

[Translation]

Quarterly Securities Report

(The First Quarter of the 36th Business Term)
From April 1, 2020 to June 30, 2020

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, 2020, which NTT filed on August 12, 2020 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.

[Cover]

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[Company Name]	Nippon Denshin Denwa Kabushiki Kaisha
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Item 1. Overview of the Company

1. Selected Financial Data

IFRS

		Three Months Ended June 30, 2019	Three Months Ended June 30, 2020	Fiscal year ended March 31, 2020
Operating revenues	Millions of yen	2,915,438	2,766,457	11,899,415
Profit before taxes	Millions of yen	526,783	496,619	1,570,141
Profit attributable to NTT	Millions of yen	280,530	272,638	855,306
Comprehensive income (loss) attributable to NTT	Millions of yen	246,156	332,476	743,451
NTT shareholders' equity	Millions of yen	9,128,194	9,418,194	9,061,103
Total assets	Millions of yen	22,568,589	23,420,230	23,014,133
Basic earnings per share attributable to NTT	Yen	73.66	73.51	231.21
Diluted earnings per share attributable to NTT	Yen	—	—	—
Equity ratio (Ratio of NTT Shareholders' Equity to Total Assets)	%	40.4	40.2	39.4
Net cash provided by operating activities	Millions of yen	474,990	482,100	2,995,211
Net cash provided by investing activities	Millions of yen	(380,148)	(804,340)	(1,852,727)
Net cash provided by financing activities	Millions of yen	(11,130)	361,917	(1,041,261)
Cash and cash equivalents at end of period	Millions of yen	1,021,496	1,072,531	1,033,574

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.

(5) NTT conducted a two-for-one stock split of its common stock with an effective date of January 1, 2020. The figures for Basic Earnings per Share Attributable to NTT for the three months ended June 30, 2019 and the fiscal year ended March 31, 2020 have been adjusted to reflect the impact of the stock split.

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, 2020, 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, 2020. There was no material change in risk factors which were described in NTT's Annual Securities Report for the fiscal year ended March 31, 2020.

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

(1) Consolidated Results

Three-Month Period Ended June 30, 2020 (April 1, 2020 – June 30, 2020)

(Billions of yen)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020	Change	Percent Change
Operating revenues	2,915.4	2,766.5	(149.0)	(5.1)%
Operating expenses	2,410.2	2,268.9	(141.4)	(5.9)%
Operating profit	505.2	497.6	(7.6)	(1.5)%
Profit before taxes	526.8	496.6	(30.2)	(5.7)%
Profit attributable to NTT	280.5	272.6	(7.9)	(2.8)%

During the three months ended June 30, 2020, 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. As a result of these efforts, NTT Group's consolidated operating revenues for the three-month period ended June 30, 2020 were ¥2,766.5 billion (a decrease of 5.1% from the same period of the previous fiscal year), consolidated operating expenses were ¥2,268.9 billion (a decrease of 5.9% from the same period of the previous fiscal year), consolidated operating profit was ¥497.6 billion (a decrease of 1.5% from the same period of the previous fiscal year), profit before taxes was ¥496.6 billion (a decrease of 5.7% from the same period of the previous fiscal year), and profit attributable to NTT was ¥272.6 billion (a decrease of 2.8% 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)

Beginning in the three months ended September 30, 2019, certain subsidiaries have moved from the regional communications business segment to the other business segment and from the long distance and international communications business segment to the mobile communications business segment. Operating revenues for such subsidiaries have been recognized in their post-transfer segments beginning with that period. (See Note 6 to the Condensed Consolidated Financial Statements.)

Mobile Communications Business Segment

Three-Month Period Ended June 30, 2020 (April 1, 2020 – June 30, 2020)

(Billions of yen)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020	Change	Percent Change
Operating revenues	1,159.3	1,098.2	(61.1)	(5.3)%
Mobile voice related services	233.6	273.3	39.8	17.0%
IP/packet communications services	541.2	494.8	(46.5)	(8.6)%
Sales of telecommunications equipment	167.7	90.0	(77.7)	(46.3)%
Other	216.8	240.1	23.2	10.7%
Operating expenses	880.6	817.6	(63.0)	(7.1)%
Operating profit	278.7	280.5	1.8	0.7%

Operating revenues for the mobile communications business segment for the three-month period ended June 30, 2020 decreased 5.3% from the same period of the previous fiscal year to ¥1,098.2 billion. This decrease was due to, among other things, a decrease in revenues from sales of telecommunications devices and a decrease in revenues resulting from enhanced returns to customers through the expansion of the Gigaho and GigaLife plans and other service plans, partially offset by an increase in revenues in the Smart Life business resulting from the transfer of certain subsidiaries between operating segments.

On the other hand, operating expenses for the three-month period ended June 30, 2020 decreased 7.1% from the same period of the previous fiscal year to ¥817.6 billion. This decrease was due to, among other things, a decrease in equipment costs for devices resulting from a decrease in the number of device sales.

As a result, segment operating profit for the three-month period ended June 30, 2020 increased 0.7% from the same period of the previous fiscal year to ¥280.5 billion.

Number of Subscriptions

(Thousands of subscriptions)

Service	As of March 31, 2020	As of June 30, 2020	Change	Percent Change
Mobile Telecommunications Services	80,326	80,615	289	0.4%
Telecommunications Services (5G)	14	149	135	930.7%
Telecommunications Services (LTE (Xi))	61,664	62,397	733	1.2%
Telecommunications Services (FOMA (3G))	18,648	18,069	(579)	(3.1)%
Plala (ISP)	3,938	3,949	11	0.3%
Hikari TV	2,983	2,963	(20)	(0.7)%

Note: Number of Mobile Telecommunications Services (including "Telecommunications Services (LTE (Xi))" and "Telecommunications Services (FOMA (3G))") includes MVNOs and Communication Module Services, and number of 5G Services includes MVNOs.

