

Financial Results Release

For the Six Months Ended September 30, 2017

November 10, 2017

[U.S. GAAP]

Name of registrant : Nippon Telegraph and Telephone Corporation (“NTT”) / URL <http://www.ntt.co.jp/ir/>
 Code No. : 9432
 Stock exchanges on which the Company's shares are listed : Tokyo
 Representative : Hiroo Unoura, President and Chief Executive Officer
 Contact : Takashi Ameshima, Head of IR, Finance and Accounting Department / TEL +81-3-6838-5481
 Scheduled filing date of quarterly securities report : November 13, 2017
 Scheduled date of dividend payments : December 11, 2017
 Supplemental material on quarterly results : Yes
 Presentation on quarterly results : Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the Six Months Ended September 30, 2017 (April 1, 2017 - September 30, 2017)

Amounts are rounded to the nearest million yen.

(1) Consolidated Results of Operations

(Millions of yen)

	Operating Revenues		Operating Income		Income before Income Taxes		Net Income Attributable to NTT	
Six months ended September 30, 2017	5,664,795	2.5%	975,183	5.3%	982,025	9.5%	527,505	10.8%
Six months ended September 30, 2016	5,524,328	(1.2)%	926,484	26.3%	896,905	25.0%	476,096	26.2%

Notes: 1. Comprehensive income (loss) attributable to NTT: For the six months ended September 30, 2017: 562,436 million yen 76.2%
 For the six months ended September 30, 2016: 319,189 million yen (3.0)%

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

	Basic Earnings per Share Attributable to NTT	Diluted Earnings per Share Attributable to NTT
Six months ended September 30, 2017	262.84 (yen)	- (yen)
Six months ended September 30, 2016	230.90 (yen)	- (yen)

(2) Consolidated Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Total Equity	NTT Shareholders' Equity	Equity Ratio (Ratio of NTT Shareholders' Equity to Total Assets)	NTT Shareholders' Equity per Share
September 30, 2017	21,498,152	12,001,395	9,441,681	43.9%	4,705.67 (yen)
March 31, 2017	21,250,325	11,507,756	9,052,479	42.6%	4,491.73 (yen)

2. Dividends

	Annual Dividends				
	End of the first quarter	End of the second quarter	End of the third quarter	Year-end	Total
Year Ended March 31, 2017	-	60.00 (yen)	-	60.00 (yen)	120.00 (yen)
Year Ending March 31, 2018	-	75.00 (yen)	-	-	-
Year Ending March 31, 2018 (Forecasts)	-	-	-	75.00 (yen)	150.00 (yen)

Note: Change in dividend forecasts during the six months ended September 30, 2017: None

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

(Millions of yen, except per share amount)

	Operating Revenues		Operating Income		Income before Income Taxes		Net Income Attributable to NTT		Basic Earnings per Share Attributable to NTT	
Year Ending March 31, 2018	11,750,000	3.2%	1,590,000	3.3%	1,695,000	10.9%	880,000	10.0%	440.00	(yen)

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

2. Change in consolidated financial results forecasts for the fiscal year ending March 31, 2018 during the six months ended September 30, 2017: Yes

***Notes:**

- (1) Change in significant consolidated subsidiaries during the six months ended September 30, 2017 that resulted in changes in the scope of consolidation:
None
- (2) Adoption of accounting which is simplified or exceptional for quarterly consolidated financial statements: None
- (3) Change of accounting policy
 - i. Change due to revision of accounting standards and other regulations: Yes
 - ii. Other change: Yes
(For further details, please see “Summary Information (notes)” on page 3.)
- (4) Number of shares outstanding (common stock)
 - i. Number of shares outstanding (including treasury stock):

September 30, 2017	: 2,096,394,470 shares
March 31, 2017	: 2,096,394,470 shares
 - ii. Number of shares of treasury stock:

September 30, 2017	: 89,947,292 shares
March 31, 2017	: 81,026,959 shares
 - iii. Weighted average number of shares outstanding:

For the six months ended September 30, 2017	: 2,006,905,710 shares
For the six months ended September 30, 2016	: 2,061,934,989 shares

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

* Explanation of earnings forecasts and other notes:

Forward-looking statements in this earnings release, such as forecasts of results of operations, are based on the information currently available to NTT and certain assumptions that we regard as reasonable and therefore actual results may differ materially from those contained in or suggested by any forward-looking statements. With regard to the assumptions and other related matters concerning forecasts for the fiscal year ending March 31, 2018, please refer to page 10.

