

Financial Results Release

For the Three Months Ended June 30, 2018

August 7, 2018

[IFRS]

Name of registrant : Nippon Telegraph and Telephone Corporation ("NTT") / URL <http://www.ntt.co.jp/ir/>
 Code No. : 9432
 Stock exchanges on which the Company's shares are listed : Tokyo
 Representative : Jun Sawada, President and Chief Executive Officer
 Contact : Natsuko Fujiki, Head of IR, Finance and Accounting Department / TEL +81-3-6838-5481
 Scheduled filing date of quarterly securities report : August 8, 2018
 Scheduled date of dividend payments : -
 Supplemental material on quarterly results : Yes
 Presentation on quarterly results : Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the Three Months Ended June 30, 2018 (April 1, 2018 - June 30, 2018)

Amounts are rounded to the nearest million yen.

(1) Consolidated Results of Operations

(Millions of yen)

	Operating Revenues		Operating Profit		Profit before Taxes		Profit Attributable to NTT	
Three months ended June 30, 2018	2,852,732	1.6%	537,226	2.4%	542,651	2.8%	289,746	0.2%
Three months ended June 30, 2017	2,808,721	-%	524,658	-%	527,810	-%	289,289	-%

Notes: 1. Comprehensive income (loss) attributable to NTT: For the three months ended June 30, 2018: 300,185 million yen (3.0%)
 For the three months ended June 30, 2017: 309,380 million yen -%

2. Percentages above represent changes from the corresponding period of the previous fiscal year.

	Basic Earnings per Share Attributable to NTT	Diluted Earnings per Share Attributable to NTT
Three months ended June 30, 2018	148.05 (yen)	- (yen)
Three months ended June 30, 2017	144.11 (yen)	- (yen)

(2) Consolidated Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Total Equity (Net Assets)	Shareholders' Equity	Equity Ratio (Ratio of Shareholders' Equity to Total Assets)	Shareholders' Equity per Share
June 30, 2018	21,466,970	11,664,045	9,124,535	42.5%	4,678.55 (yen)
March 31, 2018	21,541,444	11,565,654	9,062,752	42.1%	4,597.87 (yen)

2. Dividends

	Annual Dividends				
	End of the first quarter	End of the second quarter	End of the third quarter	Year-end	Total
Year Ended March 31, 2018	-	75.00 (yen)	-	75.00 (yen)	150.00 (yen)
Year Ending March 31, 2019	-	-	-	-	-
Year Ending March 31, 2019 (Forecasts)	-	85.00 (yen)	-	85.00 (yen)	170.00 (yen)

Note: Change in dividend forecasts during the three months ended June 30, 2018: None

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 - March 31, 2019)

(Millions of yen, except equity ratio and per share amount)

	Operating Revenues		Operating Profit		Profit before Taxes		Profit Attributable to NTT		Basic Earnings per Share Attributable to NTT
Year Ending March 31, 2019	11,830,000	-%	1,690,000	-%	1,686,000	-%	880,000	-%	451.00 (yen)

Notes: 1. Percentages above represent changes from the previous fiscal year.

2. Change in consolidated financial results forecasts for the fiscal year ending March 31, 2019 during the three months ended June 30, 2018: None

***Notes:**

- (1) Change in significant consolidated subsidiaries during the three months ended June 30, 2018 that resulted in changes in the scope of consolidation:
None
- (2) Adoption of accounting which is simplified or exceptional for quarterly consolidated financial statements: None
- (3) Change of accounting policy
 - i. Change due to revision of accounting standards and other regulations: Yes
 - ii. Other change: Yes
(For further details, please see “Summary Information (notes)” on page 3.)
- (4) Number of shares outstanding (common stock)
 - i. Number of shares outstanding (including treasury stock):

June 30, 2018	: 2,096,394,470 shares
March 31, 2018	: 2,096,394,470 shares
 - ii. Number of shares of treasury stock:

June 30, 2018	: 146,103,075 shares
March 31, 2018	: 125,318,558 shares
 - iii. Weighted average number of shares outstanding:

For the three months ended June 30, 2018	: 1,957,124,655 shares
For the three months ended June 30, 2017	: 2,007,361,528 shares

* This financial results release is not subject to the quarterly review.

*** Explanation of earnings forecasts and other notes:**

NTT Group has applied International Financial Reporting Standards (“IFRS”) beginning with the three months ended June 30, 2018. In addition, consolidated financial statements for the three months ended June 30, 2017 and for the fiscal year ended March 31 2018 are also presented in accordance with IFRS.

Forward-looking statements in this earnings release, such as forecasts of results of operations, are based on the information currently available to NTT and certain assumptions that we regard as reasonable and therefore actual results may differ materially from those contained in or suggested by any forward-looking statements. With regard to the assumptions and other related matters concerning forecasts for the fiscal year ending March 31, 2019, please refer to page 32.

On Tuesday, August 7, 2018, NTT will hold a presentation on its financial results for institutional investors and analysts. Shortly thereafter, NTT plans to post on its website explanatory details, along with the materials used at the presentation.

1. Summary Information (notes)

- (1) Change in significant consolidated subsidiaries during the three months ended June 30, 2018, that resulted in changes in the scope of consolidation: None
- (2) Adoption of accounting which is simplified or exceptional for quarterly consolidated financial statements: None
- (3) Changes in Accounting Methods

NTT Group has applied IFRS 9, “Financial Instruments” (as published in July 2014) beginning with the start of the fiscal year ending March 31, 2019 (April 1, 2018).

Based on exemptions under IFRS 1, past fiscal years have not been restated when changing accounting policies pursuant to IFRS 9. The accounting standards in use as of the transition date to IFRS and in previous fiscal years were generally accepted accounting principles in the United States (“U.S. GAAP”).

Following this change in accounting policy, equity instruments whose fair value was not easily determined under conventional U.S. GAAP (under which they were measured using the cost method) will be measured at fair value as of the start of the current fiscal year. As of the point that IFRS 9 was applied pursuant to IFRS 1, after making the irrevocable election for all subsequent changes in fair value must also be recorded as other comprehensive income, any changes in fair value will be recognized as “other comprehensive income” in the condensed consolidated statement of comprehensive income. The impact of this change on the statement of financial position is as follows.

Accounting Item (Categories based on U.S. GAAP)	Balance as of end of previous fiscal year (March 31, 2018)	Balance as of start of current fiscal year based on IFRS 9 (April 1, 2018)	Correction Factor
Non-current assets			
Other financial assets (Investment using cost method)	54,364	67,258	Impact of using fair value measurements for unlisted stocks

Apart from the above-mentioned correction factor, the impact of any changes in accounting policy are not material.

