

Financial Results Release

November 6, 2020

For the Six Months Ended September 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 : November 9, 2020
 Scheduled date of dividend payments : December 8, 2020
 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, 2020 (April 1, 2020 - September 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	
Six months ended September 30, 2020	5,711,364	(3.0)%	1,008,580	2.6%	1,005,067	0.3%	541,511	(1.1)%
Six months ended September 30, 2019	5,889,551	1.7%	982,805	(8.2)%	1,001,859	(7.1)%	547,670	(2.2)%

Notes: 1. Comprehensive income (loss) attributable to NTT: For the Six months ended September 30, 2020: 639,420 million yen 31.7%
 For the Six months ended September 30, 2019: 485,368 million yen (20.6)%

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
Six months ended September 30, 2020	145.86 (yen)	-- (yen)
Six months ended September 30, 2019	145.53 (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
September 30, 2020	22,856,011	12,232,315	9,729,338	42.6%	2,618.26 (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	-	50.00 (yen)			
Year Ending March 31, 2021 (Forecasts)			-	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 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%	232.40 (yen)

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

2. Revision to the consolidated financial results forecasts from the latest announcement: None

***Notes:**

- (1) Change in significant subsidiaries during the six months ended September 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):

September 30, 2020	: 3,900,788,940 shares
March 31, 2020	: 3,900,788,940 shares
 - ii. Number of shares of treasury stock:

September 30, 2020	: 184,836,010 shares
March 31, 2020	: 265,592,712 shares
 - iii. Weighted average number of shares outstanding:

For the six months ended September 30, 2020	: 3,712,433,988 shares
For the six months ended September 30, 2019	: 3,763,344,582 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.

* 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 Friday, November 6, 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 six months ended September 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 six months ended September 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 six months ended September 30, 2020. As a result of this change, the revenue for six months ended September 30, 2019 would have decreased by ¥51,203 million if such change had been applied. There was no impact on Operating Profit and Net Income. We have not restated the result of six months ended September 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	September 30, 2020	Increase (Decrease)
ASSETS			
Current assets			
Cash and cash equivalents	1,033,574	1,006,339	(27,235)
Trade and other receivables	3,502,834	3,266,239	(236,595)
Other financial assets	32,384	755,349	722,965
Inventories	257,329	303,366	46,037
Other current assets	530,073	628,659	98,586
Sub Total	5,356,194	5,959,952	603,758
Assets held for sale	1,347,307	—	(1,347,307)
Total current assets	6,703,501	5,959,952	(743,549)
Non-current assets			
Property, plant and equipment	9,087,463	9,097,395	9,932
Right-of-use asset	446,828	582,823	135,995
Goodwill	980,841	967,565	(13,276)
Intangible assets	1,694,060	1,679,409	(14,651)
Investment property	1,106,145	1,131,352	25,207
Investments accounted for using equity method	283,291	413,350	130,059
Other financial assets	846,285	1,265,008	418,723
Deferred tax assets	1,153,042	1,041,589	(111,453)
Other non-current assets	712,677	717,568	4,891
Total non-current assets	16,310,632	16,896,059	585,427
Total assets	23,014,133	22,856,011	(158,122)

Millions of yen

	March 31, 2020	September 30, 2020	Increase (Decrease)
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt	2,054,506	2,152,863	98,357
Trade and other payables	2,142,752	1,740,541	(402,211)
Lease liabilities	154,126	168,124	13,998
Other financial liabilities	16,943	15,601	(1,342)
Accrued payroll	469,395	443,528	(25,867)
Accrued taxes on income	214,098	207,959	(6,139)
Other current liabilities	996,360	911,645	(84,715)
Sub Total	6,048,180	5,640,261	(407,919)
Liabilities directly associated with assets held for sale	559,432	–	(559,432)
Total current liabilities	6,607,612	5,640,261	(967,351)
Non-current liabilities			
Long-term debt	2,165,778	2,058,465	(107,313)
Lease liabilities	378,346	490,158	111,812
Other financial liabilities	129,229	130,671	1,442
Defined benefit liabilities	1,873,501	1,892,504	19,003
Deferred tax liabilities	70,249	75,232	4,983
Other non-current liabilities	326,791	336,405	9,614
Total non-current liabilities	4,943,894	4,983,435	39,541
Total liabilities	11,551,506	10,623,696	(927,810)
Equity			
Nippon Telegraph and Telephone Corporation (“NTT”) shareholders’ equity			
Common stock	937,950	937,950	–
Additional paid-in capital	2,252,672	2,255,253	2,581
Retained earnings	6,499,942	6,867,601	367,659
Treasury stock	(653,369)	(453,416)	199,953
Other components of equity	23,908	121,950	98,042
Total NTT shareholders’ equity	9,061,103	9,729,338	668,235
Non-controlling interests	2,401,524	2,502,977	101,453
Total equity	11,462,627	12,232,315	769,688
Total liabilities and equity	23,014,133	22,856,011	(158,122)

