

March 24, 2020

Company Name: Nippon Telegraph and Telephone Corporation
Representative: Jun Sawada, President and Chief Executive Officer
(Code No.: 9432, First Section of Tokyo Stock Exchange)
Inquiries: Natsuko Fujiki, Head of IR, Finance and Accounting Department
(Tel. +81-3-6838-5481)

NOTICE CONCERNING DISPOSAL OF TREASURY STOCK BY WAY OF THIRD-PARTY ALLOTMENT

Nippon Telegraph and Telephone Corporation (the “Company”) hereby announces that, at a meeting of its board of directors held on March 24, 2020, the board of directors authorized the Company to conduct a disposition of shares of the Company’s treasury stock through a third-party allotment (the “Share Disposition”), with Toyota Motor Corporation (“Toyota”) as the subscriber for the shares, and to enter into a memorandum of understanding for a business and capital alliance (the “Alliance”) with Toyota.

1. Overview of the Disposition

(1) Disposition Date	April 9, 2020
(2) Number of Shares to be Disposed	80,775,400 shares of common stock
(3) Disposition Price	¥2,476 per share
(4) Amount of Funds Raised	¥199,999,890,400
(5) Method of Disposition (Subscriber)	Allotment of full amount of shares to Toyota through a third-party allotment.
(6) Other	Each of the above items is subject to the condition of the effectiveness of the registration statement under the Financial Instruments and Exchange Act.

2. Objectives and Reasons for Disposition

The Company and Toyota both believe that entering into a business alliance will lead to an increase in their corporate value, and the two companies have determined that a capital alliance, in the form of mutually holding shares, is necessary in order to develop and strengthen their partnership (for additional details, please see the joint release announced today with Toyota, “Notice of Execution of Memorandum of Understanding Concerning a Business and Capital Alliance between NTT and Toyota Motor Corporation”).

The Share Disposition is being conducted as one component of the Alliance, and the Company will make a disposition of shares of its treasury stock through a third-party allotment with Toyota acquiring 80,775,400 shares of the Company’s common stock (2.07% of the Company’s issued and outstanding common stock, for approximately ¥200.0 billion). Concurrently, Toyota will also conduct a disposition of its treasury stock as a third-party allotment, with the Company acquiring 29,730,900 shares of Toyota’s common stock (approximately 0.90% of Toyota’s total issued and outstanding shares, with an aggregate value of approximately ¥200.0 billion).

In this manner, although the Share Disposition will cause some share dilution, the Company has determined that the joint promotion of the development and operation of the “Smart City Platform” on the basis of the Alliance with Toyota will lead to an increase of the Company’s corporate value and, furthermore, an increase in profits of existing shareholders.

3. Amount, Use and Expected Expenditures of Proceeds to be Raised

(i) Amount of Proceeds to be Raised

① Total Amount of Payment	¥199,999,890,400
② Issuance Expenses	¥15,000,000

③ Net Proceeds	¥199,984,890,400
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- Notes:
1. Issuance expenses do not include consumption taxes and certain other amounts.
 2. Issuance expenses include costs related to the preparation of a registration statement and other expenses.

(ii) Specific Use of Proceeds

As disclosed in “Notice of Execution of Memorandum of Understanding Concerning a Business and Capital Alliance between NTT and Toyota Motor Corporation” with respect to the proceeds to be raised from the Share Disposition, the Company will use the estimated net proceeds amount to research and develop, plan, design, construct, and implement the “Smart City Platform” under the Alliance, to lead operations together with Toyota and to jointly promote the operation of smart cities, which continue to evolve in accordance with the needs of residents.

Specifically, as a precedent model, ¥50.0 billion of the proceeds will be applied to the construction of the Higashi-Fuji area of Susono City, Shizuoka Prefecture (Woven City) and redevelopment of the Shinagawa area in Minato-ku, Tokyo (a part of the NTT block in front of Shinagawa Station), with the remainder of the proceeds anticipated to be used for redevelopment businesses in other cities in succession, and for research and development for the Smart City Platform in general to support those businesses, by the mid-2030s. Pending the application of the funds for procurement, the funds will be managed in bank deposits and other accounts.

4. Rationale for Use of Proceeds

By applying the proceeds to be raised from the Share Disposition as described above under “3. Amount, Use and Expected Expenditures of Proceeds to be Raised – (ii) Specific Use of Proceeds,” the Company believes it will increase its corporate value through the joint promotion of the construction and operation of the “Smart City Platform,” and has determined that the use of proceeds from the Share Disposition is reasonable.

