

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.