(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		
	Six-month ended September 30, 2019	Six-month ended September 30, 2020	Increase (Decrease)
Operating revenues	5,889,551	5,711,364	(178,187)
Operating expenses			
Personnel expenses	1,201,738	1,215,339	13,601
Expenses for purchase of goods and services and other expenses	2,870,992	2,637,017	(233,975)
Depreciation and amortization	722,115	741,793	19,678
Loss on disposal of property, plant and equipment and intangible assets	48,731	46,049	(2,682)
Impairment losses	4,157	1,681	(2,476)
Taxes and dues	59,013	60,905	1,892
Total operating expenses	4,906,746	4,702,784	(203,962)
Operating profit	982,805	1,008,580	25,775
Finance income	35,814	13,343	(22,471)
Finance costs	22,554	23,543	989
Share of profit (loss) of entities accounted for using equity method	5,794	6,687	893
Profit before taxes	1,001,859	1,005,067	3,208
Income taxes	295,302	309,231	13,929
Profit	706,557	695,836	(10,721)
Profit attributable to NTT	547,670	541,511	(6,159)
Profit attributable to Non-controlling interests	158,887	154,325	(4,562)
Earnings per share attributable to NTT			
Basic earnings per share (yen)	145.53	145.86	

* "Basic earnings per share" figures for the six months ended September 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		
	Six-month ended September 30, 2019	Six-month ended September 30, 2020	Increase (Decrease)
Profit	706,557	695,836	(10,721)
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	(202)	124,048	124,250
Share of other comprehensive income of entities accounted for using the equity method	(664)	59	723
Remeasurements of defined benefit plans	(1,382)	(222)	1,160
Total of items that will not be reclassified to profit or loss	(2,248)	123,885	126,133
Items that may be reclassified to profit or loss			
Cash flow hedges	(233)	3,844	4,077
Foreign currency translation adjustments	(74,551)	(4,621)	69,930
Share of other comprehensive income of entities accounted for using the equity method	(1,418)	2,631	4,049
Total of items that may be reclassified to profit or loss	(76,202)	1,854	78,056
Total other comprehensive income (net of tax)	(78,450)	125,739	204,189
Total comprehensive income	628,107	821,575	193,468
Comprehensive income attributable to NTT	485,368	639,420	154,052
Comprehensive income attributable to Non-controlling interests	142,739	182,155	39,416

(3) Condensed Consolidated Statement of Changes in Equity

Six Months Ended September 30, 2019

Millions of yen

	NTT Shareholders' Equity						Non-controlling interests	Total equity
	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	—	—	547,670	—	—	547,670	158,887	706,557
Other comprehensive income	—	—	—	—	(62,302)	(62,302)	(16,148)	(78,450)
Total comprehensive income	—	—	547,670	—	(62,302)	485,368	142,739	628,107
Value of transactions with shareholders etc.								
Dividends of surplus	—	—	(182,153)	—	—	(182,153)	(74,760)	(256,913)
Transfer to retained earnings	—	—	32,148	—	(32,148)	—	—	—
Purchase and disposal of treasury stock	—	0	—	(502,633)	—	(502,633)	—	(502,633)
Changes in ownership interest in subsidiaries	—	(53,650)	—	—	—	(53,650)	(88,329)	(141,979)
Share-based compensation transactions	—	4,512	—	—	—	4,512	—	4,512
Put options granted to non-controlling interests	—	20,956	—	—	—	20,956	(128)	20,828
Other	—	—	(763)	—	—	(763)	—	(763)
Total value of transactions with shareholders etc.	—	(28,182)	(150,768)	(502,633)	(32,148)	(713,731)	(163,217)	(876,948)
September 30, 2019	937,950	2,313,024	6,351,207	(653,268)	87,637	9,036,550	2,519,399	11,555,949

