

Financial Results Release

August 11, 2020

For the Three Months Ended June 30, 2020

[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 12, 2020
 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, 2020 (April 1, 2020 - June 30, 2020)

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, 2020	2,766,457 (5.1)%	497,586 (1.5)%	496,619 (5.7)%	272,638 (2.8)%
Three months ended June 30, 2019	2,915,438 2.2%	505,194 (6.0)%	526,783 (2.9)%	280,530 (3.2)%

Notes: 1. Comprehensive income (loss) attributable to NTT: For the three months ended June 30, 2020: 332,476 million yen 35.1%
 For the three months ended June 30, 2019: 246,156 million yen (18.0)%

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, 2020	73.51 (yen)	- (yen)
Three months ended June 30, 2019	73.66 (yen)	- (yen)

Note: 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 have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

(2) Consolidated Financial Position

(Millions of yen, except 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, 2020	23,420,230	11,836,172	9,418,194	40.2%	2,534.52 (yen)
March 31, 2020	23,014,133	11,462,627	9,061,103	39.4%	2,492.60 (yen)

Note: NTT conducted a two-for-one stock split of its common stock, with an effective date of January 1, 2020. The figures for Shareholders' Equity per Share have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

2. 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, 2020	-	95.00 (yen)	-	47.50 (yen)	- (yen)
Year Ending March 31, 2021	-				
Year Ending March 31, 2021 (Forecasts)		50.00 (yen)	-	50.00 (yen)	100.00 (yen)

Notes: 1. Revision to the dividend forecasts from the latest announcement: None

2. NTT conducted a two-for-one stock split of its common stock, with an effective date of January 1, 2020. The year-end dividend amount presented for the year ended March 31, 2020 and the dividend forecast amount presented for the year ending March 31, 2021 reflect the impact of the stock split. The dividend amount presented for the second quarter of the year ended March 31, 2020 reflects the actual dividend amount without reflecting the impact of the stock split. The total annual dividend for the year ended March 31, 2020 has not been presented, as the dividend amounts from the end of the second quarter (on a pre-stock split basis) and from year-end (on a post-stock split basis) cannot be directly aggregated.

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020 - March 31, 2021)

(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, 2021	11,500,000 (3.4)%	1,590,000 1.8%	1,586,000 1.0%	860,000 0.5%	231.40 (yen)

- Notes: 1. Percentages above represent changes from the previous fiscal year.
 2. Revision to the consolidated financial results forecasts from the latest announcement: Yes
 3. NTT is disclosing its consolidated financial forecasts for the fiscal year ending March 31, 2021, the disclosure of which had been postponed at the time of the release of the Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (IFRS) on May 15, 2020.
 4. Regarding the impact of COVID-19, we have assumed that in Japan, without taking into account any re-issuances of state of emergency declarations, economic activity will gradually recover following the lifting of the state of emergency in May, and that recovery will gradually occur overseas as well, although the recovery, particularly in Europe and in the United States, will be slower than in Japan..

***Notes:**

- (1) Change in significant subsidiaries during the three months ended June 30, 2020 (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: None
 - ii. Changes other than (i): Yes
 - iii. Changes in accounting estimates: None
- (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, 2020	: 3,900,788,940 shares
March 31, 2020	: 3,900,788,940 shares
 - ii. Number of shares of treasury stock:

June 30, 2020	: 184,821,156 shares
March 31, 2020	: 265,592,712 shares
 - iii. Weighted average number of shares outstanding:

For the three months ended June 30, 2020	: 3,708,868,906 shares
For the three months ended June 30, 2019	: 3,808,625,668 shares

Note: NTT conducted a two-for-one stock split of its common stock, with an effective date of January 1, 2020. The figures for Number of shares outstanding (common stock) have been adjusted to reflect the impact of the stock split as if the stock split had occurred at the beginning of the prior fiscal year.

(Reference) Non-consolidated Financial Forecasts for the Year Ending March 31, 2021 (April 1, 2010 - March 31, 2021)

(Millions of yen, except per share amounts)

	Operating Revenues	Operating Income	Recurring Profit	Net Income	Earnings per Share
Year ending March 31, 2021	792,000 21.9%	643,000 26.0%	641,000 26.0%	643,000 33.7%	173.00 (yen)

- Note: 1. Percentages above represent changes from the previous year.
 2. NTT is disclosing its non-consolidated financial forecasts for the fiscal year ending March 31, 2021, the disclosure of which had been postponed at the time of the release of the Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (IFRS) on May 15, 2020.

* 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 and in other materials being released on TDnet concurrently with these documents, 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 and in such other materials.

