

May 15, 2017

FOR IMMEDIATE RELEASE

**Financial Results for Fiscal Year Ended March 31, 2017**

The financial results of Nippon Telegraph and Telephone East Corporation (NTT East) for the fiscal year ended March 31, 2017 are presented in the following attachments.

(Attachments)

1. Summary of Results for the Fiscal Year Ended March 31, 2017
2. Non-Consolidated Comparative Balance Sheets
3. Non-Consolidated Comparative Statements of Income
4. Non-Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets
5. Business Results (Non-Consolidated Operating Revenues)
6. Non-Consolidated Comparative Statements of Cash Flows
7. Changes in Board of Directors

For inquiries, please contact:  
Mr. Mr. Kenkichi Nakata or Mr. Masaki Akutsu  
Accounting Section, Finance Division  
Nippon Telegraph and Telephone East Corporation  
Tel: +81-3-5359-3331  
E-mail: [kessan\\_info@sinoa.east.ntt.co.jp](mailto:kessan_info@sinoa.east.ntt.co.jp)

## **1. Summary of Results for the Fiscal Year Ended March 31, 2017**

In the fiscal year ended March 31, 2017, a wide range of changes took place in the information and telecommunications market with the increased spread and market penetration of devices that utilize fixed-line and mobile broadband, and improved convenience in people's everyday lives and productivity in various industries through the emergence of new services made possible by the evolution of technologies such as cloud services, AI (\*1), Big Data (\*2), and IoT (\*3). 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.

The regional telecommunications market is also changing dramatically, with intensifying competition in broadband services. In addition, new services that leverage a variety of wireless devices are also expanding, which in turn leads to diversification in the way that customers are using these devices, and offloading (\*4) needs are increasing due to the expansion of the volume of data communications.

Amid such a difficult and volatile business environment, as a carrier with an important leadership role in the information and telecommunications industry, NTT East has endeavored to be thorough in its compliance regime and to abide by the requirements of fair competition. At the same time, NTT East has worked to secure a stable and solid foundation for its business, and to ensure its reliability as a social infrastructure, through the provision of high-quality, stable, universal services, construction of a telecommunications network that is resilient against disasters, and initiatives for prompt restoration of services in case of large-scale natural disasters and other calamities.

NTT East has also endeavored to enhance the broadband network environment and further expand its user base by offering new services and products, as well as offering customer-friendly pricing options with long-term appeal.

## 1. Efforts to Promote Fiber-Optic and IP Services

Amid intensifying competition with respect to broadband services, NTT East strengthened its "Hikari Collaboration Model" initiatives to expand and continue using "FLET'S Hikari" (\*5) and to meet customers' needs. Businesses receiving fiber-optic access services (FLET'S Hikari) from NTT East combine their own services with fiber-optic access services to create and provide their own new service. NTT East has been working to create new demand and to improve customer retention by supporting and actively developing new business partners for its "Hikari Collaboration Model." NTT East has also been working to promote early stable operations and increased efficiency of related operations.

An example of "Hikari Collaboration Model" usage includes a collaboration with IIDA CABLE TELEVISION Co., Ltd. to launch the "IIDA CABLE TELEVISION & FLET'S Hikari" service on April 27, 2016. This service utilizes "FLET'S Hikari" provided by NTT East or fiber optic access services provided by Hikari Collaboration businesses and allows customers to watch and listen to broadcasting services provided by IIDA CABLE TELEVISION.

Similarly, NTT East started providing "Sayama Cable TV & FLET'S Hikari" in conjunction with Sayama Cable TV, as of March 25, 2017.

In addition, through home appliances control utilizing HEMS (\*6), building a next generation security network that utilizes "FLET'S VPN GATE," and collaborating with a variety of businesses such as private preparatory schools and care providers, NTT East aimed to promote ICT usage in a wide variety of fields. As a result, the "Hikari Collaboration Model" is being utilized by over 470 businesses, and the number of subscribers for "Hikari Collaboration Model" fiber-optic access services (Hikari Collaboration) exceeded five million as of January 29, 2017. The fiber-optic access services "FLET'S Hikari" and "Hikari Collaboration" exceeded the number of fixed telephone facilities, exceeding 11 million subscribers as of October 31, 2016.

## 2. Initiatives Relating to the Solutions Business

NTT East worked on providing new services and solutions that meet the needs and characteristics depending on the industry and business format of its corporate customers, expanding broadband services and promoting ICT utilization.

i. As part of its Wi-Fi services for corporate customers, NTT East is currently providing a simple Wi-Fi service "GigaRaku Wi-Fi," including support services. From April 1, 2016, NTT East also began providing "Remote access option," which includes remote access functions that enable access to the office LAN on the road and from home via a mobile device, combined with installation and operational support, and "LAN power supply option," which supplies power to access points via LAN cables, together with support services.

ii. For cloud services, on April 25, 2016, NTT East began providing "GigaRaku Camera," a cloud-based camera monitoring and recording service, with which users can monitor a network camera in real-time and view recorded data anytime and from anywhere.

In addition, on September 1, 2016, NTT East began providing the "CloudGatewayAppliPackage," a metered service for corporate customers who want to use cloud-based applications easily and securely. The service provides a function to allow cloud service connectivity without an internet connection and an application server as a package. NTT East also began providing a fixed-price network service, "CloudGatewayCrossConnect" from October 11, 2016, intended for customers who want to use cloud services via a high-reliability closed area network. The service enables access to cloud services from FLET'S VPN Service.

In addition, on June 28, 2016, NTT East began offering "KantanTablet service," a cloud service for corporate customers that want to deploy their own services for elderly or similar customers who are unfamiliar with the internet. This service provides portal functions for beginners that enables

more intuitive operations from a tablet device with large buttons, platforms that offer automatic log-on functions for online shopping and other sites, and telephone and other remote functions.

iii. NTT East launched "MaruRaku Office" on March 31, 2017 in response to requests for a basic ICT environment as a set package. This service offers internet lines, Wi-Fi environment, security measures, and a support menu including an ICT help desk and 24-hour/365-day malfunction response services as a bundle.

iv. One industry-specific service includes "RoboConnect," a cloud-based robot platform service launched on September 1, 2016 that offers application services such as dialog functions and camera image capture functions via cloud through the utilization of communication robots provided by various robot manufacturers for nursing care businesses.

In addition, in order to realize a service that enables users to utilize home electricity usage information, NTT East began offering a platform service, "HEMS information connect," for HEMS information utilization businesses on October 14, 2016. This platform integrates HEMS information data collected from HEMS service providers into a unified data format.

v. As a measure to revitalize local communities through sports, NTT East launched the "Smart Stadium" service on July 2, 2016 to NACK5 Stadium Omiya in order to solve regional challenges through ICT use. This service utilizes cutting-edge technologies to provide a new type of visual experience and style for watching sports.

In addition, at the request of the Tokyo Metropolitan Government, NTT East started working in May 2016 on the installation of undersea fiber-optic cables and maintenance in order to connect the "5 villages and 6 islands of Tokyo Metropolis" that do not have access to fiber-optic connectivity. NTT East will be contributing to community development through ICT, utilizing fiber-optic

broadband in "tourism," "education," "energy" and other fields.

### 3. Status of Business Operation Structure

NTT East has set up a Network Security Promotion Department within the Network Business Headquarters, a facilities division, in order to centrally respond to ordinary and extraordinary situations related to electrical and telecommunication facilities, as part of its effort to further strengthen countermeasures against cyber-attacks on electrical and telecommunication services.

### 4. Corporate Social Responsibility Activities

NTT East considers Corporate Social Responsibility (“CSR”) activities to be one of the most important pillars of the management of the company, and recognizes that it is the social responsibility of a company to contribute to the environmentally friendly, healthy and sustainable development of society. In addition to the provision of various services and solutions in order to create a richer society, NTT East has directed its efforts to resolve various social challenges as follows: (i) ensuring a high degree of stability and reliability of vital infrastructure that is indispensable to the general public; (ii) complying with laws and regulations, including those that ensure fair competition, protect personal information, make accurate representations in advertising, and regulate the dispatch of workers; and (iii) providing information and telecommunications services that contribute to the reduction of the environmental impact of society as a whole, as well as taking measures to reduce its environmental impact by, among other things, reducing its consumption of energy, resources and electricity.

Having clearly defined the “Shape the NTT East Group is Aiming For,” NTT East has made an effort to realize CSR activities befitting its position as a leading company in information and telecommunication, such as working to widen the reach of the “NTT Group CSR Charter” (enacted in June 2006) and striving to set up specific practices for the PDCA cycle based on “KPIs” (\*7) established for each important theme of CSR activities.

For example, many fiber-optic cables were severed as a result of flooding rivers and fallen bridges due to the torrential rain caused by Typhoon Number 10 in August 2016. NTT East quickly restored such cables through the utilization of multi-helicopters and the prompt design and redirection of fiber-optic cabling routes.

In addition, in order to ensure the availability of a means of communication during disasters, NTT East worked on the pre-installation of "public telephones for disasters (special public telephones)" in collaboration with local governments. The number of facilities as the fiscal year ended March 31, 2017 reached 40,000 units, an increase of 9,000 units year on year. This enabled NTT East to provide its customers peace of mind and safety during the disaster caused by Typhoon Number 10. Further, NTT East is working to create a stronger community that can withstand disasters in conjunction with local governments through the provision of disaster prevention solutions and other measures.

In addition, NTT East worked on promoting activities to protect the environment, including signing a memorandum of understanding in connection with promoting the "Furusato-no mori regeneration project" run by Sendai city by donating a portion of NTT's sales from pasteboards from its telegram services.

Furthermore, NTT East proactively endeavored to disclose relevant information to its stakeholders by issuing the "NTT East Group CSR Report 2016".

## 5. Financial Standing

As a result of these measures and cost reduction efforts, operating revenue totaled 1,672.2 billion yen (a decrease of 2.9% year on year), operating income totaled 189.1 billion yen (an increase of 16.9% year on year), ordinary income was 204.4 billion yen (an increase of 17.9% year on year), and net income totaled 149.6 billion yen (an increase of 26.0% year on year).

\*1: An abbreviation for Artificial Intelligence. Computer software and systems that mimic intelligent tasks carried out by human brains.

- \*2: A large volume of digital data that is produced with popularization of the internet and faster computer processing speeds
- \*3: An abbreviation for Internet of Things. A concept in which things that were not connected to the Internet before can now be connected to the Internet.
- \*4: Dispersing the load in order to eliminate reduction in transmission speed or connection difficulties that arise due to an increase in telecommunication traffic.
- \*5: A collective name for "FLET'S Hikari Next", "B FLET'S", "FLET'S Hikari Light" and "FLET'S Hikari Wi-Fi Access" (including "Hikari Collaboration Model").
- \*6: An abbreviation for Home Energy Management System. An energy management system for the home which provides visualization and central management for energy.
- \*7: An abbreviation for Key Performance Indicator. Key indicators for evaluating performance. This is a quantitative indicator that measures the degree to which goals have been achieved.

