

To Shareholders:

**INTERNET DISCLOSURE INFORMATION IN CONNECTION WITH
THE NOTICE OF CONVOCAION OF THE 29TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

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Pursuant to applicable laws and regulations, and Article 16 of the Articles of Incorporation, the above matters are deemed to be provided to the shareholders by posting them on NTT's website.

June 2, 2014

NIPPON TELEGRAPH AND TELEPHONE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Matters Pertaining to the Preparation of Consolidated Financial Statements

Significant Accounting Policies

1. Standards for preparation of consolidated financial statements
Pursuant to the stipulations of Article 120-2(1) of the Ordinance of Companies Accounting, NTT's consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles. However, certain statements and notes required by U.S. Generally Accepted Accounting Principles are omitted in accordance with the second sentence of Article 120-2(1) of the Ordinance of Companies Accounting.
2. Marketable securities
NTT Group applies Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320 "Investments - Debt and Equity Securities."
 - (1) Securities held to maturity
Amortized cost method.
 - (2) Available-for-sale securities
Stated at fair value based on market price as of the balance sheet date with valuation differences directly reported as a separate component of shareholders' equity. The cost of securities sold is determined by the moving average method.
3. Inventories
Inventories consist of telecommunications equipment to be sold, projects in progress, materials and supplies, which are stated at the lower of cost or market price. The cost of telecommunications equipment to be sold and materials is determined on a first-in first-out basis. The cost of projects in progress is mainly attributable to the cost of software production under contracts with customers or construction cost of real estate held for resale, including the costs of labor and subcontractors. The cost of supplies is determined by the weighted-average method or by the specific identification method.
4. Depreciation and amortization
 - (1) Property, plant and equipment
Declining-balance method, with the exception of buildings, for which the straight-line method is used.
 - (2) Goodwill and other intangible assets
Straight-line method except that, in accordance with ASC 350 "Intangibles - Goodwill and Other," goodwill and intangible assets whose useful lives cannot be determined are not amortized, but are tested for impairment at least once a year.
5. Allowances
 - (1) Allowance for doubtful accounts
To cover expected losses from bad debts, estimated uncollectible amounts are accrued, for general claims, on the basis of historical bad-debt ratios, and, for specific claims including doubtful accounts, on the basis of their recoverability.
 - (2) Accrued liabilities for point programs
NTT Group offers "points" to customers based on the usage of mobile and other services, which can be exchanged for benefits, including discounts on merchandise, and records "Accrued liabilities for point programs" relating to such points that customers earn.
6. Accounting standards for liability for employees' retirement benefits
In accordance with ASC 715 "Compensation – Retirement Benefits," benefit obligations and plan assets are estimated and accrued at fair value as of year-end to provide for employees' retirement benefits.

If the actuarial net gain or loss exceeds 10% of the greater of the benefit obligations or the fair value of plan assets, it is amortized from the following fiscal year on a straight-line basis over the average remaining service periods at the time of recognition.

Prior service cost is amortized from the time of recognition on a straight-line basis over the average remaining service periods at the time of recognition.

7. Consumption taxes

Consumption taxes are accounted for separately by excluding them from each transaction amount.

Scope of Consolidated Subsidiaries and Equity Method Investments

1. Scope of consolidated subsidiaries and equity method investments

As of March 31, 2014, NTT Group comprised 946 consolidated subsidiaries and 123 equity method affiliates.

2. Retrospective application of equity method for an investee

As a result of the application of the equity method to NTT Group's investment in Philippine Long Distance Telephone Company from the fiscal year ended March 31, 2014, the equity method of accounting is applied retrospectively for the previous fiscal year, in accordance with ASC Topic 323, Investments – Equity Method and Joint Ventures, issued by the FASB.

The impact of this retrospective application on the figures in the consolidated statements of changes in equity at the beginning of the year ended March 31, 2014 was a ¥2,139 million decrease in "Retained earnings," a ¥85,456 million decrease in "Accumulated comprehensive income (loss)," and a ¥17,027 million decrease in "Non-controlling interest."

Notes regarding Reclassifications

Effective as of the fiscal year ended March 31, 2014, in connection with NTT Group's current state of business and initiatives such as efforts to expand into new business areas in the mobile communications business, NTT has reclassified, among other things, part of its Mobile Voice Related Services revenues and IP/Packet Communications Services revenues as Other revenues, and part of its Other revenues as System Integration revenues.

