax Act on March 29, 2016, the corporate tax rates have been changed for fiscal years that began on or after April 1, 2016. Due to the change in the enacted tax rates, the statutory tax rate to be used for the calculation of deferred tax assets and liabilities decreased and as a result, when compared with the statutory tax rate applied before this revision, deferred tax assets(net) decreased ¥32,665 million and net income attributable to NTT decreased ¥23,703 million.

Release of valuation allowance of deferred tax assets

NTT West and NTT DOCOMO Group changed their estimates of the realizability of deferred tax assets. As a result, the release of valuation allowance for the deferred tax assets in the amount of ¥76,385 million was recorded as an income tax benefit in "Income tax expense (benefit)-Deferred" in the consolidated statements of income for the fiscal year ended March 31, 2016.

Acquisition of Dell Systems Corporation ("Dell Systems") (among Other Companies) and IT Services-Related Business

On March 28, 2016, NTT DATA, through its subsidiary NTT Data International L.L.C., entered into a definitive agreement with Dell Inc. to acquire the Dell Services Division, a provider of cloud services, applications-related services and BPO services primarily based in North America. Pursuant to this agreement, NTT Data International L.L.C. plans to acquire 100% of the shares of three companies, including Dell Systems, as well as other IT service-related business from Dell Inc. for US\$3,055 million during the fiscal year ending March 31, 2017.

(13) Subsequent Events

Resolution regarding NTT DOCOMO's repurchase of its common stock

On April 28, 2016, the board of directors of NTT DOCOMO resolved that NTT DOCOMO may acquire up to 99,132,938 shares of its outstanding common stock for an amount in total not exceeding ¥192,514 million from May 2, 2016 through December 31, 2016.

Resolution regarding NTT's repurchase of its common stock

On May 13, 2016, the board of directors of NTT resolved that NTT may acquire up to 68 million shares of its outstanding common stock for an amount in total not exceeding ¥350 billion from May 16, 2016 through March 31, 2017.

6. NON-CONSOLIDATED FINANCIAL STATEMENTS

(1) NON-CONSOLIDATED BALANCE SHEETS

(Based on accounting principles generally accepted in Japan)

	Millions of yen	
	March 31, 2015	March 31, 2016
ASSETS		
Current assets:		
Cash and bank deposits	8,052	119
Accounts receivable, trade	1,503	1,573
Supplies	189	337
Advance payment	866	951
Deferred income taxes	957	850
Short-term loans receivable	296,784	243,864
Accounts receivable, other	93,480	121,777
Subsidiary deposits	4	177,796
Other	4,419	4,097
Total current assets	406,257	551,369
Fixed assets:		
Property, plant and equipment		
Buildings	105,758	98,022
Structures	4,378	3,875
Machinery, equipment and vehicles	380	495
Tools, furniture and fixtures	15,478	17,989
Land	31,350	27,698
Lease assets	373	11
Construction in progress	1,411	1,950
Total property, plant and equipment	159,131	150,044
Intangible fixed assets	25,840	16,609
Investments and other assets		
Investment securities	12,769	12,665
Investments in subsidiaries and affiliated companies	5,093,735	5,083,451
Other securities of subsidiaries and affiliated companies	8,805	9,139
Contributions to affiliated companies	135	169
Long-term loans receivable to subsidiaries	1,303,142	1,211,416
Prepaid pension costs	1,959	2,027
Deferred income taxes	14,022	13,623
Other	1,575	1,546
Total investments and other assets	6,436,145	6,334,039
Total fixed assets	6,621,117	6,500,693
TOTAL ASSETS	7,027,374	7,052,062

