Financial Results Release

November 5, 2019

For the Six Months Ended September 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	:	November 6, 2019
Scheduled date of dividend payments	:	December 5, 2019
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, 2019 (April 1, 2019 - September 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	
Six months ended September 30, 2019	5,889,551	1.7%	982,805	(8.2)%	1,001,859	(7.1)%	547,670	(2.2)%
Six months ended September 30, 2018	5,793,199	1.8%	1,070,752	3.1%	1,078,318	3.5%	559,726	(0.8)%

Notes: 1. Comprehensive income (loss) attributable to NTT: For the Six months ended September 30, 2019: 485,368 million yen (20.6)%
For the Six months ended September 30, 2018: 611,248 million yen 1.4%

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, 2019	291.05 (yen)	- (yen)
Six months ended September 30, 2018	286.50 (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
September 30, 2019	22,233,561	11,555,949	9,036,550	40.6%	4,971.65 (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	-	95.00 (yen)			
Year Ending March 31, 2020 (Forecasts)			-	47.50 (yen)	-

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

2. NTT authorized a two-for-one stock split of its common stock, with an effective date of January 1, 2020, at a meeting of its board of directors held on November 5, 2019. The dividend amount presented for the end of the second quarter of the year ending March 31, 2020 reflects actual results. The total annual dividend forecast for the year ending March31, 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, 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	11,890,000	0.1%	1,550,000	(8.5)%	1,569,000	(6.2)%	855,000	0.1%	231.00 (yen)

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

2. Revision to the consolidated financial results forecasts from the latest announcement: Yes

3. The forecast for Basic Earnings per Share Attributable to NTT for the year ending March 31, 2020 is an amount that reflects the effect of the stock split described in the note under “2. Dividends” above.

***Notes:**

(1) Change in significant subsidiaries during the six months ended September 30, 2019 (change in specific subsidiaries involving changes in the scope of consolidation): Yes
Newly added: One company (NTT Ltd.)
(For further details, please see "1. Summary Information (notes)" on page 3.)

(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):
September 30, 2019 : 1,950,394,470 shares
March 31, 2019 : 1,950,394,470 shares

ii. Number of shares of treasury stock:
September 30, 2019 : 132,778,190 shares
March 31, 2019 : 32,997,746 shares

iii. Weighted average number of shares outstanding:
For the six months ended September 30, 2019 : 1,881,672,291 shares
For the six months ended September 30, 2018 : 1,953,686,674 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, and other changes in circumstances that could cause actual results to differ materially from the forecasts contained or referred to herein.

On Tuesday, November 5, 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 six months ended September 30, 2019, that resulted in changes in the scope of consolidation

In order to clarify the global management structure of NTT's global operating companies and to develop business under the NTT-branded global operating company "NTT Ltd.", NTT Group consolidated the overseas businesses of NTT Communications Corporation ("NTT Communications"), Dimension Data Holdings ("Dimension Data") and NTT Security Corporation ("NTT Security") and established NTT Ltd. in July 2019. In addition, NTT Ltd. received, by contributions-in-kind, (1) from NTT, Inc. (a subsidiary of NTT), all shares of Dimension Data and all shares of NTT Security, and certain other items, and (2) from NTT Communications, shares of overseas business-related subsidiaries and certain other items.

As a result of the above, NTT Ltd. became a specified subsidiary company. In addition, NTT Ltd. has been included in the scope of consolidation of financial results for the six months ended September 30, 2019.

(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)
(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

(Millions of yen)

	Six Months Ended September 30, 2019 (April 1, 2019 - September 30, 2019)
(Condensed Consolidated Statement of Profit or Loss)	
Depreciation and amortization	72,591

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 six months ended September 30, 2019 is immaterial.

