

[Translation]

Quarterly Securities Report

(The Third Quarter of the 35th Business Term)
From October 1, 2019 to December 31, 2019

NIPPON TELEGRAPH AND TELEPHONE CORPORATION

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[Note]

This document is an English translation of certain items that were disclosed in NTT's Quarterly Securities Report for the nine-month period ended December 31, 2019, which NTT filed on February 7, 2019 with the Financial Services Agency of Japan.

The forward-looking statements and projected figures concerning the future performance of NTT and its subsidiaries and affiliates contained or referred to herein are based on a series of assumptions, projections, estimates, judgments and beliefs of the management of NTT in light of information currently available to it regarding NTT and its subsidiaries and affiliates, the economy and telecommunications industry in Japan and overseas, and other factors. These projections and estimates may be affected by the future business operations of NTT and its subsidiaries and affiliates, the state of the economy in Japan and abroad, possible fluctuations in the securities markets, the pricing of services, the effects of competition, the performance of new products, services and new businesses, changes to laws and regulations affecting the telecommunications industry in Japan and elsewhere, other changes in circumstances that could cause actual results to differ materially from the forecasts contained or referred to herein, as well as other risks included in NTT's most recent Annual Securities Report and in any other materials publicly disclosed by NTT on its website.

[Cover]

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[Company Name]	Nippon Denshin Denwa Kabushiki Kaisha
[Company Name in English]	NIPPON TELEGRAPH AND TELEPHONE CORPORATION
[Title and Name of Representative]	Jun Sawada, President and Chief Executive Officer
[Address of Head Office]	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
[Phone No.]	+81-3-6838-5481
[Contact Person]	Natsuko Fujiki, Head of IR, Finance and Accounting Department
[Contact Address]	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
[Phone No.]	+81-3-6838-5481
[Contact Person]	Natsuko Fujiki, Head of IR, Finance and Accounting Department +81-3-6838-5481
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

Item 1. Overview of the company

1. Selected Financial Data

IFRS

		Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019	Fiscal year ended March 31, 2019
Operating revenues	Millions of yen	8,795,215 [3,002,016]	8,862,691 [2,973,140]	11,879,842
Profit before taxes	Millions of yen	1,530,421	1,467,784	1,671,861
Profit attributable to NTT	Millions of yen	792,127 [232,401]	796,922 [249,252]	854,561
Comprehensive income (loss) attributable to NTT	Millions of yen	787,248	797,540	826,154
NTT shareholders' equity	Millions of yen	9,231,110	9,148,028	9,264,913
Total assets	Millions of yen	21,899,828	22,941,729	22,295,146
Basic earnings per share attributable to NTT	Yen	203.25 [59.94]	241.20 [68.57]	220.13
Diluted earnings per share attributable to NTT	Yen	—	—	—
Equity ratio (Ratio of NTT Shareholders' Equity to Total Assets)	%	42.2	39.9	41.6
Net cash provided by operating activities	Millions of yen	1,607,638	1,714,873	2,406,157
Net cash used in investing activities	Millions of yen	(1,295,018)	(1,301,761)	(1,774,136)
Net cash used in financing activities	Millions of yen	(298,874)	(478,541)	(584,266)
Cash and cash equivalents at end of period	Millions of yen	908,380	875,465	946,134

Notes: (1) NTT's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(2) As NTT prepares condensed consolidated financial statements, changes in the non-consolidated financial data, are not provided.

(3) Operating revenues do not include consumption taxes.

(4) Diluted earnings per share attributable to NTT is not stated because NTT did not have potentially dilutive common shares that were outstanding during the period.

(5) NTT conducted a two-for-one stock split of its common stock with an effective date of January 1, 2020. The figures for Basic Earnings per Share Attributable to NTT for the nine and three months ended December 31, 2018, the fiscal year ended March 31, 2019, the nine and three months ended December 31, 2019 have been adjusted to reflect the impact of the stock split.

(6) The figures of “Operating revenues,” “Profit attributable to NTT,” and “Basic earnings per share attributable to NTT” in square brackets are those for the three months ended December 31, 2018 and 2019, respectively.

2. Description of Business

The principal business segments of NTT Group (NTT and its affiliated companies) are its mobile communications business, regional communications business, long distance and international communications business, and data communications business.

There were no material changes in NTT Group's business during the nine months ended December 31, 2019.

In order to clarify the global management structure of NTT's global operating companies and to develop business under the NTT-branded global operating company "NTT Ltd.", NTT Group consolidated the overseas businesses of NTT Communications Corporation ("NTT Communications"), Dimension Data Holdings ("Dimension Data") and NTT Security Corporation ("NTT Security") and established NTT Ltd. in July 2019. In addition, NTT Ltd. received, by contributions-in-kind, (1) from NTT, Inc. (a subsidiary of NTT), all shares of Dimension Data and all shares of NTT Security, and certain other items, and (2) from NTT Communications, shares of overseas business-related subsidiaries and certain other items.

As a result of the above, NTT Ltd. became a material affiliated company in the long distance and international communications segment.

Item 2. Business Overview

1. Risk Factors

There were no risks newly identified during the nine months ended December 31, 2019. There was no material change in risk factors which were described in NTT's Annual Securities Report for the fiscal year ended March 31, 2019.

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

(1) Consolidated Results

Nine-Month Period Ended December 31, 2019 (April 1, 2019 – December 31, 2019)

	(Billions of yen)			
	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019	Change	Percent Change
Operating revenues	8,795.2	8,862.7	67.5	0.8%
Operating expenses	7,268.1	7,412.3	144.2	2.0%
Operating profit	1,527.1	1,450.4	(76.7)	(5.0)%
Profit before taxes	1,530.4	1,467.8	(62.6)	(4.1)%
Profit attributable to NTT	792.1	796.9	4.8	0.6%

During the nine months ended December 31, 2019, pursuant to the outline of NTT Group's Medium-Term Management Strategy "Your Value Partner 2025," which was announced in November 2018, NTT Group, in its role as "Your Value Partner," promoted initiatives through its business operation and worked with its partners to resolve social issues.

<Support Our Customer's Digital Transformation>

NTT Group worked on promoting the B2B2X model to support new value creation, including initiatives to roll out the 5th-Generation Wireless System, and providing personalized services to support individuals' lifestyle changes, among other things.

- Mitsubishi Corporation and NTT agreed to form a business partnership in order to promote digitalization and structural transformation across industries, and also agreed to co-invest in HERE Technologies, a global service provider in location information services based in the Netherlands.

<Accelerate Our Own Digital Transformation>

NTT Group has advanced its "One NTT" global business growth strategy, aimed toward enhancing its global business competitiveness and its self-digital transformation in the domestic business, among other initiatives.

- Microsoft Corporation and NTT entered into a multi-year strategic alliance aimed at delivering secure and reliable solutions through initiatives such as building Global Digital Fabric, which brings together the industry-leading strengths of the two companies, cooperating in the development of digital enterprise solutions, and co-innovation of next-generation technologies.

<Leverage Talent, Technologies, and Assets>

NTT Group worked on studies into reinforcing and globalizing its R&D and creating new lines of business (real estate and electric power).

- Intel Corporation, Sony Corporation and NTT agreed to establish the Innovative Optical and Wireless Network (IOWN) Global Forum in order to accelerate the adoption of a new communication infrastructure that will bring together all photonics networks, edge computing and wireless distributed computing.

<Promote ESG Management, and Enhance Returns to Shareholders to Improve Corporate Value>

By promoting ESG management, NTT has continuously set the returning of profits to shareholders, while ongoing improvements of corporate value as one of its important management challenges. With respect to shareholder returns, NTT has a basic policy of steady dividend increases. In addition, NTT will flexibly carry out buybacks based on performance trends and other factors in order to improve its capital efficiency.

- At a meeting of NTT's board of directors held on November 5, 2019, NTT authorized a stock split of its common stock and a distribution of d POINT to NTT shareholders. The record date of the stock split was December 31, 2019, and each share of NTT common stock held by shareholders as of the record date was split into two shares. As a result, the total number of outstanding NTT shares increased by 1,950,394,470 shares to 3,900,788,940 shares.

As a result of these efforts, NTT Group's consolidated operating revenues for the nine-month period ended December 31, 2019 were ¥8,862.7 billion (an increase of 0.8% from the same period of the previous fiscal year), consolidated operating expenses were ¥7,412.3 billion (an increase of 2.0% from the same period of the previous fiscal year), consolidated operating profit was ¥1,450.4 billion (a decrease of 5.0% from the same period of the previous fiscal year), profit before taxes was ¥1,467.8 billion (a decrease of 4.1% from the same period of the previous fiscal year), and profit attributable to NTT was ¥796.9 billion (an increase of 0.6% from the same period of the previous fiscal year)

(2) Segment Results

NTT Group has five business segments: mobile communications business, regional communications business, long distance and international communications business, data communications business and other business. (See Note 6 to the Condensed Consolidated Financial Statements.)

The mobile communications business segment comprises mobile voice related services, IP/packet communications services, sales of telecommunications equipment and other services.

The regional communications business segment comprises fixed voice related services, IP/packet communications services, sales of telecommunications equipment, system integration services and other services.

The long distance and international communications business segment comprises fixed voice related services, IP/packet communications services, sales of telecommunications equipment, system integration services and other services.

The data communications business segment comprises system integration services.

The other business segment principally comprises services related to building maintenance, real estate rental, systems development, leasing, and other services related to research and development.

Results by business segment are as follows (intersegment revenues are included in the operating revenues, operating expenses and operating profit of operational results for each business segment)

Beginning in the three months ended September 30, 2019, certain subsidiaries have moved from the regional communications business segment to the other business segment and from the long distance and international communications business segment to the mobile communications business segment. Operating revenues for such subsidiaries have been recognized in their post-transfer segments beginning with that period. (See Note 6 to the Condensed Consolidated Financial Statements.)

Mobile Communications Business Segment

Nine-Month Period Ended December 31, 2019 (April 1, 2019 – December 31, 2019)

(Billions of yen)

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019	Change	Percent Change
Operating revenues	3,654.1	3,516.0	(138.1)	(3.8)%
Mobile voice related services	717.5	713.8	(3.7)	(0.5)%
IP/packet communications services	1,628.9	1,602.0	(26.9)	(1.7)%
Sales of telecommunications equipment	650.1	488.8	(161.3)	(24.8)%
Other	657.6	711.5	53.9	8.2%
Operating expenses	2,752.1	2,728.2	(23.9)	(0.9)%
Operating profit	902.0	787.9	(114.2)	(12.7)%

Operating revenues for the mobile communications business segment for the nine-month period ended December 31, 2019 decreased by 3.8% from the same period of the previous fiscal year to ¥3,516.0 billion. This decrease was due to, among other things, a decrease in revenues due to enhancing returns to customers through the “Gigaho” and “Gigalight” plans and other service plans, and a decrease in sales of telecommunications equipment, partially offset by an increase in revenues in the smart life business resulting from the transfer of certain subsidiaries between operating segments, among other factors.

On the other hand, operating expenses for the nine-month period ended December 31, 2019 decreased by 0.9% from the same period of the previous fiscal year to ¥2,728.2 billion. This decrease was due to, among other things, the effect of cost reductions, partially offset by an increase in point expenses.

