

[Translation]

Quarterly Securities Report

(The First Quarter of the 37th Business Term)
From April 1, 2021 to June 30, 2021

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, 2021, which NTT filed on August 10, 2021 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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[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

Item 1. Overview of the Company

1. Selected Financial Data

IFRS

		Three Months Ended June 30,2020	Three Months Ended June 30,2021	Fiscal year ended March 31, 2021
Operating revenues	Millions of yen	2,766,457	2,892,570	11,943,966
Profit before taxes	Millions of yen	496,619	496,282	1,652,575
Profit attributable to NTT	Millions of yen	272,638	339,987	916,181
Comprehensive income (loss) attributable to NTT	Millions of yen	332,476	379,089	1,275,214
NTT shareholders' equity	Millions of yen	9,418,194	7,735,109	7,562,707
Total assets	Millions of yen	23,420,230	23,082,532	22,965,492
Basic earnings per share attributable to NTT	Yen	73.51	93.87	248.15
Diluted earnings per share attributable to NTT	Yen	—	—	—
Equity ratio (Ratio of NTT Shareholders' Equity to Total Assets)	%	40.2	33.5	32.9
Net cash provided by operating activities	Millions of yen	482,100	567,461	3,009,064
Net cash provided by investing activities	Millions of yen	(804,340)	(587,669)	(1,424,532)
Net cash provided by financing activities	Millions of yen	361,917	222,331	(1,689,548)
Cash and cash equivalents at end of period	Millions of yen	1,072,531	1,139,296	935,727

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, 2021, 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, 2021. There was no material change in risk factors which were described in NTT's Annual Securities Report for the fiscal year ended March 31, 2021.

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

(1) Consolidated Results

Three-Month Period Ended June 30, 2021 (April 1, 2021 – June 30, 2021)

(Billions of yen)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021	Change	Percent Change
Operating revenues	2,766.5	2,892.6	126.1	4.6%
Operating expenses	2,268.9	2,406.3	137.4	6.1%
Operating profit	497.6	486.3	(11.3)	(2.3)%
Profit before taxes	496.6	496.3	(0.3)	(0.1)%
Profit attributable to NTT	272.6	340.0	67.3	24.7%

During the three months ended June 30, 2021, 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, 2021 were ¥2,892.6 billion (an increase of 4.6% from the same period of the previous fiscal year), consolidated operating expenses were ¥2,406.3 billion (an increase of 6.1% from the same period of the previous fiscal year), consolidated operating profit was ¥486.3 billion (a decrease of 2.3% from the same period of the previous fiscal year), profit before taxes was ¥496.3 billion (a decrease of 0.1% from the same period of the previous fiscal year), and profit attributable to NTT was ¥340.0 billion (an increase of 24.7% 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 rentals, systems development, finance, energy, 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, 2021 (April 1, 2021 – June 30, 2021)

(Billions of yen)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021	Change	Percent Change
Operating revenues	1,098.2	1,159.6	61.5	5.6%
Mobile voice related services	273.3	280.9	7.6	2.8%
IP/packet communications services	494.8	485.8	(9.0)	(1.8)%
Sales of telecommunications equipment	90.0	137.6	47.6	52.9%
Other	240.1	255.3	15.2	6.3%
Operating expenses	817.6	915.2	97.6	11.9%
Operating profit	280.5	244.4	(36.1)	(12.9)%

Operating revenues for the mobile communications business segment for the three-month period ended June 30, 2021 increased 5.6% from the same period of the previous fiscal year to ¥1,159.6 billion. This increase was due to, among other things, an increase in revenues from sales of telecommunications devices and an increase in revenues due to the expansion of the Smart Life business, including in finance and settlement.

On the other hand, operating expenses for the three-month period ended June 30, 2021 increased 11.9% from the same period of the previous fiscal year to ¥915.2 billion. This increase was due to, among other things, increased costs related to strengthened initiatives for the further expansion of the Smart Life business, in addition to an increase in equipment costs for devices resulting from an increase in the number of device sales.

As a result, segment operating profit for the three-month period ended June 30, 2021 decreased 12.9% from the same period of the previous fiscal year to ¥244.4 billion.