## 2. Non-Consolidated Comparative Balance Sheets

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	March 31, 2016	March 31, 2017	Increase (Decrease)
<b>ASSETS</b>			
Fixed assets:			
Fixed assets - telecommunications businesses			
Property, plant and equipment			
Machinery and equipment	395,419	339,631	(55,787)
Antenna facilities	3,791	3,604	(187)
Terminal equipment	31,807	22,947	(8,860)
Local line facilities	835,446	866,722	31,276
Long-distance line facilities	3,353	2,843	(510)
Engineering facilities	595,052	588,683	(6,368)
Submarine line facilities	872	732	(140)
Buildings	420,792	409,835	(10,956)
Structures	16,964	16,038	(925)
Other machinery and equipment	3,254	3,006	(248)
Vehicles and vessels	528	642	114
Tools, furniture and fixtures	44,458	48,182	3,724
Land	197,315	197,249	(66)
Lease assets	750	1,001	250
Construction in progress	17,626	19,988	2,362
Total property, plant and equipment	2,567,433	2,521,110	(46,323)
Intangible fixed assets	84,019	84,120	100
Total fixed assets - telecommunications businesses	2,651,453	2,605,230	(46,223)
Investments and other assets			
Investment securities	13,016	12,581	(435)
Investments in subsidiaries and affiliated companies	46,622	46,622	-
Other investments in subsidiaries and affiliated companies	3,712	3,705	(6)
Investment in capital	473	452	(20)
Long-term prepaid expenses	3,707	4,024	317
Prepaid pension costs	3,975	3,030	(944)
Deferred income taxes	112,097	125,254	13,157
Other investments and assets	3,899	3,441	(457)
Allowance for doubtful accounts	(913)	(773)	140
Total investments and other assets	186,589	198,338	11,749
Total fixed assets	2,838,043	2,803,569	(34,473)
Current assets:			
Cash and bank deposits	8,675	5,605	(3,069)
Accounts receivable, trade	224,181	230,736	6,554
Accounts receivable, other	117,104	119,106	2,001
Supplies	26,221	26,005	(216)
Advance payments	1,771	1,513	(258)
Prepaid expenses	7,814	7,886	71
Deferred income taxes	7,178	6,674	(503)
Deposits	196,532	288,468	91,935
Other current assets	10,939	11,853	914
Allowance for doubtful accounts	(442)	(327)	114
Total current assets	599,977	697,521	97,543
<b>TOTAL ASSETS</b>	<b>3,438,021</b>	<b>3,501,091</b>	<b>63,069</b>

(Millions of yen)

	March 31, 2016	March 31, 2017	Increase (Decrease)
<b>LIABILITIES</b>			
Long-term liabilities:			
Long-term borrowings from parent company	365,835	225,220	(140,615)
Lease obligations	1,410	1,494	84
Liability for employees' retirement benefits	235,919	247,366	11,446
Reserve for point services	8,574	4,145	(4,429)
Reserve for unused telephone cards	8,671	8,460	(211)
Allowance for environmental measures	5,289	3,637	(1,652)
Asset retirement obligations	1,092	902	(189)
Other long-term liabilities	21,682	34,672	12,989
Total long-term liabilities	648,475	525,898	(122,576)
Current liabilities:			
Current portion of long-term borrowings from parent company	65,120	140,615	75,495
Accounts payable, trade	85,229	89,029	3,799
Lease obligations	417	459	42
Accounts payable, other	198,765	198,620	(145)
Accrued expenses	14,953	15,613	659
Accrued taxes on income	11,793	14,186	2,393
Advances received	7,657	9,185	1,528
Deposits received	203,983	215,758	11,774
Unearned revenues	106	91	(14)
Allowance for environmental measures	2,601	2,285	(315)
Asset retirement obligations	-	1	1
Other current liabilities	2,880	2,888	7
Total current liabilities	593,508	688,735	95,226
<b>TOTAL LIABILITIES</b>	<b>1,241,983</b>	<b>1,214,633</b>	<b>(27,349)</b>
<b>NET ASSETS</b>			
Shareholders' equity:			
Common stock	335,000	335,000	-
Capital surplus			
Additional paid-in capital	1,499,726	1,499,726	-
Total capital surplus	1,499,726	1,499,726	-
Earned surplus			
Other earned surplus			
Reserve for special depreciation	1,657	1,092	(565)
Reserve for reduction entry	13,197	13,197	(0)
Accumulated earned surplus	342,336	433,169	90,833
Total earned surplus	357,191	447,459	90,267
Total shareholders' equity	2,191,918	2,282,186	90,267
Unrealized gains (losses), translation adjustments, and others:			
Net unrealized gains (losses) on securities	4,119	4,271	152
Total unrealized gains (losses), translation adjustments, and others	4,119	4,271	152
<b>TOTAL NET ASSETS</b>	<b>2,196,037</b>	<b>2,286,457</b>	<b>90,419</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>3,438,021</b>	<b>3,501,091</b>	<b>63,069</b>

### 3. Non-Consolidated Comparative Statements of Income

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)
Telecommunications businesses:			
Operating revenues	1,585,580	1,534,745	(50,834)
Operating expenses			
Business expenses	335,475	317,168	(18,307)
Operations	8,189	7,869	(319)
Maintenance expenses	391,871	383,994	(7,877)
Overhead expenses	92,269	86,274	(5,994)
Administration	84,482	86,732	2,250
Experiment and research	39,696	38,837	(859)
Depreciation and amortization	337,474	290,191	(47,283)
Retirement of fixed assets	54,569	55,725	1,155
Access charges	28,289	26,568	(1,721)
Miscellaneous taxes	72,455	74,241	1,785
Total operating expenses	1,444,775	1,367,603	(77,172)
Operating income from telecommunications businesses	140,804	167,142	26,337
Supplementary businesses:			
Operating revenues	136,726	137,497	770
Operating expenses	115,702	115,534	(168)
Operating income from supplementary businesses	21,024	21,962	938
Operating income	161,828	189,104	27,276
Non-operating revenues:			
Interest income	138	26	(112)
Dividends received	3,169	3,226	57
Gains on sales of fixed assets	7,789	14,363	6,574
Miscellaneous income	6,415	2,647	(3,767)
Total non-operating revenues	17,512	20,263	2,750
Non-operating expenses:			
Interest expenses	4,987	4,669	(317)
Miscellaneous expenses	914	260	(653)
Total non-operating expenses	5,901	4,930	(971)
Recurring profit	173,439	204,438	30,998
Special losses:			
Loss on transfer of business	3,758	-	(3,758)
Total special losses	3,758	-	(3,758)
Income before income taxes	169,681	204,438	34,756
Corporation, inhabitant, and enterprise taxes	45,582	67,461	21,878
Deferred tax expenses (benefits)	5,312	(12,686)	(17,999)
Net income	118,786	149,663	30,877

## 4. Non-Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets

(Based on accounting principles generally accepted in Japan)

Year ended March 31, 2016

(Millions of yen)

	Shareholders' equity							Unrealized gains (losses), translation adjustments, and others		Total net assets	
	Common stock	Capital surplus		Earned surplus				Total shareholders' equity	Net unrealized gains (losses) on securities		Total unrealized gains (losses), translation adjustments, and others
		Additional paid-in capital	Total capital surplus	Other earned surplus			Total earned surplus				
				Reserve for special depreciation	Reserve for reduction entry	Accumulated earned surplus					
April 1, 2015	335,000	1,499,726	1,499,726	2,241	12,890	356,773	371,905	2,206,632	3,305	3,305	2,209,938
Net change during the annual period											
Cash dividends						(133,500)	(133,500)	(133,500)			(133,500)
Net income						118,786	118,786	118,786			118,786
Provision of reserve for special depreciation				67		(67)	-	-			-
Return of reserve for special depreciation				(651)		651	-	-			-
Provision of reserve for reduction entry					307	(307)	-	-			-
Others, net									813	813	813
Total net change during the annual period	-	-	-	(583)	307	(14,437)	(14,713)	(14,713)	813	813	(13,900)
March 31, 2016	335,000	1,499,726	1,499,726	1,657	13,197	342,336	357,191	2,191,918	4,119	4,119	2,196,037

Year ended March 31, 2017

(Millions of yen)

	Shareholders' equity							Unrealized gains (losses), translation adjustments, and others		Total net assets	
	Common stock	Capital surplus		Earned surplus				Total shareholders' equity	Net unrealized gains (losses) on securities		Total unrealized gains (losses), translation adjustments, and others
		Additional paid-in capital	Total capital surplus	Other earned surplus			Total earned surplus				
				Reserve for special depreciation	Reserve for reduction entry	Accumulated earned surplus					
April 1, 2016	335,000	1,499,726	1,499,726	1,657	13,197	342,336	357,191	2,191,918	4,119	4,119	2,196,037
Net change during the annual period											
Cash dividends						(59,395)	(59,395)	(59,395)			(59,395)
Net income						149,663	149,663	149,663			149,663
Provision of reserve for special depreciation				90		(90)	-	-			-
Return of reserve for special depreciation				(655)		655	-	-			-
Return of reserve for reduction entry					(0)	0	-	-			-
Others, net									152	152	152
Total net change during the annual period	-	-	-	(565)	(0)	90,833	90,267	90,267	152	152	90,419
March 31, 2017	335,000	1,499,726	1,499,726	1,092	13,197	433,169	447,459	2,282,186	4,271	4,271	2,286,457

## 5. Business Results (Non-Consolidated Operating Revenues)

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)	Percent Increase (Decrease)
Voice transmission services revenues (excluding IP services revenues)	427,802	396,519	(31,282)	(7.3)
Monthly charge revenues*	321,137	299,992	(21,144)	(6.6)
Call rates revenues*	30,319	26,272	(4,046)	(13.3)
Interconnection call revenues*	51,118	45,606	(5,511)	(10.8)
IP services revenues	855,444	850,388	(5,056)	(0.6)
Leased circuit services revenues (excluding IP services revenues)	103,761	93,307	(10,454)	(10.1)
Telegram services revenues	12,812	11,422	(1,389)	(10.8)
Other telecommunications services revenues	185,759	183,107	(2,651)	(1.4)
Telecommunications total revenues	1,585,580	1,534,745	(50,834)	(3.2)
Supplementary business total revenues	136,726	137,497	770	0.6
Total operating revenues	1,722,307	1,672,243	(50,064)	(2.9)