On Friday, November 10, 2017, NTT will hold a presentation on its financial results for institutional investors and analysts. Shortly thereafter, NTT plans to post on its website explanatory details, along with the materials used at the presentation.

The forecast for “Basic Earnings per Share Attributable to NTT” for the fiscal year ending March 31, 2018 is based on the assumption that NTT will repurchase 30 million shares or 150 billion yen of shares from September 26, 2017 through March 31, 2018, as resolved at the board of directors’ meeting held on September 25, 2017, authorizing repurchases up to these amounts and retain these as treasury stock.

For further details on the financial results forecasts, please also see “Financial Results for the Six Months Ended September 30, 2017,” which is disclosed on TDnet on the same day as this financial results release.

1. Summary Information (notes)

- (1) Change in significant consolidated subsidiaries during the six months ended September 30, 2017, that resulted in changes in the scope of consolidation: None
- (2) Adoption of accounting which is simplified or exceptional for quarterly consolidated financial statements: None
- (3) Change of accounting policy: Yes

Balance Sheet Classification of Deferred Taxes

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

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

Simplifying the Test for Goodwill Impairment

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

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

Change in Fiscal Year End of Certain Subsidiaries

As of April 1, 2017, certain of NTT’s consolidated subsidiaries changed their fiscal year ends from December 31 or January 31 to March 31, thereby eliminating a three-month or two-month lag between their fiscal year ends and NTT’s fiscal year end in NTT’s quarterly consolidated financial statements. The elimination of this lag was applied as a change in accounting policy. NTT did not make any retrospective adjustments to its financial statements as these changes did not have a material impact on the consolidated financial statements for the six months ended September 30, 2016 or the year ended March 31, 2017. As a result of this change, NTT’s retained earnings have increased by ¥964 million, and its accumulated other comprehensive income (loss) and noncontrolling interests have decreased by ¥3,351 million and ¥2,012 million, respectively, as of the beginning of the current fiscal year.

2. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

	Millions of yen		
	March 31, 2017	September 30, 2017	Increase (Decrease)
ASSETS			
Current assets:			
Cash and cash equivalents	¥925,213	¥840,663	¥(84,550)
Short-term investments	63,844	144,206	80,362
Notes and accounts receivable, trade	2,699,708	2,739,030	39,322
Allowance for doubtful accounts	(48,626)	(48,729)	(103)
Accounts receivable, other	505,145	567,027	61,882
Inventories	365,379	386,862	21,483
Prepaid expenses and other current assets	573,170	600,288	27,118
Deferred income taxes	228,590	—	(228,590)
Total current assets	5,312,423	5,229,347	(83,076)
Property, plant and equipment:			
Telecommunications equipment	11,046,115	11,014,642	(31,473)
Telecommunications service lines	16,064,732	16,145,869	81,137
Buildings and structures	6,147,869	6,222,954	75,085
Machinery, vessels and tools	2,032,389	2,117,492	85,103
Land	1,292,685	1,304,617	11,932
Construction in progress	421,819	459,247	37,428
	37,005,609	37,264,821	259,212
Accumulated depreciation	(27,286,588)	(27,461,554)	(174,966)
Net property, plant and equipment	9,719,021	9,803,267	84,246
Investments and other assets:			
Investments in affiliated companies	484,596	496,445	11,849
Marketable securities and other investments	495,290	508,680	13,390
Goodwill	1,314,645	1,366,673	52,028
Software	1,209,485	1,201,543	(7,942)
Other intangible assets	453,918	416,509	(37,409)
Other assets	1,492,076	1,505,899	13,823
Deferred income taxes	768,871	969,789	200,918
Total investments and other assets	6,218,881	6,465,538	246,657
Total assets	¥21,250,325	¥21,498,152	¥247,827