Number of Subscriptions

(Thousands of subscriptions)

Service	As of March 31, 2021	As of June 30, 2021	Change	Percent Change
Mobile Telecommunications Services	82,632	82,916	284	0.3%
Telecommunications Services (5G)	3,091	5,351	2,260	73.1%
Telecommunications Services (LTE (Xi))	64,210	63,172	(1,038)	(1.6)%
Telecommunications Services (FOMA (3G))	15,331	14,393	(938)	(6.1)%
Plala (ISP)	3,946	3,927	(19)	(0.5)%
Hikari TV	2,947	2,934	(14)	(0.5)%

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

Regional Communications Business Segment

Three-Month Period Ended June 30, 2021 (April 1, 2021 – June 30, 2021)

(Billions of yen)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021	Change	Percent Change
Operating revenues	736.3	774.8	38.5	5.2%
Fixed voice related services	235.2	233.7	(1.5)	(0.6)%
IP/packet communications services	381.0	399.2	18.2	4.8%
Sales of telecommunications equipment	14.3	16.6	2.3	16.3%
System integration services	31.3	33.6	2.3	7.4%
Other	74.6	91.8	17.2	23.0%
Operating expenses	610.6	628.1	17.5	2.9%
Operating profit	125.7	146.8	21.1	16.8%

Operating revenues in the regional communications business segment for the three-month period ended June 30, 2021 increased 5.2% from the same period of the previous fiscal year to ¥774.8 billion due to, among other things, an increase in IP/packet communications services revenues.

On the other hand, operating expenses for the three-month period ended June 30, 2021 increased 2.9% from the same period of the previous fiscal year to ¥628.1 billion due to increases in costs, among other factors.

As a result, segment operating profit for the three-month period ended June 30, 2021 increased 16.8% from the same period of the previous fiscal year to ¥146.8 billion.

Number of Subscriptions

(Thousands of subscriber lines/subscriptions)

Service	As of March 31, 2021	As of June 30, 2021	Change	Percent Change
(NTT East)				
Telephone Subscriber Lines	7,051	6,932	(119)	(1.7)%
INS-Net	892	869	(23)	(2.6)%
FLET'S Hikari (including Hikari Collaboration Model)	12,727	12,911	184	1.4%
FLET'S ADSL	160	150	(10)	(6.4)%
Hikari Denwa (thousand channels)	10,018	10,043	25	0.2%
FLET'S TV Transmission Services	1,121	1,130	9	0.8%
(NTT West)				
Telephone Subscriber Lines	7,052	6,926	(126)	(1.8)%
INS-Net	875	859	(16)	(1.8)%
FLET'S Hikari (including Hikari Collaboration Model)	9,837	9,906	69	0.7%
FLET'S ADSL	221	210	(11)	(5.1)%
Hikari Denwa (thousand channels)	8,674	8,671	(4)	0.0%
FLET'S TV Transmission Services	795	796	1	0.1%

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," "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, 2021 (April 1, 2021 – June 30, 2021)

(Billions of yen)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021	Change	Percent Change
Operating revenues	487.3	485.2	(2.1)	(0.4)%
Fixed voice related services	50.4	47.5	(2.8)	(5.6)%
IP/packet communications services	105.6	101.4	(4.3)	(4.0)%
Sales of telecommunications equipment	1.6	1.6	(0.0)	(0.1)%
System integration services	307.8	311.9	4.1	1.3%
Other	21.9	22.8	0.9	4.1%
Operating expenses	446.8	456.2	9.5	2.1%
Operating profit	40.5	29.0	(11.5)	(28.5)%

Operating revenues in the long distance and international communications business segment for the three-month period ended June 30, 2021 decreased 0.4% from the same period of the previous fiscal year to ¥485.2 billion. This decrease was due to, among other things, a decrease in revenues from IP/packet communications services.

On the other hand, operating expenses for the three-month period ended June 30, 2021 increased 2.1% from the same period of the previous fiscal year to ¥456.2 billion due to, among other things, an increase in personnel expenses.

As a result, segment operating profit for the three-month period ended June 30, 2021 decreased 28.5% from the same period of the previous fiscal year to ¥29.0 billion.

Number of Subscriptions

(Thousands of subscriptions)

Service	As of March 31, 2021	As of June 30, 2021	Change	Percent Change
OCN (ISP)	7,040	7,020	(20)	(0.3)%

Data Communications Business Segment

Three-Month Period Ended June 30, 2021 (April 1, 2021 – June 30, 2021)

(Billions of yen)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021	Change	Percent Change
Operating revenues	530.9	590.8	59.9	11.3%
System integration services	530.9	590.8	59.9	11.3%
Operating expenses	504.2	543.5	39.3	7.8%
Operating profit	26.7	47.3	20.6	77.1%

Operating revenues in the data communications business segment for the three-month period ended June 30, 2021 increased 11.3% from the same period of the previous fiscal year to ¥590.8 billion due to, among other things, capture of the demand for digitalization.

