



# *News Release*

May 13, 2014

FOR IMMEDIATE RELEASE

## **Settlement for Fiscal Year Ended March 31, 2014**

The results of Nippon Telegraph and Telephone West Corporation (NTT West) for the fiscal year ended March 31, 2014 are presented in the following attachments.

(Attachments)

1. Summary of Results for Fiscal Year Ended March 31, 2014
2. Non-Consolidated Comparative Balance Sheets
3. Non-Consolidated Comparative Statements of Income
4. Non-Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets
5. Business Results (Non-Consolidated Operating Revenues)
6. Non-Consolidated Comparative Statements of Cash Flows
7. Changes in Board of Directors

For inquiries, please contact:

Takashi Sasaki or Yusuke Umeda

Accounting Section, Finance Division

Nippon Telegraph and Telephone West Corporation

Tel: +81-6-4793-3141

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

## **1. Summary of Results for the Fiscal Year Ended March 31, 2014**

In the fiscal year ended March 31, 2014, the U.S. was stable, and Europe showed signs of recovery, but the economies of China and other emerging nations slowed, so the overall pace of growth of the global economy was gradual. The Japanese economy continued to show signs of mild recovery driven mainly by domestic demand, stimulated by the effects of government policies.

Information and communications services are expected to make significant contributions to invigorating and increasing the efficiency of social and economic activities and to improving lifestyle convenience. Accordingly, the government and the private sector are working in partnership to achieve the development of a ubiquitous broadband network society in which there is an advanced level of utilization of information communication technology (“ICT”). Moreover, the information and telecommunications market is undergoing a structural change as a result of the shift to broadband and globalization, as well as the spread of smartphones, tablets and social media. The market is catering to increasingly sophisticated and diversified needs by, among other things, expanding platform services and cloud services. Regional telecommunications markets are also undergoing significant changes, such as the convergence of fixed and mobile services, and of telecommunications and broadcasting, and the introduction of new services as a result of the use of a diverse range of wireless devices. This is due in part to an increase in competition not only between the providers of fiber-optic access services and cable television-based broadband services but also between the various services made available by faster mobile connections.

Within this challenging and dramatically changing business environment, NTT West strove to ensure the reliability and public utilization in the information and communications market, such as to promote the smooth migration to optical, IP-based networks and to enhance the fiber-optic access network that is the backbone of broadband services, while continuing to provide and maintain high-quality, stable universal services. NTT West also aimed to realize a broadband and ubiquitous network environment that enables customers to connect “anytime, anywhere and with anyone or anything” “in comfort, safety and with peace of mind,” and to provide various reasonably-priced services that match each customer’s patterns of usage.

### **(1) Efforts to Promote Fiber-optic and IP services**

NTT West worked to provide a more comfortable, safer and more secure next-generation network (NGN) to promote its fiber-optic and IP services. In addition, NTT West was committed to expanding use of optical services, including optical IP telephone and video distribution services that make use of fiber-optic access lines, collaborated with businesses in a variety of fields to create new services, and strove to realize a broadband and ubiquitous network environment, including enhancing Wi-Fi platforms.

NTT West has worked to expand new subscriptions for “FLET’S Hikari,” including the launch of “Donto Wari,” which offers an additional discount to new subscribers of “FLET’S Hikari,” and has also endeavored to enhance the services it offers including products such as “Web Hikari Motto Motto Wari,” which offers an additional discount when new subscribers apply via the official website. Additionally, in the small- and medium-sized business market, NTT West promoted sales of “FLET’S Hikari Light,” and also launched the simple and easy-to-install payment service “FLET’S Smart Pay,”

which aims to help stimulate business in downtown stores and further spread and increase use of non-cash payments.

With respect to optical IP telephony, the corporate IP telephone services “Hikari Denwa Office A (Ace),” “Hikari Denwa Office Type” and “Hikari Denwa Business Type” have been well received by customers. The accelerated growth of these services resulted in the total number of subscriptions to the three services exceeding 1.5 million channels in November 2013. NTT West also worked to enhance its content for the “Hikari Denwa” service, including expanding the specifications of its "TV Denwa Choice Teigaku" flat rate service for high-quality video phone calls.

In video distribution services, NTT West launched the next-generation set top box “Hikari BOX+” and provided a wide range of applications using business alliances. Efforts were also made to create new lifestyles, including enhancing the features of “Hikari Danran TV,” which enables space-sharing communication.

