

[Translation]

# Quarterly Securities Report

(The First Quarter of the 35<sup>th</sup> Business Term)  
From April 1, 2019 to June 30, 2019

NIPPON TELEGRAPH AND TELEPHONE CORPORATION

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[Note]

This document is an English translation of certain items that were disclosed in NTT's Quarterly Securities Report for the three-month period ended June 30, 2019, which NTT filed on August 7, 2019 with the Financial Services Agency of Japan.

The forward-looking statements and projected figures concerning the future performance of NTT and its subsidiaries and affiliates contained or referred to herein are based on a series of assumptions, projections, estimates, judgments and beliefs of the management of NTT in light of information currently available to it regarding NTT and its subsidiaries and affiliates, the economy and telecommunications industry in Japan and overseas, and other factors. These projections and estimates may be affected by the future business operations of NTT and its subsidiaries and affiliates, the state of the economy in Japan and abroad, possible fluctuations in the securities markets, the pricing of services, the effects of competition, the performance of new products, services and new businesses, changes to laws and regulations affecting the telecommunications industry in Japan and elsewhere, other changes in circumstances that could cause actual results to differ materially from the forecasts contained or referred to herein, as well as other risks included in NTT's most recent Annual Securities Report and in any other materials publicly disclosed by NTT on its website.

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## Item 1. Overview of the company

### 1. Selected Financial Data

IFRS

		Three Months Ended June 30, 2018	Three Months Ended June 30, 2019	Fiscal year ended March 31, 2019
Operating revenues	Millions of yen	2,852,732	2,915,438	11,879,842
Profit before taxes	Millions of yen	542,651	526,783	1,671,861
Profit attributable to NTT	Millions of yen	289,746	280,530	854,561
Comprehensive income (loss) attributable to NTT	Millions of yen	300,185	246,156	826,154
NTT shareholders' equity	Millions of yen	9,124,535	9,128,194	9,264,913
Total assets	Millions of yen	21,466,970	22,568,589	22,295,146
Basic earnings per share attributable to NTT	Yen	148.05	147.31	440.25
Diluted earnings per share attributable to NTT	Yen	—	—	—
Equity ratio (Ratio of NTT Shareholders' Equity to Total Assets)	%	42.5	40.4	41.6
Net cash provided by operating activities	Millions of yen	431,906	474,990	2,406,157
Net cash provided by investing activities	Millions of yen	(545,710)	(380,148)	(1,774,136)
Net cash provided by financing activities	Millions of yen	15,276	(11,130)	(584,266)
Cash and cash equivalents at end of period	Millions of yen	797,102	1,021,496	946,134

Notes: (1) NTT's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(2) As NTT prepares condensed consolidated financial statements, changes in the non-consolidated financial data, are not provided.

(3) Operating revenues do not include consumption taxes.

(4) Diluted earnings per share attributable to NTT is not stated because NTT did not have potentially dilutive common shares that were outstanding during the period.

## 2. Description of Business

The principal business segments of NTT Group (NTT and its affiliated companies) are its mobile communications business, regional communications business, long distance and international communications business, and data communications business.

There were no material changes in NTT Group's business during the three months ended June 30, 2019, nor were there any material changes in its subsidiaries and affiliated companies.

### Item 2. Business Overview

#### 1. Risk Factors

There were no risks newly identified during the three months ended June 30, 2019. There was no material change in risk factors which were described in NTT's Annual Securities Report for the fiscal year ended March 31, 2019.

#### 2. Management's Analysis of Consolidated Financial Condition, Results of Operations, and Cash Flows

##### (1) Consolidated Results

Three-Month Period Ended June 30, 2019 (April 1, 2019 – June 30, 2019)

	(Billions of yen)			
	Three Months Ended June 30, 2018	Three Months Ended June 30, 2019	Change	Percent Change
Operating revenues	2,852.7	2,915.4	62.7	2.2%
Operating expenses	2,315.5	2,410.2	94.7	4.1%
Operating profit	537.2	505.2	(32.0)	(6.0)%
Profit before taxes	542.7	526.8	(15.9)	(2.9)%
Profit attributable to NTT	289.7	280.5	(9.2)	(3.2)%

During the three months ended June 30, 2019, pursuant to the outline of NTT Group's Medium-Term Management Strategy "Your Value Partner 2025," which was announced in November 2018, NTT Group, in its role as "Your Value Partner," promoted initiatives through its business operation and worked with its partners to resolve social issues.

##### <Support Our Customer's Digital Transformation>

NTT Group worked on promoting the B2B2X model to support new value creation, including initiatives to roll out the 5<sup>th</sup>-Generation Wireless System, and providing personalized services to support individuals' lifestyle changes, among other things.

- In June 2019, NTT DOCOMO launched new rate plans called "Gigaho" and "Gigalight", which are simple and provide great value. There are two simple plans: "Gigaho" is for users who use a large amount of data communication, and, on the other hand, "Gigalight" is for users who use a little data communication.

#### <Accelerate Our Own Digital Transformation>

NTT Group has advanced its “One NTT” global business growth strategy, aimed toward enhancing its global business competitiveness and its self-digital transformation in the domestic business, among other initiatives.

- NTT Group has integrated the overseas businesses of NTT Communications, Dimension Data Holdings plc, and NTT Security Corporation, and has promoted initiatives aimed towards starting the business development of a new NTT-branded global operating company, “NTT Ltd.”
- NTT Communications acquired the site for the “Indonesia Jakarta 3 Data Center” through the Indonesian group company PT. NTT Indonesia Nexcenter, and announced plans for construction. This data center is the first project that NTT Global Data Centers Corp. (GDC), which was established to centrally implement construction, ownership and wholesale equipment provision for data centers in the NTT Group globally, has invested in at the construction stage.

#### <Leverage Talent, Technologies, and Assets>

NTT Group worked on studies into reinforcing and globalizing its R&D and creating new lines of business (real estate and electric power).

- NTT has established NTT Anode Energy Corporation, which is a company for the promotion of new business in “smart energy.” Under the new organization driven by the energy promoting company in the leading role, NTT Group will pursue business in the three domains of power generation, transmission / distribution / storage, and retailing / wholesaling, in addition to its existing initiatives. Through these businesses, NTT aims to achieve strengthened competitiveness and increased revenues in its energy business.
- NTT and NTT Communications have successfully tested long-distance transmissions of 1 terabit per second optical signals in commercial environments. This technology is expected to achieve transmission speeds 10 times faster than current practical systems (100 Gbit/s per channel) and reduce power consumption per bit by more than 80%, and is expected to become a large-capacity communications network technology that will lead to the spread of 5G services and the realization of IOWN initiatives in the future.

#### <Promote ESG Management, and Enhance Returns to Shareholders to Improve Corporate Value>

By promoting ESG management, NTT has continuously set the returning of profits to shareholders, while ongoing improvements of corporate value as one of its important management challenges. With respect to shareholder returns, NTT has a basic policy of steady dividend increases. In addition, NTT will flexibly carry out buybacks based on performance trends and other factors in order to improve its capital efficiency.

- In order to improve its capital efficiency and enhance returns to shareholders, at a meeting of its Board of Directors held on May 10, 2019, NTT authorized matters relating to the repurchase of either up to 53 million shares of its common stock or shares of its common stock in an aggregate cost not exceeding ¥250.0 billion.

As a result of these efforts, NTT Group's consolidated operating revenues for the three-month period ended June 30, 2019 were ¥2,915.4 billion (an increase of 2.2% from the same period of the previous fiscal year),

consolidated operating expenses were ¥2,410.2 billion (an increase of 4.1% from the same period of the previous fiscal year), consolidated operating profit was ¥505.2 billion (a decrease of 6.0% from the same period of the previous fiscal year), profit before taxes was ¥526.8 billion (a decrease of 2.9% from the same period of the previous fiscal year), and profit attributable to NTT was ¥280.5 billion (a decrease of 3.2% from the same period of the previous fiscal year)

## **(2) Segment Results**

NTT Group has five business segments: mobile communications business, regional communications business, long distance and international communications business, data communications business and other business. (See “Note 6. Segment Information”)

The mobile communications business segment comprises mobile voice related services, IP/packet communications services, sales of telecommunications equipment and other services.

The regional communications business segment comprises fixed voice related services, IP/packet communications services, sales of telecommunications equipment, system integration services and other services.

The long distance and international communications business segment comprises fixed voice related services, IP/packet communications services, sales of telecommunications equipment, system integration services and other services.

The data communications business segment comprises system integration services.

The other business segment principally comprises services related to building maintenance, real estate rental, systems development, leasing, and other services related to research and development.

