

Financial Results Release

February 5, 2021

For the Nine Months Ended December 31, 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 : February 8, 2021
 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 Nine Months Ended December 31, 2020 (April 1, 2020 - December 31, 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	
Nine months ended December 31, 2020	8,738,006	(1.4)%	1,502,326	3.6%	1,495,097	1.9%	831,174	4.3%
Nine months ended December 31, 2019	8,862,691	0.8%	1,450,428	(5.0)%	1,467,784	(4.1)%	796,922	0.6%

Notes: 1. Comprehensive income (loss) attributable to NTT: For the Nine months ended December 31, 2020: 1,014,803 million yen 27.2%
 For the Nine months ended December 31, 2019: 797,540 million yen 1.3%

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
Nine months ended December 31, 2020	224.07 (yen)	- (yen)
Nine months ended December 31, 2019	214.20 (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
December 31, 2020	23,862,025	8,046,373	7,437,733	31.2%	2,025.28 (yen)
March 31, 2020	23,014,133	11,462,627	9,061,103	39.4%	2,492.60 (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, 2020	-	95.00 (yen)	-	47.50 (yen)	- (yen)
Year Ending March 31, 2021	-	50.00 (yen)	-		
Year Ending March 31, 2021 (Forecasts)				55.00 (yen)	105.00 (yen)

Notes: 1. Revision to the dividend forecasts from the latest announcement: Yes

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 nine months ended December 31, 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):

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

December 31, 2020	: 228,349,644 shares
March 31, 2020	: 265,592,712 shares
 - iii. Weighted average number of shares outstanding:

For the nine months ended December 31, 2020	: 3,709,485,902 shares
For the nine months ended December 31, 2019	: 3,720,482,017 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 5, 2021, 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 nine months ended December 31, 2020, that resulted in changes in the scope of consolidation: None

(2) Changes in Accounting Policies 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 nine months ended December 31, 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.

Until the fiscal year ended March 31, 2020, the revenue for the certain support service and other services was recognized on a gross basis. From the nine months ended December 31, 2020, the revenue is recognized on a net basis deducting related expenses. As a result of this change, the revenue for nine months ended December 31, 2019 would have decreased by ¥70,817 million if such change had been applied. There was no impact on Operating Profit and Profit. NTT Group has not restated the result of nine months ended December 31, 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		
	As of March 31, 2020	As of December 31, 2020	Increase (Decrease)
ASSETS			
Current assets			
Cash and cash equivalents	1,033,574	1,352,893	319,319
Trade and other receivables	3,502,834	3,760,736	257,902
Other financial assets	32,384	605,334	572,950
Inventories	257,329	360,400	103,071
Other current assets	530,073	651,962	121,889
Subtotal	5,356,194	6,731,325	1,375,131
Assets held for sale	1,347,307	—	(1,347,307)
Total current assets	6,703,501	6,731,325	27,824
Non-current assets			
Property, plant and equipment	9,087,463	9,157,349	69,886
Right-of-use asset	446,828	570,681	123,853
Goodwill	980,841	978,620	(2,221)
Intangible assets	1,694,060	1,712,620	18,560
Investment property	1,106,145	1,140,795	34,650
Investments accounted for using the equity method	283,291	417,046	133,755
Other financial assets	846,285	1,431,250	584,965
Deferred tax assets	1,153,042	992,395	(160,647)
Other non-current assets	712,677	729,944	17,267
Total non-current assets	16,310,632	17,130,700	820,068
Total assets	23,014,133	23,862,025	847,892

Millions of yen

	As of March 31, 2020	As of December 31, 2020	Increase (Decrease)
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowing	2,054,506	5,083,386	3,028,880
Trade and other payables	2,142,752	3,094,211	951,459
Lease liabilities	154,126	155,813	1,687
Other financial liabilities	16,943	24,563	7,620
Accrued payroll	469,395	404,630	(64,765)
Income taxes payables	214,098	148,777	(65,321)
Other current liabilities	996,360	919,827	(76,533)
Subtotal	6,048,180	9,831,207	3,783,027
Liabilities directly associated with assets held for sale	559,432	—	(559,432)
Total current liabilities	6,607,612	9,831,207	3,223,595
Non-current liabilities			
Long-term borrowing	2,165,778	3,013,357	847,579
Lease liabilities	378,346	492,317	113,971
Other financial liabilities	129,229	136,376	7,147
Defined benefit liabilities	1,873,501	1,908,085	34,584
Deferred tax liabilities	70,249	77,908	7,659
Other non-current liabilities	326,791	356,402	29,611
Total non-current liabilities	4,943,894	5,984,445	1,040,551
Total liabilities	11,551,506	15,815,652	4,264,146
Equity			
Nippon Telegraph and Telephone Corporation (“NTT”) shareholders’ equity			
Common stock	937,950	937,950	—
Additional paid-in capital	2,252,672	—	(2,252,672)
Retained earnings	6,499,942	6,859,805	359,863
Treasury stock	(653,369)	(564,628)	88,741
Other components of equity	23,908	204,606	180,698
Total NTT shareholders’ equity	9,061,103	7,437,733	(1,623,370)
Non-controlling interests	2,401,524	608,640	(1,792,884)
Total equity	11,462,627	8,046,373	(3,416,254)
Total liabilities and equity	23,014,133	23,862,025	847,892