NTT West developed ICT-based alliance businesses in a variety of fields, including “Net Super,” which was developed in collaboration with local supermarkets, utilizing “Hikari BOX+,” as well as the launch of “FLET'S de ALSOK,” an autonomous crime prevention service for households, in partnership with Sohgo Security Services Co., Ltd.

NTT West worked to achieve further diffusion and expansion of Wi-Fi services, including the launch of the new “Hikari Portable LTE” rental service to complement its existing “Home Gateway Wireless LAN Card” and “Hikari Portable” services. As a result of these efforts, the number of subscriptions to indoor Wi-Fi services exceeding one million in November 2013. To meet the growing needs of public Wi-Fi access, NTT West worked to increase the number of access points of “FLET'S Spot (web authentication),” a roaming service utilizing other carriers’ public wireless LAN services. In addition, NTT West made efforts to enhance Wi-Fi platforms, including upgrading Wi-Fi environments in collaboration with local governments.

With regard to support services, NTT West launched the “FLET'S Anshin Pack” to provide total support and make customers' broadband life more convenient. This package comes at a special package price and comprises the existing “Remote Support Service,” “Security Function License Plus” and “Hikari Equipment Guarantee.”

## **(2) Efforts Concerning Solutions Business**

As part of its initiatives for expanding its service coverage for both large businesses as well as small- and medium-sized businesses, NTT West provided a wide range of solutions to facilitate resolution of business issues facing local governments and companies, focused on the “Biz Hikari Cloud” service with its data center and platform service menus.

To expand usage of cloud services, NTT West launched “Smart Connect Managed Server,” a new service as part of the “Biz Hikari Cloud” service lineup. This is a managed hosting service with both cloud scalability and the ability to conveniently use Web and mail functions.

NTT West has several collaborative efforts with local governments. As part of the “Smart Hikari Town Kumamoto” project launched in February 2012 in conjunction with Kumamoto prefecture and Kumamoto city, NTT West conducted a field trial of the “Citizen Participation Hazard Map Creation Service,” and based on the results of the service's effectiveness and improved awareness of disaster readiness among citizens, a “Local Disaster Preparedness Hazard Map” was added to the “Biz Hikari Cloud” service lineup, allowing local residents to easily create and share local disaster preparedness

maps. In addition, based on the results of the “Health Promotion, Monitoring and Lifestyle Support for the Elderly Trial,” monitoring and lifestyle support services were added to the “Senior Life Support Service.” In these ways, by utilizing ICT NTT West has contributed not only to the realization of a safe, secure and convenient lifestyle but also to the revitalization of local areas.

NTT West has also worked to enhance its customer support services for small- and medium-sized businesses, adding the new “Windows XP Data Migration Omakase Plan” to provide on-site support for customers to migrate their PC data as part of “Office Net Omakase Support Service” following termination of Microsoft’s support for Windows XP in April 2014.

### **(3) Business Operation Structures**

In October 2013, the NTT West group carried out a review of its business management structure and established a structure for promoting rapid and efficient group management. In particular, in July 2013, the corporate business structure was restructured, with the “Corporate Business Headquarters” and “Sales Headquarters, Office Department” becoming the “Business Sales Department,” and in October 2013, NTT Business Solutions Corporation was newly established to focus on corporate sales. The purpose of this restructuring is to increase earnings from the business market by seamlessly covering the entire business market—from large, small- and medium-sized businesses to SOHOs—and redirecting management resources to highly profitable markets .

In the area of facility maintenance, NTT West worked to enhance its disaster preparedness framework by conducting blocbased disaster drills to prepare for a large-scale natural disaster such as a typhoon, and a preparedness exercise designed to simulate events in the event of a large earthquake along the Nankai Trough, as well as practical exercises aimed at maintaining and enhancing service quality and strengthening IP service operations. NTT West executed measures to prevent accidents involving facilities, such as planned facility inspections with the goal of eliminating third-party accidents caused by fallen lines. To prevent site accidents involving physical injury, NTT West drew up work safety manuals and promoted safety measures by holding work safety promotion campaigns in NTT West offices.

As part of its comprehensive cost control efforts to maintain profitable management, NTT West worked to further enhance the efficiency of fiber-optic service installation work, including reducing material costs by utilizing terminal equipment and streamlining procurement operations for materials, increasing construction projects that do not require the dispatch of NTT West employees, and reducing the number of back orders resulting from emergency pipe work. NTT West also worked to achieve greater efficiency in its maintenance and operational work, including increasingly having customer repair faults by replacing equipment themselves.