Results by business segment are as follows (intersegment revenues are included in the operating revenues, operating expenses and operating profit of operational results for each business segment):

### **Mobile Communications Business Segment**

Three-Month Period Ended June 30, 2019 (April 1, 2019 – June 30, 2019)

(Billions of yen)

	<b>Three Months Ended June 30, 2018</b>	<b>Three Months Ended June 30, 2019</b>	<b>Change</b>	<b>Percent Change</b>
Operating revenues	1,176.7	1,159.3	(17.4)	(1.5)%
Mobile voice related services	236.9	233.6	(3.3)	(1.4)%
IP/packet communications services	544.6	541.2	(3.4)	(0.6)%
Sales of telecommunications equipment	178.6	167.7	(11.0)	(6.1)%
Other	216.5	216.8	0.3	0.2%
Operating expenses	866.7	880.6	13.8	1.6%
Operating profit	309.9	278.7	(31.2)	(10.1)%

Operating revenues for the mobile communications business segment for the three-month period ended June 30, 2019 decreased 1.5% from the same period of the previous fiscal year to ¥1,159.3 billion. This decrease



was due to, among other things, a decrease in revenues due to enhancing returns to customers through the “Gigaho” and “Gigalight” plans and other service plans, and a decrease in sales of telecommunications equipment, partially offset by an increase in revenues due to growth in the smart life business.

On the other hand, operating expenses for the three-month period ended June 30, 2019 increased 1.6% from the same period of the previous fiscal year to ¥880.6 billion. This increase was due to, among other things, an increase in point expenses, despite cost reductions.

As a result, segment operating profit for the three-month period ended June 30, 2019 decreased 10.1% from the same period of the previous fiscal year to ¥278.7 billion.

#### Number of Subscriptions

(Thousands of subscriptions)

Service	As of March 31, 2019	As of June 30, 2019	Change	Percent Change
Mobile Telecommunications Services	78,453	78,896	443	0.6%
Telecommunications Services (LTE (Xi))	55,872	57,285	1,413	2.5%
Telecommunications Services (FOMA (3G))	22,581	21,611	(970)	(4.3)%

Note: Number of Mobile Telecommunications Services (including "Telecommunications Services (LTE (Xi))" and "Telecommunications Services (FOMA (3G))") includes Communication Module Services.

#### Regional Communications Business Segment

Three-Month Period Ended June 30, 2019 (April 1, 2019 – June 30, 2019)

(Billions of yen)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2019	Change	Percent Change
Operating revenues	768.9	746.5	(22.4)	(2.9)%
Fixed voice related services	274.0	255.3	(18.7)	(6.8)%
IP/packet communications services	374.4	372.5	(1.9)	(0.5)%
Sales of telecommunications equipment	18.3	17.8	(0.5)	(2.9)%
System integration services	27.6	29.7	2.1	7.5%
Other	74.6	71.2	(3.4)	(4.6)%
Operating expenses	626.9	601.9	(25.0)	(4.0)%
Operating profit	142.0	144.6	2.6	1.8%

Operating revenues in the regional communications business segment for the three-month period ended June 30, 2019 decreased 2.9% from the same period of the previous fiscal year to ¥746.5 billion due to, among other things, a decrease in fixed voice related services revenues.

On the other hand, operating expenses for the three-month period ended June 30, 2019 decreased 4.0% from the same period of the previous fiscal year to ¥601.9 billion due to a decrease in personnel expenses, expenditures and other cost reductions, among other factors.

As a result, segment operating profit for the three-month period ended June 30, 2019 increased 1.8% from the same period of the previous fiscal year to ¥144.6 billion.

#### Number of Subscriptions

(Thousands of subscriber lines/subscriptions)

Service	As of March 31, 2019	As of June 30, 2019	Change	Percent Change
(NTT East)				
Telephone Subscriber Lines	8,119	7,970	(148)	(1.8)%
INS-Net	1,086	1,060	(26)	(2.4)%
FLET'S Hikari (including Hikari Collaboration Model)	11,880	11,993	113	1.0%
FLET'S ADSL	258	242	(16)	(6.1)%
Hikari Denwa (thousand channels)	9,759	9,796	37	0.4%
FLET'S TV Transmission Services	1,033	1,044	11	1.1%
(NTT West)				
Telephone Subscriber Lines	8,244	8,078	(166)	(2.0)%
INS-Net	1,052	1,029	(23)	(2.2)%
FLET'S Hikari (including Hikari Collaboration Model)	9,197	9,267	70	0.8%
FLET'S ADSL	344	327	(17)	(4.9)%
Hikari Denwa (thousand channels)	8,485	8,490	5	0.1%
FLET'S TV Transmission Services	684	699	16	2.3%

Notes: (1) Number of Telephone Subscriber Lines is the total of individual lines and central station lines

(Subscriber Telephone Light Plan is included).

(2) “INS-Net” includes “INS-Net 64” and “INS-Net 1500.” In terms of number of channels, transmission rate, and line use rate (base rate), “INS-Net 1500” is in all cases roughly ten times greater than “INS-Net 64.” For this reason, one “INS-Net 1500” subscription is calculated as ten “INS-Net 64” subscriptions (including subscriptions to the “INS-Net 64 Lite Plan”).

(3) Number of FLET'S Hikari (including Hikari Collaboration Model) subscribers includes subscribers to “B FLET'S,” “FLET'S Hikari Next,” “FLET'S Hikari Light,” “FLET'S Hikari Lightplus” and “FLET'S Hikari WiFi Access” provided by NTT East, subscribers to “FLET'S Hikari Next,” “FLET'S Hikari Mytown Next,” “FLET'S Hikari Light” and “FLET'S Hikari WiFi Access” provided by NTT West and subscribers to the “Hikari Collaboration Model,” the wholesale provision of services to service providers by NTT East and NTT West.

(4) Numbers of subscribers for “Hikari Denwa” and “FLET'S TV Transmission Services” include wholesale services provided to service providers by NTT East and NTT West.

## Long Distance and International Communications Business Segment

Three-Month Period Ended June 30, 2019 (April 1, 2019 – June 30, 2019)

(Billions of yen)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2019	Change	Percent Change
Operating revenues	541.2	555.9	14.7	2.7%
Fixed voice related services	55.7	50.4	(5.2)	(9.4)%
IP/packet communications services	106.0	106.4	0.4	0.3%
Sales of telecommunications equipment	1.6	2.6	1.0	61.6%
System integration services	338.6	352.2	13.5	4.0%
Other	39.3	44.3	5.1	12.9%
Operating expenses	509.1	526.8	17.7	3.5%
Operating profit	32.0	29.1	(3.0)	(9.3)%

Operating revenues in the long distance and international communications business segment for the three-month period ended June 30, 2019 increased 2.7% from the same period of the previous fiscal year to ¥555.9 billion. This increase was due to, among other things, an increase in system integration revenues due to an expansion in overseas business, partially offset by a decrease in fixed voice related revenues.

On the other hand, operating expenses for the three-month period ended June 30, 2019 increased 3.5% from the same period of the previous fiscal year to ¥526.8 billion due to an increase in personnel expenses, among other things.

As a result, segment operating profit for the three-month period ended June 30, 2019 decreased 9.3% from the same period of the previous fiscal year to ¥29.1 billion.

## Number of Subscriptions

(Thousands of subscriptions)

Service	As of March 31, 2019	As of June 31, 2019	Change	Percent Change
OCN (ISP)	7,305	7,249	(56)	(0.8)%
Plala (ISP)	3,234	3,258	24	0.7%
Hikari TV	3,001	2,992	(9)	(0.3)%

## Data Communications Business Segment

Three-Month Period Ended June 30, 2019 (April 1, 2019 – June 30, 2019)

(Billions of yen)

	<b>Three Months Ended June 30, 2018</b>	<b>Three Months Ended June 30, 2019</b>	<b>Change</b>	<b>Percent Change</b>
Operating revenues	505.2	527.3	22.0	4.4%
System integration services	505.2	527.3	22.0	4.4%
Operating expenses	476.0	497.4	21.5	4.5%
Operating profit	29.3	29.8	0.6	2.0%

Operating revenues in the data communications business segment for the three-month period ended June 30, 2019 increased 4.4% from the same period of the previous fiscal year to ¥527.3 billion due to, among other things, the expansion of the scope of business in the enterprise and solutions business domestically, and the expansion of business overseas, especially in EMEA and Latin America.

On the other hand, operating expenses for the three-month period ended June 30, 2019 increased 4.5% from the same period of the previous fiscal year to ¥497.4 billion due to, among other things, the impact of an increase in revenue-linked expenses.

