

May 11, 2012

FOR IMMEDIATE RELEASE

## **NTT Com Announces Financial Results for Fiscal Year Ended March 31, 2012**

TOKYO, JAPAN — NTT Communications Corporation (NTT Com) announced today its financial results for Fiscal Year ended March 31, 2012. Please see the following attachments for further details:

- I. Results for Fiscal Year Ended March 31, 2012
- II. Non-Consolidated Comparative Balance Sheets
- III. Non-Consolidated Comparative Statements of Income
- IV. Non-Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets
- V. Business Results (Non-Consolidated Operating Revenues)
- VI. Non-Consolidated Comparative Statements of Cash Flows
- VII. Financial Results of NTT Communications Group
- VIII. Changes in NTT Communications Directors (Subject to Shareholders' Approval)

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### 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 IPv4/IPv6 Global Tier-1 IP Network, Arcstar Universal One™ VPN network reaching over 150 countries, and over 120 secure data centers. NTT Communications' solutions leverage the global resources of NTT Group companies including Dimension Data, NTT DOCOMO and NTT DATA.

Further information: [www.ntt.com](http://www.ntt.com) | [www.twitter.com/nttcom](http://www.twitter.com/nttcom) | [www.facebook.com/nttcomtv](http://www.facebook.com/nttcomtv)

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## **I. Results for Fiscal Year Ended March 31, 2012**

NTT Communications Corporation (NTT Com) announced today that its non-consolidated financial results for the fiscal year ended March 31, 2012 saw net income decrease 15.5% year on year to 58.3 billion yen, operating revenues decrease 5.1% to 981.0 billion yen and operating income increase 13.4% to 105.7 billion yen. Operating expenses shrank 6.9% to 875.2 billion yen. All results are based on Japanese accounting principles.

### **BACKGROUND**

Although some observers suggested that Japan's economy gradually recovered from the effects of the Great East Japan Earthquake and floods in Thailand during the year, the outlook remained uncertain due to the slowdown in global economic growth, the European debt crisis, the continuing strength of the yen, the downturn in consumer confidence and the restrictive effect on economic activities caused by Japan's limited supply of electricity. At the same time, ICT needs became increasingly sophisticated and diverse due to factors such as the accelerated global expansion of corporate activities, the market for cloud services shifting into high gear, the increasingly ubiquitous environment resulting from the rapid popularization of smartphone and tablet devices, and the popularization of social media. Furthermore, the structure of the ICT market rapidly evolved and global competition both intensified and diversified.

### **BUSINESS STRATEGIES**

NTT Com is striving to become a global ICT services leader that customers worldwide choose as their optimal partner, and the company also aims to further improve its strengths, especially in Asia. Both objectives are central pillars of the company's Vision 2015 growth strategy and corporate slogan "Global ICT Partner – Innovative. Reliable. Seamless." By FY 2015 NTT Com aims to achieve group operating revenues of 1.5 trillion yen, including more than double the FY 2010 level of global sales.

In FY 2011, the first year of Vision 2015, NTT Com fundamentally re-examined its business processes and upgraded on-site (field) capabilities, aiming to return to the growth track by leveraging inherent strengths. Changes were implemented rapidly and boldly, and were focused on providing services that enable customers to achieve enhanced value. In addition, measures were taken group-wide to achieve more seamless services, user coverage, operations and human resources.

In August 2011, resources and know-how dispersed throughout the company were restructured into three aggregated functions — sales, services and operations — placing a special emphasis on the keywords "service-orientation" and "seamlessness." The goal has

been to optimize these functions under a restructured organization to realize greater competitive advantages.

In sales, the top priority was placed on sales skills and the development of new markets by proposing services that enable customers to enhance their value. Also, to offer greater value through more seamless global operations, innovative new changes were introduced in frameworks and procedures, such as establishing a structure for global account management and increasing the use of sales force automation for greater effectiveness and efficiency.

In services, related technologies as well as services were strengthened, structures were created for unified operations in all stages, from planning and technical evaluation to development and support, and new services were launched by leveraging development resources from the perspective of total optimization.

In accordance with the company's Global Cloud Vision, total ICT outsourcing offerings were expanded to cover everything from networks and data centers to servers, applications and security, all on a seamless, end-to-end, one-stop basis to meet the needs of cloud customers. Also, cooperation among service units was strengthened for improved service development and delivery.

