

Financial Results Release

August 6, 2019

For the Three Months Ended June 30, 2019

[IFRS]

Name of registrant : Nippon Telegraph and Telephone Corporation (“NTT”) / URL <https://www.ntt.co.jp/ir/>
 Code No. : 9432
 Stock exchanges on which the Company's shares are listed : Tokyo
 Representative : Jun Sawada, President and Chief Executive Officer
 Contact : Natsuko Fujiki, Head of IR, Finance and Accounting Department
 URL https://www.ntt.co.jp/ir/form_e/ref_contact.html
 Scheduled filing date of quarterly securities report : August 7, 2019
 Scheduled date of dividend payments : -
 Supplemental material on quarterly results : Yes
 Presentation on quarterly results : Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the Three Months Ended June 30, 2019 (April 1, 2019 - June 30, 2019)

Amounts are rounded to the nearest million yen.

(1) Consolidated Results of Operations

(Millions of yen)

	Operating Revenues		Operating Profit		Profit before Taxes		Profit Attributable to NTT	
Three months ended June 30, 2019	2,915,438	2.2%	505,194	(6.0)%	526,783	(2.9)%	280,530	(3.2)%
Three months ended June 30, 2018	2,852,732	1.6%	537,226	2.4%	542,651	2.8%	289,746	0.2%

Notes: 1. Comprehensive income (loss) attributable to NTT: For the three months ended June 30, 2019: 246,156 million yen (18.0)%
 For the three months ended June 30, 2018: 300,185 million yen (3.0)%

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

	Basic Earnings per Share Attributable to NTT	Diluted Earnings per Share Attributable to NTT
Three months ended June 30, 2019	147.31 (yen)	- (yen)
Three months ended June 30, 2018	148.05 (yen)	- (yen)

(2) Consolidated Financial Position

(Millions of yen, except equity ratio and per share amounts)

	Total Assets	Total Equity (Net Assets)	Shareholders' Equity	Equity Ratio (Ratio of Shareholders' Equity to Total Assets)	Shareholders' Equity per Share
June 30, 2019	22,568,589	11,642,418	9,128,194	40.4%	4,854.16 (yen)
March 31, 2019	22,295,146	11,804,790	9,264,913	41.6%	4,832.03 (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, 2019	-	85.00 (yen)	-	95.00 (yen)	180.00 (yen)
Year Ending March 31, 2020	-				
Year Ending March 31, 2020 (Forecasts)		95.00 (yen)	-	95.00 (yen)	190.00 (yen)

Note: Revision to the dividend forecasts from the latest announcement: None

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 - March 31, 2020)

(Millions of yen, except per share amount)

	Operating Revenues		Operating Profit		Profit before Taxes		Profit Attributable to NTT		Basic Earnings per Share Attributable to NTT	
Year Ending March 31, 2020	11,830,000	(0.4)%	1,550,000	(8.5)%	1,569,000	(6.2)%	855,000	0.1%	462.00	(yen)

Notes: 1. Percentages above represent changes from the previous fiscal year.
 2. Revision to the consolidated financial results forecasts from the latest announcement: None
 3. Basic Earnings per Share Attributable to NTT has been revised with this financial results release.

***Notes:**

- (1) Change in significant subsidiaries during the three months ended June 30, 2019 (change in specific subsidiaries involving changes in the scope of consolidation): None
- (2) Change of accounting policy and accounting estimates
 - i. Changes in accounting policy required by IFRS: Yes
 - ii. Changes other than (i): None
 - iii. Changes in accounting estimates: Yes
(For further details, please see “1. Summary Information (notes)” on page 3.)
- (3) Number of shares outstanding (common stock)
 - i. Number of shares outstanding (including treasury stock):

June 30, 2019	: 1,950,394,470 shares
March 31, 2019	: 1,950,394,470 shares
 - ii. Number of shares of treasury stock:

June 30, 2019	: 69,906,760 shares
March 31, 2019	: 32,997,746 shares
 - iii. Weighted average number of shares outstanding:

For the three months ended June 30, 2019	: 1,904,312,834 shares
For the three months ended June 30, 2018	: 1,957,124,655 shares

* This Financial Results Release is not subject to the quarterly review by a certified public accountant or audit firm.