The accumulated effect on values as of the start of the current fiscal year as a result of the application of IFRS 9 were primarily as follows: “investments accounted for using equity method” increased by ¥4,993 million; “other financial liabilities (non-current)” increased by ¥20,883 million; “deferred tax assets” decreased by ¥5,912 million; “deferred tax liabilities” increased by ¥ 963 million; “retained earnings” increased by ¥14,033 million; “other components of equity” decreased by ¥2,432 million; and “non-controlling interests” increased by ¥7,565 million. Furthermore, the impact on “profit” and “basic earnings per share” for the three months ended June 30, 2018 is not material.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Balance Sheets

	Millions of yen		
	Date of Transition to IFRS (April 1, 2017)	March 31, 2018	June 30, 2018
ASSETS			
Current assets			
Cash and cash equivalents(*)	¥1,075,773	¥895,003	¥797,102
Trade and other receivables(*)	3,623,577	4,022,227	3,823,743
Other financial assets	167,410	123,344	127,630
Inventories	326,718	354,181	357,536
Other current assets	383,506	474,405	596,312
Total current assets	5,576,984	5,869,160	5,702,323
Non-current assets			
Property, plant and equipment	8,719,755	8,812,174	8,820,674
Goodwill	881,292	841,283	939,119
Intangible assets	1,609,598	1,589,448	1,594,823
Investment property	992,317	1,002,301	985,078
Investments accounted for using equity method	528,981	539,342	530,907
Other financial assets	1,010,546	1,068,799	1,117,508
Deferred tax assets	1,243,283	1,173,946	1,130,308
Other non-current assets	660,971	644,991	646,230
Total non-current assets	15,646,743	15,672,284	15,764,647
Total assets	¥21,223,727	¥21,541,444	¥21,466,970

* The last day of the fiscal year ended March 31, 2018 and first quarter ended June 30, 2018 fell on a non-business day, resulting in the due date for certain bills, including telecommunication service bills, being set to the first business day of the fiscal year ending March 31, 2019 and second quarter ending September 30, 2018, respectively. Consequently, for the fiscal year ended March 31, 2018 and first quarter ended June 30, 2018 there were decreases of cash and cash equivalents and an increase of trade and other receivables, ¥231,929 million and ¥234,524 million respectively.

	Millions of yen		
	Date of Transition to IFRS (April 1, 2017)	March 31, 2018	June 30, 2018
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt	¥1,079,243	¥1,017,744	¥1,566,385
Trade and other payables	1,797,544	1,811,723	1,510,617
Other financial liabilities	45,727	50,711	41,183
Accrued payroll	450,360	455,007	386,337
Accrued taxes on income	233,817	240,670	110,941
Other current liabilities	958,862	1,046,582	1,002,718
Total current liabilities	4,565,553	4,622,437	4,618,181
Non-current liabilities			
Long-term debt	3,179,645	2,953,855	2,793,086
Other financial liabilities	201,789	190,356	176,191
Defined benefit liabilities	1,876,845	1,860,524	1,864,437
Deferred tax liabilities	99,038	74,095	71,657
Other non-current liabilities	258,428	274,523	279,373
Total non-current liabilities	5,615,745	5,353,353	5,184,744
Total liabilities	10,181,298	9,975,790	9,802,925
Equity			
Nippon Telegraph and Telephone Corporation (“NTT”) shareholders’ equity			
Common stock	937,950	937,950	937,950
Additional paid-in capital	2,410,572	2,396,555	2,398,202
Retained earnings	5,480,639	6,138,351	6,294,476
Treasury stock	(375,223)	(610,742)	(718,766)
Other components of equity	179,453	200,638	212,673
Total NTT shareholders’ equity	8,633,391	9,062,752	9,124,535
Non-controlling interests	2,409,038	2,502,902	2,539,510
Total equity	11,042,429	11,565,654	11,664,045
Total liabilities and equity	¥21,223,727	¥21,541,444	¥21,466,970

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

Condensed Consolidated Statements of Profit or Loss

Three-month period ended June 30

	Millions of yen except per share data		
	2017	2018	Increase (Decrease)
Operating revenues	¥2,808,721	¥2,852,732	¥44,011
Operating expenses			
Personnel expenses	591,614	592,119	505
Expenses for purchase of goods and services and other expenses	1,305,921	1,341,798	35,877
Depreciation and amortization	330,951	325,490	(5,461)
Expenses on disposal of fixed assets	27,299	26,773	(526)
Taxes and dues	28,278	29,326	1,048
Total operating expenses	2,284,063	2,315,506	31,443
Operating profit	524,658	537,226	12,568
Finance income	27,149	7,714	(19,435)
Finance costs	27,002	8,425	(18,577)
Share of profit (loss) of entities accounted for using equity method	3,005	6,136	3,131
Profit before tax	527,810	542,651	14,841
Income taxes	162,242	167,296	5,054
Profit	365,568	375,355	9,787
Profit attributable to			
NTT	289,289	289,746	457
Non-controlling interests	76,279	85,609	9,330
Profit	¥365,568	¥375,355	¥9,787
Earnings per share attributable to NTT			
Basic earnings per share (yen)	¥144.11	¥148.05	

Consolidated Statements of Comprehensive Income

Three-month period ended June 30

	Millions of yen		
	2017	2018	Increase (Decrease)
Profit	¥365,568	¥375,355	¥9,787
Other comprehensive income (net of tax)			
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	—	10,635	10,635
Equity interests relating to Other comprehensive income from equity affiliates	(55)	8,645	8,700
Remeasurements of defined benefit plans	(221)	55	276
Total of items that will not be reclassified to profit or loss	(276)	19,335	19,611
Items that may be reclassified to profit or loss			
Unrealized gains (loss) on securities	2,664	—	(2,664)
Cash flow hedges	2,116	570	(1,546)
Foreign currency translation adjustments	26,349	15,927	(10,422)
Share of other comprehensive income of affiliated companies accounted for by the equity method	(3,954)	(13,323)	(9,369)
Total of items that may be reclassified to profit or loss	27,175	3,174	(24,001)
Total other comprehensive income (net of tax)	26,899	22,509	(4,390)
Total comprehensive income	392,467	397,864	5,397
Comprehensive income attributable to			
NTT	309,380	300,185	(9,195)
Non-controlling interests	83,087	97,679	14,592
	¥392,467	¥397,864	¥5,397

(3) Condensed Consolidated Statement of Changes in Equity

Three Months period Ended June 30, 2017

	Millions of yen							
	NTT Shareholders' Equity						Non-controlling interests	Total equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total		
April 1, 2017	¥937,950	¥2,410,572	¥5,480,639	¥(375,223)	¥179,453	¥8,633,391	¥2,409,038	¥11,042,429
Comprehensive income								
Profit	—	—	289,289	—	—	289,289	76,279	365,568
Other comprehensive income	—	—	—	—	20,091	20,091	6,808	26,899
Total comprehensive income	—	—	289,289	—	20,091	309,380	83,087	392,467
Value of transactions with shareholders etc.								
Dividends of surplus	—	—	(120,922)	—	—	(120,922)	(57,351)	(178,273)
Transfer to retained earnings	—	—	(150)	—	150	—	—	—
Purchase and disposal of treasury stock	—	—	—	(43,284)	—	(43,284)	—	(43,284)
Changes in ownership interest in subsidiaries	—	(10,383)	—	—	—	(10,383)	(405)	(10,788)
Share-based compensation transactions	—	1,046	—	—	—	1,046	—	1,046
Put options granted to non-controlling interests	—	(3,332)	—	—	—	(3,332)	—	(3,332)
Total value of transactions with shareholders etc.	—	(12,669)	(121,072)	(43,284)	150	(176,875)	(57,756)	(234,631)
June 30, 2017	¥937,950	¥2,397,903	¥5,648,856	¥(418,507)	¥199,694	¥8,765,896	¥2,434,369	¥11,200,265

