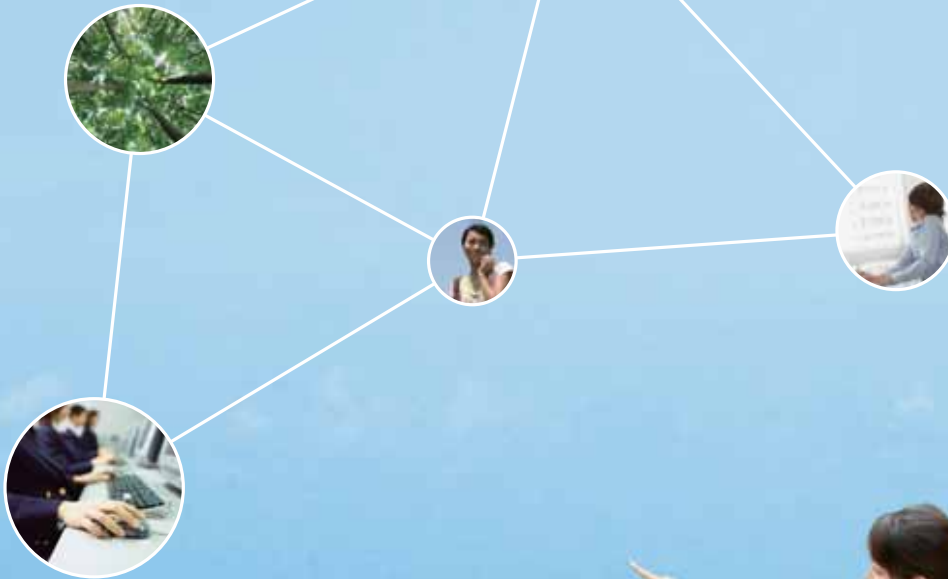




**Creating a World of
Services and Solutions**



Profile

Nippon Telegraph and Telephone Corporation ("NTT") was incorporated in 1985 after the privatization of Nippon Telegraph and Telephone Public Corporation.

Faced with an information and telecommunications market in daily flux, NTT Group strives to develop and provide various services matched to customer needs, while helping to solve their issues.



Until 1985

Japan's first telephone set was unveiled in 1876, marking the dawn of the history of domestically produced telephone sets. In 1950, NTT released the No. 4 automatic desktop telephone featuring an acoustic sensitivity surpassing the world standard at the time. This model played a major role in popularizing the use of telephones in Japan.



1985

NTT began providing an automobile phone service in 1984. In response to customers wanting to use this service outside their vehicles, NTT began providing a shoulder phone (portable automobile phone) service in 1985. In 1987, NTT commenced mobile phone services, enabling customers to use mobile phones in a variety of settings in daily life.



2010

NTT is providing a high picture-quality video phone that can also be used for Internet browsing and e-mail via the "B FLET'S" and "FLET'S ADSL" Internet services. Efforts are being made to provide new services over broadband networks.

Until 1985

A telephone facsimile service, launched in 1972, attracted attention as an office communications tool for corporate customers. In 1981, NTT began the Facsimile Communications Network (F-Net) Service, making facsimile an essential service for business.

1985

NTT provided the Character and Pattern Telephone Access Information Network (CAPTAIN) as an advanced interactive video media linking a central hub with multiple terminals over a videotex communications network. CAPTAIN had a major impact on society as a form of video media enabling users to freely choose the information they want.

2010

NTT is developing data centers utilizing high-quality and highly secure broadband networks and its expertise and track record gained through the operation and maintenance of communications infrastructure. Through these data centers, NTT is providing solutions for enhancing security, reducing personnel costs, and addressing disaster preparedness and ensuring business continuity.



page to
032



Regional Communications Business

Business Activities

Domestic intra-prefectural communication services and related ancillary services

Consolidated Subsidiaries

- 97 companies including
- NTT East Corporation (NTT East)
- NTT West Corporation (NTT West)

page to
036



Long Distance and International Communications Business

Business Activities

Domestic inter-prefectural communication services, international communication services and related ancillary services

Consolidated Subsidiaries

- 77 companies including
- NTT Communications Corporation (NTT Communications)

page to
048

Other Businesses

Business Activities

Real estate, finance, engineering, system integration and data processing, and development of leading-edge technologies and shared operations
* Also includes the operations of NTT (holding company).

Consolidated Subsidiaries

74 companies



page to
044



Data Communications Business

Business Activities

System integration and network system services in Japan and overseas

Consolidated Subsidiaries

- 158 companies including
- NTT DATA CORPORATION (NTT DATA)

page to
040



Mobile Communications Business

Business Activities

Mobile phone services and related ancillary services in Japan and overseas

Consolidated Subsidiaries

- 125 companies including
- NTT DOCOMO, Inc. (NTT DOCOMO)

NTT Group has formulated a Medium-Term Management Strategy called the "Road to Service Creation Business Group." Guided by this strategy, NTT Group is working to create new broadband ubiquitous services and expand these services on a full scale. By delivering and expanding new services useful to society, NTT Group will promote business activities aimed at contributing to the continuing development of the broadband ubiquitous society.

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page to 129	Corporate Information

Financial information (for the past 10 years, except for certain items) can also be found on the NTT website at http://www.ntt.co.jp/ir/library_e/fff/index.html.



Providing Attractive Services

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- 019 Expanding Video Services Using Optical Fiber and Mobile Phones
- 019 Home ICT
- 020 Digital Signage
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Forward-Looking Statements

The forward-looking statements and projected figures concerning the future performance of NTT and its subsidiaries and affiliates contained or referred to herein are based on a series of assumptions, projections, estimates, judgments and beliefs of the management of NTT in light of information currently available to it regarding the economy, the telecommunications industry in Japan and other factors.

These projections and estimates may be affected by the future business operations of NTT and its subsidiaries and affiliates, the state of the economy in Japan and abroad, possible fluctuations in the securities markets, the pricing of services, the effects of competition, the performance of new products, services and new businesses, changes to laws and regulations affecting the telecommunications industry in Japan and elsewhere and other changes in circumstances that could cause actual results to differ materially from the forecasts contained or referred to herein.

NTT Group in Figures (1)

Billions of yen

	2006	2007	2008	2009	2010
1. Segment Data					
Total operating revenues* ¹					
■ Regional communications business	¥ 4,449.0	¥ 4,308.0	¥ 4,209.7	¥ 4,064.8	¥ 3,964.3
■ Long distance and international communications business	1,268.0	1,289.8	1,322.8	1,315.5	1,259.6
■ Mobile communications business	4,765.9	4,788.1	4,711.8	4,448.0	4,284.4
■ Data communications business	887.3	1,013.8	1,059.5	1,127.2	1,132.5
■ Other businesses	1,263.0	1,183.3	1,185.1	1,165.2	1,132.6
■ Other	—	—	(32.8)	—	—
Total operating income* ¹					
■ Regional communications business	172.3	115.9	285.6	70.5	82.1
■ Long distance and international communications business	59.7	59.7	105.8	96.9	98.2
■ Mobile communications business	832.6	773.5	796.5	825.4	828.4
■ Data communications business	40.5	82.8	58.8	86.8	64.9
■ Other businesses	74.1	61.3	78.9	15.2	13.3
■ Other	—	—	(32.8)	—	—
Net income* ²	503.1	481.4	635.2	538.7	492.3
2. Financial Position and Capital Investment					
Total assets* ²	¥18,820.2	¥18,291.1	¥18,518.8	¥18,796.4	¥18,939.1
Shareholders' equity* ²	6,734.4	7,120.8	7,410.8	7,298.1	7,788.2
Interest-bearing debt	5,296.2	4,770.8	4,677.2	4,899.3	4,491.7
Debt ratio (%)* ³	44.0%	40.1%	38.7%	40.2%	36.6%
EBITDA* ⁴	3,442.6	3,340.5	3,607.0	3,369.8	3,240.8
Operating free cash flow* ⁴	1,250.7	1,103.7	1,478.1	1,224.8	1,253.7
Capital investment* ⁴	2,191.9	2,236.9	2,128.9	2,145.1	1,987.1
CAPEX to Sales (%)* ⁵	20.4%	20.8%	19.9%	20.6%	19.5%

*1 "Elimination of Intersegment" and "Corporate adjustment (to reverse and defer telephone card revenue for expected future usage)" are not included. Certain items for prior years' financial statements have been reclassified.

*2 In accordance with Accounting Principles Board ("APB") Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock," NTT has retroactively applied the equity method of accounting to prior years for an investment in an affiliate, following the acquisition by the NTT Group of additional shares of the affiliate during the fiscal year ended March 31, 2008. Accordingly, figures for the fiscal years ended March 31, 2006 and 2007 have been retroactively adjusted from previously announced figures.

*3 Debt ratio = Interest-bearing debt / (Interest-bearing debt + Shareholders' equity) × 100

*4 Please refer to Reconciliation of Operating free cash flows, EBITDA, Capital investment on page 124.

· Operating free cash flow = (Operating income + Depreciation and loss on disposal of property, plant and equipment) – Capital investment

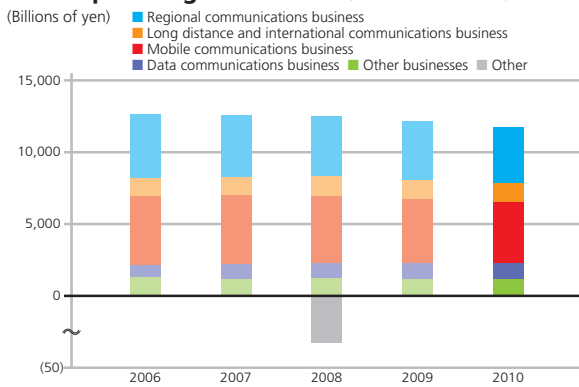
· EBITDA = (Operating income + Depreciation and loss on disposal of property, plant and equipment)

· Capital investment is on an accrual basis for the acquisition of property, plant and equipment.

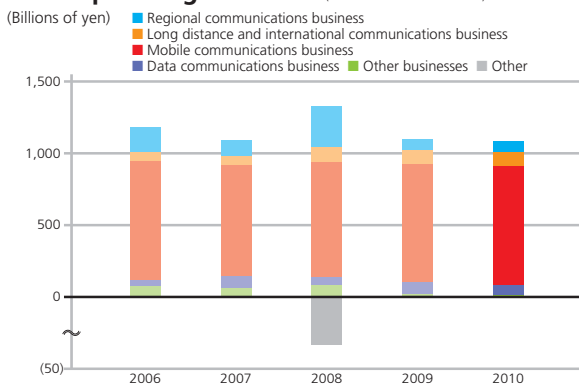
*5 CAPEX to Sales = Capital investment / Operating revenues

1. Segment Data

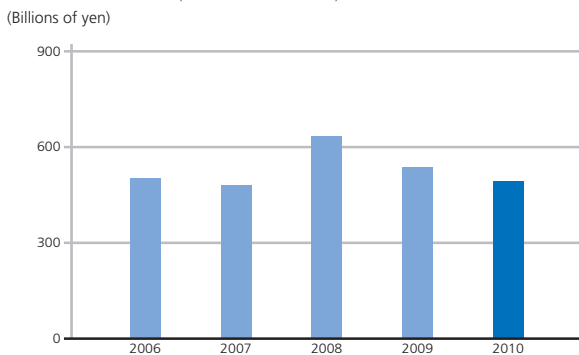
Total operating revenues*1 (Years ended March 31)



Total operating income*1 (Years ended March 31)

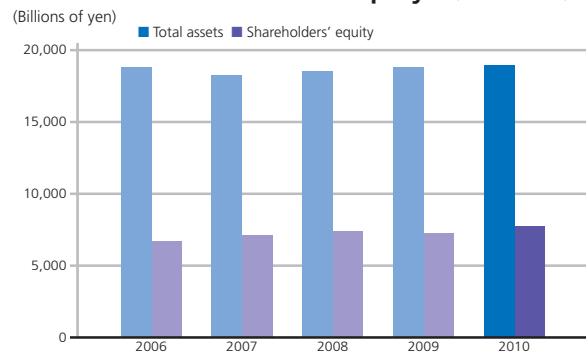


Net income*2 (Years ended March 31)

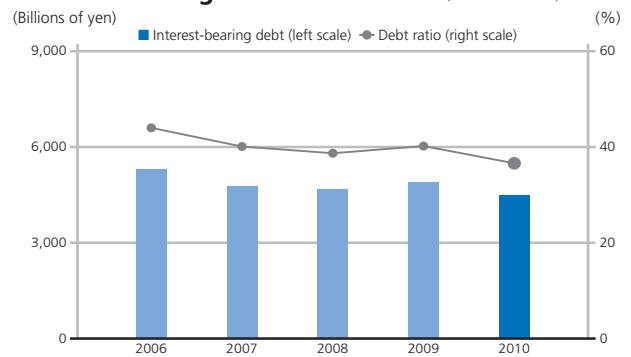


2. Financial Position and Capital Investment

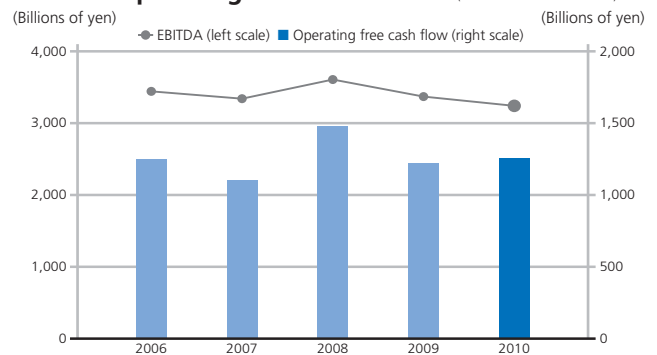
Total assets/Shareholders' equity*2 (As of March 31)



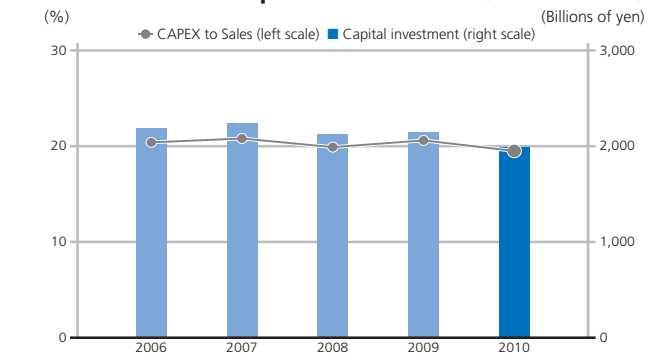
Interest-bearing debt/Debt ratio*3 (As of March 31)



EBITDA/Operating free cash flow*4 (Years ended March 31)



CAPEX to Sales*5/Capital investment*4 (Years ended March 31)



NTT Group in Figures (2)

	Thousands of subscribers				2010
	2006	2007	2008	2009	
1. Various Subscriber Numbers*1 (At year-end)					
Fixed-line Communications Services					
Number of broadband subscribers					
<i>FLET'S ADSL</i>	5,682	5,323	4,656	3,992	3,381
<i>FLET'S Hikari</i> *2	3,419	6,076	8,777	11,134	13,251
<i>Hikari Denwa</i> *3	867	3,174	5,725	8,011	10,142
Number of fixed-line telephone services subscribers					
Telephone Subscriber Line*4	46,911	43,343	39,620	36,361	33,238
INS-Net*5	7,859	7,152	6,414	5,724	5,092
Number of upper layer business-related subscribers					
OCN	5,286	6,091	6,830	7,367	7,892
<i>Hikari TV</i>	—	—	—	552	1,009
Mobile Communications Services					
Number of mobile phone subscribers					
Mobile phone	51,144	52,621	53,388	54,601	56,082
<i>FOMA Services</i> *6	23,463	35,529	43,949	49,040	53,203
Churn rate for mobile phones (<i>FOMA</i> and <i>mova</i>)*6	0.77%	0.78%	0.80%	0.50%	0.46%

	Yen				2010
	2006	2007	2008	2009	
2. ARPU*7					
Fixed-line Communications Services					
ARPU of fixed-line (Telephone Subscriber Line + INS-Net Subscriber Line)*3					
NTT East	¥ 3,190	¥ 3,170	¥ 3,110	¥ 3,050	¥ 2,980
NTT West	3,050	3,020	2,960	2,900	2,850
ARPU of <i>FLET'S Hikari</i>					
NTT East	4,650	5,050	5,310	5,580	5,740
NTT West	4,890	5,120	5,460	5,620	5,780
Mobile Communications Services					
ARPU of mobile phones (<i>FOMA</i> and <i>mova</i>)					
Voice ARPU (<i>FOMA</i> + <i>mova</i>)	5,030	4,690	4,160	3,330	2,900
Packet ARPU (<i>FOMA</i> + <i>mova</i>)	1,880	2,010	2,200	2,380	2,450

*1 Subscriber numbers are as of each fiscal year-end.

*2 Number of *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.

*3 Number of *Hikari Denwa* is calculated by number of channels in thousands.

*4 Number of Telephone Subscriber Lines is the total of individual lines and central station lines (Subscriber Telephone Light Plan is included).

*5 Number of INS-Net is the total of INS-Net 64 and INS-Net 1500 (INS-Net 64 Lite Plan is included). In terms of No. 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.

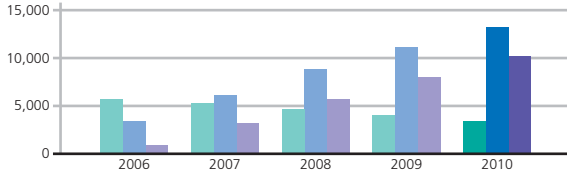
*6 Includes Communication Module Service subscriptions

*7 Please see page 124 for the ARPU calculation method and other details.

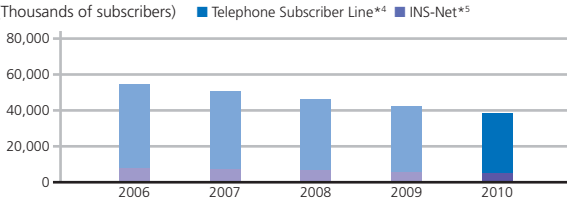
1. Number of Subscribers*1

Fixed-line Communications Services

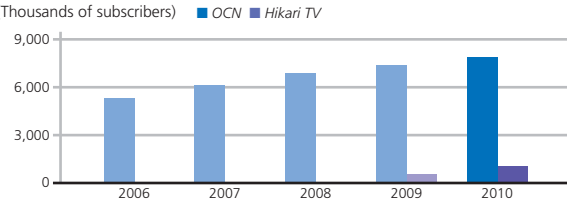
Number of broadband subscribers (As of March 31)
(Thousands of subscribers) ■ FLET'S ADSL ■ FLET'S Hikari*2 ■ Hikari Denwa*3



Number of fixed-line telephone services subscribers (As of March 31)
(Thousands of subscribers) ■ Telephone Subscriber Line*4 ■ INS-Net*5

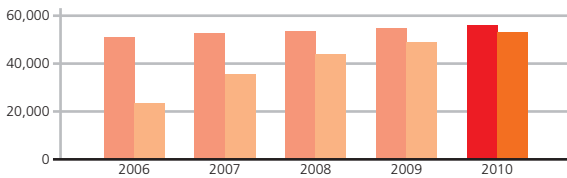


Number of upper layer business-related subscribers (As of March 31)
(Thousands of subscribers) ■ OCN ■ Hikari TV

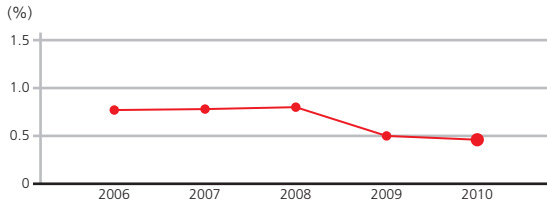


Mobile Communications Services

Number of mobile phone subscribers*6 (As of March 31)
(Thousands of subscribers) ■ Mobile phone ■ FOMA Services



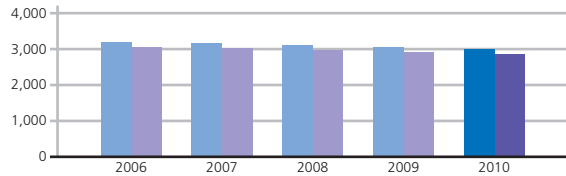
Churn rate for mobile phones (FOMA and mova)*6 (Years ended March 31)
(%)



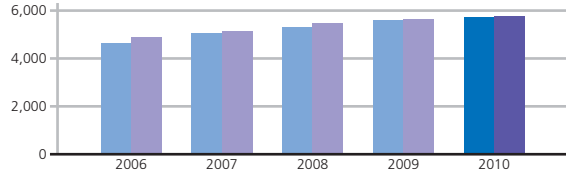
2. ARPU*7

Fixed-line Communications Services

ARPU of fixed-line (Telephone Subscriber Line + INS-Net Subscriber Line)*3 (Years ended March 31)
(Yen) ■ NTT East ■ NTT West

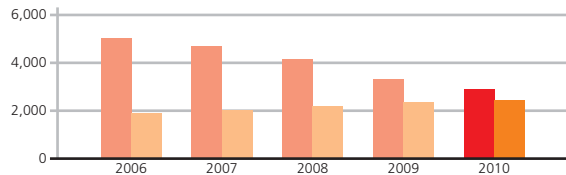


ARPU of FLET'S Hikari (Years ended March 31)
(Yen) ■ NTT East ■ NTT West



Mobile Communications Services

ARPU of mobile phones (FOMA and mova) (Years ended March 31)
(Yen) ■ Voice ARPU (FOMA + mova) ■ Packet ARPU (FOMA + mova)



To Our Shareholders and Other Investors

In the fiscal year ended March 31, 2010, the Japanese economy continued to face difficulties, including a sharp drop in capital expenditures and rapid deterioration in employment conditions, despite signs of an upturn in exports and production output. The information and telecommunications market saw substantial change and dramatic advancement, highlighted by the convergence of network services and the creation of new businesses. These developments have been driven by the wide adoption of broadband and ubiquitous networking technologies.

In this business environment, the NTT Group worked to increase the penetration of broadband and ubiquitous services and expanded these services based on its Medium-term Management Strategy, the "Road to Service Creation Business Group."

Performance in the Fiscal Year Ended March 31, 2010

In the fiscal year ended March 31, 2010, the NTT Group surpassed its targets for operating revenues and operating income. Given the challenging economic conditions we faced, the achievement of these targets occasionally seemed extremely difficult during the period under review. However, efforts by various NTT Group companies to maintain the level of operating revenues, while further reducing costs, helped to lift operating income by ¥7.9 billion year on year.

Service Creation Measures

In fixed-line communications services, we further expanded the service areas of "FLET'S Hikari Next," a commercial Next Generation Network (NGN) service. At the same time, collaboration with other companies was deepened to further reinforce and expand sales. As a result, the number of "FLET'S Hikari" subscriptions reached 13.25 million as of March 31, 2010. Other priorities included enhancing the service contents of the "Hikari TV" IPTV service, and launching new services leveraging the features of NGN. In the fiscal year ending March 31, 2011, we plan to extend the coverage of NGN to virtually the entire "FLET'S Hikari" service area. Our broadband network platform will be utilized to enhance services that better fit customer needs.

In mobile communications services, we commenced the automatic distribution of traffic or event information linked to a user's location as a new function of "i-concier," a service supporting the daily activities of mobile phone users. Another such new service was the "docomo Keitai Soukin" remittance service, which allows users to easily transfer money from their mobile phones by entering the mobile phone number of the counterparty. We also worked to expand use of packet transmission services by lowering the minimum charge for the "Pake-hodai Double" plan, and by expanding the content available through the "DOCOMO Video" video-on-demand service and other sites. In December 2010, we plan to introduce the high-speed, large-volume LTE (Long Term Evolution) standard to accelerate the advancement of broadband mobile communications.

Expansion of Global Business

NTT worked to enhance the lineup of its solution services and customer support services overseas. For instance, we increased the number of "Premium Data Centers" overseas which meet rigorous quality standards in approximately 130 categories, leveraging our expertise gained from extensive data center operations. Another example is the acquisition of overseas companies, including a SAP solution business provider, in order to enhance our capabilities.

We also enlarged our global network with the acquisition of a submarine cable operator, and expanded international roaming service areas. Looking ahead, we plan to make continued efforts to drive growth in our customer base, and sharpen our service delivery capabilities.

Contribution to Solving Social Issues

In terms of environmental issues, we are actively pursuing solar power and other means of reducing our environmental impact through "Green NTT," an initiative that promotes the use of natural energy sources.

Currently, we face various social issues such as an aging population with a falling birthrate, and the need for improvements in the quality of medical care and education. In response, NTT intends to be part of the solution by creating new social infrastructure and systems leveraging ICT.

The fiscal year ending March 31, 2011 is the third year of our Medium-term Management Strategy. Through our efforts in the three priority areas stated above—"Service creation measures," "Expansion of global business" and "Contribution to solving social issues"—we will endeavor to improve profitability and enhance corporate value in order to reach our collective goal of becoming a "Service Creation Business Group."

In closing, I would like to express my sincere appreciation for your continued understanding, and I look forward to your ongoing support.



Satoshi Miura

Representative Director and President
Chief Executive Officer



Interview with Satoshi Miura, President and CEO



Q What changes are taking place in the ICT (information and communication technology) market?

A The market is undergoing a paradigm shift, driven by rapid technological innovation, as well as significant growth in the use of broadband and ubiquitous services and globalization.

Until the early 1990s, telecommunications carriers mainly provided telephone services to homes and offices. However, from the latter half of the 1990s into the 2000s, mobile phones and the Internet became widespread, the use of broadband services expanded, and the business changed rapidly as a variety of services were launched.

In telecommunications networks, technological innovation has proceeded at a dramatic pace. The speed of both fixed-line and mobile networks has increased 1,500 times (from 64 kbps to 100 Mbps) over the past 15 years. In terms of devices, mobile phones that far outstrip the performance of the supercomputers of just 30 years ago are now in general use.

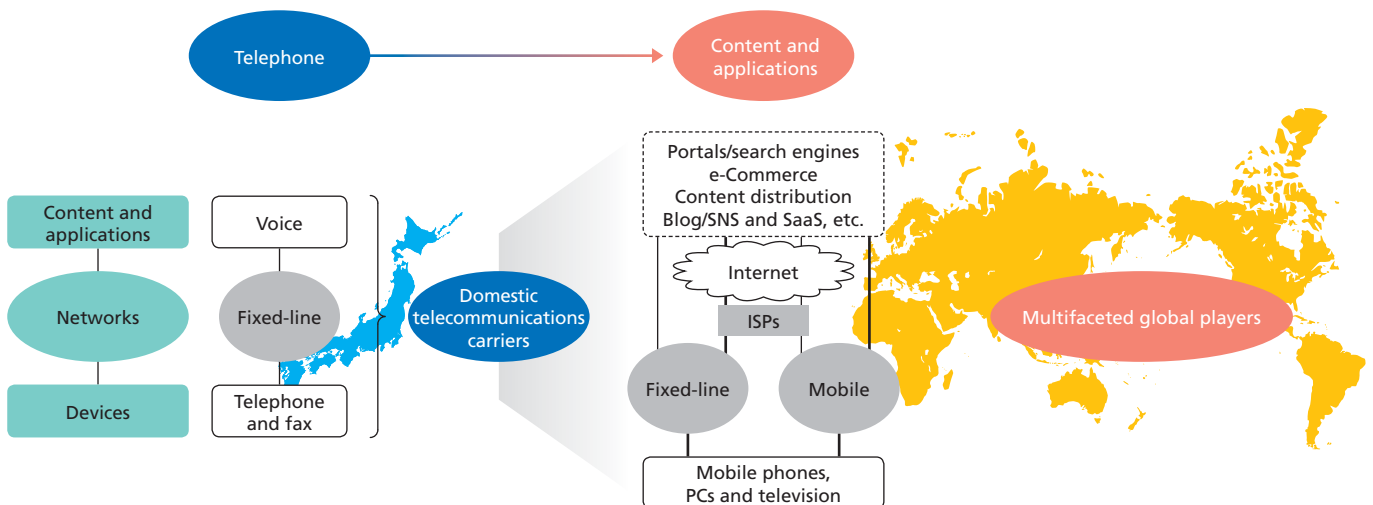
As a wide range of content and applications become available via these networks and devices, overseas players such as

Google, Amazon and Apple have developed vertically integrated business models that provide combinations of devices, content and applications. These companies have developed their businesses internationally, breaking into the Japanese market as well.

Technological innovation is happening extremely quickly. Mobile and broadband services have advanced by leaps and bounds, while at the same time globalization has proceeded rapidly. A variety of companies in various market segments other than conventional telecommunications carriers have entered the market and developed new business models, crossing traditional business borders and competing on the basis of “services.” I consider this to be a paradigm shift in the ICT market.

Paradigm Shift in the Telecommunications Market

	1990s	2000s
Markets	Network services (telephone)	Growth in content, applications and devices (digitization, conversion to IP and broadband)
Players	Domestic telecommunications carriers	Numerous players, including global players from abroad, vie for market position



Q

What actions has NTT taken to expand coverage area of broadband infrastructure and raise its sophistication, to support growth in the ICT market?

A

We have already begun deploying a network infrastructure for the creation and development of broadband and ubiquitous services.



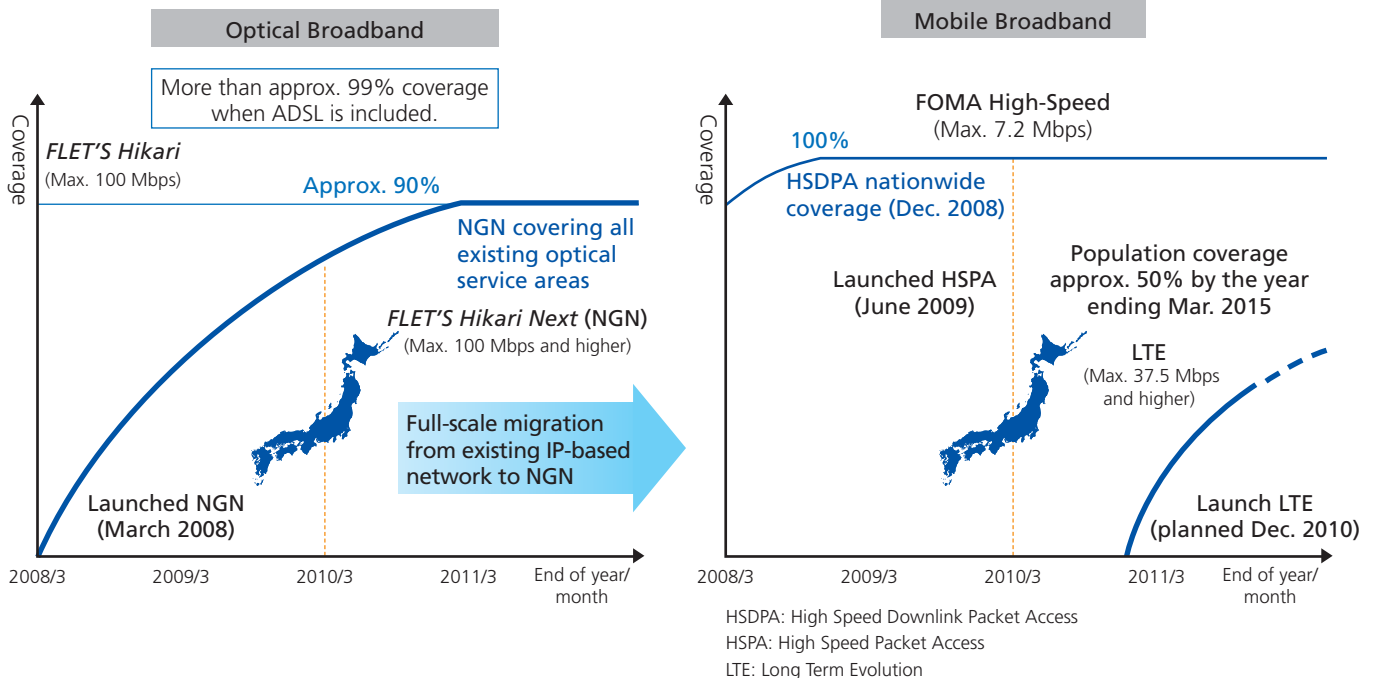
In May 2008, NTT formulated its Medium-Term Management Strategy, the "Road to Service Creation Business Group." This strategy clarifies our policies for growth and development in response to the market changes I just mentioned. We plan to build a full IP-based network infrastructure for fixed-line and mobile communications, and utilize this network to create and develop broadband and ubiquitous services.

NTT is expanding its broadband networks for both fixed-line (optical fiber, DSL) and mobile (mobile phones, wireless LAN) communications. In fixed-line communications, our fiber optic access service is available to more than 90% of households nationwide. In the fiscal year ending March 31, 2011, we plan to extend the coverage of our Next Generation Network (NGN), which offers the functionality needed to provide a variety of high

quality and reliable services to virtually the entire "FLET'S Hikari" service area. Combined with ADSL services, broadband network services will reach approximately 99% of households in Japan by March 31, 2011. In this manner, NTT provides one of the world's leading broadband environments centered on fiber-optic services in terms of both speed and penetration rate.

In mobile communications, along with our FOMA service already available nationwide, in December 2010 we plan to introduce the high-speed, large-capacity LTE (Long Term Evolution) standard to further support the advancement of broadband services.

Through these measures, NTT has already begun deploying a network infrastructure for the creation and development of broadband and ubiquitous services.





Q Could you please tell us about your service creation measures?

A We are enriching services to better meet customer needs, such as video and e-learning services, and are working with partners to support the creation of new services.

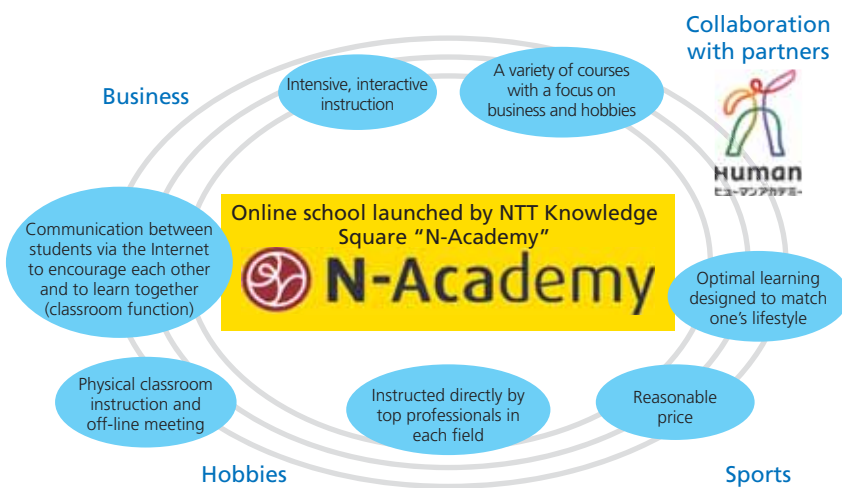
Our first priority in this area is video services. The number of subscriptions to the fiber-optic video services "Hikari TV" and "FLET'S TV" doubled over the past year to a combined total of 1.28 million at the end of March 2010. The mobile phone video service "BeeTV" launched in May 2009 has also grown quickly, with 1.07 million subscriptions at the end of March 2010.

Another priority is e-learning. In November 2009 we established the online school "N-Academy." The academy invites well-known experts in a variety of fields, including famous magicians and patissiers who have won international competitions, as guest lecturers, and provides lessons utilizing videos of their lectures over the Internet. In one example of a cooking class, students can refer to the video of the chef cooking from their own kitchens, and share their creations with their classmates. As of the end of June 2010 the academy offered approximately 60

programs, and we are expanding the lecture lineup. In July 2010 we began offering the "Virtual English Conversation Class" in cooperation with language education professional ALC Press, Inc. This service offers English conversation lessons that enable students to experience situations where they are likely to actually use English, such as in restaurants and airport terminal lobbies, through role-playing in a virtual context. Teaching materials are provided online, and students are able to ask questions and share thoughts through a social networking service.

In other areas, NTT has also established venture funds and forums to support the creation of services by new partners. We plan to continue to work in collaboration with a wide range of business partners and leverage our broadband network infrastructure for both fixed-line and mobile communications to support the creation of broadband and ubiquitous services.

Online school (NTT Knowledge Square)



Virtual English Conversation Lessons



3Di
English conversation lessons in a virtual space for highly effective learning



Q

How are your efforts to develop global businesses progressing, and what is your outlook?

A

We have established business locations in Asia, the U.S. and Europe, and are utilizing the combined power of our corporate group to provide global ICT solutions. Going forward, we plan to strengthen our service capabilities in newly emerging countries to support business expansion.



NTT is targeting operating revenue of approximately ¥400 billion from its global businesses in the fiscal year ending March 31, 2011, double the level in the fiscal year ended March 31, 2008. Operating revenue in the fiscal year ended March 31, 2010, mainly as a result of the curbs on ICT investment stemming from the global financial crisis, remained on a par with that of the previous fiscal year at approximately ¥270 billion. However, on a local currency basis, excluding the impact of the yen's appreciation, we achieved steady growth.

The main reason the NTT Group is developing its global businesses is to address the globalization of our corporate customers' operations. In addition, as Japan's population declines in step with an aging society with a falling birthrate, substantial growth cannot be expected from the domestic market alone. Therefore, we believe that developing business in growing overseas markets is important.

We are focusing on three initiatives for developing global businesses under our basic strategy of taking advantage of the collective strengths of our corporate group.

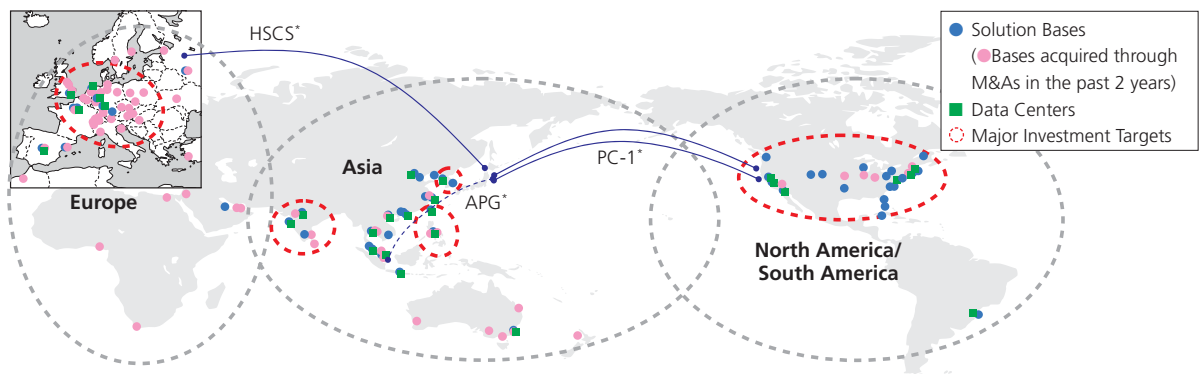
The first initiative is to provide global ICT solutions to corporate customers. To provide comprehensive support for our corporate customers who are expanding their businesses globally, we have established business locations in 99 cities throughout Asia, the U.S. and Europe.

The second initiative is to expand our global network service area. Our IP-VPN and other data communication services cover 159 countries and regions. NTT is one of only about ten global Tier 1 internet service providers in the IP field worldwide, and we provide high-quality services utilizing one of the world's most extensive networks.

Our third initiative is to develop content delivery and other application services in the global market. We are working to expand our content lineup and distribution platforms, including distributing Japanese comics, which are highly popular overseas, to mobile phones.

We will continue to broaden our business by expanding business locations and services, including through M&As and other means.

Seamless Support of Global Companies in Japan and Overseas



(Europe)

(Solution bases)
 · No. of ICT solution bases: 45 cities
 · No. of employees: approx. 4,500

(Major investment targets)
 · itelligence [Germany]: SAP solutions, etc.
 · Cirquent [Germany]: SI/IT consultation for the auto industry and financial business, etc.

(Asia)

(Solution bases)
 · No. of ICT solution bases: 34 cities
 · No. of employees: approx. 4,200

(Major investment targets)
 · PLDT [The Philippines]: fixed-line and mobile **docomo**
 · Tata (TTSL/TTML) [India]: Fixed-line and mobile **NTT Communications**
 · KT [South Korea]: **docomo**

(North America/South America)

(Solution bases)
 · No. of ICT solution bases: 20 cities
 · No. of employees: approx. 1,900

(Major investment targets)
 · Verio/NTT America [US]: **NTT Communications**
 · Tier 1 provider, hosting services
 · Pacific Crossing [US]: Submarine cable system connecting Japan and the United States **NTT Communications**

*HSCS: Hokkaido-Sakhalin Cable System
 *APG: Asia-Pacific Gateway
 (Operation scheduled to commence in 2011)
 *PC-1: Pacific Crossing-1



Q What is your view of the social significance of ICT?

A I believe that ICT can help to solve social issues in Japan, and lead to the realization of an enriched society.

One of the roles played by ICT is to contribute to economic growth. The ICT industry is estimated to account for approximately one-third of real GDP growth in Japan, and is thus a major engine behind economic growth. In terms of enhancing productivity, ICT innovation is an essential element for economic growth.

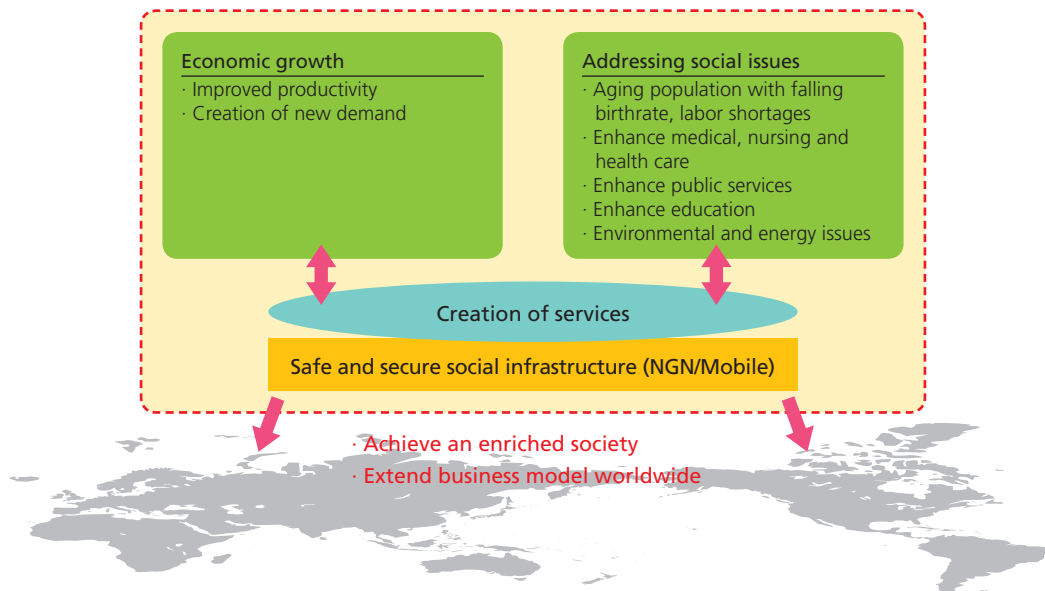
Japan is said to be an “advanced problem-facing nation.” The nation certainly faces various social issues such as an aging population with a falling birthrate, the need for improvements in the quality of medical care and education, and environmental and energy issues. However, I believe that by creating new social systems that make intensive use of ICT, Japan can achieve much more than solving the problems it faces and helping to realize an enriched society. These systems will also help to create new demand for ICT-related services.

For example, as Japan’s population ages and its birthrate declines, labor shortages are expected to become a serious issue

over the medium and long terms. In response, telecommuting using ICT can help to maintain economic vitality by providing more flexible work options for women raising children or for the elderly. One of the main issues facing telecommuting is ensuring sufficient security. NGN structures provide multilayered security functions that lessen the risk of unauthorized access or other threats. Cloud computing services are being developed that will make business applications accessible from any location, and when combined with mobile applications, will allow workers to fulfill their job duties anywhere.