As a result, segment operating profit for the nine-month period ended December 31, 2019 decreased by 12.7% from the same period of the previous fiscal year to ¥787.9 billion.

Number of Subscriptions

(Thousands of subscriptions)

Service	As of March 31, 2019	As of December 31, 2019	Change	Percent Change
Mobile Telecommunications Services	78,453	79,670	1,217	1.6%
Telecommunications Services (LTE (Xi))	55,872	59,897	4,026	7.2%
Telecommunications Services (FOMA (3G))	22,581	19,772	(2,809)	(12.4)%
Plala (ISP)	3,234	3,923	689	21.3%
Hikari TV	3,001	2,980	(21)	(0.7)%

Note: (1) Number of Mobile Telecommunications Services (including "Telecommunications Services (LTE (Xi))" and "Telecommunications Services (FOMA (3G))") includes MVNOs and Communication Module Services.

(2) Certain subsidiaries included in "Long distance and international communications" segment were transferred during the three months ended September 30, 2019 and they are included in "Mobile communications business" segment. The numbers of subscriptions for Plala (ISP) and Hikari TV are presented under the mobile communications business segment.

Regional Communications Business Segment

Nine-Month Period Ended December 31, 2019 (April 1, 2019 – December 31, 2019)

(Billions of yen)

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019	Change	Percent Change
Operating revenues	2,325.5	2,276.2	(49.3)	(2.1)%
Fixed voice related services	813.6	753.3	(60.3)	(7.4)%
IP/packet communications services	1,125.8	1,117.2	(8.5)	(0.8)%
Sales of telecommunications equipment	55.9	56.8	0.9	1.6%
System integration services	106.4	131.2	24.8	23.3%
Other	223.8	217.7	(6.1)	(2.7)%
Operating expenses	1,974.1	1,878.6	(95.5)	(4.8)%
Operating profit	351.4	397.6	46.3	13.2%

Operating revenues in the regional communications business segment for the nine-month period ended December 31, 2019 decreased by 2.1% from the same period of the previous fiscal year to ¥2,276.2 billion due to, among other things, a decrease in fixed voice related services revenues and a decrease in revenues resulting from the transfer of certain subsidiaries between operating segments.

On the other hand, operating expenses for the nine-month period ended December 31, 2019 decreased by 4.8% from the same period of the previous fiscal year to ¥1,878.6 billion because, among other factors, personnel expenses were reduced and impairment losses related to the disposal of metal cables that were recorded in the nine-month period ended December 31, 2018 were not recorded in the nine-month period ended December 31, 2019.

As a result, segment operating profit for the nine-month period ended December 31, 2019 increased by 13.2% from the same period of the previous fiscal year to ¥397.6 billion.

Number of Subscriptions

(Thousands of subscriber lines/subscriptions)

Service	As of March 31, 2019	As of December 31, 2019	Change	Percent Change
(NTT East)				
Telephone Subscriber Lines	8,119	7,675	(443)	(5.5)%
INS-Net	1,086	1,009	(76)	(7.0)%
FLET'S Hikari (including Hikari Collaboration Model)	11,880	12,186	306	2.6%
FLET'S ADSL	258	214	(44)	(17.2)%
Hikari Denwa (thousand channels)	9,759	9,908	149	1.5%
FLET'S TV Transmission Services	1,033	1,070	37	3.6%
(NTT West)				
Telephone Subscriber Lines	8,244	7,773	(471)	(5.7)%
INS-Net	1,052	985	(67)	(6.3)%
FLET'S Hikari (including Hikari Collaboration Model)	9,197	9,377	180	2.0%
FLET'S ADSL	344	297	(47)	(13.6)%
Hikari Denwa (thousand channels)	8,485	8,540	56	0.7%
FLET'S TV Transmission Services	684	729	46	6.7%

Notes: (1) Number of Telephone Subscriber Lines is the total of individual lines and central station lines (Subscriber Telephone Lite Plan is included).

(2) "INS-Net" includes "INS-Net 64" and "INS-Net 1500." In terms of number of channels, transmission rate, and line use rate (base rate), "INS-Net 1500" is in all cases approximately ten times greater than "INS-Net 64." For this reason, one "INS-Net 1500" subscription is calculated as ten "INS-Net 64" subscriptions (including subscriptions to the "INS-Net 64 Lite Plan").

(3) Number of "FLET'S Hikari (including Hikari Collaboration Model)" subscribers includes subscribers to "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 "FLET'S Hikari Next," "FLET'S Hikari Mytown 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 to service providers by NTT East and NTT West.

(4) Numbers of subscribers for "Hikari Denwa" and "FLET'S TV Transmission Services" include wholesale services provided to service providers by NTT East and NTT West.

Long Distance and International Communications Business Segment

Nine-Month Period Ended December 31, 2019 (April 1, 2019 – December 31, 2019)

(Billions of yen)

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019	Change	Percent Change
Operating revenues	1,684.4	1,660.1	(24.3)	(1.4)%
Fixed voice related services	168.5	157.1	(11.5)	(6.8)%
IP/packet communications services	319.7	314.5	(5.1)	(1.6)%
Sales of telecommunications equipment	7.9	6.0	(1.9)	(23.6)%
System integration services	1,059.4	1,090.0	30.6	2.9%
Other	128.9	92.4	(36.5)	(28.3)%
Operating expenses	1,579.3	1,564.2	(15.1)	(1.0)%
Operating profit	105.1	95.9	(9.2)	(8.8)%

Operating revenues in the long distance and international communications business segment for the nine-month period ended December 31, 2019 decreased by 1.4% from the same period of the previous fiscal year to ¥1,660.1 billion. This decrease was due to, among other things, a decrease in revenues resulting from the transfer of certain subsidiaries between operating segments, partially offset by an increase in system integration revenues due to an expansion in overseas business.

On the other hand, operating expenses for the nine-month period ended December 31, 2019 decreased by 1.0% from the same period of the previous fiscal year to ¥1,564.2 billion due to a decrease in expenses, among other things.

As a result, segment operating profit for the nine-month period ended December 31, 2019 decreased by 8.8% from the same period of the previous fiscal year to ¥95.9 billion.

Number of Subscriptions

(Thousands of subscriptions)

Service	As of March 31, 2019	As of December 31, 2019	Change	Percent Change
OCN (ISP)	7,305	7,188	(117)	(1.6)%

Data Communications Business Segment

Nine-Month Period Ended December 31, 2019 (April 1, 2019 – December 31, 2019)

(Billions of yen)

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019	Change	Percent Change
Operating revenues	1,550.7	1,642.0	91.4	5.9%
System integration services	1,550.7	1,642.0	91.4	5.9%
Operating expenses	1,455.9	1,548.5	92.6	6.4%
Operating profit	94.8	93.5	(1.3)	(1.3)%

Operating revenues in the data communications business segment for the nine-month period ended December 31, 2019 increased by 5.9% from the same period of the previous fiscal year to ¥1,642.0 billion due to, among other things, the expansion of the scope of business in the enterprise and solutions business domestically, and the expansion of business overseas, especially in EMEA and Latin America.

On the other hand, operating expenses for the nine-month period ended December 31, 2019 increased by 6.4% from the same period of the previous fiscal year to ¥1,548.5 billion due to, among other things, the impact of an increase in revenue-linked expenses.

As a result, segment operating profit for the nine-month period ended December 31, 2019 decreased by 1.3% from the same period of the previous fiscal year to ¥93.5 billion.

Other Business Segment

Nine-Month Period Ended December 31, 2019 (April 1, 2019 – December 31, 2019)

(Billions of yen)

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019	Change	Percent Change
Operating revenues	855.3	1,096.8	241.5	28.2%
Operating expenses	772.1	1,013.7	241.6	31.3%
Operating profit	83.2	83.1	(0.1)	(0.1)%

Operating revenues in the other business segment for the nine-month period ended December 31, 2019 increased by 28.2% from the same period of the previous fiscal year to ¥1,096.8 billion. On the other hand, operating expenses for the nine-month period ended December 31, 2019 increased by 31.3% from the same period of the previous fiscal year to ¥1,013.7 billion. These increases were due to, among other things, the impact from the increase in NTT's stake in its consolidated subsidiary, ENNET Corporation. As a result, segment operating profit for the nine-month period ended December 31, 2019 decreased by 0.1% from the same period of the previous fiscal year to ¥83.1 billion.

(3) Cash Flows

Cash flows provided by operating activities, excluding the impact of non-business days and adopting IFRS 16 (Leases), for the nine-month period ended December 31, 2019 decreased by ¥9.7 billion (0.6%) from the same period of the previous fiscal year to ¥1,604.2 billion. This increase was due to, among other factors, an increase in payment of trade payables. Cash flows provided by operating activities for the nine-month period ended December 31, 2019 was ¥1,714.9 billion.

Cash flows used in investing activities increased by ¥6.7 billion (0.5%) from the same period of the previous fiscal year to ¥1,301.8 billion. This increase was due to, among other factors, increases in capital expenditures and in expenditures related to investments, partially offset by an increase in proceeds from sale of investments.

Cash flows used in financing activities, excluding the impact of adopting IFRS 16 (Leases), for the nine-month period ended December 31, 2019 increased by ¥55.9 billion (18.7%) from the same period of the previous fiscal year to ¥354.8 billion. This increase was due to, among other factors, an increase in stock repurchases. Cash flows used in financing activities for the nine-month period ended December 31, 2019 was ¥478.5 billion.

As a result of the above, NTT Group's consolidated cash and cash equivalents, excluding the impact of non-business days, as of December 31, 2019 was ¥1,112.2 billion, a decrease of ¥34.3 billion (3.0%) from the end of the previous fiscal year. Cash and cash equivalents as of December 31, 2019 was ¥875.5 billion.

	(Billions of yen)			
	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019	Change	Percent Change
Cash flows provided by operating activities	1,607.6	1,714.9	107.2	6.7%
Cash flows provided by operating activities (excluding the impact of non-business days ⁽¹⁾ (²) and adopting IFRS 16 ⁽⁵⁾)	1,613.9	1604.2	(9.7)	(0.6)%
Cash flows used in investing activities	(1,295.0)	(1,301.8)	(6.7)	(0.5)%
Cash flows provided by (used in) financing activities	(298.9)	(478.5)	(179.7)	(60.1)%
Cash flows provided by (used in) financing activities (excluding the impact of adopting IFRS 16 ⁽⁵⁾)	(298.9)	(354.8)	(55.9)	(18.7)%
Cash and cash equivalents	908.4	875.5	(32.9)	(3.6)%
Cash and cash equivalents (excluding the impact of non-business days ⁽³⁾ (⁴))	1,146.5	1,111.2	(34.3)	(3.0)%

Notes: (1) The impact in the amount of ¥6.2 billion, caused by the last days of the year ended March 31, 2018 and the nine months ended December 31, 2018 falling on non-business days, resulting in the due date for certain bills, including telecommunication services bills, being set to the first business day of the following month.

