

NTT Communications Group
Corporate Social Responsibility Report 2005



NTT Communications Group CSR Report 2005

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Editorial Policy

This publication, Corporate Social Responsibility Report 2005, is the NTT Communications group companies' (NTT Communications Group) first CSR report. In addition to providing a guide to the Group's activities, policies, and organization, this report incorporates three Special Features. These introduce the reader to some of the unique aspects of our operations, such as our vision for "the world of ubiquity" in 200X. The Special Features are followed by a series of discussions of the Group's social performance, each focusing on one of our four key stakeholders. Finally, this report includes an overview of the Group's environmental performance.

■ This report was prepared with careful reference to the Group's Global Reporting Initiative (GRI) guidelines and the guidelines of the Ministry of the Environment.

Period Covered and Scope

- **Period covered:** Period covered: This report covers the activities of the NTT Communications Group's business activities from April, 2004 to March, 2005. Some references are made to events just before or after this period also occur.
- **Scope:** This report deals with the operations of NTT Communications Corporation and some of its group companies.

Greetings

With the rapid spread of broadband communications and other recent advances, communication networks have emerged as an essential modern commodity, both in business and for individuals. The blistering pace of progress in information and communication technologies (ICT) is creating an increasingly vital role for IT and networks in a wide array of activities, driving the development of a more prosperous, comfortable, and satisfying life for all.

Today's world is overwhelmed with a host of seemingly intractable concerns. In Japan, an ICT-rich society confronts issues ranging from online security to an aging demographic profile and low birth rate. On a global scale, poverty, illness, and hunger require immediate action in many countries.

The NTT Communications Group is committed to doing its part in relieving these diverse social issues, drawing on its ICT resources to tackle the daunting array of challenges facing its customers and society at large. Our vision is to serve the business community and the public as a global IP solutions company.

As a leading enterprise in the ICT arena, NTT Communications Corporation is keenly aware of its responsibilities to the communities in which it does business. Our duty is to deliver ICT services of uncompromising quality, reliability, and consistency. In doing so, we create value for our customers and society while playing a vital role in finding solutions to the world's most pressing issues.

Inspired by this awareness, our company is constantly moving forward, creating innovative business models and submitting bold proposals to enrich modern lifestyles. We are determined to remain at the cutting edge of this challenging field throughout the dynamic years ahead.

NTT Communications is highly regarded for its longstanding policy of disclosure regarding environmental issues. We have instituted a Global Environment Charter that we follow diligently on a company-wide basis to achieve difficult objectives and report the details of these efforts and their results in an annual Environmental Report.

Let us introduce another face of NTT Communications. The report you are about to read is a far-reaching review of our activities in the field of corporate social responsibility (CSR), encompassing not only our existing environmental report but also the social and economic aspects of our operations. Through the publication of this first CSR Report, NTT Communications aims to provide all of our many stakeholders with a clear and comprehensive understanding of the full range of our CSR activities.

I hope this report will serve to aid your understanding of the CSR activities of the NTT Communications Group. We also welcome your opinions and suggestions through surveys and questionnaires.



NTT Communications Corporation
President & CEO **Hiromi Wasai**

A handwritten signature in black ink that reads "Hiromi Wasai". The signature is written in a cursive, flowing style.

Our Approach to CSR



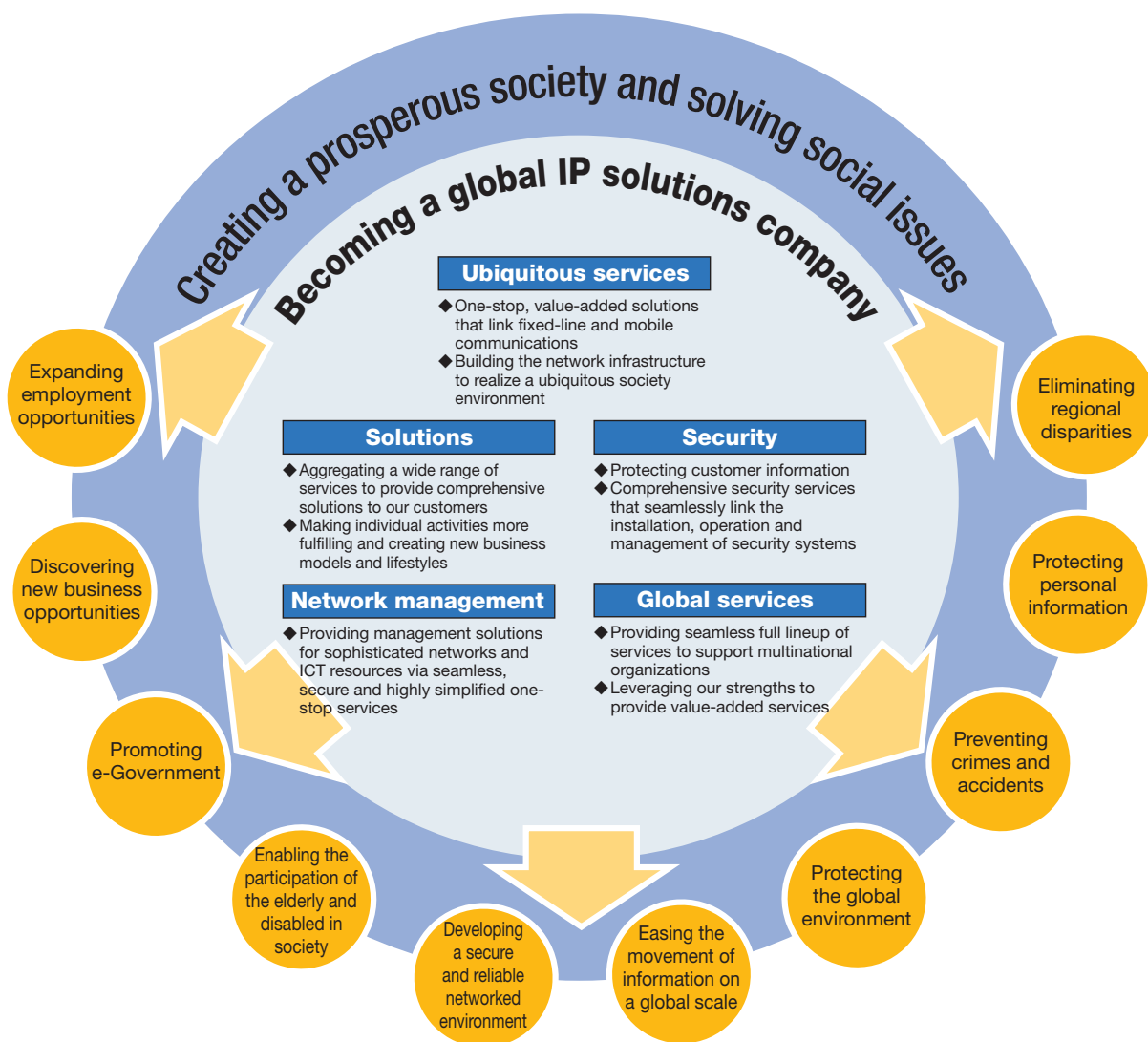
NTT Communications contributes to the prosperity of society and to the resolution of social issues as a global IP solutions company.

By delivering safe, reliable, and high-quality services, NTT Communications creates value for its customers and communities in today's ICT-driven world. In so doing, the NTT Communications Group's approach to CSR is to play a vital role in solving society's problems.

Operating Vision and CSR

The operating vision of NTT Communications, along with the NTT Communications Group, is to become a global IP solutions company. We believe this is the best way that we can contribute to solving the many issues that face our customers and society.

Focusing on our five core business segments—ubiquitous, security, solutions, network management, and global services—we are tackling the problems of today's communities and working toward a more prosperous and fulfilling future.



Our Code of Business Conduct

NTT Communications constantly aims to provide solutions for the economic, social, and environmental problems that beset the stakeholders we serve in our daily business activities. We operate according to a set of action standards, which set out

“actions to take” and “actions not to take,” with respect to each stakeholder group.

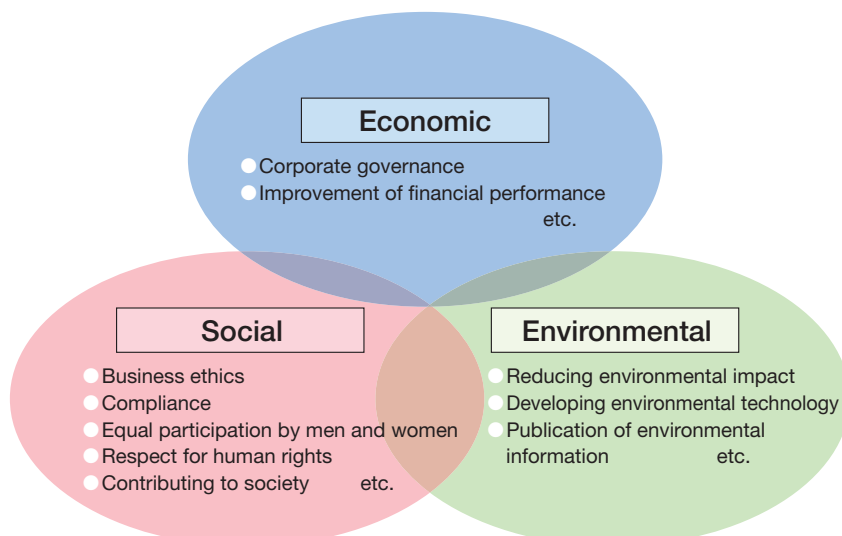
The action standards on which our entire CSR outlook is based are described below.

Society	Achieve a Cooperative Relationship	<ol style="list-style-type: none"> 1. By providing safer and innovative Internet services, we will contribute to the positive growth of the Internet society. 2. We will cherish the members of society closest to us such as families and local communities. 3. We will understand and respect the cultures and customs of different nations. 4. We will contribute to the development and rebuilding of society
Customers	Maintain Long-Term Relationships of Trust	<ol style="list-style-type: none"> 1. We will provide solutions and services that will truly benefit customers by understanding their needs. 2. We will act responsibly and with pride as members of a Global IP Solution Company in responding quickly, flexibly, and with integrity to our customers. 3. We will establish enduring relationships of trust with our customers.
Business partners	Establishment of Partnerships	<ol style="list-style-type: none"> 1. We will fully utilize the partnerships we have formed to maximize value for our customers. 2. We will select our business partners in a fair manner. 3. We must not forget that, as equal partners, other companies have the right to consider the merits of forging a partnership with us.
Employees and the workplace environment	Trust and Respect Each Other	<ol style="list-style-type: none"> 1. Each employee shall possess an awareness and sense of responsibility as an Internet Professional. 2. We will recognize others' individuality, diversity, and trust, and we will respect each other. 3. We will create an environment that is conducive to personal development and the fulfillment of our goals. 4. Undertaking Creation of a Vital Workplace Environment.

Our CSR Activities

NTT Communications is dedicated to creating new value for customers and communities alike as a global IP solutions company. In addition to this economic aspect, we actively tackle a range of social and environmental issues. For example, we are working to revitalize regional communities and the lives of senior

citizens by bridging the digital divide, and we are tirelessly exploring approaches to lighten our environmental footprint. As we continue to bring exciting ideas about communications to market, the NTT Communications Group is pressing ahead with a full range of CSR activities.



Our Framework for Promoting CSR



Building the Health and Transparency of Our Business Based on a Strong Sense of Ethics

The NTT Communications Group is mindful of its responsibilities to society as a global IP solutions company. We are focusing on strengthening corporate governance, establishing a compliance framework, and promoting awareness of human rights as vital issues of business.

Corporate Governance

The NTT Communications Group holds a keen sense of ethics and is determined to instill a robust and transparent business culture. We are establishing the following management structures to grapple with the vital business issues of corporate governance.

Governance Framework

The board of directors of NTT Communications is composed of 14 directors (as of September 30, 2005) and in principle meets once a month to decide and report on important matters of business. To strengthen its ability to supervise the fairness with which it executes its business activities, the board also includes one outside director, who observes and participates in the board's deliberations from an independent perspective.

The board of statutory auditors includes three outside statutory auditors. These statutory auditors are present at all important meetings, including those of the board of directors, to audit the execution of Company activities. To provide assistance in the duties, the outside statutory auditors have their own staff and dedicated organization.

To discuss important matters regarding the management of the Company and the Group, the appropriate councils and committees are convened as necessary, and decisions are made after due deliberation. To assist the president in deciding specific measures, a number of councils and committees are established, including the Executive Council, Market-In Promotion Committee, CSR Committee, Human Rights Awareness Promotion Committee, Compliance Committee, and Work/Life Committee.

Internal Regulation

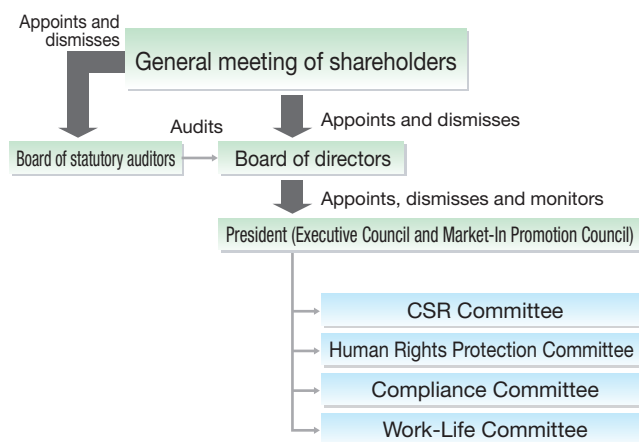
NTT Communications and its main Group companies maintain internal auditing departments that meet annually with other members of the NTT Group. These meetings enable this group to establish consistent auditing of important matters that constitute serious risks for all group companies.

Based on this unified approach, the companies establish self-evaluation processes, internal auditing systems, and internal regulation. After careful evaluation of the effectiveness of these programs, recommendations and instructions for improvement are issued. In this way processes of review of work sequences and other vital processes are continuously repeated, enhancing the value of the NTT Group's internal regulatory functions.

Audits by Statutory Auditors

Under the statutory auditors' leadership, persons responsible for carrying out audits ordered by statutory auditors conduct appropriate audits of the status of the directors' execution of their duties. These auditors meet regularly with accounting auditors and other specialists, maintaining close liaison on audit plans, results of audits, and other information, striving to enhance the strength of the auditing framework.

Governance framework



Compliance (corporate ethics)

The NTT Communications Group recognizes that in order to establish strong corporate ethics, an enterprise must approach all business operations with a strong ethical compass and not merely consent to comply with the law. The Group is actively driving forward a broad array of actions in compliance and corporate ethics guided by the NTT Group Charter on Business Ethics, proclaimed in November 2002.

Building a Framework to Promote Corporate Ethics

The NTT Communications Group is proud of its long history of vigorous efforts to establish corporate ethics. To bolster this stance still further, in November 2002 a Compliance Committee was established within NTT Communications, establishing a framework of responsibility that embraces directors, structures and organizations tasked with responsibility for corporate ethics.

The Corporate Hotline

When NTT Communications established the Compliance Committee, the Company also established an NTT Communications Group Hotline. This hotline is available to employees across the Group, including those at overseas affiliates.

In addition, our parent group (the NTT Group) has established an external office staffed with attorneys for reporting and consultation, which assists in fostering free and frank communication within the group.

■ Raising Awareness About Corporate Ethics

The NTT Communications Group offers its employees a full menu of options on a continuous basis to learn about corporate ethics, including training programs for all employees, programs tailored to particular management grades, and

external classes/lectures. We are constantly implementing novel and attention-getting ways of stressing concepts of corporate ethics on employees, such as a Group-wide call for compliance slogans.