Specific measures taken by type of service were as follows:

- System Integration

In response to trends in the ICT field and changes in customers' business models, NTT Com upgraded its global network to connect customer offices worldwide and migrated customers' on-premise systems to cloud services. As a result, globally seamless, one-stop operations were realized and customers were offered total outsourcing services that helped them to improve their productivity and efficiency.

- Cloud Platforms

Cloud<sup>1</sup> was launched as a new public cloud service offering abundant APIs and priced attractively within the industry's lower pricing tier. The Tokyo 5 Data Center began operating as a highly eco-minded facility with advanced disaster preparedness features. Construction started on the Tokyo 6 Data Center, which will become the metropolitan area's largest data center, and the Cyberjaya 3 Data Center in Malaysia.

- Applications and Content

New services, such as Biz Mail and Biz Desktop, met customer needs for ICT

outsourcing and telecommuting. Group subsidiary NTT Plala saw contracts for its Hikari TV fiber-optic cable service reach two million in March 2012, and the company launched its Hikari TV Dokodemo and Hikari TV Mobile services for smartphone and tablet users.

- Data Networks

In response to increased market demand for cloud and global services, NTT Com launched Arcstar Universal One, a new network service for corporate clients, and expanded overall service coverage to 159 countries. Two new services were launched to meet rapidly expanding mobile needs: the mobile data communication service OCN Mobile Entry D and the closed mobile service Arcstar Universal One Mobile.

- Voice Communication

Two new IP phone services compatible with smartphones and tablet devices were started: 050 plus and 050 plus for Biz. Also, the Arcstar Unified Communication Service offering globally seamless voice communication for multinational companies was enhanced with the launch of the UCaaS (Unified Communications as a Service) Plan, which provides access to multiple means of communication on a flexible cloud-basis, and the expansion of the SIP Trunking Plan for wider external dialing.

And finally, in the area of operations, productivity was enhanced through total optimization. For example, operations in which all procedures had been handled on a service/product basis were standardized and simplified for improved efficiency. In addition, global operations were optimized by reorganizing territories by language, platform equipment was simplified by introducing new methods and internal IT systems were aggregated through elimination and consolidation.

In addition, NTT Com enhanced its capabilities to provide value-added ICT services and meet the demands of multinational companies by acquiring Frontline Systems, an Australian provider of IT infrastructure, IT consulting and managed services. Also, an agreement was reached to acquire a stake in Netmagic Solutions, a leading provider of datacenter services in India.

## **OPERATING RESULTS**

Operating revenues declined again in the 2011 fiscal year. Voice transmission services revenues decreased 8.2% to 324.2 billion yen, IP services revenues were down 1.9% to 374.4 billion yen, data communications services revenues decreased 13.7% to 78.3 billion yen and solution services revenues declined 1.0% to 179.7 billion yen. Total operating revenues decreased 5.1% to 981.0 billion yen.

On the positive side, tighter cost controls lowered expenses for purchases of goods and services by 5.5% to 429.5 billion yen. Access charges decreased 10.4% to 236.5 billion yen due to lower voice transmission service charges. Total operating expenses declined 6.9% to 875.2 billion yen.

As a result, operating income increased 13.4% to 105.7 billion yen and net income decreased 15.5% to 58.3 billion yen, which included the booking of special profits of 3.7 billion yen on sales of real estate and special losses of 9.5 billion yen on reduced stock valuations.

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

(Millions of yen)

