

Outline of Consolidated Financial Results

For the Nine Months Ended December 31, 2004

February 4, 2005

[U.S. GAAP]

Name of registrant: Nippon Telegraph and Telephone Corporation

Code No.: 9432

Stock exchanges on which the Company's shares are listed: Tokyo, Osaka, Nagoya, Fukuoka and Sapporo

Address of principal executive office: Tokyo, Japan

(URL <http://www.ntt.co.jp/ir/>)

Representative: Norio Wada, President

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Adoption of U.S. GAAP: Yes

1. Notes Related to the Preparation of the Quarterly Consolidated Financial Statements

(1) Adoption of simplified accounting method: Yes

Income taxes are calculated using an estimated annual income tax rate based on the statutory tax rate.

(2) Change in accounting method from the most recent fiscal year: No

(3) Change in number of consolidated subsidiaries and affiliated companies accounted for under the equity method: Yes

Number of consolidated subsidiaries added:	53	Number of consolidated subsidiaries removed:	6
Number of companies accounted for under the equity method added:	13	Number of companies accounted for under the equity method removed:	35

2. Consolidated Financial Results for the Nine Months Ended December 31, 2004 (April 1, 2004 - December 31, 2004)

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

(1) Consolidated Results of Operations

(Millions of yen, except per share amounts)

	Operating Revenues	Operating Income	Income (Loss) before Income Taxes	Net Income
Nine months ended December 31, 2004	7,987,506	1,131,190	1,637,247	698,448
Year ended March 31, 2004	11,095,537	1,560,321	1,527,348	643,862

	Earnings (Loss) per Share	Diluted Earnings per Share
Nine months ended December 31, 2004	44,627.50 (yen)	- (yen)
Year ended March 31, 2004	40,607.65 (yen)	- (yen)

Notes: 1. Since the consolidated financial information (except Operating Revenues) for the nine months ended December 31, 2003 was not prepared, year-on-year comparisons are not available.

Operating Revenues for the nine months ended December 31, 2003: 8,199,077 million yen

Year-on-year percentage changes of Operating Revenues : 2.6% decrease

2. Weighted average number of shares outstanding (consolidated) for the nine months ended December 31, 2004 and for the year ended March 31, 2004 was 15,650,618 shares and 15,855,684 shares, respectively.

(2) Consolidated Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Shareholders' Equity	Equity Ratio (Ratio of Shareholders' Equity to Total Assets)	Shareholders' Equity per Share
December 31, 2004	19,027,011	6,735,092	35.4%	450,808.74 (yen)
March 31, 2004	19,434,873	6,397,972	32.9%	406,447.52 (yen)

Note: Number of shares outstanding (consolidated) as of December 31, 2004 and March 31, 2004 was 14,940,021 shares and 15,741,201 shares, respectively.

(3) Consolidated Cash Flows

(Millions of yen)

	Cash flows from Operating Activities	Cash flows from Investing Activities	Cash flows from Financing Activities	Cash and Cash Equivalents at End of Period
Nine months ended December 31, 2004	1,638,636	(1,230,493)	(862,596)	978,697
Year ended March 31, 2004	3,480,591	(2,136,810)	(1,222,531)	1,431,421

3. Consolidated Financial Results Forecasts for the Year Ending March 31, 2005 (April 1, 2004 - March 31, 2005)

(Millions of yen)

	Operating Revenues	Income before Income Taxes	Net Income
Year ending March 31, 2005	10,780,000	1,645,000	670,000

(Reference) Expected Earnings per Share (Year ending March 31, 2005): 44,845.99 yen

Note: Forecasts for the fiscal year ending March 31, 2005 have never been changed from those announced on November 10, 2004.

With regard to the assumptions and other related matters concerning the above estimated results, please refer to page 15.

*Consolidated financial statements are unaudited.