On the other hand, operating expenses for the three-month period ended June 30, 2021 increased 7.8% from the same period of the previous fiscal year to ¥543.5 billion due to, among other things, an increase in revenue-linked expenses.

As a result, segment operating profit for the three-month period ended June 30, 2021 increased 77.1% from the same period of the previous fiscal year to ¥47.3 billion.

Other Business Segment

Three-Month Period Ended June 30, 2021 (April 1, 2021 – June 30, 2021)

(Billions of yen)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021	Change	Percent Change
Operating revenues	344.2	340.0	(4.2)	(1.2)%
Operating expenses	315.8	312.5	(3.3)	(1.1)%
Operating profit	28.4	27.5	(0.9)	(3.1)%

Operating revenues in the other business segment for the three-month period ended June 30, 2021 decreased 1.2% from the same period of the previous fiscal year to ¥340.0 billion, and operating expenses for the three-month period ended June 30, 2021 decreased 1.1% from the same period of the previous fiscal year to ¥312.5 billion.

As a result, segment operating profit for the three-month period ended June 30, 2021 decreased 3.1% from the same period of the previous fiscal year to ¥27.5 billion.

(3) Cash Flows

Cash flows provided by operating activities for the three-month period ended June 30, 2021 was ¥567.5 billion, an increase of ¥85.4 billion (17.7%) from the same period of the previous fiscal year. This increase was due to, among other factors, a reduction in the amount of payment corporate tax payments.

Cash flows used in investing activities, for the three-month period ended June 30, 2021 was ¥587.7 billion, a decrease of ¥216.7 billion (26.9%) in payments from the same period of the previous fiscal year. This decrease was due to, among other factors, payments for investments during the three-month period ended June 30, 2020.

Cash flows provided by financing activities for the three-month period ended June 30, 2021 was ¥222.3 billion, a decrease of ¥139.6 billion (38.6%) of income from the same period of the previous fiscal year. This decrease was due to, among other factors, sales of treasury stock during the three-month period ended June 30, 2020, partially offset by a reduction in the amount of dividend payments to noncontrolling interests during the three-month period ended June 30, 2021.

As a result of the above, NTT Group's consolidated cash and cash equivalents as of June 30, 2021 was ¥1,139.3 billion, an increase of ¥203.6 billion (21.8%) from the end of the previous fiscal year.

(Billions of yen)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021	Change	Percent Change
Cash flows provided by operating activities(*)	482.1	567.5	85.4	17.7%
Cash flows used in investing activities(*)	(804.3)	(587.7)	216.7	26.9%
Cash flows provided by financing activities(*)	361.9	222.3	(139.6)	(38.6)%
Cash and cash equivalents	1,072.5	1,139.3	66.8	6.2%

Note:(*)The impact of the adoption of IFRS 16 has been included since the fiscal year ended March 31, 2020.

(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, 2021, and no new additional issues arose during the period. In addition, during the three months ended June 30, 2021, there were no material changes in NTT Group's management policies or strategies.

(5) Research and Development

NTT's research and development expenses of the whole group for the three months ended June 30, 2021 were ¥50.0 billion. There were no material changes in NTT's research and development activities during the three months ended June 30, 2021.

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, 2021.

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, 2021 (shares)	Number of Shares Issued as of the Filing Date (shares) (August 10, 2021)	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, 2021 - June 30, 2021	—	3,900,788,940	—	937,950	—	2,672,826

(5) Major Shareholders

Not applicable for the three months ended June 30, 2021.

(6) Information on Voting Rights

Issued Shares

As of June 30, 2021

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.)	278,787,100 shares of common stock	—	—
Shares with Full Voting Rights (Others)	3,617,356,400 shares of common stock	36,173,552	—
Shares Representing Less than One Unit	4,645,440 shares of common stock	—	—
Number of Issued Shares	3,900,788,940 shares of common stock	—	—
Total Number of Voting Rights	—	36,173,552	—

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, 2021

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	278,787,100	—	278,787,100	7.1%
Total	—	278,787,100	—	278,787,100	7.1%

