

Financial Results Release

For the Three Months Ended June 30, 2016

August 5, 2016

[U.S. GAAP]

Name of registrant : Nippon Telegraph and Telephone Corporation ("NTT")
 Code No. : 9432 (URL <http://www.ntt.co.jp/ir/>)
 Stock exchanges on which the Company's shares are listed : Tokyo
 Representative : Hiroo Unoura, President and Chief Executive Officer
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 Scheduled filing date of quarterly securities report : August 8, 2016
 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, 2016 (April 1, 2016 - June 30, 2016)

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, 2016	2,716,739	0.4%	487,395	35.9%	446,107	21.4%	243,628	26.1%
Three months ended June 30, 2015	2,706,457	2.5%	358,757	20.4%	367,380	20.0%	193,173	29.7%

Note: 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, 2016	116.73 (yen)	- (yen)
Three months ended June 30, 2015	91.24 (yen)	- (yen)

Notes: 1. Comprehensive income (loss) attributable to NTT: For the three months ended June 30, 2016: 153,977 million yen (9.2%)
 For the three months ended June 30, 2015: 169,653 million yen 35.4%

2. NTT conducted a two-for-one stock split of its common stock, with an effective date of July 1, 2015. The figures for Basic Earnings per Share Attributable to NTT have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

(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, 2016	20,358,745	10,948,707	8,587,003	42.2%	4,215.32 (yen)
March 31, 2016	21,035,931	11,240,082	8,833,806	42.0%	4,214.32 (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, 2016	-	50.00 (yen)	-	60.00 (yen)	110.00 (yen)
Year Ending March 31, 2017	-	-	-	-	-
Year Ending March 31, 2017 (Forecasts)	-	60.00 (yen)	-	60.00 (yen)	120.00 (yen)

Note: Change in dividend forecasts during the three months ended June 30, 2016: None

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2017 (April 1, 2016 - March 31, 2017)

(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, 2017	11,450,000	(0.8%)	1,430,000	6.1%	1,410,000	6.1%	750,000	1.7%	363.00	(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, 2017 during the three months ended June 30, 2016: None

***Notes:**

- (1) Change in significant consolidated subsidiaries during the three months ended June 30, 2016 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: None
 - ii. Other change: Yes
(For further details, please see “Others” on page 8.)
- (4) Number of shares outstanding (common stock)

i. Number of shares outstanding (including treasury stock):

June 30, 2016	: 2,096,394,470 shares
March 31, 2016	: 2,096,394,470 shares

ii. Number of shares of treasury stock:

June 30, 2016	: 59,298,967 shares
March 31, 2016	: 255,269 shares

iii. Weighted average number of shares outstanding:

For the three months ended June 30, 2016	: 2,087,053,427 shares
For the three months ended June 30, 2015	: 2,117,192,084 shares

Note: NTT conducted a two-for-one stock split of its common stock, with an effective date of July 1, 2015. The figures for “Number of shares outstanding (common stock)” have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

* Presentation on the status of quarterly review process:

This earnings release is not subject to the quarterly review process as required by the Financial Instruments and Exchange Act of Japan. As of the date of issuance of this earnings release, the review process on quarterly financial statements required by the Financial Instruments and Exchange Act is still ongoing.

* 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, 2017, please refer to pages 7 and 20.

On Friday, August 5, 2016, 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. Qualitative Information

(1) Qualitative Information Relating to Consolidated Business Results

i. Consolidated results

Three-Month Period Ended June 30, 2016 (April 1, 2016 – June 30, 2016)

	(Billions of yen)			
	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016	Change	Percent Change
Operating revenues	2,706.5	2,716.7	10.3	0.4%
Operating expenses	2,347.7	2,229.3	(118.4)	(5.0)%
Operating income	358.8	487.4	128.6	35.9%
Income before income taxes and equity in earnings (losses) of affiliated companies	367.4	446.1	78.7	21.4%
Net income attributable to NTT	193.2	243.6	50.5	26.1%

During the three months ended June 30, 2016, pursuant to its Medium-Term Management Strategy, adopted in May 2015, entitled “Towards the Next Stage 2.0,” NTT implemented measures to embark on a profit growth track by accelerating its self-transformation towards becoming a “Value Partner.”

<Efforts to Expand NTT’s Global Business and Increase Profit Generation>

NTT Group seeks to expand and establish its global business as a cornerstone of its business operations and to accelerate profit generation through the following initiatives.

Specifically, NTT Group promoted cross-selling through collaboration among its group companies, including businesses related to global networks, cloud migration, and IT outsourcing, and received orders from companies in the transportation and finance industries and other industries.

In order to provide security services globally, NTT established NTT Security Corporation, which aggregates the specialized security expertise of NTT Com Security, Solutionary, Dimension Data, NTT Innovation Institute and NTT Communications.

Furthermore, each NTT Group Company has been resolutely engaged in optimizing services and operations and reducing procurement costs by continuously implementing cost reduction measures.

In addition, in order to support the above measures, NTT Group aims to strengthen its group governance and risk management, by increasing the transparency of information regarding group management, further unifying group accounting standards and practices, bolstering cash management, and enhancing collaboration within NTT Group’s global subsidiaries.