* Explanation for the appropriate use of earnings forecasts and other notes:

This document is a translation of the authoritative Japanese original. 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.

On Tuesday, August 6, 2019, NTT will hold a presentation on its financial results for institutional investors and analysts. Shortly thereafter, NTT plans to post on its website explanatory details, along with the materials used at the presentation.

1. Summary Information (notes)

(1) Change in significant consolidated subsidiaries during the three months ended June 30, 2019, that resulted in changes in the scope of consolidation: None

(2) Changes in Accounting Methods and Estimates

① Application of IFRS 16, “Lease”

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

(i) 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, NTT Group 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.

(a) 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.

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

(b) 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.

(ii) Accounting treatment as a lessor

For leases in which the 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 subleases in which NTT Group is intermediate lessor, NTT Group reassessed subleases by referencing the Right-of-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.

(iii) 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.

(iv) The impact of the change

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)
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(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 described above

(Millions of yen)

	Three Months Ended June 30, 2019 (April 1, 2019 - June 30, 2019)
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(Condensed Consolidated Statement of Profit or Loss)	
Depreciation and amortization	36,143

Despite Depreciation and amortization is newly recognized, lease payments, which used to be recognized as Expenses in and previous fiscal year, is not recognized. As a result, the impact in Condensed Consolidated Statement of Comprehensive Income for the three months ended June 30, 2019 is not material.

② Estimate 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 to the impact from this change in accounting estimate in Condensed Consolidated Statement of Profit or Loss for the three months ended June 30, 2019, “Depreciation and amortization” was decreased ¥10,859 million, “Profit attributable to NTT” and “Basic earnings per share” were increased ¥7,446 million, ¥3.91, respectively.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Balance Sheets

	Millions of yen		
	March 31, 2019	June 30, 2019	Increase (Decrease)
ASSETS			
Current assets			
Cash and cash equivalents(*)	946,134	1,021,496	75,362
Trade and other receivables(*)	4,391,434	4,218,978	(172,456)
Other financial assets	117,753	108,987	(8,766)
Inventories	331,634	304,224	(27,410)
Other current assets	550,487	702,187	151,700
Sub Total	6,337,442	6,355,872	18,430
Assets held for sale	242,524	-	(242,524)
Total current assets	6,579,966	6,355,872	(224,094)
Non-current assets			
Property, plant and equipment	9,012,947	8,923,936	(89,011)
Right-of-use assets	-	453,622	453,622
Goodwill	886,531	902,227	15,696
Intangible assets	1,627,762	1,629,058	1,296
Investment property	967,006	1,037,545	70,539
Investments accounted for using equity method	298,261	287,669	(10,592)
Other financial assets	1,138,502	1,187,345	48,843
Deferred tax assets	1,124,467	1,125,897	1,430
Other non-current assets	659,704	665,418	5,714
Total non-current assets	15,715,180	16,212,717	497,537
Total assets	22,295,146	22,568,589	273,443

* The last day of the fiscal year ended March 31, 2019 and first quarter ended June 30, 2019 fell on a non-business day, resulting in the due date for certain bills, including telecommunication service bills, being set to the first business day of the fiscal year ended March 31, 2019 and second quarter ending September 30, 2019, respectively. Consequently, for the fiscal year ended March 31, 2019 and first quarter ended June 30, 2019 there were decreases of cash and cash equivalents and an increase of trade and other receivables, ¥223,672 million and ¥234,566 million respectively.

