

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 20-F/A  
(Amendment No. 1)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g)  
OF THE SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended March 31, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report: N/A  
Commission file number 1-8910

**NIPPON DENSHIN DENWA KABUSHIKI KAISHA**  
(Exact Name of Registrant as Specified in its Charter)

**NIPPON TELEGRAPH AND TELEPHONE CORPORATION**  
(Translation of Registrant's Name into English)

JAPAN

(Jurisdiction of incorporation or organization)

3-1, OTEMACHI 2-CHOME, CHIYODA-KU, TOKYO 100-8116, JAPAN  
(Address of Principal Executive Offices)

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(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common stock ("Shares")	New York Stock Exchange*
American Depositary Shares ("ADSs"), each of which represents 1/2 of a Share	New York Stock Exchange

\* Not for trading but only in connection with the registration of ADSs pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.  
Common stock 1,323,135,067 shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

## EXPLANATORY NOTE

This Amendment No. 1 on Form 20-F/A (this “Amendment”) amends Nippon Telegraph and Telephone Corporation’s (the “Company”) Annual Report on Form 20-F for the fiscal year ended March 31, 2011, originally filed with the U.S. Securities and Exchange Commission (“SEC”) on June 30, 2011 (the “Original Filing”). The Company is filing this Amendment solely to (i) correct a clerical error in the table of Contractual Obligations on page 88 of the Original Filing and (ii) amend the Original Filing to provide Interactive Data File disclosure as Exhibit 101 to this Amendment in accordance with Rule 405 of Regulation S-T. The Interactive Data File disclosure attached as Exhibit 101 to this Amendment is the first Interactive Data File meeting the detailed tagging requirements under Rule 405 of Regulation S-T.

We are also including updated certifications required by the filing of this Amendment. No other changes have been made to the Original Filing. The Original Filing, as amended by this Amendment, speaks as of the original filing date of the Original Filing, and does not reflect events that may have occurred subsequent to the original filing date of the Original Filing.

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## PART I

### ITEM 5—OPERATING AND FINANCIAL REVIEW AND PROSPECTS

#### Overview of Business Results

During the fiscal year ended March 31, 2011, NTT Group worked to expand broadband and ubiquitous services pursuant to its Medium-Term Management Strategy, adopted in May 2008, entitled “Road to Service Creation Business Group.”

#### *Broadband Services*

In the fixed-line communications field, NTT Group worked to expand FLET’S Hikari service areas through alliances with local governments, and also took measures to expand FLET’S Hikari services and improve its customer support services. For example, NTT Group released the “Hikari i-frame,” a tablet device that can be carried freely around the house and easily operated, even by users not accustomed to PCs, by a touch panel, enabling access to content such as recipes and electronic flyers distributed by “FLET’S Market.” These activities were aimed at expanding the use and range of FLET’S Hikari use scenarios. NTT Group also made efforts to expand its service lineup by, among other things, launching “FLET’S Hikari Next Express Type,” a service with a maximum download speed of approximately 1 Gbps.

In the mobile communications field, NTT Group worked to increase the sales of smartphones, which are rapidly gaining popularity, while expanding their lineup and making efforts to enhance user convenience by launching “sp-mode,” a service for smartphones that enables customers to carry the same i-mode e-mail address and to use a payment function for online content. NTT Group also launched “Xi” (pronounced “crossy”), a service based on the new communication standard, LTE, with high-speed, large-capacity and low latency features, in certain sections of the Tokyo, Nagoya, and Osaka regions.

NTT Group worked to improve user convenience for broadband services so that users would not have to be conscious of the fixed line and wireless distinction by launching a mobile Wi-Fi router that automatically connects wireless LAN-compatible terminals such as notebook PCs, tablet devices, and portable game devices to optical broadband service inside the home and to public wireless LANs or mobile 3G networks outside the home.

#### *Upper Layer Services—Solutions Businesses*

Group-wide efforts, including collaboration with other companies, were directed towards the creation and improvement of services that use broadband networks. For “Hikari TV,” NTT Group provided 3D content and launched “Hikari TV Shopping,” an interactive service that takes advantage of the characteristics of IP networks. NTT Group also took steps to expand e-learning services, such as launching the “Virtual English School,” a service that allows users to take English conversation lessons in an online classroom from home.

With respect to cloud computing services, the future centerpiece for solutions provided to corporate customers, NTT Group expanded its service menus for services such as “BizXaaS” and “BizCity,” and promoted the building and provision of customer systems using these services and otherwise endeavored to provide high value-added solutions tailored to the industries and categories of its customers.

#### *Global Businesses*

By acquiring Dimension Data, which has offices in 49 countries around the world, and Keane International, which has offices in 11 countries centered on North America, NTT Group has constructed a framework which enables it to provide global one-stop ICT services in Australia, South America, the Middle East and Africa, in addition to Asia, Europe and the United States.

NTT Group worked to reinforce its service platforms by expanding its overseas data centers and networks, and by establishing overseas offices to strengthen sales to Japanese businesses operating abroad. NTT Group also expanded the coverage areas for its international IP-VPN service, mobile phone international roaming service, and content distribution services.

### ***R&D***

As part of its efforts to create new services, NTT Group engaged in R&D directed at the advancement of broadband networks, video services and cloud computing services, among other things, and the commercialization of Home ICT. NTT Group also conducted R&D on the fourth-generation mobile communications systems that will come after LTE. In addition, NTT Group undertook initiatives to globalize the results of its R&D and to reduce the environmental burden of its operations, and also promoted the research of high-capacity optical communications technologies, nano-devices and quantum information processing, as an initiative directed at advanced technologies that will support continuous development.

### ***Corporate Social Responsibility (“CSR”)***

NTT Group took group-wide CSR initiatives with the aim of contributing to the continuous development of society. In the area of environmental protection, NTT Group adopted the “Green Vision 2020” in November 2010. The main themes of this new environmental vision are creating a low-carbon society, establishing a recycling-based society, and preserving biodiversity.

### ***Damage Caused by the Great East Japan Earthquake and Restoration Status***

The Great East Japan Earthquake, which occurred on March 11, 2011, disrupted fixed-line services, mobile communications services and other NTT Group services in areas centered on the Tohoku region. Facilities were damaged and commercial power supply was disrupted at exchange offices, among other things, impacting approximately 1.5 million circuits for fixed-line services, approximately 6,700 mobile base station equipment, approximately 15,000 circuits for corporate data communication services and others.

NTT Group immediately established a disaster countermeasure headquarters and with a team of over 10,000 members, including support provided from across the nation, worked to restore damaged communications facilities and services. NTT Group also provided a Disaster Emergency Message Dial service and a Disaster Emergency Broadband Message Board service, deployed approximately 30 mobile base station vehicles and approximately 900 satellite mobile phones, and installed approximately 2,300 special public telephones to rapidly provide means of communication to those affected by the earthquake. By the end of March, more than 90% of damaged exchange offices and mobile communications base stations were back in service, and approximately 90% of data communication services to corporate customers had been restored.

As a result of the effects of the earthquake, NTT Group recorded ¥28.2 billion in operating expenses, including loss on retirement of damaged equipment and costs for restoration construction, for the fiscal year ended March 31, 2011.

Support for persons affected by the disaster included the provision of free communications services and the provision of information regarding the whereabouts of individuals, as well as an offer to the government to provide company housing for use as temporary accommodations. NTT Group also donated ¥1 billion to relief efforts.

NTT Group’s consolidated operating revenues for the fiscal year ended March 31, 2011 were ¥10,305.0 billion (an increase of 1.2% from the previous fiscal year). Consolidated operating expenses were ¥9,090.1 billion (an increase of 0.3% from the previous fiscal year). As a result, consolidated operating income was ¥1,214.9 billion (an increase of 8.7% from the previous fiscal year), consolidated income before income taxes was ¥1,175.8 billion (an increase of 5.0% from the previous fiscal year), and consolidated net income attributable to NTT was ¥509.6 billion (an increase of 3.5% from the previous fiscal year).

## **Business Outlook**

### ***Development of Business Pursuant to the Medium-Term Management Strategy, “Road to Service Creation Business Group”***

In May 2008, NTT Group announced the “Road to Service Creation Business Group—full-scale rollout of broadband and ubiquitous service,” its Medium-Term Management Strategy for the five-year period ending March 31, 2013. The principle objectives of this strategic plan are:

- To build a full-IP network infrastructure for both fixed-line and mobile communications, which was targeted for completion in the fiscal year ending March 31, 2011, and to create and roll out broadband and ubiquitous services on this network infrastructure that are responsive to customer preferences;
- To reform NTT Group’s business structure, shifting the main source of revenue from legacy businesses (which accounted for approximately 50% of consolidated operating revenue in the fiscal year ended March 31, 2008) to a business model where revenues from IP and solution business and new businesses such as FLET’S Hikari comprise 75% of consolidated operating revenue in the fiscal year ending March 31, 2013; and
- By refocusing NTT Group’s business portfolio in this way, to raise consolidated operating income to ¥1.3 trillion by the fiscal year ending March 31, 2013 and lower total capital investment as a percentage of operating revenues (Capex to Sales)\* from 20% in the fiscal year ended March 31, 2008 to approximately 15% in the fiscal year ending March 31, 2013.

\* See “Item 4—Information on the Company—Capital Investments” for a discussion of capital investment.

Based on this strategic plan, NTT Group is focusing its efforts on the principal areas described below.

### ***Enhancement of ICT Service and Solutions for Corporations and Government***

To respond to the increasing diversification of corporate customer needs with regards to quality and price, NTT Group will enhance its lineup not just for networks, but also for data centers and applications, offering a range of menus from high-reliability to economically-priced, and will actively promote the development of “BizXAAS”, “BizCITY” and other services.

To enhance convenience in government, education and medical service and to respond to such societal issues as environmental protection, the aging population and declining birthrate, NTT Group will promote widespread ICT use. For example, to promote ICT use in the education field, NTT Group will collaborate with local governments to implement the cloud computing field trial, “Education Square X ICT”.

In response to the Great East Japan Earthquake, NTT Group will direct its efforts towards the creation and offering of services utilizing ICT, such as adopting cloud-based information systems and thin clients (e.g., “BizDesktop”), which have the ability to adapt to changes to the Business Continuity Plan (“BCP”) of businesses and local governments, and the monitoring of waterworks, canals, bridges and other public infrastructure using optical fiber or wireless technology.

### ***Enhancement of Consumer Services***

NTT Group will work towards the further increase of mobile communication speeds through the spread of the LTE service “Xi” and the expansion of its broadband user base through the introduction of easy-to-use rate plans, including “FLET’S Hikari Light,” a two-tier fixed-rate service. NTT Group will also make efforts towards further enhancement of ICT services using both fixed and wireless broadband.

In addition to smartphones, the number of devices that can connect to networks using wireless broadband services, such as automobiles and household electronics, is increasing. Through this increase in the use of

networks, NTT Group will expand ICT services in a variety of areas, including the utilization of NTT Group's content distribution, authentication, payment functions, enhancement of applications through collaboration with partner corporations, and promotion of Home ICT.

With social networking service, blogs and other services expanding, NTT Group will strengthen its response to the increased use of these services, utilizing smartphones and a variety of handsets with broadband services.

### ***Strengthening of the Framework for Promotion of Global Businesses and the Enhancement of Services***

To respond to customer needs for high quality and globally seamless services, NTT Group will strengthen global development in two primary business fields of System Integration ("SI") and Network Integration ("NI") business for corporate customers and mobile business for consumers.

In the SI and NI business for corporate customers, NTT Group will integrate the strengths of individual group companies, including the recently acquired Dimension Data and Keane International, to provide a complete service lineup and enhance area coverage, thereby achieving business synergies. Management will be further strengthened both in terms of global business strategy and in terms of personnel administration, in order to accelerate the growth in global business.

With regards to the mobile business for consumers in emerging markets, mainly in Asia, NTT Group will collaborate with local carriers, support the building of 3G services and introduce and expand value-added services. In the markets of developed countries, NTT Group will develop cutting-edge value-added services designed for high-speed networks and the increasing variety of devices.

### ***Responding to Environmental Issues***

With respect to environmental issues, which are a global concern, NTT Group will bolster its efforts to reduce its environmental burden through the three initiatives below:

- "Green of ICT"

This initiative is aimed at reducing the environmental burden resulting from ICT, through measures such as energy conservation at NTT Group's data centers and communication facilities, and promoting natural energy generation.

- "Green by ICT"

This initiative promotes the use of ICT, such as telecommuting and teleconferencing, to help reduce the environmental burden on society as a whole.

- "Green with Team NTT"

Under this initiative, each NTT Group employee's action will help reduce the environmental burden at the workplace, at home and in the community.

### ***Great East Japan Earthquake Restoration Initiatives and Disaster Countermeasures***

In response to the Great East Japan Earthquake that occurred on March 11, 2011, NTT Group had restored virtually all damaged exchange offices and base stations (except for certain areas where restoration is difficult, such as areas surrounding the Fukushima Daiichi Nuclear Power Plant, etc.) by the end of April, through renewal of power supplies and equipment in exchange offices, repair and re-installation of relay transmission lines, and areal restoration for mobile phones using large zone schemes where a single station covers multiple stations. For the areas where damage to houses and other structures was extensive, NTT will conduct restoration at the same pace at which roads and other infrastructure are restored.

The Great East Japan Earthquake impacted telecommunication facilities in unprecedented ways, as the massive earthquake and resulting tsunamis caused, among other things, widespread and extended power outages and scheduled power outages. In addition, with the advancement of mobile phones and the Internet, a wide variety of means for information exchange was employed. NTT Group has reconfirmed the fundamental importance of communication services to society, and in light of the foregoing, will proactively take the following countermeasures, collaborating with the central and local governments as necessary:

1. Development of disaster-resistant networks and prompt recovery methods

- Distribute key functions across regions and implement multiple routes in preparation against wide-area disasters
- Improve power capacity to withstand widespread and long-term power outages

2. Secure prompt reconnection for local relief sites

- Increase the use of satellite and wireless communications, etc.

3. Secure means of information distribution after disasters

- Greater responsiveness to communication needs directly following a disaster, such as safety confirmation (countermeasure against service congestion)
- Measures to correspond to the diversification of customer needs, adding e-mail and the Internet to voice communications.

4. Provide services and solutions useful during a disaster and during recovery

- Support for local governments, medical care and schools, etc.

In addition, the financial impact on NTT Group's operating income for the fiscal year ending March 31, 2012 is forecast to be approximately ¥30.0 billion. While NTT Group expects capital expenditures to increase by approximately ¥30.0 billion, it does not believe such increase will materially affect its businesses. Consequential effects of the earthquake, such as a decrease in sales, and costs related to new future disaster countermeasures, among other things, are not included in these forecasts as they cannot be determined at this time.

