

May 11, 2018

FOR IMMEDIATE RELEASE

## **NTT Com Announces Financial Results for Fiscal Year Ended March 31, 2018**

TOKYO, JAPAN — NTT Communications Corporation (NTT Com) announced today its financial results for the fiscal year ended March 31, 2018. Please see the following attachments for further details:

- I. Results for Fiscal Year Ended March 31, 2018
- 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 over 190 countries/regions, and over 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, 2018**

## **1. Background**

Although the world economy is undergoing a steady recovery, there are uncertainties in international politics, in addition to the risks associated with a Goldilocks economy, making the future outlook unclear. NTT Com's enterprise customers view digital transformation as one of their most important initiative, and in addition to improving efficiencies, they are accelerating efforts to create new business models that utilize AI/IoT. On the other hand, in the ICT market, digital transformation has become the key factor for ICT service providers themselves as IaaS is increasingly dominated by overseas service providers and as new players bringing xTech emerge. Additionally, there is increasingly high public interest in infrastructure quality and the importance of security due to factors such as widespread internet connectivity disruptions and the severity of the WannaCry attack.

## **2. Business Strategies**

In light of the rapidly changing business environment, in the FY 2017, NTT Com has worked to contribute in realizing the customers' digital transformation by quickly developing complex "bimodal" solutions that offer integrated ICT services with an emphasis on both "flexibility and agility" and "security and reliability," and by offering these to its customers in a timely fashion, based on its corporate slogan: "Transform, Transcend".

Specifically, under the "Transcend. Transcend. Service Strategy 2017" framework, NTT Com focused its efforts on three pillars: "pursuit of high quality, highly reliable infrastructure," "reinforcement of SDx+M solutions," and "expansion of partnerships", in order to contribute to the digital transformation by optimizing customers' hybrid ICT environments.

In addition, in an industry analyst report that evaluates IT vendors on a worldwide basis, NTT Com was named the top "Leader" position in the global network business for the fifth year in a row. Furthermore, NTT Com was also named the "Leader" position for the third consecutive year in a cloud service provider assessment report in the Asia-Pacific region. NTT Com's initiatives in each type of service, undertaken while seeking to continue to further enhance its competitiveness based on its "Transform. Transcend. Service Strategy 2017," are described below.

### **Initiatives by Business Segment**

#### **o Cloud Computing Platforms**

For "Enterprise Cloud," a cloud service that has platforms in 14 locations in 11 countries worldwide, NTT Com launched "Enterprise Cloud for ERP" in September 2017, a shared cloud platform for SAP systems, under sales and development partnership with Virtustream, Inc. and EMC Japan K.K." In October 2017, NTT Com expanded its partnerships with VMware, Inc. to provide a multi-cloud environment that supports enterprise digital transformation. In addition, in October 2017, NTT Com strengthened its partnership with Microsoft Japan Co., Ltd. to expand hybrid cloud to PaaS and to promote work-style reform solutions.

With respect to NTT Com's Nexcenter data center services, NTT Com launched the Germany Munich 2 Data Center in May 2017, the Texas Dallas 1 (TX1) Data Center in June 2017, the Germany Rhein-Ruhr 1 Data Center in August 2017, the US Virginia Ashburn 3 (VA3) Data Center in March 2018, and the Tokyo No. 10 Data Center in April 2018. In November 2017, NTT Com signed a partnership agreement with Internet Solutions, South Africa's leading operator, which offers telecommunications services

throughout Africa, allowing NTT Com to offer data center services on the continent of Africa. Furthermore, NTT Com commenced the construction of the India Mumbai 6 Data Center and the India Bangalore 3 Data Center in July 2017, and the Germany Frankfurt 4 Data Center, the Virginia Ashburn 4 (VA4) Data Center, and the Netherlands Amsterdam 1 Data Center in March 2018.

Lastly, the cloud IaaS business was transferred from Dimension Data to NTT Com in order to provide an enhanced cloud platform to more customers through NTT Group and its partner companies.