I believe that establishing best practices to tackle social issues will transform Japan into an “advanced problem-solving nation” and enable it to play a leadership role in helping other countries facing similar issues around the world. Furthermore, contributing to measures such as these will open up opportunities for the NTT Group to significantly expand its business.

Social Significance of ICT



Q With rising expectations for ICT to play a role in solving social issues and further prospects for market expansion, what issues stand before overall market growth?

A There is a need for mechanisms to accelerate the promotion of ICT use, along with revisions to communications policies in line with market changes.



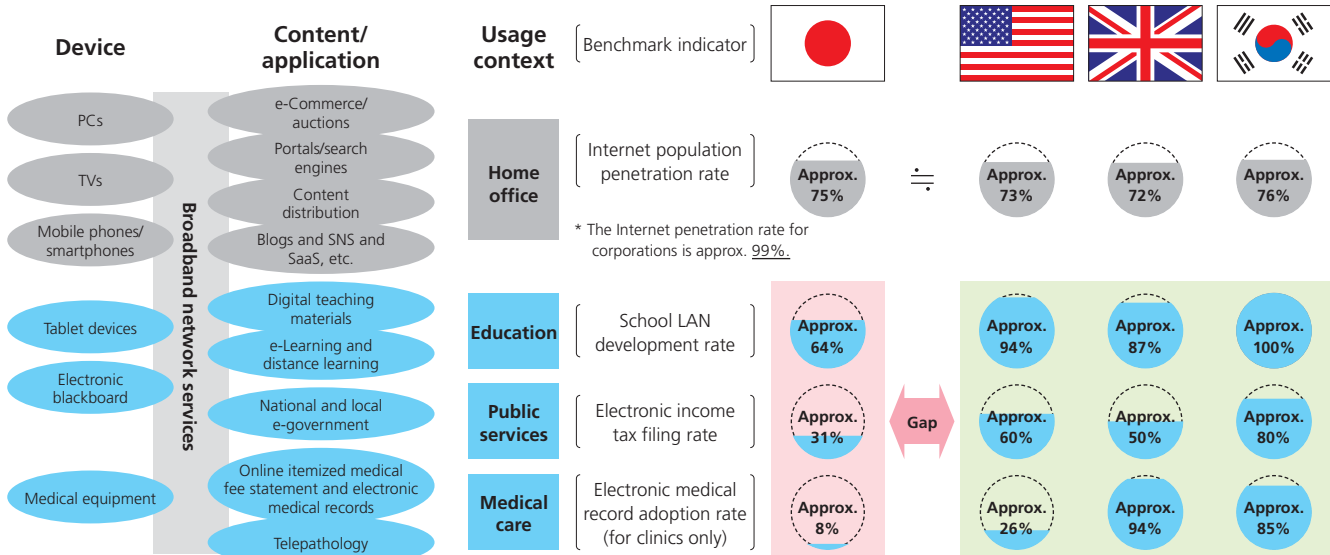
With regard to broadband access in Japan, the total number of subscriptions combining both fixed-line and mobile services has reached 150 million. The type of access is also diverse, with fixed-line access from optical fiber, DSL and CATV, and mobile access through mobile phones, public wireless LANs and other means. Japan truly has one of the world's leading broadband environments. However, Japan lags behind other countries in the use of ICT in such areas as education, medicine and government services. For example, South Korea has well developed broadband infrastructure, as in Japan, in addition to developing user-friendly e-government systems, including one-stop processing of multiple procedures among different government agencies associated with daily public services such as relocating residences. Discounted application fees and other incentives are also offered. In these ways, the use of e-government services is much more well-established in South Korea. To stimulate growth in the overall market, Japan needs to consider policy initiatives that encourage the use of ICT in these areas, such as "eco-points" for using

ultra high-speed Internet to provide a framework for accelerating the use of ICT based on incentives.

Meanwhile, the regulatory environment for NTT up to the 1990s centered on the issue of how to ensure stable voice communications over the networks of domestic telecommunications carriers. Therefore, communications policy itself could be defined as the issue of determining how inter-connections of networks would be established to that of the incumbent domestic carrier, NTT. However, the market has changed rapidly since the 2000s. As a result of the spread of mobile communications and broadband services, a variety of players in the areas of content, applications and devices have emerged and have made significant strides through vertically integrated business models.

Considering the global market trend, we should continue to request the review and the revision, if necessary, of communications policy from a broader perspective, aiming for the enhancement of user convenience and the improvement of efficiency in society overall using ICT.

Delays in Adoption and Use of Broadband



Internet population penetration rate: Japan: "FY2008 Survey of Communications Use, Ministry of Internal Affairs and Communications (as of December 31, 2008)"; U.S., U.K., and South Korea: "Measuring the Information Society: The ICT Development Index (as of 2007)," ITU
 School LAN development rate: "Survey of Current Status of IT Education in Schools" Ministry of Education, Culture, Sports, Science and Technology (Japan, as of end of March, 2009; U.S., U.K. and South Korea, as of 2005)
 Electronic income tax filing rate: Japan: "About e-Tax usage in FY2008" by the National Tax Agency; U.S., U.K. and South Korea: various news media reports
 Electronic medical record adoption rate: "IT Strategy in the Medical Care and Social Security Fields (Japan, as of October 2005; U.S. and U.K., as of 2006; South Korea as of 2005)," IT Strategic Headquarters



Q What are your business forecasts for the fiscal year ending March 31, 2011? What progress have you made toward achieving the targets in the Medium-Term Management Strategy?

A We anticipate an increase in earnings in the fiscal year ending March 31, 2011, as a result of cost reductions and other measures. We are on track to achieve our plan targets.

The Japanese economy has yet to stage a full-scale recovery, and the economic outlook is expected to remain uncertain. Consolidated operating revenues should continue to be strained by the ongoing decline in voice-related services revenues, but through comprehensive cost-cutting measures we anticipate consolidated operating income to increase ¥47.3 billion year on year.

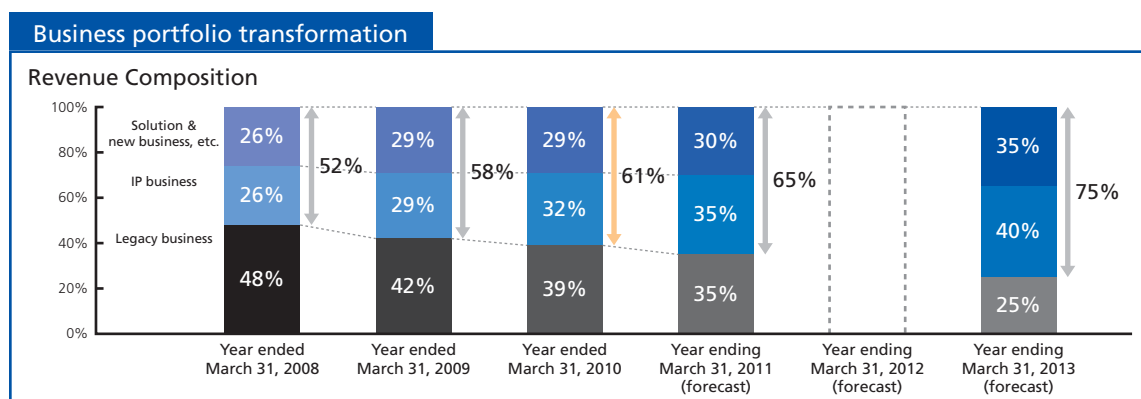
Concerning our numerical targets in the Medium-Term Management Strategy, firstly, our consolidated operating income target is ¥1.3 trillion for the fiscal year ending March 31, 2013. We will maintain this target although the hurdles to achieving it are higher than before, given that there are no prospects for the economy to recover to levels before the financial crisis.

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

access services steadily improved ¥65.5 billion year on year in the fiscal year ended March 31, 2010. We are also making efforts to increase the number of subscriptions and ARPU by offering services tailored to customer needs, and are continuing to curb sales promotion expenses, as well as reduce installation, maintenance and operational costs. Achieving profitability in fiber-optic access services on a full year-basis in the fiscal year ending March 31, 2012, is one of our highest priorities.

In terms of capital investments, in fixed-line communications, capital investments for expanding NGN service areas have peaked out. In mobile communications, we expect to hold investment below current levels, including LTE-related capital investments. Since revenue continues to decline, meeting our target of a 15% ratio of capital investment to operating revenues in the fiscal year ending March 31, 2013, is a greater hurdle than before. However, we will continue to work to achieve our targets by controlling capital investments and expanding our top line.

Business Portfolio Transformation



Financial Indicators*1

	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010	Forecast Year ending March 31, 2011	Forecast Year ending March 31, 2012	Forecast Year ending March 31, 2013
Operating income	JPY 1.1 trillion ^{*2}	JPY 1.1 trillion	JPY 1.1 trillion	JPY 1.165 trillion	Achieve profitability in fiber-optic access services on a single-year basis	JPY 1.3 trillion
CAPEX to Sales ^{*3}	19.9%	20.6%	19.5%	19.3%		15%

*1 Figures are shown on a consolidated basis

*2 Figure excludes special factors such as the gain on transfer of the substitutional portion of the Employee Pension Fund.

*3 CAPEX to Sales represents consolidated capital investment divided by consolidated operating revenues

Q**Finally, what is your approach to shareholder returns?****A****I see the enhancement of shareholder returns over the medium term as a vital management priority. Management will consider and implement shareholder returns along these lines.**

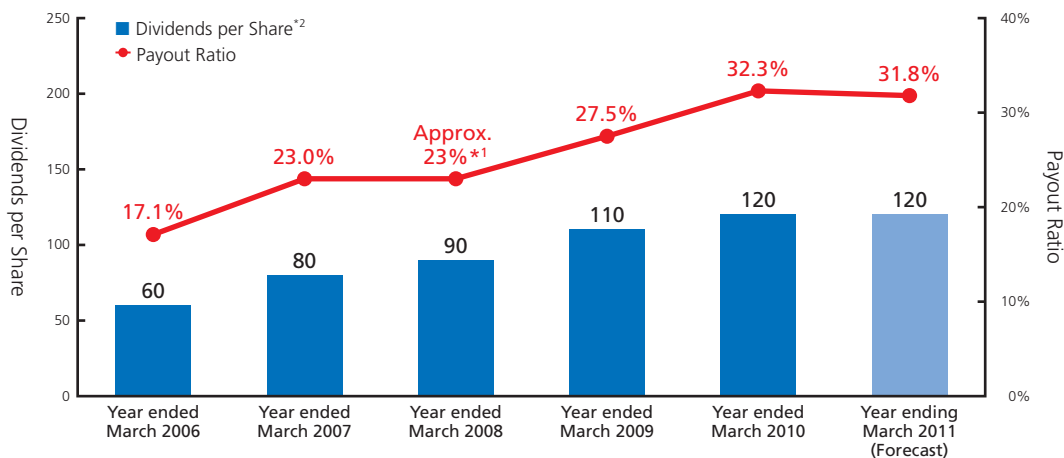
I consider shareholder returns to be a vital management priority. Accordingly, it remains the basic policy of management to enhance shareholder returns over the medium term. While bearing in mind the need to maintain stable, continuous dividend payments, we have conveyed to investors that dividends are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

We plan to pay an annual dividend of ¥120 per share for the fiscal year ending March 31, 2011, the same as in the previous year. The dividend payout ratio is projected at around 32%.

We pledged that we would clarify our basic policy on the treasury stock issue by around 2010. Management has decided to retire all of the approximately 250 million treasury shares held as of March 31, 2010. The retirement of treasury shares will be implemented evenly over two fiscal years, with the first retirement of shares to be conducted by December 2010.

Shareholder Returns

(Yen)



*1 The calculation excludes special factors such as the transfer of the substitutional portion of the Employee Pension Fund.

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

NTT Group will

Feature



● offer a diverse range
of **services.**



The Source of Service Creation
NTT Musashino Research and Development Center

Providing Attractive Services

■ Expanding Broadband and Ubiquitous Services

Through research activities and alliances with various partner companies, NTT is working to create services for corporate and individual customers that utilize its broadband network platform.

Specifically, through the Next-Generation Services Joint-Development Forum, NTT conducts activities to develop new businesses

and to facilitate the development of NGN applications, and NTT Investment Partners, Inc. (NTT-IP) makes investments to materialize the collaboration with various business partners, in education and other business fields. As for the commercialization of research and development results, we use our "Comprehensive Producer System" to

conduct marketing, planning and other activities in priority fields. Efforts are also being made to effectively convert the technological achievements of research laboratories into new businesses by actively partnering with other companies.

Services Launched Since the Fiscal Year Ended March 2010

Service	Overview	
For Individual Customers	FLET'S Hikari Next High-Speed Type	Fiber-optic access service that increases maximum download speed to 200 Mbps from 100 Mbps
	"N-Academy" Online School	An online school that provides educational content using SNS as well as video of lectures given by famous magicians, culinary researchers and other instructors with specialized knowledge who are active in various fields (see bottom chart on page 10)
	Living Room PC "Hikari Box"	The second offering in the "Hikari Link" series, this IT device uses "FLET'S Hikari" and other services to enable people who currently have no Internet experience to enjoy various broadband services through a television at home and in other ways.
	NTT ID Log-in Service	Provides single sign-on capability for NTT Group and partner company websites to customers of NTT Communications, NTT DOCOMO and NTT Resonant currently using their OCN ID, docomo ID and/or goo ID
	My Area Femtocell	Establishes a small femtocell base station on the customer's premises to establish a dedicated home FOMA area that ensures stable, high-speed packet communications
For Corporate Customers	Burst Ether Access	This service provides bandwidth that allows data to be transmitted as fast as physical interface specifications (10 Mbps/100 Mbps) in order to handle temporary surges in data traffic. It can be used with corporate VPN services Arcstar IP-VPN and e-VLAN as well as with Business OCN, our ISP service for corporations
	FLET'S Software Distribution Service	This service makes it possible for software providers to distribute software packages over a network such as "FLET'S Hikari"
	BizXaaS Cloud Computing Service	Provides comprehensive cloud computing solutions, from infrastructure to applications (see page 47)
	Biz Mail Cloud Computing-type Email Service	A cloud computing-type email service that provides advanced security functions, high-quality operations and maintenance capabilities, and high-capacity storage up to 10 GB.
	Wellness Support Healthcare Services Using Mobile Phones	Vitals and other data acquired with blood pressure monitors and other medical devices as well as with mobile phone pedometers are sent by mobile phone for storage on the Wellness Support Server. More efficient and effective services are realized by linking this data to health services provided by health organizations and healthcare-related companies.

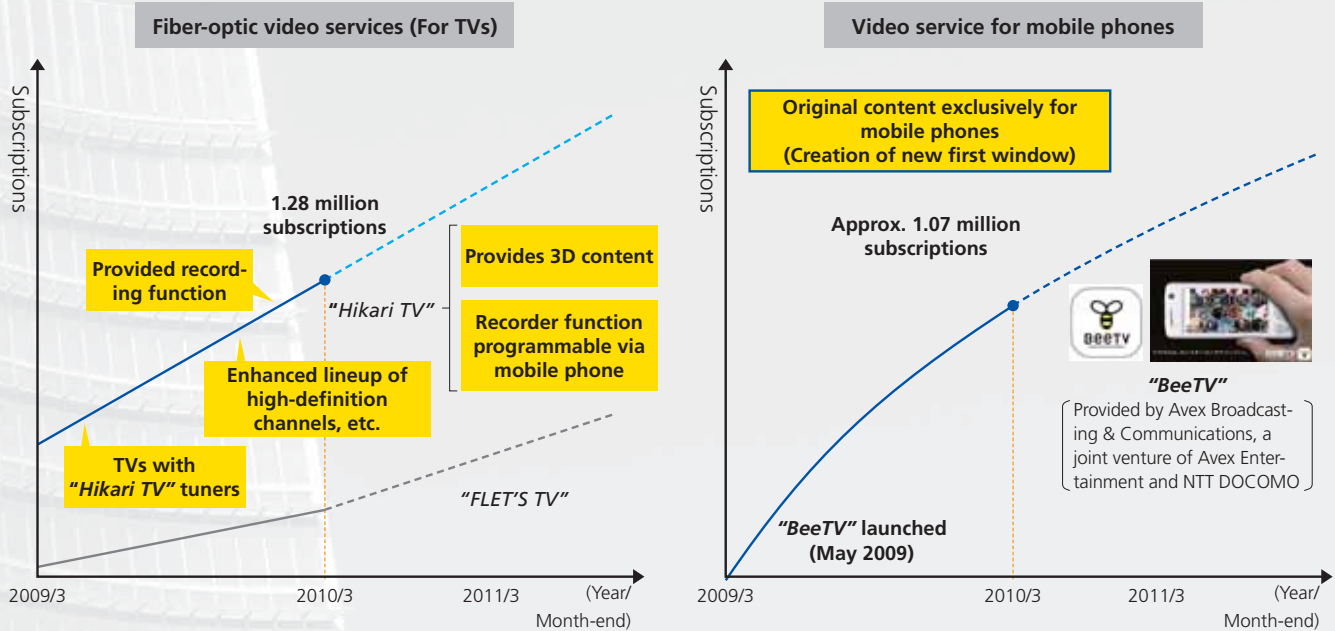
Feature

Expanding Video Services Using Optical Fiber and Mobile Phones

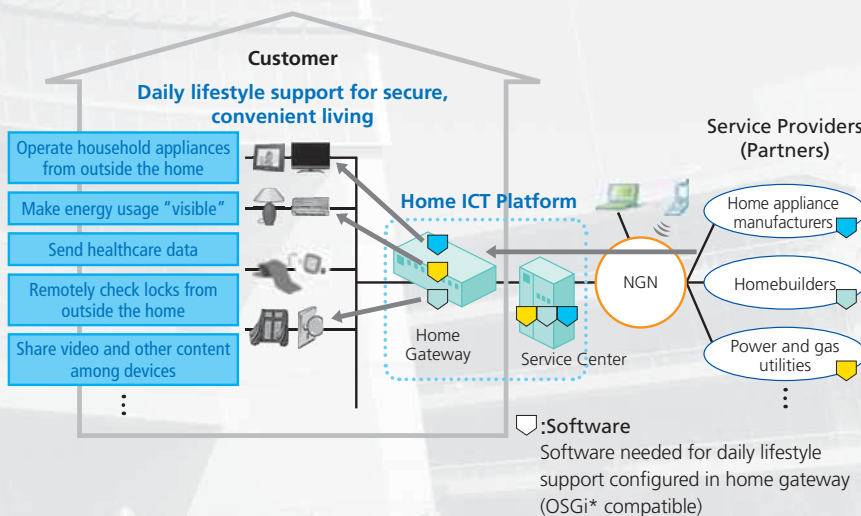
Broadband network platforms for both fixed and mobile networks that will enable the creation of new services are already taking shape. Video services distributed over such broadband networks are emerging as a new market.

Subscriptions to fiber-optic video services "Hikari TV" and "FLET'S TV" doubled over the past year to a combined total of 1.28 million at the end of March 2010. The mobile video service "BeeTV" launched in May 2009 has also grown quickly, with

1.07 million subscriptions at the end of March 2010.



Home ICT



Home ICT is expected to enrich daily life while providing greater safety and security by connecting home appliances to a network. Home ICT enables the user to easily lock and unlock doors, turn lights on and off, view security camera footage, record video, track electricity use and view data from healthcare devices via a mobile phone, television or other device.

A test bed environment for the Home ICT platform was made public in December 2009 and testing was initiated with our partner companies. Going forward, NTT will work with its partner companies to further promote and popularize services that use the Home ICT platform.

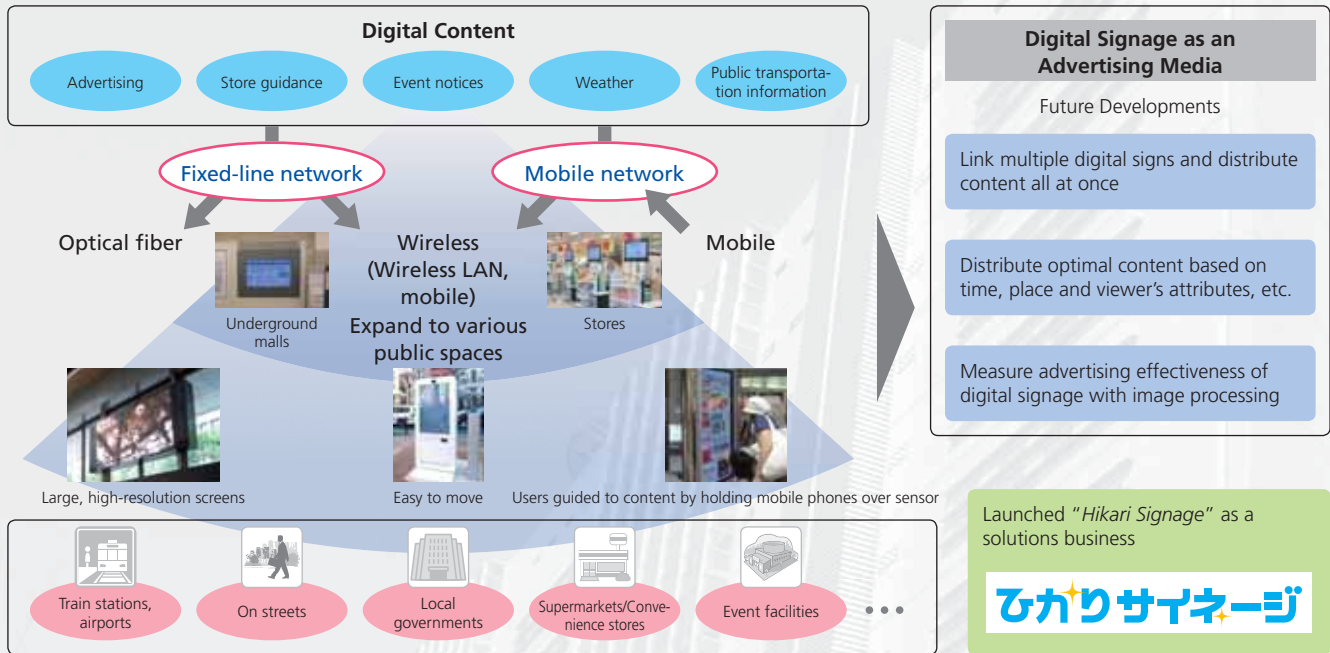
* The Open Services Gateway initiative (OSGi) is an international standard for software distribution management systems.

Digital Signage

Digital signage involves distributing advertisements, promotions and other video content to displays set up at retail locations, public facilities, train stations and airports over broadband networks. Digital signage has drawn attention because, unlike print

media, it is easy to maintain and update information in a timely manner. It also makes interactive promotions possible. We launched the "Hikari Signage" service in February 2010 to provide, in a single package, the devices and content needed for

corporate customers to introduce digital signage. We will work to broaden the base of digital signage and establish it as a new form of social infrastructure.

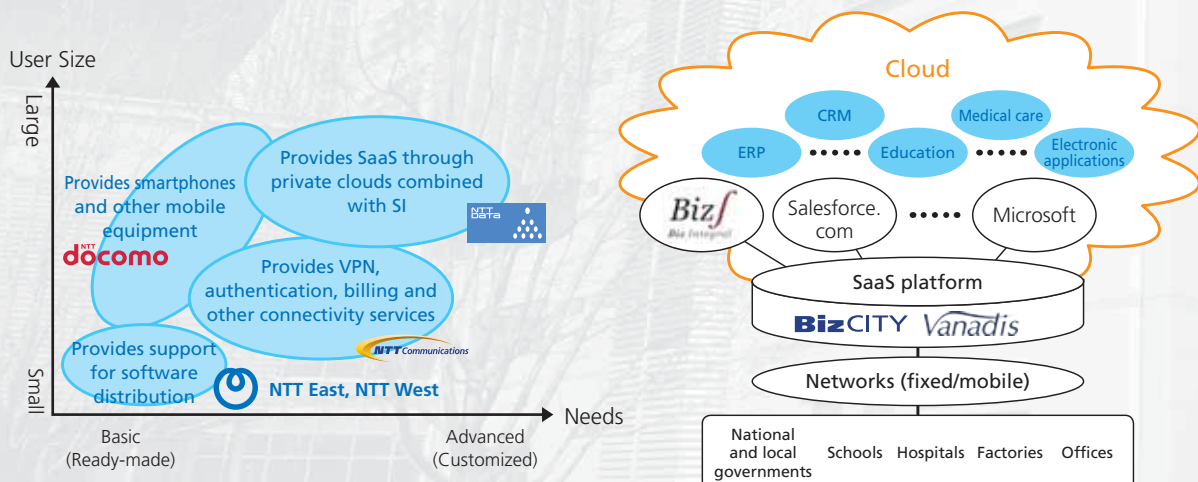


Safe, Secure, Highly Reliable Cloud Computing Services From NTT Group

Cloud computing has become the major trend in ICT, representing a shift from ownership of IT systems to use of them. NTT Group is developing services that utilize the strengths of NGN—reliability, quality and security—to provide safe, secure and highly reliable cloud computing services.

Our services provide a variety of applications to corporate customers demanding high reliability, and are supported by our highly reliable operations and management systems with 24-hour, 365-day maintenance support, which are honed through our experience as a telecommunications carrier.

Other features include the use of data centers dispersed over a wide area that are equipped with advanced security technologies and energy-efficient facilities. Going forward, we will further develop SaaS over NGN and enhance our service lineup to appeal to a broad range of customers.



Research and Development Supports NTT Group Growth

Data traffic flowing over networks is currently increasing dramatically, and compatible networks are needed. In this context, NTT is pursuing R&D into optical backbone networks with large-volume, long-distance data transmission capability. For instance, we successfully demonstrated the world's largest optical transmission of 69.1 terabits per second over a 240 km distance using a single optical fiber.

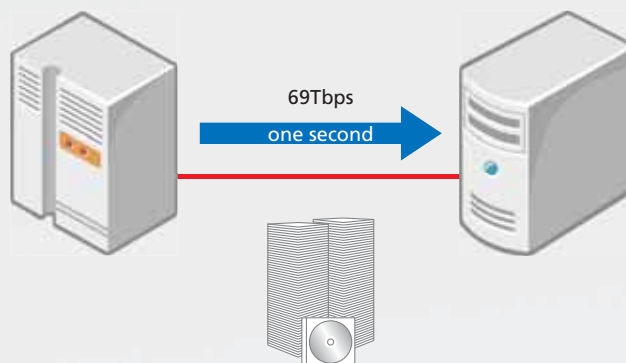
In addition, we are involved in world-class research and development in a wide range of technical fields in order to support the medium- and long-term development of NTT Group. Specifically, we are carrying out R&D on new encryption technologies. In testing the safety of existing encryption methods, we set a new world record by achieving the full factorization of a 768-bit composite number in connection

with the integer factorization problem, which is the basis for the security of public key cryptography.

NTT has also developed an optical packet router aimed at the drastic reduction of power usage in future networks. In the

area of quantum information processing, we succeeded in achieving multiple basic processing using a single device, another world-first and a step on the way to creating a quantum computer.

Successfully demonstrated the world's largest transmission of 69 terabits per second using a single optical fiber —Enabling the transmission of approx. 1,000 DVDs per second



69Tbit≒DVD Video (8.5G Byte) × 1,000

R&D is the Source of Service Creation



Representative Director and
Senior Executive Vice President

Noritaka Uji

In charge of technical strategy;
Chief Technology Officer;
and Chief Information Officer

With the broadband environment established, NTT Group's next step is to bring it to fruition by developing broadband and ubiquitous services on a full IP-based network platform. Examples of service creation initiatives include broadband video services, Home ICT and cloud computing. Research and development activities are the source of all these services.

For example, fiber-optic video distribution services like "Hikari TV" and "FLET'S TV" were commercialized through the utilization of advanced security technologies and high-quality video distribution technologies developed at our research labs.

For Home ICT, we are developing service gateways using the standard agreed on by the international OSGi Alliance and are conducting verification tests in partnership with many companies, including major home appliance manufacturers.

Additionally, in cloud computing, which demands high reliability and security levels, technologies for authentication systems and data protection developed over the years are utilized to ensure the security, safety and convenience of services. We have established the SaaS/Cloud Task Force, whose members include the five core NTT Group companies and other group companies, in order to bolster the efficiency of R&D investment. Thus, we intend to demonstrate the strengths of NTT Group in the cloud services business going forward.

R&D is the source of our future growth and competitiveness and is extremely important in terms of management strategy. Along with conducting R&D to create services in the near future, we will also carefully identify and move forward in research areas that will propel NTT Group over the medium and long terms. This includes world-class research on high-capacity optical transmission technologies and optical packet router and nano-device technologies for networks five to ten years down the road, as well as search engines for processing and analyzing extremely large volumes of data to make personal "concierge" services a reality.

Looking ahead, we will continue to support the creation of attractive services and drive technical innovation to promote economic growth and help solve societal issues in fields such as government, medicine, education and the environment.



NTT Group **will**



Feature



Office of NTT Korea



Office of NTT Singapore



London Office of NTT Europe



Los Angeles Office of NTT America

- **expand its **global** business by using its experience and know-how.**

Providing Global Services
Overseas Offices

Strengthening Global Business

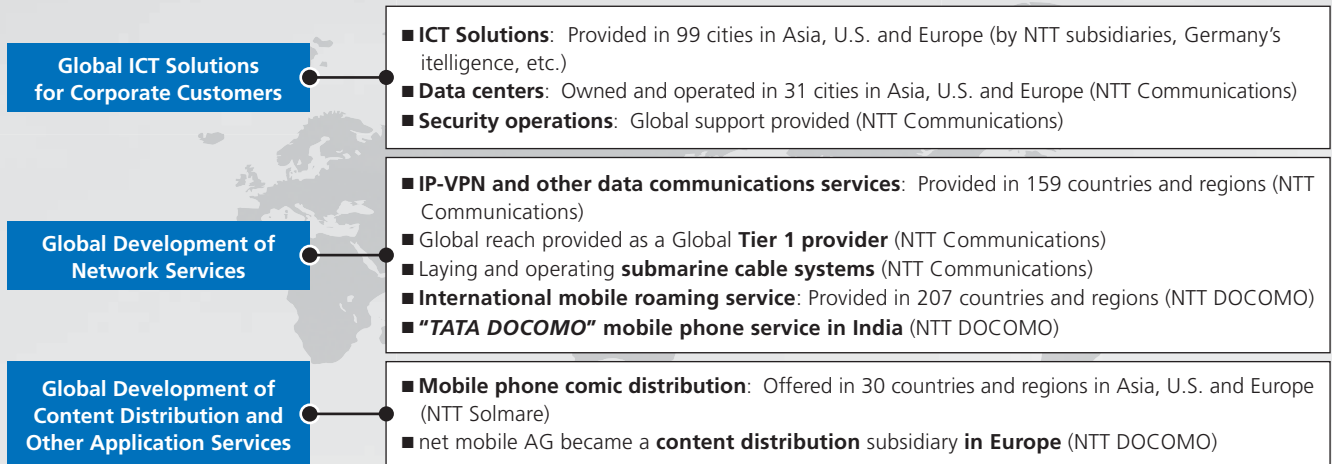
■ Going Global with Comprehensive ICT Services

NTT Group is strengthening global business development to meet customer needs for high-quality services that are provided seamlessly in Japan and overseas.

NTT Group will provide total ICT solutions—networks, data centers, security and other solutions—in the world's major cities

by further extending its service area and expanding its network of business offices. We are also working to increase the convenience and reliability of our network services by enhancing our networks through investment in submarine cable systems providers and expanding the international roaming

service area for our mobile phones. We are also developing application services on a global basis, including a mobile phone distribution service for comics that is provided overseas as well as investment in companies operating mobile content distribution and billing platforms.



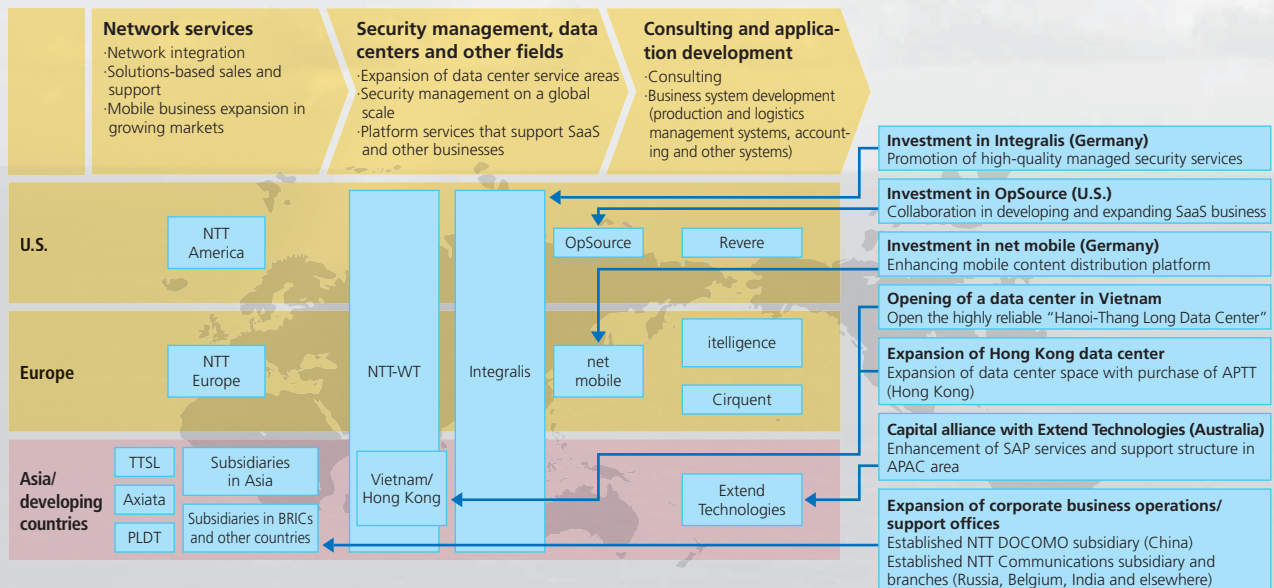
Enhancing the Service Lineup for Corporate Customers

In the field of services for corporate customers, we have enhanced our network of overseas offices in Russia, the Philippines and other Asian and BRIC countries in order to support the global corporate activities of

our customers.

In addition, we are enhancing service lineups through mergers and acquisitions. Examples include investing in German security provider Integralis to help reinforce

high-quality managed security services and in Australia's Extend Technologies to strengthen ERP consulting services in the Asia-Pacific region.



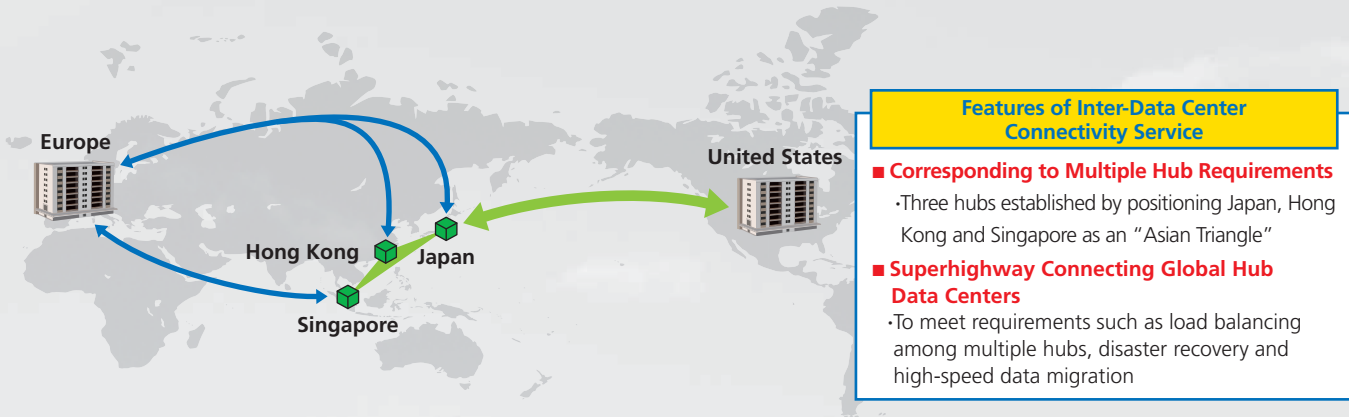
Development

Expanding the Solutions Business in Asia

As a part of efforts to strengthen the ICT solutions business, which provides Japan Quality on a global basis, we will begin construction in the year ending March 2011 on premium data centers in Singapore and Vietnam that will provide high levels of quality and reliability.

We will also launch the Inter-Data Center Connectivity Service utilizing a large-capacity backbone for high-speed, seamless, rack-to-rack connectivity among core data centers in Singapore, Hong Kong, Japan and the U.S. The service will provide high-capacity communication lines to

corporate customers with shorter delivery periods, and will be offered with guaranteed bandwidth or best-effort delivery.



Global Business Expansion



Representative Director and Senior Executive Vice President

Hiroo Unoura

In charge of business strategy;
Chief Financial Officer;
Director of NTT Strategic Business Development Division

NTT Group has made global business expansion a pillar of its growth strategy. One of the main initiatives in this expansion is providing total ICT services to corporate customers, including networks, data centers and solutions. Through various initiatives to date, we have worked to enhance the service lineup and further expand service areas, mainly in Asia, Europe and North America.

At the same time, inadequacies still exist in the business domain of provisioning and maintaining network equipment, servers and other hardware at customer sites, and in terms of services provided in emerging countries in Africa, the Middle East, South America and other regions.

In July 2010 an agreement was reached with Dimension Data Holdings plc, a top tier multinational company involved in this business domain and these geographical areas, on commencing procedures to acquire the company.

NTT Group will develop comprehensive ICT solution services globally, based on its track record and expertise gained in Japan. Through these services, NTT Group aims to contribute to the business development of multinational corporations.

Regarding Commencement of Acquisition Procedures for Dimension Data Holdings plc

Summary of press releases from July 15 and August 12, 2010

On July 15, 2010, NTT reached an agreement with Dimension Data Holdings plc ("Dimension Data"), a British company headquartered in the Republic of South Africa, to commence procedures to acquire, for cash through a tender offer, all common stock in Dimension Data that has been issued and is scheduled to be issued. Documents explaining the tender offer and related procedures were sent to Dimension Data shareholders on August 12.

Please refer to NTT's website for the full text of the press releases (<http://www.ntt.co.jp/news2010/1007e/100715a.html>)

NTT Group **will**

Feature

● contribute to the achievement of a **low-carbon** society through its businesses.



Hybrid wind/solar power generation system
NTT Kumejima Radio Transmission Station

Measures Achieve a Low-Carbon

■ NTT Group's Three Green Activities

The problem of climate change, including global warming, is becoming increasingly serious each year, and global initiatives are an imperative. NTT Group has established three activities to reduce greenhouse gas

emissions: "Green of ICT," "Green by ICT," and "Green with Team NTT." We are committed to achieving a low-carbon society, not only by reducing CO₂ emissions generated in NTT Group business activities, but

also by helping customers to reduce CO₂ emissions from their business activities and by NTT Group employees through the promotion of eco-friendly lifestyles.

Green of ICT

Reduce CO₂ emissions generated by NTT Group business activities

- Implement energy saving measures at communications facilities (Data centers, power/air conditioning equipment, etc.)
- "Green NTT" (promote use of renewable energy for power generation)



Green by ICT

Provide solutions that contribute to the reduction of CO₂ emissions by our customers

- Provide ICT solutions and digital content distribution to support telecommuting



Green with Team NTT

Reduce CO₂ emissions in the homes and the communities of NTT Group employees

- Participate in eco-driving, forest preservation activities, regional clean-up activities and greening of building rooftops, etc.



Green of ICT: Energy Saving Measures at Data Centers

NTT Group is using the latest technologies to raise the energy efficiency of its data centers. Our data centers in various regions utilize energy-saving technologies, including solar power systems that do not emit CO₂, air conditioning control for efficient air

supply and exhaust, direct current (DC) power supply with low power conversion loss, and virtualization technologies to reduce the number of servers used.

By applying these technologies, NTT DATA's "Green Data Center[®]" has reduced

its annual power consumption by approximately 30%. In October 2009, NTT DATA and NTT FACILITIES, which has high-efficiency air conditioning technologies, jointly received the METI Minister Green IT Award 2009.

Solar power systems



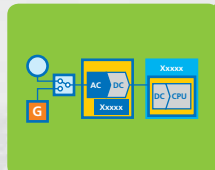
Utilize clean energy to minimize environmental impact of data centers

High efficiency air conditioning technology



Deploy air conditioning technology offering optimal efficiency through analysis

High-voltage DC power supply



Develop and deploy high-voltage DC power supply system with low conversion loss

Environmentally friendly data centers

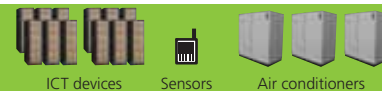
Virtualization technology



Utilize virtualization technology to reduce the number of ICT devices

Linked control of ICT devices and air conditioning

Integrated management server
Linked control of monitoring and control for ICT devices and facility equipment



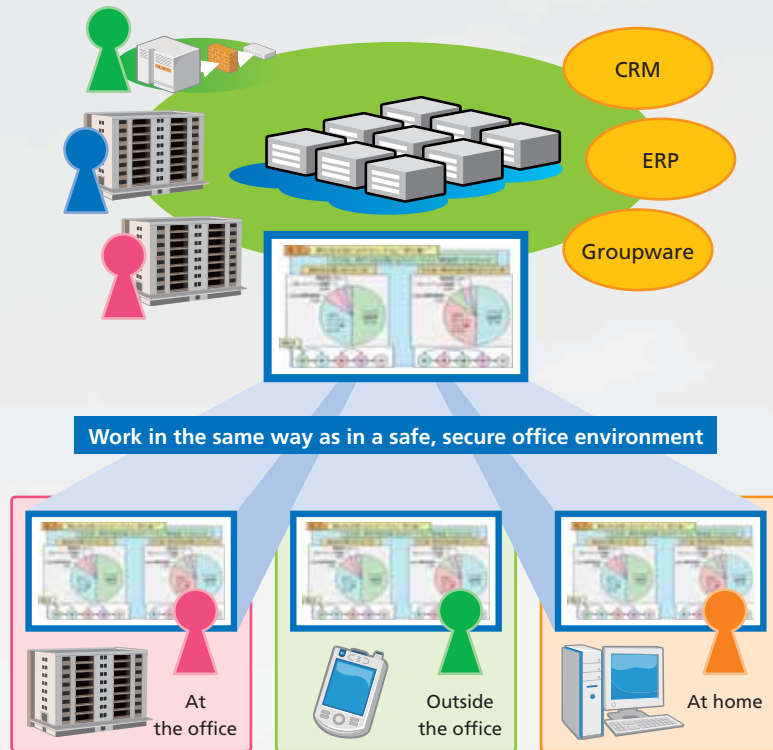
Linked control for standardization of workloads among ICT devices and temperature settings of air conditioners

Society

Green by ICT: Telecommuting to Reduce CO₂

NTT Group supports telecommuting as a means of lowering CO₂ emissions by reducing transportation requirements.

We offer a variety of solutions to support telecommuting, including NTT Communications' "BizCommunicator" and "Mobile Connect," which enable the employee's office computer environment to be recreated on his or her home computer while maintaining security.



Green with Team NTT: Eco-Friendly Lifestyles in the Homes and Communities of NTT Group Employees

NTT Group employees lead eco-friendly lifestyles in many different ways at home and in their communities.

For example, employees participate in eco-driving seminars and put the techniques into practice in order to improve the fuel economy of company vehicles. Other efforts to reduce CO₂ emissions at home and in the community include rooftop greening to help alleviate the "heat island" effect, conducting cleanups of streets and parks, and participating in forest preservation activities.