NTT Group Corporate Ethics Charter

1. Recognizing the establishment of corporate ethics as one of its most important missions, top management shall exert its leadership to ensure that the spirit of this Charter is adopted throughout the company, and shall assume full responsibility for solving any problems when any event inconsistent with that spirit occurs.
2. Every person with subordinate employees shall not only act in a self-disciplined manner, but shall also always provide guidance and assistance to his/her subordinate staff to ensure that their conduct is in conformity with our corporate ethics.
3. Every officer and employee of NTT Group shall not only comply with all laws and regulations, social standards and internal company rules whether in Japan or overseas, but officers and employees shall also hold the highest ethical philosophy within himself/ herself both in public and in any private situations. Among other things, each officer and employee, as an officer or employee of a member of a Global Information Sharing Corporate Group, shall keep himself/herself fully aware that any disclosure of customer or other internal privileged information constitutes a materially wrongful act. Also, as a member of a group of companies which holds great social responsibilities, he/she shall strictly refrain from giving or receiving excessive gratuities from customers, business partners, or other interested parties.
4. Each NTT Group company, at the first opportunity, shall take initiatives to provide training programs in order to help its officers and employees enhance their awareness of our corporate ethics.
5. Every officer and employee of NTT Group shall direct his/her efforts to prevent wrongful or scandalous acts which may potentially occur as specialization and advancement of our business proceeds. Each NTT Group Company shall improve its system to prevent such acts, including, for instance, the re-assignment of contract representatives who have remained with the same customers for a long period of time, and the improvement of monitoring tools to protect customer and other information.
6. Any officer or employee who may come to know of the occurrence of any wrongful act or any scandal shall promptly report the wrongful act or scandal to his/her superior or other appropriate persons. If he/she is not able to make such a reporting, he/she may contact the "Corporate Ethics Help Line (Consulting Center)". It should be noted that every officer and employee who reports the occurrence of any wrongful act or scandal shall be protected so that the reporting party shall not suffer any negative consequences due to such reporting.
7. In the event of an occurrence of any wrongful act or scandal, each NTT Group company shall be committed to the settlement of the problem by taking appropriate steps through a speedy and accurate fact finding process, and responding in a timely, suitable and transparent manner in order to fulfill its social accountability.

❖ Raising Awareness of Human Rights

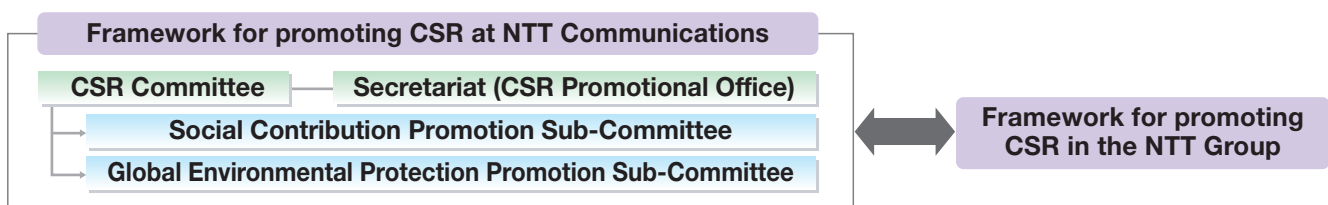
The NTT Communications Group places great importance on solving inequality and other human rights issues to build a prosperous and livable society that respects human rights. We aim to ensure that our corporate culture does not tolerate discrimination in any form, and we are working every day to solve human-rights and equity problems on an organizational Group-wide basis in the course of our routine business operations.

We believe that each employee must deal with human-rights issues on a personal level. To encourage better understanding and awareness of these issues and foster a deep-rooted understanding of human rights in the context of everyday operations, we provide a wide range of training and awareness-raising programs. Topics covered include equality issues, the disabled, persons of other nationalities residing in Japan, the elderly, sexual harassment, power harassment, and trends in human rights issues in Japan and overseas.

❖ Framework for Promoting CSR

To clarify its management framework for the promotion of CSR, in August 2005 NTT Communications established the CSR Committee with a vice president of the Company as its chair. Two subcommittees reporting to the CSR Committee were also established: the Social Contribution Promotion Committee and the Global Environmental Promotion Protection Committee.

Tasked with promoting CSR at NTT Communications, these organizations hold ongoing discussions to formulate basic CSR strategy and issue CSR reports. This CSR promotional framework also maintains close liaison with the companies in the NTT Group.



1

Providing Stable, Reliable Communication Networks

Providing Stable and Reliable Communication Networks Supporting Today's ICT-Driven Society with a Stable and Reliable Global Network

At the NTT Communications Group, our vision is to be a global IP solutions company. Backed by a global network and data centers in countries throughout the world, we provide the IT services that are indispensable to businesses and individuals in today's IT-driven world. By consistently providing stable and reliable services, we contribute value to customers in a world powered by ICT. For the NTT Communications Group, this is the first step in CSR.

Ensuring Network Reliability in the Face of Disaster

The NTT Communications Group carefully prepares for the possibility of large-scale, unforeseen disasters. Our core policy is to constantly improve the reliability of our networks, safeguard vital communications, and restore service quickly when accidents occur. To this end we have adopted a range of effective measures to maintain solid network reliability in the face of earthquakes, flooding, or other disasters, including the following:

- (1) Looping of communication networks and creating multiple routes through diversity of lines
- (2) Building networks to withstand earthquakes up to category 7 on the Japanese scale of intensity (heavy structural damage)
- (3) Tight security controls on entry to and exit from communication facilities
- (4) Backup power facilities to prepare for power failures, such as failure-free equipment and power generators

To safeguard vital communications in the event of disaster, we work closely with the entire NTT Group to ensure rapid equipment recovery. Measures include:

- (1) Securing emergency communication links with police, firefighters, local government, and other important services to enable disaster relief and recovery
- (2) Group-wide organizational measures, such as a Disaster Response Headquarters that can react rapidly in the event of disasters or accidents
- (3) Provision of a Disaster Emergency Dengon (Message) Dial (171) for emergency contact and for confirming people's safety
- (4) Equipment measures such as the dispatch of mobile power generators, installation of disaster-response equipment, and the use of helicopters for locating accident sites and transportation of people/materials

TOPICS 1

Rapid recovery of facilities after major disasters such as the Niigata Chuetsu Earthquake

Japan is located in a region prone to frequent natural disasters such as earthquakes and typhoons. In 2004, the nation was struck by the Niigata Chuetsu Earthquake and two major typhoons: Typhoon Meari, which struck Okinawa, and Typhoon Tokage in Hyogo Prefecture. Since we prepared multi-route network configurations and other measures, NTT Communications' operations were unaffected by these disasters, although some cables were damaged.

Thanks to close cooperation within the NTT Group and concerted recovery efforts, the damaged equipment was quickly restored to working order.



Network Technologies and Protective Systems for the Information Age

Reliable communication networks are the foundation of today's ICT-based society. As a leading provider of communication backbones, NTT Communications is securing that reliability by establishing multiple routes throughout Japan. If any of these routes should fail for some reason, our networks are

designed to switch automatically to another route. Moreover, our communications equipment has been backed up and decentralized, and we monitor its performance 24 hours a day, 365 days a year, supporting network services of consistently high reliability.

TOPICS 2

The NTT Communications Customer Network Center: High Quality, High Efficiency, and High Reliability

To ensure uncompromising reliability with support for a broad range of operational modes, NTT Communications centralizes the operation and management of its network services. This centralization enables the Company to provide its customers with unsurpassed levels of quality, efficiency and reliability.

① One-stop customer service for resolution of product failures

With a single, centralized contact point for resolution of product failures, we respond quickly and attentively to customer concerns.

② Monitoring and control of equipment at network service nodes

Nationwide monitoring 24 hours a day, 365 days a year assures outstanding reliability in our network services.

③ Quality control tailored to individual customer needs based on Service License Agreements (SLA) and failure analysis reports

NTT Communications provides individually tailored quality control and analysis reports.

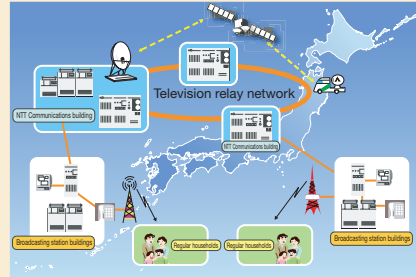
TOPICS **3**

Television Broadcast Relay Service

NTT Communications takes great care of the television programs entrusted to us by broadcasting stations. By means of our TV relay network and communication satellites, we broadcast these TV programs to audiences nationwide. The television relay network, which is linked to every region in Japan, consists of a duplicate structure that is monitored and controlled 24 hours a day. In the event of any network failure, corrective action can be taken immediately, ensuring peerless network reliability. NTT Communications is proud to play a role in bringing TV audiences the programs they enjoy with excellent broadcast quality.



Operation room of the Tokyo Television Center



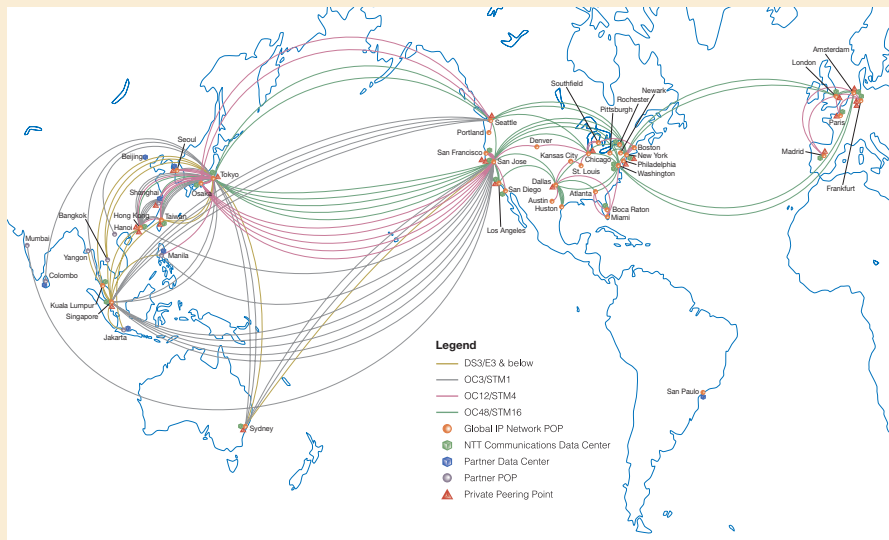
Television relay network

Offering a Global IP Network

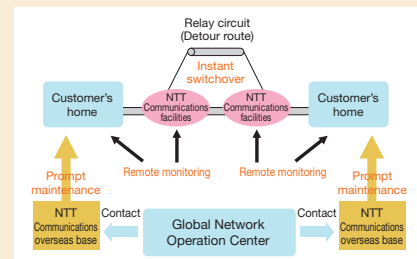
As business goes increasingly multinational, our customers demand global IT services. On the individual level, Japan's consumers are turning their attention ever more overseas, downloading content and shopping online at sites based all over the world. At NTT Communications, we work with our partners in Japan and overseas to seamlessly blend domestic and international services into a faultlessly stable and reliable online experience, backed by a global Tier 1* IP backbone and data centers located worldwide. The result is a service ideally suited to the age of ICT.

In addition, our Global Network Operation Center delivers remote monitoring and backup services, providing seamless maintenance and assuring 24-hour end-to-end support. All inquiries from emergency support to general consultation are concentrated in a single customer service center, so customers can enjoy the convenience, simplicity and efficiency of a one-stop help desk.

* A "Global Tier 1" ISP is an ISP that possesses its own world-class broadband backbone, with which it can control the quality of its service without depending on upstream providers.



Global IP network



Remote monitoring and maintenance service

COLUMN

At NTT Communications, we are working constantly on research and development to improve reliability. GMPLS is a revolutionary network technology for the next generation optical networks.

Generalized Multi-Protocol Label Switching (GMPLS) is an important network control technology for the next generation of optical networks. It is currently under development in the R&D departments of telephone carriers and communication equipment vendors around the world, including NTT's laboratories. NTT Communications is keenly interested in GMPLS and is conducting a development program of its own, which culminated in May 2005 in a successful proving test of a commercial network using GMPLS technology. With GMPLS, NTT Communications looks forward to creating intelligent networks which automatically seek out and switch to a detour route when obstructions occur, ensuring rapid, automatic recovery.



The automatic detour and recovery features of GMPLS were demonstrated to the public with this video link between Interop Tokyo 2005, a technology fair held in Makuhari Messe (International Convention Complex near Tokyo), and Expo 2005 in Aichi.

2 Information Security and Protecting Customer Information

Security is the number one issue in communication services. NTT Communications is working to make society safer and more secure for everyone.

The NTT Communications Group has built its reputation by making security its highest priority. We were among the first to publish a Security Declaration, and we continue to strive for systematic security management founded on a consistent, Group-wide policy. By fostering a total security framework underpinned by a trinity of people, processes, and technology, the Group is moving decisively toward its goal of a safe and secure society for everyone.

The NTT Communications Security Declaration: Information Protection Policy

NTT Communications was one of the first companies to start work on a management framework for customer and other information.

We realized that we could apply our own stringent security

measures to improve security for our customers. In September 2002, we moved to protect our customers' privacy with the announcement of the NTT Communications Security Declaration and Information Protection Policy.

NTT Communications Security Declaration

Our most important mission, in addition to protecting information that is vital to our customers and providing services they know are safe, is contributing to an enhancement of our customers' security system.

We regard security as our top priority in providing services to our customers, and we pledge to work with them to achieve an optimum security system.

We will do our utmost to ensure security in all phases of the value chain, from technology and service development to establishment and operation.

Furthermore, as Internet Professionals, each one of us will raise our capabilities to respond to security-related issues.

Three Resolutions

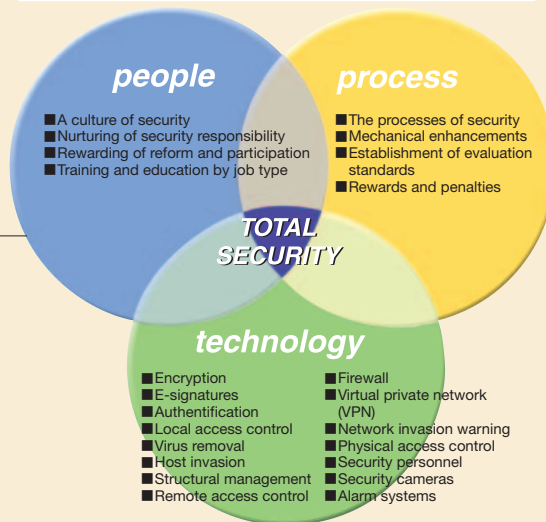
1. We regard security as our top priority in providing services to our customers, and we will do our utmost to enhance their security.
2. As an IT partner entrusted with our customers' vital information, we will work with them at all times to ensure their security.
3. Business partners and contract employees are also important supporting members of NTT Communications. We will therefore collectively strive to ensure our own security.

Information Protection Policy

1. Appropriate procedures shall be followed in the creation, accumulation, usage, and provision of information.
2. Measures shall be taken to prevent unauthorized access to and loss, damage, modification or leakage of information.
3. All laws and regulations governing the handling of information shall be strictly observed.
4. Rules pertaining to the handling of information shall be properly organized and constantly reviewed.
5. NTT Communications shall ensure that all relevant personnel shall adhere to the document regulations pertaining to the handling of information.

The Trinity of People, Process, and Technology

People are both threats to and operators of security systems. Security measures that rely solely on technology are therefore inadequate; ensuring total security requires personnel supervision, training, and the establishment of a process to guarantee security.



The Wide Range of Measures We Take to Protect Our Customers' Information

NTT Communications takes every precaution to protect our customers' information, and especially their personal information. In addition to implementing conventional security measures, we have been awarded the Privacy Mark and we strictly comply with the guidelines of the General Affairs Ministry. In principle, divulging of personal information outside the Company is prohibited, and we have strengthened our rules regarding the company-internal handling of information. We also maintain stringent controls on the outsourcing of customer-information handling. When handling of personal information is outsourced to other companies, we require such contractors to handle that information according to the same strict security standards that NTT Communications applies, and we conduct regular audits of those operations.