Regional Communications Business Segment

Three-Month Period Ended June 30, 2020 (April 1, 2020 – June 30, 2020)

(Billions of yen)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020	Change	Percent Change
Operating revenues	746.5	736.3	(10.2)	(1.4)%
Fixed voice related services	255.3	235.2	(20.1)	(7.9)%
IP/packet communications services	372.5	381.0	8.5	2.3%
Sales of telecommunications equipment	17.8	14.3	(3.5)	(19.8)%
System integration services	29.7	31.3	1.6	5.3%
Other	71.2	74.6	3.4	4.7%
Operating expenses	601.9	610.6	8.7	1.4%
Operating profit	144.6	125.7	(18.9)	(13.1)%

Operating revenues in the regional communications business segment for the three-month period ended June 30, 2020 decreased 1.4% from the same period of the previous fiscal year to ¥736.3 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, 2020 increased 1.4% from the same period of the previous fiscal year to ¥610.6 billion due to disposals of fixed assets, among other factors.

As a result, segment operating profit for the three-month period ended June 30, 2020 decreased 13.1% from the same period of the previous fiscal year to ¥125.7 billion.

Number of Subscriptions

(Thousands of subscriber lines/subscriptions)

Service	As of March 31, 2020	As of June 30, 2020	Change	Percent Change
(NTT East)				
Telephone Subscriber Lines	7,528	7,407	(122)	(1.6)%
INS-Net	982	961	(21)	(2.1)%
FLET'S Hikari (including Hikari Collaboration Model)	12,240	12,400	160	1.3%
FLET'S ADSL	201	189	(11)	(5.5)%
Hikari Denwa (thousand channels)	9,940	9,963	23	0.2%
FLET'S TV Transmission Services	1,082	1,091	10	0.9%
(NTT West)				
Telephone Subscriber Lines	7,615	7,472	(144)	(1.9)%
INS-Net	960	939	(21)	(2.2)%
FLET'S Hikari (including Hikari Collaboration Model)	9,418	9,524	105	1.1%
FLET'S ADSL	282	265	(17)	(5.9)%
Hikari Denwa (thousand channels)	8,563	8,579	16	0.2%
FLET'S TV Transmission Services	747	757	10	1.4%

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 "FLET'S Hikari Cross," "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 Cross," "FLET'S Hikari Next," "FLET'S Hikari Mytown Next," "FLET'S Hikari Light" and "FLET'S Hikari WiFi Access" provided by NTT West, and the 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, 2020 (April 1, 2020 – June 30, 2020)

(Billions of yen)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020	Change	Percent Change
Operating revenues	555.9	487.3	(68.6)	(12.3)%
Fixed voice related services	50.4	50.4	(0.1)	(0.1)%
IP/packet communications services	106.4	105.6	(0.7)	(0.7)%
Sales of telecommunications equipment	2.6	1.6	(1.0)	(38.8)%
System integration services	352.2	307.8	(44.3)	(12.6)%
Other	44.3	21.9	(22.5)	(50.7)%
Operating expenses	526.8	446.8	(80.1)	(15.2)%
Operating profit	29.1	40.5	11.5	39.5%

Operating revenues in the long distance and international communications business segment for the three-month period ended June 30, 2020 decreased 12.3% from the same period of the previous fiscal year to ¥487.3 billion. This decrease was due to, among other things, a decrease in revenues from system integration services, primarily overseas, and a decrease in revenues resulting from the transfer of certain subsidiaries between operating segments.

On the other hand, operating expenses for the three-month period ended June 30, 2020 decreased 15.2% from the same period of the previous fiscal year to ¥446.8 billion due to cost reductions and other effects of the overseas structural reforms implemented in the prior fiscal year, among other things.

As a result, segment operating profit for the three-month period ended June 30, 2020 increased 39.5% from the same period of the previous fiscal year to ¥40.5 billion.

Number of Subscriptions

(Thousands of subscriptions)

Service	As of March 31, 2020	As of June 30, 2020	Change	Percent Change
OCN (ISP)	7,153	7,116	(36)	(0.5)%

Data Communications Business Segment

Three-Month Period Ended June 30, 2020 (April 1, 2020 – June 30, 2020)

(Billions of yen)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020	Change	Percent Change
Operating revenues	527.3	530.9	3.7	0.7%
System integration services	527.3	530.9	3.7	0.7%
Operating expenses	497.4	504.2	6.8	1.4%
Operating profit	29.8	26.7	(3.2)	(10.6)%

Operating revenues in the data communications business segment for the three-month period ended June 30, 2020 increased 0.7% from the same period of the previous fiscal year to ¥530.9 billion due to, among other things, business expansion, primarily in the field of domestic public and social infrastructure.

On the other hand, operating expenses for the three-month period ended June 30, 2020 increased 1.4% from the same period of the previous fiscal year to ¥504.2 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, 2020 decreased 10.6% from the same period of the previous fiscal year to ¥26.7 billion.