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, 2021 to June 30, 2021) 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	As of March 31, 2021	As of June 30, 2021
ASSETS			
Current assets			
Cash and cash equivalents		935,727	1,139,296
Trade and other receivables		3,534,555	3,113,618
Other financial assets	11	41,732	60,188
Inventories		315,437	331,084
Other current assets		498,106	677,488
Subtotal		5,325,557	5,321,674
Assets held for sale		816	31,153
Total current assets		5,326,373	5,352,827
Non-current assets			
Property, plant and equipment	7	9,282,286	9,324,079
Right-of-use asset		639,627	633,393
Goodwill		1,056,187	1,107,474
Intangible assets		1,765,858	1,772,351
Investment property		1,182,713	1,202,872
Investments accounted for using the equity method		411,033	442,266
Other financial assets	11	1,515,922	1,507,239
Deferred tax assets		993,858	942,847
Other non-current assets		791,635	797,184
Total non-current assets		17,639,119	17,729,705
Total assets		22,965,492	23,082,532

Millions of yen

	Notes	As of March 31, 2021	As of June 30, 2021
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	8,11	3,168,613	3,725,026
Trade and other payables		2,356,705	1,995,432
Lease liabilities		193,915	188,798
Other financial liabilities	11	28,334	36,499
Accrued payroll		509,416	427,022
Income taxes payables		115,965	56,574
Other current liabilities		1,053,196	974,699
SubTotal		7,426,144	7,404,050
Liabilities directly associated with assets held for sale		18	86
Total current liabilities		7,426,162	7,404,136
Non-current liabilities			
Long-term borrowings	8,11	4,455,724	4,411,832
Lease liabilities		553,836	540,296
Other financial liabilities	11	137,620	131,453
Defined benefit liabilities		1,731,645	1,739,180
Deferred tax liabilities		81,420	101,137
Other non-current liabilities		376,042	371,580
Total non-current liabilities		7,336,287	7,295,478
Total liabilities		14,762,449	14,699,614
Equity			
Nippon Telegraph and Telephone Corporation (“NTT”) shareholders’ equity			
Common stock	9	937,950	937,950
Retained earnings	9	7,068,008	7,209,596
Treasury stock	9	(704,793)	(704,825)
Other components of equity	9	261,542	292,388
Total NTT shareholders’ equity		7,562,707	7,735,109
Non-controlling interests		640,336	647,809
Total equity		8,203,043	8,382,918
Total liabilities and equity		22,965,492	23,082,532

(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, 2020	Three Months Ended June 30, 2021
Operating revenues	6,10	2,766,457	2,892,570
Operating expenses			
Personnel expenses		608,501	633,423
Expenses for purchase of goods and services and other expenses		1,238,948	1,329,620
Depreciation and amortization		368,232	382,502
Loss on disposal of property, plant and equipment and intangible assets		21,565	26,045
Impairment losses		30	1,246
Taxes and dues		31,595	33,460
Total operating expenses		2,268,871	2,406,296
Operating profit	6	497,586	486,274
Finance income		8,337	17,672
Finance costs		10,993	13,842
Share of profit (loss) of entities accounted for using the equity method		1,689	6,178
Profit before taxes		496,619	496,282
Income taxes		149,177	140,261
Profit		347,442	356,021
Profit attributable to NTT		272,638	339,987
Profit attributable to Non-controlling interests		74,804	16,034
Earnings per share attributable to NTT			
Basic earnings per share (yen)		73.51	93.87

【Condensed Consolidated Statement of Comprehensive Income】

		Millions of yen	
	Notes	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021
Profit		347,442	356,021
Other comprehensive income (net of tax)	9		
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		70,809	20,262
Share of other comprehensive income of entities accounted for using the equity method		107	(722)
Remeasurements of defined benefit plans		61	(47)
Total of items that will not be reclassified to profit or loss		70,977	19,493
Items that may be reclassified to profit or loss			
Cash flow hedges		2,404	7,134
Hedges cost		393	4,921
Foreign currency translation adjustments		1,049	4,651
Share of other comprehensive income of entities accounted for using the equity method		823	6,952
Total of items that may be reclassified to profit or loss		4,669	23,658
Total other comprehensive income (net of tax)		75,646	43,151
Total comprehensive income		423,088	399,172
Comprehensive income attributable to NTT	9	332,476	379,089
Comprehensive income attributable to Non-controlling interests	9	90,612	20,083