As a result, segment operating profit for the three-month period ended June 30, 2019 increased 2.0% from the same period of the previous fiscal year to ¥29.8 billion.

## Other Business Segment

Three-Month Period Ended June 30, 2019 (April 1, 2019 – June 30, 2019)

(Billions of yen)

	<b>Three Months Ended June 30, 2018</b>	<b>Three Months Ended June 30, 2019</b>	<b>Change</b>	<b>Percent Change</b>
Operating revenues	267.2	338.5	71.3	26.7%
Operating expenses	241.2	309.7	68.5	28.4%
Operating profit	26.0	28.9	2.9	11.0%

Operating revenues in the other business segment for the three-month period ended June 30, 2019 increased 26.7% from the same period of the previous fiscal year to ¥338.5 billion. On the other hand, operating expenses for the three-month period ended June 30, 2019 increased 28.4% from the same period of the previous fiscal year to ¥309.7 billion. These increases were due to, among other things, the impact from the increase in its stake in its consolidated subsidiary, ENNET Corporation. As a result, segment operating profit for the three-month period ended June 30, 2019 increased 11.0% from the same period of the previous fiscal year to ¥28.9 billion.

### **(3) Cash Flows**

Cash flows provided by operating activities, excluding the impact of non-business days and adopting IFRS 16 (Leases), for the three-month period ended June 30, 2019 increased by ¥9.9 billion (2.3%) from the same period of the previous fiscal year to ¥444.4 billion. This increase was due to, among other factors, an increase in collection of trade receivables. Cash flows provided by operating activities for the three-month period ended June 30, 2019 was ¥475.0 billion.

Cash flows used in investing activities decreased by ¥165.6 billion (30.3%) from the same period of the previous fiscal year to ¥380.1 billion. This decrease was due to, among other factors, proceeds from sale of investments.

Cash flows provided by financing activities, excluding the impact of adopting IFRS 16 (Leases), for the three-month period ended June 30, 2019 increased by ¥15.0 billion (98.5%) from the same period of the previous fiscal year to ¥30.3 billion. This increase was due to, among other factors, an increase in debt. Cash flows used by financing activities for the three-month period ended June 30, 2019 was ¥11.1 billion.

As a result of the above, NTT Group's consolidated cash and cash equivalents, excluding the impact of non-business days, as of June 30, 2019 was ¥1,256.1 billion, an increase of ¥86.3 billion (7.4%) from the end of the previous fiscal year. Cash and cash equivalents as of June 30, 2019 was ¥1,021.5 billion.

	(Billions of yen)			
	Three Months Ended June 30, 2018	Three Months Ended June 30, 2019	Change	Percent Change
Cash flows provided by operating activities	431.9	475.0	43.1	10.0%
Cash flows provided by operating activities (excluding the impact of non-business days <sup>(1)</sup> ( <sup>(2)</sup> and adopting IFRS 16 <sup>(5)</sup> )	434.5	444.4	9.9	2.3%
Cash flows used in investing activities	(545.7)	(380.1)	165.6	30.3%
Cash flows provided by (used in) financing activities	15.3	(11.1)	(26.4)	(172.9)%
Cash flows provided by financing activities (excluding the impact of adopting IFRS 16 <sup>(5)</sup> )	15.3	30.3	15.0	98.5%
Cash and cash equivalents	797.1	1,021.5	224.4	28.2%
Cash and cash equivalents (excluding the impact of non-business days <sup>(3)</sup> ( <sup>(4)</sup> )	1,031.6	1,256.1	224.4	21.8%

Notes: (1) The impact in the amount of ¥2.6 billion, caused by the last days of the year ended March 31, 2018 and the three months ended June 30, 2018 falling on non-business days, resulting in the due date for certain bills, including telecommunication services bills, being set to the first business day of the following month.

(2) The impact in the amount of ¥10.9 billion, caused by the last days of the year ended March 31, 2019 and the three months ended June 30, 2019 falling on non-business days, resulting in the due date for certain bills, including telecommunication services bills, being set to the first business day of the following month.

- (3) The impact in the amount of ¥234.5 billion, caused by the last day of the three months ended June 30, 2018 falling on a non-business day, resulting in the due date for certain bills, including telecommunication services bills, being set to the first business day of the following month.
- (4) The impact in the amount of ¥234.6 billion, caused by the last day of the three months ended June 30, 2019 falling on a non-business day, resulting in the due date for certain bills, including telecommunication services bills, being set to the first business day of the following month.
- (5) The impact on cash flows from operating and financing activities in the amount of ¥41.5 billion, caused by the adoption of IFRS 16 (Leases) beginning on April 1, 2019.

#### **(4) Operational and Finance Issues Facing the Corporate Group**

There were no material changes in the operational and finance issues facing the corporate group for the three months ended June 30, 2019, and no new additional issues arose during the period.

#### **(5) Research and Development**

NTT's research and development expenses for the three months ended June 30, 2019 were ¥48.1 billion. There were no material changes in NTT's research and development activities during the three months ended June 30, 2019.

### **3. Material Contracts**

There were no material contracts relating to NTT's operations that were agreed upon or entered into during the three months ended June 30, 2019.

### Item 3. Information on NTT

#### 1. Information on NTT's Shares

##### (1) Total Number of Shares

Total Number of Shares

Class	Total Number of Shares Authorized to be Issued (shares)
Common stock	6,192,920,900
Total	6,192,920,900

Issued Shares

Class	Number of Shares Issued as of June 30, 2019 (shares)	Number of Shares Issued as of the Filing Date (shares) (August 7, 2019)	Stock Exchange on which the Company is Listed	Description
Common Stock	1,950,394,470	1,950,394,470	Tokyo Stock Exchange (The First Section)	The number of shares per one unit of shares is 100 shares
Total	1,950,394,470	1,950,394,470	—	—

##### (2) Information on Share Acquisition Rights

###### ( i ) Description of Stock Option System

Not applicable.

###### ( ii ) Information on Shareholder Rights Plans

Not applicable.

##### (3) Information on Moving Strike Convertible Bonds

Not applicable.

(4) Changes in the Total Number of Issued Shares, the Amount of Common Stock, and Other

Date	Changes in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Changes in Common Stock (millions of yen)	Balance of Common Stock (millions of yen)	Change in Capital Reserve (millions of yen)	Balance of Capital Reserve (millions of yen)
April 1, 2019 - June 30, 2019	—	1,950,394,470	—	937,950	—	2,672,826

(5) Major Shareholders

Not applicable for the three months ended June 30, 2019.

(6) Information on Voting Rights

Issued Shares

As of June 30, 2019

Classification	Number of Shares (shares)	Number of Voting Rights	Description
Shares without Voting Rights	—	—	—
Shares with Restricted Voting Rights (Treasury Stock, etc.)	—	—	—
Shares with Restricted Voting Rights (Others)	—	—	—
Shares with Full Voting Rights (Treasury Stock, etc.)	(Treasury Stock) 69,906,700 shares of common stock (Others) 36,800 shares of common stock	—	—
Shares with Full Voting Rights (Others)	1,878,009,300 shares of common stock	18,780,087	—
Shares Representing Less than One Unit	2,441,670 shares of common stock	—	—
Number of Issued Shares	1,950,394,470 shares of common stock	—	—
Total Number of Voting Rights	—	18,780,087	—

Note: The total number of shares in “Shares with Full Voting Rights (Others)” includes 28,700 shares held in the name of the Japan Securities Depository Center, and the number of shares in “Shares Representing Less Than One Unit” includes 44 shares held in the name of the Japan Securities Depository Center. “Number of Voting Rights” includes 287 voting rights associated with “Shares with Full Voting Rights” held in the name of the Japan Securities Depository Center, and does not include 6 voting rights associated with “Shares with Full Voting Rights” recorded on the shareholder register under NTT, but not actually owned by NTT.



## Treasury Stock

As of June 30, 2019

Name of Shareholder	Address	Number of Shares Held Under Own Name (shares)	Number of Shares Held Under the Names of Others (shares)	Total Shares Held (shares)	Ownership Percentage to the Total Number of Issued Shares
(Treasury Stock) Nippon Telegraph and Telephone Corporation	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	69,906,700	—	69,906,700	3.6%
(Others) Nihon Meccs Corporation	6-3, Irifune 3-chome, Chuo-ku, Tokyo	36,800	—	36,800	0.0%
Total	—	69,943,500	—	69,943,500	3.6%

Notes: (1) In addition to the above, there are 600 shares that are recorded on the shareholder register under NTT, but not actually owned by NTT. Such shares are included in “Shares with Full Voting Rights (Others)” under “Issued Shares”.