Three Months Ended June 30, 2018

Millions of yen								
	NTT Shareholders' Equity						Non-controlling interests	Total equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other equity components	Total		
March 31, 2018	¥937,950	¥2,396,555	¥6,138,351	¥(610,742)	¥200,638	¥9,062,752	¥2,502,902	¥11,565,654
Cumulative effect of adoption of IFRS 9 "Financial Instruments"	—	—	14,033	—	(2,432)	11,601	7,565	19,166
April 1, 2018	937,950	2,396,555	6,152,384	(610,742)	198,206	9,074,353	2,510,467	11,584,820
Comprehensive income								
Profit	—	—	289,746	—	—	289,746	85,609	375,355
Other comprehensive income	—	—	—	—	10,439	10,439	12,070	22,509
Total comprehensive income	—	—	289,746	—	10,439	300,185	97,679	397,864
Value of transactions with shareholders etc.								
Dividends of surplus	—	—	(147,831)	—	—	(147,831)	(67,474)	(215,305)
Transfer to retained earnings	—	—	(123)	—	123	—	—	—
Transfer to non-financial assets	—	—	—	—	3,905	3,905	—	3,905
Purchase and disposal of treasury stock	—	1	—	(108,024)	—	(108,023)	—	(108,023)
Changes in ownership interest in subsidiaries	—	175	—	—	—	175	(1,162)	(987)
Share-based compensation transactions	—	1,548	—	—	—	1,548	—	1,548
Put options granted to non-controlling interests	—	(77)	—	—	—	(77)	—	(77)
Other	—	—	300	—	—	300	—	300
Total value of transactions with shareholders etc.	—	1,647	(147,654)	(108,024)	4,028	(250,003)	(68,636)	(318,639)
June 30, 2018	¥937,950	¥2,398,202	¥6,294,476	¥(718,766)	¥212,673	¥9,124,535	¥2,539,510	¥11,664,045

(4) Going Concern Assumption

None

(5) Subsequent Events

None

(6) First-time Adoption of International Financial Reporting Standards (“IFRS”)

Transition to Financial Reporting in Accordance with IFRS

NTT has prepared these condensed consolidated financial statements in accordance with IFRS.

IFRS 1 requires that a company adopting IFRS for the first time applies IFRS retrospectively. However, as an exception under IFRS 1, retrospective application is prohibited for certain standards, for which application of IFRS is made from the IFRS transition date and thereafter. Additionally, under IFRS 1, certain exemption provisions may be voluntarily applied for certain standards required by IFRS. The effect of applying these provisions has been recognized at the IFRS transition date and an adjustment for the impact has been made within Retained earnings or Other components of equity.

The main voluntary exemption provisions applied by NTT are described below.

① Business Combinations

NTT Group applies the exemption provisions stipulated in IFRS 1, and has not applied IFRS 3 retrospectively to business combinations arising prior to April 1, 2002. Goodwill resulting from business combinations arising prior to April 1, 2002 has been recognized using the carrying amount based on U.S. GAAP. For goodwill generated by business combinations that occurred prior to the transition date, an impairment test was implemented as of the transition date, whether or not there were indicators of any impairment loss.

② Deemed Cost

NTT Group applies the exemption provisions stipulated in IFRS 1, and for certain tangible fixed assets and investment property, uses the fair value as of the transition date as the deemed cost at that date.

③ Operating Revenues

NTT Group applies the exemption provisions stipulated in IFRS 1 and NTT has retrospectively applied IFRS 15 through the practical expedient set out in (d) under paragraph C5 of IFRS 15. In accordance with the provisions of the standard, in relation to the amount of consideration for goods or services to be provided from the next fiscal year and the explanation of when this amount is expected to be recognized as revenue, information concerning the IFRS transition date and the fiscal year ended March 31, 2018 is omitted.

④ Exemption from Restatement of Comparative Information in the Application of IFRS 9

NTT Group applies the exemption provisions stipulated in IFRS 1. At the transition date and in the fiscal year ended March 31, 2018, items included within the scope of application of IFRS 9 have been recognized and measured using previous U.S. GAAP accounting standards, without restatement in accordance with IFRS 9.

Adjustment from U.S. GAAP to IFRS

Upon transitioning to IFRS, NTT has adjusted the amounts in the consolidated financial statements that were prepared based on U.S. GAAP. The impact on NTT Group as a result of transitioning from U.S. GAAP to IFRS in terms of financial position and results of operations is explained in the following adjustment tables and in the notes to these tables.

In the adjustment tables, “Reclassification” shows those items that have no impact on equity and comprehensive income, and “Recognition & Measurement Difference” shows those items that have an impact on equity and comprehensive income.

Adjustments to Equity at the Transition Date (April 1, 2017)

Consolidated Statement of Financial Position

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Assets					(Assets)
Current assets					Current assets
Cash and cash equivalents	925,213	172,176	(21,616)	1,075,773	Cash and cash equivalents
Short-term investments	63,844	103,734	(168)	167,410	Other financial assets
Notes and accounts receivable, trade	2,699,708	932,534	(8,665)	3,623,577	Trade and other receivables
Allowance for doubtful accounts	(48,626)	48,626	—	—	
Accounts receivable, other	505,145	(505,145)	—	—	
Inventories	365,379	(7,767)	(30,894)	326,718	Inventories
Prepaid expenses and other current assets	573,170	(208,786)	19,122	383,506	Other current assets
Deferred income taxes	228,590	(228,590)	—	—	
Total current assets	5,312,423	306,782	(42,221)	5,576,984	Total current assets
Property, plant and equipment					Non-current assets
Telecommunications equipment	11,046,115	—	—	—	
Telecommunications service lines	16,064,732	—	—	—	
Buildings and structures	6,147,869	—	—	—	
Machinery, vessels and tools	2,032,389	—	—	—	
Land	1,292,685	—	—	—	
Construction in progress	421,819	—	—	—	
Accumulated depreciation	(27,286,588)	—	—	—	
Net property, plant and equipment	9,719,021	(989,364)	(9,902)	8,719,755	Property, plant and equipment
	—	1,032,675	(40,358)	992,317	Investment property
Investments and other assets					
Investments in affiliated companies	484,596	—	44,385	528,981	Investments accounted for using equity method
Marketable securities and other investments	495,290	517,251	(1,995)	1,010,546	Other financial assets
Goodwill	1,314,645	—	(433,353)	881,292	Goodwill
Software	1,209,485	(1,209,485)	—	—	
Other intangible assets	453,918	1,188,084	(32,404)	1,609,598	Intangible assets
Other assets	1,492,076	(887,552)	56,447	660,971	Other non-current assets
Deferred income taxes	768,871	228,590	245,822	1,243,283	Deferred tax assets
Total investments and other assets	6,218,881	—	—	—	
	15,937,902	(119,801)	(171,358)	15,646,743	Total non-current assets
Total assets	21,250,325	186,981	(213,579)	21,223,727	Total assets