\*Partial listing only

## 6. Non-Consolidated Comparative Statements of Cash Flows

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)
Cash flows from operating activities:			
Income before income taxes	169,681	204,438	34,756
Depreciation and amortization	342,744	295,200	(47,544)
Loss on disposal of property, plant and equipment	20,330	21,416	1,086
Increase (decrease) in liability for employees' retirement benefits	3,300	11,446	8,145
(Increase) decrease in accounts receivable	14,232	(8,552)	(22,784)
(Increase) decrease in inventories	4,671	252	(4,418)
Increase (decrease) in accounts payable and accrued expenses	19,826	(5,419)	(25,245)
Increase (decrease) in accrued consumption tax	(5,860)	(5,229)	631
Other	15,479	8,147	(7,332)
Sub-total	584,406	521,702	(62,704)
Interest and dividends received	3,276	3,252	(23)
Interest paid	(4,997)	(4,705)	291
Income taxes received (paid)	(36,236)	(47,742)	(11,506)
Net cash provided by (used in) operating activities	546,449	472,506	(73,942)
Cash flows from investing activities:			
Payments for property, plant and equipment	(288,142)	(274,177)	13,965
Proceeds from sale of property, plant and equipment	8,886	15,821	6,935
Payments for purchase of investment securities	(385)	-	385
Proceeds from sale of investment securities	1,429	847	(581)
Other	633	(86)	(719)
Net cash provided by (used in) investing activities	(277,578)	(257,594)	19,984
Cash flows from financing activities:			
Payments for settlement of long-term debt	(66,220)	(65,120)	1,100
Payments for settlement of lease obligations	(541)	(544)	(3)
Dividends paid	(133,500)	(59,395)	74,104
Net cash provided by (used in) financing activities	(200,261)	(125,059)	75,201
Net increase (decrease) in cash and cash equivalents	68,609	89,852	21,243
Cash and cash equivalents at beginning of year	138,672	207,281	68,609
Cash and cash equivalents at end of year	207,281	297,134	89,852

## Changes in Board of Directors

Scheduled Appointment or Resignation Date: June 23, 2017

(1) Candidates for Senior Vice President

Koji Nakae (Executive Manager, General Affairs and Personnel Department; General Manager, Medical and Health Administration Center)

Takashi Torigoe (General Manager, Chiba Division; General Manager, Chiba Branch, Chiba Division)

Koichi Takami (Vice President, Corporate Strategy Planning Department, NTT)

(2) Candidate for Audit & Supervisory Board Member

Kiyoshi Kobayashi (Executive Director, Yu-cho Foundation)

(3) Senior Vice Presidents Scheduled to Resign from Office

Senior Vice President      Motoyasu Shibata (Scheduled to take office at NTT Solco & Hokkaido Telemart Corporation)

Senior Vice President      Kenji Asano (Scheduled to take office at NTT INFRASTRUCTURE NETWORK CORPORATION)

(4) Audit & Supervisory Board Member Scheduled to Resign from Office

Full-time Auditor      Hideharu Sasaki

(5) New Executive Positions and Organizational Responsibilities

Scheduled Appointment Date: June 23, 2017

New Position(s) and Organizational Responsibilities	Name	Current Position(s) and Organizational Responsibilities
Senior Executive Vice President, Representative Director; Senior Executive Manager, New Business Development Headquarters in charge of Risk Management; in charge of Corporate Strategy Planning; in charge of General Affairs and Personnel; in charge of Accounts and Finance; in charge of Information Security	Fukuzo Inoue	Senior Executive Vice President, Representative Director; Senior Executive Manager, New Business Development Headquarters in charge of Risk Management; in charge of Corporate Strategy Planning; in charge of General Affairs and Personnel; in charge of Accounts and Finance
Senior Vice President; Deputy Senior Executive Manager, Corporate Sales Promotion Headquarters	Shinji Yano	Senior Vice President; Executive Manager, Corporate Strategy Planning Department; in charge of Information Security

Senior Vice President; General Manager, Miyagi Division; General Manager, Miyagi Branch, Miyagi Division; Executive Manager, Tohoku Future Network Design and Reconstruction Office	Hiroshi Nakamura	Senior Vice President; Deputy Senior Executive Manager, New Business Development Headquarters; Executive Manager, First Group, New Business Development Headquarters
Senior Vice President; General Manager, Tokyo Division	Hideyuki Noike	Senior Vice President; General Manager, Hokkaido Division; General Manager, Hokkaido Branch, Hokkaido Division
Senior Vice President; Executive Manager, General Affairs and Personnel Department; General Manager, Medical and Health Administration Center	Koji Nakae	
Executive Manager, Sales Planning Department, Sales Promotion Headquarters; Executive Manager, Customer Service Department, Sales Promotion Headquarters	Takashi Torigoe	
Senior Vice President; Executive Manager, Corporate Strategy Planning Department	Koichi Takami	

Scheduled Appointment Date: July 1, 2017

New Position(s) and Organizational Responsibilities	Name	Current Position(s) and Organizational Responsibilities
Senior Executive Vice President, Representative Director; Senior Executive Manager, Business Innovation Headquarters	Motoyuki Ii	Senior Executive Vice President, Representative Director; Senior Executive Manager, Corporate Sales Promotion Headquarters
Senior Vice President; Deputy Senior Executive Manager, Business Innovation Headquarters	Shinji Yano	Senior Vice President; Deputy Senior Executive Manager, Corporate Sales Promotion Headquarters
Senior Vice President; Executive Manager, Plant Planning Department, Network Business Headquarters; Executive Manager Tokyo Olympic & Paralympic Promotion Office	Naoki Shibutani	Senior Vice President; Executive Manager, Plant Planning Department, Network Business Headquarters; in charge of 2020 Project
Senior Vice President; Deputy Senior Executive Manager, Business Innovation Headquarters; General Manager, Value Create Department, Business Innovation Headquarters	Kiyoshi Harada	Senior Vice President; Deputy Senior Executive Manager, Corporate Sales Promotion Headquarters; Executive Manager, Office Users Business Department, Corporate Sales Promotion Headquarters

Senior Vice President; General Manager, Tokyo Division; Executive Manager, Tokyo Olympic & Paralympic Promotion Office, Tokyo Division	Hideyuki Noike	Senior Vice President; General Manager, Tokyo Division
--	----------------	---

Note:

- Kiyoshi Kobayashi, who is a candidate for the new Auditor & Supervisory Board Member, is a candidate for Outside Audit & Supervisory Board Member.
- Senior Vice Presidents scheduled to resign from the office are expected to resign at the conclusion of the 18<sup>th</sup> Ordinary General Meeting of Shareholders to be held on June 23, 2017.
- Auditor & Supervisory Board Member scheduled to resign from the office is expected to resign at the conclusion of the 18<sup>th</sup> Ordinary General Meeting of Shareholders to be held on June 23, 2017.

May 15, 2017

FOR IMMEDIATE RELEASE

### **Financial Results for the Fiscal Year Ended March 31, 2017**

The financial results of Nippon Telegraph and Telephone West Corporation (NTT West) for the fiscal year ended March 31, 2017 are presented in the following attachments.

(Attachments)

1. Summary of Results for the Fiscal Year Ended March 31, 2017
2. Non-Consolidated Comparative Balance Sheets
3. Non-Consolidated Comparative Statements of Income
4. Non-Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets
5. Business Results (Non-Consolidated Operating Revenues)
6. Non-Consolidated Comparative Statements of Cash Flows
7. Changes in Board of Directors

For inquiries, please contact:

Junichiro Maekawa or Ryosuke Yamashita

Accounting Section, Finance Division

Nippon Telegraph and Telephone West Corporation

Tel: +81-6-4793-3141

E-mail: [kessan-info@west.ntt.co.jp](mailto:kessan-info@west.ntt.co.jp)

## **1. Summary of Results for the Fiscal Year Ended March 31, 2017**

Information and communications services are expected to make significant contributions to invigorating and increasing the efficiency of social and economic activities, improving lifestyle convenience and vitalizing local economies through advances in the development of new technologies such as AI, Big Data, and IoT. Accordingly, the government and the private sector are working in partnership to achieve the development of a new ICT-oriented society.

Moreover, the information and telecommunications market is undergoing structural changes as a result of the shift to broadband and globalization, as well as the spread of smart devices and social media, leading to increasingly sophisticated and diversified needs and patterns of usage. There have also been changes in market structure, including an increase in the utilization of Big Data and IoT as well as an expansion of platform services and cloud services. Regional telecommunications markets are also undergoing significant changes due to competition between the providers of fiber-optic access-based line services and cable television-based broadband services, competition between the various services made available by faster mobile connections, the convergence of fixed and mobile services and of telecommunications and broadcasting, and the convergence of services through the use of a diverse range of wireless devices.

Within this challenging and dramatically changing business environment, NTT West strove to ensure its reliability and fairness in telecommunications by, for example, promoting the smooth migration to optical, IP-based networks and enhancing the fiber-optic access network that is the base of broadband services, while continuing to provide high-quality, stable universal services.

NTT West also aimed to realize a broadband network environment that enables customers to connect ¥anytime, anywhere, and with anyone or anything, in comfort, safety, and with peace of mind, and to provide various reasonably priced calling plans that match each customer's patterns of usage, and a wide range of services.

### **<1> Efforts to Promote Fiber-optic and IP services**

In relation to the promotion of fiber-optic and IP services, NTT West worked to provide a more comfortable, safer, and more secure next generation network (NGN). NTT West was committed to expanding its services that make use of fiber-optic access lines, such as Hikari Denwa and video distribution services. NTT West also aimed to develop services for businesses, further deliver appropriate and fair provision of the Hikari Collaboration Model to various service providers, and create new services by promoting business alliances, while at the same time also improving on its services and quality.

For Hikari access services, as with the previous period, with respect to the "Hikari Collaboration

Model," the wholesale provision of "FLET'S Hikari" and other services to various service providers, NTT West worked to further expand its services by proactively cultivating new service providers while also engaging in support activities for existing service providers.

As of the fiscal year ended March 31, 2017, the number of service providers of the model exceeded 380, and the number of subscriptions exceeded 3 million.

In addition, NTT West worked to smoothly transition its customers from "B FLET'S (for Condominium Type, Family 100 Type, Business Type, and Basic Type)" and "FLET'S Hikari Premium" to the high-performing "FLET'S Hikari Next" in order to ensure that they are able to have a more comfortable internet experience.