	Millions of yen		
	March 31, 2017	September 30, 2017	Increase (Decrease)
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings	¥227,207	¥268,876	¥41,669
Current portion of long-term debt	681,904	710,206	28,302
Accounts payable, trade	1,612,996	1,239,946	(373,050)
Current portion of obligations under capital leases	14,430	15,866	1,436
Accrued payroll	443,308	442,953	(355)
Accrued taxes on income	239,755	247,954	8,199
Accrued consumption tax	75,083	92,430	17,347
Advances received	324,342	360,952	36,610
Other	512,368	483,083	(29,285)
Total current liabilities	4,131,393	3,862,266	(269,127)
Long-term liabilities:			
Long-term debt (excluding current portion)	3,168,478	3,181,371	12,893
Obligations under capital leases (excluding current portion)	25,568	22,730	(2,838)
Liability for employees' retirement benefits	1,599,381	1,624,134	24,753
Accrued liabilities for point programs	103,047	94,136	(8,911)
Deferred income taxes	166,751	150,380	(16,371)
Other	497,132	506,945	9,813
Total long-term liabilities	5,560,357	5,579,696	19,339
Redeemable noncontrolling interests	50,819	54,795	3,976
Equity:			
NTT shareholders' equity			
Common stock, no par value	937,950	937,950	—
Additional paid-in capital	2,862,035	2,855,486	(6,549)
Retained earnings	5,626,155	6,033,702	407,547
Accumulated other comprehensive income (loss)	1,562	33,142	31,580
Treasury stock, at cost	(375,223)	(418,599)	(43,376)
Total NTT shareholders' equity	9,052,479	9,441,681	389,202
Noncontrolling interests	2,455,277	2,559,714	104,437
Total equity	11,507,756	12,001,395	493,639
Total liabilities and equity	¥21,250,325	¥21,498,152	¥247,827

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

SIX-MONTH PERIOD ENDED SEPTEMBER 30

Consolidated Statements of Income

	Millions of yen		
	2016	2017	Increase (Decrease)
Operating revenues:			
Fixed voice related services	¥619,316	¥571,039	¥(48,277)
Mobile voice related services	429,604	467,669	38,065
IP / packet communications services	1,901,368	1,908,862	7,494
Sale of telecommunications equipment	423,074	348,515	(74,559)
System integration	1,397,071	1,599,833	202,762
Other	753,895	768,877	14,982
	5,524,328	5,664,795	140,467
Operating expenses:			
Cost of services (excluding items shown separately below)	1,153,397	1,120,488	(32,909)
Cost of equipment sold (excluding items shown separately below)	406,441	379,912	(26,529)
Cost of system integration (excluding items shown separately below)	986,249	1,141,083	154,834
Depreciation and amortization	716,473	659,938	(56,535)
Impairment losses			
Goodwill	4,471	—	(4,471)
Other	10,197	557	(9,640)
Selling, general and administrative expenses	1,320,616	1,387,634	67,018
	4,597,844	4,689,612	91,768
Operating income	926,484	975,183	48,699
Other income (expenses):			
Interest and amortization of bond discounts and issue costs	(19,780)	(16,573)	3,207
Interest income	8,621	8,962	341
Other, net	(18,420)	14,453	32,873
	(29,579)	6,842	36,421
Income before income taxes and equity in earnings (losses) of affiliated companies	896,905	982,025	85,120
Income tax expense (benefit):			
Current	246,678	318,773	72,095
Deferred	34,766	(9,360)	(44,126)
	281,444	309,413	27,969
Income before equity in earnings (losses) of affiliated companies	615,461	672,612	57,151
Equity in earnings (losses) of affiliated companies	10,065	6,755	(3,310)
Net income	625,526	679,367	53,841
Less – Net income attributable to noncontrolling interests	149,430	151,862	2,432
Net income attributable to NTT	¥476,096	¥527,505	¥51,409
Per share of common stock:			
Weighted average number of shares outstanding (Shares)	2,061,934,989	2,006,905,710	
Net income attributable to NTT (Yen)	¥230.90	¥262.84	

Consolidated Statements of Comprehensive Income

	Millions of yen		
	2016	2017	Increase (Decrease)
Net income	¥625,526	¥679,367	¥53,841
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on securities	(18,302)	13,107	31,409
Unrealized gain (loss) on derivative instruments	(2,009)	966	2,975
Foreign currency translation adjustments	(178,873)	34,386	213,259
Pension liability adjustments	5,812	3,681	(2,131)
Total other comprehensive income (loss)	(193,372)	52,140	245,512
Total comprehensive income (loss)	432,154	731,507	299,353
Less – Comprehensive income attributable to noncontrolling interests	112,965	169,071	56,106
Total comprehensive income (loss) attributable to NTT	¥319,189	¥562,436	¥243,247

(3) Going Concern Assumption

None

(4) NTT Shareholders' Equity

1. Dividends

Cash dividends paid

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

Cash dividends declared

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

2. Treasury stock

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

On September 25, 2017, the Board of Directors resolved that NTT may acquire up to 30 million shares of its outstanding common stock for an amount in total not exceeding ¥150 billion from September 26, 2017 through March 31, 2018. NTT repurchased 11,400,000 shares of its common stock for a total purchase price of ¥60,294 million in October 2017.