Other Business Segment

Three-Month Period Ended June 30, 2020 (April 1, 2020 – June 30, 2020)

(Billions of yen)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020	Change	Percent Change
Operating revenues	338.5	344.2	5.7	1.7%
Operating expenses	309.7	315.8	6.2	2.0%
Operating profit	28.9	28.4	(0.5)	(1.6)%

In the other business segment for the three-month period ended June 30, 2020, due to, among other things, the effect of expanding the scope of consolidation as a result of acquiring affiliated companies, operating revenues increased 1.7% from the same period of the previous fiscal year to ¥344.2 billion, and operating expenses for the three-month period ended June 30, 2020 increased 2.0% from the same period of the previous fiscal year to ¥315.8 billion.

As a result, segment operating profit for the three-month period ended June 30, 2020 decreased 1.6% from the same period of the previous fiscal year to ¥28.4 billion.

(3) Cash Flows

Cash flows provided by operating activities for the three-month period ended June 30, 2020 was ¥482.1 billion, a decrease of ¥3.8 billion (0.8%) from the same period of the previous fiscal year excluding the impact of non-business days.

Cash flows used in investing activities, for the three-month period ended June 30, 2020 was ¥804.3 billion, an increase of ¥424.2 billion (111.6%) from the same period of the previous fiscal year. This increase was due to, among other factors, proceeds from sale of investments for the three-month period ended June 30, 2019 and payments for purchase of investments for the three-month period ended June 30, 2020.

Cash flows provided by financing activities, for the three-month period ended June 30, 2020 was ¥361.9 billion, an increase of ¥373.0 billion from the same period of the previous fiscal year. This increase was due to, among other factors, purchase of treasury stock for the three-month period ended June 30, 2019 and sale of treasury stock for the three-month period ended June 30, 2020.

As a result of the above, NTT Group's consolidated cash and cash equivalents as of June 30, 2020 was ¥1,072.5 billion, an increase of ¥39.0 billion (3.8%) from the end of the previous fiscal year.

	(Billions of yen)			
	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020	Change	Percent Change
Cash flows provided by operating activities ⁽³⁾	475.0	482.1	7.1	1.5%
Cash flows provided by operating activities (excluding the impact of non-business days ⁽¹⁾) ⁽³⁾	485.9	482.1	(3.8)	(0.8)%
Cash flows used in investing activities	(380.1)	(804.3)	(424.2)	(111.6)%
Cash flows provided by (used in) financing activities ⁽³⁾	(11.1)	361.9	373.0	-
Cash and cash equivalents	1,021.5	1,072.5	51.0	5.0%
Cash and cash equivalents (excluding the impact of non-business days ⁽²⁾)	1,256.1	1,072.5	(183.5)	(14.6)%

Notes: (1) 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.

(2) 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.

(3) The impact of the adoption of IFRS 16 is included since fiscal year 2019.

(4) Urgent Operational and Finance Issues Facing the Corporate Group

There were no material changes in urgent operational and finance issues facing the corporate group for the three months ended June 30, 2020, and no new additional issues arose during the period. In addition, during the three months ended June 30, 2020, there were no material changes in NTT Group's management policies or strategies.

(5) Research and Development

NTT's research and development expenses for the three months ended June 30, 2020 were ¥49.9 billion. There were no material changes in NTT's research and development activities during the three months ended June 30, 2020.

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, 2020.

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, 2020 (shares)	Number of Shares Issued as of the Filing Date (shares) (August 12, 2020)	Stock Exchange on which the Company is Listed	Description
Common Stock	3,900,788,940	3,900,788,940	Tokyo Stock Exchange (The First Section)	The number of shares per one unit of shares is 100 shares
Total	3,900,788,940	3,900,788,940	—	—

(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, 2020 - June 30, 2020	—	3,900,788,940	—	937,950	—	2,672,826

(5) Major Shareholders

Not applicable for the three months ended June 30, 2020.

(6) Information on Voting Rights

Issued Shares

As of June 30, 2020

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.)	184,821,100 shares of common stock	—	—
Shares with Full Voting Rights (Others)	3,711,417,800 shares of common stock	37,114,166	—
Shares Representing Less than One Unit	4,550,040 shares of common stock	—	—
Number of Issued Shares	3,900,788,940 shares of common stock	—	—
Total Number of Voting Rights	—	37,114,166	—

Note: The total number of shares in “Shares with Full Voting Rights (Others)” includes 57,400 shares held in the name of the Japan Securities Depository Center, and the number of shares in “Shares Representing Less Than One Unit” includes 88 shares held in the name of the Japan Securities Depository Center. “Number of Voting Rights” includes 574 voting rights associated with “Shares with Full Voting Rights” held in the name of the Japan Securities Depository Center, and does not include 12 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, 2020

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	184,821,100	—	184,821,100	4.7%
Total	—	184,821,100	—	184,821,100	4.7%

Note: In addition to the above, there are 1,200 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. 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, 2020 to June 30, 2020) 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 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, 2020	June 30, 2020
ASSETS			
Current assets			
Cash and cash equivalents		1,033,574	1,072,531
Trade and other receivables		3,502,834	3,233,588
Other financial assets	13	32,384	35,759
Inventories		257,329	308,400
Other current assets		530,073	750,198
Subtotal		5,356,194	5,400,476
Assets held for sale	8	1,347,307	1,345,527
Total current assets		6,703,501	6,746,003
Non-current assets			
Property, plant and equipment	9	9,087,463	9,071,862
Right-of-use asset		446,828	533,813
Goodwill		980,841	975,743
Intangible assets		1,694,060	1,681,387
Investment property		1,106,145	1,116,550
Investments accounted for using equity method		283,291	343,213
Other financial assets	13	846,285	1,153,698
Deferred tax assets		1,153,042	1,085,200
Other non-current assets		712,677	712,761
Total non-current assets		16,310,632	16,674,227
Total assets		23,014,133	23,420,230