For "FLET'S Hikari" services, NTT West made efforts to improve its membership program, "CLUB NTT-West," aimed at retaining its customers, by, among other things, providing a wider range of products for which membership program points can be redeemed.

As a result, the number of subscriptions for Hikari access services as a whole exceeded 8.8 million as of the fiscal year ended March 31, 2017.

In the area of optical IP telephone services, the total number of corporate IP telephone customers, which include "Hikari Denwa Office A (Ace)" and "Hikari Denwa Office Type," exceeded the 2 million channel level on September 5, 2016.

In the area of Wi-Fi services, NTT West worked to expand the coverage area of "Gotouchi Free Wi-Fi" in collaboration with local governments in an effort to contribute to the revitalization of local governments by establishing a foundation for ICT. As of March 31, 2017, more than 80 local governments in 29 different prefectures utilized the Wi-Fi network.

## **<2> Initiatives in the Solutions Business**

NTT West continued to proactively offer alliances and solution proposals to companies and local governments as it did in the previous year, and has been deploying "Smart Hikari Solutions" to satisfy regional customers' needs through the utilization of ICT.

Some of the new service developments through alliances included collaborating with Sekisui Chemical Co., Ltd, to carry out a field trial of remote operations on water supply management, water levels, and temperature control in agricultural settings to test the utilization of LPWA (low-power, wide area) networks that can cover a wide area at low power consumption, as required for IoT, which aims to connect everything through the internet. In addition, in collaboration with Daikin Industries, Ltd., NTT West conducted a field trial by connecting an air conditioner to an LPWA network in order to constantly monitor the operating status of the air conditioner as well as indoor and outdoor spatial

information. Furthermore, through its collaboration with Faith, Inc., NTT West launched the "FaRao PRO Hikari Box<sup>+</sup>," an all-in-one service to support store management operations that includes in-store background music services, signage, and security cameras, among other features. In addition, in collaboration with Hyakusenrenma, Inc., NTT worked on the trial version of "Minpaku Support Pack," a complete support solution package that establishes a communication environment for vacation rentals by owners (VRBO), or *minpaku* owners, and provides various types of services for lodgers at *minpaku*, to facilitate a comfortable, convenient and officially authorized *minpaku* environment, which is an area of expected rapid future growth.

NTT West also works to expand its service offerings by, for example, launching "Hikari Cloud PBX," which aims to use cloud services to provide fundamental private branch exchange (PBX) functions, including extension number and group call functions for telephone systems.

### <3> Status of Business Operation Structure

As part of its efforts to "create a safe and secure society," NTT West established a summit task force for the Ise-Shima G7 Summit held in Mie Prefecture in May 2016. NTT West contributed to the smooth operation of the Summit by setting up a Summit Response Headquarters, coordinating with local branches to reinforce its maintenance capabilities, and strengthening its security systems against cyber-attacks.

In the area of disaster preparedness, when the Kumamoto earthquakes occurred in April 2016, NTT West quickly established a wide-area support system which included various other regions, thereby enabling the early recovery of services and the restoration of its facilities. Furthermore, NTT West worked to provide means of communication, such as disaster message dialing services, special public Wi-Fi, special public telephones and portable satellite telephones, for customers to use to confirm their safety and for the communication of disaster information in afflicted areas.

In addition, NTT West entered into an "Agreement on the Installation and Usage of Special Public Telephones" with various local governments, and pre-installed special public telephones, in order to provide immediate means of communication to people who have been evacuated when evacuation centers are established after large-scale disasters occur in the future.

NTT West also implemented measures to prevent accidents involving facilities, such as planned facility inspections, with the goal of eliminating third-party accidents caused by fallen lines. To prevent site accidents involving physical injury, NTT West worked to expand its safety measures by establishing a timeframe for improving safety promotion initiatives.

As part of its efforts to further enhance its management efficiency, NTT West worked to reduce material costs by utilizing device equipment and streamlining procurement operations for materials, and improving the efficiency of fiber optic service installations.

#### <4> **Corporate Social Responsibility ("CSR") Activities**

In the area of CSR promotion, the "NTT Group CSR Charter" (revised on May 12, 2016) provides that, as a "Value Partner" for customers, NTT Group companies will provide services of the highest quality and reliability and contribute to the development of a safe, secure and prosperous society in which people, society and the earth are connected through "communications." Based on the NTT Group CSR Charter, NTT West established three core CSR principles – "thorough compliance," "development of a safe and secure society," and "creation of value through business activities" – as well as a "visualization" benchmark for activities that support these principles. Each NTT West employee takes part in CSR activities, including working to maintain legal compliance, providing safe and reliable communication services, and reducing the burden on the environment.

To ensure "thorough compliance," NTT West Group has focused on promoting group-wide initiatives in high-risk areas that have the potential to erode the trust of the general public and of consumers in NTT West group companies, namely eradicating "on-the-job misconduct," "driving while under the influence," "information security incidents" and "power harassment" as well as observing "respect for human rights," by making posters to promote awareness and providing training programs for all employees in order to ensure compliance by increasing knowledge and preventing recurrence.

In the area of activities to give back to the community, since 1983, NTT West has continued to publish "Denwa Onegai Techo (Telephone Request Handbook) (Pamphlet Version)" as a communication tool that allows people with hearing or speech difficulties to write out their matters of concern or contacts in order to assist them in seeking help from those around them when they are away from home. In recent years, given that mobile devices with internet connectivity (such as smartphones and feature phones) have become widespread, NTT West developed the "Denwa Onegai Techo (Telephone Request Handbook) (Web/App Version)" in order to enhance user convenience, and launched the service on December 21, 2016.

Based on the "Green NTT West Strategy" established in June 2012, in order to "achieve its environmental grand design," NTT West has been working to decrease its environmental burden by decreasing power usage, the amount of paper it uses, and the volume of its waste products. In addition, NTT West also worked on protecting the earth's environment by undertaking community-based activities centered around tree-planting and plant growing, grass-cutting and cleaning activities pursuant to the "NTT West Midori Ippai Project" in order to "promote biodiversity preservation activities."

NTT West has been promoting its group-wide CSR activities and enhancing its environmental management while instilling the principles of the NTT Group CSR Charter. NTT West also issued the "NTT West Group CSR Report 2016" and the "NTT West Group Environmental Annual Report 2016" to proactively disclose relevant information to its stakeholders.

## **<5> Financial Standing**

As a result of the above, operating revenues totaled 1,479.0 billion yen (a decrease of 3.2% from the previous fiscal year), operating income was 95.1 billion yen (an increase of 28.5% from the previous fiscal year), income before income taxes was 88.1 billion yen (an increase of 31.3% from the previous fiscal year), and net profit was 59.7 billion yen (a decrease of 17.5% from the previous fiscal year).

## 2. Non-Consolidated Comparative Balance Sheets

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	March 31, 2016	March 31, 2017	Increase (Decrease)
<b>ASSETS</b>			
Fixed assets:			
Fixed assets - telecommunications businesses			
Property, plant and equipment			
Machinery and equipment	371,004	297,757	(73,247)
Antenna facilities	6,224	5,895	(328)
Terminal equipment	17,166	11,318	(5,847)
Local line facilities	993,040	1,051,300	58,260
Long-distance line facilities	2,138	1,693	(445)
Engineering facilities	530,501	517,724	(12,776)
Submarine line facilities	3,587	3,131	(456)
Buildings	327,911	312,924	(14,987)
Structures	13,445	10,918	(2,526)
Other machinery and equipment	1,359	1,036	(322)
Vehicles and vessels	371	294	(77)
Tools, furniture and fixtures	31,513	34,425	2,912
Land	173,841	173,092	(749)
Lease assets	165	151	(13)
Construction in progress	18,488	31,294	12,806
Total property, plant and equipment	2,490,761	2,452,960	(37,801)
Intangible fixed assets	65,914	64,444	(1,470)
Total fixed assets - telecommunications businesses	2,556,676	2,517,404	(39,271)
Investments and other assets			
Investment securities	4,994	4,243	(750)
Investments in subsidiaries and affiliated companies	38,481	40,001	1,520
Investment in capital	637	610	(26)
Long-term prepaid expenses	3,411	3,971	560
Prepaid pension costs	-	3,439	3,439
Deferred income taxes	116,066	128,900	12,833
Other investments and assets	6,660	6,438	(222)
Allowance for doubtful accounts	(638)	(681)	(43)
Total investments and other assets	169,613	186,924	17,311
Total fixed assets	2,726,289	2,704,329	(21,960)
Current assets:			
Cash and bank deposits	21,765	18,251	(3,514)
Accounts receivable, trade	201,155	199,820	(1,334)
Accounts receivable, other	89,674	79,402	(10,272)
Securities	6	6	-
Supplies	34,656	29,950	(4,705)
Advance payments	3,867	4,592	724
Prepaid expenses	6,281	6,688	406
Deferred income taxes	5,543	4,944	(598)
Deposits	50,000	48,000	(2,000)
Other current assets	8,537	8,082	(455)
Allowance for doubtful accounts	(514)	(339)	174
Total current assets	420,973	399,398	(21,574)
<b>TOTAL ASSETS</b>	<b>3,147,263</b>	<b>3,103,728</b>	<b>(43,534)</b>

(Millions of yen)

	March 31, 2016	March 31, 2017	Increase (Decrease)
<b>LIABILITIES</b>			
Long-term liabilities:			
Long-term borrowings from parent company	651,707	591,000	(60,707)
Lease obligations	706	678	(28)
Liability for employees' retirement benefits	233,574	242,251	8,677
Reserve for point services	4,672	3,792	(879)
Reserve for unused telephone cards	8,200	8,000	(200)
Allowance for environmental measures	9,074	9,074	-
Asset retirement obligations	361	228	(132)
Other long-term liabilities	4,837	4,071	(765)
Total long-term liabilities	913,134	859,097	(54,036)
Current liabilities:			
Current portion of long-term borrowings from parent company	127,120	110,707	(16,412)
Accounts payable, trade	70,067	71,635	1,567
Short-term borrowings	142,465	105,259	(37,205)
Lease obligations	198	191	(6)
Accounts payable, other	178,421	199,133	20,712
Accrued expenses	14,368	13,572	(795)
Accrued taxes on income	8,102	8,731	629
Advances received	2,814	2,184	(630)
Deposits received	129,490	143,945	14,455
Unearned revenues	16	15	(1)
Allowance for loss on disaster	-	4,096	4,096
Allowance for environmental measures	2,467	2,361	(106)
Asset retirement obligations	-	133	133
Other current liabilities	2,631	3,307	676
Total current liabilities	678,163	665,277	(12,886)
<b>TOTAL LIABILITIES</b>	<b>1,591,297</b>	<b>1,524,374</b>	<b>(66,922)</b>
<b>NET ASSETS</b>			
Shareholders' equity:			
Common stock	312,000	312,000	-
Capital surplus			
Additional paid-in capital	1,170,054	1,170,054	-
Total capital surplus	1,170,054	1,170,054	-
Earned surplus			
Other earned surplus			
Accumulated earned surplus	73,358	96,911	23,553
Total earned surplus	73,358	96,911	23,553
Total shareholders' equity	1,555,412	1,578,965	23,553
Unrealized gains (losses), translation adjustments, and others:			
Net unrealized gains (losses) on securities	553	388	(164)
Total unrealized gains (losses), translation adjustments, and others	553	388	(164)
<b>TOTAL NET ASSETS</b>	<b>1,555,965</b>	<b>1,579,353</b>	<b>23,388</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>3,147,263</b>	<b>3,103,728</b>	<b>(43,534)</b>

