

Financial Results Release

November 6, 2018

For the Six Months Ended September 30, 2018

[IFRS]

Name of registrant : Nippon Telegraph and Telephone Corporation (“NTT”) / URL <http://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 / TEL +81-3-6838-5481
 Scheduled filing date of quarterly securities report : November 7, 2018
 Scheduled date of dividend payments : December 5, 2018
 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, 2018 (April 1, 2018 - September 30, 2018)

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, 2018	5,793,199	1.8%	1,070,752	3.1%	1,078,318	3.5%	559,726	(0.8)%
Six months ended September 30, 2017	5,691,162	-%	1,038,350	-%	1,041,929	-%	564,079	-%

Notes: 1. Comprehensive income (loss) attributable to NTT: For the six months ended September 30, 2018: 611,248 million yen 1.4%
 For the six months ended September 30, 2017: 602,815 million yen -%

2. Percentages above represent changes from the corresponding period of the previous fiscal year.

	Basic Earnings per Share Attributable to NTT	Diluted Earnings per Share Attributable to NTT
Six months ended September 30, 2018	286.50 (yen)	- (yen)
Six months ended September 30, 2017	281.07 (yen)	- (yen)

(2) Consolidated Financial Position

(Millions of yen, except 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, 2018	21,719,758	12,064,059	9,430,664	43.4%	4,835.54 (yen)
March 31, 2018	21,541,444	11,565,654	9,062,752	42.1%	4,597.87 (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, 2018	-	75.00 (yen)	-	75.00 (yen)	150.00 (yen)
Year Ending March 31, 2019	-	85.00 (yen)	-	-	-
Year Ending March 31, 2019 (Forecasts)	-	-	-	85.00 (yen)	170.00 (yen)

Note: Change in dividend forecasts during the six months ended September 30, 2018: None

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 - March 31, 2019)

(Millions of yen, except equity ratio and 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, 2019	11,900,000	-%	1,690,000	-%	1,686,000	-%	880,000	-%	451.00	(yen)

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

2. Change in consolidated financial results forecasts for the fiscal year ending March 31, 2019 during the six months ended September 30, 2018: Yes

***Notes:**

- (1) Change in significant consolidated subsidiaries during the six months ended September 30, 2018 that resulted in changes in the scope of consolidation:
None
- (2) Adoption of accounting which is simplified or exceptional for quarterly consolidated financial statements: None
- (3) Change of accounting policy
 - i. Change due to revision of accounting standards and other regulations: Yes
 - ii. Other change: Yes
(For further details, please see “Summary Information (notes)” on page 3.)
- (4) Number of shares outstanding (common stock)
 - i. Number of shares outstanding (including treasury stock):

September 30, 2018	: 1,950,394,470 shares
March 31, 2018	: 2,096,394,470 shares
 - ii. Number of shares of treasury stock:

September 30, 2018	113,215 shares
March 31, 2018	: 125,318,558 shares
 - iii. Weighted average number of shares outstanding:

For the six months ended September 30, 2018	: 1,953,686,674 shares
For the six months ended September 30, 2017	: 2,006,905,710 shares

* This financial results release is not subject to the quarterly review.

* Explanation of earnings forecasts and other notes:

NTT Group has applied International Financial Reporting Standards (“IFRS”) beginning with the three months ended June 30, 2018. In addition, consolidated financial statements for the six months ended September 30, 2017 and for the fiscal year ended March 31 2018 are also presented in accordance with IFRS.

Forward-looking statements in this earnings release, such as forecasts of results of operations, are based on the information currently available to NTT and certain assumptions that we regard as reasonable and therefore actual results may differ materially from those contained in or suggested by any forward-looking statements. With regard to the assumptions and other related matters concerning forecasts for the fiscal year ending March 31, 2019, please refer to page 32.

On Tuesday, November 6, 2018, 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.

For further details on the financial results forecasts, please also see “Financial Results for the Six Months Ended September 30, 2018,” which is disclosed on TDnet on the same day as this financial results release.

1. Summary Information (notes)

- (1) Change in significant consolidated subsidiaries during the six months ended September 30, 2018, that resulted in changes in the scope of consolidation: None
- (2) Adoption of accounting which is simplified or exceptional for quarterly consolidated financial statements: None
- (3) Changes in Accounting Methods

NTT Group has applied IFRS 9, “Financial Instruments” (as published in July 2014) beginning of the fiscal year ending March 31, 2019 (April 1, 2018).

Based on exemptions under IFRS 1, previous fiscal years have not been restated when changing accounting policies pursuant to IFRS 9. The accounting standards in use as of the transition date to IFRS and in previous fiscal years were generally accepted accounting principles in the United States (“U.S. GAAP”).

Following this change in accounting policy, equity instruments whose fair value was not easily determined under conventional U.S. GAAP (under which they were measured using the cost method) will be measured at fair value at the beginning of the current fiscal year. As of the point that IFRS 9 was applied pursuant to IFRS 1, after making the irrevocable election for all subsequent changes in fair value must also be recorded as other comprehensive income, any changes in fair value will be recognized as “other comprehensive income” in the condensed consolidated statement of comprehensive income.

The impact of this change on the consolidated statement of financial position:

Accounting Item (Categories based on U.S. GAAP)	Balance at the end of previous fiscal year (March 31, 2018)	Balance at the beginning of current fiscal year based on IFRS 9 (April 1, 2018)	Correction Factor
Non-current assets			
Other financial assets (Investment using cost method)	54,364	67,258	Impact of using fair value measurements for unlisted stocks

Apart from the above-mentioned correction factor, the impact of any changes in accounting policy are not material.

The cumulative effects on values at the beginning of the current fiscal year as a result of the application of IFRS 9

(Millions of yen)

Accounting Item	Increase (Decrease)
Investments accounted for using equity method	4,993
Other financial assets (Non-current)	20,883
Deferred tax assets	(5,912)
Deferred tax liabilities	963
Retained earnings	14,033
Other components of equity	(2,432)
Non-controlling interests	7,565

The impact on “profit” and “basic earnings per share” for the six months ended September 30, 2018 is not material.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Balance Sheets

	Millions of yen		
	Date of Transition to IFRS (April 1, 2017)	March 31, 2018	September 30, 2018
ASSETS			
Current assets			
Cash and cash equivalents(*)	¥1,075,773	¥895,003	¥889,643
Trade and other receivables(*)	3,623,577	4,022,227	3,965,889
Other financial assets	167,410	123,344	117,052
Inventories	326,718	354,181	344,238
Other current assets	383,506	474,405	531,523
Sub Total	5,576,984	5,869,160	5,848,345
Assets held for sale	-	-	234,160
Total current assets	5,576,984	5,869,160	6,082,505
Non-current assets			
Property, plant and equipment	8,719,755	8,812,174	8,941,844
Goodwill	881,292	841,283	944,784
Intangible assets	1,609,598	1,589,448	1,618,096
Investment property	992,317	1,002,301	936,432
Investments accounted for using equity method	528,981	539,342	311,622
Other financial assets	1,010,546	1,068,799	1,161,720
Deferred tax assets	1,243,283	1,173,946	1,068,732
Other non-current assets	660,971	644,991	654,023
Total non-current assets	15,646,743	15,672,284	15,637,253
Total assets	¥21,223,727	¥21,541,444	¥21,719,758

* The last day of the fiscal year ended March 31, 2018 and second quarter ended September 30, 2018 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 ending March 31, 2019 and third quarter ending December 31, 2018, respectively. Consequently, for the fiscal year ended March 31, 2018 and second quarter ended September 30, 2018 there were decreases of cash and cash equivalents and an increase of trade and other receivables, ¥231,929 million and ¥233,849 million respectively.