Notes to Change in Accounting Estimate

Effective April 1, 2013, NTT Group revised its estimate of the expected useful life of metal cables based on actual utilization to reflect an extended expected useful life. This modification complies with FASB Accounting Standards Codification Topic 250, Accounting Changes and Error Corrections, and will continue to be applied going forward as a change in accounting estimates. The financial impact from this change in accounting estimates to "Income before income taxes and equity in earnings (losses) of affiliated companies" and "Net income attributable to NTT" is ¥23,264 million and ¥14,392 million, respectively, for the fiscal year ended March 31, 2014.

Notes to Consolidated Balance Sheet

1. Accumulated other comprehensive income (loss) includes unrealized gain (loss) on securities, unrealized gain (loss) on derivative instruments, foreign currency translation adjustments, and pension liability adjustments.
2. In accordance with the provisions of Article 9 of the Law Concerning Nippon Telegraph and Telephone Corporation, Etc., all assets of NTT have been pledged as general collateral for corporate bonds issued.
3. Outstanding guarantees and others: ¥54,328 million

Notes to Consolidated Statement of Income

As a result of the Otemachi 2-Chome Area Redevelopment Project, on March 31, 2014, NTT was granted the right to acquire a co-ownership interest and its proprietary floor in the new building, through an exchange of its leasehold and other rights. The ¥59,996 million gain resulting from the difference between the fair value of the acquired assets and the book value of the transferred property is recorded under "Other, net" of "Other income (expenses)" in the consolidated statements of income.

Notes to Consolidated Statement of Changes in Equity

- Number and type of shares issued and outstanding as of the end of the fiscal year ended March 31, 2014

Common stock: 1,136,697,235 shares

- Dividends

- Payment of dividends

<u>Resolution</u>	<u>Type of Shares</u>	<u>Total Dividends (Millions of yen)</u>	<u>Dividends per Share (Yen)</u>	<u>Record Date</u>	<u>Effective Date</u>
June 25, 2013 Ordinary general meeting of shareholders	Common stock	94,830	80	March 31, 2013	June 26, 2013
November 8, 2013 Board of Directors meeting	Common stock	91,344	80	September 30, 2013	December 9, 2013

- Dividends for which the record date fell in the fiscal year ended March 31, 2014 with an effective date falling in the following fiscal year

<u>Resolution</u>	<u>Type of Shares</u>	<u>Source of Funding for Dividend</u>	<u>Total Dividends (Millions of yen)</u>	<u>Dividends per Share (Yen)</u>	<u>Record Date</u>	<u>Effective Date</u>
June 26, 2014 Ordinary general meeting of shareholders	Common stock	Retained earnings	99,904	90	March 31, 2014	June 27, 2014

Notes Concerning Financial Instruments

1. Qualitative information on financial instruments

In the normal course of business, NTT Group has certain outstanding financial instruments, including available-for-sale securities, debt securities held to maturity, long-term debt and other financial assets and liabilities incurred. Such financial instruments are mainly exposed to the market risks of interest rate changes and foreign currency fluctuations. In order to reduce such risks, NTT Group has established the risk management policy and uses derivative financial instruments, such as forward exchange contracts, interest rate swap agreements, currency swap agreements and currency option agreements. NTT Group does not use derivative financial instruments for trading or speculative purposes.

2. Fair value of financial instruments

The amount of financial instruments reported on the consolidated balance sheet, their fair values as of March 31, 2014 and the differences between those values are as follows.

(Millions of yen)

	Amount reported on consolidated balance sheet	Fair value	Difference
Assets			
Investment in affiliated companies	169,705	307,973	138,268
Marketable securities and other investments			
Available-for-sale securities			
Equity securities	262,593	262,593	–
Debt securities	56,989	56,989	–
Held-to-maturity securities			
Debt securities	3,933	3,957	24
Liabilities			
Long-term debt including current portion	(3,909,024)	(4,108,377)	199,353
Derivatives			
Forward exchange contracts	527	527	–
Interest rate swap agreements	(1,379)	(1,379)	–
Currency swap agreements	34,235	34,235	–
Currency option agreements	205	205	–

* Amounts reported as liabilities are shown in parentheses.

Notes:

- Assets and liabilities with carrying amounts that approximate fair values, such as cash and cash equivalents, notes and accounts receivable, trade, short-term borrowings, accounts payable, trade, and accrued payroll, are not included in the above.

