

Financial Results Release

February 9, 2018

For the Nine Months Ended December 31, 2017

[U.S. GAAP]

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 : Hiroo Unoura, President and Chief Executive Officer
 Contact : Takashi Ameshima, Head of IR, Finance and Accounting Department / TEL +81-3-6838-5481
 Scheduled filing date of quarterly securities report : February 13, 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 Nine Months Ended December 31, 2017 (April 1, 2017 - December 31, 2017)

Amounts are rounded to the nearest million yen.

(1) Consolidated Results of Operations

(Millions of yen)

	Operating Revenues		Operating Income		Income before Income Taxes		Net Income Attributable to NTT	
Nine months ended December 31, 2017	8,722,036	4.3%	1,319,553	0.1%	1,441,310	10.3%	736,590	10.1%
Nine months ended December 31, 2016	8,360,497	(1.6)%	1,318,554	17.0%	1,307,197	16.6%	668,728	10.7%

Notes: 1. Comprehensive income (loss) attributable to NTT: For the nine months ended December 31, 2017: 811,781 million yen 38.0%
 For the nine months ended December 31, 2016: 588,306 million yen 12.3%

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
Nine months ended December 31, 2017	367.98 (yen)	- (yen)
Nine months ended December 31, 2016	325.64 (yen)	- (yen)

(2) Consolidated Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Total Equity	NTT Shareholders' Equity	Equity Ratio (Ratio of NTT Shareholders' Equity to Total Assets)	NTT Shareholders' Equity per Share
December 31, 2017	21,528,070	11,993,834	9,376,545	43.6%	4,736.86 (yen)
March 31, 2017	21,250,325	11,507,756	9,052,479	42.6%	4,491.73 (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, 2017	-	60.00 (yen)	-	60.00 (yen)	120.00 (yen)
Year Ending March 31, 2018	-	75.00 (yen)	-	-	-
Year Ending March 31, 2018 (Forecasts)	-	-	-	75.00 (yen)	150.00 (yen)

Note: Change in dividend forecasts during the nine months ended December 31, 2017: None

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 - March 31, 2018)

(Millions of yen, except per share amount)

	Operating Revenues		Operating Income		Income before Income Taxes		Net Income Attributable to NTT		Basic Earnings per Share Attributable to NTT
Year Ending March 31, 2018	11,750,000	3.2%	1,590,000	3.3%	1,695,000	10.9%	880,000	10.0%	440.00 (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, 2018 during the nine months ended December 31, 2017: None

***Notes:**

- (1) Change in significant consolidated subsidiaries during the nine months ended December 31, 2017 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):

December 31, 2017	: 2,096,394,470 shares
March 31, 2017	: 2,096,394,470 shares
 - ii. Number of shares of treasury stock:

December 31, 2017	: 116,908,131 shares
March 31, 2017	: 81,026,959 shares
 - iii. Weighted average number of shares outstanding:

For the nine months ended December 31, 2017	: 2,001,718,206 shares
For the nine months ended December 31, 2016	: 2,053,571,790 shares

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

* Explanation of earnings forecasts and other notes:

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, 2018, please refer to page 10.

On Friday, February 9, 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 nine months ended December 31, 2017, 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: Yes

Balance Sheet Classification of Deferred Taxes

On November 20, 2015, the FASB issued ASU2015-17 “Balance sheet classification of deferred taxes” which requires that all deferred tax liabilities and assets be classified as noncurrent on the balance sheet.

Effective April 1, 2017, NTT Group adopted this ASU prospectively and prior periods were not retrospectively adjusted.

Simplifying the Test for Goodwill Impairment

On January 26, 2017, the FASB issued ASU 2017-04 “Simplifying the Test for Goodwill Impairment,” which replaces the two-step goodwill impairment test with the one-step goodwill impairment test. The amendments in this update require that an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value.

The adoption of ASU 2017-04 would be permitted for goodwill impairment tests with measurement dates after January 1, 2017. NTT Group adopted this ASU for goodwill impairment test with measurement date on July 1, 2017.

Change in Fiscal Year End of Certain Subsidiaries

As of April 1, 2017, certain of NTT’s consolidated subsidiaries changed their fiscal year ends from December 31 or January 31 to March 31, thereby eliminating a three-month or two-month lag between their fiscal year ends and NTT’s fiscal year end in NTT’s quarterly consolidated financial statements. The elimination of this lag was applied as a change in accounting policy. NTT did not make any retrospective adjustments to its financial statements as these changes did not have a material impact on the consolidated financial statements for the nine months ended December 31, 2016 or the year ended March 31, 2017. As a result of this change, NTT’s retained earnings have increased by ¥964 million, and its accumulated other comprehensive income (loss) and noncontrolling interests have decreased by ¥3,351 million and ¥2,012 million, respectively, as of the beginning of the current fiscal year.

2. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

	Millions of yen		
	March 31, 2017	December 31, 2017	Increase (Decrease)
ASSETS			
Current assets:			
Cash and cash equivalents	¥925,213	¥766,581	¥(158,632)
Short-term investments	63,844	44,094	(19,750)
Notes and accounts receivable, trade	2,699,708	2,849,652	149,944
Allowance for doubtful accounts	(48,626)	(52,835)	(4,209)
Accounts receivable, other	505,145	658,418	153,273
Inventories	365,379	459,442	94,063
Prepaid expenses and other current assets	573,170	623,302	50,132
Deferred income taxes	228,590	—	(228,590)
Total current assets	5,312,423	5,348,654	36,231
Property, plant and equipment:			
Telecommunications equipment	11,046,115	10,991,048	(55,067)
Telecommunications service lines	16,064,732	14,144,223	(1,920,509)
Buildings and structures	6,147,869	6,236,623	88,754
Machinery, vessels and tools	2,032,389	2,118,915	86,526
Land	1,292,685	1,306,405	13,720
Construction in progress	421,819	475,577	53,758
	37,005,609	35,272,791	(1,732,818)
Accumulated depreciation	(27,286,588)	(25,565,588)	1,721,000
Net property, plant and equipment	9,719,021	9,707,203	(11,818)
Investments and other assets:			
Investments in affiliated companies	484,596	507,216	22,620
Marketable securities and other investments	495,290	552,254	56,964
Goodwill	1,314,645	1,355,737	41,092
Software	1,209,485	1,197,194	(12,291)
Other intangible assets	453,918	412,118	(41,800)
Other assets	1,492,076	1,558,670	66,594
Deferred income taxes	768,871	889,024	120,153
Total investments and other assets	6,218,881	6,472,213	253,332
Total assets	¥21,250,325	¥21,528,070	¥277,745

	Millions of yen		
	March 31, 2017	December 31, 2017	Increase (Decrease)
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings	¥227,207	¥377,194	¥149,987
Current portion of long-term debt	681,904	587,451	(94,453)
Accounts payable, trade	1,612,996	1,365,246	(247,750)
Current portion of obligations under capital leases	14,430	13,011	(1,419)
Accrued payroll	443,308	402,755	(40,553)
Accrued taxes on income	239,755	163,304	(76,451)
Accrued consumption tax	75,083	99,517	24,434
Advances received	324,342	389,937	65,595
Other	512,368	516,082	3,714
Total current liabilities	4,131,393	3,914,497	(216,896)
Long-term liabilities:			
Long-term debt (excluding current portion)	3,168,478	3,154,018	(14,460)
Obligations under capital leases (excluding current portion)	25,568	23,680	(1,888)
Liability for employees' retirement benefits	1,599,381	1,645,420	46,039
Accrued liabilities for point programs	103,047	102,115	(932)
Deferred income taxes	166,751	137,675	(29,076)
Other	497,132	504,835	7,703
Total long-term liabilities	5,560,357	5,567,743	7,386
Redeemable noncontrolling interests	50,819	51,996	1,177
Equity:			
NTT shareholders' equity			
Common stock, no par value	937,950	937,950	—
Additional paid-in capital	2,862,035	2,841,567	(20,468)
Retained earnings	5,626,155	6,092,304	466,149
Accumulated other comprehensive income (loss)	1,562	73,402	71,840
Treasury stock, at cost	(375,223)	(568,678)	(193,455)
Total NTT shareholders' equity	9,052,479	9,376,545	324,066
Noncontrolling interests	2,455,277	2,617,289	162,012
Total equity	11,507,756	11,993,834	486,078
Total liabilities and equity	¥21,250,325	¥21,528,070	¥277,745

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

NINE-MONTH PERIOD ENDED DECEMBER 31

Consolidated Statements of Income

	Millions of yen		
	2016	2017	Increase (Decrease)
Operating revenues:			
Fixed voice related services	¥919,161	¥858,886	¥(60,275)
Mobile voice related services	651,378	706,412	55,034
IP / packet communications services	2,842,376	2,860,996	18,620
Sale of telecommunications equipment	650,100	641,991	(8,109)
System integration	2,123,736	2,479,868	356,132
Other	1,173,746	1,173,883	137
	8,360,497	8,722,036	361,539
Operating expenses:			
Cost of services (excluding items shown separately below)	1,751,417	1,700,865	(50,552)
Cost of equipment sold (excluding items shown separately below)	654,772	675,388	20,616
Cost of system integration (excluding items shown separately below)	1,496,570	1,774,817	278,247
Depreciation and amortization	1,082,890	995,564	(87,326)
Impairment losses			
Goodwill	53,294	18,864	(34,430)
Metal cables	—	124,800	124,800
Other	12,698	744	(11,954)
Selling, general and administrative expenses	1,990,302	2,111,441	121,139
	7,041,943	7,402,483	360,540
Operating income	1,318,554	1,319,553	999
Other income (expenses):			
Interest and amortization of bond discounts and issue costs	(28,168)	(25,276)	2,892
Interest income	13,176	14,093	917
Income from arbitration award	—	147,646	147,646
Other, net	3,635	(14,706)	(18,341)
	(11,357)	121,757	133,114
Income before income taxes and equity in earnings (losses) of affiliated companies	1,307,197	1,441,310	134,113
Income tax expense (benefit):			
Current	369,479	421,822	52,343
Deferred	55,362	35,763	(19,599)
	424,841	457,585	32,744
Income before equity in earnings (losses) of affiliated companies	882,356	983,725	101,369
Equity in earnings (losses) of affiliated companies	14,247	12,050	(2,197)
Net income	896,603	995,775	99,172
Less – Net income attributable to noncontrolling interests	227,875	259,185	31,310
Net income attributable to NTT	¥668,728	¥736,590	¥67,862
Per share of common stock:			
Weighted average number of shares outstanding (Shares)	2,053,571,790	2,001,718,206	
Net income attributable to NTT (Yen)	¥325.64	¥367.98	