5. Rationale for Terms of Disposition

(i) Basis for Calculating the Payment Amount and Specific Details

The proceeds amount for the Share Disposition of ¥2,476 per share (rounded to the nearest yen) was determined based on the basic average price of the Company’s common stock on the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) for the one-month period ending on March 23, 2020, the business day immediately prior to the date that the Company’s board of directors authorized the Share Disposition (such date, the “Board Authorization Date”) (which was the period from February 25, 2020 to March 23, 2020). The Company consulted with Toyota, who confirmed their agreement with the amount.

In determining the proceeds amount based on the average price over the one-month period prior to the Board Authorization Date, adopting the normalized average price over a specified period of time, rather than basing the price on a specific point in time, allows for the elimination of certain factors, such as the effects of temporary fluctuations in the stock price. In addition, beginning in the second half of February 2020, the stock market has progressed significantly downwards due to concerns regarding the spread of novel Coronavirus infections, and the Company’s stock price has followed a similar trend. In consideration of this, the Company determined that using the most recent one-month period, which reflects these stock price trends, as the basis for the disposition price would be more appropriate than using the most recent three-month period or the most recent six-month period. Accordingly, as a result of comprehensive consideration of these and other circumstances, it was decided that this stock price would more appropriately reflect the corporate value of the Company.

The proceeds amount represents a discount of 1.0% over the closing stock price of ¥2,500 on the business day immediately prior to the Board Authorization Date, a discount of 8.0% over the average closing stock price of ¥2,691 (rounded to the nearest yen) for the three-month period ending prior to the Board Authorization Date (from December 24, 2019 to March 23, 2020), and a discount of 8.6% over the average closing stock price of ¥2,709 (rounded to the nearest yen) for the six-month period ending prior to the Board Authorization Date (from September 24, 2019 to March 23, 2020). In accordance with the Japan Securities Dealers Association’s “Rules Concerning Handling of Allotment of New Shares to Third Parties, etc.” the Company has determined that the proceeds amount is not a price that particularly favors the subscriber in the Share Disposition.

(ii) Basis for Determining the Reasonableness of the Volume of Shares and the Scope of Dilution

The number of shares of treasury stock to be subject to the share disposition is 80,775,400 shares (and 807,754 voting rights), which represents 2.07% of the Company’s 3,900,788,940 issued and outstanding shares of common stock as of February 7, 2020 (and 2.22% of the 36,303,884 total voting rights (based on 18,151,942 total voting rights as of December 31, 2019, as adjusted to give effect to the two-for-one stock split that occurred with an effective date of January 1, 2020)), resulting in a certain level of dilution.

However, the Company believes that the Share Disposition and the collaborative business based on the Alliance that will be made through the Share Disposition will contribute to increasing the corporate value of the Company and will ultimately increase the profits of existing shareholders, and accordingly, the Company has determined that the volume of shares and the scope of dilution in the Share Disposition are reasonable.