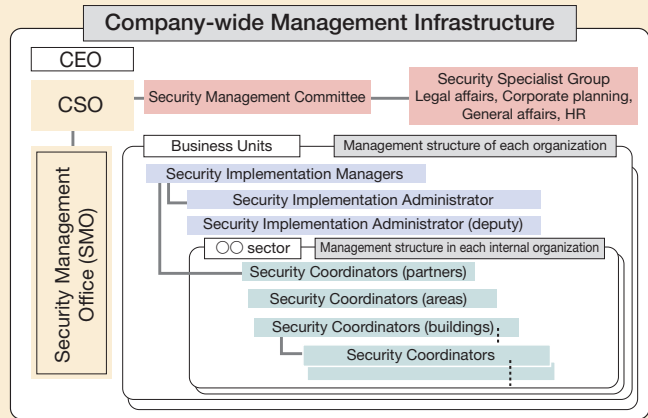
Risk is especially high in the management of electronic customer data. For such data, NTT Communications restricts access rights to the minimum and carefully controls their use, granting permission to use the data only upon careful examination by the security management office. We also turn our expertise in these examination processes to create "information life-cycle management systems," eliminating the risk of leaks that arise from failure to destroy all traces of the information left behind on circuits by copying processes. Another measure we take to reduce the risk of leakage of customer information is to introduce "thin client" terminals* to handle this information.

*Thin client terminal: A system terminal in which applications and data are not transferred to clients but are centrally managed on the server. These systems boast excellent security because no data are left behind on terminals.

Security Management Promotion Structure

Under the direction of a Chief Security Officer (CSO), a number of deliberative bodies are established. The Security Management Office serves as an executive office for security matters, developing policy and management plans and deciding how to respond when incidents arise. In addition, key professional staff members in legal affairs, advertising, general affairs, personnel, and management planning can be assembled at short notice to respond to particular concerns.

Moreover, persons responsible for promoting security in each division deploy specialist instructors who provide centralized training in the application of BS7799, the global standard in security management. We are also working proactively to acquire certification for their information security management systems (ISMS). Of NTT Communications' nine divisions, five are certified and the remaining four are expected to gain certification shortly.



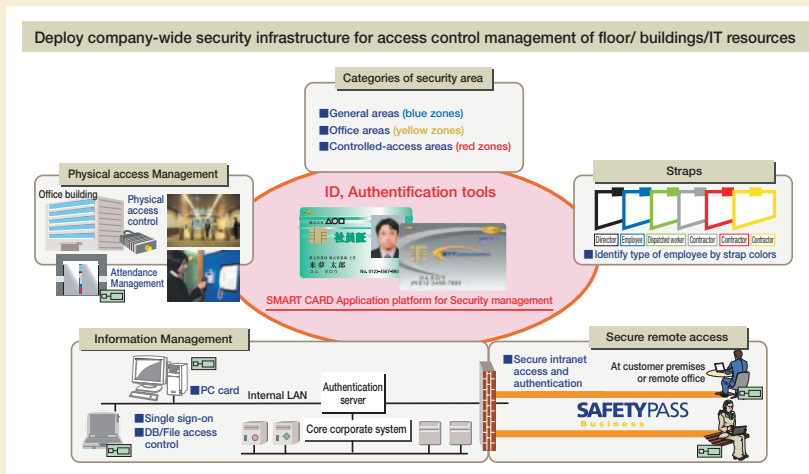
Developing Services Based on a Strong Track Record in Implementing Tools to Strengthen Internal Security

NTT Communications holds the view that people must be at the center of any comprehensive measures to improve security. For that reason we are hard at work developing tools that improve safety for our personnel and ease the burdens placed on them. Capitalizing on the expertise it has gained in implementing these internal security measures, NTT Communications is now rolling out a full palette of services, including consulting, education and training, and services to prevent information leaks.

Based on the expertise we acquired in developing in-house security solutions, the services we offer have won appraisal from a wide range of customers. One example of our creative approach is an IC-card-based employee identification solution, which uses a single smart card to manage building access and permissions for access to internal data systems.

The IC-Card-Based Employee Identification Solution

Using a single IC card for each employee, this system centrally manages both physical access and systems access. In addition, staff security levels are indicated by color-coded IC card straps, and each floor is differentiated by the colors of each security area. This system offers the double benefit of easy understanding of the rules and tools involved as well as obtaining the participation of all employees in managing security. In addition to enabling individual screening by security personnel at building security gates, the system also ensures that only persons with the proper security levels can enter each zone. When using PCs, employees must give their ID and password and identify themselves using their cards as well, or they are refused access. One benefit of this system is that, if a PC is stolen or lost, a password is set for the hard disk, providing security and preventing data theft and leakage.



Making the Workplace Better: Security Improvement Activities

NTT Communications constantly stresses the importance of a strong security focus on all its employees. But this process is not one-way: The Company's Security Kaizen (continuous improvement) activities ensure that ideas implemented on the shop floor to improve quality are soon broadly deployed and make an impact on the bottom line.

In these activities, NTT Communications applies the widely used TQC/TQM (total quality control/total quality management) approach to security issues. Security improvement themes are arranged, and for each problem employees repeat the question "Why is this so?" for five times to get to the heart of each problem and improve operations on their own initiative. The employees then proceed to work with other organizations and contractors to

attain overall optimization and improve customer satisfaction.

At NTT Communications, we believe that "security" means delivering safety and peace of mind to our customers. Through constant improvements in quality, we are building the value of the NTT Communications brand as a leader in security. The entire Company is pulling together to achieve the most ambitious goals in quality of security.



Company-wide assembly on Security Kaizen

3 Moving Toward a World of Ubiquitous Networks

Safe, Friendly, and Fun: The World of Ubiquitous Networks Will Transform the Way We Live

Taking advantage of ICT, we are working toward a world of ubiquitous networks. We believe that this technology will support powerful solutions to many social issues and enable everyone to participate fully and securely in their communities regardless of age, sex, region, nationality, and physical ability.



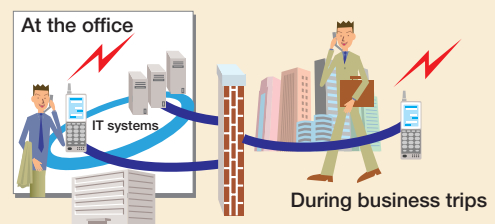
The Age of Ubiquitous Networks is Already Beginning

Smart Biz Kit, the Vanguard of Ubiquitous Services

Smart Biz Kit plays the role of a platform that makes fixed-mobile convergence (FMC)—the bundling of a wide range of services covering both fixed-line and mobile communications—a reality. This innovation has made it possible to communicate and access in-house resources anywhere, anytime.

For example, people can now access files attached to e-mail, access company intranet systems, and access resources using

international roaming services. This new environment offers a view of what the world of ubiquitous will be like.



Ubiquitous-Networked Campus Debuts at Musashino University

Musashino University is now fitted with a ubiquitous Internet environment. Students can now connect to the Internet to do homework and group work and schedule club-activities, whether they are in the classroom, in the cafeteria, or anywhere else on campus. Comprised of wireless LAN, "HOTSPOT" and online communication tools running on "cocoa", this ubiquitous communication environment offers students a new dimension of freedom and creativity in campus life.

In addition, Musashino's Correspondence Division accepts reports from students by e-mail and provides a bulletin board where students can exchange ideas and information.

Through this online environment, distance-learning students can organize group study sessions and regional gatherings to share information.

Musashino University's experiment is pointing the way to exciting new modes of communication on and off campus.



Let's See What the World of Ubiquitous Networks Will Look Like in 200X

Safe Supporting safe, secure living

"Your son suffered an injury at school!"

In just a few years, ubiquitous networks will play a major role in supporting comfort and safety in our daily lives.

Consider this scenario. A boy suffers an injury in the schoolyard. Using a PC, the school contacts his mother at work. From the hospital, medical staff provide the worried mom with a visual diagnosis of the boy's injury, providing prompt and accurate updates even though she is far away.

In emergency situations, whether due to illness, accident, disaster or crime, professionals in remote locations can provide guidance across the network, so people on the scene can promptly take the best course of action. The day when this kind of support is a routine facet of life is not far off.

● This scenario will use these technologies:

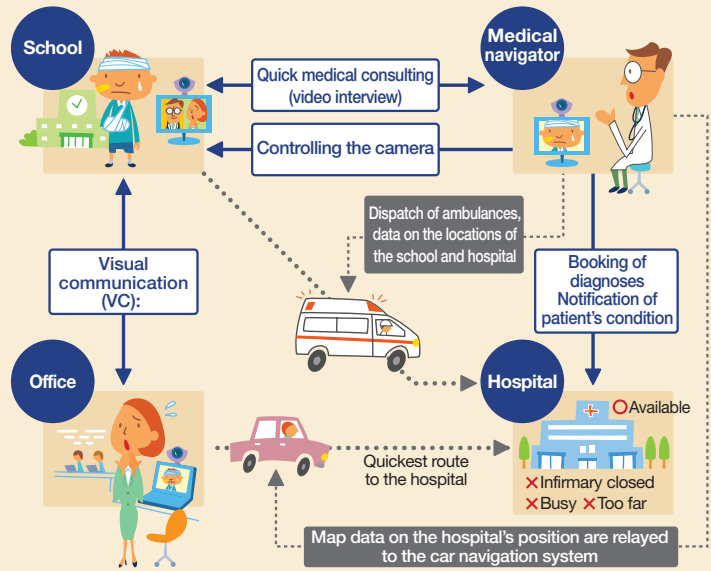
VC control technology*

This technology manages and controls terminal authentication, encryption, and other tasks vital for the secure and efficient operation of VC.

Terminal control technology

This technology enables the remote operation and control of ICT terminals.

*Visual communication (VC): Interactive communication combining live video and audio, such as video telephony.



Friendly Excellence in Barrier-Free Services

"Let's see the rest of that period drama," says Grandpa. As he walks into the living room, the TV starts replaying the program from where Grandpa last stopped watching it, and the air conditioner switches to a warmer temperature. When the baby enters the room, the hot-water pot locks automatically for the baby's safety.

The ubiquitous networks of the near future will detect the

● This scenario will use these technologies:

Automatic detection technology

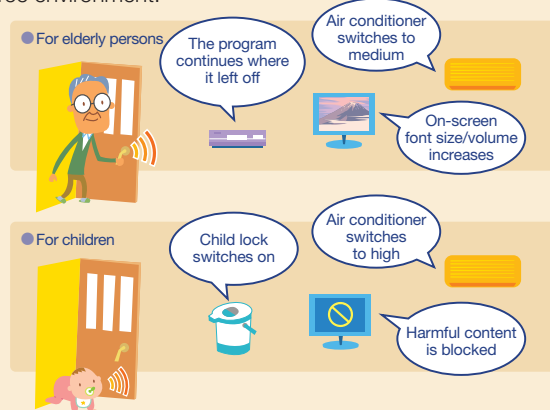
Using RFID*, this technology automatically recognizes and authenticates individual users and performs operations without requiring specific operation on the part of the user.

Terminal control technology

Rather than requiring users to perform complicated settings on their ICT terminals, this technology serves as the user's agent on the network to perform the settings.

*Radio Frequency Identification (RFID): Also known as "wireless tagging" or "electronic tagging," RFID is a technology that enables contactless reading of tags fitted with antennas and computer chips.

presence of individuals automatically and adjust all controls to the most comfortable settings, providing an outstanding barrier-free environment.



Fun Putting Fun into Everyday Life with ICT Appliances

"Let's send Grandpa and Grandma a picture of you riding on the horse!" As the mother takes a picture of her child on her digital camera, a popup appears on the grandparents' TV screen, bearing the caption "Look at this photo!" Grandma presses a button on the TV remote control and the screen fills with the image of her grandson riding a playground horse, bringing a smile to the grandparents' faces.

● This scenario will use these technologies:

Automatic authentication technology

Instead of requiring the input of an ID and password, this technology will automatically authenticate ICT devices using a PKI-based* security key.

Terminal setting technology

Rather than requiring users to perform complicated settings on their ICT terminals, this technology serves as the user's agent on the network.

*Public Key Infrastructure (PKI): A technology that uses a public-key encryption system to protect data from a wide range of online dangers such as identity theft and eavesdrop/tampering.

Using the television, an appliance in virtually every home and the focus of digitalization and other advances in recent years, friends and family will be able to get together and share images of beautiful scenery and heartwarming scenes, even when separated by great distances.



Relationships with Our Customers



NTT Communications provides solutions to social issues by providing value-added services, drawing on new business models and modern-living ideas

The NTT Communications Group is unveiling new business models and modern-living ideas for its customers, inspired by the concept of delivering services providing efficiency, safety and fun. Striving to build permanent bonds of trust with all stakeholders, we are rolling out imaginative solutions to modern social issues, from contributing to the development of e-Government to revitalizing regional communities and creating employment opportunities.

✦ Ideas for Living, Tailored to Each Person's Individual Needs ✦

As broadband communications make ever-deeper inroads, individuals' demands are mounting for needs such as better information sharing and protection of privacy. To respond to these personal needs, the NTT Communications Group created a suite of personal solutions. Founded on the CoDen* concept, these solutions provide assistance in sending and managing information, making whole new modes of living possible.

We are also building up valuable ICT-based social assets to deal with the negative effects of the ICT-rich society. The Group is proud to offer a wealth of information on preventing crime, as well as a series of instructive simulations. As it continues to expand its palette of services, the NTT Communications Group will continue to find new ways of leveraging the CoDen concept to make online life safe, secure, and fulfilling for its customers.

*CoDen: A concept for creating new assets for popular culture that will enrich people's lives.
 "CoDen" is an abbreviation of a Japanese expression meaning something like "personalized electronic communications."
 The aim of CoDen is to help people to transcend the restrictions of time and space while building personal relationships.

TOPICS 1

Customer feedback helps NTT Communications to develop better services. Using the cocoa service environment, CoDen adds fun and excitement to daily communications, with exceptional safety and security.

NTT Communications uses feedback from customers to constantly update cocoa, a service that provides customers with dedicated online data space. Today the cocoa subscriber base has grown to over 200,000 users.

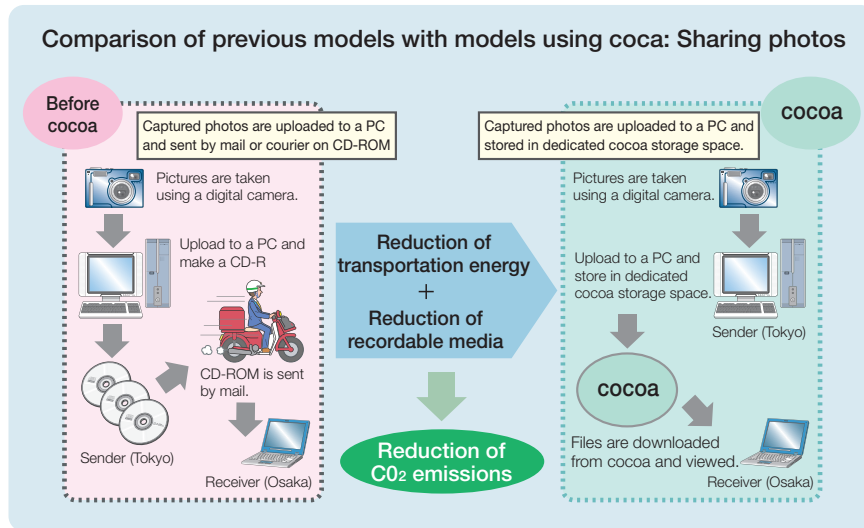
PHOTO Organize pictures from your digital camera or mobile telephone quickly and easily

DIARY Write a diary that everyone can read and contribute to

Online photo albums and diaries are two of the common uses for cocoa popular with young parents. With the online-album service, parents upload photos of their children taken on their mobile phones and digital cameras, organize them, and instantly show them to faraway friends and relatives. With the diary service that includes generous (1GB) easy-to-use data space, parents can record growth diaries for their children and other daily family developments. Friends can use cocoa to create regional bulletin boards to share news, photos, and travel memories. cocoa was created with widespread adoption in mind, so data entry and other tasks are designed to be easy for anyone to use.

cocoa is also beneficial for the environment. As more people use this service, the printing and mailing of photos is decreasing, reducing the carbon dioxide emissions associated with the physical transportation of goods.