### **(4) Corporate Social Responsibility (“CSR”) Activities**

The “NTT Group CSR Charter (adopted in June 2006)” stipulates that, as responsible members of the information and communication industry, NTT Group companies will provide services of the highest quality and trust and contribute to the development of a safe, secure and prosperous society where people, society and the earth are connected through communications. Based on the CSR Charter, NTT West set up three core CSR principles – “thorough compliance,” “development of a safe and secure society,” and “creation of value through business activities” – and set a “visualization” benchmark. Each NTT West employee takes part in CSR activities, including working to maintain

legal compliance, providing safe and reliable communication services and reducing the burden on the environment.

To ensure “thorough compliance,” NTT Group has focused on promoting groupwide initiatives in five high risk areas that have the potential to erode consumer trust in NTT West group companies, namely “misconduct in performing services,” “driving under the influence,” “information security breaches,” “power harassment” and “respect for human rights.” In January 2014, an NTT employee was arrested on suspicion of bribery under the “Act on Nippon Telegraph and Telephone Corporation, etc.,” and was charged in February 2014. In light of this event, NTT West has promoted companywide initiatives to ensure even greater compliance awareness among employees to prevent such transgressions from recurring in the future and also to further improve its corporate culture.

Based on the “Green NTT West Strategy” drawn up in June 2012, in order to “achieve its environmental grand design,” NTT West has been working to decrease power usage, the amount of paper it uses, and the volume of waste it produces. In addition, with respect to “developing the environment and energy business,” NTT West launched “Mieru Eco-Bata,” a hydroponic farm where users can rent space for cultivation and check on cultivation conditions at any time via ICT. NTT West also continued its foresting activities in the “NTT West Midori Ippai Project” to “promote biodiversity preservation activities.” In these ways, NTT West is striving to realize a society that reduces its burden on the environment.

While promoting the principles of the NTT Group CSR Charter, NTT West promoted its groupwide CSR activities and enhanced its environmental management and issued the “NTT West Group CSR Report 2013” and the “NTT West Group Environmental Report 2013” to proactively disclose relevant information to its stakeholders.

## **(5) Financial Standing**

As a result of these efforts during the fiscal year ended March 31, 2014, operating revenues totaled 1,589.6 billion yen (a decrease of 2.4% from the fiscal year ended March 31, 2013), operating income was 16.3 billion yen (a decrease of 14.7% from the fiscal year ended March 31, 2013), recurring profit was 26.0 billion yen (a decrease of 8.2% from the fiscal year ended March 31, 2013), and net profit totaled 18.7 billion yen (a decrease of 2.2% from the fiscal year ended March 31, 2013).

