

Financial Results Release

May 13, 2009
[U.S. GAAP]

For the Year Ended March 31, 2009

Name of registrant: Nippon Telegraph and Telephone Corporation

Code No.: 9432

Stock exchanges on which the Company's shares are listed: Tokyo, Osaka, Nagoya, Fukuoka and Sapporo
(URL <http://www.ntt.co.jp/ir/>)

Representative: Satoshi Miura, President

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Scheduled date of the ordinary general meeting of shareholders: June 24, 2009

Scheduled date of dividend payments: June 25, 2009

Scheduled date of filing securities report: June 30, 2009

1. Consolidated Financial Results for the Year Ended March 31, 2009 (April 1, 2008 - March 31, 2009)

Amounts are rounded off to nearest million yen throughout this report.

(1) Consolidated Results of Operations

(Millions of yen)

	Operating Revenues		Operating Income		Income (Loss) before Income Taxes		Net Income (Loss)	
Year ended March 31, 2009	10,416,305	(2.5%)	1,109,752	(14.9%)	1,105,163	(16.4%)	538,679	(15.2%)
Year ended March 31, 2008	10,680,891	(0.7%)	1,304,609	17.8%	1,322,291	16.7%	635,156	31.9%

Note: Percentages above represent changes from the previous year.

	Earnings (Loss) per Share	Diluted Earnings per Share	ROE (Ratio of Net Income to Shareholders' Equity)	ROA (Ratio of Income (Loss) before Income Taxes to Total Assets)	Operating Income Margin (Ratio of Operating Income to Operating Revenues)
Year ended March 31, 2009	400.41 (yen)	- (yen)	7.3%	5.9%	10.7%
Year ended March 31, 2008	46,107.27 (yen)	- (yen)	8.7%	7.2%	12.2%

Note: Equity in earnings (losses) of affiliated companies For the year ended March 31, 2009: (1,916) million yen

For the year ended March 31, 2008: 31,026 million yen

(2) Consolidated Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Shareholders' Equity	Equity Ratio (Ratio of Shareholders' Equity to Total Assets)	Shareholders' Equity per Share
March 31, 2009	18,796,388	7,298,110	38.8%	5,515.18 (yen)
March 31, 2008	18,518,779	7,410,761	40.0%	543,361.19 (yen)

(3) Consolidated Cash Flows

(Millions of yen)

	Cash flows from Operating Activities	Cash flows from Investing Activities	Cash flows from Financing Activities	Cash and Cash Equivalents At End of Year
Year ended March 31, 2009	2,514,100	(2,269,658)	(353,339)	1,052,777
Year ended March 31, 2008	3,090,792	(1,990,642)	(726,384)	1,169,566

2. Dividends

	Dividends per Share					Yearly Total Dividends	Payout Ratio (Consolidated)	Ratio of Dividends to Shareholders' Equity (Consolidated)
	End of the first quarter	End of the second quarter	End of the third quarter	Year-end	Total			
Year ended March 31, 2008	—	4,500.00 (yen)	—	4,500.00 (yen)	9,000.00 (yen)	123,563 (Millions of yen)	19.5 %	1.7 %
Year ended March 31, 2009	—	5,500.00 (yen)	—	55.00 (yen)	— (yen)	146,745 (Millions of yen)	27.5 %	2.0 %
Year ending March 31, 2010 (Forecasts)	—	60.00 (yen)	—	60.00 (yen)	120.00 (yen)	—	34.5 %	—

3. Consolidated Financial Results Forecasts for the Year Ending March 31, 2010 (April 1, 2009 - March 31, 2010)

(Millions of yen)

	Operating Revenues		Operating Income		Income before Income Taxes	
Six months ending September 30, 2009	—	—	—	—	—	—
Year ending March 31, 2010	10,300,000	(1.1%)	1,110,000	0.0%	1,080,000	(2.3%)

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

2. Because "Net Income" and "Earnings per Share" include noncontrolling interests beginning from the year ending March 31, 2010 in accordance with Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an Amendment of ARB No.51", "Net Income" and "Earnings per Share" for the Consolidated Financial Results Forecasts for the year ending March 31, 2010 are not presented on this page. For further details, please see Statements of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an Amendment of ARB No.51" on page 3.

4. Other

- (1) Change in reporting entities (change in significant consolidated subsidiaries): None
- (2) Change in significant accounting policy and reclassification
 1. Change caused by revision of accounting standard: Yes
 2. Others: None
 (For further details, please see "<1> Application of New Accounting Standard" on page 33.)

- (3) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock) at end of year:

March 31, 2009: 1,574,120,900 shares

March 31, 2008: 15,741,209 shares

2. Number of treasury stock at end of year:

March 31, 2009: 250,844,167 shares

March 31, 2008: 2,102,471 shares

3. Weighted average number of shares outstanding:

For the year ended March 31, 2009: 1,345,302,411 shares

For the year ended March 31, 2008: 13,775,614 shares

(Reference) Non-Consolidated Financial Results

For the Year Ended March 31, 2009

[Japanese GAAP]

1. Non-consolidated Financial Results for the Year Ended March 31, 2009 (April 1, 2008 - March 31, 2009)

Amounts are rounded off per 1 million yen throughout this report.

(1) Non-consolidated Results of Operations

(Millions of yen, except per share amounts)

	Operating Revenues	Operating Income	Recurring Profit	Net Income
Year ended March 31, 2009	363,759 (3.2%)	193,334 (7.9%)	196,438 (9.8%)	195,983 0.1%
Year ended March 31, 2008	375,794 4.4%	209,966 6.1%	217,710 5.6%	195,833 3.4%

Note: Percentages above represent changes from the previous year.

	Earnings per Share	Earnings per Share after potential dilution adjustments
Year ended March 31, 2009	145.68 (yen)	- (yen)
Year ended March 31, 2008	14,215.97 (yen)	- (yen)

(2) Non-consolidated Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Net Assets	Equity Ratio (Ratio of Shareholders' Equity to Total Assets)	Net Assets per Share
March 31, 2009	7,505,022	4,868,344	64.9 %	3,679.01 (yen)
March 31, 2008	7,669,121	5,015,306	65.4 %	367,725.11 (yen)

(Reference) Shareholder's equity For the year ended March 31, 2009: 4,868,344 million yen

For the year ended March 31, 2008: 5,015,306 million yen

2. Non-consolidated Financial Results Forecasts for the Year Ending March 31, 2010 (April 1, 2009- March 31, 2010)

(Millions of yen, except per share amounts)

	Operating Revenues	Operating Income	Recurring Profit	Net Income	Earnings per Share
Six months ending September 30, 2009	— —	— —	— —	— —	—
Year ending March 31, 2010	383,000 5.3%	213,000 10.2%	216,000 10.0%	216,000 10.2%	163.23 (yen)

Note: Percentages above represent changes from the previous year.

Notes: 1. With regard to the assumptions and other related matters concerning the above estimated results, please refer to page 26.

As NTT evaluates the business performance on an annual basis, prospects on a half-year basis are not provided.

2. Figures provided for Earnings per Share, Net Assets per Share and Year-end Dividends per Share for the Fiscal Year Ended March 31, 2009, Dividends per Share for the Fiscal Year Ending March 31, 2010 (Forecasts) and Earnings per Share in the Financial Results Forecasts for the Year Ending March 31, 2010 are calculated based on the number of shares after the stock split that took effect on January 4, 2009. For information about the stock split, please see "<3> Stock Split and Implementation of Unit Share System" on page 34

(Reference) Statement of Financial Accounting Standards No. 160, “Noncontrolling Interests in Consolidated Financial Statements – an Amendment of ARB No. 51.”

In December 2007, the Financial Accounting Standards Board (“FASB”) issued SFAS 160, “Noncontrolling Interests in Consolidated Financial Statements – an Amendment of ARB No. 51.” SFAS 160 establishes accounting and reporting standards for the noncontrolling interest (previously referred to as minority interests) in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 requires single method of accounting as equity transactions for changes in a parent’s ownership interest in a subsidiary that do not result in deconsolidation. This statement is effective for financial statements issued for fiscal years beginning on or after December 15, 2008.

In accordance with this statement, “Net Income” in the consolidated statements of income will include income from noncontrolling interests. “Net Income attributable to the parent” and “Earnings per Share attributable to the parent” in the Consolidated Financial Results Forecasts for the year ending March 31, 2010, excluding noncontrolling interests, are as follows:

Consolidated Financial Results Forecasts for the Year Ending March 31, 2010 (April 1, 2009 - March 31, 2010)

(Millions of yen, except per share amounts)

	Net income attributable to the parent*	Earnings per Share attributable to the parent
Six months ending September 30, 2009	—	—
Year ending March 31, 2010	460,000 (14.6%)	347.62 (yen)

* “Net income attributable to the parent” is calculated in the same manner as “Net income” for the year ended March 31, 2009.

(Percentages above represent changes from the previous year.)

1. BUSINESS RESULTS

(1) Analysis Concerning Business Results

Overview of Consolidated Business Results

(Billions of yen)

	Consolidated Fiscal Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Consolidated Fiscal Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Percent Change
Operating revenues	10,680.9	10,416.3	(2.5)
Operating expenses	9,376.3	9,306.6	(0.7)
Operating income	1,304.6	1,109.8	(14.9)
Net income	635.2	538.7	(15.2)

During the consolidated fiscal year ended March 31, 2009, turmoil in the international financial markets gave rise to a global economic crisis and the Japanese economy underwent a rapid downturn including substantial drops in exports and production and declines in corporate profits and employment.

In the information and telecommunications fields, as the rollout of broadband and ubiquitous services progresses, the use of optical services is increasing in the fixed-line communications market and conventional fixed-line telephony is transitioning to optical IP telephone services. In the mobile communications market, services and handsets are becoming more diverse and advanced while rate competition and entry into the market by new MVNOs are giving rise to increasingly fierce competition. Many other dramatic changes are occurring in conjunction with the increased use of IP, including the integration of and collaboration between fixed-line and mobile communications and communications and broadcasting services, and the creation of diverse new businesses using networks.

The effects of the intensification of competition and the economic downturn are also being felt within NTT Group, in areas such as orders for solutions services and sales of FLET'S Hikari services and mobile phone handsets. Under these difficult circumstances, NTT Group is working to expand broadband and ubiquitous services pursuant to its new Medium-Term Strategy adopted in May 2008 entitled "Road to Service Creation Business Group".

In the fixed-line communications market, NTT Group expanded the coverage area for the Next-Generation Network (NGN) that is now being used to provide commercial services such as FLET'S Hikari Next as of March 2008, and worked to expand and enhance services that capitalize on the unique characteristics of the NGN, such as Hikari TV. NTT Group also took steps to enhance the quality of customer service, such as reducing the lead time between a customer's application and the start of FLET'S Hikari service and enhancing support services. As a result of these efforts, the number of FLET'S Hikari subscriptions reached 11.13 million.

In the mobile communications market, NTT Group deployed new mobile phone handsets tailored to customer preferences and lifestyles and offered new services that support customers' day-to-day lives such as "i-concier", which delivers information at times and through delivery methods suited to a customer's interests and preferences. NTT Group continued its efforts to firmly establish business models tailored to changes in the market environment, including the new discount services and new handset purchase methods that were introduced during the previous fiscal year. NTT Group also worked to raise customer satisfaction by conducting a comprehensive review extending from customer relations to handsets and network structures. As a result of these efforts, the number of mobile phone subscriptions reached 54.60 million, of which 49.04 million are FOMA service subscriptions, accounting for 90% of all subscriptions.

With regard to services for corporate customers, NTT Group worked to provide high value-added solutions according to customer industries and business categories and to raise support capabilities adapted to

the global business activities of its customers. In the area of SaaS, which reduces customer information system installation and operation burdens, NTT Group collaborated with its business partners to develop safe and secure SaaS platforms and provide a wide range of services.

In its global businesses, NTT Group used its comprehensive capabilities to provide ICT solutions. Overseas business sites were expanded, acquisitions of interests in SI businesses in Europe and the Americas were made to provide solution services and data centers were improved. With respect to international roaming services for mobile phones, the lineup of compatible handsets was expanded and tie-ups with overseas carriers were strengthened to increase the number of countries and territories where services are offered and to provide more convenient services.

In addition, NTT Group is working in concert to undertake CSR (corporate social responsibility) activities intended to contribute to the sustainable development of society. NTT Group has positioned the prevention of global warming as a top-priority of its environmental agenda, and is implementing a variety of measures to reduce carbon dioxide emissions from the business activities of individual group companies and, through the provision of goods and services, to reduce carbon emissions of society as a whole. "Green NTT," a policy encouraging the development and use of clean energy such as solar power, was launched in May 2008, and NTT Green LLP was established in August 2008 through joint investments by individual group companies to promote solar power generation.

As a result of these efforts, NTT Group's consolidated operating revenues for the fiscal year ended March 31, 2009 were 10,416.3 billion yen (a decrease of 2.5% from the previous fiscal year) and consolidated operating expenses were 9,306.6 billion yen (a decrease of 0.7% from the previous fiscal year). Consolidated operating income was 1,109.8 billion yen (a decrease of 14.9% from the previous fiscal year), consolidated income before income taxes was 1,105.2 billion yen (a decrease of 16.4% from the previous fiscal year), and consolidated net income was 538.7 billion yen (a decrease of 15.2% from the previous fiscal year).

The forecast of performance in the fiscal year ending March 31, 2010 is as follows: consolidated operating revenues of 10,300.0 billion yen (a decrease of 1.1% from the fiscal year under review), consolidated operating income of 1,110.0 billion yen (an increase of 0.0% from the fiscal year under review), consolidated income before income taxes of 1,080.0 billion yen (a decrease of 2.3% from the fiscal year under review), and consolidated net income of 460.0 billion yen (a decrease of 14.6% from the fiscal year under review).*

*With the application of the Statement of Financial Accounting Standards No. 160 ("SFAS 160"), "Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51" starting in the fiscal year ending March 31, 2010, "Net Income" for the fiscal year under review includes noncontrolling interests but Net Income for the consolidated financial results forecasts for the fiscal year ending March 31, 2010 shows "Net Income Attributable to the Parent" that excludes noncontrolling interests. For further details, please see "(Reference) Statement of Financial Accounting Standards No. 160, 'Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51'" on page 3.

The business results for NTT (holding company) and the main NTT Group companies by segment types for the consolidated fiscal year ended March 31, 2009 are as follows.