#### o Data Networks

In October 2017, NTT Com launched “Arcstar Universal One Multi-Cloud Connect,” which allows clients of its high quality, highly reliable “Arcstar Universal One” VPN service to build a multi-cloud environment on a secure private network. In April 2017, NTT Com became the first Japanese carrier to connect to “Oracle Cloud” via a private network, and in November 2017, NTT Com became the first carrier in the world to connect to cybozu.com via a private network. In July 2017, NTT Com began offering a “100 yen SIM” for its “Arcstar Universal One Mobile Global M2M” secure enterprise mobile network service that is suitable for IoT service providers that operate personal monitoring and remote equipment monitoring services.

As an initiative to improve communications quality on its OCN internet connectivity service, in July 2017 NTT Com began offering IPoE internet connectivity that is compatible with larger capacity network equipment and IPv6, in addition to traditional PPPoE internet connectivity.

On the “OCN Mobile One” high-speed LTE communications service, starting in April 2017, NTT Com significantly improved the waiting time for same-day pickup applications counter in an effort to accelerate SIM card activation in collaboration with the NTT DOCOMO online customer system. Furthermore, by deploying traffic control device starting in July 2017, NTT Com has been able to improve network speeds during congestion and shorten the time of contents to display, and NTT Com also sought to further improve quality by launching “https communication pacing” in September 2017.

NTT Com launched Japan’s first eSIM proof-of-concept trial for MVNOs in July 2017. NTT Com built a platform that can rewrite a SIM card’s profile on a Hong Kong mobile network, and is conducting a pilot program in Japan and Hong Kong based on an expected use case for IoT and consumers.

#### o Voice Communications

In unified communication services, in June 2017, NTT Com launched “Arcstar UCaaS Cisco Type Cisco Spark,” a cloud-based collaboration service developed for improving teamwork efficiency. NTT Com also added a feature that can work with the existing “Arcstar UCaaS Cisco Type Cisco HCS” by using a business-use external/internal telephone through “Cisco Spark” and a PBX from a single device.

In voice services, in September 2017 NTT Com began offering the “OCN Denwa Unlimited 10-Minute Calls Option,” which allows users to make unlimited domestic calls up to 10 minutes for a flat rate of 1,000 yen per month, irrespective of the mobile operators that they use. Additionally, in September 2017 NTT Com began offering subscribers with a voice-enabled SIM for the “OCN Mobile One” high-speed mobile communications service both the “OCN Denwa Top 3 Unlimited Calls Option” and the “OCN Denwa Unlimited Double Option,” which combines the “Top 3 Unlimited Calls Option” and the “Unlimited 10-Minute Calls Option.”

In contact center services, in December 2017, NTT Com began offering an enhanced version of the “Arcstar Contact Center” cloud-based contact center service which expanded the number of seats to

2,000, and also has enabled providing a disaster recovery option that covers not only the cloud platform, but also the voice network for outgoing and incoming calls.

- o Applications and Content

As part of its partnership with Google, in October 2017, NTT Com began offering Google's G Suite, which brings Google's superior applications in a single package, along with optional services and NTT Com's implementation support.

In artificial intelligence (AI) services, in July 2017, NTT Com began offering "Takumi Eyes," which can automatically

specific person, such as a suspicious person, from a recorded video. In addition, in October 2017, NTT Com began offering a feature to users of its "Biz Mail & Web Business" enterprise rental server and hosting service that utilizes AI to promptly propose improvement plans based on the results of web access analysis. Furthermore, in March 2018 NTT Com began offering the "AI Translation Platform Solution," which realizes a highly precise automated translation.

- o Solution Services

For "WideAngle," NTT Com's integrated security service, in April 2017 NTT Com began offering the "Internet Security UTM" service for small and medium-sized office environments, expanding its MSS portfolio. In July 2017 NTT Com also began offering Advisory Support, a service through which it provides comprehensive support for its customers' CSIRT operations, including cyber security-related data analysis. Using data collected from WideAngle services, in September 2017 NTT Com also began offering "Active Blacklist Threat Intelligence," through which it provides, in real time, information about malicious websites used in cyberattacks occurring in Japan. Additionally, in February 2018 NTT Com began preliminarily providing implementation consulting for the "Vulnerable Assets Visualizing Solution" (scheduled to launch in June 2018). This solution will promptly identify security vulnerabilities in a customer's ICT environment. Furthermore, although WideAngle MSS had previously only offered threat detection (analyst advanced analysis) and device management operations, beginning in October 2017, NTT Com launched a "response" function that enables active remote blocking and isolation operations, expanding the scope of application for WideAngle MSS.