### 3. Non-Consolidated Comparative Statements of Income

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)
Telecommunications businesses:			
Operating revenues	1,372,571	1,325,585	(46,986)
Operating expenses			
Business expenses	323,076	296,688	(26,388)
Operations	10,176	9,648	(527)
Maintenance expenses	347,429	339,119	(8,309)
Overhead expenses	60,167	57,449	(2,718)
Administration	72,246	71,346	(899)
Experiment and research	39,522	38,947	(574)
Depreciation and amortization	313,724	284,405	(29,318)
Retirement of fixed assets	55,995	53,012	(2,983)
Access charges	25,485	26,035	549
Miscellaneous taxes	65,116	65,831	715
Total operating expenses	1,312,941	1,242,485	(70,455)
Operating income from telecommunications businesses	59,630	83,099	23,469
Supplementary businesses:			
Operating revenues	155,452	153,430	(2,021)
Operating expenses	141,010	141,343	333
Operating income from supplementary businesses	14,442	12,086	(2,355)
Operating income	74,072	95,186	21,113
Non-operating revenues:			
Interest income	2	0	(1)
Interest on securities	1	11	10
Dividends received	1,568	615	(952)
Miscellaneous income	4,205	2,330	(1,874)
Total non-operating revenues	5,775	2,957	(2,817)
Non-operating expenses:			
Interest expenses	9,410	7,114	(2,295)
Miscellaneous expenses	3,290	2,875	(415)
Total non-operating expenses	12,701	9,989	(2,711)
Recurring profit	67,146	88,154	21,007
Special losses:			
Special loss on disaster	-	6,915	6,915
Total special losses	-	6,915	6,915
Income before income taxes	67,146	81,239	14,092
Corporation, inhabitant, and enterprise taxes	21,449	33,631	12,182
Deferred tax expenses (benefits)	(26,727)	(12,162)	14,564
Net income	72,425	59,770	(12,655)

#### 4. Non-Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets

(Based on accounting principles generally accepted in Japan)

Year ended March 31, 2016

(Millions of yen)

	Shareholders' equity						Unrealized gains (losses), translation adjustments, and others		Total net assets
	Common stock	Capital surplus		Earned surplus		Total shareholders' equity	Net unrealized gains (losses) on securities	Total unrealized gains (losses), translation adjustments, and others	
		Additional paid-in capital	Total capital surplus	Other earned surplus Accumulated earned surplus	Total earned surplus				
April 1, 2015	312,000	1,170,054	1,170,054	15,934	15,934	1,497,988	738	738	1,498,726
Net change during the annual period									
Cash dividends				(15,000)	(15,000)	(15,000)			(15,000)
Net income				72,425	72,425	72,425			72,425
Others, net							(185)	(185)	(185)
Total net change during the annual period	-	-	-	57,424	57,424	57,424	(185)	(185)	57,239
March 31, 2016	312,000	1,170,054	1,170,054	73,358	73,358	1,555,412	553	553	1,555,965

Year ended March 31, 2017

(Millions of yen)

	Shareholders' equity						Unrealized gains (losses), translation adjustments, and others		Total net assets
	Common stock	Capital surplus		Earned surplus		Total shareholders' equity	Net unrealized gains (losses) on securities	Total unrealized gains (losses), translation adjustments, and others	
		Additional paid-in capital	Total capital surplus	Other earned surplus Accumulated earned surplus	Total earned surplus				
April 1, 2016	312,000	1,170,054	1,170,054	73,358	73,358	1,555,412	553	553	1,555,965
Net change during the annual period									
Cash dividends				(36,216)	(36,216)	(36,216)			(36,216)
Net income				59,770	59,770	59,770			59,770
Others, net							(164)	(164)	(164)
Total net change during the annual period	-	-	-	23,553	23,553	23,553	(164)	(164)	23,388
March 31, 2017	312,000	1,170,054	1,170,054	96,911	96,911	1,578,965	388	388	1,579,353

## 5. Business Results (Non-Consolidated Operating Revenues)

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)	Percent Increase (Decrease)
Voice transmission services revenues (excluding IP services revenues)	428,645	396,272	(32,372)	(7.6)
Monthly charge revenues*	319,687	298,340	(21,347)	(6.7)
Call rates revenues*	28,259	24,590	(3,669)	(13.0)
Interconnection call revenues*	55,840	49,676	(6,164)	(11.0)
IP services revenues	702,712	697,252	(5,460)	(0.8)
Leased circuit services revenues (excluding IP services revenues)	93,383	86,362	(7,020)	(7.5)
Telegram services revenues	14,088	12,625	(1,462)	(10.4)
Other telecommunications services revenues	133,741	133,071	(669)	(0.5)
Telecommunications total revenues	1,372,571	1,325,585	(46,986)	(3.4)
Supplementary business total revenues	155,452	153,430	(2,021)	(1.3)
Total operating revenues	1,528,023	1,479,015	(49,008)	(3.2)

\*Partial listing only

## 6. Non-Consolidated Comparative Statements of Cash Flows

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)
Cash flows from operating activities:			
Income before income taxes	67,146	81,239	14,092
Depreciation and amortization	317,082	287,620	(29,462)
Loss on disposal of property, plant and equipment	26,641	19,285	(7,355)
Increase (decrease) in liability for employees' retirement benefits	3,621	8,677	5,055
(Increase) decrease in accounts receivable	5,852	11,377	5,525
(Increase) decrease in inventories	(902)	4,599	5,502
Increase (decrease) in accounts payable and accrued expenses	(8,759)	7,799	16,559
Increase (decrease) in accrued consumption tax	(4,085)	(2,241)	1,844
Other	(5,957)	21,841	27,799
Sub-total	400,637	440,199	39,561
Interest and dividends received	1,571	628	(942)
Interest paid	(9,477)	(7,575)	1,902
Income taxes received (paid)	(5,528)	(24,428)	(18,900)
Net cash provided by (used in) operating activities	387,203	408,824	21,620
Cash flows from investing activities:			
Payments for property, plant and equipment	(284,746)	(261,759)	22,986
Proceeds from sale of property, plant and equipment	2,275	650	(1,624)
Payments for purchase of investment securities	(865)	(3,100)	(2,235)
Proceeds from sale of investment securities	462	576	113
Other	265	61	(203)
Net cash provided by (used in) investing activities	(282,607)	(263,571)	19,036
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	-	50,000	50,000
Payments for settlement of long-term debt	(175,600)	(127,120)	48,480
Net increase (decrease) in short-term borrowings	67,462	(37,205)	(104,667)
Payments for settlement of lease obligations	(227)	(224)	2
Dividends paid	(15,000)	(36,216)	(21,216)
Net cash provided by (used in) financing activities	(123,365)	(150,766)	(27,401)
Net increase (decrease) in cash and cash equivalents	(18,769)	(5,514)	13,255
Cash and cash equivalents at beginning of year	90,535	71,765	(18,769)
Cash and cash equivalents at end of year	71,765	66,251	(5,514)

## **7. CHANGES IN BOARD OF DIRECTORS**

Scheduled appointment date: June 23, 2017

### (1) Candidates for Members of the Board

Kunihiro Yamada (Executive Manager, Fiber Access Collaboration Department, Alliance Business Headquarters)

Keiji Ueyama (General Manager, Kumamoto Branch; and Deputy Senior Executive Manager, Kyusyu Regional Headquarters)

Masanori Ozawa (Vice President, General Affairs Department, Nippon Telegraph and Telephone Corporation)

### (2) Members of the Board scheduled to resign from office

Kazunari Furugen (Scheduled to take office at Nippon COMSYS Corporation)

Mikihiro Kitamura (Scheduled to take office at NTT FACILITIES, INC.)

### (3) New Executive Positions and Organizational Responsibilities

Scheduled appointment date: June 23, 2017

New Position(s) and Organizational Responsibilities	Name	Current Position(s) and Organizational Responsibilities
Senior Executive Vice President, Representative Director; Senior Executive Manager, Plant Headquarters; In charge of Technology Innovation Department	Yoshihiro Kuroda	Senior Executive Vice President, Representative Director; Senior Executive Manager, Plant Headquarters; Executive Manager, Network Department, Plant Headquarters; In charge of Technology Innovation Department
Member of the Board; Executive Manager, Network Department, Plant Headquarters	Yasushi Tohtake	Member of the Board; Executive Manager, Service Management Department, Plant Headquarters
Member of the Board; Senior Executive Manager, Corporate Business Headquarters	Ichiro Uehara	Member of the Board; Senior Executive Manager, Kyusyu Regional Headquarters; General Manager, Fukuoka Branch

Member of the Board;  
Senior Executive Manager,  
Kansai Regional Headquarters;  
General Manager, Osaka  
Branch

Teruyuki Kishimoto

Member of the Board

Member of the Board;  
Executive Manager, Service  
Management Department, Plant  
Headquarters

Takafumi Sakaguchi

Member of the Board

Member of the Board;  
Executive Manager, Fiber  
Access Collaboration  
Department, Alliance Business  
Headquarters

Kunihiro Yamada

Member of the Board

Keiji Ueyama

Member of the Board;  
Senior Executive Manager,  
Kyusyu Regional Headquarters;  
General Manager, Fukuoka  
Branch

Masanori Ozawa

Scheduled appointment date: July 1, 2017

New Position(s) and Organizational Responsibilities	Name	Current Position(s) and Organizational Responsibilities
Senior Executive Vice President, Representative Director; Senior Executive Manager, Alliance Business Headquarters;	Shinji Oota	Senior Executive Vice President, Representative Director; Senior Executive Manager, Alliance Business Headquarters;
In charge of Corporate Business Headquarters; In charge of Sales Promotion Department In charge of Corporate Strategy Planning Department In charge of Accounts and Finance Department; In charge of Personnel Department; In charge of General Affairs Department; In charge of Compliance and CSR		In charge of Corporate Business Headquarters; In charge of Marketing Department; In charge of Corporate Strategy Planning Department; In charge of Accounts and Finance Department; In charge of Personnel Department; In charge of General Affairs Department; In charge of Compliance and CSR

Note: Ichiro Uehara is scheduled to become the President and Representative Director of NTT Business Solutions.