Millions of yen

	March 31, 2019	June 30, 2019	Increase (Decrease)
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt	1,397,545	1,922,333	524,788
Trade and other payables	2,092,479	1,685,850	(406,629)
Lease liabilities	–	137,651	137,651
Other financial liabilities	44,305	43,003	(1,302)
Accrued payroll	468,216	389,327	(78,889)
Accrued taxes on income	237,282	147,383	(89,899)
Other current liabilities	988,244	982,924	(5,320)
Total current liabilities	5,228,071	5,308,471	80,400
Non-current liabilities			
Long-term debt	2,865,181	2,834,873	(30,308)
Lease liabilities	–	393,764	393,764
Other financial liabilities	175,087	151,903	(23,184)
Defined benefit liabilities	1,878,013	1,883,150	5,137
Deferred tax liabilities	61,189	64,958	3,769
Other non-current liabilities	282,815	289,052	6,237
Total non-current liabilities	5,262,285	5,617,700	355,415
Total liabilities	10,490,356	10,926,171	435,815
Equity			
Nippon Telegraph and Telephone Corporation (“NTT”) shareholders’ equity			
Common stock	937,950	937,950	–
Additional paid-in capital	2,341,206	2,321,721	(19,485)
Retained earnings	5,954,305	6,080,501	126,196
Treasury stock	(150,635)	(330,881)	(180,246)
Other components of equity	182,087	118,903	(63,184)
Total NTT shareholders’ equity	9,264,913	9,128,194	(136,719)
Non-controlling interests	2,539,877	2,514,224	(25,653)
Total equity	11,804,790	11,642,418	(162,372)
Total liabilities and equity	22,295,146	22,568,589	273,443

(2) Condensed Consolidated Statement of Profit or Loss and Condensed Consolidated Statement of Comprehensive Income

Condensed Consolidated Statements of Profit or Loss

	Millions of yen except per share data		
	Three-month ended June 30, 2018	Three-month ended June 30, 2019	Increase (Decrease)
Operating revenues	2,852,732	2,915,438	62,706
Operating expenses			
Personnel expenses	592,119	605,982	13,863
Expenses for purchase of goods and services and other expenses	1,341,798	1,390,314	48,516
Depreciation and amortization	325,490	360,517	35,027
Loss on disposal of property, plant and equipment and intangible assets	26,773	21,141	(5,632)
Impairment losses	–	1,547	1,547
Taxes and dues	29,326	30,743	1,417
Total operating expenses	2,315,506	2,410,244	94,738
Operating profit	537,226	505,194	(32,032)
Finance income	7,714	31,383	23,669
Finance costs	8,425	12,290	3,865
Share of profit (loss) of entities accounted for using equity method	6,136	2,496	(3,640)
Profit before taxes	542,651	526,783	(15,868)
Income taxes	167,296	162,825	(4,471)
Profit	375,355	363,958	(11,397)
Profit attributable to NTT	289,746	280,530	(9,216)
Profit attributable to Non-controlling interests	85,609	83,428	(2,181)
Earnings per share attributable to NTT			
Basic earnings per share (yen)	148.05	147.31	

Consolidated Statements of Comprehensive Income

	Millions of yen		
	Three-month ended June 30, 2018	Three-month ended June 30, 2019	Increase (Decrease)
Profit	375,355	363,958	(11,397)
Other comprehensive income (net of tax)			
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	10,635	7,989	(2,646)
Share of other comprehensive income of entities accounted for using the equity method	8,645	(592)	(9,237)
Remeasurements of defined benefit plans	55	(267)	(322)
Total of items that will not be reclassified to profit or loss	19,335	7,130	(12,205)
Items that may be reclassified to profit or loss			
Cash flow hedges	570	92	(478)
Foreign currency translation adjustments	15,927	(48,355)	(64,282)
Share of other comprehensive income of entities accounted for using the equity method	(13,323)	(989)	12,334
Total of items that may be reclassified to profit or loss	3,174	(49,252)	(52,426)
Total other comprehensive income (net of tax)	22,509	(42,122)	(64,631)
Total comprehensive income	397,864	321,836	(76,028)
Comprehensive income attributable to NTT	300,185	246,156	(54,029)
Comprehensive income attributable to Non-controlling interests	97,679	75,680	(21,999)