IT services such as cocoa are also useful for contacting family and friends in the event of emergencies. These services are just some of the many ways in which NTT Communications is working to support the safety and security of its valued customers.



TOPICS 2

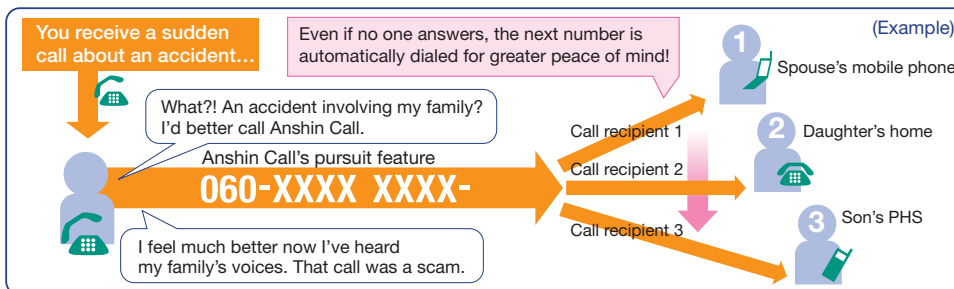
CoDen Secure Calling prevents “pay up” phone scam.

Furikome-sagi, or “pay up” phone scam, gangsters telephone their victims and deceive them into wiring them large amounts of money. In February 2005, NTT Communications took action against this shocking crime by launching CoDen Anshin (“Peace-of-Mind”) Call. Today we offer two anti-fraud services: the Pay-Up Phone Scam Information Hotline and Anshin (“Peace-of-Mind”) Call.

The Pay-Up Phone Scam Information Hotline offers a voice recording prepared with the cooperation of the National Police Agency. This user-friendly recording explains the kinds of tricks used in this scam, recent examples of this fraud, and what citizens can do to protect themselves against it. By learning about this scam in advance, citizens can recognize this fraud when it occurs and take appropriate precautionary measures.



Anshin (“Peace-of-Mind”) Call is a service that provides a single number you can call to contact a pre-registered list of three family members or relatives in sequence. When citizens receive a fraudulent call they can immediately place a single call to quickly and easily get in touch with family.



The perpetrators of “pay up” phone scam typically target the elderly. Using these services, citizens can take steps to protect themselves from this scam. We believe that the Pay-Up Phone Scam Information Hotline and Anshin Call services make a valuable contribution to the safety and security of the Japanese public.

Relationships with Our Customers

TOPICS 3

Kaori Tsushin (Scent Transmission): Major Step Toward Transmission of All Five Senses

A new service from NTT Communications offers customers a completely new dimension in modern living. Scent transmission is a service that conveys scents linked to broadband content over the Internet. With this popular feature, users can send their favorite scents to recipients located anywhere in the world.

Joining forces with producers in fields such as aromatherapy, medicine, cosmetics, event management, foodstuffs, pharmaceuticals and perfumes, NTT Communications uses ICT to add fragrance to customers' lives and suggest new ideas for modern living.



New Business Models For Today's Needs

As Japan's enterprises cut costs and restructure processes in ever-increasing numbers, NTT Communications supports its corporate and public-sector customers with comprehensive solutions. We point the way to the creation of innovative new business models with the power to transform their operations for the ICT era.

Our contributions to the "e-Japan" and "u-Japan" strategies, by which Japan aims to become the world's most advanced ICT-driven nation, are an example of this effort. Through innovations such as electronic bidding and electronic application, NTT Communications is helping local governments

to streamline processes and make administrative services more convenient. For small-office/home-office (SOHO) customers, we offer IT services that can bolster competitiveness. These include the introduction of ASP packages, used for applications such as opening online shops and handling accounting procedures, as well as website design and operation. Looking towards the future, NTT Communications will continue to integrate networks, management, and security, drawing on its wealth of experience and expertise to support the emergence of revolutionary new business models.

TOPICS 4

Streamlining Operations and Improving Administrative Services are the Essence of the "e-City Hall."

At NTT Communications, we are supporting the creation of dynamic new service models for the nation's local governments. In the city of Kakamigahara in Gifu Prefecture, we are taking the city's residential services into the age of IT, transforming them into an "e-City Hall." We overhauled all of the City Hall's administrative systems from the point of view of residents, resulting in dramatic cost savings, more robust information security, effective risk management, and much more. The transition to e-Government succeeded in delivering not only better operating efficiency but higher user satisfaction as well.

33%のコスト削減と、
24,000時間の業務効率化を
両立させる「電子市役所」を。

各務原市のIT行政改革。コストと時間のムダをなくし、
市民サービスを向上する情報システムの刷新を、トータルで支えています。

各務原市は、市民サービスの向上と行政効率の向上を目的として、2005年度から「電子市役所」の構築を開始し、2006年度に完成しました。この取り組みにより、コスト削減と業務効率化を両立させることができました。また、市民サービスの向上にも大きく貢献しています。

www.ntt.com/ip/

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Power. Performance. Results.

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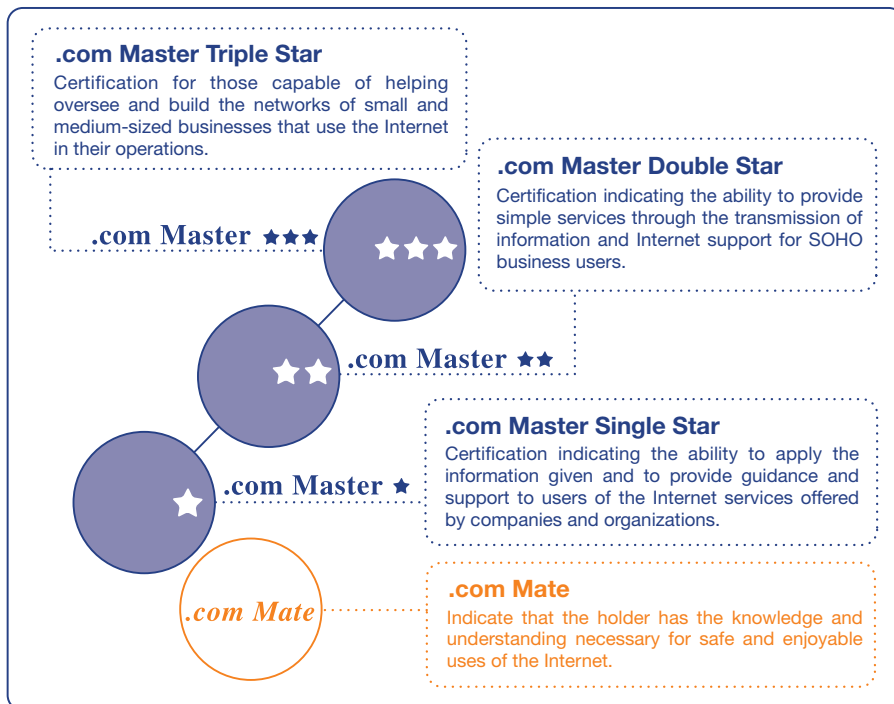
Training ICT Personnel and Creating Employment Opportunities — Provides objective authentication of IT skills, Internet certificate examinations and new styles of working —

Today IT skills are essential in every industry. But for the companies who hire and train IT professionals, developing objective standards for rating IT skills is a major concern. To respond to this pressing need, NTT Communications developed .com Master. Based on the principle of practical grading at real workplaces, .com Master is an Internet certificate examination service that comprehensively and objectively evaluates individuals' IT skills. The examination questions applicants on the latest knowledge about the Internet and trends in the PC industry, and checks needed practical skills based on the real personnel requirements of the business world. This powerful tool has found a broad range of applications, including individual skills upgrading, personnel training, career advancement, and classroom study. In the ninth .com Master examination held in July 2005, the cumulative number of exam-sitters reached 200,000, of whom 60,000 earned the honor of graduation.

In November 2002, NTT Communications established NTT Com CHEO, a vital personnel support service for the IT business world. In addition to using exams such as the .com Master exams to train people in IT skills, NTT Com CHEO creates new employment opportunities and facilitates the effective deployment of capable IT professionals.

NTT Com CHEO also applies the CAVA system¹ to offer Virtual Call Center Solutions². This system broadens the opportunities for people to work from their homes, creating job opportunities and providing businesses with outsourcing services that slash costs and bolster quality. By leverage local resources in local government and businesses, these solutions also offer IT training services to support improved IT literacy in rural areas.

1 .com Advisor and Valuable Agent (CAVA): An individual who passes the NTT Communications Internet Certificate Examination and thus qualifies to contract IT work from NTT Com CHEO as a home call-center operator or similar.
 2 Virtual Call Center Solution: A telephone administration service employing operators from their homes.



COLUMN

NTT Communications was the first Carrier based in Asia to be awarded "Best Global Carrier" at the World Communication Awards 2004.

At the World Communication Awards 2004¹, held in London on October 11, NTT Communications captured the awards' highest prize, the title of Best Global Carrier. Sponsored by Terrapinn², a leader in international media services, the World Communication Awards have been presenting awards to outstanding global carriers and operators for the past six years.

NTT Communications was selected as Best Global Carrier as the result of a comprehensive evaluation, including broad coverage (144 countries and regions worldwide), a world-class broadband IP backbone, and an outstanding level of customer satisfaction. We also won Best New Service for the forward-thinking approach of its IPv6/IPv4 dual service. In the 2002 awards ceremony, NTT Communications was lauded as Best Regional Carrier—Asia-Pacific and took the prize for Best Technology Foresight.



1 World Communication Awards 2004: a series of awards for outstanding telecom carriers, sponsored by Terrapinn. Award winners are selected by a panel of business leaders with experience in the IT sector, including IT professionals, consultants, and end users.
 2 Terrapinn Limited is an international media company based in London. This company publishes business publications such as Total Telecom, a trade journal focusing on the telecom industry.

Relationships with Our Communities

We Contribute to Society as Full Members of the Community

At the NTT Communications Group, we work tirelessly to earn the trust and respect of the public, always mindful that we are members of the communities where we do business. Whether the community in question is the nearby local community, the international community, or the online world, we are proud to contribute to the community's prosperity, security and happiness.

Contributing to Regional Communities

Helping Employees to Contribute to Their Communities With Their Own Hands: The Social Contribution Working Group

In April 2004, NTT Communications launched a drive to recruit "members to promote social contributions" throughout the Company. With these assembled individuals, we created the Social Contribution Working Group.

In recruiting the members to promote social contributions, our basic approach was that members participated in meetings and other activities strictly on a volunteer basis, doing regular work without undue burden. Participants take part in an open, fun, and relaxed atmosphere, without regard to titles or organizational hierarchies.

The Social Contribution Working Group has planned and executed many exciting projects since its inception. In one project aimed at elementary-school students, the Working Group organized the first "easy Internet class," in which parents and children worked together to create a greeting card online. The second of these easy Internet classes was offered to Minato Ward Girl Scouts in elementary and middle school, teaching them how to write and publish their own blogs. With the Working Group members' guidance, the schoolchildren and their parents gained fun and valuable hands-on experience in the online world. In the questionnaire handed out after the class, the response was overwhelmingly positive. The Social Contribution

Working Group plans to continue creating these programs with their own hands in order to contribute to the communities in which its members live and work.



Employee volunteers provide individual support

Feedback from participants

"I was really impressed with all the wonderful employee volunteers!"

Ryoko Iwadare

Junior Leader, Girl Scouts Tokyo Minato Ward Troupe 4 (Participant in the 2005 Internet classroom)

I took part in the Internet classroom as a Girl Scouts leader. I work with kids all the time, and we were all really surprised at how many kids know about computers. Even so, the information presented in this classroom like basic PC operations, using the Internet safely, and how to publish a blog was really fresh and new, and I feel like I learned a lot.

In fact, this was the first time I'd ever made my own blog, and it was really a lot of fun. I think it's really special how so many great people at NTT Communications put in so much time and effort to contribute to the community. Thanks so much to everyone.



Feedback from employees

"I knew it was all worthwhile when I saw the smiles on the participants' faces."

Hideki Kikujo

ITMS Division (Participated as an instructor in the 2005 easy Internet classroom)

I'm a core member of the program as well as one of today's instructors, so I've been working on the Internet classroom plan on weekends and evenings, attending meetings, and preparing materials. In the final month before the Internet classroom I really had to buckle down. Of course, we had to do everything outside of Company time since it's a volunteer program, but NTT Communications helped us to rally other members to promote social contributions and get the job done. When I saw how satisfied the participants were and the blogs they'd created, I knew we'd done our job.



■ We're Proud to Support Our Employees' Volunteer Work

As part of its activities to contribute to communities, NTT Communications runs a "Volunteer Gift Program." This program donates goods and materials for use in our employees' volunteer efforts.

Our aim in introducing the Volunteer Gift Program was to encourage our volunteers in their activities, and to provide support for non-profit organizations (NPOs) through the efforts of our employees.

In FY 2004, we supplied flotation devices to Personal Assistance Tomo, an NPO that works with the physically handicapped. The NPO uses the devices to offer even the most severely handicapped children the ability to experience the joy of swimming with minimum intervention. We also provide a range of valuable materials to five other organizations, including adjustable-height worktables that children in wheelchairs can use for study and play.

Children engaging in various activities and enjoying their gifts



Flotation device



Worktable for wheelchair use

■ Disaster Relief Activities

Soliciting Donations from Our Employees...

When the Niigata Chuetsu Earthquake struck Niigata Prefecture in November 2004 and when the coast of Sumatra was devastated by the tsunami of January 2005, the NTT Group, including NTT Communications and its overseas affiliates, launched a donation drive amongst its own employees. NTT Group employees responded by opening their hearts and their pocketbooks, donating ¥5.6 million to the Red Cross.

And from Our Customers

Collection of Relief Funds for Areas Affected by the Niigata Chuetsu Earthquake

From November 2 to December 3, 2004, NTT Communications ran a website to receive donations for disaster relief in Niigata Prefecture, following the devastating earthquake in November. Targeting customers of OCN, an Internet connection service, the site collected donations using OCN Pay On¹. This campaign attracted total donations of ¥2.5 million, which was donated to the Niigata Branch of the Japanese Red Cross for relief payments to the victims and their families and to pay for relief workers.

Indonesia Tsunami Relief Fund

From January 12 to February 28, 2005, in the wake of the tsunami that laid waste to the Indonesian island of Sumatra and surrounding areas, NTT Communications once again relied on OCN Pay On¹, this time along with e-Money Chocom², collecting some ¥2 million in donations from generous customers. Again the Japan Red Cross was called upon to distribute the relief fund for the assistance of victims and their families and to pay for relief workers.



NTT employees present donations to the Red Cross

1 OCN Pay On: This payment service allows subscribers of OCN to purchase digital content and pay service fees along with their regular OCN charges. The system is simple and easy to use, as subscribers simply enter their OCN ID and password—no extra procedures are required.

2 e-Money Chocom: A safe, convenient form of electronic money that can be used online. Customers can open Chocom accounts online and deposit Chocom in that account, enjoying a fast, convenient way to shop online.

Relationships with Our Communities

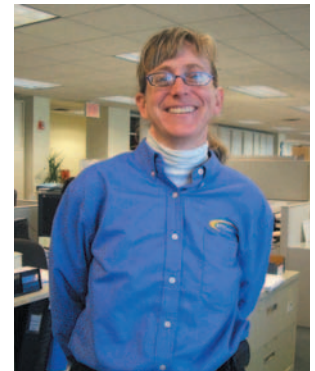
◆ Becoming a Global Corporate Citizen ◆

■ NTT America's Charity Sale Program: Activities at Overseas Group Companies

Twice a year, NTT America raises a fund through in-house sales of goods carrying the NTT Communications logo. Proceeds from the sale and the company's matching gift go to the United Way, a global non-profit organization to collect contributions from local communities and distributes them according to local priorities.