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Liabilities and Equity				(Liabilities and Equity)	
Current liabilities				Current liabilities	
Short-term loans payable	227,207	864,726	(12,690)	1,079,243	Short-term debt
Current portion of long-term debt	681,904	(681,904)	—	—	
Accounts payable, trade	1,612,996	181,994	2,554	1,797,544	Trade and other payables
Current portion of obligations under capital leases	14,430	9,527	21,770	45,727	Other financial liabilities
Accrued payroll	443,308	16,147	(9,095)	450,360	Accrued payroll
Accrued taxes on income	239,755	(367)	(5,571)	233,817	Accrued taxes on income
Accrued consumption tax	75,083	(75,083)	—	—	
Advances received	324,342	(324,342)	—	—	
Other	512,368	174,131	272,363	958,862	Other current liabilities
Total current liabilities	4,131,393	164,829	269,331	4,565,553	Total current liabilities
Long-term liabilities				Non-current liabilities	
Long-term debt (excluding current portion)	3,168,478	—	11,167	3,179,645	Long-term debt
Obligations under capital leases (excluding current portion)	25,568	116,770	59,451	201,789	Other financial liabilities
Liability for employees' retirement benefits	1,599,381	—	277,464	1,876,845	Defined benefit liabilities
Accrued liabilities for point programs	103,047	(103,047)	—	—	
Deferred income taxes	166,751	7,285	(74,998)	99,038	Deferred tax liabilities
Other	497,132	1,144	(239,848)	258,428	Other non-current liabilities
Total long-term liabilities	5,560,357	22,152	33,236	5,615,745	Total non-current liabilities
Total liabilities	9,691,750	186,981	302,567	10,181,298	Total liabilities
Redeemable non-controlling interests	50,819	—	(50,819)	—	
Equity				Equity	
NTT Shareholders' equity				NTT Shareholders' equity	
Common stock	937,950	—	—	937,950	Common stock
Additional paid-in capital	2,862,035	—	(451,463)	2,410,572	Additional paid-in capital
Retained earnings	5,626,155	—	(145,516)	5,480,639	Retained earnings
Accumulated other comprehensive income (loss)	1,562	—	177,891	179,453	Other components of equity
Treasury stock	(375,223)	—	—	(375,223)	Treasury stock
Total NTT shareholders' equity	9,052,479	—	(419,088)	8,633,391	Total NTT shareholders' equity
Non-controlling interests	2,455,277	—	(46,239)	2,409,038	Non-controlling interests
Total equity	11,507,756	—	(465,327)	11,042,429	Total equity
Total liabilities and equity	21,250,325	186,981	(213,579)	21,223,727	Total liabilities and equity

Adjustment to Equity at Close of the Three Months Ended June 30, 2017

Consolidated Statement of Financial Position

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Assets					(Assets)
Current assets					Current assets
Cash and cash equivalents	961,325	209,159	(8,832)	1,161,652	Cash and cash equivalents
Short-term investments	87,035	103,847	(3,604)	187,278	Other financial assets
Notes and accounts receivable, trade	2,391,458	962,373	7,143	3,360,974	Trade and other receivables
Allowance for doubtful accounts	(50,305)	50,305	—	—	
Accounts receivable, other	576,483	(576,483)	—	—	
Inventories	404,368	(8,987)	(36,352)	359,029	Inventories
Prepaid expenses and other current assets	687,395	(170,421)	(11,140)	505,834	Other current assets
Total current assets	5,057,759	569,793	(52,785)	5,574,767	Total current assets
Property, plant and equipment					Non-current assets
Telecommunications equipment	11,014,159	—	—	—	
Telecommunications service lines	16,102,470	—	—	—	
Buildings & structures	6,191,397	—	—	—	
Machinery, vessels and tools	2,078,270	—	—	—	
Land	1,292,943	—	—	—	
Construction in progress	452,510	—	—	—	
Accumulated depreciation	(27,406,862)	—	—	—	
Net property, plant and equipment	9,724,887	(985,493)	(14,808)	8,724,586	Property, plant and equipment
	—	1,028,453	(26,395)	1,002,058	Investment property
Investments and other assets					
Investments in affiliated companies	487,890	—	38,805	526,695	Investments accounted for using equity method
Marketable securities and other investments	499,208	524,400	(2,964)	1,020,644	Other financial assets
Goodwill	1,317,887	154	(421,455)	896,586	Goodwill
Software	1,205,638	(1,205,638)	—	—	
Other intangible assets	445,215	1,184,909	(23,397)	1,606,727	Intangible assets
Other assets	1,508,162	(888,674)	32,470	651,958	Other non-current assets
Deferred income taxes	970,347	—	259,224	1,229,571	Deferred tax assets
Total investments and other assets	6,434,347	—	—	—	
	16,159,234	(341,889)	(158,520)	15,658,825	Total non-current assets
Total assets	21,216,993	227,904	(211,305)	21,233,592	Total assets

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Liabilities and Equity					(Liabilities and Equity)
Current liabilities					Current liabilities
Short-term borrowings	256,899	1,185,221	16,607	1,458,727	Short-term debt
Current portion of long-term debt	783,976	(783,976)	—	—	
Accounts payable, trade	1,157,395	308,989	2,809	1,469,193	Trade and other payables
Current portion of obligations under capital leases	13,563	12,938	25,372	51,873	Other financial liabilities
Accrued payroll	390,344	—	(3,907)	386,437	Accrued payroll
Accrued taxes on income	121,175	—	637	121,812	Accrued taxes on income
Accrued consumption tax	98,445	(98,445)	—	—	
Advances received	354,604	(354,604)	—	—	
Deposits received	379,847	(379,847)	—	—	
Other	404,292	307,041	207,138	918,471	Other current liabilities
Total current liabilities	3,960,540	197,317	248,656	4,406,513	Total current liabilities
Long-term liabilities					Non-current liabilities
Long-term debt (excluding current portion)	3,186,397	—	(8,180)	3,178,217	Long-term debt
Obligations under capital leases (excluding current portion)	23,323	117,502	62,357	203,182	Other financial liabilities
Liability for employees' retirement benefits	1,611,421	—	269,463	1,880,884	Defined benefit liabilities
Accrued liabilities for point programs	89,425	(89,425)	—	—	
Deferred income taxes	152,404	—	(57,822)	94,582	Deferred tax liabilities
Other	502,281	2,510	(234,842)	269,949	Other non-current liabilities
Total long-term liabilities	5,565,251	30,587	30,976	5,626,814	Total non-current liabilities
Total liabilities	9,525,791	227,904	279,632	10,033,327	Total liabilities
Redeemable non-controlling interests	53,808	—	(53,808)	—	
Equity					Equity
NTT Shareholders' equity					NTT Shareholders' equity
Common stock	937,950	—	—	937,950	Common stock
Additional paid-in capital	2,856,019	—	(458,116)	2,397,903	Additional paid-in capital
Retained earnings	5,777,614	—	(128,758)	5,648,856	Retained earnings
Accumulated other comprehensive income (loss)	9,259	—	190,435	199,694	Other components of equity
Treasury stock	(418,507)	—	—	(418,507)	Treasury stock
Total NTT shareholders' equity	9,162,335	—	(396,439)	8,765,896	Total NTT shareholders' equity
Non-controlling interests	2,475,059	—	(40,690)	2,434,369	Non-controlling interests
Total equity	11,637,394	—	(437,129)	11,200,265	Total equity
Total liabilities and equity	21,216,993	227,904	(211,305)	21,233,592	Total liabilities and equity