	Millions of yen	
	March 31, 2015	March 31, 2016
LIABILITIES		
Current liabilities:		
Accounts payable, trade	137	709
Current portion of corporate bonds	149,995	170,000
Current portion of long-term borrowings	55,180	106,600
Current portion of long-term borrowings from subsidiaries	240,000	—
Short-term borrowings	46,000	—
Lease obligations	43	14
Accounts payable, other	19,339	16,848
Accrued expenses	6,799	6,651
Accrued taxes on income	1,033	601
Advances received	824	846
Deposits received	641	306
Deposits received from subsidiaries	51,617	54,113
Unearned revenues	1	0
Other	0	2
Total current liabilities	571,612	356,693
Long-term liabilities:		
Corporate bonds	856,341	686,391
Long-term borrowings	1,218,600	1,205,874
Long-term borrowings from subsidiaries	—	50,000
Lease obligations	711	12
Liability for employees' retirement benefits	30,634	31,233
Asset retirement obligations	1,385	1,405
Other	2,613	2,528
Total long-term liabilities	2,110,286	1,977,445
TOTAL LIABILITIES	2,681,899	2,334,138
NET ASSETS		
Shareholders' equity:		
Common stock	937,950	937,950
Capital surplus		
Additional paid-in capital	2,672,826	2,672,826
Other capital surplus	0	—
Total capital surplus	2,672,826	2,672,826
Earned surplus		
Legal reserve	135,333	135,333
Other earned surplus		
Accumulated earned surplus	1,097,546	973,364
Total earned surplus	1,232,879	1,108,698
Treasury stock	(497,702)	(883)
Total shareholders' equity	4,345,954	4,718,591
Unrealized gains (losses), translation adjustments, and others:		
Net unrealized gains (losses) on securities	(478)	(666)
Total unrealized gains (losses), translation adjustments, and others	(478)	(666)
TOTAL NET ASSETS	4,345,475	4,717,924
TOTAL LIABILITIES AND NET ASSETS	7,027,374	7,052,062

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

	Millions of yen	
	2015	2016
Operating revenues:		
Dividends received	276,812	388,733
Revenues from group management	18,500	18,500
Revenues from basic R&D	106,499	101,999
Other services	10,015	12,509
Total operating revenues	411,828	521,742
Operating expenses:		
Administration	20,686	21,583
Experiments and research	81,485	84,841
Depreciation and amortization	31,947	26,437
Retirement of fixed assets	965	1,518
Miscellaneous taxes	2,774	3,285
Total operating expenses	137,859	137,666
Operating income	273,969	384,076
Non-operating revenues:		
Interest income	18,419	15,218
Lease and rental income	10,627	10,530
Miscellaneous income	4,939	4,319
Total non-operating revenues	33,985	30,068
Non-operating expenses:		
Interest expenses	14,015	12,707
Corporate bond interest expenses	14,005	12,110
Lease and rental expenses	5,102	4,708
Miscellaneous expenses	2,437	3,131
Total non-operating expenses	35,561	32,658
Recurring profit	272,393	381,487
Special profits:		
Gains on sales of investments in subsidiaries and affiliated companies	299,280	299,520
Total special profits	299,280	299,520
Special losses:		
Write-off of investments in subsidiaries and affiliated companies	2,257	10,389
Total special losses	2,257	10,389
Income before income taxes	569,416	670,618
Corporation, inhabitant and enterprise taxes	11,825	3,347
Deferred tax expenses (benefits)	1,012	590
Total income taxes	12,838	3,938
Net income	556,578	666,679

(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, 2015

	Millions of yen								
	NTT shareholders' equity								
	Common stock	Capital surplus			Legal reserve	Earned surplus			Total earned surplus
		Additional paid-in capital	Other capital surplus	Total capital surplus		Other reserve	Accumulated earned surplus		
At beginning of year	937,950	2,672,826	—	2,672,826	135,333	531,000	207,372	873,705	
Cumulative effect of changes in accounting policies							2,365	2,365	
Current balance reflecting changes in accounting policies	937,950	2,672,826	—	2,672,826	135,333	531,000	209,737	876,071	
Net change during the annual period									
Cash dividends							(199,769)	(199,769)	
Net income							556,578	556,578	
Return of other reserve						(531,000)	531,000	—	
Payments to acquire treasury stock									
Resale of treasury stock			0	0					
Others, net									
Total net change during the annual period	—	—	0	0	—	(531,000)	887,808	356,808	
At end of year	937,950	2,672,826	0	2,672,826	135,333	—	1,097,546	1,232,879	

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	(156,932)	4,327,549	1,455	1,455	4,329,004
Cumulative effect of changes in accounting policies		2,365			2,365
Current balance reflecting changes in accounting policies	(156,932)	4,329,914	1,455	1,455	4,331,370
Net change during the annual period					
Cash dividends		(199,769)			(199,769)
Net income		556,578			556,578
Return of other reserve		—			—
Payments to acquire treasury stock	(340,781)	(340,781)			(340,781)
Resale of treasury stock	12	12			12
Others, net			(1,934)	(1,934)	(1,934)
Total net change during the annual period	(340,769)	16,039	(1,934)	(1,934)	14,105
At end of year	(497,702)	4,345,954	(478)	(478)	4,345,475