Eco-driving seminar (NTT East Iwate Branch)



Rooftop greening to increase urban green space (growing sweet potatoes)
(NTT URBAN DEVELOPMENT and NTT FACILITIES)



A total of 60,000 people participate in community cleanups.

At a Glance

Consolidated Subsidiaries

Business Activities



Regional Communications Business



97 companies including

- NTT East Corporation (NTT East)
- NTT West Corporation (NTT West)

Domestic intra-prefectural communication services and related ancillary services



Long Distance and International Communications Business



77 companies including

- NTT Communications Corporation (NTT Communications)

Domestic inter-prefectural communication services, international communication services and related ancillary services



Mobile Communications Business



125 companies including

- NTT DOCOMO, Inc. (NTT DOCOMO)

Mobile phone services and related ancillary services in Japan and overseas



Data Communications Business



158 companies including

- NTT DATA CORPORATION (NTT DATA)

System integration and network system services in Japan and overseas



Other Businesses

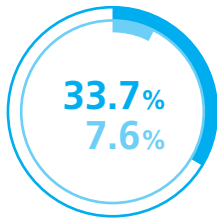
74 companies

Real estate, finance, engineering, system integration and data processing, and development of leading-edge technologies and shared operations

* Also includes the operations of NTT (holding company).

Percentage of Operating Revenues/ Percentage of Operating Income

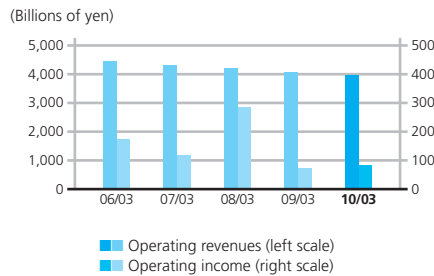
Percentage of the simple sum of all segments
(including intersegment transactions)



■ Percentage of consolidated operating revenues
■ Percentage of consolidated operating income

Operating Summary

* Figures are for the fiscal year ended March 31, 2010
(number of employees as of March 31, 2010)



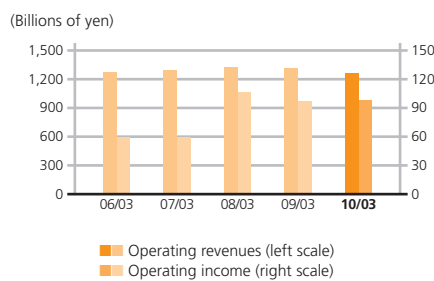
■ Capital investments
¥874.2 billion

■ R&D expenses
¥125.8 billion

■ Number of employees
98,697



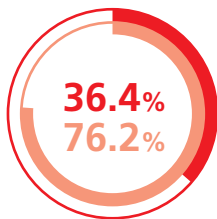
■ Percentage of consolidated operating revenues
■ Percentage of consolidated operating income



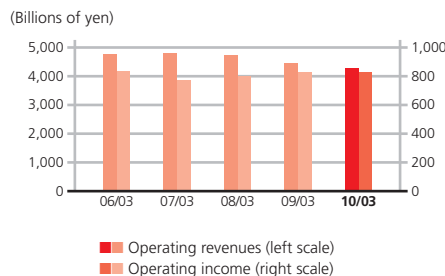
■ Capital investments
¥129.0 billion

■ R&D expenses
¥17.2 billion

■ Number of employees
14,176



■ Percentage of consolidated operating revenues
■ Percentage of consolidated operating income



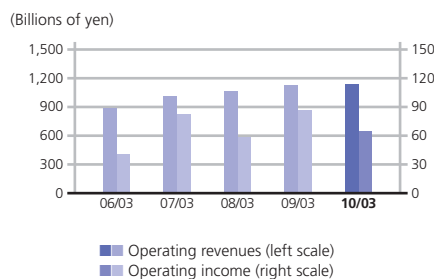
■ Capital investments
¥686.5 billion

■ R&D expenses
¥109.9 billion

■ Number of employees
22,297



■ Percentage of consolidated operating revenues
■ Percentage of consolidated operating income



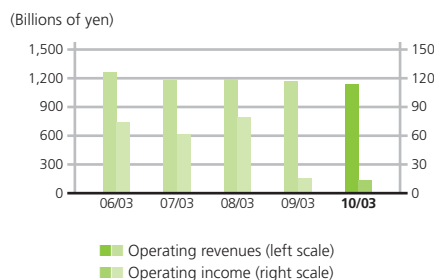
■ Capital investments
¥162.6 billion

■ R&D expenses
¥11.4 billion

■ Number of employees
34,543



■ Percentage of consolidated operating revenues
■ Percentage of consolidated operating income



■ Capital investments
¥134.8 billion

■ R&D expenses
¥140.8 billion

■ Number of employees
25,269

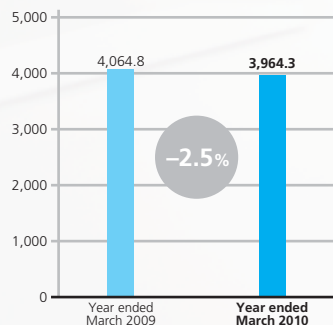
Fiber-optic access services have grown to account for the majority of the total number of subscriptions to fixed-line broadband services. In a constantly shifting market environment, NTT East and NTT West continue to concentrate on measures to further increase the use of "FLET'S Hikari" services, while working to create new services.



Operating Revenues

Down 2.5% to ¥3,964.3 billion mainly because of lower voice related revenues

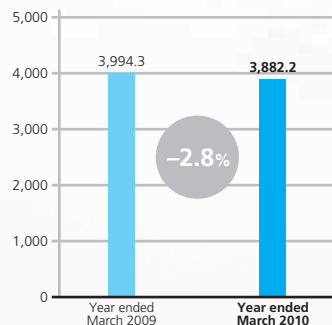
(Billions of yen)



Operating Expenses

Down 2.8% to ¥3,882.2 billion primarily due to cost-cutting measures, including such measures at subsidiaries in this segment

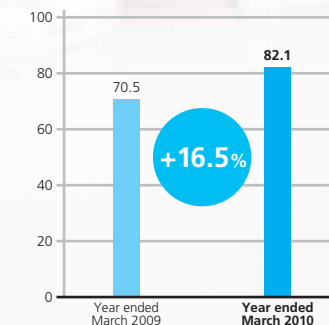
(Billions of yen)



Operating Income

Up 16.5% to ¥82.1 billion

(Billions of yen)



Highlights of The Past Fiscal Year

Initiatives to increase the use of fiber-optic and IP services

■ More expansion of the NGN service area

NTT East and NTT West continued to extend coverage of "FLET'S Hikari Next." This fiber-optic access service provides outstanding reliability and support for applications that require secured bandwidth. As of March 31, 2010, NTT East offers "FLET'S Hikari Next" coverage in virtually its entire "FLET'S Hikari" service area. NTT West has extended coverage to about 80% of its "FLET'S Hikari" service area.

The number of "FLET'S Hikari" subscriptions was 13.25 million as of March 31, 2010. In addition, the number of "Hikari Denwa" subscriptions reached 10.14 million.

■ Measures to enhance customer satisfaction

In addition to the introduction of various discount schemes for monthly service fees, installation costs and other charges, measures to reduce lead times from application submission to the service commencement date of "FLET'S Hikari" have been taken, including the adoption of additional upgraded fiber-optic line installation methods for multi-unit residences, immediate installation date notification and an installation process that requires no visit by a service technician. Furthermore, the enhancement of

customer support services when customers start to use a broadband service and the fulfillment of customer benefits such as the introduction of members-only programs (see page 35) and other benefits have also been achieved to demonstrate a commitment to excellence in customer service.

■ Expansion of service lineup

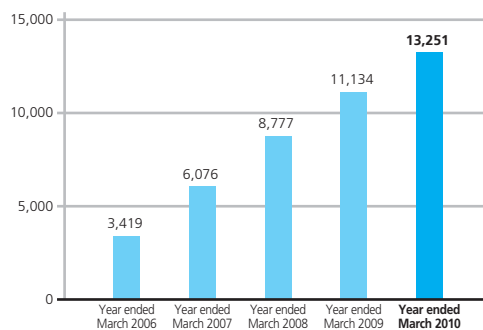
As for services that take full advantage of NGN features such as excellent security and quality, "Hikari Denwa Office A (Ace)"[®], a new fiber-optic IP telephony service for large offices and a Line Data Notification Function, the additional function of "FLET'S Cast"[™] content distribution platform, have been introduced to enable customers to enjoy high-quality telephone and video phones with broad bandwidth.

The "Hikari LINK," a series of home-use communication devices enabling customers to enjoy convenient, secure and comfortable ways of life using "FLET'S Hikari," offers the "Hikari BOX"[™], which is called a "living room PC," allowing people with no Internet experience to enjoy broadband services through a TV or other terminals.

With the aim of further expansion of "FLET'S Hikari," alliances with companies in numerous business fields have been considered. For example, through collaboration with a cable TV company, video services using "FLET'S Hikari" have been

Number of "FLET'S Hikari" subscriptions*

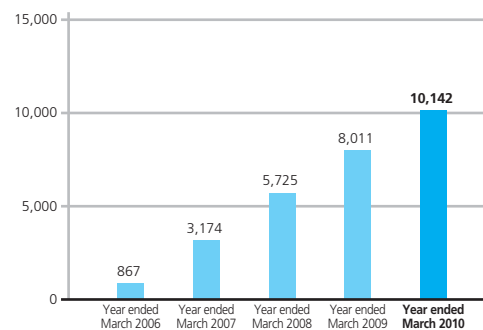
(Thousands of subscriptions)



* Subscription numbers as of each fiscal year-end.

Number of "Hikari Denwa" subscriptions*

(Thousands of subscriptions)



* Subscription numbers as of each fiscal year-end.



- "Hikari Denwa Office A (Ace)" http://www.ntt-east.co.jp/hikari_ofa/
- "FLET'S Cast" <http://flets-w.com/cast/>
- "Hikari BOX" <http://flets-members.jp/pub/products/hikaribox/>

provided. Another collaboration with Slers enabled the launch of an enterprise resource management software operational platform utilizing NGN for small and medium-sized corporate customers, which can be used for financial and tax accounting, personnel affairs and payroll applications.

■ A more efficient framework for operations

NTT East consolidated its network of "113" offices that handle fault reports and took other steps to put in place a more efficient framework for operations.

NTT East and NTT West also actively addressed business process and internal work-flow issues and upgraded IT systems, including those at sub-contracted installation companies. This helped the two companies achieve shorter lead times for "FLET'S Hikari" orders.

Initiatives in the fiscal year ending March 2011 Expansion of fiber-optic access services and creation of new services

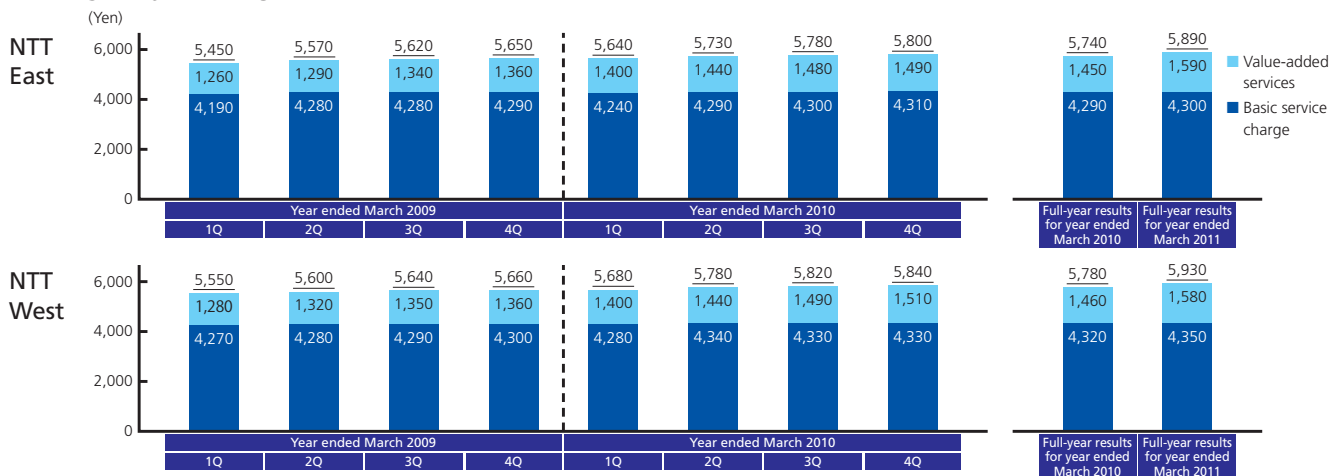
Faced with a challenging business environment, further expansion of fiber-optic access services will be pursued while exploring the development of new services featuring the NGN platform. Specific examples include two new services for "FLET'S Hikari"

subscribers. In June 2010, NTT East and NTT West released "Hikari Portable" (see page 35), a mobile WiFi router that fits in the palm of your hand. This device creates a wireless LAN link when at home and at many other locations. The two companies also plan to start selling the "Hikari iFrame" (tentative name). This digital photo frame connects to a wireless LAN for easy access to news, weather forecasts, community information and other content. In June 2010, two new services were introduced. The first is "Data Connect," an efficient secured bandwidth data transmission service that is secure and stable. The other is "Hikari Denwa Number Gate," a high-volume, multichannel telecommunication service.

"FLET'S Hikari" ARPU has continued to increase due to the expansion of value-added services such as "Hikari Denwa" and "Remote Support Services." In the fiscal year ending March 31, 2011, NTT East and NTT West will continue working to increase sales, with the aim of achieving even higher "FLET'S Hikari" ARPU.

NTT East and NTT West will strive to maintain and enhance the reliability of the telecommunications infrastructure they provide, while contributing to the revitalization and development of the information and communications industry as a whole. The two companies will also remain a source of attractive services that are safe, secure and highly reliable.

"FLET'S Hikari" ARPU



* "FLET'S Hikari" includes "B FLET'S" and "FLET'S Hikari Next," of NTT East and "B FLET'S," "FLET'S Hikari Premium," "FLET'S Hikari Mytown," and "FLET'S Hikari Next" of NTT West. Effective from the fiscal year ended March 31, 2010, NTT East and NTT West have included revenues from "Remote Support Services," an optional "FLET'S Hikari" service previously included in operating revenues from ancillary business, within "FLET'S Hikari" ARPU. For details on various ARPU calculation methods, please see page 124.



- WEB "Hikari Portable" <http://fleets.com/hikariportable/>
- WEB "Hikari iFrame" (tentative name) https://fleets-members.jp/pub/pages/hikari_monitor/hikari_iframe/
- WEB "Data Connect" <http://fleets.com/hikaridenwa/service/dataconnect.html>
- WEB "Hikari Denwa Number Gate" <http://fleets.com/hikaridenwa/numbergate/>

More Members-only Programs to Enhance Customer Satisfaction

NTT East and NTT West are taking steps to enhance customer satisfaction so as to promote the loyal use of their products and services. One such step is to improve communication with customers by offering various benefit programs and support services.

In December 2009, NTT East started offering the members-only *"FLET'S Hikari Members Club"* program for *"FLET'S Hikari"* subscribers. Member benefits include access to the large-volume content only possible with broadband, such as videos of popular artists, and valuable information on how to use the Internet easily. A point program is also provided in which points are earned according to usage of *"FLET'S Hikari"* and other services. Registered members can exchange accumulated points for points issued by partner companies or use their points to

apply for gifts such as popular digital electronics products and other benefits.

Meanwhile, NTT West reviewed the point program of *"CLUB NTT-West"*, a membership program for subscribers to *FLET'S* services that makes using the Internet easier and more enjoyable. Members receive assistance in taking full advantage of the Internet's potential. They also have access to telephone and e-mail support concerning *FLET'S* services and how to use the Internet. In addition, as they use NTT West services, members collect points that can be exchanged for gifts and other benefits. Overall, *"CLUB NTT-West"* helps ensure that customers will continue to use and enjoy their *FLET'S* services.



FLET'S Hikari Members Club



CLUB NTT-West

* The above screenshot images may differ from the actual service.

"Hikari Portable" Launched: A New Service for "FLET'S Hikari" Subscribers

Options for accessing the Internet have expanded from PCs to smartphones, netbooks, tablet devices, game consoles and other terminals. NTT East and NTT West are addressing this change in methods of accessing the Internet in many ways. *"FLET'S SPOT"* is a public high-speed WiFi Internet connection service offered by NTT East and NTT West at large franchised chains of stores, as well as transportation hubs such as major railway stations and airport terminals.

In June 2010, NTT East reduced the *"FLET'S SPOT"* fee for *"FLET'S Hikari"* subscribers, and released the *"Hikari Portable"* mobile WiFi router. *"Hikari Portable,"* a new product in the *"Hikari LINK"* series, is a mobile WiFi router that is available to

"FLET'S Hikari" subscribers on a rental basis. This router is compatible with *"FLET'S Hikari,"* *"FLET'S SPOT"* and 3G mobile data communication services. A cognitive selection system among available wireless bandwidth services enables the device to function as an LAN router at home and a WiFi router in other locations.



光ポータブル

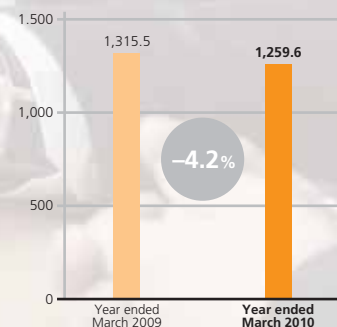
With the wide adoption of the Internet and mobile communications, a communications environment is being created that links people, resources and systems together, anytime and anywhere they are needed. Society is undergoing significant transformation as a result. With "bridging" as its core concept, NTT Communications is dedicated to making new lifestyles and business models possible through the power of communications by drawing on its advanced technologies and extensive experience related to ICT.



Operating Revenues

Declined 4.2% year on year to ¥1,259.6 billion, due primarily to lower fixed voice-related revenues

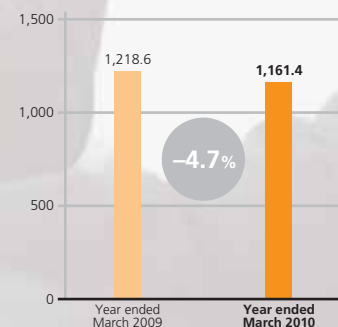
(Billions of yen)



Operating Expenses

Declined 4.7% year on year to ¥1,161.4 billion, due largely to lower administrative expenses and lower revenues from voice transmission services

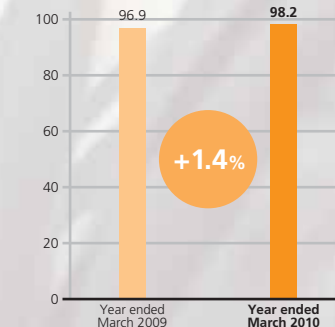
(Billions of yen)



Operating Income

Increased 1.4% year on year to ¥98.2 billion

(Billions of yen)



Highlights of the past fiscal year Providing high-value-added solutions in Japan and overseas

■ Services for Corporate Customers

NTT Communications worked to serve corporate customers as an ICT solutions partner by promoting consulting-based marketing and providing high-value-added solutions.

Specifically, the company tackled management issues faced by customers with solutions tailored to different industries and business formats, including ICT outsourcing services—a comprehensive lineup of solutions, from IT infrastructure such as data centers and IP-based networks to systems operations and management—and SaaS/ASP platform services for application providers.

■ Global Businesses

In global businesses, NTT Communications strove to meet the needs of customers in connection with high quality, seamless domestic/overseas services by providing total ICT solutions that combine high-quality network integration with data centers, security and server management, utilizing one of the industry's largest global IP-based networks.

In overseas data center operations, a joint venture of NTT Communications and Vietnam Posts and Telecommunications Group established a data center in Hanoi, Vietnam and worked to expand and upgrade services. Also, solutions offices were set up in Russia, India, the Philippines, Belgium and China, expanding the company's presence overseas.

NTT Communications also continued to expand and upgrade its network by acquiring Pacific Crossing Ltd., which owns the PC-1 submarine cable system connecting Japan and the U.S., further improving the reliability of infrastructure linking the two countries.

■ Services for Individual Customers

Under the brand, "CreativE-Life for Everyone," NTT Communications worked to provide solutions for individual customers in line with their increasingly diverse lifestyles.

As for Internet services, the company strove to enhance services and content, providing "OCN Kids Care," for example, a service that enables harmful sites to be blocked and usage to be monitored by parents and other guardians.

As a result of these efforts, the number of subscriptions to "OCN" Internet connectivity services provided by NTT Communications, and "Plala" provided by subsidiary NTT Plala, together reached 10.94 million as of March 31, 2010.

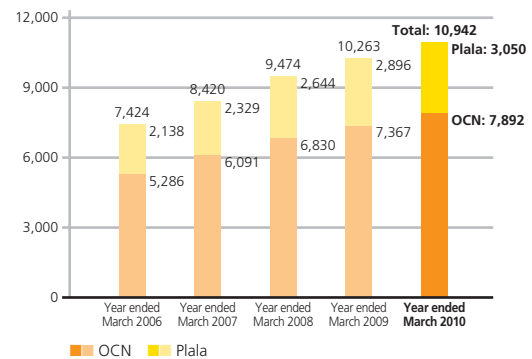
Number of Data Center Service Subscriptions*

	March 2009	March 2010
Number of data centers	69 in Japan 27 overseas	68 in Japan 31 overseas
Total floor area of data centers in Japan	Approx. 67,000 m ²	Approx. 68,000 m ²

* Number of data centers and total floor area as of each fiscal year-end.

Number of OCN & Plala Subscriptions*

(Thousands of subscriptions)



 "OCN" <http://www.ocn.ne.jp/english/>
 "Plala" <http://www.plala.or.jp/>

Additionally, for "Hikari TV[®]," a video distribution service provided by NTT Plala, efforts were made to expand the service area for IP-based retransmission of terrestrial digital broadcasts and enhance high definition content. The number of subscriptions topped one million in March 2010.

Initiatives in the fiscal year ending March 2011 Promote Business Expansion in Growth Areas

The NTT Communications Group will strive to maximize profits and earn the title of No. 1 in customer satisfaction by expanding three business areas, namely enterprise services, global businesses, and Internet-related businesses, and by promoting value chain innovations around maintenance services, a direct point of contact with customers.

■ Enterprise Services

In enterprise services, the Group will promote total ICT solutions, including networking, data centers, security and other solutions, to meet customer needs for high-quality, seamless domestic/overseas services. Specifically, under the "BizCITY[®]" brand, the Group will work to reinforce its lineup of cloud services, FMC (Fixed Mobile Convergence) services and ubiquitous services, which offer high levels of quality and security, and move to strengthen its consulting-based marketing activities.

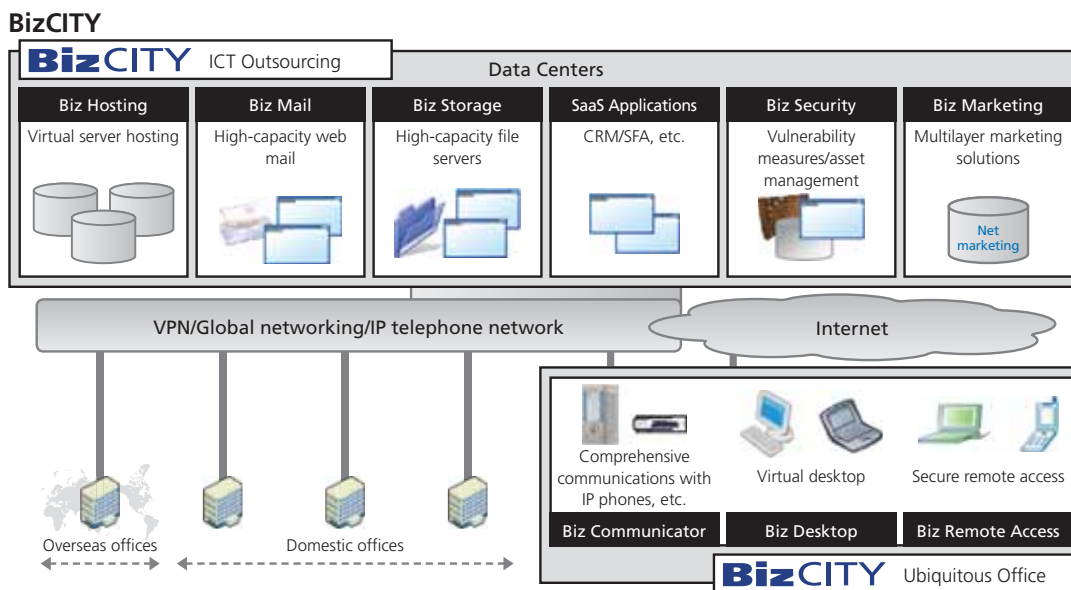
■ Global Businesses

In global businesses, the NTT Communications Group will promote business expansion by enlarging and upgrading its presence and data centers. In Asia particularly, the group will work to strengthen its framework for providing high-quality total ICT solutions through the installation of new submarine cable systems and the acquisition of shares of Emerio GlobeSoft Pte Ltd., a Singapore-based IT outsourcing firm with offices in 14 countries and regions, primarily in Southeast Asia.

■ Internet-Related Businesses

For NTT Plala's "Hikari TV" service, the NTT Communications Group will strive to enroll more subscribers by developing attractive content such as IP-based retransmission of BS broadcasting and distribution of programs viewable in 3D.

Active efforts will also be made to develop advanced services through collaboration with NTT Group companies. One example is the "NTT ID Log-in Service," which enables people to simultaneously log in to partner company websites, including travel agents and insurance companies, when logging in to any one of them for authentication, using an OCN ID, a docomo ID from NTT DOCOMO or a goo ID from NTT Resonant.



"Hikari TV" <http://www.hikaritv.net/>
 BizCITY <http://www.ntt.com/bizcity/>

Development of "BizCITY®": For a safer, more convenient business environment

"BizCITY" is a brand of eco-friendly services that provide cost-effective business environments enabling work to be done securely and conveniently anytime, anywhere. These services also help to solve management issues faced by customers.

Examples of services include the "BizCITY ICT Outsourcing" service lineup for managing customers' ICT assets, including "Biz Hosting" and "SaaS Applications," as well as the "BizCITY Ubiquitous Office" service lineup for providing access to an environment for doing business anywhere, anytime, including "Biz Communicator," and "Biz Remote Access." "BizCITY" has the following five main characteristics.

1. ICT environment that can be used securely anywhere, anytime

Customers' security policies are flexibly accommodated through a combination of access lines, including VPN, Internet and mobile networks, and authentication techniques.

2. Service platform for safe and secure storage of customer data

Services are supported by one-stop operations ranging

vertically from the network to the applications and extending horizontally via the utilization of globally dispersed business offices, which can only be provided by a telecommunications carrier.

3. High cost performance

A high cost-performance business environment is realized with services that reduce customer TCO and raise business productivity.

4. Solutions to diverse management issues

A diverse service lineup helps to raise customer revenues, reduce costs and strengthen management foundations.

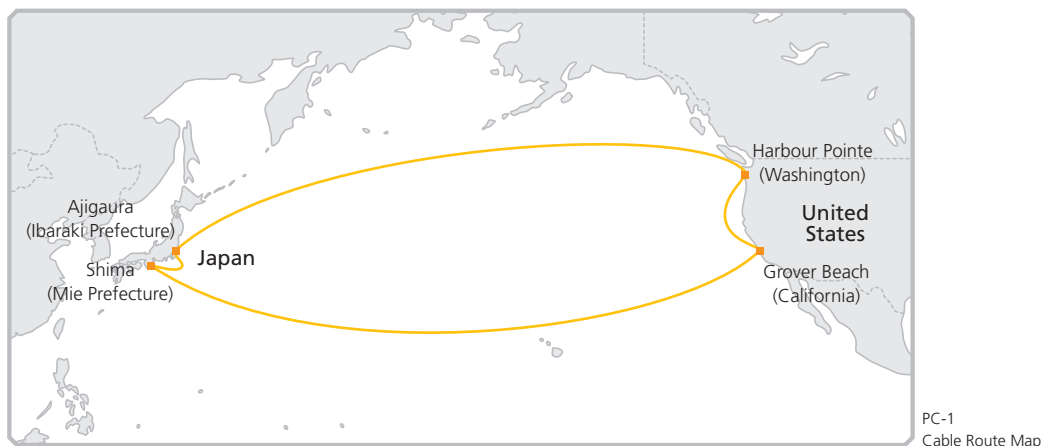
5. Reduced environmental impact with "green" ICT

A business environment with a low environmental impact is achieved through business and working style changes.

Acquisition of Pacific Crossing Limited, a U.S. Submarine Cable Systems Provider

In 2009, NTT Communications acquired Pacific Crossing Limited (PCL), which owns the PC-1 submarine cable system connecting Japan and the U.S. and provides submarine cable operations. By investing in PCL, whose high-capacity submarine cables provide a link between Japan and the U.S., the company will further

reinforce its cable capacity on that route to accommodate demand for Internet traffic among Asia, Japan and the U.S. Acquiring new routes in addition to its existing routes will help the Company further raise the reliability of Japan-U.S. telecommunications infrastructure.



With its high mobile phone penetration rate, Japan has one of the most mature mobile communications markets in the world. Competition is intense in the area of subscriber acquisition and services enhancement. Based on its action plan called "DOCOMO's Change and Challenge to Achieve New Growth," NTT DOCOMO worked to further expand revenues. In particular, NTT DOCOMO strove to offer a broad selection of services that meet the diverse needs of customers and expand the data communications market.

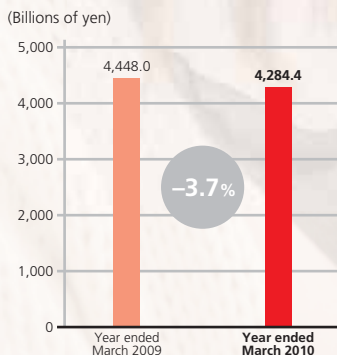


パケホーダイダブル 定額制



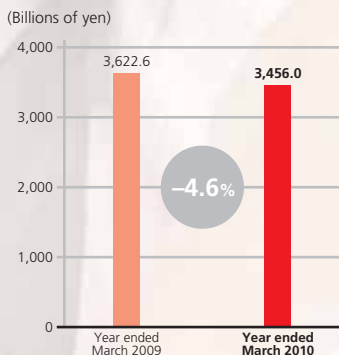
Operating Revenues

Down 3.7% to ¥4,284.4 billion, mainly because of lower voice revenues



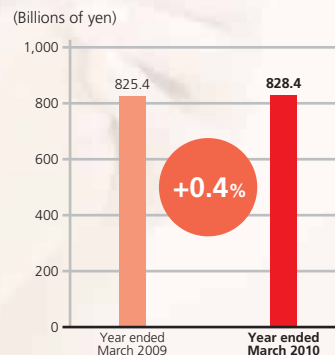
Operating Expenses

Down 4.6% to ¥3,456.0 billion, mostly the result of declines in the cost of handsets and in depreciation and amortization



Operating Income

Up 0.4% to ¥828.4 billion



Highlights of the past fiscal year Actions to enhance customer satisfaction and increase packet ARPUs

Measures to Further Enhance Customer satisfaction

NTT DOCOMO reexamined all of its operations from the standpoint of customers in order to enhance customer satisfaction. The review covered service content, various charges, communications quality, after-sales services and other operations. In regard to improving service area quality, NTT DOCOMO implemented the "Onsite Service Within 48 Hours of Customer Inquiry". Under this system, NTT DOCOMO conducts on-site visits and checks problems within 48 hours, in principle, in response to customer reports on the inability to place calls, poor FOMA signal reception and similar issues. The company conducted about 55,000 customer visits. Approximately 80% of these visits led to improvement in area coverage.

Making after-sales services better is another theme that NTT DOCOMO views as vital to heightening customer satisfaction. In July 2009, the company started the "Keitai Tenken Service" (handset inspection) and enhanced the "Battery Pack Anshin Support" service. The handset inspection service had been used about 3.52 million times and the battery pack service about 7.2 million times as of the end of March 2010.

In the fiscal year ended March 2010, as a result of those customer satisfaction initiatives, NTT DOCOMO captured the largest share of net mobile phone subscriber additions and posted an all-time-low churn rate of 0.46%.

Measures to Increase Packet ARPU

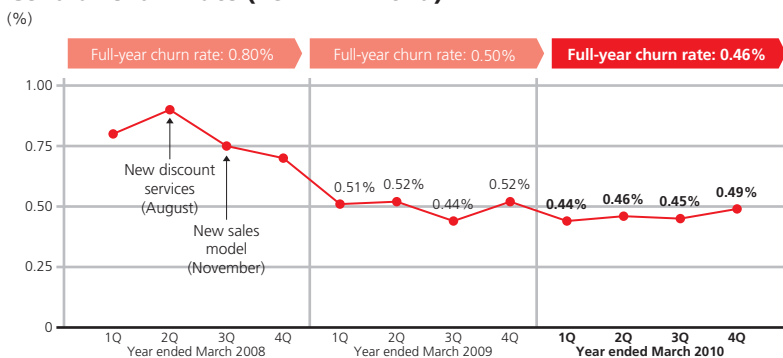
Although there is still a downward trend in voice ARPU, we are working to raise aggregate ARPU through measures to increase packet ARPU.

First, billing plans for the "Pake-hodai double" service were made even easier to use during the past fiscal year. The goal of this packet flat-rate service is to allow subscribers to access a large volume of content and applications with ease and less concern about cost. As a result, the "Pake-hodai double" subscription rate has surpassed 50%.

NTT DOCOMO also made improvements to "BeeTV" (see page 43), "i-concier" and other content.

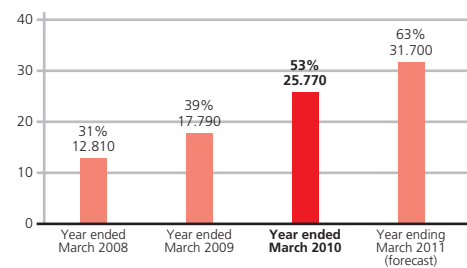
Targeting the markets for smartphones and PC data communications as growth fields, NTT DOCOMO is enhancing handset lineups and increasing sales activities. Notably, flat-rate data plan subscriptions for PC data communications increased sharply to approximately 960,000 in the year ended March 2010, almost doubling in a single year.

Cellular churn rate (FOMA + mova)



Packet Flat-rate Subscription Count/Subscription Rate

(Millions of subscriptions)



*1: Number of packet flat-rate subscription count includes "Pake-hodai," "Pake-hodai full," "Pake-hodai double," "Pake-hodai simple," "Biz-hodai," "Flat-rate Data Plan Standard" (including Value), "Flat-rate Data Plan 64K" (including Value), "Flat-rate Data Plan HIGH-SPEED" (including Value).

*2: Packet flat-rate subscription rate is the number of flat-rate communications subscriptions divided by the sum of the total number of FOMA "i-mode" subscriptions and data plan subscriptions.

*3: Subscription numbers and rates are as of each fiscal year-end.



- "Onsite Service Within 48 Hours of Customer Inquiry" <http://www.nttdocomo.co.jp/support/area/feedback/>
- "Keitai Tenken Service" http://www.nttdocomo.co.jp/support/trouble/repair/preventive_service/checkup/
- "Battery Pack Anshin Support" http://www.nttdocomo.co.jp/support/benefit/premier/service/default/battery_pack/index.html

Initiatives in the fiscal year ending March 2011 A steadfast focus on "Change" and "Challenge"

NTT DOCOMO will continue to take actions based on the themes of "change" and "challenge" to overcome competition that is expected to become even more intense.

Change: Further improvements in customer satisfaction

Even more emphasis will be placed on progress involving change with respect to upgrading area coverage, enhancing after-sales services, making other improvements and other measures. NTT DOCOMO will work hard in these ways to place first in the fiscal 2011 customer satisfaction ranking.

Challenge: Drive growth through increased packet ARPU and create new sources of earnings

NTT DOCOMO will continue to drive growth through increased packet ARPU, while working to enhance services along three directions, i.e. personalized services, social support and converged services, all of which are positioned as new sources of earnings.

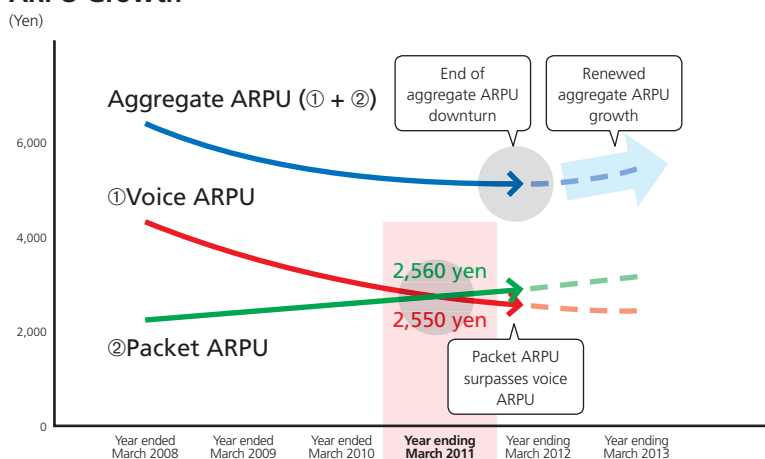
To drive growth through increased packet ARPU, NTT DOCOMO is promoting the use of its "i-mode" service through the provision of extensive service and content; and encouraging greater use of smartphones by expanding the handset lineup and developing content markets. Efforts are also focused on promoting greater use of PC data communications services by increasing sales activities. Our target is to increase the number of flat-rate

packet communications subscriptions so as to achieve a subscription rate of 70% by the fiscal year ending March 2013.

To create new sources of earnings, NTT DOCOMO is making services more advanced and easier to use by leveraging the features of mobile phones. "Personalization of services" includes services and functions that fit the lifestyles and needs of each individual customer, such as the "i-concier" service. "Social-support" is an area where we seek to contribute to the solution of various issues that arise in the course of the development of society such as in the fields of environment/ecology, finance and settlement, health and medical care. In this area, the company has already launched the "DOCOMO Keitai Fund Transfer" and other services. Finally, "converged services" include highly convenient services that link and blend the functions of mobile phones with those of various tools in daily life such as femtocells, digital home appliances and ITS systems.

NTT DOCOMO is preparing for the start of an LTE service in December 2010 as a global frontrunner in this field. The LTE standard is even faster than the communications standard adopted by "FOMA High-Speed." With the installation of about 1,000 LTE base stations planned by the end of March 2011, the company will establish a platform for promoting even more sophisticated and diverse mobile broadband services.

ARPU Growth



Expansion of user segments for flat-rate plans

Target for year ending March 2013
Flat-rate packet communications plan
subscription rate* of 70%

Increase use of packet communications

Target for year ending March 2013
At least half of "Pake-hodai double"
subscribers at the upper layer of
the two-tier flat-rate

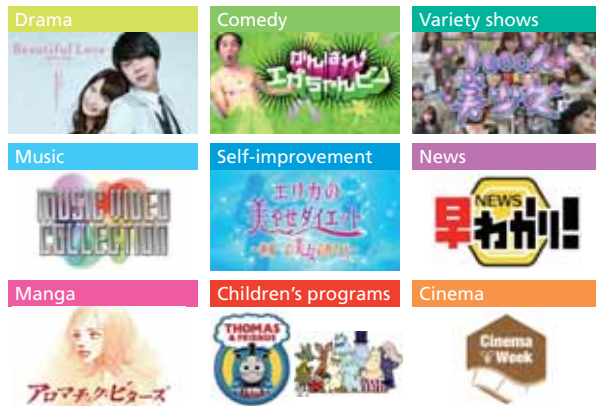
* Number of flat-rate packet communications subscriptions includes "Pake-hodai," "Pake-hodai full," "Pake-hodai double," "Pake-hodai simple," "Biz-hodai," "Flat-rate Data Plan Standard" (including Value), "Flat-rate Data Plan 64K" (including Value) and "Flat-rate Data Plan High-Speed" (including Value).

* Flat-rate packet communications subscription rate is the number of flat-rate packet communications subscriptions divided by the sum of FOMA "i-mode" subscriptions, Biz-hodai subscriptions and data plan subscriptions.

Number of "BeeTV" Subscriptions Tops 1.07 Million: Developing and Expanding the Use of Video Distribution Services

"BeeTV" began operations in May 2009 as a broadcasting service exclusively for mobile phones. The operator is Avex Broadcasting & Communications Inc., which is owned jointly by Avex Entertainment Inc. and NTT DOCOMO.

This service produces and distributes video content that has been optimized for viewing on handset screens. Subscribers can watch a variety of programs, from dramas to music and comedy shows, for a monthly fee of ¥315. The number of "BeeTV" subscriptions has been rising, primarily among customers in their 20s and 30s. Subscriptions surpassed 1.07 million at the end of March 2010 and are growing steadily. NTT DOCOMO will continue to add more titles to the line-up of "BeeTV" content, while striving to further increase subscriptions, in order to develop and expand the use of video distribution services.



Developing Global Business Centered on the Asia-Pacific Region

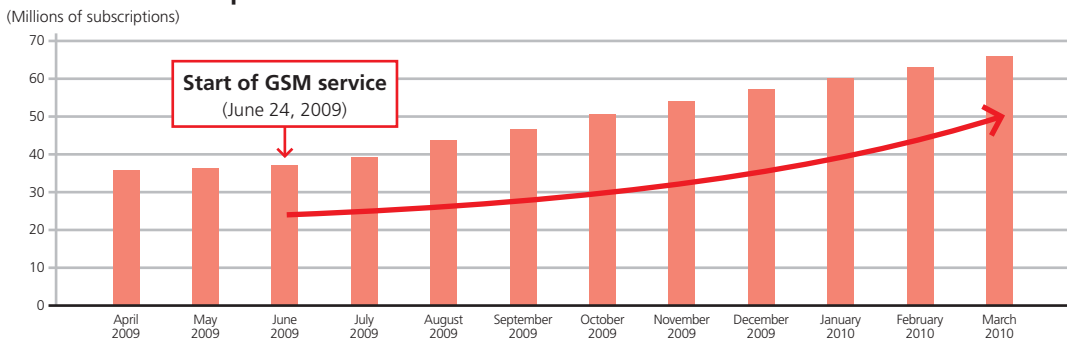
In areas centered on the growing Asia-Pacific markets for communications services, by leveraging its network infrastructure expertise, the company will make investments and form alliances wherever opportunities exist in order to enhance its corporate value.

In India, NTT DOCOMO invested in Tata Teleservices Limited (TTSL) and Tata Teleservices (Maharashtra) Limited (TTML) in March 2009. The Tata DOCOMO GSM service was launched in June 2009 and has posted rapid growth in the number of subscribers. Currently, these two companies are India's fifth-largest mobile carrier with about 66 million subscribers at the end of March 2010.

Content and applications are the main activities in the mature mobile communications markets of North America and Europe. NTT DOCOMO wants to distribute services that reflect the needs of subscribers and utilize experience gained in Japan.

In November 2009, NTT DOCOMO became an investor in net mobile AG, an international mobile content distribution platform company based in Germany. NTT DOCOMO is using this platform to distribute manga content in France and India. In addition, NTT DOCOMO's *i-channel* services in India, the United Kingdom, Guam and other locations employs the net mobile platform to supply content.

Growth in Subscriptions at TTSL and TTML in India



As customers continue to cut back on IT investment, there are growing needs for lower costs, shorter lead times and higher quality. In this market environment, NTT DATA is striving to be No. 1 in customer satisfaction and is working to achieve quantitative expansion through quality in order to achieve sustained business development and higher corporate value.

