

May 15, 2017

FOR IMMEDIATE RELEASE

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

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

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

### **About NTT Communications Corporation**

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

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

## **1. Background**

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

## **2. Business Strategies**

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

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

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

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

- Cloud Computing Platforms

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

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

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

- Data Networks

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

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

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

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

- Voice Communications

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

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

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

- Applications and Content

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

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

- Solution Services

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

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

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

- New Service Areas

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

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

## **Other Measures**

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

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

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

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

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

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

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

### **3. Operating Results**

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

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

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

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

## II. Financial Results of NTT Communications Group

(Millions of yen)

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

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

(Millions of yen)

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



(Millions of yen)

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

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

(Millions of yen)

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

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

(Based on accounting principles generally accepted in Japan)

Year ended March 31, 2016

(Millions of yen)

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

Year ended March 31, 2017

(Millions of yen)

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

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

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

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

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

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

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

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

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

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

### 2. Directors scheduled to resign

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

### 3. New Executive Positions and Organizational Responsibilities

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

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

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

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