6. Reasons for Selecting the Purchaser for the Share Disposition

(i) Overview of the Purchaser for the Share Disposition

(1)	Name	Toyota Motor Corporation																						
(2)	Headquarters	1, Toyota-cho, Toyota City, Aichi Prefecture																						
(3)	Name and Position of Representative	Akio Toyoda, President and Director																						
(4)	Contents of Business	Design, manufacture and sale of automobiles																						
(5)	Capitalization	¥635,401 million																						
(6)	Date of Establishment	August 28, 1937																						
(7)	Amount of Issued and Outstanding Shares	Common Stock: 3,262,997,492 shares First Series Model AA Class Shares: 47,100,000 shares																						
(8)	Accounting Period	March 31																						
(9)	Number of Employees	(Consolidated) 370,870 people (as of March 31, 2019)																						
(10)	Primary Customers	—																						
(11)	Primary Banks	—																						
(12)	Major Shareholders and Shareholding Ratio	<table border="0"> <tr> <td>Japan Trustee Service Bank, Ltd.</td> <td>13.28%</td> </tr> <tr> <td>Toyota Industries Corporation</td> <td>8.41%</td> </tr> <tr> <td>The Master Trust Bank of Japan, Ltd.</td> <td>6.69%</td> </tr> <tr> <td>Nippon Life Insurance Company</td> <td>3.92%</td> </tr> <tr> <td>JPMorgan Chase Bank, N.A. (Standing Proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)</td> <td>3.73%</td> </tr> <tr> <td>DENSO Corporation</td> <td>3.17%</td> </tr> <tr> <td>State Street Bank and Trust Company (Standing Proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)</td> <td>2.88%</td> </tr> <tr> <td>Trust & Custody Services Bank, Ltd.</td> <td>2.02%</td> </tr> <tr> <td>Mitsui Sumitomo Insurance Company, Limited</td> <td>2.00%</td> </tr> <tr> <td>Tokio Marine & Nichido Fire Insurance Co., Ltd.</td> <td>1.80%</td> </tr> </table>			Japan Trustee Service Bank, Ltd.	13.28%	Toyota Industries Corporation	8.41%	The Master Trust Bank of Japan, Ltd.	6.69%	Nippon Life Insurance Company	3.92%	JPMorgan Chase Bank, N.A. (Standing Proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	3.73%	DENSO Corporation	3.17%	State Street Bank and Trust Company (Standing Proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	2.88%	Trust & Custody Services Bank, Ltd.	2.02%	Mitsui Sumitomo Insurance Company, Limited	2.00%	Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.80%
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(13)	Relationships between the Parties	<table border="1"> <tr> <td>Capital Relationships</td> <td>Not applicable.</td> </tr> <tr> <td>Personnel Relationships</td> <td>Not applicable.</td> </tr> <tr> <td>Transactional Relationships</td> <td>The Company and the subscriber in the Share Disposition are parties to a collaborative relationship in the field of connected cars for the purposes of developing, testing and standardizing technology.</td> </tr> <tr> <td>Applicability of Related Party Status</td> <td>Not applicable.</td> </tr> </table>			Capital Relationships	Not applicable.	Personnel Relationships	Not applicable.	Transactional Relationships	The Company and the subscriber in the Share Disposition are parties to a collaborative relationship in the field of connected cars for the purposes of developing, testing and standardizing technology.	Applicability of Related Party Status	Not applicable.												
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(14)	Business Performance and Financial Position for the Most Recent Three Years (U.S. GAAP) (Note 2)	<table border="1"> <tr> <td>Accounting Period</td> <td>Fiscal Year Ended March 31, 2017</td> <td>Fiscal Year Ended March 31, 2018</td> <td>Fiscal Year Ended March 31, 2019</td> </tr> </table>			Accounting Period	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018	Fiscal Year Ended March 31, 2019																
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Consolidated net assets	18,668,953	19,922,076	20,565,210
Consolidated total assets	48,750,186	50,308,249	51,936,949
Shareholders' equity per share (yen)	5,887.88	6,438.65	6,830.92
Consolidated revenues	27,597,193	29,379,510	30,225,681
Income before income taxes and equity in earnings of affiliated companies	2,193,825	2,620,429	2,285,465
Net income attributable to shareholders	1,831,109	2,493,983	1,882,873
Basic net income per share attributable to shareholders (yen)	605.47	842.00	650.55
Dividends per share			
Common stock (yen)	210	220	220
First Series Model AA Class Shares (yen)	105	158	211

- Notes:
1. As of September 30, 2019 (except as otherwise stated).
 2. In millions of yen (except as otherwise stated).
 3. Toyota, the subscriber in the Share Disposition, is publicly listed on the First Section of the Tokyo Stock Exchange and the First Section of the Nagoya Stock Exchange, Inc. Based on the subscriber's disclosure with respect to internal control and other matters included in the subscriber's Corporate Governance Report filed with the Tokyo Stock Exchange on June 21, 2019, including the subscriber's declaration for the elimination of antisocial forces included therein, confirming the basic policy and maintenance status on the elimination of antisocial forces on the Tokyo Stock Exchange homepage, the Company has determined that neither the subscriber nor its directors and officers are individuals, corporations or other organizations pursuing economic profits through the use of violence or threats, fraud or other criminal activities (such individuals, corporations or other organizations, the "Specified Group") and that the subscriber and its directors and officers have no relationships with the Specified Group.