	Millions of yen		
	Date of Transition to IFRS (April 1, 2017)	March 31, 2018	September 30, 2018
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debt	¥1,079,243	¥1,017,744	¥1,127,766
Trade and other payables	1,797,544	1,811,723	1,484,833
Other financial liabilities	45,727	50,711	63,934
Accrued payroll	450,360	455,007	433,386
Accrued taxes on income	233,817	240,670	234,787
Other current liabilities	958,862	1,046,582	984,372
Total current liabilities	4,565,553	4,622,437	4,329,078
Non-current liabilities			
Long-term debt	3,179,645	2,953,855	2,936,287
Other financial liabilities	201,789	190,356	159,608
Defined benefit liabilities	1,876,845	1,860,524	1,879,064
Deferred tax liabilities	99,038	74,095	72,281
Other non-current liabilities	258,428	274,523	279,381
Total non-current liabilities	5,615,745	5,353,353	5,326,621
Total liabilities	10,181,298	9,975,790	9,655,699
Equity			
Nippon Telegraph and Telephone Corporation (“NTT”) shareholders’ equity			
Common stock	937,950	937,950	937,950
Additional paid-in capital	2,410,572	2,396,555	2,393,617
Retained earnings	5,480,639	6,138,351	5,851,395
Treasury stock	(375,223)	(610,742)	(557)
Other components of equity	179,453	200,638	248,259
Total NTT shareholders’ equity	8,633,391	9,062,752	9,430,664
Non-controlling interests	2,409,038	2,502,902	2,633,395
Total equity	11,042,429	11,565,654	12,064,059
Total liabilities and equity	¥21,223,727	¥21,541,444	¥21,719,758

(2) Condensed Consolidated Statement of Profit or Loss and Condensed Consolidated Statement of Comprehensive Income

Condensed Consolidated Statements of Profit or Loss

Six Months Ended September 30

	Millions of yen except per share data		
	2017	2018	Increase (Decrease)
Operating revenues	¥5,691,162	¥5,793,199	¥102,037
Operating expenses			
Personnel expenses	1,186,536	1,182,822	(3,714)
Expenses for purchase of goods and services and other expenses	2,684,525	2,768,090	83,565
Depreciation and amortization	664,218	656,479	(7,739)
Expenses on disposal of fixed assets	62,770	59,136	(3,634)
Impairment losses	742	28	(714)
Taxes and dues	54,021	55,892	1,871
Total operating expenses	4,652,812	4,722,447	69,635
Operating profit	1,038,350	1,070,752	32,402
Finance income	37,883	12,988	(24,895)
Finance costs	40,274	15,476	(24,798)
Share of profit (loss) of entities accounted for using equity method	5,970	10,054	4,084
Profit before taxes	1,041,929	1,078,318	36,389
Income taxes	324,171	357,124	32,953
Profit	717,758	721,194	3,436
Profit attributable to			
NTT	564,079	559,726	(4,353)
Non-controlling interests	153,679	161,468	7,789
Profit	¥717,758	¥721,194	¥3,436
Earnings per share attributable to NTT			
Basic earnings per share (yen)	¥281.07	¥286.50	

Consolidated Statements of Comprehensive Income

Six Months Ended September 30

	Millions of yen		
	2017	2018	Increase (Decrease)
Profit	¥717,758	¥721,194	¥3,436
Other comprehensive income (net of taxes)			
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	38,898
Share of other comprehensive income of entities accounted for using equity method	(479)	(2,646)	(2,167)
Remeasurements of defined benefit plans	(282)	47	329
Total of items that will not be reclassified to profit or loss	(761)	36,299	37,060
Items that may be reclassified to profit or loss			
Unrealized gains (loss) on securities	6,803	–	(6,803)
Cash flow hedges	1,478	(893)	(2,371)
Foreign currency translation adjustments	46,916	55,035	8,119
Share of other comprehensive income of entities accounted for using equity method	1,827	(11,184)	(13,011)
Total of items that may be reclassified to profit or loss	57,024	42,958	(14,066)
Total other comprehensive income (net of taxes)	56,263	79,257	22,994
Total comprehensive income	774,021	800,451	26,430
Comprehensive income attributable to			
NTT	602,815	611,248	8,433
Non-controlling interests	171,206	189,203	17,997
	¥774,021	¥800,451	¥26,430

(3) Condensed Consolidated Statement of Changes in Equity

Six Months Ended September 30, 2017

	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		
April 1, 2017	¥937,950	¥2,410,572	¥5,480,639	¥(375,223)	¥179,453	¥8,633,391	¥2,409,038	¥11,042,429
Comprehensive income								
Profit	—	—	564,079	—	—	564,079	153,679	717,758
Other comprehensive income	—	—	—	—	38,736	38,736	17,527	56,263
Total comprehensive income	—	—	564,079	—	38,736	602,815	171,206	774,021
Value of transactions with shareholders etc.								
Dividends of surplus	—	—	(120,922)	—	—	(120,922)	(57,639)	(178,561)
Transfer to retained earnings	—	—	(508)	—	508	—	—	—
Purchase and disposal of treasury stock	—	—	—	(43,376)	—	(43,376)	—	(43,376)
Changes in ownership interest in subsidiaries	—	(10,301)	—	—	—	(10,301)	(617)	(10,918)
Share-based compensation transactions	—	2,028	—	—	—	2,028	—	2,028
Put options granted to non-controlling interests	—	(4,861)	—	—	—	(4,861)	—	(4,861)
Total value of transactions with shareholders etc.	—	(13,134)	(121,430)	(43,376)	508	(177,432)	(58,256)	(235,688)
September 30, 2017	¥937,950	¥2,397,438	¥5,923,288	¥(418,599)	¥218,697	¥9,058,774	¥2,521,988	¥11,580,762

Millions of yen

	NTT Shareholders' Equity					Total	Non-controlling interests	Total equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity			
March 31, 2018	¥937,950	¥2,396,555	¥6,138,351	¥(610,742)	¥200,638	¥9,062,752	¥2,502,902	¥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	6,152,384	(610,742)	198,206	9,074,353	2,510,467	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 stock	—	(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	¥5,851,395	¥(557)	¥248,259	¥9,430,664	¥2,633,395	¥12,064,059

(4) Going Concern Assumption

None

(5) Subsequent Events

Notice regarding Commencement of the Tender Offer for Shares of NTT Urban Development Corporation

On October 15, 2018, NTT decided at its Board of Directors meeting to conduct a series of transactions for the purpose of making NTT Urban Development Corporation (the “Target”) a wholly-owned subsidiary of NTT-SH Corporation (the “Offeror”), which is a wholly-owned subsidiary of NTT, by the Offeror acquiring all of the common shares of the Target (excluding those held by NTT and the Target’s treasury shares owned by the Target) through a tender offer (the “Tender Offer”) under the Financial Instruments and Exchange Act, and the Offeror decided to conduct the Tender Offer.

Overview of the Tender Offer is as follows.