	March 31, 2011	March 31, 2012	Increase (Decrease)
<b>ASSETS</b>			
Fixed assets:			
Fixed assets - telecommunications businesses			
Property, plant and equipment			
Machinery and equipment	148,965	146,728	(2,236)
Antenna facilities	1,688	1,569	(118)
Terminal equipment	1,134	929	(204)
Local line facilities	840	836	(3)
Long-distance line facilities	8,299	7,497	(801)
Engineering facilities	55,813	54,861	(952)
Submarine line facilities	11,128	8,974	(2,153)
Buildings	133,473	127,910	(5,563)
Structures	3,066	2,779	(287)
Other machinery and equipment	86	81	(5)
Vehicles and vessels	32	25	(7)
Tools, furniture and fixtures	32,516	33,379	862
Land	47,660	47,349	(310)
Lease assets	4,337	6,268	1,931
Construction in progress	17,829	30,479	12,650
Total property, plant and equipment	466,872	469,671	2,798
Intangible fixed assets	73,165	84,055	10,890
Total fixed assets - telecommunications businesses	540,038	553,727	13,689
Investments and other assets			
Investment securities	102,993	118,969	15,976
Investments in subsidiaries and affiliated companies	182,233	178,550	(3,683)
Investment in capital	213	210	(3)
Contributions to affiliated companies	2,559	2,274	(284)
Long-term prepaid expenses	2,244	2,072	(171)
Deferred income taxes	36,475	20,403	(16,071)
Other investments and assets	28,846	30,789	1,943
Allowance for doubtful accounts	(266)	(219)	47
Total investments and other assets	355,300	353,053	(2,246)
Total fixed assets	895,338	906,780	11,442
Current assets:			
Cash and bank deposits	54,796	23,863	(30,932)
Notes receivable	12	446	434
Accounts receivable, trade	185,255	192,630	7,374
Accounts receivable, other	2,302	3,617	1,314
Lease investment assets	888	636	(251)
Securities	10	10	-
Supplies	7,035	9,424	2,389
Advance payment	2,061	1,627	(433)
Prepaid expenses	3,313	4,346	1,032
Deferred income taxes	4,373	5,953	1,580
Subsidiary deposits	1,704	43,671	41,966
Other current assets	9,042	11,575	2,533
Allowance for doubtful accounts	(2,340)	(2,294)	45
Total current assets	268,455	295,509	27,054
<b>TOTAL ASSETS</b>	<b>1,163,793</b>	<b>1,202,290</b>	<b>38,496</b>

(Millions of yen)

	March 31, 2011	March 31, 2012	Increase (Decrease)
<b>LIABILITIES</b>			
Long-term liabilities:			
Long-term borrowings from parent company	107,309	63,666	(43,643)
Lease obligations	5,597	6,801	1,204
Liability for employees' retirement benefits	79,372	82,533	3,160
Reserve for point services	3,684	3,957	273
Reserve for unused telephone cards	6,318	5,964	(354)
Asset retirement obligations	619	669	49
Other long-term liabilities	9,590	8,836	(754)
Total long-term liabilities	212,493	172,430	(40,063)
Current liabilities:			
Current portion of long-term borrowings from parent company	37,073	43,643	6,569
Accounts payable, trade	28,834	26,063	(2,771)
Short-term borrowings	65	-	(65)
Lease obligations	3,165	3,749	583
Accounts payable, other	165,741	173,342	7,601
Accrued expenses	5,770	5,581	(189)
Accrued taxes on income	664	9,533	8,869
Advance received	7,541	6,004	(1,537)
Deposit received	12,568	14,568	2,000
Unearned revenue	76	73	(2)
Allowance for losses on construction	-	105	105
Allowance for loss on disaster	957	506	(451)
Asset retirement obligations	16	-	(16)
Other current liabilities	450	1,974	1,523
Total current liabilities	262,926	285,145	22,218
<b>TOTAL LIABILITIES</b>	<b>475,420</b>	<b>457,575</b>	<b>(17,845)</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 special account for property replacement	-	1,921	1,921
Reserve for reduction entry	2,163	2,347	183
Accumulated earned surplus	310,859	352,056	41,197
Total earned surplus	313,022	356,324	43,302
Total shareholders' equity	656,401	699,703	43,302
Unrealized gains (losses), translation adjustments, and others:			
Net unrealized gains (losses) on securities	31,972	45,010	13,038
Total unrealized gains (losses), translation adjustments, and others	31,972	45,010	13,038
<b>TOTAL NET ASSETS</b>	<b>688,373</b>	<b>744,714</b>	<b>56,341</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,163,793</b>	<b>1,202,290</b>	<b>38,496</b>