Adjustment to Equity at Close of the Fiscal Year Ended March 31, 2018

Consolidated Statement of Financial Position

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Assets					(Assets)
Current assets					Current assets
Cash and cash equivalents	780,300	129,032	(14,329)	895,003	Cash and cash equivalents
Short-term investments	31,641	93,525	(1,822)	123,344	Other financial assets
Notes and accounts receivable, trade	2,976,467	1,055,447	(9,687)	4,022,227	Trade and other receivables
Allowance for doubtful accounts	(52,332)	52,332	—	—	
Accounts receivable, other	662,190	(662,190)	—	—	
Inventories	393,582	(6,550)	(32,851)	354,181	Inventories
Prepaid expenses and other current assets	575,704	(106,416)	5,117	474,405	Other current assets
Total current assets	5,367,552	555,180	(53,572)	5,869,160	Total current assets
Property, plant and equipment					Non-current assets
Telecommunications equipment	10,917,851	—	—	—	
Telecommunications service lines	14,217,566	—	—	—	
Buildings and structures	6,280,584	—	—	—	
Machinery, vessels and tools	2,127,201	—	—	—	
Land	1,307,985	—	—	—	
Construction in progress	438,604	—	—	—	
Accumulated depreciation	(25,468,698)	—	—	—	
Net property, plant and equipment	9,821,093	(1,009,723)	804	8,812,174	Property, plant and equipment
	—	1,040,512	(38,211)	1,002,301	Investment property
Investments and other assets					
Investments in affiliated companies	502,936	—	36,406	539,342	Investments accounted for using equity method
Marketable securities and other investments	525,170	546,481	(2,852)	1,068,799	Other financial assets
Goodwill	1,329,275	—	(487,992)	841,283	Goodwill
Software	1,223,985	(1,223,985)	—	—	
Other intangible assets	394,489	1,201,689	(6,730)	1,589,448	Intangible assets
Other assets	1,590,636	(957,959)	12,314	644,991	Other non-current assets
Deferred income taxes	920,634	—	253,312	1,173,946	Deferred tax assets
Total investments and other assets	6,487,125	—	—	—	
	16,308,218	(402,985)	(232,949)	15,672,284	Total non-current assets
Total assets	21,675,770	152,195	(286,521)	21,541,444	Total assets

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Liabilities and Equity					(Liabilities and Equity)
Current liabilities					Current liabilities
Short-term borrowings	270,743	765,246	(18,245)	1,017,744	Short-term debt
Current portion of long-term debt	624,385	(624,385)	—	—	
Accounts payable, trade	1,613,516	191,794	6,413	1,811,723	Trade and other payables
Current portion of obligations under capital leases	12,567	11,993	26,151	50,711	Other financial liabilities
Accrued payroll	460,357	—	(5,350)	455,007	Accrued payroll
Accrued taxes on income	245,326	—	(4,656)	240,670	Accrued taxes on income
Accrued consumption tax	88,420	(88,420)	—	—	
Advances received	374,444	(374,444)	—	—	
Other	549,263	237,300	260,019	1,046,582	Other current liabilities
Total current liabilities	4,239,021	119,084	264,332	4,622,437	Total current liabilities
Long-term liabilities					Non-current liabilities
Long-term debt (excluding current portion)	2,947,945	—	5,910	2,953,855	Long-term debt
Obligations under capital leases (excluding current portion)	22,587	135,889	31,880	190,356	Other financial liabilities
Liability for employees' retirement benefits	1,619,907	—	240,617	1,860,524	Defined benefit liabilities
Accrued liabilities for point programs	105,037	(105,037)	—	—	
Deferred income taxes	128,833	—	(54,738)	74,095	Deferred tax liabilities
Other	529,959	2,259	(257,695)	274,523	Other non-current liabilities
Total long-term liabilities	5,354,268	33,111	(34,026)	5,353,353	Total non-current liabilities
Total liabilities	9,593,289	152,195	230,306	9,975,790	Total liabilities
Redeemable non-controlling interests	49,930	—	(49,930)	—	
Equity					Equity
NTT Shareholders' equity					NTT Shareholders' equity
Common stock	937,950	—	—	937,950	Common stock
Additional paid-in capital	2,853,613	—	(457,058)	2,396,555	Additional paid-in capital
Retained earnings	6,260,631	—	(122,280)	6,138,351	Retained earnings
Accumulated other comprehensive income (loss)	44,529	—	156,109	200,638	Other components of equity
Treasury stock	(610,742)	—	—	(610,742)	Treasury stock
Total NTT shareholders' equity	9,485,981	—	(423,229)	9,062,752	Total NTT shareholders' equity
Non-controlling interests	2,546,570	—	(43,668)	2,502,902	Non-controlling interests
Total equity	12,032,551	—	(466,897)	11,565,654	Total equity
Total liabilities and equity	21,675,770	152,195	(286,521)	21,541,444	Total liabilities and equity

Adjustment to Comprehensive Income for the Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)

Consolidated Statement of Profit or Loss

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Operating revenues					Operating revenues
Fixed voice related services	290,200	—	—	—	
Mobile voice related services	228,736	—	—	—	
IP/packet communications services	949,165	—	—	—	
Revenues from the sale of telecommunications equipment	173,417	—	—	—	
System integration	782,506	—	—	—	
Other	385,758	—	—	—	
Total operating revenues	2,809,782	(3,894)	2,833	2,808,721	
Operating expenses					Operating expenses
Cost of services	554,873	(554,873)	—	—	
Cost of equipment sold	184,529	(184,529)	—	—	
Cost of system integration	561,091	(561,091)	—	—	
Depreciation and amortization	332,278	(332,278)	—	—	
Selling, general and administrative expenses	685,414	(685,414)	—	—	
	—	593,084	(1,470)	591,614	Personnel expenses
	—	1,295,941	9,980	1,305,921	Expenses for purchase of goods and services and other expenses
	—	332,278	(1,327)	330,951	Depreciation and amortization
	—	27,318	(19)	27,299	Expenses on disposal of fixed assets
	—	60,946	(32,668)	28,278	Taxes and dues
Total operating expenses	2,318,185	(8,618)	(25,504)	2,284,063	Total operating expenses
Operating income	491,597	4,724	28,337	524,658	Operating profit
Non-operating income (expenses)					
Interest and amortization of bond discounts and issue costs	8,329	18,559	114	27,002	Finance costs
Interest income	4,577	22,223	349	27,149	Finance income
Other, net	8,388	(8,388)	—	—	
	—	3,571	(566)	3,005	Share of profit (loss) of entities accounted for using equity method
Total non-operating income (expenses)	4,636	—	—	—	
Income before income taxes and equity in earnings (losses) of affiliated companies	496,233	3,571	28,006	527,810	Profit (loss) before tax
Income tax expense (benefit)	152,398	—	9,844	162,242	Income taxes
Current	156,776	—	—	—	
Deferred	(4,378)	—	—	—	
Income before equity in earnings (losses) of affiliated companies	343,835	—	—	—	
Equity in earnings (losses) of affiliated companies	3,571	(3,571)	—	—	Share of profit (loss) of entities accounted for using equity method
Net income	347,406	—	18,162	365,568	Profit
					Profit attributable to
NTT	271,472	—	17,817	289,289	NTT
Non-controlling interests	75,934	—	345	76,279	Non-controlling interests