**Results of Operations**

*The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010*

*(1) Telecommunications Circuit Facilities, etc.*

In order to provide high quality telecommunication services, NTT Group owns and operates a wide range of telecommunications circuit facilities. The recent status of circuit facilities for our major services is as follows:

(Thousands, except for Public Telephones)

	<u>As of Mar. 31, 2010</u>	<u>As of Mar. 31, 2011</u>	<u>Change</u>	<u>Percent Change</u>
Telephone Subscriber Lines . . . . .	33,238	30,271	(2,967)	(8.9)%
NTT East . . . . .	16,394	14,929	(1,465)	(8.9)%
NTT West . . . . .	16,844	15,342	(1,502)	(8.9)%
INS-Net . . . . .	5,092	4,613	(479)	(9.4)%
NTT East . . . . .	2,646	2,390	(256)	(9.7)%
NTT West . . . . .	2,446	2,222	(223)	(9.1)%
Telephone Subscriber Lines + INS-NET . . . . .	38,330	34,884	(3,446)	(9.0)%
NTT East . . . . .	19,040	17,319	(1,721)	(9.0)%
NTT West . . . . .	19,290	17,564	(1,725)	(8.9)%



	As of Mar. 31, 2010	As of Mar. 31, 2011	Change	Percent Change
Public Telephones .....	283,161	252,775	(30,386)	(10.7)%
NTT East .....	137,992	121,508	(16,484)	(11.9)%
NTT West .....	145,169	131,267	(13,902)	(9.6)%
FLET'S ISDN .....	241	193	(48)	(19.9)%
NTT East .....	119	94	(25)	(20.9)%
NTT West .....	122	99	(23)	(18.9)%
FLET'S ADSL .....	3,381	2,858	(524)	(15.5)%
NTT East .....	1,700	1,418	(282)	(16.6)%
NTT West .....	1,681	1,439	(242)	(14.4)%
FLET'S Hikari .....	13,251	15,059	1,808	13.6%
NTT East .....	7,533	8,511	978	13.0%
NTT West .....	5,718	6,547	830	14.5%
FLET'S Hikari Next* .....	2,210	4,596	2,386	108.0%
NTT East .....	1,642	2,963	1,321	80.5%
NTT West .....	568	1,633	1,064	187.3%
Hikari Denwa .....	10,142	12,113	1,971	19.4%
NTT East .....	5,420	6,446	1,026	18.9%
NTT West .....	4,722	5,667	945	20.0%
Conventional Leased Circuit Services .....	297	281	(16)	(5.5)%
NTT East .....	148	139	(9)	(6.2)%
NTT West .....	149	142	(7)	(4.9)%
High Speed Digital Services .....	188	171	(17)	(9.2)%
NTT East .....	100	91	(9)	(8.9)%
NTT West .....	88	80	(8)	(9.6)%
NTT Group Major ISPs .....	11,280	11,662	382	3.4%
OCN* .....	7,892	8,234	342	4.3%
Plala* .....	3,050	3,101	51	1.7%
Video Services				
Hikari TV .....	1,009	1,413	404	40.0%
FLET'S TEREBI Transmission Services .....	270	592	322	119.0%
NTT East .....	240	475	235	97.8%
NTT West .....	30	117	87	288.9%
Mobile .....	56,082	58,010	1,928	3.4%
FOMA* .....	53,203	56,746	3,542	6.7%
Xi* .....	—	26	—	—
i-mode .....	48,992	48,141	(851)	(1.7)%
FOMA* .....	47,330	47,541	211	0.4%
sp-mode .....	—	2,095	—	—

\* Partial listing only

- (1) Number of Telephone Subscriber Lines is the total of individual lines and central station lines (Subscriber Telephone Light Plan is included).
- (2) INS-Net includes INS-Net 64 and INS-Net 1500. In terms of number of channels, transmission rate, and line use rate (base rate), INS-Net 1500 is in all cases roughly ten times greater than INS-Net 64. For this reason, one INS-Net 1500 subscription is calculated as ten INS-Net 64 subscriptions (INS-Net 64 Lite Plan is included).
- (3) Number of FLET'S Hikari subscribers includes subscribers to B FLET'S and FLET'S Hikari Next provided by NTT East, and subscribers to B FLET'S, FLET'S Hikari Premium, FLET'S Hikari Mytown and FLET'S Hikari Next provided by NTT West.

- (4) NTT Group Major ISPs includes WAKWAK and InfoSphere, in addition to OCN and Plala.
- (5) Number of communication module service subscribers is included in the number of mobile subscribers. Communication module service subscribers were 1,968 as of Mar. 31, 2011.
- (6) Effective Mar. 3, 2008, FOMA services subscriptions became mandatory for subscription to “2in1” services. Such FOMA services subscriptions to “2in1” services are included in the above numbers of Mobile phone service subscriptions and FOMA\* service subscriptions.

## (2) Operating Results

	<u>Year Ended March 31,</u>		<u>Change</u>	<u>Percent Change</u>
	<u>2010</u>	<u>2011</u>		
	(in billions of yen)			
Operating revenues: .....	10,181.4	10,305.0	123.6	1.2%
Fixed voice related services .....	2,355.6	2,180.8	(174.8)	(7.4)%
Mobile voice related services .....	2,150.7	2,021.6	(129.2)	(6.0)%
IP/Packet communications services .....	3,113.4	3,341.1	227.7	7.3%
Sales of telecommunications equipment .....	598.3	565.9	(32.4)	(5.4)%
System integration .....	1,242.7	1,382.2	139.5	11.2%
Other .....	720.6	813.5	92.9	12.9%
Operating expenses .....	9,063.7	9,090.1	26.4	0.3%
Operating income (loss) .....	1,117.7	1,214.9	97.2	8.7%
Other income (expenses) .....	2.4	(39.1)	(41.5)	—
Income (loss) before income taxes and equity in earnings (losses) of affiliated companies .....	1,120.1	1,175.8	55.7	5.0%
Income tax expense (benefit) .....	447.0	475.6	28.6	6.4%
Equity in earnings (losses) of affiliated companies .....	8.8	1.7	(7.1)	(81.0)%
Net income (loss) .....	681.9	701.9	20.0	2.9%
Less—net income attributable to noncontrolling interests .....	189.6	192.2	2.6	1.4%
Net income (loss) attributable to NTT .....	492.3	509.6	17.4	3.5%

### *Operating Revenues*

NTT Group’s operating revenues are divided into the six service categories comprised of fixed voice related services, mobile voice related services, IP/packet communications services, sales of telecommunications equipment, system integration and other services.

Operating revenues in the fiscal year ended March 31, 2011 increased 1.2% from the previous fiscal year to ¥10,305.0 billion. While voice related revenues continued to decline, this increase was due to such factors as an increase in IP / packet communications service revenues attributable to increases in FLET’S Hikari and value-added service subscriptions, an increase in NTT DOCOMO’s packet ARPU, and an increase in system integration revenues resulting from mergers and acquisitions, including the acquisition of Dimension Data and NTT DATA’s acquisition of Keane International. For further details regarding the financial impact of the Dimension Data acquisition, please see Note 23 to the Consolidated Financial Statements.

Operating revenues for each service category for the fiscal year ended March 31, 2011 are summarized as follows:

#### *Fixed Voice Related Services*

NTT Group’s fixed voice related services include a portion of the services in the regional communications business segment and long distance and international communications business segment, such as telephone subscriber lines, ISDN, conventional leased circuits and high speed digital.

Fixed voice related revenues for the fiscal year ended March 31, 2011 decreased 7.4% from the previous fiscal year to ¥2,180.8 billion, accounting for 21.2% of total operating revenues. This was due to a continued decline in the number of subscriptions for telephone subscriber lines and ISDN caused by the increasing popularity of mobile phones and the development of competition with optical IP telephones and fixed line services provided by other businesses, and competition with direct subscriber telephone services of other companies using dry copper lines and telephone services provided by cable television operators.

#### *Mobile Voice Related Services*

Mobile voice related services include a portion of services from the mobile communications business segment, such as FOMA and mova voice communications services.

Mobile voice related revenues for the fiscal year ended March 31, 2011 decreased 6.0% from the previous fiscal year to ¥2,021.6 billion, accounting for 19.6% of total operating revenues. This was due to a decrease in voice ARPU arising from the penetration of discount plans, such as Value Plan, despite an increase in revenues resulting from an increase in Mobile Phone Protection & Delivery Service subscriptions. For details of voice ARPU, please see “—Segment Information—The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010—Mobile Communications Business Segment.”

#### *IP/Packet Communications Services*

NTT Group’s IP/packet communications services include a portion of the services in the regional communications business segment such as FLET’S Hikari and FLET’S ADSL, and a portion of the services in the long distance and international communications business segment such as IP-VPN, wide area Ethernet and OCN, as well as a portion of the services in the mobile communications business segment such as the packet communications services of FOMA and mova.

In the fiscal year ended March 31, 2011, revenues from IP/packet communications services increased 7.3% from the previous fiscal year to ¥3,341.1 billion, accounting for 32.4% of total operating revenues. This was due to an increase in subscriptions for FLET’S Hikari and Hikari Denwa in the regional communications business, and an increase in packet ARPU arising from the increase in subscriptions for Packet Flat-Rate in the mobile communications business. For details of packet ARPU, please see “—Segment Information—The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010—Mobile Communications Business Segment.”

#### *Sales of Telecommunications Equipment*

This category includes a portion of the services in the regional communications business segment and the mobile communications business segment.

In the fiscal year ended March 31, 2011, revenues from telecommunications equipment sales decreased 5.4% from the previous fiscal year to ¥565.9 billion, accounting for 5.5% of total operating revenues. In the mobile communications business, despite handset mobile devices selling well, this decrease was due to a decrease in the prices for mobile handset devices.

#### *System Integration*

NTT Group’s system integration services include the data communications business segment and a portion of the services in the long distance and international communications business segment and the regional communications business segment.

In the fiscal year ended March 31, 2011, revenues from system integration increased 11.2% from the previous fiscal year to ¥1,382.2 billion, accounting for 13.4% of total operating revenues. This was due to the acquisition of Dimension Data, in the long distance and international communications business, IRU\* contracts for fiber-optic facility installations with local governments in the regional communications business, as well as an increase in the number of consolidated subsidiaries, including Keane International, in the data communications business.

\* Indefeasible Right of User. In order to improve the broadband infrastructure, NTT Group participates in the construction of fiber-optic facilities for local governments in areas where private businesses are reluctant to do business for such reasons as lack of profitability. NTT Group companies lease these fiber-optic facilities under IRU contracts and provide broadband services.

#### *Other Businesses*

The other businesses segment principally comprises the real estate business, financing business, construction and electricity business, system development business and advanced technology development business.

In the fiscal year ended March 31, 2011, revenues from other businesses increased 12.9% from the previous fiscal year to ¥813.5 billion, accounting for 7.9% of total operating revenues. This was due to an increase in revenues from construction and other businesses.

#### *Operating Expenses*

Operating expenses in the fiscal year ended March 31, 2011 increased 0.3% from the previous fiscal year to ¥9,090.1 billion. This was principally due to the factors discussed below. As a result of the Great East Japan Earthquake, which occurred on March 11, 2011, NTT Group's telecommunications facilities and buildings, among other things, suffered damage. For the fiscal year ended March 31, 2011, ¥28,225 million was recorded in operating expenses as a loss on retirement of damaged facilities, expenses incurred for restoration work and other expenses which resulted from the earthquake. Expenses incurred in relation to the earthquake by segment are as follows: the regional communications business segment, ¥15,700 million; the long distance and international communications business segment, ¥1,042 million; the mobile communications business segment, ¥5,843 million; the data communications business segment, ¥345 million; and other businesses segment, ¥5,295 million.

#### *Personnel Expenses*

Personnel expenses in the fiscal year ended March 31, 2011 increased 0.9% from the previous fiscal year to ¥2,026.6 billion. This was a result of such factors as an increase in the number of employees as a result of the expansion of consolidated subsidiaries, which was partially offset by a decrease in the amortization amount for actuarial differences in the management of pension assets.

#### *Expenses for Purchase of Goods and Services and Other Expenses*

In the fiscal year ended March 31, 2011, cost of services and equipment sold, and selling, general and administrative expenses increased 1.3% from the previous fiscal year to ¥4,707.9 billion. One of the contributing factors to the increase was an increase in revenue-driven expenses resulting from an increase in system integration revenues. In the regional communications business segment, service costs for IRU contracts for fiber-optic facility construction work increased in conjunction with such arrangements. In addition, expenses also increased due to the increase in the number of consolidated subsidiaries, including Dimension Data.

### *Depreciation and Amortization Expenses*

Depreciation and amortization expenses in the fiscal year ended March 31, 2011 decreased 2.5% from the previous fiscal year to ¥1,962.5 billion. This was due to increased capital investment efficiency, among other factors.

Note: Personnel expenses and expenses for purchase of goods and services and other expenses above are included in cost of services, cost of equipment sold, cost of system integration, and selling, general and administrative expenses in the consolidated statements of income.

### *Operating Income*

As a result of the foregoing, operating income for the fiscal year ended March 31, 2011 was ¥1,214.9 billion, an increase of 8.7% over the previous fiscal year.

### *Other Operating Revenues and Expenses*

#### *Other Income (Expenses)*

Other expenses for the fiscal year ended March 31, 2011 were ¥39.1 billion, from other income of ¥2.4 billion in the previous year. One of the contributing factors was the increase in foreign exchange losses, which were ¥17.4 billion and ¥0.6 billion for the fiscal years ended March 31, 2011 and 2010, respectively. Foreign exchange loss in the fiscal year ended March 31, 2011 stemmed from the use of derivatives entered into to hedge foreign exchange fluctuation risks associated with major overseas investments. Interest income declined to ¥21.6 billion from ¥24.0 billion for the fiscal years ended March 31, 2011 and 2010, respectively.

### *Net Income before Income Taxes*

Net income before income taxes in the fiscal year ended March 31, 2011 increased 5.0% from the previous fiscal year to ¥1,175.8 billion for the reasons discussed above.

### *Income Tax Expense (Benefit)*

In the fiscal year ended March 31, 2011, income tax expense increased 6.4% from the previous fiscal year to ¥475.6 billion. This was due to an increase in net income before income taxes compared to the previous fiscal year.

### *Net Income Attributable to NTT*

As a result, net income for the fiscal year ended March 31, 2011 was ¥701.9 billion, an increase of 2.9% from the previous fiscal year. Net income attributable to NTT (excluding the portion attributable to noncontrolling interests) for the fiscal year ended March 31, 2011 was ¥509.6 billion, an increase of 3.5% from the previous fiscal year.

The fiscal year ended March 31, 2010 compared with the fiscal year ended March 31, 2009

(1) Telecommunications Circuit Facilities, etc.

(Thousands, except for Public Telephones)

	As of Mar. 31, 2009	As of Mar. 31, 2010	Change	Percent Change
Telephone Subscriber Lines	36,361	33,238	(3,123)	(8.6)%
NTT East	17,983	16,394	(1,589)	(8.8)%
NTT West	18,378	16,844	(1,534)	(8.3)%
INS-Net	5,724	5,092	(632)	(11.0)%
NTT East	2,984	2,646	(338)	(11.3)%
NTT West	2,740	2,446	(295)	(10.8)%
Telephone Subscriber Lines + INS-NET	42,085	38,330	(3,755)	(8.9)%
NTT East	20,966	19,040	(1,926)	(9.2)%
NTT West	21,118	19,290	(1,829)	(8.7)%
Public Telephones	307,187	283,161	(24,026)	(7.8)%
NTT East	147,620	137,992	(9,628)	(6.5)%
NTT West	159,567	145,169	(14,398)	(9.0)%
FLET'S ISDN	304	241	(63)	(20.7)%
NTT East	154	119	(35)	(22.8)%
NTT West	150	122	(28)	(18.6)%
FLET'S ADSL	3,992	3,381	(610)	(15.3)%
NTT East	2,058	1,700	(358)	(17.4)%
NTT West	1,934	1,681	(252)	(13.1)%
FLET'S Hikari	11,134	13,251	2,117	19.0%
NTT East	6,291	7,533	1,242	19.7%
NTT West	4,843	5,718	874	18.1%
FLET'S Hikari Next*	377	2,210	1,833	486.2%
NTT East	348	1,642	1,294	372.4%
NTT West	29	568	539	1,830.3%
Hikari Denwa	8,011	10,142	2,131	26.6%
NTT East	4,248	5,420	1,172	27.6%
NTT West	3,762	4,722	959	25.5%
Conventional Leased Circuit Services	320	297	(23)	(7.2)%
NTT East	161	148	(13)	(8.1)%
NTT West	160	149	(10)	(6.4)%
High Speed Digital Services	212	188	(24)	(11.2)%
NTT East	114	100	(14)	(12.1)%
NTT West	98	88	(10)	(10.2)%
NTT Group Major ISPs	10,607	11,280	673	6.3%
OCN*	7,367	7,892	526	7.1%
Plala*	2,896	3,050	154	5.3%
Video Services	—	—	—	—
Hikari TV	552	1,009	457	82.8%
FLET'S TEREBI Transmission Services	78	270	192	245.8%
NTT East	73	240	167	228.5%
NTT West	5	30	25	499.4%
Mobile	54,601	56,082	1,481	2.7%
FOMA*	49,040	53,203	4,163	8.5%
Xi*	—	—	—	—
i-mode	48,474	48,992	518	1.1%
FOMA*	44,853	47,330	2,477	5.5%
sp-mode	—	—	—	—

\* Partial listing only

## (2) Operating Results

	Year Ended March 31,		Change	Percent Change
	2009	2010		
	(in billions of yen)			
Operating revenues:	10,416.3	10,181.4	(234.9)	(2.3)%
Fixed voice related services	2,581.0	2,355.6	(225.4)	(8.7)%
Mobile voice related services	2,283.9	2,150.7	(133.2)	(5.8)%
IP/Packet communications services	2,898.0	3,113.4	215.4	7.4%
Sales of telecommunications equipment	709.6	598.3	(111.3)	(15.7)%
System integration	1,211.7	1,242.7	31.0	2.6%
Other	732.1	720.6	(11.5)	(1.6)%
Operating expenses	9,306.6	9,063.7	(242.9)	(2.6)%
Operating income (loss)	1,109.8	1,117.7	7.9	0.7%
Other income (expenses)	(4.6)	2.4	7.0	—
Income (loss) before income taxes and equity in earnings (losses) of affiliated companies	1,105.2	1,120.1	14.9	1.3%
Income tax expense (benefit)	370.1	447.0	76.9	20.8%
Equity in earnings (losses) of affiliated companies	(1.9)	8.8	10.7	—
Net income (loss)	733.2	681.9	(51.3)	(7.0)%
Less—net income attributable to noncontrolling interests	194.5	189.6	(4.9)	(2.5)%
Net income (loss) attributable to NTT	538.7	492.3	(46.4)	(8.6)%

### Operating Revenues

Operating revenues in the fiscal year ended March 31, 2010 declined 2.3% from the previous fiscal year to ¥10,181.4 billion. This decrease was due to such factors as a decrease in telecommunications equipment sales revenues and mobile voice related revenues resulting from the penetration of new handset sales models in the mobile communications business and a decrease in fixed voice related revenues arising from the decline in fixed-line telephone services subscriptions.