BIZXAAS

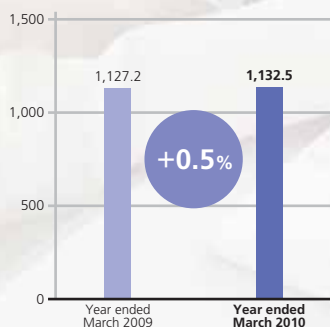
Biz ∫
Biz Integral



Operating Revenues

Increased 0.5% year on year to ¥1,132.5 billion, owing to higher revenues from expansion in consolidated subsidiaries

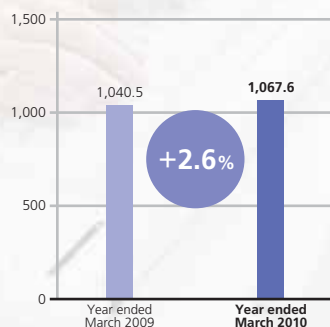
(Billions of yen)



Operating Expenses

Increased 2.6% year on year to ¥1,067.6 billion due to increased selling, general and administrative expenses from expansion of consolidated subsidiaries and other factors

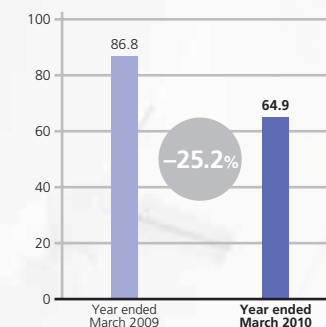
(Billions of yen)



Operating Income

Declined 25.2% year on year to ¥64.9 billion

(Billions of yen)



Highlights of the past fiscal year Company System Instituted

NTT DATA instituted a system of internal companies in July 2009 for the purpose of enhancing services and improving organizational flexibility. Updating its business management framework, it organized its multiple businesses into three internal companies to better demonstrate synergies and make it possible to efficiently bolster the collective strength of the NTT DATA Group.

■ Public & Financial IT Services Company

The Public & Financial IT Services Company develops and operates high-value-added information systems that serve as social infrastructure, including systems for government, medical, financial and settlement sectors. In the year ended March 2010, the company primarily worked to encourage banks to introduce its *BeSTA* enterprise resource management software package (NTT DATA's next-generation standard banking application) adopted by the NTT DATA Regional Bank Integrated Services Center, which provides shared services to regional banks. It also promoted *Recec*, an ASP service that provides software functionality for preparing itemized statements of medical fees to dental clinics over the Internet.

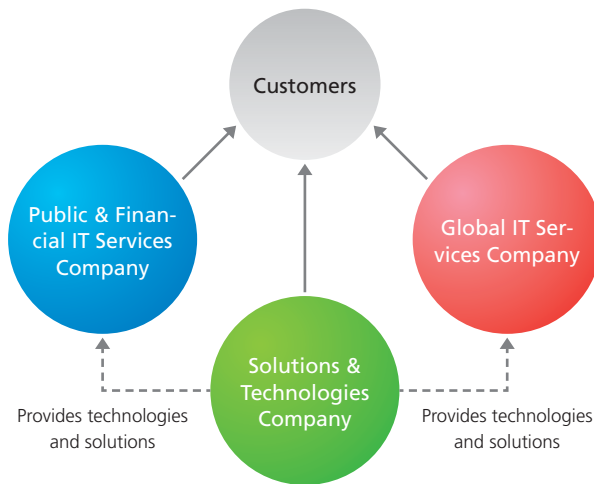
■ Global IT Services Company

The Global IT Services Company provides IT services on a global basis that support manufacturing, logistics, media, communications and other business activities. In the year ended March 2010, the company mainly worked to provide "*Bizj*" (Business Integral), a next-generation web-based business platform for increased administrative efficiency, and the "*Global Business Intelligence Service*," which offers full support—from concept creation to post-release embedded support—based on the NTT DATA Group's track record in implementing business intelligence systems on a global basis.

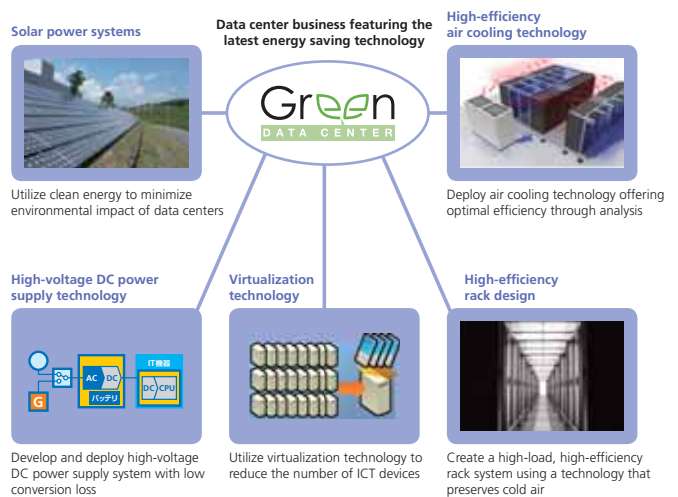
■ Solutions & Technologies Company

The Solutions & Technologies Company provides platforms and solutions that support advanced IT services. In the year ended March 2010, the company primarily worked to develop the "*BizXaaS*" service, which provides comprehensive cloud computing solutions, and the "*Green Data Center*" service, which combines IT technologies with facilities management technologies.

Introduction of Internal Company System



Green Data Center®



- "Bizj" <http://biz-integral.com/index.html>
- "BizXaaS" (See P47) <http://bizxaas.net/cloud/outline/>
- "Green Data Center®" <http://bs.nttdata.co.jp/green/>

Strengthening Service Capacity and Global Development

■ Expanding Overseas Bases

NTT DATA is strengthening its ability to accommodate customers pursuing global operations by expanding its overseas business network. In the year ended March 31, 2010, itelligence France S.A.S., 2B Interactive B.V. and other companies became new members of the NTT DATA Group, as the company further expanded and enhanced its overseas locations.

Initiatives in the fiscal year ending March 2011 Achieving Quantitative Expansion through Quality

NTT DATA is currently working to achieve quantitative expansion through quality, its medium-term management policy. In the fiscal year ended March 2010, NTT DATA worked to lay the groundwork for new services going forward and reinforce management foundations by instituting a system of internal companies and providing the "BizXaas" cloud solution and "Bizf"

(Business Integral), a next-generation business platform. In the fiscal year ending March 2011, the company will strive to take a dramatic leap forward and become a top-five global IT corporation in terms of revenues.

Achieving quantitative expansion through quality will require expanding and strengthening group businesses via expansion in size through active M&As in Japan and abroad, as well as strengthening management foundations by raising the efficiency of management systems. NTT DATA will also strive to bolster its competitiveness as a systems integrator by lowering cost ratios and improving quality in order to ensure profits. Another important policy involves the adoption of environment-oriented management, which means meeting societal demands regarding the environment by developing green data centers and streamlining business processes to reduce CO₂ emissions. The company believes that IT has a major role to play in assisting customers in their own environmental protection activities, and is thus determined to provide services that will help bring about a sustainable society.

Approach to M&A Initiatives

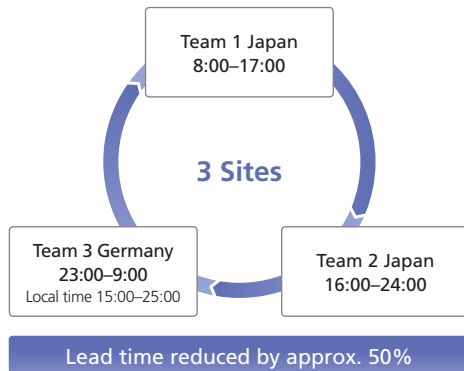
Priority Areas		Recent Examples
Improve and strengthen capabilities as a solutions provider	Acquire expertise of companies with advanced technical ability in ERP and other areas	<ul style="list-style-type: none"> · XNET (securities) · ITECS (payroll) · NTT DATA ABIC (financial product sales) · NTT DATA MCS (local government operations) · CATS (embedded software)
Expand and strengthen global coverage	Strengthen global solutions capability and expand local business by improving support for Japanese companies	<ul style="list-style-type: none"> • Europe <ul style="list-style-type: none"> · 2B Interactive (The Netherlands) · itelligence France (France) • Asia / Oceania <ul style="list-style-type: none"> · Business Formula (Malaysia) · Extend Technologies Group (Australia) · Shanghai NTT DATA Synergy Software (China)
Strengthen software development capabilities	Accumulate know-how by promoting in-house production and acquire off-shore development resources	<ul style="list-style-type: none"> · NJK (Japan) · Wuxi Huaxia Computer Technology (China)

24-Hour Development Initiative

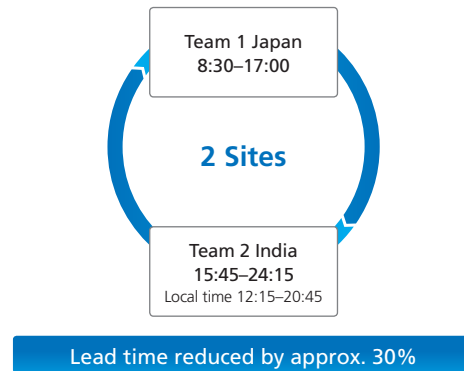
NTT DATA is working to effectively utilize time differences with its overseas bases to substantially shorten lead times through a 24-hour development initiative. The goal is not just the above, but to introduce a global work-sharing scheme, which further

improves on offshore development schemes that merely provide access to talented overseas personnel and lower costs. In the year ended March 2010, trials were conducted with Japan and Germany and with Japan and India.

Trial 1 (Japan and Germany)



Trial 2 (Japan and India)

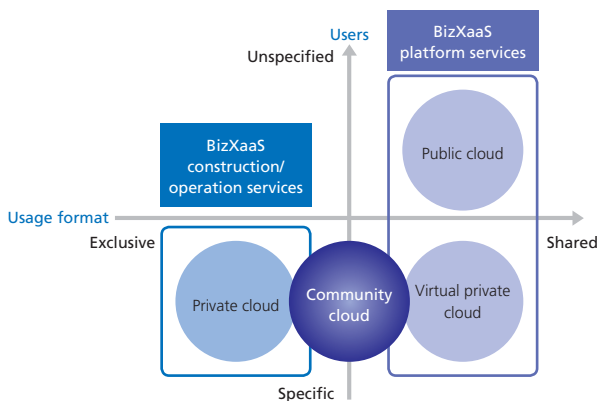


* Commercial development, Trial 1 and Trial 2 compared after compensating for differing conditions in program configuration, coding and initial testing phases

Launch of "BizXaaS" Cloud Services

Cost reductions through streamlining IT assets and strategic utilization of IT assets are major challenges facing business entities. Cloud computing has drawn attention for providing a way to overcome these challenges. In response, NTT DATA has launched a full-fledged cloud computing service, "BizXaaS," which provides a comprehensive package of solutions, from infrastructure to applications.

Cloud computing includes private clouds, which offer IT services customized exclusively for exclusive users, and public clouds, which are used by an unspecified number of users in order to reduce costs. "BizXaaS" represents a total cloud solution for enterprises, offering both private and public clouds in line with the customer's specific needs.

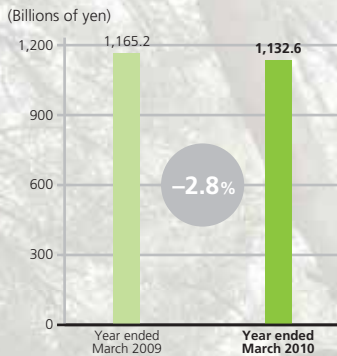


Service Menu	
BizXaaS construction/operation services	Optimization consulting
	Migration
	Cloud development
BizXaaS platform services	Operations management
	Applications (SaaS)
	Platform (PaaS)
	Data center (IaaS)

Other Businesses

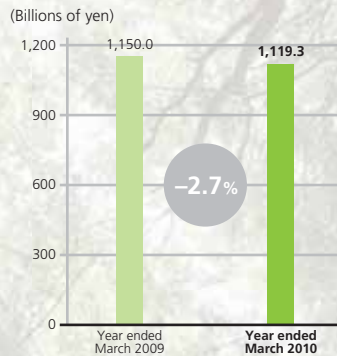
Operating Revenues

Declined 2.8% year on year to ¥1,132.6 billion, largely due to lower revenues from engineering businesses and SI and information processing businesses



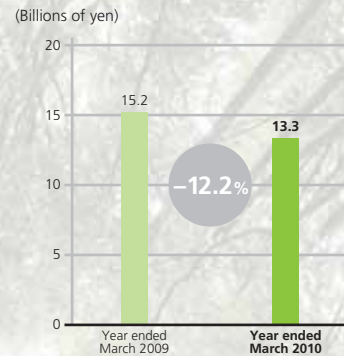
Operating Expenses

Declined 2.7% year on year to ¥1,119.3 billion, due to lower credit losses in finance businesses and other factors



Operating Income

Decreased 12.2% year on year to ¥13.3 billion



Real Estate Businesses

NTT URBAN DEVELOPMENT CORPORATION



NTT Urban Development Co.

<http://www.nttud.co.jp/english/>

Finance Businesses

NTT FINANCE CORPORATION



<http://www.ntt-finance.co.jp/eng/>

Engineering Businesses

NTT FACILITIES, INC.



<http://www.ntt-f.co.jp/profile-e/>

SI and Information Processing Businesses

NTT COMWARE CORPORATION



<http://www.nttcom.co.jp/english/>

Advanced Technology Development Businesses

NTT Electronics Corporation



<http://www.ntt-electronics.com/en/>

NTT ADVANCED TECHNOLOGY CORPORATION



<http://www.ntt-at.com/>

NTT Software Corporation



<http://www.nttsoft.com/>

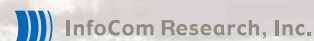
Others

NTT BUSINESS ASSOCIE Co., Ltd.



<http://www.ntt-ba.co.jp/>

InfoCom Research, Inc.



http://www.icr.co.jp/index_e.html

NTT LOGISCO Inc.



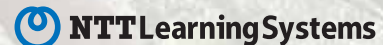
<http://www.ntt-logisco.co.jp/>

NTT ADVERTISING, INC.



<http://www.ntt-ad.co.jp/en/index.html>

NTT LEARNING SYSTEMS CORPORATION



<http://www.nttls.co.jp/>

NTT Human Solutions Corporation

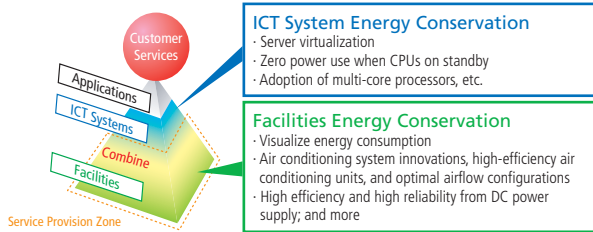


<http://www.ntt-hs.co.jp/>

TOPICS

NTT FACILITIES F Data Center: A data center that is both ecologically sound and highly reliable

NTT FACILITIES provides "F Data Center," which achieves highly reliable, low-cost operations. This is achieved through the company's total solutions package, ranging from security, monitoring and maintenance to handling power outages, excessive heat, earthquakes, lightning damage and electrical noise, and through its ability to manage project costs, quality and lead time. The "F Data Center" seeks to reduce data center power consumption by up to 50% by providing facilities optimized to the customer's information system environment, installing new technologies for reducing energy consumption, and conducting integrated monitoring, maintenance, and troubleshooting of power sources, air conditioning units and other systems.



NTT URBAN DEVELOPMENT Commences Redevelopment Project in Otemachi, Tokyo
New construction work started on special facilities building (Bldg. A) in Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1

Construction began in April 2010 on a special facilities building (Bldg. A) in the Otemachi 1-Chome No. 2 Urban Area Redevelopment Project Type 1. This follows the completion of construction on Otemachi 1-Chome No. 1 Urban Area Redevelopment Project Type 1 in spring 2009. Otemachi is an important business center that is home to the Urbannet Otemachi Building and Otemachi First Square, which are key properties of NTT URBAN DEVELOPMENT. The company intends to promote new investment in a selective manner, primarily in priority urban areas, and develop urban spaces that are designed to breathe new life into the neighboring areas as a whole.



Rendering of exterior view (Bldg. A is on the right, facing the buildings.)

NTT Software Offers "CipherCraft/Mail" Server Solution for Corporate Customers to Prevent Email Sent by Mistake
170,000 licenses and the top share of the domestic market for the third straight year

NTT Software launched the "CipherCraft/Mail" solution for corporate customers in 2003 to prevent the mistaken transmission of emails. The company has since sold 170,000 licenses, and has cornered the top share* of the domestic market for three consecutive years. An upgraded version was launched on the market in March 2010 with new functionality. There are three main functions. The first provides timely, visual information on latent risks associated with email transmissions, and the results of measures to prevent mistaken email transmissions. The second function shows which organizational units use file attachments with high frequency. The third function tracks the results of measures to prevent mistaken email transmissions and identifies organizational units at high risk for mistaken email transmissions.

* Source: Information Security Solutions Market and Prospects 2010 published by MIC Research Institute in June 2010.



NTT Electronics "HV9100 Series" Codec System Used for Live Coverage of 2010 Winter Olympics in Vancouver

The "HV9100 Series" codec system has garnered considerable interest from a large number of broadcasters since its launch in January 2008. It has been used numerous times to transmit footage and transfer footage between broadcasters in Japan, North America, Europe, Australia, Asia and Brazil. The "HV9100 Series" was used by many broadcasters during the Beijing Olympics in 2008, with its image quality drawing rave reviews. It was also used as the codec for live high definition broadcasts of the 2010 Winter Olympics in Vancouver and 2010 FIFA World Cup in South Africa.



HV9100 Series

Glossary

- "CipherCraft/Mail" <http://www.ntts.co.jp/products/ccraftmail/>
- "HV9100 Series" http://www.ntt-electronics.com/digital_video/news_and_events/news/2010/06/cctv-vancouver-winter-olympics.html

Glossary of Key Words

Explanations of specialized words, as used in the text, are provided below (in alphabetical order).

■ Application

Software designed to perform a specific task or other operation using a computer. There are a broad range of applications, from office applications such as word processing, spreadsheet and databases, to applications that process music, games and other content.

■ Broadband

High-speed, large-capacity communications.

■ Cloud services

A service format in which software and other resources are provided via a “cloud,” or a network. From the user’s perspective, cloud services provide access to services only when needed and in the amount needed, eliminating the need to purchase servers and other hardware or software.

■ Codec

A device or program used to compress or decompress video and other digital data using an encoding method.

■ CRM (Customer Relationship Management)

A method of expanding sales by developing close relationships with customers.

■ Data center

A facility entrusted with servers and other systems by customers that provides operation and management services, including Internet connectivity.

■ Digital signage

Electronic signs that use ICT to show content as required on various advertising displays outside the home.

■ “DOCOMO Video”

NTT DOCOMO’s video services, including “BeeTV”

■ e-Learning

Educational systems using PCs, the Internet and other technologies.

■ Femtocell compact base station

An ultra-small base station covering an area with radius of around 10-15 meters. Installation of a femtocell compact base station provides limited coverage inside a home, shop or other location.

■ “FLET’S ADSL”

A service that realizes high-speed Internet connectivity over telephone lines used at home.

■ “FLET’S Hikari”

A fiber-optic access service provided by NTT Group. It collectively refers to the “B FLET’S,” “FLET’S Hikari Premium,” “FLET’S Hikari Mytown,” and “FLET’S Hikari Next” (NGN-based optical access) services provided by NTT East and NTT West.

■ “FOMA”

A 3G mobile communications service offered by NTT DOCOMO.

■ High voltage DC power supply

A method of supplying power to devices on the premises of data centers using direct current (DC). In general, power is supplied using alternating current (AC). Because DC power supply involves low DC/AC power conversion loss, it offers higher energy efficiency and reliability.

■ “Hikari Denwa”

A value-priced IP- and optical fiber-based telephone service using “FLET’S Hikari”

■ “Hikari TV”

A service that allows users to enjoy multi-channel broadcasting, video, karaoke, and other services by connecting “FLET’S Hikari” links to their televisions

■ Home ICT

A service that makes daily life more fulfilling and easier by connecting home electric appliances and other home electronics to a network.

■ Hosting service

A service that provides (lends) server storage capacity and information processing functions over networks.

■ ICT

(Information and Communication Technology)

Collectively refers to technologies related to information and communications, including hardware and software used for information and communications functions of computers, and technologies used in IT systems and data communications.

■ International roaming service

A service enabling mobile phone numbers and e-mail addresses used in Japan to also be used in the service areas of telecommunications carriers overseas.

■ Internet Protocol (IP)

A standard communications protocol adopted for communications over the Internet.

■ IPTV (Internet Protocol Television)

A service for distributing TV programs, movies and other content over IP-based networks.

■ IP-based retransmission of terrestrial digital broadcasts

A communications service for distributing over NGN the same video and audio content as terrestrial digital broadcasts almost in real time.

■ Large-volume optical transmission technology

Core optical network technology for achieving larger data transmission volumes over longer distances in order to cope with burgeoning data traffic over networks going forward. R&D is being pursued with the view to developing the technology needed for future generations of networks after NGN.

■ LTE (Long Term Evolution)

A mobile communications standard that achieves optical-fiber grade high-speed communications using mobile phones. Features include high-speed, large-volume communications, high-efficiency bandwidth usage, and low transmission delays.

■ Next-Generation Network (NGN)

Next-generation information and telecommunications networks that combine the reliability and stability of existing Public Switched Telephone Network (PSTN) with the flexibility and economy of IP-based networks.

■ "OCN"

An Internet connectivity service provided by NTT Communications that stands for Open Computer Network.

■ Outsourcing

The complete contracting of operations and systems to specialized businesses and other entities outside the company

■ "Pake-hodai"

A flat-rate "i-mode" packet service that allows unlimited use of "i-mode" and e-mail.

■ "Plala"

Internet connectivity service provided by NTT Plala Inc.

■ Platform

A shared platform for providing various applications by linking various networks and devices, such as those for authentication, billing, intermediation and credit.

■ Public key cryptography

An encryption approach in which the key used to encrypt a message is different than the key used to decrypt it, allowing the encryption key (public key) to be made public. Even if the public key is intercepted en route by a third party, the message cannot be read because it can only be decrypted using the decryption key (private key).

■ Quantum information processing

The current generation of ICT processes information using the intensity of electric currents or optical signals. By contrast, quantum information processing is a technology that uses electrons and photons, the smallest building blocks of electric currents and optical signals, to process information. It is attracting attention as a groundbreaking technology that will achieve ultra-parallel, ultra-high-speed computation through quantum computers and ultra-secure communications via quantum cryptography.

■ SaaS (Software as a Service)

Services that provide software over networks.

■ Server virtualization

A technology for operating multi-server environments on a single physical server or bundling resources from multiple physical servers and using them as if they were a single-server environment. Each server environment is able to run software, enabling the efficient usage of server resources.

■ Smartphones

High-performance mobile phones featuring advanced network functions, and scheduling, personal information and other management functions in addition to basic voice and other communications functions.

■ Solutions

The process of identifying issues faced by business customers, and providing systems and other means of solving those issues.

■ Storage service

A service that provides (lends) storage capacity for storing files over networks.

■ Test bed environment

Collectively refers to communications networks and servers used for testing purposes that are designed to recreate the actual operating environment as closely as possible for large-scale systems development projects.

■ Ubiquitous

The ability to access the Internet and other information networks anytime, anywhere.

■ Upper Layer Services

Services that utilize NGN and other broadband networks including video services, e-learning and cloud services.

■ VPN (Virtual Private Network)

A service that establishes a private virtual network inaccessible by third parties over a network. Communications services may be provided as if the VPN were a dedicated network for a specific group of users.

Corporate Governance

NTT continues to enhance its various management systems to support the sound development of its Group companies and establish a foundation of trust.

Strengthening Corporate Governance and the Internal Control System

Basic Philosophy

As the holding company of NTT Group, NTT believes that raising the effectiveness of corporate governance is an important management issue for meeting the expectations of various stakeholders, including shareholders and other investors, as well as customers, business partners, and employees, and for maximizing corporate value.

Accordingly, NTT Group is working to strengthen corporate governance based on its fundamental policies of ensuring sound management, conducting appropriate decision-making and business activities, clarifying accountability and maintaining thorough compliance.

Board of Directors and Board of Corporate Auditors

NTT maintains a Board of Directors with 12 members, including two outside directors. In principle, the Board of Directors meets once per month to make decisions and report on important management issues.

NTT also maintained a Corporate Auditor system, including a Board of Corporate Auditors with five members, three of whom are outside corporate auditors.

Executive Officers Meeting and Committees

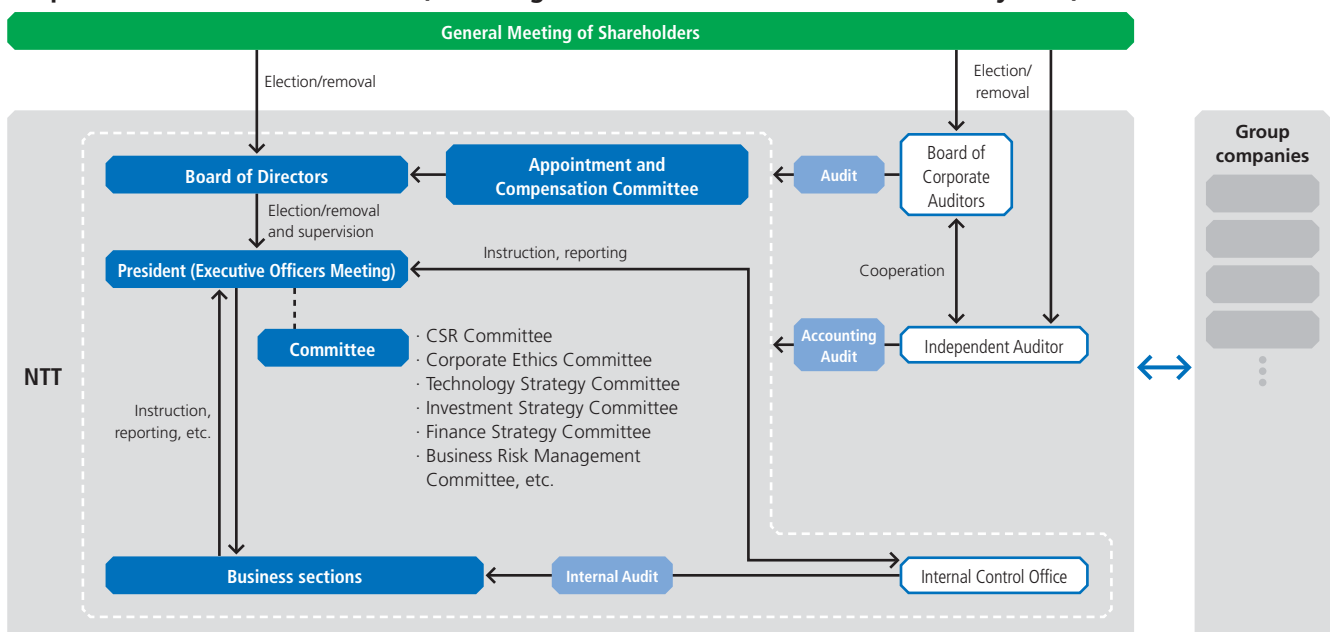
The important corporate matters to be decided are, in principle and in advance, discussed by NTT's Executive Officers Meeting. The Executive Officers Meeting comprises the President, Senior Executive Vice Presidents, directors with management responsibilities and the heads of staff organizations, and meets around once a week, with a total of 25 meetings held in the fiscal year ended March 2010.

In addition, committees have been created under the Executive Officers Meeting to discuss specific issues related to the management strategies of NTT Group companies. These committees are in principle chaired by the President or a Senior Executive Vice President, and meetings are attended by relevant directors and other personnel as necessary.

Audits by Corporate Auditors

NTT's corporate auditors audit the performance of directors' duties from the viewpoint of appropriateness. The corporate auditors are working with the Independent Auditor periodically to exchange information on audit plans and audit results to bolster the audit system, in addition to conducting audits in partnership with the corporate auditors of group companies.

Corporate Governance Structure (Including an Outline of the Internal Control System)



Policies Concerning the Compensation of Directors and Auditors, and its Total Policies

Policies

In regard to matters concerning the compensation of directors, in order to improve objectivity and transparency, NTT established the Appointment and Compensation Committee, comprised of four directors, including two outside directors, and such matters are decided by the Board of Directors after deliberation by this committee.

Compensation of directors (excluding outside directors) consists of a base salary and a bonus. The base salary is paid monthly on the basis of the scope of each director's roles and responsibilities. The bonus is paid taking into account NTT's business results for the current term. Also, directors make monthly contributions of at least a certain amount for the purchase of NTT shares through the Director Shareholders Association, to reflect NTT's medium- and long-term business results in compensation. Purchased shares are owned by the directors during their terms of office.

In order to maintain a high level of independence, compensation of outside directors consists of a base salary only, and is not linked to NTT's business results.

Compensation of corporate auditors is determined by resolution of the Board of Corporate Auditors and consists of a base salary only, for the same reasons as those cited above with respect to outside directors.

Total Compensation of Directors and Auditors

Position	Number of Persons	Monthly Compensation	Bonuses	Total Compensation
Directors (Excluding outside directors)	12	¥430 million	¥96 million	¥526 million
Corporate Auditors (Excluding external corporate auditors)	2	¥74 million	—	¥74 million
Total	14	¥504 million	¥96 million	¥600 million

Notes:

1. Compensation amounts shown above include compensation paid to two directors who retired as of the end of the 24th Ordinary General Meeting of Shareholders held on June 24, 2009.
2. Upper limits on total compensation of directors and corporate auditors were set at ¥750 million annually for directors and ¥200 million annually for corporate auditors at the 21st Ordinary General Meeting of Shareholders held on June 28, 2006.
3. In addition to the above, ¥13 million is to be paid to 7 directors who are also employees as bonuses for their service as employees.

Establishment and Promotion of Risk Management Framework

NTT Group faces a rapidly changing business environment, including intensified competition in the information and telecommunications sector. In this context, NTT Group companies are exposed to an increasing amount of business risk.

NTT Group strives to ensure that it minimizes the impact of losses that could result in the event of the materialization of risk by anticipating and preventing the occurrence of potential risks. As part of these efforts, NTT has formulated a standard manual and distributed it to various Group companies so that the entire Group can work as one to conduct risk management. In addition, each Group company has formulated its own manuals and other guidelines reflecting its individual business operations, business environment and other factors, and is putting these materials to good use in controlling business risks.

Internal Control Systems

NTT has established a basic policy on the maintenance of an internal control system for NTT Group through a resolution of the Board of Directors to put in place a structure for ensuring the appropriate execution of duties within each Group company, while continuing efforts to establish further rules and systems related to internal controls based on the above-mentioned basic policy.

In terms of ensuring the reliability of the internal control over financial reporting based on the U.S. Sarbanes-Oxley Act and Japan's Financial Instruments and Exchange Law, NTT Group is working to document business processes and conduct repeated tests to provide reasonable assurance as to effectiveness of internal control over financial reporting.

NTT's Internal Control Office plays a primary role in monitoring the status and verifying the effectiveness of internal controls across the Group as a whole through such measures as conducting standardized audits that target all Group companies and checking the status of progress of internal audits in each Group company, as well as leading efforts to improve the Group's internal control systems.

Basic Policy on the Maintenance of an Internal Control System for NTT Group (Board of Directors Resolution)

- (1) NTT maintains a system of internal controls, including measures for the prevention and minimization of losses, to ensure compliance with applicable laws, appropriate risk management and proper and efficient business operations.
- (2) To maintain the internal control system outlined above, NTT has established an Internal Control Office to oversee the establishment and maintenance of rules and structures. This body also evaluates the effectiveness of the internal control system and makes necessary system revisions by conducting audit reviews and coordinating audits of high-risk matters common to group companies.
- (3) NTT also takes appropriate measures to ensure the reliability of its internal control system based on the U.S. Sarbanes-Oxley Act Sections 302 (disclosure controls) and 404 (internal control relating to financial reporting).
- (4) As the Chief Executive Officer, the President is responsible for ensuring the establishment, maintenance and operation of the system of internal controls.

Defining Accountability

NTT strives to maintain appropriate, timely and fair information disclosure and is aware that obtaining proper corporate valuations in the market through such disclosure is essential. Accordingly, NTT conducts presentations on financial results, and promptly discloses information on the NTT website to fulfill NTT Group's accountability to stakeholders. NTT's IR activities are outlined below:

Regular Presentations Held for Analysts and Institutional Investors

NTT conducts presentations of financial results every quarter. At the presentations, the President or a senior executive vice president explains business results and other matters, and this presentation is made available via live streaming over the Internet. In addition, NTT conducts various activities, including individual meetings with analysts and institutional investors worldwide. NTT conducts earnings presentations every quarter. At the presentations, the President or a senior executive vice president explains business results and other matters. In addition to the live streaming of presentations over the Internet, NTT conducts various activities, including individual meetings with analysts and institutional investors worldwide.

Regular Presentations Held for Overseas Investors

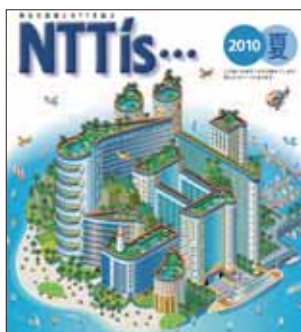
NTT explains its business results and other matters by conducting overseas road shows several times a year, wherein the President or a senior executive vice president participates.

IR Materials Posted on Website

NTT posts various IR-related materials on its website. Examples of these materials include annual financial results and other financial information, press releases, *yuho* (marketable securities reports), quarterly reports, the notice of convocation for the general shareholders meeting, financial data, presentation materials (including video streaming), stock information and Q&As.



NTT Group IR website
http://www.ntt.co.jp/ir/index_e.html



Shareholders' Newsletter "NTTis..."



Presentation for individual investors

Ensuring Compliance

NTT Group Corporate Ethics Charter

Recognizing that it is imperative to conduct business in compliance with laws and regulations, and maintain high ethical standards in order to promote sound corporate activities, NTT drew up the NTT Group Corporate Ethics Charter in November 2002.

The Charter, which applies to all officers and employees of NTT Group, lays out the basic principles of corporate ethics and provides specific guidelines for ethical behavior. The stipulations in the guidelines are intended to remind everyone of their duty as members of a communications group which bears significant responsibility to society in terms of preventing dishonesty, misconduct, and the disclosure of corporate secrets, as well as refraining from exchanging excessive favors with customers and suppliers, and ensuring that they conduct themselves according to the highest ethical standards in both private and public activities.

Ethics Education and Awareness Surveys

To ensure the effectiveness of the NTT Group Corporate Ethics Charter, NTT Group companies offer training sessions on corporate ethics and CSR to employees, and conduct surveys to monitor employee awareness. By conducting surveys of regular employees, as well as temporary and contract staff, every year, NTT Group is working to raise awareness of corporate ethics and CSR among its workforce.

Help Line

To prevent dishonesty and misconduct, each company has in place a system for employees to report and consult on ethical issues. NTT Group has also established a group-wide Corporate Ethics Help Line to enable employees to go outside their company for help if required.

In line with Japan's Whistleblower Protection Act, which came into force in April 2006, and other laws, NTT Group also accepts reports from companies outside the Group that do business with NTT Group.



NTT Group Corporate Ethics Charter website

NTT Group Corporate Ethics Charter

1. Recognizing the establishment of corporate ethics as one of its most important missions, top management shall exert its leadership to ensure that the spirit of this Charter is adopted throughout the Company, and shall assume full responsibility for solving any problems when any event inconsistent with that spirit occurs.
2. Every person with subordinate employees shall not only act in a self-disciplined manner, but shall also always provide guidance and assistance to his/her subordinate staff to ensure that their conduct is in conformity with our corporate ethics.
3. Every officer and employee of NTT Group shall not only comply with all laws and regulations, social standards and internal company rules whether in Japan or overseas, but officers and employees shall also hold the highest ethical philosophy within himself/herself both in public and in any private situations.

Among other things, each officer and employee, as an officer or employee of a member of a Global Information Sharing Corporate Group, shall keep himself/herself fully aware that any disclosure of customer or other internal privileged information constitutes a materially wrongful act. Also, as a member of a group of companies which holds great social responsibilities, he/she shall strictly refrain from giving or receiving from customers, business partners and other interested parties excessive gratuities.

4. Each NTT Group company, at the first opportunity, shall take initiatives to provide training programs in order to help its officers and employees enhance their awareness of our corporate ethics.
5. Every officer and employee of NTT Group shall direct his/her efforts to prevent wrongful or scandalous acts which may potentially occur as specialization and advancement of our business proceeds. Each NTT Group company shall improve its system to prevent such acts, including, for instance, the re-assignment of contract representatives who have remained with the same customers for a long period of time, and the improvement of monitoring tools to protect customer and other information.
6. Any officer or employee who may come to know of the occurrence of any wrongful act or any scandal shall promptly report the wrongful act or scandal to his/her superior or other appropriate persons.
If he/she is not able to make such a reporting, he/she may contact the "Corporate Ethics Help Line (Consulting Center)." It should be noted that every officer and employee who reports the occurrence of any wrongful act or scandal shall be protected so that the reporting party shall not suffer any negative consequences due to such reporting.
7. In the event of an occurrence of any wrongful act or scandal, each NTT Group company shall be committed to the settlement of the problem by taking appropriate steps through a speedy and accurate fact finding process, and responding in a timely, suitable and transparent manner in order to fulfill its social accountability.

CSR

NTT Group has put in place structures and guidelines to support and ensure sound corporate conduct with the view to meeting the expectations and interests of our stakeholders. The entire Group is working as one to carry out CSR activities.

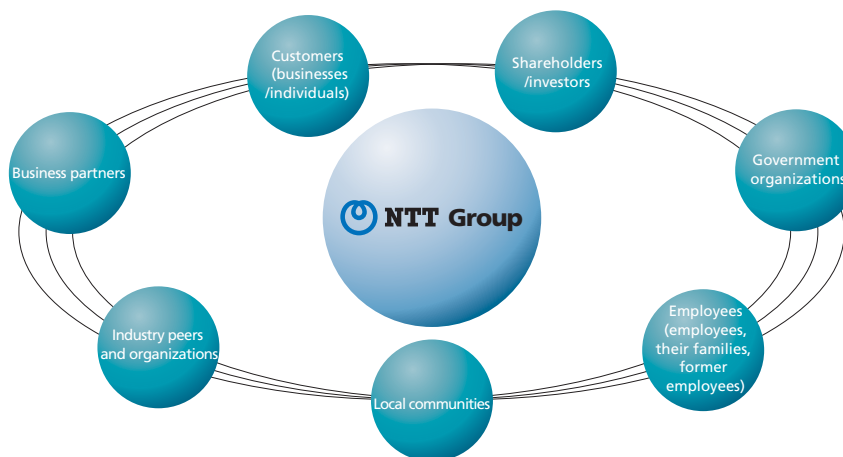
NTT Group Stakeholders and CSR

NTT Group is promoting CSR activities across the Group to address the expectations of its stakeholders.

NTT Group carries out its CSR activities based on the NTT Group CSR Charter adopted in 2006. Furthermore, in November 2008, NTT newly established NTT Group CSR Priority Activities to define common areas of each of the CSR activities for each of NTT Group companies. (Please see the column below.) The CSR Charter consists of a CSR Commitment and four CSR Goals.

The Activities consist of eight areas corresponding to the above four Goals of the CSR Charter. At the same time, the Guidelines for NTT Group CSR Activities were also established to enable NTT Group companies to establish their own activity objectives and proceed with activities appropriately in line with PDCA cycles.

Starting from the fiscal year ended March 2010, NTT and its group companies choose and adopt their own action plan and review the status of each action stipulated in the above action plan based on the PDCA level. Guided by this plan, each company will proceed with CSR activities autonomously and proactively.



NTT Group CSR Charter (The Eight Key Areas of CSR Activity are shown in the colored boxes below)

Our Commitment

As a leader of the information and telecommunications industry, NTT Group is committed to providing reliable, high-quality services that contribute to the creation of a safe, secure and prosperous society through communications that serve people, communities, and the global environment.

Our CSR Goals

■ Communication between people and their communities

1. We shall strive to create a richer and more convenient communications environment, and utilize our technology to contribute to the resolution of the various issues faced by societies with aging and declining populations.

① Activities that contribute to the further evolution of ubiquitous communications

■ Communication between people and the global environment

2. We shall strive both to reduce our own environmental impacts and build environment-friendly forms of communications, and to provide information and communications services that help to reduce the impact of society as a whole on the global environment.

② Mitigation of global warming ③ Waste reduction ④ Reduction of paper consumption

■ Safe and secure communication

3. While striving earnestly to ensure information security and resolve telecommunications-related social issues, we shall do our utmost to provide a safe and secure user environment and contribute to the creation and future development of communication culture.

4. Fully recognizing the role that telecommunications plays as critical infrastructure supporting society and protecting our livelihoods, we shall strive to offer secure and reliable telecommunications services fortified to withstand disasters and capable of connecting people irrespective of time, location and other circumstances.

⑤ Ensuring information security ⑥ Ensuring stable and reliable services as critical infrastructure

■ Team NTT* communication

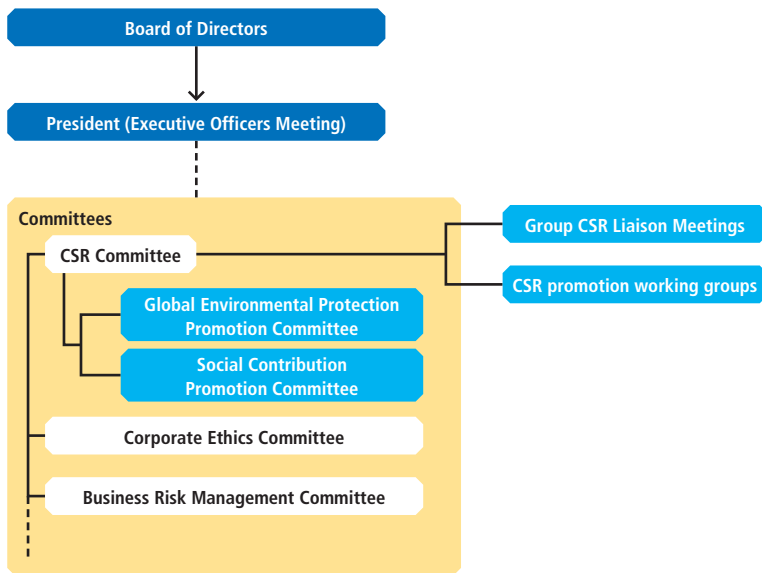
5. All of us on Team NTT pledge to perform our duties with pride and a keen sense of responsibility in compliance with the highest of ethical standards, striving to fulfill our mission to society by working both for our own development as professionals, and for the further development of a flourishing and vibrant community.

⑦ Activities that contribute to respect for diversity and equal opportunity ⑧ Corporate citizenship activities

* Team NTT comprises all NTT Group employees, including temporary employees, contract employees, employees of our corporate partners, and also former employees who endorse NTT Group's CSR activities.

CSR Promotion Framework

NTT organized a CSR Committee chaired by a Senior Executive Vice President in June 2005 for the purpose of conducting continuous and appropriate CSR management. To unify CSR initiatives across the Group, regular Group CSR Liaison Meetings are held at which member companies discuss issues and share information on examples of the CSR activities of individual Group companies.



Recognition From Socially Responsible Investment (SRI) Indexes in Japan and Overseas

NTT has been highly rated by SRI evaluation organizations. As of April 1, 2010, NTT was included in international global SRI indexes such as Ethibel Sustainability Index (ESI) EXCELLENCE Global of Belgium, as well as the Morningstar Socially Responsible Investment Index of Japan.



Representative Director and Senior Executive Vice President

Kaoru Kanazawa

In charge of risk management and international standardization; and Chief Compliance Officer

NTT Group seeks to contribute to society, the basis for the continued existence of corporations, by working to solve a diverse array of social issues. These issues include Japan's declining population, aging society and low birthrate, as well as concerns over medical and nursing care, education, global warming and biodiversity. The essence of CSR at NTT is to help both companies and society achieve sustainable growth.