NTT Com began offering its "SDx+M" solution, which utilizes SDx technology, in March 2017, and it has helped to solve business challenges at customers inside and outside of Japan, such as Hitachi Ltd.

To expand and strengthen the sales network for "Global Management One," NTT Com's total managed ICT service, NTT Com signed sales partner agreements with Singapore's CoreTel Networks in April 2017, with Hong Kong's Vantis Consulting Group in November 2017, and with Malaysia's Diversified Gateway Berhad in February 2018.

- o New Service Areas

In IoT business, in April 2017 NTT Com launched "Things Cloud®," an IoT platform to help drive business transformation and productivity improvements by quickly giving shape to business ideas for enterprise IoT. As examples of how NTT Com is using "Things Cloud®" to expand the business applications for IoT, NTT Com is participating in a proof-of-concept trial under the aegis of the Ministry of Internal Affairs and Communication that seeks to "take advantage of IoT security infrastructure to realize a safe and secure society." NTT Com also started another proof-of-concept trial with Seikei University aimed at maximizing "the value of space" by using IoT. NTT Com has also joined the EnOcean Alliance, which is promoting the standardization of wireless communication technology that uses energy harvesting,

and has also sought to collaborate with partner companies such as ROHM and other sensor device makers by launching a device recommendation system. Through these initiatives, NTT Com has strengthened its ability to serve as a one-stop source of IoT solutions that address business challenges that vary depending on the nature of its customers' businesses.

### **Other Initiatives**

In sales, NTT Com has created proposals that help customers realize digital transformation by combining NTT Com's solutions with its partners' existing technologies and services. NTT Com has also supported its customers' efforts to "reform the existing businesses" and "create new business models" by making proposals with the solutions model. Likewise, NTT Com has developed more efficient and effective sales strategies globally by establishing a sales channel portfolio/solutions model that meets requirements in target markets.

In operations, NTT Com has delivered the highly reliable service, fast operations, innovative development style, and optimized global/service hybrid operations, to increase competitiveness. NTT Com has also created a DevOps environment on its own cloud platform for the rapid and flexible development.

In order to promote seamless global management, NTT Com has deployed and upgraded the globally-seamless quotation/contract creation systems and billing systems across all of the NTT Com group companies. NTT Com has also developed and built an internal IT infrastructure platform in order to achieve faster development in the DevOps environment. In procurement, NTT Com introduced robotics process automation (RPA) and cloud-based electronic contracts to accelerate the process. In addition, NTT Com used procurement data to reduce costs and strengthen CSR in the supply chain. In human resources, NTT Com focused on young employee training to raise their knowledge level of NTT Com services through on the job training in engineering.

In CSR, aligned with sustainable development goals (SDGs), NTT Com held events to announce the winners of its CSR best practices awards, and to recognize employee-driven CSR activities, for promoting mutual understanding among NTT Com Group.

With respect to environmental protection, to achieve its environmental targets for 2030, NTT Com reduced electricity consumption, and expanded the deployment of precise power visualization as well as systems to improve airflow and automate air conditioning control to reduce the amount of power used in air conditioning. In December 2017, NTT Com received an award of special excellence from the city of Kyoto's program to reduce commercial emissions, for its efforts to cut greenhouse gas emissions.

Under NTT Com's "Basic Policies Concerning the Maintenance of Internal Control Systems," NTT Com formed a risk management team that identifies risks throughout the company as well as the NTT Communications Group, through which audits are performed in conjunction with computer assisted audit techniques (CAAT). In compliance, in line with the trend towards stricter enforcement of anti-bribery rules in countries around the world, NTT Com strengthened its global compliance under the "NTT Communications Group Global Compliance Rules" by creating "Detailed Anti-Bribery Rules" and "Anti-Bribery Guidelines" that apply to all NTT Communications group companies. Furthermore, in order to ensure that NTT Com is not only strictly following the law but that it is also operating with high ethical standards, NTT Com sent messages from top management as well as e-mail newsletters, and also continued to conduct training for all employees for raising the level of understanding and awareness.