YEAR ENDED MARCH 31, 2016

	Millions of yen							
	NTT shareholders' equity							
	Common stock	Capital surplus			Legal reserve	Earned surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus		Other reserve	Accumulated earned surplus	Total earned surplus
At beginning of year	937,950	2,672,826	0	2,672,826	135,333	—	1,097,546	1,232,879
Net change during the annual period								
Cash dividends							(200,182)	(200,182)
Net income							666,679	666,679
Payments to acquire treasury stock								
Resale of treasury stock			7	7				
Cancellation of treasury stock			(7)	(7)			(590,679)	(590,679)
Others, net								
Total net change during the annual period	—	—	(0)	(0)	—	—	(124,181)	(124,181)
At end of year	937,950	2,672,826	—	2,672,826	135,333	—	973,364	1,108,698

	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	(497,702)	4,345,954	(478)	(478)	4,345,475
Net change during the annual period					
Cash dividends		(200,182)			(200,182)
Net income		666,679			666,679
Payments to acquire treasury stock	(93,886)	(93,886)			(93,886)
Resale of treasury stock	18	25			25
Cancellation of treasury stock	590,686	—			—
Others, net			(187)	(187)	(187)
Total net change during the annual period	496,819	372,637	(187)	(187)	372,449
At end of year	(883)	4,718,591	(666)	(666)	4,717,924

(4) NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED MARCH 31

(Based on accounting principles generally accepted in Japan)

	Millions of yen	
	2015	2016
Cash flows from operating activities:		
Income before income taxes	569,416	670,618
Depreciation and amortization	34,329	28,781
Loss on disposal of property, plant and equipment	720	871
Dividends received	(276,812)	(388,733)
Gains on sales of investments in subsidiaries	(299,280)	(299,796)
Write-off of investments in subsidiaries	2,257	10,389
Increase (decrease) in liability for employees' retirement benefits	(2,139)	598
(Increase) decrease in accounts receivable	9,891	(27,701)
Increase (decrease) in accounts payable and accrued expenses	(3,398)	(7)
Increase (decrease) in accrued consumption tax	2,303	(2,599)
(Increase) decrease in other current assets	(839)	(222)
Increase (decrease) in deposits received from subsidiaries	(31,080)	2,495
Other	16,115	11,055
Sub-total	21,484	5,749
Interest and dividends received	295,612	404,020
Interest paid	(28,137)	(24,940)
Income taxes received (paid)	(58,560)	(4,690)
Net cash provided by operating activities	230,399	380,139
Cash flows from investing activities:		
Payments for property, plant and equipment	(17,953)	(17,760)
Proceeds from sale of property, plant and equipment	130	7,768
Payments for purchase of investment securities	(3,832)	(4,587)
Proceeds from sales of investments in subsidiaries	299,999	301,761
Payments for long-term loans	(70,000)	(143,874)
Proceeds from long-term loans receivable	339,750	295,180
Payments for short-term loans	—	(7,478)
Other	1,131	29
Net cash provided by investing activities	549,225	431,037
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	221,000	143,874
Payments for settlement of long-term debt	(329,750)	(445,180)
Net increase (decrease) in short-term borrowings	(138,025)	(46,016)
Payments for settlement of lease obligations	(43)	(688)
Dividends paid	(199,769)	(200,182)
Proceeds from sale of (payments for acquisition of) treasury stock, net	(338,398)	(93,923)
Net cash used in financing activities	(784,987)	(642,116)
Effect of exchange rate changes on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	(5,362)	169,060
Cash and cash equivalents at beginning of year	15,023	9,661
Cash and cash equivalents at end of year	9,661	178,721

7. OTHER

CHANGES IN BOARD OF DIRECTORS

Scheduled appointment date: June 24, 2016

(1)Candidate for Member of the Board

Eiichi Sakamoto (Senior Vice President, NTT DOCOMO, INC.)

(2)Candidate for Audit & Supervisory Board Member

Takao Maezawa (President and CEO, NTT PC Communications Incorporated)

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

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

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

Kiyoshi Kosaka (Audit & Supervisory Board Member)

(5)Candidates for Executive Officers

①Candidate scheduled to be re-elected as Chairman of the Board

Satoshi Miura (Chairman of the Board)

②Candidate scheduled to be re-elected as President and Chief Executive Officer, Representative Member of the Board

Hiroo Unoura (President and Chief Executive Officer, Representative Member of the Board)

③Candidates scheduled to be re-elected as Senior Executive Vice President, Representative Members of the Board

Hiromichi Shinohara (Senior Executive Vice President, Representative Member of the Board)

Jun Sawada (Senior Executive Vice President, Representative Member of the Board)

④Candidate scheduled to be re-elected as Executive Vice President, Member of the Board

Mitsuyoshi Kobayashi (Executive Vice President, Member of the Board)

Akira Shimada (Executive Vice President, Member of the Board)