(ii) Reasons for Selecting the Subscriber

As discussed in "2. Objectives and Reasons for Disposition" above, in addition to satisfying financing requirements as described under "3. Amount, Use and Expected Expenditures of Proceeds to be Raised – (ii) Specific Use of Proceeds," the Company has determined that raising proceeds through a Share Disposition with Toyota as the subscriber in the Share Disposition would be the most appropriate way of building a long-term, continuous collaborative relationship with Toyota through the Alliance.

(iii) Holding Policy of the Subscriber

The Company has confirmed from Toyota, the subscriber in the Share Disposition, that it intends to hold the shares of the Company's common stock acquired in the Share Disposition for the long term.

In addition, prior to the date of the disposition, the Company expects to receive a written confirmation from Toyota stating that, in the event that the subscriber transfers all or a portion of the shares of the Company's common stock that Toyota acquires in the Share Disposition during the period of two years after the allotment, the subscriber agrees to promptly notify the Company in writing of the name and address of the transferee, the amount of shares to be transferred, the date of the transfer, the value of the transfer, the reasons for the transfer, the method of the transfer and other information, and the Company will file a written report of the contents of that notification to Tokyo Stock Exchange and the contents of that filing will be distributed for public inspection.

(iv) Confirmation of Sufficiency of Assets Required for Funds of the Subscriber's Payment

Based on the quarterly financial statements and balance sheet included in the Quarterly Report for the Third Quarter of the 116th Business Term of Toyota, the subscriber for the Share Disposition, the Company has confirmed that Toyota has sufficient cash or other current assets required for the Share Disposition, and the Company has therefore determined that there will be no problems with respect to funds required for such payment.

7. Major Shareholders and Shareholding Percentages Following the Share Disposition

Prior to the Disposition (as of December 31, 2019)		Following the Disposition	
The Minister of Finance	34.73%	The Minister of Finance	33.98%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.83%	The Master Trust Bank of Japan, Ltd. (Trust Account)	4.72%
Japan Trustee Services Bank, Ltd. (Trust Account)	4.17%	Japan Trustee Services Bank, Ltd. (Trust Account)	4.08%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1.57%	Toyota Motor Corporation	2.18%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.47%	Japan Trustee Services Bank, Ltd. (Trust Account 9)	1.54%
JPMorgan Chase Bank 385632 (Standing Proxy: Mizuho Bank, Ltd.)	1.11%	Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.43%
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1.02%	JPMorgan Chase Bank 385632 (Standing Proxy: Mizuho Bank, Ltd.)	1.08%
Moxley & Co. LLC (Standing Proxy: MUFG Bank, Ltd.)	0.99%	Japan Trustee Services Bank, Ltd. (Trust Account 7)	1.00%
Japan Trustee Services Bank, Ltd. (Trust Account 1)	0.96%	Moxley & Co. LLC (Standing Proxy: MUFG Bank, Ltd.)	0.97%
JPMorgan Chase Bank 380055 (Standing Proxy: Mizuho Bank, Ltd.)	0.90%	Japan Trustee Services Bank, Ltd. (Trust Account 1)	0.94%

Note: Shareholding percentages reflect the proportion of total voting rights held.

8. Future Outlook

The Company expects the effects of the Share Disposition on the Company's forthcoming consolidated financial results to be minor.

9. Disclosure Regarding Procedures under the Code of Corporate Conduct

Because the Share Disposition (i) will result in dilution of less than 25% and (ii) will not result in a change of a controlling shareholder, the receipt of an independent third party opinion and the procedures for shareholder approval under Rule 432 of the Securities Listing Regulations promulgated by the Tokyo Stock Exchange are not required.

10. Financial Results and Equity Finance Status for Most Recent Three Years

(i) Financial Results for Most Recent Three Years (Consolidated)

Accounting Period	International Financial Reporting Standards (IFRS)		
	—	Fiscal Year Ended March 31, 2018	Fiscal Year Ended March 31, 2019
Operating revenues	—	¥11,782,148 million	¥11,879,842 million
Profit before taxes	—	¥1,740,479 million	¥1,671,861 million
Profit attributable to NTT	—	¥897,887 million	¥854,561 million

Earnings per share attributable to NTT	—	¥449.86 ※ ¥224.93	¥440.25 ※ ¥220.13
Dividends per share	—	¥150 ※ ¥75	¥180 ※ ¥90
NTT shareholders' equity per share	—	¥4,591.58 ※ ¥2,295.79	¥4,832.03 ※ ¥2,416.02