Nippon Telegraph and Telephone Corporation (Holding Company)

Overview of Business Results

(Billions of yen)

	Fiscal Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Fiscal Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Percent Change
Operating revenues	375.7	363.7	(3.2)
Operating expenses	165.8	170.4	2.8
Operating income	209.9	193.3	(7.9)
Net income	195.8	195.9	0.1

In its capacity as the holding company of the NTT Group companies, NTT continued working on the planning of group-wide strategies and redistribution of managerial resources in line with changes in the business environment. NTT provided appropriate and timely advice and intermediary services to facilitate the performance of business activities in line with the NTT Group's policies and objectives, while maintaining the principle of independent and autonomous action by individual group companies. NTT conducted fundamental research and development and provided the results to each group company so they could be broadly disseminated, while planning and promoting the commercialization of fundamental technologies. NTT also exercised voting and other shareholder rights at the general shareholders' meetings of each group company.

During the fiscal year ended March 31, 2009, NTT acquired 40,517,500* of its own shares at a total cost of 199,999.9 million yen pursuant to a resolution of the Board of Directors adopted on May 13, 2008.

* The number of shares acquired (40,517,500 shares) represents the number of shares acquired prior to the January 4, 2009 share split (341,307 shares) multiplied by 100 (34,130,700 shares) plus the number of shares acquired after the share split (6,386,800 shares).

[1] Provision of advice and intermediary services to group companies

NTT provided appropriate and timely advice and intermediary services to group companies to facilitate the performance of business activities in line with group policies and objectives. Specifically, NTT adopted the new Medium-Term Management Strategy, "Road to Service Creation Business Group" and provided advice and intermediary services aimed at the full-scale development of ubiquitous broadband services. In addition, NTT provided support through the Next-Generation Services Joint Development Forum, which was established in March 2008 to promote the promulgation of services utilizing the NGN. As compensation for these services, NTT received 18.6 billion yen in group management and administration revenues for the fiscal year under review (a decrease of 2.5% from the previous fiscal year).

[2] Fundamental research and development activities

To promote the implementation of its new Medium-Term Management Strategy, "Road to Service Creation Business Group," NTT Group has conducted research and development on basic technologies which will pave the way for the development of the sophisticated networks and new services that will in turn contribute to the creation of a ubiquitous broadband society. Commercialization of the results of research and development was effectively carried out through NTT Group's comprehensive production system under which research and development achievements are integrated into marketing and planning activities for key business lines. Also, NTT has been actively engaged in research and development on basic technologies for the future and in the global promotion of its technologies.

- Research and development concerning NGN and fiber-optic access

NTT has conducted research and development and provided technical support to its operating

companies in support of the full-scale expansion of service areas for the NGN after its commercialization, including research to enhance the functionality and improve the operational capabilities of the NGN. As for fiber-optic access, among other things, NTT promoted research and development on small-radius, low-friction indoor fiber-optic cables, which are easier to install in pre-existing apartment buildings than conventional fiber-optic cables, contributing to the reduction of installation costs. Moreover, based on the actual results achieved and know how gained through the operation of NGN services on a commercial basis, NTT has been promoting technologies related to the NGN and fiber-optic access abroad, and is actively engaged in the international standardization of advanced technologies.

- Research and development on services using the NGN

NTT has actively engaged in a wide range of research and development activities targeted at commercializing new services for the NGN. Specifically, it has engaged in research and development on basic technologies for IPTV, a new fiber-optic-based video distribution service, and the results of this research are being used in the commercial services provided by NTT Plala Inc. Additionally, NTT has focused its efforts on the commercialization of SaaS (Software as a Service). In this regard, NTT has promoted research and development on the basic technologies required to achieve the commercialization of SaaS products for the NGN that capitalize on the high-security, high-reliability features of the NGN, and has also moved ahead with alliances with domestic and overseas companies relating to the development of SaaS for the NGN infrastructure. Other research and development activities included digital signage, which enables the distribution of advertisements to discrete locations at specified time intervals.

- Research and development on shared ICT platforms and technologies leading to new business opportunities

NTT also engaged in research and development efforts relating to the ICT platform that supports the deployment of services. Among other things, as part of its efforts to develop environmentally-friendly data centers, NTT has been promoting research and development related to environmental technologies that contribute to the reduction of carbon dioxide emission by communication equipment and data centers, such as high-voltage DC feed and fixed oxide fuel batteries. In addition, NTT has engaged in research and development activities and supported the commercialization of technologies leading to new commercial opportunities, such as a new communications technology that exploits the surface electric field of the human body, and a technology that uses parts or fragments of music and video files on the internet to identify the content of the work .

- Cutting-edge basic technologies

NTT has also continued to conduct research and development activities on numerous basic technologies that support NTT Group's continuous development. These efforts include research and development in the following areas: realization of the world's largest transmission volume and longest transmission distance with a view to developing the technologies required to support the massive-capacity fiber-optic networks of the future; and technologies for the development of ultra power-saving computers including semiconductor devices that perform calculations using minute vibrations and ultracompact, low power consumption optic bit memory.

As a result of these research and development activities, NTT's total expenditures on research and development during the fiscal year under review were 132.1 billion yen (a decrease of 2.0% from the previous fiscal year), and NTT received basic research and development revenues of 126.9 billion yen (an increase of 0.1% from the previous fiscal year) as compensation for these research and development activities.

[3] Share ownership and exercise of voting rights

NTT exercises its rights as a shareholder based on the principle that each group company should conduct its business activities in line with NTT Group's policies and objectives, while maintaining their independence and autonomy. When exercising voting rights as a shareholder at the general shareholders meetings of each group company in the fiscal year ended March 31, 2009, NTT determined that the business practices, financial conditions, retained profits, and other conditions during the previous fiscal year (the fiscal year ended March 31, 2008) were appropriate and, accordingly, NTT voted to approve the disposition of unappropriated retained earnings based on proposals from each group company as well as the election of directors and other matters. As a result, NTT received 199.0 billion yen in dividends (a decrease of 6.6% from the previous fiscal year).

As a result of the above activities, NTT's operating revenues for the fiscal year ended March 31, 2009 were 363.7 billion yen (a decrease of 3.2% from the previous fiscal year), recurring profit was 196.4 billion yen (a decrease of 9.8% from the previous fiscal year), and net income was 195.9 billion yen (an increase of 0.1% from the previous fiscal year).

Regional Communications Business Segment

Overview of Business Results

(Billions of yen)

	Consolidated Fiscal Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Consolidated Fiscal Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Percent Change
Operating revenues	4,209.7	4,064.8	(3.4)
Operating expenses	3,924.1	3,994.3	1.8
Operating income	285.6	70.5	(75.3)

Number of Subscriptions

(Thousands)

	March 31, 2008	March 31, 2009
FLET'S Hikari	8,777	11,134
NTT East	4,963	6,291
NTT West	3,815	4,843
Hikari Denwa	5,725	8,011
NTT East	3,065	4,248
NTT West	2,661	3,762

Notes

- The figures for FLET'S Hikari include subscriptions to NTT East's B FLET'S and FLET'S Hikari Next and to NTT's West's B FLET'S, FLET'S Hikari Premium, FLET'S Hikari Mytown and FLET'S Hikari Next.
- The figures for Hikari Denwa indicate the number of channels (in thousands).

Nippon Telegraph and Telephone East Corporation (NTT East) and Nippon Telegraph and Telephone West Corporation (NTT West), which are the main subsidiaries of NTT in the regional communications business segment, worked to build solid revenue structures by enhancing and expanding broadband services with a focus on FLET'S Hikari and continued their efforts to raise business efficiency. Their main activities are discussed below.

[1] Fiber-Optic and IP Services

Expansion of NGN Service Areas

The areas in which the FLET'S Hikari Next service is offered were expanded.

- NTT East: The service area was expanded to major cities in the Tokyo metropolitan district including all 23 wards of Tokyo as well as regional cities that are prefectural capitals.
- NTT West: The service area was expanded to the 06 area code in Osaka, cabinet ordinance-designated cities, and some cities that are prefectural capitals.

Major Services Launched in the Fiscal Year Under Review

Product or Service	Description
FLET'S television distribution service	The provision of OptiCast's SKY PerfecTV! Hikari Home Type Wide video distribution service to FLET'S Hikari contract customers began. The SKY PerfecTV! Hikari facility fees necessary to enjoy the FLET'S television distribution service and SKY PerfecTV! Hikari Home Type Wide were combined and the service was provided as FLET'S TV.
FLET'S Hikari Next Mansion Type Mini Optical Wiring System and other optical wiring systems	Optical wiring systems for multi-unit residences were provided to small-scale multi-unit residences.
Hikari Link series	A lineup of household telecommunications devices for connecting to FLET'S Hikari was created under the name Hikari Link. The first series to go on sale was the SPF-86V Hikari photo frame, which receives photos by email and displays a slide show of those photos.
FLET'S VPN Wide	Corporate customers can use this VPN service to connect to multiple sites using FLET'S Hikari Next.
FLET'S Hikari Next Business Type	A service that uses wide area communication lines with a maximum data transmission speed of approximately 1 Gbps for corporate customers.
Expanded interconnectivity for Hikari Denwa and Hikari Denwa Office Type	Hikari Denwa and Hikari Denwa Office Type can connect to the Navi-Dial service provided by NTT Communications Corporation, with phone numbers starting with 0570.

Major Collaborative Projects with Other Businesses Entered into on in the Fiscal Year Under Review

Business Partner	Description
Benesse Corporation	Agreement was reached to collaborate on the provision of safe and comfortable learning environments to middle school students using FLET'S Hikari and the Shinkenzei Junior High School Course + i communications course, which Benesse offers via the Internet. (NTT East and NTT West)
TOHO Cinemas Ltd. and Kadokawa Cineplex Inc.	Agreement was reached to collaborate on the distribution of movies and other programming via the NGN to encourage the expansion of digital cinema. (NTT East and NTT West)
Cable TV Yamagata Co., Ltd.	Agreement was reached to collaborate on the development of enhanced service offerings in a portion of Yamagata prefecture using Cable TV Yamagata's broadcasting service and FLET'S Hikari. (NTT East)

Business Partner	Description
Tanita Corporation	Agreement was reached on collaboration concerning next-generation healthcare services that link medical measuring instruments (such as body composition analyzers and sphygmomanometers) having wireless communications functions with Web applications. (NTT East)
Hewlett-Packard Japan Ltd.	Agreement was reached to collaborate on the provision of services using FLET'S Hikari and Snapfish, an online photo printing service provided by Hewlett-Packard Japan. (NTT East)
Business On Line Inc.	Business On Line began providing SaaS accounting services that can perform all processes from accounting book entry to tax filings via a network using the FLET'S Square Server Connection Service connecting servers to NTT West's FLET'S Square. (NTT West)

[2] Improving Customer Service

Measures were taken to develop and provide a variety of different services so customers can use broadband services with a sense of security.

Main Support Services Launched in the Fiscal Year Under Review

Service	Description
Set-up Service	An at-home service for connecting PCs (up to two) and a home game console (one) to the Internet concurrently with FLET'S Hikari installation. (NTT East)
FLET'S Virus Clear Remote Installation	A service that supports installation of the necessary software when using the FLET'S Virus Clear network security service. (NTT East)
Expansion of Home Network / Support Services	Integrated support services concerning the information devices of customers who use FLET'S Hikari and other optical services were expanded in response to customer requests. (NTT West)
Remote support services	The scope of services was expanded and the content of the services improved with respect to services provided by specialist call center operators concerning the set-up of PCs and other devices connected to FLET'S Hikari and other optical services as well as the set-up of email and other software.
On-site support services (at home)	The scope of services was expanded and the content of the services improved with respect to services provided at the customers' home or office to connect a PC and/or game console at home to the Internet when FLET'S Hikari and other optical services are started.
Agent Services	Began providing an integrated service for performing all repairs for any device connected to NTT West lines, including the products of other companies. (NTT West)

[3] Review of Business Operating Structures

- 116 call centers increased efficiency by concentrating bases, mainly in regional districts, and outsourcing operations to group companies. (NTT East)
- 116 call centers installed automated voice recognition systems to provide voice guidance in response to customer requests and inquiries, directing calls to specialized operators and increasing call intake efficiency. (NTT West)
- NTT East and NTT Facilities, Inc. jointly established NTT East Properties, Inc. to lease space, mainly

- office space, to NTT East group companies and increase the use of land owned by NTT East. (NTT East)
- NTT West established six companies, including NTT West Home Techno Kansai Corporation, to develop and provide one-stop solutions concerning home IT environments. (NTT West)

As a result of the above activities, in the fiscal year ended March 31, 2009, revenues from IP services grew as a result of the increase in the number of FLET'S Hikari subscriptions, but growth in revenues was offset by the shift from fixed-line telephones and leased lines to low-cost IP services, and consequently consolidated operating revenues in the regional communications business segment were 4,064.8 billion yen (a decrease of 3.4% from the previous fiscal year). Further, in the fiscal year ended March 31, 2009, although expenses for purchase of goods and services and other expenses and amortization costs decreased, consolidated operating expenses were 3,994.3 billion yen (an increase of 1.8% from the previous fiscal year) due, among other things, to the expiration of the one-time increase in income realized from the gain on the transfer of the substitutional portion of the Employee Pension Fund that was recorded in the fiscal year ended March 31, 2008. Consolidated operating income was 70.5 billion yen (a decrease of 75.3% from the previous fiscal year).

Retraction Order Issued by the Fair Trade Commission

On July 15, 2008, the Fair Trade Commission issued a retraction order to NTT East and NTT West pursuant to Article 6, Paragraph 1 of the Act against Unjustifiable Premiums and Misleading Representation Concerning Products and Services regarding a series of flyers, newspaper advertisements, leaflets and direct mailings issued by NTT East between March and November of 2007 and a series of flyers in newspapers and direct mailings issued by NTT West between February and August of 2007 to advertise Hikari Denwa Services. We deeply regret, and offer our sincere apologies for, any concerns and inconvenience caused to our customers and others. NTT East and NTT West have so far taken measures to correct their advertising, including improvements in response to notices issued by the Fair Trade Commission, and will continue their efforts to present advertising that is clear from the customers' point of view.

Long-Distance and International Communications Business Segment

Overview of Business Results			(Billions of yen)
	Consolidated Fiscal Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Consolidated Fiscal Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Percent Change
Operating revenues	1,322.8	1,315.5	(0.6)
Operating expenses	1,217.0	1,218.6	0.1
Operating income	105.8	96.9	(8.5)

NTT Communications Corporation (NTT Communications), which is the main subsidiary of NTT in the long-distance and international communications business segment, worked to provide corporate customers with ICT (Information and Communication Technology) solutions for their management issues, expand its consulting business, and offer high value-added services tailored to customer requests. For individual customers, NTT Communications also provided attractive services tailored to diverse lifestyles and customer requests under the "CreativE-Life for Everyone" brand. NTT Communications' main activities were as follows.

[1] Development of Services for Corporate Customers

While the corporate business environment is rapidly changing and companies are consolidating their core business activities to increase their competitiveness and improve their ability to respond to changes in the business environment in a flexible manner, in areas where customer demands are high, such as outsourcing and information security, NTT Communications took measures to establish globally competitive operations and provide integrated and high value-added solutions tailored to customers' business categories and formats to

help solve customer management issues.