2. Methods of calculating fair values of financial instruments and matters relating to marketable securities and derivative transactions:
 - (1) Investment in affiliated companies
If active market prices are available, fair value is measured by quoted prices for identical assets in active markets. If market prices are not available, the investment is not included in the above table since determining fair value is difficult. Furthermore, impairment loss of ¥51,244 million was recognized on "Investment in affiliated companies" related to unlisted Indian telecommunications carrier Tata Teleservices Limited ("TTSL") during the fiscal year ended March 31, 2014.
 - (2) Marketable securities and other investments
If active market prices are available, fair value is measured by quoted prices for identical assets in active markets. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by financial institutions.
Long-term investment securities accounted for under the cost method are not included in the above.
 - (3) Long-term debt including current portion
Fair value is measured at discount rates for similar debt instruments of comparable maturities currently offered to NTT Group.
 - (4) Derivatives
Fair values of forward exchange contracts, interest rate swap agreements, currency swap agreements and currency option agreements are measured by inputs derived principally from observable market data provided by financial institutions.

Notes Concerning Investment Property

1. Investment property
NTT Group maintains investment properties, including office buildings.
2. Fair value of investment property

(Millions of yen)

Amount included in the consolidated balance sheet *1	Fair value *2
898,877	1,524,282

*1 Amount included in the consolidated balance sheet represents the original acquisition cost reduced by the accumulated depreciation and accumulated impairment losses.

*2 Fair value is calculated primarily through real estate appraisal standards.

Notes Concerning Financial Data Per Share

Shareholders' equity per share:	¥7,667.57
Net income attributable to NTT per share:	¥509.21

Other

Corporate Bonds

On March 27, 2014, the board of directors meeting resolved that NTT may raise up to ¥200 billion by issuing telegraph and telephone bonds and foreign currency bonds during the period from April 1 to June 30, 2014.

Subsequent Events

Decision to exercise option for sale of stake in TTSL

On April 25, 2014, the board of directors of NTT DOCOMO, Inc. (hereinafter: "NTT DOCOMO"), a subsidiary of NTT, resolved to exercise its option for the sale of all of its shareholdings (1,248,974,378 shares, equivalent to approximately 26.5% of all issued and outstanding shares) in TTSL, an equity method affiliate of NTT DOCOMO, in the event that TTSL has failed to achieve predetermined performance targets for the fiscal year ended March 31, 2014.

NTT DOCOMO Group, TTSL and Tata Sons Limited (hereinafter: "Tata Sons"), Tata Group's holding company, concluded a shareholders agreement when NTT DOCOMO Group took a stake in TTSL in March 2009. Under the agreement, NTT DOCOMO Group shall have the right (option) to demand Tata Sons to intermediate buyers for TTSL shares held by NTT DOCOMO Group for 50% of the acquisition price (equivalent of the total amount of 72,500 million Indian rupees or ¥125,400 million*) or for the corresponding fair value, whichever is higher, in the event that TTSL fails to achieve certain specified performance targets for the fiscal year ended March 31, 2014.

In case NTT DOCOMO Group is entitled to the above-mentioned right, NTT DOCOMO Group plans to exercise the said right in June 2014 and then to sell its TTSL shares in accordance with the shareholders agreement. However, depending on the response of Tata Sons, it is uncertain whether such a sale transaction can be closed on the aforementioned terms.

The impact on our Group's operating results and financial status cannot be evaluated at this time due to these uncertainties. NTT may recognize gain or loss upon NTT DOCOMO's disposal of TTSL shares or if the transaction as described above is not carried out.

* 1 Indian rupee = 1.73 yen as of March 31, 2014

NTT DOCOMO's authorization of share buy backs up to prescribed maximum limit

On April 25, 2014, the board of directors of NTT DOCOMO, a subsidiary of NTT, resolved that NTT DOCOMO may repurchase up to 320 million shares of its outstanding common stock for an amount in total not exceeding ¥500 billion during the period from April 26, 2014 through March 31, 2015.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Notes Concerning Significant Accounting Policies

1. Valuation of certain assets

(1) Securities

[1] Investments in subsidiaries and affiliated companies

Investments in subsidiaries and affiliated companies are stated at cost, which is determined by the moving average method.

[2] Other securities

(a) Marketable securities

The securities are stated at fair value, which includes market price, as of the balance sheet date, with valuation differences directly reported as a separate component of net assets. The cost of securities sold is determined by the moving average method.