## 2. Non-Consolidated Comparative Balance Sheets

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

|  | March 31, 2013   | March 31, 2014   | Increase<br>(Decrease) |
|--|------------------|------------------|------------------------|
| <b>ASSETS</b>  |                  |                  |                        |
| Fixed assets:  |                  |                  |                        |
| Fixed assets - telecommunications businesses         |                  |                  |                        |
| Property, plant and equipment                        |                  |                  |                        |
| Machinery and equipment                              | 468,937          | 446,003          | (22,934)               |
| Antenna facilities                                   | 6,816            | 6,212            | (603)                  |
| Terminal equipment                                   | 18,408           | 18,194           | (213)                  |
| Local line facilities                                | 923,767          | 956,384          | 32,616                 |
| Long-distance line facilities                        | 2,597            | 2,432            | (164)                  |
| Engineering facilities                               | 562,018          | 551,357          | (10,661)               |
| Submarine line facilities                            | 2,096            | 3,067            | 971                    |
| Buildings  | 376,023          | 363,292          | (12,730)               |
| Structures   | 14,064           | 13,966           | (97)                   |
| Other machinery and equipment                        | 1,335            | 1,395            | 59                     |
| Vehicles and vessels                                 | 220              | 263              | 43                     |
| Tools, furniture and fixtures                        | 35,418           | 34,020           | (1,397)                |
| Land   | 174,819          | 174,439          | (379)                  |
| Lease assets   | 735              | 261              | (474)                  |
| Construction in progress                             | 30,453           | 17,498           | (12,954)               |
| Total property, plant and equipment                  | 2,617,712        | 2,588,791        | (28,921)               |
| Intangible fixed assets                              | 71,968           | 74,244           | 2,275                  |
| Total fixed assets - telecommunications businesses   | 2,689,681        | 2,663,036        | (26,645)               |
| Investments and other assets                         |                  |                  |                        |
| Investment securities                                | 4,067            | 4,576            | 509                    |
| Investments in subsidiaries and affiliated companies | 39,348           | 39,373           | 24                     |
| Investment in capital                                | 667              | 532              | (135)                  |
| Long-term prepaid expenses                           | 3,033            | 3,471            | 437                    |
| Prepaid pension cost                                 | 4,542            | 12,673           | 8,131                  |
| Deferred income taxes                                | 91,761           | 93,664           | 1,903                  |
| Other investments and assets                         | 7,493            | 7,271            | (221)                  |
| Allowance for doubtful accounts                      | (249)            | (551)            | (301)                  |
| Total investments and other assets                   | 150,665          | 161,012          | 10,346                 |
| Total fixed assets                                   | 2,840,347        | 2,824,048        | (16,298)               |
| Current assets:                                      |                  |                  |                        |
| Cash and bank deposits                               | 29,799           | 33,273           | 3,474                  |
| Notes receivable                                     | 8                | 443              | 435                    |
| Accounts receivable, trade                           | 219,908          | 201,606          | (18,302)               |
| Accounts receivable, other                           | 102,512          | 96,278           | (6,233)                |
| Securities   | 6                | 16               | 10                     |
| Supplies   | 38,222           | 35,234           | (2,988)                |
| Advance payment                                      | 1,334            | 2,315            | 981                    |
| Prepaid expenses                                     | 6,096            | 6,342            | 246                    |
| Deferred income taxes                                | 2,871            | 3,313            | 442                    |
| Deposits   | 55,000           | 55,000           | (0)                    |
| Other current assets                                 | 9,023            | 7,691            | (1,332)                |
| Allowance for doubtful accounts                      | (1,362)          | (518)            | 844                    |
| Total current assets                                 | 463,421          | 440,998          | (22,422)               |
| <b>TOTAL ASSETS</b>                                  | <b>3,303,768</b> | <b>3,265,047</b> | <b>(38,721)</b>        |

(Millions of yen)

|  | March 31, 2013   | March 31, 2014   | Increase<br>(Decrease) |
|--|------------------|------------------|------------------------|
| <b>LIABILITIES</b>   |                  |                  |                        |
| Long-term liabilities:   |                  |                  |                        |
| Long-term borrowings from parent company                             | 951,797          | 884,427          | (67,370)               |
| Lease obligations  | 917              | 691              | (225)                  |
| Liability for employees' retirement benefits                         | 221,270          | 228,337          | 7,067                  |
| Reserve for point services   | 4,882            | 7,178            | 2,295                  |
| Reserve for unused telephone cards                                   | 11,960           | 10,480           | (1,480)                |
| Allowance for environmental measures                                 | -                | 5,721            | 5,721                  |
| Asset retirement obligations   | 309              | 342              | 32                     |
| Other long-term liabilities  | 9,531            | 6,734            | (2,796)                |
| Total long-term liabilities  | 1,200,669        | 1,143,913        | (56,755)               |
| Current liabilities:   |                  |                  |                        |
| Current portion of long-term borrowings from parent company          | 182,057          | 157,370          | (24,687)               |
| Accounts payable, trade  | 72,315           | 61,883           | (10,431)               |
| Short-term borrowings  | -                | 72,000           | 72,000                 |
| Lease obligations  | 1,681            | 471              | (1,210)                |
| Accounts payable, other  | 201,642          | 180,853          | (20,789)               |
| Accrued expenses   | 14,391           | 14,188           | (202)                  |
| Accrued taxes on income  | 1,005            | 1,133            | 128                    |
| Advance received   | 3,076            | 3,110            | 34                     |
| Deposit received   | 113,953          | 121,302          | 7,349                  |
| Unearned revenue   | 100              | 123              | 22                     |
| Allowance for environmental measures                                 | -                | 2,370            | 2,370                  |
| Asset retirement obligations   | -                | 4                | 4                      |
| Other current liabilities  | 2,006            | 4,579            | 2,573                  |
| Total current liabilities  | 592,231          | 619,391          | 27,160                 |
| <b>TOTAL LIABILITIES</b>   | <b>1,792,900</b> | <b>1,763,305</b> | <b>(29,595)</b>        |
| <b>NET ASSETS</b>  |                  |                  |                        |
| Shareholders' equity:  |                  |                  |                        |
| Common stock   | 312,000          | 312,000          | -                      |
| Capital surplus  |                  |                  |                        |
| Additional paid-in capital   | 1,170,054        | 1,170,054        | -                      |
| Total capital surplus  | 1,170,054        | 1,170,054        | -                      |
| Earned surplus   |                  |                  |                        |
| Other earned surplus   |                  |                  |                        |
| Accumulated earned surplus   | 28,645           | 19,272           | (9,372)                |
| Total earned surplus   | 28,645           | 19,272           | (9,372)                |
| Total shareholders' equity   | 1,510,699        | 1,501,326        | (9,372)                |
| Unrealized gains (losses), translation adjustments, and others:      |                  |                  |                        |
| Net unrealized gains (losses) on securities                          | 169              | 415              | 245                    |
| Total unrealized gains (losses), translation adjustments, and others | 169              | 415              | 245                    |
| <b>TOTAL NET ASSETS</b>  | <b>1,510,868</b> | <b>1,501,742</b> | <b>(9,126)</b>         |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                              | <b>3,303,768</b> | <b>3,265,047</b> | <b>(38,721)</b>        |