For example, NTT began operating solar power generation systems at three Group-owned facilities in February 2010. This move was part of the "Green NTT" initiative to actively use renewable energy, which contributes to global warming mitigation, to fulfill NTT Group's electricity requirements.

In addition, we formulated the NTT Group Energy Efficiency Performance Guidelines to set forth our basic approach to developing and procuring routers, servers and other ICT equipment we use. These guidelines took effect on May 1, 2010. They require NTT to develop and procure ICT equipment considering energy efficiency performance in addition to functions, basic performance, and cost. By reducing the power consumption of ICT equipment, we will achieve our goal of reducing CO₂ emissions generated by NTT Group business activities.

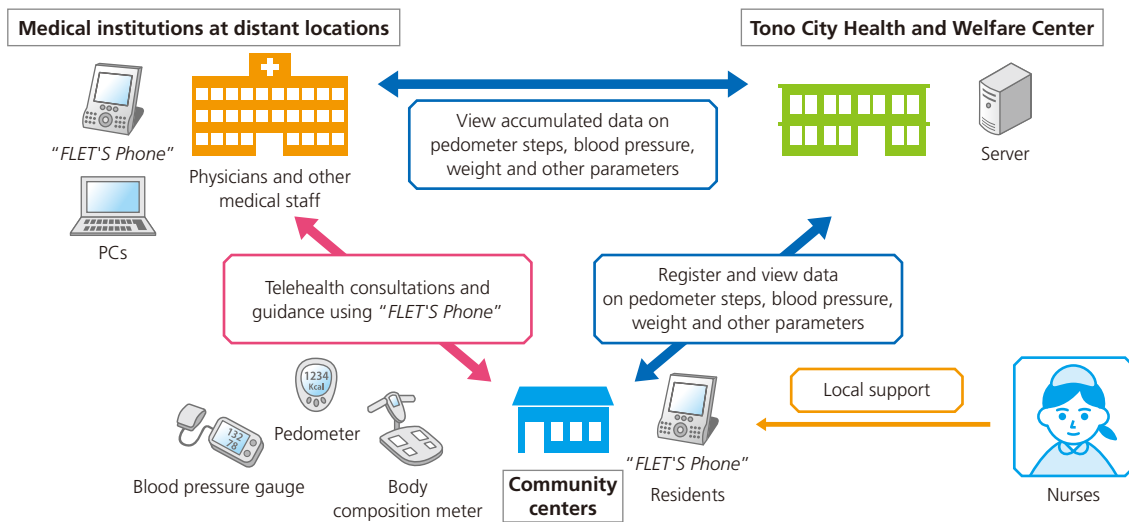
NTT Group takes pride in its contribution to society in terms of fulfilling its responsibilities to provide communications-related services. Guided by the NTT Group CSR Charter, we will build sincere relationships with all stakeholders while making a united Group-wide effort to promote CSR activities. Our sights are set on realizing a safe, secure and enriched society that connects people with society and people with the world through communication.

■ Communication Between People and Their Communities: NTT East Introduces Telehealth Consultation System Utilizing ICT in Tono City, Iwate Prefecture

Senior citizens aged 65 or over account for roughly 30% of residents of Tono City, Iwate Prefecture (population approx. 30,000). As the community has aged, eliminating the health-related concerns of residents and promoting better health have become urgent priorities. In February 2008, as part of disease prevention efforts to enhance health promotion measures for residents, the city began discussions with medical institutions, community groups and other organizations on building a system designed to help maintain and improve the health of community members.

NTT East proposed a telehealth consultation system that makes health guidance and management possible from a remote

location using ICT, and installed "FLET'S Hikari" and "FLET'S Phone" at seven community centers in the area. Through the system, people's vital data (the number of daily pedometer steps, blood pressure and weight) is shared with specialist physicians at four urban medical institutions, and the physicians are able to give instructions remotely using the video phone service. In October 2008, the system was adopted by the Ministry of Internal Affairs and Communications as a project that builds a model system that utilizes ICT for the community and that develops a model system for telemedicine services, and a two-year demonstration test project was launched.



* NTT East supports the development of telehealth consultation systems and the operation of this system by providing network infrastructure.

■ Communication Between People and the Global Environment: NTT Group Conducts Active Environmental PR Activities

NTT Group releases information designed to increase stakeholders' understanding of its environmental activities by conducting aggressive PR activities on environmental themes. We also believe that the information released will help to raise the awareness of individual employees and promote CSR-related activities throughout the Group.

In addition, through these activities, we hope to make as many customers as possible aware of how the services provided by NTT Group help to reduce the environmental impact of society overall.

In the year ended March 2010, we launched a new environmental campaign, "Connected. That's Eco." The campaign hopes to further popularize the active use of ICT to help protect the environment among as many people as possible by broadly

conveying NTT Group's environmental approach, "Green by ICT." This approach calls for reducing the environmental impact of society overall through utilization of ICT.



Environmental advertisement

■ Safe and Secure Communication:

NTT DOCOMO Holds Mobile Phone Safety Classes Nationwide to Protect Customers from Mobile Phone Problems

NTT DOCOMO holds Mobile Phone Safety Classes to teach children mobile phone etiquette and how to handle any problem that may occur. The classes also teach people how to guard against bank-transfer scams by people pretending to be relatives or acquaintances over the phone. As of the end of March 2010, approximately 2.29 million children around the country had attended the classes for children, which began in 2004. In the year ended March 2010, instructors traveled to elementary schools, and junior and senior high schools and local communities nationwide and held some 5,500 classes.

Educational videos were created to provide a tool for teachers to use when explaining to children how to use mobile phones safely and securely. The videos were delivered free of charge to some 31,500 elementary schools and junior high schools in the year ended March 2010. Also, the textbook used for Mobile Phone Safety Classes for elementary students was honored in June 2010 with the 7th Consumer Education Materials Award.*

* Consumer Education Materials Award

The National Institute on Consumer Education created this award in fiscal 1997 to help develop and enhance consumer education at schools. The award encourages the use of materials reflecting the latest information held by companies, industry associations and other organizations as school instructional materials and by educators involved in researching educational materials.



Mobile Phone Safety Class



Mobile Phone Safety Class for seniors

■ Team NTT Communication: NTT Group Expands Employment Opportunities for People with Disabilities

NTT Group works to actively recruit people with disabilities and expand employment opportunities for them. In the year ended March 2010, NTT Claruty started a business card printing business and NTT DATA Daichi began a wastepaper collection and recycling business as well as a garden plant rental business. Both companies, which are special subsidiaries* of NTT Group, are expanding job categories and increasing the number of employees with disabilities. In addition, NTT West established NTT West Lucent as the third special subsidiary of NTT Group. In addition to these initiatives, NTT Solco opened a call center (Saitama Shintoshin Call Center) in October 2009 that is operated primarily by a staff of people with disabilities.



Wastepaper recycling by NTT DATA Daichi employees

* Special subsidiaries refer to companies established by enterprises for the purpose of employing persons with disabilities, as stipulated in the Act on Employment Promotion, etc. of Persons with Disabilities. The ratio of disabled persons employed may be calculated as if the employees of the special subsidiaries (persons with disabilities) are employed by the parent company.

Directors and Corporate Auditors

(As of June 24, 2010)



<p>Hiroo Unoura Representative Director and Senior Executive Vice President CFO</p>	<p>Norio Wada Director and Chairman</p>	<p>Satoshi Miura Representative Director and President CEO</p>	<p>Noritaka Uji Representative Director and Senior Executive Vice President CTO and CIO</p>	<p>Kaoru Kanazawa Representative Director and Senior Executive Vice President CCO</p>
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Director and Chairman

Chairman of Board of Directors
Norio Wada

Representative Director and President

Chief Executive Officer
Satoshi Miura

Representative Directors and Senior Executive Vice Presidents

Noritaka Uji
In charge of technical strategy;
Chief Technology Officer;
and Chief Information Officer

Hiroo Unoura
In charge of business strategy,
Chief Financial Officer;
Director of NTT Strategic Business
Development Division

Kaoru Kanazawa
In charge of risk management and
international standardization;
and Chief Compliance Officer

Director and Executive Vice President

Yasuyoshi Katayama
Director of NTT Technology Planning Department

Directors and Senior Vice Presidents

Toshio Kobayashi
Director of NTT Finance and Accounting Department;
and President of NTT Capital (U.K.) Limited

Hiroki Watanabe
Director of NTT Corporate Strategy
Planning Department;
and President of NTT Investment Partners, Inc.

Hiromichi Shinohara
Director of NTT Research and
Development Planning Department

Tetsuya Shouji
Director of NTT General Affairs Department

Directors

Takashi Imai
Senior Advisor,
Honorary Chairman of Nippon Steel Corporation

Yotaro Kobayashi

Full-time Corporate Auditors

Susumu Fukuzawa
Toshiro Morota
Shunsuke Amiya

Corporate Auditors

Shigeru Iwamoto
Toru Motobayashi

Notes:

1. Mr. Takashi Imai and Mr. Yotaro Kobayashi are outside directors assigned in accordance with Article 2, Paragraph 15 of the Japanese Corporate Law.
2. Mr. Toshiro Morota, Mr. Shigeru Iwamoto and Mr. Toru Motobayashi are outside corporate auditors assigned in accordance with Article 2, Paragraph 16 of the Japanese Corporate Law.

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- 066 Operating and Financial Review and Prospects**
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* Consolidated financial statements for the fiscal year ended March 31, 2007 were audited by MISUZU PricewaterhouseCoopers (Misuzu Audit Corporation), which terminated operations in 2007. In this annual report, we have attached a copy of the Audit Report by Misuzu Audit Corporation that was included in our Form 20-F annual report for the fiscal year ended March 31, 2007, which was submitted to the U.S. SEC on June 29, 2007.

10-Year Financial Summary

Nippon Telegraph and Telephone Corporation and its subsidiaries
Years ended March 31

Billions of yen

	2001	2002	2003
Profit and loss (For the year)			
Operating revenues	¥10,836.8	¥11,027.8	¥10,923.1
Operating expenses	10,002.0	10,966.2	9,559.6
Operating income	834.8	61.5	1,363.6
Other income (expenses) ⁽²⁾	470.4	(152.0)	41.5
Income (loss) before income taxes, minority interests and equity in earnings (losses) of affiliated companies ⁽²⁾	1,305.2	(90.5)	1,405.0
Income tax expenses (benefits) ⁽²⁾	592.2	(73.4)	704.3
Equity in earnings (losses) of affiliated companies ⁽²⁾	(17.8)	(668.7)	(329.5)
Net income (loss) ⁽²⁾⁽³⁾	695.1	(835.6)	348.3
Less—Net income attributable to noncontrolling interests	161.3	(1.0)	115.0
Net income (loss) attributable to NTT Corporation ⁽²⁾⁽³⁾	¥ 533.8	¥ (834.7)	¥ 233.4
Cash flows (For the year)			
Net cash provided by operating activities	¥ 3,008.8	¥ 2,313.0	¥ 2,438.5
Net cash used in investing activities	(5,066.5)	(2,375.7)	(1,987.0)
Net cash provided by (used in) financing activities	1,773.9	457.4	(454.2)
Balance sheet (At year-end)			
Property, plant and equipment (net)	¥11,792.4	¥11,497.7	¥11,057.9
Total assets ⁽²⁾	21,759.4	21,424.8	19,783.6
Current liabilities	4,852.1	4,132.0	3,766.4
Long-term liabilities ⁽²⁾	8,665.4	9,918.4	8,853.3
Interest-bearing debt	6,203.1	6,800.8	6,690.7
Capital stock (common stock plus additional paid-in capital)	3,607.7	3,607.7	3,607.7
Shareholders' equity ⁽²⁾⁽³⁾	6,756.2	5,865.1	5,637.6
Noncontrolling interests ⁽³⁾	1,485.7	1,509.4	1,526.3
Equity	¥ 8,241.9	¥ 7,374.4	¥ 7,163.9
Other financial data			
Capital investment (For the year) ⁽⁴⁾	¥ 2,665.9	¥ 2,291.9	¥ 1,977.6
Research and development expenses (For the year)	406.0	391.0	396.0
Employees (thousands) (At year-end)	215	213	207
Performance Indicators			
EBITDA margin ⁽⁴⁾	32.4%	24.2%	36.3%
Operating free cash flow ⁽⁴⁾	845.2	377.1	1,989.0
ROCE ⁽⁴⁾	4.0%	0.3%	6.3%
Per share of common stock (yen)⁽¹⁾			
Weighted average number of shares outstanding ⁽¹⁾	1,595,128,583	1,613,453,817	1,603,941,463
Net income attributable to NTT ⁽²⁾⁽³⁾	¥ 334.66	¥ (517.32)	¥ 145.49
Cash dividends, applicable to earnings for the year	¥ 50.00	¥ 50.00	¥ 50.00

⁽¹⁾ Financial data per share of common stock for the fiscal year ended March 31, 2008 and previous years have been adjusted to reflect the 100-for-1 stock split (see Note 13 to the Consolidated Financial Statements) conducted in the fiscal year ended March 31, 2009.

⁽²⁾ NTT has retroactively applied the equity method of accounting to prior years for an affiliate investment as a result of the acquisition by NTT Group of additional shares of the affiliate during the fiscal year ended March 31, 2008. The amounts in the table above for the fiscal years ended March 31, 2004 to March 31, 2007 have been adjusted accordingly.

⁽³⁾ With the application of the accounting pronouncement issued by the Financial Accounting Standards Board ("FASB") in December 2007, relating to noncontrolling interests in consolidated financial statements, starting from the fiscal year ended March 31, 2010, the name of this line item was changed.

⁽⁴⁾ Please refer to Reconciliation of Capital Investment, EBITDA Margin, Operating Free Cash Flow, and ROCE on page 124.

- Capital investment is on an accrual basis for the acquisition of property, plant and equipment.

- EBITDA margin = (Operating income + Depreciation and loss on disposal of property, plant and equipment) / Operating revenues × 100

- Operating free cash flow = (Operating income + Depreciation and loss on disposal of property, plant and equipment) – Capital investment

- ROCE = Operating income × (1 – Statutory tax rate) / Operating capital employed × 100

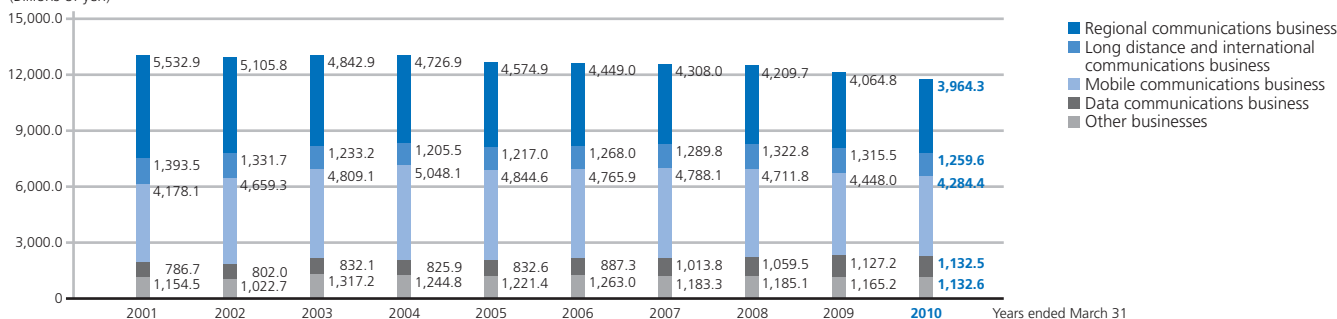
Billions of yen

2004	2005	2006	2007	2008	2009	2010
¥11,095.5	¥10,805.9	¥10,741.1	¥10,760.6	¥10,680.9	¥10,416.3	¥10,181.4
9,535.2	9,594.7	9,550.4	9,653.5	9,376.3	9,306.6	9,063.7
1,560.3	1,211.2	1,190.7	1,107.0	1,304.6	1,109.8	1,117.7
(33.0)	512.1	111.4	25.7	17.7	(4.6)	2.4
1,527.3	1,723.3	1,302.1	1,132.7	1,322.3	1,105.2	1,120.1
603.2	713.9	540.8	466.6	520.8	370.1	447.0
(18.8)	(4.6)	(12.1)	10.0	31.0	(1.9)	8.8
905.4	1,004.8	749.2	676.2	832.5	733.2	681.9
260.0	290.2	246.1	194.8	197.4	194.5	189.6
¥ 645.4	¥ 714.5	¥ 503.1	¥ 481.4	¥ 635.2	¥ 538.7	¥ 492.3
¥ 3,480.6	¥ 2,829.8	¥ 3,242.9	¥ 2,361.3	¥ 3,090.8	¥ 2,514.1	¥ 2,817.8
(2,136.8)	(1,768.4)	(2,077.3)	(2,151.0)	(1,990.6)	(2,269.7)	(2,308.9)
(1,222.5)	(1,112.0)	(1,139.9)	(831.8)	(726.4)	(353.3)	(651.3)
¥10,769.6	¥10,480.6	¥10,435.9	¥10,423.8	¥10,385.6	¥10,201.5	¥10,057.5
19,413.5	19,064.0	18,820.2	18,291.1	18,518.8	18,796.4	18,939.1
3,808.8	3,679.6	3,972.6	3,730.8	3,911.9	3,694.2	3,588.3
7,611.0	6,914.8	6,276.9	5,605.0	5,332.1	5,956.6	5,579.9
5,921.7	5,525.8	5,296.2	4,770.8	4,677.2	4,899.3	4,491.7
3,660.0	3,737.8	3,781.1	3,782.1	3,779.0	3,779.0	3,776.9
6,380.5	6,740.3	6,734.4	7,120.8	7,410.8	7,298.1	7,788.2
1,613.2	1,729.3	1,836.3	1,834.5	1,864.0	1,847.5	1,982.7
¥ 7,993.7	¥ 8,469.5	¥ 8,570.6	¥ 8,955.3	¥ 9,274.8	¥ 9,145.6	¥ 9,770.9
¥ 2,013.6	¥ 2,057.4	¥ 2,191.9	¥ 2,236.9	¥ 2,128.9	¥ 2,145.1	¥ 1,987.1
354.9	318.1	308.4	272.1	271.1	268.2	278.1
205	201	199	199	193	196	195
35.5%	32.8%	32.1%	31.0%	33.8%	32.4%	31.8%
1,920.2	1,482.2	1,250.7	1,103.7	1,478.1	1,224.8	1,253.7
7.3%	5.8%	5.8%	5.5%	6.4%	5.4%	5.4%
1,585,568,415	1,547,536,620	1,431,504,928	1,382,076,916	1,377,561,362	1,345,302,411	1,323,262,483
¥ 407.05	¥ 461.73	¥ 351.46	¥ 348.29	¥ 461.07	¥ 400.41	¥ 372.01
¥ 50.00	¥ 60.00	¥ 60.00	¥ 80.00	¥ 90.00	¥ 110.00	¥ 120.00

Segment Data

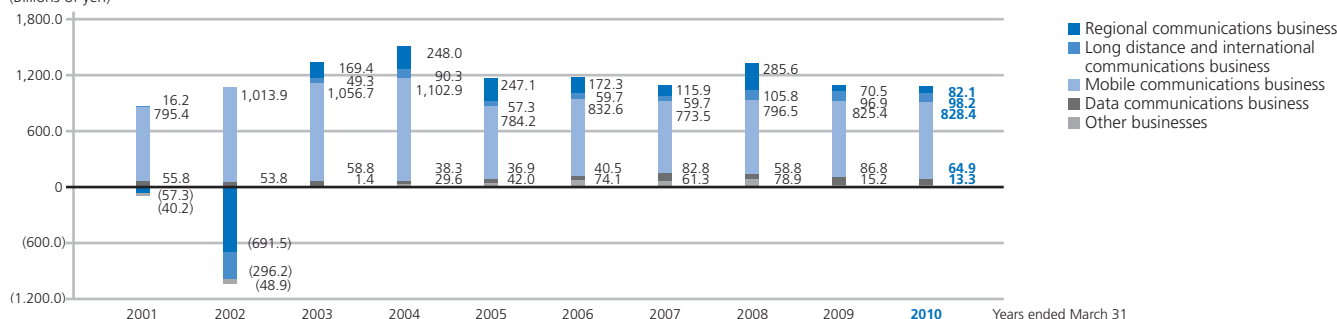
Total operating revenues

(Billions of yen)



Total operating income

(Billions of yen)



* "Elimination of Intersegment" and "Corporate adjustment (to reverse and defer telephone card revenue for expected future usage)" are not included.
* Certain items for prior years' financial statements have been reclassified.

Major Subsidiaries' Data

NTT East

(JAPAN GAAP)

Years ended March 31	Billions of yen									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Operating revenues	¥2,794.5	¥2,573.6	¥2,352.2	¥2,267.1	¥2,180.9	¥2,125.3	¥2,061.3	¥2,002.7	¥1,952.9	¥1,928.6
Operating expenses	2,760.4	2,569.1	2,303.8	2,180.7	2,093.1	2,059.3	2,001.4	1,957.7	1,916.2	1,881.0
Operating income (loss)	34.0	4.5	48.3	86.4	87.7	65.9	59.9	44.9	36.6	47.6
Non-operating revenues	46.5	48.5	68.2	61.2	61.0	63.2	70.4	66.1	69.2	61.6
Non-operating expenses	66.4	45.5	53.2	49.8	51.1	45.0	39.9	43.7	40.5	37.5
Recurring profit (loss)	14.1	7.5	63.3	97.8	97.6	84.2	90.3	67.4	65.3	71.7
Net income (loss)	20.0	(186.7)	3.0	57.9	58.1	51.2	84.3	96.8	77.5	50.5

NTT West

(JAPAN GAAP)

Years ended March 31	Billions of yen									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Operating revenues	¥2,639.5	¥2,406.7	¥2,215.0	¥2,166.8	¥2,098.0	¥2,029.6	¥1,951.5	¥1,901.2	¥1,824.3	¥1,780.8
Operating expenses	2,739.8	2,573.4	2,172.3	2,080.1	2,027.8	1,997.5	1,931.0	1,887.3	1,816.5	1,762.3
Operating income (loss)	(100.3)	(166.7)	42.6	86.6	70.1	32.0	20.4	13.9	7.7	18.4
Non-operating revenues	47.7	44.2	55.2	54.9	56.0	66.6	76.8	59.4	52.1	51.1
Non-operating expenses	53.1	48.0	53.0	51.0	46.1	42.1	43.3	48.5	40.3	39.3
Recurring profit (loss)	(105.7)	(170.4)	44.9	90.5	80.0	56.5	54.0	24.8	19.5	30.3
Net income (loss)	(44.6)	(355.3)	19.3	61.5	41.0	32.6	28.3	(37.7)	15.4	24.8

NTT Communications

(JAPAN GAAP)

Billions of yen

Years ended March 31	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Operating revenues	¥1,355.5	¥1,275.1	¥1,152.0	¥1,106.6	¥1,090.0	¥1,127.8	¥1,145.4	¥1,154.5	¥1,127.1	¥1,079.2
Operating expenses	1,265.1	1,199.4	1,006.7	990.3	1,020.1	1,060.3	1,068.1	1,049.7	1,026.3	981.7
Operating income (loss)	90.3	75.7	145.3	116.2	69.8	67.5	77.3	104.7	100.8	97.5
Non-operating revenues	33.4	37.3	27.9	26.5	26.1	30.7	29.5	35.1	32.3	25.0
Non-operating expenses	42.1	37.8	30.0	29.7	28.0	26.4	29.1	27.8	19.6	14.0
Recurring profit (loss)	81.6	75.1	143.2	113.0	67.9	71.8	77.8	112.0	113.5	108.5
Net income (loss)	42.2	(410.7)	13.6	24.1	24.6	31.4	30.3	62.7	89.0	60.6

NTT DOCOMO (Consolidated)

(U.S. GAAP)

Billions of yen

Years ended March 31	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Operating revenues	¥4,178.0	¥4,659.2	¥4,809.0	¥5,048.0	¥4,844.6	¥4,765.8	¥4,788.0	¥4,711.8	¥4,447.9	¥4,284.4
Operating expenses	3,399.4	3,658.3	3,752.3	3,945.1	4,060.4	3,933.2	4,014.5	3,903.5	3,617.0	3,450.1
Operating income (loss)	778.6	1,000.8	1,056.7	1,102.9	784.1	832.6	773.5	808.3	830.9	834.2
Non-operating income (loss)	(20.4)	(44.4)	(13.7)	(1.7)	504.0	119.6	(0.5)	(7.6)	(50.5)	1.9
Income before tax (loss)	758.1	956.3	1,042.9	1,101.1	1,288.2	952.3	772.9	800.6	780.4	836.1
Net income (loss) attributable to NTT DOCOMO	401.7	(116.1)	212.4	650.0	747.5	610.4	457.2	491.2	471.8	494.7

NTT DATA (Consolidated)

(JAPAN GAAP)

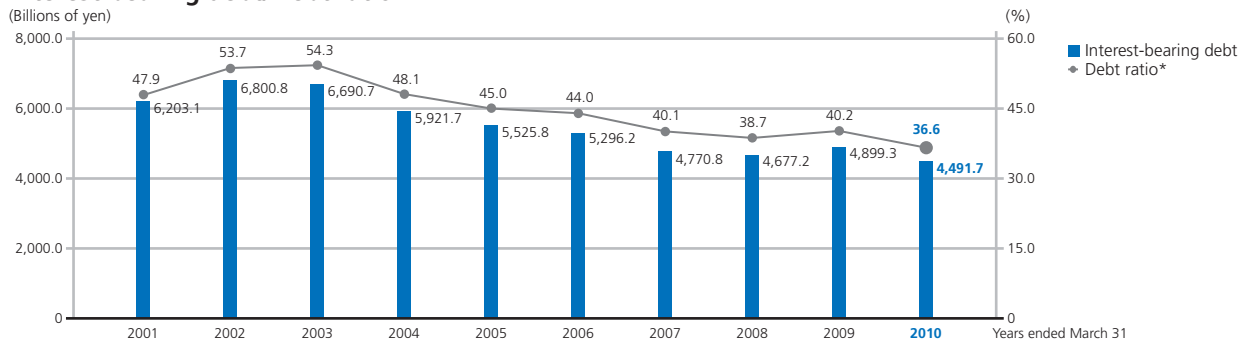
Billions of yen

Years ended March 31	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Operating revenues	¥801.0	¥801.9	¥832.1	¥846.7	¥854.1	¥907.2	¥1,044.9	¥1,074.4	¥1,139.0	¥1,142.9
Cost of sales	598.2	591.3	622.0	637.9	648.3	682.2	786.3	813.3	861.9	870.5
Gross profit (loss)	202.8	210.6	210.0	208.7	205.7	225.0	258.5	261.0	277.1	272.3
Selling and general expenses	144.0	151.2	148.4	149.0	166.4	178.1	168.3	165.1	178.6	190.6
Operating income (loss)	58.7	59.4	61.5	59.7	39.2	46.8	90.2	95.9	98.5	81.6
Non-operating income	(12.6)	(12.2)	(14.2)	(10.0)	(7.1)	(4.8)	(4.4)	(1.5)	(2.9)	(5.9)
Recurring profit (loss)	46.0	47.1	47.3	49.6	32.1	42.0	85.7	94.3	95.5	75.7
Net income (loss)	24.4	26.4	28.5	26.9	20.1	28.1	50.6	30.4	48.3	35.6

Debt-Related Data

Interest-bearing debt/Debt ratio

(Billions of yen)



* Debt ratio = Interest-bearing debt / (Interest-bearing debt + Shareholders' equity) x 100

Operating and Financial Review and Prospects

Overview of Business Results

During the fiscal year ended March 31, 2010, 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.”

Fixed-Line Communications

NTT Group further expanded the coverage area for “FLET’S Hikari Next,” the next-generation network (NGN) commercial service, and enhanced services, including a high-speed service with a maximum download speed of 200Mbps introduced in Eastern Japan. NTT Group also pursued 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. As a result of these efforts, the number of FLET’S Hikari subscriptions reached 13.25 million.

Mobile Communications

NTT Group introduced new services to support its customers’ lifestyles through mobile phones, including a new function for the “i-concier” activity support service that distributes information linked to the user’s location, and DOCOMO Keitai Sokin (mobile payment), a highly convenient mobile phone payment function. In addition, as part of its efforts to achieve further growth by increasing use of data communications, NTT Group revised billing plans and worked to enhance the content offerings for video and other services. As a result of these efforts, the number of mobile phone subscriptions reached 56.08 million, of which 53.20 million are FOMA service subscriptions (95% of all subscriptions).

Solutions

NTT Group worked to provide high value-added solutions according to customer industries and business categories by expanding its service line-up to include outsourcing and information security, complementing its construction and provision of customer systems. NTT Group also reorganized some of its business structures and sought to strengthen its sales capabilities, mainly through acquisitions of other service providers, to proactively meet the needs of customers and society.

Upper Layer Services

NTT Group took steps to enhance its services by, among other things, expanding the high-definition content available on “Hikari TV,” an IP Television (IPTV) service distributed over FLET’S Hikari. NTT Group also expanded the line-up of video services that are designed to take advantage of the capabilities of the NGN, including the launch of Digital Cinema, a service for the distribution of films to theaters using the NGN. NTT Group also worked to develop a new market for cloud computing services, which provides services through a network, including the launch of a full range of services covering everything from infrastructure to applications. Furthermore, through investments by the venture fund NTT Investment Partners Fund, L.P., NTT Group sought to promote collaborations with business partners in a wide range of fields, particularly education.

Global Businesses

NTT Group moved forward with the expansion of overseas data centers and the acquisition of businesses, including a security service provider, in an effort to improve its line-up of solutions services and support services. In order to enhance the convenience and reliability of its networks, NTT Group strengthened its network through the acquisition of a submarine cable business and the expansion of the service area for international mobile phone roaming services. NTT Group also directed efforts toward the global expansion of its content distribution and other application services.

Research and Development

To expand the range of services that take advantage of the capabilities of the NGN, NTT Group engaged in R&D directed at the technical advancement of IPTV, Digital Signage, Digital Cinema and other video services, as well as cloud computing services. Furthermore, NTT Group engaged in R&D for commercialization of Home Information and Communication Technologies (Home ICT) and made efforts to develop LTE, the next-generation standard, which is scheduled for launch in December 2010. NTT Group also moved forward with R&D on advanced technologies that will support future businesses, including new encryption technologies, high-capacity optical transmission technologies, and quantum information processing.

CSR

NTT Group is working in concert to undertake corporate social responsibility (CSR) activities aimed at contributing to the sustainable development of society. In particular, as part of its “Green NTT” program, an environmental policy initiative encouraging the use of natural energy, NTT Group set up solar systems at three NTT Group owned facilities via NTT Green LLP, which was established through investments by individual NTT Group companies. This became the first environmental program in Japan established in the form of a corporate group limited liability partnership.

As a result of these efforts, due to such factors as a decrease in telecommunications equipment sales revenues and mobile voice-related revenues arising from penetration of new handset sales models in the mobile communications business and a decrease in voice-related revenues arising from the decline in the number of subscriptions for fixed-line telephone services, NTT Group’s consolidated operating revenues for the fiscal year ended March 31, 2010 were ¥10,181.4 billion (a decrease of 2.3% from the previous fiscal year). Consolidated operating expenses were ¥9,063.7 billion (a decrease of 2.6% from the previous fiscal year) due to a decrease in expenses for purchase of goods and services and other expenses and depreciation and amortization costs. As a result, consolidated operating income was ¥1,117.7 billion (an increase of 0.7% from the previous fiscal year), consolidated income before income taxes was ¥1,120.1 billion (an increase of 1.3% from the previous fiscal year), and consolidated net income attributable to NTT was ¥492.3 billion (a decrease of 8.6% 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 its Medium-Term Management Strategy for the five-year period ending March 31, 2013 under the title “Road to Service Creation Business Group—full-scale rollout of broadband and ubiquitous service.” The principle objectives of this strategic plan are:

- To build a full-IP network infrastructure for both fixed-line and mobile communications, 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 business (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.

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

Promotion of Service Creation

NTT Group will continue to construct the world’s most advanced broadband network infrastructure for both fixed-line and mobile communications, and devote its full efforts to the creation of services on this network platform.

In the field of fixed-line communications, NTT Group will move ahead with further expansion of the NGN coverage area and will seek to increase opportunities to provide services by promoting optical cabling for multi-unit dwellings. In the field of mobile communications, in addition to the FOMA service, which is already available across the country, LTE, a technology that offers increased speed and capacity, is scheduled to be introduced in December 2010 to further promote the development of broadband services.

Utilizing the world’s most-advanced broadband network infrastructure, NTT Group will seek to expand its offerings of services that meet customer needs, such as cloud computing services, Home ICT, and e-learning. At the same time, NTT Group will contribute to the promotion of ICT use and the spread of broadband services by supporting the creation of new services through collaborations with business partners in a wide range of fields.

Deployment of Global Businesses

By further enhancing its data centers and security operations, NTT Group will expand its ICT service line-up and service areas. In addition, NTT Group will expand its global network services by enhancing its data communication networks and international roaming services for the mobile communications business, and will exert further efforts to develop its application services such as content distribution services.

Responding to Social Issues

NTT Group will utilize ICT in addressing various social problems, such as the aging of society and declining birth rate, the need to improve the quality of healthcare and education, and environmental issues, as well as in the operation and management of roads, water systems and other public infrastructure. NTT Group will seek to contribute to the solution of these problems by creating new systems for society through collaborations with partners in various fields.

In particular, NTT Group will bolster its efforts to address environmental issues, which are a global concern, through three initiatives known as “Green of ICT,” “Green by ICT” and “Green with Team NTT.”

- Green of ICT

This initiative is aimed at reducing the environmental burden resulting from ICT, including by reducing energy use 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 employee’s actions will help reduce the environmental burden at the workplace, at home and in the community.

In addition to working on the three initiatives discussed above, “Promotion of Service Creation,” “Deployment of Global Businesses” and “Responding to Social Issues,” NTT Group will continue its efforts to raise business efficiency by reviewing business processes throughout the group, consolidating business sites, and outsourcing operations.

On May 14, 2010, the Board of Directors adopted a basic policy on cancellation of treasury stock. Pursuant to this policy, all treasury stock owned by NTT as of March 31, 2010 (250,923,665 shares) will be cancelled over two fiscal years. One-half of the treasury stock will be cancelled during this calendar year and the remainder of the treasury stock will be cancelled during the fiscal year ending March 31, 2012.

Results of Operations

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

Year Ended March 31,	Billions of yen			
	2009	2010	Change	Percent Change
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 and Expenses

Operating Revenues

NTT Group's operating revenues are divided into the six service categories 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, 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

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

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 advancement of the shift from conventional fixed-line telephony to optical IP telephony as fiber-optic access services expanded, and continued competition with direct subscriber telephone services provided by competitors 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 mova and FOMA voice communications 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 yen, 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.

- IP/Package 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, 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, 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 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

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, 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 a continued decrease in mobile handsets sold to agent resellers in the mobile communications business arising from the penetration of new handset sales models and a weakening economy.

- 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, 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 systems integration revenues in the regional communications business segment.

- 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, 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 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, which more than offset increases in expenses associated with the consolidation of additional subsidiaries and enhancement of customer services in the mobile communications business through loyalty programs and the Mobile Phone Protection & Delivery Service, also 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 interests) for the fiscal year ended March 31, 2010 was ¥492.3 billion, a decrease of 8.6% from the previous fiscal year.

Liquidity and Capital Resources

Financing and 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.

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, 2011, NTT Group expects capital investments totaling ¥1,960.0 billion on an accrual basis, a decrease of ¥27.1 billion from the fiscal year ended March 31, 2010. This is due, among other things, to: an anticipated drop in NGN-related investment in the regional communications business; an anticipated decrease in investment required for the fiber-optic conversion of access networks resulting from effective utilization of existing optical facilities; and an expected decrease in amounts required for investment in the mobile communications business despite plans

to move forward with LTE network construction. The total amount of capital investments includes approximately ¥810.0 billion in investments by the regional communications business (aggregate of NTT East and NTT West) and approximately ¥675.0 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, 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, 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. 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, 2010:

	Payments Due by Period				
	Total	1 year or less	After 1 year through 3 years	After 3 years through 5 years	After 5 years
Contractual Obligations					
Long-term debt ⁽¹⁾					
Bonds	¥2,690,578	¥ 485,459	¥ 863,305	¥ 522,006	¥ 819,808
Bank loans	1,467,414	295,864	473,715	526,831	171,004
Interest payments on long-term debt	234,224	58,875	85,605	47,966	41,778
Capital lease obligations ⁽²⁾	72,891	26,043	28,164	9,781	8,903
Operating leases	60,467	20,287	25,198	3,591	11,391
Purchase obligations ⁽³⁾	311,525	269,081	35,029	3,457	3,958
Other long-term obligations ⁽⁴⁾	—	—	—	—	—
Total contractual obligations	¥4,837,099	¥1,155,609	¥1,511,016	¥1,113,632	¥1,056,842

(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 ¥81,345 million to its pension plans in the fiscal year ending March 31, 2011 (see Note 10 to the Consolidated Financial Statements).

As of March 31, 2010, NTT Group had outstanding commitments for the purchase of property, plant and equipment and other assets of approximately ¥311.5 billion, principally reflecting capital investments for the fiscal year ended March 31, 2009. NTT Group expects to fund such commitments with cash provided by operating activities.

Off-Balance Sheet Arrangements

As of March 31, 2010, contingent liabilities for loans guaranteed amounted to ¥5.7 billion.

Information on Market and Operation Trends (Trend Information)

In the information and telecommunications market, as the roll-out of broadband and ubiquitous services rapidly progresses, fiber-optic access services are increasing in the fixed-line communications field and conventional fixed-line telephony is transitioning to optical IP telephone services. In the mobile communications field, services and handsets are becoming more diverse and advanced, and rates are being repeatedly reduced, giving rise to increasingly fierce competition. Many other dramatic changes and developments are occurring in conjunction with the increased use of IP, including convergence between fixed-line communications and mobile communications and between communications and broadcasting services, and the creation of diverse new network-based businesses.

In the broadband market, fiber-optic access services have expanded to account for over half of broadband services in Japan. In addition to facility and service competition among service providers and increasing service competition, the market environment is undergoing major change as a result of the expansion of triple play service offerings, including video distribution, and the appearance of new services for information devices other than personal computers. 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 direct subscriber telephone services provided by competitors using dry copper lines 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 mobile phone penetration rate, competition among operators intensified in such areas as acquisition of subscribers and further improvement of service offerings.

Major trends anticipated in the fiscal year ending March 31, 2011 are as follows:

Consolidated operating revenues for the fiscal year ending March 31, 2011 are expected to be similar to those for the fiscal year ended March 31, 2010, due to the expansion of FLET'S Hikari sales, an increase in IP packet communications revenues resulting from an increase in packet ARPU in the mobile communications business, and an increase in system integration revenues resulting from a recovery in corporate capital investment, and 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.

Trends in subscriptions for major services are as follows:

- 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, 2011 comparable to that recorded in the fiscal year ended March 31, 2010. In order to spur more demand, NTT Group will work to further enhance the appeal of fiber-optic access services by expanding the content of the Hikari TV IPTV service (distributed over FLET'S Hikari) and providing new services, and will seek to create new demand for fiber-optic access services by deploying FLET'S TV as a countermeasure to the full-scale rollout of terrestrial digital broadcasts. Also, NTT Group will strive to reduce FLET'S Hikari service cancellations by strengthening aftercare services through membership programs and by promoting FLET'S Hikari as a package with Hikari Denwa.
- Fixed-line telephone and ISDN subscriptions are expected to experience a decline in the fiscal year ending March 31, 2011 similar to that recorded in the fiscal year ended March 31, 2010, as customers continue to migrate to optical IP telephone services, including Hikari Denwa, and the number of fixed-line telephone subscription cancellations increases due to a stagnant economy, among other factors. However, the decline in the number of subscriptions is expected to contract slightly as the economy recovers.
- 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, 2011 will exceed the number of subscriptions in the fiscal year ended March 31, 2010, as a result of such measures as lowering the churn rate through our promotion of loyalty marketing, improving the satisfaction of existing customers, and expanding sales in data communications devices and smartphones. Furthermore, NTT Group expects mobile handsets sold to agent resellers in the fiscal year ending March 31, 2011 to be slightly lower than in the fiscal year ended March 31, 2010, due to an anticipated increase in sales of data communications devices and smartphones.

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. These statements are "Forward-looking Statements" for purposes of the cautionary risk disclaimer appearing on the inside cover.

Application of New Accounting Standards and Recent Pronouncements

Application of New Accounting Standards

Business Combinations

Effective April 1, 2009, NTT Group adopted the provisions of Financial Accounting Standards Board (“FASB”) Statement of Financial Accounting Standards No. 141 Revised, *Business Combinations*, included in FASB Accounting Standards Codification (“ASC”) Topic 805. This ASC establishes principles and requirements of how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, any noncontrolling interest in the acquire and the goodwill acquired in a business combination. This ASC requires disclosures to enable evaluation of the nature and financial effects of the business combination. The adoption of this ASC did not have a material impact on the results of operations or the financial position of NTT Group.

Noncontrolling Interests in Consolidated Financial Statements

Effective April 1, 2009, NTT Group adopted the provisions of FASB Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, included in ASC Topic 810. This ASC establishes new accounting and reporting standards for noncontrolling interests (previously referred to as minority interests) in consolidated financial statements. This ASC establishes new accounting and reporting for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in parent’s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. This ASC requires disclosure that clearly identifies and distinguishes the interests of the parent and the interest of the noncontrolling owners. Upon adoption of this ASC, noncontrolling interests, which were previously referred to as minority interests and classified between total liabilities and stockholders’ equity on the consolidated balance sheets, are now included as a separate component of total equity. Also, consolidated net income on the consolidated statements of income now includes the net income (loss) attributable to noncontrolling interests. These financial statement presentation requirements have been adopted retrospectively and prior year amounts have been classified to conform with this ASC.

Improving Disclosure about Fair Value Measurements

Effective January 1, 2010, NTT Group adopted Accounting Standards Update (“ASU”) 2010-06 “Improving Disclosures about Fair Value Measurements” issued by FASB, which requires new disclosures pursuant to ASC 820 “Fair Value Measurements and Disclosures.” This ASU requires new disclosures about recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair-value measurements, which are part of the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This ASU also requires new disclosures regarding the reconciliation of Level 3 fair-value measurements, which include a description of the gross amount of purchases, sales, issuances, and settlements rather than the net amount. The new reconciliation of Level 3 fair-value measurements disclosure requirement is effective for interim and annual reporting periods beginning after December 15, 2010. The additional disclosures required by this ASU are provided in Note 14 to the Consolidated Financial Statements.

Recent Pronouncements Not Yet Adopted

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 will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. Management is currently evaluating the impact of the adoption of this pronouncement 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 will be effective prospectively for revenue arrangements entered into or materially modified in

fiscal years beginning on or after June 15, 2010. Early adoption is permitted. Management is currently evaluating the impact of the adoption of this pronouncement on the results of operations and financial position of NTT Group.

In December 2009, the FASB issued ASU 2009-16 "Accounting for Transfers of Financial Assets." This pronouncement eliminates the concept and associated guidance of a "qualifying special-purpose entity" ("QSPE"), 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 statement is effective (including for existing QSPEs) as of the beginning of a company's first fiscal year that begins after November 15, 2009 and for subsequent interim and annual reporting periods. This pronouncement also provides for transfers that occurred before and after its effective date. The adoption of this pronouncement will not have an impact on the results of operations and financial position of NTT Group.