Consolidated Statement of Comprehensive Income

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Net income	347,406	—	18,162	365,568	Profit
Other comprehensive income (loss), net of tax					Other comprehensive income (net of tax)
					Items that will not be reclassified to profit or loss
	—	—	(55)	(55)	Share of other comprehensive income of affiliated companies accounted for by the equity method
Pension liability adjustments	2,093	—	(2,314)	(221)	Remeasurements of defined benefit plans
	—	—	—	(276)	Total of items that will not be reclassified to profit or loss
					Items that may be reclassified to profit or loss
Unrealized gain (loss) on securities	4,123	—	(1,459)	2,664	Unrealized gain (loss) on securities
Unrealized gain (loss) on derivative instruments	2,665	—	(549)	2,116	Cash flow hedge
Foreign currency translation adjustments	1,782	—	24,567	26,349	Foreign currency translation adjustments
	—	—	(3,954)	(3,954)	Share of other comprehensive income of affiliated companies accounted for by the equity method
	—	—	—	27,175	Total of items that may be reclassified to profit or loss
Total other comprehensive income (loss)	10,663	—	16,236	26,899	Total other comprehensive income (net of tax)
Total comprehensive income (loss)	358,069	—	34,398	392,467	Total comprehensive income
					Comprehensive income attributable to
NTT	278,685	—	30,695	309,380	NTT
Non-controlling interests	79,384	—	3,703	83,087	Non-controlling interests

Adjustment to Comprehensive Income for the Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

Consolidated Statement of Profit or Loss

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Operating revenues					Operating revenues
Fixed voice related services	1,146,901	—	—	—	
Mobile voice related services	942,183	—	—	—	
IP/packet communications services	3,801,771	—	—	—	
Revenues from the sale of telecommunications equipment	843,548	—	—	—	
System integrations	3,443,147	—	—	—	
Other	1,622,037	—	—	—	
Total operating revenues	11,799,587	(7,813)	(9,626)	11,782,148	
Operating expenses					Operating expenses
Cost of services	2,348,541	(2,348,541)	—	—	
Cost of equipment sold	915,540	(915,540)	—	—	
Cost of system integration	2,471,347	(2,471,347)	—	—	
Depreciation and amortization	1,339,423	(1,339,423)	—	—	
Impairment losses					
Goodwill	18,864	(18,864)	—	—	
Metal cable related	124,800	(124,800)	—	—	
Other	18,505	(18,505)	—	—	
Selling, general and administrative expenses	2,919,724	(2,919,724)	—	—	
	—	2,408,321	(14,963)	2,393,358	Personnel expenses
	—	5,828,968	4,898	5,833,866	Expenses for purchase of goods and services and other expenses
	—	1,339,423	7,508	1,346,931	Depreciation and amortization
	—	153,656	505	154,161	Expenses on disposal of fixed assets
	—	162,169	15,700	177,869	Impairment losses
	—	237,269	(2,392)	234,877	Taxes and dues
Total operating expenses	10,156,744	(26,938)	11,256	10,141,062	Total operating expenses
Operating income	1,642,843	19,125	(20,882)	1,641,086	Operating profit
Non-operating income (expenses)					
Interest and amortization of bond discounts and issue costs	32,188	63,283	1,712	97,183	Finance costs
Interest income	19,094	22,387	2,483	43,964	Finance income
Income from arbitration award	147,646	—	—	147,646	Income from arbitration award
Other, net	(21,771)	21,771	—	—	
	—	5,551	(585)	4,966	Share of profit (loss) of entities accounted for using equity method
Total non-operating income (expenses)	112,781	—	—	—	

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Income before income taxes and equity in earnings (losses) of affiliated companies	1,755,624	5,551	(20,696)	1,740,479	Profit (loss) before tax
Income tax expense (benefit)	541,864	—	(8,084)	533,780	Income taxes
Current	532,525	—	—	—	
Deferred	9,339	—	—	—	
Income before equity in earnings (losses) of affiliated companies	1,213,760	—	—	—	
Equity in earnings (losses) of affiliated companies	5,551	△5,551	—	—	Share of profit (loss) of entities accounted for using equity method
Net income	1,219,311	—	(12,612)	1,206,699	Profit
NTT	909,695	—	(11,808)	897,887	Profit attributable to NTT
Non-controlling interests	309,616	—	(804)	308,812	Non-controlling interests

Consolidated Statement of Comprehensive Income

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Net income	1,219,311	—	(12,612)	1,206,699	Profit
Other comprehensive income (loss), net of tax					Other comprehensive income (net of tax)
					Items that will not be reclassified to profit or loss
	—	—	(432)	(432)	Share of other comprehensive income of affiliated companies accounted for by the equity method
Pension liability adjustments	23,712	—	8,998	32,710	Remeasurements of defined benefit plans
	—	—	—	32,278	Total of items that will not be reclassified to profit or loss
					Items that may be reclassified to profit or loss
Unrealized gain (loss) on securities	25,720	—	(10,118)	15,602	Unrealized gain (loss) on securities
Unrealized gain (loss) on derivative instruments	1,982	—	275	2,257	Cash flow hedge
Foreign currency translation adjustment	9,419	—	(1,493)	7,926	Foreign currency translation adjustment
	—	—	10,234	10,234	Share of other comprehensive income of affiliated companies accounted for by the equity method
	—	—	—	36,019	Total of items that may be reclassified to profit or loss
Total other comprehensive income (loss)	60,833	—	7,464	68,297	Total other comprehensive income (net of tax)
Total comprehensive income (loss)	1,280,144	—	(5,148)	1,274,996	Total comprehensive income
					Comprehensive income attributable to
NTT	956,013	—	(5,711)	950,302	NTT
Non-controlling interests	324,131	—	563	324,694	Non-controlling interests

(i) Impairment Loss on Non-Financial Assets

As the method of implementing the goodwill impairment test differs between U.S. GAAP and IFRS, a difference emerges in the amount recognized as an impairment loss. The main difference is the implementation unit of the impairment test.

Under U.S. GAAP, goodwill impairment tests are required to be carried out for each reporting unit (business segment or the constituent unit one level lower), whereas under IFRS, impairment tests are required be carried out for each cash-generating unit or cash-generating unit group. When transitioning to IFRS, NTT Group divided certain reporting units into several cash generating units.

For goodwill, an impairment test was implemented as of the transition date to IFRS, without regard to whether there were indicators of an impairment loss.

The impact of this change is as follows.

	Millions of yen		
	As of Transition date to IFRS April 1, 2017	As of June 30, 2017	As of March 31, 2018
(Consolidated Statement of Financial Position)			
Goodwill	(74,972)	(74,195)	(88,019)
Other components of equity	1,454	921	(683)
Non-controlling interests	18,815	18,571	21,612
Increase(decrease) in adjustment to retained earnings	(54,703)	(54,703)	(67,090)

	Millions of yen	
	Three months ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Fiscal Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
(Consolidated Statement of Profit or Loss)		
Impairment losses	—	(15,360)
Increase(decrease) in adjustment to pretax income	—	(15,360)

(ii) Capitalization of Development Expenses

In order for them to fulfill the capitalization requirements under IFRS, certain development expenses that form part of R&D-related expenditure, which were recorded as expenses under U.S. GAAP, are recognized as assets in the consolidated statement of financial position and amortized using the straight line method over the estimated useful life.

The impact of this change is as follows.