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

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

|   | Year ended<br>March 31, 2013 | Year ended<br>March 31, 2014 | Increase<br>(Decrease) |
|---|------------------------------|------------------------------|------------------------|
| Telecommunications businesses:                      |                              |                              |                        |
| Operating revenues                                  | 1,482,982                    | 1,425,666                    | (57,316)               |
| Operating expenses                                  |                              |                              |                        |
| Business expenses                                   | 401,378                      | 394,094                      | (7,283)                |
| Operations  | 12,745                       | 11,979                       | (766)                  |
| Maintenance expenses                                | 380,522                      | 361,952                      | (18,569)               |
| Overhead expenses                                   | 60,961                       | 60,644                       | (317)                  |
| Administration                                      | 86,007                       | 82,814                       | (3,193)                |
| Experiment and research                             | 47,790                       | 44,982                       | (2,808)                |
| Depreciation and amortization                       | 345,711                      | 326,391                      | (19,319)               |
| Retirement of fixed assets                          | 43,835                       | 45,954                       | 2,119                  |
| Access charges                                      | 30,282                       | 29,788                       | (493)                  |
| Miscellaneous taxes                                 | 65,224                       | 64,822                       | (402)                  |
| Total operating expenses                            | 1,474,459                    | 1,423,424                    | (51,034)               |
| Operating income from telecommunications businesses | 8,523                        | 2,241                        | (6,281)                |
| Supplementary businesses:                           |                              |                              |                        |
| Operating revenues                                  | 144,998                      | 163,934                      | 18,935                 |
| Operating expenses                                  | 134,317                      | 149,795                      | 15,478                 |
| Operating income from supplementary businesses      | 10,681                       | 14,138                       | 3,456                  |
| Operating income                                    | 19,205                       | 16,379                       | (2,825)                |
| Non-operating revenues:                             |                              |                              |                        |
| Interest income                                     | 4                            | 13                           | 8                      |
| Interest on securities                              | 5                            | 4                            | (0)                    |
| Dividends received                                  | 858                          | 1,902                        | 1,043                  |
| Lease and rental income                             | 37,029                       | 35,907                       | (1,122)                |
| Miscellaneous income                                | 4,887                        | 3,853                        | (1,033)                |
| Total non-operating revenues                        | 42,785                       | 41,680                       | (1,104)                |
| Non-operating expenses:                             |                              |                              |                        |
| Interest expenses                                   | 14,942                       | 13,212                       | (1,729)                |
| Lease and rental expenses                           | 16,727                       | 16,755                       | 28                     |
| Miscellaneous expenses                              | 1,938                        | 2,030                        | 92                     |
| Total non-operating expenses                        | 33,607                       | 31,998                       | (1,608)                |
| Recurring profit                                    | 28,382                       | 26,061                       | (2,321)                |
| Special losses:                                     |                              |                              |                        |
| Provision for Allowance for environmental measures  | -                            | 6,087                        | 6,087                  |
| Total special losses                                | -                            | 6,087                        | 6,087                  |
| Income before income taxes                          | 28,382                       | 19,973                       | (8,408)                |
| Corporation, inhabitant, and enterprise taxes       | (494)                        | 3,735                        | 4,230                  |
| Deferred tax expenses (benefits)                    | 7,938                        | (2,469)                      | (10,407)               |
| Net income  | 20,939                       | 18,707                       | (2,231)                |