Operating revenues for each of the six service categories for the fiscal year ended March 31, 2010 are summarized as follows:

#### Fixed Voice Related Services

Fixed voice related revenues for the fiscal year ended March 31, 2010 decreased 8.7% from the previous fiscal year to ¥2,355.6 billion, accounting for 23.1% of total operating revenues. This was due to a decline in the number of subscriptions for fixed-line telephone services and ISDN caused by the continuing shift from conventional fixed-line telephony to optical IP telephony as fiber-optic access services expanded, and continued competition with our competitors' direct subscriber telephone services that use dry copper lines and telephone services provided by cable television operators.

#### Mobile Voice Related Services

Mobile voice related revenues for the fiscal year ended March 31, 2010 decreased 5.8% from the previous fiscal year to ¥2,150.7 billion, accounting for 21.1% of total operating revenues. This was due to a decrease in voice ARPU arising from the penetration of Value Plan, which was introduced in November 2007. For details of voice ARPU, please see “—Segment Information—The fiscal year ended March 31, 2010 compared with the fiscal year ended March 31, 2009—Mobile Communications Business Segment.”

#### IP/Packet Communications Services

In the fiscal year ended March 31, 2010, revenues from IP/packet communications services increased 7.4% over the previous fiscal year to ¥3,113.4 billion, accounting for 30.6% of total operating revenues. This was due

to an increase in subscriptions for FLET'S Hikari and its optional services in the regional communications business and an increase in packet ARPU arising from the increase in subscriptions for Packet Flat-Rate services in the mobile communications business. For details of packet ARPU, please see “—Segment Information—The fiscal year ended March 31, 2010 compared with the fiscal year ended March 31, 2009—Mobile Communications Business Segment.”

#### *Sales of Telecommunications Equipment*

In the fiscal year ended March 31, 2010, revenues from telecommunications equipment sales decreased 15.7% from the previous fiscal year to ¥598.3 billion, accounting for 5.9% of total operating revenues. This was due to, among other things, a decrease in the wholesale unit price of mobile handset devices in the mobile communications business.

#### *System Integration*

In the fiscal year ended March 31, 2010, revenues from system integration increased by 2.6% over the previous fiscal year to ¥1,242.7 billion, accounting for 12.2% of total operating revenues. This was due to an increase in revenues due to the consolidation of additional subsidiaries in the data communications business segment and an increase in system integration revenues in the regional communications business segment.

#### *Other Businesses*

In the fiscal year ended March 31, 2010, revenues from other businesses decreased 1.6% from the previous fiscal year to ¥720.6 billion, accounting for 7.1% of total operating revenues. This was due to a decrease in revenues from the construction and electricity business, system development business and advanced technology development business, which more than offset an increase in revenues from the real estate business.

#### *Operating Expenses*

Operating expenses in the fiscal year ended March 31, 2010 decreased 2.6% from the previous fiscal year to ¥9,063.7 billion. This was principally due to the following factors:

#### *Personnel Expenses*

Personnel expenses in the fiscal year ended March 31, 2010 increased 1.9% from the previous fiscal year to ¥2,008.2 billion. This was a result of an increase in net periodic costs for employee retirement benefits arising from the worsening environment for pension plan asset management in the fiscal year ended March 31, 2009, which more than offset savings from a decrease in the number of employees.

#### *Expenses for Purchase of Goods and Services and Other Expenses*

In the fiscal year ended March 31, 2010, expenses for purchase of goods and services and other expenses decreased 2.8% from the previous fiscal year to ¥4,647.3 billion. This was a result of a decrease in the price paid for mobile handsets that NTT DOCOMO purchased for sale to agent resellers. Mobile handset costs are affected mainly by the volume of mobile handsets sold to agent resellers and the per unit price paid by NTT DOCOMO. The number of mobile handsets sold to agent resellers decreased compared to the previous fiscal year due to an overall decline in customer confidence. The per unit price paid by NTT DOCOMO also decreased due to a proportional increase in sales of low- to medium-priced handsets and due to a reduction in licensing fees included in the mobile handset price, which NTT DOCOMO achieved by contributing a portion of the research and development expenses to mobile handset makers in exchange for acquiring ownership of the intellectual properties deriving therefrom.



Cost reduction efforts focused on the regional communications business segment, and conducted by NTT Group as a whole, more than offset increases in expenses associated with the consolidation of additional subsidiaries and the enhancement of customer services in the mobile communications business, through loyalty programs and the Mobile Phone Protection & Delivery Service, and contributed to the overall decline in expenses.

#### *Depreciation and Amortization Expenses*

Depreciation and amortization expenses decreased 5.9% from the previous fiscal year to ¥2,012.1 billion. One of the contributing factors to the decrease was the fact that the accelerated depreciation of mova assets, which had been carried out in the previous fiscal year in the mobile communications business, no longer had an impact during the fiscal year ended March 31, 2010. Accelerated depreciation of mova assets refers to the reduction of the estimated lives of mova-related assets that was carried out in the three months ended December 31, 2008 so that operational resources could be concentrated in the FOMA service in anticipation of the scheduled termination of the mova service on March 31, 2012.

Reduction in overall capital investments by NTT Group also contributed to the reduction in depreciation and amortization expenses.

Note: Personnel expenses and expenses for purchase of goods and services and other expenses above are included in cost of services, cost of equipment sold, cost of system integration, and selling, general and administrative expenses in the consolidated statements of income.

#### *Operating Income*

As a result, operating income for the fiscal year ended March 31, 2010 was ¥1,117.7 billion, an increase of 0.7% over the previous fiscal year.

#### *Other Operating Revenues and Expenses*

##### *Other Income (Expenses)*

Other income in the fiscal year ended March 31, 2010 increased ¥7.0 billion from the previous fiscal year to ¥2.4 billion. While gains on sales of fixed assets decreased compared to the previous fiscal year, this decrease was more than offset by a decrease in the write-down of investments in securities.

#### *Income Before Income Taxes and Equity in Earnings of Affiliated Companies*

As a result, net income before income taxes and equity in earnings of affiliated companies in the fiscal year ended March 31, 2010 increased 1.3% from the previous fiscal year to ¥1,120.1 billion.

#### *Income Tax Expense (Benefit)*

In the fiscal year ended March 31, 2010, income tax expense increased 20.8% from the previous fiscal year to ¥447.0 billion. This was due to the effect of a one-time decrease in income tax (a decrease in deferred income tax liability) which resulted from the consolidation by NTT DOCOMO of its eight regional subsidiaries during the fiscal year ended March 31, 2009.

#### *Net Income Attributable to NTT*

As a result, net income for the fiscal year ended March 31, 2010 was ¥681.9 billion, a decrease of 7.0% from the previous fiscal year. Net income attributable to NTT (excluding the portion attributable to noncontrolling interest) for the fiscal year ended March 31, 2010 was ¥492.3 billion, a decrease of 8.6% from the previous fiscal year.

## Segment Information

NTT Group has five operating segments: regional communications business, long distance and international communications business, mobile communications business, data communications business and other businesses. (For further details, please see Note 15 to the Consolidated Financial Statements.)

The regional communications business segment comprises fixed voice related services, IP/packet communications services, sales of telecommunications equipment, system integration and other services.

The long distance and international communications business segment comprises mainly fixed voice related services, IP/packet communications services, system integration and other services.

The mobile communications business segment comprises mobile voice related services, IP/packet communications services and sales of telecommunications equipment.

The data communications business segment comprises system integration services.

The other businesses segment principally comprises other services such as real estate, financing, construction and electricity, system development and advanced technology development.

Overviews of operational results for each segment are as follows:

### The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010

		<b>Fiscal Year Ended March 31, 2011</b>	
<b>Service Types</b>		<b>Sales and Operating Revenue Amounts (¥ million)</b>	<b>Comparison with Previous Year (%)</b>
Regional communications business	Fixed voice related services	2,052,688	(6.8)%
	IP/packet communications services	1,293,389	11.5%
	System integration services	199,481	18.8%
	Other services	481,650	11.3%
	Subtotal	4,027,208	1.6%
	Internal sales	497,657	(3.3)%
	Total for regional communications business	3,529,551	2.3%
Long distance and international communications business	Fixed voice related services	512,359	(5.9)%
	IP/packet communications services	374,866	(2.3)%
	System integration services	190,676	68.4%
	Other services	254,751	16.7%
	Subtotal	1,332,652	5.8%
	Internal sales	109,223	(3.9)%
	Total for long distance and international communications business	1,223,429	6.8%
Mobile communications business	Mobile voice related services	2,050,964	(6.2)%
	IP/packet communications services	1,695,905	6.7%
	Other services	477,404	(5.9)%
	Subtotal	4,224,273	(1.4)%
	Internal sales	32,478	(20.7)%
	Total for mobile communications business	4,191,795	(1.2)%

		<b>Fiscal Year Ended March 31, 2011</b>	
<b>Service Types</b>		<b>Sales and Operating Revenue Amounts (¥ million)</b>	<b>Comparison with Previous Year (%)</b>
Data communications business	System integration services	1,163,188	2.7%
	Internal sales	132,081	5.5%
	Total for data communications business	1,031,107	2.4%
Other businesses	Other services	1,120,267	(1.1)%
	Subtotal	791,146	(0.8)%
	Total for other businesses	329,121	(1.8)%
Total consolidated sales and operating revenue		10,305,003	1.2%

Note: The above figures do not include consumption or other taxes.

(1) *Regional Communications Business Segment*

Operating revenues in the fiscal year ended March 31, 2011 increased 1.6% from the previous fiscal year to ¥4,027.2 billion. Fixed voice related revenue fell as a result of a decline in fixed-line telephone subscriptions. However, this decrease was more than offset by the increase in IP / packet communications revenues associated with the increase in the number of subscriptions to FLET'S Hikari and value-added services and the increase in system integration revenue from the construction of fiber-optic facilities commissioned by local governments.

Operating expenses in the fiscal year ended March 31, 2011 increased 0.5% from the previous fiscal year to ¥3,900.0 billion. While personnel and depreciation costs fell, this was more than offset by, among other things, an increase in expenses associated with an increase in commissioned revenues.

As a result, segment operating income in the fiscal year ended March 31, 2011 increased 55.0% to ¥127.3 billion.

Operations for each service in the regional communications segment were as follows:

*(Fixed Voice Related Services)*

With respect to telephone subscriber services, demand continued to contract due to the increasing use of mobile phones and the intensifying competition with optical IP telephones and with fixed-line telephone services offered by other companies. As a result, fixed-line telephone subscriptions decreased by 2,967 thousand from the previous fiscal year, falling to 30,271 thousand subscriptions as of March 31, 2011.

With respect to ISDN services, as a result of the continued contraction in demand due to the spread of broadband access services, the number of ISDN subscribers as of March 31, 2011 fell to 4,613 thousand, a decrease of 479 thousand ISDN subscribers from the previous fiscal year.

The numbers of fixed-line telephone and ISDN subscriptions were as follows:

	<b>As of March 31,</b>		<b>Change</b>	<b>Percent Change</b>
	<b>2010</b>	<b>2011</b>		
	<b>(in thousands)</b>			
NTT East:				
Telephone subscriptions	16,394	14,929	(1,465)	(8.9)%
ISDN subscriptions	2,646	2,390	(256)	(9.7)%
NTT West:				
Telephone subscriptions	16,844	15,342	(1,502)	(8.9)%
ISDN subscriptions	2,446	2,222	(223)	(9.1)%

Telephone subscriber line ARPU in the fiscal year ended March 31, 2011 was ¥2,570 for NTT East and ¥2,490 for NTT West, a decrease of ¥50 (1.9%) and ¥40 (1.6%), respectively, from the corresponding figures in the previous fiscal year. INS-Net subscriber line ARPU in the fiscal year ended March 31, 2011 was ¥5,170 for NTT East and ¥4,970 for NTT West, a decrease of ¥70 (1.3%) and ¥70 (1.4%), respectively, from the previous fiscal year. As a result, aggregate fixed-line ARPU (telephone subscriber lines plus INS-Net subscriber lines) was ¥2,930 for NTT East and ¥2,800 for NTT West, a decrease of ¥50 (1.7%) and ¥50 (1.8%), respectively, from the previous fiscal year. This decline was due to the shift by high-volume users to IP telephone services and the migration of users from fixed-line services to mobile phones.

Please see “—The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010—Footnote 2, ‘ARPU: Average monthly revenue per unit’” and “—The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010—Footnote 3, ‘Method of calculating ARPU—(a) NTT East, NTT West’” for a description of how ARPU is calculated for telephone subscriber and ISDN services.

NTT East’s and NTT West’s market shares for MYLINE registrations continued to shrink in the fiscal year ended March 31, 2011. However, NTT Communications’ market share (accounted for under the long distance and international communications business segment) for MYLINE increased.

	<u>As of March 31,</u>		<u>Change</u>
	<u>2010</u>	<u>2011</u>	
Intra-city:			
NTT East .....	56.2%	54.3%	(1.9)%
NTT West .....	53.9%	51.7%	(2.2)%
NTT Communications .....	31.3%	34.1%	2.8%
Intra-prefectural and inter-city:			
NTT East .....	52.0%	50.4%	(1.6)%
NTT West .....	50.0%	48.1%	(1.9)%
NTT Communications .....	32.1%	35.0%	2.9%

Access charges for functions subject to calculation under the LRIC Methodology (which is applied to the majority of public network usage) for the fiscal year ended March 31, 2011 were ¥5.21 per three minutes for GC interconnection charges and ¥6.96 per three minutes for IC interconnection charges. Revenues from these access charges for the fiscal year ended March 31, 2011 decreased by ¥1.2 billion from the previous fiscal year to ¥99.9 billion for NTT East and by ¥1.8 billion from the previous fiscal year to ¥108.9 billion for NTT West (including subsidies to NTT East and NTT West).

As a result of the shift of customer needs to data transmission services, such as high-volume, low-cost IP and Ethernet services, the number of leased circuit service subscriptions has continued to decline.

The number of leased circuit service subscriptions in the regional communications business segment was as follows:

	<u>As of March 31,</u>		<u>Change</u>	<u>Percent Change</u>
	<u>2010</u>	<u>2011</u>		
NTT East:				
Conventional leased circuits .....	148	139	(9)	(6.2)%
High-speed digital circuits .....	100	91	(9)	(8.9)%
NTT West:				
Conventional leased circuits .....	149	142	(7)	(4.9)%
High-speed digital circuits .....	88	80	(8)	(9.6)%

*(IP/Packet Communications Services)*

In the regional communications business segment, NTT Group worked to build solid revenue structures by enhancing and expanding FLET'S Hikari and other broadband services. Specifically, in order to realize the goals of its medium-term management strategy, "Road to Service Creation Business Group," NTT Group expanded the FLET'S Hikari coverage area by, among other things, collaborating with local governments. As of March 31, 2011, the number of subscribers was 15,060 thousand. Of this number, subscribers to FLET'S Hikari Next, an NGN-based, highly reliable, fiber-optic service that enables use of secured bandwidth applications, totaled 4,600 thousand, accounting for the majority of new FLET'S Hikari subscriptions.

With respect to FLET'S Hikari, in order to increase the number of customers, NTT Group offered a variety of discounts on monthly usage fees, installation costs, and other fees. NTT Group also promoted membership programs aimed at improving customer satisfaction through CRM, resulting in the total number of members for NTT East and NTT West surpassing 5,700 thousand, and otherwise strengthened its efforts to maintain customer loyalty.

NTT Group also further expanded the coverage area for FLET'S TEREBI (NTT West), promoted collaborations with regional cable TV businesses, and worked to expand video services.