②Estimate 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 six months ended September 30, 2019, “Depreciation and amortization” was decreased by ¥21,818 million, “Profit attributable to NTT” and “Basic earnings per share” were increased by ¥15,031 million, ¥7.99, respectively.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Balance Sheets

	Millions of yen		
	March 31, 2019	September 30, 2019	Increase (Decrease)
ASSETS			
Current assets			
Cash and cash equivalents(*)	946,134	927,957	(18,177)
Trade and other receivables(*)	4,391,434	4,070,838	(320,596)
Other financial assets	117,753	113,317	(4,436)
Inventories	331,634	267,010	(64,624)
Other current assets	550,487	578,640	28,153
Sub Total	6,337,442	5,957,762	(379,680)
Assets held for sale	242,524	－	(242,524)
Total current assets	6,579,966	5,957,762	(622,204)
Non-current assets			
Property, plant and equipment	9,012,947	8,939,746	(73,201)
Right-of-use assets	－	470,250	470,250
Goodwill	886,531	916,561	30,030
Intangible assets	1,627,762	1,641,165	13,403
Investment property	967,006	1,055,285	88,279
Investments accounted for using equity method	298,261	293,225	(5,036)
Other financial assets	1,138,502	1,166,181	27,679
Deferred tax assets	1,124,467	1,123,542	(925)
Other non-current assets	659,704	669,844	10,140
Total non-current assets	15,715,180	16,275,799	560,619
Total assets	22,295,146	22,233,561	(61,585)

* The last day of the fiscal year ended March 31, 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. Consequently, for the fiscal year ended March 31, 2019 there were decreases of cash and cash equivalents and an increase of trade and other receivables, ¥223,672 million respectively.

	Millions of yen		
	March 31, 2019	September 30, 2019	Increase (Decrease)
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt	1,397,545	1,670,678	273,133
Trade and other payables	2,092,479	1,671,990	(420,489)
Lease liabilities	–	144,491	144,491
Other financial liabilities	44,305	8,878	(35,427)
Accrued payroll	468,216	422,499	(45,717)
Accrued taxes on income	237,282	254,824	17,542
Other current liabilities	988,244	894,932	(93,312)
Total current liabilities	5,228,071	5,068,292	(159,779)
Non-current liabilities			
Long-term debt	2,865,181	2,792,542	(72,639)
Lease liabilities	–	403,594	403,594
Other financial liabilities	175,087	145,647	(29,440)
Defined benefit liabilities	1,878,013	1,896,656	18,643
Deferred tax liabilities	61,189	64,568	3,379
Other non-current liabilities	282,815	306,313	23,498
Total non-current liabilities	5,262,285	5,609,320	347,035
Total liabilities	10,490,356	10,677,612	187,256
Equity			
Nippon Telegraph and Telephone Corporation (“NTT”) shareholders’ equity			
Common stock	937,950	937,950	–
Additional paid-in capital	2,341,206	2,313,024	(28,182)
Retained earnings	5,954,305	6,351,207	396,902
Treasury stock	(150,635)	(653,268)	(502,633)
Other components of equity	182,087	87,637	(94,450)
Total NTT shareholders’ equity	9,264,913	9,036,550	(228,363)
Non-controlling interests	2,539,877	2,519,399	(20,478)
Total equity	11,804,790	11,555,949	(248,841)
Total liabilities and equity	22,295,146	22,233,561	(61,585)

(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, 2018	Six-month ended September 30, 2019	Increase (Decrease)
Operating revenues	5,793,199	5,889,551	96,352
Operating expenses			
Personnel expenses	1,182,822	1,201,738	18,916
Expenses for purchase of goods and services and other expenses	2,768,090	2,870,992	102,902
Depreciation and amortization	656,479	722,115	65,636
Loss on disposal of property, plant and equipment and intangible assets	59,136	48,731	(10,405)
Impairment losses	28	4,157	4,129
Taxes and dues	55,892	59,013	3,121
Total operating expenses	4,722,447	4,906,746	184,299
Operating profit	1,070,752	982,805	(87,947)
Finance income	12,988	35,814	22,826
Finance costs	15,476	22,554	7,078
Share of profit (loss) of entities accounted for using equity method	10,054	5,794	(4,260)
Profit before taxes	1,078,318	1,001,859	(76,459)
Income taxes	357,124	295,302	(61,822)
Profit	721,194	706,557	(14,637)
Profit attributable to NTT	559,726	547,670	(12,056)
Profit attributable to Non-controlling interests	161,468	158,887	(2,581)
Earnings per share attributable to NTT			
Basic earnings per share (yen)	286.50	291.05	