Consolidated Statements of Comprehensive Income

	Millions of yen		
	2016	2017	Increase (Decrease)
Net income	¥896,603	¥995,775	¥99,172
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on securities	1,117	42,466	41,349
Unrealized gain (loss) on derivative instruments	(2,415)	737	3,152
Foreign currency translation adjustments	(97,527)	61,778	159,305
Pension liability adjustments	8,173	5,670	(2,503)
Total other comprehensive income (loss)	(90,652)	110,651	201,303
Total comprehensive income (loss)	805,951	1,106,426	300,475
Less – Comprehensive income attributable to noncontrolling interests	217,645	294,645	77,000
Total comprehensive income (loss) attributable to NTT	¥588,306	¥811,781	¥223,475

(3) Going Concern Assumption

None

(4) NTT Shareholders' Equity

1. Dividends

Cash dividends paid during the nine months ended December 31, 2017 were as follows:

Resolution	The shareholders' meeting held on June 27, 2017
Class of shares	Common stock
Source of dividends	Retained earnings
Total cash dividends paid	¥120,922 million
Cash dividends per share	¥60
Record date	March 31, 2017
Date of payment	June 28, 2017

Resolution	The Board of Directors' meeting on November 10, 2017
Class of shares	Common stock
Source of dividends	Retained earnings
Total cash dividends declared	¥150,484 million
Cash dividends per share	¥75
Record date	September 30, 2017
Date of payment	December 11, 2017

2. Treasury stock

On December 12, 2016, the Board of Directors resolved that NTT may acquire up to 33 million shares of its outstanding common stock for an amount in total not exceeding ¥150 billion from December 13, 2016 through June 30, 2017. Based on this resolution, NTT repurchased 21,693,800 shares of its common stock for a total purchase price of ¥106,763 million between December 2016 and March 2017. NTT also repurchased 8,893,400 shares of its common stock for a total purchase price of ¥43,235 million in April 2017 and concluded the repurchase of its common stock authorized by Board of Directors' resolution.

On September 25, 2017, the Board of Directors resolved that NTT may acquire up to 30 million shares of its outstanding common stock for an amount in total not exceeding ¥150 billion from September 26, 2017 through March 31, 2018. NTT repurchased 26,946,400 shares of its common stock for a total purchase price of ¥150,000 million between October 2017 and December 2017, and concluded the repurchase of its common stock authorized by Board of Directors' resolution.

(5) Subsequent Events

NTT DOCOMO's repurchase of its common stock

On October 26, 2017, the Board of Directors of NTT DOCOMO resolved that NTT DOCOMO may acquire up to 120 million shares of its outstanding common stock for an amount in total not exceeding ¥300,000 million from October 27, 2017 through March 31, 2018.

On December 11, 2017, the Board of Directors of NTT DOCOMO resolved that NTT DOCOMO may acquire up to 93,248,787 shares of its outstanding common stock by way of tender offer at an amount in total not exceeding ¥250,000 million from December 12, 2017 through January 15, 2018. Based on this resolution, NTT DOCOMO repurchased 75,678,037 shares of its common stock at ¥202,893 million on February 6, 2018, 74,599,000 shares of which NTT sold back to NTT DOCOMO at ¥200,000 million. Due to NTT DOCOMO's repurchase transactions, NTT's ownership interest in NTT DOCOMO decreased from 66.7% to 66.0%. NTT expects to recognize the difference between the consideration paid to the non-controlling interest holders and the decrease in the carrying value of such non-controlling interests resulting from this transaction as an adjustment to "Additional paid-in capital" in the consolidated balance sheet as of March 31, 2018.

The Board of Directors of NTT DOCOMO also resolved that NTT DOCOMO may acquire up to 44,321,963 shares of its outstanding common stock* by way of repurchases on Tokyo Stock Exchange for an amount in total not exceeding ¥97,107 million* from the next business day following the expiration of the tender offer through March 31, 2018. NTT DOCOMO did not make repurchase by way of repurchases on the market in January 2018.

* The number of shares remaining after subtracting the number of shares acquired by way of tender offer from the maximum limit of 120 million shares and the amount remaining after subtracting the total amount used to repurchase the shares acquired by way of tender offer from the maximum limit of ¥300,000 million.

[Note]

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 Report on Form 20-F and other filings and submissions with the United States Securities and Exchange Commission.