The numbers of subscriptions for flat-rate IP services, the IP telephone service, "Hikari Denwa," and "FLET'S TEREBI Transmission Service" were as follows:

	<u>As of March 31,</u>			<u>Percent Change</u>
	<u>2010</u>	<u>2011</u>	<u>Change</u>	
	(in thousands)			
NTT East:				
FLET'S Hikari* .....	7,533	8,511	978	13.0%
FLET'S ADSL .....	1,700	1,418	(282)	(16.6)%
Hikari Denwa (channels) .....	5,420	6,446	1,026	18.9%
FLET'S TEREBI Transmission Service .....	240	475	235	97.8%
NTT West:				
FLET'S Hikari* .....	5,718	6,547	830	14.5%
FLET'S ADSL .....	1,681	1,439	(242)	(14.4)%
Hikari Denwa (channels) .....	4,722	5,667	945	20.0%
FLET'S TEREBI Transmission Service .....	30	117	87	288.9%

(\*) FLET'S Hikari includes B FLET'S and FLET'S Hikari Next (launched in March 2008) provided by NTT East, and B FLET'S, FLET'S Hikari Premium, FLET'S Hikari Mytown, and FLET'S Hikari Next (launched in March 2008) provided by NTT West.

FLET'S Hikari ARPU in the fiscal year ended March 31, 2011 was ¥5,880 for NTT East and ¥5,890 for NTT West, ¥140 (2.4%) and ¥110 (1.9%) higher, respectively, than in the previous fiscal year. The main reason for these increases was higher sales of value-added services, such as Hikari Denwa and Remote Support Service.

Please see "The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010—Footnote 3, 'Method of calculating ARPU—(a) NTT East, NTT West'" for a description of how FLET'S Hikari ARPU is calculated.

*(System Integration Services)*

NTT Group conducted efficient and effective business activities with local governments and educational institutions to enable regional customers to utilize and promote ICT, primarily through solutions tailored to specific businesses based on industry characteristics and trends.

With regards to local governments, NTT Group aggressively worked to eliminate the digital divide by providing broadband services under IRU contracts. NTT Group provided packaged solutions for IP retransmission of terrestrial digital broadcasts and disaster announcements, among other things, and aggressively worked to provide a broadband service environment tailored to regional needs.

Efforts directed towards corporations included the expansion of the VPN service menu and the construction of a system of mutual cooperation aimed at providing one-stop customer support for office ICT equipment (for breakdowns and other troubleshooting), through collaboration with businesses in a wide range of fields.

*(Sales of Telecommunications Equipment)*

With respect to telecommunications equipment, NTT Group worked to expand its product lines for home telecommunications, business telephones for corporate customers, digital multi-function devices and business fax machines, and to develop and provide attractive products.

In the fiscal year ended March 31, 2011, NTT East launched two services that connect service providers and users through FLET'S Hikari: "FLET'S Market" and a cloud service for home use, "Hikari i-frame."

*(2) Long Distance and International Communications Business Segment*

Operating revenues for the fiscal year ended March 31, 2011 increased 5.8% from the previous fiscal year to ¥1,332.7 billion. Despite a decline in fixed voice related revenues and IP / packet communications revenues, revenues increased as a result of the increased number of consolidated subsidiaries, such as Dimension Data. Operating expenses in the fiscal year ended March 31, 2011 increased 6.4% from the previous fiscal year to ¥1,235.6 billion due to an increase in expenses arising from the increase in the number of consolidated subsidiaries. Operating revenues of Dimension Data and its subsidiaries included in the consolidated statements of operations for the fiscal year ended March 31, 2011 were ¥78,461 million. Operating income loss was ¥813 million, including amortization cost for intangible assets.

As a result, segment operating income in the fiscal year ended March 31, 2011 decreased 1.2% to ¥97.1 billion.

Operations for each service in the long distance and international communications business segment were as follows:

*(Fixed Voice Related Services)*

With respect to telephone services, NTT Group continued to respond to a variety of customer needs through national and international telephone services such as "PL@TINUM LINE" and strengthened its services by completing the transition to IN-X, a node for Freedial (toll-free number) and Navidual calls.

The following table shows the market share of MYLINE registrations in the long distance and international communications business segment:

	As of March 31,		
	2010	2011	Change
Inter-prefectural .....	79.7%	81.2%	1.5%
International .....	78.2%	79.8%	1.6%

*(IP/Packet Communications Services)*

In the long distance and international communications business segment, NTT Group worked to expand IP services.

For individual customers, NTT Group expanded the customer base for its ISP services, OCN and Plala, to a total of 11.34 million subscriptions through proactive marketing centered around fiber-optic services and by providing a variety of new services. In addition to the development of new value-added services such as OCN premium support and NTT ID log-in service, NTT Resonant collaborated with NTT DOCOMO to refine mobile search functionality. With its Hikari TV service, NTT Plala provided retransmission of BS digital broadcasts over IP and expanded high-definition content, and achieved its initial target of 1.4 million subscriptions.

NTT Group launched an IP service for global internal dialing for corporate customers in the coverage area (159 countries and regions) of “Arcstar™ Global IP-VPN,” an international IP-VPN service, which is the first such service for a Japanese telecommunications company. In addition, NTT Group provided high-quality network services to its multinational customers who operate globally, expanding its service area to telecommunications facilities of major cities in each country through IP-VPN interconnectivity with local partner telecommunications businesses.

The following table shows the number of subscriptions to IP/packet communications-related services in the long distance and international communications business segment:

	As of March 31			Percent change
	2010	2011	Change	
	(in thousands)			
IP-VPN .....	109	108	(1)	(0.9)%
OCN (ISP) .....	7,892	8,234	342	4.3%
Plala (ISP)* .....	3,050	3,101	51	1.7%
Hikari TV* .....	1,009	1,413	404	40.0%

\* Revenues from Plala and Hikari TV are included in “Operating Revenues—Other.”

#### *(System Integration Services)*

As corporate customers concentrate resources on core businesses, further expand businesses overseas and otherwise show an increasingly flexible response to environmental changes, NTT Group provided high value-added, one-stop solutions responsive to the needs of specific industries and businesses. NTT Group provided services such as BizCITY, a secure, high-quality cloud service that offers seamless global operation services, in areas of high customer demand, to efficiently utilize networks, outsource ICT infrastructure, promote teleworking, and support business continuity for companies operating overseas.

With respect to global businesses, NTT Group endeavored to respond to the needs of multinational companies by, enhancing its total, high value-added ICT services that combine network integration with data center, security and server management services. Specifically, NTT Group acquired Dimension Data, which has offices in 49 countries around the world, preparing a framework to provide global one-stop, comprehensive ICT services. In addition, NTT Group began construction of Asia Submarine-Cable Express, a high-capacity optical submarine cable that will link the Asian region together, and new premium data centers in Singapore and Hong Kong, acquired Emirio Globe Soft Pte Ltd, a provider of global IT outsourcing services focused on Asia, and otherwise endeavored to strengthen its capacity to provide services.

#### *(3) Mobile Communications Business Segment*

Operating revenues in the fiscal year ended March 31, 2011 decreased 1.4% from the previous fiscal year to ¥4,224.3 billion. Despite an increase in IP / packet communications revenues the decrease was due to a fall in mobile voice related revenues caused by increased market penetration of the Value Plan, a decrease in telecommunications handset device sales revenues resulting from a fall in wholesale prices per unit and other factors. On the other hand, operating expenses in the fiscal year ended March 31, 2011 decreased 2.0% from the previous fiscal year to ¥3,385.2 billion as a result of a decrease in revenue-driven expenses, network-related expenses and other factors.

As a result, segment operating income in the fiscal year ended March 31, 2011 increased 1.3% from the previous fiscal year to ¥839.1 billion.

Operations for each service in the mobile communications business segment were as follows:

*(Mobile Voice Related Services / IP/Packet Communications Services)*

During the fiscal year ended March 31, 2011, NTT Group expanded smartphone use with a view towards improving packet ARPU, launched the Xi service, which utilizes the new LTE communications standard, and otherwise worked to respond to diverse customer needs. NTT Group also enhanced its handset lineup, billing plans and after-sales support, and worked to improve customer satisfaction. Additionally, NTT Group streamlined costs by reducing network-related costs and general expenses arising from the consolidation of call centers.

The total number of NTT DOCOMO's mobile subscriptions as of March 31, 2011 was 58.01 million, an increase of 1.93 million, or 3.4%, compared to 56.08 million subscriptions as of the end of the previous fiscal year. As of March 31, 2011, the total number of FOMA subscriptions reached 56.75 million, accounting for 97.8% of NTT DOCOMO's total mobile subscriptions, an increase of 3.54 million, or 6.7%, compared to 53.20 million subscriptions as of the end of the previous fiscal year. Due to the increased availability of flat-rate packet services, there has been a rapid adoption of smartphones, which allow users to access the Internet, music, and video comfortably on a large screen and allow them to download various applications developed throughout the world. In order to respond to the diverse needs of smartphone users and improve customer convenience, NTT DOCOMO has undertaken a variety of initiatives. Specifically, while expanding its handset lineup, NTT DOCOMO established "docomo market," a portal site that provides appealing content and applications, and offered "sp-mode," a service for smartphones that enables customers to carry the same i-mode e-mail address and to use a payment function for online content. As a result of these initiatives, the number of smartphones sold has risen sharply, with the number of handsets sold during the fiscal year ended March 31, 2011 exceeding 2.5 million. As of March 31, 2011, the number of sp-mode subscribers reached 2.09 million. The following table shows the number of mobile communications subscriptions and estimated market share:

	As of March 31,		Change	Percent Change
	2010	2011		
	(in thousands)			
Mobile phone services <sup>(1)</sup> . . . . .	56,082	58,010	1,928	3.4%
Mobile phone services (FOMA) <sup>(1)</sup> . . . . .	53,203	56,746	3,542	6.7%
Mobile phone services (Xi) . . . . .	—	26	—	—
Estimated mobile phone market share <sup>(1)(2)</sup> . . . . .	50.0%	48.5%	(1.5)%	—
i-mode services <sup>(3)</sup> . . . . .	48,992	48,141	(851)	(1.7)%
sp-mode services . . . . .	—	2,095	—	—

- (1) Includes communications module service subscriptions. Effective March 3, 2008, use of the 2-in-1 service (a multiple number service that makes more than one phone number available for use on one mobile phone) is conditioned on conclusion of an additional FOMA agreement, and the number of mobile phone service subscriptions and FOMA subscriptions includes such additional FOMA contracts.
- (2) Market share data is based on number of subscriptions of other carriers which is computed based on figures released by the Telecommunications Carriers Association.
- (3) Number of i-mode service subscriptions is the total of Mobile phone services (FOMA) and Mobile phone services (mova) subscriptions.

MOU of mobile (Xi + FOMA + mova) service remained at substantially the same level as the previous fiscal year, moving from 136 minutes as of March 31, 2010 to 134 minutes as of March 31, 2011. Billable MOU (Xi + FOMA + mova), the portion of MOU that is charged to subscribers, decreased from 118 minutes as of March 31, 2010 to 114 minutes as of March 31, 2011 as a result of the expansion of toll-free calls. Aggregate ARPU of mobile (Xi + FOMA + mova) services decreased by ¥280 (5.2%) to ¥5,070 in the fiscal year ended March 31, 2011, from ¥5,350 in the fiscal year ended March 31, 2010. This was due to a decrease in voice ARPU (Xi + FOMA + mova) of ¥370 (12.8%) to ¥2,530 in the fiscal year ended March 31, 2011, from ¥2,900 in the fiscal



year ended March 31, 2010, due to the expansion of the “Value Plan” introduced in November 2007 and from a decline in Billable MOU. Packet ARPU (Xi + FOMA + mova) increased, however, by ¥90 (3.7%) to ¥2,540 in the fiscal year ended March 31, 2011, from ¥2,450 in the fiscal year ended March 31, 2010, due to the expansion of Packet Flat-Rate services.

Please see “—The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010—Footnote 1, ‘MOU (average monthly minutes of use per unit): Average communication time per subscription’” at the end of this item for a description of how MOU is calculated. Please see “—The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010—Footnote 3, ‘Method of calculating ARPU—(b) NTT DOCOMO’” at the end of this item for a description of how ARPU is calculated for mobile services.

The following table shows data regarding MOU and ARPU of mobile services:

	As of March 31,		Change	Percent Change
	2010	2011		
MOU (Xi + FOMA + mova) (minutes) . . . . .	136	134	(2)	(1.5)%
Billable MOU (Xi + FOMA + mova) (minutes) . . . . .	118	114	(4)	(3.4)%
Aggregate ARPU (Xi + FOMA + mova) . . . . .	¥5,350	¥5,070	(280)	(5.2)%
Voice ARPU (Xi + FOMA + mova) . . . . .	2,900	2,530	(370)	(12.8)%
Packet ARPU (Xi + FOMA + mova) . . . . .	2,450	2,540	90	3.7%

The following table shows data regarding MOU and ARPU of FOMA:

	As of March 31,		Change	Percent Change
	2010	2011		
MOU (FOMA) (minutes) . . . . .	142	137	(5)	(3.5)%
Aggregate ARPU (FOMA) . . . . .	¥5,480	¥5,120	(360)	(6.6)%
Voice ARPU (FOMA) . . . . .	2,900	2,520	(380)	(13.1)%
Packet ARPU (FOMA) . . . . .	2,580	2,600	20	0.8%

The following table shows data regarding MOU and ARPU of mova:

	As of March 31,		Change	Percent Change
	2010	2011		
MOU (mova) (minutes) . . . . .	51	44	(7)	(13.7)%
Aggregate ARPU (mova) . . . . .	¥3,460	¥3,280	¥(180)	(5.2)%
Voice ARPU (mova) . . . . .	¥2,870	¥2,720	¥(150)	(5.2)%
Packet ARPU (mova) . . . . .	¥ 590	¥ 560	¥ (30)	(5.1)%

The portion of the mova and FOMA revenues attributable to IP/packet related services is recorded under IP/packet communications service revenues.

*(Sales of Telecommunications Equipment)*

Revenues from sales of telecommunications equipment decreased 5.9% from the previous fiscal year to ¥477.4 billion in the fiscal year ended March 31, 2011 despite a significant increase in smartphone handset device sales, due to a reduction in the wholesale unit prices of mobile handset devices.

*(4) Data Communications Business Segment*

In the data communications business segment, operating revenues in the fiscal year ended March 31, 2011 increased 2.7% from the previous fiscal year to ¥1,163.2 billion. Operating expenses increased 1.7% to ¥1,862.0 billion from the previous fiscal year due to, among other things, the increase in expenses resulting from the increase in the number of consolidated subsidiaries.

As a result, segment operating income in the fiscal year ended March 31, 2011 increased 18.7% from the previous fiscal year to ¥77.0 billion.

Operations for each service in the data communications segment were as follows:

The Public & Financial Company, a business group that provides high value-added IT services to sectors supporting social infrastructure, including public administration, healthcare, finance and financial settlements, has completed large-scale projects in the fiscal year ended March 31, 2011. However, it was affected by the worsening condition of the economy, intensifying competition and unprofitable transactions.

The Global IT Services Company, a business group that provides global high value-added IT services that support such business activities as manufacturing, distribution, services, media, communications and other business activities, was affected by, among other things, the expansion of telecom-related businesses and an expansion of consolidated subsidiaries from the acquisition of Keane International, which has 11 offices centered on North America, and which was intended to strengthen NTT's ability to respond to its globalized customers.

The Solutions & Technologies Company, a business group that offers platforms and solutions that support cutting-edge IT services, worked to improve, among other things, the effects of the expansion of consolidated subsidiaries and the cost rate of its existing subsidiaries.

#### *(5) Other Businesses Segment*

In the other businesses segment, while there was an increase in revenues from the construction and other businesses, operating revenues in the fiscal year ended March 31, 2011 decreased 1.1% to ¥1,120.3 billion from the previous fiscal year due to, among other things, a decrease in revenues from system development and other businesses. Meanwhile, operating expenses in the fiscal year ended March 31, 2011 decreased 3.9% to ¥1,075.4 billion due to, among other things, a decrease in loan loss expenses in the financing business.

As a result, segment operating income for the fiscal year ended March 31, 2011 was ¥44.9 billion, an increase of 236.6% from the previous fiscal year.