(6) New Executive Positions and Organizational Responsibilities

Scheduled appointment date: June 24, 2016

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 Head of Research and Development Planning Representative Member of the Board	Hiromichi Shinohara	Senior Executive Vice President In charge of technical strategy In charge of international standardization Head of Research and Development Planning Representative Member of the Board
Senior Executive Vice President In charge of business strategy In charge of risk management Representative Member of the Board	Jun Sawada	Senior Executive Vice President In charge of business strategy In charge of risk management Representative Member of the Board
Executive Vice President Head of Technology Planning Member of the Board	Mitsuyoshi Kobayashi	Executive Vice President Head of Technology Planning Member of the Board
Executive Vice President Head of General Affairs Member of the Board	Akira Shimada	Executive Vice President Head of General Affairs Member of the Board
Senior Vice President Head of Global Business Member of the Board	Tsunehisa Okuno	Senior Vice President Head of Global Business Member of the Board
Senior Vice President Head of Strategic Business Development In charge of 2020 project Member of the Board	Hiroki Kuriyama	Senior Vice President Head of Strategic Business Development In charge of 2020 project Member of the Board
Senior Vice President Head of Finance and Accounting Member of the Board	Takashi Hiroi	Senior Vice President Head of Finance and Accounting Member of the Board
Senior Vice President Head of Corporate Strategy Planning Member of the Board	Eiichi Sakamoto	
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:

Hiroo Unoura as Chief Executive Officer (CEO), Hiromichi Shinohara as Chief Technology Officer (CTO) and Chief Information Security Officer (CISO), and Jun Sawada as Chief Financial Officer (CFO), Chief Compliance Officer (CCO) and Chief Information Officer (CIO).

Of the candidates for Members of the Board, Katsuhiko Shirai and Sadayuki Sakakibara are candidates for Outside directors.

The Audit & Supervisory Board Member scheduled to resign from office will resign at the close of the 31th Ordinary General Meeting of Shareholders (to be held on June 24, 2016).

[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, 2016)

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	57	5,739	1,400	765	697,858	706,082	--	
Total Shares (Units)	7,381,447	3,649,985	173,751	242,845	6,272,125	8,806	3,207,890	20,936,849	2,709,570	
	%	35.26	17.43	0.83	1.16	29.96	0.04	15.32	100.00	--

Notes:

- (1) "Domestic Individuals, etc." includes 2,558 units of treasury stock, and "Shares Representing Less Than One Unit" includes 69 shares of treasury stock. 255,869 shares of treasury stock are recorded in the shareholders' register; the actual number of treasury stock shares at the end of March 31, 2016 was 255,269.
- (2) "Other Domestic Corporations" includes 295 units under the name of the Japan Securities Depository Center, and "Shares Representing Less Than One Unit" includes 44 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 186,570.

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	576	228	1,285	2,086	59,111	84,275	558,521	706,082	--	
	%	0.08	0.03	0.18	0.30	8.37	11.94	79.10	100.00	--
Total Shares (Units)	17,506,267	160,928	257,062	134,649	938,218	558,171	1,381,554	20,936,849	2,709,570	
	%	83.61	0.77	1.23	0.64	4.48	2.67	6.60	100.00	--

Notes:

- (1) "At Least 1,000 Units" includes 2,558 units of treasury stock, and "Shares Representing Less Than One Unit" includes 69 shares of treasury stock.
- (2) "At Least 100 Units" includes 295 units under the name of the Japan Securities Depository Center, and "Shares Representing Less Than One Unit" includes 44 shares under the name of the Japan Securities Depository Center.

3. Principal Shareholders

Name	Shareholdings (in thousands of shares)	Percentage of Total Shares Issued (%)
The Minister of Finance	738,123	35.21
Japan Trustee Services Bank, Ltd. (Trust Account)	88,426	4.22
The Master Trust Bank of Japan, Ltd. (Trust Account)	63,112	3.01
Moxley and Co LLC	30,822	1.47
Japan Trustee Services Bank, Ltd. (Trust Account 9)	26,823	1.28
State Street Bank and Trust Company	22,766	1.09
JP Morgan Chase Bank 385632	19,064	0.91
State Street Bank and Trust Company 505202	18,735	0.89
State Street Bank and Trust Company 505225	15,791	0.75
Japan Trustee Services Bank, Ltd. (Trust Account 1)	15,641	0.75
Total	1,039,308	49.58

Notes:

- (1) Shareholdings is rounded down to the nearest thousand.
- (2) Percentage of Total Shares Issued includes treasury stock (255,869 shares).