1. Period of the Tender Offer

From October 16, 2018 (Tuesday) to November 27, 2018 (Tuesday) (30 Business Days)

2. Tender Offer Price

JPY 1,680 per share of common stock

3. Number of Share Certificates, Etc. to be purchased

Number of Share Certificates, Etc. to be purchased 107,638,423 (shares)

Minimum number of Share Certificates, Etc. to be purchased — (shares)

Maximum number of Share Certificates, Etc. to be purchased — (shares)

4. Purchase Price: JPY 180,832,550,640

(Note) The purchase price is an amount obtained by multiplying the Tender Offer Price (JPY 1,680 per share) by the number of shares to be purchased in the Tender Offer (107,638,423 shares).

5. Commencement Date of the Settlement

December 4, 2018 (Tuesday)

NTT's resolution to repurchase its common stock

On November 6, 2018, the Board of Directors resolved that NTT may acquire up to 36 million shares of its outstanding common stock for an amount in total not exceeding ¥150 billion from November 7, 2018 through March 29, 2019.

NTT DOCOMO's resolution to repurchase its common stock

On October 31, 2018, the Board of Directors of NTT DOCOMO resolved that NTT DOCOMO may repurchase up to 260 million outstanding shares of its common stock for an amount in total not exceeding ¥600,000 million during the period from November 1, 2018 through March 31, 2019

On November 6, 2018, the board of directors of NTT DOCOMO resolved to launch a tender offer to repurchase up to 257,953,468 shares of its outstanding common stock between November 7, 2018 and December 7, 2018. On the same day, NTT’s board of directors resolved that NTT may participate in the tender offer to sell 257,953,400 shares of its current holdings of NTT DOCOMO’s common stock. If NTT DOCOMO’s stock repurchase results in a change in NTT’s equity stake in NTT DOCOMO, NTT expects to record the transaction as a capital transaction for accounting purposes.

(6) First-time Adoption of International Financial Reporting Standards (“IFRS”)

Transition to Financial Reporting in Accordance with IFRS

NTT Group has applied IFRS beginning with the three months ended June 30, 2018 (April 1, 2018 to June 30, 2018).

IFRS 1 requires that a company adopting IFRS for the first time applies IFRS retrospectively. However, as an exception under IFRS 1, retrospective application is prohibited for certain standards, for which application of IFRS is made from the IFRS transition date and thereafter. Additionally, under IFRS 1, certain exemption provisions may be voluntarily applied for certain standards required by IFRS. The effect of applying these provisions has been recognized at the IFRS transition date and an adjustment for the impact has been made within Retained earnings or Other components of equity.

The main voluntary exemption provisions stipulated in IFRS 1 and applied by NTT Group are described below.

① Business Combinations

NTT Group has not applied IFRS 3 retrospectively to business combinations arising prior to April 1, 2002. Goodwill resulting from business combinations arising prior to April 1, 2002 has been recognized using the carrying amount based on U.S. GAAP. For goodwill generated by business combinations that occurred prior to the transition date to IFRS, an impairment test was implemented as of the transition date, regardless of whether there is any indication of impairment.

② Deemed Cost

NTT Group, for certain property, plant and equipment and investment property, uses the fair value as of the transition date to IFRS that is a surrogate for cost at that date as the deemed cost.

③ Operating Revenues

NTT Group has retrospectively applied IFRS 15 through the practical expedient set out in (d) under paragraph C5 of IFRS 15. In accordance with the provisions of the standard, in relation to the amount of consideration for goods or services to be provided from the next fiscal year and the explanation of when this amount is expected to be recognized as revenue, information concerning the IFRS transition date and the fiscal year ended March 31, 2018 is omitted.

④ Exemption from Restatement of Comparative Information in the Application of IFRS 9

At the transition date to IFRS and in the fiscal year ended March 31, 2018, items included within the scope of application of IFRS 9 have been recognized and measured in accordance with U.S. GAAP which is previous accounting standards, without restatement in accordance with IFRS 9.

Reconciliations from U.S. GAAP to IFRS

Upon transitioning to IFRS, NTT has reconciled the amounts in the consolidated financial statements that were prepared based on U.S. GAAP. The impact on NTT Group as a result of transitioning from U.S. GAAP to IFRS in terms of financial position and results of operations is explained in the following reconciliation tables and in the notes to these tables.

In the reconciliation tables, “Reclassification” shows those items that have no impact on equity and comprehensive income, and “Recognition & Measurement Difference” shows those items that have an impact on equity and comprehensive income.

Reconciliation of Equity at the Transition Date to IFRS (April 1, 2017)

Consolidated Statement of Financial Position

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Assets					(Assets)
Current assets					Current assets
Cash and cash equivalents	925,213	172,176	(21,616)	1,075,773	Cash and cash equivalents
Short-term investments	63,844	103,734	(168)	167,410	Other financial assets
Notes and accounts receivable, trade	2,699,708	932,534	(8,665)	3,623,577	Trade and other receivables
Allowance for doubtful accounts	(48,626)	48,626	—	—	
Accounts receivable, other	505,145	(505,145)	—	—	
Inventories	365,379	(7,767)	(30,894)	326,718	Inventories
Prepaid expenses and other current assets	573,170	(208,786)	19,122	383,506	Other current assets
Deferred income taxes	228,590	(228,590)	—	—	
Total current assets	5,312,423	306,782	(42,221)	5,576,984	Total current assets
Property, plant and equipment					Non-current assets
Telecommunications equipment	11,046,115	—	—	—	
Telecommunications service lines	16,064,732	—	—	—	
Buildings and structures	6,147,869	—	—	—	
Machinery, vessels and tools	2,032,389	—	—	—	
Land	1,292,685	—	—	—	
Construction in progress	421,819	—	—	—	
Accumulated depreciation	(27,286,588)	—	—	—	
Net property, plant and equipment	9,719,021	(989,364)	(9,902)	8,719,755	Property, plant and equipment
	—	1,032,675	(40,358)	992,317	Investment property
Investments and other assets					
Investments in affiliated companies	484,596	—	44,385	528,981	Investments accounted for using equity method
Marketable securities and other investments	495,290	517,251	(1,995)	1,010,546	Other financial assets
Goodwill	1,314,645	—	(433,353)	881,292	Goodwill
Software	1,209,485	(1,209,485)	—	—	
Other intangible assets	453,918	1,188,084	(32,404)	1,609,598	Intangible assets
Other assets	1,492,076	(887,552)	56,447	660,971	Other non-current assets
Deferred income taxes	768,871	228,590	245,822	1,243,283	Deferred tax assets
Total investments and other assets	6,218,881	—	—	—	
	15,937,902	(119,801)	(171,358)	15,646,743	Total non-current assets
Total assets	21,250,325	186,981	(213,579)	21,223,727	Total assets