Keiji Ueyama is scheduled to become the President and Representative Director of NTT-Neomeit.

May 15, 2017

FOR IMMEDIATE RELEASE

## **NTT Com Announces Financial Results for Fiscal Year Ended March 31, 2017**

TOKYO, JAPAN — NTT Communications Corporation (NTT Com) announced today its financial results for the fiscal year ended March 31, 2017. Please see the following attachments for further details:

- I. Results for Fiscal Year Ended March 31, 2017
- II. Financial Results of NTT Communications Group
- III. Non-Consolidated Comparative Balance Sheets
- IV. Non-Consolidated Comparative Statements of Income
- V. Non-Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets
- VI. Business Results (Non-Consolidated Operating Revenues)
- VII. Non-Consolidated Comparative Statements of Cash Flows
- VIII. Changes in NTT Communications Directors (Subject to Shareholders' Approval)

# # #

### **About NTT Communications Corporation**

NTT Communications provides consultancy, architecture, security and cloud services to optimize the information and communications technology (ICT) environments of enterprises. These offerings are backed by the company's worldwide infrastructure, including the leading global tier-1 IP network, the Arcstar Universal One™ VPN network reaching 196 countries/regions, and 140 secure data centers worldwide. NTT Communications' solutions leverage the global resources of NTT Group companies including Dimension Data, NTT DOCOMO and NTT DATA.

[www.ntt.com](http://www.ntt.com) | [Twitter@NTT Communications](https://twitter.com/NTT_Communications) | [Facebook@NTT Communications](https://facebook.com/NTT_Communications) | [LinkedIn@NTT](https://linkedin.com/company/NTT)

### **For more information**

**(Mr.) Akira Ito or (Mr.) Shinichi Shimizu**

**Accounting and Taxation, Finance, NTT Communications**

**Tel: +81 3 6700 4311**

**Email: [info-af@ntt.com](mailto:info-af@ntt.com)**

# **I. Results for the Fiscal Year Ended March 31, 2017**

## **1. Background**

Although the world economy is undergoing a gradual recovery, there are uncertainties in international politics and the outlook for the future has become unclear. Many companies have been moving forward with the digital transformation of their businesses and with their “as-a-service” trend, and both their business departments and their IT departments are taking the initiative with respect to the adoption and utilization of ICT. Within the ICT market, there has been an expansion in the scope of software-defined services, dominance of the IaaS market by a small number of overseas providers, and increases in the sophistication and development of AI, with rapid changes in the market structure. Competition is wide-ranging and fierce, and it is intensifying on a global level.

## **2. Business Strategies**

Based on these changes in the market environment, NTT Communications has established a new corporate vision, “Vision 2020,” and a new corporate slogan: “Transform. Transcend.” During FY2016, under this new slogan, NTT Com worked to promote its offerings for solutions models that push “global seamlessness” to its fullest extent, while also pursuing automation and improvement of process efficiency, strengthening its competitiveness through its own digital transformation, and working on business process innovations and the creation of new business models for NTT Com’s customers.

Specifically, through its “seamless ICT solutions,” an optimized, global combination of various services including clouds, data centers, networks, applications, security, and managed ICT in which NTT Com has a particular strength as a telecommunications provider, NTT Com has produced an ICT environment that is uniformly managed on a global level, flexible, on-demand and low-cost, and safe and secure, and supports business operations. Through its seamless ICT solutions, NTT Com has contributed to innovation in business processes, such as accelerating customers' decision-making processes and improving productivity, and has supported the creation of new business.

In addition, in an analyst vendor comparison report that evaluates IT vendors on a worldwide basis, NTT Com was named to the top “Leader” position in the global network business field for the fourth year in a row. Furthermore, NTT Com was also named to the “Leader” position for the second year in a row in an assessment of cloud business operators in the Asia-Pacific region. NTT Com further enhanced the competitiveness of its services based on its Global Cloud Vision. NTT Com’s key measures by type of service were as follows:

### ***Measures taken by type of service***

- Cloud Computing Platforms

“Enterprise Cloud,” a cloud service for businesses that has platforms deployed at 14 bases in 11 countries around the world, substantially increased its functionality in Japan in March 2016, and from April 2016 has been expanding in various countries abroad as well. In addition, NTT Com’s new partnerships with other companies included the signing of a collaboration agreement with Mirantis Japan, Inc. in October 2016 to provide OpenStack managed private cloud services, a collaboration agreement with NTT Data Corporation, Pivotal Japan K.K., and Intel Corporation in November 2016 to develop and deliver cloud-native solutions, a collaboration agreement with Virtustream, Inc. and EMC Japan K.K. in February 2017 for the development and distribution of shared-cloud platform services that support large-scale SAP systems, and a collaboration agreement with Microsoft Japan Co., Ltd. in March 2017 for joint development and marketing cooperation on hybrid cloud platforms for corporate customers.

With respect to NTT Com's Nexcenter data center services, NTT Com launched the Virginia Ashburn 2 (VA2) Data Center in April 2016 and the Tokyo 9 Data Center in December 2016. NTT Com also commenced the construction of the Virginia Ashburn 3 (VA3) Data Center in December 2016.

In addition, with respect to NTT Com's "SDx+M" solution, which utilize software-defined technology, beginning in March 2017, NTT Com started offering the "Software-Defined Exchange Service (SD-Exchange)," which provides seamless and secure high-speed global connection between "Enterprise Cloud," "Nexcenter" and multiple other cloud services, including "Amazon Web Services."

- Data Networks

In October 2016, NTT Com launched the "Secure Internet Connectivity Function (vUTM)" security option service for the high-quality, high-reliability "Arcstar Universal One" VPN. Additionally, for its "Arcstar Universal One Multi-Cloud Connect" services, with which a multi-cloud system can be built on a secure closed area network, NTT Com launched an enhanced function that enables immediate connection and bandwidth changes on-demand in April 2016, enabled connections to United Kingdom-based cloud platforms in June 2016, enabled connections to United States-based cloud platforms in October 2016, and launched options that comprehensively support the installation, implementation, and operation of "Amazon Web Services" in December 2016.

In September 2016, NTT Com launched the "OCN vWAF" service, a SaaS-based security service that protects customers' web servers from unauthorized access, for NTT Com's "OCN" Internet connectivity service.

For its high-speed LTE communication service, "OCN Mobile ONE," NTT Com launched Wi-Fi spots that offer free connections in July 2016, "burst transfer functions" that improve communication speeds starting September 2016, a device warranty service "Anshin Hosho" ("Peace of Mind Warranty") covering repair and replacement of smartphones that went into use in October 2016, and high-capacity and sharable 20GB/month and 30GB/month plans in February 2017.

For its "SDx+M" solution, which utilizes software-defined technology, NTT Com began offering the "Software-Defined Network Service (SD-NS)," which flexibly builds and manages overlay networks over multiple lines through software control, in March 2017.

- Voice Communications

For its unified communication service "Arcstar UCaaS," NTT Com expanded the range of its services for large enterprises. For example, Arkadin SAS, an NTT Com group company, completed the acquisition of Applicable Limited, a leading UK provider with a particular strength in implementing Microsoft-based unified communication services, in September 2016.

For voice-based services, in October 2016, NTT Com launched the unlimited calling service "Business Mobile" for business customers, allowing customers who make a high volume of calls from cellular telephones to receive a higher discount. In February 2017, NTT Com also launched a website for changing settings, such as strengthening security, when using BYOD. Furthermore, with respect to its "OCN Denwa" service, which is offered to customers with "OCN Mobile ONE" SIM cards with voice support, in August 2016, NTT Com launched the "OCN Denwa Unlimited 5-Minute Calls Option," which can be used as often as desired at a fixed price, launched the "OCN Denwa Unlimited 10-Minute Calls Option," which increased the call-time provided under a fixed price plan, in February 2017, and, in March 2017, launched a wholesale service for "OCN Denwa" for MVNOs that can reduce calling charges on low-cost smartphones.

With respect to international hubbing services, NTT Com launched the “A2P SMS International Hubbing Service” in November 2016 for use with A2P SMSs (Application to Person Short Messaging Services), which are messages sent by businesses to individuals for marketing or authorization or other purposes. The service relays international messages via the most appropriate route to minimize delays and to ensure delivery.

- Applications and Content

In October 2016, NTT Com launched the "MySign" service, which supports the use of the public personal identification services that use the My Number card.

With respect to services that utilize AI (Artificial Intelligence), NTT Com launched the “Communication Engine ‘COTOHA,’” which can understand natural Japanese conversation with a high degree of accuracy and actively asks for necessary information for “human-like conversations.” In addition, in January 2017, NTT Com launched the “Semantic Search Engine ‘COTOHA Chat & FAQ™,’” an AI-based query resolution support service for business customers that displays appropriate answers in response to queries entered by website users, and also launched the beta version of the “Industry-Specialized AI Translation Platform Service,” which provides highly accurate AI-based translation functions.

- Solution Services

In August 2016, NTT Com expanded the AI capabilities it had installed on the managed security services operations platform of “WideAngle,” NTT Com’s comprehensive risk-management service, substantially strengthening its cyber-attack analysis logic. In addition, in October 2016, NTT Com launched the “Rapid Incident Support Warranty” and “Standardized Malware-Infected Device Inspection” options for security incident responses. Furthermore, in February 2017, NTT Com began offering a “Proactive Response” option that automatically shuts down communications with infected devices after any unauthorized access to a company’s internal systems is identified. NTT Com has been working to provide services that comprehensively support risk management and counter-measures against increasingly sophisticated and malicious security threats in conjunction with NTT Security (Japan) K.K., which commenced operation in August 2016.

For SDx+M solution that utilizes software-defined technology, in October 2016 NTT Com launched a “Software-Defined LAN Solution (SD-LAN solution)” that builds an office-based LAN structure combining both solidity and flexibility.

NTT Com added “SD-NS,” “SD-Exchange” and “SD-LAN Solutions” in March 2017 to its total managed ICT service "Global Management One," enabling full-life cycle support from design, construction, maintenance, operation, and analysis for the entirety of customers’ ICT environment on a global basis.