(2) Pursuant to the Board of Directors’ resolution on May 10, 2019, NTT acquired 36,600,000 shares of its outstanding common stock between May 14, 2019 and June 21, 2019. For details, please see “Note 11. Equity and Other Equity Items” under “Condensed Consolidated Financial Statements” of “4. Financial Information”.

## 2. Changes in Directors and Senior Management

Not applicable.

## **Item 4. Financial Information**

### **1. Basis of Preparation of Condensed Quarterly Consolidated Financial Statements**

In accordance with Article 93 of the “Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007) (the “Ordinance on Consolidated Financial Statements”), NTT Group prepares condensed quarterly consolidated financial statements pursuant to International Accounting Standard (“IAS”) No. 34, “Interim Financial Reporting.”

### **2. Auditor’s Report**

In accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, NTT Group’s condensed quarterly consolidated financial statements for the first quarter of the consolidated accounting period (from April 1, 2019 to June 30, 2019) have been reviewed by KPMG AZSA LLC.

### **3. Special Measures to Ensure the Appropriateness of the Consolidated Financial Statements**

NTT Group undertakes special measures to ensure the appropriateness of its consolidated financial statements and put in place a structure to properly disclose consolidated financial statements in accordance with IFRS. The details of such measures are below:

(1) NTT Group participates in organizations such as the Financial Accounting Standards Foundation in order to put in place a system in which NTT Group can ensure it has an appropriate grasp on the contents of accounting standards and can accurately respond to changes in accounting standards. In addition, NTT Group periodically undertakes reviews of accounting standards, and maintains internal regulations.

(2) With respect to the application of IFRS, NTT Group obtains press releases and statements of accounting principles published by the International Accounting Standards Board from time to time in order to gain an understanding of most recent standards. Furthermore, in order to prepare appropriate consolidated financial statements in accordance with IFRS, NTT Group has developed group accounting policies and accounting guidelines in compliance with IFRS, and conducts its accounting in accordance with those policies and guidelines.

# 1. 【Condensed Consolidated Financial Statements】

## (1) 【Condensed Consolidated Statement of Financial Position】

Millions of yen			
	Notes	March 31, 2019	June 30, 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	946,134	1,021,496
Trade and other receivables	7	4,391,434	4,218,978
Other financial assets	13	117,753	108,987
Inventories		331,634	304,224
Other current assets		550,487	702,187
Subtotal		6,337,442	6,355,872
Assets held for sale	8	242,524	—
Total current assets		6,579,966	6,355,872
<b>Non-current assets</b>			
Property, plant and equipment	9	9,012,947	8,923,936
Right-of-use asset		—	453,622
Goodwill		886,531	902,227
Intangible assets		1,627,762	1,629,058
Investment property		967,006	1,037,545
Investments accounted for using equity method		298,261	287,669
Other financial assets	13	1,138,502	1,187,345
Deferred tax assets		1,124,467	1,125,897
Other non-current assets		659,704	665,418
Total non-current assets		15,715,180	16,212,717
Total assets		22,295,146	22,568,589

	Notes	March 31, 2019	June 30, 2019
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short-term debt	10,13	1,397,545	1,922,333
Trade and other payables		2,092,479	1,685,850
Lease liabilities		—	137,651
Other financial liabilities	13	44,305	43,003
Accrued payroll		468,216	389,327
Accrued taxes on income		237,282	147,383
Other current liabilities		988,244	982,924
Total current liabilities		5,228,071	5,308,471
<b>Non-current liabilities</b>			
Long-term debt	10,13	2,865,181	2,834,873
Lease liabilities		—	393,764
Other financial liabilities	13	175,087	151,903
Defined benefit liabilities		1,878,013	1,883,150
Deferred tax liabilities		61,189	64,958
Other non-current liabilities		282,815	289,052
Total non-current liabilities		5,262,285	5,617,700
Total liabilities		10,490,356	10,926,171
<b>Equity</b>			
Nippon Telegraph and Telephone Corporation (“NTT”) shareholders’ equity			
Common stock	11	937,950	937,950
Additional paid-in capital	11	2,341,206	2,321,721
Retained earnings	11	5,954,305	6,080,501
Treasury stock	11	(150,635)	(330,881)
Other components of equity	11	182,087	118,903
Total NTT shareholders’ equity		9,264,913	9,128,194
Non-controlling interests		2,539,877	2,514,224
Total equity		11,804,790	11,642,418
Total liabilities and equity		22,295,146	22,568,589

(2) 【Condensed Consolidated Statement of Profit or Loss and Condensed Consolidated Statement of Comprehensive Income】

【Condensed Consolidated Statement of Profit or Loss】

Millions of yen except per share data

	Notes	Three Months Ended June 30, 2018	Three Months Ended June 30, 2019
<b>Operating revenues</b>	12	2,852,732	2,915,438
<b>Operating expenses</b>			
Personnel expenses		592,119	605,982
Expenses for purchase of goods and services and other expenses		1,341,798	1,390,314
Depreciation and amortization		325,490	360,517
Loss on disposal of property, plant and equipment and intangible assets		26,773	21,141
Impairment losses		—	1,547
Taxes and dues		29,326	30,743
Total operating expenses		2,315,506	2,410,244
<b>Operating profit</b>		537,226	505,194
Finance income		7,714	31,383
Finance costs		8,425	12,290
Share of profit (loss) of entities accounted for using equity method		6,136	2,496
<b>Profit before taxes</b>		542,651	526,783
Income taxes		167,296	162,825
<b>Profit</b>		375,355	363,958
<b>Profit attributable to NTT</b>		289,746	280,530
Profit attributable to Non-controlling interests		85,609	83,428
Earnings per share attributable to NTT			
Basic earnings per share (yen)		148.05	147.31

【Condensed Consolidated Statement of Comprehensive Income】

Millions of yen			
	Notes	Three Months Ended June 30, 2018	Three Months Ended June 30, 2019
<b>Profit</b>		375,355	363,958
<b>Other comprehensive income (net of tax)</b>	11		
<b>Items that will not be reclassified to profit or loss</b>			
Change in the fair value of financial assets measured at fair value through other comprehensive income		10,635	7,989
Share of other comprehensive income of entities accounted for using the equity method		8,645	(592)
Remeasurements of defined benefit plans		55	(267)
Total of items that will not be reclassified to profit or loss		19,335	7,130
<b>Items that may be reclassified to profit or loss</b>			
Cash flow hedges		570	92
Foreign currency translation adjustments		15,927	(48,355)
Share of other comprehensive income of affiliated companies accounted for by the equity method		(13,323)	(989)
Total of items that may be reclassified to profit or loss		3,174	(49,252)
<b>Total other comprehensive income (net of tax)</b>		22,509	(42,122)
<b>Total comprehensive income</b>		397,864	321,836
<b>Comprehensive income attributable to NTT</b>	11	300,185	246,156
Comprehensive income attributable to Non-controlling interests	11	97,679	75,680

### (3) 【Condensed Consolidated Statement of Changes in Equity】

【Three Months Ended June 30, 2018】

Millions of yen									
		NTT Shareholders' Equity							
	Notes	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other equity components	Total	Non-controlling interests	Total equity
March 31 2018		937,950	2,396,555	6,125,957	(610,742)	200,638	9,050,358	2,515,296	11,565,654
Cumulative effect of adoption of IFRS 9 “Financial Instruments”		—	—	14,033	—	(2,432)	11,601	7,565	19,166
April 1 2018		937,950	2,396,555	6,139,990	(610,742)	198,206	9,061,959	2,522,861	11,584,820
Comprehensive income									
Profit		—	—	289,746	—	—	289,746	85,609	375,355
Other comprehensive income	11	—	—	—	—	10,439	10,439	12,070	22,509
Total comprehensive income		—	—	289,746	—	10,439	300,185	97,679	397,864
Value of transactions with shareholders etc.									
Dividends of surplus	11	—	—	(147,831)	—	—	(147,831)	(67,474)	(215,305)
Transfer to retained earnings	11	—	—	(123)	—	123	—	—	—
Transfer to non-financial assets	11	—	—	—	—	3,905	3,905	—	3,905
Purchase and disposal of treasury stock	11	—	1	—	(108,024)	—	(108,023)	—	(108,023)
Changes in ownership interest in subsidiaries	11	—	175	—	—	—	175	(1,162)	(987)
Share-based compensation transactions		—	1,548	—	—	—	1,548	—	1,548
Put options granted to non-controlling interests	11	—	(77)	—	—	—	(77)	—	(77)
Other		—	—	300	—	—	300	—	300
Total value of transactions with shareholders etc.		—	1,647	(147,654)	(108,024)	4,028	(250,003)	(68,636)	(318,639)
June 30, 2018		937,950	2,398,202	6,282,082	(718,766)	212,673	9,112,141	2,551,904	11,664,045