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Liabilities and Equity					(Liabilities and Equity)
Current liabilities					Current liabilities
Short-term borrowings	227,207	864,726	(12,690)	1,079,243	Short-term debt
Current portion of long-term debt	681,904	(681,904)	—	—	
Accounts payable, trade	1,612,996	181,994	2,554	1,797,544	Trade and other payables
Current portion of obligations under capital leases	14,430	9,527	21,770	45,727	Other financial liabilities
Accrued payroll	443,308	16,147	(9,095)	450,360	Accrued payroll
Accrued taxes on income	239,755	(367)	(5,571)	233,817	Accrued taxes on income
Accrued consumption tax	75,083	(75,083)	—	—	
Advances received	324,342	(324,342)	—	—	
Other	512,368	174,131	272,363	958,862	Other current liabilities
Total current liabilities	4,131,393	164,829	269,331	4,565,553	Total current liabilities
Long-term liabilities					Non-current liabilities
Long-term debt (excluding current portion)	3,168,478	—	11,167	3,179,645	Long-term debt
Obligations under capital leases (excluding current portion)	25,568	116,770	59,451	201,789	Other financial liabilities
Liability for employees' retirement benefits	1,599,381	—	277,464	1,876,845	Defined benefit liabilities
Accrued liabilities for point programs	103,047	(103,047)	—	—	
Deferred income taxes	166,751	7,285	(74,998)	99,038	Deferred tax liabilities
Other	497,132	1,144	(239,848)	258,428	Other non-current liabilities
Total long-term liabilities	5,560,357	22,152	33,236	5,615,745	Total non-current liabilities
Total liabilities	9,691,750	186,981	302,567	10,181,298	Total liabilities
Redeemable non-controlling interests	50,819	—	(50,819)	—	
Equity					Equity
NTT Shareholders' equity					NTT Shareholders' equity
Common stock	937,950	—	—	937,950	Common stock
Additional paid-in capital	2,862,035	—	(451,463)	2,410,572	Additional paid-in capital
Retained earnings	5,626,155	—	(145,516)	5,480,639	Retained earnings
Accumulated other comprehensive income (loss)	1,562	—	177,891	179,453	Other components of equity
Treasury stock	(375,223)	—	—	(375,223)	Treasury stock
Total NTT shareholders' equity	9,052,479	—	(419,088)	8,633,391	Total NTT shareholders' equity
Non-controlling interests	2,455,277	—	(46,239)	2,409,038	Non-controlling interests
Total equity	11,507,756	—	(465,327)	11,042,429	Total equity
Total liabilities and equity	21,250,325	186,981	(213,579)	21,223,727	Total liabilities and equity

Reconciliation of Equity as of September 30, 2017

Consolidated Statement of Financial Position

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Assets					(Assets)
Current assets					Current assets
Cash and cash equivalents	840,663	142,665	1,060	984,388	Cash and cash equivalents
Short-term investments	144,206	84,859	(1,971)	227,094	Other financial assets
Notes and accounts receivable, trade	2,739,030	941,373	13,374	3,693,777	Trade and other receivables
Allowance for doubtful accounts	(48,729)	48,729	—	—	
Accounts receivable, other	567,027	(567,027)	—	—	
Inventories	386,862	(7,739)	(44,367)	334,756	Inventories
Prepaid expenses and other current assets	600,288	(127,727)	20,600	493,161	Other current assets
Total current assets	5,229,347	515,133	(11,304)	5,733,176	Total current assets
Property, plant and equipment					Non-current assets
Telecommunications equipment	11,014,642	—	—	—	
Telecommunications service lines	16,145,869	—	—	—	
Buildings & structures	6,222,954	—	—	—	
Machinery, vessels and tools	2,117,492	—	—	—	
Land	1,304,617	—	—	—	
Construction in progress	459,247	—	—	—	
Accumulated depreciation	(27,461,554)	—	—	—	
Net property, plant and equipment	9,803,267	(999,542)	(16,833)	8,786,892	Property, plant and equipment
	—	1,043,474	(36,584)	1,006,890	Investment property
Investments and other assets					
Investments in affiliated companies	496,445	—	37,216	533,661	Investments accounted for using equity method
Marketable securities and other investments	508,680	508,654	(191)	1,017,143	Other financial assets
Goodwill	1,366,673	—	(457,534)	909,139	Goodwill
Software	1,201,543	(1,201,543)	—	—	
Other intangible assets	416,509	1,179,787	4,165	1,600,461	Intangible assets
Other assets	1,505,899	(885,994)	24,249	644,154	Other non-current assets
Deferred income taxes	969,789	—	253,579	1,223,368	Deferred tax assets
Total investments and other assets	6,465,538	—	—	—	
	16,268,805	(355,164)	(191,933)	15,721,708	Total non-current assets
Total assets	21,498,152	159,969	(203,237)	21,454,884	Total assets

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Liabilities and Equity					(Liabilities and Equity)
Current liabilities					Current liabilities
Short-term borrowings	268,876	864,706	(3,096)	1,130,486	Short-term debt
Current portion of long-term debt	710,206	(710,206)	—	—	
Accounts payable, trade	1,239,946	197,215	(11,347)	1,425,814	Trade and other payables
Current portion of obligations under capital leases	15,866	11,532	21,120	48,518	Other financial liabilities
Accrued payroll	442,953	—	516	443,469	Accrued payroll
Accrued taxes on income	247,954	—	6,265	254,219	Accrued taxes on income
Accrued consumption tax	92,430	(92,430)	—	—	
Advances received	360,952	(360,952)	—	—	
Other	483,083	224,275	211,213	918,571	Other current liabilities
Total current liabilities	3,862,266	134,140	224,671	4,221,077	Total current liabilities
Long-term liabilities					Non-current liabilities
Long-term debt (excluding current portion)	3,181,371	—	3,722	3,185,093	Long-term debt
Obligations under capital leases (excluding current portion)	22,730	118,621	66,382	207,733	Other financial liabilities
Liability for employees' retirement benefits	1,624,134	—	270,071	1,894,205	Defined benefit liabilities
Accrued liabilities for point programs	94,136	(94,136)	—	—	
Deferred income taxes	150,380	—	(56,582)	93,798	Deferred tax liabilities
Other	506,945	1,344	(236,073)	272,216	Other non-current liabilities
Total long-term liabilities	5,579,696	25,829	47,520	5,653,045	Total non-current liabilities
Total liabilities	9,441,962	159,969	272,191	9,874,122	Total liabilities
Redeemable non-controlling interests	54,795	—	(54,795)	—	
Equity					Equity
NTT Shareholders' equity					NTT Shareholders' equity
Common stock	937,950	—	—	937,950	Common stock
Additional paid-in capital	2,855,486	—	(458,048)	2,397,438	Additional paid-in capital
Retained earnings	6,033,702	—	(110,414)	5,923,288	Retained earnings
Accumulated other comprehensive income (loss)	33,142	—	185,555	218,697	Other components of equity
Treasury stock	(418,599)	—	—	(418,599)	Treasury stock
Total NTT shareholders' equity	9,441,681	—	(382,907)	9,058,774	Total NTT shareholders' equity
Non-controlling interests	2,559,714	—	(37,726)	2,521,988	Non-controlling interests
Total equity	12,001,395	—	(420,633)	11,580,762	Total equity
Total liabilities and equity	21,498,152	159,969	(203,237)	21,454,884	Total liabilities and equity

Reconciliation of Equity as of March 31, 2018
Consolidated Statement of Financial Position