Main Services Launched in the Fiscal Year Under Review

Service	Description
BizCITY	The BizCITY brand was launched based on the idea of “creating an ICT environment that enables business people to work safely and conveniently from anywhere, anytime.” BizCITY provides an integrated and coordinated line-up of advanced services from mobile networks to system outsourcing and SaaS applications tailored to customer needs.
BizCITY for SaaS Provider	This service allows application businesses to quickly and easily provide more stable SaaS and ASP services under an environment linked directly to NTT Communications’ VPN services.
Secure ICT over VPN	SaaS type services that can be used with VPN services for corporate clients were launched. An extensive offering of services including Web mail and groupware services matching customers’ needs has been prepared.
Gigastream Premium Ether	A high-quality, high-reliability, next-generation leased line service. Increased ease of maintenance and convenience for a leased line and introduced Japan’s first bandwidth guarantee SLA (service level assurance) system.
One-Stop Management Service	Integrated monitoring service from the network to customer-installed hardware, providing failure detection and notification, and recovery services for corporate customers that use data communications services.
Arcstar IP-VPN IPv6 Dual	Japan’s first fully IPv6-compatible IP-VPN service that uses multi-protocol label switching (MPLS). Both the IPv4 and IPv6 protocols can be used on a single line, making it possible to maintain an existing IPv4 environment; installation of a separate IPv6 compatible line is not required, allowing simple and low-cost use of IPv6.
Security Log Management Service	An integrated 24-hour, 365-day monitoring, operating and management service, in Japan and overseas for the security device logs of customers who use “Arcstar IP-VPN” or “Group-VPN”.
Email Monitoring and Archive Service	New email security services that perform filtering on received and sent email and automatically store emails were introduced as part of a new lineup of “OCN Email Gateway Services,” an SaaS email security countermeasure for corporate clients.

[2] Development of Global Business

In response to the demands of Japanese and multinational corporations for seamless and high-quality services in Japan and other countries, NTT Communications worked to provide high value-added total ICT solutions that combine network integration with data center, security, and server management services.

Main Activities during the Fiscal Year Under Review

- Expansion of the data center business
 - In Hong Kong, the floor area of the Tai Po Data Center, which has been providing data center services, was increased.
 - Agreement was reached with China Telecom Shanghai, a subsidiary of China Telecom Group, to establish the Yuanqu Data Center in Shanghai, and the data center began its operation.
- Network expansion
 - Operation of a new communications route between Japan and Europe (the HSCS route) was started using an optical submarine cable between Japan and Russia (the Hokkaido-Sakhalin Cable System; HSCS) in collaboration with TransTeleCom Company CJSC, Russia's largest telecommunication carrier.
- Business site development
 - To support business development by customers, a new branch of NTT Communications' subsidiary in India, NTT Communications India Private Limited, was established in Chennai, and NTT Communication Russia LLC, a local subsidiary, was established in Russia. Efforts were made to enhance the provision of ICT solutions.

[3] Development of Services for Individual Customers

With respect to telephone services, NTT Communications continued to respond to its customers' diverse demands through services such as PL@TINUM LINE and SEKAIWARI, while providing new services customized for diverse lifestyles in the upper-layer business field with a focus on OCN.

Main Activities during the Fiscal Year under Review

- Increased number of OCN members
 - In addition to conducting sales promotion activities with an emphasis on optical services such as OCN Hikari with FLET'S, NTT Communications provided diverse services designed to meet customers' demands such as the launch of high-speed mobile connectivity services. As a result of these activities, the number of OCN members surpassed 7 million in June 2008. The company is also taking measures that take environmental preservation into consideration such as making Internet distribution of bills in place of traditional paper bills.
- New business that takes advantage of the characteristics of 050 IP telephony
 - With respect to the 050 Anshin Number service, an incoming call and forwarding service that protects privacy, NTT Communications expanded the terms and conditions of the service to allow use by customers other than OCN members, and launched the 050 Business Dial service, which allows use of 050 numbers for a company's reception number, and worked to provide new added value for 050 IP telephony.
- Enhanced Hikari TV service menu
 - With regard to Hikari TV services provided by NTT Plala Inc., development of a variety of services such as the NGN IP retransmission of terrestrial digital broadcasts, NHK on-demand services and expansion of high-definition programming resulted in the number of Hikari TV members surpassing 500,000 in March 2009.
- Development of new collaborative services for mobile phones and PCs
 - NTT Resonant Inc. collaborated with NTT DoCoMo, Inc. to commence group integration, including the development of seamless services that take advantage of the characteristics of both mobile phones and PCs and the enhancement of search functions on the iMenu® site.

As a result of these efforts, while revenues from IP services such as OCN and VPN-related services and revenues from the provision of solutions to corporate customers increased, revenues from conventional fixed-line voice services decreased, and consequently, consolidated operating revenues in the long-distance and international communications business segment for the fiscal year ended March 31, 2009 were 1,315.5 billion yen (a decrease of 0.6% from the previous fiscal year). Further, during the fiscal year ended March 31, 2009, although communications facility fees declined in conjunction with the drop in fixed-line voice service

revenues, consolidated operating expenses were 1,218.6 billion yen (an increase of 0.1% from the previous fiscal year) due to, among other things, the expiration of the one-time increase in income realized from the gain on the transfer of the substitutional portion of the Employees' Pension Fund that was recorded in the fiscal year ended March 31, 2008, and consolidated operating income was 96.9 billion yen (a decrease of 8.5% from the previous fiscal year).

Mobile Communications Business Segment

Overview of Business Results

(Billions of yen)

	Consolidated Fiscal Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Consolidated Fiscal Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Percent Change
Operating revenues	4,711.8	4,448.0	(5.6)
Operating expenses	3,915.3	3,622.6	(7.5)
Operating income	796.5	825.4	3.6

Number of Subscriptions

(Thousands)

	March 31, 2008	March 31, 2009
Mobile phone services	53,388	54,601
FOMA services	43,949	49,040
mova services	9,438	5,560
i-mode services	47,993	48,474

Notes:

- Figures for mobile phone service subscriptions and FOMA service subscriptions include communications module service subscriptions.
- Effective March 3, 2008, use of the 2-in-1 service is conditioned on conclusion of a FOMA agreement, and the number of mobile phone service subscriptions and FOMA subscriptions includes such FOMA contracts.
- The number of i-mode service subscriptions is the total of FOMA service subscriptions and mova service subscriptions.

NTT DoCoMo, Inc. (NTT DOCOMO), which is the main subsidiary of NTT in the mobile communications business segment, took measures to raise its competitiveness even further by conducting reviews from the customer's perspective, enhancing service charge rates, developing new series of handset models, introducing new services, and raising network quality. NTT DOCOMO also continued its efforts to firmly establish new business models tailored to changes in the market environment, including the new discount services and handset sales models continued its efforts to firmly establish business models tailored to changes in the market environment, including the new discount services and new handset purchase methods that were introduced during the previous fiscal year. NTT DOCOMO's main activities are discussed below.

[1] Enhancement of Service Charge Rates and Establishment of New Handset Sales Models

- Pake Hodai Double, a new flat-rate packet service, was introduced to enable customers to use the abundant content and applications that are unique to the FOMA services with even greater ease and sense of security.
- Under the new purchase method that allows customers to choose from two rate plans according to their preferences, the Value Course accounted for more than 90% of sales.
 - Value Course: Although the cost of purchasing a handset is greater than before, application of a new low monthly rate Value Plan allows payment for the handset in installments.
 - Basic Course: The conventional rate plan applies, and the handset purchase fee is discounted

conditioned on continuous use of the same handset for two years.

[2] Introduction of New Handset Series

- NTT DOCOMO updated its four handset series in November 2008 to allow customers to select handsets according to their personal preference and lifestyle.

Series	Features
docomo STYLE series	Fashionable mobile phones from which every customer can surely find their own style to suit his or her particular preference. The highly fashionable STYLE series features a wide range of designs and colors.
docomo PRIME series	Next-generation entertainment mobile phones that are ahead of their time for total enjoyment. The PRIME series features enhanced entertainment functions such as videos and games.
docomo SMART series	Intelligent mobile phones for managing both the professional and private lives of adults. The SMART series is intended for adults who want to maintain balance between their professional and private lives.
docomo PRO series	Digital master mobile phones equipped with state-of-the-art technologies. The PRO series handsets are digital tools with cutting-edge technologies.

[3] Development of International Services

Enhancement of International Roaming Services

- NTT DOCOMO expanded its lineup of handsets compatible with international roaming. As a result, more than 90% of customers who use an international roaming service during the fiscal year under review were able to access such service with their own mobile phones.
- NTT DOCOMO launched the new Kaigai Plus Number service, an international roaming service that offers discounts up to 60% for voice communications when using international roaming services in South Korea.
- A 3G network was created in Hawaii with America’s AT&T Inc. Also, DOCOMO PACIFIC, INC., an NTT DOCOMO subsidiary, began providing 3G services in Guam.
- The number of countries and territories where international roaming services could be used at the end of the fiscal year under review was as follows.

Voice and short message services:	182
Packet communications services:	138
Video phone services:	49

Capital Alliances with Other Companies

- NTT DOCOMO invested in TM International (Bangladesh) Limited to develop the mobile phone service business in Bangladesh and acquire new growth opportunities.
- NTT DOCOMO reached an agreement to form a capital tie-up with Tata Sons Limited, the holding company of India’s Tata group, and Tata Teleservices Limited (“TTSL”), a company in the Tata group, in order to expand its business base and increase revenues in India’s mobile communications market, and invested in TTSL and Tata Teleservices (Maharashtra) Limited, a TTSL affiliate.

[4] Improved Service and After-Sales Service

Main Services Launched in the Fiscal Year Under Review

Service	Description
Home U	A service that enables customers to use high-speed packet communications and IP telephony using home broadband lines and wireless LAN routers.
Pocket U	A service that enables customers to easily view videos, music, pictures and documents stored on a home PC even when away from home.
i-concier	Delivers timely information regarding a customer's pre-registered locations, interests, and preferences using suitable delivery methods, and automatically updates schedule and ToruCa data stored on the mobile phone.
DOCOMO Community	A communication service for sharing photos, diaries, and memos with friends and family. Registration is completed simply by entering a nickname and date of birth.
Blackberry Internet Service	This service provides easy Internet access for Blackberry® users without the need to install special systems such as dedicated servers.*

*Blackberry® is the registered trademark of Research In Motion Limited.

Main After-Sales Services Launched in the Fiscal Year Under Review

- NTT DOCOMO began performing on-site surveys within 48 hours, in principle, after NTT DOCOMO responds to a request from a customer in order to respond more promptly to requests for service area improvements.
- A continuous use period was added to the conditions for determining membership stages in the docomo Premier Club, a membership service provided to NTT DOCOMO group mobile phone subscribers, and services to long-term customers were enhanced, including by raising the maximum number of “docomo points” that can be obtained.
- NTT DOCOMO began providing a mobile phone data recovery service that recovers contact and other information from mobile phones that no longer work because of water damage and that sends the information to the customer on a CD.

[5] Expansion of the Credit Business

- DCMX credit service
 - Efforts were made to expand the use of this service by increasing the number of shops where “docomo points” can be obtained and opening the DCMX DoCoMo Point Mall Internet site.
 - DCMX (iD) Coupons that can be used to pay for a portion of purchased items when using DCMX (iD) and DCMX mini were launched and efforts were directed towards service improvement.
- Expansion of the iD Credit Brand
 - DOCOMO moved ahead with the installation of scanners in shops prioritizing those that are closely involved in customers' daily lives.
 - To promote use, scanners were also installed in shops in Guam and China, the first overseas installation of Japanese non-contact IC electronic money.

As a result of the above developments, revenues from mobile voice communications fell because of the expanded use of new discount services and other factors, and consequently, consolidated operating revenues for the mobile communications business segment for the fiscal year ended March 31, 2009 were 4,448.0 billion yen (a decrease of 5.6% from the previous fiscal year). Also, as a result of lower revenue-linked expenses in conjunction with declining handset sales and other factors, consolidated operating expenses were 3,622.6 billion yen (a decrease of 7.5% from the previous fiscal year) and consolidated operating income was 825.4 billion yen (an increase of 3.6% from the previous fiscal year).

Data Communications Business Segment

Overview of Business Results

(Billions of yen)

	Consolidated Fiscal Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Consolidated Fiscal Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Percent Change
Operating revenues	1,059.5	1,127.2	6.4
Operating expenses	1,000.7	1,040.5	4.0
Operating income	58.8	86.8	47.5

In pursuit of being “number one in customer satisfaction”, NTT DATA Corporation (NTT DATA), the main subsidiary in the data communications business segment, implemented medium-term management policies including marketing reforms and development process reforms. NTT DATA also engaged in vigorous marketing activities and promoted the development of efficient systems geared towards obtaining orders for new systems and launching new services, while continuing to provide stable services for existing systems. NTT DATA’s main activities are discussed below.

[1] Management Policies

Marketing Reforms

- Appointed Solution Representatives (SRs) who oversee all software and service marketing activities, and implemented other product marketing reforms.
- Analyzed the results of customer satisfaction surveys and improvement actions, internally shared information concerning case studies that can serve as models to improve customer satisfaction and laterally spread knowledge and expertise.

Development Process Reforms

- Six SI companies including NTT DATA established a study group to visualize customer requests with respect to information system platforms from the customer’s perspective, identified nonfunctional requests that were difficult to visualize and understand in the past and systematically organized them into a list of system platform request items.
- Introduced Axure RP, Axure Software Solutions, Inc.’s tool for easily creating system screen prototypes, and developed methods for accurately identifying customer requests including system ease-of-use.

Efficient Group Management

- Merged four development subsidiaries that mainly focus on system development for the public sector to form NTT DATA i Corporation in an effort to reinforce the development infrastructure through the integration and consolidation of development resources and expertise.
- Established a Group Shared Service Center (G-SSC) within NTT DATA Management Service Corporation as the “Shared Service Operational Headquarters” to increase management and operational efficiency

throughout the NTT DATA group.

- Dissolved NTT DATA GC Corporation and took other measures to withdraw from unprofitable businesses and shift human and material resources to highly profitable businesses in order to raise profitability.

Growth Engines

- In the healthcare business field, NTT DATA launched the “Receipt Online Connection Service”, which allows medical institutions, pharmacies, and other establishments to use existing Internet environments for submitting medical bills online to health insurance agencies.
- In the embedded software business field, NTT DATA obtained management rights to Panasonic MSE Co., Ltd. from its parent, Panasonic Mobile Communications Co., Ltd., and launched NTT DATA MSE Corporation.