In December 2009, the FASB issued ASU 2009-17 "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities ("VIE")." This pronouncement prescribes the change of the approach to determining a VIE's primary beneficiary (the reporting entity that must consolidate the VIE) and requires companies to reassess more frequently whether they must consolidate VIEs. This pronouncement is effective as of the beginning of a company's first fiscal year that begins after November 15, 2009 and for subsequent interim and annual reporting periods. The adoption of this statement will have an impact on the accounting for consolidated VIE, however, management does not believe the adoption of this statement will have a material impact.

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 is 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 period 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, 2008, 2009 and 2010 were ¥2,161.9 billion, ¥2,139.2 billion and

¥2,012.1 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, 2008, 2009 and 2010 were ¥5.0 billion, ¥4.3 billion and ¥4.6 billion, respectively.

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, 2008, 2009 and 2010 were ¥2.9 billion, ¥9.2 billion and ¥3.9 billion, respectively.

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, 2008, 2009 and 2010 was approximately ¥25.0 billion, ¥65.0 billion and ¥9.0 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 1.2% and 1.7% of NTT Group's total operating expenses for the fiscal years ended March 31, 2009 and 2010, 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, 2010, the total amount of net actuarial loss was ¥438.0 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.

For the fiscal years ended March 31, 2009 and 2010, NTT Group used an expected long-term rate of return on pension plan assets of 2.5%. 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 40.0%, 25.0%, 10.0%, 15.0% and 10.0% 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 57.9%, 18.3%, 7.8%, 10.5% and 5.5% (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, 2010, the actual allocations of assets were generally consistent with the projected allocations stated above. The actual returns for the fiscal years ended March 31, 2009 and 2010 were approximately (14)% and 13%, 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 2.3% as of March 31, 2009 and of 2.2% as of March 31, 2010. In determining the benefit obligations, NTT Group used a discount rate of 2.2% as of March 31, 2009 and of 2.1% as of March 31, 2010. 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, 2010:

Change in Assumption	Billions of yen		
	Change in PBO	Change in Pre-Tax Pension Expenses	Change in Equity (Net of Tax)
50 basis point increase/decrease in discount rate	- / +200.0	+ / -4.0	+ / -120.0
50 basis point increase/decrease in expected return on assets	—	- / +9.0	—

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. A one percentage point change in the effective tax rate would increase or decrease income tax expense by approximately ¥23.0 billion.

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, 2009 and 2010, NTT Group had gross deferred tax assets of ¥1,771.0 billion and ¥1,700.4 billion, which included a valuation allowance of ¥301.0 billion and ¥265.9 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.

Consolidated Balance Sheets

Nippon Telegraph and Telephone Corporation and its subsidiaries
March 31

	Millions of yen	
	2009	2010
ASSETS		
Current assets (Note 2):		
Cash and cash equivalents (Note 4)	¥ 1,052,777	¥ 911,062
Short-term investments	20,264	382,227
Notes and accounts receivable, trade (Note 3)	1,947,765	1,948,467
Allowance for doubtful accounts	(45,208)	(41,092)
Inventories (Note 5)	313,494	278,869
Prepaid expenses and other current assets (Note 20)	512,479	508,373
Deferred income taxes (Note 11)	266,480	257,793
Total current assets	4,068,051	4,245,699
Property, plant and equipment (Notes 2 and 16):		
Telecommunications equipment	14,705,383	14,708,053
Telecommunications service lines	13,968,838	14,285,962
Buildings and structures	5,770,337	5,789,511
Machinery, vessels and tools	1,755,854	1,790,366
Land	1,111,734	1,122,797
Construction in progress	305,167	269,149
	37,617,313	37,965,838
Accumulated depreciation	(27,415,794)	(27,908,292)
Net property, plant and equipment	10,201,519	10,057,546
Investments and other assets (Note 2):		
Investments in affiliated companies (Note 6)	622,735	634,950
Marketable securities and other investments (Note 7)	277,375	301,270
Goodwill (Notes 8 and 18)	453,617	499,830
Other intangibles (Note 8)	1,406,991	1,453,941
Other assets (Notes 10 and 20)	894,828	916,884
Deferred income taxes (Note 11)	871,272	828,935
Total investments and other assets	4,526,818	4,635,810
Total assets	¥ 18,796,388	¥ 18,939,055

The accompanying notes are an integral part of these financial statements.

	Millions of yen	
	2009	2010
LIABILITIES AND EQUITY		
Current liabilities (Note 2):		
Short-term borrowings (Note 9)	¥ 388,028	¥ 310,597
Current portion of long-term debt (Notes 9 and 20)	603,041	781,323
Accounts payable, trade (Note 3)	1,302,607	1,301,944
Accrued payroll	454,575	442,295
Accrued interest	12,481	11,309
Accrued taxes on income	288,803	258,178
Accrued consumption tax	28,326	33,433
Advances received	114,934	152,619
Deposit received	275,089	85,377
Other (Notes 11, 16 and 20)	226,315	211,235
Total current liabilities	3,694,199	3,588,310
Long-term liabilities (Note 2):		
Long-term debt (Notes 9 and 20)	3,691,688	3,376,669
Obligations under capital leases (Note 16)	47,394	41,032
Liability for employees' retirement benefits (Note 10)	1,639,785	1,447,781
Other (Notes 11 and 20)	577,692	714,384
Total long-term liabilities	5,956,559	5,579,866
Equity (Note 13):		
Nippon Telegraph and Telephone Corporation ("NTT") shareholders' equity		
Common stock, no par value —		
Authorized—6,192,920,900 shares in 2009 and 2010		
Issued—1,574,120,900 shares in 2009 and 2010	937,950	937,950
Additional paid-in capital (Note 18)	2,841,037	2,838,927
Retained earnings (Notes 6 and 13)	5,066,637	5,406,726
Accumulated other comprehensive income (loss) (Notes 7, 10, 13 and 20)	(341,917)	(189,606)
Treasury stock, at cost (Note 13)—		
250,844,167 shares in 2009 and 250,923,665 shares in 2010	(1,205,597)	(1,205,844)
Total NTT shareholders' equity	7,298,110	7,788,153
Noncontrolling interests	1,847,520	1,982,726
Total equity	9,145,630	9,770,879
Commitments and contingent liabilities (Note 21)		
Total liabilities and equity	¥18,796,388	¥18,939,055

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income

Nippon Telegraph and Telephone Corporation and its subsidiaries
Year ended March 31

	Millions of yen		
	2008	2009	2010
Operating revenues (Note 3):			
Fixed voice related services (Note 2)	¥ 2,831,138	¥ 2,581,041	¥ 2,355,597
Mobile voice related services	2,739,832	2,283,890	2,150,734
IP/packet communications services	2,567,440	2,897,976	3,113,411
Sale of telecommunication equipment	653,499	709,590	598,318
System integration	1,156,997	1,211,681	1,242,729
Other	731,985	732,127	720,587
	10,680,891	10,416,305	10,181,376
Operating expenses (Notes 3 and 17):			
Cost of services (exclusive of items shown separately below)	2,419,148	2,436,234	2,426,721
Cost of equipment sold (Note 2) (exclusive of items shown separately below)	1,262,789	936,142	798,895
Cost of system integration (exclusive of items shown separately below)	794,867	788,294	817,135
Depreciation and amortization (Note 8)	2,161,878	2,139,175	2,012,064
Impairment losses	5,032	4,340	4,582
Selling, general and administrative expenses (Note 17)	3,047,236	2,993,164	3,000,370
Goodwill and other intangible assets impairments (Note 8)	2,888	9,204	3,916
Gain on transfer of the substitutional portion of the Employee Pension Fund (Notes 2 and 10)	(317,556)	—	—
	9,376,282	9,306,553	9,063,683
Operating income (loss)	1,304,609	1,109,752	1,117,693
Other income (expenses):			
Interest and amortization of bond discounts and issue costs (Note 2)	(63,775)	(58,887)	(55,150)
Interest income	24,495	26,629	24,004
Other, net (Notes 7, 19 and 20)	56,962	27,669	33,524
	17,682	(4,589)	2,378
Income (loss) before income taxes and equity in earnings (losses) of affiliated companies	1,322,291	1,105,163	1,120,071
Income tax expense (benefit) (Note 11):			
Current	377,065	472,300	494,472
Deferred	143,712	(102,217)	(47,471)
	520,777	370,083	447,001
Income (loss) before equity in earnings (losses) of affiliated companies	801,514	735,080	673,070
Equity in earnings (losses) of affiliated companies (Note 6)	31,026	(1,916)	8,794
Net income (loss)	832,540	733,164	681,864
Less—Net income attributable to noncontrolling interests	197,384	194,485	189,598
Net income (loss) attributable to NTT	¥ 635,156	¥ 538,679	¥ 492,266

	Shares or Yen		
	2008	2009	2010
Per share of common stock:			
Weighted average number of shares outstanding	1,377,561,362	1,345,302,411	1,323,262,483
Net income (loss) attributable to NTT	¥461.07	¥400.41	¥372.01
Cash dividends to be paid to shareholders of record date	¥ 90.00	¥110.00	¥120.00

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Equity and Comprehensive Income

Nippon Telegraph and Telephone Corporation and its subsidiaries
Year ended March 31

	Millions of yen							
	NTT shareholders' equity					Total	Noncontrolling interests	Total Equity (Note 13)
	Common stock	Additional paid-in capital (Note 18)	Retained earnings (Notes 6 and 13)	Accumulated comprehensive income (loss) (Notes 7, 10, 13 and 20)	Treasury stock, at cost (Note 13)			
Year Ended March 31, 2008								
At beginning of year	¥937,950	¥2,844,103	¥4,145,608	¥102,529	¥ (909,422)	¥7,120,768	¥1,834,543	¥8,955,311
Comprehensive income (loss):								
Net income (loss)			635,156			635,156	197,384	832,540
Other comprehensive income (loss):								
Unrealized gain (loss) on securities				(23,587)		(23,587)	(6,403)	(29,990)
Unrealized gain (loss) on derivative instruments				(544)		(544)	67	(477)
Foreign currency translation adjustments				1,620		1,620	2,131	3,751
Pension liability adjustments				(106,446)		(106,446)	(4,613)	(111,059)
Total other comprehensive income (loss)						(128,957)	(8,818)	(137,775)
Total comprehensive income (loss)						506,199	188,566	694,765
Cash dividends			(117,468)			(117,468)	(77,367)	(194,835)
Changes in NTT's ownership interest in subsidiaries		(3,088)				(3,088)	(81,744)	(84,832)
Acquisition of treasury stocks					(96,303)	(96,303)		(96,303)
Resale of treasury stocks		64			589	653		653
At end of year	¥937,950	¥2,841,079	¥4,663,296	¥ (26,428)	¥(1,005,136)	¥7,410,761	¥1,863,998	¥9,274,759
Year Ended March 31, 2009								
At beginning of year	¥937,950	¥2,841,079	¥4,663,296	¥ (26,428)	¥(1,005,136)	¥7,410,761	¥1,863,998	¥9,274,759
Comprehensive income (loss):								
Net income (loss)			538,679			538,679	194,485	733,164
Other comprehensive income (loss):								
Unrealized gain (loss) on securities				(21,558)		(21,558)	(3,338)	(24,896)
Unrealized gain (loss) on derivative instruments				5,094		5,094	(132)	4,962
Foreign currency translation adjustments				(46,038)		(46,038)	(14,255)	(60,293)
Pension liability adjustments				(252,987)		(252,987)	(13,143)	(266,130)
Total other comprehensive income (loss)						(315,489)	(30,868)	(346,357)
Total comprehensive income (loss)						223,190	163,617	386,807
Cash dividends			(135,338)			(135,338)	(84,931)	(220,269)
Changes in NTT's ownership interest in subsidiaries							(95,164)	(95,164)
Acquisition of treasury stocks					(201,440)	(201,440)		(201,440)
Resale of treasury stocks		(42)			979	937		937
At end of year	¥937,950	¥2,841,037	¥5,066,637	¥ (341,917)	¥(1,205,597)	¥7,298,110	¥1,847,520	¥9,145,630
Year Ended March 31, 2010								
At beginning of year	¥937,950	¥2,841,037	¥5,066,637	¥(341,917)	¥(1,205,597)	¥7,298,110	¥1,847,520	¥9,145,630
Comprehensive income (loss):								
Net income (loss)			492,266			492,266	189,598	681,864
Other comprehensive income (loss):								
Unrealized gain (loss) on securities				15,658		15,658	4,911	20,569
Unrealized gain (loss) on derivative instruments				(927)		(927)	(37)	(964)
Foreign currency translation adjustments				7,787		7,787	1,857	9,644
Pension liability adjustments				129,793		129,793	5,176	134,969
Total other comprehensive income (loss)						152,311	11,907	164,218
Total comprehensive income (loss)						644,577	201,505	846,082
Cash dividends			(152,177)			(152,177)	(81,864)	(234,041)
Changes in NTT's ownership interest in subsidiaries		(2,061)				(2,061)	15,565	13,504
Acquisition of treasury stocks					(491)	(491)		(491)
Resale of treasury stocks		(49)			244	195		195
At end of year	¥937,950	¥2,838,927	¥5,406,726	¥(189,606)	¥(1,205,844)	¥7,788,153	¥1,982,726	¥9,770,879

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

Nippon Telegraph and Telephone Corporation and its subsidiaries
Year ended March 31

	Millions of yen		
	2008	2009	2010
Cash flows from operating activities:			
Net income (loss)	¥ 832,540	¥ 733,164	¥ 681,864
Adjustments to reconcile net income (loss) to net cash provided by operating activities—			
Depreciation and amortization (Note 8)	2,161,878	2,139,175	2,012,064
Impairment losses	5,032	4,340	4,582
Deferred taxes (Note 11)	143,712	(102,217)	(47,471)
Goodwill and other intangible assets impairments (Note 8)	2,888	9,204	3,916
Loss on disposal of property, plant and equipment	140,511	120,893	111,024
Gain on transfer of the substitutional portion of the Employee Pension Fund (Notes 2 and 10)	(317,556)	—	—
Gains on sales of property, plant and equipment	(58,494)	(78,171)	(14,940)
Equity in (earnings) losses of affiliated companies (Note 6)	(31,026)	1,916	(8,794)
(Increase) decrease in notes and accounts receivable, trade	289,627	(69,928)	(16,641)
(Increase) decrease in inventories (Note 5)	(34,582)	30,330	27,818
(Increase) decrease in other current assets	(23,310)	(53,711)	(11,026)
Increase (decrease) in accounts payable, trade and accrued payroll	(80,883)	(204,483)	(49,722)
Increase (decrease) in accrued consumption tax	(9,632)	(7,735)	4,898
Increase (decrease) in accrued interest	(2,732)	701	(1,176)
Increase (decrease) in advances received	50,875	16,764	37,613
Increase (decrease) in accrued taxes on income	125,494	55,247	(31,409)
Increase (decrease) in other current liabilities	(12,562)	(30,722)	(21,318)
Increase (decrease) in liability for employees' retirement benefits	(183,377)	(27,049)	28,274
Increase (decrease) in other long-term liabilities	51,957	63,490	117,864
Other	40,432	(87,108)	(9,584)
Net cash provided by (used in) operating activities	3,090,792	2,514,100	2,817,836
Cash flows from investing activities:			
Payments for property, plant and equipment	(1,259,719)	(1,411,979)	(1,370,923)
Proceeds from sale of property, plant and equipment	81,991	102,170	41,288
Payments for purchase of non-current investments	(199,780)	(393,454)	(89,656)
Proceeds from sale and redemption of non-current investments	124,183	50,693	20,611
Payments for purchase of short-term investments	(14,293)	(37,549)	(443,195)
Proceeds from redemption of short-term investments	5,586	37,467	86,306
Acquisition of intangibles and other assets	(728,610)	(617,006)	(553,339)
Net cash provided by (used in) investing activities	(1,990,642)	(2,269,658)	(2,308,908)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt (Note 9)	508,922	907,601	450,378
Payments for settlement of long-term debt (Note 9)	(878,267)	(659,634)	(538,026)
Proceeds from issuance of short-term debt (Note 9)	2,861,490	4,067,859	3,466,397
Payments for settlement of short-term debt (Note 9)	(2,709,385)	(4,248,234)	(3,544,696)
Dividends paid	(117,468)	(135,338)	(152,177)
Proceeds from sale of (payments for acquisition of) treasury stock, net (Note 13)	(95,650)	(200,503)	(296)
Acquisition of treasury stocks by subsidiary (Note 18)	(173,002)	(136,846)	(20,174)
Other	(123,024)	51,756	(312,703)
Net cash provided by (used in) financing activities	(726,384)	(353,339)	(651,297)
Effect of exchange rate changes on cash and cash equivalents	(455)	(7,892)	654
Net increase (decrease) in cash and cash equivalents	373,311	(116,789)	(141,715)
Cash and cash equivalents at beginning of year	796,255	1,169,566	1,052,777
Cash and cash equivalents at end of year (Note 4)	¥ 1,169,566	¥ 1,052,777	¥ 911,062
Cash paid during the year for:			
Interest	¥ 66,568	¥ 58,215	¥ 56,322
Income taxes, net	237,311	403,850	511,261
Noncash investing and financing activities:			
Capital lease obligations incurred during the year	7,694	31,019	26,387
Acquisition of stocks through share exchanges (Note 7)	19,864	—	15,023
Acquisitions of exchangeable bonds through share exchange (Note 7)	—	—	20,821
Acquisitions of stocks through conversion of exchangeable bonds (Note 7)	¥ —	¥ —	¥ 26,326

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

Nippon Telegraph and Telephone Corporation and its subsidiaries

1. Nature of operations:

Nippon Telegraph and Telephone Corporation (“NTT”) and its subsidiaries (“NTT Group”) conduct the following main business activities: regional communications (domestic intra-prefectural communication services and incidental services), principally operated by Nippon Telegraph and Telephone East Corporation (“NTT East”) and Nippon Telegraph and Telephone West Corporation (“NTT West”); long-distance and international communications (domestic inter-prefectural communication services, international communication services and incidental services), principally operated by NTT Communications Corporation (“NTT Communications”); mobile communications (mobile phone services and incidental services), principally operated by NTT DOCOMO, Inc. (“NTT DOCOMO”); and data communications (system integration, network system services, etc.), principally operated by NTT DATA CORPORATION (“NTT DATA”). NTT’s mobile communications business terminated PHS (Personal Handyphone System) services as of January 7, 2008 and plans to terminate mova services on March 31, 2012.

Pursuant to the Nippon Telegraph and Telephone Corporation Law (“NTT Law”) as approved by the Japanese Diet, NTT was incorporated on April 1, 1985, upon which all the assets and liabilities of Nippon Telegraph and Telephone Public Corporation (“Public Corporation”) were transferred to NTT. As provided for in the supplementary provisions of the NTT Law, all the new shares held by Public Corporation were transferred to the Japanese Government upon the dissolution of Public Corporation on April 1, 1985. The NTT Law specifies, however, that such government ownership may eventually be reduced to one-third. Since incorporation, the Japanese Government has sold NTT’s common stock to the public. The Japanese Government’s ownership ratio of NTT’s issued stock is 33.7% as of March 31, 2010. As a normal part of its business operations, NTT provides various telecommunications and other services to the Japanese Government.

2. Summary of significant accounting policies:

NTT and its consolidated subsidiaries in Japan maintain their records and prepare their financial statements in accordance with the Japanese Corporation Law by applying accounting principles generally accepted in Japan, and its foreign subsidiaries in conformity with those countries of their domicile. NTT, as a regulated company, also follows the NTT Law and other related accounting regulations for preparing such financial statements.

The accompanying consolidated financial statements contain the necessary adjustments, reclassifications and disclosures to conform with accounting principles generally accepted in the United States of America.

Significant accounting policies are as follows:

(1) Application of New Accounting Standards

Business Combinations—

Effective April 1, 2009, NTT Group adopted the provisions of Financial Accounting Standards Board (“FASB”) Statement of Financial Accounting Standards No. 141 Revised, *Business Combinations*, included in FASB Accounting Standards Codification (“ASC”) Topic 805. This ASC establishes principles and requirements of how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, any noncontrolling interest in the acquire and the goodwill acquired in a business combination. This ASC requires disclosures

to enable evaluation of the nature and financial effects of the business combination. The adoption of this ASC did not have a material impact on the results of operations or the financial position of NTT Group.

Noncontrolling Interests in Consolidated Financial Statements—

Effective April 1, 2009, NTT Group adopted the provisions of FASB Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, included in ASC Topic 810. This ASC establishes new accounting and reporting standards for noncontrolling interests (previously referred to as minority interests) in consolidated financial statements. This ASC establishes new accounting and reporting for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in parent’s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. This ASC requires disclosure that clearly identifies and distinguishes the interests of the parent and the interest of the noncontrolling owners. Upon adoption of this ASC, noncontrolling interests, which were previously referred to as minority interests and classified between total liabilities and stockholders’ equity on the

consolidated balance sheets, are now included as a separate component of total equity. Also, consolidated net income on the consolidated statements of income now includes the net income (loss) attributable to noncontrolling interests. These financial statement presentation requirements have been adopted retrospectively and prior year amounts have been classified to conform with this ASC.

Improving Disclosure about Fair Value Measurements—

Effective January 1, 2010, NTT Group adopted Accounting Standards Update (“ASU”) 2010-06 “Improving Disclosures about Fair Value Measurements” issued by FASB, which requires new disclosures pursuant to ASC 820 “Fair Value Measurements and Disclosures.” This ASU requires new disclosures about recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair-value measurements, which are part of the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This ASU also requires new disclosures regarding the reconciliation of Level 3 fair-value measurements, which includes a description of the gross amount of purchases, sales, issuances, and settlements rather than the net amount. The new reconciliation of Level 3 fair-value measurements disclosure requirement is effective for interim and annual reporting periods beginning after December 15, 2010. The additional disclosures required by this ASU is provided in Note 14.

(2) Principal Accounting Policies

Basis of consolidation and accounting for investments in affiliated companies—

The consolidated financial statements include the accounts of NTT, its subsidiaries, and variable interest entities (“VIEs”). All significant intercompany transactions and accounts are eliminated in consolidation.

The fiscal years of certain foreign subsidiaries end on December 31 and any significant subsequent transactions for the period from January 1 to March 31 are reflected in the results of operations of NTT Group.

Investments in affiliated companies where NTT Group has the ability to exercise significant influence over the affiliated companies, but does not have a controlling financial interest, are accounted for under the equity method. NTT evaluates its investments in affiliates for impairment due to declines in value considered to be other than temporary. In performing its evaluations, NTT utilizes various information, as available, including cash flow projections, independent valuations and, if applicable, stock price

analysis. In the event of a determination that a decline in value is other than temporary, a charge to earnings is recorded for the loss and a new cost basis in the investment is established.

Use of estimates—

The preparation of NTT’s consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include revenue recognition, estimated useful lives and recover of the carrying value of property, plant and equipment, software and certain other intangibles, goodwill, investments, employees’ retirement benefit obligations and income tax uncertainties and realizability of deferred tax assets.

As 2G mova mobile phone service subscribers have been steadily migrating to 3G service, FOMA, in mobile communications business, NTT Group has decided to terminate mova services on March 31, 2012 and to concentrate its management resources on FOMA services. As a result, effective October 1, 2008, NTT Group decreased the estimated useful lives of its long-term assets related to the mova services. The change resulted in a decrease of ¥60,072 million in operating income, ¥23,539 million in net income attributable to NTT, and ¥17.50 in net income attributable to NTT per share for the fiscal year ended March 31, 2009. The impact on the results of operations and financial position for the year ended March 31, 2010 is not material.

Revenue recognition—

Revenues 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. With regard to revenues from mobile voice related services and IP/packet communications services, monthly billing plans for cellular (FOMA (3G wireless services) and mova (2G wireless services)) services generally include a certain amount of allowances (free minutes and/or packets), and the used amount of the allowances is subtracted from total usage in calculating the airtime revenue from a subscriber for the month. NTT Group introduced a billing arrangement, called “Nikagetsu Kurikoshi” (two-month carry over), in which the unused allowances are automatically carried over up to the following two months. In

addition, NTT Group then introduced an arrangement which enables the unused allowances that were carried over for two months to be automatically used to cover the airtime and/or packet fees exceeding the allowances of the other subscriptions in the "Family Discount" group, a discount billing arrangement for families with between two and ten subscriptions. Out of the unused allowance in a month, NTT Group defers the revenues based on the portion which is estimated to be used in the following two months. As for the portion which is estimated to expire, NTT Group recognizes the revenue attributable to such portion of allowances ratably as the remaining allowances are utilized, in addition to the revenue recognized when subscribers make calls or utilize data transmissions.

Non-recurring upfront fees such as activation fees are deferred and recognized as revenues over the estimated average period of the subscription 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.

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. The amount of the expected future usage is estimated based on past records of use and experience.

Sales of telecommunication equipment are recognized as income upon delivery of the equipment to purchasers, primarily agent reseller, when title to the product, and the risk and rewards of ownership have been substantially transferred. Certain commissions paid to purchasers, primarily agent resellers, are recognized as a reduction of sales of telecommunication equipment.

With regard to sales of telecommunication equipment in the mobile communications business, NTT Group enables subscribers to select installment payments over a period of 12 or 24 months. When installment payments are selected, under agreements entered into among NTT Group, subscribers and agent resellers, NTT Group provides financing by providing funds for the purchase of the handset by the subscribers. NTT Group then includes current installment for the receivable for purchased handset with basic monthly charges and airtime charges for the installment payment term. Because equipment sales are recognized upon delivery of handsets to agent resellers, the advance payment for the purchased handset to agent resellers and subsequent cash collection of the installment receivable for the purchased handset from subscribers do not have an impact on our equipment sales.

Revenues from system integration services are recognized as works on contracts progress. However, revenues are recognized upon completion of the contracted services, in cases where the contract period is short and the difference in the impact on the

financial position and/or results of operations is immaterial, or in cases where it is difficult to make a reasonable estimate on the progress of the contracted work.

Provision for estimated losses on system integration projects, if any, is made in the fiscal period in which the loss becomes evident.

Cash and cash equivalents, short-term investments—

Excess cash is invested in time deposits, marketable bonds of the Japanese Government, commercial paper or certificates of deposit purchased under agreements to resell. Those with original maturities of three months or less are classified as "Cash and cash equivalents" in the consolidated balance sheets. Those with original maturities of longer than three months and remaining maturities of 12 months or less at the end of the fiscal year are classified as "Short-term investments" in the consolidated balance sheets.

Foreign currency translation and transactions—

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate year-end exchange rates and all income and expense accounts are translated at rates that approximate those rates prevailing at the time of transactions. The resulting translation adjustments are recognized as a component of accumulated other comprehensive income (loss).

Foreign currency receivables and payables are re-measured at appropriate year-end exchange rates and the resulting foreign currency transaction gains or losses are recorded as "Other, net" in the consolidated statements of income.

NTT Group transacts limited business in foreign currencies. The effect of exchange rate fluctuations from the initial transaction date to the settlement date is recorded as "Other, net" in the consolidated statements of income.

Marketable securities and other investments—

Unrealized gains and losses on available-for-sale securities, whose fair values are readily determinable, are reported as a component of accumulated other comprehensive income (loss), net of taxes. Equity securities whose fair values are not readily determinable and equity securities for which sales are restricted by contractual requirements are carried at cost. NTT Group periodically reviews the carrying amounts of its marketable securities for impairments that are other than temporary. If this evaluation indicates there is an impairment that is other than temporary, the security is written down to its estimated fair value. Debt securities designated as held-to-maturity are carried at amortized cost and are reduced to net realizable value for declines in market value unless such declines are deemed to be temporary. Realized gains

and losses, which are determined on the average cost method, are reflected in income.

Inventories—

Inventories consist of telecommunications equipment to be sold, projects in progress, materials and supplies, which are stated at the lower of cost or market. The cost of telecommunications equipment to be sold and materials is determined on a first-in first-out basis. The cost of projects in progress is mainly attributable to that of software production for customers or that of construction of real estate held for resale, including labor and subcontractors' cost based. The cost of supplies is determined by the average cost method or by the specific identification method. Due to the rapid technological changes associated with the wireless communications business, NTT DOCOMO disposed of obsolete handsets during the fiscal years ended March 31, 2008, 2009 and 2010 resulting in losses totaling ¥16,946 million, ¥14,180 million and ¥18,539 million, respectively, which are included in "Cost of equipment sold" in the consolidated statements of income.

Property, plant and equipment and depreciation—

Property, plant and equipment are stated at cost. Depreciation is computed principally using a declining-balance method at rates based on estimated useful lives of the assets with the exception of buildings for which the straight-line method is generally used. With minor exceptions, the estimated useful lives of depreciable properties (estimated economic life) are as follows:

Digital switch equipment (including wireless telecommunications equipment)	8 to 16 years
Cables	13 to 21 years
Tubes and tunnels	50 years
Reinforced concrete buildings	42 to 56 years
Machinery, vessels and tools	3 to 26 years

Depreciation expense is computed based on the total depreciable amount, which is cost, net of estimated residual value. Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Capitalized interest—

Interest is capitalized where it relates to the construction of property, plant and equipment over the period of construction. NTT Group also capitalizes interest associated with the development of internal-use software. NTT Group amortizes such capitalized interest over the estimated useful lives of the related assets.

Total interest costs incurred were ¥68,173 million, ¥63,893 million and ¥60,186 million, of which ¥4,398 million, ¥5,006 million and ¥5,036 million were capitalized for the fiscal years ended March 31, 2008, 2009 and 2010, respectively.

Impairment of long-lived assets—

Long-lived assets to be held and used, including property, plant and equipment, software and certain other intangible assets with finite useful lives are reviewed 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 flows is less than the carrying amount of the asset, the loss recognized is the amount by which the carrying value of the asset exceeds 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. Assets to be disposed of by sale are reported at the lower of the carrying amount or estimated fair value less costs to sell.

Goodwill and other intangible assets—

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and recognized. Goodwill is not amortized, but tested for impairment at least annually and more frequently when indicators of impairment are present. The goodwill impairment test is a two-step process. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for that reporting unit and NTT Group must perform the second step of the impairment test (measurement). Under the second step, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. If the fair value of the reporting unit exceeds its carrying value, the second step does not need to be performed.

Other intangible assets primarily consist of computer software and the right to use utility facilities. NTT Group capitalizes the cost of internal-use software, which has a useful life in excess of one year. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not

perform. Software maintenance and training costs are expensed in the period in which they are incurred. Capitalized computer software costs are amortized on a straight-line basis over a period of generally five years.

The intangible assets with indefinite lives are not amortized, but tested for impairment on an annual basis and when indicators of impairment are present.

Income taxes—

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized 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, which 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 in the period that includes the enactment date.

A valuation allowance is recognized to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

The effect of income tax positions are recognized only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the changes in judgment occurs.

Derivative financial instruments—

NTT Group uses several types of derivative financial instruments to manage foreign currency exchange rate and interest rate risks. NTT Group does not use derivative instruments for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities in the balance sheet at fair value and are reported in "Prepaid expenses and other current assets," "Other assets," "Current liabilities—Other" and "Long-term liabilities—Other" in the consolidated balance sheets. Classification of each derivative as current or non-current is based upon whether the maturity of each instrument is less than or greater than 12 months. Changes in fair value of derivative financial instruments are either recognized in income or shareholders' equity (as a component of accumulated other comprehensive income (loss)), depending on

whether the derivative financial instrument qualifies as a hedge and the derivative is being used to hedge changes in fair value or cash flows.

The fair values of forward exchange contracts, interest rate swap agreements, and currency swap agreements are measured by inputs derived principally from observable market data provided by financial institutions.

For derivatives classified as fair value hedges, changes in the fair value of derivatives designated and effective as fair value hedges for recognized assets or liabilities or unrecognized firm commitments are recognized in earnings as offsets to changes in the fair value of the related hedged assets or liabilities.

For derivatives classified as cash flow hedges, changes in the fair value of derivatives designated and effective as cash flow hedges for forecasted transactions or exposures associated with recognized assets or liabilities are initially recorded in other comprehensive income (loss) and reclassified into earnings when the hedged transaction affects earnings.

From time to time, however, NTT Group may enter into derivatives that economically hedge certain of its risks, even though hedge accounting does not apply. In these cases, changes in the fair values of these derivatives are recognized in current period earnings.

NTT Group formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value or cash flow hedges to (1) specific assets or liabilities on the balance sheet or (2) specific firm commitments or forecasted transactions. NTT Group also assesses (both at the hedge's inception and on an ongoing basis at least quarterly) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not highly effective as a hedge, NTT Group discontinues hedge accounting. The amounts representing hedges' ineffectiveness and the component of derivative instruments' gain or loss excluded from the assessment of hedge effectiveness are reported as "Other, net" in the consolidated statements of income.

Cash flows from financial instruments accounted for as hedges are classified in the consolidated statements of cash flows under the same category as the items being hedged.

Earnings per share—

Basic earnings per share is computed based on the average number of shares outstanding during the year and is appropriately adjusted for any free distribution of common stock. Diluted earnings per share assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock. Since NTT did not issue dilutive securities, there is no difference between basic earnings per share and diluted earnings per share. In January 2009, NTT effected the split of one share of its common stock into 100 shares. The computations of earnings per share have been adjusted retroactively for all periods presented to reflect the stock split. For further details, see Note 13.

Comprehensive income—

NTT Group's comprehensive income comprises net income plus other comprehensive income (loss) representing changing in foreign currency translation adjustments, unrealized gains/losses

on securities, pension liability adjustments and unrealized gains/losses on derivative instruments, including those attributed to the noncontrolling interests. NTT Group has elected to disclose comprehensive income in the consolidated statements of changes in equity and comprehensive income and in Note 13.

Variable Interest Entities (VIEs)—

NTT consolidates VIEs if NTT has a variable interest that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both.

VIEs with assets totaling approximately ¥233 billion and ¥239 billion as of March 31, 2009 and 2010, respectively, which were established to develop real estate for rental, and VIEs with assets totaling approximately ¥35 billion and ¥34 billion as of March 31, 2009 and 2010, respectively, which were established to lease software, for the purpose of securitization of mainly real estate and software, have been recognized and consolidated as VIEs in which NTT Group is the primary beneficiary.

Assets and liabilities of VIEs established to develop real estate for rental and to lease software at March 31, 2009 and 2010 are included in the consolidated balance sheets as follows:

	Millions of yen	
	2009	
	Real estate for rental ^(*)	Lease software
Current assets	¥ 19,144	¥ 5,343
Property, plant and equipment	208,165	8,974
Investments and other assets	5,525	21,139
Current liabilities	13,824	7,005
Long-term liabilities	¥134,251	¥12,907

* Property, plant and equipment and Long-term liabilities of VIEs established to develop real estate for rental included "Land" totaling ¥139,832 million and Long-term debt totaling ¥91,389 million, respectively.

	Millions of yen	
	2010	
	Real estate for rental ^(*)	Lease software
Current assets	¥ 20,022	¥ 8,595
Property, plant and equipment	213,477	7,809
Investments and other assets	5,732	17,323
Current liabilities	11,037	6,961
Long-term liabilities	¥144,553	¥ 6,304

* Property, plant and equipment and Long-term liabilities of VIEs established to develop real estate for rental included "Land" totaling ¥135,515 million and Long-term debt totaling ¥100,065 million, respectively.

There is no VIE in which NTT Group holds significant variable interest but is not the primary beneficiary as of March 31, 2010.

Asset Retirement Obligations—

NTT Group's legal obligations associated with the retirement of tangible long-lived assets are recorded as liabilities, measured at fair value, when those obligations are incurred if a reasonable estimate of fair value can be made. Upon initially recognizing liabilities for asset retirement obligations, an entity must capitalize the cost by recognizing an increase in the carrying amount of the related long-lived assets.

NTT Group's asset retirement obligations primarily relate to obligations to restore leased land and buildings for NTT Group's telecommunications equipment to their original condition. NTT estimates the fair value of these liabilities has concluded that the amount is immaterial.

Employees' retirement benefits—

NTT recognizes the funded status of its benefit plan, measured as the difference between the plan assets at fair value and the benefit obligation, in the consolidated balance sheets. Changes in the funded status are recognized as changes in comprehensive income (loss) during the fiscal period in which such changes occur.

Pension benefits earned during the year as well as interest on projected benefit obligations are accrued currently. Prior service cost and net actuarial loss in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets, both of which are included in "Accumulated other comprehensive income (loss)," are amortized over the expected average remaining service period of employees on a straight-line basis.

Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities—

NTT Group accounts for the entire separation process as a single settlement event upon completion of the transfer to the Japanese Government of the substitutional portion of the benefit obligations and related plan assets. Prior to the actual transfer of the substitutional portion of the benefit obligations and related plan assets, no accounting occurred. Additionally, the resultant

gain, which is the difference between the substitutional portion of the obligations settled, assuming a market discount rate, and the government-calculated amount which determines the plan assets required to be transferred, is recognized as a subsidy from the government.

In June 2003, pursuant to the Law Concerning Defined-Benefit Corporate Pension Plans, NTT Kosei-Nenkin-Kikin (NTT Employees Pension Fund) applied to the Japanese Government for permission to be relieved of the obligations related to future employee services to disburse the benefits covering the substitutional portion, and in September 2003, the approval was granted. In April 2007, NTT Kosei-Nenkin-Kikin applied for permission to be relieved of the remaining obligations related to past services to disburse the benefits covering the substitutional portion, and in July 2007, the approval was granted. As a result, NTT Kosei-Nenkin-Kikin converted to NTT Kigyuu-Nenkin-Kikin (NTT Corporate Defined Benefit Pension Plan), a defined-benefit corporate pension fund.

In February 2008, NTT Kigyuu-Nenkin-Kikin (NTT Corporate Defined Benefit Pension Plan) completed the transfer to the Japanese Government of the substitutional portion of the benefit obligations and related plan assets. This settlement decreased operating expenses by ¥317,556 million and was accounted for as "Gain on transfer of the substitutional portion of the Employee Pension Fund" in the consolidated statement of income for the fiscal year ended March 31, 2008. For further details, see Note 10.

Out of period adjustments—

Deferred revenue for the expected future usage of the telephone cards issued by NTT Group was recognized at the beginning of the fiscal year ended March 31, 2008, but not in the prior years. Consequently, Operating revenue—Fixed voice related services decreased by ¥32,800 million in the consolidated statement of income for the fiscal year ended March 31, 2008. Management believes this out-of-period adjustment is immaterial to the results of operations or financial position of NTT Group for the fiscal year ended March 31, 2008 and prior fiscal years.

3. Related party transactions:

NTT Group has entered into a number of different types of transactions with affiliated companies, the most significant of which are the sales of telecommunications equipment, the purchases of terminal equipment and materials and the receipt of certain services.

Transactions with affiliated companies for each of the three years in the period ended March 31, 2010 and the related balances at March 31, 2009 and 2010 were as follows:

	Millions of yen		
	2008	2009	2010
Operating revenues	¥12,489	¥14,929	¥18,767
Operating expenses	¥85,740	¥98,661	¥96,048
Receivables		¥ 9,478	¥11,668
Payables		¥76,987	¥66,844

Dividends from affiliated companies accounted for by the equity method for the fiscal years ended March 31, 2008, 2009 and 2010 were ¥20,303 million, ¥18,446 million and ¥18,284 million, respectively.

4. Cash and cash equivalents:

Cash and cash equivalents at March 31, 2009 and 2010 comprised the following:

	Millions of yen	
	2009	2010
Cash	¥ 788,319	¥701,481
Certificates of deposit, commercial paper and marketable securities purchased under agreements to resell	29,984	20,000
Time deposits, certificates of deposit and other	234,474	189,581
Total	¥1,052,777	¥911,062

Certificates of deposit, commercial paper and securities, including marketable bonds of the Japanese Government, are purchased under agreements to resell and are to be sold back to financial institutions at predetermined selling prices and dates. Such certificates of deposit, commercial paper and securities

and other deposits are stated at amounts, which approximate fair value.

Cash is mainly deposited into several domestic financial institutions and there is no significant concentration of cash deposits in any particular financial institution.

5. Inventories:

Inventories at March 31, 2009 and 2010 comprised the following:

	Millions of yen	
	2009	2010
Telecommunications equipment to be sold and materials	¥139,155	¥151,075
Projects in progress	132,638	86,325
Supplies	41,701	41,469
Total	¥313,494	¥278,869

6. Investments in affiliated companies:

Philippine Long Distance Telephone Company—

From March 2007 to February 2008, NTT DOCOMO additionally acquired approximately 7% of outstanding common shares of Philippine Long Distance Telephone Company (“PLDT”), a telecommunication operator in the Philippines, for ¥98,943 million in the market. Together with the approximately 13% of PLDT outstanding common shares held before the additional acquisition by NTT DOCOMO, NTT Group held approximately 21% of the total outstanding common shares of PLDT as of March 31, 2008 and obtained the ability to exercise significant influence over PLDT. Accordingly, NTT Group accounted for its investment in PLDT by applying the equity method during the fiscal year ended March 31, 2008.

NTT Group determined the fair value of tangible, intangible and other assets and liabilities of PLDT with the assistance of an independent third party appraiser in order to recognize and account for NTT Group’s share of identifiable intangible assets and embedded goodwill of its investment in equity in PLDT. During the fiscal year ended March 31, 2009, upon the completion of the evaluation, adjustments to reflect the earnings impact of the final allocation of the investment in PLDT were charged to equity in earnings (losses) of affiliated companies. As a result, “Equity in earnings (losses) of affiliated companies” in consolidated statement of income for the fiscal year ended March 31, 2009 decreased by ¥3,991 million and “Investments in affiliated companies” in consolidated balance sheet as of March 31, 2009 decreased by ¥6,754 million.

Tata Teleservices Limited—

On November 12, 2008, NTT DOCOMO entered into a capital alliance with Tata Teleservices Limited (“TTSL”) and Tata Sons Limited, the parent company of TTSL. On March 25, 2009, NTT Group acquired approximately 26% of outstanding common shares of TTSL for ¥252,321 million pursuant to the capital alliance, and accounted for the investment by applying the equity method. NTT Group determined fair value of tangible, intangible and other assets and liabilities of TTSL with the assistance of an

independent third party appraiser in order to recognize and account for NTT Group’s share of identifiable intangible assets and embedded goodwill of its investment in equity in TTSL. During the fiscal year ended March 31, 2010, upon the completion of the evaluation, adjustments to reflect the earnings impact of the final allocation of the investment in TTSL were charged to equity in earnings (losses) of affiliated companies. As a result, “Equity in earnings (losses) of affiliated companies” in the consolidated statement of income for the fiscal year ended March 31, 2010 decreased by ¥2,788 million and “Investments in affiliated companies” in consolidated balance sheets as of March 31, 2010 decreased by ¥4,710 million.

Impairment—

NTT Group reviews the business outlook of its affiliates in order to determine if any decline in investment values was other than temporary on a regular basis. As a result of such evaluations, NTT Group recorded an impairment charge for its investment in affiliates totaling ¥8,982 million for the fiscal year ended March 31, 2009. The impairment charges are included with equity in earnings (losses) of affiliated companies in the consolidated statement of income.

NTT’s shares of undistributed earnings of its affiliated companies included in its consolidated retained earnings were ¥69,893 million, ¥59,778 million and ¥61,736 million as of March 31, 2008, 2009 and 2010, respectively.

NTT’s total investment in its affiliated publicly-held companies was ¥124,548 million as of March 31, 2010 and based on quoted market prices at that date, the related market value was ¥211,310 million.

The total carrying values of NTT’s investments in affiliates in the consolidated balance sheets at March 31, 2009 and 2010 were greater by ¥173,693 million and by ¥393,202 million than its aggregate underlying equity in net assets of such affiliates as of the date of the most recent available financial statements of the investees, respectively.