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Assets					(Assets)
Current assets					Current assets
Cash and cash equivalents	780,300	129,032	(14,329)	895,003	Cash and cash equivalents
Short-term investments	31,641	93,525	(1,822)	123,344	Other financial assets
Notes and accounts receivable, trade	2,976,467	1,055,447	(9,687)	4,022,227	Trade and other receivables
Allowance for doubtful accounts	(52,332)	52,332	—	—	
Accounts receivable, other	662,190	(662,190)	—	—	
Inventories	393,582	(6,550)	(32,851)	354,181	Inventories
Prepaid expenses and other current assets	575,704	(106,416)	5,117	474,405	Other current assets
Total current assets	5,367,552	555,180	(53,572)	5,869,160	Total current assets
Property, plant and equipment					Non-current assets
Telecommunications equipment	10,917,851	—	—	—	
Telecommunications service lines	14,217,566	—	—	—	
Buildings and structures	6,280,584	—	—	—	
Machinery, vessels and tools	2,127,201	—	—	—	
Land	1,307,985	—	—	—	
Construction in progress	438,604	—	—	—	
Accumulated depreciation	(25,468,698)	—	—	—	
Net property, plant and equipment	9,821,093	(1,009,723)	804	8,812,174	Property, plant and equipment
	—	1,040,512	(38,211)	1,002,301	Investment property
Investments and other assets					
Investments in affiliated companies	502,936	—	36,406	539,342	Investments accounted for using equity method
Marketable securities and other investments	525,170	546,481	(2,852)	1,068,799	Other financial assets
Goodwill	1,329,275	—	(487,992)	841,283	Goodwill
Software	1,223,985	(1,223,985)	—	—	
Other intangible assets	394,489	1,201,689	(6,730)	1,589,448	Intangible assets
Other assets	1,590,636	(957,959)	12,314	644,991	Other non-current assets
Deferred income taxes	920,634	—	253,312	1,173,946	Deferred tax assets
Total investments and other assets	6,487,125	—	—	—	
	16,308,218	(402,985)	(232,949)	15,672,284	Total non-current assets
Total assets	21,675,770	152,195	(286,521)	21,541,444	Total assets

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Liabilities and Equity					(Liabilities and Equity)
Current liabilities					Current liabilities
Short-term borrowings	270,743	765,246	(18,245)	1,017,744	Short-term debt
Current portion of long-term debt	624,385	(624,385)	–	–	
Accounts payable, trade	1,613,516	191,794	6,413	1,811,723	Trade and other payables
Current portion of obligations under capital leases	12,567	11,993	26,151	50,711	Other financial liabilities
Accrued payroll	460,357	–	(5,350)	455,007	Accrued payroll
Accrued taxes on income	245,326	–	(4,656)	240,670	Accrued taxes on income
Accrued consumption tax	88,420	(88,420)	–	–	
Advances received	374,444	(374,444)	–	–	
Other	549,263	237,300	260,019	1,046,582	Other current liabilities
Total current liabilities	4,239,021	119,084	264,332	4,622,437	Total current liabilities
Long-term liabilities					Non-current liabilities
Long-term debt (excluding current portion)	2,947,945	–	5,910	2,953,855	Long-term debt
Obligations under capital leases (excluding current portion)	22,587	135,889	31,880	190,356	Other financial liabilities
Liability for employees' retirement benefits	1,619,907	–	240,617	1,860,524	Defined benefit liabilities
Accrued liabilities for point programs	105,037	(105,037)	–	–	
Deferred income taxes	128,833	–	(54,738)	74,095	Deferred tax liabilities
Other	529,959	2,259	(257,695)	274,523	Other non-current liabilities
Total long-term liabilities	5,354,268	33,111	(34,026)	5,353,353	Total non-current liabilities
Total liabilities	9,593,289	152,195	230,306	9,975,790	Total liabilities
Redeemable non-controlling interests	49,930	–	(49,930)	–	
Equity					Equity
NTT Shareholders' equity					NTT Shareholders' equity
Common stock	937,950	–	–	937,950	Common stock
Additional paid-in capital	2,853,613	–	(457,058)	2,396,555	Additional paid-in capital
Retained earnings	6,260,631	–	(122,280)	6,138,351	Retained earnings
Accumulated other comprehensive income (loss)	44,529	–	156,109	200,638	Other components of equity
Treasury stock	(610,742)	–	–	(610,742)	Treasury stock
Total NTT shareholders' equity	9,485,981	–	(423,229)	9,062,752	Total NTT shareholders' equity
Non-controlling interests	2,546,570	–	(43,668)	2,502,902	Non-controlling interests
Total equity	12,032,551	–	(466,897)	11,565,654	Total equity
Total liabilities and equity	21,675,770	152,195	(286,521)	21,541,444	Total liabilities and equity

Reconciliation of Comprehensive Income for the Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)
Consolidated Statement of Profit or Loss (Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Operating revenues					Operating revenues
Fixed voice related services	571,039	—	—	—	
Mobile voice related services	467,669	—	—	—	
IP/packet communications services	1,908,862	—	—	—	
Revenues from the sale of telecommunications equipment	348,515	—	—	—	
System integration	1,599,833	—	—	—	
Other	768,877	—	—	—	
Total operating revenues	5,664,795	(7,226)	33,593	5,691,162	
Operating expenses					Operating expenses
Cost of services	1,120,488	(1,120,488)	—	—	
Cost of equipment sold	379,912	(379,912)	—	—	
Cost of system integration	1,141,083	(1,141,083)	—	—	
Depreciation and amortization	659,938	(659,938)	—	—	
Impairment losses	557	(557)	—	—	
Selling, general and administrative expenses	1,387,634	(1,387,634)	—	—	
	—	1,187,752	(1,216)	1,186,536	Personnel expenses
	—	2,641,486	43,039	2,684,525	Expenses for purchase of goods and services and other expenses
	—	659,938	4,280	664,218	Depreciation and amortization
	—	62,670	100	62,770	Expenses on disposal of fixed assets
	—	557	185	742	Impairment losses
	—	119,521	(65,500)	54,021	Taxes and dues
Total operating expenses	4,689,612	(17,688)	(19,112)	4,652,812	Total operating expenses
Operating income	975,183	10,462	52,705	1,038,350	Operating profit
Non-operating income (expenses)					
Interest and amortization of bond discounts and issue costs	16,573	22,526	1,175	40,274	Finance costs
Interest income	8,962	26,517	2,404	37,883	Finance income
Other, net	14,453	(14,453)	—	—	
	—	6,755	(785)	5,970	Share of profit (loss) of entities accounted for using equity method
Total non-operating income (expenses)	6,842	—	—	—	
Income before income taxes and equity in earnings (losses) of affiliated companies	982,025	6,755	53,149	1,041,929	Profit (loss) before taxes
Income tax expense (benefit)	309,413	—	14,758	324,171	Income taxes
Current	318,773	—	—	—	
Deferred	(9,360)	—	—	—	
Income before equity in earnings (losses) of affiliated companies	672,612	—	—	—	
Equity in earnings (losses) of affiliated companies	6,755	(6,755)	—	—	Share of profit (loss) of entities accounted for using equity method
Net income	679,367	—	38,391	717,758	Profit
Profit attributable to					
NTT	527,505	—	36,574	564,079	NTT
Non-controlling interests	151,862	—	1,817	153,679	Non-controlling interests