Consolidated Statements of Comprehensive Income

	Millions of yen		
	Six-month ended September 30, 2018	Six-month ended September 30, 2019	Increase (Decrease)
Profit	721,194	706,557	(14,637)
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	38,898	(202)	(39,100)
Share of other comprehensive income of entities accounted for using the equity method	(2,646)	(664)	1,982
Remeasurements of defined benefit plans	47	(1,382)	(1,429)
Total of items that will not be reclassified to profit or loss	36,299	(2,248)	(38,547)
Items that may be reclassified to profit or loss			
Cash flow hedges	(893)	(233)	660
Foreign currency translation adjustments	55,035	(74,551)	(129,586)
Share of other comprehensive income of entities accounted for using the equity method	(11,184)	(1,418)	9,766
Total of items that may be reclassified to profit or loss	42,958	(76,202)	(119,160)
Total other comprehensive income (net of tax)	79,257	(78,450)	(157,707)
Total comprehensive income	800,451	628,107	(172,344)
Comprehensive income attributable to NTT	611,248	485,368	(125,880)
Comprehensive income attributable to Non-controlling interests	189,203	142,739	(46,464)

(3) Condensed Consolidated Statement of Changes in Equity

Six Months Ended September 30, 2018

	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, 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	–	–	559,726	–	–	559,726	161,468	721,194
Other comprehensive income	–	–	–	–	51,522	51,522	27,735	79,257
Total comprehensive income	–	–	559,726	–	51,522	611,248	189,203	800,451
Value of transactions with shareholders etc.								
Dividends of surplus	–	–	(147,831)	–	–	(147,831)	(68,056)	(215,887)
Transfer to retained earnings	–	–	5,374	–	(5,374)	–	–	–
Transfer to non-financial assets	–	–	–	–	3,905	3,905	–	3,905
Purchase and disposal of treasury stock	–	1	–	(108,075)	–	(108,074)	–	(108,074)
Cancellation of treasury stoc	–	(2)	(718,258)	718,260	–	–	–	–
Changes in ownership interest in subsidiaries	–	(1,430)	–	–	–	(1,430)	1,781	351
Share-based compensation transactions	–	2,008	–	–	–	2,008	–	2,008
Put options granted to non-controlling interests	–	(3,515)	–	–	–	(3,515)	–	(3,515)
Total value of transactions with shareholders etc.	–	(2,938)	(860,715)	610,185	(1,469)	(254,937)	(66,275)	(321,212)
September 30, 2018	937,950	2,393,617	5,839,001	(557)	248,259	9,418,270	2,645,789	12,064,059

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

(4) Going Concern Assumption

None

(5) Subsequent Events

Stock Split

As further described below, NTT authorized a stock split of its common stock at a meeting of its board of directors held on November 5, 2019.

1. Purpose of the Stock Split

The objective of the stock split is to lower the minimum investment price per unit of NTT, thereby facilitating an environment where it is easier to invest in NTT's shares and expanding NTT's investor base.

2. Outline of the Stock Split

(1) Stock Split Method

The record date of the stock split will be December 31, 2019. Each share of NTT common stock held by shareholders as of the record date will be split into two shares.

(2) Increase in Number of Shares as a Result of the Stock Split

Number of shares outstanding prior to the stock split: 1,950,394,470 shares

Increase in total number of outstanding shares as a result of this stock split: 1,950,394,470 shares

Number of shares outstanding after the stock split: 3,900,788,940 shares

Number of shares authorized to be issued after the stock split: 6,192,920,900 shares

(3) Stock Split Schedule

Date of public notice of the record date: December 16, 2019

Record date: December 31, 2019 (effectively, December 30)

Effective date: January 1, 2020

3. Effect per Share of Common Stock

There will be no substantive changes to dividend amounts as a result of the stock split. Assuming the stock split had been conducted at the beginning of the fiscal year ended March 31, 2019, basic earnings per share attributable to NTT would have been as follows.

	Six Months Ended September 30 2018	Six Months Ended September 30 2019
Basic earnings per share attributable to NTT	¥143.25	¥145.53

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 47,711,900 shares of its common stock for ¥122,762 million from May to September 2019. As a result, NTT's ownership interest in NTT DOCOMO increased from 64.1% to 65.0% and "Additional paid-in capital" decreased by ¥29,097 million in the Condensed Consolidated Statement of Financial Position as of September 30, 2019.

And NTT DOCOMO repurchased 9,166,900 shares of its common stock for ¥26,058 million during October 2019.