<Efforts to Optimize Domestic Network Businesses and Enhance Profitability>

NTT Group aimed to enhance profit generation of its domestic network businesses by optimizing capital investments and reducing costs. With regard to optimizing capital investments, NTT worked to improve the efficiency of its facility use and reduce procurement costs, in addition to simplifying and streamlining its network systems. A project team formed last year is in the process of reviewing various topics and initiatives aimed at generating profits.

In the regional communications business segment, NTT promoted initiatives for its “Hikari Collaboration Model” and subscriptions for Hikari access services for the “Hikari Collaboration Model” reached over 5.0 million. In the mobile communications business segment, NTT worked to enhance profitability by promoting the sales of its “Kake-hodai &Pake-aeru” billing plan through the further expansion of “Zutto DOCOMO Discount” and as a result of strengthened sales promotion, reaching over 31.0 million subscriptions. Through the above efforts, NTT worked to reduce costs beginning with controlling marketing costs.

<Efforts to Achieve Sustainable Growth >

The Japanese government has been developing and implementing a variety of policies centered on the 2020 Tokyo Olympic and Paralympic Games and the Japanese government’s “Vitalization of Local Economies” initiative. NTT Group plans to make use of these opportunities to accelerate migration to the B2B2X model and strengthen measures aimed at creating services that will become the standards of the next generation.

Specifically, NTT entered into a partnership agreement with Kubota Corporation (“Kubota”) through which Kubota’s infrastructure solutions for agriculture and water management capabilities will be combined with NTT’s research and development capabilities and with each NTT Group company’s ICT services, with the goal of new value creation.

In addition, NTT promoted initiatives towards the realization of “Vitalization of Local Economies” through ICT use by, among other things, launching “Iida Cable Television & FLET’S Hikari” and entering into a “Collaboration and Cooperation Framework Agreement” with Ehime Prefecture and Matsuyama City.

As a result of these efforts, NTT Group’s consolidated operating revenues for the three-month period ended June 30, 2016 were ¥2,716.7 billion (an increase of 0.4% from the same period of the previous fiscal year), consolidated operating expenses were ¥2,229.3 billion (a decrease of 5.0% from the same period of the previous fiscal year), consolidated operating income was ¥487.4 billion (an increase of 35.9% from the same period of the previous fiscal year), consolidated income before income taxes and equity in earnings (losses) of affiliated companies was ¥446.1 billion (an increase of 21.4% from the same period of the previous fiscal year), and net income attributable to NTT was ¥243.6 billion (an increase of 26.1% from the same period of the previous fiscal year).

Notes: (1) The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States.

(2) NTT, NTT East, NTT West, NTT Communications, and NTT DOCOMO are Gold Partners (Telecommunications Services) of the Tokyo 2020 Olympic and Paralympic Games.

ii. Segment results

Results by business segment are as follows.

Regional Communications Business Segment

Three-Month Period Ended June 30, 2016 (April 1, 2016 – June 30, 2016)

	(Billions of yen)			
	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016	Change	Percent Change
Operating revenues	836.5	802.9	(33.6)	(4.0)%
Operating expenses	765.4	675.1	(90.3)	(11.8)%
Operating income	71.1	127.8	56.7	79.7%

Operating revenues in the regional communications business segment for the three-month period ended June 30, 2016 decreased 4.0% from the same period of the previous fiscal year to ¥802.9 billion due to, among other things, a decrease in fixed voice-related revenues. On the other hand, operating expenses for the three-month period ended June 30, 2016 decreased 11.8% from the same period of the previous fiscal year to ¥675.1 billion due to efforts to streamline operating expenses, particularly with respect to sales-related expenses in connection with the expansion of the “Hikari Collaboration Model,” in addition to the effect of the change in the depreciation method of property, plant and equipment, among other factors. As a result, segment operating income for the three-month period ended June 30, 2016 increased 79.7% from the same period of the previous fiscal year to ¥127.8 billion.

Number of subscriptions

	(Thousands of subscriptions)			
	As of March 31, 2016	As of June 30, 2016	Change	Percent Change
FLET’S Hikari (including Hikari Collaboration Model) ⁽¹⁾	19,259	19,520	261	1.4%
NTT East	10,666	10,839	173	1.6%
NTT West	8,593	8,681	88	1.0%
Hikari Collaboration Model	4,691	5,912	1,221	26.0%
NTT East	3,077	3,781	705	22.9%
NTT West	1,615	2,131	516	32.0%
Hikari Denwa ⁽²⁾	17,374	17,451	77	0.4%
NTT East	9,123	9,180	58	0.6%
NTT West	8,252	8,271	19	0.2%

Notes:

- (1) Number of FLET'S Hikari (including Hikari Collaboration Model) subscribers includes subscribers to "B FLET'S," "FLET'S Hikari Next," "FLET'S Hikari Light," "FLET'S Hikari Lightplus" and "FLET'S Hikari WiFi Access" provided by NTT East, subscribers to "B FLET'S," "FLET'S Hikari Premium," "FLET'S Hikari Mytown," "FLET'S Hikari Next," "FLET'S Hikari Light" and "FLET'S Hikari WiFi Access" provided by NTT West, and subscribers to the "Hikari Collaboration Model," the wholesale provision of services by NTT East and NTT West to service providers.
- (2) Figures for "Hikari Denwa" indicate the number of channels (in thousands), and include wholesale services provided by NTT East and NTT West to service providers.