Human Resource Development

- Moved forward with the expansion and use of professional CDP* certification; professional staff and others that can utilize high-level specialized skills for planning and implementation are certified as project managers, technical specialists and marketing personnel.
* Professional CDP (Career Development Program) is a certification system that defines the type of human resources that NTT DATA seeks, sets skill levels by stages, and certifies the specialization skills of individual employees according to their knowledge, experience, and technical skills. The system enables employees to become objectively aware of their own skill levels and accumulate experience and grow through work and training based on awareness of their career path, linking corporate growth with employee growth.

[2] Status of Business Activity Measures

Public Sector

- Received an order from Nippon Automated Cargo and Port Consolidated System, Inc. for construction, hardware leasing, technical maintenance and operation support services for a next-generation customs information processing system (next-generation NAACS) and a trade management subsystem, and began fulfilling such order.
- Received an order from the National Tax Administration Agency for the “Financing of Additional Hardware Relating to Fiscal Year 2008 Electronic National Tax Filing and Payment System”.

Financial Sector

- Encouraged the use of the Regional Bank Integrated Services Center, a shared system for financial institutions, to expand use of the NTT DATA Standard Banking System (BeSTA), and began providing services to The Fukui Bank, Ltd. As a result, a total of 22 regional banks and 13 workers’ credit unions have decided to use BeSTA.
- Concluded a capital and business alliance agreement with XNET Corporation, a major business service provider in the field of solutions for capital markets, and XNET became a consolidated subsidiary of NTT DATA.

Corporate Customers

- Reached an agreement with Sumitomo Mitsui Financial Group, the Japan Research Institute, Limited (“JRI”) and JRI Solutions, Limited on a broad-ranging business and capital partnership between NTT DATA and JRI Solutions, Limited in the IT services field, and JRI Solutions, Limited made a new start as an NTT DATA consolidated subsidiary under the name JSOL Corporation.
- Launched the SmarP SaaS solution for supporting corporate sales promotion activities.

Development of Global Business

- NTT DATA established capital tie-ups with local SI businesses to expand its business base in Europe.
- NTT DATA acquired from Germany's BMW AG the management right of Cirquent GmbH, a German IT consulting company, advanced a tie-up with its German subsidiary, itelligence AG, and began providing a wider range of services to customers.

As a result of these efforts, revenues for the data communications business segment for the fiscal year ended March 31, 2009 increased as a result of the expansion of consolidated subsidiaries and other factors, and consolidated operating revenues were 1,127.2 billion yen (an increase of 6.4% from the previous fiscal year). Also, higher revenue-linked expenses and other factors resulted in consolidated operating expenses of 1,040.5 billion yen (an increase of 4.0% from the previous fiscal year). Consolidated operating income was 86.8 billion yen (an increase of 47.5% from the previous fiscal year).

Other Business Segments

Overview of Business Results (Billions of yen)

	Consolidated Fiscal Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)	Consolidated Fiscal Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)	Percent Change
Operating revenues	1,185.1	1,165.2	(1.7)
Operating expenses	1,106.2	1,150.0	4.0
Operating income	78.9	15.2	(80.8)

In other business segments, while NTT promoted the real estate business, finance business, construction and electric power business, system development business, cutting-edge technology development business and other businesses, consolidated operating revenues for the fiscal year ended March 31, 2009 were 1,165.2 billion yen (a decrease of 1.7% from the previous fiscal year) due to the increase in doubtful accounts expenses in the finance business and an expanded slow-down in the real estate property development business among other factor. Consolidated operating expenses were 1,150.0 billion yen (an increase of 4.0% from the previous fiscal year) and as a result, consolidated operating income was 15.2 billion yen (a decrease of 80.8% from the previous fiscal year).

(2) Analysis of Financial Standing

“Cash flow from business activities” for the fiscal year ended March 31, 2009 (on a consolidated basis) was 2,514.1 billion yen. Compared to the previous fiscal year, cash flow decreased 576.7 billion yen (18.7%). This decrease was due to such factors as an increase in trade accounts receivables resulting from the effect of bank holidays, the impact of installment payments and an increase in net income tax expenses to 403.9 billion yen.

“Cash flow from investment activities” amounted to 2,269.7 billion yen in cash outlays. Compared to the previous fiscal year, cash outlays increased 279.0 billion yen (14.0%). This increase resulted from an increase in payments for purchase of property, plant and equipment and an increase in payments for purchase of non-current investments.

“Cash flow from financing activities” amounted to cash outlays of 353.3 billion yen. Compared to the previous fiscal year, cash outlays decreased 373.0 billion yen (51.4%). This decrease resulted from such factors as an increase in expenditures for acquiring NTT’s own shares and an increase in interest-bearing debt.

As a result of the above, the balance of cash and cash equivalents for NTT Group during the fiscal year ended March 31, 2009 (on a consolidated basis) totaled 1,052.8 billion yen, a decrease of 116.8 billion yen (10.0%) compared with the fiscal year ended March 31, 2008 (on a consolidated basis).

(billions of yen)

	Consolidated totals for the year ended March 31, 2008	Consolidated totals for the year ended March 31, 2009	Percent Change
Cash flow from business activities	3,090.8	2,514.1	(18.7%)
Cash flow from investment activities	(1,990.6)	(2,269.7)	(14.0%)
Cash flow from financing activities	(726.4)	(353.3)	51.4%
Cash and cash equivalents at the end of year	1,169.6	1,052.8	(10.0%)

(3) Basic Policy Concerning Profit Distribution; Dividends in the Current Term and Next Term

In addition to increasing corporate value over the medium- and long-term, NTT has identified the return of profits to shareholders as an important management goal. In determining the level of dividends, NTT, while giving consideration to stability and sustainability, takes into account a full range of factors, including business performance, financial standing and dividend payout ratio.

It is planned that dividends for the current annual period will be 110 yen per share, comprising a 55-yen end-of-term dividend and a 55-yen interim dividend*. For the next annual period, dividends are planned to be 120 yen for the full year.

While maintaining a good financial standing, NTT intends to use internal funds for investments in new business opportunities and a capital policy to improve capital efficiency.

*On January 4, 2009, NTT carried out a 100-for-1 stock split. The interim dividend shown is calculated under the assumption such stock split took place at the beginning of the fiscal year (April 1, 2008).

2. Status of the NTT Corporate Group

The principal businesses of Nippon Telegraph and Telephone Corporation (NTT) and its affiliates (collectively with NTT, the NTT Group) cover regional communications, long-distance and international communications, mobile communications, and data communications.

The principal elements of NTT Group's businesses and the main consolidated subsidiaries in each business are as follows.

NTT DoCoMo, Inc. (NTT DOCOMO), NTT DATA CORPORATION (NTT DATA) and NTT URBAN DEVELOPMENT CORPORATION (NTTUD), three main consolidated subsidiaries of NTT, are listed on the First Section of the Tokyo Stock Exchange.

(1) Regional Communications Business

The principal elements in this business are intra-prefectural communications services and related ancillary services pertaining to domestic communications services.

The consolidated subsidiaries in the regional communications business are NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (NTT East), NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (NTT West), NTT EAST-TOKYOMINAMI CORPORATION, NTT WEST-KANSAI CORPORATION, NTT-ME CORPORATION, NTT NEOMEIT CORPORATION, NTT MARKETING ACT CORPORATION, NTT INFRASTRUCTURE NETWORK CORPORATION, NTT DIRECTORY SERVICES Co., NTT Quaris Corporation, NTT Solco Corporation, NTT CARD SOLUTION Inc., TelWel East Japan Corporation, TelWel West Japan Corporation, NTT WEST ASSETPLANNING CORPORATION, and 84 other companies.

(2) Long-Distance and International Communications Business

The principal elements in this business are inter-prefectural communications services, international communications services and related ancillary services thereof.

The consolidated subsidiaries in the long-distance and international communications business are NTT COMMUNICATIONS CORPORATION (NTT Communications), NTT PC Communications Incorporated, NTT Resonant Inc., NTT Plala Inc., Verio Inc., NTT COM ASIA LIMITED, NTT America, Inc., NTT AUSTRALIA PTY. LTD., NTT EUROPE LTD., NTT WORLD ENGINEERING MARINE CORPORATION,

NTT BizLink, Inc., NTT Com Technology Corporation, NTT FANET SYSTEMS Corp. and 42 other companies.

(3) Mobile Communications Business

The principal elements in this business are mobile telephone services and related ancillary services.

The consolidated subsidiaries in the mobile communications business are NTT DoCoMo, Inc., DoCoMo Service Inc., DoCoMo Engineering Inc., DoCoMo Mobile Inc., DoCoMo Support Inc., DoCoMo Systems, Inc., DoCoMo Technology, Inc., DoCoMo Businessnet, Inc., DOCOMO interTouch Pte. Ltd., DOCOMO PACIFIC, Inc., DoCoMo.com, Inc. and 105 other companies.

(4) Data Communications Business

The principal elements in this business are systems integration services and network system services.

The consolidated subsidiaries in the data communications business are NTT DATA CORPORATION, NTT DATA FRONTIER CORPORATION, NTT DATA SYSTEM TECHNOLOGIES INC., NTT DATA Getronics Corporation, NTT DATA SYSTEMS CORPORATION, NTT DATA WAVE CORPORATION, Nihon Card Processing Co., Ltd., NTT DATA FORCE CORPORATION, NTT DATA i CORPORATION, itelligence AG, Cirquent GmbH, JSOL Corporation, NTT DATA CCS CORPORATION, NTT DATA CUSTOMER SERVICE CORPORATION, NTT DATA TOKYO SMS CORPORATION, NTT DATA INTERNATIONAL L.L.C., NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, INC., NTT DATA EUROPE GmbH & Co. KG and 121 other companies.

(5) Other Business

Other consolidated subsidiaries of NTT are NTT URBAN DEVELOPMENT CORPORATION, NTT FINANCE CORPORATION, NTT FACILITIES, INC., NTT COMWARE CORPORATION, NTT Electronics Corporation, NTT ADVANCED TECHNOLOGY CORPORATION, NTT Software Corporation, NTT BUSINESS ASSOCIE Corporation, InfoCom Research, Inc., NTT LOGISCO Inc., NTT ADVERTISING, INC., NTT LEARNING SYSTEMS CORPORATION, NTT Human Solutions Corporation and 57 other companies.

Group organizational chart appears on the following page.

ORGANIZATIONAL CHART OF THE NTT GROUP

Customer

NTT GROUP

<Regional Communications Businesses>

NTT East
NTT West

<Regional Communications Support Group>

- Regional Communications Related Businesses
NTT EAST-TOKYOMINAMI CORPORATION
NTT WEST-KANSAI CORPORATION
NTT-ME CORPORATION
NTT NEOMEIT CORPORATION
NTT MARKETING ACT CORPORATION
- Engineering Businesses
NTT INFRASTRUCTURE NETWORK CORPORATION
- Telephone Directory Businesses
NTT DIRECTORY SERVICES Co.
NTT Quaris Corporation
- Telemarketing Businesses
NTT Solco Corporation
- Others
NTT CARD SOLUTION Inc.
TelWel East Japan Corporation
TelWel West Japan Corporation
NTT WEST ASSETPLANNING CORPORATION

and others!

<Long-Distance and International Communications Businesses>

NTT Communications

<Long-Distance and International Communications Support Group>

- Internet Related Businesses
NTT PC Communications Incorporated
NTT Resonant Inc.
NTT Plala Inc.
- International Companies
Verio Inc.
NTT COM ASIA LIMITED
NTT America, Inc.
NTT AUSTRALIA PTY. LTD.
NTT EUROPE LTD.
- Others
NTT WORLD ENGINEERING MARINE CORPORATION
NTT BizLink, Inc.
NTT Com Technology Corporation
NTT FANET SYSTEMS Corp.

and others

<Mobile Communications Businesses>

NTT DOCOMO

<Mobile Communications Support Group>

- Mobile Communications Related Businesses
DoCoMo Service Inc.
DoCoMo Engineering Inc.
DoCoMo Mobile Inc.
DoCoMo Support Inc.
DoCoMo Systems, Inc.
DoCoMo Technology, Inc.
DoCoMo Businessnet, Inc.
- International Companies and Others
DOCOMO interTouch Pte.Ltd.
DOCOMO PACIFIC, Inc.
DoCoMo.com, Inc.

and others

<Data Communications Businesses>

NTT DATA

<Data Communications Support Group>

- System Integration Services
NTT DATA FRONTIER CORPORATION
NTT DATA SYSTEM TECHNOLOGIES INC.
NTT DATA Getronics Corporation
NTT DATA SYSTEMS CORPORATION
NTT DATA WAVE COPORATION
Nihon Card Processing Co.,Ltd.
NTT DATA FORCE CORPORATION
NTT DATA i CORPORATION
itelligence AG
Cirquent GmbH
JSOL Corporation
NTT DATA CCS CORPORATION
- Others
NTT DATA CUSTOMER SERVICE CORPORATION
NTT DATA TOKYO SMS CORPORATION
NTT DATA INTERNATIONAL L.L.C.
NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, INC.
NTT DATA EUROPE GmbH & Co.KG

and others

<Other Businesses>

- Real Estate Business
NTT URBAN DEVELOPMENT CORPORATION
- Financing Business
NTT FINANCE CORPORATION
- Construction & Electricity Business
NTT FACILITIES, INC.
- System development Business
NTT COMWARE CORPORATION
- Advanced Technology Development Businesses
NTT Electronics Corporation
NTT ADVANCED TECHNOLOGY CORPORATION
NTT Software Corporation
- Others
NTT BUSINESS ASSOCIE Corporation
InfoCom Research, Inc.
NTT LOGISCO Inc.
NTT ADVERTISING, INC.
NTT LEARNING SYSTEMS CORPORATION
NTT Human Solutions Corporation

and others

NIPPON TELEGRAPH AND TELEPHONE CORPORATION

3. Business Operation Policy

(1) Basic Business Operation Policy and Medium-Term Management Objectives

For over 100 years, NTT Group has been the mainstay behind the growth and development of Japanese telecommunications; this track record, the confidence that comes with it, and one of the world's leading R&D capabilities serve as the foundation from which we will "continue to provide safe and secure services, and continue always to earn the trust of our customers and stakeholders." With these words as our guide, we will fulfill the legal responsibilities and social mission demanded of each of our businesses in a market environment characterized by intense competition, and at the same time move proactively to develop our businesses to meet the needs of the ubiquitous broadband society of the 21st century. Our aim is for sustainable development backed always by a high level of trust from both our customers and our shareholders.