	Notes	March 31, 2020	June 30, 2020
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt	10,13	2,054,506	2,423,780
Trade and other payables		2,142,752	1,820,739
Lease liabilities		154,126	154,017
Other financial liabilities	13	16,943	12,726
Accrued payroll		469,395	398,950
Accrued taxes on income		214,098	100,247
Other current liabilities		996,360	986,576
Sub Total		6,048,180	5,897,035
Liabilities directly associated with assets held for sale	8	559,432	552,024
Total current liabilities		6,607,612	6,449,059
Non-current liabilities			
Long-term debt	10,13	2,165,778	2,266,013
Lease liabilities		378,346	452,959
Other financial liabilities	13	129,229	128,623
Defined benefit liabilities		1,873,501	1,879,152
Deferred tax liabilities		70,249	73,344
Other non-current liabilities		326,791	334,908
Total non-current liabilities		4,943,894	5,134,999
Total liabilities		11,551,506	11,584,058
Equity			
Nippon Telegraph and Telephone Corporation (“NTT”)			
shareholders’ equity			
Common stock	11	937,950	937,950
Additional paid-in capital	11	2,252,672	2,249,974
Retained earnings	11	6,499,942	6,598,281
Treasury stock	11	(653,369)	(453,378)
Other components of equity	11	23,908	85,367
Total NTT shareholders’ equity		9,061,103	9,418,194
Non-controlling interests		2,401,524	2,417,978
Total equity		11,462,627	11,836,172
Total liabilities and equity		23,014,133	23,420,230

(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, 2019	Three Months Ended June 30, 2020
Operating revenues	6, 12	2,915,438	2,766,457
Operating expenses			
Personnel expenses		605,982	608,501
Expenses for purchase of goods and services and other expenses		1,390,314	1,238,948
Depreciation and amortization		360,517	368,232
Loss on disposal of property, plant and equipment and intangible assets		21,141	21,565
Impairment losses		1,547	30
Taxes and dues		30,743	31,595
Total operating expenses		2,410,244	2,268,871
Operating profit	6	505,194	497,586
Finance income		31,383	8,337
Finance costs		12,290	10,993
Share of profit (loss) of entities accounted for using equity method		2,496	1,689
Profit before taxes		526,783	496,619
Income taxes		162,825	149,177
Profit		363,958	347,442
Profit attributable to NTT		280,530	272,638
Profit attributable to Non-controlling interests		83,428	74,804
Earnings per share attributable to NTT			
Basic earnings per share (yen)		73.66	73.51

* "Basic earnings per share" figures for the three months ended June 30, 2019 and 2020 have been adjusted to reflect the two-for-one stock split carried out on January 1, 2020.

【Condensed Consolidated Statement of Comprehensive Income】

		Millions of yen		
		Notes	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020
Profit			363,958	347,442
Other comprehensive income (net of tax)	11			
Items that will not be reclassified to profit or loss				
Change in the fair value of financial assets measured at fair value through other comprehensive income			7,989	70,809
Share of other comprehensive income of entities accounted for using the equity method			(592)	107
Remeasurements of defined benefit plans			(267)	61
Total of items that will not be reclassified to profit or loss			7,130	70,977
Items that may be reclassified to profit or loss				
Cash flow hedges			92	2,797
Foreign currency translation adjustments			(48,355)	1,049
Share of other comprehensive income of affiliated companies accounted for by the equity method			(989)	823
Total of items that may be reclassified to profit or loss			(49,252)	4,669
Total other comprehensive income (net of tax)			(42,122)	75,646
Total comprehensive income			321,836	423,088
Comprehensive income attributable to NTT	11		246,156	332,476
Comprehensive income attributable to Non-controlling interests	11		75,680	90,612

(3) [Condensed Consolidated Statement of Changes in Equity]

【Three Months Ended June 30, 2019】

Millions of yen

	Notes	NTT Shareholders' Equity					Total	Non-controlling interests	Total equity
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other equity components			
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)	—	—	—
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

Millions of yen

	Notes	NTT Shareholders' Equity					Total	Non – controlling interests	Total equity
		Common stock	Additional paid – in capital	Retained earnings	Treasury stock	Other equity components			
March 31 2020		937,950	2,252,672	6,499,942	(653,369)	23,908	9,061,103	2,401,524	11,462,627
Comprehensive income									
Profit		–	–	272,638	–	–	272,638	74,804	347,442
Other comprehensive income	11	–	–	–	–	59,838	59,838	15,808	75,646
Total comprehensive income		–	–	272,638	–	59,838	332,476	90,612	423,088
Value of transactions with shareholders etc.									
Dividends of surplus	11	–	–	(172,672)	–	–	(172,672)	(75,316)	(247,988)
Transfer to retained earnings	11	–	–	(1,621)	–	1,621	–	–	–
Purchase and disposal of treasury stock	11	–	0	–	199,991	–	199,991	–	199,991
Changes in ownership interest in subsidiaries		–	(1,716)	–	–	–	(1,716)	139	(1,577)
Share-based compensation transactions		–	(2,902)	–	–	–	(2,902)	–	(2,902)
Put options granted to non-controlling interests	11	–	(52)	–	–	–	(52)	(26)	(78)
Other		–	1,972	(6)	–	–	1,966	1,045	3,011
Total value of transactions with shareholders etc.		–	(2,698)	(174,299)	199,991	1,621	24,615	(74,158)	(49,543)
June 30, 2020		937,950	2,249,974	6,598,281	(453,378)	85,367	9,418,194	2,417,978	11,836,172