- New Service Areas

NTT Com’s IoT business promotion included collaborations with partner businesses, including application platform providers and device companies, as well as providing services that are suited to all use-cases, from "Factory" to "Product" and "Vehicle," utilizing NTT Com’s network, cloud, and data center assets that are deployed worldwide and are available to NTT Com as a carrier, in order to contribute to business transformation and productivity increases by enabling the rapid realization of business ideas through IoT.

With respect to SDx+M solution that utilizes SDx technology, beginning in March 2017, NTT Com expanded the functionality of its “Cloud Management Platform (CMP)” system, which enables the centralized management of cloud services, such as “Enterprise Cloud,” “Amazon Web Services” and “Microsoft Azure,” with on-premise systems that customers have built, supporting “SD-NS,” “SD-LAN Solution,” and “SD-Exchange.”

## **Other Measures**

In connection with sales, NTT Com has developed solutions proposals that contribute to the Digital Transformations of customer companies from a company-wide Go-to-Market perspective, including through its entry into mutual collaborations. For example, NTT Com signed a three-year technology partnership agreement with the McLaren-Honda Formula 1 racing team, commencing mutual collaboration towards building an ICT foundation with optimized performance to support the Formula 1 team with the latest technology for networks, clouds, IoT, data collection, and analysis. In addition, NTT Com worked on the global rollout of efficient and effective sales efforts by establishing its sales channel portfolios and solution models to meet the needs of the target market, supporting customers' "transformation of existing business" and "creation of new business models" by strengthening its offerings with solution models that utilize seamless global services to the fullest extent.

In the field of operations, NTT Com worked to utilize digital technology as a source of its competitiveness to accelerate simplification/automation/standardization, and reinforced its capability to handle combined service projects and deepen its customer contact points. NTT Com also built delivery, maintenance, and operations processes to meet the needs of combined service projects, and worked on full and complete automation of standard operations. Further, in October 2016, NTT Com commenced operation of the "Asia Pacific Gateway" high-bandwidth optical submarine cable network in order to increase its cable capacity within Asia and to enhance connectivity with Asian countries. In addition, construction of the undersea cable-laying vessel "Kizuna," to be operated by NTT World Engineering Marine Corporation, began in March 2017 to strengthen NTT Com's ability to lay and maintain cables.

In order to promote seamless global management, NTT Com has implemented a globally standardized ERP system across each NTT Com group company. Furthermore, with respect to procurement, NTT Com undertook an evaluation of modifications to its procurement systems, and fundamentally streamlined its procurement processes for resales, office products, low-cost items, and supplier management. NTT Com also worked to improve its process efficiency by advancing the standardization of its service procurement, increasing the use of databases and setting suitability check-flows to reduce costs, and promoting the flow-through of contracting and payment tasks (electronic estimates/contracts/invoicing). In addition, in human resources, NTT Com focused on personnel recruitment, retention, and training to be able to offer even more sophisticated services, such as by providing engineering experience to all of its younger staff members.

In terms of CSR, in October 2016, NTT Com published a review of basic principles in the CSR Report 2016. In the area of environmental protection activities, NTT Com established its Environmental Declaration and Environmental Targets for 2030 in November 2016. In addition, NTT Com is working to protect the environment and to reduce its own environmental burden by making air conditioning systems at its data centers and communication buildings more efficient, improving air flow, and expanding the installation of automatic air conditioning control systems.

With respect to security, NTT Com has started initiatives to reduce security risks and to strengthen its collaboration and support system with its group companies in order to further reinforce cyber security measures at group companies both in Japan and overseas.

In terms of diversity, NTT Com has been actively promoting a highly productive ICT-enabled workplace environment for its own employees that allows them to adopt flexible working practices, achieve an improved work/life balance and thereby achieve their full potential, regardless of age, gender, nationality, religion or physical ability/disability. Based on NTT Group's gender equality plan targeting a doubling of the percentage of women managers to 8.9% in 2020, NTT Com additionally continues to support the career development of female employees and the appointment of female managers, and also actively hires more female employees. As a result of these measures, NTT Com was recognized in the Ministry of Internal Affairs and Communications' newly established "100 Pioneers in Teleworking," and also received the highest certification,

“Eruboshi,” from the Minister of Health, Labor and Welfare, based on the Act on Promotion of Women’s Participation and Advancement in the Workplace.

### **3. Operating Results**

As a whole, NTT Communications Group’s consolidated operating revenues decreased for the first time in four years, decreasing 36.1 billion yen (-2.7%) over the prior fiscal year to 1,283.0 billion yen. However, operating income increased 14.3 billion yen (+12.1%) compared to the prior fiscal year to 132.5 billion yen.

Non-consolidated operating revenues for NTT Communications by service were as follows. While revenues from NTT Com’s Cloud Computing Platforms increased 2.0 billion yen (+2.9%) over the prior fiscal year to 72.0 billion yen, revenues from Data Networks increased 14.9 billion yen (+4.0%) to 384.8 billion yen, and solution services revenues increased 1.1 billion yen (+0.7%) to 163.4 billion yen, Applications and Contents revenues decreased by 0.9 billion yen (-2.6%) compared to the prior fiscal year to 37.7 billion yen and Voice Communications revenues decreased 9.5 billion yen (-3.7%) to 250.7 billion yen. As a result, NTT Communications’ total non-consolidated operating revenues increased, for the second year in the row, by 5.5 billion yen (+0.6%) over the prior fiscal year to 923.8 billion yen.

As a result of increased telecommunication equipment expenses from the provision of Hikari Collaboration Model services, total operating expenses increased 4.1 billion yen (+0.5%) compared to the prior fiscal year to 831.3 billion yen.

As a result of the above, operating income increased by 1.4 billion yen (+1.5%) compared to the prior fiscal year to 92.5 billion yen, marking the first time in nine years that NTT Com’s operating revenues and operating income both increased over the prior fiscal year, and net income increased by 12.6 billion yen (+17.5%) to 85.0 billion yen.

## II. Financial Results of NTT Communications Group

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)	Percent Increase (Decrease)
Operating revenues	1,319,113	1,282,968	(36,145)	(2.7)
Operating expenses	1,200,915	1,150,477	(50,438)	(4.2)
Operating income	118,198	132,491	14,293	12.1

### III. Non-Consolidated Comparative Balance Sheets (Based on accounting principles generally accepted in Japan)

(Millions of yen)

	March 31, 2016	March 31, 2017	Increase (Decrease)
<b>ASSETS</b>			
Fixed assets:			
Fixed assets - telecommunications businesses			
Property, plant and equipment			
Machinery and equipment	134,315	151,531	17,215
Antenna facilities	1,707	1,674	(33)
Terminal equipment	1,397	1,963	565
Local line facilities	730	1,103	373
Long-distance line facilities	5,759	5,122	(637)
Engineering facilities	51,789	49,878	(1,911)
Submarine line facilities	13,408	16,701	3,293
Buildings	199,178	205,475	6,296
Structures	3,030	2,624	(406)
Other machinery and equipment	112	68	(43)
Vehicles and vessels	82	62	(20)
Tools, furniture and fixtures	37,805	46,700	8,895
Land	45,241	48,577	3,335
Lease assets	5,060	7,950	2,889
Construction in progress	28,085	13,323	(14,761)
Total property, plant and equipment	527,706	552,757	25,051
Intangible fixed assets	101,766	98,820	(2,945)
Total fixed assets - telecommunications businesses	629,472	651,578	22,105
Investments and other assets			
Investment securities	135,291	108,152	(27,139)
Investments in subsidiaries and affiliated companies	381,949	387,905	5,956
Other investments in subsidiaries and affiliated companies	1,500	-	(1,500)
Investment in capital	359	345	(14)
Contributions to affiliated companies	2,049	2,049	-
Long-term loans receivable to subsidiaries	1,725	1,268	(456)
Long-term prepaid expenses	3,483	4,841	1,357
Prepaid pension costs	6,235	6,391	156
Deferred income taxes	6,217	17,499	11,282
Submarine line use rights	17,088	17,114	26
Other investments and assets	14,624	16,268	1,643
Allowance for doubtful accounts	(207)	(160)	47
Total investments and other assets	570,316	561,675	(8,641)
Total fixed assets	1,199,789	1,213,254	13,464
Current assets:			
Cash and bank deposits	12,607	3,406	(9,200)
Notes receivable	-	8	8
Accounts receivable, trade	179,839	178,248	(1,590)
Accounts receivable, other	47,624	49,459	1,834
Lease investment assets	117	92	(24)
Securities	-	4	4
Supplies	9,806	9,643	(162)
Advance payments	3,700	4,552	851
Prepaid expenses	6,469	8,084	1,615
Deferred income taxes	3,694	3,177	(516)
Deposits paid to parent company	4,054	16,636	12,582
Other current assets	29,214	8,647	(20,566)
Allowance for doubtful accounts	(1,017)	(1,367)	(349)
Total current assets	296,110	280,595	(15,514)
<b>TOTAL ASSETS</b>	<b>1,495,899</b>	<b>1,493,849</b>	<b>(2,050)</b>

(Millions of yen)

	March 31, 2016	March 31, 2017	Increase (Decrease)
<b>LIABILITIES</b>			
Long-term liabilities:			
Long-term borrowings from parent company and subsidiary	199,504	222,333	22,829
Lease obligations	5,183	6,297	1,113
Liability for employees' retirement benefits	86,722	89,994	3,272
Reserve for point services	547	407	(139)
Reserve for unused telephone cards	3,628	3,540	(88)
Asset retirement obligations	3,296	4,126	829
Other long-term liabilities	5,170	13,118	7,948
Total long-term liabilities	304,053	339,818	35,765
Current liabilities:			
Current portion of long-term borrowings from parent company	43,360	-	(43,360)
Accounts payable, trade	31,894	29,548	(2,346)
Short-term borrowings	7,766	-	(7,766)
Lease obligations	3,222	3,851	629
Accounts payable, other	151,623	153,953	2,329
Accrued expenses	5,002	4,960	(42)
Accrued taxes on income	6,968	3,749	(3,218)
Advances received	3,790	3,736	(53)
Deposits received	14,150	1,525	(12,625)
Unearned revenues	150	173	22
Allowance for losses on construction	13	627	613
Asset retirement obligations	-	56	56
Other current liabilities	1,363	1,178	(185)
Total current liabilities	269,307	203,360	(65,946)
<b>TOTAL LIABILITIES</b>	<b>573,360</b>	<b>543,179</b>	<b>(30,181)</b>
<b>NET ASSETS</b>			
Shareholders' equity:			
Common stock	211,763	211,763	-
Capital surplus			
Additional paid-in capital	131,615	131,615	-
Total capital surplus	131,615	131,615	-
Earned surplus			
Other earned surplus			
Reserve for reduction entry	7,228	7,189	(39)
Accumulated earned surplus	510,207	556,808	46,600
Total earned surplus	517,436	563,997	46,561
Total shareholders' equity	860,815	907,376	46,561
Unrealized gains (losses), translation adjustments, and others:			
Net unrealized gains (losses) on securities	61,723	43,080	(18,643)
Deferred gains or losses on hedges	-	213	213
Total unrealized gains (losses), translation adjustments, and others	61,723	43,293	(18,429)
<b>TOTAL NET ASSETS</b>	<b>922,538</b>	<b>950,670</b>	<b>28,131</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,495,899</b>	<b>1,493,849</b>	<b>(2,050)</b>