Consolidated Statement of Comprehensive Income

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Net income	679,367	—	38,391	717,758	Profit
Other comprehensive income (loss), net of tax					Other comprehensive income (net of taxes)
					Items that will not be reclassified to profit or loss
	—	—	(479)	(479)	Share of other comprehensive income of entities accounted for using equity method
Pension liability adjustments	3,681	—	(3,963)	(282)	Remeasurements of defined benefit plans
	—	—	—	(761)	Total of items that will not be reclassified to profit or loss
					Items that may be reclassified to profit or loss
Unrealized gain (loss) on securities	13,107	—	(6,304)	6,803	Unrealized gain (loss) on securities
Unrealized gain (loss) on derivative instruments	966	—	512	1,478	Cash flow hedge
Foreign currency translation adjustments	34,386	—	12,530	46,916	Foreign currency translation adjustments
	—	—	1,827	1,827	Share of other comprehensive income of entities accounted for using equity method
	—	—	—	57,024	Total of items that may be reclassified to profit or loss
Total other comprehensive income (loss)	52,140	—	4,123	56,263	Total other comprehensive income (net of taxes)
Total comprehensive income (loss)	731,507	—	42,514	774,021	Total comprehensive income
					Comprehensive income attributable to
NTT	562,436	—	40,379	602,815	NTT
Non-controlling interests	169,071	—	2,135	171,206	Non-controlling interests

Reconciliation of Comprehensive Income for the Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)
Consolidated Statement of Profit or Loss

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Operating revenues					Operating revenues
Fixed voice related services	1,146,901	—	—	—	
Mobile voice related services	942,183	—	—	—	
IP/packet communications services	3,801,771	—	—	—	
Revenues from the sale of telecommunications equipment	843,548	—	—	—	
System integration	3,443,147	—	—	—	
Other	1,622,037	—	—	—	
Total operating revenues	11,799,587	(7,813)	(9,626)	11,782,148	
Operating expenses					Operating expenses
Cost of services	2,348,541	(2,348,541)	—	—	
Cost of equipment sold	915,540	(915,540)	—	—	
Cost of system integration	2,471,347	(2,471,347)	—	—	
Depreciation and amortization	1,339,423	(1,339,423)	—	—	
Impairment losses					
Goodwill	18,864	(18,864)	—	—	
Metal cable related	124,800	(124,800)	—	—	
Other	18,505	(18,505)	—	—	
Selling, general and administrative expenses	2,919,724	(2,919,724)	—	—	
	—	2,408,321	(14,963)	2,393,358	Personnel expenses
	—	5,828,968	4,898	5,833,866	Expenses for purchase of goods and services and other expenses
	—	1,339,423	7,508	1,346,931	Depreciation and amortization
	—	153,656	505	154,161	Expenses on disposal of fixed assets
	—	162,169	15,700	177,869	Impairment losses
	—	237,269	(2,392)	234,877	Taxes and dues
Total operating expenses	10,156,744	(26,938)	11,256	10,141,062	Total operating expenses
Operating income	1,642,843	19,125	(20,882)	1,641,086	Operating profit
Non-operating income (expenses)					
Interest and amortization of bond discounts and issue costs	32,188	63,283	1,712	97,183	Finance costs
Interest income	19,094	22,387	2,483	43,964	Finance income
Income from arbitration award	147,646	—	—	147,646	Income from arbitration award
Other, net	(21,771)	21,771	—	—	
	—	5,551	(585)	4,966	Share of profit (loss) of entities accounted for using equity method
Total non-operating income (expenses)	112,781	—	—	—	

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Income before income taxes and equity in earnings (losses) of affiliated companies	1,755,624	5,551	(20,696)	1,740,479	Profit (loss) before taxes
Income tax expense (benefit)	541,864	—	(8,084)	533,780	Income taxes
Current	532,525	—	—	—	
Deferred	9,339	—	—	—	
Income before equity in earnings (losses) of affiliated companies	1,213,760	—	—	—	
Equity in earnings (losses) of affiliated companies	5,551	(5,551)	—	—	Share of profit (loss) of entities accounted for using equity method
Net income	1,219,311	—	(12,612)	1,206,699	Profit
					Profit attributable to
NTT	909,695	—	(11,808)	897,887	NTT
Non-controlling interests	309,616	—	(804)	308,812	Non-controlling interests

Consolidated Statement of Comprehensive Income

(Millions of yen)

U.S. GAAP Accounting Item	U.S. GAAP	Reclassification	Recognition & Measurement Difference	IFRS	IFRS Accounting Item
Net income	1,219,311	—	(12,612)	1,206,699	Profit
Other comprehensive income (loss), net of tax					Other comprehensive income (net of taxes)
					Items that will not be reclassified to profit or loss
	—	—	(432)	(432)	Share of other comprehensive income of entities accounted for using equity method
Pension liability adjustments	23,712	—	8,998	32,710	Remeasurements of defined benefit plans
	—	—	—	32,278	Total of items that will not be reclassified to profit or loss
					Items that may be reclassified to profit or loss
Unrealized gain (loss) on securities	25,720	—	(10,118)	15,602	Unrealized gain (loss) on securities
Unrealized gain (loss) on derivative instruments	1,982	—	275	2,257	Cash flow hedge
Foreign currency translation adjustment	9,419	—	(1,493)	7,926	Foreign currency translation adjustment
	—	—	10,234	10,234	Share of other comprehensive income of entities accounted for using equity method
	—	—	—	36,019	Total of items that may be reclassified to profit or loss
Total other comprehensive income (loss)	60,833	—	7,464	68,297	Total other comprehensive income (net of taxes)
Total comprehensive income (loss)	1,280,144	—	(5,148)	1,274,996	Total comprehensive income
					Comprehensive income attributable to
NTT	956,013	—	(5,711)	950,302	NTT
Non-controlling interests	324,131	—	563	324,694	Non-controlling interests

(i) Impairment on Non-Financial Assets

As the method of implementing the goodwill impairment test differs between U.S. GAAP and IFRS, a difference emerges in the amount recognized as an impairment loss. The main difference is the implementation unit of the impairment test.

Under U.S. GAAP, goodwill impairment tests are required to be carried out for each reporting unit (business segment or the constituent unit one level lower), whereas under IFRS, impairment tests are required be carried out for an each cash-generating unit or a group of cash-generating unit. When transitioning to IFRS, NTT Group divided certain reporting units into several cash generating units.

For goodwill, an impairment test was implemented as of the transition date to IFRS, regardless of whether there is any indication of impairment.

The impact of this change is as follows.

	Millions of yen		
	As of Transition date to IFRS April 1, 2017	As of September 30, 2017	As of March 31, 2018
(Consolidated Statement of Financial Position)			
Goodwill	(74,972)	(74,332)	(88,019)
Other components of equity	1,454	1,069	(683)
Non-controlling interests	18,815	18,560	21,612
Adjustment to retained earnings	(54,703)	(54,703)	(67,090)

	Millions of yen	
	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Fiscal Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
(Consolidated Statement of Profit or Loss)		
Impairment losses	—	(15,360)
Increase(decrease) in adjustment to pretax income	—	(15,360)

(ii) Capitalization of Development Expenses

In order for them to fulfill the capitalization requirements under IFRS, certain development expenses that form part of R&D-related expenditure, which were recorded as expenses under U.S. GAAP, are recognized as assets in the consolidated statement of financial position and amortized using the straight line method over the estimated useful life.

The impact of this change is as follows.