In terms of diversity, NTT Com has been actively promoting work style reforms that leverage ICT to boost productivity as well as the creation of a corporate culture in which every employee can achieve their full potential, regardless of age, gender, nationality, religion or physical ability/disability, allowing employees to find a work/life balance while also achieving flexible and efficient work practices. Aligned

with NTT Group's gender equality plan that aims to double the percentage of female managers, NTT Com has continued to support the career development that will lead to the creation of a female management cohort, and has been proactively recruiting female employees. As a result, NTT Com obtained top-level "Platinum Kurumin" certification from the Minister of Health, Labour and Welfare under the Act for Measures to Support the Development of the Next Generation. These certifications recognize employers that support child-rearing. NTT Com was also recognized by outside research organizations such as Nikkei Dual as the top of its ranking of companies for dual-income families raising children. In addition, NTT Com was recognized as a best company in the large enterprise category by Great Place to Work Institute Japan.. With respect to work style reform, NTT Com has implemented measures for creating appropriate work hours, such as encouraging employees to leave by 8:00 pm and, as a principle, prohibiting late-night work. NTT Com also made institutional improvements such as 1) expanding work-from-home opportunities (which had been limited to employees raising children or caring for family members) to all employees, helping employees to reduce commuting time, 2) enabling remote working at outside office spaces, and 3) introducing a flextime system for all employees, so that everyone can find a way of working that suits their own style.

### **3. Operating Results**

NTT Communications Group consolidated operating revenues rose for the first time in two years, increasing 40.0 billion yen (+3.1%) from the prior fiscal year to 1,323.0 billion yen. Operating income decreased 10.5 billion yen (-8.0%) from to the prior fiscal year to 122.0 billion yen.

Non-consolidated operating revenues for NTT Communications by business segment were as follows. Three business segments saw increases in revenues: Cloud Computing Platforms revenues increased 8.8 billion yen (+12.3%) from the prior fiscal year to 80.9 billion yen, Data Networks revenues increased 10.6 billion yen (+2.8%) to 395.4 billion yen, and Solution Services revenues increased 10.2 billion yen (+6.3%) to 173.7 billion yen. Voice Communications revenues decreased 9.0 billion yen (-3.6%) from the prior fiscal year to 241.7 billion yen, and Applications and Content revenues decreased 1.3 billion yen (-3.6%) to 36.3 billion yen.

Operating expenses rose 6.5 billion yen (+0.8%) from the prior fiscal year to 837.8 billion yen, due to the increase in Solution Services revenue-linked expenses, and the increase in communications network usage charges associated with the delivery of Hikari Collaboration and mobile services.

As a result of the above, NTT Com achieved a second straight year of income growth, rising 17.4 billion yen (+18.9%) from the prior fiscal year to 109.9 billion yen, while net income rose 2.8 billion yen (+3.4%) to 87.8 billion yen.

## II. Financial Results of NTT Communications Group

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018	Increase (Decrease)	Percent Increase (Decrease)
Operating revenues	1,282,968	1,322,991	40,023	3.1
Operating expenses	1,150,477	1,201,040	50,563	4.4
Operating income	132,491	121,951	(10,540)	(8.0)

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

(Millions of yen)