	Millions of yen		
	As of Transition date to IFRS April 1, 2017	As of June 30, 2017	As of March 31, 2018
(Consolidated Statement of Financial Position)			
Property, plant and equipment	15,998	15,885	19,448
Intangible assets	1,985	2,284	3,069
Deferred tax liabilities	(5,605)	(5,639)	(7,011)
Other components of equity	39	18	11
Non-controlling interests	(697)	(777)	(1,007)
Increase(decrease) in adjustment to retained earnings	11,720	11,771	14,510

	Millions of yen	
	Three months ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Fiscal Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
(Consolidated Statement of Profit or Loss)		
Expenses for purchase of goods and services and other expenses	1,433	10,237
Depreciation and amortization	(1,269)	(5,529)
Fixed asset retirement	(29)	(241)
Increase(decrease) in adjustment to pretax income	135	4,467

(iii) Deemed Cost

In the application of IFRS, NTT Group applies the exemption provisions stipulated in IFRS 1, and for certain tangible fixed assets and investment property, uses the fair value as of the IFRS transition date as the deemed cost.

At the IFRS transition date, the previous carrying amount of tangible fixed assets and investment property using the deemed cost is ¥525,178 million, and the fair value is ¥413,281 million.

As a result of the above, at the IFRS transition date “tangible fixed assets” and “investment property” decrease by ¥66,353 million and ¥45,544 million, respectively, and the net difference of the adjustment, after deducting 34,789 million as an adjustment for deferred taxes, is included in “retained earnings” in the amount of ¥55,450 million and “non-controlling interests” in the amount of ¥21,658 million.

(iv) Revenues

With respect to the costs pertaining to the communications services provided in the Regional Communications Business, Long Distance and International Communications Business, and Mobile Communications Business, these costs were previously capitalized and amortized over the estimated average period of the subscription term, up to the amount of the non-recurring upfront fees, under U.S. GAAP, but under IFRS, the full amount of these respective costs will be capitalized. For this reason, part of the sales commissions and other charges that were previously treated as expenses will be recognized as additional assets. In addition, under U.S. GAAP, an allowance was made for points earned by customers in line with service usage, but under IFRS, part of the transaction consideration is recorded as contract liabilities and revenue is recognized when the points are used.

In the Mobile Communications Business, non-recurring upfront fees - the sum of income such as activation fees are deferred, and under U.S. GAAP, were recognized as revenues by type of service over the average expected period of subscription, under IFRS, these will be recognized over the period of provision of the monthly support services.

For cases in which the contract period is short and revenues are recognized as work progresses, and where the difference in the impact on financial position or results of operations is immaterial, or for cases in which it is difficult to make a reasonable estimate on the progress of the work, under U.S. GAAP, revenues were recognized upon completion of the contracted services, but under IFRS, revenues are recognized within the scope of the costs that arise.

The impact of these changes is as follows.

	Millions of yen		
	As of Transition Date IFRS April 1, 2017	As of June 30, 2017	As of March 31, 2018
(Consolidated Statement of Financial Position)			
Trade and other receivables	7	433	234
Inventories	(24,820)	(34,007)	(27,363)
Other current assets	6,844	13,121	4,784
Property, plant and equipment	—	(198)	(102)
Deferred tax assets	(55,776)	(51,501)	(46,542)
Other non-current assets	105,517	90,341	61,940
Trade and other payables	—	—	(908)
Other current liabilities	(123,295)	(121,654)	(128,301)
Other non-current liabilities	212,543	214,457	236,783
Non-controlling interests	(47,908)	(45,827)	(46,491)
Increase(decrease) in adjustment to retained earnings	73,112	65,165	54,034

	Millions of yen	
	Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Fiscal Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
(Consolidated Statement of Profit or Loss)		
Operating revenues	1,906	(32,357)
Personnel expenses	(4,421)	(5,473)
Expenses for purchase of goods and services and other expenses	(10,588)	10,202
Depreciation and amortization	(1,107)	(1,841)
Fixed asset retirement	(89)	(260)
Taxes and dues	(3)	(1)
Increase(decrease) in adjustment to pretax income	(14,302)	(29,730)

(v) Employee Benefits

Under U.S. GAAP, service cost, interest cost and expected return on plan assets associated with post-retirement benefits under the defined benefit plans were recognized as profit or loss. Of the actuarial gains (losses) and past service cost arising from the defined benefit plans, those that were not recognized as components of current net periodic pension cost recognized as other comprehensive income, which would be recognized later through profit or loss over a certain future period.

Under IFRS, on the other hand, current service cost and past service cost under the defined benefit plans are recognized as profit or loss, while net interest cost is recognized at an amount calculated by multiplying the net defined benefit liabilities (assets) by discount rates in as profit or loss. Remeasurement of the net defined benefit liabilities (assets) is recognized as other comprehensive income, which, upon its occurrence, is transferred directly from other components of equity to retained earnings, without going through profit or loss.

The Special Accounting Fund for the NTT CDBP is a social welfare pension scheme and is considered a multi-employer plan, and therefore contributions are recognized as expenses when contributions are required under U.S. GAAP. Under IFRS, on the other hand, although the scheme is a social welfare pension scheme, it is considered a defined benefit scheme, therefore the defined benefit obligations are recognized at the present value in the consolidated statement of financial position as defined benefit liabilities.

The impact of these changes is as follows.

	Millions of yen		
	As of Transition Date to IFRS April 1, 2017	As of June 30, 2017	As of March 31, 2018
(Consolidated Statement of Financial Position)			
Deferred tax assets	78,628	77,759	67,643
Other non-current assets	153	(5,409)	(453)
Defined benefit liabilities	(277,371)	(268,986)	(241,746)
Other components of equity	(197,121)	(195,394)	(175,688)
Non-controlling interests	(2,698)	(2,826)	(4,169)
Increase(decrease) in adjustment to retained earnings	(398,409)	(394,856)	(354,413)

	Millions of yen	
	Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)
(Consolidated Statement of Profit or Loss)		
Personnel expenses	5,793	20,746
Expenses for purchase of goods and services and other expenses	185	741
Increase(decrease) in adjustment to pretax income	5,978	21,487

(vi) Levies

Under U.S. GAAP, expenditure of levies such as real estate tax was expensed over the relevant accounting period. Under IFRS, however, the amounts of the expenditure is recognized as an expense in full at the time when payment obligation arises.

The impact of these changes are as follows.

	Millions of yen		
	As of Transition Date to IFRS April 1, 2017	As of June 30, 2017	As of March 31, 2018
(Consolidated Statement of Financial Position)			
Other current assets	—	(40,226)	—
Inventories	160	93	136
Deferred tax assets	41,563	31,265	40,505
Other current liabilities	(132,099)	(59,037)	(129,663)
Trade and other payables	(398)	—	(398)
Non-controlling interests	10,874	8,246	10,830
Increase(decrease) in adjustment to retained earnings	(79,900)	(59,659)	(78,590)

	Millions of yen	
	Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)
(Consolidated Statement of Profit or Loss)		
Taxes and dues	32,787	2,413
Increase(decrease) in adjustment to pretax income	32,787	2,413

(vii) Business Combinations

Under U.S. GAAP, with respect to the acquisition of noncontrolling equity interests in a subsidiary that occurred prior to March 31, 2009, the acquisition cost was allocated to identifiable assets acquired and liabilities assumed, which were measured based on estimated fair value, with the excess of the acquisition cost over the net assets acquired recognized as goodwill. With regard to individual investments acquired in stages, the accounting method described above is applied, and the cumulative amount of their acquisition values is then reflected. Under IFRS, changes in a parent's ownership interest in a subsidiary that do not result in a loss of the parent's control over the subsidiary are accounted for as capital transactions and with regard to individual investments acquired in stages, these are remeasured at fair value on the acquisition date entailing acquisition of control.