This "matching gift" arrangement is a commonly used approach in the United States to encourage employees to support charitable causes empowering them with the knowledge that they are playing an active part in driving the donation process forward. In addition to the charity sale program just

described, NTT America also provides a matching gift to philanthropic contributions at an employee's discretion year-round.



An NTT America employee wearing a shirt featuring the shining-arc logo.

Main community contribution activities among overseas Group companies (FY 2004)

Company	Details of activities
NTT America	Charity sale program
	Contribution to the American Red Cross for the Sumatran Earthquake
NTT Europe	Contribution to the Disaster Emergency Committee, a UK-based NGO, for the Sumatran Earthquake
NTT Singapore	Contribution to Singapore Polytechnic, a technical college
	Contribution to the Singapore Japan Society's Charity Program
	Contribution to JCCI (Japanese Chamber of Commerce & Industry) SINGAPORE FOUNDATION
	Contribution to the Singapore Red Cross for the Sumatran Earthquake
NTT Australia	Contribution to Australian students' understanding of Japanese society through the participation of employees in the 2005 Hataraku Nihonjin no Tsudoi ("Meeting of Working Japanese")
NTT Indonesia	Contribution of wireless relay equipment for one zone, for use in for the Sumatran Earthquake
NTT Korea	Contribution to the Korean Red Cross for the Sumatran Earthquake
NTT Communications Thailand	Contribution to JCC (Japanese Chamber of Commerce) Bangkok for the Sumatran Earthquake
NTT Communications Asia	Contribution to the Hong Kong Red Cross for the Sumatran Earthquake
Verio Europe	Contribution to the Disaster Emergency Committee, a UK-based NGO, for the Sumatran Earthquake

■ Relief aid for the tsunamis resulting from the Indonesian and Sumatran earthquakes

The tsunami triggered by an earthquake off the coast of Sumatra on December 26, 2004 struck numerous countries around the rim of the Indian Ocean. In Sri Lanka, one of the hardest-hit countries, NTT Communications dispatched personnel to Sri Lanka Telecom, a company in which it owns a stake, to provide funding and material support as follows:

- Donation of US\$100,000 to the Sri Lankan government
- Donation of emergency aid materials (hygienic materials such as bandages and adhesive plaster) to Sri Lanka Telecom
- Transport and donation to Sri Lanka Telecom of six communications repair vehicles



The tsunami demolished much of Sri Lanka's east coast.



NTT Communications donated emergency supplies to Sri Lanka Telecom.

Contributing to the Online World

Operational Backup for NPO Hiroba, the Specified Nonprofit Corporate Database

Demands for more information on the operations of NPOs in each region are mounting on a daily basis. In every community, more and more people want to know more about NPOs working to provide social services and improve life in their community. Others want to know how to contact NPOs that support the arts in specific regions. Still others may wish to compare NPO's performance with that of other NPOs in the same field when contacted by an environmental NPO soliciting donations.

To provide a forum for dialogue between the community, NPOs, and private enterprises, in April 2001 the Japan NPO Center* established NPO Hiroba. NPO Hiroba is a website that incorporates a searchable database listing all of the nationally accredited NPOs in Japan.

NTT Communications launched NPO Hiroba and provides ongoing operational backup for the site using SecureSmartAccess, the Company's exclusive online service. With NPO Hiroba, information about the activities and current status of NPOs and other community organizations is now at everyone's fingertips. This unique resource enables any interested citizen or enterprise to learn about and take part in NPO activities, contributing to the development and growth of NPO activities across Japan.

- Total organizations registered on NPO Hiroba (as of November 2005): Total accredited NPOs in Japan (as of June 30, 2005): 22,434 (Total accredited NPOs in Japan at the time of establishment of NPO Hiroba: 3,150)



*The Japan NPO Center is itself a specified nonprofit corporation. The Center was established to provide a strong base for the activities of NPOs that transcends divisions of category and region, supporting these organizations' efforts to build a better citizen society for all, and to establish a partnership between government and regional organizations.

Used-PC Donation Program

NTT Communications has unveiled a program to donate used PCs to regional agencies and NPOs. Several objectives comprise this initiative, including protecting the environment, promoting recycling, and contributing to the development of regional communities.

In October 2003, the Company donated 793 of its used PCs to joint workshops for the disabled across Japan through e-

elder, an NPO. The work of refurbishing the PCs was entrusted to organizations such as Yume Group Workshop, a public social-services corporation that operates workshops employing the disabled. The talented people at these workshops restore the PCs to like-new condition and restore the data on the hard disks to like when they were new, recycling valuable resources and creating employment opportunities for the disabled.

Jolly's Magazine, a Website About Training Guide Dogs

Jolly's Magazine is a website dedicated to everything about guide dogs. The site also raises funds online to support the activities of the Japan Guide Dog Society, which conducts a range of activities aimed at enabling the blind and visually impaired to participate fully in their communities. Visitors to the site can select the amount they wish to donate, ranging from ¥100 to ¥1,000, and submit payment using the OCN Pay On* electronic payment service. To encourage giving the site offers all donors receive selected OCN original content free of charge. As of November 2005, donations to the Japan Guide Dog Society have topped ¥2 million, for which the Society and NTT Communications are sincerely grateful.



*OCN Pay On: This payment service allows subscribers of OCN to purchase digital content and pay service fees along with their regular OCN charges. The system is simple and easy to use, as subscribers simply enter their OCN ID and password—no extra procedures are required.

Relationships with Our Partners



Dealing Equitably With All Our Partners

We at the NTT Communications Group consider our business partners irreplaceable. The Group is steadfastly committed to dealing fairly with its business partners as full equals, working together to provide value-added solutions to customers and the society in which we do business.

Partnerships With Our Suppliers

Procurement Policy

NTT Communications purchases its supplies through transparent procedures. Based on our business needs, we purchase goods of high quality and economical price without regard to national origin.

In September 2004 the Company created the General Procurement Office to oversee all purchasing and procurement operations. We initiated a complete overhaul of our procurement processes based on the following three principles:

- (1) Establishment and Company-wide deployment of a partner system
- (2) Establishment and Company-wide deployment of rules for procurement agreements, based on the principle of free competition
- (3) Strengthening of delivery inspections through on-site delivery inspection and post-acceptance auditing

On the first point, NTT Communications introduced a partner system as a means of ensuring security and compliance in its purchasing activities. In this system, partners are graded on

several criteria such as credit limit, the level of confidence, and security issues. Based on its standards for each of those criteria, NTT Communications then accords that partner a level of authorization. By demanding the same stringent standards for managing the security of personal information from our partners as we do from ourselves, NTT Communications can assure its customers that their confidential data is in safe hands at all times.

In individual procurement processes, NTT Communications rigorously applies the principle of free competition when selecting its suppliers. We constantly strive to maintain excellent transparency and quality in our procurement activities and to reduce procurement costs.

Finally, to ensure the quality of acceptance inspections, we select key purchases for delivery inspection and audit those inspections according to delivery-inspection guidelines. This procedure is a valuable proactive measure for preventing unlawful and improper practices.

Guidelines for Green Procurement

In September 1999, we announced the NTT Communications Guidelines for Green Procurement. Under these guidelines, NTT Communications committed itself to making every effort to procure products while taking into account their impact on the environment. To further encourage the procurement of environment-friendly products from suppliers who are actively tackling environmental conservation, we introduced a revised set of guidelines in January 2006.

While the previous guidelines merely set forth "requests for cooperation" on the provision of environment-friendly products, the new guidelines clarify the essential requirements by which suppliers are evaluated, with the aim of achieving further reductions in the environmental impact of our purchasing activities. The essential requirements represent the bare

minimum that we demand of all our partners; NTT Communications expects its partners to integrate completely into our environmental activities, including the construction of environmentally management systems and the promotion of green purchasing. We evaluate all our partners on the basis of these essential requirements, and base our selection of suppliers and products in part on that evaluation.

Through introduction of a revised set of guidelines, NTT Communications will further encourage the procurement of environment-friendly products and, at the same time, we are working to build a closer collaborative relationship with its partners on environmental issues, creating a comprehensive framework for operating in ways that protect the Earth's precious environment.

Business Partnerships

Creating employment opportunities in a new mode of working

When the NTT Communications Group company NTT Com CHEO introduced the .com Advisor & Valuable Agent (CAVA) system, it created an entirely new mode of working and living. By outsourcing call-center duties to individuals working from home, the CAVA system gives people the flexibility to tailor their work styles to their own modes of living, creating new employment opportunities.

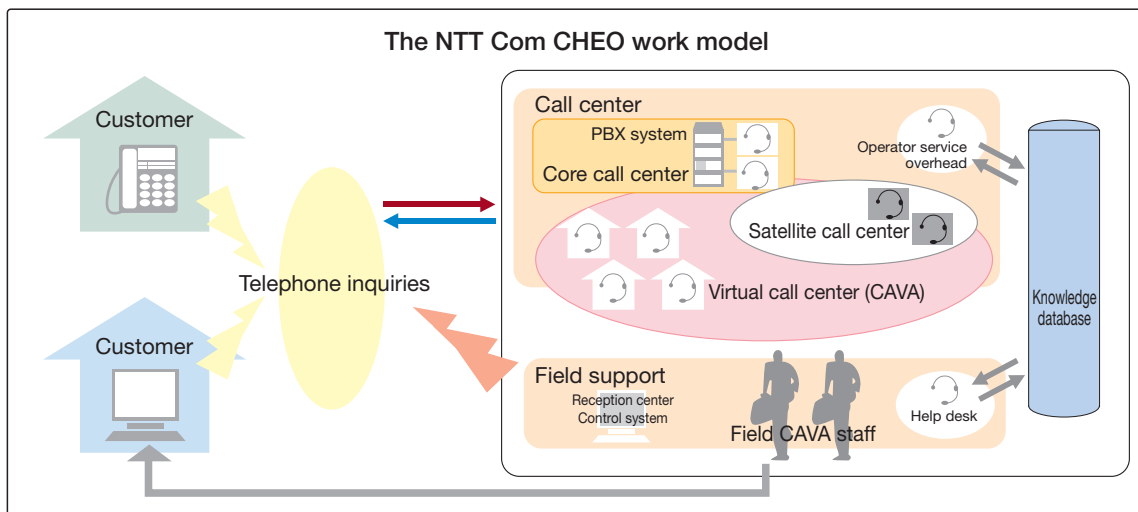
CAVA was launched in 2001 as a virtual call center, in which skilled IT workers provided technical support from their homes to customers of OCN, NTT Communications' Internet connection service. In effect, CAVA is a distributed network of call-center operators.

CAVA allows individuals to choose the time and place they work, and even the amount of work that results in their income.

This groundbreaking new style of working and living has proven popular with mothers with small children and retirees.

Today NTT Com CHEO is driving the CAVA network and business model in exciting new directions by adapting the model to a broad new spectrum of industries, creating new work environments unconstrained by familiar conventions of time and place. We are convinced that, in addition to creating a swath of new work opportunities, the CAVA model makes a significant contribution to reducing environmental impact.

The significance of these advances has not been lost on the business community. In November 2004, at its Telework Advancement Awards, the Japan Telework Association awarded NTT Com CHEO the President's Award for "company or organization making an outstanding contribution to the expansion of telework and the support of microbusinesses and SOHO workers."



Partnerships with Distributors

Partnering to Deliver Leading-Edge IT Services to the Financial Sector

In July 2005, NTT Communications partnered with the Daiwa Securities Group, a pioneer in applying cutting-edge IT in the financial industry, to deploy value-added IT solutions in bank branches.

Daiwa Securities has long led the way in financial-sector IT innovation. In 1996 the securities firm became Japan's first company to sell shares online. As part of a major overhaul of its trunk network, Daiwa Securities plans to bolster its group-wide network environment in FY 2005, including all branches throughout Japan. Using the catch phrase "Trade on the net. Get support at your branch," Daiwa Securities installed online trading kiosks in its branches, enabling customers to sample the experience of online trading. As Daiwa Securities examines a range of options for deploying IT in its branch network, NTT

Communications will work with the securities company to deliver exciting new services, fusing the Company's knowledge of advanced IT with Daiwa Securities' financial expertise.

In the first phase of the project, NTT Communications will install HOTSPOTs (wireless LAN service areas) in major Daiwa Securities branches in Tokyo, Nagoya and Osaka. The Company will also roll out a host of other services to make online trading more convenient and familiar to customers, including online dissemination of information and provision of online seminars at branches. NTT Communications' partnership with Daiwa Securities is just one of the many ways that we form partnerships to transform operations through IT and lead the creation of value-added solutions for customers and society at large.

Relationships with Our Employees

Creating Workplace Environments Where Employees Can Find Self-Fulfillment

Employees and their workplaces are the heart and soul of all the services we provide. The NTT Communications Group is striving constantly to create working environments in which employees are aware of their roles and responsibilities as professionals in each field, respect each other's individuality and diversity, and can work toward their own fulfillment.

Personnel Training

Internal Job Posting

At NTT Communications, we pride ourselves on discovering and appointing talented people with a thirst for challenge and a keen desire to promote the success of the Company's operations. With the aim of creating abundant opportunities for employees to develop their own unique strengths and put them

to the best use, NTT Communications introduced an internal job posting. This empowers our employees to apply themselves in new and exciting fields and plays a vital role in the advancement of their careers.

Our Strongest Asset

Our employees are unique individuals and our strongest asset. That is why at NTT Communications, we make sure they receive the resources they deserve to develop and expand their professional skills.

In our personnel-training scheme, we clearly identify the personnel profiles we seek to deploy in each field of operations, providing employees with clear targets for advancing their careers and polishing their skills. Choosing from a rich menu of

assignments and study options, employees can pursue their dreams of excelling as professionals in their chosen vocations. Study options include intensive training and off-site learning directly related to ongoing Company operations, as well as opportunities to study foreign languages and acquire outside qualifications. By offering such a varied range of study and training options, NTT Communications affords its employees every possible means to boost their career trajectories.



Learning resource guidebook



Training is offered both in-house and through outside providers.

Respecting Individuality and Diversity

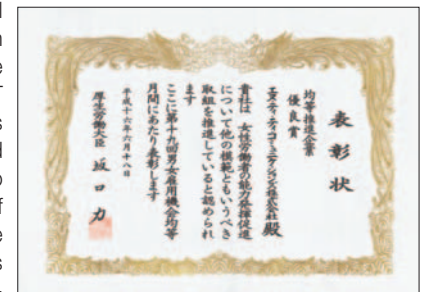
Equal Opportunity for Women

NTT Communications is taking positive steps to ensure that men and women participate on an equal footing in our operations. In March 2002, we launched the NTT Com Women's Training and Advancement Plan. This plan calls for the implementation of a range of activities based on specific strategies and hard targets for the employment, training, and advancement of women.

As part of its proactive stance on the advancement of women, NTT Communications is aggressively expanding opportunities for distance learning. The purpose of this effort is to enable the smooth reinstatement of women who have taken maternity leave or leaves of absence to care for small children or elderly relatives.

Our dedication to equal opportunity in the workplace has drawn wide acclaim. In June 2004, the Ministry of Health, Labour and Welfare presented its commendation for commitment to gender equality in the private sector, the Minister's Award of Excellence, to NTT Communications, stating "NTT Communications' efforts to assist women in developing their professional skills are an example for others to follow, and their results are clearly recognized."

In July 2003, the government promulgated the Law to Promote Measures for the Support of Next-Generation Training Initiatives. Based on the provisions of this law, the Company devised an action plan to support a suitable balance between work and home life. To ensure that employees fully understand the range of childcare-leave and similar programs available to them, and to foster an environment in which employees can feel comfortable in accessing those programs, NTT Communications is undertaking a broad range of measures to raise awareness of these provisions. One example of this effort is our website on work-home balance initiatives.



Minister's Award of Excellence from the Ministry of Health, Labour and Welfare.