	March 31, 2017	March 31, 2018	Increase (Decrease)
<b>ASSETS</b>			
Fixed assets:			
Fixed assets - telecommunications businesses			
Property, plant and equipment			
Machinery and equipment	151,531	132,029	(19,501)
Antenna facilities	1,674	1,462	(212)
Terminal equipment	1,963	2,096	132
Local line facilities	1,103	1,096	(7)
Long-distance line facilities	5,122	5,082	(40)
Engineering facilities	49,878	49,490	(388)
Submarine line facilities	16,701	14,609	(2,092)
Buildings	205,475	202,770	(2,705)
Structures	2,624	3,451	827
Other machinery and equipment	68	96	27
Vehicles and vessels	62	158	96
Tools, furniture and fixtures	46,700	65,180	18,480
Land	48,577	48,571	(5)
Lease assets	7,950	7,389	(560)
Construction in progress	13,323	22,409	9,086
Total property, plant and equipment	552,757	555,896	3,138
Intangible fixed assets	98,820	104,376	5,555
Total fixed assets - telecommunications businesses	651,578	660,272	8,693
Investments and other assets			
Investment securities	108,152	100,935	(7,216)
Investments in subsidiaries and affiliated companies	387,905	474,064	86,158
Investment in capital	345	224	(120)
Contributions to affiliated companies	2,049	2,049	-
Long-term loans receivable to subsidiaries	1,268	1,268	-
Long-term prepaid expenses	4,841	4,652	(188)
Prepaid pension costs	6,391	6,199	(191)
Deferred income taxes	17,499	22,458	4,959
Submarine line use rights	17,114	16,965	(149)
Other investments and assets	16,268	16,131	(136)
Allowance for doubtful accounts	(160)	(125)	34
Total investments and other assets	561,675	644,824	83,148
Total fixed assets	1,213,254	1,305,096	91,842
Current assets:			
Cash and bank deposits	3,406	7,374	3,967
Notes receivable	8	5	(2)
Accounts receivable, trade	178,248	216,043	37,794
Accounts receivable, other	49,459	27,948	(21,511)
Lease investment assets	92	69	(22)
Securities	4	-	(4)
Supplies	9,643	8,779	(863)
Advance payments	4,552	4,737	185
Prepaid expenses	8,084	8,540	456
Deferred income taxes	3,177	5,489	2,312
Deposits paid to parent company	16,636	1,480	(15,156)
Other current assets	8,647	8,283	(363)
Allowance for doubtful accounts	(1,367)	(1,485)	(118)
Total current assets	280,595	287,267	6,672
<b>TOTAL ASSETS</b>	<b>1,493,849</b>	<b>1,592,364</b>	<b>98,514</b>



(Millions of yen)

	March 31, 2017	March 31, 2018	Increase (Decrease)
<b>LIABILITIES</b>			
Long-term liabilities:			
Long-term borrowings from parent company and subsidiary	222,333	197,986	(24,347)
Lease obligations	6,297	4,917	(1,380)
Liability for employees' retirement benefits	89,994	92,891	2,897
Reserve for point services	407	458	51
Reserve for unused telephone cards	3,540	3,734	194
Asset retirement obligations	4,126	5,616	1,490
Other long-term liabilities	13,118	16,518	3,399
Total long-term liabilities	339,818	322,122	(17,695)
Current liabilities:			
Current portion of long-term borrowings from parent company	-	50,000	50,000
Accounts payable, trade	29,548	35,156	5,608
Lease obligations	3,851	3,330	(520)
Accounts payable, other	153,953	173,305	19,351
Accrued expenses	4,960	5,382	421
Accrued taxes on income	3,749	8,357	4,607
Advances received	3,736	4,268	531
Deposits received	1,525	1,301	(223)
Unearned revenues	173	1,308	1,134
Allowance for losses on construction	627	521	(105)
Asset retirement obligations	56	19	(36)
Other current liabilities	1,178	5,605	4,426
Total current liabilities	203,360	288,557	85,196
<b>TOTAL LIABILITIES</b>	<b>543,179</b>	<b>610,680</b>	<b>67,501</b>
<b>NET ASSETS</b>			
Shareholders' equity:			
Common stock	211,763	230,979	19,215
Capital surplus			
Additional paid-in capital	131,615	150,830	19,215
Total capital surplus	131,615	150,830	19,215
Earned surplus			
Other earned surplus			
Reserve for reduction entry	7,189	7,177	(11)
Accumulated earned surplus	556,808	565,139	8,331
Total earned surplus	563,997	572,317	8,319
Total shareholders' equity	907,376	954,126	46,750
Unrealized gains (losses), translation adjustments, and others:			
Net unrealized gains (losses) on securities	43,080	30,368	(12,712)
Deferred gains or losses on hedges	213	(2,810)	(3,024)
Total unrealized gains (losses), translation adjustments, and others	43,293	27,557	(15,736)
<b>TOTAL NET ASSETS</b>	<b>950,670</b>	<b>981,683</b>	<b>31,013</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,493,849</b>	<b>1,592,364</b>	<b>98,514</b>