In furtherance of this basic business operation policy and in order to respond to the increasingly diversified and complex needs of customers in the wake of the rapid developments taking place in the information and telecommunications market, in November 2004, NTT Group announced "NTT Group's Medium-Term Management Strategy" which articulates NTT Group's strategic plan for providing greater convenience to its customers and contributing to overcoming social issues through the combination of NTT Group companies' strengths to proactively build a broadband and ubiquitous market. Since that time, NTT Group has made steady progress in the construction and commercialization of the NGN (Next-Generation Network) in line with these objectives. In addition, in May 2008, NTT formulated a new medium-term strategy entitled "Road to Service Creation Business Group – *full-scale rollout of broadband and ubiquitous services*", which outlines the next steps for the development of broadband and ubiquitous services following the deployment of both fixed and mobile full-IP network infrastructure, targeted for completion in 2010.

Pursuant to this new business strategy, NTT will focus its efforts on the creation and full-scale deployment of broadband and ubiquitous services through the utilization of NTT Group's full-IP network platform, and on the transitional reform of its business and organizational structures from fixed-line telephone and other legacy businesses towards a model centered around IP-related businesses as well as solution businesses and new business lines.

(2) Issues Facing the Corporate Group

As the global economic recession becomes protracted, the Japanese economy continues to experience a rapid downturn. Although there are signs that the decline in production resulting from prior excess inventory has bottomed out and the economic stimulus policies of various national governments are expected to have some ameliorative effect, the risk of further economic decline is still apparent in the decline in personal consumption due to deterioration of employment, the prolongation of the economic recession and other factors. As a result, it is expected that the economy will continue to worsen.

It is also anticipated that the information and telecommunications fields will be affected by the decline in personal consumption and limited capital investment by businesses. At the same time, however, the ongoing shift to the use of IP networks, the expansion of ubiquitous broadband services and the integration of fixed-line and mobile communications and of communications and broadcasting services as well as the resulting diversification of consumer preferences will give rise to increasingly fierce competition in those fields.

It is under this extremely harsh business climate that NTT Group will create and deploy broadband and ubiquitous services using full IP network infrastructure in response to consumer preferences, pursuant to the Medium-Term Management Strategy, "Road to Service Creation Business Group" adopted in May 2008. Specific actions will include the expansion of business in the four areas of strategic growth discussed below, transformation of the group's business structure to focus on IP

business and solutions, and raising the percentage of consolidated sales revenues from IP business and solutions, which accounted for a little less than 60% in the consolidated fiscal year under review.

[1] Expansion of NGN and 3G Services

NTT Group is working to expand network services, including NGN and 3G services, and to expand upper layer businesses.

In the fixed-line communications markets, NTT Group will work to further expand the NGN coverage area and to develop and provide a wide range of services that take advantage of the unique characteristics of fiber-optic and NGN access such as video distribution, ISP services, and portals. In developing and commercializing services that use the NGN, NTT Group is using the Next-Generation Services Joint Development Forum and other such bodies to jointly create services with various partners, with a focus on educational fields.

In the mobile communications market, NTT Group is personalizing services and functions according to customer lifestyles and preferences and is promoting mobile broadband using the “Long Term Evolution” standard (LTE). Further, as the market enters maturity, NTT Group is taking measures to strengthen relationships with existing customers as well as to develop new markets and provide more convenient and appealing services.

[2] Expansion of the Solutions Business

NTT Group will continue its efforts to bolster marketing and development capabilities and to provide high value-added solutions for corporate customers tailored to their industries and business categories to further raise their productivity. The entire group is working together to be a partner to our customers by providing a wide range of solutions such as SaaS and is continuing its proactive measures to acquire external resources, technologies, and industry know-how.

[3] Development of Business in New Fields

In addition to conducting business in the environment, energy, and real estate fields, NTT Group will promote new businesses by using the results of its research and development. Environment and energy-related businesses include the construction and operation of highly-reliable, low-energy data centers and the construction of environmentally-friendly buildings with a focus on minimizing environmental impact.

[4] Development of Global Business

NTT Group will continue to use the comprehensive strengths of the entire group to expand its business. NTT Group will expand its ICT service lineup, service areas, and data centers and develop the mobile communications business in growth markets by expanding international roaming services and forming tie-ups with telecommunications carriers in emerging countries in which NTT Group has invested. Through these measures, NTT Group will reinforce its overseas customer bases and abilities to provide services.

In addition to expanding business in the four areas discussed above, NTT Group will continue its efforts to raise business efficiency by reviewing business processes throughout the group, consolidating business sites, and outsourcing operations.

With respect to the global environment, a topic that has become a major issue for businesses

around the world, the entire group will implement policies under the “Green NTT” banner to encourage the generation and use of electricity from natural sources. NTT Group will also reinforce its measures for the prevention of global warming, such as pursuing the installation of high energy efficiency equipment.

To carry out these measures and policies, NTT will conduct group management by using the benefits of its holding company structure, including the dynamic and flexible allocation of management resources and integrated fundamental research and development. NTT will also provide necessary advice, intermediary services, efficient capital procurement, and other services to individual group companies.

With respect to research and development, NTT will work to create the fundamental technologies which will pave the way for the development of the sophisticated networks and new services that will in turn contribute to the development of a social infrastructure based on safe, secure and convenient broadband and ubiquitous services. NTT will collaborate closely with group companies and conduct development geared towards practical application to ensure that research and development results are steadily reflected in business. NTT will work to disseminate the results of fundamental research and development and energetically participate in activities for the overseas transfer of NGN technologies, international standardization activities, and research and development with other research institutions.

NTT Group will continue its efforts to create abundant communications environments through the provision of broadband and ubiquitous services, increase the efficiency of business activities, create new business opportunities, contribute to solutions to a wide range of societal issues such as low birth rates, the aging of the population and various environmental problems, and to maximize group corporate value.

Disclaimer Information

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, 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 Report on Form 20-F and other filings and submissions with the United States Securities and Exchange Commission.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) CONSOLIDATED BALANCE SHEETS

	Millions of yen		
	March 31, 2008	March 31, 2009	Increase (Decrease)
ASSETS			
Current assets:			
Cash and cash equivalents	¥1,169,566	¥1,052,777	¥(116,789)
Short-term investments	17,566	20,264	2,698
Notes and accounts receivable, trade	1,843,468	1,947,765	104,297
Allowance for doubtful accounts	(36,286)	(45,208)	(8,922)
Inventories	343,978	313,494	(30,484)
Prepaid expenses and other current assets	375,661	512,479	136,818
Deferred income taxes	276,178	266,480	(9,698)
Total current assets	3,990,131	4,068,051	77,920
Property, plant and equipment:			
Telecommunications equipment	14,699,272	14,705,383	6,111
Telecommunications service lines	13,701,735	13,968,838	267,103
Buildings and structures	5,792,345	5,770,337	(22,008)
Machinery, vessels and tools	1,761,348	1,755,854	(5,494)
Land	1,078,118	1,111,734	33,616
Construction in progress	301,722	305,167	3,445
	37,334,540	37,617,313	282,773
Accumulated depreciation	(26,948,961)	(27,415,794)	(466,833)
Net property, plant and equipment	10,385,579	10,201,519	(184,060)
Investments and other assets:			
Investments in affiliated companies	416,140	622,735	206,595
Marketable securities and other investments	347,899	277,375	(70,524)
Goodwill	427,888	453,617	25,729
Other intangibles	1,384,311	1,406,991	22,680
Other assets	959,096	894,828	(64,268)
Deferred income taxes	607,735	871,272	263,537
Total investments and other assets	4,143,069	4,526,818	383,749
Total assets	¥18,518,779	¥18,796,388	¥277,609

	Millions of yen		
	March 31, 2008	March 31, 2009	Increase (Decrease)
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings	¥568,068	¥388,028	¥(180,040)
Current portion of long-term debt	659,598	603,041	(56,557)
Accounts payable, trade	1,492,450	1,302,607	(189,843)
Accrued payroll	466,689	454,575	(12,114)
Accrued interest	11,809	12,481	672
Accrued taxes on income	234,074	288,803	54,729
Accrued consumption tax	36,074	28,326	(7,748)
Advances received	98,261	114,934	16,673
Other	344,886	501,404	156,518
Total current liabilities	3,911,909	3,694,199	(217,710)
Long-term liabilities:			
Long-term debt	3,416,740	3,691,688	274,948
Obligations under capital leases	60,488	47,394	(13,094)
Liability for employees' retirement benefits	1,294,813	1,639,785	344,972
Other	560,070	577,692	17,622
Total long-term liabilities	5,332,111	5,956,559	624,448
Minority interests in consolidated subsidiaries	1,863,998	1,847,520	(16,478)
Shareholders' equity:			
Common stock, no par value -	937,950	937,950	-
Additional paid-in capital	2,841,079	2,841,037	(42)
Retained earnings	4,663,296	5,066,637	403,341
Accumulated other comprehensive income (loss)	(26,428)	(341,917)	(315,489)
Treasury stock, at cost	(1,005,136)	(1,205,597)	(200,461)
Total shareholders' equity	7,410,761	7,298,110	(112,651)
Total liabilities, minority interests and shareholders' equity	¥18,518,779	¥18,796,388	¥277,609

(2) CONSOLIDATED STATEMENTS OF INCOME

YEAR ENDED MARCH 31

	Millions of yen		
	2008	2009	Increase (Decrease)
Operating revenues:			
Fixed voice related services	¥2,831,138	¥2,581,041	¥(250,097)
Mobile voice related services	2,739,832	2,283,890	(455,942)
IP / packet communications services	2,567,440	2,897,976	330,536
Sale of telecommunication equipment	653,499	709,590	56,091
System integration	1,156,997	1,211,681	54,684
Other	731,985	732,127	142
	10,680,891	10,416,305	(264,586)
Operating expenses:			
Cost of services (exclusive of items shown separately below)	2,419,148	2,436,234	17,086
Cost of equipment sold (exclusive of items shown separately below)	1,262,789	936,142	(326,647)
Cost of system integration (exclusive of items shown separately below)	794,867	788,294	(6,573)
Depreciation and amortization	2,161,878	2,139,175	(22,703)
Impairment loss	5,032	4,340	(692)
Selling, general and administrative expenses	3,047,236	2,993,164	(54,072)
Write-down of goodwill and other intangible assets	2,888	9,204	6,316
Gain on transfer of the substitutional portion of the Employee Pension Fund	(317,556)	-	317,556
	9,376,282	9,306,553	(69,729)
Operating income	1,304,609	1,109,752	(194,857)
Other income (expenses):			
Interest and amortization of bond discounts and issue costs	(63,775)	(58,887)	4,888
Interest income	24,495	26,629	2,134
Other, net	56,962	27,669	(29,293)
	17,682	(4,589)	(22,271)
Income (loss) before income taxes, minority interests and equity in earnings (losses) of affiliated companies	1,322,291	1,105,163	(217,128)
Income tax expense (benefit):			
Current	377,065	472,300	95,235
Deferred	143,712	(102,217)	(245,929)
	520,777	370,083	(150,694)
Income (loss) before minority interests, equity in earnings (losses) of affiliated companies	801,514	735,080	(66,434)
Minority interests in consolidated subsidiaries	(197,384)	(194,485)	2,899
Equity in earnings (losses) of affiliated companies	31,026	(1,916)	(32,942)
Net income (loss)	¥635,156	¥538,679	¥(96,477)

	Shares or yen	
	2008	2009*
Per share of common stock:		
Weighted average number of shares outstanding	13,775,614	1,345,302,411
Net income (loss)	¥46,107.27	¥400.41

* Per share of common stock for the Year Ended March 31, 2009 reflects the stock split that took effect on January 4, 2009.

(3) CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEAR ENDED MARCH 31

	Millions of yen		
	2008	2009	Increase (Decrease)
Common stock:			
At beginning of year	¥937,950	¥937,950	¥-
At end of year	937,950	937,950	-
Additional paid-in capital:			
At beginning of year	2,844,103	2,841,079	(3,024)
Other	(3,024)	(42)	2,982
At end of year	2,841,079	2,841,037	(42)
Retained earnings:			
At beginning of year	4,145,608	4,663,296	517,688
Cash dividends	(117,468)	(135,338)	(17,870)
Net income (loss)	635,156	538,679	(96,477)
At end of year	4,663,296	5,066,637	403,341
Accumulated comprehensive income (loss):			
At beginning of year	102,529	(26,428)	(128,957)
Other comprehensive income (loss)	(128,957)	(315,489)	(186,532)
At end of year	(26,428)	(341,917)	(315,489)
Treasury stock, at cost:			
At beginning of year	(909,422)	(1,005,136)	(95,714)
Net change in treasury stock	(95,714)	(200,461)	(104,747)
At end of year	(1,005,136)	(1,205,597)	(200,461)
Shareholders' equity at end of year	7,410,761	7,298,110	(112,651)
Summary of total comprehensive income (loss)			
Net income (loss)	635,156	538,679	(96,477)
Other comprehensive income (loss)	(128,957)	(315,489)	(186,532)
Comprehensive income (loss)	¥506,199	¥223,190	¥(283,009)

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED MARCH 31

	Millions of yen		
	2008	2009	Increase (Decrease)
Cash flows from operating activities:			
Net income (loss)	¥635,156	¥538,679	¥(96,477)
Adjustments to reconcile net income (loss) to net cash provided by operating activities -			
Depreciation and amortization	2,161,878	2,139,175	(22,703)
Impairment loss	5,032	4,340	(692)
Deferred taxes	143,712	(102,217)	(245,929)
Minority interest in consolidated subsidiaries	197,384	194,485	(2,899)
Write-down of goodwill and other intangible assets	2,888	9,204	6,316
Loss on disposal of property, plant and equipment	140,511	120,893	(19,618)
Gain on transfer of the substitutional portion of the Employee Pension Fund	(317,556)	-	317,556
Equity in (earnings) losses of affiliated companies	(31,026)	1,916	32,942
(Increase) decrease in notes and accounts receivable, trade	289,627	(69,928)	(359,555)
(Increase) decrease in inventories	(34,582)	30,330	64,912
(Increase) decrease in other current assets	(23,310)	(53,711)	(30,401)
Increase (decrease) in accounts payable, trade and accrued payroll	(80,883)	(204,483)	(123,600)
Increase (decrease) in accrued consumption tax	(9,632)	(7,735)	1,897
Increase (decrease) in accrued interest	(2,732)	701	3,433
Increase (decrease) in advances received	50,875	16,764	(34,111)
Increase (decrease) in accrued taxes on income	125,494	55,247	(70,247)
Increase (decrease) in other current liabilities	(12,562)	(30,722)	(18,160)
Increase (decrease) in liability for employees' retirement benefits	(183,377)	(27,049)	156,328
Increase (decrease) in other long-term liabilities	51,957	63,490	11,533
Other	(18,062)	(165,279)	(147,217)
Net cash provided by operating activities	¥3,090,792	¥2,514,100	¥(576,692)

	Millions of yen		
	2008	2009	Increase (Decrease)
Cash flows from investing activities:			
Payments for property, plant and equipment	¥(1,259,719)	¥(1,411,979)	¥(152,260)
Proceeds from sale of property, plant and equipment	81,991	102,170	20,179
Payments for purchase of non-current investments	(199,780)	(393,454)	(193,674)
Proceeds from sale and redemption of non-current investments	124,183	50,693	(73,490)
Payments for purchase of short-term investments	(14,293)	(37,549)	(23,256)
Proceeds from redemption of short-term investments	5,586	37,467	31,881
Acquisition of intangibles and other assets	(728,610)	(617,006)	111,604
Net cash used in investing activities	(1,990,642)	(2,269,658)	(279,016)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	508,922	907,601	398,679
Payments for settlement of long-term debt	(878,267)	(659,634)	218,633
Proceeds from issuance of short-term debt	2,861,490	4,067,859	1,206,369
Payments for settlement of short-term debt	(2,709,385)	(4,248,234)	(1,538,849)
Dividends paid	(117,468)	(135,338)	(17,870)
Proceeds from sale of (payments for acquisition of) treasury stock, net	(95,650)	(200,503)	(104,853)
Acquisition of treasury stocks by subsidiary	(173,002)	(136,846)	36,156
Other	(123,024)	51,756	174,780
Net cash provided by (used in) financing activities	(726,384)	(353,339)	373,045
Effect of exchange rate changes on cash and cash equivalents	(455)	(7,892)	(7,437)
Net increase (decrease) in cash and cash equivalents	373,311	(116,789)	(490,100)
Cash and cash equivalents at beginning of year	796,255	1,169,566	373,311
Cash and cash equivalents at end of year	¥1,169,566	¥1,052,777	¥(116,789)
Cash paid during the year for:			
Interest	¥66,568	¥58,215	¥(8,353)
Income taxes, net	237,311	403,850	166,539
Noncash investing and financing activities:			
Capital lease obligations incurred during the year	7,694	31,019	23,325
Acquisition of stocks through share exchanges	¥19,864	¥-	¥(19,864)

(5) Going Concern Assumption

None

(6) Significant Matters Pertaining to the Preparation of Consolidated Financial Statements

The consolidated financial statements of NTT have been prepared in conformity with accounting principles generally accepted in the United States of America (Accounting Principles Board Opinions, Statements of Financial Accounting Standards, etc.)