【Three Months Ended June 30, 2019】

Millions of yen

		NTT Shareholders' Equity						Non-	
	Notes	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other equity components	Total	controlling interests	Total equity
March 31 2019		937,950	2,341,206	5,954,305	(150,635)	182,087	9,264,913	2,539,877	11,804,790
Comprehensive income									
Profit		—	—	280,530	—	—	280,530	83,428	363,958
Other comprehensive income	11	—	—	—	—	(34,374)	(34,374)	(7,748)	(42,122)
Total comprehensive income		—	—	280,530	—	(34,374)	246,156	75,680	321,836
Value of transactions with shareholders etc.									
Dividends of surplus	11	—	—	(182,153)	—	—	(182,153)	(74,116)	(256,269)
Transfer to retained earnings	11	—	—	28,810	—	(28,810)	—	—	—
Transfer to non- financial assets	11	—	—	—	—	—	—	—	—
Purchase and disposal of treasury stock	11	—	0	—	(180,246)	—	(180,246)	—	(180,246)
Changes in ownership interest in subsidiaries	11	—	(10,461)	—	—	—	(10,461)	(26,844)	(37,305)
Share-based compensation transactions		—	2,096	—	—	—	2,096	—	2,096
Put options granted to non-controlling interests	11	—	(11,120)	—	—	—	(11,120)	(373)	(11,493)
Other		—	—	(991)	—	—	(991)	—	(991)
Total value of transactions with shareholders etc.		—	(19,485)	(154,334)	(180,246)	(28,810)	(382,875)	(101,333)	(484,208)
June 30, 2019		937,950	2,321,721	6,080,501	(330,881)	118,903	9,128,194	2,514,224	11,642,418



**(4) 【Condensed Consolidated Statement of Cash Flows】**

		Millions of yen	
	Notes	Three Months Ended June 30, 2018	Three Months Ended June 30, 2019
<b>Cash flows from operating activities</b>			
Profit		375,355	363,958
Depreciation and amortization		325,490	360,517
Impairment losses		-	1,547
Share of loss (profit) of entities accounted for using equity method		(6,136)	(2,496)
Losses on retirement of fixed assets		11,681	8,822
Gain on sales of fixed assets		(5,097)	(5,533)
Income taxes		167,296	162,825
Decrease (increase) in trade and other receivables		212,869	252,617
Decrease (increase) in inventories		(6,356)	21,960
Decrease (increase) in other current assets		(71,804)	(89,397)
Increase (decrease) in trade and other payables / accrued payroll		(244,619)	(273,491)
Increase (decrease) in other current liabilities		(46,962)	1,700
Increase (decrease) in defined benefit liabilities		4,960	5,553
Increase (decrease) in other non-current liabilities		5,319	849
Other		22,210	(16,865)
Sub-total		744,206	792,566
Interest and dividends received		21,815	23,475
Interest paid		(11,213)	(12,570)
Income taxes paid		(322,902)	(328,481)
Net cash provided by (used in) operating activities		431,906	474,990
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment, intangible assets and investment property		(467,276)	(566,889)
Purchase of investments		(12,431)	(51,538)
Proceeds from sale or redemption of investments		8,747	247,938
Expenses due to acquisition of control of subsidiaries		(82,108)	(38,797)
Other		7,358	29,138
Net cash provided by (used in) investing activities		(545,710)	(380,148)
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings		534,493	663,785
Proceeds from increases in long-term debt	10	16,006	67,206
Repayment of long-term debt	10	(198,627)	(193,988)
Repayment of lease liabilities		-	(45,929)
Payments for acquisition of interests in subsidiaries from non-controlling interests		(6,314)	(75,491)
Dividends paid		(147,831)	(182,153)
Dividends paid to non-controlling interests		(65,434)	(72,091)
Payments for purchase of treasury stock		(108,038)	(178,786)
Other		(8,979)	6,317
Net cash provided by (used in) financing activities		15,276	(11,130)
Effect of exchange rate change on cash and cash equivalents		627	(8,350)
Net increase (decrease) in cash and cash equivalents		(97,901)	75,362
Cash and cash equivalents as of April 1	7	895,003	946,134
Cash and cash equivalents as of June 30	7	797,102	1,021,496

## 【Notes to Condensed Consolidated Financial Statement】

### 1. Reporting Entity

NIPPON TELEGRAPH AND TELEPHONE CORPORATION (“NTT”) is a corporation domiciled in Japan. The address of NTT’s registered headquarters is disclosed on its website (<http://www.ntt.co.jp/index.html>). The consolidated financial statements comprise NTT and its subsidiaries (“NTT Group” or “the Group”).

NTT Group’s business segments and material subsidiaries are as follows:

Mobile communications business (mobile phone business and other related business)

- NTT DOCOMO Corporation (“NTT DOCOMO”)

Regional communications business (the provision of communications services within prefectures and other incidental business under the Group’s domestic telecommunications business)

- NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (“NTT East”)
- NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (“NTT West”)

Long distance and international communications business (the provision of communications services between prefectures under the Group’s domestic telecommunications business, the Group’s international communications business, solutions business, and other related business)

- NTT Communications Corporation (“NTT Communications”)
- Dimension Data Holdings plc (“Dimension Data”)

Data communications business (systems integration, network systems services, and other business)

- NTT DATA Corporation (“NTT DATA”)

### 2. Basis of Preparation

#### **(1) Matters Regarding Compliance with IFRS**

NTT Group meets the requirements of a “Specified Company complying with Designated International Accounting Standards” pursuant to Article 1-2 of the “Order on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Order No. 64 of 2007) (the “Order on Consolidated Financial Statements”). Consequently, in accordance with Article 93 of the Order on Consolidated Financial Statements, NTT Group prepares condensed quarterly consolidated financial statements pursuant to International Accounting Standard (“IAS”) No. 34, “Interim Financial Reporting.” The condensed quarterly consolidated financial statements were approved by the Board of Directors on August 6, 2019.

Since they do not include all the information and disclosures required for a complete set of financial statements, they should be read in conjunction with the consolidated financial statements for the year ended March 31, 2019.

#### **(2) Basis for Measurement**

The condensed quarterly consolidated financial statements are prepared on the basis of acquisition cost, with the exception of financial instruments measured at fair value, and assets and liabilities recognized in relation to defined benefit plans.

#### **(3) Functional Currency and Presentation Currency**

The currency used to present the condensed quarterly consolidated financial statements is the Japanese yen, which is the currency used in the primary economic environment where NTT conducts its business activities (hereinafter referred to as the “functional currency”). Amounts are rounded to the nearest million yen.

### 3. Significant Accounting Policies

The accounting policies applied on the condensed consolidated financial statements are consistent with those applied on the consolidated financial statements for the year ended March 31, 2019, except for changes in accounting policies stated below.

#### (1) Leases

NTT Group has applied IFRS 16 “Leases” (“IFRS 16”) from the beginning of the current fiscal year.

##### ① Accounting treatment as a lessee

Lease transactions as a lessee were classified as finance leases when the lessor transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, while other lease transactions were classified as operating leases under IAS 17 “Leases” for the year ended March 2019.

As a result of the application of IFRS 16, when NTT Group assesses whether a contract is, or contains, a lease, at the inception of the contract initially recognizes a Right-of-use assets and Lease liabilities in the Condensed Interim Consolidated Statements of Financial Position at the commencement date of the contract without classifying finance leases or operating leases except for leases with a lease term of 12 months or less or when the underlying assets are of low value. NTT Group does not apply IFRS 16 to leases of intangible assets.

##### ( i ) Lease liabilities

Lease liabilities are initially measured at the present value of unpaid lease payments at the commencement date of the contract, discounted using NTT Group's incremental borrowing rate\*. Lease payments are accounted as payments for interest calculated applying the effective interest method and payments for principal. Payments for interest are presented as finance cost in the condensed consolidated statement of profit or loss and classified as cash flows from operating activities condensed consolidated statement of cash flows. Payments for principal are classified as cash flows from financing activities.

\* As interest rate implicit in the lease can not be readily determined, NTT Group uses incremental borrowing rate as discount rate.

