

To Our Shareholders and Investors

The global economic crisis, which was brought about by turmoil in the financial markets, had a significant impact on business conditions. At the same time, the information and telecommunications market continues to change drastically, with greater variety and advancement in services in both the fixed-line and mobile communication markets, along with service convergence and formation of partnerships.

In this challenging business environment, NTT Group worked, in the fiscal year ended March 31, 2009, to expand broadband and ubiquitous services based on its Medium-Term Management Strategy, the "Road to Service Creation Business Group" announced in May 2008.

Enhancing NGN, 3G and Other Services

In fixed-line communications services, we enlarged the service area of the Next-Generation Network (NGN) commercially launched in March 2008 and worked to expand services, including video services such as "Hikari TV", that take advantage of the characteristics of NGN. Going forward, we will continue to introduce new businesses, such as service delivery platform business, which provides "search", "distribution" and "fee collection" functions, and application services including SaaS services.

In mobile communications services, we worked to develop new 3G handset series, to roll out new services such as "i-concier" which supports daily life by automatically distributing and updating information aligned with each individual's location and preference, and to firmly establish new discount services and sales models, in order to boost customer satisfaction. In addition, we will promote new mobile broadband services based on LTE, the next-generation standard after 3G.

Expanding Solutions Businesses

We worked to offer high value-added solutions tailored to each industry and business categories, including outsourcing and security, while bolstering our support capabilities. We will continue to help our customers to raise their productivity by delivering high value-added solutions.

Advancing Into New Business Fields

We also worked to promote new businesses including environment and energy-related businesses. Looking ahead, especially by harnessing our R&D achievements, we will continue to expand new businesses.

Developing Global Business

We extended our overseas networks and locations, provided solutions services via U.S. and European system integration subsidiaries, enhanced data centers, and expanded our international roaming service. Through these activities, we will continue working to reinforce our overseas customer bases and service delivery capabilities.

In addition to expanding business in the four priority areas stated above, we will also continue to raise business efficiency in order to reduce costs and to enhance profit by reviewing business processes throughout NTT Group, consolidating business sites, and outsourcing operations.

Although economic conditions are expected to remain difficult, through these initiatives, we are determined to enhance the profitability and the corporate value of the Group.

I appreciate and look forward to your continued support and understanding.



Satoshi Miura

Satoshi Miura

Representative Director and President
Chief Executive Officer

Interview With Satoshi Miura, President and CEO



Question: 1

In the fiscal year ended March 31, 2009, the economic slowdown rapidly intensified, leading to deterioration in the business climate. Under the circumstances, how would you assess NTT's performance for the fiscal year?

A: Although our results were impacted by the economic downturn, I believe that NTT Group minimized the drop in operating income, mainly by pulling together to reduce costs, while laying the groundwork for the next fiscal year and beyond.

In my view the global business downturn seems to be bottoming out; however, a convincing recovery should take some more time and the Japanese economy continues to face challenging conditions.

While the telecommunications business is relatively unaffected by changes in the business climate, on a consolidated basis, we were impacted in a variety of business domains. Nonetheless, we were able to minimize the drop in operating income and make solid progress laying the groundwork for the next fiscal year and beyond.

In the fiscal year ended March 31, 2009, both revenues and operating income were lower than in the previous fiscal year on a consolidated basis (see right-hand chart). There were two primary reasons. One was in the “Other Businesses segment,” specifically a widening of the increase in doubtful accounts expenses for finance businesses, and sluggishness and an increase in write-downs in the residential property sales business—both were directly affected by the deterioration in business conditions. The other reason, which affected both the Long Distance and International Communications Business segment and the Data Communications Business segment, was lower operating income in the systems integration (SI) business for enterprise customers. Impacted by reduced capital investment by corporate customers and other factors, the effects became gradually apparent during the second half of the fiscal year.