Long Distance and International Communications Business Segment

Three-Month Period Ended June 30, 2016 (April 1, 2016 – June 30, 2016)

	(Billions of yen)			
	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016	Change	Percent Change
Operating revenues	518.1	519.0	0.9	0.2%
Operating expenses	496.9	492.0	(4.9)	(1.0)%
Operating income	21.2	27.0	5.8	27.3%

Operating revenues in the long-distance and international communications business segment for the three-month period ended June 30, 2016 increased 0.2% from the same period of the previous fiscal year to ¥519.0 billion. This increase was due to, among other things, an increase in IP/packet communications revenues due to the expansion of "OCN Hikari" and other services, partially offset by a decrease in fixed voice-related revenues and the impact of exchange rate fluctuations on NTT's overseas businesses. Furthermore, operating expenses for the three-month period ended June 30, 2016 decreased 1.0% from the same period of the previous fiscal year to ¥492.0 billion primarily due to the streamlining of sales-related expenses, among other things. As a result, segment operating income for the three-month period ended June 30, 2016 increased 27.3% from the same period of the previous fiscal year to ¥27.0 billion.

Mobile Communications Business Segment

Three-Month Period Ended June 30, 2016 (April 1, 2016 – June 30, 2016)

	(Billions of yen)			
	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016	Change	Percent Change
Operating revenues	1,076.9	1,108.7	31.8	3.0%
Operating expenses	842.2	810.4	(31.8)	(3.8)%
Operating income	234.7	298.3	63.6	27.1%

Despite a decline in revenues from sales of equipment, operating revenues for the mobile communications business segment for the three-month period ended June 30, 2016 increased 3.0% from the same period of the previous fiscal year to ¥1,108.7 billion due to a recovery in IP/packet communications revenues resulting from an increase in the number of subscribers to "Kake-hodai & Pake-aeru" and "docomo Hikari," as well as an increase in revenues from "dmarket" services and from the Smart Life area. On the other hand, despite an increase in revenue-linked expenses in the "docomo Hikari" and Smart Life areas, operating expenses for the three-month period ended June 30, 2016 decreased 3.8% from the same period of the previous fiscal year to ¥810.4 billion due to a decrease in depreciation expense resulting from the change of the depreciation method of property, plant and equipment, a decrease in the cost of equipment sold and efforts to streamline costs. As a result, segment operating income for the three-month period ended June 30, 2016 increased 27.1% from the same period of the previous fiscal year to ¥298.3 billion.

Number of subscriptions

	(Thousands of subscriptions)			
	As of March 31, 2016	As of June 30, 2016	Change	Percent Change
Mobile phone services	70,964	71,614	650	0.9%
"Kake-hodai & Pake-aeru" billing plan	29,704	31,586	1,882	6.3%
LTE(Xi) services	38,679	39,893	1,214	3.1%
FOMA services	32,285	31,721	(564)	(1.7)%

Notes:

The number of Mobile phone services subscribers (including LTE (Xi) and FOMA services) includes subscriptions to communication module services.

Data Communications Business Segment

Three-Month Period Ended June 30, 2016 (April 1, 2016 – June 30, 2016)

	(Billions of yen)			
	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016	Change	Percent Change
Operating revenues	360.2	373.5	13.2	3.7%
Operating expenses	341.4	351.6	10.2	3.0%
Operating income	18.9	21.9	3.0	16.0%

Despite the impact of exchange rate fluctuations on NTT's overseas businesses, operating revenues in the data communications business segment for the three-month period ended June 30, 2016 increased 3.7% from the same period of the previous fiscal year to ¥373.5 billion due to, among other things, expansion of NTT's domestic businesses. On the other hand, operating expenses for the three-month period ended June 30, 2016 increased 3.0% from the same period of the previous fiscal year to ¥351.6 billion due to, among other things, an increase in revenue-linked expenses. As a result, segment operating income for the three-month period ended June 30, 2016 increased 16.0% from the same period of the previous fiscal year to ¥21.9 billion.

Other Business Segment

Three-Month Period Ended June 30, 2016 (April 1, 2016 – June 30, 2016)

	(Billions of yen)			
	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016	Change	Percent Change
Operating revenues	267.1	272.1	5.0	1.9%
Operating expenses	256.8	259.8	3.0	1.2%
Operating income	10.4	12.3	2.0	19.1%

Operating revenues in the other business segment for the three-month period ended June 30, 2016 increased 1.9% from the same period of the previous fiscal year to ¥272.1 billion due to an increase in revenues of NTT Group's real estate business, among other things. On the other hand, operating expenses for the three-month period ended June 30, 2016 increased 1.2% from the same period of the previous fiscal year to ¥259.8 billion due to, among other things, an increase in revenue-linked expenses. As a result, segment operating income for the three-month period ended June 30, 2016 increased 19.1% from the same period of the previous fiscal year to ¥12.3 billion.