(4) [Condensed Consolidated Statement of Cash Flows]

Millions of yen

	Notes	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020
Cash flows from operating activities			
Profit		363,958	347,442
Depreciation and amortization		360,517	368,232
Impairment losses		1,547	30
Share of loss (profit) of entities accounted for using equity method		(2,496)	(1,689)
Losses on retirement of fixed assets		8,822	9,716
Gain on sales of fixed assets		(5,533)	(6,869)
Income taxes		162,825	149,177
Decrease (increase) in trade and other receivables	7	252,617	280,816
Decrease (increase) in inventories		21,960	(53,076)
Decrease (increase) in other current assets		(89,397)	(100,356)
Increase (decrease) in trade and other payables / accrued payroll		(273,491)	(187,906)
Increase (decrease) in other current liabilities		1,700	(3,780)
Increase (decrease) in defined benefit liabilities		5,553	5,712
Increase (decrease) in other non-current liabilities		849	6,599
Other		(23,601)	(18,089)
Sub-total		785,830	795,959
Interest and dividends received		30,211	26,730
Interest paid		(12,570)	(11,576)
Income taxes paid		(328,481)	(329,013)
Net cash provided by (used in) operating activities		474,990	482,100
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets and investment property		(566,889)	(550,280)
Purchase of investments		(51,538)	(269,635)
Proceeds from sale or redemption of investments		247,938	10,166
Expenses due to acquisition of control of subsidiaries		(38,797)	(763)
Other		29,138	6,172
Net cash provided by (used in) investing activities		(380,148)	(804,340)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		663,785	351,099
Proceeds from increases in long-term debt	10	67,206	185,574
Repayment of long-term debt	10	(193,988)	(68,242)
Repayment of lease liabilities		(45,929)	(57,631)
Payments for acquisition of interests in subsidiaries from non-controlling interests		(75,491)	(2,935)
Dividends paid		(182,153)	(172,672)
Dividends paid to non-controlling interests		(72,091)	(73,376)
Purchase and sale of treasury stock		(178,786)	199,972
Other		6,317	128
Net cash provided by (used in) financing activities		(11,130)	361,917
Effect of exchange rate change on cash and cash equivalents		(8,350)	(720)
Net increase (decrease) in cash and cash equivalents		75,362	38,957
Cash and cash equivalents as of April 1	7	946,134	1,033,574
Cash and cash equivalents as of June 30	7	1,021,496	1,072,531

【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 (<https://www.ntt.co.jp/index.html>). The condensed quarterly 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”)
- NTT Ltd.

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 the “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 11, 2020.

Since the statements do not include all the information and disclosures required for a complete set of financial statements, it should be read in conjunction with the consolidated financial statements for the year ended March 31, 2020.

(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 quarterly consolidated financial statements are consistent with those applied on the consolidated financial statements for the year ended March 31, 2020, except for changes in accounting policies stated below.

Change of Revenue Recognition Method

NTT Group changed a revenue recognition method for revenue related to certain services provided by NTT Ltd Group belonging to Long Distance and International Communications Business Segment.

NTT Group launched NTT Ltd, a global technology services provider, in July 2019 to strengthen competitiveness and to improve profitability of its global business. Since then, NTT Ltd Group has been transforming its organization to make it possible to deliver high value services globally. From the three months ended June 30, 2020 under the new group formation, as NTT Ltd Group would further focus on high value services going forward NTT Ltd Group reassessed the revenue recognition method in conjunction with the development of new service model. NTT Ltd Group reassessed whether the new service model impacted on determination of principal or agent when providing goods or services and for the determination it weighed more on indicators such as whether NTT Ltd Group had primary performance obligation to perform a promise with a customer, with the result that it determined that NTT Ltd Group acted as an agent when it provided a certain support service and other services for its customers.

Although NTT Group recognized revenue for the certain support service and other services on a gross basis until the fiscal year ended March 31, 2020, we recognized revenue for it on a net basis deducting related expenses from the three months ended June 30, 2020. As a result of this change, the revenue for three months ended June 30, 2019 would have decreased by ¥19,863 million if such change had been applied. There was no impact on Operating Profit and Net Income. We have not restated the result of three months ended June 30, 2019 of Condensed Quarterly Consolidated Statements of Profit or Loss, since the impact of the change was immaterial.

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, 2020.

As for the spread of the COVID-19 pandemic, as described in the section entitled "Risk Factors" in NTT's Annual Securities Report for the fiscal year ended March 31, 2020, as a result of the prolonged spread of the pandemic, it is possible that NTT Group's business activities will be materially affected, including through the reduction of its customers' business activities which may cause reductions in systems integration orders and in sales of various services and delays in planned construction. Furthermore, even after the abatement of the pandemic, it is possible that people's daily lives and the workstyles of businesses will significantly change, which may, as a result, impact NTT Group's business results and financial position. However, there was no material impact on the company's accounting estimates and judgements involving estimates at the end of the three months ended June 30, 2020.