- (2) The impact in the amount of ¥13.1 billion, caused by the last day of the year ended March 31, 2019 and the nine months ended December 31, 2019 falling on non-business days, resulting in the due date for certain bills, including telecommunication services bills, being set to the first business day of the following month.
- (3) The impact in the amount of ¥238.2 billion, caused by the last day of the nine months ended December 31, 2018 falling on a non-business day, resulting in the due date for certain bills, including telecommunication services bills, being set to the first business day of the following month.
- (4) The impact in the amount of ¥236.7 billion, caused by the last day of the nine months ended December 31, 2019 falling on a non-business day, resulting in the due date for certain bills, including telecommunication services bills, being set to the first business day of the following month.
- (5) The impact on cash flows from operating and financing activities in the amount of ¥123.8 billion, caused by the adoption of IFRS 16 (Leases) beginning on April 1, 2019.

(4) Operational and Finance Issues Facing the Corporate Group

There were no material changes in the operational and finance issues facing the corporate group for the nine months ended December 31, 2019, and no new additional issues arose during the period.

(5) Research and Development

NTT's research and development expenses for the nine months ended December 31, 2019 were ¥154.4 billion. There were no material changes in NTT's research and development activities during the nine months ended December 31, 2019.

3. Material Contracts

There were no material contracts relating to NTT's operations that were agreed upon or entered into during the three months ended December 31, 2019.

Item 3. Information on NTT

1. Information on NTT's Shares

(1) Total Number of Shares

Total Number of Shares

Class	Total Number of Shares Authorized to be Issued (shares)
Common stock	6,192,920,900
Total	6,192,920,900

Issued Shares

Class	Number of Shares Issued as of December 31, 2019 (shares)	Number of Shares Issued as of the Filing Date (shares) (February 7, 2020)	Stock Exchange on which the Company is Listed	Description
Common Stock	1,950,394,470	3,900,788,940	Tokyo Stock Exchange (The First Section)	The number of shares per one unit of shares is 100 shares
Total	1,950,394,470	3,900,788,940	—	—

Note: In accordance with a resolution authorized at a meeting of NTT's board of directors on November 5, 2019, NTT conducted a two-for-one stock split of its common stock, with an effective date of January 1, 2020. As a result of the stock split, the total number of shares outstanding increased by 1,950,394,470 shares to 3,900,788,940 shares.

(2) Information on Share Acquisition Rights

(i) Description of Stock Option System

Not applicable.

(ii) Information on Shareholder Rights Plans

Not applicable.

(3) Information on Moving Strike Convertible Bonds

Not applicable.

(4) Changes in the Total Number of Issued Shares, the Amount of Common Stock, and Other

Date	Changes in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Changes in Common Stock (millions of yen)	Balance of Common Stock (millions of yen)	Change in Capital Reserve (millions of yen)	Balance of Capital Reserve (millions of yen)
October 1, 2019 - December 31, 2019	—	1,950,394,470	—	937,950	—	2,672,826

Note: Although NTT conducted a two-for-one stock split of its common stock with an effective date of January 1, 2020, the figures presented above represent information from prior to the stock split.

(5) Major Shareholders

Not applicable for the nine months ended December 31, 2019.

(6) Information on Voting Rights

Issued Shares

As of December 31, 2019

Classification	Number of Shares (shares)	Number of Voting Rights	Description
Shares without Voting Rights	—	—	—
Shares with Restricted Voting Rights (Treasury Stock, etc.)	—	—	—
Shares with Restricted Voting Rights (Others)	—	—	—
Shares with Full Voting Rights (Treasury Stock, etc.)	(Treasury Stock) 132,788,600 shares of common stock	—	—
Shares with Full Voting Rights (Others)	1,815,194,800 shares of common stock	18,151,942	—
Shares Representing Less than One Unit	2,411,070 shares of common stock	—	—
Number of Issued Shares	1,950,394,470 shares of common stock	—	—
Total Number of Voting Rights	—	18,151,942	—

Notes: (1) The total number of shares in “Shares with Full Voting Rights (Others)” includes 28,700 shares held in the name of the Japan Securities Depository Center, and the number of shares in “Shares Representing Less Than One Unit” includes 44 shares held in the name of the Japan Securities Depository Center. “Number of Voting Rights” includes 287 voting rights associated with “Shares with Full Voting Rights” held in the name of the Japan Securities Depository Center, and does not include 6 voting rights associated with “Shares with Full Voting Rights” recorded on the shareholder register under NTT, but not actually owned by NTT.

(2) Although NTT conducted a two-for-one stock split of its common stock with an effective date of January 1, 2020, the figures presented above represent information from prior to the stock split.

Treasury Stock

As of December 31, 2019

Name of Shareholder	Address	Number of Shares Held Under Own Name (shares)	Number of Shares Held Under the Names of Others (shares)	Total Shares Held (shares)	Ownership Percentage to the Total Number of Issued Shares
(Treasury Stock) Nippon Telegraph and Telephone Corporation	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	132,788,600	—	132,778,600	6.8%
Total	—	132,788,600	—	132,788,600	6.8%

Notes: (1) In addition to the above, there are 600 shares that are recorded on the shareholder register under NTT, but not actually owned by NTT. Such shares are included in “Shares with Full Voting Rights (Others)” under “Issued Shares”.

(2) Pursuant to the Board of Directors’ resolution on May 10, 2019, NTT acquired 50,480,100 shares of its outstanding common stock between May 14, 2019 and July 25, 2019. For details, please see “Note 11. Equity and Other Component of Equity” under “Condensed Quarterly Consolidated Financial Statements” of “4. Financial Information”.

(3) Pursuant to the Board of Directors’ resolution on August 6, 2019, NTT acquired 48,980,000 shares of its outstanding common stock on September 11, 2019. For details, please see “Note 11. Equity and Other Component of Equity” under “Condensed Quarterly Consolidated Financial Statements” of “4. Financial Information”.

(4) Although NTT conducted a two-for-one stock split of its common stock with an effective date of January 1, 2020, the figures presented above represent information from prior to the stock split.

2. Changes in Directors and Senior Management

Not applicable.

Item 4. Financial Information

1. Basis of Preparation of Condensed Quarterly Consolidated Financial Statements

In accordance with Article 93 of the “Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007) (the “Ordinance on Consolidated Financial Statements”), NTT Group prepares condensed quarterly consolidated financial statements pursuant to International Accounting Standard (“IAS”) No. 34, “Interim Financial Reporting.”

2. Auditor’s Report

In accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, NTT Group’s condensed quarterly consolidated financial statements for the third quarter of the consolidated accounting period (from October 1, 2019 to December 31, 2019 and from April 1, 2019 to December 31, 2019) have been reviewed by KPMG AZSA LLC.

3. Special Measures to Ensure the Appropriateness of the Consolidated Financial Statements

NTT Group undertakes special measures to ensure the appropriateness of its consolidated financial statements and put in place a structure to properly disclose consolidated financial statements in accordance with IFRS. The details of such measures are below:

(1) NTT Group participates in organizations such as the Financial Accounting Standards Foundation in order to put in place a system in which NTT Group can ensure it has an appropriate grasp on the contents of accounting standards and can accurately respond to changes in accounting standards. In addition, NTT Group periodically undertakes reviews of accounting standards, and maintains internal regulations.

(2) With respect to the application of IFRS, NTT Group obtains press releases and statements of accounting principles published by the International Accounting Standards Board from time to time in order to gain an understanding of most recent standards. Furthermore, in order to prepare appropriate consolidated financial statements in accordance with IFRS, NTT Group has developed group accounting policies and accounting guidelines in compliance with IFRS, and conducts its accounting in accordance with those policies and guidelines.

1. 【Condensed Quarterly Consolidated Financial Statements】

(1) 【Condensed Quarterly Consolidated Statements of Financial Position】

	Millions of yen		
	Notes	March 31, 2019	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	7	946,134	875,465
Trade and other receivables	7	4,391,434	4,524,396
Other financial assets	13	117,753	128,906
Inventories		331,634	309,331
Other current assets		550,487	591,709
Subtotal		6,337,442	6,429,807
Assets held for sale	8	242,524	5,041
Total current assets		6,579,966	6,434,848
Non-current assets			
Property, plant and equipment	9	9,012,947	9,007,618
Right-of-use asset		—	464,559
Goodwill		886,531	1,013,575
Intangible assets		1,627,762	1,631,865
Investment property		967,006	1,065,184
Investments accounted for using equity method		298,261	306,321
Other financial assets	13	1,138,502	1,254,460
Deferred tax assets	8	1,124,467	1,080,702
Other non-current assets		659,704	682,597
Total non-current assets		15,715,180	16,506,881
Total assets		22,295,146	22,941,729

Millions of yen

	Notes	March 31, 2019	December 31, 2019
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt	10,13	1,397,545	2,264,321
Trade and other payables		2,092,479	1,704,837
Lease liabilities		–	140,168
Other financial liabilities	13	44,305	13,447
Accrued payroll		468,216	389,637
Accrued taxes on income		237,282	149,290
Other current liabilities		988,244	942,683
Total current liabilities		5,228,071	5,604,383
Non-current liabilities			
Long-term debt	10,13	2,865,181	2,867,594
Lease liabilities		–	401,421
Other financial liabilities	13	175,087	145,749
Defined benefit liabilities		1,878,013	1,912,486
Deferred tax liabilities		61,189	59,597
Other non-current liabilities		282,815	316,208
Total non-current liabilities		5,262,285	5,703,055
Total liabilities		10,490,356	11,307,438
Equity			
Nippon Telegraph and Telephone Corporation (“NTT”) shareholders’ equity			
Common stock	11	937,950	937,950
Additional paid-in capital	11	2,341,206	2,284,870
Retained earnings	11	5,954,305	6,430,986
Treasury stock	11	(150,635)	(653,326)
Other components of equity	8,11	182,087	147,548
Total NTT shareholders’ equity		9,264,913	9,148,028
Non-controlling interests		2,539,877	2,486,263
Total equity		11,804,790	11,634,291
Total liabilities and equity		22,295,146	22,941,729

(2) 【Condensed Quarterly Consolidated Statements of Profit or Loss and Condensed Quarterly Consolidated Statements of Comprehensive Income】

【Condensed Quarterly Consolidated Statements of Profit or Loss】

【Nine Months Ended December 31】

Millions of yen except per share data

	Notes	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019
Operating revenues	6,12	8,795,215	8,862,691
Operating expenses			
Personnel expenses		1,785,820	1,813,857
Expenses for purchase of goods and services and other expenses		4,243,637	4,334,932
Depreciation and amortization		990,649	1,087,266
Loss on disposal of property, plant and equipment and intangible assets		93,227	80,539
Impairment losses			
Metal cables	6,9	66,003	—
Other		1,357	7,076
Taxes and dues		87,396	88,593
Total operating expenses		7,268,089	7,412,263
Operating profit	6	1,527,126	1,450,428
Finance income		17,827	37,682
Finance costs		25,451	29,711
Share of profit (loss) of entities accounted for using equity method		10,919	9,385
Profit before taxes		1,530,421	1,467,784
Income taxes	8	495,114	441,535
Profit		1,035,307	1,026,249
Profit attributable to NTT		792,127	796,922
Profit attributable to Non-controlling interests		243,180	229,327
Earnings per share attributable to NTT			
Basic earnings per share (yen)		203.25	214.20

* "Basic earnings per share " figures for the nine months ended December 31, 2018 and 2019 have been adjusted to reflect the two-for-one stock split carried out on January 1, 2020. Additional information for the stock split is described in “Note 11. Equity and Other Components of Equity (1) Issued Shares and Treasury Stock.”.