Nonetheless, NTT Group worked as one to reduce costs and take other actions. Thanks to these efforts, we managed to hold the drop in operating income to ¥50.0 billion below our forecasts, or a year-on-year decrease of ¥35 billion*. Consequently, we were able to secure operating income of ¥1,100 billion.

We also made progress with measures to lay the groundwork for the next fiscal year and beyond in various business segments.

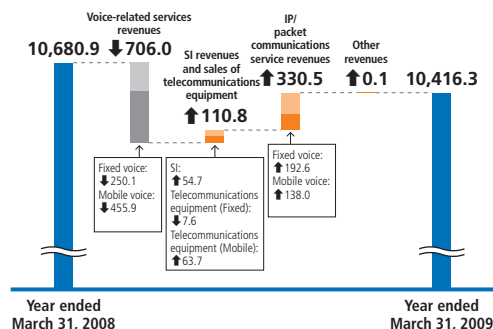
In the fixed-line communications field, we steadily expanded NGN service areas, and video services over fiber-optic access services. In the mobile communications field, we were able to bolster our profit base, mainly by improving the churn rate, through initiatives focused on existing customers. In the enterprise services field, we improved our capabilities to offer a variety of solutions, including outsourcing and security, addressing our clients’ desire to make strategic ICT investments to overcome the economic crisis. In parallel, we made headway in raising customer satisfaction, by reforms in sales and development processes.

* Excluding special factors such as the gain from transfer of the substitutional portion of the Employee Pension Fund (EPF) and others.

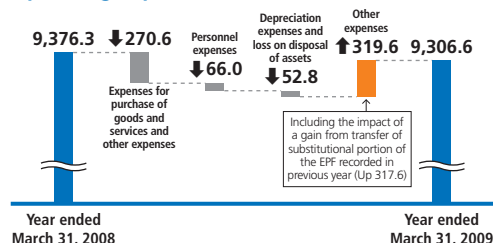
Consolidated Performance Analysis for the Fiscal Year Ended March 31, 2009

(Billions of yen)

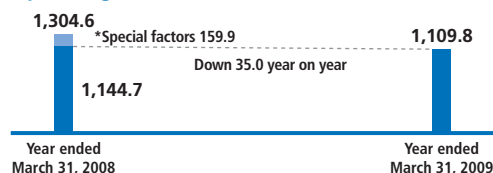
Operating revenues (Down 264.6 year on year)



Operating expenses (Down 69.7 year on year)



Operating income (Down 194.9 year on year)



* The gain from transfer of the substitutional portion of the Employee Pension Fund (EPF) and others.



Question: 2

What progress has been made with fiber-optic access services and upper layer services, and what is the outlook for future initiatives?

A: In fiber-optic access services, our top priority is to achieve profitability. In upper layer services, I feel market expansion is progressing, as we continue to roll out a variety of services.

In fiber-optic access services, we continue to increase the number of subscriptions due to the expansion of our service platforms. Subscriptions to fiber-optic access services including the NGN surpassed 11 million at March 31, 2009. Although we had targeted 20 million subscriptions during the fiscal year ending March 31, 2011, it may now be difficult to achieve this target within this time frame. We will, however, continue our efforts to achieve the target as early as possible. We will also work to accomplish our top priority of achieving profitability in fiber-optic access services in the fiscal year ending March 31, 2012.

Profitability has been improving by several tens of billions of yen every year so far. Going forward, we will continue working to achieve profitability by enhancing services catering to customer needs, pursuing efficient capital investments according to demand, and spending sales-related expenses efficiently.

Regarding upper layer services, a wide range of initiatives have started to come to fruition. I feel that new markets are taking shape, such as video distribution and SaaS services. Notably, we have seen strong growth in the number of subscriptions to the "Hikari TV" and "FLET'S TV" video services over fiber-optic access services. We are targeting a total of 1.4 million subscriptions by March 31, 2010, after reaching 0.63 million as of March 31, 2009. With mobile video services such as "BeeTV" also showing growth, we have high hopes for video services going forward.