#### 1. MOU (average monthly minutes of use per unit): Average communication time per subscription

The method of calculation for the number of active subscribers when calculating MOU for NTT DOCOMO is as follows:

FY Results: Sum of number of active subscribers for each month from April to March

Active subscribers = (number of subscribers at end of previous month + number of subscribers at end of current month)/2

#### 2. ARPU: Average monthly revenue per unit

Average monthly revenue per unit, or ARPU, is used to measure average monthly operating revenues attributable to each designated service on a per user basis. In the case of our fixed-line business, ARPU is calculated by dividing revenue items included in the operating revenues of our regional communications business segment, that is, telephone subscriber lines, INS-NET and FLET'S Hikari, by the number of active subscribers to the relevant services. In the case of mobile communications business, ARPU is calculated by dividing revenue items included in operating revenues from our mobile communications business segment, such as revenues from FOMA mobile phone services, mova mobile phone services and Xi mobile phone services, that are incurred consistently each month (i.e., basic monthly charges and voice/packet transmission charges), by the number of active subscribers to the relevant services. The calculation of these figures excludes revenues that are not representative of monthly average usage, such as telecommunications equipment sales, activation fees and universal service charges.

We believe that our ARPU figures calculated in this way provide useful information regarding the monthly average usage of our subscribers. The revenue items included in the numerators of our ARPU figures are based on our financial results comprising our U.S. GAAP results of operations.

3. Method of calculating ARPU

(a) NTT East, NTT West

We separately compute the following four categories of ARPU for the fixed-line business conducted by each of NTT East and NTT West, using the following measures:

- Aggregate Fixed-line ARPU (Telephone Subscriber Lines + INS-NET Subscriber Lines): Calculated based on revenues from monthly charges and call charges for Telephone Subscriber Lines and INS-NET Subscriber Lines, which are included in operating revenues from Voice Transmission Services (excluding IP Services), and revenues from FLET'S ADSL and FLET'S ISDN, which are included in operating revenues from IP Services.
- Telephone Subscriber Lines ARPU: Calculated based on revenues from monthly charges and call charges for Telephone Subscriber Lines and revenues from FLET'S ADSL.
- INS-NET Subscriber Lines ARPU: Calculated based on revenues from monthly charges and call charges for INS-NET Subscriber Lines and revenues from FLET'S ISDN.
- FLET'S Hikari ARPU: Calculated based on revenues from FLET'S Hikari (including FLET'S Hikari optional services), which are included in operating revenues from IP Services and Supplementary Business, and revenues from monthly charges, call charges and device connection charges for Hikari Denwa, which are included in operating revenues from IP Services.

\*1 FLET'S Hikari includes B FLET'S and FLET'S Hikari Next (launched on March 31, 2008) provided by NTT East, and B FLET'S, FLET'S Hikari Premium, FLET'S Hikari Mytown and FLET'S Hikari Next (launched on March 31, 2008) provided by NTT West.

\*2 Starting from the fiscal year ended March 31, 2011, FLET'S Hikari ARPU for NTT East and NTT West includes revenues from Remote Support Service, which is a FLET'S Hikari optional service included in Supplementary Business revenues.

\*3 Revenues from interconnection charges are excluded from the calculation of Aggregate Fixed-line ARPU (Telephone Subscriber Lines + INS-NET Subscriber Lines), Telephone Subscriber Lines ARPU, INS-NET Subscriber Lines ARPU, and FLET'S Hikari ARPU.

\*4 For purposes of calculating Aggregate Fixed-line ARPU (Telephone Subscriber Lines + INS-NET Subscriber Lines), Telephone Subscriber Lines ARPU and INS-NET Subscriber Lines ARPU, the number of subscribers is determined using the number of lines for each service.

\*5 In terms of number of channels, transmission rate, and line use rate (base rate), INS-Net 1500 is in all cases roughly ten times greater than INS-Net 64. For this reason, one INS-Net 1500 subscription is calculated as ten INS-Net 64 subscriptions.

\*6 For purposes of calculating FLET'S Hikari ARPU, number of subscribers is determined based on number of FLET'S Hikari subscribers (including B FLET'S and FLET'S Hikari Next (launched on March 31, 2008) provided by NTT East and B FLET'S, FLET'S Hikari Premium, FLET'S Hikari Mytown and FLET'S Hikari Next (launched on March 31, 2008) provided by NTT West).

\*7 Number of active subscribers used in the ARPU calculation of NTT East and NTT West are as below: FY Results: Sum of number of active subscribers for each month from April to March.  
Active subscribers = (number of subscribers at end of previous month + number of subscribers at end of current month)/2

(b) NTT DOCOMO

We compute ARPU for NTT DOCOMO using three aggregate measures.

Mobile Aggregate ARPU (Xi+FOMA+mova) = Voice ARPU (Xi+FOMA+mova) + Packet ARPU (Xi+FOMA+mova).

Mobile Aggregate ARPU (FOMA) = Voice ARPU (FOMA) + Packet ARPU (FOMA).

Mobile Aggregate ARPU (mova) = Mobile Voice ARPU (mova) + Packet ARPU (mova).

\*1 Our Voice ARPU (Xi+FOMA+mova) is based on operating revenues related to voice services, such as basic monthly charges and voice transmission charges, attributable to our third generation FOMA and conventional mova services, and our Packet ARPU (Xi+FOMA+mova) is based on operating revenues related to packet communication services, such as basic monthly charges and packet transmission charges, attributable to our third generation FOMA services and based on operating revenues related to packet services, such as basic monthly charges and packet transmission charges, attributable to our conventional mova services.

\*2 Our Voice ARPU (FOMA) is based on operating revenues related to voice services, such as basic monthly charges and voice transmission charges, and our Packet ARPU (FOMA) is based on operating revenues related to packet communication services, such as basic monthly charges and packet transmission charges, in each case attributable to our third generation FOMA services.

\*3 Our Voice ARPU (mova) is based on operating revenues related to voice services, such as basic monthly charges and voice communication charges, and our Packet ARPU (mova) is based on operating revenues related to packet services, such as basic monthly charges and packet communication charges, in each case attributable to our mova services.

\*4 Communications module service subscribers, "Phone Number Storage" and "Mail Address Storage" services, and the revenues therefrom are not included in the calculations of mobile ARPU.

\*5 Number of active subscribers used in the ARPU calculation of NTT DOCOMO are as below.  
FY Results: Sum of number of active subscribers for each month from April to March.  
Active subscribers = (number of subscribers at end of previous month + number of subscribers at end of current month)/2.

*The fiscal year ended March 31, 2010 compared with the fiscal year ended March 31, 2009*

		<b>Fiscal Year Ended March 31, 2011</b>	
		<b>Sales and Operating Revenue Amounts (¥ million)</b>	<b>Comparison with Previous Year (%)</b>
	<b>Service Types</b>		
Regional communications business	Fixed voice related services	2,203,632	(9.0)%
	IP/packet communications services	1,160,016	13.4%
	System integration services	167,975	11.7%
	Other services	432,720	(7.7)%
	Subtotal	3,964,343	(2.5)%
	Internal sales	514,906	(9.0)%
	Total for regional communications business	3,449,437	(1.4)%
Long distance and international communications business	Fixed voice related services	544,528	(7.2)%
	IP/packet communications services	383,585	1.9%
	System integration services	113,256	(3.3)%
	Other services	218,273	(7.1)%
	Subtotal	1,259,642	(4.2)%
	Internal sales	113,693	(7.9)%
	Total for long distance and international communications business	1,145,949	(3.9)%
Mobile communications business	Mobile voice related services	2,187,157	(6.1)%
	IP/packet communications services	1,589,752	5.1%
	Other services	507,495	(16.4)%
	Subtotal	4,284,404	(3.7)%
	Internal sales	40,972	(17.3)%
	Total for mobile communications business	4,243,432	(3.5)%
Data communications business	System integration services	1,132,513	0.5%
	Internal sales	125,239	(3.4)%
	Total for data communications business	1,007,274	1.0%
Other businesses	Other services	1,007,274	(2.8)%
	Subtotal	797,332	(4.6)%
	Total for other businesses	335,284	1.9%
Total consolidated sales and operating revenue		10,181,376	(2.3)%

Note: The above figures do not include consumption or other taxes.

*Regional Communications Business Segment*

Operating revenues in the fiscal year ended March 31, 2010 decreased 2.5% from the previous fiscal year to ¥3,964.3 billion. IP revenues rose as a result of an increase in the number of FLET'S Hikari subscriptions. However, this increase was more than offset by the decrease in fixed voice related revenues associated with a decrease in fixed-line telephone subscriber services.

Operating expenses in the fiscal year ended March 31, 2010 decreased 2.8% from the previous fiscal year to ¥3,882.2 billion. While expenses increased due to an increase in costs for employee retirement benefits, this was more than offset by a decrease in depreciation and amortization costs and cost reductions achieved as a result of the consolidation of operating locations and other improvements in operational efficiency.

As a result, segment operating income in the fiscal year ended March 31, 2010 increased 16.5% to ¥82.1 billion.

Operations for each service in the regional communications segment were as follows:

*(Fixed Voice Related Services)*

With respect to telephone subscriber services, migration to optical IP telephony continued to progress, and competition continued to intensify with mobile phone services, direct subscriber telephone services of other companies using dry copper lines and telephone services provided by cable television operators. As a result, fixed-line telephone subscriptions decreased by 3,123 thousand, falling to 33,238 thousand subscriptions as of March 31, 2010.

With respect to ISDN services, as a result of the continued contraction in demand in the wake of the spread of broadband access services, the number of ISDN subscribers as of March 31, 2010 fell to 5,092 thousand, a decrease of 632 thousand ISDN subscribers from the previous fiscal year.

The number of fixed-line telephone and ISDN subscriptions were as follows:

	<u>As of March 31,</u>		<u>Change</u>	<u>Percent Change</u>
	<u>2009</u>	<u>2010</u>		
	<u>(in thousands)</u>			
(NTT East)				
Telephone subscriptions . . . . .	17,983	16,394	(1,589)	(8.8)%
ISDN subscriptions . . . . .	2,984	2,646	(338)	(11.3)%
(NTT West)				
Telephone subscriptions . . . . .	18,378	16,844	(1,534)	(8.3)%
ISDN subscriptions . . . . .	2,740	2,446	(295)	(10.8)%

Telephone subscriber line ARPU in the fiscal year ended March 31, 2010 was ¥2,620 for NTT East and ¥2,530 for NTT West, a decrease of ¥50 (1.9%) and ¥40 (1.6%), respectively, from the corresponding figures in the previous fiscal year. INS-Net subscriber line ARPU in the fiscal year ended March 31, 2010 was ¥5,240 for NTT East and ¥5,040 for NTT West, a decrease of ¥70 (1.3%) and ¥80 (1.6%), respectively, from the previous fiscal year. As a result, aggregate fixed-line ARPU (telephone subscriber lines plus INS-Net subscriber lines) was ¥2,980 for NTT East and ¥2,850 for NTT West, a decrease of ¥70 (2.3%) and ¥50 (1.7%), respectively, from the previous fiscal year. The reasons for this decline include the shift by high-volume users to IP telephone services and the migration of users from fixed-line to mobile phones.

Please see “—The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010—Footnote 2, ‘ARPU: Average monthly revenue per unit’” for a description of ARPU and “—The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010—Footnote 3, ‘Method of calculating ARPU—(a) NTT East, NTT West’” for a description of how ARPU is calculated for telephone subscriber and ISDN services.

NTT East’s and NTT West’s market share for MYLINE registrations continued to shrink. However, NTT Communications’ market share for MYLINE (accounted for under the long distance and international communications business segment) increased.

	<u>As of March 31,</u>		
	<u>2009</u>	<u>2010</u>	<u>Change</u>
Intra-city:			
NTT East .....	58.5%	56.2%	(2.3)%
NTT West .....	56.8%	53.9%	(2.9)%
NTT Communications .....	27.6%	31.3%	3.7%
Intra-prefectural and inter-city:			
NTT East .....	54.0%	52.0%	(2.0)%
NTT West .....	52.4%	50.0%	(2.4)%
NTT Communications .....	28.4%	32.1%	3.7%

Access charges for functions subject to calculation under the LRIC Methodology (which is applied to the majority of public network usage) for the fiscal year ended March 31, 2010 were ¥4.52 per three minutes for GC interconnection charges and ¥6.38 per three minutes for IC interconnection charges. In addition, revenues from these access charges for the fiscal year ended March 31, 2010 decreased by ¥16.9 billion from the previous fiscal year to ¥101.2 billion for NTT East and by ¥20.2 billion from the previous fiscal year to ¥110.7 billion for NTT West (in both cases including USF subsidies to NTT East and NTT West). Please see “Item 4—Regulations—Interconnection—Universal Service Fund” for a discussion of regulatory changes affecting interconnection rates and USF subsidies.

The decline in the number of leased circuit service subscriptions continued as a result of customer needs shifting to high-capacity, low-priced IP and Ethernet data transmission services.

The number of leased circuit service subscriptions in the regional communications business segment was as follows:

	<u>As of March 31,</u>			
	<u>2009</u>	<u>2010</u>	<u>Change</u>	<u>Percent Change</u>
	(in thousands)			
NTT East:				
Conventional leased circuits .....	161	148	(13)	(8.1)%
High-speed digital circuits .....	114	100	(14)	(12.1)%
NTT West:				
Conventional leased circuits .....	160	149	(10)	(6.4)%
High-speed digital circuits .....	98	88	(10)	(10.2)%

*(IP/Packet Communications Services)*

In the broadband market, fiber-optic access services expanded to account for over half of broadband services in Japan in the fiscal year ended March 31, 2010. In addition to facility competition from other businesses and increasing service competition, the market environment is undergoing major changes as a result of the expansion of triple play service offerings, including video distribution and IP telephone, and the appearance of new services for information devices other than personal computers.

In response to this market environment, NTT Group worked to secure revenue bases by enhancing broadband services in the regional communications business segment, in particular FLET’S Hikari.

In the broadband service business, NTT Group further expanded the service area for FLET’S Hikari Next, a commercial service for the NGN launched in March 2008, with NTT East expanding its service area to approximately all of its FLET’S Hikari coverage area and NTT West expanding its service area to 80% of its FLET’S Hikari coverage area. NTT Group enhanced its service by introducing a high-speed service with a

maximum download speed of 200Mbps in Eastern Japan and pursuing initiatives in collaboration with other companies to expand sales. In addition, NTT Group took steps to enhance the quality of customer service by, among other things, reducing the lead time between a customer's application and the start of FLET'S Hikari service, strengthening support services and improving CRM in its membership programs.

The number of subscriptions for fixed rate IP services, the IP telephone service, Hikari Denwa, and FLET'S TEREBI Transmission Service were as follows:

	<u>As of March 31,</u>		<u>Change</u>	<u>Percent Change</u>
	<u>2009</u>	<u>2010</u>		
			(in thousands)	
NTT East				
FLET'S Hikari <sup>(*)</sup> .....	6,291	7,533	1,242	19.7%
FLET'S ADSL .....	2,058	1,700	(358)	(17.4)%
Hikari Denwa (channels) .....	4,248	5,420	1,172	27.6%
FLET'S TEREBI Transmission Service .....	73	240	167	228.5%
NTT West				
FLET'S Hikari <sup>(*)</sup> .....	4,843	5,718	874	18.1%
FLET'S ADSL .....	1,934	1,681	(252)	(13.1)%
Hikari Denwa (channels) .....	3,762	4,722	959	25.5%
FLET'S TEREBI Transmission Service .....	5	30	25	499.4%

(\*) FLET'S Hikari includes B FLET'S and FLET'S Hikari Next (launched in March 2008) provided by NTT East, and B FLET'S, FLET'S Hikari Premium, FLET'S Hikari Mytown, and FLET'S Hikari Next (launched in March 2008) provided by NTT West.

FLET'S Hikari ARPU in the fiscal year ended March 31, 2010 was ¥5,740 for NTT East and ¥5,780 for NTT West, ¥160 (2.9%) and ¥160 (2.8%) higher, respectively, than in the previous fiscal year. The main reason for the increases was higher sales of Hikari Denwa and optional services such as Remote Support Service.

Please see “—The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010—Footnote 3, ‘Method of calculating ARPU—(a) NTT East, NTT West’” for a description of how FLET'S Hikari ARPU is calculated. For purposes of the foregoing comparison against the previous fiscal year, the FLET'S Hikari ARPU figure announced for the previous fiscal year has been adjusted to reflect the changes in the calculation method for FLET'S Hikari ARPU that took effect in the fiscal year ended March 31, 2010.

#### *(Sales of Telecommunications Equipment)*

With respect to telecommunications equipment, NTT Group worked to expand its product lines for home telecommunications, business telephones for corporate customers, digital multi-function devices and business fax machines, and to develop and provide attractive products.