Six Months Ended September 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	—	—	541,511	—	—	541,511	154,325	695,836
Other comprehensive income	—	—	—	—	97,909	97,909	27,830	125,739
Total comprehensive income	—	—	541,511	—	97,909	639,420	182,155	821,575
Value of transactions with shareholders etc.								
Dividends of surplus	—	—	(172,672)	—	—	(172,672)	(76,207)	(248,879)
Transfer to retained earnings	—	—	(133)	—	133	—	—	—
Purchase and disposal of treasury stock	—	0	—	199,953	—	199,953	—	199,953
Changes in ownership interest in subsidiaries	—	2,621	—	—	—	2,621	(5,212)	(2,591)
Share-based compensation transactions	—	(1,572)	—	—	—	(1,572)	—	(1,572)
Put options granted to non-controlling interests	—	(284)	—	—	—	(284)	(168)	(452)
Other	—	1,816	(1,047)	—	—	769	885	1,654
Total value of transactions with shareholders etc.	—	2,581	(173,852)	199,953	133	28,815	(80,702)	(51,887)
September 30, 2020	937,950	2,255,253	6,867,601	(453,416)	121,950	9,729,338	2,502,977	12,232,315

(4) Going Concern Assumption

None

(5) Subsequent Events

NTT's repurchase of treasury stock and resolution

On November 6, 2020, the Board of Directors resolved that NTT may repurchase up to 120 million shares of its outstanding common stock for an amount in total not exceeding ¥250,000 million from November 11, 2020 through March 31, 2021.

(6) Additional Information

Tender Offer for Shares, Etc. of NTT DOCOMO, INC.

On September 29, 2020, NTT resolved at its Board of Directors to implement a tender offer (the "Tender Offer") as a part of a series of procedures for the purpose of making NTT DOCOMO, INC. (the "Target") a wholly-owned subsidiary of NTT by acquiring all of the common stock of the Target (excluding the Target Stock owned by NTT and treasury shares that are owned by the Target, the "Target Stock") and the American depositary shares (the "ADSs") issued in the United States by The Bank of New York Mellon (the "Depositary Bank"), each of which represents the ownership of one share of the Target Stock deposited with the Depositary Bank, through the Tender Offer under the Financial Instruments and Exchange Act and subsequent procedures described in "6. Policy of Restructuring, Etc. after the Tender Offer" (the "Transaction").

In addition, NTT decided to borrow funds up to JPY 4,300 billion in total from financial institutions, in order to secure the funds required for the Transaction.

1. Period of the Tender Offer

From September 30, 2020 (Wednesday) through November 16, 2020 (Monday) (33 Business Days)

2. Purchase Price per Share (the "Tender Offer Price")

JPY 3,900 per share of common stock

JPY 3,900 per ADS

3. Number of Share Certificates, Etc. to Be Purchased

Number of Share Certificates, Etc. to be Purchased 1,090,896,056 shares

Minimum Number of Share Certificates, Etc. to be Purchased 14,686,300 shares

Maximum Number of Share Certificates, Etc. to be Purchased – shares

(Note) If the total number of the tendered share certificates, etc. (a right pertaining to shares and depositary receipts for share certificates, etc, the "Share Certificates, Etc.") is less than the minimum number of Share Certificates, Etc. to be purchased (14,686,300 shares), NTT will not purchase any of the tendered Share Certificates, Etc. If the total number of the tendered Share Certificates, Etc. is equal to or exceeds the minimum number of Share Certificates, Etc. to be purchased, NTT will purchase all of the tendered Share Certificates, Etc.

4. Purchase Price

JPY 4,254,494,618,400

(Note) The purchase price is the amount obtained by multiplying the number of shares to be purchased (1,090,896,056 shares) by the Tender Offer Price (JPY 3,900 per share).

5. Commencement Date of the Settlement

November 24, 2020 (Tuesday)

6. Policy of Restructuring, Etc. after the Tender Offer (Matters Concerning So-Called Two-Step Acquisition)

NTT intends to make the Target a wholly-owned subsidiary of NTT, and if we are not able to acquire all of the Target Stock through the Tender Offer, we plan on conducting procedures for the purpose of owning all of the Target Stock by a method of a demand for a share cash-out or a consolidation of the Target Shares after the successful completion of the Tender Offer.