(5) Subsequent Events

Tata Teleservices Limited

Tata Teleservices Limited ("TTSL") is a telecommunication operator in India and a privately held company.

As of September 30 2017, NTT Group held approximately 21.6% of the outstanding common shares of TTSL and accounted for the investment under the equity method.

Under the shareholders agreement (the "Agreement") entered into among TTSL, Tata Sons Limited ("Tata Sons") and NTT DOCOMO when NTT DOCOMO entered into a business alliance with TTSL in March 2009, NTT DOCOMO shall have certain shareholder rights, including the right to require Tata Sons to find a suitable buyer for NTT DOCOMO's entire stake (1,248,974,378 shares, or approximately 26.5% of outstanding shares) in TTSL for 50% of the NTT DOCOMO's acquisition price, which amounts to 72.5 billion Indian rupees (or ¥127.6 billion*¹), or at fair value, whichever is higher, in the event that TTSL fails to achieve certain specified performance targets by March 31, 2014. The right became exercisable on May 30, 2014, and NTT DOCOMO exercised the right on July 7, 2014.

The obligation of Tata Sons under the Agreement was not fulfilled, although NTT DOCOMO repeatedly held discussions with Tata Sons regarding the sale of NTT DOCOMO's entire stake in TTSL pursuant to the Agreement. Accordingly, NTT DOCOMO submitted a request for arbitration to the London Court of International Arbitration ("LCIA") on January 3, 2015.

NTT DOCOMO received a binding arbitration award from the LCIA on June 23, 2016. The award ordered that Tata Sons pay damages to NTT DOCOMO in the amount of approximately \$1,172 million (or ¥132.6 billion*²) for Tata Sons' breach of the Agreement, upon NTT DOCOMO's tender of its entire stake in TTSL to Tata Sons or its designee.

On July 8, 2016, NTT DOCOMO submitted an application to the High Court in India ("the Court") requesting enforcement of the LCIA Award in India. On February 25, 2017, NTT DOCOMO and Tata Sons submitted a joint application to the Court requesting that the Court declare the LCIA Award enforceable in India. On April 28, 2017, the Court delivered a court decision approving the joint application.

On October 31, 2017, NTT DOCOMO received ¥144.9 billion*³ from Tata Sons as payment of the arbitration award amount in accordance with the Court decision regarding NTT DOCOMO's stake in TTSL. As a result of this transaction, NTT Group expects to include the award amount of ¥144.9 billion in other income on the consolidated financial statements for the three month period ending December 31, 2017.

Concurrent with the receipt of the above award amount, all shares in TTSL held by NTT DOCOMO have been transferred to Tata Sons and companies designated by Tata Sons. Upon the transfer of NTT DOCOMO's shares in TTSL, NTT Group no longer accounts for investments in TTSL under the equity method. As a result, NTT Group expects to include a loss on transfer of investments in affiliates of ¥29.8 billion, equal to the reclassification adjustments of foreign currency translation adjustments, in other expense on its consolidated financial statements for the three month period ending December 31, 2017.

*1 1 rupee = ¥1.76 as of October 31, 2017

*2 \$1 = ¥113.16 as of October 31, 2017

*3 The amount received included interest earned and other costs awarded.

NTT's repurchase of its common stock

For information about this event, see Note 4.

NTT DOCOMO's resolution to repurchase its common stock

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

[Note]

The forward-looking statements and projected figures concerning the future performance of NTT and its subsidiaries and affiliates contained or referred to herein are based on a series of assumptions, projections, estimates, judgments and beliefs of the management of NTT in light of information currently available to it regarding NTT and its subsidiaries and affiliates, the economy and telecommunications industry in Japan and overseas, and other factors. These projections and estimates may be affected by the future business operations of NTT and its subsidiaries and affiliates, the state of the economy in Japan and abroad, possible fluctuations in the securities markets, the pricing of services, the effects of competition, the performance of new products, services and new businesses, changes to laws and regulations affecting the telecommunications industry in Japan and elsewhere, other changes in circumstances that could cause actual results to differ materially from the forecasts contained or referred to herein, as well as other risks included in NTT's most recent Annual Report on Form 20-F and other filings and submissions with the United States Securities and Exchange Commission.