##### ( ii ) Right-of-use assets

Right-of-use assets are initially measured at cost, which comprises the amount of the initial measurement of the lease liabilities, adjusted for any initial direct costs incurred and prepaid lease payments, etc. After the initial measurements, Right-of-use assets are depreciated over the useful life or the lease term of the underlying asset, whichever is shorter, from the commencement date of the contract. The estimated useful life of Right-of-use assets is determined as same as owned property, plant and equipment. Right-of-use assets are deducted by impairment if identified and adjusted at remeasurement of the specific lease liabilities.

A part of Right-of-use assets which satisfies the definition of investment property is presented as Investment property in the Condensed Interim Consolidated Statements of Financial Position.

##### ② Accounting treatment as a lessor

For leases in which NTT Group is the lessor, excluding subleases, NTT Group is not required to make any adjustments at the time of the application of IFRS 16.

Regarding the subleases in which NTT Group is intermediate lessor, NTT Group reassessed subleases by referencing Right-to-use assets recognized from head leases in which NTT Group is the lessee rather than the underlying asset that is the subject of a lease then some sublease contracts classified as operating leases in or prior to the previous fiscal year are classified as finance leases. As a result, NTT Group derecognizes Right-of-use assets and recognizes Trade and Other Receivables (Lease receivables) in the Condensed Interim Consolidated Statements of Financial Position.

##### ③ Transitional Measures

NTT Group applies IFRS 16 using the modified retrospective approach, under which recognizing the cumulative effect of applying the standard as an adjustment to the beginning balance of retained earnings at the date of initial application with no restatement of the comparative period. For the assessment of whether a contract that was concluded in or prior to the previous fiscal year is, or contains a lease, the NTT Group has applied the practical expedient of maintaining its previous assessment..

#### ④ The impact of the application of IFRS 16

The impact of the application of IFRS 16 is described below.

The amounts newly recognized as the Right-of use assets and Lease liabilities regarding the lease transactions classified as operating leases in the previous fiscal year

	(Millions of yen)
	The beginning balance based on IFRS 16 (April 1, 2019)
<hr/> (Condensed Consolidated Statement of Financial Position)	
Assets	
Right-of-use assets	434,216
Trade and Other Receivables (Lease receivables)	54,594
Investment property	35,572
Liabilities	
Lease liabilities (Current and Non-current)	517,384

There were no material impacts on retained earnings at the beginning of the current fiscal year.

The amounts of depreciation and amortization newly recognized from Right-of-use assets and Investment property described above

	(Millions of yen)
	Three Months Ended June 30, 2019 (April 1, 2019 - June 30, 2019)
<hr/> (Condensed Consolidated statement of profit or loss)	
Depreciation and amortization	36,143

Despite Depreciation and amortization is newly recognized, on the other hand, lease payment recognized as Expenses for purchase of goods and services and other expenses for the previous fiscal year is not recognized, the impact in Condensed Consolidated Statement of Comprehensive Income for the three months ended June 30, 2019 is not material.

The impact in cash flow statement due to change in classification for principal payment of lease liabilities recognized above

	(Millions of yen)
	The impact for the three months ended June 30, 2019
<hr/> (Condensed Consolidated statement of cash flows)	
Net cash provided by (used in) operating activities	40,673
Net cash provided by (used in) financing activities	(40,673)

The impact above is mainly due to the change of classification for lease payments equivalent to principal payment from Net cash provided by (used in) operating activities in previous fiscal year to Net cash provided by (used in) financing activities as principal payment of lease liabilities.

## **(2)Revenue**

### Sales of telecommunications terminal equipment

NTT Group offers a program in which we give a waiver of up to 12 months of installment payments to customers who choose the installment payment plan in 36 months on the sale of handset, on condition of returning the handset to NTT Group after use in the Mobile communications business segment from the three months ended June 30, 2019. The estimated amount of consideration received for which we do not expect to be entitled is recognized as refund liabilities upon the sale of handset, and the same amount is deducted from revenues. The liability is included in "Other non-current liabilities" in the condensed consolidated statement of financial position. The above estimations are made for each type of product based on our past experience and other factors, and included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. On the other hand, the right of collection of handset from customers in exchange for settlement of the refund liability is recorded in "Other current assets" and "Other non-current assets" respectively in the condensed consolidated statement of financial position. These assets are measured at the amount equal to carrying amount of the product less any expected costs to recover those handsets (including potential decreases in the value to the entity of returned handsets) when they are sold.

#### 4. Significant Accounting Estimates and Judgments Involving Estimates

In preparing the condensed quarterly consolidated financial statements, management makes judgments, estimates and assumptions that affect the application of accounting policies as well as the amounts reported for assets, liabilities, revenue and expenses. These estimates and assumptions involve past experience and the collection of available data, and they are based on management's best judgment in consideration of various factors considered reasonable as of the reporting date. However, due to the nature of such judgments, future results may vary from these estimates and assumptions.

Estimates and their underlying assumptions are continuously reviewed. The effect of revisions to accounting estimates is recognized in the consolidated accounting period during which the estimates were reviewed and in future consolidated accounting periods.

The significant accounting judgements, estimates, and assumptions made in preparing the condensed consolidated financial statements are consistent with those made in preparing the consolidated financial statements for the year ended March 31, 2019, except for Changes in Accounting estimates stated below.

##### Estimates of useful lives and estimates for impairment of Right-of-use assets

Description is presented in "Note 3. Significant Accounting Policies (1) Leases".

##### Estimates of useful lives of property, plant and equipment

NTT Group revised its estimate of the expected useful lives of optical cables (a part of Cables in Telecommunications service lines) and extended expected useful life based on current actual utilization. This change in estimate has been accounted for prospectively. Regarding the impact from this change in accounting estimate in Condensed Consolidated Statement of Profit or Loss for the three months ended June 30, 2019, "Depreciation and amortization" was decreased ¥10,859 million, "Profit attributable to NTT" and "Basic earnings per share" were increased ¥7,446 million, ¥3.91, respectively.

Regarding the impact in segment profit were presented in "Note 6. Segment Information".

#### 5. New Standards Not Yet Applied

Standards and interpretations that were newly issued or revised prior to the date these condensed quarterly consolidated financial statements were approved that NTT Group has not adopted earlier, and whose adoption may impact NTT Group, are not applicable.

#### 6. Segment Information

NTT Group's business segments are as below, for which discrete financial information is available and whose operating results are utilized by NTT Group's management to make decisions about the allocation of resources and to assess business performance.

Services included in each segment are as follows:

##### Mobile communications business segment

Mobile voice-related services, IP/packet communications services, sales of telecommunications terminal equipment, and other services

##### Regional communications business segment

Fixed voice-related services, IP/packet communications services, sales of telecommunications terminal equipment, system integration services, and other services

##### Long distance and international communications business segment

Fixed voice-related services, IP/packet communications services, system integration services, and other services

##### Data communications business segment

System integration services

##### Other business segment

Principally building maintenance, real estate rentals, systems development, leasing, and other services related to research and development

Operating Revenues:

(Millions of yen)

	Three Months Ended June 30, 2018 (April 1, 2018 - June 30, 2018)	Three Months Ended June 30, 2019 (April 1, 2019 - June 30, 2019)
Mobile Communications Business		
Transactions with external customers	1,160,240	1,143,460
Inter-segment transactions	16,429	15,826
Sub-total	1,176,669	1,159,286
Regional Communications Business		
Transactions with external customers	607,042	581,133
Inter-segment transactions	161,882	165,358
Sub-total	768,924	746,491
Long Distance and International Communications Business		
Transactions with external customers	516,556	530,269
Inter-segment transactions	24,609	25,623
Sub-total	541,165	555,892
Data Communications Business		
Transactions with external customers	478,459	500,756
Inter-segment transactions	26,781	26,520
Sub-total	505,240	527,276
Other Business		
Transactions with external customers	90,435	159,820
Inter-segment transactions	176,766	178,712
Sub-total	267,201	338,532
Elimination of inter-segment transactions	(406,467)	(412,039)
Total	2,852,732	2,915,438

## Profit/loss by segment

(Millions of yen)

	Three Months Ended June 30, 2018 (April 1, 2018 - June 30, 2018)	Three Months Ended June 30, 2019 (April 1, 2019 - June 30, 2019)
Segment income		
Mobile Communications Business	309,922	278,716
Regional Communications Business	142,024	144,595
Long Distance and International Communications Business	32,035	29,054
Data Communications Business	29,256	29,838
Other Business	25,990	28,860
Total	539,227	511,063
Elimination of inter-segment transactions	(2,001)	(5,869)
Operating profit	537,226	505,194
Financial income	7,714	31,383
Financial costs	8,425	12,290
Share of profit of entities accounted for using equity method	6,136	2,496
Profit before tax	542,651	526,783

Regarding the impact from change of the expected useful lives of optical cables, segment profit for the three months ended June 30, 2019, were increased ¥10,559 million for “Regional communications business”, ¥301 million for “Long distance and international communications business” and ¥10,859 million for total. Description of this change is presented in “Note 4. Significant Accounting Estimates and Judgments Involving Estimates”.