5. New Standards Not Yet Applied

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

6. Segment Information

NTT Group's business segments are as follows, 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, 2019 (April 1, 2019 - June 30, 2019)	Three Months Ended June 30, 2020 (April 1, 2020 - June 30, 2020)	Effect of inter-segment transfers of certain subsidiaries *
Mobile Communications Business			
Transactions with external customers	1,143,460	1,081,348	23,601
Inter-segment transactions	15,826	16,803	189
Sub-total	1,159,286	1,098,151	23,790
Regional Communications Business			
Transactions with external customers	581,133	562,877	(329)
Inter-segment transactions	165,358	173,420	(148)
Sub-total	746,491	736,297	(477)
Long Distance and International Communications Business			
Transactions with external customers	530,269	460,861	(23,601)
Inter-segment transactions	25,623	26,427	756
Sub-total	555,892	487,288	(22,845)
Data Communications Business			
Transactions with external customers	500,756	501,746	—
Inter-segment transactions	26,520	29,190	—
Sub-total	527,276	530,936	—
Other Business			
Transactions with external customers	159,820	159,625	329
Inter-segment transactions	178,712	184,614	6,339
Sub-total	338,532	344,239	6,668
Elimination of inter-segment transactions	(412,039)	(430,454)	(7,136)
Total	2,915,438	2,766,457	—

* Certain subsidiaries included in reporting segments "Regional Communications Business" or "Long Distance and International Communications Business" were transferred during the three months ended September 30, 2019, and they are included in "Other Businesses" or "Mobile Communications Business", respectively. After this period, operating revenues of these subsidiaries were recognized in the destination segments. The increased or decreased amounts of operating revenues compared to the status where these inter-segment transfers had occurred during the first months ended June 30, 2019 are presented as "Effect of inter-segment transfers of certain subsidiaries" in the table above.

As a result of the change of the revenue recognition method within NTT Ltd Group under Long Distance and International Communications Business, the revenue for three months ended June 30, 2019 would have decreased by ¥19,863 million if such change had been applied. We have not restated the result of three months ended June 30, 2019 of Condensed Consolidated Statements of Profit or Loss, since the impact of the change was immaterial. Details are described in "Note 3. Significant Accounting Policies".

(Millions of yen)

	Three Months Ended June 30, 2019 (April 1, 2019 - June 30, 2019)	Three Months Ended June 30, 2020 (April 1, 2020 - June 30, 2020)	Effect of inter-segment transfers of certain subsidiaries *
Segment income			
Mobile Communications Business	278,716	280,536	540
Regional Communications Business	144,595	125,692	181
Long Distance and International Communications Business	29,054	40,525	(541)
Data Communications Business	29,838	26,687	—
Other Business	28,860	28,398	(179)
Total	511,063	501,838	1
Elimination of inter-segment transactions	(5,869)	(4,252)	(1)
Operating profit	505,194	497,586	—
Financial income	31,383	8,337	—
Financial costs	12,290	10,993	—
Share of profit of entities accounted for using equity method	2,496	1,689	—
Profit before tax	526,783	496,619	—

* Certain subsidiaries included in reporting segments "Regional Communications Business" or "Long Distance and International Communications Business" were transferred during the three months ended September 30, 2019, and they are included in "Other Businesses" or "Mobile Communications Business", respectively. After this period, operating profits of these subsidiaries were recognized in the destination segments. The increased or decreased amounts of operating profits compared to the status where these inter-segment transfers had occurred during the first months ended June 30, 2019 are presented as "Effect of inter-segment transfers of certain subsidiaries" in the table above.

During the first three months of the previous fiscal year and 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 condensed quarterly 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 condensed quarterly consolidated financial statements is as follows.

(Millions of yen)

	Three Months Ended June 30, 2019 (April 1, 2019 - June 30, 2019)	Three Months Ended June 30, 2020 (April 1, 2020 - June 30, 2020)
(Condensed Consolidated Statement of Cash Flows)		
Decrease (increase) in trade and other receivables	(10,894)	—
Cash and cash equivalents as of April 1	(223,672)	—
Cash and cash equivalents as of June 30	(234,566)	—

8. Assets Held for Sale

Capital and Business Tie-up Agreement with Tokyo Century Corporation

Overview

NTT resolved to form a capital and business tie-up (hereinafter referred to as “the capital and business tie-up”) with Tokyo Century Corporation (hereinafter referred to as “Tokyo Century”) at the meeting of the Board of Directors held on February 6, 2020, and entered into an agreement regarding the capital and business tie-up.

As part of the capital and business tie-up, the new company (NTT TC Leasing Co., Ltd.) established by NTT Finance Corporation (hereinafter referred to as “NTT Finance”) succeeded to a part of the leasing business and the global business of NTT Finance by the method of absorption-type split upon spin-off, and on July 8, 2020, NTT Group transformed the new company into a joint venture by selling shares equivalent to 50% of the total number of outstanding shares of the new company to Tokyo Century in order to bolster and augment leasing and financial businesses in Japan and other countries for NTT Group and Tokyo Century.

Impact on accounting treatment and on the condensed quarterly consolidated financial statements

Assets related to part of the leasing business and global business of NTT Finance and liabilities directly associated with the assets, that are included in “Other Business” segment, are classified as assets held for sale and liabilities directly associated with assets held for sale, respectively, until the completion of the share transfer. The amount of these assets and liabilities are measured at its carrying amounts because their fair values less costs of disposal exceeded the carrying amounts.