1. Consolidated Balance Sheets

(Millions of yen)

	March 31, 2004	December 31, 2004	Increase (Decrease)
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	1, 431, 421	978, 697	(452, 724)
Short-term investments	-	361, 475	361, 475
Notes and accounts receivable, trade	1, 813, 095	2, 026, 034	212, 939
Allowance for doubtful accounts	(40, 317)	(37, 854)	2, 463
Inventories	238, 052	332, 955	94, 903
Prepaid expenses and other current assets	392, 169	531, 921	139, 752
Deferred income taxes	256, 719	234, 850	(21, 869)
Total current assets	4, 091, 139	4, 428, 078	336, 939
Property, plant and equipment:			
Telecommunications equipment	13, 770, 965	14, 016, 950	245, 985
Telecommunications service lines	12, 611, 662	12, 789, 283	177, 621
Buildings and structures	5, 529, 986	5, 601, 127	71, 141
Machinery, vessels and tools	1, 988, 176	1, 951, 936	(36, 240)
Land	837, 073	837, 215	142
Construction in progress	339, 023	294, 197	(44, 826)
Accumulated depreciation	(24, 307, 259)	(24, 958, 151)	(650, 892)
Total property, plant and equipment	10, 769, 626	10, 532, 557	(237, 069)
Investments and other assets:			
Investments in affiliated companies	385, 029	195, 227	(189, 802)
Marketable securities and other investments	255, 768	272, 819	17, 051
Goodwill, net	281, 561	298, 620	17, 059
Other intangibles, net	1, 324, 804	1, 286, 763	(38, 041)
Other assets	649, 441	679, 691	30, 250
Deferred income taxes	1, 677, 505	1, 333, 256	(344, 249)
Total investments and other assets	4, 574, 108	4, 066, 376	(507, 732)
TOTAL ASSETS	19, 434, 873	19, 027, 011	(407, 862)

(Millions of yen)

	March 31, 2004	December 31, 2004	Increase (Decrease)
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities:			
Short-term borrowings	288,089	330,504	42,415
Current portion of long-term debt	877,448	653,031	(224,417)
Accounts payable, trade	1,404,461	1,277,540	(126,921)
Accrued payroll	546,599	327,075	(219,524)
Accrued interest	18,977	20,476	1,499
Accrued taxes on income	346,103	76,965	(269,138)
Accrued consumption tax	51,526	34,929	(16,597)
Advances received	59,111	57,931	(1,180)
Other	216,531	283,751	67,220
Total current liabilities	3,808,845	3,062,202	(746,643)
Long-term liabilities:			
Long-term debt	4,756,118	4,689,938	(66,180)
Obligations under capital leases	257,811	208,388	(49,423)
Liability for employees' severance payments	2,023,348	2,009,030	(14,318)
Other	577,591	568,548	(9,043)
Total long-term liabilities	7,614,868	7,475,904	(138,964)
Minority interest in consolidated subsidiaries	1,613,188	1,753,813	140,625
Shareholders' equity:			
Common stock	937,950	937,950	—
Additional paid-in capital	2,722,092	2,798,409	76,317
Retained earnings	2,710,805	3,323,130	612,325
Accumulated other comprehensive income (loss)	27,129	42,592	15,463
Treasury stock	(4)	(366,989)	(366,985)
Total shareholders' equity	6,397,972	6,735,092	337,120
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	19,434,873	19,027,011	(407,862)

2. Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2004	Year ended March 31, 2004
Operating revenues:		
Fixed voice transmission services	2, 245, 015	3, 162, 185
Mobile voice transmission services	2, 375, 094	3, 328, 627
Data transmission services	1, 181, 745	1, 519, 947
Leased circuit	323, 381	455, 406
Sale of telecommunication equipment	510, 507	713, 352
System integration	578, 956	863, 008
Other	772, 808	1, 053, 012
Total operating revenues	7, 987, 506	11, 095, 537
Operating expenses:		
Cost of services (exclusive of items shown separately below)	1, 687, 657	2, 378, 275
Cost of equipment sold (exclusive of items shown separately below)	920, 552	1, 245, 018
Cost of system integration (exclusive of items shown separately below)	358, 902	522, 766
Depreciation and amortization	1, 588, 944	2, 197, 058
Selling, general and administrative expenses	2, 300, 261	3, 192, 099
Total operating expenses	6, 856, 316	9, 535, 216
Operating income	1, 131, 190	1, 560, 321
Other income (expenses):		
Interest and amortization of bond discounts and issue costs	(70, 952)	(113, 358)
Interest income	19, 134	26, 661
Gains on sales of investments in affiliated company	501, 781	—
Other, net	56, 094	53, 724
Total other income and expenses	506, 057	(32, 973)
Income (loss) before income taxes	1, 637, 247	1, 527, 348
Income tax expense (benefit):	652, 738	603, 211
Income (loss) before minority interest and equity in earnings (losses) of affiliated companies	984, 509	924, 137
Minority interest in consolidated subsidiaries	289, 540	259, 952
Equity in earnings (losses) of affiliated companies	3, 479	(20, 323)
Net income (loss)	698, 448	643, 862

3. Consolidated Statements of Shareholders' Equity

(Millions of yen)

	Nine months ended December 31, 2004	Year ended March 31, 2004
Common stock:		
At beginning of period	937,950	937,950
At end of period	937,950	937,950
Additional paid-in capital:		
At beginning of period	2,722,092	2,669,736
Increase in additional paid-in capital of an affiliate	—	3,087
Increase in interest of investee	76,317	49,269
At end of period	2,798,409	2,722,092
Retained earnings:		
At beginning of period	2,710,805	2,246,996
Appropriations-		
Cash dividends	(39,353)	(39,831)
Interim distribution-		
Cash dividends	(47,222)	(39,830)
Net income (loss)	698,448	643,862
Purchase and retirement of common stock	—	(100,392)
Other	452	—
At end of period	3,323,130	2,710,805
Accumulated comprehensive income (loss):		
At beginning of period	27,129	(217,083)
Other comprehensive income (loss)	15,463	244,212
At end of period	42,592	27,129
Treasury stock, at cost		
At beginning of period	(4)	(4)
Net change in treasury stock	(366,985)	—
At end of period	(366,989)	(4)
Shareholders' equity at end of period	6,735,092	6,397,972
Summary of total comprehensive income (loss):		
Net income (loss)	698,448	643,862
Other comprehensive income (loss)	15,463	244,212
Comprehensive income (loss)	713,911	888,074

4. Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2004	Year ended March 31, 2004
I Cash flows from operating activities:		
Net income (loss)	698,448	643,862
Adjustments to reconcile net income (loss) to net cash provided by operating activities-		
Depreciation and amortization	1,588,944	2,197,058
Minority interest in consolidated subsidiaries	289,540	259,952
Loss on disposal of property, plant and equipment	118,344	176,394
Gains on sales of investments in affiliated company	(501,781)	-
Equity in (earnings) losses of affiliated companies	(3,479)	20,323
(Increase) decrease in notes and accounts receivable, trade	(214,343)	16,480
(Increase) decrease in inventories	(94,895)	(57,905)
(Increase) decrease in other current assets	(133,266)	109,493
Increase (decrease) in accounts payable, trade and accrued payroll	(213,420)	(24,164)
Increase (decrease) in accrued consumption tax	(16,587)	(26,935)
Increase (decrease) in accrued interest	1,493	(4,869)
Increase (decrease) in advances received	(1,205)	(6,589)
Increase (decrease) in accrued taxes on income	(269,140)	134,937
Increase (decrease) in other current liabilities	33,074	38,860
Increase (decrease) in liability for employees' severance payments, net of deferred pension costs	18,253	(94,036)
Increase (decrease) in other long-term liabilities	(4,194)	(20,046)
Other	342,850	117,776
Net cash provided by operating activities	1,638,636	3,480,591
II Cash flows from investing activities:		
Payments for property, plant and equipment	(1,263,055)	(1,765,708)
Proceeds from sale of property, plant and equipment	33,637	79,744
Payments for purchase of non-current investments	(37,072)	(40,755)
Proceeds from sale of marketable equity securities and other investments	757,370	33,410
Payments for purchase of short-term investments	(361,299)	-
Acquisition of intangibles and other assets	(360,074)	(443,501)
Net cash used in investing activities	(1,230,493)	(2,136,810)
III Cash flows from financing activities:		
Proceeds from issuance of long-term debt	283,609	478,320
Payments for settlement of long-term debt	(622,591)	(1,145,167)
Dividends paid	(86,575)	(79,661)
Purchase and retirement of common stock	(366,985)	(100,392)
Payments for acquisition of subsidiary stocks from minority shareholders	(65,824)	(205,047)
Net increase (decrease) in short-term borrowings and other	(4,230)	(170,584)
Net cash provided by (used in) financing activities	(862,596)	(1,222,531)
IV Effect of exchange rate changes on cash and cash equivalents	1,729	(2,895)
V Net increase (decrease) in cash and cash equivalents	(452,724)	118,355
VI Cash and cash equivalents at beginning of period	1,431,421	1,313,066
VII Cash and cash equivalents at end of period	978,697	1,431,421

[Note]

Significant Matters Pertaining to the Preparation of Consolidated Financial Statements

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

Application of New Accounting Standard

Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity

Effective April 1, 2004, NTT Group adopted Statement of Financial Accounting Standards No. 150 ("SFAS 150"), "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity." This statement changes the accounting for certain financial instruments with characteristics of both liabilities and equity that, under previous guidance, could be classified as equity, by now requiring those instruments to be classified as liabilities (or assets in some circumstances) in the balance sheet. Further, SFAS 150 requires disclosure regarding the terms of those instruments and settlement alternatives. The adoption of SFAS 150 did not have an impact on the results of operations or the financial position of NTT Group.

[Reference]

Details of "Cost of services," "Cost of equipment sold," "Cost of system integration" and "Selling, general and administrative expenses"

(Millions of yen)

Details	Nine months ended December 31, 2004	Year ended March 31, 2004
For personnel	1,500,541	2,114,020
For purchase of goods and services	3,451,598	4,780,494
Retirement of property, plant and equipment	146,113	219,880
Other	169,120	223,764
Total	5,267,372	7,338,158

5. Business Segments (Consolidated)

1. Sales and operating revenues

(Millions of yen)

	Nine months ended December 31, 2004	Year ended March 31, 2004
Regional communications services		
Customers	2,919,445	4,061,919
Intersegment	471,209	673,741
Total	3,390,654	4,735,660
Long-distance communications and international services		
Customers	765,119	1,057,373
Intersegment	85,264	132,088
Total	850,383	1,189,461
Wireless services		
Customers	3,626,333	5,022,576
Intersegment	16,765	25,489
Total	3,643,098	5,048,065
Data communications services		
Customers	481,689	697,821
Intersegment	74,307	128,127
Total	555,996	825,948
Other		
Customers	194,920	255,848
Intersegment	674,987	988,718
Total	869,907	1,244,566
Elimination of intersegment	(1,322,532)	(1,948,163)
Consolidated total	7,987,506	11,095,537

2. Segment profit or loss

(Millions of yen)

	Nine months ended December 31, 2004	Year ended March 31, 2004
Operating income		
Regional communications services	217,361	248,395
Long-distance communications and international services	63,464	90,524
Wireless services	751,350	1,102,918
Data communications services	29,328	38,317
Other	55,268	29,115
Total	1,116,771	1,509,269
Elimination of intersegment	14,419	51,052
Consolidated total	1,131,190	1,560,321