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

【Three Months Ended June 30, 2020】

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			
As of 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	9	—	—	—	—	59,838	59,838	15,808	75,646
Total comprehensive income		—	—	272,638	—	59,838	332,476	90,612	423,088
Transactions with owners and other transactions									
Dividends of surplus	9	—	—	(172,672)	—	—	(172,672)	(75,316)	(247,988)
Transfer to retained earnings	9	—	—	(1,621)	—	1,621	—	—	—
Purchase and disposal of treasury stock	9	—	0	—	199,991	—	199,991	—	199,991
Changes in ownership interest in subsidiaries without loss of control		—	(1,716)	—	—	—	(1,716)	139	(1,577)
Share-based compensation transactions		—	(2,902)	—	—	—	(2,902)	—	(2,902)
Put options granted to non-controlling interests	9	—	(52)	—	—	—	(52)	(26)	(78)
Other		—	1,972	(6)	—	—	1,966	1,045	3,011
Total Transactions with owners and other transactions		—	(2,698)	(174,299)	199,991	1,621	24,615	(74,158)	(49,543)
As of June 30, 2020		937,950	2,249,974	6,598,281	(453,378)	85,367	9,418,194	2,417,978	11,836,172

【Three Months Ended June 30, 2021】

Millions of yen

	NTT Shareholders' Equity						Non-controlling interests	Total equity	
	Notes	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other equity components			Total
As of March 31, 2021		937,950	—	7,068,008	(704,793)	261,542	7,562,707	640,336	8,203,043
Comprehensive income									
Profit		—	—	339,987	—	—	339,987	16,034	356,021
Other comprehensive income	9	—	—	—	—	39,102	39,102	4,049	43,151
Total comprehensive income		—	—	339,987	—	39,102	379,089	20,083	399,172
Transactions with owners and other transactions									
Dividends of surplus	9	—	—	(199,211)	—	—	(199,211)	(8,834)	(208,045)
Transfer to retained earnings	9	—	7,444	812	—	(8,256)	—	—	—
Purchase and disposal of treasury stock	9	—	0	—	(32)	—	(32)	—	(32)
Changes in ownership interest in subsidiaries without loss of control	9	—	(876)	—	—	—	(876)	(2,644)	(3,520)
Share-based compensation transactions		—	(5,182)	—	—	—	(5,182)	—	(5,182)
Put options granted to non-controlling interests	9	—	(1,232)	—	—	—	(1,232)	(1,002)	(2,234)
Other		—	(154)	—	—	—	(154)	(130)	(284)
Total Transactions with owners and other transactions		—	—	(198,399)	(32)	(8,256)	(206,687)	(12,610)	(219,297)
As of June 30, 2021		937,950	—	7,209,596	(704,825)	292,388	7,735,109	647,809	8,382,918

(4) 【Condensed Consolidated Statements of Cash Flows】

Millions of yen

	Notes	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021
Cash flows from operating activities			
Profit		347,442	356,021
Depreciation and amortization		368,232	382,502
Impairment losses		30	1,246
Share of loss (profit) of entities accounted for using the equity method		(1,689)	(6,178)
Losses on retirement of property, plant and equipment and intangible assets		9,716	12,147
Gain on sales of property, plant and equipment and intangible assets		(6,869)	(3,517)
Income taxes		149,177	140,261
Decrease (increase) in trade and other receivables		280,816	422,903
Decrease (increase) in inventories		(53,076)	(16,055)
Decrease (increase) in other current assets		(100,356)	(75,953)
Increase (decrease) in trade and other payables / accrued payroll		(187,906)	(301,751)
Increase (decrease) in other current liabilities		(3,780)	(87,055)
Increase (decrease) in defined benefit liabilities		5,712	7,456
Increase (decrease) in other non-current liabilities		6,599	(6,136)
Other, net		(18,089)	(39,761)
Sub-total		795,959	786,130
Interest and dividends received		26,730	30,177
Interest paid		(11,576)	(12,367)
Income taxes paid		(329,013)	(236,479)
Net cash provided by (used in) operating activities		482,100	567,461
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets and investment property		(550,280)	(515,771)
Purchase of investments		(269,635)	(39,728)
Proceeds from sale or redemption of investments		10,166	20,799
Proceeds from loss of control of subsidiaries		—	4,966
Acquisition of subsidiaries, net of cash acquired		(763)	(61,471)
Other, net		6,172	3,536
Net cash provided by (used in) investing activities		(804,340)	(587,669)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	8	351,099	473,125
Proceeds from increases in long-term borrowings	8	185,574	108,887
Repayment of long-term borrowings		(68,242)	(83,348)
Repayment of lease liabilities		(57,631)	(57,663)
Payments for acquisition of interests in subsidiaries from non-controlling interests		(2,935)	(10,819)
Dividends paid		(172,672)	(199,211)
Dividends paid to non-controlling interests		(73,376)	(8,766)
Purchase and sale of treasury stock		199,972	(45)
Other, net		128	171
Net cash provided by (used in) financing activities		361,917	222,331
Effect of exchange rate change on cash and cash equivalents		(720)	1,446
Net increase (decrease) in cash and cash equivalents		38,957	203,569
Cash and cash equivalents at the beginning of the year		1,033,574	935,727
Cash and cash equivalents at the end of the period		1,072,531	1,139,296