【Condensed Quarterly Consolidated Statements of Comprehensive Income】

【Nine Months Ended December 31】

Millions of yen			
	Notes	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019
Profit		1,035,307	1,026,249
Other comprehensive income (net of tax)	11		
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		1,595	38,501
Share of other comprehensive income of entities accounted for using the equity method	8	(2,392)	(329)
Remeasurements of defined benefit plans		451	(2,412)
Total of items that will not be reclassified to profit or loss		(346)	35,760
Items that may be reclassified to profit or loss			
Cash flow hedges		(2,652)	908
Foreign currency translation adjustments		10,318	(29,819)
Share of other comprehensive income of affiliated companies accounted for by the equity method		(7,248)	(2,125)
Total of items that may be reclassified to profit or loss		418	(31,036)
Total other comprehensive income (net of tax)		72	4,724
Total comprehensive income		1,035,379	1,030,973
Comprehensive income attributable to NTT	11	787,248	797,540
Comprehensive income attributable to Non-controlling interests	11	248,131	233,433

【Condensed Quarterly Consolidated Statements of Profit or Loss】

【Three Months Ended December 31】

Millions of yen except per share data

	Notes	Three Months Ended December 31, 2018	Three Months Ended December 31, 2019
Operating revenues	6,12	3,002,016	2,973,140
Operating expenses			
Personnel expenses		602,998	612,119
Expenses for purchase of goods and services and other expenses		1,475,547	1,463,940
Depreciation and amortization		334,170	365,151
Loss on disposal of property, plant and equipment and intangible assets		34,091	31,808
Impairment losses			
Metal cables	6,9	66,003	—
Other		1,329	2,919
Taxes and dues		31,504	29,580
Total operating expenses		2,545,642	2,505,517
Operating profit	6	456,374	467,623
Finance income		4,839	1,868
Finance costs		9,975	7,157
Share of profit (loss) of entities accounted for using equity method		865	3,591
Profit before taxes		452,103	465,925
Income taxes		137,990	146,233
Profit		314,113	319,692
Profit attributable to NTT		232,401	249,252
Profit attributable to Non-controlling interests		81,712	70,440
Earnings per share attributable to NTT			
Basic earnings per share (yen)		59.94	68.57

* "Basic earnings per share" figures for the three months ended December 31, 2018 and 2019 have been adjusted to reflect the two-for-one stock split carried out on January 1, 2020. Additional information for the stock split is described in "Note 11. Equity and Other Components of Equity (1) Issued Shares and Treasury Stock."

【Condensed Quarterly Consolidated Statements of Comprehensive Income】

【Three Months Ended December 31】

Millions of yen			
	Notes	Three Months Ended December 31, 2018	Three Months Ended December 31, 2019
Profit		314,113	319,692
Other comprehensive income (net of tax)	11		
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		(37,303)	38,703
Share of other comprehensive income of entities accounted for using the equity method		254	335
Remeasurements of defined benefit plans		404	(1,030)
Total of items that will not be reclassified to profit or loss		(36,645)	38,008
Items that may be reclassified to profit or loss			
Cash flow hedges		(1,759)	1,141
Foreign currency translation adjustments		(44,717)	44,732
Share of other comprehensive income of affiliated companies accounted for by the equity method		3,936	(707)
Total of items that may be reclassified to profit or loss		(42,540)	45,166
Total other comprehensive income (net of tax)		(79,185)	83,174
Total comprehensive income		234,928	402,866
Comprehensive income attributable to NTT	11	176,000	312,172
Comprehensive income attributable to Non-controlling interests	11	58,928	90,694

(3) 【Condensed Quarterly Consolidated Statements of Changes in Equity】

【Nine Months Ended December 31, 2018】

Millions of yen

	NTT Shareholders' Equity						Non-controlling interests	Total equity	
	Notes	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity			Total
March 31, 2018		937,950	2,396,555	6,125,957	(610,742)	200,638	9,050,358	2,515,296	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	6,139,990	(610,742)	198,206	9,061,959	2,522,861	11,584,820
Comprehensive income									
Profit		—	—	792,127	—	—	792,127	243,180	1,035,307
Other comprehensive income	11	—	—	—	—	(4,879)	(4,879)	4,951	72
Total comprehensive income		—	—	792,127	—	(4,879)	787,248	248,131	1,035,379
Value of transactions with shareholders etc.									
Dividends of surplus	11	—	—	(313,605)	—	—	(313,605)	(141,502)	(455,107)
Transfer to retained earnings	11	—	—	6,642	—	(6,642)	—	—	—
Transfer to non-financial assets	11	—	—	—	—	3,905	3,905	—	3,905
Purchase and disposal of treasury stock	11	—	0	—	(242,762)	—	(242,762)	—	(242,762)
Cancellation of treasury stock	11	—	(2)	(718,258)	718,260	—	—	—	—
Changes in ownership interest in subsidiaries	11	—	(62,756)	—	—	—	(62,756)	(130,197)	(192,953)
Share-based compensation transactions		—	(6,217)	—	—	—	(6,217)	—	(6,217)
Put options granted to non-controlling interests	11	—	3,338	—	—	—	3,338	—	3,338
Total value of transactions with shareholders etc.		—	(65,637)	(1,025,221)	475,498	(2,737)	(618,097)	(271,699)	(889,796)
December 31, 2018		937,950	2,330,918	5,906,896	(135,244)	190,590	9,231,110	2,499,293	11,730,403

【Nine Months Ended December 31, 2019】

Millions of yen

	NTT Shareholders' Equity						Non-controlling interests	Total equity	
	Notes	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity			Total
March 31 2019		937,950	2,341,206	5,954,305	(150,635)	182,087	9,264,913	2,539,877	11,804,790
Comprehensive income									
Profit		—	—	796,922	—	—	796,922	229,327	1,026,249
Other comprehensive income	11	—	—	—	—	618	618	4,106	4,724
Total comprehensive income		—	—	796,922	—	618	797,540	233,433	1,030,973
Value of transactions with shareholders etc.									
Dividends of surplus	11	—	—	(354,827)	—	—	(354,827)	(150,660)	(505,487)
Transfer to retained earnings	11	—	—	35,157	—	(35,157)	—	—	—
Purchase and disposal of treasury stock	11	—	1	—	(502,691)	—	(502,690)	—	(502,690)
Changes in ownership interest in subsidiaries	11	—	(73,163)	—	—	—	(73,163)	(134,481)	(207,644)
Share-based compensation transactions		—	(2,102)	—	—	—	(2,102)	—	(2,102)
Put options granted to non-controlling interests	11	—	18,928	—	—	—	18,928	(1,906)	17,022
Other		—	—	(571)	—	—	(571)	—	(571)
Total value of transactions with shareholders etc.		—	(56,336)	(320,241)	(502,691)	(35,157)	(914,425)	(287,047)	(1,201,472)
December 31, 2019		937,950	2,284,870	6,430,986	(653,326)	147,548	9,148,028	2,486,263	11,634,291

(4) [Condensed Quarterly Consolidated Statement of Cash Flows]

	Notes	Millions of yen	
		Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2019
Cash flows from operating activities			
Profit		1,035,307	1,026,249
Depreciation and amortization		990,649	1,087,266
Impairment losses		67,360	7,076
Share of loss (profit) of entities accounted for using equity method		(10,919)	(9,385)
Losses on retirement of fixed assets		40,425	32,935
Gain on sales of fixed assets		(9,968)	(7,445)
Income taxes		495,114	441,535
Decrease (increase) in trade and other receivables	7	(111,187)	(34,174)
Decrease (increase) in inventories		(85,710)	16,866
Decrease (increase) in other current assets		(87,047)	(85,680)
Increase (decrease) in trade and other payables / accrued payroll		(194,976)	(284,272)
Increase (decrease) in other current liabilities		(72,714)	(42,104)
Increase (decrease) in defined benefit liabilities		31,749	30,144
Increase (decrease) in other non-current liabilities		6,527	7,085
Other		(933)	(32,577)
Sub-total		2,093,677	2,153,519
Interest and dividends received		64,403	71,428
Interest paid		(30,615)	(36,825)
Income taxes paid		(519,827)	(473,249)
Net cash provided by (used in) operating activities		1,607,638	1,714,873
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets and investment property		(1,219,241)	(1,364,102)
Purchase of investments		(46,147)	(117,151)
Proceeds from sale or redemption of investments		48,027	277,393
Expenses due to acquisition of control of subsidiaries		(93,868)	(126,495)
Other		16,211	28,594
Net cash provided by (used in) investing activities		(1,295,018)	(1,301,761)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		689,552	968,332
Proceeds from increases in long-term debt	10	244,814	244,557
Repayment of long-term debt	10	(368,924)	(303,435)
Repayment of lease liabilities		—	(134,873)
Payments for acquisition of interests in subsidiaries from non-controlling interests		(161,350)	(251,736)
Dividends paid		(313,605)	(354,827)
Dividends paid to non-controlling interests		(141,050)	(150,159)
Payments for purchase of treasury stock		(242,809)	(501,343)
Other		(5,502)	4,943
Net cash provided by (used in) financing activities		(298,874)	(478,541)
Effect of exchange rate change on cash and cash equivalents		(369)	(5,240)
Net increase (decrease) in cash and cash equivalents		13,377	(70,669)
Cash and cash equivalents as of April 1	7	895,003	946,134
Cash and cash equivalents as of December 31	7	908,380	875,465

【Notes to Condensed Quarterly Consolidated Financial Statements】

1. Reporting Entity

NIPPON TELEGRAPH AND TELEPHONE CORPORATION (“NTT”) is a corporation domiciled in Japan. The address of NTT’s registered headquarters is disclosed on its website (<https://www.ntt.co.jp/index.html>). The condensed quarterly consolidated financial statements comprise NTT and its subsidiaries (“NTT Group” or “the Group”).

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

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

- NTT DOCOMO Corporation (“NTT DOCOMO”)

Regional communications business (the provision of communications services within prefectures and other incidental business under the Group’s domestic telecommunications business)

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

Long distance and international communications business (the provision of communications services between prefectures under the Group’s domestic telecommunications business, the Group’s international communications business, solutions business, and other related business)

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

Data communications business (systems integration, network systems services, and other business)

- NTT DATA Corporation (“NTT DATA”)

2. Basis of Preparation

(1) Matters Regarding Compliance with IFRS

NTT Group meets the requirements of a “Specified Company complying with Designated International Accounting Standards” pursuant to Article 1-2 of the “Order on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Order No. 64 of 2007) (the “Order on Consolidated Financial Statements”). Consequently, in accordance with Article 93 of the Order on Consolidated Financial Statements, NTT Group prepares condensed quarterly consolidated financial statements pursuant to International Accounting Standard (“IAS”) No. 34, “Interim Financial Reporting.” The condensed quarterly consolidated financial statements were approved by the Board of Directors on February 6, 2020.

Since they do not include all the information and disclosures required for a complete set of financial statements, they should be read in conjunction with the consolidated financial statements for the year ended March 31, 2019.