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

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012	Increase (Decrease)
Telecommunications businesses:			
Operating revenues	868,467	817,556	(50,910)
Operating expenses			
Business expenses	223,102	203,341	(19,761)
Maintenance expenses	87,012	82,303	(4,709)
Overhead expenses	10,794	11,784	990
Administration	72,000	71,438	(561)
Experiment and research	15,171	13,870	(1,301)
Depreciation and amortization	97,134	87,520	(9,613)
Retirement of fixed assets	7,113	6,819	(293)
Access charges	249,190	222,392	(26,798)
Miscellaneous taxes	11,103	10,930	(173)
Total operating expenses	772,624	710,400	(62,224)
Operating income from telecommunications businesses	95,842	107,156	11,313
Supplementary businesses:			
Operating revenues	164,948	163,464	(1,483)
Operating expenses	167,522	164,872	(2,650)
Operating losses from supplementary businesses	(2,574)	(1,407)	1,166
Operating income	93,268	105,748	12,480
Non-operating revenues:			
Interest income	66	96	30
Dividends received	8,839	9,033	194
Lease and rental income	13,699	13,021	(677)
Miscellaneous income	1,133	1,563	429
Total non-operating revenues	23,739	23,715	(23)
Non-operating expenses:			
Interest expenses	2,999	2,196	(803)
Lease and rental expenses	8,221	7,546	(674)
Miscellaneous expenses	2,102	726	(1,375)
Total non-operating expenses	13,322	10,469	(2,852)
Recurring profit	103,684	118,994	15,309
Special profits:			
Gains on sales of fixed assets	-	3,728	3,728
Total special profits	-	3,728	3,728
Special losses:			
Write-off of investments in affiliated companies	2,402	9,599	7,196
Special loss on disaster	1,142	-	(1,142)
Total special losses	3,545	9,599	6,053
Income before income taxes	100,139	113,123	12,984
Corporation, inhabitant, and enterprise taxes	25,694	43,279	17,585
Deferred tax expenses (benefits)	5,480	11,540	6,060
Net income	68,964	58,303	(10,661)

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

(Based on accounting principles generally accepted in Japan)

Year ended March 31, 2011

(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 special account for property replacement	Reserve for reduction entry	Accumulated earned surplus						
April 1, 2010	211,763	131,615	131,615	2,457	—	256,600	259,058	602,437	35,057	(113)	34,943	637,381
Net change during the annual period												
Cash dividends						(15,000)	(15,000)	(15,000)				(15,000)
Net income						68,964	68,964	68,964				68,964
Return of reserve for special account for property replacement				(2,457)		2,457						—
Provision of reserve for reduction entry					2,163	(2,163)						—
Others, net									(3,085)	113	(2,971)	(2,971)
Total net change during the annual period	—	—	—	(2,457)	2,163	54,258	53,964	53,964	(3,085)	113	(2,971)	50,992
March 31, 2011	211,763	131,615	131,615	—	2,163	310,859	313,022	656,401	31,972	—	31,972	688,373

Year ended March 31, 2012

(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 special account for property replacement	Reserve for reduction entry	Accumulated earned surplus						
April 1, 2011	211,763	131,615	131,615	—	2,163	310,859	313,022	656,401	31,972	—	31,972	688,373
Net change during the annual period												
Cash dividends						(15,000)	(15,000)	(15,000)				(15,000)
Net income						58,303	58,303	58,303				58,303
Provision of reserve for special account for property replacement				1,921		(1,921)						—
Provision of reserve for reduction entry					183	(183)						—
Others, net									13,038		13,038	13,038
Total net change during the annual period	—	—	—	1,921	183	41,197	43,302	43,302	13,038	—	13,038	56,341
March 31, 2012	211,763	131,615	131,615	1,921	2,347	352,056	356,324	699,703	45,010	—	45,010	744,714

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

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012	Increase (Decrease)	Percent Increase (Decrease)
Voice transmission services revenues (excluding IP services revenues)	353,322	324,268	(29,054)	(8.2)
IP services revenues	381,772	374,420	(7,352)	(1.9)
Open computer network services revenues*	162,141	158,804	(3,337)	(2.1)
IP-Virtual private network services revenues*	74,296	69,580	(4,715)	(6.3)
Wide-Area Ethernet services revenues*	55,138	54,094	(1,044)	(1.9)
Data communications revenues (excluding IP services revenues)	90,751	78,332	(12,419)	(13.7)
Leased circuit services revenues*	64,295	56,708	(7,586)	(11.8)
Solution services revenues	181,471	179,729	(1,742)	(1.0)
Others	26,096	24,271	(1,824)	(7.0)
<b>Total operating revenues</b>	<b>1,033,415</b>	<b>981,021</b>	<b>(52,393)</b>	<b>(5.1)</b>

Notes: 1. Certain amounts of "Leased circuit services revenues" have been reclassified to "IP services revenues" from the three months ended June 30, 2011. Accordingly, part of the prior year's amounts has been reclassified.

