

Financial Results Release

August 4, 2017

For the Three Months Ended June 30, 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 : August 7, 2017
 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, 2017 (April 1, 2017 - June 30, 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	
Three months ended June 30, 2017	2,809,782	3.4%	491,597	0.9%	496,233	11.2%	271,472	11.4%
Three months ended June 30, 2016	2,716,739	0.4%	487,395	35.9%	446,107	21.4%	243,628	26.1%

Notes: 1. Comprehensive income (loss) attributable to NTT: For the three months ended June 30, 2017: 278,685 million yen 81.0%

For the three months ended June 30, 2016: 153,977 million yen (9.2%)

2. Percentages above represent changes from the corresponding previous period.

	Basic Earnings per Share Attributable to NTT	Diluted Earnings per Share Attributable to NTT
Three months ended June 30, 2017	135.24 (yen)	— (yen)
Three months ended June 30, 2016	116.73 (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
June 30, 2017	21,216,993	11,637,394	9,162,335	43.2%	4,566.41 (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	-	-	-	-	-
Year Ending March 31, 2018 (Forecasts)	-	75.00 (yen)	-	75.00 (yen)	150.00 (yen)

Note: Change in dividend forecasts during the three months ended June 30, 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%	1,580,000	3.4%	830,000	3.7%	414.00 (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 three months ended June 30, 2017: None

***Notes:**

- (1) Change in significant consolidated subsidiaries during the three months ended June 30, 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):

June 30, 2017	:	2,096,394,470 shares
March 31, 2017	:	2,096,394,470 shares

ii. Number of shares of treasury stock:

June 30, 2017	:	89,930,196 shares
March 31, 2017	:	81,026,959 shares

iii. Weighted average number of shares outstanding:

For the three months ended June 30, 2017	:	2,007,361,528 shares
For the three months ended June 30, 2016	:	2,087,053,427 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 9.

On Friday, August 4, 2017, 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, 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.

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 three months ended June 30, 2016 or the year ended March 31, 2017. As a result of this change, NTT's retained earnings, accumulated other comprehensive income (loss) and noncontrolling interests have increased by ¥909 million, ¥484 million and ¥1,180 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	June 30, 2017	Increase (Decrease)
ASSETS			
Current assets:			
Cash and cash equivalents	¥925,213	¥961,325	¥36,112
Short-term investments	63,844	87,035	23,191
Notes and accounts receivable, trade	2,699,708	2,391,458	(308,250)
Allowance for doubtful accounts	(48,626)	(50,305)	(1,679)
Accounts receivable, other	505,145	576,483	71,338
Inventories	365,379	404,368	38,989
Prepaid expenses and other current assets	573,170	687,395	114,225
Deferred income taxes	228,590	—	(228,590)
Total current assets	5,312,423	5,057,759	(254,664)
Property, plant and equipment:			
Telecommunications equipment	11,046,115	11,014,159	(31,956)
Telecommunications service lines	16,064,732	16,102,470	37,738
Buildings and structures	6,147,869	6,191,397	43,528
Machinery, vessels and tools	2,032,389	2,078,270	45,881
Land	1,292,685	1,292,943	258
Construction in progress	421,819	452,510	30,691
	37,005,609	37,131,749	126,140
Accumulated depreciation	(27,286,588)	(27,406,862)	(120,274)
Net property, plant and equipment	9,719,021	9,724,887	5,866
Investments and other assets:			
Investments in affiliated companies	484,596	487,890	3,294
Marketable securities and other investments	495,290	499,208	3,918
Goodwill	1,314,645	1,317,887	3,242
Software	1,209,485	1,205,638	(3,847)
Other intangible assets	453,918	445,215	(8,703)
Other assets	1,492,076	1,508,162	16,086
Deferred income taxes	768,871	970,347	201,476
Total investments and other assets	6,218,881	6,434,347	215,466
Total assets	¥21,250,325	¥21,216,993	¥(33,332)