(b) Non-marketable securities

The securities whose fair values are not readily determinable are stated at cost, which is determined by the moving average method.

(2) Inventories

Supplies are stated at cost, which is determined by the last purchase cost method (balance sheet amount is computed by devaluing the book price to reflect declines in profitability).

2. Depreciation and amortization of fixed assets

(1) Property, plant and equipment (except lease assets)

Property, plant and equipment are depreciated using the declining-balance method with the exception of buildings, for which the straight-line method is used.

Useful life for assets is primarily as follows and the residual values are calculated based on real residual values.

Buildings: 3 to 50 years

Tools, furniture and fixtures: 2 to 20 years

(2) Intangible fixed assets (except lease assets)

Intangible assets (except lease assets) are amortized using the straight-line method. Internal-use software is amortized using the straight-line method over its estimated useful life (within 5 years).

(3) Lease assets

Financial leases other than those deemed to transfer ownership of properties to lessees

Depreciation of property, plant and equipment is computed by the declining-balance method with the exception of buildings, which are depreciated using the straight-line method. Under the declining-balance method, the useful lives of the assets are the terms of leases and the residual values of the assets are substantially determined. In cases where the residual value of a lease asset other than a building equals zero, depreciation of such asset is computed by multiplying the equivalent amount, computed by the declining-balance method under an assumption that the residual value of the asset is 10% of its acquisition cost, by ten-ninths.

Intangible assets are amortized over the term of their leases using the straight-line method.

3. Allowances

(1) Allowance for doubtful accounts

To cover expected losses from bad debts, estimated uncollectible amounts are accrued, for general claims, on the basis of historical bad-debt ratios, and, for specific claims including doubtful accounts, on the basis of their recoverability.

No allowance was accrued as of the end of the fiscal year ended March 31, 2014.

(2) Liability for employees' retirement benefits

To provide for employees' retirement benefits, benefit obligations and plan assets are estimated and accrued as of the end of the fiscal year ended March 31, 2014.

Prior service cost is amortized from the time of recognition using the straight-line method over the average remaining service periods at the time of recognition.

Actuarial net gain or loss is amortized beginning the following fiscal year using the straight-line method over the average remaining service periods at the time of recognition.

4. Other material matters relating to the preparation of financial statements

(1) Accounting for hedging activities

Hedging activities are principally accounted for under "deferral hedge accounting." The designation "hedge accounting" ("Furiate-shori") is applied to forward exchange contracts and other foreign exchange contracts, and the designation "exceptional accounting" ("Tokurei-shori") is applied to interest-rate swaps that qualify for "exceptional accounting" (Accounting Standards for Financial Instruments, Footnote 14).

(2) Consumption tax

Consumption tax is separately accounted for by excluding it from each transaction amount.

Notes on Change of Presentation Method

Application of Accounting Standards regarding Retirement Benefits

From the fiscal year ended March 31, 2014, NTT Group adopted "Accounting Standards regarding Retirement Benefits" (Accounting Standard No. 26 of May 17, 2012, hereinafter "Retirement Benefits Accounting Standards") and "Application Guideline of Accounting Standards regarding Retirement Benefits" (Application Guideline of Accounting Standards No. 25 of May 17, 2012, hereinafter "Retirement Benefits Application Guideline") but have not adopted the standards stipulated in Section 35 of the Retirement Benefits Accounting Standards and Section 67 of the Retirement Benefits Application Guideline.

As a result, "Advanced paid pension costs," which was included in "Other assets" within "Investments and other assets" of NTT Group's balance sheets for the fiscal year ended March 31, 2013, is presented separately in the balance sheets for the fiscal year ended March 31, 2014. The amount of "Advanced paid pension costs" included in "Other assets" within "Investments and other assets" for the fiscal year ended March 31, 2013 was ¥1,947 million.

In addition, NTT Group plans to adopt the amended calculation method for Retirement Benefits Obligations and Service Costs from the beginning of the fiscal year starting April 1, 2014. The effect on NTT's balance sheets of this change was still being assessed at the time of preparation of these financial statements.