In other upper layer services, such as Home ICT, we plan to progressively develop remote support services for home information and communications devices such as PCs. Here, we intend to offer customers services combined with a variety of devices in the home using both fixed-line and mobile networks and locally-based after-sales services.

In telecommuting initiatives, I believe that working from home can help address the need to balance work with child and nursing care, which has become a social priority in Japan. Accordingly, we aim to create new markets by developing safe, reliable and convenient services that ensure ample security.

For further details on progress with fiber-optic access services and upper layer services, as well as future initiatives, please see the Feature section starting on page 16.



Question: 3

What is the background and objectives of the business policies announced for the Mobile Communications Business and Data Communications Business?

A: Through the “New DOCOMO Commitments” and “DOCOMO’s Change and Challenge to Achieve New Growth,” NTT DOCOMO aims to boost customer satisfaction and achieve growth by refining its services. Meanwhile, NTT DATA’s new Medium-term Management Policy continues to set forth the “Pursuit of No. 1 in Customer Satisfaction,” as a goal, while aiming for “quantitative expansion accompanied by quality.”

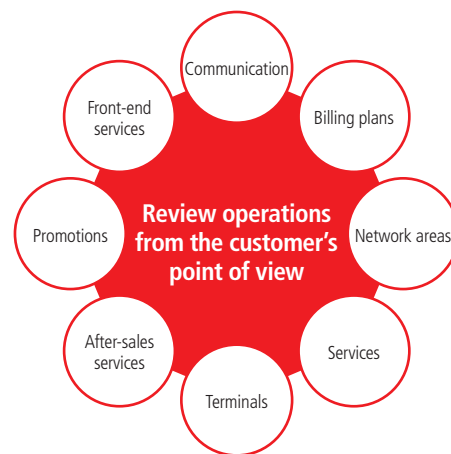
In the Mobile Communications Business segment, NTT DOCOMO announced a new corporate vision called “New DOCOMO Commitments” in April 2008, followed in October 2008 by “DOCOMO’s Change and Challenge to Achieve New Growth,” which establishes the direction of its activities. The purpose is to shift to a new strategy in response to the market’s maturation and to changes such as the broadening and diversification of customer segments.

Under these plans NTT DOCOMO has reviewed its operations from the customer’s point of view. Measures include extending its range of billing plans, enhancing network quality and developing new handset series. In addition, the corporate brand was changed and eight regional subsidiaries were integrated into NTT DOCOMO to raise operating efficiency. Meanwhile, the company is also starting to offer new services, inspired by key themes such as the “personalization of services,” “development of social-support services,” and “provision of converged services.” The benefits of these efforts are already becoming apparent: the churn rate for the fiscal year ended March 31, 2009 was the lowest ever at 0.5%.

In the Data Communications Business segment, NTT DATA announced a new Medium-term Management Policy in May 2009. The policy will ensure that NTT DATA converts the prevailing upheaval in the business environment, which was triggered by the worldwide economic downturn, into growth opportunities, as it continues the “Pursuit of No. 1 in Customer Satisfaction.”

The objective is to take NTT DATA’s previous shift from quantity to quality to a higher level, to aim for “achieving quantitative expansion through quality.” The company will generate a level of net sales appropriate for a corporation to conduct business globally, while securing the level of profits needed to ensure the stability of its business operations. NTT DATA is therefore aiming for net sales of ¥1.5 trillion, which would place it in the top five SI companies globally in terms of scale and capacity, to offer outstanding services to customers. To this end, NTT DATA will work harder than ever before to bolster its sales capabilities, boost competitiveness in systems integration, expand Group-wide businesses and fortify human resources development.

DOCOMO’s Change (NTT DOCOMO)



New Medium-term Management Policy (NTT DATA)



Question: 4

NTT established numerical targets and global business revenue targets in the “Road to Service Creation Business Group” Medium-term Management Strategy announced in May 2008. How much progress has been made toward these goals and what is the future outlook?