Supporting a Work-Life Balance

NTT Communications has instituted a robust system of support for employees' childcare and eldercare duties, empowering its people to strike a balance between the demands of home and work. To support childcare, employees may take leaves of absence for up to three years from the date of the birth of a child, and may take reduced work hours until the child is six. For the care of elders and other relatives, employees may take up to 18 months' eldercare leave, and up to three years' reduced work hours (including the eldercare-leave period).

We also make special efforts to foster an environment in which employees feel encouraged to use these childcare and eldercare support systems. The NTT Group has created a website on its childcare/eldercare support programs, acquainting employees with the details of these programs as well as childcare, eldercare and other social-service programs available from the public and private sectors. Coupled with a

host of measures to facilitate the smooth reinstatement of employees returning from leave, this swath of programs makes NTT Communications a clear leader in developing new ways for employees to work and live.



The NTT Group's website on childcare/eldercare support programs

Employment Opportunities for the Disabled

NTT Communications has long been at the forefront of expanding employment opportunities for the disabled, assiduously pursuing the targets mandated by Japanese law on the hiring of disabled people. Since the Company was founded in 1999, NTT Communications has constantly expanded the number of disabled people in its employ. As of June 2005, the

percentage of disabled on the Company's payroll had risen to 1.34%, with the legally mandated target of 1.8% well within its sights. Each year, NTT Communications formulates employment plans for boosting this figure, and we continue to expend every effort to bring the disabled into the workplace.

eWork: The New Way of Working

Many NTT Communications employees capable of working independently need to work from home, whether due to disability or to care for children or elders. To support these valued employees, NTT Communications introduced the eWork program on a trial basis in 2002. This work-from-home program enabled personnel to balance their home and work lives and expanded the work opportunities available to them. Originally introduced to test Safety Pass, an innovative IP-based business model from NTT Communications, this eWork program is now being fine-tuned for better convenience and performance.



Toward a Fulfilling Workplace Environment

The Work-Life Committee

NTT Communications is deeply committed to the formation of supportive and highly motivated workplace environments and to assisting employees in balancing their work and family lives. To that end, in 2003 the Company created the Work-Life Committee, which launched a flurry of other measures. To

disseminate information widely and raise awareness, the committee issues a message on the topic of work and life balance from senior management at regular intervals, and has established a website on the subject.

Work Safety and Hygiene

At NTT Communications, worker safety is the most important priority. With solid emphasis on prevention, we continually review our work environments and work manuals, using concrete examples to raise awareness of safety issues and conducting frequent safety inspections.

In the event that an accident does occur, we immediately share all information related to the accident, notifying and warning all employees. The aim of these measures is to prevent the recurrence of accidents and instill a strong safe-work ethic in employees.

Employee Benefits

From the time an employee joins NTT Communications to the time that employee retires, he or she enjoys an impressive selection of employee benefits. Our cafeteria plans allow employees to choose options they need. We support our

employees to manage their lives through Life Design Support Program that includes training and counseling. We also offer a complete palette of health-management programs, including mental-health support.

Relationship with the Global Environment

Basic Philosophy and Policies

Building a Sustainable Society Through IP Solutions

Inspired by its vision of serving communities as a global IP solutions company, the NTT Communications Group makes many contributions to the development of a prosperous and sustainable society while safeguarding the environment and the people who live in it.

❖ The NTT Communications Approach to Environmental Protection

The NTT Group announced NTT Group Ecology Program 21 and the NTT Group Global Environmental Charter to frame its thoughts and actions on environmental preservation from a global perspective. When NTT Communications was founded, the Company supplemented these announcements with the NTT

Communications Global Environmental Charter. This charter underpins our Long-Term Environmental Vision, formulated in November 2004, as well as the Medium-Term Plan, which commits NTT Communications to environment-friendly and people-friendly operations.

NTT Communications Global Environmental Charter

Basic Principle

NTT Communications will actively pursue environmental protection and contribute to the creation of an environmentally friendly society by creating and providing the best global services to benefit our customers.

Basic Policies

The following policies for environmental protection apply to all corporate activities of NTT Communications.

1) Fulfillment of corporate responsibilities

NTT Communications observes all domestic and international laws and regulations regarding environmental protection. In addition, we evaluate the environmental impact of our corporate activities, strive to prevent environment pollution, and continually upgrade our goals and strategies for saving energy/resources and decreasing waste.

2) Support activities that help realize an environmentally friendly society

NTT Communications contributes to the realization of a human-friendly and low environmental impact society by developing and providing network services to bring about new lifestyles. This will include supporting of telecommuting and provision of an information platform for environmental protection and recycling.

3) Contribution via environmental information

NTT Communications joins hands with local residents and governments to support activities aimed at protecting the environment.

4) Disclosure of environmental information

NTT Communications discloses corporate information related to the environment and encourages communications with people inside and outside the company.

Medium-Term Plan and Objectives

Achieving Plans for More Environment-Friendly, People-Friendly Operations, One by One

In November 2004, NTT Communications proclaimed its Long-Term Environmental Vision, as well as a Medium-Term Vision based thereon. One by one, NTT Communications is achieving its goals of developing operations that are friendly to people and the environment, leveraging its wealth of ICT expertise to partner with government, educational institution, NGOs/NPOs, and other companies.

❖ Long-Term Environmental Vision: The View From NTT Communications

NTT Communications devoutly believes that humanity has a duty to return the Earth to an environment that supports our coexistence with other living creatures.

The task of repairing the environment extends across all fields of human endeavor, embracing politics, business, education, and culture. We must transform our values, eschewing the single-minded pursuit of physical wealth in favor of new values that place priority on maintaining the precious natural environment.

To change the world by transforming its shared values will require a worldwide process of dialogue and a concerted effort at mutual understanding.

At NTT Communications it is our conviction that, by capitalizing on our global communication network and cutting-

edge communication technology, we can make a difference in bringing about a sustainable, spiritually and materially wealthy world society. We can do this by creating a shared platform for worldwide dialogue, exchanging and sharing knowledge both old and new, Eastern and Western, and by supporting clear and open communication among all the peoples of the world.

This is our long-term vision for the environment. By bringing industry, government, academia, and communities together on a global scale, we believe that we can drive this essential process forward.



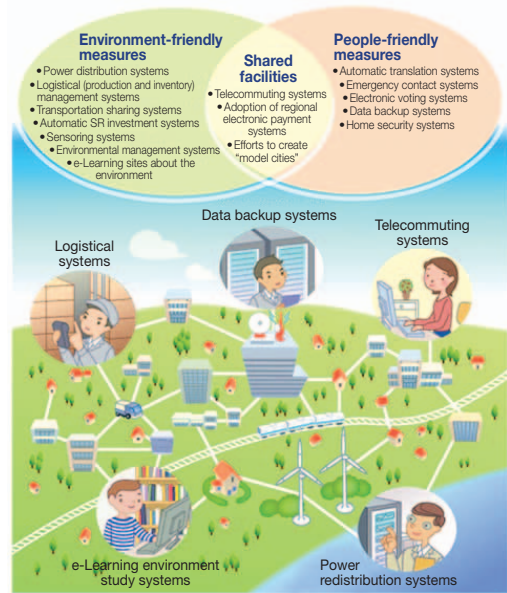
❖ Reducing Environmental Impact in Our Business Operations — ❖

We face many challenges in our efforts to reduce environmental impact. One of the greatest burdens our operations place on the environment lies in carbon dioxide generation from power consumption. Other issues include reducing emissions, recycling, and environmental management. In each of these areas, NTT Communications has set ambitious targets and is working relentlessly to meet them. To reduce carbon dioxide emissions from power consumption, we are upgrading our air-conditioning systems, installing more efficient equipment, and introducing clean-energy schemes. To curb emissions and enhance recycling, we are focusing on boosting recycling rates for communications equipment withdrawn from the market—one of our key waste items.

Environmental action theme	Key measures	Measures and targets	Target year
Improving environmental management	Promoting education about the environment	Organization of training systems for employees, education about preserving the natural environment, field studies, etc.	Planned Initiatives
	Implementation of various qualification/certification systems	Support for certification under ISO 14001 and similar systems	
Reducing emissions and recycling	Paper-saving measures	Reduction of pure pulp consumption to half of the FY 2003 level, or 37.5t	2010
	Reducing and recycling office waste	Sorting and recycling of trash Raising the recycling rate to 70%	2010
	Recycling obsolete communications equipment	Recycling of obsolete communications equipment and used optical cables Raising the recycling rate to 98%	2010
	Recycling construction waste		98% recycling rate for specific materials Raising the recycling rate for other materials (except sludge) to 62%
		99% recycling rate for specific materials Raising the recycling rate for other materials (except sludge) to 84%	2010
Energy-saving measures and measures to combat global warming	Reducing carbon dioxide emissions from power consumption	Reducing carbon dioxide emissions to 370,000t •Improvement and upgrading of air-conditioning equipment •Upgrading of inefficient equipment •Introduction of energy-saving and clean-energy systems	2010

❖ Our Aims for Making NTT Communications an Environment-Friendly, People-Friendly Enterprise — ❖

Focusing on our five core business areas—ubiquitous networks, security, solutions, network management, and global operations—we offer customers a plethora of services to protect the natural environment.



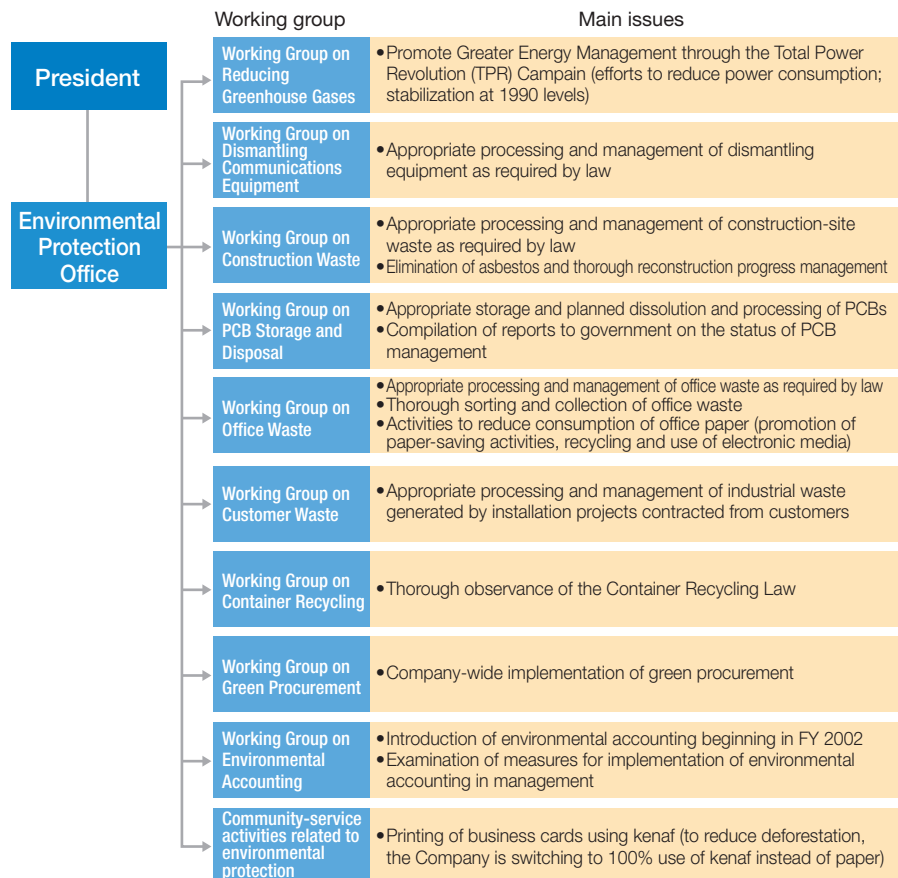
Framework for Promoting Environmental Protection

Each Working Group Works Closely With the Others to Achieve Continuous Improvement of Environmental Protection Activities

NTT Communications creates working groups to handle each environmental issue. Each working group is a team of experienced and dedicated environmental professionals.

❖ The NTT Communications Organization for Promoting Environmental Protection — ❖

NTT Communications' environmental-protection activities are spearheaded by the NTT Group Global Environmental Protection Promotion Committee, which consists of professionals drawn from throughout the NTT Group. This committee conducts regular liaison with committees dedicated to specific issues, driving a battery of activities aimed at reducing the environmental impact of the entire NTT Group.



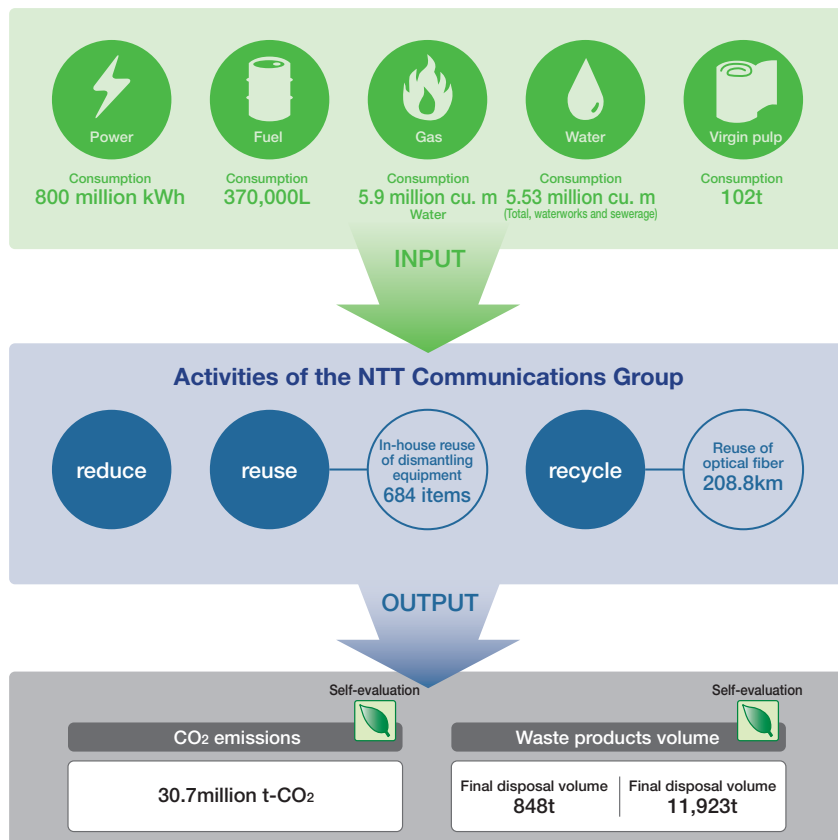
Relationship with the Global Environment

Environmental Impact of Our Business Activities

By Understanding the Environmental Impact of Our Operations, We Can Continuously Work to Reduce It

The NTT Communications Group is working hard to understand the true extent of the environmental impact of its operations. By gaining a full understanding of this problem, we can move forward with reuse, recycling, and reduction, with the goal of achieving a sustainable society.

Inputs and Outputs of the NTT Communications Group



*"Virgin pulp consumption" refers only to paper for office use. It does not include brochures, pamphlets, and such.

*Carbon dioxide emissions do not include emissions from customers using the NTT Communications Group's housing services and other facilities.

*Beginning in the current fiscal year, construction waste is included in waste volume.

	FY 2004 targets	FY 2004 results	Self-evaluation	Targets for FY 2010
Virgin pulp consumption	70t or less	102t		37.5t
CO2 emissions	337,000t (Reduction of 500t)	307,000t (Reduction of 800t)		370,000t carbon dioxide
Waste	Recycling rate for dismantling communications equipment	97.6% (Emissions: 4.072t)		98% or higher
	Recycling rate for construction waste	Specific materials: 96.7% Other: 56.9% (Emissions: 668t)		Specific materials: 99% or higher Other: 84% or higher
	Recycling rate for office waste	48% (Emissions: 6.553t)		70% or higher

Self-evaluation
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Saving Energy and Preventing Global Warming

NTT Communications is Reducing Energy Consumption on Two Fronts to Reduce Global Warming: Commonly Used Equipment and ICT Equipment

The NTT Communications Group is doing its part to prevent global warming. We are taking action to reduce carbon dioxide emissions in the equipment each employee uses every day, 90% of which consists of ICT equipment.