Component of disposal groups classified as assets held for sale or liabilities directly associated with assets held for sale

As of March 31, 2020

(Millions of yen)

Accounting item		Accounting item	
Assets		Liabilities	
Trade and other receivables	817,249	Short-term debt	32,148
Other financial assets (Current)	291,988	Trade and other payables	17,373
Property, plant and equipment	115,057	Lease liabilities (Current)	4,858
Other financial assets (Non-current)	114,678	Other current liabilities	11,348
Other	8,335	Long-term debt	447,503
		Lease liabilities (Non-current)	26,538
		Other financial liabilities (Non-current)	18,357
		Other	1,307
Total	1,347,307	Total	559,432

As of June 30, 2020

(Millions of yen)

Accounting item		Accounting item	
Assets		Liabilities	
Trade and other receivables	814,075	Short-term debt	53,803
Other financial assets (Current)	279,860	Trade and other payables	14,380
Property, plant and equipment	120,448	Lease liabilities (Current)	4,929
Other financial assets (Non-current)	120,770	Other current liabilities	12,823
Other	10,374	Long-term debt	419,202
		Lease liabilities (Non-current)	26,863
		Other financial liabilities (Non-current)	18,665
		Other	1,359
Total	1,345,527	Total	552,024

The impact on other components of equity related to “Assets held for sale” is immaterial.

In addition, the impact on the condensed quarterly consolidated statement of profit or loss from the share transfer transaction is expected to be immaterial.

Details of financial instruments measured at fair value in the above table of assets held for sale and liabilities directly associated with assets held for sale

① The fair value of financial instruments not measured at fair value

The carrying amount and estimated fair value of financial instruments not measured at a fair value

(Millions of yen)

	As of March 31, 2020		As of June 30, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (including current portion or balance due within 1 year)	479,651	478,696	473,005	472,358

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.

② Fair value measurement

Assets and liabilities measured at fair value

As of March 31, 2020

(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	—	100,923	—	100,923
Investments in capital	—	—	6,990	6,990
Loans receivables	—	129,566	—	129,566
Financial assets measured at fair value through other comprehensive income				
Equity securities	—	—	434	434
Total	—	230,489	7,424	237,913
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives financial liabilities				
Applied hedge accounting	—	1,573	—	1,573
Total	—	1,573	—	1,573

In the fiscal year ended March 31, 2020, there was no material transfer between levels.

Assets and liabilities measured at fair value

As of June 30, 2020

(Millions of yen)

Classification	Fair Value			
	Level1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Debt securities	—	98,583	—	98,583
Investments in capital	—	—	7,044	7,044
Loans receivables	—	111,380	—	111,380
Financial assets measured at fair value through other comprehensive income				
Equity securities	303	—	414	717
Total	303	209,963	7,458	217,724
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives financial liabilities				
Applied hedge accounting	—	1,542	—	1,542
Total	—	1,542	—	1,542

1. In the three months ended June 30, 2020, 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, 2020.

9. Property, Plant and Equipment

Component of Property, plant and equipment

	Millions of yen	
	As of March 31, 2020	As of June 30, 2020
Telecommunications equipment	10,895,484	10,929,227
Telecommunications service lines	16,502,388	16,535,861
Buildings and structures	5,611,601	5,619,602
Machinery, vessels and tools	2,350,900	2,366,759
Land	705,456	710,175
Construction in progress	441,836	476,978
Sub-total	36,507,665	36,638,602
Accumulated depreciation and impairment losses	(27,420,202)	(27,566,740)
Property, plant and equipment - total	9,087,463	9,071,862

10. Corporate Bonds

Details of corporate bonds transactions

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

Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)						
Transaction	Entity	Description	Principal Amount	Interest rate	Issuance date	Maturity date
Redemption	NTT Finance Corporation	7th series of Eurodollar bonds	U.S.\$500 million	Three-month U.S.\$ LIBOR + 0.53%	June, 29 2017	June, 29 2020
Issuance	NTT Finance Corporation	14th series of bonds	¥40,000 million	0.001%	June, 25 2020	June, 20 2023

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, 2019	1,950,394,470	32,997,746
Purchase of treasury stock under resolution of the board of directors	—	99,763,016
Repurchase of treasury stock based on less-than-one-unit share purchase demand	—	47,564
Disposal of treasury stock based on additional less-than-one-unit share purchase demand	—	(4,246)
Increase by stock split	1,950,394,470	132,788,632
March 31, 2020	3,900,788,940	265,592,712
Repurchase of shares based on less-than-one-unit share purchase demand	—	6,996
Disposal of treasury stock based on additional less-than-one-unit share purchase demand	—	(3,152)
Disposal of treasury stock through third-party allotment	—	(80,775,400)
June 30, 2020	3,900,788,940	184,821,156

Stock Split

NTT conducted a two-for-one stock split of its common stock, with a record date of December 31, 2019 and an effective date of January 1, 2020 based on the resolution at the meeting of board of directors on November 5, 2019.

Acquisition of Toyota Motor Corporation's Shares and Disposal of Treasury Stock by Way of Third-party Allotment

On March 24, 2020, the Board of Directors resolved that NTT would enter into a memorandum of understanding for a business and capital alliance (the "Alliance") with Toyota Motor Corporation ("Toyota") and entered into the Alliance on the same day. On April 9, 2020, Toyota and NTT mutually executed a comprehensive underwriting agreement for a third-party allotment of treasury stock of both parties based on the memorandum of understanding. NTT acquired Toyota's shares and conducted a disposition of shares of the NTT's treasury stock through the third-party allotment with Toyota as the subscriber for the shares on the same day.

Overview of a disposition of shares of the NTT's treasury stock through the third-party allotment, with Toyota as the subscriber for the shares

(1) Disposition date	April 9, 2020
(2) Type and number of shares disposed	80,775,400 shares of the NTT's common stock
(3) Disposition price	¥2,476 per share
(4) Amount of funds raised	¥199,999,890,400
(5) Percentage to the total number of issued and outstanding shares held by Toyota	2.07% of the NTT's issued and outstanding common stock

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
May 10, 2019	From May 13, 2019 to July 31 2019	53	250,000	From May 2019 to July 2019	50,480,100	250,000	Concluded
August 6, 2019	From August 7, 2019 to September 30 2019	53	300,000	September 2019	48,980,000	251,071	Concluded

(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 ¥9,894 million and ¥9,219 million, respectively, at the end of the fiscal year ended March 31, 2020, and the three months ended June 30, 2020.