2. Partial listing only.

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

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012	Increase (Decrease)
Cash flows from operating activities:			
Income before income taxes	100,139	113,123	12,984
Depreciation and amortization	109,822	100,821	(9,000)
Loss on disposal of property, plant and equipment	4,031	4,713	681
Gains on sales of fixed assets	(26)	(4,256)	(4,230)
Increase (decrease) in allowance for doubtful accounts	678	(93)	(771)
Increase (decrease) in liability for employees' retirement benefits	2,530	3,160	629
(Increase) decrease in accounts receivable	7,606	(9,088)	(16,695)
(Increase) decrease in inventories	(2,035)	(1,999)	36
Increase (decrease) in accounts payable and accrued expenses	(30,576)	1,265	31,841
Increase (decrease) in accrued consumption tax	(1,908)	2,314	4,223
Other	15,274	5,170	(10,103)
Sub-total	205,536	215,132	9,595
Interest and dividends received	8,904	9,107	203
Interest paid	(3,021)	(2,330)	690
Income taxes received (paid)	(34,243)	(24,980)	9,262
Net cash provided by (used in) operating activities	177,177	196,929	19,751
Cash flows from investing activities:			
Payments for property, plant and equipment	(89,203)	(123,025)	(33,821)
Proceeds from sale of property, plant and equipment	740	4,938	4,197
Payments for purchase of investment securities	(32,989)	(5,727)	27,261
Proceeds from sale of investment securities	10,330	136	(10,194)
Net increase (decrease) in short-term loans	(928)	(2,781)	(1,852)
Other	(3,602)	(2,008)	1,594
Net cash provided by (used in) investing activities	(115,653)	(128,468)	(12,815)
Cash flows from financing activities:			
Payments for settlement of long-term debt	(44,337)	(37,073)	7,264
Net increase (decrease) in short-term borrowings	(310)	(65)	244
Payments for settlement of lease obligations	(4,568)	(4,110)	458
Dividends paid	(15,000)	(15,000)	-
Net cash provided by (used in) financing activities	(64,217)	(56,250)	7,966
Effect of exchange rate changes on cash and cash equivalents	(102)	290	393
Net increase (decrease) in cash and cash equivalents	(2,796)	12,500	15,296
Cash and cash equivalents at beginning of year	60,755	57,958	(2,796)
Cash and cash equivalents at end of year	57,958	70,459	12,500

## VII. Financial Results of NTT Communications Group

(Millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012	Increase (Decrease)	Percent Increase (Decrease)
Operating revenues	1,254,198	1,213,157	(41,041)	(3.3)
Operating expenses	1,156,326	1,102,548	(53,778)	(4.7)
Operating income	97,872	110,609	12,737	13.0

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

(1) Candidate scheduled to take office as Senior Vice Presidents

Tetsuya Shoji	Current position: Senior Vice President of NIPPON TELEGRAPH AND TELEPHONE CORPORATION
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(2) Senior Executive Vice Presidents scheduled to resign

Shinobu Umino	Current position: Senior Executive Vice President (scheduled to take office as President of NTT COMWARE CORPORATION)
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Sadao Maki	Current position: Senior Executive Vice President (scheduled to take office as Senior Executive Vice President of NTT Urban Development Corporation)
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(3) Candidates scheduled to take office as Representative Directors

Candidate scheduled to take office as President and CEO

Akira Arima	Current position: President and CEO
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Candidates scheduled to take office as Senior Executive Vice Presidents

Tetsuya Shoji

Jun Sawada	Current position: Executive Vice President
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Notes:

- The changes in directors noted above are only those that have been decided. Other changes will be announced once determined.
- Tetsuya Shoji will resign from NIPPON TELEGRAPH AND TELEPHONE CORPORATION on June 22, 2012 and take office as Senior Vice President of NTT Com on the same day.