(2) Basis for Measurement

The condensed quarterly consolidated financial statements are prepared on the basis of acquisition cost, with the exception of financial instruments measured at fair value, and assets and liabilities recognized in relation to defined benefit plans.

(3) Functional Currency and Presentation Currency

The currency used to present the condensed quarterly consolidated financial statements is the Japanese yen, which is the currency used in the primary economic environment where NTT conducts its business activities (hereinafter referred to as the “functional currency”). Amounts are rounded to the nearest million yen.

3. Significant Accounting Policies

The accounting policies applied on the condensed consolidated financial statements are consistent with those applied on the consolidated financial statements for the year ended March 31, 2019, except for changes in accounting policies stated below.

(1) Leases

NTT Group has applied IFRS 16 “Leases” (“IFRS 16”) from the beginning of the current fiscal year.

① Accounting treatment as a lessee

Lease transactions as a lessee were classified as finance leases when the lessor transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, while other lease transactions were classified as operating leases under IAS 17 “Leases” for the year ended March 2019.

As a result of the application of IFRS 16, when NTT Group assesses whether a contract is, or contains, a lease, at the inception of the contract initially recognizes a Right-of-use assets and Lease liabilities in the Condensed Interim Consolidated Statements of Financial Position at the commencement date of the contract without classifying finance leases or operating leases except for leases with a lease term of 12 months or less or when the underlying assets are of low value. NTT Group does not apply IFRS 16 to leases of intangible assets.

(i) Lease liabilities

Lease liabilities are initially measured at the present value of unpaid lease payments at the commencement date of the contract, discounted using NTT Group's incremental borrowing rate*. Lease payments are accounted as payments for interest calculated applying the effective interest method and payments for principal. Payments for interest are presented as finance cost in the condensed consolidated statement of profit or loss and classified as cash flows from operating activities condensed consolidated statement of cash flows. Payments for principal are classified as cash flows from financing activities.

* As interest rate implicit in the lease cannot be readily determined, NTT Group uses incremental borrowing rate as discount rate.

(ii) Right-of-use assets

Right-of-use assets are initially measured at cost, which comprises the amount of the initial measurement of the lease liabilities, adjusted for any initial direct costs incurred and prepaid lease payments, etc. After the initial measurements, Right-of-use assets are depreciated over the useful life or the lease term of the underlying asset, whichever is shorter, from the commencement date of the contract. The estimated useful life of Right-of-use assets is determined as same as owned property, plant and equipment. Right-of-use assets are deducted by impairment if identified and adjusted at remeasurement of the specific lease liabilities.

A part of Right-of-use assets which satisfies the definition of investment property is presented as Investment property in the Condensed Interim Consolidated Statements of Financial Position.

② Accounting treatment as a lessor

For leases in which NTT Group is the lessor, excluding subleases, NTT Group is not required to make any adjustments at the time of the application of IFRS 16.

Regarding the subleases in which NTT Group is intermediate lessor, NTT Group reassessed subleases by referencing Right-to-use assets recognized from head leases in which NTT Group is the lessee rather than the underlying asset that is the subject of a lease then some sublease contracts classified as operating leases in or prior to the previous fiscal year are classified as finance leases. As a result, NTT Group derecognizes Right-of-use assets and recognizes Trade and Other Receivables (Lease receivables) in the Condensed Interim Consolidated Statements of Financial Position.

③ Transitional Measures

NTT Group applies IFRS 16 using the modified retrospective approach, under which recognizing the cumulative effect of applying the standard as an adjustment to the beginning balance of retained earnings at the date of initial application with no restatement of the comparative period. For the assessment of whether a contract that was concluded in or prior to the previous fiscal year is, or contains a lease, the NTT Group has applied the practical expedient of maintaining its previous assessment.

④ The impact of the application of IFRS 16

The impact of the application of IFRS 16 is described below.

The amounts newly recognized as the Right-of use assets and Lease liabilities regarding the lease transactions classified as operating leases in the previous fiscal year

	(Millions of yen)
	The beginning balance based on IFRS 16 (April 1, 2019)
(Condensed Consolidated Statement of Financial Position)	
Assets	
Right-of-use assets	434,216
Trade and Other Receivables (Lease receivables)	54,594
Investment property	35,572
Liabilities	
Lease liabilities (Current and Non-current)	517,384

There were no material impacts on retained earnings at the beginning of the current fiscal year.

The amounts of depreciation and amortization newly recognized from Right-of-use assets and Investment property

	(Millions of yen)	
	Nine Months Ended December 31, 2019 (April 1, 2019 - December 31, 2019)	Three Months Ended December 31, 2019 (October 1, 2019 - December 31, 2019)
(Condensed Consolidated statement of profit or loss)		
Depreciation and amortization	111,553	38,962

Despite Depreciation and amortization is newly recognized, on the other hand, lease payment recognized as Expenses for purchase of goods and services and other expenses for the previous fiscal year is not recognized, the impact in Condensed Consolidated Statement of Comprehensive Income for the nine and three months ended December 31, 2019 are immaterial.

The impact in cash flow statement due to change in classification for principal payment of lease liabilities recognized

	(Millions of yen)	
	The impact for the nine months ended December 31, 2019	
(Condensed Consolidated statement of cash flows)		
Net cash provided by (used in) operating activities		123,774
Net cash provided by (used in) financing activities		(123,774)

The impact above is mainly due to the change of classification for lease payments equivalent to principal payment from Net cash provided by (used in) operating activities in previous fiscal year to Net cash provided by (used in) financing activities as principal payment of lease liabilities.

(2) Revenue

Sales of telecommunications terminal equipment

NTT Group offers a program in which we give a waiver of up to 12 months of installment payments to customers who choose the installment payment plan in 36 months on the sale of handset, on condition of returning the handset to NTT Group after use in the Mobile communications business segment from the three months ended June 30, 2019. The estimated amount of consideration received for which we do not expect to be entitled is recognized as refund liabilities upon the sale of handset, and the same amount is deducted from revenues. The liability is included in "Other non-current liabilities" in the condensed consolidated statement of financial position. The above estimations are made for each type of product based on our past experience and other factors, and included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. On the other hand, the right of collection of handset from customers in exchange for settlement of the refund liability is recorded in "Other current assets" and "Other non-current assets" respectively in the condensed consolidated statement of financial position. These assets are measured at the amount equal to carrying amount of the product less any expected costs to recover those handsets (including potential decreases in the value to the entity of returned handsets) when they are sold.

4. Significant Accounting Estimates and Judgments Involving Estimates

In preparing the condensed quarterly consolidated financial statements, management makes judgments, estimates and assumptions that affect the application of accounting policies as well as the amounts reported for assets, liabilities, revenue and expenses. These estimates and assumptions involve past experience and the collection of available data, and they are based on management's best judgment in consideration of various factors considered reasonable as of the reporting date. However, due to the nature of such judgments, future results may vary from these estimates and assumptions.

Estimates and their underlying assumptions are continuously reviewed. The effect of revisions to accounting estimates is recognized in the consolidated accounting period during which the estimates were reviewed and in future consolidated accounting periods.

The significant accounting judgements, estimates, and assumptions made in preparing the condensed consolidated financial statements are consistent with those made in preparing the consolidated financial statements for the year ended March 31, 2019, except for changes in accounting estimates stated below.

Estimates of useful lives and estimates for impairment of Right-of-use assets

Description is presented in "Note 3. Significant Accounting Policies (1) Leases".

Estimates of useful lives of property, plant and equipment

NTT Group revised its estimate of the expected useful lives of optical cables (a part of Cables in Telecommunications service lines) and extended expected useful life based on current actual utilization. This change in estimate has been accounted for prospectively. Regarding the impact from this change in accounting estimate in Condensed Consolidated Statement of Profit or Loss for the nine and three months ended December 31, 2019, "Depreciation and amortization" were decreased by ¥32,870 million and ¥11,051 million, "Profit attributable to NTT" were increased by ¥22,679 million and ¥7,648 million, "Basic earnings per share" were increased by ¥6.1 and ¥2.1, respectively. Per share information for the nine and three months ended December 31, 2018 and 2019 reflects the impact of the stock split.

Regarding the impact in segment profit were presented in "Note 6. Segment Information".

5. New Standards Not Yet Applied

Standards and interpretations that were newly issued or revised prior to the date these condensed quarterly consolidated financial statements were approved that NTT Group has not adopted earlier, and whose adoption may impact NTT Group, are not applicable.

6. Segment Information

NTT Group's business segments are as below, for which discrete financial information is available and whose operating results are utilized by NTT Group's management to make decisions about the allocation of resources and to assess business performance.

Services included in each segment are as follows:

Mobile communications business segment

Mobile voice-related services, IP/packet communications services, sales of telecommunications terminal equipment, and other services

Regional communications business segment

Fixed voice-related services, IP/packet communications services, sales of telecommunications terminal equipment, system integration services, and other services

Long distance and international communications business segment

Fixed voice-related services, IP/packet communications services, sales of telecommunications terminal equipment, system integration services, and other services

Data communications business segment

System integration services

Other business segment

Principally building maintenance, real estate rentals, systems development, leasing, and other services related to research and development

Operating Revenues

Nine Months Ended December 31,

(Millions of yen)

	Nine Months Ended December 31, 2018 (April 1, 2018 - December 31, 2018)	Nine Months Ended December 31, 2019 (April 1, 2019 - December 31, 2019)	Effect of inter-segment transfers of certain subsidiaries *
Mobile Communications Business			
Transactions with external customers	3,605,642	3,468,866	48,398
Inter-segment transactions	48,475	47,172	(548)
Sub-total	3,654,117	3,516,038	47,850
Regional Communications Business			
Transactions with external customers	1,821,112	1,766,060	(3,480)
Inter-segment transactions	504,383	510,180	(1,926)
Sub-total	2,325,495	2,276,240	(5,406)
Long Distance and International Communications Business			
Transactions with external customers	1,603,482	1,579,978	(48,398)
Inter-segment transactions	80,917	80,073	497
Sub-total	1,684,399	1,660,051	(47,901)
Data Communications Business			
Transactions with external customers	1,464,993	1,548,791	—
Inter-segment transactions	85,693	93,246	—
Sub-total	1,550,686	1,642,037	—
Other Business			
Transactions with external customers	299,986	498,996	3,480
Inter-segment transactions	555,302	597,790	24,888
Sub-total	855,288	1,096,786	28,368
Elimination of inter-segment transactions	(1,274,770)	(1,328,461)	(22,911)
Total	8,795,215	8,862,691	—

* Certain subsidiaries included in reporting segments "Regional Communications Business" or "Long Distance and International Communications Business" were transferred during the three months ended September 30, 2019 and they are included in "Other Businesses" or "Mobile Communications Business", respectively. After this period operating revenues of these subsidiaries were recognized in the destination segments. The increased or decreased amounts of operating revenue compared to the status without these inter-segment transfer during the nine months ended December 31, 2019 are presented as "Effect of inter-segment transfers of certain subsidiaries" in the table above.