A: The transformation of our business portfolio is proceeding smoothly. The ratios of consolidated operating income and capital investment to revenues are advancing toward our targets, thanks to rigorous control of expenses. Moreover, in global business, revenues are steadily growing.

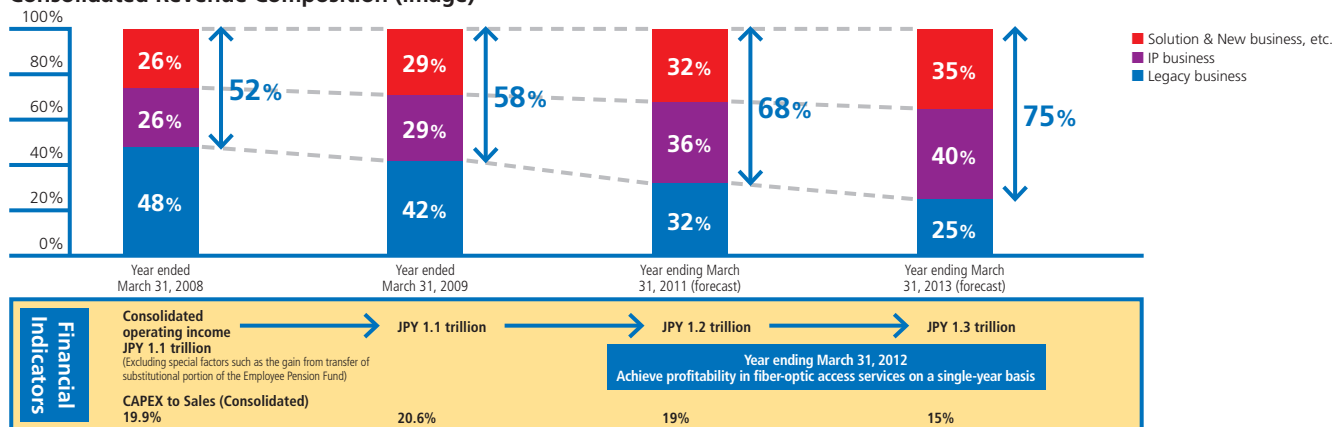
In terms of business portfolio transformation, based on steady increases in the percentage of revenues accounted for by the IP-related business, and solution & new business, etc., we are steadily progressing toward our targeted percentage of 75% for the fiscal year ending March 31, 2013.

We are also determined to achieve our consolidated operating income target of ¥1.3 trillion for the fiscal year ending March 31, 2013, based on the expectation that the changes in the overall economy will come to an end by then. However, under the prevailing economic downturn, we believe that the hurdles to achieving this target are now higher than before. In addition to increasing revenues by establishing network infrastructure and creating services that address user needs as a matter of course, we will also continue efforts to ensure rigorous cost-cutting through such means as further reviewing business processes among the entire Group.

We believe that capital investment peaked out in the fiscal year ended March 31, 2009. As far as the fixed-line communications network is concerned, we expect capital investment to start decreasing once the current cycle of NGN-related investment ends. For the mobile communications network, the level of capital investment should not exceed that in the fiscal year under review, even taking into account investments related to the deployment of LTE-based full-IP network infrastructure. As it is difficult to make any revenue projections at present due to the business environment, we will firmly control the level of capital investment to achieve our target of a 15% ratio of capital investment to operating revenues in the fiscal year ending March 31, 2013.

Turning to our global business, we aim to double revenues from ¥200 billion in the fiscal year ended March 31, 2008 to ¥400 billion in the fiscal year ending March 31, 2011. In fact, we made solid progress toward this goal in the fiscal year ended March 31, 2009, with global business revenues up 30% year on year. Looking ahead, we will continue to bolster our overseas service delivery capabilities to drive further growth in sales.