7. Marketable securities and other investments:

Marketable securities and other investments include available-for-sale securities composed of equity securities and debt securities and held-to-maturity debt securities. The aggregate carrying amounts, gross unrealized holding gains, gross unrealized holding losses and fair value of available-for-sale and held-to-maturity securities at March 31, 2009 and 2010 are as follows:

	Millions of yen			
	March 31, 2009			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:				
Equity securities	¥152,611	¥25,474	¥11,279	¥166,806
Debt securities	14,080	34	413	13,701
Held-to-maturity:				
Debt securities	13,137	158	—	13,295
Total	¥179,828	¥25,666	¥11,692	¥193,802

	Millions of yen			
	March 31, 2010			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:				
Equity securities	¥152,503	¥51,507	¥6,741	¥197,269
Debt securities	18,288	218	473	18,033
Held-to-maturity:				
Debt securities	11,610	195	2	11,803
Total	¥182,401	¥51,920	¥7,216	¥227,105

Gross unrealized holding losses and the fair value of available-for-sale securities and held-to-maturity securities and securities accounted for under the cost method which are evaluated for impairment, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2009 and 2010 are as follows:

	Millions of yen			
	March 31, 2009			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Available-for-sale:				
Equity securities	¥77,650	¥10,322	¥1,313	¥ 957
Debt securities	298	4	1,862	409
Held-to-maturity:				
Debt securities	—	—	—	—
Cost method investments:	438	1,399	7,040	1,563

	Millions of yen			
	March 31, 2010			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Available-for-sale:				
Equity securities	¥19,234	¥2,598	¥32,983	¥4,143
Debt securities	1,839	21	6,174	452
Held-to-maturity:				
Debt securities	98	2	—	—
Cost method investments:	2,356	895	9,171	3,763

In the ordinary course of business, NTT maintains long-term investment equity securities accounted for under the cost method, which are included in “Marketable securities and other investments.” The total carrying amounts of those securities were ¥89,541 million and ¥76,908 million at March 31, 2009 and 2010, respectively. NTT did not evaluate fair values of investment

securities with an aggregate carrying amount of ¥58,242 million and ¥44,268 million of these securities for impairment at March 31, 2009 and 2010, respectively, because there are no events or changes in circumstances that have material effects on the fair value or it is not practicable to measure these effects.

Proceeds, gross realized gains and losses from sales of available-for-sale securities for each of the three years in the period ended March 31, 2010 are as follows:

	Millions of yen		
	March 31, 2008	March 31, 2009	March 31, 2010
Proceeds	¥7,313	¥3,210	¥77,153
Gross realized gain	5,413	1,149	6,623
Gross realized loss	125	286	5,027

The amounts of net income (loss) reclassified out of accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2008, 2009 and 2010 were ¥4,081 million, ¥(6,531) million and ¥(2,005) million, respectively.

Maturities of debt securities classified as held-to-maturity at March 31, 2009 and 2010 are as follows:

	Millions of yen			
	2009		2010	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Due within 1 year	¥ 1,701	¥ 1,702	¥ 1,000	¥ 1,003
Due after 1 year through 5 years	10,936	11,087	9,924	10,102
Due after 5 years through 10 years	500	506	550	564
Due after 10 years	—	—	136	134
Total	¥13,137	¥13,295	¥11,610	¥11,803

NTT DOCOMO held approximately 11% of outstanding common shares of KT Freetel Co., Ltd. (“KTF”) as of March 31, 2009 with the initial acquisition cost of ¥65,602 million. On January 20, 2009, NTT DOCOMO agreed with KT Corporation (“KT”) that NTT DOCOMO would exchange 40% of its KTF shareholding for KT common shares and the remaining 60% for KT exchangeable bonds in connection with the proposed merger between KT and KTF. Therefore, NTT determined that the decline in value of KTF shares was other than temporary and recognized ¥26,313

million of impairment loss on the investment in KTF shares based on its fair value as of March 31, 2009. The loss is recorded in other income (expense) under the line item “Other, net” in the consolidated statement of income. The exchange of KTF shares for KT exchangeable bonds and for KT common shares was carried out on May 27, 2009 and June 1, 2009, respectively. The exchange of KT exchangeable bonds for KT ADR was carried out on December 14, 2009 and NTT did not hold KT exchangeable bonds as of March 31, 2010.

8. Goodwill and other intangible assets:

Goodwill—

In September 2000, NTT Communications completed its acquisition of Verio Inc. (“Verio”). The acquisition was recorded using the purchase method. NTT recognized the excess of the acquisition cost of Verio over the fair value of its net assets estimated at date of acquisition as goodwill in the consolidated balance sheets.

NTT performed the impairment test for goodwill related to the acquisition of Verio due to the significant adverse change in the business climate in the U.S. market, and recorded an impairment loss of ¥7,045 million, included in “Goodwill and other intangible assets impairments” in the consolidated statement of income for the fiscal year ended March 31, 2009. The fair value

of the reporting unit used for impairment test was estimated based on the discounted amounts of future cash flows.

The amount of goodwill included in the long distance and international communications business segment is mainly related to the acquisition of Verio.

For the fiscal year ended March 31, 2009, NTT recorded goodwill of ¥26,701 million in connection with NTT DOCOMO’s share repurchase program, which is included in the mobile communications business segment. Further explanation is given in Note 18.

The amount of goodwill included in the data communications business segment is mainly related to the business combinations of NTT DATA.

The changes in goodwill by reportable segment for the fiscal years ended March 31, 2009 and 2010 are as follows:

	Millions of yen				
	2009				
	Long distance and international communications business	Mobile communications business	Data communications business	Other	Total
Balance at March 31, 2008	¥ 53,290	¥353,149	¥21,449	¥ —	¥427,888
Goodwill acquired during year	—	26,821	25,476	2,571	54,868
Impairment losses	(7,045)	—	(2,159)	—	(9,204)
Foreign currency translation adjustments	(12,052)	(4,280)	(3,259)	—	(19,591)
Other	—	(344)	—	—	(344)
Balance at March 31, 2009	¥ 34,193	¥375,346	¥41,507	¥2,571	¥453,617

	Millions of yen				
	2010				
	Long distance and international communications business	Mobile communications business	Data communications business	Other	Total
Balance at March 31, 2009	¥34,193	¥375,346	¥41,507	¥2,571	¥453,617
Goodwill acquired during year	4,219	43,801	2,713	—	50,733
Impairment losses	—	—	(3,750)	—	(3,750)
Foreign currency translation adjustments	969	250	752	—	1,971
Other	—	—	(2,741)	—	(2,741)
Balance at March 31, 2010	¥39,381	¥419,397	¥38,481	¥2,571	¥499,830

Other intangible assets—

The following table displays the major components of intangible assets as of March 31, 2009 and 2010.

	Millions of yen	
	2009	2010
Amortizable intangible assets:		
Computer software	¥ 4,720,526	¥ 4,977,974
Rights to use utility facilities	331,637	335,275
Other	154,529	114,593
Accumulated amortization	(3,799,701)	(3,980,624)
Total amortizable intangible assets	1,406,991	1,447,218
Unamortizable intangible assets:		
Trademarks and trade names	—	6,723
Total unamortizable intangible assets	—	6,723
Total	¥ 1,406,991	¥ 1,453,941

The net carrying amounts of computer software included in amortizable intangible assets as of March 31, 2009 and 2010 are ¥1,275,309 million and ¥1,316,021 million, respectively.

The aggregate amortization expense for amortizable intangible assets for the fiscal years ended March 31, 2008, 2009 and 2010 were ¥677,826 million, ¥632,432 million and ¥630,194 million, respectively.

Computer software is recorded at cost and is amortized on a straight-line basis over its estimated useful life, which is generally five years. Rights to use utility facilities are acquired for lump-sum cash payments and mainly consist of cable tunnel and public use joint tunnels. Such rights are recorded at cost and are amortized on a straight-line basis over their estimated useful lives of eighteen years. Other intangibles are also recorded at cost and

amortized on a straight-line basis over their estimated useful lives averaging ten years.

Unamortizable intangible assets included the intangible assets with indefinite lives acquired through business combinations, “trademark”, totaling ¥6,723 million as of March 31, 2010.

The estimated aggregate amortization expenses for intangible assets during each of the five years ending March 31 are as follows:

Fiscal year ending March 31	Millions of yen
2011	¥453,378
2012	341,581
2013	241,989
2014	153,133
2015	90,678

9. Short-term borrowings and long-term debt:

Short-term borrowings at March 31, 2009 and 2010 comprised the following:

	Millions of yen	
	2009	2010
Borrowing denominated in Japanese yen:		
Unsecured short-term loans from financial institutions bearing interest at weighted average rates of 0.80% and 0.64% per annum at March 31, 2009 and 2010, respectively	¥134,019	¥ 93,470
Commercial paper bearing interest at weighted average rates of 0.32% and 0.12% per annum at March 31, 2009 and 2010, respectively	253,967	215,994
Borrowing denominated in foreign currencies:		
U.S. dollar unsecured short-term loans from financial institutions bearing interest at a weighted average rate of 0.76% per annum at March 31, 2010	—	279
Euro unsecured short-term loans from financial institutions bearing interest at weighted average rates of 5.07% and 1.98% per annum at March 31, 2009 and 2010, respectively	29	774
Chinese Yuan unsecured short-term loans from financial institutions bearing interest at a weighted average rate of 6.03% and 5.82% per annum at March 31, 2009 and 2010, respectively	13	80
	¥388,028	¥310,597

Long-term debt at March 31, 2009 and 2010 comprised the following:

	Millions of yen	
	2009	2010
Debt denominated in Japanese yen:		
0.49%–2.06% coupon bonds due 2010–2019	¥2,335,841	¥2,318,151
0.53%–1.00% floating rate bonds due 2011	239,283	239,128
Secured indebtedness to financial institutions—		
2.35% (weighted average) loans due 2010–2029	41,349	51,082
1.05% (weighted average) floating rate loans due 2010–2011	39,608	30,698
Unsecured indebtedness to financial institutions—		
1.37% (weighted average) loans due 2010–2032	1,424,077	1,290,482
1.66% (weighted average) floating rate loans due 2010–2020	58,041	70,647
	4,138,199	4,000,188
Debt denominated in foreign currencies:		
1.88%–2.25% Swiss franc bonds due 2012–2013	69,177	70,553
4.13% Euro notes due 2011	65,768	63,210
Unsecured indebtedness to financial institutions—		
4.23% (weighted average) U.S. dollar loans due 2010–2019	6,717	6,216
0.62% (weighted average) U.S. dollar floating rate loans due 2010–2022	11,720	14,596
4.81% (weighted average) Euro loans due 2010–2017	1,654	1,600
1.93% (weighted average) Euro floating rate loans due 2010–2018	898	856
3.95% (weighted average) Great Britain Pound loans due 2010–2014	1,130	1,217
3.32% (weighted average) Swiss franc loans due 2010	52	20
	157,116	158,268
Total long-term debt principal	4,295,315	4,158,456
Less—Deferred bond discounts	(586)	(464)
	4,294,729	4,157,992
Less—Current maturities	(603,041)	(781,323)
Total long-term debt	¥3,691,688	¥3,376,669

Interest rates and due dates in the above table are stated at March 31, 2010.

All holders of the bonds and notes issued by NTT, referred to in the above table, generally have preferential rights under the NTT Law to be paid prior to other unsecured indebtedness, subject to certain general preferential rights provided for in the Japanese Civil Code, such as preferential rights of employees to wages.

The bond and note agreements relating to NTT's long term debt at March 31, 2010 generally provide that the bonds and notes may be purchased by NTT in the market or directly from the holders. Additionally, certain of the bonds and notes are redeemable at the option of NTT, generally at the principal amount.

The balance of long-term debt as of March 31, 2010, and the aggregate amounts of annual maturities from the fiscal year ending March 31, 2011 to the fiscal year ending March 31, 2015 and thereafter are as follows:

Fiscal year ending March 31	Millions of yen
2011	¥ 781,323
2012	696,339
2013	640,681
2014	656,757
2015	392,080
Thereafter	990,812
Total	¥4,157,992

As of March 31, 2010, NTT Group has unused committed lines of credit amounting to ¥206 billion.

10. Employees' retirement benefits:

(1) Severance Payments and Contract-type Corporate Pension Plans

Employees who terminate their services with NTT Group are generally entitled to lump-sum severance payments based on NTT's severance payment plans, determined by reference to the employee's basic rate of pay, length of service and other conditions.

NTT and certain subsidiaries introduced non-contributory funded contract-type corporate pension plans, which cover 28% of the severance benefits under the severance payment plans to employees who are more than 50 years old and retire after twenty or more years of service. The benefits are also payable in a lump sum at the option of the employee.

The following table presents the reconciliation of the changes in the plans' benefit obligations and fair value of plan assets during the fiscal years ended March 31, 2009 and 2010. NTT uses a March 31 measurement date.

	Millions of yen	
	2009	2010
Change in benefit obligations:		
Benefit obligation, beginning of year	¥ 2,279,725	¥ 2,212,663
Service cost	75,275	75,818
Interest cost	49,598	46,906
Plan amendment	—	(56)
Actuarial loss (gain)	22,380	8,693
Other	12,548	3,106
Benefit payments (Lump-sum severance payments and Pension)	(226,863)	(180,400)
Benefit obligation, end of year	2,212,663	2,166,730
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	1,268,711	1,036,591
Actual return on plan assets	(196,039)	151,193
Employer contributions	67,059	52,282
Other	(5)	2,366
Benefit payments (Pension)	(103,135)	(106,023)
Fair value of plan assets, end of year	1,036,591	1,136,409
At March 31:		
Under funded status	¥(1,176,072)	¥(1,030,321)

The following table provides the amounts recognized in the consolidated balance sheets:

	Millions of yen	
	2009	2010
At March 31:		
Liability for employees' retirement benefits	¥(1,176,090)	¥(1,030,355)
Other assets	18	34
Accumulated other comprehensive loss (income)	373,201	251,293
Net amount recognized	¥ (802,871)	¥ (779,028)

The following table provides the amounts recognized as accumulated other comprehensive loss (income):

	Millions of yen	
	2009	2010
At March 31:		
Net actuarial loss	¥458,676	¥314,466
Transition obligation	1,194	1,281
Prior service cost ^(*)	(86,669)	(64,454)
Total	¥373,201	¥251,293

^(*) Prior service cost has been amortized on the straight-line method over the average remaining service period of employees expected to receive benefits under the plans.

The accumulated benefit obligation was ¥2,192,962 million and ¥2,147,506 million at March 31, 2009 and 2010, respectively.

The projected benefit obligation and the fair value of plan assets in the plans with projected benefit obligations in excess of fair value of plan assets at March 31, 2009 and 2010 are as follows:

	Millions of yen	
	2009	2010
At March 31:		
Projected benefit obligation	¥2,212,655	¥2,165,748
Fair value of plan assets	1,036,565	1,135,376

The accumulated benefit obligation and the fair value of plan assets in the plans with accumulated benefit obligations in excess of fair value of plan assets at March 31, 2009 and 2010 are as follows:

	Millions of yen	
	2009	2010
At March 31:		
Accumulated benefit obligation	¥2,193,018	¥2,146,523
Fair value of plan assets	1,036,565	1,135,376

The charges to income for employees' retirement benefits for each of the three years in the period ended March 31, 2010 included the following components:

	Millions of yen		
	2008	2009	2010
Service cost	¥ 79,702	¥ 75,275	¥ 75,818
Interest cost on projected benefit obligation	50,037	49,598	46,906
Expected return on plan assets	(34,782)	(31,398)	(25,171)
Amortization of net actuarial loss	1,610	2,958	26,779
Amortization of transition obligation	364	138	134
Amortization of prior service cost	(30,941)	(27,607)	(22,292)
Net periodic benefit cost	65,990	68,964	102,174
Curtailment loss	2,160	—	—
Total	¥ 68,150	¥ 68,964	¥102,174

Other changes in plan assets and benefit obligations recognized as other comprehensive loss (income) for the fiscal years ended March 31, 2009 and 2010 are as follows:

	Millions of yen	
	2009	2010
Other comprehensive loss (income)		
Net loss (gain) arising during period	¥249,817	¥(117,329)
Amortization of net actuarial loss	(2,958)	(26,779)
Amortization of transition obligation	(138)	(134)
Accrued past service liability	—	(56)
Amortization of prior service cost	27,607	22,292
Other	2,367	98
Total	¥276,695	¥(121,908)

The amounts of net actuarial loss, transition obligation and prior service cost included as accumulated other comprehensive loss (income) expected to be recognized as components of net periodic benefit cost for the fiscal year ending March 31, 2011 amount to ¥11,930 million, ¥169 million and ¥(22,276) million, respectively.

The following table reflects the weighted-average assumptions used to determine the benefit obligations and net periodic benefit cost:

	2008	2009	2010
Weighted-average assumption used to determine benefit obligations at March 31			
Discount rate	2.3%	2.2%	2.1%
Rate of compensation increase	1.9–3.2%	1.9–3.2%	1.9–3.2%
Weighted-average assumption used to determine net periodic benefit cost for years ended March 31			
Discount rate	2.2%	2.3%	2.2%
Rate of compensation increase	1.5–3.4%	1.9–3.2%	1.9–3.2%
Expected long-term return on plan assets	2.5%	2.5%	2.5%

In determining the expected long-term rate of return on plan assets, NTT considers the current and projected asset allocations, as well as expected long-term investment returns and risks for each category of plan assets based on analysis of historical results.

The following table presents the fair values of pension plan assets of contract-type corporate pension plans as of March 31, 2010. Descriptions of fair value hierarchy and the inputs used in measuring fair value are presented in Note 14.

	Millions of yen			
	2010			
	Total	Fair value measurements using		
		Level 1	Level 2	Level 3
Cash and cash equivalents	¥ 7,784	¥ 7,784	¥ —	¥ —
Debt securities				
Japanese government bonds/local government bonds	313,477	280,435	33,042	—
Domestic corporate bonds	107,128	—	107,128	—
Foreign government bonds	95,001	86,571	8,430	—
Foreign corporate bonds	5,653	373	4,361	919
Equity securities				
Domestic	287,951	283,258	4,693	—
Foreign	142,599	142,599	—	—
Securities investment trust				
Domestic/debt securities	13,300	—	13,300	—
Domestic/equity securities	21,923	—	21,923	—
Foreign/debt securities	6,455	—	6,455	—
Foreign/equity securities	15,172	—	15,172	—
Life insurance company general accounts	118,187	—	118,187	—
Others	1,779	—	(3)	1,782
Total	¥1,136,409	¥801,020	¥332,688	¥2,701

Cash and cash equivalents

Cash and cash equivalents include foreign currency deposits and call loans, and are all classified as Level 1.

Debt securities

Debt securities include Japanese government bonds and local government bonds, domestic corporate bonds, foreign government bonds and foreign corporate bonds. If active market prices are available, fair value is measured by quoted prices for identical assets in active markets, which classified to Level 1. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by

financial institutions, which is classified to Level 2. In case its fair value is measured by inputs derived from unobservable data, it is classified to Level 3.

Equity securities

Equity securities include domestic stocks and foreign stocks. If active market prices are available, fair value is measured by quoted prices for identical assets in active markets, which classified to Level 1. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by financial institutions, which is classified to Level 2.

Securities investment trust

Securities investment trust beneficiary certificates include bond investment trusts and foreign stock investment trusts. Its fair value is measured by inputs derived principally from observable market data provided by financial institutions, which is classified to Level 2.

Life insurance company general accounts

Life insurance company general accounts are the financial assets which guarantee an expected rate of return and principal and they are all classified to Level 2.

Others

Others include fund of hedge funds and pension investment trust beneficiary rights. Its fair value is measured by inputs derived from unobservable data, which is classified to Level 3.

Level 3 reconciliation is not disclosed, since the amounts in Level 3 are immaterial.

NTT Group's policy toward plan asset management is formulated with the ultimate objective of ensuring the steady disbursement of benefits in future periods. The long-term objective of asset management, therefore, is to secure the total profits deemed necessary to ensure pension financing. To achieve this, NTT Group selects various investments and takes into consideration their expected returns and risks and the correlation among them. NTT Group then sets the target allocation ratio for plan assets and endeavors to maintain that ratio. The target allocations are formulated from a mid- to long-term perspective and are reviewed annually. In the event that there is a significant change in the investment environment, NTT Group also reviews the asset allocations as necessary. The target allocations in March 2010 are: domestic bonds, 40.0%; domestic stocks, 25.0%; foreign bonds, 10.0%; foreign stocks, 15.0%; and life insurance company general accounts, 10.0%. As securities investment trust beneficiary certificates are established for each asset, they are allocated among domestic bonds, domestic stocks, foreign bonds and foreign stocks.

Domestic stocks include NTT Group's and its affiliates' common stock with an aggregate fair value of ¥7,629 million (0.7% of total plan assets) and ¥8,155 million (0.7% of total plan assets) at March 31, 2009 and 2010, respectively.

NTT Group expects to contribute ¥73,702 million to the contract-type corporate pension plans in the fiscal year ending March 31, 2011.

The estimated future benefit payments are as follows:

Year ending March 31	Millions of yen
2011	¥ 182,615
2012	182,350
2013	191,200
2014	189,046
2015	183,773
2016–2020	739,494
Total	¥1,668,478

In connection with a revision of NTT DATA's personnel-secondment program, the cost of single sum payments which were paid to employees for earlier terminations was recognized as special termination benefits and amounted to ¥35,797 million for the fiscal year ended March 31, 2008.

(2) Social Welfare Pension Scheme and NTT Kigyō-Nenkin-Kikin (NTT Corporate Defined Benefit Pension Plan)

Since incorporation in April 1985, both NTT Group and its employees had made contributions every year to the Nippon Telegraph and Telephone Mutual Aid Plan ("the NTT Mutual Aid Plan"), which was one of the Japanese government-regulated social welfare pension schemes, based on the Public Corporation Employee Mutual Aid Association Law, and was operated to pay pension benefits to the retired/existing employees of NTT, Public Corporation and/or their predecessor government organizations (Ministry of Communications in the area of telecommunications and the Ministry of Telecommunications). The NTT Mutual Aid Plan was considered as a multi-employer plan and, accordingly, contributions were recognized as an expense when they were required for the period.

As part of the Japanese social welfare pension scheme restructuring in 1997, the Japanese Welfare Pension Insurance Law was amended effective April 1, 1997 to integrate the NTT Mutual Aid Plan under the Public Corporation Employee Mutual Aid Association Law with the Welfare Pension Insurance Scheme under the Japanese Welfare Pension Insurance Law. This converted the NTT Mutual Aid Plan into a) the national Kosei-Nenkin ("the National Plan"), b) NTT Kosei-Nenkin-Kikin (the "NTT Plan") and c) the Special Accounting Fund for the NTT Plan (former NTT Mutual Aid Plan). Based on the Law Concerning Defined-Benefit Corporate Pension Plans which came into force in June 2001, the NTT Plan completed the transfer to the Japanese Government of the substitutional portion of the benefit obligations, as described below. In July 2007, the NTT Plan was converted to NTT Kigyō-Nenkin-Kikin or the NTT Corporate Defined Benefit Pension Plan

(“NTT CDBP”) that succeeded the pension benefit obligations after the transfer to the Japanese Government of the substitutional portion of the benefit obligations.

a) The National Plan

The National Plan is a government-regulated social welfare pension plan under the Japanese Welfare Pension Insurance Law and since April 1997, both NTT Group and its employees have made contributions to such plan every year. It is considered as a multi-employer plan and contributions are recognized as expenses when contributions are required. The total amounts of contributions were ¥120,524 million, ¥120,718 million and ¥121,464 million for the fiscal years ended March 31, 2008, 2009 and 2010, respectively.

b) The NTT CDBP (former NTT Plan)

NTT established the NTT Plan in April 1997. Both NTT Group and its employees made contributions to such plan to supplement the pension benefits to which the employees were entitled under the National Plan. The NTT Plan was regulated under the Japanese Welfare Pension Insurance Law and covered a substitutional portion of the National Plan.

The NTT Plan is considered a defined benefit pension plan and is accounted for separately from the severance payments and the contract-type corporate pension plans as described in the preceding paragraph in (1) above.

In June 2003, under the Law Concerning Defined-Benefit

Corporate Pension Plans, the NTT Plan applied to the Japanese Government for permission to be relieved of the obligations related to future employee services to disburse the NTT Plan benefits covering the substitutional portion and in September 2003, the approval was granted. In April 2007, the NTT Plan applied for permission to be relieved of the remaining obligations related to past services to disburse the benefits covering the substitutional portion, and in July 2007, the approval was granted. As a result, the NTT Plan was converted to the NTT CDBP, a defined-benefit corporate pension fund.

In February 2008, the NTT CDBP completed the transfer to the Japanese Government of the substitutional portion of the benefit obligations and related plan assets, determined pursuant to the government formula, of the pension fund to the government agency. NTT accounted for the entire transfer process as a single settlement event upon completion of the transfer. The net amount of actuarial losses proportionate to the substitutional portion immediately prior to the transfer, which was ¥46,274 million, and the difference between projected benefit obligation and accumulated benefit obligation, which was ¥34,649 million, were netted to be recognized as a settlement loss from the transaction. The net of the accumulated obligation settled and the assets transferred to the government was recognized as a governmental subsidy of ¥329,181 million. As a result of this transaction, a decrease in operating expenses of ¥317,556 million was recognized in the consolidated statements of income for the fiscal year ended March 31, 2008.

The following table presents a reconciliation of the changes in the benefit obligations and fair value of assets of the NTT CDBP at March 31, 2009 and 2010. NTT uses a March 31 measurement date.

	Millions of yen	
	2009	2010
Change in benefit obligations:		
Benefit obligation, beginning of year	¥1,241,986	¥1,294,309
Service cost	37,043	36,415
Interest cost	28,419	28,084
Actuarial loss (gain)	11,294	9,298
Other	(4,186)	(7,831)
Benefit payments	(20,247)	(21,493)
Benefit obligation, end of year	1,294,309	1,338,782
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	958,533	830,614
Actual return on plan assets	(115,943)	105,893
Employer contributions	8,058	7,903
Employee contributions	3,712	3,605
Other	(3,499)	(5,166)
Benefits payments	(20,247)	(21,493)
Fair value of plan assets, end of year	830,614	921,356
At March 31:		
Under funded status	¥ (463,695)	¥ (417,426)

The following table provides the amounts recognized in the consolidated balance sheets:

	Millions of yen	
	2009	2010
At March 31:		
Liability for employees' retirement benefits	¥(463,695)	¥(417,426)
Accumulated other comprehensive loss	203,104	110,186
Net amount recognized	¥(260,591)	¥(307,240)

The following table provides the amounts recognized as accumulated other comprehensive loss (income):

	Millions of yen	
	2009	2010
At March 31:		
Net actuarial loss	¥221,094	¥123,579
Prior service cost ^(*)	(17,990)	(13,393)
Total	¥203,104	¥110,186

^(*) Prior service cost has been amortized on the straight-line method over the average remaining service period of employees expected to receive benefits under the plan.

The accumulated benefit obligation was ¥1,102,065 million and ¥1,145,687 million at March 31, 2009 and 2010, respectively.

The charges to income for employees' retirement benefits for each of the three years in the period ended March 31, 2010 included the following components:

	Millions of yen		
	2008	2009	2010
Service cost	¥ 39,040	¥ 37,043	¥ 36,415
Interest cost on projected benefit obligation	43,273	28,419	28,084
Expected return on plan assets	(32,506)	(23,994)	(20,539)
Amortization of net actuarial loss	6,573	8,122	18,869
Amortization of prior service cost	(4,531)	(4,531)	(4,597)
Employee contributions	(4,042)	(3,712)	(3,605)
Net periodic benefit cost	47,807	41,347	54,627
Gain on transfer of the substitutional portion of the Employee Pension Fund	(317,556)	—	—
Total	¥(269,749)	¥ 41,347	¥ 54,627

Other changes in plan assets and benefit obligations recognized as other comprehensive loss (income) for the fiscal years ended March 31, 2009 and 2010 are as follows:

	Millions of yen	
	2009	2010
Other comprehensive loss (income)		
Net loss (gain) arising during period	¥151,231	¥(76,056)
Amortization of net actuarial loss	(8,122)	(18,869)
Amortization of prior service cost	4,531	4,597
Other	67	(2,576)
Total	¥147,707	¥(92,904)

The amounts of net actuarial loss and prior service cost included as accumulated other comprehensive loss (income) expected to be recognized as components of net periodic benefit cost for the fiscal year ending March 31, 2011 amount to ¥12,488 million and ¥(4,526) million, respectively.

The following table reflects the weighted-average assumptions used to determine the benefit obligations and net periodic benefit cost:

	Millions of yen		
	2008	2009	2010
Weighted-average assumption used to determine benefit obligations at March 31			
Discount rate	2.3%	2.2%	2.1%
Rate of compensation increase	3.4%	3.4%	3.4%
Weighted-average assumption used to determine net periodic benefit cost for years ended March 31			
Discount rate	2.2%	2.3%	2.2%
Rate of compensation increase	3.4%	3.4%	3.4%
Expected long-term return on plan assets	2.5%	2.5%	2.5%

In determining the expected long-term rate of return on plan assets, NTT Group 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 analysis of historical results.

The following table presents the fair values of pension plan assets of NTT CDBP as of March 31, 2010. Descriptions of fair value hierarchy and the inputs used in measuring fair value are presented in Note 14.

	Millions of yen			
	2010			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	¥ 1,355	¥ 1,355	¥ —	¥ —
Debt securities				
Japanese government bonds/local government bonds	241,374	216,988	24,386	—
Domestic corporate bonds	242,272	—	242,272	—
Foreign government bonds	55,681	51,006	4,675	—
Foreign corporate bonds	2,871	263	1,471	1,137
Equity securities				
Domestic	178,172	175,719	2,453	—
Foreign	84,748	84,748	—	—
Securities investment trust				
Domestic/debt securities	21,661	—	21,661	—
Domestic/equity securities	14,811	—	14,811	—
Foreign/debt securities	8,643	—	8,643	—
Foreign/equity securities	9,420	—	9,420	—
Life insurance company general accounts	53,146	—	53,146	—
Others	7,202	—	(2)	7,204
Total	¥921,356	¥530,079	¥382,936	¥8,341

Cash and cash equivalents

Cash and cash equivalents include foreign currency deposits and call loans, and are all classified as Level 1.

Debt securities

Debt securities include Japanese government bonds and local government bonds, domestic corporate bonds, foreign government bonds and foreign corporate bonds. If active market prices are available, fair value is measured by quoted prices for identical assets in active markets, which classified to Level 1. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by

financial institutions, which is classified to Level 2. In case its fair value is measured by inputs derived from unobservable data, it is classified to Level 3.

Equity securities

Equity securities include domestic stocks and foreign stocks. If active market prices are available, fair value is measured by quoted prices for identical assets in active markets, which classified to Level 1. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by financial institutions, which is classified to Level 2.

Securities investment trust

Securities investment trust beneficiary certificates include bond investment trusts and foreign stock investment trusts. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by financial institutions, which is classified to Level 2.

Life insurance company general accounts

Life insurance company general accounts are the financial assets which guarantee an expected rate of return and principal and they are all classified to Level 2.

Others

Others include loans to employees and leasing receivables, which are all classified to Level 3.

Level 3 reconciliation is not disclosed, since the amounts in Level 3 are immaterial.

NTT Group's policy toward plan asset management is formulated with the ultimate objective of ensuring the steady disbursement of benefits in future periods. The long-term objective of asset management, therefore, is to secure the total profits deemed necessary to ensure pension financing. To achieve this, NTT Group selects various investments and takes into consideration their expected returns and risks and the correlation among them. NTT Group then sets the target allocation ratio for plan assets and endeavors to maintain that ratio. The target allocations are formulated from a mid- to long-term perspective and are reviewed annually. In the event that there is a significant change in the investment environment, NTT Group also reviews the asset allocations as necessary. The weighted-average target allocations in March 2010 are: domestic bonds, 57.9%; domestic stocks, 18.3%; foreign bonds, 7.8%; foreign stocks, 10.5%; and life insurance company general accounts, 5.5%. As securities investment trust beneficiary certificates are established for each asset, they are allocated among domestic bonds, domestic stocks, foreign bonds and foreign stocks.

Domestic stocks include NTT Group's and its affiliates' common stock with an aggregate fair value of ¥4,739 million (0.6% of total plan assets) and ¥5,375 million (0.6% of total plan assets) at March 31, 2009 and 2010, respectively.

NTT Group expects to contribute ¥7,643 million to the NTT CDBP in the fiscal year ending March 31, 2011.

The estimated future benefit payments of the NTT CDBP are as follows:

Year ending March 31	Millions of yen
2011	¥ 24,658
2012	31,069
2013	34,332
2014	37,692
2015	40,671
2016–2020	238,320
Total	¥406,742

c) The Special Accounting Fund for the NTT CDBP (former Special Accounting Fund for the NTT Plan)

The Special Accounting Fund for the NTT Plan (former NTT Mutual Aid Plan) was a transitional pension plan created to settle the former NTT Mutual Aid Plan in accordance with the Law to Partially Amend the Japanese Welfare Pension Insurance Law and other legislation. The NTT Mutual Aid Plan was integrated with the National Plan in April 1997, and the Special Accounting Fund for the NTT Plan aims to provide pension benefits for employees who retired before the 1997 shift in the scheme based on the Former Public Corporation Employee Mutual Aid Association Law.

In July 2007, the Special Accounting Fund for the NTT Plan was converted to the Special Accounting Fund for the NTT CDBP as the NTT Plan was converted to the NTT CDBP.

Based on the provisions of the Law to Partially Amend the Japanese Welfare Pension Insurance Law and other legislations, NTT pays contributions set by the Japanese Government every year to the Special Accounting Fund for the NTT CDBP to cover the costs of pension benefits based on the Former Public Corporation Employee Mutual Aid Association Law to cover benefits for the period of service in and prior to June 1956 of employees who retired in July 1956 or later from NTT, Public Corporation, and/or their predecessor government organizations (Ministry of Communications in the area of telecommunications and the Ministry of Telecommunications).

The Special Accounting Fund for the NTT CDBP is a social welfare pension scheme, as are the former NTT Mutual Aid Plan and the current National Plan. It is considered as a multi-employer plan and therefore contributions are recognized as expenses when contributions are required. The amounts of contributions were ¥61,856 million, ¥58,839 million and ¥56,927 million for the fiscal years ended March 31, 2008, 2009 and 2010, respectively, and NTT expects such contributions will decrease year by year.

11. Income taxes:

Total income taxes recognized for the fiscal years ended March 31, 2008, 2009 and 2010 are as follows:

	Millions of yen		2010
	2008	2009	
Income (loss) from continuing operations	¥520,777	¥ 370,083	¥447,001
Equity in earnings (losses) of affiliated companies	10,882	(2,634)	4,821
Other comprehensive income (loss):			
Unrealized gain (loss) on securities	(23,888)	(11,307)	16,013
Unrealized gain (loss) on derivative instruments	(357)	3,615	(562)
Foreign currency translation adjustments	893	(13,348)	3,558
Pension liability adjustments	(61,399)	(158,242)	79,525
Total income taxes	¥446,908	¥ 188,167	¥550,356

Virtually all of NTT Group's income (loss) before income taxes and equity in earnings (losses) of affiliated companies, for all periods presented and the related income tax expenses (benefits) are related to domestic operations. During the fiscal years ended March 31, 2008, 2009 and 2010, NTT and its domestic subsidiaries are subject to a National Corporate Tax of 30%, a Corporate Inhabitant Tax of approximately 6% and a deductible Corporate Enterprise Tax of approximately 8%, which in the aggregate resulted in a combined statutory income tax rate of approximately

41%. The rate of the Corporate Inhabitant Tax and Corporate Enterprise Tax differs depending on the municipalities.

NTT files a consolidated tax return with its wholly owned subsidiaries for National Corporate Tax purposes. The realizable amounts of deferred tax assets related to National Corporate Tax are assessed on the basis of the projected future taxable income of NTT and its wholly owned subsidiaries. As of March 31, 2010, NTT had 120 wholly owned subsidiaries in Japan, including NTT East, NTT West and NTT Communications.

Reconciliations of the difference between the actual effective income tax rate of NTT and the statutory tax rate are as follows:

	Percent of income before income taxes and equity in earnings of affiliated companies		
	2008	2009	2010
Statutory tax rate	40.64%	40.64%	40.65%
Tax credit	(0.55)	(0.81)	(1.80)
Net change in valuation allowance	1.77	0.71	0.98
Net change in deferred tax liability on change in interest in and reorganization of subsidiaries	(2.79)	(7.85)	(0.39)
Other	0.31	0.80	0.47
Effective tax rate	39.38%	33.49%	39.91%

Significant components of deferred tax assets and liabilities at March 31, 2009 and 2010 are as follows:

	Millions of yen	
	2009	2010
Deferred tax assets:		
Liability for employees' retirement benefits	¥ 667,866	¥ 592,265
Accrued enterprise tax	22,566	19,337
Property, plant and equipment and intangible assets principally due to differences in depreciation	414,788	437,383
Compensated absences	105,308	105,030
Accrued bonus	44,814	45,290
Unamortized purchases of leased assets	19,163	14,897
Operating loss carryforwards	217,012	186,745
Unrealized losses on securities	5,577	—
Accrued liabilities for loyalty programs	72,073	110,700
Deferred revenues regarding Nikagetsu Kurikoshi	35,774	29,451
Foreign currency translation adjustments	12,550	8,993
Other	153,515	150,283
Total gross deferred tax assets	1,771,006	1,700,374
Less—Valuation allowance	(301,022)	(265,850)
Total deferred tax assets	1,469,984	1,434,524
Deferred tax liabilities:		
Unrealized gains on securities	—	(6,952)
Special depreciation reserve	(1,046)	(83)
Issuance of subsidiaries common stock etc.	(361,151)	(354,449)
Other	(112,137)	(136,241)
Total gross deferred tax liabilities	(474,334)	(497,725)
Net deferred tax assets	¥ 995,650	¥ 936,799

The valuation allowance at March 31, 2009 and 2010 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 net change in the total valuation allowance for the fiscal years ended March 31, 2008 and 2009 were increases of ¥23,359 million and ¥21,449 million respectively, and for the year ended March 31, 2010 was a decrease of ¥35,172 million.

Realization of the deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible and loss carryforwards are utilizable. Management considers the projected future taxable income, tax-planning strategies and scheduled reversal of deferred tax liabilities in making this assessment.

Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets, less valuation allowance, will be realized. The amount of such net assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

In July 2008, NTT DOCOMO reorganized its group structure by integrating eight regional subsidiaries, consolidating its nationwide business operations under a single entity. This consolidation reduced taxable temporary difference between NTT's book basis and tax basis of its investment in NTT DOCOMO and resulted in decrease in income tax expense by ¥56,920 million in the consolidated statement of income for the fiscal year ended March 31, 2009.

Net deferred tax assets at March 31, 2009 and 2010 are included in the consolidated balance sheets as follows:

	Millions of yen	
	2009	2010
Deferred income taxes (current assets)	¥ 266,480	¥ 257,793
Deferred income taxes (investments and other assets)	871,272	828,935
Other current liabilities	—	(1,124)
Other long-term liabilities	(142,102)	(148,805)
Total	¥ 995,650	¥ 936,799

At March 31, 2010, NTT and certain subsidiaries had operating loss carryforwards for tax purposes of ¥862,918 million, which may be used as a deduction in determining taxable income in future periods. The period available to offset future taxable income varies in each tax jurisdiction as follows:

Year ending March 31	Millions of yen
Within 5 years	¥490,214
6 to 20 years	334,699
Indefinite periods	38,005
Total	¥862,918

As of March 31, 2008, 2009 and 2010, NTT Group had no material unrecognized tax benefit which would favorably affect

the effective income tax rate in future periods and does not believe there will be any significant increases or decreases within the next twelve months. NTT Group has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expense in the consolidated statements of income. The total amounts of interest and penalties related to unrecognized tax benefits for the fiscal years ended March 31, 2008, 2009 and 2010 are immaterial. At March 31, 2010, NTT and its major domestic subsidiaries were no longer subject to regular income tax examinations by the tax authority for tax years before March 31, 2008.

12. Consumption tax:

The consumption tax rate, with minor exceptions, for all taxable goods and services is 5%. Consumption tax payable or receivable is determined based on consumption taxes levied on operating revenues offset by consumption taxes directly incurred

by the company when purchasing goods and services. Items in the consolidated statements of income are presented on a net basis of consumption tax.

13. Equity:

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

The introduction of the electronic share certificate system required that fractional shares be eliminated. In order to provide for a smooth transition away from the fractional share system, the board of directors, at their meeting held May 13, 2008, resolved that, subject to approval of the introduction of the unit share system at the 23rd general shareholders meeting and the approval of the Minister of Internal Affairs and Communications,

on the day immediately preceding the implementation date of the electronic share certificate system, one share of common stock be split into 100 shares, and the number of shares constituting one unit be set at 100. This resolution was approved at the 23rd general shareholders meeting and by the Minister of Internal Affairs and Communications on June 25, 2008.

The effective date of the stock split was determined when the implementation date of the Settlement Streamlining Law was set as January 5, 2009. Accordingly, on January 4, 2009, NTT effected the split of one share of its common stock into 100 shares, pursuant to the foregoing resolution. The computations of net income per share and dividends per share have been adjusted retroactively for all periods presented to reflect the effect of the stock split.

Change in NTT's shares of common stock and treasury stock for the fiscal years ended March 31, 2008, 2009 and 2010 are as follows:

	Change in shares	
	Issued shares	Treasury stock
Balance at March 31, 2007	15,741,209	1,921,540.08
Acquisition of treasury stock through purchase of fractional shares	—	3,475.80
Purchase of treasury stock under resolution of the board of directors	—	178,698.00
Resale of treasury stock to fractional shareholders	—	(1,243.06)
Balance at March 31, 2008	15,741,209	2,102,470.82
Acquisition of treasury stock through purchase of fractional shares	—	2,726.22
Purchase of treasury stock under resolution of the board of directors	—	341,307.00
Resale of treasury stock to fractional shareholders	—	(1,824.08)
Effect of stock split	1,558,379,691	242,023,316.04
Acquisition of treasury stock through purchase of less-than-one-unit shares	—	10,623
Purchase of treasury stock under resolution of the board of directors	—	6,386,800
Resale of treasury stock to holders of less-than-one-unit shares	—	(21,252)
Balance at March 31, 2009	1,574,120,900	250,844,167
Acquisition of treasury stock through purchase of less-than-one-unit shares	—	130,382
Resale of treasury stock to holders of less-than-one-unit shares	—	(50,884)
Balance at March 31, 2010	1,574,120,900	250,923,665

According to the NTT Law, NTT must obtain authorization from the Minister of Internal Affairs and Communications for certain financial matters including (1) certain new share issuance, including shares issuable upon the exercise of stock acquisition rights; (2) any resolution for (i) a change in the Articles of Incorporation, (ii) an appropriation of profits or (iii) any merger or dissolution; and (3) any disposition of major telecommunications trunk lines and equipment or providing mortgages on such properties.

On November 24, 1995, based upon the resolution of the board of directors' meeting held on April 28, 1995, NTT capitalized the aggregate amount of ¥15,600 million of its additional paid-in capital to the common stock account and made a free share distribution of 312,000 shares to shareholders of record at September 30, 1995 representing 2% of outstanding shares. Under generally accepted accounting principles in Japan, no accounting entry is required for such a free share distribution. Had the distribution been accounted for entities in the United States, ¥234,624 million would have been transferred from retained earnings to the applicable capital account.

Effective May 1, 2006, the Japanese Corporation Law provides that (i) dividends of earnings require approval at a general meeting of shareholders, (ii) interim cash dividends can be distributed upon the approval of the board of directors, if the Articles of Incorporation provide for such interim cash dividends, and (iii) an amount equal to at least 10% of the decrease in retained earnings resulting from a dividend payment be appropriated from retained earnings to a legal reserve until such reserve is equal to 25% of capital stock. The legal reserve is available for distribution upon approval at a shareholders' meeting.