(3) Condensed Consolidated Statement of Changes in Equity

Three Months Ended June 30, 2018

Millions of yen

	NTT Shareholders' Equity					Total	Non-controlling interests	Total equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other equity components			
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	—	—	289,746	—	—	289,746	85,609	375,355
Other comprehensive income	—	—	—	—	10,439	10,439	12,070	22,509
Total comprehensive income	—	—	289,746	—	10,439	300,185	97,679	397,864
Value of transactions with shareholders etc.								
Dividends of surplus	—	—	(147,831)	—	—	(147,831)	(67,474)	(215,305)
Transfer to retained earnings	—	—	(123)	—	123	—	—	—
Transfer to non-financial assets	—	—	—	—	3,905	3,905	—	3,905
Purchase and disposal of treasury stock	—	1	—	(108,024)	—	(108,023)	—	(108,023)
Changes in ownership interest in subsidiaries	—	175	—	—	—	175	(1,162)	(987)
Share-based compensation transactions	—	1,548	—	—	—	1,548	—	1,548
Put options granted to non-controlling interests	—	(77)	—	—	—	(77)	—	(77)
Other	—	—	300	—	—	300	—	300
Total value of transactions with shareholders etc.	—	1,647	(147,654)	(108,024)	4,028	(250,003)	(68,636)	(318,639)
June 30, 2018	937,950	2,398,202	6,282,082	(718,766)	212,673	9,112,141	2,551,904	11,664,045

Three Months Ended June 30, 2019

Millions of yen

	NTT Shareholders' Equity						Non-controlling interests	Total equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other equity components	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	-	-	280,530	-	-	280,530	83,428	363,958
Other comprehensive income	-	-	-	-	(34,374)	(34,374)	(7,748)	(42,122)
Total comprehensive income	-	-	280,530	-	(34,374)	246,156	75,680	321,836
Value of transactions with shareholders etc.								
Dividends of surplus	-	-	(182,153)	-	-	(182,153)	(74,116)	(256,269)
Transfer to retained earnings	-	-	28,810	-	(28,810)	-	-	-
Transfer to non-financial assets	-	-	-	-	-	-	-	-
Purchase and disposal of treasury stock	-	0	-	(180,246)	-	(180,246)	-	(180,246)
Changes in ownership interest in subsidiaries	-	(10,461)	-	-	-	(10,461)	(26,844)	(37,305)
Share-based compensation transactions	-	2,096	-	-	-	2,096	-	2,096
Put options granted to non-controlling interests	-	(11,120)	-	-	-	(11,120)	(373)	(11,493)
Other	-	-	(991)	-	-	(991)	-	(991)
Total value of transactions with shareholders etc.	-	(19,485)	(154,334)	(180,246)	(28,810)	(382,875)	(101,333)	(484,208)
June 30, 2019	937,950	2,321,721	6,080,501	(330,881)	118,903	9,128,194	2,514,224	11,642,418

(4) Going Concern Assumption

None

(5) Subsequent Events

NTT's repurchase of treasury stock and resolution

On May 10, 2019, the Board of Directors resolved that NTT may repurchase up to 53 million shares of its outstanding common stock for an amount in total not exceeding ¥250,000 million from May 13, 2019 through July 31, 2019. Based on this resolution, NTT repurchased 36,600,000 shares of its common stock for ¥178,742 million from May to June 2019 and repurchased 13,880,100 shares of its common stock for ¥71,258 million in July 2019 and concluded the repurchase of its common stock authorized by Board of Directors' resolution.

On August 6, 2019, the Board of Directors resolved that NTT may repurchase up to 53 million shares of its outstanding common stock for an amount in total not exceeding ¥300,000 million from August 7, 2019 through September 30, 2019.

NTT DOCOMO's repurchase of its common stock

On April 26, 2019, the Board of Directors of NTT DOCOMO resolved that NTT DOCOMO may repurchase up to 128.3 million shares of its outstanding common stock for an amount in total not exceeding ¥300,000 million from May 7, 2019 through April 30, 2020. NTT DOCOMO repurchased 19,450,700 shares of its common stock for ¥48,213 million from May to June 2019. As a result, NTT's ownership interest in NTT DOCOMO increased from 64.1% to 64.5% and "Additional paid-in capital" decreased by ¥10,845 million in the Condensed Consolidated Statement of Financial Position as of June 30, 2019.

And NTT DOCOMO repurchased 9,810,800 shares of its common stock for ¥25,427 million in July 2019.