Notes to Non-Consolidated Balance Sheet

- Assets offered as security and secured liabilities
In accordance with the provisions of Article 9 of the Law Concerning Nippon Telegraph and Telephone Corporation, Etc., all assets of NTT have been pledged as general collateral for corporate bonds issued.
Corporate bonds (including those maturing within one year) ¥1,146,276 million
- Accumulated depreciation on property, plant and equipment: ¥289,339 million
- Accounts receivable from and payable to affiliates are as follows (excluding those otherwise classified):
Short-term accounts receivable: ¥357,919 million
Long-term accounts receivable: ¥957 million
Short-term accounts payable: ¥157,801 million
Long-term accounts payable: ¥59 million
- Due to the exchange of rights associated with the Otemachi 2-Chome Area Redevelopment Project, ¥59,969 million was directly subtracted from the amount of reduction entry in the acquisition value of property, plant and equipment.

Notes to Non-Consolidated Statement of Income

Transactions with affiliated companies

Balance of operating transactions	
Operating revenues	¥138,525 million
Operating expenses	¥46,310 million
Balance of non-operating transactions	¥49,664 million

Notes to Non-Consolidated Statement of Changes in Shareholders' Equity and Other Net Assets

Number of shares of treasury stock during the fiscal year ended March 31, 2014.

Common stock:	26,650,807 shares
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Notes Concerning Tax Effect Accounting

The major causes of the occurrence of deferred tax assets were liability for employees' retirement benefits and securities. The major cause of deferred tax liabilities was net unrealized gains (losses) on securities.

Deferred tax assets exclude ¥27,027 million in valuation allowance.

Notes Concerning Related Party Transactions

Subsidiaries

(Millions of yen)

Affiliation	Name	Voting Rights Ownership Ratio	Relationship with Affiliated Party	Transaction Details	Transaction Amount	Category	Balance at End of Term
Subsidiary	Nippon Telegraph and Telephone East Corporation	100% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Loan of capital ¹	100,000	Short-term loans receivable	127,420
						Long-term loans receivable to subsidiaries	548,775
				Receipt of interest ¹	7,156	Other current assets	748
				Receipt of expenses relating to basic research and development ²	44,222	Accounts receivable, other	3,869
				Lease of land and buildings ³	6,202	—	—
Subsidiary	Nippon Telegraph and Telephone West Corporation	100% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Loan of capital ¹	90,000	Short-term loans receivable	157,370
						Long-term loans receivable to subsidiaries	884,427
				Receipt of interest ¹	13,150	Other current assets	1,625
				Receipt of expenses relating to basic research and development ²	44,259	Accounts receivable, other	3,872
Subsidiary	NTT Communications Corporation	100% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Loan of capital ¹	90,000	Short-term loans receivable	3,360
						Long-term loans receivable to subsidiaries	146,720
				Receipt of interest ¹	988	Other current assets	61
Subsidiary	NTT Finance Corporation	91% direct ownership	Exercise of rights as shareholder, offering intermediary advice, and other support	Borrowing of capital ⁴	514,000	Short-term borrowings	150,000
						Long-term borrowings from subsidiaries	240,000
		8% indirect ownership		Payment of interest ⁴	725	Accrued expense	122
				Deposit of capital ⁵	13,750,996	Deposits received from subsidiaries	2,340
				Receipt of interest ⁵	49	—	—
		Transfer of capital among NTT Group companies	101,581	Accounts receivable, other	5,433		

Transaction amounts do not include consumption taxes. Balance amounts at end of term include consumption taxes.

Transaction Conditions and Standards for Determining Transaction Conditions

- 1 Loan conditions are the same as those for procurement of capital by NTT. No security is provided.
- 2 Payment of expenses for basic research and development is apportioned among those companies that continuously use the results of such research and development. Comprehensive determinations are made taking into consideration the expenses necessary for conducting basic research and development. Furthermore, settlement of funds for such transactions is conducted using intra-group companies accounting systems.
- 3 With respect to leases of land and buildings, rents are set through periodic negotiations based on appraisals obtained from third parties and actual transactions involving nearby comparables. Furthermore, transfer of capital pursuant to such transactions takes place by means of group companies accounting systems.
- 4 Interest on borrowing of capital is set taking into consideration market rates. No security is provided.
- 5 Interest on deposit of capital is set taking into consideration market rates.

Notes Concerning Financial Data Per Share

Net assets per share	¥3,899.84
Net income per share	¥242.86

Other

Corporate Bonds

On March 27, 2014, the board of directors meeting resolved that NTT may raise up to ¥200 billion by issuing telegraph and telephone bonds and foreign currency bonds during the period from April 1 to June 30, 2014.