On Tuesday, August 11, 2020, 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, 2020, that resulted in changes in the scope of consolidation: None

(2) Changes in Accounting Methods and Estimates

Change of Revenue Recognition Method

NTT Group changed a revenue recognition method for revenue related to certain services provided by NTT Ltd Group belonging to Long Distance and International Communications Business Segment.

NTT Group launched NTT Ltd, a global technology services provider, in July 2019 to strengthen competitiveness and to improve profitability of its global business. Since then, NTT Ltd Group has been transforming its organization to make it possible to deliver high value services globally. From the three months ended June 30, 2020 under the new group formation, as NTT Ltd Group would further focus on high value services going forward NTT Ltd Group reassessed the revenue recognition method in conjunction with the development of new service model. NTT Ltd Group reassessed whether the new service model impacted on determination of principal or agent when providing goods or services and for the determination it weighed more on indicators such as whether NTT Ltd Group had primary performance obligation to perform a promise with a customer, with the result that it determined that NTT Ltd Group acted as an agent when it provided a certain support service and other services for its customers.

Although NTT Group recognized revenue for the certain support service and other services on a gross basis until the fiscal year ended March 31, 2020, we recognized revenue for it on a net basis deducting related expenses from the three months ended June 30, 2020. As a result of this change, the revenue for three months ended June 30, 2019 would have decreased by ¥19,863 million if such change had been applied. There was no impact on Operating Profit and Net Income. We have not restated the result of three months ended June 30, 2019 of Condensed Quarterly Consolidated Statements of Profit or Loss, since the impact of the change was immaterial.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Balance Sheets

	Millions of yen		
	March 31, 2020	June 30, 2020	Increase (Decrease)
ASSETS			
Current assets			
Cash and cash equivalents	1,033,574	1,072,531	38,957
Trade and other receivables	3,502,834	3,233,588	(269,246)
Other financial assets	32,384	35,759	3,375
Inventories	257,329	308,400	51,071
Other current assets	530,073	750,198	220,125
Sub Total	5,356,194	5,400,476	44,282
Assets held for sale	1,347,307	1,345,527	(1,780)
Total current assets	6,703,501	6,746,003	42,502
Non-current assets			
Property, plant and equipment	9,087,463	9,071,862	(15,601)
Right-of-use asset	446,828	533,813	86,985
Goodwill	980,841	975,743	(5,098)
Intangible assets	1,694,060	1,681,387	(12,673)
Investment property	1,106,145	1,116,550	10,405
Investments accounted for using equity method	283,291	343,213	59,922
Other financial assets	846,285	1,153,698	307,413
Deferred tax assets	1,153,042	1,085,200	(67,842)
Other non-current assets	712,677	712,761	84
Total non-current assets	16,310,632	16,674,227	363,595
Total assets	23,014,133	23,420,230	406,097

Millions of yen

	March 31, 2020	June 30, 2020	Increase (Decrease)
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt	2,054,506	2,423,780	369,274
Trade and other payables	2,142,752	1,820,739	(322,013)
Lease liabilities	154,126	154,017	(109)
Other financial liabilities	16,943	12,726	(4,217)
Accrued payroll	469,395	398,950	(70,445)
Accrued taxes on income	214,098	100,247	(113,851)
Other current liabilities	996,360	986,576	(9,784)
Sub Total	6,048,180	5,897,035	(151,145)
Liabilities directly associated with assets held for sale	559,432	552,024	(7,408)
Total current liabilities	6,607,612	6,449,059	(158,553)
Non-current liabilities			
Long-term debt	2,165,778	2,266,013	100,235
Lease liabilities	378,346	452,959	74,613
Other financial liabilities	129,229	128,623	(606)
Defined benefit liabilities	1,873,501	1,879,152	5,651
Deferred tax liabilities	70,249	73,344	3,095
Other non-current liabilities	326,791	334,908	8,117
Total non-current liabilities	4,943,894	5,134,999	191,105
Total liabilities	11,551,506	11,584,058	32,552
Equity			
Nippon Telegraph and Telephone Corporation (“NTT”) shareholders’ equity			
Common stock	937,950	937,950	–
Additional paid-in capital	2,252,672	2,249,974	(2,698)
Retained earnings	6,499,942	6,598,281	98,339
Treasury stock	(653,369)	(453,378)	199,991
Other components of equity	23,908	85,367	61,459
Total NTT shareholders’ equity	9,061,103	9,418,194	357,091
Non-controlling interests	2,401,524	2,417,978	16,454
Total equity	11,462,627	11,836,172	373,545
Total liabilities and equity	23,014,133	23,420,230	406,097