Accounting Period	U.S. GAAP		
	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018	—
Operating revenues	¥11,391,016 million	¥11,799,587 million	—
Income before income taxes and equity in earnings (losses) of affiliated companies	¥1,527,769 million	¥1,755,624 million	—
Net income attributable to NTT	¥800,129 million	¥909,695 million	—
Basic earnings per share attributable to NTT	¥390.94 ※ ¥195.47	¥455.78 ※ ¥227.89	—
Dividends per share	¥120 ※ ¥60	¥150 ※ ¥75	—
NTT shareholders' equity per share	¥4,491.73 ※ ¥2,245.87	¥4,812.59 ※ ¥2,406.30	—

- Notes:
- The Company applied U.S. GAAP through and until the fiscal year ended March 31, 2018. Beginning with the fiscal year ended March 31, 2019, the Company has applied International Financial Reporting Standards (IFRS). The Company has also prepared financial statements for the fiscal year ended March 31, 2018 on the basis of IFRS.
 - The Company conducted a two-for-one stock split of shares of its common stock with an effective date of January 1, 2020. For “Earnings per share attributable to NTT,” “Dividends per share,” “NTT shareholders' equity per share” and “Basic earnings per share attributable to NTT,” figures represent amounts from prior to the stock split, and the “※” sign indicates figures that reflect amounts as if the stock split had occurred at the beginning of each period.

(ii) Current Number of Issued Shares and Issuable Shares

	Number of Shares	Total Percentage of Issued Shares
Number of issued and outstanding shares	3,900,788,940 shares	100%
Number of issuable shares at current conversion price (exercise price)	—	—
Number of issuable shares at lowest conversion price (exercise price)	—	—
Number of issuable shares at highest conversion price (exercise price)	—	—

(iii) Recent Share Price Information

(a) Information for Most Recent Three Years

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018	Fiscal Year Ended March 31, 2019
Opening Price	¥4,800 ※ ¥2,400	¥4,787 ※ ¥2,393.5	¥4,901 ※ ¥2,450.5

Highest Price	¥5,180 ※ ¥2,590	¥5,905 ※ ¥2,952.5	¥5,448 ※ ¥2,724
Lowest Price	¥4,156 ※ ¥2,078	¥4,545 ※ ¥2,272.5	¥4,050 ※ ¥2,025
Closing Price	¥4,752 ※ ¥2,376	¥4,900 ※ ¥2,450	¥4,703 ※ ¥2,351.5

(b) Information for Most Recent Six Months

	October 2019	November 2019	December 2019	January 2020	February 2020	March 2020
Opening Price	¥5,222 ※ ¥2,611	¥5,324 ※ ¥2,662	¥5,565 ※ ¥2,782.5	¥2,757	¥2,775	¥2,488.5
Highest Price	¥5,447 ※ ¥2,723.5	¥5,593 ※ ¥2,796.5	¥5,705 ※ ¥2,852.5	¥2,856	¥2,908	¥2,585
Lowest Price	¥5,166 ※ ¥2,583	¥5,244 ※ ¥2,622	¥2,743	¥2,728.5	¥2,523	¥2,153
Closing Price	¥5,376 ※ ¥2,688	¥5,527 ※ ¥2,763.5	¥2,757	¥2,786.5	¥2,529.5	¥2,500

Note: The Company conducted a two-for-one stock split of shares of its common stock with an effective date of January 1, 2020. The “※” sign indicates share prices that have been adjusted for the stock split.

(c) Share Prices as of the Business Day prior to the Share Issuance Authorization Date

	March 23, 2020
Opening Price	¥2,317
Highest Price	¥2,554.5
Lowest Price	¥2,293.5
Closing Price	¥2,500

(iv) Equity Finance Information for Most Recent Three Years

Not applicable.

11. Overview of Disposition

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|--|---|
| (1) Type and Amount of Stock | Common stock; 80,775,400 shares |
| (2) Payment Amount | ¥2,476 per share |
| (3) Total Payment Amount | ¥199,999,890,400 |
| (4) Method of Disposition or Allocation | Disposition of treasury shares through third-party allocation |
| (5) Prospective Purchaser in Disposition | Toyota Motor Corporation |
| (6) Application Date | April 9, 2020 |
| (7) Payment Date | April 9, 2020 |
| (8) Each of the above items is subject to the condition of the effectiveness of the registration statement under the Financial Instruments and Exchange Act. | |