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

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018	Increase (Decrease)
Telecommunications businesses:			
Operating revenues	697,333	699,005	1,671
Operating expenses			
Business expenses	159,654	154,739	(4,914)
Maintenance expenses	74,148	73,143	(1,004)
Overhead expenses	10,976	11,067	90
Administration	66,106	63,928	(2,177)
Experiment and research	11,654	12,247	593
Depreciation and amortization	89,139	71,398	(17,741)
Retirement of fixed assets	6,236	4,340	(1,895)
Access charges	190,708	199,308	8,599
Miscellaneous taxes	11,745	12,637	892
Total operating expenses	620,370	602,811	(17,558)
Operating income from telecommunications businesses	76,963	96,193	19,229
Supplementary businesses:			
Operating revenues	226,522	248,833	22,310
Operating expenses	210,936	235,031	24,094
Operating income from supplementary businesses	15,585	13,802	(1,783)
Operating income	92,549	109,995	17,446
Non-operating revenues:			
Interest income	62	36	(26)
Interest on securities	0	0	(0)
Dividends received	8,258	7,259	(998)
Lease and rental income	11,204	10,706	(498)
Miscellaneous income	1,222	2,122	899
Total non-operating revenues	20,748	20,125	(623)
Non-operating expenses:			
Interest expenses	1,050	742	(307)
Lease and rental expenses	5,712	5,071	(641)
Miscellaneous expenses	1,072	724	(348)
Total non-operating expenses	7,836	6,538	(1,298)
Recurring profit	105,461	123,582	18,120
Special profits:			
Gains on sales of investments in affiliated companies	-	2,433	2,433
Total special profits	-	2,433	2,433
Income before income taxes	105,461	126,015	20,554
Corporation, inhabitant, and enterprise taxes	23,097	38,464	15,367
Deferred tax expenses (benefits)	(2,639)	(330)	2,309
Net income	85,003	87,881	2,877

**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, 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

Year ended March 31, 2018

(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, 2017	211,763	131,615	131,615	7,189	556,808	563,997	907,376	43,080	213	43,293	950,670
Net change during the annual period											
Issuance of stock	19,215	19,215	19,215				38,430				38,430
Cash dividends					(79,561)	(79,561)	(79,561)				(79,561)
Net income					87,881	87,881	87,881				87,881
Return of reserve for reduction entry				(11)	11	-	-				-
Others, net								(12,712)	(3,024)	(15,736)	(15,736)
Total net change during the annual period	19,215	19,215	19,215	(11)	8,331	8,319	46,750	(12,712)	(3,024)	(15,736)	31,013
March 31, 2018	230,979	150,830	150,830	7,177	565,139	572,317	954,126	30,368	(2,810)	27,557	981,683

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

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018	Increase (Decrease)	Percent Increase (Decrease)
Cloud Computing Platforms	72,034	80,916	8,881	12.3
Data Networks	384,804	395,491	10,686	2.8
Voice Communications	250,794	241,789	(9,004)	(3.6)
Applications & Content	37,732	36,359	(1,373)	(3.6)
Solution Services	163,496	173,774	10,278	6.3
Others	14,993	19,507	4,514	30.1
Total operating revenues	923,855	947,838	23,982	2.6

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

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018	Increase (Decrease)
Cash flows from operating activities:			
Income before income taxes	105,461	126,015	20,554
Depreciation and amortization	106,971	95,717	(11,254)
Loss on disposal of property, plant and equipment	4,517	1,882	(2,634)
Gains on sales of fixed assets	(78)	(54)	23
Increase (decrease) in allowance for doubtful accounts	302	83	(218)
Increase (decrease) in liability for employees' retirement benefits	3,272	2,897	(374)
(Increase) decrease in accounts receivable	(239)	(16,280)	(16,041)
(Increase) decrease in inventories	1,152	57	(1,094)
Increase (decrease) in accounts payable and accrued expenses	703	8,587	7,884
Increase (decrease) in accrued consumption tax	2,434	1,221	(1,212)
Other	(10,925)	(111)	10,814
Sub-total	213,571	220,017	6,445
Interest and dividends received	8,344	7,298	(1,046)
Interest paid	(1,086)	(822)	263
Income taxes received (paid)	(29,892)	(20,902)	8,990
Net cash provided by (used in) operating activities	190,937	205,591	14,653
Cash flows from investing activities:			
Payments for property, plant and equipment	(134,677)	(102,542)	32,135
Proceeds from sale of property, plant and equipment	412	741	328
Payments for purchase of investment securities	(422)	(65,612)	(65,189)
Proceeds from sale of investment securities	2,242	10,155	7,912
Proceeds from long-term loans receivable	-	456	456
Other	(4,042)	(2,006)	2,035
Net cash provided by (used in) investing activities	(136,487)	(158,808)	(22,320)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	22,864	31,248	8,384
Payments for settlement of long-term debt	(43,360)	(5,595)	37,764
Net increase (decrease) in short-term borrowings	(7,766)	-	7,766
Payments for settlement of lease obligations	(4,306)	(4,060)	245
Dividends paid	(33,000)	(79,561)	(46,561)
Net cash provided by (used in) financing activities	(65,569)	(57,969)	7,599
Effect of exchange rate changes on cash and cash equivalents	(158)	(312)	(154)
Net increase (decrease) in cash and cash equivalents	(11,277)	(11,499)	(222)
Cash and cash equivalents at beginning of year	31,630	20,353	(11,277)
Cash and cash equivalents at end of year	20,353	8,854	(11,499)