In the fiscal year ended March 31, 2010, in order to take advantage of FLET'S Hikari's ability to offer novel applications and products in a simple and convenient manner for customers, NTT Group began offering the Hikari Link series, a lineup of information devices for connecting to FLET'S Hikari. In addition to Hikari Photo Frame, launched in March 2009, NTT Group launched a living-room PC in July 2009, Hikari BOX, which provides customers who did not previously use the Internet with a broadband-based lifestyle through their household TVs and monitors using FLET'S Hikari or other services.

#### *Long distance and International Communications Business Segment*

Operating revenues in the fiscal year ended March 31, 2010 decreased 4.2% from the previous fiscal year to ¥1,259.6 billion. Although IP revenues increased as a result of increases in OCN and VPN related revenues, this



increase was more than offset by a decrease in revenues from conventional fixed voice services arising from a decrease in subscriptions for fixed-line telephone services and a migration of users from conventional fixed-line telephony to optical IP telephony. While the economy has begun to show signs of recovery, revenues from the system integration business, which had risen in previous years, declined as the economic prospects for the foreseeable future remained unclear.

Operating expenses in the fiscal year ended March 31, 2010 decreased 4.7% to ¥1,161.4 billion. This was as a result of strict cost controls achieved through continued efforts in process improvement, and a decrease in communications equipment use fees linked to the decline in fixed voice revenues.

As a result, segment operating income in the fiscal year ended March 31, 2010 increased 1.4% to ¥98.2 billion.

Operations for each service in the long distance and international communications business segment were as follows:

*(Fixed Voice Related Services)*

With respect to telephone services, NTT Communications continued to respond to a variety of customer needs through national and international telephone services such as “PL@TINUM LINE” and strengthened its service by completing the transition to IN-X, a node for Freedial (toll-free number) and Navidual calls.

The following table shows the market share of MYLINE registrations in the long distance and international communications business segment:

	<u>As of March 31,</u>		
	<u>2009</u>	<u>2010</u>	<u>Change</u>
Inter-prefectural . . . . .	77.5%	79.7%	2.2%
International . . . . .	75.9%	78.2%	2.3%

The number of leased circuit service subscribers decreased due to the continued shift to less expensive IP/packet communications services.

*(IP/Packet Communications Services)*

NTT Group worked to expand IP services in the long distance and international communications business segment.

In Internet-based businesses, NTT Group expanded the customer base for its ISP services, OCN and Plala, through proactive marketing centered on fiber optic services and by providing a diverse range of services for private customers. NTT Group leveraged the comprehensive strengths of the NTT Communications group, including NTT Resonant and NTT Plala, to develop integrated Internet-related services for ISPs, 050-prefix IP telephone, video distribution and consumer-generated media. Hikari TV, an IPTV service provided by NTT Plala throughout Japan, expanded its subscriber base to more than one million users as of March 31, 2010 by expanding the service area for IP re-broadcasts of digital terrestrial television and offering more high-definition content.

For corporate customers, NTT Group expanded its network service to meet its customers’ needs for SaaS/cloud computing and data center services for alleviating network workload in their ICT environments. Specifically, NTT Group launched Burst Ether Access, which enables stable high-speed access to data centers with high cost-efficiency, and Group-Ether, a low-cost, entry-type wide-area Ethernet service that uses the B FLET’S and FLET’S Hikari Next services offered by NTT East and NTT West. NTT Group also enhanced its line-up of high value-added services in response to the increasing sophistication of corporate infrastructure,

including by providing the “Arcstar IP-VPN routerless plan,” which enables a customer’s office use of the router function through NTT Communications’ network without installing a local router.

The following table shows the number of subscriptions to IP/packet communications-related services in the long distance and international communications business segment:

	<u>As of March 31,</u>		<u>Change</u>	<u>Percent Change</u>
	<u>2009</u>	<u>2010</u>		
	(in thousands)			
IP-VPN . . . . .	116	109	(7)	(5.9)%
OCN (ISP) . . . . .	7,367	7,892	526	7.1%
Plala (ISP) <sup>(*)</sup> . . . . .	2,896	3,050	154	5.3%
Hikari TV <sup>(*)</sup> . . . . .	552	1,009	457	82.8%

(\*) Revenues from Plala and Hikari TV are included in “Operating Revenues—Other.”

*(System Integration Services)*

Services for business customers were strengthened with more seamless global service offerings, including high value-added solutions and increased consulting-type sales in which the company helped customers solve problems as their “ICT Solution Partner.” Secure, high-quality cloud-based services were expanded under the BizCITY™ concept of providing companies with ICT environments for secure access to enterprise services from any place at any time. Customers used these services to compress business assets, lower investment risks and outsource systems.

In global businesses, in response to the needs of Japanese and multinational companies for high-quality services that provide seamless functionality both domestically and abroad, NTT Group also provided total, high value-added ICT solutions that combine network integration services with data center, security and server-management services. To support the expansion and strengthening of its services, NTT Group opened new data centers and offices, and acquired both Pacific Crossing Limited, the operator of the PC-1 trans-Pacific submarine cable, and Integralis AG, a leading provider of IT security services.

*Mobile Communications Business Segment*

Operating revenues in the fiscal year ended March 31, 2010 decreased 3.7% from the previous fiscal year to ¥4,284.4 billion. While revenues from packet communications increased due to an increase in Packet Flat-Rate subscriptions, the overall decrease was a result of decreases in mobile voice related revenues and telecommunications equipment sales revenues due to, among other factors, the penetration of new handset sales models and a decrease in Billable MOU. See the discussion of MOU below.

Operating expenses in the fiscal year ended March 31, 2010 decreased 4.6% to ¥3,456.0 billion. This was a result of a decrease in mobile handset costs arising from the decline in sales of mobile handsets to agent resellers and the decrease in depreciation and amortization attributable to the fact that the accelerated depreciation of mova-related assets had been carried out in the previous fiscal year, which more than offset an increase in loyalty program related expenses and an increase in expenses arising from an increase in number of subscriptions for Mobile Phone Protection & Delivery Service.

As a result, segment operating income in the fiscal year ended March 31, 2010 increased 0.4% from the previous fiscal year to ¥828.4 billion.

Operations for each service in the mobile communications segment were as follows:

*(Mobile Voice Related Services / IP/Packet Communications Services)*

During the fiscal year ended March 31, 2010, NTT DOCOMO strived to expand subscribers' packet usage through the expansion and enrichment of video content services as well as other measures, and also accelerated the personalization of services with the launch of navigation support services upgraded with the introduction of Auto-GPS locating capability and other initiatives. In addition, various steps aimed at enhancing customer satisfaction were taken, including the enrichment of the handset lineup, billing plans and after-sales support. As a result of these initiatives and the widespread acceptance of NTT DOCOMO's new business model, the cellular churn rate continued to drop. The number of subscriber inflows due to Mobile Number Portability has also improved, and NTT DOCOMO acquired the largest market share of net additions for the year ended March 31, 2010.

The total number of our mobile (FOMA + mova) subscriptions as of March 31, 2010 was 56.08 million, an increase of 1.48 million, or 2.7%, compared to 54.60 million as of the end of the previous fiscal year. NTT expects that the growth rate of its mobile subscriptions will decline in the future as the growth of the Japanese market slows due to maturity. As of March 31, 2010, the number of FOMA subscriptions reached 53.20 million, which equaled 94.9% of NTT DOCOMO's total mobile subscriptions, an increase of 4.16 million, or 8.5%, compared to 49.04 million subscriptions as of March 31, 2009. On the other hand, the number of mova subscriptions has steadily decreased since the fiscal year ended March 31, 2004, as a result of the migration of subscribers to the FOMA network. As of March 31, 2010, the total number of mova subscriptions was 2.88 million, a decrease of 2.68 million, or 48.2%, from 5.56 million subscriptions as of the end of the previous fiscal year. NTT DOCOMO decided to terminate mova service on March 31, 2012, in order to concentrate its managerial resources on FOMA service. NTT DOCOMO's subscriber market share as of March 31, 2010 dropped 0.8% from 50.8% at the end of the previous fiscal year to 50.0%. The number of i-mode subscriptions reached 48.99 million as of March 31, 2010, an increase of 0.52 million or 1.1% from 48.47 million subscriptions as of March 31, 2009.

The following table shows the number of mobile communications subscriptions and estimated market share:

	As of March 31,			
	2009	2010	Change	Percent Change
	(in thousands)			
Mobile phone services <sup>(1)</sup> . . . . .	54,601	56,082	1,481	2.7%
Mobile phone services (FOMA) <sup>(1)</sup> . . . . .	49,040	53,203	4,163	8.5%
Mobile phone services (mova) . . . . .	5,560	2,879	(2,682)	(48.2)%
Estimated mobile phone market share <sup>(1)(2)</sup> . . . . .	50.8%	50.0%	(0.8)%	—
i-mode services <sup>(3)</sup> . . . . .	48,474	48,992	518	1.1%

(1) Includes communications module service subscriptions. Effective March 3, 2008, use of the 2-in-1 service (a multiple number service that makes more than one phone number available for use on one mobile phone) is conditioned on conclusion of an additional FOMA agreement, and the number of mobile phone service subscriptions and FOMA subscriptions includes such additional FOMA contracts.

(2) Number of subscriptions of other carriers is computed based on figures released by the Telecommunications Carriers Association.

(3) Number of i-mode service subscriptions is the total of Mobile phone services (FOMA) and Mobile phone services (mova) subscriptions.

MOU of mobile (FOMA + mova) service was 136 minutes as of March 31, 2010, remaining substantially unchanged from an MOU of 137 minutes in the previous fiscal year. Billable MOU (FOMA+mova), the portion of MOU that is charged to subscribers, as of March 31, 2010 decreased from 124 minutes for the previous fiscal year to 118 minutes as a result of the expansion of toll-free calls. Aggregate average monthly revenue per unit (ARPU) of mobile (FOMA + mova) services decreased by ¥360 (6.3%) to ¥5,350 in the fiscal year ended March 31, 2010 from ¥5,710 in the fiscal year ended March 31, 2009. This was due to a decrease in voice ARPU (FOMA + mova) of ¥430 (12.9%) to ¥2,900 in the fiscal year ended March 31, 2010 from ¥3,330 in the fiscal

year ended March 31, 2009, due to the increased penetration of Value Plan, which was introduced in November 2007, and a decrease in Billable MOU. Packet ARPU (FOMA + mova) increased, however, by ¥70 (2.9%) to ¥2,450 in the fiscal year ended March 31, 2010 from ¥2,380 in the fiscal year ended March 31, 2009. This was due to the increased penetration of fixed-rate packet communications services.

Please see “—The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010—Footnote 1, ‘MOU (average monthly minutes of use per unit): Average communication time per subscription’” for a description of how MOU is calculated. Please see “—The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010—Footnote 3, ‘Method of calculating ARPU—(b) NTT DOCOMO’” for a description of how ARPU is calculated for mobile services.

The following table shows data regarding MOU and ARPU of mobile services:

	As of March 31,			
	2009	2010	Change	Percent Change
MOU (FOMA + mova) (minutes) . . . . .	137	136	(1)	(0.7)%
Billable MOU (FOMA + mova) (minutes) . . . . .	124	118	(6)	(4.8)%
Aggregate ARPU (FOMA + mova) . . . . .	¥5,710	¥5,350	¥(360)	(6.3)%
Voice ARPU (FOMA + mova) . . . . .	¥3,330	¥2,900	¥(430)	(12.9)%
Packet ARPU (FOMA + mova) . . . . .	¥2,380	¥2,450	¥ 70	2.9%

The following table shows data regarding MOU and ARPU of FOMA:

	As of March 31,			
	2009	2010	Change	Percent Change
MOU (FOMA) (minutes) . . . . .	148	142	(6)	(4.1)%
Aggregate ARPU (FOMA) . . . . .	¥6,010	¥5,480	¥(530)	(8.8)%
Voice ARPU (FOMA) . . . . .	¥3,360	¥2,900	¥(460)	(13.7)%
Packet ARPU (FOMA) . . . . .	¥2,650	¥2,580	¥ (70)	(2.6)%

The following table shows data regarding MOU and ARPU of mova:

	As of March 31,			
	2009	2010	Change	Percent Change
MOU (mova) (minutes) . . . . .	63	51	(12)	(19.0)%
Aggregate ARPU (mova) . . . . .	¥3,750	¥3,460	¥(290)	(7.7)%
Voice ARPU (mova) . . . . .	¥3,090	¥2,870	¥(220)	(7.1)%

Some revenues from mova and FOMA are recorded under IP/packet communications service revenues.

*(Sales of Telecommunications Equipment)*

Due to the effects of the weakened economy, the volume of mobile handsets sold to agent resellers continued to decline in the fiscal year ended March 31, 2010 resulting in a decrease in telecommunications equipment sales revenues and mobile handset costs compared to the prior fiscal year.

*Data Communications Business Segment*

Operating revenues in the fiscal year ended March 31, 2010 increased 0.5% from the previous fiscal year to ¥1,132.5 billion. While there was an increase in revenues due to the consolidation of additional subsidiaries in the data communications business segment, this was partially offset by a decrease in sales by existing subsidiaries and sales of products for the public sector attributable to the continuing effects of the weakened economy.

Operating expenses increased 2.6% to ¥1,067.6 billion. The increase was primarily the result of an increase in cost of goods sold and sales and operation costs associated with the consolidation of additional subsidiaries in the data communications business segment.

As a result, segment operating income in the fiscal year ended March 31, 2010 decreased 25.2% to ¥64.9 billion.

Operations for each service in the data communications segment were as follows:

The system integration service develops, sells, leases and services data communications equipment systems tailored to the specific needs of customers. Both operating revenues and operating income decreased as a result of factors such as the general deterioration of the economic climate and intensifying competition, which outweighed the positive impact from the consolidation of additional subsidiaries.

The network system service provides services such as supplying information, data processing and other services matched to customer needs, using computer networks such as the Internet. Both operating revenues and operating income grew due to the impact of the robust sales of the ANSER<sup>(1)</sup> and CAFIS<sup>(2)</sup> systems and other factors.

Our other businesses in this segment include research and evaluation of customer management issues, preparing plans and proposals for optimization of data communications systems, and providing facility maintenance and management. Both operating revenues and operating income increased as a result of the expansion of maintenance and system operation business.

- (1) ANSER is a service provided by NTT DATA which automates services provided by financial institutions relating to various financial transactions (i.e., notifying the account holder of remittance receipt, responding to queries from the account holder on account balance, money transfer or remittance by the account holder, etc.).
- (2) CAFIS is Japan's largest comprehensive network service for card settlement provided by NTT DATA, which accurately and promptly processes a wide range of settlement operations such as running checks on validity or the upper limit of the card, processing credit purchases, processing debit card transactions, processing withdrawals from cash dispensers located at convenience stores, and others, by connecting member stores to the card company and financial institutions online.

#### *Other Business Segment*

Although revenues from the real estate business increased, operating revenues in the fiscal year ended March 31, 2010 decreased by 2.8% to ¥1,132.6 billion due to decreases in revenue from the construction and electricity business, system development business and advanced technology development business.

On the other hand, while the real-estate business recorded a decrease in inventory values, operating expenses in the fiscal year ended March 31, 2010 decreased 2.7% from the previous fiscal year to ¥1,119.3 billion due to a decrease in loan loss expenses in the financing business.

As a result, segment operating income for the fiscal year ended March 31, 2010 decreased 12.2% to ¥13.3 billion.

### **Liquidity and Capital Resources**

#### *The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010*

##### *Financing, Capital Resources and Use of Funds*

Net cash provided by operating activities in the fiscal year ended March 31, 2011 amounted to ¥2,830.9 billion, an increase of ¥13.0 billion from ¥2,817.8 billion in the fiscal year ended March 31, 2010. This

increase was due to, among other things, the increase in net income and the increase in cash inflow in conjunction with the collection of installment payments for mobile handsets.

NTT Group used net cash provided by operating activities mainly to acquire property, plant and equipment, repay interest-bearing debt, pay for long-term investments and pay dividends.

Net cash used in investing activities in the fiscal year ended March 31, 2011 amounted to ¥2,052.2 billion, a decrease of ¥256.7 billion from ¥2,308.9 billion in the fiscal year ended March 31, 2010. While cash outflows for long-term investments increased to ¥425.8 billion due to, among other things, the acquisitions of Keane International and Dimension Data, revenues from the redemption of fund management instruments maturing in three months increased ¥577.1 billion from the fiscal year ended March 31, 2010 to ¥220.2 billion, and payments for property, plant and equipment and acquisition of intangible and fixed assets computed on a cash basis in the fiscal year ended March 31, 2011 decreased by ¥21.3 billion from the prior year, totaling ¥1,895.0 billion.