【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://group.ntt/>). The condensed quarterly consolidated financial statements comprise NTT and its subsidiaries (“NTT Group” or “the Group”).

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

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

- NTT DOCOMO Corporation (“NTT DOCOMO”)

Regional communications business (domestic intra-prefectural communications services and related ancillary services)

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

Long distance and international communications business (domestic inter-prefectural communications services, services related to the international communications business, services related to the solutions business and related services)

- NTT Communications Corporation (“NTT Communications”)
- NTT Ltd.

Data communications business (system integration services and network system services)

- NTT DATA Corporation (“NTT DATA”)

2. Basis of Accounting

(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 President and Chief Executive Officer Jun Sawada and Senior Executive Vice President and Chief Financial Officer Akira Shimada on August 6, 2021.

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, 2021.

(2) Basis for Measurement

The condensed quarterly consolidated financial statements are prepared on the basis of cost, with the exception of certain items such as 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, 2021.

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 are based on management's best judgments taking into account various factors that are considered reasonable as of the period end, based on past experience and currently available information. However, due to the nature of such judgments, the actual results in the future may differ from these estimates or assumptions.

Estimates and their underlying assumptions are continuously reviewed. The effect of revisions to accounting estimates is recognized in the consolidated accounting period when the estimates were adjusted 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, 2021.

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, 2021, 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, 2021.

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, finance, energy, and other services related to research and development

Operating Revenues:

(Millions of yen)

	Three Months Ended June 30, 2020 (April 1, 2020 - June 30, 2020)	Three Months Ended June 30, 2021 (April 1, 2021 - June 30, 2021)
Mobile Communications Business		
Transactions with external customers	1,081,348	1,139,690
Inter-segment transactions	16,803	19,954
Subtotal	1,098,151	1,159,644
Regional Communications Business		
Transactions with external customers	562,877	595,942
Inter-segment transactions	173,420	178,903
Subtotal	736,297	774,845
Long Distance and International Communications Business		
Transactions with external customers	460,861	460,444
Inter-segment transactions	26,427	24,778
Subtotal	487,288	485,222
Data Communications Business		
Transactions with external customers	501,746	554,341
Inter-segment transactions	29,190	36,481
Subtotal	530,936	590,822
Other Business		
Transactions with external customers	159,625	142,153
Inter-segment transactions	184,614	197,874
Subtotal	344,239	340,027
Elimination of inter-segment transactions	(430,454)	(457,990)
Total	2,766,457	2,892,570

Segment profit or loss

(Millions of yen)

	Three Months Ended June 30, 2020 (April 1, 2020 - June 30, 2020)	Three Months Ended June 30, 2021 (April 1, 2021 - June 30, 2021)
Segment profit		
Mobile Communications Business	280,536	244,400
Regional Communications Business	125,692	146,785
Long Distance and International Communications Business	40,525	28,994
Data Communications Business	26,687	47,273
Other Business	28,398	27,509
Total	501,838	494,961
Elimination of inter-segment transactions	(4,252)	(8,687)
Operating profit	497,586	486,274
Finance income	8,337	17,672
Finance costs	10,993	13,842
Share of profit of entities accounted for using equity method	1,689	6,178
Profit before taxes	496,619	496,282

In 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. Property, Plant and Equipment

Component of Property, plant and equipment

	Millions of yen	
	As of March 31, 2021	As of June 30, 2021
Telecommunications equipment	10,962,442	11,025,319
Telecommunications service lines	16,658,931	16,691,748
Buildings and structures	5,707,173	5,745,092
Machinery, tools and fixtures	2,481,759	2,507,402
Land	710,991	734,545
Construction in progress	518,769	509,567
Subtotal	37,040,065	37,213,673
Accumulated depreciation and impairment losses	(27,757,779)	(27,889,594)
Property, plant and equipment - total	9,282,286	9,324,079