<1> Application of New Accounting Standard

Fair Value Measurements

Effective April 1, 2008, NTT Group adopted Statement of Financial Accounting Standards No. 157 (“SFAS 157”), “Fair Value Measurements.” SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The definition of fair value retains the exchange price notion, and SFAS 157 clarifies that the exchange price is the price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. SFAS 157 emphasizes that fair value is a market-based measurement and not an entity-specific measurement. It also establishes a fair value hierarchy used in fair value measurements and demands expanded disclosures of assets and liabilities measured at fair value. The adoption of SFAS 157 did not have a material impact on the results of operations or financial position of NTT Group.

The Fair Value Measurement Option for Financial Assets and Financial Liabilities

Effective April 1, 2008, NTT Group adopted Statement of Financial Accounting Standards No. 159 (“SFAS 159”), “The Fair Value Measurement Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115.” SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair market value that are not currently required to be measured at fair market value. Subsequent changes in fair value for designated items will be required to be reported in earnings or losses in the current period. SFAS 159 also establishes disclosure requirements for similar types of assets and liabilities measured at fair value. NTT Group has not elected the fair value option upon adoption of SFAS 159 for the year ended March 31, 2009.

Disclosures about Derivative Instruments and Hedging Activities

Effective January 1, 2009, NTT Group adopted Statement of Financial Accounting Standards No. 161 (“SFAS 161”), “Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133.” SFAS 161 requires companies with derivative instruments to disclose information that should enable financial-statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133, and how derivative instruments and related hedged items affect a company’s financial position, financial performance, and cash flows. The adoption of SFAS 161 did not have any impact on the results of operations or financial position of NTT Group.

The Hierarchy of Generally Accepted Accounting Principles

Effective November 15, 2008, NTT Group adopted Statement of Financial Accounting Standards No. 162 (“SFAS 162”), “The Hierarchy of Generally Accepted Accounting Principles.” SFAS 162 makes the application of the hierarchy of generally accepted accounting principles explicitly and directly applicable to the preparers of financial statements, a step that recognizes the preparers’ responsibilities for selecting the accounting principles for their financial statements. The adoption of SFAS 162 did not have an impact on the results of operations or the financial position of NTT Group.

<2> Principal Accounting Policies, etc

Marketable Securities

SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities" applies.

Inventories

Inventories are stated at cost, not in excess of market value. The cost of telecommunications equipment to be sold is determined by the first-in first-out method.

Property, Plant and Equipment and Depreciation

Property, plant, and equipment are stated at cost. Depreciation is computed principally using the declining-balance method with the exception of buildings for which the straight-line method is used.

Goodwill and Other Intangible Assets

SFAS 142, "Goodwill and Other Intangible Assets" applies.

Liability for Employees' Retirement Benefits

SFAS 87, "Employers' Accounting for Pensions," and SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" apply.

Derivative Financial Instruments

SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," SFAS 149, and "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" apply.

Income Taxes

Income taxes are computed based on income (loss) before income taxes in the consolidated statements of income. According to the asset and liability approach, the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities and of operating loss carryforward are recognized as deferred tax assets or liabilities.

Change in Accounting Estimate

As 2G "mova" mobile phone service subscribers have been steadily migrating to 3G service, "FOMA", in mobile communications business, NTT Group has decided to terminate "mova" services on March 31, 2012 and to concentrate its management resources on "FOMA" services. As a result, effective October 1, 2008, NTT Group decreased the estimated useful lives of its long-term assets related to the "mova" services. The change resulted in a decrease of 60,072 million yen in operating income, 23,539 million yen in net income, and 17.50 yen in earnings per share for year ended March 31, 2009.

<3> Stock Split and Implementation of Unit Share System

With the implementation of the "Law for Partial Amendments to the Law Concerning Book-Entry Transfer of Corporate Bonds and Other Securities for the Purpose of Streamlining the Settlement of Trades of Stocks and Other Securities (Law No. 88 of 2004)" ("Settlement Streamlining Law"), on January 5, 2009, share certificates of listed companies were converted to electronic form.

The introduction of the electronic share certificate system required that fractional shares be eliminated. In order to provide for a smooth transition away from the fractional share system, the board of directors, at their meeting held May 13, 2008, resolved that, subject to approval of the introduction of the unit share system at the 23rd general shareholders meeting and the approval of the Minister of Internal Affairs and Communications, on the day immediately preceding the implementation date of the electronic share certificate system, one share of common stock be split into 100 shares, and the number of shares constituting one unit be set at 100. This resolution was approved at the 23rd general shareholders meeting and by the Minister of Internal Affairs and Communications on June 25, 2008.

The effective date of the stock split was determined when the implementation date of the Settlement Streamlining Law was set as January 5, 2009. Accordingly, on January 4, 2009, NTT effected the split of one share of its common stock into 100 shares, pursuant to the foregoing resolution. Figures previously reported as "per

share of common stock” in this release, which is earnings or income per share, net assets per share, and dividends per share as of the year ended March 31, 2008, are not retroactively changed to those calculated based on the number of shares after the above-mentioned stock split. Figures of March 31, 2009 are calculated based on the number of shares after it.

<4> Investment to Tata Teleservices Limited

On November 12, 2008, NTT DOCOMO entered into an agreement on a strategic alliance with Tata Sons Limited, the prime promoter for Tata companies, and Tata Teleservices Limited (TTSL). On March 25, 2009, NTT Group acquired approximately 26% of outstanding common shares of TTSL for ¥252,321 million pursuant to the agreement and accounted for the investment by applying the equity method.

<5> Subsequent Event

On March 27, 2009, the board of directors resolved that NTT may raise up to ¥230 billion by issuing bonds or incurring long-term borrowings during the period from April 1 to June 30, 2009. Based on this resolution, NTT issued bonds as follows:

Series 57 Nippon Telegraph and Telephone straight bonds	
Date of payment	April 30, 2009
Issue amount	¥60 billion
Issue price	¥100 per ¥100
Interest rate	1.00%
Date of maturity	April 30, 2013
Use of proceeds	Capital investments

(7) Business Segments (Consolidated)

1. Sales and operating revenue

(Millions of yen)

	Year ended March 31, 2008	Year ended March 31, 2009	Increase (Decrease)
Regional communications services			
Customers	3,591,767	3,499,092	(92,675)
Intersegment	617,962	565,680	(52,282)
Total	4,209,729	4,064,772	(144,957)
Long-distance communications and international services			
Customers	1,199,840	1,191,989	(7,851)
Intersegment	122,970	123,507	537
Total	1,322,810	1,315,496	(7,314)
Wireless services			
Customers	4,652,696	4,398,425	(254,271)
Intersegment	59,131	49,555	(9,576)
Total	4,711,827	4,447,980	(263,847)
Data communications services			
Customers	928,839	997,621	68,782
Intersegment	130,675	129,621	(1,054)
Total	1,059,514	1,127,242	67,728
Other			
Customers	340,549	329,178	(11,371)
Intersegment	844,531	836,012	(8,519)
Total	1,185,080	1,165,190	(19,890)
Other - Corporate adjustment (*)	(32,800)	-	32,800
Elimination of intersegment	(1,775,269)	(1,704,375)	70,894
Consolidated total	10,680,891	10,416,305	(264,586)

(*) Corporate adjustment to reverse and defer telephone card revenue for expected future usage.

2. Segment profit or loss

(Millions of yen)

	Year ended March 31, 2008	Year ended March 31, 2009	Increase (Decrease)
Operating income			
Regional communications services	285,631	70,454	(215,177)
Long-distance communications and international services	105,815	96,861	(8,954)
Wireless services	796,501	825,403	28,902
Data communications services	58,841	86,772	27,931
Other	78,900	15,178	(63,722)
Total	1,325,688	1,094,668	(231,020)
Other - Corporate adjustment (*)	(32,800)	-	32,800
Elimination of intersegment	11,721	15,084	3,363
Consolidated total	1,304,609	1,109,752	(194,857)

(*) Corporate adjustment to reverse and defer telephone card revenue for expected future usage.

3. Assets

(Millions of yen)

	March 31, 2008	March 31, 2009	Increase (Decrease)
Total Assets			
Regional communications services	7,843,239	7,748,563	(94,676)
Long-distance communications and international services	1,406,430	1,338,317	(68,113)
Wireless services	6,278,088	6,639,893	361,805
Data communications services	1,267,830	1,361,709	93,879
Other	10,146,404	9,925,600	(220,804)
Total	26,941,991	27,014,082	72,091
Elimination of intersegment	(8,423,212)	(8,217,694)	205,518
Consolidated total	18,518,779	18,796,388	277,609

4. Other significant items

(Millions of yen)

	Year ended March 31, 2008	Year ended March 31, 2009	Increase (Decrease)
Depreciation and amortization			
Regional communications services	967,243	909,352	(57,891)
Long-distance communications and international services	141,483	138,035	(3,448)
Wireless services	787,795	809,715	21,920
Data communications services	142,559	151,205	8,646
Other	114,165	123,549	9,384
Total	2,153,245	2,131,856	(21,389)
Elimination of intersegment	8,633	7,319	(1,314)
Consolidated total	2,161,878	2,139,175	(22,703)
Capital investments for segment assets (*)			
Regional communications services	856,894	879,313	22,419
Long-distance communications and international services	135,041	140,057	5,016
Wireless services	758,743	737,606	(21,137)
Data communications services	176,826	180,068	3,242
Other	201,357	208,020	6,663
Consolidated total	2,128,861	2,145,064	16,203

(*) The figures for capital investments are the accrual-based amounts required for acquisition of property, plant and equipment, and intangibles. The differences from the figures for "Payments for property, plant and equipment" and "Acquisition of intangible and other assets" in the consolidated statements of cash flows are as follows:

	Year ended March 31, 2008	Year ended March 31, 2009	Increase (Decrease)
Payments for property, plant and equipment	1,259,719 million yen	1,411,979 million yen	152,260 million yen
Acquisition of intangible and other assets	728,610 million yen	617,006 million yen	(111,604) million yen
Total	1,988,329 million yen	2,028,985 million yen	40,656 million yen
Difference from the total of capital investments	(140,532) million yen	(116,079) million yen	24,453 million yen

(8) Related Party Transactions (Consolidated)

Transactions with affiliated companies and related balances:

	(Millions of yen)	
	Year ended March 31, 2008	Year ended March 31, 2009
Operating revenues	12,489	14,929
Operating expenses	85,740	98,661

	(Millions of yen)	
	March 31, 2008	March 31, 2009
Receivables	7,634	9,478
Payables	27,612	76,987

(9) Income Taxes (Consolidated)

Significant components of deferred tax assets and liabilities:

	(Millions of yen)	
	March 31, 2008	March 31, 2009
Deferred tax assets:		
Liability for employees' retirement benefits	513,508	667,866
Property, plant and equipment and intangible assets principally due to differences in depreciation	325,994	414,788
Operating loss carryforwards	234,354	164,522
Foreign currency translation adjustments	-	12,550
Other	406,626	458,790
Total gross deferred tax assets	1,480,482	1,718,516
Less - Valuation allowance	(212,073)	(248,532)
Total deferred tax assets	1,268,409	1,469,984
Deferred tax liabilities:		
Changes in interests in subsidiaries as a result of issuance of their common stock etc.	(447,344)	(361,151)
Foreign currency translation adjustments	(798)	-
Other	(130,704)	(113,183)
Total gross deferred tax liabilities	(578,846)	(474,334)
Net deferred tax assets	689,563	995,650

(10) Securities (Consolidated)

1. Available-for-sale

(Millions of yen)

		March 31, 2008	March 31, 2009	Increase (Decrease)
Equity securities	Carrying amounts	198,725	152,611	(46,114)
	Gross unrealized gains	69,596	25,474	(44,122)
	Gross unrealized losses	23,781	11,279	(12,502)
	Fair value	244,540	166,806	(77,734)
Debt securities	Carrying amounts	3,299	4,124	825
	Gross unrealized gains	8	34	26
	Gross unrealized losses	193	413	220
	Fair value	3,114	3,745	631

2. Held-to-maturity

(Millions of yen)

		March 31, 2008	March 31, 2009	Increase (Decrease)
Debt securities	Carrying amounts	10,145	8,937	(1,208)
	Gross unrealized gains	176	158	(18)
	Gross unrealized losses	3	-	(3)
	Fair value	10,318	9,095	(1,223)

(11) Employees' Retirement Benefits (Consolidated)

Retirement Benefits and Contract-type Corporate Pension Plan

1. Benefit obligations (Millions of yen)

	March 31, 2008	March 31, 2009
Benefit obligation, end of year	(2,279,725)	(2,212,663)
Fair value of plan assets, end of year	1,268,711	1,036,591
Funded status	(1,011,014)	(1,176,072)