(2) Qualitative Information Relating to Consolidated Financial Position

Net cash provided by operating activities for the three-month period ended June 30, 2016 increased ¥38.3 billion (7.6%) from the same period of the previous fiscal year to ¥539.1 billion. This increase was due to, among other factors, an increase in operating income.

Net cash used in investing activities decreased ¥108.4 billion (18.4%) from the same period of the previous fiscal year to ¥481.7 billion. This decrease was due to, among other factors, a decrease in capital investments.

Net cash used in financing activities increased ¥467.8 billion (223.6%) from the same period of the previous fiscal year to ¥258.6 billion. This increase was due to, among other factors, an increase in stock repurchases by NTT and an increase in stock repurchases by NTT's subsidiaries.

As a result of the above, NTT Group's consolidated cash and cash equivalents as of June 30, 2016 totaled ¥869.8 billion, a decrease of ¥218.5 billion (20.1%) from the end of the previous fiscal year.

	(Billions of yen)			
	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016	Change	Percent Change
Cash flows provided by operating activities	500.9	539.1	38.3	7.6%
Cash flows used in investing activities	(590.1)	(481.7)	108.4	18.4%
Cash flows provided by (used in) financing activities	209.2	(258.6)	(467.8)	(223.6)%

(3) Qualitative Information Relating to Consolidated Results Forecasts

There are no changes to the consolidated results forecasts for the fiscal year ending March 31, 2017 announced on May 13, 2016. NTT manages its business results on an annual basis, and does not prepare consolidated results forecasts for the six months ending September 30, 2016. For the assumptions used in the consolidated results forecasts and other related matters, please see page 20.

2. Others

- (1) Change in significant consolidated subsidiaries during the three months ended June 30, 2016, 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

Change in depreciation method

NTT and its subsidiaries in Japan traditionally used the declining-balance method for calculating depreciation of property, plant, and equipment. Effective April 1, 2016, NTT and its subsidiaries adopted the straight-line method of depreciation.

As NTT Group plans to complete the expansion of its service areas for fiber-optic services and LTE services in the network business, it has been shifting the focus of its capital investments to improving the efficiency in using facilities while maintaining the current functionality. With respect to network services, NTT has started providing the "Hikari Collaboration Model," the wholesale provision of fiber-optic access services, which can be used by customers of both fixed-line communications services and mobile communications services in the long-term. Through these efforts, NTT expects the stable usage of property, plant, and equipment going forward.

For these reasons, NTT believes that the straight-line depreciation method better reflects the pattern of consumption of the future benefits to be derived from those assets being depreciated.

The effects of the change in the depreciation method is recognized prospectively as a change in the accounting estimate pursuant to FASB ASC-250, "Accounting Changes and Error Corrections."

In line with the change in the depreciation method, NTT reviewed the residual carrying amount of property, plant, and equipment and other necessary items and made changes where necessary.

As a result of the change in the depreciation method, depreciation expenses on a consolidated basis for the three-month period ended June 30, 2016 decreased by ¥63,624 million. Consolidated net income attributable to NTT and consolidated basic net income attributable to NTT per share for the three-month period ended June 30, 2016 increased by ¥36,044 million and ¥17.27, respectively.

Change in Fiscal Year End of Certain Subsidiaries

As of April 1, 2016, certain of NTT's consolidated subsidiaries changed their fiscal year ends from December 31 to March 31, thereby eliminating a three-month discrepancy between their fiscal year ends and NTT's fiscal year end in NTT's quarterly financial statements. The elimination of this discrepancy 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, 2015 or the year ended March 31, 2016. As a result of this change, NTT's retained earnings, accumulated other comprehensive income (loss) and noncontrolling interests have decreased by ¥214 million, ¥1,454 million and ¥1,408 million, respectively, in each case as of the beginning of the current fiscal year. In addition, the change in cash and cash equivalents resulting from this change in fiscal year end is presented in the consolidated statements of cash flows under "Increase (decrease) in cash and cash equivalents due to change in fiscal year end of consolidated subsidiaries."

3. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

	Millions of yen		
	March 31, 2016	June 30, 2016	Increase (Decrease)
ASSETS			
Current assets:			
Cash and cash equivalents	¥1,088,275	¥869,812	¥(218,463)
Short-term investments	33,076	33,125	49
Notes and accounts receivable, trade	2,733,116	2,360,594	(372,522)
Allowance for doubtful accounts	(45,236)	(50,313)	(5,077)
Accounts receivable, other	473,192	503,151	29,959
Inventories	414,581	445,055	30,474
Prepaid expenses and other current assets	469,529	591,866	122,337
Deferred income taxes	260,446	259,854	(592)
Total current assets	5,426,979	5,013,144	(413,835)
Property, plant and equipment:			
Telecommunications equipment	11,586,812	11,523,329	(63,483)
Telecommunications service lines	15,870,097	15,903,387	33,290
Buildings and structures	6,069,437	6,073,637	4,200
Machinery, vessels and tools	1,996,898	1,984,417	(12,481)
Land	1,273,209	1,272,546	(663)
Construction in progress	382,196	373,088	(9,108)
	37,178,649	37,130,404	(48,245)
Accumulated depreciation	(27,626,728)	(27,663,667)	(36,939)
Net property, plant and equipment	9,551,921	9,466,737	(85,184)
Investments and other assets:			
Investments in affiliated companies	515,716	496,517	(19,199)
Marketable securities and other investments	474,247	454,003	(20,244)
Goodwill	1,229,208	1,173,145	(56,063)
Software	1,212,482	1,184,496	(27,986)
Other intangible assets	391,977	367,426	(24,551)
Other assets	1,486,840	1,449,692	(37,148)
Deferred income taxes	746,561	753,585	7,024
Total investments and other assets	6,057,031	5,878,864	(178,167)
Total assets	¥21,035,931	¥20,358,745	¥(677,186)