	Millions of yen		
	As of Transition date to IFRS April 1, 2017	As of September 30, 2017	As of March 31, 2018
<u>(Consolidated Statement of Financial Position)</u>			
Property, plant and equipment	15,998	16,296	19,448
Intangible assets	1,985	2,561	3,069
Deferred tax liabilities	(5,605)	(5,858)	(7,011)
Other components of equity	39	7	11
Non-controlling interests	(697)	(931)	(1,007)
Adjustment to retained earnings	11,720	12,075	14,510

	Millions of yen	
	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Fiscal Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)
<u>(Consolidated Statement of Profit or Loss)</u>		
Expenses for purchase of goods and services and other expenses	3,498	10,237
Depreciation and amortization	(2,602)	(5,529)
Expenses on disposal of fixed assets	(101)	(241)
Increase(decrease) in adjustment to pretax income	795	4,467

(iii) Deemed Cost

In the application of IFRS, NTT Group applies the exemption provisions stipulated in IFRS 1, and for certain property, plant and equipment and investment property, uses the fair value as of the transition date to IFRS as the deemed cost.

At the IFRS transition date, the previous carrying amount of property, plant and equipment and investment property using the deemed cost is ¥525,178 million, and the fair value is ¥413,281 million.

As a result of the above, at the IFRS transition date “property, plant and equipment” and “investment property” decrease by ¥66,353 million and ¥45,544 million, respectively, and the net difference of the adjustment, after deducting 34,789 million as an adjustment for deferred taxes, is included in “retained earnings” in the amount of ¥55,450 million and “non-controlling interests” in the amount of ¥21,658 million.

(iv) Revenues

With respect to the costs pertaining to the communications services provided in the Regional Communications Business, Long Distance and International Communications Business, and Mobile Communications Business, sales commissions and other charges were previously capitalized and amortized over the estimated average period of the subscription term, up to the amount of the non-recurring upfront fees such as income from installation fees and activation fees under U.S. GAAP, but under IFRS, the full amount of these respective costs regardless of the amount of non-recurring upfront fees will be capitalized. For this reason, part of the sales commissions and other charges that were previously treated as expenses will be recognized as additional assets. In addition, under U.S. GAAP, an allowance was recognized for points earned by customers in line with service usage, but under IFRS, part of the transaction consideration is recognized as contract liabilities and revenue is recognized when the points are used.

In the Mobile Communications Business, non-recurring upfront fees - the sum of income such as activation fees are deferred, and under U.S. GAAP, were recognized as revenues by type of service over the average expected period of subscription, under IFRS, these will be recognized over the period of provision of the "Monthly Support" discount program.

For cases in which it is difficult to make a reasonable estimate on the progress of the construction work, under U.S. GAAP, revenues were recognized upon completion of the contracted services, but under IFRS, revenues are recognized within the range of the costs that arise.

The impact of these changes is as follows.

	Millions of yen		
	As of Transition Date to IFRS April 1, 2017	As of September 30, 2017	As of March 31, 2018
<u>(Consolidated Statement of Financial Position)</u>			
Trade and other receivables	7	1,753	234
Inventories	(24,820)	(45,290)	(27,363)
Other current assets	6,844	22,138	4,784
Property, plant and equipment	—	(299)	(102)
Deferred tax assets	(55,776)	(47,430)	(46,542)
Other non-current assets	105,517	83,564	61,940
Trade and other payables	—	—	(908)
Other current liabilities	(123,295)	(127,037)	(128,301)
Other non-current liabilities	212,543	215,004	236,783
Non-controlling interests	(47,908)	(44,199)	(46,491)
Adjustment to retained earnings	73,112	58,204	54,034

	Millions of yen	
	Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)
<u>(Consolidated Statement of Profit or Loss)</u>		
Operating revenues	6,689	(32,357)
Personnel expenses	(9,237)	(5,473)
Expenses for purchase of goods and services and other expenses	(18,554)	10,202
Depreciation and amortization	(2,213)	(1,841)
Expenses on disposal of fixed assets	(144)	(260)
Taxes and dues	(7)	(1)
Increase(decrease) in adjustment to pretax income	(23,466)	(29,730)

(v) Employee Benefits

Under U.S. GAAP, service cost, interest cost and expected return on plan assets associated with post-retirement benefits under the defined benefit plans were recognized as profit or loss. Of the actuarial gains (losses) and prior service cost arising from the defined benefit plans, those that were not recognized as components of current net periodic pension cost recognized as “Other components of equity”, which would be recognized later through profit or loss over a certain future period.

Under IFRS, on the other hand, current service cost and past service cost under the defined benefit plans are recognized as profit or loss, while net interest cost is recognized at an amount calculated by multiplying the net defined benefit liabilities (assets) by discount rates in as profit or loss. Remeasurement of the net defined benefit liabilities (assets) (such as actuarial gains or losses) is recognized as other comprehensive income, which, upon its occurrence, is transferred directly from other components of equity to retained earnings, without going through profit or loss.

The Special Accounting Fund for the NTT CDBP is a social welfare pension plan and is considered a multi-employer plan, and therefore contributions are recognized as expenses under U.S. GAAP. Under IFRS, on the other hand, although the scheme is a social welfare pension scheme, it is considered a defined benefit plan, therefore the defined benefit obligations are recognized at the present value in the consolidated statement of financial position as defined benefit liabilities.

The impact of these changes is as follows.

	Millions of yen		
	As of Transition Date to IFRS April 1, 2017	As of September 30, 2017	As of March 31, 2018
(Consolidated Statement of Financial Position)			
Deferred tax assets	78,628	76,917	67,643
Other non-current assets	153	(1,848)	(453)
Defined benefit liabilities	(277,371)	(269,807)	(241,746)
Other components of equity	(197,121)	(194,428)	(175,688)
Non-controlling interests	(2,698)	(2,919)	(4,169)
Adjustment to retained earnings	(398,409)	(392,085)	(354,413)

	Millions of yen	
	Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)
(Consolidated Statement of Profit or Loss)		
Personnel expenses	10,709	20,746
Expenses for purchase of goods and services and other expenses	371	741
Increase(decrease) in adjustment to pretax income	11,080	21,487

(vi) Levies

Under U.S. GAAP, expenditure of levies such as real estate tax was expensed over the relevant accounting period. Under IFRS, however, the amounts of the expenditure is recognized as an expense in full at the time when payment obligation arises.

The impact of this changes are as follows.

	Millions of yen		
	As of Transition Date to IFRS April 1, 2017	As of September 30, 2017	As of March 31, 2018
<u>(Consolidated Statement of Financial Position)</u>			
Other current assets	–	(27,113)	–
Inventories	160	53	136
Deferred tax assets	41,563	20,912	40,505
Other current liabilities	(132,099)	(39,181)	(129,663)
Trade and other payables	(398)	0	(398)
Non-controlling interests	10,874	5,589	10,830
Adjustment to retained earnings	(79,900)	(39,740)	(78,590)

	Millions of yen	
	Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)
<u>(Consolidated Statement of Profit or Loss)</u>		
Taxes and dues	65,454	2,413
Increase(decrease) in adjustment to pretax income	65,454	2,413

(vii) Business Combinations

Under U.S. GAAP, with respect to the acquisition of non-controlling interests in a subsidiary that occurred prior to March 31, 2009, the acquisition cost was allocated to identifiable assets acquired and liabilities assumed, which were measured based on estimated fair value, with the excess of the acquisition cost over the net assets acquired recognized as goodwill. With regard to individual investments acquired in stages, the accounting method described above is applied, and the cumulative amount of their acquisition cost is then reflected. Under IFRS, changes in a parent's ownership interest in a subsidiary that do not result in a loss of the parent's control over the subsidiary are accounted for as capital transactions and with regard to individual investments acquired in stages, these are remeasured at fair value on the acquisition date entailing acquisition of control.