Three Months Ended December 31,

(Millions of yen)

	Three Months Ended December 31, 2018 (October 1, 2018 - December 31, 2018)	Three Months Ended December 31, 2019 (October 1, 2019 -December 31, 2019)	Effect of inter-segment transfers of certain subsidiaries *
Mobile Communications Business			
Transactions with external customers	1,248,446	1,169,726	24,204
Inter-segment transactions	16,150	16,309	(437)
Sub-total	1,264,596	1,186,035	23,767
Regional Communications Business			
Transactions with external customers	611,507	593,929	(2,125)
Inter-segment transactions	169,573	172,549	(1,112)
Sub-total	781,080	766,478	(3,237)
Long Distance and International Communications Business			
Transactions with external customers	541,791	514,429	(24,204)
Inter-segment transactions	29,476	27,752	332
Sub-total	571,267	542,181	(23,872)
Data Communications Business			
Transactions with external customers	498,972	531,070	—
Inter-segment transactions	28,992	33,148	—
Sub-total	527,964	564,218	—
Other Business			
Transactions with external customers	101,300	163,986	2,125
Inter-segment transactions	189,019	211,920	10,339
Sub-total	290,319	375,906	12,464
Elimination of inter-segment transactions	(433,210)	(461,678)	(9,122)
Total	3,002,016	2,973,140	—

* Certain subsidiaries included in reporting segments "Regional Communications Business" or "Long Distance and International Communications Business" were transferred during the three months ended September 30, 2019 and they are included in "Other Businesses" or "Mobile Communications Business", respectively. After this period operating revenues of these subsidiaries were recognized in the destination segments. The increased or decreased amounts of operating revenue compared to the status without these inter-segment transfer during the three months ended December 31, 2019 are presented as "Effect of inter-segment transfers of certain subsidiaries" in the table above.

Segment profit or loss

Nine Months Ended December 31,

(Millions of yen)

	Nine Months Ended December 31, 2018 (April 1, 2018 - December 31, 2018)	Nine Months Ended December 31, 2019 (April 1, 2019 - December 31, 2019)	Effect of inter-segment transfers of certain subsidiaries *
Segment profit			
Mobile Communications Business	902,019	787,852	1,564
Regional Communications Business	351,352	397,641	358
Long Distance and International Communications Business	105,097	95,852	(1,586)
Data Communications Business	94,801	93,535	—
Other Business	83,161	83,088	(361)
Total	1,536,430	1,457,968	(25)
Elimination of inter-segment transactions	(9,304)	(7,540)	25
Operating profit	1,527,126	1,450,428	—
Finance income	17,827	37,682	—
Finance costs	25,451	29,711	—
Share of profit of entities accounted for using equity method	10,919	9,385	—
Profit before tax	1,530,421	1,467,784	—

Segment profit represents operating revenues less operating expenses.

Regarding the impact from change of the expected useful lives of optical cables, segment profit for the nine months ended December 31, 2019, were increased by ¥31,962 million for “Regional Communications Business”, ¥908 million for “Long Distance and International Communications Business business” and ¥32,870 million in total. Description of this change is presented in “Note 4. Significant Accounting Estimates and Judgments Involving Estimates”.

* Certain subsidiaries included in reporting segments "Regional Communications Business" or "Long Distance and International Communications Business" were transferred during the three months ended September 30, 2019 and they are included in "Other Businesses" or "Mobile Communications Business", respectively. After this period operating profits of these subsidiaries were recognized in the destination segments. The increased or decreased amounts of operating profits compared to the status without these inter-segment transfer during the nine months ended December 31, 2019 are presented as “Effect of inter-segment transfers of certain subsidiaries” in the table above.

Three Months Ended December 31,

(Millions of yen)

	Three Months Ended December 31, 2018 (October 1, 2018 - December 31, 2018)	Three Months Ended December 31, 2019 (October 1, 2019 - December 31, 2019)	Effect of inter-segment transfers of certain subsidiaries *
Segment profit			
Mobile Communications Business	291,499	247,592	650
Regional Communications Business	75,048	126,916	195
Long Distance and International Communications Business	33,645	36,554	(672)
Data Communications Business	34,469	29,778	—
Other Business	25,814	27,119	(196)
Total	460,475	467,959	(23)
Elimination of inter-segment transactions	(4,101)	(336)	23
Operating profit	456,374	467,623	—
Finance income	4,839	1,868	—
Finance costs	9,975	7,157	—
Share of profit of entities accounted for using equity method	865	3,591	—
Profit before tax	452,103	465,925	—

Segment profit represents operating revenues less operating expenses.

Regarding the impact from change of the expected useful lives of optical cables, segment profit for the three months ended December 31, 2019, were increased by ¥10,747 million for “Regional Communications Business”, ¥304 million for “Long distance and international communications business” and ¥11,051 million in total. Description of this change is presented in “Note 4. Significant Accounting Estimates and Judgments Involving Estimates”.

* Certain subsidiaries included in reporting segments "Regional Communications Business" or "Long Distance and International Communications Business" were transferred during the three months ended September 30, 2019 and they are included in "Other Businesses" or "Mobile Communications Business", respectively. After this period operating profits of these subsidiaries were recognized in the destination segments. The increased or decreased amounts of operating profits compared to the status without these inter-segment transferrings during the three months ended December 31, 2019 are presented as “Effect of inter-segment transfers of certain subsidiaries” in the table above.

Other significant items:

For the nine months ended December 31

(Millions of yen)

	Nine Months Ended December 31, 2018 (April 1, 2018 - December 31, 2018)	Nine Months Ended December 31, 2019 (April 1, 2019 - December 31, 2019)
Impairment losses - Metal cables Regional communications business	66,003	—

For the three months ended December 31

(Millions of yen)

	Three Months Ended December 31, 2018 (October 1, 2018 - December 31, 2018)	Three Months Ended December 31, 2019 (October 1, 2019 - December 31, 2019)
Impairment losses - Metal cables Regional communications business	66,003	—

For impairment losses of a portion of metal cables in the telecommunications business, see “Note 9. Property, Plant and Equipment”.

There were no operating revenues from transactions with a single external customer amounting to 10% or more of NTT Group's revenues for the nine and three months ended December 31, 2018 and 2019.

7. Impact on the condensed quarterly consolidated financial statements due to the non-business day for the fiscal year ended March 31, 2019 and 2018 and third quarter ended December 31, 2019 and 2018.

The last days of the fiscal year ended March 31, 2018, Nine Months Ended December 31, 2018, the fiscal year ended March 31, 2019 and Nine Months Ended December 31, 2019 fell on non-business days, resulting in the due date of certain bills, including telecommunication service bills, being set to the first business day of the following month. Consequently, the impact on the condensed quarterly consolidated financial statements is as follows.

	As of March 31, 2019	As of December 31, 2019
(Millions of yen)		
(Condensed Quarterly Consolidated Statement of Financial Position)		
Cash and cash equivalents	(223,672)	(236,749)
Trade and other receivables	223,672	236,749

	Nine Months Ended December 31, 2018 (April 1, 2018 - December 31, 2018)	Nine Months Ended December 31, 2019 (April 1, 2019 - December 31, 2019)
(Millions of yen)		
(Condensed Quarterly Consolidated Statement of Cash Flows)		
Decrease (increase) in trade and other receivables	(6,230)	(13,076)
Cash and cash equivalents as of April 1	(231,929)	(223,672)
Cash and cash equivalents as of December 31	(238,159)	(236,749)

8. Assets Held for Sale

Sumitomo Mitsui Card Company, Limited

Overview

As of the end of the fiscal year ended March 31, 2019, NTT Group held 34% of the outstanding common shares of Sumitomo Mitsui Card Company, Limited (“Sumitomo Mitsui Card”). Sumitomo Mitsui Card is a credit card operator in Japan and a privately held company.

In July 2005, NTT DOCOMO, a subsidiary of NTT, entered into an agreement with Sumitomo Mitsui Card, Sumitomo Mitsui Financial Group, Inc. (SMFG), and Sumitomo Mitsui Banking Corporation to jointly promote credit transaction services which use mobile phones compatible with the “Osaifu-Keitai” (mobile wallet) service. The investment NTT DOCOMO made in Sumitomo Mitsui Card in accordance with this agreement had been accounted for using the equity method.

In September 2018, NTT DOCOMO concluded an agreement for new business cooperation with Sumitomo Mitsui Card and SMFG. NTT DOCOMO group and SMFG will jointly develop a business to facilitate cashless payments by leveraging each of their customer bases and know-how and further expanding their “iD” electronic money service, while looking into the possibility of a new collaboration in areas such as FinTech. As a result of this arrangement, NTT DOCOMO agreed to sell all Sumitomo Mitsui Card shares to SMFG in April 2019.

On April 1, 2019, NTT DOCOMO sold all of its Sumitomo Mitsui Card shares to SMFG.

Impact on accounting treatment and on the consolidated financial statements

For the fiscal year ended March 31, 2019, in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations,” NTT Group reclassified its investment in Sumitomo Mitsui Card from “Investment accounted for using the equity method” to “Assets held for sale”. As a result, the subsequent application of the equity method was discontinued and the amount of the asset was measured at its carrying amount at that time. Assets held for sale comprise ¥234,160 million of investments in associates attributable to Mobile communications business, which had been accounted for using the equity method.

Accumulated other comprehensive income (net of taxes) related to “Assets held for sale” amounted to ¥30,620 million (credit side) and was included in “Other components of equity” in the Condensed Consolidated Statement of Financial Position as of March 31, 2019. This total amount represents the changes in the fair value of financial assets measured at fair value through other comprehensive income.

Due to the decision to recover this investment by sale, deferred tax liabilities arising from the temporary differences on this investment increased by ¥42,530 million and were offset against deferred tax assets on the Consolidated Statement of Financial Position. As a result, “Income taxes” on the Condensed Consolidated Statements of Profit or Loss for the three months ended September 30, 2018, increased by ¥20,667 million, and “Share of other comprehensive income of entities accounted for using the equity method (items that will not be reclassified to profit or loss)” (credit side) on the consolidated statement of comprehensive income decreased by ¥21,863 million.

For the three months ended July 31, 2019, Accumulated other comprehensive income (net of taxes) related to “Assets held for sale” amounted to ¥30,620 million (credit side) was not recognized in profit or loss, but will be directly reclassified to retained earnings when the asset is sold because NTT DOCOMO sold all of its Sumitomo Mitsui Card shares. The impact of this sales to Consolidated Statement of Profit or Loss was not material. The amount of proceeds from the sale is included in “Proceeds from sale or redemption of investments” in the Condensed Consolidated Statement of Cash Flows.

9. Property, Plant and Equipment

(1) Component of Property, plant and equipment

	Millions of yen	
	As of March 31, 2019	As of December 31, 2019
Telecommunications equipment	10,929,456	10,961,613
Telecommunications service lines	16,353,389	16,445,700
Buildings and structures	5,543,499	5,585,648
Machinery, vessels and tools	2,415,775	2,418,511
Land	699,178	698,883
Construction in progress	429,996	446,487
Sub-total	36,371,293	36,556,842
Accumulated depreciation and impairment losses	(27,358,346)	(27,549,224)
Property, plant and equipment - total	9,012,947	9,007,618

(2) Impairment loss

Impairment losses for a portion of metal cables for the telecommunications business

In December 2017, NTT Group determined that a portion of the metal cables used for its telecommunications business were idle assets with no prospect of future use.