	Millions of yen		
	March 31, 2016	June 30, 2016	Increase (Decrease)
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings	¥129,656	¥454,426	¥324,770
Current portion of long-term debt	476,777	430,095	(46,682)
Accounts payable, trade	1,572,797	1,052,904	(519,893)
Current portion of obligations under capital leases	14,711	14,584	(127)
Accrued payroll	430,248	360,133	(70,115)
Accrued taxes on income	249,356	106,150	(143,206)
Accrued consumption tax	83,481	98,435	14,954
Advances received	290,132	322,876	32,744
Deposit received	62,307	175,449	113,142
Other	431,663	445,224	13,561
Total current liabilities	3,741,128	3,460,276	(280,852)
Long-term liabilities:			
Long-term debt (excluding current portion)	3,546,203	3,441,578	(104,625)
Obligations under capital leases (excluding current portion)	27,630	26,837	(793)
Liability for employees' retirement benefits	1,688,611	1,697,403	8,792
Accrued liabilities for point programs	89,003	80,574	(8,429)
Deferred income taxes	166,547	161,849	(4,698)
Other	491,630	498,834	7,204
Total long-term liabilities	6,009,624	5,907,075	(102,549)
Redeemable noncontrolling interests	45,097	42,687	(2,410)
Equity:			
NTT shareholders' equity			
Common stock, no par value	937,950	937,950	—
Additional paid-in capital	2,879,560	2,873,627	(5,933)
Retained earnings	5,074,234	5,191,880	117,646
Accumulated other comprehensive income (loss)	(57,055)	(148,160)	(91,105)
Treasury stock, at cost	(883)	(268,294)	(267,411)
Total NTT shareholders' equity	8,833,806	8,587,003	(246,803)
Noncontrolling interests	2,406,276	2,361,704	(44,572)
Total equity	11,240,082	10,948,707	(291,375)
Total liabilities and equity	¥21,035,931	¥20,358,745	¥(677,186)

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

THREE-MONTH PERIOD ENDED JUNE 30

Consolidated Statements of Income

	Millions of yen		
	2015	2016	Increase (Decrease)
Operating revenues:			
Fixed voice related services	¥336,376	¥311,770	¥(24,606)
Mobile voice related services	193,130	212,977	19,847
IP / packet communications services	933,708	948,049	14,341
Sale of telecommunications equipment	223,758	186,716	(37,042)
System integration	673,043	688,310	15,267
Other	346,442	368,917	22,475
	<u>2,706,457</u>	<u>2,716,739</u>	<u>10,282</u>
Operating expenses:			
Cost of services (exclusive of items shown separately below)	556,044	547,254	(8,790)
Cost of equipment sold (exclusive of items shown separately below)	196,612	175,266	(21,346)
Cost of system integration (exclusive of items shown separately below)	475,755	501,733	25,978
Depreciation and amortization	432,575	359,198	(73,377)
Impairment loss	31	379	348
Selling, general and administrative expenses	686,683	645,514	(41,169)
	<u>2,347,700</u>	<u>2,229,344</u>	<u>(118,356)</u>
Operating income	<u>358,757</u>	<u>487,395</u>	<u>128,638</u>
Other income (expenses):			
Interest and amortization of bond discounts and issue costs	(10,978)	(10,006)	972
Interest income	4,365	4,332	(33)
Other, net	15,236	(35,614)	(50,850)
	<u>8,623</u>	<u>(41,288)</u>	<u>(49,911)</u>
Income before income taxes and equity in earnings (losses) of affiliated companies	<u>367,380</u>	<u>446,107</u>	<u>78,727</u>
Income tax expense (benefit):			
Current	112,106	129,311	17,205
Deferred	4,488	9,614	5,126
	<u>116,594</u>	<u>138,925</u>	<u>22,331</u>
Income before equity in earnings (losses) of affiliated companies	<u>250,786</u>	<u>307,182</u>	<u>56,396</u>
Equity in earnings (losses) of affiliated companies	4,311	4,613	302
Net income	<u>255,097</u>	<u>311,795</u>	<u>56,698</u>
Less – Net income attributable to noncontrolling interests	61,924	68,167	6,243
Net income attributable to NTT	<u>¥193,173</u>	<u>¥243,628</u>	<u>¥50,455</u>
Per share of common stock*:			
Weighted average number of shares outstanding (Shares)	2,117,192,084	2,087,053,427	
Net income attributable to NTT (Yen)	¥91.24	¥116.73	

* "Per share of common stock" figures for the three months ended June 30, 2015 have been adjusted to reflect the two-for-one stock split carried out on July 1, 2015.