The decrease in payments for property, plant and equipment and intangible assets for the fiscal year ended March 31, 2011 resulted primarily from the following factors: in the regional communications business, investments were directed towards the expansion of the NGN coverage area and capital investments were made more efficient through, among other things, effective utilization of existing facilities, and, in the mobile communications business, while there were increased investment activities, such as the construction of the “XI” network, capital investments in relation to the construction of the “FOMA” network have decreased. For the fiscal year ended March 31, 2011, capital investments amounted to ¥1,870.1 billion on an accrual basis, of which ¥807.0 billion was invested by the regional communications business and ¥668.5 billion was invested by the mobile communications business.

Net cash used in financing activities in the fiscal year ended March 31, 2011 was ¥249.6 billion, a decrease of ¥401.7 billion from the ¥651.3 billion in the fiscal year ended March 31, 2010. This decrease was due to, among other things, a net increase of ¥106.3 billion in long-term debt over the previous fiscal year related to financing for the acquisitions of Dimension Data and Keane International. The capital raised in the fiscal year ended March 31, 2011 from the issuance of long-term debt includes ¥224.9 billion in net proceeds from corporate bond offerings denominated in yen and loans from financial institutions amounting to an aggregate of ¥576.3 billion.

As of March 31, 2011, the interest-bearing debt of NTT Group was ¥4,553.5 billion, an increase of ¥61.8 billion from the amount as of March 31, 2010 (compared to a decrease of ¥407.6 billion for the fiscal year ended March 31, 2010 from the fiscal year ended March 31, 2009). The ratio of interest-bearing debt to shareholders’ equity stood at 56.8% as of March 31, 2011 (compared to 57.7% as of March 31, 2010). Interest-bearing debt comprised short-term borrowings and long-term debt, shown in Note 9 to the Consolidated Financial Statements, as well as ¥19.2 billion in deposits received pursuant to depositary agreements.

NTT Group believes net cash expected to be generated from operating activities, available borrowings NTT Group makes from banks and other financial institutions or offerings of equity or debt securities in the capital markets will provide the requisite financial resources to meet NTT Group’s currently anticipated capital and other expenditure requirements and to satisfy NTT Group’s debt service requirements. For the fiscal year ending March 31, 2012, NTT Group expects capital investments totaling ¥1,950.0 billion on an accrual basis, an increase of ¥79.9 billion from the fiscal year ended March 31, 2011. This is due, among other things, to investment in the amount of approximately ¥30.0 billion caused by the Great East Japan Earthquake, as well as growth investment directed towards the expansion of NTT Group’s cloud business. The total amount of capital investments includes approximately ¥795.0 billion by the regional communications business (aggregate of NTT East and NTT West) and approximately ¥705.0 billion by the mobile communications business. The actual amount of capital investments may vary from expected levels, since capital investments may be influenced by trends in demand, the competitive environment and other factors. Also, NTT is currently anticipating the purchase of certain shares budgeted for sale by the Government. Please see “Item 4—Information on the Company—Relationship with the Government.”

The actual amount of NTT Group's funding will depend on its future performance, market conditions and other factors, and is therefore difficult to predict with certainty.

### *Liquidity*

As of March 31, 2011, NTT Group had cash and cash equivalents (including short-term investments with principal maturities of less than three months) of ¥1,435.2 billion compared with ¥911.1 billion as of March 31, 2010. Cash equivalents represent a temporary cash surplus used to repay debts and make capital investments, among other things, and are used for working capital. Accordingly, the balance of cash equivalents fluctuates each fiscal year depending on particular funding and working capital requirements.

### *Contractual Obligations*

The following table summarizes NTT Group's existing contractual obligations as of March 31, 2011:

<b>Contractual Obligations</b>	<b>Payments Due by Period</b>				
	<b>Total</b>	<b>1 year or less</b>	<b>After 1 year through 3 years</b>	<b>After 3 years through 5 years</b>	<b>After 5 years</b>
	(in millions of yen)				
Long-term debt <sup>(1)</sup>					
Bonds	2,428,142	466,427	736,959	414,889	809,867
Bank loans	1,764,532	232,049	602,425	344,223	585,835
Interest payments on long-term debt	303,270	60,572	90,953	59,569	92,176
Capital lease obligations <sup>(2)</sup>	69,848	24,158	27,409	10,111	8,170
Operating leases	66,074	19,540	28,936	6,658	10,940
Purchase obligations <sup>(3)</sup>	304,890	241,266	58,457	2,538	2,629
Other long-term obligations <sup>(4)</sup>	—	—	—	—	—
<b>Total contractual obligations</b>	<b>4,936,756</b>	<b>1,044,012</b>	<b>1,545,139</b>	<b>837,988</b>	<b>1,509,617</b>

(1) Please see Note 9 to the Consolidated Financial Statements for details.

(2) Capital lease obligations include interest.

(3) Purchase obligations include outstanding commitments for the purchase of property, plant and equipment and other assets.

(4) The amount of other long-term obligations is not shown in the above table since some obligations are immaterial or the timing of payments is uncertain. In addition, NTT Group expects to contribute a total amount of ¥79,351 million to its pension plans in the fiscal year ending March 31, 2012 (see Note 10 to the Consolidated Financial Statements).

As of March 31, 2011, NTT Group had outstanding commitments for the purchase of property, plant and equipment and other assets of approximately ¥304.9 billion, principally reflecting capital investments for the fiscal year ended March 31, 2010. NTT Group expects to fund such commitments with cash provided by operating activities.

### *The fiscal year ended March 31, 2010 compared with the fiscal year ended March 31, 2009*

#### *Financing, Capital Resources and Use of Funds*

Net cash provided by operating activities in the fiscal year ended March 31, 2010 amounted to ¥2,817.8 billion, an increase of ¥303.7 billion from ¥2,514.1 billion in the fiscal year ended March 31, 2009. This increase was due mainly to the following factors: while there was payment of expenses incurred as a result of revisions to secondment programs in the fiscal year ended March 31, 2009, there were no such payments in the fiscal year ended March 31, 2010 and, accordingly, the net decrease in accounts payable, trade and accrued payroll in the fiscal year ended March 31, 2010 was ¥49.7 billion (compared to a net decrease of ¥204.5 billion in the fiscal year ended March 31, 2009), which resulted in an increase in cash provided by operating activities in

the fiscal year ended March 31, 2010 of ¥154.8 billion compared to the fiscal year ended March 31, 2009, and the net increase in liability for employees' retirement benefits in the fiscal year ended March 31, 2010 was ¥28.3 billion (compared to a net decrease of ¥27.0 billion in the fiscal year ended March 31, 2009), which resulted in an increase in cash provided by operating activities in the fiscal year ended March 31, 2010 of ¥55.3 billion compared to the fiscal year ended March 31, 2009; and due to such factors as an increase in the collection of installment loans for mobile phones, the net increase in notes and accounts receivable, trade in the fiscal year ended March 31, 2010 was ¥16.6 billion (compared to a net increase of ¥69.9 billion in the fiscal year ended March 31, 2009), which resulted in an increase in cash provided by operating activities in the fiscal year ended March 31, 2010 of ¥53.3 billion compared to the fiscal year ended March 31, 2009.

NTT Group used net cash provided by operating activities mainly to acquire property, plant and equipment, repay interest-bearing debt, pay for long-term and short-term investments and pay dividends.

Net cash used in investing activities in the fiscal year ended March 31, 2010 amounted to ¥2,308.9 billion, an increase of ¥39.3 billion from ¥2,269.7 billion in the fiscal year ended March 31, 2009. While cash outflows for long-term investments decreased by ¥303.8 billion to ¥89.7 billion, and payments for property, plant and equipment and acquisition of intangible and other assets computed on a cash basis in the fiscal year ended March 31, 2010 totaled ¥1,924.3 billion, a decrease of ¥104.7 billion, net expenditures for short-term investments arising out of fund management investments in instruments of greater than three months in duration were ¥356.9 billion, an increase of ¥356.8 billion compared with the fiscal year ended March 31, 2009.

The decrease in payments for property, plant and equipment and acquisition of intangible and other assets for the fiscal year ended March 31, 2010 resulted primarily from the fact that in the regional communications business, where investments were directed towards expansion of the NGN coverage area, capital investments in existing regional IP networks were reduced, and facility improvements in the mobile communications business directed at further quality improvements in FOMA service areas were efficiently implemented, resulting in a reduction in the total investment amount. For the fiscal year ended March 31, 2010, capital investments amounted to ¥1,987.1 billion on an accrual basis, of which ¥874.2 billion was invested by the regional communications business and ¥686.5 billion was invested by the mobile communications business.

Net cash used in financing activities in the fiscal year ended March 31, 2010 amounted to ¥651.3 billion, an increase of ¥298.0 billion from ¥353.3 billion in the fiscal year ended March 31, 2009. The increase was primarily due to a decrease of ¥457.2 billion in capital raised from the issuance of long-term debt to ¥450.4 billion. The capital raised in the fiscal year ended March 31, 2010 from the issuance of long-term debt includes ¥280.0 billion in net proceeds from corporate bond offerings denominated in yen and loans from financial institutions amounting to ¥170.4 billion.

As of March 31, 2010, the interest-bearing debt of NTT Group was ¥4,491.7 billion, a decrease of ¥407.6 billion from the amount as of March 31, 2009. In the fiscal year ended March 31, 2009, the interest-bearing debt of NTT Group increased ¥222.1 billion from the fiscal year ended March 31, 2008. The ratio of interest-bearing debt to shareholders' equity stood at 57.7% on March 31, 2010 (compared to 67.1% as of March 31, 2009). Interest-bearing debt comprises short-term borrowings and long-term debt, shown in Note 9 to the Consolidated Financial Statements, as well as ¥23.1 billion in deposits received pursuant to depositary agreements.

### *Liquidity*

As of March 31, 2010, NTT Group had cash, cash equivalents and short-term investments with principal maturities of less than three months of ¥911.1 billion compared with ¥1,052.8 billion as of March 31, 2009.



## Research and Development

Research and development costs are charged to expenses as incurred. Research and development costs for the fiscal years ended March 31, 2009, March 31, 2010 and March 31, 2011, were, respectively, ¥268.2 billion, ¥278.1 billion and ¥268.2 billion.

The following table shows an outline of research and development costs by segment for the fiscal years ended March 31, 2009, March 31, 2010 and March 31, 2011:

	Year ended March 31,		
	2009	2010	2011
	(in millions of yen)		
Regional Communications Business <sup>(1)</sup> . . . . .	¥127,459	¥125,788	¥121,881
Long Distance and International Communications Business <sup>(2)</sup> . . . . .	18,701	17,220	17,242
Mobile Communications Business <sup>(3)</sup> . . . . .	100,793	109,916	109,108
Data Communications Business <sup>(4)</sup> . . . . .	10,090	11,389	10,743
Other Businesses <sup>(5)</sup> . . . . .	138,154	140,831	133,247
Sub-total . . . . .	395,197	405,144	392,221
Internal Transactions . . . . .	127,000	127,000	124,000
Total . . . . .	¥268,197	¥278,144	¥268,221

- (1) Research and development relating to the development of IP and broadband services, increased access services to meet diversifying user needs, high value-added services, and others.
- (2) Development for high value-added services in fields ranging from IP networks to platforms, and others.
- (3) Development of new products and services related to mobile communications and research and development aimed at increasing the quality of existing services and enhancing performance of network functions, and others.
- (4) Technology development to strengthen competitiveness in system integration, as well as others.
- (5) Research and development relating to the creation of basic technologies required for the development of advanced networks and new services that will support the development of a ubiquitous broadband society, research and development relating to technologies that contribute to reducing industry's burden on the environment and research and development relating to new principles, new parts and new materials that will bring about extensive technological innovations in the information and communications market, and others.

## Information on Market and Operation Trends (Trend Information)

In the information and communications market, facility competition has led to the creation of a broadband environment at the highest worldwide levels, and the competition in services tailored to customer needs continues to unfold in new ways. In the fixed-line communications field, as optical broadband services expand, markets for video services that take advantage of optical broadband and other new markets are developing. In the mobile communications field, the transition to broadband is continuing, and a diverse range of handsets is available, including smartphones and tablet terminals. In addition, drastic changes and developments continue to occur in conjunction with the development of the broadband and ubiquitous network environment, including the convergence between fixed and mobile communications and between telecommunications and broadcasting as IP networks are increasingly utilized, and the creation of various new businesses that utilize information and communications technologies ("ICT").

In the broadband market, fiber-optic access services have expanded to account for over half of broadband services in Japan. In addition to facility competition among service providers and increasing service competition, the market environment is undergoing major changes as a result of the expansion of triple play service offerings, including video distribution, and the appearance of new services for a diverse range of wireless devices. In the fixed-line telephone market, the shift from conventional fixed-line telephony to optical IP telephony advanced as fiber-optic access services expanded. In addition, competition with IP telephone services provided by competitors using fiber-optic access services and telephone services provided by cable television operators continued.

As Japan's mobile phone market has continued to mature in line with the rise in the mobile phone penetration rate, competition among operators intensified in such areas as the acquisition of subscribers and further improvement of service offerings.

Major trends anticipated in the fiscal year ending March 31, 2012 are as follows:

- Consolidated operating revenues for the fiscal year ending March 31, 2012 are expected to increase year over year for the second consecutive fiscal year due to, among other things, the increase in IP packet communications revenues resulting from the increase in packet ARPU in conjunction with the increase in FLET'S Hikari subscribers and smartphone sales, and an increase in system integration revenues resulting from the consolidation of Dimension Data, and Keane International, which were acquired during the fiscal year ended March 31, 2011, in the fiscal year ending March 31, 2012, despite a decrease in voice-communication related revenues caused by a decline in the number of fixed-line telephone subscriptions and an expansion of mobile phone discount services.
- Subscriptions to fiber-optic access services such as "FLET'S Hikari" are expected to show a net increase in the fiscal year ending March 31, 2012, exceeding the increase in the fiscal year ended March 31, 2011. In addition to ongoing initiatives to promote the adoption of fiber-optic services in small- to medium-sized multi-unit dwellings, provide fiber-optic access services to regions currently without access through collaboration with the national and local governments, and continue the promotion of "Hikari Portable" and "Hikari i-frame" use, NTT Group will work to expand sales by launching "FLET'S Hikari Light," a user-friendly service for customers who have little or no experience using the Internet. NTT Group will also strive to lower the churn rate by strengthening aftercare services through membership programs by promoting FLET'S Hikari as a package with "Hikari Denwa" and by continuing discount campaigns for new service installation fees intended for long-term users.
- Fixed-line telephone and ISDN subscriptions are expected to experience a decline in the fiscal year ending March 31, 2012 similar to that recorded in the fiscal year ended March 31, 2011, due to, among other things, customers continuing to migrate to optical IP telephone services, including "Hikari Denwa."
- While NTT Group anticipates that an increase in new mobile phone subscriptions will be limited due to the high mobile phone penetration rate, NTT Group expects the number of subscriptions in the fiscal year ending March 31, 2012 will exceed the number of subscriptions in the fiscal year ended March 31, 2011 as a result of such measures as lowering the churn rate, improving the satisfaction of existing customers, expanding smartphone sales and exploring new markets, such as photo frames.

Additional information relating to market trends can be found in other sections in this Item 5. Also, for information relating to the impact of the Great East Japan Earthquake for the fiscal year ended March 31, 2012, please see "—Business Outlook."

The foregoing contains forward-looking statements reflecting the expectations and perceptions of NTT Group's current management based on the various factors described above, market and industry-related circumstances, and NTT Group's performance under such circumstances (see "Item 3—Key Information—Forward-Looking Statements").

### **Off-Balance Sheet Arrangements**

As of March 31, 2011, contingent liabilities for guaranteed loans amounted to ¥23.4 billion.

### **Application of New Accounting Standards and Recent Pronouncements**

#### *Application of New Accounting Standards*

##### *Accounting for Transfers of Financial Assets*

Effective April 1, 2010, NTT Group adopted Accounting Standards Update ("ASU") 2009-16 "Accounting for Transfers of Financial Assets." This ASU eliminates the concept and associated guidance of a "qualifying

special-purpose entity,” creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor’s interest in transferred financial assets. This ASU is also applicable to transfers that occurred before and after its effective date. The adoption of this ASU did not have a material impact on the results of operations and financial position of NTT Group.