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

(Based on accounting principles generally accepted in Japan)

Year ended March 31, 2013

(Millions of yen)

|   | Shareholders' equity |                            |                       |  |                      |                            | Unrealized gains (losses), translation adjustments, and others |  | Total net assets |
|---|----------------------|----------------------------|-----------------------|--|----------------------|----------------------------|--|--|------------------|
|   | Common stock         | Capital surplus            |                       | Earned surplus                                     |                      | Total shareholders' equity | Net unrealized gains (losses) on securities                    | Total unrealized gains (losses), translation adjustments, and others |                  |
|   |                      | Additional paid-in capital | Total capital surplus | Other earned surplus<br>Accumulated earned surplus | Total earned surplus |                            |  |  |                  |
| April 1, 2012                             | 312,000              | 1,170,054                  | 1,170,054             | 38,905   | 38,905               | 1,520,959                  | 24   | 24   | 1,520,983        |
| Net change during the annual period       |                      |                            |                       |  |                      |                            |  |  |                  |
| Cash dividends                            |                      |                            |                       | (31,200)   | (31,200)             | (31,200)                   |  |  | (31,200)         |
| Net income                                |                      |                            |                       | 20,939   | 20,939               | 20,939                     |  |  | 20,939           |
| Others, net                               |                      |                            |                       |  |                      |                            | 145  | 145  | 145              |
| Total net change during the annual period | -                    | -                          | -                     | (10,260)   | (10,260)             | (10,260)                   | 145  | 145  | (10,115)         |
| March 31, 2013                            | 312,000              | 1,170,054                  | 1,170,054             | 28,645   | 28,645               | 1,510,699                  | 169  | 169  | 1,510,868        |

Year ended March 31, 2014

(Millions of yen)

|   | Shareholders' equity |                            |                       |  |                      |                            | Unrealized gains (losses), translation adjustments, and others |  | Total net assets |
|---|----------------------|----------------------------|-----------------------|--|----------------------|----------------------------|--|--|------------------|
|   | Common stock         | Capital surplus            |                       | Earned surplus                                     |                      | Total shareholders' equity | Net unrealized gains (losses) on securities                    | Total unrealized gains (losses), translation adjustments, and others |                  |
|   |                      | Additional paid-in capital | Total capital surplus | Other earned surplus<br>Accumulated earned surplus | Total earned surplus |                            |  |  |                  |
| April 1, 2013                             | 312,000              | 1,170,054                  | 1,170,054             | 28,645   | 28,645               | 1,510,699                  | 169  | 169  | 1,510,868        |
| Net change during the annual period       |                      |                            |                       |  |                      |                            |  |  |                  |
| Cash dividends                            |                      |                            |                       | (28,080)   | (28,080)             | (28,080)                   |  |  | (28,080)         |
| Net income                                |                      |                            |                       | 18,707   | 18,707               | 18,707                     |  |  | 18,707           |
| Others, net                               |                      |                            |                       |  |                      |                            | 245  | 245  | 245              |
| Total net change during the annual period | -                    | -                          | -                     | (9,372)  | (9,372)              | (9,372)                    | 245  | 245  | (9,126)          |
| March 31, 2014                            | 312,000              | 1,170,054                  | 1,170,054             | 19,272   | 19,272               | 1,501,326                  | 415  | 415  | 1,501,742        |

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

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

|  | Year ended<br>March 31, 2013 | Year ended<br>March 31, 2014 | Increase<br>(Decrease) | Percent<br>Increase<br>(Decrease) |
|--|------------------------------|------------------------------|------------------------|-----------------------------------|
| Voice transmission services revenues<br>(excluding IP services revenues) | 579,801                      | 523,300                      | (56,500)               | (9.7)                             |
| Monthly charge revenues*   | 416,088                      | 379,607                      | (36,481)               | (8.8)                             |
| Call rates revenues*   | 43,864                       | 38,890                       | (4,973)                | (11.3)                            |
| Interconnection call revenues*   | 80,143                       | 70,441                       | (9,702)                | (12.1)                            |
| IP services revenues   | 660,902                      | 671,614                      | 10,711                 | 1.6                               |
| Leased circuit services revenues<br>(excluding IP services revenues)     | 112,172                      | 104,361                      | (7,810)                | (7.0)                             |
| Telegram services revenues   | 18,484                       | 17,121                       | (1,363)                | (7.4)                             |
| Other telecommunications services<br>revenues                            | 111,621                      | 109,269                      | (2,352)                | (2.1)                             |
| Telecommunications total revenues  | 1,482,982                    | 1,425,666                    | (57,316)               | (3.9)                             |
| Supplementary business total revenues                                    | 144,998                      | 163,934                      | 18,935                 | 13.1                              |
| Total operating revenues   | 1,627,981                    | 1,589,600                    | (38,381)               | (2.4)                             |