(3) Other Components of Equity

The details and changes in other components of equity

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)
June 30, 2019	112,490	(4,981)	—	11,394	118,903

	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, 2020	48,103	(5,515)	—	(18,680)	23,908
Other comprehensive income	53,662	2,531	(141)	3,786	59,838
Transfer to retained earnings	1,480	—	141	—	1,621
June 30, 2020	103,245	(2,984)	—	(14,894)	85,367

(4) Dividends

Matters Concerning Dividends

The amount of dividends paid out in the three months ended June 30, 2019 and the three months ended June 30, 2020.

Resolution	Class of Shares	Source of Dividends	Total Dividend (Millions of yen)	Dividend per Share (Yen) *1, *2	Record Date	Effective Date
June 25, 2019 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	182,153	95	March 31, 2019	June 26, 2019
June 23, 2020 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	172,672	47.5	March 31, 2020	June 24, 2020

*1. The two-for-one stock split (hereinafter referred to as the "Stock Split") was conducted with the effective date of January 1, 2020, and the Dividend per Share resolved at Ordinary General Meeting of Shareholders on June 25, 2019 is shown by the amount before the Stock Split.

*2. Dividends per Share resolved at Ordinary General Meeting of Shareholders on June 23, 2020 reflects the impact of the Stock Split.

(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 106,601,600 shares of its common stock for ¥300,000 million from May 2019 through March 2020. As a result, NTT's ownership interest in NTT DOCOMO increased from 64.1% to 66.2% and "Additional paid-in capital" decreased by ¥82,061 million in the Consolidated Statement of Financial Position for the year ended in March 2020.

(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, 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 telecommunications 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

Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)

(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	–	190,745	40,198	–	–	230,943
	Mobile voice related services	270,568	–	–	–	–	270,568
	IP/packet communications services	488,902	280,212	103,900	–	–	873,014
	Sales of telecommunication equipment	89,937	14,128	1,502	–	–	105,567
	System integration services	–	23,253	301,531	501,746	14,734	841,264
	Other services *	231,941	54,539	13,730	–	144,891	445,101
	Total	1,081,348	562,877	460,861	501,746	159,625	2,766,457

* Certain subsidiaries included in "Regional communications business" or "Long distance and international communications business" were transferred during the three months ended September 30, 2019 and they are included in "Other Businesses" or "Mobile communications business", respectively. After this period, operating revenues of these subsidiaries were recognized in the destination segments. The effects are presented in "Note 6. Segment Information" and mainly included in "Other services".

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, 2020		Three Months Ended June 30, 2020	
	Carrying amount	Fair Value	Carrying amount	Fair value
Long-term debt (including current portion or balance due for repayment)	2,640,564	2,697,274	2,758,653	2,812,313

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.

Financial instruments classified as Liabilities directly associated with assets held for sale are not included in the table above and shown in "Note 8. Assets Held for Sale".

(2) Fair Value Measurement

Assets and liabilities measured at fair value

Fiscal Year Ended March 31, 2020

(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				
Investments in capital	–	1,387	38,338	39,725
Loans receivables	–	–	–	–
Derivatives financial assets				
Applied hedge accounting	–	5,009	–	5,009
Not applied hedge accounting	–	5,714	–	5,714
Financial assets measured at fair value through other comprehensive income				
Equity securities	378,607	–	56,175	434,782
Total	378,607	12,110	94,513	485,230
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives financial liabilities				
Applied hedge accounting	–	23,553	–	23,553
Not applied hedge accounting	–	1,646	–	1,646
Total	–	25,199	–	25,199

As of June 30, 2020

(Millions of yen)

Classification	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit/loss				
Investments in capital	–	2,387	37,198	39,585
Loans receivable	–	16,149	–	16,149
Derivatives financial assets				
Applied hedge accounting	–	5,387	–	5,387
Not applied hedge accounting	–	3,692	–	3,692
Financial assets measured at fair value through other comprehensive income				
Equity securities	686,690	–	51,477	738,167
Total	686,690	27,615	88,675	802,980
Financial liabilities:				
Financial liabilities measured at fair value through profit/loss				
Derivatives financial liabilities				
Applied hedge accounting	–	20,891	–	20,891
Not applied hedge accounting	–	1,537	–	1,537
Total	–	22,428	–	22,428

1. In the three months ended June 30, 2020, 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, 2020.

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, 2020.

Financial instruments classified as Assets held for sale and Liabilities directly associated with assets held for sale are not included in the tables above and shown in "Note 8. Assets Held for Sale".

14. Subsequent Events

Transformation into a joint venture of NTT TC Leasing Co., Ltd.

On July 8, 2020, NTT FINANCE transferred 50% of its outstanding shares of NTT TC Leasing Co., Ltd to Tokyo Century Corporation. As a result, NTT TC Leasing Co., Ltd became jointly controlled by NTT Group and Tokyo Century Corporation.

The impact on Condensed Quarterly Consolidated Statement of Profit and Loss of selling the 50% shares of the new company is immaterial.

Capital and business alliance agreements with Tokyo Century Corporation are described in "Note 8. Assets held for sale".