The amounts recorded in the consolidated balance sheets are as follows

(Millions of yen)

	March 31, 2008	March 31, 2009
Liability for employees' retirement benefits	(1,011,360)	(1,176,090)
Other assets	346	18
Accumulated other comprehensive loss (income)	96,506	373,201
Net amount recognized	(914,508)	(802,871)

The amounts recorded as accumulated other comprehensive income are as follows

(Millions of yen)

	March 31, 2008	March 31, 2009
Net actuarial loss	209,356	458,676
Transition obligation	1,332	1,194
Prior service cost	(114,182)	(86,669)
Total	96,506	373,201

2. Cost for employees' retirement benefits (Millions of yen)

	Year ended March 31, 2008	Year ended March 31, 2009
Service cost	79,702	75,275
Interest cost on projected benefit obligation	50,037	49,598
Expected return on plan assets	(34,782)	(31,398)
Net amortization and deferral	(28,967)	(24,511)
Net periodic benefit cost	65,990	68,964
Curtailement loss	2,160	-
Total	68,150	68,964

3. Assumptions in determination of benefit obligations and costs

		Year ended March 31, 2008	Year ended March 31, 2009
Discount rate	Project benefit obligation	2.3%	2.2%
	Net pension cost	2.2%	2.3%
Long-term rate of salary increases		1.9-3.2%	1.9-3.2%
Long-term rate of return on plan assets		2.5%	2.5%

The NTT Kigyō-Nenkin-Kikin (Employee Pension Fund)

1. Benefit obligations (Millions of yen)

	March 31, 2008	March 31, 2009
Benefit obligation, end of year	(1,241,986)	(1,294,309)
Fair value of plan assets, end of year	958,533	830,614
Funded status	(283,453)	(463,695)

The amounts recorded in the consolidated balance sheets are as follows

(Millions of yen)

	March 31, 2008	March 31, 2009
Liability for employees' retirement benefits	(283,453)	(463,695)
Accumulated other comprehensive loss (income)	55,397	203,104
Net amount recognized	(228,056)	(260,591)

The amounts recorded as accumulated other comprehensive loss are as follows

(Millions of yen)

	March 31, 2008	March 31, 2009
Net actuarial loss	77,918	221,094
Prior service cost	(22,521)	(17,990)
Total	55,397	203,104

2. Cost for employees' retirement benefits (Millions of yen)

	Year ended March 31, 2008	Year ended March 31, 2009
Service cost	39,040	37,043
Interest cost on projected benefit obligation	43,273	28,419
Expected return on plan assets	(32,506)	(23,994)
Net amortization and deferral	2,042	3,591
Employee contributions	(4,042)	(3,712)
Total cost for employees' retirement benefits	47,807	41,347
Gain on transfer of the substitutional portion of the Employee Pension Fund	(317,556)	-
Total	(269,749)	41,347

3. Assumptions in determination of benefit obligations and costs

		Year ended March 31, 2008	Year ended March 31, 2009
Discount rate	Project benefit obligation	2.3%	2.2%
	Net pension cost	2.2%	2.3%
Long-term rate of salary increases		3.4%	3.4%
Long-term rate of return on plan assets		2.5%	2.5%

(12) Other (Consolidated)

In accordance with the provisions of Additional Rule No.54, etc. of the Law to Partially Amend the Japanese Welfare Pension Insurance Law (Law No. 82, 1996), NTT Group pays contributions every year, based on notification from the Social Insurance Agency, to cover the cost based on the Former Public Corporation Mutual Aid Association Law, which covers pension benefits for the period of services in and prior to June 1956 of employees who retired in July 1956 or later from working at NTT, the Nippon Telegraph and Telephone Public Corporation, and/or their predecessor government organizations (Ministry of Communications [in the area of telecommunications] and the Ministry of Telecommunications). The total amount of such contribution for the year ended March 31, 2009 is ¥58,839 million.

Since the contribution is in the nature of a contribution under a public pension plan, the amount paid is, like insurance premiums (welfare pension insurance premiums) under other public pension plans, recorded as the costs incurred in each year.

(Note) Notes to Leases, Asset retirement obligations, Financial instruments and Derivative financial instruments are omitted because materiality for disclosure is not so significant in this report.

5. NON-CONSOLIDATED FINANCIAL STATEMENTS

(1) NON-CONSOLIDATED BALANCE SHEETS

(Based on accounting principles generally accepted in Japan)

	Millions of yen		
	March 31, 2008	March 31, 2009	Increase (Decrease)
ASSETS			
Current assets:			
Cash and bank deposits	22,459	7,695	(14,764)
Accounts receivable, trade	1,265	1,018	(247)
Supplies	306	317	10
Advance payment	741	828	87
Deferred income taxes	1,408	1,434	26
Short-term loans receivable	471,950	415,777	(56,173)
Accounts receivable, other	76,790	70,262	(6,527)
Subsidiary deposits	27,000	57,000	30,000
Other current assets	8,798	7,793	(1,004)
Total current assets	610,720	562,127	(48,593)
Fixed assets:			
Property, plant and equipment			
Buildings	136,607	131,904	(4,702)
Structures	5,496	4,977	(519)
Machinery, equipment and vehicles	389	384	(4)
Tools, furniture and fixtures	24,068	22,071	(1,997)
Land	29,674	29,674	—
Lease assets	529	478	(50)
Construction in progress	852	389	(463)
Total property, plant and equipment	197,618	189,880	(7,737)
Intangible fixed assets	50,391	55,870	5,479
Investments and other assets			
Investment securities	32,378	23,766	(8,612)
Investments in subsidiaries and affiliated companies	4,779,008	4,794,244	15,236
Other securities of subsidiaries and affiliated companies	—	3,872	3,872
Contributions in affiliated companies	—	2	2
Long-term loans receivable to subsidiaries	1,937,023	1,815,759	(121,264)
Deferred income taxes	25,169	23,078	(2,091)
Subsidiary long-term deposits	35,000	35,000	—
Other investments and assets	1,812	1,420	(391)
Total investments and other assets	6,810,391	6,697,144	(113,247)
Total fixed assets	7,058,400	6,942,895	(115,505)
TOTAL ASSETS	7,669,121	7,505,022	(164,098)

	Millions of yen		
	March 31, 2008	March 31, 2009	Increase (Decrease)
LIABILITIES			
Current liabilities:			
Accounts payable, trade	584	189	(394)
Current portion of corporate bonds	170,000	200,000	30,000
Current portion of long-term borrowings	187,381	186,264	(1,117)
Current portion of long-term loans payable-subsiary	50,000	—	(50,000)
Lease obligations	83	87	3
Accounts payable, other	66,230	50,010	(16,220)
Accrued expenses	9,236	9,193	(42)
Accrued taxes on income	210	146	(63)
Advance received	918	1,066	147
Deposit received	241	3	(237)
Deposit received from subsidiaries	39,796	91,500	51,704
Unearned revenue	1	1	0
Other current liabilities	1,175	641	(534)
Total current liabilities	525,858	539,104	13,245
Long-term liabilities:			
Corporate bonds	1,340,791	1,340,906	114
Long-term borrowings	760,638	728,874	(31,764)
Lease obligations	847	782	(65)
Liability for employees' retirement benefits	24,670	26,333	1,662
Other long-term liabilities	1,008	677	(331)
Total long-term liabilities	2,127,956	2,097,573	(30,383)
TOTAL LIABILITIES	2,653,815	2,636,678	(17,137)
NET ASSETS			
Shareholders' equity			
Common stock	937,950	937,950	—
Capital surplus			
Additional paid-in capital	2,672,826	2,672,826	—
Other capital surplus	1,058	1,017	(41)
Total capital surplus	2,673,884	2,673,843	(41)
Earned surplus			
Legal reserve	135,333	135,333	—
Other earned surplus	2,263,503	2,324,147	60,644
Other reserve	1,131,000	1,131,000	—
Accumulated earned surplus	1,132,503	1,193,147	60,644
Total earned surplus	2,398,836	2,459,481	60,644
Treasury stock	(1,005,136)	(1,205,597)	(200,460)
Total shareholders' equity	5,005,535	4,865,677	(139,857)
Unrealized gains (losses), translation adjustments, and others			
Net unrealized gains (losses) on securities	9,771	2,667	(7,103)
Total unrealized gains (losses), translation adjustments, and others	9,771	2,667	(7,103)
TOTAL NET ASSETS	5,015,306	4,868,344	(146,961)
TOTAL LIABILITIES AND NET ASSETS	7,669,121	7,505,022	(164,098)

(2) NON-CONSOLIDATED STATEMENTS OF INCOME**YEAR ENDED MARCH 31**

(Based on accounting principles generally accepted in Japan)

	Millions of yen		
	2008	2009	Increase (Decrease)
Operating revenues			
Dividends received	213,202	199,050	(14,152)
Revenues from group management	19,077	18,600	(477)
Revenues from basic R&D	126,883	126,999	115
Other services	16,630	19,109	2,478
Total operating revenues	375,794	363,759	(12,034)
Operating expenses			
Administration	20,713	25,010	4,296
Experiment and research	99,011	97,720	(1,291)
Depreciation and amortization	40,371	42,640	2,268
Retirement of fixed assets	2,857	2,002	(854)
Miscellaneous taxes	2,873	3,051	178
Total operating expenses	165,827	170,425	4,597
Operating income	209,966	193,334	(16,632)
Non-operating revenues:			
Interest income	42,312	36,343	(5,969)
Lease and rental income	11,515	11,405	(110)
Miscellaneous income	4,755	2,179	(2,576)
Total non-operating revenues	58,583	49,928	(8,655)
Non-operating expenses:			
Interest expenses	14,531	13,700	(830)
Corporate bond interest expenses	28,617	24,579	(4,038)
Lease and rental expenses	5,834	5,473	(361)
Miscellaneous expenses	1,856	3,070	1,214
Total non-operating expenses	50,840	46,824	(4,015)
Recurring profit	217,710	196,438	(21,272)
Special profits			
Gain on transfer of the substitutional portion of the Employee Pension Fund	6,685	—	(6,685)
Total special profits	6,685	—	(6,685)
Special losses			
Write-off of investments in affiliated companies	—	4,741	4,741
Loss on disposal of property, plant and equipment	7,823	—	(7,823)
Loss on sales of fixed assets	5,386	—	(5,386)
Impact of applying lease accounting standards	407	—	(407)
Total special losses	13,618	4,741	(8,876)
Income before income taxes	210,777	191,697	(19,080)
Corporation, inhabitant, and enterprise taxes	(6,089)	(7,861)	(1,772)
Deferred tax expenses (benefits)	21,032	3,574	(17,458)
Total income taxes	14,943	(4,286)	(19,230)
Net income	195,833	195,983	150

(3) NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND OTHER NET ASSETS**YEAR ENDED MARCH 31**

(Based on accounting principles generally accepted in Japan)

	Millions of yen		
	2008	2009	Increase (Decrease)
Shareholders' equity			
Common stock			
At the previous year end	937,950	937,950	—
Net change during the annual period			
Total net change during the annual period	—	—	—
At the year end	937,950	937,950	—
Capital surplus			
Additional paid-in capital			
At the previous year end	2,672,826	2,672,826	—
Net change during the annual period			
Total net change during the annual period	—	—	—
At the year end	2,672,826	2,672,826	—
Other capital surplus			
At the previous year end	994	1,058	64
Net change during the annual period			
Resale of treasury stock	64	(41)	(106)
Total net change during the annual period	64	(41)	(106)
At the year end	1,058	1,017	(41)
Total capital surplus			
At the previous year end	2,673,820	2,673,884	64
Net change during the annual period			
Resale of treasury stock	64	(41)	(106)
Total net change during the annual period	64	(41)	(106)
At the year end	2,673,884	2,673,843	(41)
Earned surplus			
Legal reserve			
At the previous year end	135,333	135,333	—
Net change during the annual period			
Total net change during the annual period	—	—	—
At the year end	135,333	135,333	—
Other earned surplus			
Reserve for special depreciation			
At the previous year end	11	—	(11)
Net change during the annual period			
Return of reserve for special depreciation to retained earnings	(11)	—	11
Total net change during the annual period	(11)	—	11
At the year end	—	—	—
Other reserve			
At the previous year end	1,131,000	1,131,000	—
Net change during the annual period			
Total net change during the annual period	—	—	—
At the year end	1,131,000	1,131,000	—

	Millions of yen		
	2008	2009	Increase (Decrease)
Accumulated earned surplus			
At the previous year end	1,054,125	1,132,503	78,377
Net change during the annual period			
Return of reserve for special depreciation to retained earnings	11	—	(11)
Cash dividends	(117,467)	(135,338)	(17,871)
Net income	195,833	195,983	150
Total net change during the annual period	78,377	60,644	(17,732)
At the year end	1,132,503	1,193,147	60,644
Total earned surplus			
At the previous year end	2,320,470	2,398,836	78,365
Net change during the annual period			
Cash dividends	(117,467)	(135,338)	(17,871)
Net income	195,833	195,983	150
Total net change during the annual period	78,365	60,644	(17,721)
At the year end	2,398,836	2,459,481	60,644
Treasury stock			
At the previous year end	(909,422)	(1,005,136)	(95,714)
Net change during the annual period			
Payments to acquire treasury stock	(96,303)	(201,439)	(105,135)
Resale of treasury stock	589	979	389
Total net change during the annual period	(95,714)	(200,460)	(104,746)
At the year end	(1,005,136)	(1,205,597)	(200,460)
Total shareholders' equity			
At the previous year end	5,022,819	5,005,535	(17,284)
Net change during the annual period			
Cash dividends	(117,467)	(135,338)	(17,871)
Net income	195,833	195,983	150
Payments to acquire treasury stock	(96,303)	(201,439)	(105,135)
Resale of treasury stock	653	937	283
Total net change during the annual period	(17,284)	(139,857)	(122,573)
At the year end	5,005,535	4,865,677	(139,857)

	Millions of yen		
	2008	2009	Increase (Decrease)
Unrealized gains (losses), translation adjustments, and others			
Net unrealized gains (losses) on securities			
At the previous year end	12,816	9,771	(3,045)
Net change during the annual period			
Others, net	(3,045)	(7,103)	(4,058)
Total net change during the annual period	(3,045)	(7,103)	(4,058)
At the year end	9,771	2,667	(7,103)
Total unrealized gains (losses), translation adjustments, and others			
At the previous year end	12,816	9,771	(3,045)
Net change during the annual period			
Others, net	(3,045)	(7,103)	(4,058)
Total net change during the annual period	(3,045)	(7,103)	(4,058)
At the year end	9,771	2,667	(7,103)
Total net assets			
At the previous year end	5,035,635	5,015,306	(20,329)
Net change during the annual period			
Cash dividends	(117,467)	(135,338)	(17,871)
Net income	195,833	195,983	150
Payments to acquire treasury stock	(96,303)	(201,439)	(105,135)
Resale of treasury stock	653	937	283
Others, net	(3,045)	(7,103)	(4,058)
Total net change during the annual period	(20,329)	(146,961)	(126,632)
At the year end	5,015,306	4,868,344	(146,961)