#### *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*

Effective April 1, 2010, NTT Group adopted ASU 2009-17 “Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (“VIE”).” This ASU prescribes the change in approach for determining VIE’s primary beneficiaries (the reporting entities that must consolidate the VIE) and requires companies to reassess more frequently whether they must consolidate VIE. The adoption of this ASU had an impact on the accounting for consolidated VIE. However, the adoption of this ASU did not have a material impact on results of operations and financial position of NTT Group.

#### *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*

Effective October 1, 2010, NTT Group adopted ASU 2010-20 “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.” This ASU requires enhanced disclosures regarding the nature of credit risks inherent in entities’ financing receivables, how credit risk is analyzed and assessed, and the reasons for the change in the allowance for credit losses. The disclosures as of the end of a reporting period are effective for the nine months ended December 31, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of this ASU did not have an impact on the results of operations and financial position of NTT Group. Details of these enhanced disclosures are described in Note 21.

In January 2011, ASU 2011-01, “Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings,” was published. The pronouncement relating to troubled debt restructurings will be effective for accounting terms and fiscal years ending on or after June 16, 2011.

#### ***Recent Pronouncements***

In October 2009, the FASB issued ASU 2009-13 “Multiple-Deliverable Revenue Arrangements.” This pronouncement addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. This pronouncement eliminates the residual method of allocation and requires that arrangement consideration in multiple-deliverable arrangements be allocated to deliverables using the estimated selling price, if a vendor does not have vendor-specific objective evidence or third-party evidence of the selling price. This pronouncement became effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of this ASU is not expected to have a material impact on the results of operations and financial position of NTT Group.

In October 2009, the FASB issued ASU 2009-14 “Certain Revenue Arrangements That Include Software Elements.” This pronouncement amends the accounting model for revenue arrangements that include both tangible products and software elements. This pronouncement also provides guidance on how a vendor should allocate arrangement consideration to deliverables in an arrangement that includes both tangible products and software, and further guidance on how to allocate arrangement consideration when an arrangement includes deliverables both included and excluded from the scope of the software revenue guidance. This pronouncement became effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of this ASU is not expected to have a material impact on the results of operations and financial position of NTT Group.

## **Critical Accounting Policies**

NTT Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. Note 2 to the Consolidated Financial Statements includes a summary of significant accounting policies used in the preparation of these financial statements. NTT believes that of its significant accounting policies, the following may involve a higher degree of judgment or complexity.

### ***Revenue Recognition***

Revenue arising from fixed voice related services, mobile voice related services, IP/packet communications services and other services are recognized at the time these services are provided to customers. Revenues from non-recurring upfront fees, such as activation fees, are deferred and recognized as revenue over the estimated average period of the contracts with customers for each service. The related direct costs are deferred only to the extent of the non-recurring upfront fee amount and are amortized over the same period. While this policy does not have a material impact on net income, the reported amounts of revenue and cost of services are affected by the level of revenues from non-recurring upfront fees and related direct costs and the estimated average customer relationship period over which such fees and costs are amortized. Factors that affect management's estimate of the average customer relationship period over which such fees and costs are amortized include subscriber churn rates and newly introduced or anticipated products, services and technologies. The current amortization periods are based on an analysis of historical trends and the experience of NTT and its subsidiaries adjusted for the estimated impact of future events and circumstances. Revenues for expected future usage of telephone cards issued by NTT Group are deferred and are recognized as revenue as of the time they are actually used. Estimates of expected future usage are based on past records of use and experience and are affected by changes in trends of telephone card usage. Sales of telecommunications equipment less certain amounts of agency commissions are recognized as revenue upon delivery of the equipment to agent resellers, which is considered to have occurred when the agent resellers have taken title to the product, and the risks and rewards of ownership have been substantially transferred. In connection with revenues from system integration projects, provision for estimated losses, if any, is made in the fiscal year in which the loss first becomes probable and reasonably quantifiable. NTT Group recognizes such losses based on estimates of total expected contract revenues and costs upon completion. NTT Group follows this method because it permits reasonably dependable estimates of revenues and costs to be made at various stages of a contract. Recognized losses are subject to revision as the contract progresses to completion. Revisions in loss estimates are charged to income in the period in which the facts that give rise to the revision become known.

### ***Estimated useful lives and impairments of property, plant and equipment, software and certain other intangibles***

NTT Group estimates the useful lives and the residual values of property, plant and equipment, software and certain other intangibles with finite useful lives, in order to determine the amount of depreciation and amortization expense to be recorded during any reporting period. NTT Group's total depreciation and amortization expenses in the fiscal years ended March 31, 2009, 2010 and 2011 were ¥2,139.2 billion, ¥2,012.1 billion and ¥1,962.5 billion, respectively. The useful lives and the residual values are estimated at the time the assets are acquired and are based on historical experience with similar assets as well as anticipated technological or other changes. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation and amortization expenses in future periods. Alternatively, these types of technological changes could result in the recognition of an impairment charge to reflect a write-down in the value of the assets. NTT Group also reviews for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the total of the expected future undiscounted cash flow is less than the carrying amount of the asset, an impairment loss is recognized for the difference between the carrying value of the asset and its fair value as measured through various valuation techniques, including discounted cash flow models, quoted market value and third-party independent appraisals, as considered necessary. NTT Group's total

“Impairment losses” in the fiscal years ended March 31, 2009, 2010 and 2011 were ¥4.3 billion, ¥4.6 billion and ¥1.1 billion, respectively. NTT Group considered the earthquake, which occurred on March 11, 2011, as a triggering event necessitating a review, and determined that it was not necessary to record any impairment losses on property, plant and equipment in relation thereto.

#### ***Goodwill and indefinite life intangible assets***

Goodwill is tested for impairment by reporting unit either at the operating segment level or one level below such segment, at least annually and more frequently if there are indications of impairment, using a two-step process that begins with an estimation of the fair value of the reporting unit. The determinants used for the fair value measurement include quoted market prices, management’s estimate of the reporting unit’s continuing ability to generate income from operations and cash flows in future periods, and the strategic significance of the reporting unit to NTT’s business objectives, and if the fair value is less than the carrying amount of goodwill, an impairment loss is recognized for the difference between the carrying value of the goodwill and its implied fair value. Intangible assets with indefinite lives are not amortized and are tested for impairment at least once a year. NTT Group’s total “Goodwill and other intangible asset impairments” in the fiscal years ended March 31, 2009, 2010 and 2011 were ¥9.2 billion, ¥3.9 billion and ¥2.8 billion, respectively. NTT Group considered the earthquake, which occurred on March 11, 2011, as a triggering event necessitating a review, and determined that it was not necessary to record any impairment losses on goodwill in relation thereto.

#### ***Investments***

NTT Group holds investments in other companies, which NTT Group accounts for under either the cost method or equity method of accounting. NTT Group recognizes an impairment loss when the decline in value below the carrying amount of the investment is other than temporary, which then establishes a new cost basis in the investment. When determining if the decline in value is other than temporary, NTT Group considers, among other items, the magnitude of the decline in value below carrying value, the length of time the value has been below the carrying value, the financial condition of the investee company, the strength of the industry in which it operates, and NTT Group’s ability or intent to retain the investment. If the financial condition of the investee company or the strength of the industry in which it operates were to be materially different than its expectations, NTT Group would recognize a loss to reflect the other than temporary decline in the value of the investment. Further, NTT Group utilizes a variety of information, including cash flow projections, independent valuations and, if applicable, stock price analyses in performing its evaluations. Such projections and valuations necessarily require estimates involving, among others, demographics (e.g., population, penetration rates and speed, churn rates, etc.), technology changes, capital investments, market growth and share, ARPU and terminal values. NTT Group’s total impairment loss for “Marketable securities and other investments” in the fiscal years ended March 31, 2009, 2010 and 2011 were approximately ¥65.0 billion, ¥9.0 billion and ¥19.0 billion, respectively. While NTT Group believes the carrying values of its equity method and cost method investments are realizable, actual results or changes in circumstances could require additional charges to be recorded.

#### ***Employees’ retirement benefits***

The total costs for employees’ retirement benefits and pension plans represented approximately 1.7% and 1.4% of NTT Group’s total operating expenses for the fiscal years ended March 31, 2010 and 2011, respectively. The amounts recognized in the consolidated financial statements related to employees’ retirement benefits and pension plans are determined on an actuarial basis, which utilizes certain assumptions in the calculation of such amounts. The assumptions used in determining net periodic costs and liabilities for retirement benefits and pension plans include expected long-term rate of return on plan assets, discount rate, rate of increase in compensation levels, average remaining years of service, and other factors. Specifically, the expected long-term rate of return on assets and the discount rate are two critical assumptions. Assumptions are evaluated at least annually, and events may occur or circumstances change that may have a significant effect on the critical assumptions. In accordance with accounting principles generally accepted in the United States, actual results that

differ from the assumptions are accumulated and amortized over future periods, thereby reducing the year-to-year volatility in pension expenses. As of March 31, 2011, the total amount of net actuarial loss was ¥542.9 billion. The net actuarial loss exceeding 10% of the greater of the projected benefit obligation or the fair value of plan assets will be amortized over the average remaining years of employee service (approximately 10 years). That amortization will increase future pension costs.

NTT Group used an expected long-term rate of return on pension plan assets of 2.5% for the fiscal year ended March 31, 2010, and 2.3% to 2.5% for the fiscal year ended March 31, 2011. In determining the expected long-term rate of return on pension plan assets, NTT considers the current and projected asset allocations, as well as expected long-term investment returns and risks for each category of the plan assets based on NTT's analysis of historical results. The projected allocation of the plan assets is developed in consideration of the expected long-term investment returns for each category of the plan assets. For lump-sum retirement allowances and for the contract-type corporate pension plan, approximately 41.5%, 23.0%, 15.0%, 10.0% and 10.5% of the plan assets will be allocated to domestic bonds, domestic stocks, international bonds, international stocks and life insurance company general accounts, respectively, and for the NTT Corporate Defined Benefit Pension Plan, approximately 44.3%, 25.0%, 10.0%, 15.0% and 5.7% (weighted-average) of the plan assets will be allocated to domestic bonds, domestic stocks, international bonds, international stocks and life insurance company general accounts, respectively, to moderate the level of volatility in pension plan asset returns and reduce risks. As of March 31, 2011, the actual allocations of assets were generally consistent with the projected allocations stated above. The actual returns for the fiscal years ended March 31, 2010 and 2011 were approximately 13.0% and (1.0)%, respectively. The actual returns on pension plan assets may vary in future periods, depending on market conditions. The market value of plan assets is measured using fair values on the plan measurement date.

Another critical assumption is the discount rate used in the annual actuarial valuation of net periodic costs and benefit obligations. In determining the net periodic costs, NTT Group used a discount rate of 2.2% as of March 31, 2010 and of 2.1% as of March 31, 2011. In determining the benefit obligations, NTT Group used a discount rate of 2.1% as of March 31, 2010 and of 2.0% as of March 31, 2011. In determining the appropriate discount rate, NTT considers available information about the current yield on high-quality fixed-income investments with maturities corresponding to the expected duration of the pension benefit obligations ("PBO").

The following table illustrates the sensitivity to changes in the discount rate and the expected return on pension plan assets, while holding all other assumptions constant, for NTT Group's pension plans as of March 31, 2011:

Change in Assumption	Change in PBO	Change in Pre-Tax Pension Expenses	Change in Equity (Net of Tax)
	(in billions of yen)		
50 basis point increase / decrease in discount rate . . . . .	-/+ 200.0	+ /-4.0	+ /-120.0
50 basis point increase / decrease in expected return on assets . . . . .	—	- /+ 10.0	—

***Income taxes***

NTT Group recognizes deferred tax assets and liabilities for the expected future tax consequences attributable to temporary differences between the financial statement carrying amounts and the tax bases of assets or liabilities and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates that are expected to be applicable during the periods in which existing temporary differences reverse and loss carryforwards are utilizable. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expenses in the period that includes the enactment date.

NTT Group recognizes a valuation allowance on deferred tax assets to reflect the amount of future tax benefits that are not expected to be realized. In determining the appropriate valuation allowance, NTT Group

takes into account the level of expected future taxable income and available tax planning strategies. If future taxable income is lower than expected or if expected tax-planning strategies are not available as anticipated, NTT Group may recognize an additional valuation allowance through income tax expense in the period such judgment is made. As of March 31, 2010 and 2011, NTT Group had gross deferred tax assets of ¥1,700.4 billion and ¥1,748.6 billion, which included a valuation allowance of ¥265.9 billion and ¥274.6 billion, respectively. The valuation allowance mainly related to deferred tax assets of NTT and certain subsidiaries with operating loss carryforwards for tax purposes that are not expected to be realized. The change in the valuation allowance did not have a material impact on income tax expense and reflected the write-off of deferred tax assets that expired unused.

## PART III

### ITEM 19—EXHIBITS

(b) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
1.1	Amended Articles of Incorporation of NTT (English translation thereof) (incorporated by reference to NTT's Form 20-F filed June 30, 2010).
1.2	Amended Share Handling Regulations of NTT (English translation thereof) (incorporated by reference to NTT's Form 20-F filed June 30, 2010).
1.3	Amended Regulations of Board of Directors (English translation thereof) (incorporated by reference to NTT's Form 20-F filed June 30, 2010).
8.1	List of Subsidiaries (previously filed with the SEC as part of NTT's Form 20-F filed June 30, 2011 and incorporated by reference).
12.1	Chief Executive Officer's Certification Pursuant to Rule 13a-14(a) under the U.S. Securities Exchange Act of 1934.
12.2	Chief Financial Officer's Certification Pursuant to Rule 13a-14(a) under the U.S. Securities Exchange Act of 1934.
13.1*	Chief Executive Officer's Certification Pursuant to Rule 13a-14(b) under the U.S. Securities Exchange Act of 1934 and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
13.2*	Chief Financial Officer's Certification Pursuant to Rule 13a-14(b) under the U.S. Securities Exchange Act of 1934 and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
101	Instance Document
101	Schema Document
101	Calculation Linkbase Document
101	Definition Linkbase Document
101	Labels Linkbase Document
101	Presentation Linkbase Document

\* Deemed to be furnished to the SEC.

NTT agrees to furnish to the SEC upon request a copy of any instrument which defines the rights of holders of long-term debt of NTT and its consolidated subsidiaries.



**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this amendment to the annual report on its behalf.

NIPPON TELEGRAPH AND TELEPHONE CORPORATION

By: \_\_\_\_\_ /s/ SATOSHI MIURA  
**Satoshi Miura**  
**President**  
**Chief Executive Officer**

Date: July 28, 2011

**CERTIFICATIONS**

I, Satoshi Miura, certify that:

1. I have reviewed this annual report on Form 20-F of Nippon Telegraph and Telephone Corporation, as amended by this Amendment No. 1 on Form 20-F/A;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 28, 2011

By: \_\_\_\_\_ /s/ SATOSHI MIURA  
**Satoshi Miura**  
**President**  
**Chief Executive Officer**

**CERTIFICATIONS**

I, Hiroo Unoura, certify that:

1. I have reviewed this annual report on Form 20-F of Nippon Telegraph and Telephone Corporation, as amended by this Amendment No. 1 on Form 20-F/A;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 28, 2011

By: \_\_\_\_\_ /s/ HIROO UNOURA  
**Hiroo Unoura**  
**Senior Executive Vice President**  
**Chief Financial Officer**

**Nippon Telegraph and Telephone Corporation**  
**Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  
**(18 U.S.C. Section 1350)**

Pursuant to the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Sections 1350(a) and (b)), the undersigned hereby certifies as follows:

1. I, Satoshi Miura, am the Chief Executive Officer of Nippon Telegraph and Telephone Corporation (the “Company”);
2. The Company’s annual report on Form 20-F for the fiscal year ended March 31, 2011, as amended by this Amendment No. 1 on Form 20-F/A accompanying this Certification, in the form filed with the Securities and Exchange Commission (the “Report”), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
3. The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 28, 2011

By: \_\_\_\_\_ /s/ SATOSHI MIURA  
Satoshi Miura  
President  
Chief Executive Officer

**Nippon Telegraph and Telephone Corporation**  
**Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  
**(18 U.S.C. Section 1350)**

Pursuant to the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Sections 1350(a) and (b)), the undersigned hereby certifies as follows:

1. I, Hiroo Unoura, am the Chief Financial Officer of Nippon Telegraph and Telephone Corporation (the "Company");
2. The Company's annual report on Form 20-F for the fiscal year ended March 31, 2011, as amended by this Amendment No. 1 on Form 20-F/A accompanying this Certification, in the form filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
3. The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 28, 2011

By: \_\_\_\_\_ /s/ HIROO UNOURA  
**Hiroo Unoura**  
**Senior Executive Vice President**  
**Chief Financial Officer**