In addition, under U.S. GAAP, the non-controlling interest in the acquired company at the time of business combination is measured at fair value. Under IFRS, on the other hand, the non-controlling interest in the acquired company at the time of business combination can be measured, for each individual combination transaction, at fair value or by proportional share of the non-controlling interest in the acquired company's identifiable net assets.

The impact of these changes is as follows.

	Millions of yen		
	As of Transition Date to IFRS April 1, 2017	As of June 30, 2017	As of March 31, 2018
(Consolidated Statement of Financial Position)			
Property, plant and equipment	35,958	35,804	35,343
Investments accounted for using equity method	34,133	30,977	30,448
Goodwill	(384,201)	(384,661)	(384,584)
Intangible assets	(5,182)	(4,376)	(3,151)
Deferred tax assets	2,497	4,227	4,210
Deferred tax liabilities	1,734	1,481	1,099
Additional paid-in capital	260,796	260,796	266,166
Other components of equity	25,466	25,052	26,050
Non-controlling interests	70,932	73,702	68,029
Increase(decrease) in adjustment to retained earnings	42,133	43,002	43,610

	Millions of yen	
	Three Months Ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)
(Consolidated Statement of Profit or Loss)		
Expenses for purchase of goods and services and other expenses	3	12
Depreciation and amortization	649	1,404
Share of profit (loss) of entities accounted for using equity method	(402)	(2,697)
Increase(decrease) in adjustment to pretax income	250	(1,281)

(viii) Income Taxes and Other Taxes

With respect to future taxable temporary differences pertaining to investments in domestic subsidiaries, under U.S. GAAP, the stipulated tax method is a method whereby the recorded investment sum can be recovered free of tax, and except in cases where it can be forecast that the company will ultimately adopt that method, a deferred tax liability is recorded. Under IFRS, on the other hand, in cases where it is highly likely that the temporary difference will not be eliminated within a foreseeable period, future taxable temporary differences pertaining to investments in subsidiaries are not recorded as deferred tax liabilities.

In addition, under U.S. GAAP, deferred tax liabilities recognized for future taxable temporary differences pertaining to investments in affiliates are measured based on an elimination method for future taxable temporary differences in the case of sale of the investment.

Under IFRS, on the other hand, the deferred tax liabilities recognized for future taxable temporary differences pertaining to investments in affiliates are measured based on the most likely elimination method for future taxable temporary differences, such as recovery through dividends.

The impact of these changes is as follows. This impact on consolidated statements of income is immaterial and omitted.

	Millions of yen		
	As of Transition Date to IFRS April 1, 2017	As of June 30, 2017	As of March 31, 2018
(Consolidated Statement of Financial Position)			
Deferred tax liabilities	209,210	211,671	195,476
Additional paid-in capital	130,046	130,046	152,648
Other components of equity	(6,995)	(7,446)	(9,480)
Non-controlling interests	(9,539)	(9,766)	(11,409)
Increase(decrease) in adjustment to retained earnings	322,722	324,505	327,235

(ix) Put Options Granted to Non-Controlling Interests

Under U.S. GAAP, with respect to written put options on subsidiary shares granted to the holders of certain non-controlling interests, as redemption of the non-controlling interests was not solely in the control of NTT Group, the estimated redemption amount was considered as “Redeemable non-controlling interests” and was presented in between liabilities and equity in the consolidated balance sheets. Changes in the estimated redemption amount were recognized as changes in retained earnings.

Under IFRS, on the other hand, as a general rule, the present value of the redemption amount of these options is recognized at first as other financial liabilities, and an equivalent amount is deducted from additional paid-in capital. After this initial recognition, they are measured at amortized cost based on the effective interest rate method, and their ex-post facto change is recognized as additional paid-in capital.

The impact of this change is as follows.

	Millions of yen		
	As of Transition Date to IFRS April 1, 2017	As of June 30, 2017	As of March 31, 2018
(Consolidated Statement of Financial Position)			
Redeemable non-controlling interests	50,819	53,808	49,930
Other financial liabilities (current)	(21,906)	(22,736)	(26,343)
Other financial liabilities (non-current)	(57,724)	(60,569)	(28,775)
Non-controlling interests	(32,222)	(34,868)	(27,044)
Retained earnings	—	—	(4,778)
Increase(decrease) in adjustment to additional paid-in capital	(61,033)	(64,365)	(37,010)

The main adjustments to equity and comprehensive income other than (i) to (ix) above are as follows.

Under U.S. GAAP, where the fiscal year-end date of a subsidiary or affiliated company differs from that of the parent company, material events or transactions occurring within the different periods are disclosed in the notes or are adjusted directly in the consolidated financial statements.

Under IFRS, where the fiscal year-end date of a subsidiary or affiliated company and jointly controlled entity differs from that of the parent company, the fiscal year-end date is unified or additional financial statements are prepared on the parent company’s fiscal year-end date, except where doing so would be impractical. If unifying the fiscal year-end date or preparing additional financial statements is impractical, an adjustment is made for the material events or transactions occurring within the different periods.

As a result, at the transition date to IFRS and the close of the fiscal year ended March 31, 2018, retained earnings were ¥(687) million, ¥921 million and ¥(1,816) million, respectively. Other components of equity were ¥(9,118) million, ¥6,218 million and ¥(12,183) million, respectively, and non-controlling interests were ¥(2,464) million, ¥2,162 million and ¥(1,185) million, respectively.

(i) Presentation of Deferred Tax Assets and Deferred Tax Liabilities

Under U.S. GAAP, deferred tax assets and deferred tax liabilities at the transition date to IFRS (April 1, 2017) are shown as current assets and current liabilities, or as non-current assets and non-current liabilities, but under IFRS, current assets and current liabilities cannot be shown, and therefore they are all shown as non-current assets and non-current liabilities. At the end of the three months ended June 30, 2017 and the close of the fiscal year ended March 31, 2018, there was no difference in standard between U.S. GAAP and IFRS.

(ii) Classification of Financial Assets and Financial Liabilities

Under IFRS, other financial assets and other financial liabilities are presented as separate classifications, based on the rules of presentation.

(iii) Offsetting of Financial Assets and Financial Liabilities

Under U.S. GAAP, financial assets are shown offset against financial liabilities, provided that certain requirements are met, even if the right of offset is conditional. Under IFRS, however, financial assets are not shown offset against financial liabilities, except in situations in which an unconditional right of offset with legal force exists at the close of the reporting period, and either settlement is made in a net amount or the intention exists to settle liabilities at the same time as asset recovery.

(iv) Presentation of Operating Expenses

Under U.S. GAAP, “operating expenses” are presented based on the function of expense method, whereby expenses are classified as cost of sales, selling expenses, or other categories of expenses according to their function. Under IFRS, however, expenses are presented using the nature of expense method, whereby expenses are classified as personnel expenses, operating expenses, depreciation expenses, etc. according to their nature.

[Note]

This document is a translation of the Japanese original. The Japanese original is authoritative.

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..