Consolidated Revenue Composition (image)



Question: 5

What are NTT business forecasts for the fiscal year ending March 31, 2010, and what is your view of the economic outlook?

A: Economic conditions and the operating environment are both expected to remain harsh. However, in the coming fiscal year, we intend to generate the same level of earnings as in the fiscal year ended March 31, 2009 through cost reductions and other measures.

Difficult economic conditions are likely to persist in the fiscal year ending March 31, 2010. Even as we conservatively forecast operating revenues, we will strive to maintain consolidated operating income at mostly the same level as in the fiscal year ended March 31, 2009, mainly through rigorous cost reductions at each group company.

While cutting costs in detail, we will work even harder than before to create new services that fuel revenue growth. For our home customers, as I mentioned earlier, we will roll out services aimed at deploying ICT throughout the home, and this will naturally entail initiatives eyeing fixed mobile convergence services. For our corporate customers, we will address various needs, including security, by harnessing NTT Group resources and collaborations with partners.

Recognizing that the entire NTT Group must take the present situation very seriously, we will endure the challenging conditions before us, while creating new services to steadily advance to a brighter future.

Question: 6

What is your approach to shareholder returns?

A: From a medium-term perspective, I see the enhancement of shareholder returns as a vital management priority. Management will consider and implement shareholder returns along these lines.

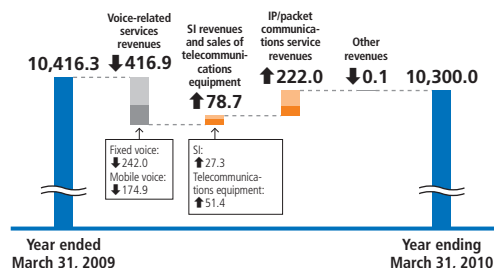
I consider shareholder returns to be a vital management priority. Accordingly, management will enhance shareholder returns over the medium term. While bearing in mind the need to maintain stable, continuous dividend payments, we have made clear to investors that dividends are the centerpiece of our shareholder return policy. Share buybacks will also be considered in light of our business performance, financial position, and other factors.

We plan to pay an annual dividend of ¥120 per share for the fiscal year ending March 31, 2010, a year-on-year increase of ¥10 per share. The dividend payout ratio is projected at the mid-30% level. In addition, we intend to clarify our basic stance to treasury stock, which accounts for approximately 16% of the total number of shares issued, by around 2010.

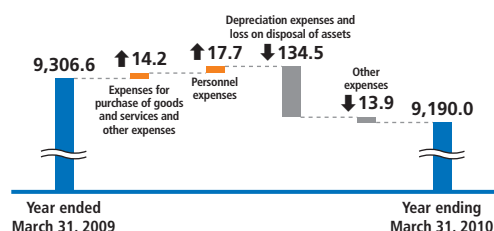
Business Forecasts for the Fiscal Year Ending March 31, 2010: Breakdown by P/L Line Item

(Billions of yen)

Operating revenues (Down 116.3 year on year)



Operating expenses (Down 116.6 year on year)

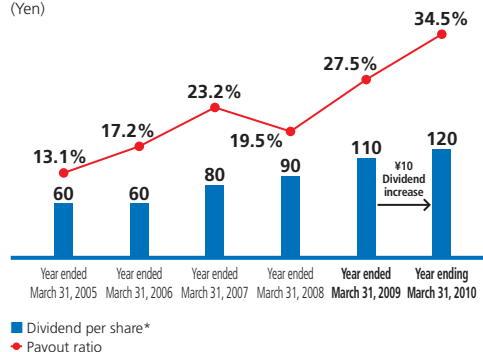


Operating income (Up 0.2 year on year)



Dividend Per Share/Payout Ratio

(Yen)



* We have retroactively adjusted and restated dividend per share to reflect a 100-for-1 split of common shares in January 2009.