During the first three months of the previous fiscal year and the first three months of the current fiscal year, there are no operating revenues recorded from transactions with a single external customer that account for 10% or more of total revenue.

## 7. Impact on the consolidated financial statements due to the non-business day for the fiscal year ended March 31, 2019 and first quarter ended June 30, 2019.

The last days of the fiscal year ended March 31, 2019 and fiscal year ended June 30, 2019 fell on non-business days, resulting in the due date of certain bills, including telecommunication service bills, being set to the first business day of the following month. Consequently, the impact on the consolidated financial statements is as follows.

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
(Condensed Consolidated Statement of Financial Position)		
Cash and cash equivalents	(223,672)	(234,566)
Trade and other receivables	223,672	234,566

(Millions of yen)

	Three Months Ended June 30, 2018 (April 1, 2018 - June 30, 2018)	Three Months Ended June 30, 2019 (April 1, 2019 - June 30, 2019)
(Condensed Consolidated Statement of Cash Flows)		
Decrease (increase) in trade and other receivables	(2,595)	(10,894)
Cash and cash equivalents as of April 1	(231,929)	(223,672)
Cash and cash equivalents as of June 30	(234,524)	(234,566)

## 8. Assets Held for Sale

### Sumitomo Mitsui Card Company, Limited

#### Overview

As of the end of the fiscal year ended March 31, 2019, NTT Group held 34% of the outstanding common shares of Sumitomo Mitsui Card Company, Limited (“Sumitomo Mitsui Card”). Sumitomo Mitsui Card is a credit card operator in Japan and a privately held company.

In July 2005, NTT DOCOMO, a subsidiary of NTT, entered into an agreement with Sumitomo Mitsui Card, Sumitomo Mitsui Financial Group, Inc. (SMFG), and Sumitomo Mitsui Banking Corporation to jointly promote credit transaction services which use mobile phones compatible with the “Osaifu-Keitai” (mobile wallet) service. The investment NTT DOCOMO made in Sumitomo Mitsui Card in accordance with this agreement had been accounted for using the equity method.

In September 2018, NTT DOCOMO concluded an agreement for new business cooperation with Sumitomo Mitsui Card and SMFG. NTT DOCOMO group and SMFG will jointly develop a business to facilitate cashless payments by leveraging each of their customer bases and know-how and further expanding their “iD” electronic money service, while looking into the possibility of a new collaboration in areas such as FinTech. As a result of this arrangement, NTT DOCOMO agreed to sell all Sumitomo Mitsui Card shares to SMFG in April 2019.

On April 1, 2019, NTT DOCOMO sold all of its Sumitomo Mitsui Card shares to SMFG.

#### Impact on accounting treatment and on the consolidated financial statements

For the fiscal year ended March 31, 2019, in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations,” NTT Group reclassified its investment in Sumitomo Mitsui Card from “Investment accounted for using the equity method” to “Assets held for sale”. As a result, the subsequent application of the equity method was discontinued and the amount of the asset was measured at its carrying amount at that time. Assets held for sale comprise ¥234,160 million of investments in associates attributable to Mobile communications business, which had been accounted for using the equity method.

Accumulated other comprehensive income (net of taxes) related to “Assets held for sale” amounted to ¥30,620 million (credit side) and was included in “Other components of equity” in the Condensed Consolidated Statement of Financial position as of March 31, 2019. This total amount represents the changes in the fair value of financial assets measured at fair value through other comprehensive income.

Due to the decision to recover this investment by sale, deferred tax liabilities arising from the temporary differences on this investment increased by ¥42,530 million and were offset against deferred tax assets on the Consolidated Statement of Financial Position. As a result, “Income taxes” on the Consolidated Statement of Profit or Loss increased by ¥20,667 million, and “Share of other comprehensive income of entities accounted for using the equity method (items that will not be reclassified to profit or loss)” (credit side) on the consolidated statement of comprehensive income decreased by ¥21,863 million. There is no impact on the Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income.

For the three months ended June 30, 2019, Accumulated other comprehensive income (net of taxes) related to “Assets held for sale” amounted to ¥30,620 million (credit side) was not recognized in profit or loss, but will be directly reclassified to retained earnings when the asset is sold because NTT DOCOMO sold all of its Sumitomo Mitsui Card shares. The impact of this sales to Consolidated Statement of Profit or Loss was not material. The amount of proceeds from the sale is included in “Proceeds from sale or redemption of investments” in the Condensed Consolidated Statement of Cash Flows.

## 9. Property, Plant and Equipment

### Component of Property, plant and equipment

	Millions of yen	
	As of March 31, 2019	As of June 30, 2019
Telecommunications equipment	10,929,456	10,947,731
Telecommunications service lines	16,353,389	16,387,002
Buildings and structures	5,543,499	5,541,810
Machinery, vessels and tools	2,415,775	2,352,708
Land	699,178	697,088
Construction in progress	429,996	436,343
Sub-total	36,371,293	36,362,682
Accumulated depreciation and impairment losses	(27,358,346)	(27,438,746)
Property, plant and equipment - total	9,012,947	8,923,936



## 10. Corporate Bonds

### Details of corporate bonds transactions

Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)						
Transaction	Entity	Description	Principal Amount	Interest rate	Issuance date	Maturity date
Redemption	NTT DOCOMO	15th series of bonds	¥80,000 million	1.96%	June, 11 2008	June, 20 2018
Redemption	NTT Finance Corporation	42nd series of bonds	¥20,000 million	0.50%	May, 28 2013	June, 20 2018
Issuance	NTT Finance Corporation	11th series of Euro-denominated bonds	€ 60 million	1.27%	May, 22 2018	May, 22 2028

Three Months Ended June 30, 2019 (April 1, 2019 to June 30, 2019)						
Transaction	Entity	Description	Principal Amount	Interest rate	Issuance date	Maturity date
Redemption	Nippon Telegraph and Telephone Corporation	59th series of NTT bonds	¥100,000 million	1.69%	June, 10 2009	June, 20 2019
Redemption	NTT Finance Corporation	46th series of bonds	¥20,000 million	0.25%	May, 27 2014	June, 20 2019
Issuance	NTT Finance Corporation	13th series of Euro-denominated bonds	€ 100 million	0.26%	June, 25 2019	June, 26 2023
Issuance	NTT Finance Corporation	14th series of Euro-denominated bonds	€ 25 million	0.33%	June, 25 2019	June, 25 2024

## 11. Equity and Other Equity Items

### (1) Issued Shares and Treasury Stock

#### Reconciliation of the number of issued shares and treasury stock

(shares)

	Issued Shares	Treasury Stock
April 1, 2018	2,096,394,470	125,318,558
Purchase of treasury stock under resolution of the board of directors	—	53,646,000
Repurchase of treasury stock based on less-than-one-unit share purchase demand	—	37,070
Disposal of treasury stock based on additional less-than-one-unit share purchase demand	—	(3,882)
Cancellation of treasury stock	(146,000,000)	(146,000,000)
March 31, 2019	1,950,394,470	32,997,746
Purchase of treasury stock under resolution of the board of directors	—	36,902,916
Repurchase of shares based on less-than-one-unit share purchase demand	—	6,370
Disposal of treasury stock based on additional less-than-one-unit share purchase demand	—	(272)
June 30, 2019	1,950,394,470	69,906,760

On September 18, 2018, the Board of Directors resolved that NTT would cancel 146 million of its shares on September 26, 2018, and as a result of NTT cancelling such shares on September 26, 2018, additional paid-in capital decreased by ¥2 million and retained earnings decreased by ¥718,258 million.