	Millions of yen		
	March 31, 2017	June 30, 2017	Increase (Decrease)
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings	¥227,207	¥256,899	¥29,692
Current portion of long-term debt	681,904	783,976	102,072
Accounts payable, trade	1,612,996	1,157,395	(455,601)
Current portion of obligations under capital leases	14,430	13,563	(867)
Accrued payroll	443,308	390,344	(52,964)
Accrued taxes on income	239,755	121,175	(118,580)
Accrued consumption tax	75,083	98,445	23,362
Advances received	324,342	354,604	30,262
Deposits received	66,518	379,847	313,329
Other	445,850	404,292	(41,558)
Total current liabilities	4,131,393	3,960,540	(170,853)
Long-term liabilities:			
Long-term debt (excluding current portion)	3,168,478	3,186,397	17,919
Obligations under capital leases (excluding current portion)	25,568	23,323	(2,245)
Liability for employees' retirement benefits	1,599,381	1,611,421	12,040
Accrued liabilities for point programs	103,047	89,425	(13,622)
Deferred income taxes	166,751	152,404	(14,347)
Other	497,132	502,281	5,149
Total long-term liabilities	5,560,357	5,565,251	4,894
Redeemable noncontrolling interests	50,819	53,808	2,989
Equity:			
NTT shareholders' equity			
Common stock, no par value	937,950	937,950	—
Additional paid-in capital	2,862,035	2,856,019	(6,016)
Retained earnings	5,626,155	5,777,614	151,459
Accumulated other comprehensive income (loss)	1,562	9,259	7,697
Treasury stock, at cost	(375,223)	(418,507)	(43,284)
Total NTT shareholders' equity	9,052,479	9,162,335	109,856
Noncontrolling interests	2,455,277	2,475,059	19,782
Total equity	11,507,756	11,637,394	129,638
Total liabilities and equity	¥21,250,325	¥21,216,993	¥(33,332)

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

THREE-MONTH PERIOD ENDED JUNE 30

Consolidated Statements of Income

	Millions of yen		
	2016	2017	Increase (Decrease)
Operating revenues:			
Fixed voice related services	¥311,770	¥290,200	¥(21,570)
Mobile voice related services	212,977	228,736	15,759
IP / packet communications services	948,049	949,165	1,116
Sale of telecommunications equipment	186,716	173,417	(13,299)
System integration	688,310	782,506	94,196
Other	368,917	385,758	16,841
	<u>2,716,739</u>	<u>2,809,782</u>	<u>93,043</u>
Operating expenses:			
Cost of services (exclusive of items shown separately below)	547,254	554,873	7,619
Cost of equipment sold (exclusive of items shown separately below)	175,266	184,529	9,263
Cost of system integration (exclusive of items shown separately below)	501,733	561,091	59,358
Depreciation and amortization	359,198	332,278	(26,920)
Impairment losses	379	—	(379)
Selling, general and administrative expenses	645,514	685,414	39,900
	<u>2,229,344</u>	<u>2,318,185</u>	<u>88,841</u>
Operating income	<u>487,395</u>	<u>491,597</u>	<u>4,202</u>
Other income (expenses):			
Interest and amortization of bond discounts and issue costs	(10,006)	(8,329)	1,677
Interest income	4,332	4,577	245
Other, net	(35,614)	8,388	44,002
	<u>(41,288)</u>	<u>4,636</u>	<u>45,924</u>
Income before income taxes and equity in earnings (losses) of affiliated companies	<u>446,107</u>	<u>496,233</u>	<u>50,126</u>
Income tax expense (benefit):			
Current	129,311	156,776	27,465
Deferred	9,614	(4,378)	(13,992)
	<u>138,925</u>	<u>152,398</u>	<u>13,473</u>
Income before equity in earnings (losses) of affiliated companies	<u>307,182</u>	<u>343,835</u>	<u>36,653</u>
Equity in earnings (losses) of affiliated companies	4,613	3,571	(1,042)
Net income	<u>311,795</u>	<u>347,406</u>	<u>35,611</u>
Less – Net income attributable to noncontrolling interests	68,167	75,934	7,767
Net income attributable to NTT	<u>¥243,628</u>	<u>¥271,472</u>	<u>¥27,844</u>
Per share of common stock:			
Weighted average number of shares outstanding (Shares)	2,087,053,427	2,007,361,528	
Net income attributable to NTT (Yen)	¥116.73	¥135.24	

Consolidated Statements of Comprehensive Income

	Millions of yen		
	2016	2017	Increase (Decrease)
Net income	¥311,795	¥347,406	¥35,611
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on securities	(14,702)	4,123	18,825
Unrealized gain (loss) on derivative instruments	3,378	2,665	(713)
Foreign currency translation adjustments	(100,780)	1,782	102,562
Pension liability adjustments	2,576	2,093	(483)
Total other comprehensive income (loss)	(109,528)	10,663	120,191
Total comprehensive income (loss)	202,267	358,069	155,802
Less – Comprehensive income attributable to noncontrolling interests	48,290	79,384	31,094
Total comprehensive income (loss) attributable to NTT	¥153,977	¥278,685	¥124,708

(3) Going Concern Assumption

None

(4) NTT Shareholders' Equity

1. Dividends

Cash dividends paid

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

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.

(5) Subsequent Events

None

[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.