The usage rate of metal cables has been decreasing continuously. In addition to the downward trend in the number of subscribers to the fixed-line services that use these cables, NTT Group and other related parties such as service providers have recognized that the decrease in such services is unavoidable going forward.

Based on the changes in the business environment described above, NTT Group determined that a certain unused portion of the metal cables were idle assets with no prospect of future use and thus reduced the carrying amount to the recoverable amount.

In the three months ended December 31, 2018, NTT Group determined that a portion of the metal cables it had been expected to use in the future were also idle assets with no prospect of future use in addition to those recognized as idle assets in the prior fiscal year.

NTT Group has started concrete measures to shift some metal cable subscribers to the use of optical fiber cables, and has simplified the contract procedures for optical cable subscribers (eliminating the system of temporary compulsory use of metal cables when changing from one carrier to another).

In light of these changes in the business environment, NTT Group determined that a certain portion of the metal cables, which have been maintained with wiring to customers remained even after the termination of the related contracts, were unused idle assets with no prospect of future use thus reduce the carrying amount to their recoverable amount. As a result, in the consolidated results for the three months ended December 31, 2018, NTT Group recorded ¥66,003 million of impairment losses on telecommunications service lines in the regional communications business segment. The recoverable amount of the metal cables was ¥47,816 million, based on the market valuation approach. The assumptions (inputs) used for measurement of the fair value were classified as Level 3. With this approach, the recoverable amount was measured by the market price of the metal cables' major materials less the related cost incurred if the metal cables are made available for sale.

10. Corporate Bonds

Details of corporate bonds transactions

Nine Months Ended December 31, 2018 (April 1, 2018 to December 31, 2018)						
Transaction	Entity	Description	Principal Amount	Interest rate	Issuance date	Maturity date
Redemption	NTT DOCOMO	15th series of bonds	¥80,000 million	1.96%	June, 11 2008	June, 20 2018
Redemption	NTT DOCOMO	17th series of bonds	¥30,000 million	1.77%	December, 3 2008	September, 20 2018
Redemption	NTT DATA	22th series of bonds	¥30,000 million	1.78%	December, 11 2008	December, 20 2018
Redemption	NTT Finance Corporation	42th series of bonds	¥20,000 million	0.50%	May, 28 2013	June, 20 2018
Redemption	NTT Finance Corporation	43th series of bonds	¥20,000 million	0.28%	October, 10 2013	December, 20 2018
Issuance	NTT Finance Corporation	11th series of Euro-denominated bonds	€ 60 million	1.27%	May, 22 2018	May, 22 2028
Issuance	NTT Finance Corporation	12th series of Euro-denominated bonds	€ 60 million	0.63%	August, 9 2018	August, 9 2023

Nine Months Ended December 31, 2019 (April 1, 2019 to December 31, 2019)						
Transaction	Entity	Description	Principal Amount	Interest rate	Issuance date	Maturity date
Redemption	Nippon Telegraph and Telephone Corporation	59th series of NTT bonds	¥100,000 million	1.69%	June 10, 2009	June 20, 2019
Redemption	NTT Finance Corporation	46th series of bonds	¥20,000 million	0.25%	May 27, 2014	June 20, 2019
Redemption	NTT Urban Development Corporation	9th series of bonds	¥10,000 million	1.50%	September 17, 2009	September 20, 2019
Redemption	NTT Urban Development Corporation	16th series of bonds	¥10,000 million	0.21%	October 31, 2014	September 20, 2019
Redemption	NTT Finance Corporation	47th series of bonds	¥20,000 million	0.20%	October 10, 2014	December 20, 2019
Issuance	NTT Finance Corporation	13th series of Euro-denominated bonds	€ 100 million	0.26%	June 25, 2019	June 26, 2023
Issuance	NTT Finance Corporation	14th series of Euro-denominated bonds	€ 25 million	0.33%	June 25, 2019	June 25, 2024

11. Equity and Other Components of Equity

(1) Issued Shares and Treasury Stock

Reconciliation of the number of issued shares and treasury stock

(shares)

	Issued Shares	Treasury Stock
April 1, 2018	2,096,394,470	125,318,558
Purchase of treasury stock under resolution of the board of directors	—	53,646,000
Repurchase of treasury stock based on less-than-one-unit share purchase demand	—	37,070
Disposal of treasury stock based on additional less-than-one-unit share purchase demand	—	(3,882)
Cancellation of treasury stock	(146,000,000)	(146,000,000)
March 31, 2019	1,950,394,470	32,997,746
Purchase of treasury stock under resolution of the board of directors	—	99,763,016
Repurchase of shares based on less-than-one-unit share purchase demand	—	29,316
Disposal of treasury stock based on additional less-than-one-unit share purchase demand	—	(1,446)
December 31, 2019	1,950,394,470	132,788,632

On September 18, 2018, the Board of Directors resolved that NTT would cancel 146 million of its shares on September 26, 2018, and as a result of NTT cancelling such shares on September 26, 2018, additional paid-in capital decreased by ¥2 million and retained earnings decreased by ¥718,258 million.

Stock Split

NTT conducted a two-for-one stock split of its common stock, with a record date of December 31, 2019 and an effective date of January 1, 2020 based on the resolution at a meeting of board of directors on November 5, 2019. Per share information for the nine and three months ended December 31, 2018 and 2019 reflects the impact of the stock split.

The resolution of repurchasing its outstanding common stock by NTT's Board of Directors and status

The date of resolution	Plan			Result			
	Period of repurchases	Total number of shares to be repurchased (million shares)	Aggregate repurchase amount (million yen)	Period for repurchases	Total number of shares repurchased (shares)	Aggregate repurchased amount (million yen)	Status of repurchase
February 21, 2018	From February 22, 2018 to June 30 2018	31	150,000	From March 2018 to May 2018	29,178,000	150,000	Concluded
November 6, 2018	From November 7, 2018 to March 29 2019	36	150,000	From November 2018 to January 2019	32,868,000	150,000	Concluded
May 10, 2019	From May 13, 2019 to July 31 2019	53	250,000	From May 2019 to July 2019	50,480,100	250,000	Concluded
August 6, 2019	From August 7, 2019 to September 30 2019	53	300,000	September 2019	48,980,000	251,071	Concluded

(2) Put Options Granted to Non-Controlling Interests

With regard to written put options for subsidiary shares granted by NTT Group to the owners of non-controlling interests, the amounts deducted from additional paid-in capital were ¥27,802 million and ¥10,985 million, respectively, at the end of the fiscal year ended March 31, 2019, and the three months ended December 31, 2019.

(3) Other Components of Equity

The details and changes in other components of equity

Nine Months Ended December 31, 2018

(Millions of yen)

	Change in the fair value of financial assets measured at fair value through other comprehensive income*1*2	Cash Flow Hedge	Remeasurements of Defined Benefit Plans	Foreign Currency Translation Adjustment	Total
March 31, 2018	146,013	(3,718)	—	58,343	200,638
Cumulative effect of adoption of IFRS 9 “Financial Instruments”	507	(2,939)	—	—	(2,432)
April 1, 2018	146,520	(6,657)	—	58,343	198,206
Other comprehensive income	(1,762)	(2,372)	(214)	(531)	(4,879)
Transfer to retained earnings	(6,856)	—	214	—	(6,642)
Transfer to non-financial assets, etc.	—	3,905	—	—	3,905
December 31, 2018	137,902	(5,124)	—	57,812	190,590

*1. For March 31, 2018, the amount of unrealized gains or losses on securities are shown as calculated in accordance with U.S. GAAP.

*2. The balance of "Change in the fair value of financial assets measured at fair value through other comprehensive income" on December 31, 2018 includes amounts related to "Assets held for sale" under IFRS 5. For details, please see “Note 8. Assets Held for Sale”.

Nine Months Ended December 31, 2019

(Millions of yen)

	Change in the fair value of financial assets measured at fair value through other comprehensive income	Cash Flow Hedges	Remeasurements of Defined Benefit Plans	Foreign Currency Translation Adjustments	Total
March 31, 2019	138,290	(5,115)	—	48,912	182,087
Other comprehensive income	24,890	761	(1,632)	(23,401)	618
Transfer to retained earnings	(36,789)	—	1,632	—	(35,157)
Transfer to non-financial assets, etc.	—	—	—	—	—
December 31, 2019	126,391	(4,354)	—	25,511	147,548

(4) Dividends

The amount of dividends paid out in the nine months ended December 31, 2018 and 2019

Resolution	Class of Shares	Source of Dividends	Total Dividend (Millions of yen)	Dividend per Share (Yen)	Record Date	Effective Date
June 26, 2018 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	147,831	75	March 31, 2018	June 27, 2018
November 6, 2018 Board of Directors	Common shares	Retained earnings	165,774	85	September 30, 2018	December 5, 2018
June 25, 2019 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	182,153	95	March 31, 2019	June 26, 2019
November 5, 2019 Board of Directors	Common shares	Retained earnings	172,674	95	September 30, 2019	December 5, 2019

(5) Equity Transactions with Non-controlling Interests

Increase (decrease) in additional paid in capital due to equity transactions with non-controlling interests

(Millions of yen)

	Nine Months Ended December 31, 2018 (April 1, 2018 to December 31, 2018)	Nine Months Ended December 31, 2019 (April 1, 2019 to December 31, 2019)
Transfers from (to) non-controlling interests:		
Increase (decrease) in additional paid-in capital attributable to change in NTT's ownership interest by making NTT Urban Development a wholly-owned subsidiary	(114,030)	—
Increase in additional paid-in capital attributable to tax effect of NTT DOCOMO's share repurchase of its common stock	(9,548)	—
Increase (decrease) in additional paid-in capital attributable to change in NTT's ownership interest by NTT DOCOMO's share repurchase of its common stock	62,417	(48,590)
Other	(1,595)	(24,573)
Total increase (decrease) in additional paid in capital due to transactions with non-controlling interests	(62,756)	(73,163)

Making NTT Urban Development Corporation a Wholly-Owned Subsidiary of NTT-SH Corporation

NTT-SH Corporation ("NTT-SH"), which is a wholly-owned subsidiary of NTT, conducted a series of transactions for the purpose of making NTT Urban Development Corporation ("NTT UD") a wholly-owned subsidiary of NTT-SH by acquiring all of the common shares of NTT UD (the "NTT UD Shares") as described below.

※ NTT-SH Corporation was reorganized into NTT Urban Solutions, Inc. on April 1, 2019. In addition, NTT Urban Solutions, Inc. changed its name to NTT Urban Solutions Co., Ltd. in July 2019.

Tender Offer

On October 15, 2018, NTT-SH resolved to acquire all of the NTT UD Shares through a tender offer, and purchased the NTT UD Shares for a total purchase price of ¥154,316 million from October 16, 2018 through November 27, 2018. As a result of the tender offer, NTT Group's ownership interests in NTT UD increased from 67.30% to 95.20%.

Contribution in Kind

On December 10, 2018, the Board of Directors of NTT resolved the contribution in kind to NTT-SH of all NTT UD Shares owned by NTT and, on December 13, 2018, completed the transaction. The contribution in kind did not affect NTT Group's ownership interests in NTT UD.