In addition, under U.S. GAAP, the non-controlling interest in the acquired company at the time of business combination is measured at fair value. Under IFRS, on the other hand, the non-controlling interest in the acquired company at the time of business combination can be measured, for each business combination transaction, at fair value or by proportional share in the acquired company's identifiable net assets.

The impact of these changes is as follows.

	Millions of yen		
	As of Transition Date to IFRS April 1, 2017	As of September 30, 2017	As of March 31, 2018
(Consolidated Statement of Financial Position)			
Property, plant and equipment	35,958	35,650	35,343
Investments accounted for using equity method	34,133	30,094	30,448
Goodwill	(384,201)	(384,976)	(384,584)
Intangible assets	(5,182)	(3,814)	(3,151)
Deferred tax assets	2,497	4,429	4,210
Deferred tax liabilities	1,734	1,306	1,099
Additional paid-in capital	260,796	260,796	266,166
Other components of equity	25,466	25,694	26,050
Non-controlling interests	70,932	73,852	68,029
Adjustment to retained earnings	42,133	43,031	43,610

	Millions of yen	
	Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)
(Consolidated Statement of Profit or Loss)		
Expenses for purchase of goods and services and other expenses	6	12
Depreciation and amortization	1,054	1,404
Share of profit (loss) of entities accounted for using equity method	(1,062)	(2,697)
Increase(decrease) in adjustment to pretax income	(2)	(1,281)

(viii) Income Taxes

With respect to taxable temporary differences pertaining to investments in domestic subsidiaries, under U.S. GAAP, unless the tax law provides a means by which the reported amount of that investment can be recovered tax-free and the company expects that it will ultimately use that means, deferred tax liabilities are recognized. Under IFRS, on the other hand, in cases where it is probable that the temporary difference will not reverse in a foreseeable future, deferred tax liabilities for taxable temporary differences pertaining to investments in subsidiaries are not recognized.

In addition, under U.S. GAAP, deferred tax liabilities recognized for taxable temporary differences pertaining to investments in affiliates are measured based on the future reversal of the taxable temporary differences resulting from the sale of investments. Under IFRS, on the other hand, the deferred tax liabilities recognized for future taxable temporary differences pertaining to investments in affiliates are measured based on the most probable manner of future reversal, such as the distribution of dividends.

The impact of these changes is as follows. This impact on consolidated statements of income is immaterial and omitted.

	Millions of yen		
	As of Transition Date to IFRS April 1, 2017	As of September 30, 2017	As of March 31, 2018
<u>(Consolidated Statement of Financial Position)</u>			
Deferred tax liabilities	209,210	213,770	195,476
Additional paid-in capital	130,046	130,046	152,648
Other components of equity	(6,995)	(8,611)	(9,480)
Non-controlling interests	(9,539)	(10,373)	(11,409)
Adjustment to retained earnings	322,722	324,832	327,235

(ix) Put Options Granted to Non-Controlling Interests

Under U.S. GAAP, with respect to written put options on subsidiary shares granted to the holders of certain non-controlling interests, as redemption of the non-controlling interests was not solely in the control of NTT Group, the estimated redemption amount was considered as “Redeemable non-controlling interests” and was presented in between liabilities and equity in the consolidated balance sheets. Changes in the estimated redemption amount were recognized as changes in retained earnings.

Under IFRS, on the other hand, as a general rule, the present value of the redemption amount of these options is recognized at first as other financial liabilities, and an equivalent amount is deducted from additional paid-in capital. After this initial recognition, they are measured at amortized cost based on the effective interest rate method, and their subsequent change is recognized as additional paid-in capital.

The impact of this change is as follows.

	Millions of yen		
	As of Transition Date to IFRS April 1, 2017	As of September 30, 2017	As of March 31, 2018
<hr/> (Consolidated Statement of Financial Position) <hr/>			
Redeemable non-controlling interests	50,819	54,795	49,930
Other financial liabilities (current)	(21,906)	(23,565)	(26,343)
Other financial liabilities (non-current)	(57,724)	(61,659)	(28,775)
Non-controlling interests	(32,222)	(35,355)	(27,044)
Retained earnings	—	—	(4,778)
Adjustment to additional paid-in capital	(61,033)	(65,784)	(37,010)

The main adjustments to equity and comprehensive income other than (i) to (ix) above are as follows.

Under U.S. GAAP, where the fiscal year-end date of a subsidiary or affiliated company differs from that of the parent company, material events or transactions occurring within the different periods are disclosed in the notes or are adjusted directly in the consolidated financial statements.

Under IFRS, where the fiscal year-end date of a subsidiary or affiliated company and joint venture differs from that of the parent company, the fiscal year-end date is unified or additional financial statements are prepared on the parent company’s fiscal year-end date, except where doing that be impractical. If unifying the fiscal year-end date or preparing additional financial statements is impractical, an adjustment is made for the material events or transactions occurring within the different periods.

The impact of this change is as follows.

	Millions of yen		
	As of Transition Date to IFRS April 1, 2017	As of September 30, 2017	As of March 31, 2018
<hr/> (Consolidated Statement of Financial Position) <hr/>			
Retained earnings	(687)	1,117	(1,816)
Other components of equity	(9,118)	1,601	(12,183)
Non-controlling interests	(2,464)	899	(1,185)

(i) Presentation of Deferred Tax Assets and Deferred Tax Liabilities

Under U.S. GAAP, deferred tax assets and deferred tax liabilities at the transition date to IFRS (April 1, 2017) are shown as current assets and current liabilities, or as non-current assets and non-current liabilities. Under IFRS, all deferred tax assets and deferred tax liabilities are shown as non-current assets and non-current liabilities. At the end of the six months ended September 30, 2017 and the end of the fiscal year ended March 31, 2018, there was no difference in this standard between U.S. GAAP and IFRS.

(ii) Classification of Financial Assets and Financial Liabilities

Under IFRS, other financial assets and other financial liabilities are presented separately, based on the rules of presentation.

(iii) Offsetting of Financial Assets and Financial Liabilities

Under U.S. GAAP, financial assets are shown offset against financial liabilities, provided that certain requirements are met, even if the right of offset is conditional. Under IFRS, however, financial assets are not shown offset against financial liabilities, except in situations in which an unconditional and legally enforceable right of offset with legal force exists at the close of the reporting period, and intention exists either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(iv) Presentation of Operating Expenses

Under U.S. GAAP, “operating expenses” are presented using the function of expense method, whereby expenses are classified as cost of sales, selling expenses, or other categories of expenses based on their function. Under IFRS expenses are presented using the nature of expense method, whereby expenses are classified as personnel expenses, expenses for purchase of goods and services and other expenses, depreciation and amortization, or other categories of expenses based on their nature.

[Note]

This document is a translation of the Japanese original. The Japanese original is authoritative.

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, other changes in circumstances that could cause actual results to differ materially from the forecasts contained or referred to herein, as well as other risks included in NTT's most recent Annual Securities Report and in any other materials publicly disclosed by NTT on its website.