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

1. Candidates scheduled to take office as Directors

Junichi Kudo	Head of Applications and Content
Mamoru Watanabe	Director of Human Resources
Hidetaka Nishikawa	Deputy Senior Vice President of Second Sales Division

2. Directors scheduled to resign

Tetsuya Funabashi	Senior Executive Vice President (scheduled to transfer to Kyowa Exeo Corporation)
Katsumi Nakata	Senior Executive Vice President (scheduled to transfer to NTT Security Corporation)
Hidemune Sugahara	Senior Vice President (scheduled to transfer to NTT Com Solutions Corporation)

3. Candidates scheduled to take office as Representative Directors

i. Candidate scheduled to be re-elected as President and CEO

Tetsuya Shoji	President and CEO
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ii. Candidates scheduled to be re-elected/take office as Senior Executive Vice President

Toru Maruoka	Executive Vice President
Masaaki Moribayashi	Senior Vice President

iii. Candidates scheduled to be re-elected/take office as Executive Vice President

Eiichi Tanaka	Executive Vice President
Denji Sakurai	Senior Vice President

4. New Executive Positions and Organizational Responsibilities

Name	New Position(s) and Organizational Responsibilities	Current Position(s) and Organizational Responsibilities
Tetsuya Shoji	President and CEO	President and CEO
Toru Maruoka	Senior Executive Vice President In charge of Sales In charge of Corporate In charge of 2020 Project	Executive Vice President Head of Voice and Video
Masaaki Moribayashi	Senior Executive Vice President In charge of Technology In charge of Services In charge of Operations In charge of Information Security In charge of Global Business	Senior Vice President Head of Cloud Services
Eiichi Tanaka	Executive Vice President In charge of CSR	Executive Vice President In charge of CSR
Denji Sakurai	Executive Vice President Head of Fourth Sales Division	Senior Vice President Head of Fourth Sales Division
Kazuhiro Gomi	Senior Vice President President and CEO of NTT America, Inc.	Senior Vice President President and CEO of NTT America, Inc.

Ken Kusunoki	Senior Vice President Head of Third Sales Division	Senior Vice President Head of Third Sales Division
Takanobu Maeda	Senior Vice President Head of Global Business	Senior Vice President Head of Global Business
Shuichi Sasakura	Senior Vice President Head of Network Services	Senior Vice President Head of Network Services
Yoichiro Takaya	Senior Vice President Head of Fifth Sales Division	Senior Vice President Head of Fifth Sales Division
Naoki Kajita	Senior Vice President Head of ICT Consulting Division	Senior Vice President Head of ICT Consulting Division
Keigo Kajimura	Senior Vice President Head of Solution Services	Senior Vice President Head of Solution Services
Hiromasu Takaoka	Senior Vice President Head of Customer Services	Senior Vice President Head of Customer Services
Junichi Kudo	Senior Vice President Head of Voice and Video Head of Applications and Content	Head of Applications and Content
Mamoru Watanabe	Senior Vice President Head of Service Infrastructure	Director of Human Resources
Hidetaka Nishikawa	Senior Vice President Head of Second Sales Division	Deputy Senior Vice President of Second Sales Division
Atsuhiro Fuseya	Senior Vice President	Senior Vice President

Note: Among the Directors scheduled to resign from office, Hidemune Sugahara is expected to resign on June 20, 2018, and Tetsuya Funabashi and Katsumi Nakata are expected to resign at the close of the 19<sup>th</sup> Annual General Shareholders' Meeting (to be held on June 22, 2018).