8. Corporate Bonds

Details of corporate bonds transactions

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

Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)						
Transaction	Entity	Description	Principal Amount	Interest rate	Issuance date	Maturity date
Issuance	NTT Finance Corporation	1st series of bonds (Only for Qualified Institutional Investors)	¥50,000 million	0.1%	June, 28 2021	June, 19 2026
Issuance	NTT Finance Corporation	2nd series of bonds (Only for Qualified Institutional Investors)	¥30,000 million	0.22%	June, 28 2021	June, 20 2030
Issuance	NTT Finance Corporation	3rd series of bonds (Only for Qualified Institutional Investors)	¥20,000 million	0.25%	June, 28 2021	June, 20 2031

9. 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
As of April 1, 2020	3,900,788,940	265,592,712
Purchase of treasury stock under resolution of the board of directors	—	93,906,900
Repurchase of shares based on less-than-one-unit share purchase demand	—	62,528
Disposal of treasury stock based on additional less-than-one-unit share purchase demand	—	(10,456)
Disposal of treasury stock through third-party allotment	—	(80,775,400)
As of March 31, 2021	3,900,788,940	278,776,284
Repurchase of shares based on less-than-one-unit share purchase demand	—	11,488
Disposal of treasury stock based on additional less-than-one-unit share purchase demand	—	(588)
As of June 30, 2021	3,900,788,940	278,787,184

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
November 6, 2020	From November 11, 2020 to March 31, 2021	12	250,000	From November 2020 to February 2021	93,906,900	250,000	Concluded
August 6, 2021	From August 10, 2021 to March 31, 2022	10	250,000	—	—	—	—

(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 ¥13,567 million and ¥16,038 million, respectively, as at the end of the fiscal year ended March 31, 2021, and the three months ended June 30, 2021.

(3) Other Components of Equity

The details and changes in other components of equity

Three Months Ended June 30, 2020

(Millions of yen)

	Change in the fair value of financial assets measured at fair value through other comprehensive income	Cash Flow Hedges	Hedges cost	Remeasurements of Defined Benefit Plans	Foreign Currency Translation Adjustments	Total
As of March 31, 2020	48,103	(5,957)	442	—	(18,680)	23,908
Other comprehensive income	53,662	1,964	567	(141)	3,786	59,838
Transfer to retained earnings	1,480	—	—	141	—	1,621
As of June 30, 2020	103,245	(3,993)	1,009	—	(14,894)	85,367

Three Months Ended June 30, 2021

(Millions of yen)

	Change in the fair value of financial assets measured at fair value through other comprehensive income	Cash Flow Hedges	Hedges cost	Remeasurements of Defined Benefit Plans	Foreign Currency Translation Adjustments	Total
As of March 31, 2021	228,114	(8,668)	(16,135)	—	58,231	261,542
Other comprehensive income	19,523	6,759	5,011	(1,170)	8,979	39,102
Transfer to retained earnings	(9,426)	—	—	1,170	—	(8,256)
As of June 30, 2021	238,211	(1,909)	(11,124)	—	67,210	292,388

(4) Dividends

Matters Concerning Dividends

The amount of dividends paid out in the three months ended June 30, 2020 and the three months ended June 30, 2021.

Resolution	Class of Shares	Source of Dividends	Total Dividend (Millions of yen)	Dividend per Share (Yen)	Record Date	Effective Date
June 23, 2020 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	172,672	47.5	March 31, 2020	June 24, 2020
June 24, 2021 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	199,211	55	March 31, 2021	June 25, 2021

(5) Equity Transactions with Non-controlling Interests

During the three months ended December 31, 2020, NTT implemented a series of procedures for the purpose of making NTT DOCOMO (the “Target”) a wholly owned subsidiary of NTT and made the Target a wholly owned subsidiary. As a result, NTT Group’s ownership interests in the Target increased from 66.2% to 100.0%.

(6) Other

According to the Act on Nippon Telegraph and Telephone Corporation, etc., 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.

10. Operating Revenues

Relationship between Components of Revenues and Segment Revenues

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 telecommunications 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

Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)

(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	–	188,969	39,421	–	–	228,390
	Mobile voice related services	277,730	–	–	–	–	277,730
	IP/packet communications services	478,662	290,027	99,527	–	–	868,216
	Sales of telecommunications equipment	137,588	16,543	1,496	–	–	155,627
	System integration services	–	28,049	306,828	554,341	12,041	901,259
	Other services	245,710	72,354	13,172	–	130,112	461,348
	Total	1,139,690	595,942	460,444	554,341	142,153	2,892,570

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.