❖ Reducing Energy Consumption by Upgrading Power-Supply Equipment

A stable power supply for communications equipment is essential in providing reliable communications services. One of the ways NTT Communications accomplishes this is by replacing inefficient, superannuated power-generation equipment with newer, more efficient versions.

In FY 2004, the NTT Communications Group upgraded a wide range of obsolete, inefficient equipment, including four B-RF rectifiers, 10 liquid storage batteries, and one converter. Thanks to these upgrades, we succeeded in slashing our carbon

dioxide emissions by 289t. We continued with our total power reform (TPR) operations in FY 2005, striving to pare carbon dioxides to even more ambitious targets.

FY 2005 was also a time of radical reform for the Company's power-supply equipment. We updated our AC power-supply equipment from a lone-plane system to a duplex system, greatly augmenting the equipment's reliability. We also introduced highly efficient uninterrupted power supply (UPS) equipment, further slimming our energy-consumption profile.

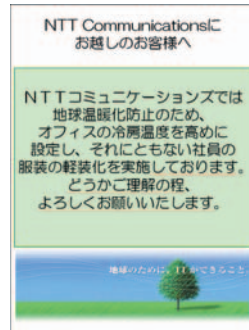
❖ The Fight Against Global Warming

On July 1, 2005, as part of its active participation in a national project, NTT Communications launched a series of measures aimed at preventing global warming, including the following:

- Office air-conditioning systems were set to 28°C in the warm weather, and employees were encouraged to compensate by dressing more lightly.
- We began participating in Team Minus 6%, a national project in which participating companies pledge to reduce their output of global-warming gases by 6%.
- We promoted the "2 Up, 3 Down" rule: Employees were encouraged to walk up two flights of stairs and down three rather than take an elevator.

To encourage employees to adopt the "2 Up, 3 Down" rule, "2 Up, 3 Down" posters were created and circulated to all employees. Customers visiting NTT Communications premises were informed of our guidelines on lighter clothing by means of posters and brochures (in Japan, failure to wear a suit jacket in

the presence of customers is widely viewed as a breach of business etiquette). In addition, employees are actively encouraged to pursue anti-global-warming measures in the home.



Poster explaining to customers the Company's light-attire guidelines for employees

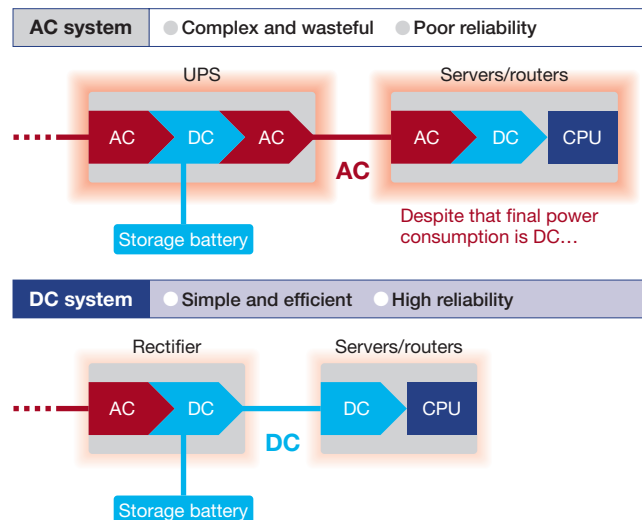


Poster exhorting employees to adhere to the "2 Up, 3 Down" rule

❖ Introduction of DC Communication Equipment

Years ago, the NTT Communications Group switched the type of power it purchased from our power supplier from alternating current (AC) to direct current (DC), controlled by a UPS device. Later, with the installation of servers and routers, we reverted to AC. Still later, we switched the power supply to our servers and routers back to DC. Since DC equipment would not need to be switched to AC, we were able to improve overall system efficiency and promote greater stability in our communication services.

As part of this conversion process, we began offering to install DC equipment in our housing service, in which we take care of or store customers' communication equipment. Although the number of servers and routers running on DC equipment is small at present, due to the high cost of the requisite equipment, their low running cost more than offsets the initial equipment costs. As more customers come to appreciate the gains in stability and operating cost, more are switching to the Company's DC communication services.



Relationship with the Global Environment

Promotion of Waste Reduction and Recycling

Working Toward a Recycling-Based Society: Boosting Waste Recycling

The NTT Group aims to reduce its final waste volume by 5,000t by the year 2010. At the NTT Communications Group, we are doing our part to reduce waste generation and promote recycling.

Recycling and Reusing Dismantled Communications Equipment

Providing cutting-edge services in a reliable manner forms the heart of our operations. This effort requires the installation, replacement, and combination of a surprisingly large range of equipment. When communication equipment becomes redundant due to replacement and for other reasons, we recycle it when possible. When this is not feasible, we accurately tabulate the quantity and process it thoroughly. Our current medium-term plan calls for NTT Communications to boost its recycling rate* for obsolete communications equipment to 98%, raising our recycling program to an unprecedented level.

In 2004, our drive to reuse obsolete equipment in-house resulted in the reuse of 684 items, and a further 1,739 items were sold to NTT East and NTT West to be reused there. In total, our recycling rate* for obsolete communications equipment in FY 2004 soared to 98.70%—a 1.9% improvement on the previous fiscal year. One significant contributor to this impressive result was the achievement of a 99.4% recycling rate for discarded optical cable. And with demand for optical cable set to expand dramatically in the coming years, we expect this recycling effort to emerge as a vital issue in the future.

$$*\text{Recycling rate} = \frac{\text{Valuable weight} + \text{recycled weight}}{\text{Total waste volume}}$$

Waste volumes and recycling rates for dismantled communications equipment (Unit: t)

Fiscal year	Total waste volume	Valuable weight	Recycled weight	Final disposal volume	Recycling rate
2004	4,702	1,428	3,215	59	98.70%
2003	2,847	1,585	1,171	90	96.80%

Reducing Construction Waste

As part of its effort to provide the latest communications technology to its customers, NTT Communications frequently upgrades and acquires construction materials. To deal with the construction waste that results, our medium-term plan targets a 98% recycling rate in FY 2005 for certain materials specified in the Construction Recycling Law. For other waste materials (excluding sludge), the target is 62%. With these ambitious goals in mind, NTT Communications is working tirelessly to reduce and recycle construction waste.

In FY 2004, a lack of major equipment-withdrawal projects caused the recycling rate to slip slightly from the FY 2003 level, as total construction waste fell to 668t, from 3,627t in FY 2003. The recycling rate for designated materials was 97.6%, while for other materials (excluding sludge) the recycling rate was 56.9%. Going forward, NTT Communications will be rolling out a range of other measures to enhance recycling. For example, contractors will be required to achieve a certain level of recycling, detailed in project specifications and other documents, and preference in awarding waste-treatment contracts will go to contractors with high recycling rates.

Construction waste volume and recycling rate (Unit: t)

Fiscal year	Total waste volume	Recycled volume		Intermediate treatment volume	Final disposal volume	Recycling rate
		On-site	Off-site			
2004	668	0	94	573	163	75.7%
2003	3,627	0	139	3,327	391	89.2%

Paper Resource Management

NTT Communications uses paper for administrative use and in the brochures, flyers, and other written materials we distribute to customers. To reduce the volume of paper used in these applications, we are cutting paper consumption for administrative use and taking measures, such as switching to recycled paper, to conserve virgin pulp.

We are also transferring a number of customer-service functions from paper-based to electronic delivery. With our WebBilling service, customers can receive their detailed calling-charge statements and invoices by e-mail, or check this information online.

In FY 2004, the volume of virgin pulp the NTT Communications Group used rose dramatically, from 75t in the previous fiscal year to 101.9t. Although we generated fewer sheets of paper, we tripled the volume of papers rich in virgin

pulp. The volume of 70% recycled paper also rose, by 20%. The Company plans to analyze how consumption of high-quality paper rose so steeply and study ways of ratcheting up the use of recycled paper.

Paper consumption for administrative use

Fiscal year	Item	High-quality papers	100% recycled papers	70% recycled papers	Total
2004	Total number of sheets (A4 equivalent)	5,678,100	47,601,325	65,961,000	119,240,425
	Total volume (kg equivalent)	22,712	190,405	263,844	476,962
	Share of total volume by type of paper (%)	4.76%	39.92%	55.32%	100%
	Virgin pulp volume (kg)	22,712	0	79,153	101,866 <small>(Share of total volume: 21.36%)</small>

Reducing Office Waste

NTT Communications has formed a Working Group on Office Waste to explore ways of reducing the volume of office waste that we generate. This Working Group is at the center of our efforts to process office waste according to the law, impose strict management, sort office waste before collection, and reduce the volume of office waste generated. Our medium-term

plan stipulates a target of 70% recycling in this area, and we are vigorously pursuing measures toward this end.

Total office-waste volume was 6,553t in FY 2004, representing an increase on the previous fiscal year. However, the recycling rate rose significantly, to 48%.

Office waste volume and recycling rate

(Unit: t)

Fiscal year	Total waste volume	Recycled weight	Volume discarded	Final disposal volume	Recycling rate
2004	6,553	3,152	3,401	626	48%
2003	6,101	2,659	3,435	637	43%

Appropriate Management of Chemicals and Reducing Emissions

Careful Management, and Elimination Where Possible, of Hazardous Chemicals

NTT Communications takes the management of PCBs, a harmful class of chemicals, seriously. First, we act quickly to process it into a non-hazardous form. Second, where the continued use of equipment containing or generating PCBs remains necessary, we carefully assess and manage the conditions under which it is used. This two-pronged approach underpins the guidelines for PCB handling the Company recently established.

In FY 2004, drawing on its assessment of broad trends in the field of treatment facilities and information it gathered on PCBs, the NTT Group prepared a medium-term plan for appropriate processing of these hazardous chemicals. The plan commits the NTT Group to clear targets and concerted action on PCBs, including prompt and accurate reporting to the government regarding the status of PCBs at its facilities, as well as prudent management of PCBs stored and used by the Group. In addition

to these measures, NTT Communications carried out a thorough audit of the quantity of PCBs at its facilities, including an extensive equipment-weight survey.

In FY 2004 the quantity of PCBs used in the production of ballasts declined against the previous fiscal year. This decline was achieved through the scrapping and placement in storage of lighting fixtures whose ballasts included PCBs.

Volume of PCBs stored

Fiscal year		Transformers (units)	High-voltage capacitors (units)	Low-voltage capacitors (units)	Ballasts (units)	Non-carbon paper (kg)
2004	Volume stored	0 (0)	0 (0)	22 (+16)	5,091 (+4,951)	0 (0)
	Volume used	2 (0)	0 (0)	38 (-16)	4 (-4,951)	0 (0)
2003	Volume stored	0	0	6	140	0
	Volume used	2	0	54	4,955	0

Figures in brackets () are for the previous fiscal year.

Relationship with the Global Environment

Environmental Business

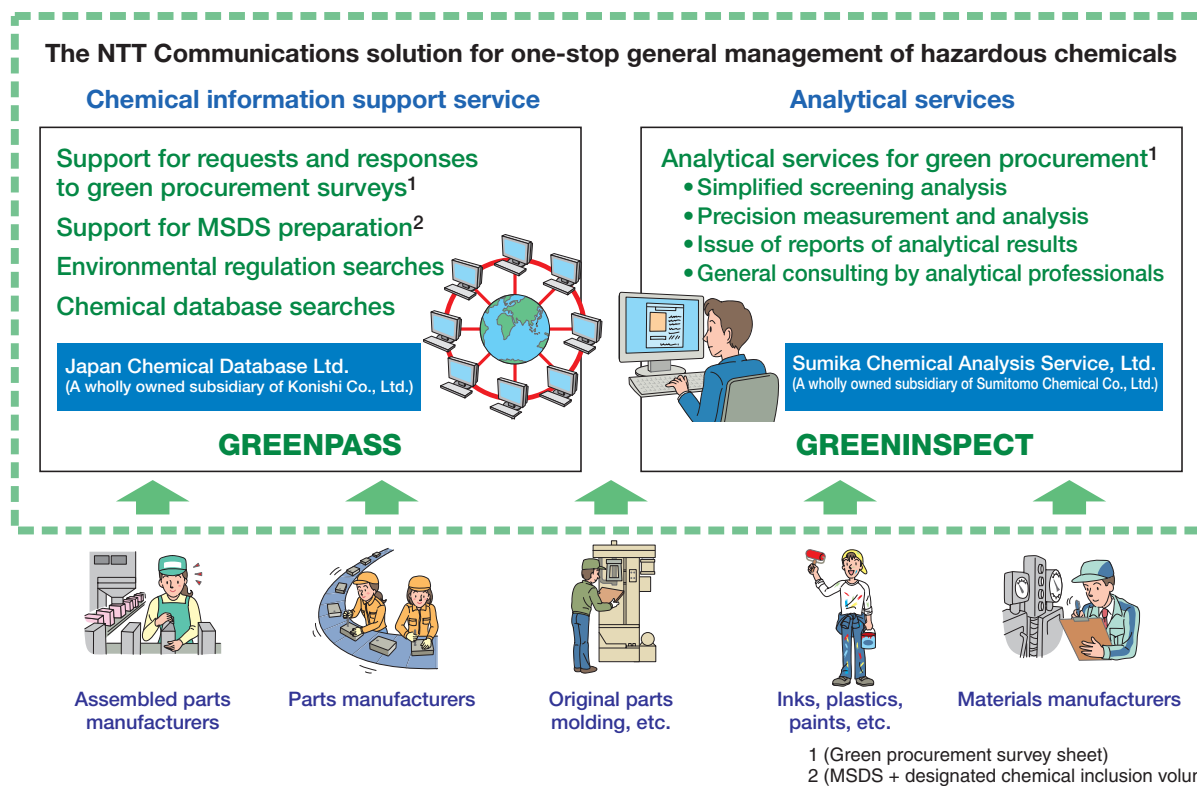
Reducing Environmental Impact Through IT Solutions

The NTT Communications Group is developing IT solutions that make a profound contribution to reducing a wide range of environmental impact, with measures to reduce global warming, process industrial waste appropriately, and prevent the dispersion of hazardous chemicals.

As International Environmental Regulations Tighten, Our ASP Service, GTC-ECO®, Supports Green Procurement

GTC-ECO® is a one-stop application service provider (ASP) that taps the combined expertise of professionals from NTT Communications, Japan Chemical Database Ltd., and Sumika Chemical Analysis Service, Ltd. The business model GTC-ECO® offers is suitable not only for large-scale assembled parts manufacturers but also the countless small and medium-sized manufacturers in their supply chains.

GTC-ECO® consists of two distinct services. The first is a chemical information support service, which searches and assesses material environment data used in a wide variety of parts and other items. The second is an analytical support service, which conducts analysis on behalf of clients of hazardous chemicals included in various parts and equipment whose use is banned under restriction of hazardous substances (ROHS) regulations.



Thanks to these two services, customers can avoid the complex and time-consuming tasks of preparing and entering their own MSDS (material safety data sheet: information about the properties and handling of chemical products) and green procurement survey response sheets.

A key feature about GTC-ECO® is that it is an ASP. All processes involved in green procurement including tabulation of green procurement data, requests for analysis, and preparation of green procurement survey response sheets are handled online. Because GTC-ECO® adopts the ASP business model, customers do not need to absorb the cost of building or purchasing their own in-house systems. Service charges are

reasonable, so customers can produce their green procurement survey response sheets with low cost and excellent reliability—an especially important boon for small and medium-sized enterprises.

At NTT Communications, we are not merely concerned with our own production processes. We are determined to raise environmental quality across all supply chains and life cycles. Our vision is to promote advanced environmental technology in all of the communities we serve. GTC-ECO® is a cornerstone of that commitment, and a powerful, value-adding service for our many satisfied customers.