\*Partial listing only

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

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

|   | Year ended<br>March 31, 2013 | Year ended<br>March 31, 2014 | Increase<br>(Decrease) |
|---|------------------------------|------------------------------|------------------------|
| Cash flows from operating activities:                               |                              |                              |                        |
| Income before income taxes  | 28,382                       | 19,973                       | (8,408)                |
| Depreciation and amortization                                       | 354,981                      | 335,867                      | (19,113)               |
| Loss on disposal of property, plant and equipment                   | 18,365                       | 20,776                       | 2,410                  |
| Increase (decrease) in liability for employees' retirement benefits | (3,424)                      | 7,067                        | 10,491                 |
| (Increase) decrease in accounts receivable                          | (10,489)                     | 23,022                       | 33,511                 |
| (Increase) decrease in inventories                                  | (3,041)                      | 5,097                        | 8,138                  |
| Increase (decrease) in accounts payable and accrued expenses        | (17,279)                     | (21,842)                     | (4,562)                |
| Increase (decrease) in accrued consumption tax                      | 1,384                        | (1,832)                      | (3,217)                |
| Other   | 653                          | 23,678                       | 23,024                 |
| Sub-total   | 369,533                      | 411,808                      | 42,275                 |
| Interest and dividends received                                     | 868                          | 1,919                        | 1,051                  |
| Interest paid   | (15,241)                     | (13,733)                     | 1,508                  |
| Income taxes received (paid)  | 4,902                        | 231                          | (4,671)                |
| Net cash provided by (used in) operating activities                 | 360,061                      | 400,226                      | 40,164                 |
| Cash flows from investing activities:                               |                              |                              |                        |
| Payments for property, plant and equipment                          | (353,694)                    | (342,994)                    | 10,699                 |
| Proceeds from sale of property, plant and equipment                 | 2,650                        | 3,909                        | 1,259                  |
| Payments for purchase of investment securities                      | (411)                        | (167)                        | 244                    |
| Proceeds from sale of investment securities                         | 135                          | 16                           | (119)                  |
| Other   | (3,888)                      | (8,346)                      | (4,458)                |
| Net cash provided by (used in) investing activities                 | (355,207)                    | (347,582)                    | 7,625                  |
| Cash flows from financing activities:                               |                              |                              |                        |
| Proceeds from issuance of long-term debt                            | 172,907                      | 90,000                       | (82,907)               |
| Payments for settlement of long-term debt                           | (133,151)                    | (182,057)                    | (48,905)               |
| Net increase (decrease) in short-term borrowings                    | (30,000)                     | 71,994                       | 101,994                |
| Payments for settlement of lease obligations                        | (1,846)                      | (1,693)                      | 152                    |
| Dividends paid  | (31,200)                     | (28,080)                     | 3,120                  |
| Net cash provided by (used in) financing activities                 | (23,290)                     | (49,836)                     | (26,545)               |
| Net increase (decrease) in cash and cash equivalents                | (18,436)                     | 2,808                        | 21,244                 |
| Cash and cash equivalents at beginning of year                      | 104,148                      | 85,711                       | (18,436)               |
| Cash and cash equivalents at end of year                            | 85,711                       | 88,520                       | 2,808                  |

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

Scheduled appointment date: June 20, 2014

### (1) Candidates for Senior Vice President

|                   |  |
|-------------------|--|
| Kazunari Furugen  | (Executive Manager of Cloud Solutions Department, Corporate Business Headquarters) |
| Shozo Ito         | (Executive Manager of Personnel Department)  |
| Shuji Oota        | (Executive Manager of Business Partner Sales Department, Marketing Headquarters)   |
| Yasushi Tohtake   | (President of NTT FIELDTECHNO CORPORATION)   |
| Mikihiro Kitamura | (Executive Manager of Marketing Department, Marketing Headquarters)                |