(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		
	Nine-month ended December 31, 2019	Nine-month ended December 31, 2020	Increase (Decrease)
Operating revenues	8,862,691	8,738,006	(124,685)
Operating expenses			
Personnel expenses	1,813,857	1,825,801	11,944
Expenses for purchase of goods and services and other expenses	4,334,932	4,104,361	(230,571)
Depreciation and amortization	1,087,266	1,121,332	34,066
Loss on disposal of property, plant and equipment and intangible assets	80,539	90,470	9,931
Impairment losses	7,076	2,012	(5,064)
Taxes and dues	88,593	91,704	3,111
Total operating expenses	7,412,263	7,235,680	(176,583)
Operating profit	1,450,428	1,502,326	51,898
Finance income	37,682	21,396	(16,286)
Finance costs	29,711	34,914	5,203
Share of profit (loss) of entities accounted for using the equity method	9,385	6,289	(3,096)
Profit before taxes	1,467,784	1,495,097	27,313
Income taxes	441,535	453,204	11,669
Profit	1,026,249	1,041,893	15,644
Profit attributable to NTT	796,922	831,174	34,252
Profit attributable to Non-controlling interests	229,327	210,719	(18,608)
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Earnings per share attributable to NTT			
Basic earnings per share (yen)	214.20	224.07	

* "Basic earnings per share" for the nine months ended December 31, 2019 has been adjusted to reflect the two-for-one stock split carried out on January 1, 2020.

Consolidated Statements of Comprehensive Income

	Millions of yen		
	Nine-month ended December 31, 2019	Nine-month ended December 31, 2020	Increase (Decrease)
Profit	1,026,249	1,041,893	15,644
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	38,501	215,847	177,346
Share of other comprehensive income of entities accounted for using the equity method	(329)	577	906
Remeasurements of defined benefit plans	(2,412)	53	2,465
Total of items that will not be reclassified to profit or loss	35,760	216,477	180,717
Items that may be reclassified to profit or loss			
Cash flow hedges	908	4,003	3,095
Foreign currency translation adjustments	(29,819)	(2,541)	27,278
Share of other comprehensive income of entities accounted for using the equity method	(2,125)	6,216	8,341
Total of items that may be reclassified to profit or loss	(31,036)	7,678	38,714
Total other comprehensive income (net of tax)	4,724	224,155	219,431
Total comprehensive income	1,030,973	1,266,048	235,075
Comprehensive income attributable to NTT	797,540	1,014,803	217,263
Comprehensive income attributable to Non-controlling interests	233,433	251,245	17,812

(3) Condensed Consolidated Statement of Changes in Equity

Nine Months Ended December 31, 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		
As of 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	–	–	796,922	–	–	796,922	229,327	1,026,249
Other comprehensive income	–	–	–	–	618	618	4,106	4,724
Total comprehensive income	–	–	796,922	–	618	797,540	233,433	1,030,973
Transactions with owners and other transaction								
Dividends of surplus	–	–	(354,827)	–	–	(354,827)	(150,660)	(505,487)
Transfer to retained earnings	–	–	35,157	–	(35,157)	–	–	–
Purchase and disposal of treasury stock	–	1	–	(502,691)	–	(502,690)	–	(502,690)
Changes in ownership interest in subsidiaries without loss of control	–	(73,163)	–	–	–	(73,163)	(134,481)	(207,644)
Share-based compensation transactions	–	(2,102)	–	–	–	(2,102)	–	(2,102)
Put options granted to non-controlling interests	–	18,928	–	–	–	18,928	(1,906)	17,022
Other	–	–	(571)	–	–	(571)	–	(571)
Total Transactions with owners and other transactions	–	(56,336)	(320,241)	(502,691)	(35,157)	(914,425)	(287,047)	(1,201,472)
As of December 31, 2019	937,950	2,284,870	6,430,986	(653,326)	147,548	9,148,028	2,486,263	11,634,291

Nine Months Ended December 31, 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			
As of 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	—	—	831,174	—	—	831,174	210,719	1,041,893
Other comprehensive income	—	—	—	—	183,629	183,629	40,526	224,155
Total comprehensive income	—	—	831,174	—	183,629	1,014,803	251,245	1,266,048
Transactions with owners and other transaction								
Dividends of surplus	—	—	(358,470)	—	—	(358,470)	(151,571)	(510,041)
Transfer to retained earnings	—	114,715	(111,784)	—	(2,931)	—	—	—
Purchase and disposal of treasury stock	—	0	—	88,741	—	88,741	—	88,741
Changes in ownership interest in subsidiaries without loss of control	—	(2,367,543)	—	—	—	(2,367,543)	(1,891,270)	(4,258,813)
Share-based compensation transactions	—	409	—	—	—	409	—	409
Put options granted to non-controlling interests	—	(1,956)	—	—	—	(1,956)	(2,074)	(4,030)
Other	—	1,703	(1,057)	—	—	646	786	1,432
Total Transactions with owners and other transactions	—	(2,252,672)	(471,311)	88,741	(2,931)	(2,638,173)	(2,044,129)	(4,682,302)
As of December 31, 2020	937,950	—	6,859,805	(564,628)	204,606	7,437,733	608,640	8,046,373

(4) Going Concern Assumption

None

(5) Subsequent Events

NTT's repurchase of treasury stock

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. Based on this resolution, NTT repurchased 43,500,000 shares of its common stock for ¥111,178 million from November to December 2020 and repurchased 28,500,000 shares of its common stock for ¥77,775 million in January 2021.