(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, 2019	Three-month ended June 30, 2020	Increase (Decrease)
Operating revenues	2,915,438	2,766,457	(148,981)
Operating expenses			
Personnel expenses	605,982	608,501	2,519
Expenses for purchase of goods and services and other expenses	1,390,314	1,238,948	(151,366)
Depreciation and amortization	360,517	368,232	7,715
Loss on disposal of property, plant and equipment and intangible assets	21,141	21,565	424
Impairment losses	1,547	30	(1,517)
Taxes and dues	30,743	31,595	852
Total operating expenses	2,410,244	2,268,871	(141,373)
Operating profit	505,194	497,586	(7,608)
Finance income	31,383	8,337	(23,046)
Finance costs	12,290	10,993	(1,297)
Share of profit (loss) of entities accounted for using equity method	2,496	1,689	(807)
Profit before taxes	526,783	496,619	(30,164)
Income taxes	162,825	149,177	(13,648)
Profit	363,958	347,442	(16,516)
Profit attributable to NTT	280,530	272,638	(7,892)
Profit attributable to Non-controlling interests	83,428	74,804	(8,624)
Earnings per share attributable to NTT			
Basic earnings per share (yen)	73.66	73.51	

* "Basic earnings per share" figures for the three months ended June 30, 2019 and 2020 have been adjusted to reflect the two-for-one stock split carried out on January 1, 2020.

Consolidated Statements of Comprehensive Income

	Millions of yen		
	Three-month ended June 30, 2019	Three-month ended June 30, 2020	Increase (Decrease)
Profit	363,958	347,442	(16,516)
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	7,989	70,809	62,820
Share of other comprehensive income of entities accounted for using the equity method	(592)	107	699
Remeasurements of defined benefit plans	(267)	61	328
Total of items that will not be reclassified to profit or loss	7,130	70,977	63,847
Items that may be reclassified to profit or loss			
Cash flow hedges	92	2,797	2,705
Foreign currency translation adjustments	(48,355)	1,049	49,404
Share of other comprehensive income of entities accounted for using the equity method	(989)	823	1,812
Total of items that may be reclassified to profit or loss	(49,252)	4,669	53,921
Total other comprehensive income (net of tax)	(42,122)	75,646	117,768
Total comprehensive income	321,836	423,088	101,252
Comprehensive income attributable to NTT	246,156	332,476	86,320
Comprehensive income attributable to Non-controlling interests	75,680	90,612	14,932

(3) Condensed Consolidated Statement of Changes in Equity

Three Months Ended June 30, 2019

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, 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)	-	-	-
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

Three Months Ended June 30, 2020

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, 2020	937,950	2,252,672	6,499,942	(653,369)	23,908	9,061,103	2,401,524	11,462,627
Comprehensive income								
Profit	—	—	272,638	—	—	272,638	74,804	347,442
Other comprehensive income	—	—	—	—	59,838	59,838	15,808	75,646
Total comprehensive income	—	—	272,638	—	59,838	332,476	90,612	423,088
Value of transactions with shareholders etc.								
Dividends of surplus	—	—	(172,672)	—	—	(172,672)	(75,316)	(247,988)
Transfer to retained earnings	—	—	(1,621)	—	1,621	—	—	—
Purchase and disposal of treasury stock	—	0	—	199,991	—	199,991	—	199,991
Changes in ownership interest in subsidiaries	—	(1,716)	—	—	—	(1,716)	139	(1,577)
Share-based compensation transactions	—	(2,902)	—	—	—	(2,902)	—	(2,902)
Put options granted to non-controlling interests	—	(52)	—	—	—	(52)	(26)	(78)
Other	—	1,972	(6)	—	—	1,966	1,045	3,011
Total value of transactions with shareholders etc.	—	(2,698)	(174,299)	199,991	1,621	24,615	(74,158)	(49,543)
June 30, 2020	937,950	2,249,974	6,598,281	(453,378)	85,367	9,418,194	2,417,978	11,836,172

(4) Going Concern Assumption

None

(5) Subsequent Events

Transformation into a joint venture of NTT TC Leasing Co., Ltd.

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 the 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.) established by NTT Finance Corporation (hereinafter referred to as “NTT Finance”) succeeded to a part of the leasing business and the global business of NTT Finance by the method of absorption-type split upon spin-off, and on July 8, 2020, NTT Group transformed the new company into a joint venture by selling shares equivalent to 50% of the total number of outstanding shares of the new company to Tokyo Century in order to bolster and augment leasing and financial businesses in Japan and other countries for NTT Group and Tokyo Century.

The impact on Condensed Quarterly Consolidated Statement of Profit and Loss of selling the 50% shares of the new company is immaterial.