Consolidated Statements of Comprehensive Income

	Millions of yen		
	2015	2016	Increase (Decrease)
Net income	¥255,097	¥311,795	¥56,698
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on securities	(1,941)	(14,702)	(12,761)
Unrealized gain (loss) on derivative instruments	402	3,378	2,976
Foreign currency translation adjustments	(28,285)	(100,780)	(72,495)
Pension liability adjustments	507	2,576	2,069
Total other comprehensive income (loss)	(29,317)	(109,528)	(80,211)
Total comprehensive income (loss)	225,780	202,267	(23,513)
Less – Comprehensive income attributable to noncontrolling interests	56,127	48,290	(7,837)
Total comprehensive income (loss) attributable to NTT	¥169,653	¥153,977	¥(15,676)

(3) Consolidated Statements of Cash Flows

THREE-MONTH PERIOD ENDED JUNE 30

	Millions of yen		
	2015	2016	Increase (Decrease)
Cash flows from operating activities:			
Net income	¥255,097	¥311,795	¥56,698
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	432,575	359,198	(73,377)
Impairment losses	31	379	348
Deferred taxes	4,488	9,614	5,126
Losses on disposals of property, plant and equipment	16,867	12,927	(3,940)
Gains on sales of property, plant and equipment	(4,143)	(13,702)	(9,559)
Equity in (earnings) losses of affiliated companies	(4,311)	(4,613)	(302)
(Increase) decrease in notes and accounts receivable, trade	282,118	339,787	57,669
(Increase) decrease in inventories	(60,590)	(39,868)	20,722
(Increase) decrease in other current assets	(121,967)	(144,210)	(22,243)
Increase (decrease) in accounts payable, trade and accrued payroll	(331,187)	(365,518)	(34,331)
Increase (decrease) in accrued consumption tax	(54,783)	17,146	71,929
Increase (decrease) in advances received	62,040	38,083	(23,957)
Increase (decrease) in accrued taxes on income	(19,771)	(141,796)	(122,025)
Increase (decrease) in other current liabilities	60,120	80,372	20,252
Increase (decrease) in liability for employees' retirement benefits	13,704	8,843	(4,861)
Increase (decrease) in other long-term liabilities	(14,443)	9,657	24,100
Other	(14,971)	61,037	76,008
Net cash provided by operating activities	¥500,874	¥539,131	¥38,257

	Millions of yen		
	2015	2016	Increase (Decrease)
Cash flows from investing activities:			
Payments for property, plant and equipment	¥(383,011)	¥(388,762)	¥(5,751)
Payments for intangibles	(110,471)	(114,728)	(4,257)
Proceeds from sales of property, plant and equipment	8,250	19,551	11,301
Payments for purchases of non-current investments	(18,737)	(15,260)	3,477
Proceeds from sales and redemptions of non-current investments	6,967	13,940	6,973
Acquisitions of subsidiaries, net of cash acquired	(84,884)	(6,292)	78,592
Payments for purchases of short-term investments	(6,227)	(15,384)	(9,157)
Proceeds from redemptions of short-term investments	5,191	14,156	8,965
Other	(7,137)	11,111	18,248
Net cash used in investing activities	(590,059)	(481,668)	108,391
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	59,845	44,546	(15,299)
Payments for settlement of long-term debt	(143,679)	(139,269)	4,410
Proceeds from issuance of short-term debt	1,700,715	1,056,752	(643,963)
Payments for settlement of short-term debt	(1,333,260)	(726,611)	606,649
Dividends paid	(95,273)	(125,768)	(30,495)
Proceeds from sale of (payments for acquisition of) treasury stock, net	(77)	(267,439)	(267,362)
Acquisitions of shares of subsidiaries from noncontrolling interests	(1,179)	(54,641)	(53,462)
Other	22,082	(46,188)	(68,270)
Net cash provided by (used in) financing activities	209,174	(258,618)	(467,792)
Effect of exchange rate changes on cash and cash equivalents	2,628	(14,670)	(17,298)
Net increase (decrease) in cash and cash equivalents	122,617	(215,825)	(338,442)
Cash and cash equivalents at beginning of period	849,174	1,088,275	239,101
Increase (decrease) in cash and cash equivalents due to change in fiscal year end of consolidated subsidiaries	2,028	(2,638)	(4,666)
Cash and cash equivalents at end of period	¥973,819	¥869,812	¥(104,007)

(4) Going Concern Assumption

None

(5) Business Segments

THREE-MONTH PERIOD ENDED JUNE 30

1. Operating revenues (Millions of yen)

	2015	2016	Increase (Decrease)
Regional communications business			
External customers	¥717,980	¥673,376	¥(44,604)
Intersegment	118,523	129,517	10,994
Total	836,503	802,893	(33,610)
Long-distance and international communications business			
External customers	498,193	498,678	485
Intersegment	19,942	20,342	400
Total	518,135	519,020	885
Mobile communications business			
External customers	1,066,389	1,097,062	30,673
Intersegment	10,495	11,608	1,113
Total	1,076,884	1,108,670	31,786
Data communications business			
External customers	338,818	350,627	11,809
Intersegment	21,417	22,855	1,438
Total	360,235	373,482	13,247
Other business			
External customers	85,077	96,996	11,919
Intersegment	182,048	175,152	(6,896)
Total	267,125	272,148	5,023
Elimination	(352,425)	(359,474)	(7,049)
Consolidated total	¥2,706,457	¥2,716,739	¥10,282