Environmental Management

Reducing Environmental Impact with Management Systems Based on the Characteristics of Our Operations

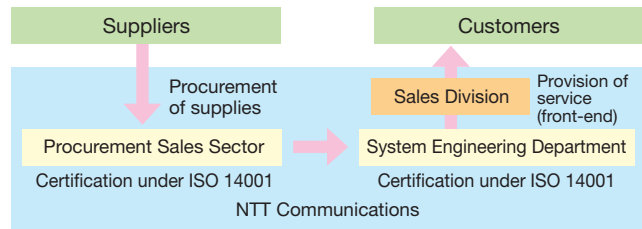
Supported by the Basic Principle of the NTT Communications Global Environmental Charter, NTT Communications is constructing management systems for every aspect of environmental protection, including environmental law, environmental accounting, and environmental training. Constant improvements in the sphere of environmental protection activities form an integral part of our ongoing operations.

Certification Under ISO 14001

A core component of NTT Communications' environmental management activities is the acquisition of ISO 14001 certification.

In October 1999, our Materials Office Planning Department Networks Division earned certification under ISO 14001. Following its reorganization as the General Procurement Office (GPO) in September 2004, in April 2005 this office implemented and commenced operation of a comprehensive environmental management system, with expanded scope based on ISO 14001:2004, a revised set of environmental regulations released in November 2004. Under this sweeping new arrangement for environmental management, the GPO oversees all procurement processes, including all NTT Communications Group purchases and outsourced operations. The office regularly revises its guidelines to ensure enhanced levels of green purchasing and oversees a wide range of environmental protection activities for the reduction of paper and energy consumption, recycling of waste, and much more.

The System Engineering Department (formerly the IT Business Promotion Department of the Solutions Division) obtained certification under ISO 14001: 1996 in March 2004. When ISO 14001: 2001 was released, the GPO revised its environmental management manual, beginning implementation of the new guidelines in April 2005. A regular examination in March 2006 conducted a careful review to oversee the status of transition to the new guidelines.



Environmental Accounting

NTT Communications conducts its own autonomous environmental accounting. In FY 2004, the total cost of environmental-preservation activities was ¥1,128 million, consisting of ¥299 million in environmental investments and ¥829 million in environmental expenses. This figure represented an increase of ¥341 million from the previous fiscal year, due chiefly to the scrapping of obsolete communications equipment and a rise in

recycling expenses.

The economic benefits of our environmental preservation measures in FY 2004 were significant. By reusing equipment, NTT Communications was able to reduce its purchases of new equipment. The introduction of WebBilling, a convenient system for online bill payment, pruned the cost of mailing invoices. In all, these environment-friendly innovations saved us ¥2,865 million.

Environmental preservation costs (by type of operation) (Millions of yen)

Category	Details of key measures	Investment		Expenses	
		2003	2004	2003	2004
(1) Business area costs		283.0	299.6	486.8	793.7
Breakdown	1-1 Pollution prevention costs			95.0	26.9
	1-2 Global environmental protection costs	283.0	299.6	103.8	104.2
	1-3 Resource Circulation costs			288.0	662.6
(2) Upstream/Downstream costs			1.8	8.1	
(3) Administration costs			11.3	28.0	
(4) R&D costs			—	—	
(5) Social activities costs			3.9	0.0	
(6) Environmental remediation costs			—	—	
Total		283.0	299.6	503.8	829.8

Economic effects of environmental-preservation measures (practical effects) (Millions of yen)

	Details of effects	FY 2004
Revenues	Revenues from sales (cable, metal, etc.)	43
Cost reductions	Savings in treatment costs from reduced waste generation (general and industrial)	46
	Reductions in cost of new purchases due to reuse of existing equipment	2,619
	Reductions in mailing and paper costs due to WebBilling	137
	Other (green procurement, etc.)	11
Total		2,856

* Tabulation period: Data for FY 2004 refer to the period from April 1, 2004 to March 31, 2005
 * Scope: NTT Communications parent company (environmental accounting data from Group companies are not included)
 * Tabulation and disclosure methods: Amounts were tabulated according to the Ministry of the Environment's Environmental Accounting Guidelines 2005. Investments and expenses were tabulated separately in the environmental preservation costs. Expenses include personnel and labor costs but do not include depreciation.

Compliance

The NTT Communications Group forms working groups on each environmental issue, based on close liaison among all Group companies. These working groups carefully consider and circulate information regarding all relevant laws and regulations, including environmental laws, emission standards, and the laws on PRTR*.

*PRTR = Pollutant Release and Transfer Register. A generic term for legislation designed to promote improvements in the assessment and control of emissions into the environment of designated pollutants.

Drawing on all of this diverse information, the working groups then autonomously compose Company-internal guidelines to ensure strict compliance with the law. In FY 2004 our operations were completely free of any accidents, violations, fines or complaints that could lead to civil litigation or criminal indictment.

COLUMN

In the Nihon Keizai Shimbun Survey of Environmental Management, NTT Communications Captures the No. 2 Spot for Communication Services

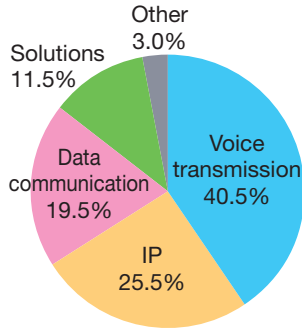
On December 2, 2005, The Nihon Keizai Shimbun, Japan's leading business daily, published the results of its annual Environmental Management Survey*. Among the survey's findings was that the rank of NTT Communications in the communication services category had risen dramatically, from 8th place in 2004 to No. 2 in 2005. In the Environmental Management Survey, The Nihon Keizai Shimbun publishes its rankings of 4,000 major Japanese companies, both listed and unlisted. Companies are evaluated according to seven characteristics: operational systems, long-term targets, anti-pollution measures, resource recycling, product measures, measures against global warming and office measures. The report praised NTT Communications for its unceasing, diligent efforts to tackle environmental issues; publication of specific long-term objectives; disclosure of environmental data, including Group company data; and range of environmentally friendly services, including GTC-ECO®, cocoa and CAVA.

*Environmental Management Survey: A survey by The Nihon Keizai Shimbun that evaluates the performance of enterprises in tackling environmental issues in the course of for-profit operations. This year's survey is the ninth since the newspaper launched it in 1997.

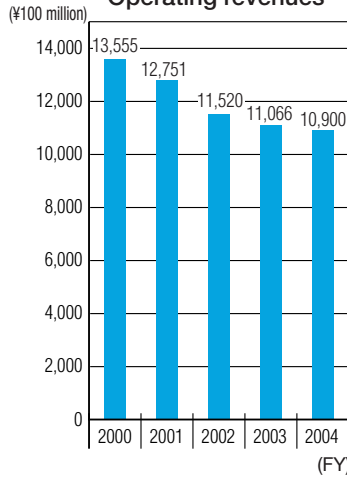
Economic Performance

Review of Operations, FY 2004

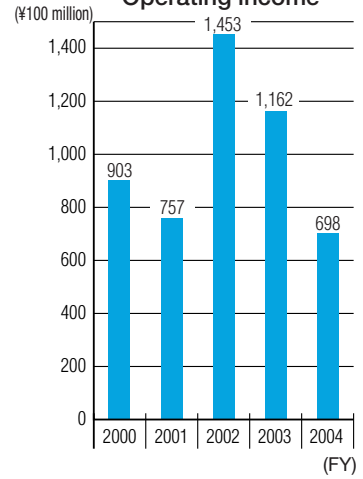
Breakdown of operating revenues



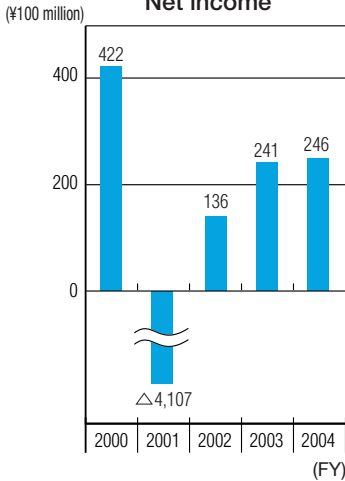
Operating revenues



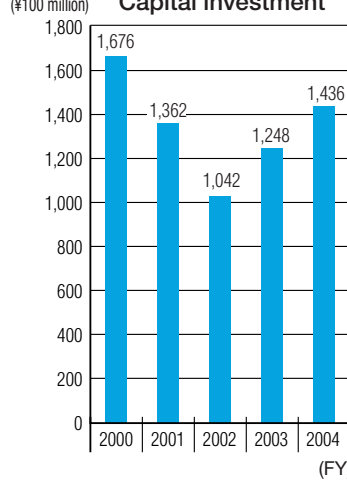
Operating income



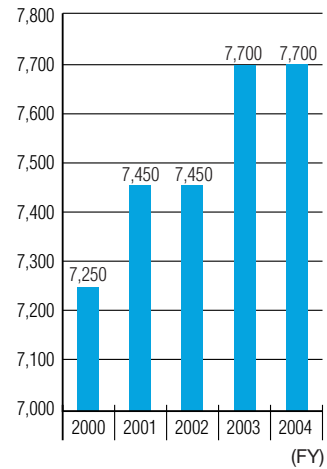
Net income



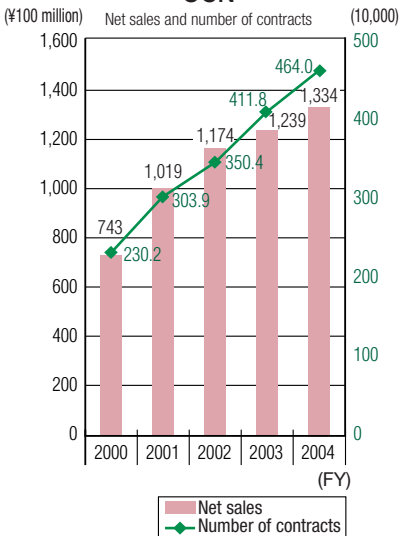
Capital investment



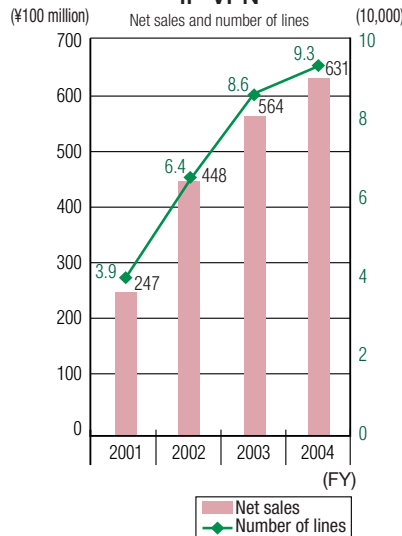
Number of employees



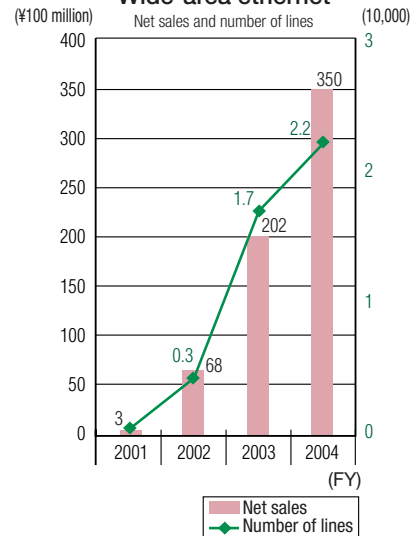
OCN



IP-VPN



Wide-area ethernet



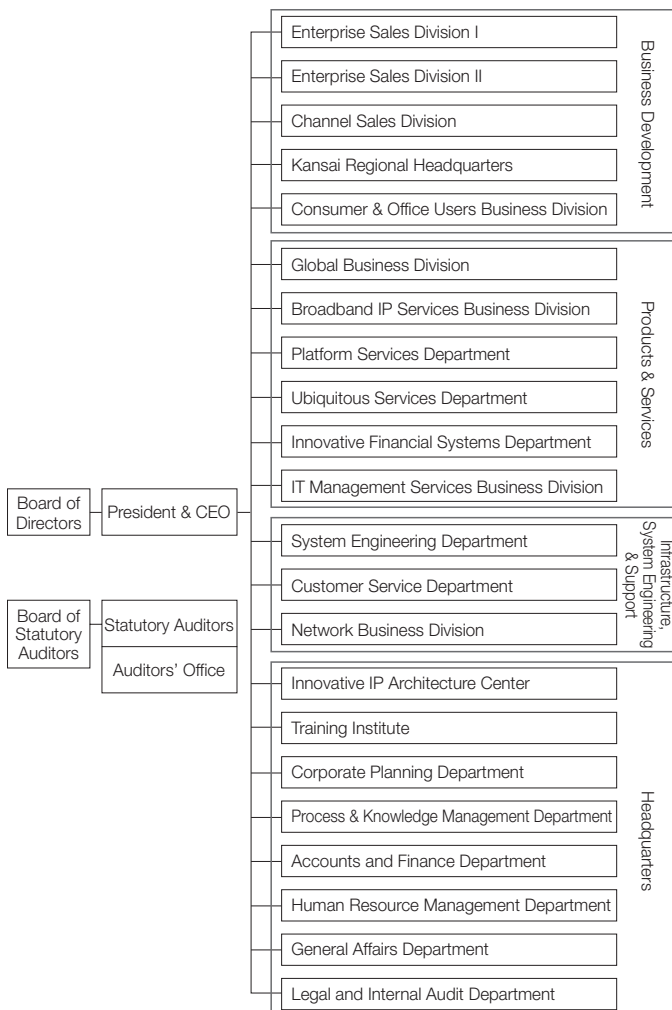
Overview of the Company

Overview of the Company

Overview of the Company (as of December 31, 2005)

Company Name:	NTT Communications Corporation
Location:	1-1-6 Uchisaiwaicho, Chiyoda-Ku, Tokyo 100-8019
Operations started:	July 1, 1999
Capitalization:	¥2,116,500,000,000
Shareholder composition:	Wholly owned subsidiary of NTT Corporation
Number of employees:	7,750 (as of September 30, 2005)
Description of operations:	Domestic and international telecommunications services

Organization Chart (as of December, 2005)



Major Group Companies (as of December 31, 2005)

- Beijing Telecom NTT Engineering Co., Ltd.
- Shanghai NTT Telecommunications Engineering Co., Ltd.
- NTT Communications China Co., Ltd.
- NTT Com Asia Limited
- HKNet Company Limited
- NTT Taiwan Ltd.
- NTT Korea Co., Ltd.
- NTT MSC SDN BHD.
- NTT Communications (Thailand) Co., Ltd.
- NTT Communications (Vietnam) Limited.
- SRI LANKA TELECOM LIMITED.
- NTT Singapore Pte. Ltd.
- P.T.NTT Indonesia
- NTT AUSTRALIA PTY.LTD.
- NTT Communications India Private Limited
- NTT America ,Inc.
- NTT MULTIMEDIA COMMUNICATIONS LABORATORIES,INC.
- Verio Inc.
- NTT Comunicacoes do Brasil Participacoes Ltda.
- NTT do Brasil Telecomunicacoes Ltda.
- NTT EUROPE LTD.
- INTERNET MULTIFEED CO.
- INFAS & NTT Network Co., Ltd.
- NTT Intelligent Planning & Development Co., Ltd
- NTT Worldwide Telecommunications Corporation
- NTT Com CHEO Corporation
- NTT NaviSpace Corporation
- NTTTPC Communications, Inc.
- NTT Visual Communications System Inc.
- NTT FANET SYSTEMS CORPORATION
- NTT World Engineering Marine Corporation
- Business Communication System Engineering Co., Ltd.
- JSAT Corporation
- Dreamnet Corporation
- Nippon Intelligent-Building Systems Corporation
- Bicom Corporation
- Broadband Engineering Corporation
- StarHub Ltd

etc.



NTT Communications Corporation

CSR Promotional Office, General Affairs Department
1-1-6 Uchisaiwaicho, Chiyoda-Ku, Tokyo 100-8019
URL: http://www.ntt.com/csr_e/



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