(4) NON-CONSOLIDATED STATEMENTS OF CASH FLOWS**YEAR ENDED MARCH 31**

(Based on accounting principles generally accepted in Japan)

	Millions of yen		
	2008	2009	Increase (Decrease)
Cash flows from operating activities:			
Income before income taxes	210,777	191,697	(19,080)
Depreciation and amortization	43,492	45,501	2,009
Loss on disposal of property, plant and equipment	8,977	758	(8,219)
Loss on sales of fixed assets	5,386	—	(5,386)
Impact of applying lease accounting standards	407	—	(407)
Dividends received	(213,202)	(199,050)	14,152
Write-off of investments in affiliated companies	—	4,741	4,741
Gain on the transfer of substitutional portion of the Employee Pension Fund	(6,685)	—	6,685
Increase (decrease) in liability for employees' retirement benefits	947	1,662	715
(Increase) decrease in accounts receivable	38,980	3,906	(35,073)
Increase (decrease) in accounts payable and accrued expenses	(29,707)	(12,745)	16,961
Increase (decrease) in accrued consumption tax	982	(149)	(1,132)
Increase (decrease) in deposit received from subsidiaries	(56,001)	51,704	107,705
Other	(2,035)	2,804	4,839
Sub-total	2,319	90,829	88,510
Interest and dividends received	257,595	236,020	(21,574)
Interest paid	(45,517)	(38,203)	7,313
Income taxes received (paid)	1,139	10,527	9,387
Net cash provided by (used in) operating activities	215,536	299,174	83,637
Cash flows from investing activities:			
Payments for property, plant and equipment	(54,400)	(48,371)	6,028
Proceeds from sale of property, plant and equipment	2,015	395	(1,620)
Payments for purchase of investment securities	(7,716)	(24,488)	(16,772)
Proceeds from sale of investment securities	411	43	(368)
Payments for long-term loans	(314,000)	(265,000)	49,000
Proceeds from long-term loans receivable	585,972	444,068	(141,904)
(Increase) decrease in long-term deposits of affiliated companies	(35,000)	—	35,000
Other	(421)	(107)	314
Net cash provided by (used in) investing activities	176,861	106,538	(70,323)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	313,897	354,476	40,579
Payments for settlement of long-term debt	(590,106)	(407,381)	182,725
Payments for settlement of lease obligations	(106)	(99)	6
Dividends paid	(117,467)	(135,338)	(17,871)
Proceeds from sale of (payments for acquisition of) treasury stock, net	(95,649)	(200,502)	(104,852)
Net cash provided by (used in) financing activities	(489,433)	(388,846)	100,587
Net increase (decrease) in cash and cash equivalents	(97,035)	16,866	113,901
Cash and cash equivalents at beginning of year	174,377	77,341	(97,035)
Cash and cash equivalents at end of year	77,341	94,208	16,866

(5) Going Concern Assumption

None

(6) Significant Matters Pertaining to the Preparation of Non-Consolidated Financial Statements

<1> Valuation of certain assets

a) Securities

Investments in subsidiaries and affiliated companies

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

Other securities

- **Marketable securities**

The securities whose fair value are readily determinable are stated at fair value as of balance sheet date with unrealized gains and losses directly reported as a separate component of net assets. The cost of securities sold is determined by the moving average method.

- **Non-marketable securities**

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

b) Inventories

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

(Change in Accounting Policy)

From the current fiscal year, the Company applies the Accounting Standards Board of Japan Statements No.9 "Accounting Standard for Measurement of Inventories" July 5, 2006. Application of this change has no effect on the statements of income for the current fiscal year.

<2> Depreciation and amortization of fixed assets

a) Property, plant, and equipment (except lease assets) and intangible assets (except lease assets)

Property, plant, and equipment (except lease assets) are depreciated by using the declining-balance method with the exception of buildings for which the straight-line method is used. Intangible assets (except lease assets) are amortized on a straight-line basis. The useful lives are calculated on the estimated cycle of the assets and the residual values are calculated based on real residual values.

Internal-use software is amortized on a straight-line basis over their estimated useful lives within five years.

b) Leases 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 on a straight-line basis. The useful lives of the assets are the term of leases and the residual values of the assets are determined substantially. In a case where the residual value of a leased asset other than a building equals zero, depreciation of such asset is computed by multiplying ten-ninths to 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. Intangible assets are amortized over the term of leases on a straight-line basis.

<3> Allowances

a) Allowance for doubtful accounts

To cover expected losses from bad debts, estimated amounts to be uncollectible are accrued, for general claims, computing on historical bad-debt ratios, and for specific claims including doubtful accounts, considering their own recoverability.

No allowance is accrued as of this year-end.

b) Liability for employees' retirement benefits

To provide for employees' pension benefits, benefit obligations and plan assets are estimated and accrued as of this year-end.

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

Actuarial net gain or loss is amortized on a straight-line basis over the average remaining services periods at the time of recognition.

<4> Hedging Activities

a) Accounting for Hedging Activities

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

b) Hedging Instruments and Hedged Items

Hedging Instruments

Hedging instruments include forward exchange contracts, currency swaps, coupon swaps (i.e. currency swap of interest portion only), interest-rate swaps, interest-rate options, and combinations of the above.

Hedged Items

Hedged items are assets (securities, loans, receivables, etc.) and liabilities (corporate bonds, borrowings, payables, etc.) exposed to variability of fair value or future cash flows derived from fluctuations of the exchange rate, interest rate, etc.

c) Hedging Policy

To hedge the foreign exchange risks regarding assets and liabilities exposed to foreign exchange risks, forward exchange contracts, currency swaps and other instruments are employed in compliance with internal rules.

To hedge the interest-rate risks regarding assets and liabilities exposed to interest-rate risks, interest-rate swaps and other instruments are employed in compliance with internal rules.

d) Assessment of Hedge Effectiveness

At the end of each quarter, hedge effectiveness is assessed on each hedging transaction. This quarterly assessment excludes any transaction where important terms and conditions such as principal, interest-rate and duration are identical between hedging instruments and hedged items.

<5> Consumption Taxes

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

(7) Notes to Non-Consolidated Balance Sheets

Accumulated depreciation on property, plant and equipment:

March 31, 2008:	240,963 million yen
March 31, 2009:	255,251 million yen

In compliance with the provisions of Article 9 of the Law Concerning Nippon Telegraph and Telephone Corporation, Etc., the total assets of NTT have been pledged as general collateral for corporate bonds issued. In accordance with the provisions of Article 9 of the Supplementary Provisions to the Law Concerning Partial Revision to the Nippon Telegraph and Telephone Corporation Law (law No. 98 of 1997), NTT is jointly responsible with Nippon Telegraph and Telephone East Corporation, Nippon Telegraph and Telephone West Corporation, and NTT Communications Corporation for corporate bonds issued prior to June 30, 1999, and the total assets of the four companies above have been pledged as general collateral for the said bonds.

(8) Note to Non-Consolidated Statements of Income

Research & Development expenses included in operating expenses:

Year ended March 31, 2008:	134,802 million yen
Year ended March 31, 2009:	132,144 million yen

(9) Notes to Non-Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets

Matters Pertaining to Treasury stock

Type of stock	Common stock
Number of shares on March 31, 2008	210,247,082 shares
Increase in number of shares during this annual period (Purchase from stock market)	40,517,500 shares
Increase in number of shares during this annual period (Purchase of shares less than one unit by shareholders requirement)	283,245 shares
Decrease in number of shares during this annual period (Resale of shares less than one unit by shareholders requirement)	203,660 shares
Number of shares on March 31, 2009	250,844,167 shares

(Additional information)

On January 4, 2009, NTT effected the split of one share of its common stock into 100 shares. The number of treasury stock above is retrospectively adjusted to reflect the stock split made as of the beginning of the previous fiscal year.

(10) Securities (Non-Consolidated)

March 31, 2008

Marketable investments in subsidiaries and affiliated companies	<u>Amount included in the balance sheet</u>	<u>Fair value</u>	<u>Difference</u>
Investments in subsidiaries	41,129 million yen	5,153,078 million yen	5,111,948 million yen
Investments in subsidiaries and affiliated companies	9,804 million yen	16,202 million yen	6,397 million yen
Total	50,934 million yen	5,169,281 million yen	5,118,346 million yen

March 31, 2009

Marketable investments in subsidiaries and affiliated companies	<u>Amounts included in the balance sheet</u>	<u>Fair value</u>	<u>Difference</u>
Investments in subsidiaries	41,129 million yen	4,276,139 million yen	4,235,009 million yen
Investments in subsidiaries and affiliated companies	5,289 million yen	5,289 million yen	- million yen
Total	46,419 million yen	4,281,429 million yen	4,235,009 million yen

(11) Income Taxes (Non-Consolidated)

Breakdown of deferred tax assets and liabilities:

March 31, 2008

	(Millions of yen)
Deferred tax assets:	
Fixed assets	23,439
Securities	12,395
Liability for employees' retirement benefits	10,027
Other	5,178
Total gross deferred tax assets	51,041
Less - Valuation allowance	(22,050)
Total deferred tax assets	28,991
Deferred tax liabilities:	
Net unrealized gains/losses on securities	(2,182)
Other	(231)
Total gross deferred tax liabilities	(2,413)
Net deferred tax assets	26,577

March 31, 2009

(Millions of yen)

Deferred tax assets:	
Fixed assets	18,524
Securities	10,471
Liability for employees' retirement benefits	10,701
Other	8,454
Total gross deferred tax assets	48,151
Less - Valuation allowance	(22,689)
Total deferred tax assets	25,461
Deferred tax liabilities:	
Net unrealized gains/losses on securities	(672)
Other	(276)
Total gross deferred tax liabilities	(948)
Net deferred tax assets	24,512

6. Other

CHANGES IN BOARD OF DIRECTORS

(1) Candidates for Directors

Hikomichi Shinohara (Director, Information Sharing Laboratory Group of Nippon Telegraph and Telephone Corporation)

Tetsuya Shouji (Senior Vice President, Nippon Telegraph and Telephone West Corporation)

(2) Directors scheduled to resign from office

Kiyoshi Kosaka (Senior Vice President; scheduled to become President, NTT Business Associe Corporation)

Takashi Hanazawa (Senior Vice President; scheduled to become Senior Executive Vice President, NTT Advanced Technology Corporation)

(3) Candidates scheduled to take office as Executive Vice President

Yasuyoshi Katayama (Senior Vice President)

(4) New executive positions and organizational responsibilities

(New Positions and Organizational Responsibilities)	(Name)	(Current Positions and Organizational Responsibilities)
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Executive Vice President,
Director of Technology Planning Department,
Director of Next Generation Network Office,
Technology Planning Department

Yasuyoshi Katayama

Senior Vice President,
Director of Technology Planning Department,
Director of Next Generation Network Office,
Technology Planning Department

Senior Vice President,
Director of Research and Development
Planning Department

Hikomichi Shinohara

Senior Vice President,
Director of General Affairs Department,
Director of Internal Control Office,
General Affairs Department

Tetsuya Shouji

(Notes) Directors scheduled to resign from office are scheduled to relinquish their seats as Senior Vice Presidents at the close of the 24th Ordinary General Meeting of Shareholders (scheduled to be held on June 24, 2009).

NTT's Shares and Shareholders (as of March 31, 2009)**1. Classification of Shareholders**

Details	NTT's Shares and Shareholders (1 unit =100 shares)								Shares Representing Less Than One Unit
	Government and Public Bodies	Financial Institutions	Securities Firms	Other Domestic Corporations	Foreign Corporations, etc.		Domestic Individuals, etc.	Total	
					Non-Individuals	Individuals			
Total Holders	4	339	95	8,784	1,273	971	1,021,546	1,033,012	--
Total Shares (Units)	5,305,907	2,275,951	71,631	179,740	2,964,417	6,018	4,917,167	15,720,831	2,037,800
%	33.75	14.48	0.46	1.14	18.86	0.04	31.28	100.00	--

- Notes:
- "Domestic Individuals, etc." includes 2,508,444 units of treasury stock, and "Shares Representing Less Than One Unit" includes 67 shares of treasury stock. 250,844,467 shares of treasury stock (2,508,444 units) represents the number of shares of treasury stock recorded in the shareholders' register; the actual number of treasury stock shares at the end of March 31, 2009 was 250,844,167.
 - "Other Domestic Corporations" includes 185 units under the name of the Japan Securities Depository Center, and "Shares Representing Less Than One Unit" includes 72 shares under the name of the Japan Securities Depository Center.
 - The number of shareholders who own only shares representing less than one unit is 241,884.

2. Classification by Number of Shares

Details	NTT's Shares and Shareholders (1 unit =100 shares)								Shares Representing Less Than One Unit
	At Least 1,000 Units	At Least 500 Units	At Least 100 Units	At Least 50 Units	At Least 10 Units	At Least 5 Units	At Least 1 Units	Total	
Number of Holders	408	187	976	1,162	26,953	64,314	939,012	1,033,012	--
%	0.04	0.02	0.09	0.11	2.61	6.23	90.90	100.00	--
Total Shares (Units)	13,065,679	131,269	201,047	75,952	412,153	390,062	1,444,669	15,720,831	2,037,800
%	83.11	0.84	1.28	0.48	2.62	2.48	9.19	100.00	--

- Notes:
- "At Least 1,000 Units" includes 2,508,444 units of treasury stock, and "Shares Representing Less Than One Unit" includes 67 shares of treasury stock.
 - "At Least 1,000 Units" includes 185 units under the name of the Japan Securities Depository Center, and "Shares Representing Less Than One Unit" includes 72 shares under the name of the Japan Securities Depository Center.

3. Principal Shareholders

Name	Share Holdings (in thousands of shares)	Percent of Total Shares Issued (%)
The Minister of Finance	530,572	33.71
Japan Trustee Services Bank, Ltd. (Trust Account)	58,315	3.70
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	53,453	3.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	41,142	2.61
Moxley and Company	36,761	2.34
NTT Employee Share-Holding Association	12,559	0.80
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	11,398	0.72
State Street Bank and Trust Company	9,702	0.62
State Street Bank and Trust Company 505225	9,653	0.61
Mellon Bank, N.A. As Agent For Its Client Mellon Omnibus US Pension	9,505	0.60
Total	773,064	49.11

Note: The Company's holdings of treasury stock (250,844,167 shares) are not included in the above table.