2. Segment profit (Millions of yen)

	2015	2016	Increase (Decrease)
Segment profit			
Regional communications business	¥71,131	¥127,791	¥56,660
Long-distance and international communications business	21,220	27,018	5,798
Mobile communications business	234,725	298,313	63,588
Data communications business	18,858	21,868	3,010
Other business	10,356	12,330	1,974
Total segment profit	356,290	487,320	131,030
Elimination	2,467	75	(2,392)
Consolidated total	¥358,757	¥487,395	¥128,638

As indicated in “2(3) Change of accounting policy,” effective April 1, 2016, NTT and its subsidiaries in Japan adopted the straight-line method of depreciation and made changes to the carrying amount of property, plant, and equipment where necessary.

As a result of the change in depreciation method, segment profit on a consolidated basis for the three-month period ended June 30, 2016 increased by ¥27,600 million for “Regional communications business,” ¥2,542 million for “Long distance and international communications business,” ¥33,382 million for “Mobile communications business,” ¥926 million for “Other,” decreased by ¥826 million for “Data communications business,” and increased by ¥63,624 million for “total.”

(6) NTT Shareholders' Equity

1. Dividends

Cash dividends paid

Resolution	The shareholders' meeting held on June 24, 2016
Class of shares	Common stock
Source of dividends	Retained earnings
Total cash dividends paid	¥125,768 million
Cash dividends per share	¥60
Record date	March 31, 2016
Date of payment	June 27, 2016

2. Treasury stock

On May 13, 2016, the board of directors resolved that NTT may acquire up to 68 million shares of its outstanding common stock for an amount in total not exceeding ¥350 billion from May 16, 2016 through March 31, 2017. Based on this resolution, NTT repurchased 59,038,100 shares of its common stock at ¥267,384 million on June 14, 2016 using the ToSTNeT-3, and concluded the repurchase of its common stock authorized by board of directors' resolution.

(7) Subsequent Events

On April 28, 2016, the board of directors of NTT DOCOMO resolved that NTT DOCOMO may acquire up to 99,132,938 shares of its outstanding common stock for an amount in total not exceeding ¥192,514 million from May 2, 2016 through December 31, 2016. Based on this resolution, NTT DOCOMO repurchased 3,462,200 shares of its common stock at ¥9,865 million by way of market purchases based on the discretionary dealing contract in July 2016. As a result, NTT's ownership interest in NTT DOCOMO further increased from 66.0% to 66.1%. 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 September 30, 2016.

4. (Reference)

NON-CONSOLIDATED FINANCIAL STATEMENTS

(1) Non-Consolidated Balance Sheets

(Based on accounting principles generally accepted in Japan)

	Millions of yen	
	March 31, 2016	June 30, 2016
ASSETS		
Current assets:		
Cash and bank deposits	119	6,116
Accounts receivable, trade	1,573	387
Supplies	337	360
Subsidiary deposits	177,796	6
Other	371,541	361,505
Total current assets	551,369	368,376
Fixed assets:		
Property, plant and equipment	150,044	146,896
Intangible fixed assets	16,609	14,361
Investments and other assets		
Investments in subsidiaries and affiliated companies	5,083,451	5,083,961
Long-term loans receivable to subsidiaries	1,211,416	1,211,416
Other	39,171	38,557
Total investments and other assets	6,334,039	6,333,935
Total fixed assets	6,500,693	6,495,193
TOTAL ASSETS	7,052,062	6,863,570

- Notes: 1. The above non-consolidated quarterly financial statements are exempt from auditor review for purposes of legal disclosure.
2. The above non-consolidated quarterly financial statements are prepared based on the "Regulation for Terminology, Forms and Preparation of Quarterly Financial Statements."

(Reference)

	Millions of yen	
	March 31, 2016	June 30, 2016
LIABILITIES		
Current liabilities:		
Accounts payable, trade	709	94
Current portion of corporate bonds	170,000	100,000
Current portion of long-term borrowings	106,600	106,600
Short-term borrowings	—	23,356
Accrued taxes on income	601	380
Deposits received from subsidiaries	54,113	65,011
Other	24,669	28,798
Total current liabilities	356,693	324,241
Long-term liabilities:		
Corporate bonds	686,391	686,404
Long-term borrowings	1,205,874	1,205,874
Long-term borrowings from subsidiaries	50,000	50,000
Liability for employees' retirement benefits	31,233	31,363
Asset retirement obligations	1,405	1,412
Other	2,540	2,506
Total long-term liabilities	1,977,445	1,977,560
TOTAL LIABILITIES	2,334,138	2,301,801
NET ASSETS		
Shareholders' equity:		
Common stock	937,950	937,950
Capital surplus	2,672,826	2,672,826
Earned surplus	1,108,698	1,220,516
Treasury stock	(883)	(268,293)
Total shareholders' equity	4,718,591	4,562,998
Unrealized gains (losses), translation adjustments, and others:		
Net unrealized gains (losses) on securities	(666)	(1,230)
Total unrealized gains (losses), translation adjustments, and others	(666)	(1,230)
TOTAL NET ASSETS	4,717,924	4,561,768
TOTAL LIABILITIES AND NET ASSETS	7,052,062	6,863,570

- Notes: 1. The above non-consolidated quarterly financial statements are exempt from auditor review for purposes of legal disclosure.
2. The above non-consolidated quarterly financial statements are prepared based on the “Regulation for Terminology, Forms and Preparation of Quarterly Financial Statements.”