### (2) Senior Vice Presidents scheduled to resign from office

|                    |  |
|--------------------|--|
| Kouichi Takahatake | (Senior Executive Vice President; scheduled to take office at MIRAITS Holdings Corporation)                      |
| Yujirou Hirose     | (Executive Vice President; scheduled to take office at Nippon Information and Communication Corporation)         |
| Hidenori Fukumoto  | (Senior Vice President; scheduled to take office at NISHINIPPON SYSTEM INSTALLATIONS AND CONSTRUCTION CO., LTD.) |
| Shinichi Ohtake    | (Senior Vice President; scheduled to take office as Counselor to the President)                                  |

### (3) Candidates for Executive Officers

#### ① Candidate scheduled to be re-elected as President

|                 |             |
|-----------------|-------------|
| Kazutoshi Murao | (President) |
|-----------------|-------------|

#### ② Candidates scheduled to be re-elected/take office as Senior Executive Vice President

|                    |                                   |
|--------------------|-----------------------------------|
| Toshikatsu Ogura   | (Senior Executive Vice President) |
| Toshihiko Kumamoto | (Senior Vice President)           |

#### ③ Candidates scheduled to take office as Executive Vice President

|             |                         |
|-------------|-------------------------|
| Norio Sakai | (Senior Vice President) |
| Joji Kimura | (Senior Vice President) |

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

Scheduled appointment date: June 20, 2014

| New Position(s) and Organizational Responsibilities  | Name             | Current Position(s) and Organizational Responsibilities   |
|--|------------------|---|
| Senior Executive Vice President<br>Senior Executive Manager, Marketing Headquarters<br>In charge of Corporate Business Headquarters<br>In charge of Business Design Department<br>In charge of Corporate Strategy Planning | Toshikatsu Ogura | Senior Executive Vice President<br>Senior Executive Manager, Marketing Headquarters<br>In charge of Business Design Department<br>In charge of Corporate Strategy Planning Department |

|  |                        |  |
|--|------------------------|--|
| Department<br>In charge of Accounts and Finance<br>Department<br>In charge of Personnel Department<br>In charge of General Affairs Department<br>In charge of compliance and CSR |                        | In charge of Accounts and Finance<br>Department<br>In charge of Personnel Department<br>In charge of General Affairs Department<br>In charge of compliance and CSR |
| Senior Executive Vice President<br>Senior Executive Manager, Plant<br>Headquarters   | Toshihiko Kumamoto     | Senior Vice President<br>Executive Manager of Network<br>Department, Plant Headquarters  |
| Executive Vice President<br>Executive Manager of Corporate Strategy<br>Planning<br>In charge of Information Security<br>Department   | Norio Sakai            | Senior Vice President<br>Executive Manager of Corporate<br>Strategy Planning<br>In charge of Information Security<br>Department                                    |
| Executive Vice President<br>Executive Manager of Technology<br>Innovation Department   | Joji Kimura            | Senior Vice President<br>Executive Manager of Technology<br>Innovation Department  |
| Senior Vice President<br>Executive Manager of Network<br>Department, Plant Headquarters  | Yoshihiro Kuroda       | Senior Vice President<br>General Manager, Chugoku Division<br>General Manager, Hiroshima Branch  |
| Senior Vice President<br>General Manager, Kansai Division<br>General Manager, Osaka Branch   | Shinji Oota            | Senior Vice President<br>General Manager, Kansai Division<br>General Manager, Osaka Branch   |
| Senior Vice President<br>General Manager, Tokai Division<br>General Manager, Nagoya Branch   | Masaharu Higashitamori | Senior Vice President<br>General Manager, Tokai Division<br>General Manager, Nagoya Branch   |
| Senior Vice President<br>General Manager, Kyusyu Division<br>General Manager, Fukuoka Branch   | Satoshi Tamamura       | Senior Vice President<br>General Manager, Kyusyu Division<br>General Manager, Fukuoka Branch   |
| Senior Vice President<br>Senior Executive Manager, Corporate<br>Business Headquarters  | Kazunari Furugen       |  |
| Senior Vice President<br>Executive Manager of Personnel<br>Department  | Shozo Ito              |  |
| Senior Vice President<br>Executive Manager of Business Partner<br>Sales Department, Marketing<br>Headquarters  | Shuji Oota             |  |
| Senior Vice President<br>Executive Manager of Service<br>Management Department, Plant<br>Headquarters  | Yasushi Tohtake        |  |

Senior Vice President  
Executive Manager of Marketing  
Department, Marketing Headquarters

Mikihiro Kitamura

Senior Vice President

Akira Shimada

Senior Vice President