#### The resolution of repurchasing its outstanding common stock by NTT's Board of Directors and status

The date of resolution	Plan			Result			
	Period of repurchases	Total number of shares to be repurchased (million shares)	Aggregate repurchase amount (million yen)	Period for repurchases	Total number of shares repurchased (shares)	Aggregate repurchased amount (million yen)	Status of repurchase
February 21, 2018	From February 22, 2018 to June 30 2018	31	150,000	From March 2018 to May 2018	29,178,000	150,000	Concluded
November 6, 2018	From November 7, 2018 to March 29 2019	36	150,000	From November 2018 to January 2019	32,868,000	150,000	Concluded
May 10, 2019	From May 13, 2019 to July 31 2019	53	250,000	From May 2019 to June 2019 (July, 2019)	36,600,000 (13,880,100)	178,742 (71,258)	Concluded in July 25, 2019
August 6, 2019	From August 7, 2019 to September 30 2019	53	300,000	—	—	—	—

\* Results in July 2019 are shown in parentheses

## **(2) Put Options Granted to Non-Controlling Interests**

With regard to written put options for subsidiary shares granted by NTT Group to the owners of non-controlling interests, the amounts deducted from additional paid-in capital were ¥27,802 million and ¥39,370 million, respectively, at the end of the fiscal year ended March 31, 2019, and in the three months ended June 30, 2019.

## **(3) Other Components of Equity**

The details and changes in other components of equity

### Three Months Ended June 30, 2018

(Millions of yen)

	Change in the fair value of financial assets measured at fair value through other comprehensive income*1	Cash Flow Hedges	Remeasurements of Defined Benefit Plans	Foreign Currency Translation Adjustments	Total
March 31, 2018	146,013	(3,718)	—	58,343	200,638
Cumulative effect of adoption of IFRS 9 “Financial Instruments”	507	(2,939)	—	—	(2,432)
April 1, 2018	146,520	(6,657)	—	58,343	198,206
Other comprehensive income	10,558	629	(409)	(339)	10,439
Transfer to retained earnings	(286)	—	409	—	123
Transfer to non-financial assets, etc.	—	3,905	—	—	3,905
June 30, 2018	156,792	(2,123)	—	58,004	212,673

\*1. For March 31, 2018, the amount of unrealized gains or losses on securities are shown as calculated in accordance with U.S. GAAP.

### Three Months Ended June 30, 2019

(Millions of yen)

	Change in the fair value of financial assets measured at fair value through other comprehensive income	Cash Flow Hedges	Remeasurements of Defined Benefit Plans	Foreign Currency Translation Adjustments	Total
March 31, 2019	138,290	(5,115)	—	48,912	182,087
Other comprehensive income	3,301	134	(291)	(37,518)	(34,374)
Transfer to retained earnings	(29,101)	—	291	—	(28,810)
Transfer to non-financial assets, etc.	—	—	—	—	—
June 30, 2019	112,490	(4,981)	—	11,394	118,903

#### **(4) Dividends**

##### Matters Concerning Dividends

The amount of dividends paid out in the three months ended June 30, 2018 and the three months ended June 30, 2019.

Resolution	Class of Shares	Source of Dividends	Total Dividend (Millions of yen)	Dividend per Share (Yen)	Record Date	Effective Date
June 26, 2018 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	147,831	75	March 31, 2018	June 27, 2018
June 25, 2019 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	181,153	95	March 31, 2019	June 26, 2019

#### **(5) Equity Transactions with Non-controlling Interests**

On April 26, 2019, the Board of Directors of NTT DOCOMO resolved that the company would repurchase up to 128.3 million outstanding shares of its common stock for ¥300,000 million during May 7, 2019 through April 30, 2020. Based on this resolution, NTT DOCOMO repurchased 19,450,700 shares of its common stock for ¥48,213 million from May 2019 through June 2019. As a result, NTT's ownership interest in NTT DOCOMO increased from 64.1% to 64.5% and "Additional paid-in capital" decreased by ¥10,845 million in the Condensed Consolidated Statement of Financial Position as of June 30 2019.

And NTT DOCOMO repurchased 9,810,800 shares of its common stock for ¥25,427 million in July 2019

#### **(6) Other**

According to the NTT Act, NTT must obtain authorization from the Minister of Internal Affairs and Communications for certain financial matters, including the issuance of new shares, bonds with a right to subscribe for new shares, and disposal of surplus.

## 12. Operating Revenues

### Relationship between Components of Revenues and Segment Revenues

Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)

(Millions of yen)

		Segment					
		Mobile Communications Business	Regional Communications Business	Long Distance and International Communications Business	Data Communications Business	Other Business	Total
Main Services	Fixed voice related services	—	224,471	47,691	—	—	272,162
	Mobile voice related services	234,539	—	—	—	—	234,539
	IP/packet communications services	539,224	293,315	104,346	—	1,093	937,978
	Sales of telecommunications equipment	178,531	18,000	1,490	—	—	198,021
	System integration services	—	19,881	333,290	478,459	6,078	837,708
	Other services	207,946	51,375	29,739	—	83,264	372,324
	Total	1,160,240	607,042	516,556	478,459	90,435	2,852,732

Three Months Ended June 30, 2019 (April 1, 2019 to June 30, 2019)

(Millions of yen)

		Segment					
		Mobile Communications Business	Regional Communications Business	Long Distance and International Communications Business	Data Communications Business	Other Business	Total
Main Services	Fixed voice related services	—	209,331	43,001	—	—	252,332
	Mobile voice related services	231,263	—	—	—	—	231,263
	IP/packet communications services	535,691	281,716	104,678	—	1,216	923,301
	Sales of telecommunication s equipment	167,537	17,604	2,481	—	—	187,622
	System integration services	—	22,986	346,270	500,756	6,563	876,575
	Other services	208,969	49,496	33,839	—	152,041	444,345
	Total	1,143,460	581,133	530,269	500,756	159,820	2,915,438

In its five business segments of Mobile Communications Business, Regional Communications Business, Long Distance and International Communications Business, Data Communications Business, and Other Business, NTT Group provides the following six services: fixed voice related services, mobile voice related services, IP/packet communications services, sales of telecommunications equipment, system integration service, and other services.

### 13. Fair Value of Financial Instruments

#### (1) Carrying Amount and Fair Value of Financial Instruments Not Measured at Fair Value

(Millions of yen)

	Year Ended March 31, 2019		Three Months Ended June 30, 2019	
	Carrying amount	Carrying amount	Carrying amount	Fair value
Long-term debt (including current portion or balance due for repayment)	3,371,759	3,436,096	3,211,285	3,281,659

With regard to the above-mentioned items, the assumptions (inputs) used to measure fair value are classified as Level 2. With the exception of the above-mentioned items, the financial instruments not measured at fair value are not included in the table, because their carrying amounts approximate their fair values. No changes have been made to the measurement method of fair value after the end of previous fiscal year.

#### (2) Fair Value Measurement

Assets and liabilities measured at fair value

Fiscal Year Ended March 31, 2019

(Millions of yen)

Classification	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Debt securities	—	97,129	—	97,129
Investments in capital	—	942	33,525	34,467
Loans receivables	—	157,126	—	157,126
Derivatives financial assets				
Applied hedge accounting	—	14,935	—	14,935
Not applied hedge accounting	—	2,860	—	2,860
Financial assets measured at fair value through other comprehensive income				
Equity securities	338,748	1,675	70,194	410,617
Total	338,748	274,667	103,719	717,134
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives financial liabilities				
Applied hedge accounting	—	18,460	—	18,460
Not applied hedge accounting	—	1,164	—	1,164
Total	—	19,624	—	19,624

As of June 30, 2019

(Millions of yen)

Classification	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit/loss				
Debt securities	—	102,225	—	102,225
Investments in capital	—	1,065	32,413	33,478
Loans receivable	—	153,521	—	153,521
Derivatives financial assets				
Applied hedge accounting	—	11,345	—	11,345
Not applied hedge accounting	—	2,690	—	2,690
Financial assets measured at fair value through other comprehensive income				
Equity securities	383,878	—	72,925	456,803
Total	383,878	270,846	105,338	760,062
Financial liabilities:				
Financial liabilities measured at fair value through profit/loss				
Derivatives financial liabilities				
Applied hedge accounting	—	25,706	—	25,706
Not applied hedge accounting	—	1,067	—	1,067
Total	—	26,773	—	26,773

1. In the three months ended June 30, 2019, there was no material switching between levels.
2. Level 3 reconciliation is not disclosed, as there was no material fluctuation among financial instruments classified as Level 3 in the three months ended June 30, 2019.

The valuation techniques to measure fair value of financial instruments are consistent with those applied on the consolidated financial statements for the year ended March 31, 2019.

## 14. Subsequent Events

### The Company's repurchase of treasury stock and resolution

The Company's acquisition of treasury stock is described in "Note 11. Equity and Other Components of Equity (1) Issued Shares and treasury stock."

### The subsidiaries' purchase of treasury stock

The acquisition of NTT DOCOMO's treasury stock is described in "Note 11. Equity and Other Components of Equity (5) Equity Transactions with Non-controlling Interests."