(Reference)

(2) Non-Consolidated Statements of Income

THREE-MONTH PERIOD ENDED JUNE 30

(Based on accounting principles generally accepted in Japan)

	Millions of yen	
	2015	2016
Operating revenues	224,022	269,147
Operating expenses	30,401	29,480
Operating income	193,620	239,666
Non-operating revenues:		
Interest income	4,043	3,357
Lease and rental income	2,623	2,599
Miscellaneous income	308	116
Total non-operating revenues	6,975	6,073
Non-operating expenses:		
Interest expenses	3,147	2,963
Corporate bond interest expenses	3,308	2,699
Miscellaneous expenses	1,268	2,130
Total non-operating expenses	7,723	7,793
Recurring profit	192,872	237,945
Income before income taxes	192,872	237,945
Income taxes	333	359
Net income	192,539	237,586

(Reference) Major components of operating revenues

Dividends received	191,745	236,655
Revenues from group management	4,629	5,257
Revenues from basic R&D	25,500	25,000

Notes: 1. The above non-consolidated quarterly financial statements are exempt from auditor review for purposes of legal disclosure.

2. The above non-consolidated quarterly financial statements are prepared based on the "Regulation for Terminology, Forms and Preparation of Quarterly Financial Statements."

[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.

NTT's Shares and Shareholders (as of June 30, 2016)**1. Classification of Shareholders**

Details	NTT's Shares and Shareholders (1 unit = 100 shares)							Shares Representing Less Than One Unit	
	Government and Public Bodies	Financial Institutions	Securities Firms	Other Domestic Corporations	Foreign Corporations, etc.		Domestic Individuals, etc.		Total
					Non-Individuals	Individuals			
Total Holders	4	266	77	5,699	1,432	758	694,891	703,127	--
Total Shares (Units)	6,791,447	3,561,041	69,661	240,970	6,494,304	8,871	3,770,647	20,936,941	2,700,370
%	32.44	17.01	0.33	1.15	31.02	0.04	18.01	100.00	--

- Notes: (1) The total number of units held by "Domestic Individuals, etc." includes 592,995 units of treasury stock, and the number of "Shares Representing Less Than One Unit" includes 67 shares of treasury stock. 59,299,567 shares of treasury stock are recorded in the shareholders' register; the actual number of shares of treasury stock as of June 30, 2016 was 59,298,967.
- (2) The total number of units held by "Other Domestic Corporations" includes 295 units held in the name of the Japan Securities Depository Center, and the number of "Shares Representing Less Than One Unit" includes 44 shares held in the name of the Japan Securities Depository Center.
- (3) There were 187,025 shareholders who only own shares representing less than one unit as of June 30, 2016.

2. Classification by Number of Shares Held

Details	NTT's Shares and Shareholders (1 unit = 100 shares)							Total	Shares Representing Less Than One Unit
	At Least 1,000 Units	At Least 500 Units	At Least 100 Units	At Least 50 Units	At Least 10 Units	At Least 5 Units	At Least 1 Unit		
Number of Holders	580	251	1,302	2,074	59,240	84,294	555,386	703,127	--
%	0.08	0.04	0.19	0.29	8.43	11.99	78.99	100.00	--
Total Shares (Units)	17,498,731	177,076	259,285	133,503	939,465	557,856	1,371,025	20,936,941	2,700,370
%	83.58	0.85	1.24	0.64	4.49	2.66	6.55	100.00	--

- Notes: (1) "At Least 1,000 Units" includes 592,995 units of treasury stock, and the number of "Shares Representing Less Than One Unit" includes 67 shares of treasury stock.
- (2) "At Least 100 Units" includes 295 units held in the name of the Japan Securities Depository Center, and the number of "Shares Representing Less Than One Unit" includes 44 shares held in the name of the Japan Securities Depository Center.

3. Principal Shareholders

Name	Shareholdings (in thousands of shares)	Percentage of Total Shares Issued (%)
The Minister of Finance	679,123	32.39
Japan Trustee Services Bank, Ltd. (Trust Account)	86,232	4.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	60,543	2.89
Moxley and Co LLC	31,531	1.50
State Street Bank and Trust Company	26,999	1.29
Japan Trustee Services Bank, Ltd. (Trust Account 9)	26,026	1.24
JP Morgan Chase Bank 385632	19,826	0.95
State Street Bank and Trust Company 505202	19,390	0.92
JP Morgan Chase Bank 380055	16,677	0.80
State Street Bank and Trust Company 505225	15,813	0.75
Total	982,163	46.85

- Notes: (1) Shareholdings is rounded down to the nearest thousand.
- (2) NTT's holdings of treasury stock (59,298,967 shares) are not included in the above table.
- (3) Percentage of Total Shares Issued includes treasury stock.