11. Financial Instruments

(1) Continuing Involvement in Derecognized Financial Asset

Credit card receivables

NTT group concluded an agreement for the transfer to third parties of the rights to receive cash flows from credit card receivables (Trade and other receivables) up to March 31, 2022, and transferred the rights on June 29, 2021 during three months ended June 30, 2021.

The credit card receivables subject to the transfer are separated into senior, mezzanine and sub-ordinated portions based on the risk of default. For the mezzanine portion, NTT group deposits cash for the third parties and bears the credit risk.

Although NTT group bears the credit risk for the mezzanine portion as stated above, the credit risk assumed by the NTT group is insignificant because the default risk is highly likely to be absorbed by the sub-ordinated portion. NTT group is also properly monitoring the default risk by tracking the actual collection of the transferred receivables as adequate. The rights to claim over the third parties for the portion of cash deposit are recognized as “Trade and other receivables” in the condensed quarterly consolidated statement of financial position. The fair value of the cash deposit portion is same as its book value.

In the fiscal year ended March 31, 2020 and three months ended June 30, 2021, NTT group derecognized the transferred assets and treated the transactions as sales transactions as below, because substantially all the risks and rewards of ownership was transferred to third parties.

	(Millions of yen)	
	As of March 31, 2021	As of June 30, 2021
Amount of credit card receivables derecognized	¥ 333,333	¥ 333,333
Amount of the portion with cash deposit	33,000	33,000
Considerations received for the transfer of asset	299,964	299,963

The fair value of the derecognized assets is same as its book value as of March 31, 2021 and June 30, 2021.

The amount of losses recognized as a result of this transaction was immaterial.

The maximum amount of exposure to losses pertaining to this matter as of March 31, 2021 and June 30, 2021 are ¥33,000 million and ¥33,000 million, which represent the total amount of cash deposits provided by the NTT group to the third parties. No credit losses were incurred in the first three months of the previous fiscal year and of the current fiscal year.

(2) Fair Value of Financial Instruments

(i) 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)			
	Year Ended March 31, 2021		Three Months Ended June 30, 2021	
	Carrying amount	Fair Value	Carrying amount	Fair value
Long-term borrowings (including current portion or balance due within 1 year)	4,857,589	4,841,728	4,901,212	4,904,836

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. The measurement methods of fair value are consistent with those applied in the consolidated financial statements for the fiscal year ended March 31, 2021.

(ii) Fair Value Measurement

Assets and liabilities measured at fair value

As of March 31, 2021

(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	–	4,852	44,650	49,502
Loans receivables	–	11,670	–	11,670
Derivatives financial assets				
Applied hedge accounting	–	23,068	–	23,068
Not applied hedge accounting	–	1,973	–	1,973
Financial assets measured at fair value through other comprehensive income				
Equity securities	982,619	–	60,762	1,043,381
Total	982,619	41,563	105,412	1,129,594
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives financial liabilities				
Applied hedge accounting	–	23,463	–	23,463
Not applied hedge accounting	–	2,729	–	2,729
Total	–	26,192	–	26,192

As of June 30, 2021

(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	–	5,665	48,448	54,113
Loans receivables	–	–	–	–
Derivatives financial assets				
Applied hedge accounting	–	37,424	–	37,424
Not applied hedge accounting	–	1,384	–	1,384
Financial assets measured at fair value through other comprehensive income				
Equity securities	1,003,709	–	52,377	1,056,086
Total	1,003,709	44,473	100,825	1,149,007
Financial liabilities:				
Financial liabilities measured at fair value through profit/loss				
Derivatives financial liabilities				
Applied hedge accounting	–	15,575	–	15,575
Not applied hedge accounting	–	4,027	–	4,027
Total	–	19,602	–	19,602

1. In the three months ended June 30, 2020, there was no material transfer between levels.
2. Level 3 reconciliation is not disclosed, as there was no material fluctuation among financial instruments classified in 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 in the consolidated financial statements for the fiscal year ended March 31, 2020.

Financial instruments classified as Assets held for sale are not included in the tables above.

12. Subsequent Events

The Company's repurchase of treasury stock and resolution

The Company's acquisition of treasury stock is described in "Note9. Equity and Other Components of Equity, (1) Issued Shares and treasury stock".