Demand for Sales of Shares

On December 17, 2018, pursuant to the Companies Act, NTT-SH made the demand to owners of non-controlling interests in NTT UD to sell all of their ownership interests in NTT UD (4.8%) to NTT-SH (total amount: ¥26,517 million). On the same day, the Board of Directors of NTT UD approved the demand. As a result, NTT Group's ownership interests in NTT UD is accounted for as 100%.

As a result of the series of transactions described above, "Additional paid-in capital" decreased by ¥114,030 million in the three months ended December 31, 2018. NTT-SH completed the acquisition of all of the NTT UD Shares and made NTT UD a wholly-owned subsidiary of NTT-SH on January 11, 2019.

NTT DOCOMO's repurchase of its common stock

On October 31, 2018, the Board of Directors of NTT DOCOMO resolved that NTT DOCOMO may repurchase up to 260 million outstanding shares of its common stock for an amount in total not exceeding ¥600 billion during the period from November 1, 2018 through March 31, 2019

On November 6, 2018, NTT DOCOMO resolved at a meeting of its Board of Directors to launch a tender offer to repurchase up to 257,953,468 shares of its outstanding common stock for an amount in total not exceeding ¥600 billion between November 7, 2018 and December 7, 2018. As a result of NTT's participation in the tender offer, 256,752,200 shares of NTT DOCOMO's common stock held by NTT were purchased for ¥597,206 million, and NTT Group's ownership interest in NTT DOCOMO decreased from 66.65% to 64.11%. In connection with this series of transactions, "Additional paid-in capital" increased by ¥52,869 million in the three month ended December 31, 2018.

On April 26, 2019, the Board of Directors of NTT DOCOMO resolved that NTT DOCOMO would repurchase up to 128.3 million outstanding shares of its common stock for ¥300,000 million during May 7, 2019 through April 30, 2020. Based on this resolution, NTT DOCOMO repurchased 70,798,600 shares of its common stock for ¥190,689 million from May 2019 through December 2019. As a result, NTT's ownership interest in NTT DOCOMO increased from 64.1% to 65.5% and "Additional paid-in capital" decreased by ¥48,590 million in the Condensed Consolidated Statement of Financial Position as of December 31, 2019.

And NTT DOCOMO repurchased 9,522,900 shares of its common stock for ¥29,310 million in January 2020.

(6) Other

According to the NTT Act, NTT must obtain authorization from the Minister of Internal Affairs and Communications for certain financial matters, including the issuance of new shares, bonds with a right to subscribe for new shares, and disposal of surplus.

12. Operating Revenues

Relationship between Components of Revenues and Segment Revenues

For the Nine Months Ended December 31

(Millions of yen)

		Nine Months Ended December 31, 2018 (April 1, 2018 to December 31, 2018)					
		Segment					
		Mobile Communications Business	Regional Communications Business	Long Distance and International Communications Business	Data Communications Business	Other Business	Total
Main Services	Fixed voice related services	–	664,641	144,658	–	–	809,299
	Mobile voice related services	710,222	–	–	–	–	710,222
	IP/packet communications services	1,613,038	871,394	314,702	–	3,366	2,802,500
	Sales of telecommunication s equipment	649,760	55,182	7,633	–	–	712,575
	System integration services	–	74,959	1,039,441	1,464,993	20,330	2,599,723
	Other services	632,622	154,936	97,048	–	276,290	1,160,896
	Total	3,605,642	1,821,112	1,603,482	1,464,993	299,986	8,795,215

(Millions of yen)

		Nine Months Ended December 31, 2019 (April 1, 2019 to December 31, 2019)					
		Segment					
		Mobile Communications Business	Regional Communications Business	Long Distance and International Communications Business	Data Communications Business	Other Business	Total
Main Services	Fixed voice related services	–	616,872	130,879	–	–	747,751
	Mobile voice related services	706,720	–	–	–	–	706,720
	IP/packet communications services	1,585,077	842,532	309,797	–	3,774	2,741,180
	Sales of telecommunication s equipment	488,315	56,035	5,583	–	–	549,933
	System integration services	–	96,438	1,070,630	1,548,791	19,642	2,735,501
	Other services*	688,754	154,183	63,089	–	475,580	1,381,606
	Total	3,468,866	1,766,060	1,579,978	1,548,791	498,996	8,862,691

* Certain subsidiaries included in "Regional communications business" or "Long distance and international communications" were transferred during the three months ended September 30, 2019 and they are included in "Other Businesses" or "Mobile communications business", respectively. After this period operating revenues of these subsidiaries were recognized in the destination segments. The effects are presented in "Note 6. Segment Information" and mainly included in "Other services".

For the Three Months Ended December 31

(Millions of yen)

		Three Months Ended December 31, 2018 (October 1, 2018 to December 31, 2018)					
		Segment					
		Mobile Communications Business	Regional Communications Business	Long Distance and International Communications Business	Data Communications Business	Other Business	Total
Main Services	Fixed voice related services	–	222,409	48,595	–	–	271,004
	Mobile voice related services	237,160	–	–	–	–	237,160
	IP/packet communications services	537,394	289,397	106,102	–	1,175	934,068
	Sales of telecommunication s equipment	259,605	18,650	1,801	–	–	280,056
	System integration services	–	28,264	350,534	498,972	7,095	884,865
	Other services	214,287	52,787	34,759	–	93,030	394,863
	Total	1,248,446	611,507	541,791	498,972	101,300	3,002,016

(Millions of yen)

		Three Months Ended December 31, 2019 (October 1, 2019 to December 31, 2019)					
		Segment					
		Mobile Communications Business	Regional Communications Business	Long Distance and International Communications Business	Data Communications Business	Other Business	Total
Main Services	Fixed voice related services	–	206,377	43,515	–	–	249,892
	Mobile voice related services	240,228	–	–	–	–	240,228
	IP/packet communications services	516,299	281,216	100,873	–	1,285	899,673
	Sales of telecommunication s equipment	170,803	16,985	1,561	–	–	189,349
	System integration services	–	35,775	354,666	531,070	6,575	928,086
	Other services*	242,396	53,576	13,814	–	156,126	465,912
	Total	1,169,726	593,929	514,429	531,070	163,986	2,973,140

* Certain subsidiaries included in "Regional communications business" or "Long distance and international communications" were transferred during the three months ended September 30, 2019 and they are included in "Other Businesses" or "Mobile communications business", respectively. After this period operating revenues of these subsidiaries were recognized in the destination segments. The effects are presented in "Note 6. Segment Information" and mainly included in "Other services".

In its five business segments of Mobile Communications Business, Regional Communications Business, Long Distance and International Communications Business, Data Communications Business, and Other Business, NTT Group provides the following six services: fixed voice related services, mobile voice related services, IP/packet communications services, sales of telecommunications equipment, system integration service, and other services.

13. Fair Value of Financial Instruments

(1) Carrying Amount and Fair Value of Financial Instruments Not Measured at Fair Value

(Millions of yen)

	As of March 31, 2019		As of December 31, 2019	
	Carrying amount	Carrying amount	Carrying amount	Fair value
Long-term debt (including current portion or balance due for repayment)	3,371,759	3,436,096	3,283,840	3,335,933

With regard to the above-mentioned items, the assumptions (inputs) used to measure fair value are classified as Level 2. With the exception of the above-mentioned items, the financial instruments not measured at fair value are not included in the table, because their carrying amounts approximate their fair values. No changes have been made to the measurement method of fair value after the end of previous fiscal year.

(2) Fair Value Measurement

Assets and liabilities measured at fair value

Fiscal Year Ended March 31, 2019

(Millions of yen)

Classification	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Debt securities	–	97,129	–	97,129
Investments in capital	–	942	33,525	34,467
Loans receivables	–	157,126	–	157,126
Derivatives financial assets				
Applied hedge accounting	–	14,935	–	14,935
Not applied hedge accounting	–	2,860	–	2,860
Financial assets measured at fair value through other comprehensive income				
Equity securities	338,748	1,675	70,194	410,617
Total	338,748	274,667	103,719	717,134
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives financial liabilities				
Applied hedge accounting	–	18,460	–	18,460
Not applied hedge accounting	–	1,164	–	1,164
Total	–	19,624	–	19,624

As of December 31, 2019

(Millions of yen)

Classification	Fair Value			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit/loss				
Debt securities	–	98,839	–	98,839
Investments in capital	–	1,224	40,199	41,423
Loans receivable	–	150,301	–	150,301
Derivatives financial assets				
Applied hedge accounting	–	13,572	–	13,572
Not applied hedge accounting	–	2,393	–	2,393
Financial assets measured at fair value through other comprehensive income				
Equity securities	422,626	–	92,510	515,136
Total	422,626	266,329	132,709	821,664
Financial liabilities:				
Financial liabilities measured at fair value through profit/loss				
Derivatives financial liabilities				
Applied hedge accounting	–	20,113	–	20,113
Not applied hedge accounting	–	1,505	–	1,505
Total	–	21,618	–	21,618

1. In the nine months ended December 31, 2019, there was no material switching between levels.
2. Level 3 reconciliation is not disclosed, as there was no material fluctuation among financial instruments classified as Level 3 in the nine months ended December 31, 2019.

The valuation techniques to measure fair value of financial instruments are consistent with those applied on the consolidated financial statements for the year ended March 31, 2019.

14. Subsequent Events

Capital and Business Tie-up Agreement with Tokyo Century Corporation

NTT resolved to form a capital and business tie-up (hereinafter referred to as “the capital and business tie-up”) with Tokyo Century Corporation (hereinafter referred to as “Tokyo Century”) at a Meeting of the Board of Directors held on February 6, 2020 and entered into an agreement regarding the capital and business tie-up.

As part of the capital and business tie-up, the new company (NTT TC Leasing Co., Ltd (planned)) established by NTT Finance Corporation (hereinafter referred to as “NTT Finance”), will first succeed to part of the leasing business and global business of NTT Finance by the method of absorption-type split upon spin-off, and then NTT group will transform the new company into a joint venture by selling shares equivalent to 50 percent of the total number of outstanding shares of the new company to Tokyo Century in order to bolster and augment leasing and financial business in Japan and other countries for NTT group and Tokyo Century.

In accordance with this completion of share transfer, the new company is expected to be a joint venture company accounted for using the equity method for NTT group. As a result, assets and liabilities directly associated with these assets related to part of the leasing business and global business of NTT Finance, that are included in “other business” segment, are expected to be classified as assets held for sale and liabilities directly associated with assets held for sale, respectively, until the completion of the share transfer. The impacts of this share transfer on consolidated statement of profit or loss are expected to be immaterial.

In addition to the above, NTT is planning to acquire shares of Tokyo Century's common stock equivalent to 10 percent of the total outstanding shares after the third-party allocation implemented by Tokyo Century by underwriting part of the allocation.

Stock Split

The stock split is described in “Note 11. Equity and Other Components of Equity (1) Issued Shares and Treasury Stock.”

The subsidiaries' purchase of treasury stock

The acquisition of NTT DOCOMO's treasury stock is described in “Note 11. Equity and Other Components of Equity (5) Equity Transactions with Non-controlling Interests.”