**IV. Non-Consolidated Comparative Statements of Income**  
**(Based on accounting principles generally accepted in Japan)**

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)
Telecommunications businesses:			
Operating revenues	691,290	697,333	6,042
Operating expenses			
Business expenses	156,429	159,654	3,224
Maintenance expenses	74,197	74,148	(48)
Overhead expenses	11,373	10,976	(397)
Administration	66,380	66,106	(273)
Experiment and research	11,665	11,654	(10)
Depreciation and amortization	89,545	89,139	(405)
Retirement of fixed assets	5,195	6,236	1,040
Access charges	187,152	190,708	3,555
Miscellaneous taxes	11,153	11,745	591
Total operating expenses	613,093	620,370	7,276
Operating income from telecommunications businesses	78,196	76,963	(1,233)
Supplementary businesses:			
Operating revenues	227,018	226,522	(495)
Operating expenses	214,072	210,936	(3,135)
Operating income from supplementary businesses	12,946	15,585	2,639
Operating income	91,143	92,549	1,405
Non-operating revenues:			
Interest income	272	62	(209)
Interest on securities	0	0	(0)
Dividends received	12,486	8,258	(4,228)
Lease and rental income	11,581	11,204	(376)
Miscellaneous income	2,822	1,222	(1,599)
Total non-operating revenues	27,163	20,748	(6,415)
Non-operating expenses:			
Interest expenses	1,514	1,050	(463)
Lease and rental expenses	5,551	5,712	161
Miscellaneous expenses	1,034	1,072	38
Total non-operating expenses	8,100	7,836	(264)
Recurring profit	110,206	105,461	(4,745)
Special losses:			
Write-off of investments in affiliated companies	5,847	-	(5,847)
Total special losses	5,847	-	(5,847)
Income before income taxes	104,359	105,461	1,102
Corporation, inhabitant, and enterprise taxes	29,003	23,097	(5,906)
Deferred tax expenses (benefits)	3,042	(2,639)	(5,681)
Net income	72,312	85,003	12,690

## V. Non-Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets

(Based on accounting principles generally accepted in Japan)

Year ended March 31, 2016

(Millions of yen)

	Shareholders' equity							Unrealized gains (losses), translation adjustments, and others			Total net assets
	Common stock	Capital surplus		Earned surplus			Total shareholders' equity	Net unrealized gains (losses) on securities	Deferred gains or losses on hedges	Total unrealized gains (losses), translation adjustments, and others	
		Additional paid-in capital	Total capital surplus	Other earned surplus		Total earned surplus					
				Reserve for reduction entry	Accumulated earned surplus						
April 1, 2015	211,763	131,615	131,615	6,517	481,672	488,190	831,569	98,314	-	98,314	929,884
Net change during the annual period											
Cash dividends					(43,067)	(43,067)	(43,067)				(43,067)
Net income					72,312	72,312	72,312				72,312
Provision of reserve for reduction entry				727	(727)	-	-				-
Return of reserve for reduction entry				(17)	17	-	-				-
Others, net								(36,590)		(36,590)	(36,590)
Total net change during the annual period	-	-	-	710	28,534	29,245	29,245	(36,590)	-	(36,590)	(7,345)
March 31, 2016	211,763	131,615	131,615	7,228	510,207	517,436	860,815	61,723	-	61,723	922,538

Year ended March 31, 2017

(Millions of yen)

	Shareholders' equity							Unrealized gains (losses), translation adjustments, and others			Total net assets
	Common stock	Capital surplus		Earned surplus			Total shareholders' equity	Net unrealized gains (losses) on securities	Deferred gains or losses on hedges	Total unrealized gains (losses), translation adjustments, and others	
		Additional paid-in capital	Total capital surplus	Other earned surplus		Total earned surplus					
				Reserve for reduction entry	Accumulated earned surplus						
April 1, 2016	211,763	131,615	131,615	7,228	510,207	517,436	860,815	61,723	-	61,723	922,538
Net change during the annual period											
Cash dividends					(38,441)	(38,441)	(38,441)				(38,441)
Net income					85,003	85,003	85,003				85,003
Return of reserve for reduction entry				(39)	39	-	-				-
Others, net								(18,643)	213	(18,429)	(18,429)
Total net change during the annual period	-	-	-	(39)	46,600	46,561	46,561	(18,643)	213	(18,429)	28,131
March 31, 2017	211,763	131,615	131,615	7,189	556,808	563,997	907,376	43,080	213	43,293	950,670

## VI. Business Results (Non-Consolidated Operating Revenues)

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)	Percent Increase (Decrease)
Cloud Computing Platforms	70,029	72,034	2,005	2.9
Data Networks	369,871	384,804	14,933	4.0
Voice Communications	260,329	250,794	(9,535)	(3.7)
Applications & Content	38,729	37,732	(996)	(2.6)
Solution Services	162,352	163,496	1,144	0.7
Others	16,997	14,993	(2,003)	(11.8)
Total operating revenues	918,309	923,855	5,546	0.6

## VII. Non-Consolidated Comparative Statements of Cash Flows

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase (Decrease)
Cash flows from operating activities:			
Income before income taxes	104,359	105,461	1,102
Depreciation and amortization	106,837	106,971	134
Loss on disposal of property, plant and equipment	4,075	4,517	441
Gains on sales of fixed assets	(3)	(78)	(75)
Increase (decrease) in allowance for doubtful accounts	(117)	302	419
Increase (decrease) in liability for employees' retirement benefits	1,140	3,272	2,131
Write-off of investments in affiliated companies	5,847	-	(5,847)
(Increase) decrease in accounts receivable	(3,413)	(239)	3,174
(Increase) decrease in inventories	(3,015)	1,152	4,167
Increase (decrease) in accounts payable and accrued expenses	432	703	270
Increase (decrease) in accrued consumption tax	(4,850)	2,434	7,285
Other	(23,183)	(10,925)	12,257
Sub-total	188,108	213,571	25,463
Interest and dividends received	12,752	8,344	(4,407)
Interest paid	(1,418)	(1,086)	332
Income taxes received (paid)	(22,436)	(29,892)	(7,455)
Net cash provided by (used in) operating activities	177,004	190,937	13,933
Cash flows from investing activities:			
Payments for property, plant and equipment	(124,453)	(134,677)	(10,224)
Proceeds from sale of property, plant and equipment	18	412	394
Payments for purchase of investment securities	(105,792)	(422)	105,370
Proceeds from sale of investment securities	152	2,242	2,090
Payments for long-term loans	(5,852)	-	5,852
Other	(1,720)	(4,042)	(2,321)
Net cash provided by (used in) investing activities	(237,648)	(136,487)	101,161
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	149,857	22,864	(126,993)
Payments for settlement of long-term debt	(53,360)	(43,360)	10,000
Net increase (decrease) in short-term borrowings	(2,647)	(7,766)	(5,119)
Payments for settlement of lease obligations	(7,470)	(4,306)	3,164
Dividends paid	(36,001)	(33,000)	3,000
Net cash provided by (used in) financing activities	50,378	(65,569)	(115,947)
Effect of exchange rate changes on cash and cash equivalents	(2,147)	(158)	1,988
Net increase (decrease) in cash and cash equivalents	(12,412)	(11,277)	1,135
Cash and cash equivalents at beginning of year	44,042	31,630	(12,412)
Cash and cash equivalents at end of year	31,630	20,353	(11,277)

## VIII. Changes in NTT Communications Directors (Subject to Shareholders' Approval)

### 1. Candidates scheduled to take office as Directors

Shuichi Sasakura	Head of Corporate Planning
Yoichiro Takaya	Head of Fifth Sales Division
Naoki Kajita	Deputy Senior Vice President of Fourth Sales Division
Keigo Kajimura	Head of Solution Services
Hiromasa Takaoka	Vice President of General Affairs Department, NIPPON TELEGRAPH AND TELEPHONE CORPORATION
Atsuhiko Fuseya	Vice President of General Affairs Department, NIPPON TELEGRAPH AND TELEPHONE CORPORATION

### 2. Directors scheduled to resign

Takashi Ooi	Senior Vice President (scheduled to transfer to NTT Bizlink, Inc.)
Akira Arima	Senior Vice President (scheduled to remain as NTT Communications' Corporate Advisor)
Masanori Ozawa	Senior Vice President (scheduled to transfer to NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION)

### 3. New Executive Positions and Organizational Responsibilities

Name	New Position(s) and Organizational Responsibilities	Current Position(s) and Organizational Responsibilities
Tetsuya Funabashi	Senior Executive Vice President In charge of technology In charge of services In charge of operations In charge of information security	Senior Executive Vice President In charge of technology In charge of operations In charge of information security In charge of corporate Head of Customer Services
Katsumi Nakata	Senior Executive Vice President In charge of sales In charge of global business In charge of corporate	Senior Executive Vice President In charge of sales In charge of global business
Shuichi Sasakura	Senior Vice President Head of Network Services	Head of Corporate Planning
Yoichiro Takaya	Senior Vice President Head of Fifth Sales Division	Head of Fifth Sales Division
Naoki Kajita	Senior Vice President Head of ICT Consulting Division	Deputy Senior Vice President of Fourth Sales Division

Keigo Kajimura	Senior Vice President Head of Solution Services	Head of Solution Services
Hiromasa Takaoka	Senior Vice President Head of Customer Services	Vice President of General Affairs Department, NIPPON TELEGRAPH AND TELEPHONE CORPORATION
Atsuhiko Fuseya	Senior Vice President	Vice President of General Affairs Department, NIPPON TELEGRAPH AND TELEPHONE CORPORATION

Notes: • Among the Directors scheduled to resign from office, Takashi Ooi is expected to resign on June 11, 2017, Masanori Ozawa is expected to resign on June 22, 2017, and Akira Arima is expected to resign at the close of the 18th Annual General Shareholders' Meeting (to be held on June 23, 2017).

- Shuichi Sasakura is expected to concurrently become Head of Network Services on June 12, 2017.