The Japanese Corporation Law provides that corporations are able to repurchase their own shares in market transactions by resolution of the board of directors in case that articles of incorporation prescribe so.

On November 9, 2007, the board of directors resolved that NTT may acquire up to 200,000 outstanding shares (pre-stock split) of its common stock at an amount in total not exceeding ¥100 billion from November 12, 2007 through March 24, 2008. Based on this resolution, NTT acquired 178,698 shares (pre-stock split) of its common stock for a total purchase price of ¥94,429 million from December, 2007 through March, 2008.

On May 13, 2008, the board of directors resolved that NTT may acquire up to 450,000 outstanding shares (pre-stock split) of its common stock at an amount in total not exceeding ¥200 billion from May 14, 2008 through March 24, 2009. Based on this resolution, NTT acquired 341,307 shares (pre-stock split) of its common stock for a total purchase price of ¥169,767 million from July through December 2008. In January 2009, NTT acquired 6,386,800 shares of its common stock after the stock split for ¥30,233 million and concluded its repurchase of its common stock authorized by the board of directors' resolution. There was no further resolution for the acquisition of common stock by NTT at the shareholders' meeting on June 24, 2009.

The amount of statutory retained earnings of NTT available for the payments of dividends to shareholders as of March 31, 2010 was ¥1,182,842 million. In accordance with customary practice in Japan, appropriations of retained earnings are not accrued in the financial statements for the period to which they relate but are recorded in the subsequent accounting period after

shareholders' approval has been obtained. Retained earnings in the accompanying consolidated financial statements at March 31, 2010 includes amounts representing final cash dividends of ¥79,392 million, ¥60 per share, which were approved at the shareholders' meeting held on June 24, 2010.

On May 14, 2010, the board of directors resolved that the basic policy on cancellation of treasury stock owned by the Company was adopted as stated below.

1. All treasury stock owned by the Company as of March 31, 2010 (250,923,665 shares) shall be cancelled over two fiscal years.
2. One-half of the treasury stock shall be cancelled during this calendar year and the remainder of the treasury stock shall be cancelled during the following fiscal year ending March 31, 2012.

Accumulated other comprehensive income (loss)—

An analysis of the changes for the fiscal years ended March 31, 2008, 2009 and 2010 in accumulated other comprehensive income (loss) is shown below:

	Millions of yen		
	2008	2009	2010
Unrealized gain (loss) on securities:			
At beginning of year	¥ 62,615	¥ 39,028	¥ 17,470
Change during the year	(23,587)	(21,558)	15,658
At end of year	¥ 39,028	¥ 17,470	¥ 33,128
Unrealized gain (loss) on derivative instruments:			
At beginning of year	¥ (2,937)	¥ (3,481)	¥ 1,613
Change during the year	(544)	5,094	(927)
At end of year	¥ (3,481)	¥ 1,613	¥ 686
Foreign currency translation adjustments:			
At beginning of year	¥ 28,153	¥ 29,773	¥ (16,265)
Change during the year	1,620	(46,038)	7,787
At end of year	¥ 29,773	¥ (16,265)	¥ (8,478)
Pension liability adjustments:			
At beginning of year	¥ 14,698	¥ (91,748)	¥(344,735)
Change during the year	(106,446)	(252,987)	129,793
At end of year	¥ (91,748)	¥(344,735)	¥(214,942)
Total accumulated other comprehensive income (loss):			
At beginning of year	¥ 102,529	¥ (26,428)	¥(341,917)
Change during the year	(128,957)	(315,489)	152,311
At end of year	¥ (26,428)	¥(341,917)	¥(189,606)

The following table provides the details of change in unrealized gain (loss) on derivative instruments (net of tax) as follows:

	Millions of yen	
	2008	
	Pre-tax amount	Net-of-tax amount
Unrealized gain (loss) arising during the period	¥ 601	¥ 343
Less—Reclassification adjustment for realized gain included in net income	(1,502)	(887)
Net change in unrealized gain (loss) on derivative instruments	¥ (901)	¥(544)

	Millions of yen	
	2009	
	Pre-tax amount	Net-of-tax amount
Unrealized gain (loss) arising during the period	¥11,817	¥ 6,926
Less—Reclassification adjustment for realized gain included in net income	(3,108)	(1,832)
Net change in unrealized gain (loss) on derivative instruments	¥ 8,709	¥ 5,094

	Millions of yen	
	2010	
	Pre-tax amount	Net-of-tax amount
Unrealized gain (loss) arising during the period	¥ 668	¥ 367
Less—Reclassification adjustment for gain included in net income	(2,157)	(1,294)
Net change in unrealized gain (loss) on derivative instruments	¥(1,489)	¥ (927)

The following table provides the details of change in pension liability adjustments for the fiscal years ended March 31, 2009 and 2010:

	Millions of yen	
	2009	2010
Net gain (loss) arising during period, before tax	¥(402,177)	¥193,129
Prior service cost arising during period, before tax	—	56
Reclassification adjustment, before tax		
Amortization of net actuarial loss (gain)	11,084	45,693
Amortization of transition obligation	175	141
Amortization of prior service cost	(32,138)	(26,889)
Other	11,827	(2,812)
Change of pension liability adjustments during the year, before tax	(411,229)	209,318
Income tax expense related to pension liability adjustments	158,242	(79,525)
Change of pension liability adjustments during the year, net of tax	¥(252,987)	¥129,793

Tax effects allocated to each component of other comprehensive income (loss) for the fiscal years ended March 31, 2008, 2009 and 2010 are shown below:

	Millions of yen		
	Pre-tax amount	Tax benefit / (expense)	Net-of-tax amount
For the fiscal year ended March 31, 2008:			
Unrealized gain (loss) on securities	¥ (53,878)	¥ 23,888	¥ (29,990)
Unrealized gain (loss) on derivative instruments	(834)	357	(477)
Foreign currency translation adjustments	4,644	(893)	3,751
Pension liability adjustment	(172,458)	61,399	(111,059)
Other comprehensive income (loss)	¥(222,526)	¥ 84,751	¥(137,775)
For the fiscal year ended March 31, 2009:			
Unrealized gain (loss) on securities	¥ (36,203)	¥ 11,307	¥ (24,896)
Unrealized gain (loss) on derivative instruments	8,577	(3,615)	4,962
Foreign currency translation adjustments	(73,641)	13,348	(60,293)
Pension liability adjustments	(424,372)	158,242	(266,130)
Other comprehensive income (loss)	¥(525,639)	¥179,282	¥(346,357)
For the fiscal year ended March 31, 2010:			
Unrealized gain (loss) on securities	¥ 36,582	¥ (16,013)	¥ 20,569
Unrealized gain (loss) on derivative instruments	(1,526)	562	(964)
Foreign currency translation adjustments	13,202	(3,558)	9,644
Pension liability adjustments	214,494	(79,525)	134,969
Other comprehensive income (loss)	¥ 262,752	¥ (98,534)	¥ 164,218

14. Fair Value Measurements:

The inputs to valuation techniques used to measure fair value are required to categorize by fair value hierarchy. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1—Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2—Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3—Inputs are unobservable inputs for the asset or liability.

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2009 and 2010 are as follows:

	Millions of yen			
	2009			
	Total	Fair value measurements using		
Level 1 ^(*)		Level 2 ^(**)	Level 3 ^(***)	
Assets				
Available-for-sale securities:				
Domestic equity securities	¥79,972	¥79,972	¥ —	¥—
Foreign equity securities	86,834	86,834	—	—
Domestic debt securities	10,916	920	9,996	—
Foreign debt securities	2,785	11	2,774	—
Derivatives:				
Forward exchange contracts	16	—	16	—
Interest rate swap agreements	3,494	—	3,494	—
Currency swap agreements	2,695	—	2,695	—
Liabilities				
Derivatives:				
Forward exchange contracts	2	—	2	—
Interest rate swap agreements	1,509	—	1,509	—
Currency swap agreements	¥ 4,140	¥ —	¥4,140	¥—

There were no significant transfers between Level 1 and Level 2.

	Millions of yen			
	2010			
	Total	Fair value measurements using		
Level 1 ^(*)		Level 2 ^(**)	Level 3 ^(***)	
Assets				
Available-for-sale securities:				
Domestic equity securities	¥ 87,411	¥ 87,282	¥ 129	¥ —
Foreign equity securities	109,858	109,858	—	—
Domestic debt securities	15,187	1,010	13,110	1,067
Foreign debt securities	2,846	102	2,744	—
Derivatives:				
Forward exchange contracts	8	—	8	—
Interest rate swap agreements	3,342	—	3,342	—
Currency swap agreements	946	—	946	—
Liabilities				
Derivatives:				
Forward exchange contracts	196	—	196	—
Interest rate swap agreements	2,178	—	2,178	—
Currency swap agreements	4,385	—	4,385	—
Currency option agreements	¥ 1,552	¥ —	¥ 1,552	¥ —

(*) Quoted prices for identical assets or liabilities in active markets

(**) Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs derived principally from observable market data

(***) Unobservable inputs

There were no significant transfers between Level 1 and Level 2.

Level 3 reconciliation is not disclosed, since the amounts in Level 3 are immaterial.

Available-for-sale securities—

Available-for-sale securities comprised marketable equity securities and debt securities, and financial instruments classified as available-for-sale securities. If active market prices are available, fair value is measured by quoted prices for identical assets in active markets, which classified to Level 1. If active market prices are not

available, fair value is measured by inputs derived principally from observable market data provided by financial institutions, which is classified to Level 2. In case fair value is measured by inputs derived from unobservable data, it is classified to Level 3.

Derivatives—

Derivatives comprised forward exchange contracts, interest rate swap agreements, currency swap agreements and currency option agreements. Fair value of derivatives is measured by inputs derived principally from observable market data provided by financial institutions, which is classified to Level 2.

Assets and liabilities measured at fair value on a nonrecurring basis for the fiscal years ended March 31, 2009 and 2010 are as follows: Nonfinancial assets and nonfinancial liabilities measured at fair value on nonrecurring basis are stated from the fiscal year ended March 31, 2010.

	Millions of yen				
	2009				
	Fair value measurements using				
	Total	Level 1 ^(*1)	Level 2 ^(*2)	Level 3 ^(*3)	Losses (before tax)
Assets					
Investments in affiliates	¥11,391	¥6,359	¥—	¥5,032	¥15,189
Cost method investments	2,405	—	—	2,405	9,308

	Millions of yen				
	2010				
	Fair value measurements using				
	Total	Level 1 ^(*1)	Level 2 ^(*2)	Level 3 ^(*3)	Losses (before tax)
Assets					
Real estate	¥18,411	¥—	¥ —	¥18,411	¥6,294
Cost method investments	6,629	—	6,017	612	7,963
Goodwill	9,788	—	—	9,788	3,750

(*1) Quoted prices for identical assets or liabilities in active markets

(*2) Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs derived principally from observable market data

(*3) Unobservable inputs

Investments in affiliates—

If a decline in value of investments in affiliates is evaluated as other than temporary, the investment is written down to its fair value. In measuring fair value of such investments, if active market prices are available, fair value is measured by quoted prices for identical assets in active markets, which is classified to Level 1. If market prices are not available, fair value is measured by using various evaluation models based on inputs that are unobservable in the market such as discounted cash flow projection, which is classified to Level 3.

Cost method investments—

If a decline in value of cost method investments is evaluated as other than temporary, the investment is written down to its fair value. In measuring fair value of such investments, if active market prices of similar assets are available, fair value is measured by quoted prices for similar assets, which is classified to Level 2. If active market prices of similar assets are not available, fair value is measured by using various evaluation models based on inputs that are unobservable in the market such as discounted cash flow projection, which is classified to Level 3.

Real estate—

If a decline in value or an increase in estimated costs of completion of real estate held for resale included in inventories causes inventory cost to be unrecoverable, the real estate is written down to its fair value. In measuring fair value of such inventories, fair value is measured by using various evaluation models based on inputs that are unobservable in the market, such as a salable price based on a real-estate appraisal, which is classified to Level 3.

Real estate in the table above includes that transferred from inventories to property, plant and equipment as a result of a change in use or sold to others after measuring fair value.

Goodwill—

The fair value of the reporting units is determined by using various evaluation models based on inputs that are unobservable in the market such as discounted cash flow projection, which is classified to Level 3.

15. Business segment and geographic information:

The operating segments reported below are those for which segment-specific financial information is available. Accounting policies used to determine segment profit/loss and segment assets are consistent with those used to prepare the consolidated financial statements in accordance with accounting principles generally accepted in the United States. NTT Group's management uses this financial information to make decisions on the allocation of management resources and to evaluate business performance.

The regional communications business segment principally comprises revenues from fixed voice related services, IP/packet communications services, sales of telecommunications equipment, and other operating revenues.

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

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

The data communications business segment principally comprises revenues from system integration services.

The other business segment principally comprises operating revenues from such activities as building maintenance, real estate rental, systems development, leasing, and research and development.

Business segments—

Sales and operating revenue:

Year Ended March 31	Millions of yen		
	2008	2009	2010
Sales and operating revenue:			
Regional communications business—			
Customers	¥ 3,591,767	¥ 3,499,092	¥ 3,449,437
Intersegment	617,962	565,680	514,906
Total	4,209,729	4,064,772	3,964,343
Long distance and international communications business—			
Customers	1,199,840	1,191,989	1,145,949
Intersegment	122,970	123,507	113,693
Total	1,322,810	1,315,496	1,259,642
Mobile communications business—			
Customers	4,652,696	4,398,425	4,243,432
Intersegment	59,131	49,555	40,972
Total	4,711,827	4,447,980	4,284,404
Data communications business—			
Customers	928,839	997,621	1,007,274
Intersegment	130,675	129,621	125,239
Total	1,059,514	1,127,242	1,132,513
Other—			
Customers	340,549	329,178	335,284
Intersegment	844,531	836,012	797,332
Total	1,185,080	1,165,190	1,132,616
Other—Corporate adjustment (*)	(32,800)	—	—
Elimination	(1,775,269)	(1,704,375)	(1,592,142)
Consolidated total	¥10,680,891	¥10,416,305	¥10,181,376

(*) Corporate adjustment to reverse and defer telephone card revenue for expected future usage (Note 2). This adjustment of revenue is not included in the measure of segment results received and used by NTT Group's chief operating decision maker. Consequently, the amounts of ¥(26,994) million and ¥(5,806) million are not reflected in the information reported for the regional communications business segment and the long distance and international communications business segment, respectively, for the fiscal year ended March 31, 2008.

Segment profit or loss:

Year Ended March 31	Millions of yen		
	2008	2009	2010
Operating income (loss):			
Regional communications business	¥ 285,631	¥ 70,454	¥ 82,105
Long distance and international communications business	105,815	96,861	98,230
Mobile communications business	796,501	825,403	828,449
Data communications business	58,841	86,772	64,866
Other	78,900	15,178	13,326
Total	1,325,688	1,094,668	1,086,976
Other—Corporate adjustment (*)	(32,800)	—	—
Elimination	11,721	15,084	30,717
Consolidated operating income	1,304,609	1,109,752	1,117,693
Other income	145,950	167,505	102,071
Other expenses	128,268	172,094	99,693
Consolidated income (loss) before income taxes and equity in earnings (losses) of affiliated companies	¥1,322,291	¥1,105,163	¥1,120,071
Equity in earnings (losses) of affiliated companies:			
Regional communications business	¥ 198	¥ 118	¥ 177
Long distance and international communications business	4,276	366	657
Mobile communications business	4,946	(2,074)	(3,105)
Data communications business	239	278	(142)
Other	21,367	(604)	11,207
Consolidated total	¥ 31,026	¥ (1,916)	¥ 8,794

(*) Corporate adjustment to reverse and defer telephone card revenue for expected future usage. See Note 2 and note (*) to the table of segment sales and operating revenue.

Segment assets:

As of March 31	Millions of yen		
	2008	2009	2010
Segment Assets:			
Regional communications business	¥ 7,843,239	¥7,748,563	¥ 7,642,212
Long distance and international communications business	1,406,430	1,338,317	1,315,930
Mobile communications business	6,278,088	6,639,893	6,905,750
Data communications business	1,267,830	1,361,709	1,324,508
Other	10,146,404	9,925,600	9,901,694
Total segment assets	26,941,991	27,014,082	27,090,094
Elimination	(8,423,212)	(8,217,694)	(8,151,039)
Consolidated total assets	¥18,518,779	¥18,796,388	¥18,939,055

(Note) Goodwill resulting from an acquisition is included in segment assets of the respective business in which the acquired business has been included. See Note 8.

Other significant items:

Year Ended March 31	Millions of yen		
	2008	2009	2010
Depreciation and amortization:			
Regional communications business	¥ 967,243	¥ 909,352	¥ 884,810
Long distance and international communications business	141,483	138,035	137,269
Mobile communications business	787,795	809,715	706,942
Data communications business	142,559	151,205	151,067
Other	114,165	123,549	125,165
Total	2,153,245	2,131,856	2,005,253
Elimination	8,633	7,319	6,811
Consolidated total	¥2,161,878	¥2,139,175	¥2,012,064
Gain on transfer of the substitutional portion of the Employee Pension Fund:			
Regional communications business	¥ 245,569	¥ —	¥ —
Long distance and international communications business	9,496	—	—
Mobile communications business	24,702	—	—
Data communications business	15,910	—	—
Other	21,879	—	—
Consolidated total	¥ 317,556	¥ —	¥ —
Capital investments for segment assets:			
Regional communications business	¥ 856,894	¥ 879,313	¥ 874,204
Long distance and international communications business	135,041	140,057	129,010
Mobile communications business	758,743	737,606	686,508
Data communications business	176,826	180,068	162,571
Other	201,357	208,020	134,831
Consolidated total	¥2,128,861	¥2,145,064	¥1,987,124

In addition to those items mentioned above, point program expenses relating to customer reward points are a material non-cash item in the mobile communications business. Point program expenses for the fiscal years ended March 31, 2008, 2009 and 2010 were ¥84,342 million, ¥114,725 million and ¥142,220 million, respectively.

The capital investments in the above table represent the additions to fixed assets of each segment.

For segment information related to goodwill impairments, see Note 8.

Transfers between reportable businesses are made at arms-length prices. Operating income is sales and operating revenue less costs and operating expenses.

Geographic information is not presented due to immateriality of revenue and tangible long-lived assets attributable to customers and operations outside of Japan.

There have been no sales and operating revenue from transactions with a single external customer amounting to 10% or more of NTT Group's revenues for the fiscal years ended March 31, 2008, 2009 and 2010.

16. Leases:

NTT Group leases certain office space, employees' residential facilities and other assets, recorded as either capital leases or operating leases.

Capital Lease—Lessee—

Assets acquired under capital leases at March 31, 2009 and 2010 were as follows:

Class of property	Millions of yen	
	2009	2010
Buildings	¥ 15,436	¥ 7,748
Machinery, vessels and tools	89,095	99,865
Accumulated depreciation	(66,942)	(65,002)
Total	¥ 37,589	¥ 42,611

Future minimum lease payments by year under capital leases together with the present value of the net minimum lease payments at March 31, 2010 are as follows:

Year ending March 31	Millions of yen
2011	¥ 26,043
2012	17,227
2013	10,937
2014	6,181
2015	3,600
Thereafter	8,903
Total minimum lease payments	72,891
Less—Amount representing interest	(7,834)
Present value of net minimum lease payments	65,057
Less—Current obligation*	(24,025)
Long-term capital lease obligations	¥ 41,032

* Current obligation is included in "Other (Current liabilities)" in the consolidated balance sheets.

Operating Lease—Lessee—

Rental expenses under operating leases for land, buildings and equipment for the fiscal years ended March 31, 2008, 2009 and 2010 were ¥229,422 million, ¥230,192 million and ¥204,011, respectively.

Minimum future rental payments under operating leases that have initial or remaining non-cancellable lease terms in excess of one year at March 31, 2010 are as follows.

Year ending March 31	Millions of yen
2011	¥20,287
2012	17,284
2013	7,914
2014	1,959
2015	1,632
Thereafter	11,391
Total	¥60,467

17. Research and development expenses and advertising costs:

Research and development expenses—

Research and development expenses are charged to income as incurred and such amounts charged to income for the fiscal years ended March 31, 2008, 2009 and 2010 were ¥271,056 million, ¥268,197 million and ¥278,144 million, respectively.

Advertising costs—

Advertising costs are expensed as incurred. Advertising costs were ¥103,599 million, ¥99,865 million and ¥92,128 million, which are included in the selling, general and administrative expenses in the consolidated statements of income, for the fiscal years ended March 31, 2008, 2009 and 2010, respectively.

18. Subsidiary stock transactions:

For the fiscal year ended March 31, 2008, NTT DOCOMO repurchased a total of 965,666 shares for ¥172,994 million. As a result, NTT's interest in NTT DOCOMO increased from 63.4% to 64.8%. Goodwill of ¥16,760 million was recorded on the consolidated balance sheet as of March 31, 2008 related to the repurchase transactions.

For the fiscal year ended March 31, 2009, NTT DOCOMO repurchased a total of 868,116 shares for ¥136,845 million. As a result, NTT's interest in NTT DOCOMO increased from 64.8% to 66.2%. Goodwill of ¥26,701 million was recorded on the consolidated balance sheet as of March 31, 2009 related to the repurchase transactions.

The repurchases of shares by NTT DOCOMO resulting in increases in NTT's ownership interest in NTT DOCOMO were accounted for as acquisitions of minority interests using the purchase method.

For the fiscal year ended March 31, 2010, NTT DOCOMO repurchased a total of 154,065 shares for ¥20,000 million. As a result, NTT's interest in NTT DOCOMO increased from 66.2% to 66.4%. "Additional paid-in capital" decreased by ¥2,061 million in the consolidated balance sheet as of March 31, 2010 related to the repurchase transactions. The repurchases of shares by NTT DOCOMO resulting in changes in NTT's ownership interest in NTT DOCOMO have been accounted for as equity transactions with noncontrolling interests since April 2009.

19. Foreign currency exchange gain and loss:

Foreign currency exchange results (mainly arising from foreign currency borrowings) for the fiscal years ended March 31, 2008, 2009 and 2010 were losses of ¥777 million, ¥1,668 million and ¥554 million, respectively, and are included in "Other, net" in the consolidated statements of income.

20. Financial instruments:

Derivative instruments and, hedging activities—

In the normal course of business, NTT Group has certain financial instruments including long-term debt and other financial assets and liabilities incurred. Such financial instruments are exposed to the market risk of interest rate changes and foreign currency fluctuations. In applying a consistent risk management strategy for the purpose of reducing such risk, NTT Group uses derivative financial instruments, such as forward exchange contracts, interest rate swap agreements and currency swap agreements. NTT Group does not use derivative financial instruments for trading or speculative purposes.

Foreign Currency Exchange Rate Risk Management—

NTT Group from time to time enters into forward foreign exchange contracts, currency swap agreements and currency option agreements to hedge the risk of fluctuations in foreign currency exchange rates principally associated with long-term debt issued by NTT Group denominated in foreign currencies. Such contracts and agreements have the same maturity as the underlying debt.

Interest Rate Risk Management—

NTT Group's exposure to market risk for changes in interest rates relates principally to its debt obligations. NTT Group has long-term debt primarily with fixed rates. Interest rate swap agreements are entered into from time to time to convert floating rate underlying debt or assets into fixed rate debt or assets, or vice versa. Interest rate option contracts are entered into from time to time to hedge the risk of a rise in the interest rate of underlying debt. These instruments are executed with creditworthy financial institutions.

Fair Value Hedge—

The derivatives designated as fair value hedges include interest rate swap agreements that are used for reducing the risk arising from the changes in the fair value of fixed rate debt. The notional principal amounts of these derivatives were ¥235,800 million and ¥235,800 million at March 31, 2009 and 2010, respectively. As discussed in Note 9, NTT Group issues a variety of long-term debt bearing several types of interest and denominated in several currencies. NTT Group has a strategy to fix the anticipated cash flow related to those debts. From time to

time, however, NTT Group enters into pay-floating/receive-fixed interest rate swaps, to protect the fair value of certain fixed rate debts in asset and liability management. Both the derivatives designated as fair value hedges and hedged items are reflected at fair value in the consolidated balance sheets. Changes in the fair value of the derivatives that are highly effective as, and that are designated and qualified as fair value hedges, along with changes

in the fair value of the hedged items that are attributable to the hedged risk, are recognized as "Other, net" in the consolidated statements of income. Changes in the fair value of the derivatives designated as fair value hedges and the hedged items recorded in the consolidated statements of income for the fiscal year ended March 31, 2009 and 2010 were as follows:

Consolidated statements of income item	Millions of yen			
	2009		2010	
	Changes in the fair value of the derivatives	Changes in the fair value of the hedged items	Changes in the fair value of the derivatives	Changes in the fair value of the hedged items
Other, net	¥(67)	¥67	¥(136)	¥136

The amount of ineffectiveness of these fair value hedges, which were reflected in earnings, was not material for all periods presented. In addition, there was no amount excluded from the assessment of hedge effectiveness of fair value hedges.

Cash Flow Hedge—

The derivatives designated as cash flow hedges include forward exchange contracts, currency swap agreements and interest rate swap agreements. As discussed in Note 9, NTT Group has foreign currency exposures related to its long-term debt denominated in other than yen. In accordance with NTT Group's strategy, NTT Group fixes the anticipated cash flows of paying interest and principal amounts by entering into foreign currency contracts and foreign currency swaps, to ensure its cash flows are fixed in yen. Also, as discussed in Note 9, NTT Group has floating rate debt exposures related to its long-term debt. In accordance with NTT

Group strategy, NTT Group fixes the anticipated cash flows of interest payment by entering into pay-fixed/receive-floating interest rate swaps. Changes in the fair value of derivatives that are highly effective as, and that are designated and qualified as cash flow hedges are recorded in other comprehensive income (loss), until changes in cash flows from the hedged transactions are recognized as "Other, net" in the consolidated statements of income. For all periods presented, these cash flow hedges were effective and the amount representing hedges' ineffectiveness was not material. In addition, there was no material amount excluded from the assessment of hedge effectiveness of cash flow hedges.

The notional principal amounts of cash flow hedges at March 31, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Forward exchange contracts	¥ 2,173	¥ 6,927
Interest rate swap agreements	122,634	153,130
Currency swap agreements	145,950	142,666

Changes in the fair value of cash flow hedges recorded in other comprehensive income (loss) for the fiscal year ended March 31, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Forward exchange contracts	¥ (77)	¥ 26
Interest rate swap agreements	(530)	(339)
Currency swap agreements	9,590	(1,003)
Total	¥8,983	¥(1,316)

Amounts of gain (loss) on cash flow hedges reclassified from accumulated other comprehensive income (loss) into earnings for the fiscal year ended March 31, 2009 and 2010 were as follows:

	Consolidated statements of income item	Millions of yen	
		2009	2010
Forward exchange contracts	Other, net	¥ 50	¥ (33)
Interest rate swap agreements	Other, net	(134)	(413)
Currency swap agreements	Other, net	3,192	2,603
Total		¥3,108	¥2,157

As of March 31, 2010, approximately ¥1,078 million of deferred net gains on derivative instruments in accumulated other comprehensive income (loss) are expected to be reclassified as earnings during the next twelve months when the related interest expense is recognized.

Derivatives not designated as hedging instruments—

NTT Group has forward exchange contracts, currency swap agreements and Currency option agreements to hedge currency exchange risks and also has interest rate swap agreements to manage interest rate risks. Some of these derivative financial instruments are not designated as hedging instruments.

The notional principal amounts of the derivatives not designated as hedging instruments at March 31, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Forward exchange contracts	¥ 6	¥ 8
Interest rate swap agreements	97,000	80,000
Currency swap agreements	—	293
Currency option agreements	—	19,889

Changes in the fair value of the derivatives not designated as hedging instruments recorded in the consolidated statements of income for the fiscal year ended March 31, 2009 and 2010 were as follows:

	Consolidated statements of income item	Millions of yen	
		2009	2010
Forward exchange contracts	Other, net	¥ (4,060)	¥ (5)
Interest rate swap agreements	Other, net	(102)	(347)
Currency swap agreements	Other, net	(10,734)	14
Currency option agreements	Other, net	—	(1,552)
Total		¥(14,896)	¥(1,890)

Fair value of financial instruments—

The table that follows provides the estimated fair value of financial instruments. Assets and liabilities with carrying amounts that approximate fair values are not included in the table; such as cash and cash equivalents, notes and accounts receivable, trade, short-term borrowings, accounts payable, trade, and accrued payroll. Fair value information regarding “Marketable securities and other investments” is disclosed in Note 7.

	Millions of yen			
	2009		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt including current portion	¥4,294,729	¥4,351,996	¥4,157,992	¥4,290,762

The fair value of long-term debt, including the current portion, is measured at discount rates for similar debt instruments of comparable maturities currently offered by NTT Group.

The fair value of derivative instruments and amounts recorded in the consolidated balance sheets at March 31, 2009 and 2010 are as follows. The fair value of derivative instruments are measured by inputs derived principally from observable market data provided by financial institutions.

Assets	Millions of yen	
	2009	2010
Derivatives designated as hedging instruments:		
Forward exchange contracts		
Prepaid expenses and other current assets	¥ 16	¥ 8
Interest rate swap agreements		
Prepaid expenses and other current assets	—	631
Other assets	3,433	2,697
Currency swap agreements		
Other assets	2,695	932
Subtotal	6,144	4,268
Derivatives not designated as hedging instruments:		
Interest rate swap agreements		
Prepaid expenses and other current assets	8	—
Other assets	53	14
Currency swap agreements		
Prepaid expenses and other current assets	—	14
Subtotal	61	28
Total	¥6,205	¥4,296

Liabilities	Millions of yen	
	2009	2010
Derivatives designated as hedging instruments:		
Forward exchange contracts		
Other (Current liabilities)	¥ 2	¥ 196
Interest rate swap agreements		
Other (Current liabilities)	24	51
Other (Long-term liabilities)	1,114	1,456
Currency swap agreements		
Other (Current liabilities)	4	—
Other (Long-term liabilities)	4,135	4,385
Subtotal	5,279	6,088
Derivatives not designated as hedging instruments:		
Interest rate swap agreements		
Other (Current liabilities)	91	186
Other (Long-term liabilities)	281	485
Currency option agreements		
Other (Current liabilities)	—	168
Other (Long-term liabilities)	—	1,384
Subtotal	372	2,223
Total	¥5,651	¥8,311

Contingent features in derivative instruments—

At March 31, 2010, NTT Group had no material derivative instruments that contain credit-risk-related contingent features, which would have a material adverse effect on NTT's consolidated financial position or results of operations.

Concentrations of credit risk—

NTT Group does not have any significant concentration of business transacted with an individual counter-party or groups of counter-parties that could, if suddenly eliminated, severely impact its operations at March 31, 2010.

21. Commitments and contingent liabilities:

The aggregate amount of payments for commitments outstanding at March 31, 2010, including commitments for purchase of property, plant and equipment and other assets is as follows:

Fiscal year ending March 31	Millions of yen
2011	¥269,081
2012	18,150
2013	16,879
2014	2,494
2015	963
Thereafter	3,958
Total	¥311,525

Contingent liabilities at March 31, 2010 for loans guaranteed amounted to ¥5,659 million.

At March 31, 2010, NTT Group had no material litigation or claims outstanding, pending or threatened against it, which would be expected to have a material adverse effect on NTT's consolidated financial position or results of operations.

22. Subsequent events:

There were no significant subsequent events other than those described in other footnotes of this consolidated financial statements.

Report of Independent Registered Public Accounting Firm



The Board of Directors and Shareholders

Nippon Telegraph and Telephone Corporation:

We have audited the consolidated balance sheets of Nippon Telegraph and Telephone Corporation and subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity and comprehensive income and cash flows for each of the years in the three-year period ended March 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nippon Telegraph and Telephone Corporation and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2010 in conformity with U.S. generally accepted accounting principles.

As further described in Note 2, the Company adopted retrospectively the presentation and disclosure provisions of FASB Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, included in ASC Topic 810 as of April 1, 2009.

A handwritten signature in black ink that reads "KPMG AZSA & Co." The signature is written in a cursive, slightly slanted style.

Tokyo, Japan

June 30, 2010

This is a copy of the audit report previously issued by MISUZU PricewaterhouseCoopers ("MISUZU") in connection with NTT's filing of its Annual Report on Form 20-F for the fiscal year ended March 31, 2007. MISUZU has ceased operations and this audit report has not been reissued by MISUZU in connection with this Annual Report on Form 20-F for the fiscal year ended March 31, 2009 or this Annual Report. The consolidated financial statements as of March 31, 2007 and 2006 and for the fiscal years ended March 31, 2006 and 2005, and management's assessment of effectiveness of internal control over financial reporting as of March 31, 2007 are not required to be presented in this Annual Report.

To the Shareholders and Board of Directors of Nippon Telegraph and Telephone Corporation (Nippon Denshin Denwa Kabushiki Kaisha)

We have completed an integrated audit of Nippon Telegraph and Telephone Corporation's March 2007 consolidated financial statements and of its internal control over financial reporting as of March 31, 2007 and audits of its March 2006 and March 2005 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits and the reports of other auditors, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Nippon Telegraph and Telephone Corporation and its subsidiaries at March 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2007 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, based on our audits and the report of other auditors, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We did not audit the financial statements and financial statement schedule of NTT DoCoMo, Inc., a 63.4% owned subsidiary, which statements reflect total assets of ¥6,116,215 million (\$51,832 million) and ¥6,365,257 million as of March 31, 2007 and 2006, respectively, and total revenues of ¥4,788,093 million (\$40,577 million), ¥4,765,872 million and ¥4,844,610 million for each of the three years in the period ended March 31, 2007. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for NTT DoCoMo, Inc., is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, based on our audit and the report of other auditors, management's assessment, included in Management's report on internal control over financial reporting appearing under Item 15, that the Company maintained effective internal control over financial reporting as of March 31, 2007 based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, based on our audit and the report of other auditors, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We did not examine the effectiveness of internal control over financial reporting of NTT DoCoMo, Inc. as of March 31, 2007. The effectiveness of NTT DoCoMo, Inc.'s internal control over financial reporting as of March 31, 2007 was audited by other auditors whose report has been furnished to us, and our opinions expressed herein, insofar as they relate to the effectiveness of NTT DoCoMo, Inc.'s internal control over financial reporting, are based solely on the report of the other auditors. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ MISUZU PricewaterhouseCoopers

Tokyo, Japan
June 28, 2007

Reference Information

Reconciliation of Management Indices

Reconciliation of Management Indices	Billions of yen				
	2006	2007	2008	2009	2010
Operating income	¥ 1,190.7	¥ 1,107.0	¥ 1,304.6	¥ 1,109.8	¥ 1,117.7
Depreciation and loss on disposal of property, plant and equipment	2,251.9	2,233.5	2,302.4	2,260.1	2,123.1
EBITDA	3,442.6	3,340.5	3,607.0	3,369.8	3,240.8
Operating revenues	10,741.1	10,760.6	10,680.9	10,419.8	10,181.4
EBITDA margin	32.1%	31.0%	33.8%	32.4%	31.8%
Operating income	1,190.7	1,107.0	1,304.6	1,109.8	1,117.7
Depreciation and loss on disposal of property, plant and equipment	2,251.9	2,233.5	2,302.4	2,260.1	2,123.1
EBITDA	3,442.6	3,340.5	3,607.0	3,369.8	3,240.8
Capital investment	2,191.9	2,236.9	2,128.9	2,145.1	1,987.1
Operating free cash flow	1,250.7	1,103.7	1,478.1	1,224.8	1,253.7
Operating income	1,190.7	1,107.0	1,304.6	1,109.8	1,117.7
Statutory tax rate	41%	41%	41%	41%	41%
Operating income x (1 – Statutory tax rate)	703.6	654.0	770.8	655.8	660.3
Operating capital employed	¥12,148.3	¥11,961.1	¥11,989.8	¥12,142.7	¥12,238.6
ROCE	5.8%	5.5%	6.4%	5.4%	5.4%

Notes.

- Operating capital employed is total of average value of shareholders' equity and interest-bearing liabilities for the current term, and the previous term.
- ROCE and "Operating Capital Employed" for the fiscal year ended March 31, 2004 through 2007, have been adjusted to reflect the retroactive application of equity method as a result of the acquisition by NTT Group of additional shares of the affiliate during the fiscal year ended March 31, 2008, in accordance with APB Opinion No. 18 "The Equity Method of Accounting for Investments in Common Stock."

Reconciliation of Capital Investment

Reconciliation of Capital Investment	Billions of yen				
	2006	2007	2008	2009	2010
Payments for property, plant and equipment	¥1,696.3	¥1,608.5	¥1,259.7	¥1,412.0	¥1,370.9
Acquisition of intangibles and other assets	463.3	619.9	728.6	617.0	553.3
Other differences	32.2	8.5	140.5	116.1	¥62.9
NTT consolidated capital investment total	¥2,191.9	¥2,236.9	¥2,128.9	¥2,145.1	¥1,987.1

Calculation of ARPU

Average monthly revenue per unit, or ARPU, is used to measure average monthly operating revenues attributable to designated services 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, 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 our mobile business, ARPU is calculated by dividing revenue items included in the operating revenues from our Mobile Communications Business, such as revenues from Mobile (FOMA) services and revenues from Mobile (mova) services, which are incurred consistently each month (i.e., basic monthly charges and voice/packet communication 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 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.

Notes:

- 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, revenues from monthly charges, call charges and device connection charges for Hikari Denwa, and revenues from FLET'S Hikari optional services, which are included in Supplementary Business revenues.
 - FLET'S Hikari includes B FLET'S and FLET'S Hikari Next (launched on Mar. 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 Mar. 31, 2008) provided by NTT West.

- Commencing in the fiscal year ending Mar. 31, 2010, NTT East and NTT West have begun including in their FLET'S Hikari ARPU calculation revenues from the "Remote Support Service," a FLET'S Hikari optional service, which are part of their operating revenues from Supplementary Business. Accordingly, calculations for NTT East and NTT West's FLET'S Hikari ARPU for the three months ended Jun. 30, 2008, Sep. 30, 2008, Dec. 31, 2008 and Mar. 31, 2009, and the fiscal year ended Mar. 31, 2009 have been revised to include revenues from Remote Support Service.

Revenues from NTT East's Remote Support Service contributed, respectively, 10 yen, 20 yen, 20 yen, 40 yen and 30 yen to NTT East's FLET'S Hikari ARPU for the three months ended Jun. 30, 2008, Sep. 30, 2008, Dec. 31, 2008, Mar. 31, 2009, and the fiscal year ended Mar. 31, 2009 (representing, respectively, 0.2%, 0.4%, 0.4%, 0.7% and 0.5% of NTT East's total FLET'S Hikari ARPU for the same periods). Revenues from NTT East's Remote Support Service contributed, respectively, 50 yen, 60 yen, 80 yen, 80 yen, 70 yen and 100 yen, to NTT East's FLET'S Hikari ARPU for the three months ended Jun. 30, 2009, Sep. 30, 2009, Dec. 31, 2009, Mar. 31, 2010, the fiscal year ended Mar. 31, 2010 and the forecast for the fiscal year ending Mar. 31, 2011 (representing, respectively, 0.9%, 1.0%, 1.4%, 1.4%, 1.2% and 1.7% of NTT East's total FLET'S Hikari ARPU for the same periods).

Revenues from NTT West's Remote Support Service contributed, respectively, 0 yen, 0 yen, 0 yen, 0 yen and 0 yen to NTT West's FLET'S Hikari ARPU for the three months ended Jun. 30, 2008, Sep. 30, 2008, Dec. 31, 2008, Mar. 31, 2009 and the fiscal year ended Mar. 31, 2009 (representing, respectively, 0.0%, 0.0%, 0.0%, 0.0% and 0.0% of NTT West's total FLET'S Hikari ARPU for the same periods). Revenues from NTT West's Remote Support Service contributed, respectively, 0 yen, 10 yen, 30 yen, 40 yen, 20 yen and 60 yen to NTT West's FLET'S Hikari ARPU for the three months ended Jun. 30, 2009, Sep. 30, 2009, Dec. 31, 2009, Mar. 31, 2010, the fiscal year ended Mar. 31, 2010 and the forecast for the fiscal year ending Mar. 31, 2011 (representing, respectively, 0.0%, 0.2%, 0.5%, 0.7%, 0.3% and 1.0% of NTT West's total FLET'S Hikari ARPU for the same periods).

- 2 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.
- 3 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 subscriptions for each service.
- 4 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, for the purpose of calculating Aggregate Fixed Line ARPU (Telephone Subscriber Lines + INS-NET Subscriber Lines) and INS-NET Subscriber Lines ARPU, one INS-Net 1500 subscription is calculated as ten INS-Net 64 subscriptions.
- 5 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 Mar. 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 Mar. 31, 2008) provided by NTT West.
- 6 We compute ARPU for our mobile business using three aggregate measures.
 - Mobile Aggregate ARPU (FOMA+mova) = Voice ARPU (FOMA+mova) + Packet ARPU (FOMA+mova).
 - Our Voice ARPU (FOMA+mova) is based on operating revenues related to voice services, such as basic monthly charges and voice communication charges, attributable to our FOMA and mova services, and our Packet ARPU (FOMA+mova) is based on operating revenues related to packet communication services, such as basic monthly charges and packet communication charges, attributable to our FOMA services and based on operating revenues related to i-mode services, such as basic monthly charges and packet communication charges, attributable to our mova services. We also separately compute i-mode ARPU (FOMA+mova), as a subcomponent of Packet ARPU (FOMA+mova). i-mode ARPU (FOMA+mova) is based on operating revenues from basic monthly charges and packet communication charges attributable to our i-mode-related FOMA and mova services.
 - Mobile Aggregate ARPU (FOMA) = Voice ARPU (FOMA) + Packet ARPU (FOMA).
 - Our Voice ARPU (FOMA) is based on operating revenues related to voice services, such as basic monthly charges and voice communication charges, and our Packet ARPU (FOMA) is based on operating revenues related to packet communication services, such as basic monthly charges and packet communication charges, in each case attributable to our FOMA services. We also separately compute i-mode ARPU (FOMA), as a subcomponent of Packet ARPU (FOMA). i-mode ARPU (FOMA) is based on operating revenues from basic monthly charges and packet communication charges attributable to our i-mode-related FOMA services.
 - Mobile Aggregate ARPU (mova) = Voice ARPU (mova) + i-mode ARPU (mova).
 - Our Voice ARPU (mova) is based on operating revenues related to voice services, such as basic monthly charges and voice communication charges, and our i-mode ARPU (mova) is based on operating revenues related to i-mode services, such as basic monthly charges and packet communication charges, in each case attributable to our mova services.
- 7 We show ARPU for our i-mode using two aggregate measures.
 - i-mode ARPU (FOMA+mova, FOMA and mova) is based on the number of all subscriptions for FOMA+mova, FOMA and mova, regardless of whether the i-mode service is activated.
 - ARPU generated purely from i-mode (FOMA+mova, FOMA and mova) is based on the number of active subscribers to the i-mode service only.
- 8 Communications module service subscribers and the revenues therefrom are not included in the calculations of Mobile Aggregate ARPU.
- 9 Number of active subscribers used in the ARPU calculation of NTT East and NTT West are as below.
 - 1Q Results: Sum of number of active subscribers** (as defined below) for each month from Apr. to Jun.
 - 2Q Results: Sum of number of active subscribers** for each month from Jul. to Sept.
 - 3Q Results: Sum of number of active subscribers** for each month from Oct. to Dec.
 - 4Q Results: Sum of number of active subscribers** for each month from Jan. to Mar.
 - FY Results : Sum of number of active subscribers** for each month from Apr. to Mar.
 - FY Forecast : the average expected active number of subscribers (number of subscribers at end of previous Mar. + number of expected subscribers at end of the following Mar.) / 2 × 12
- 10 Number of active subscribers used in the ARPU calculation of NTT DOCOMO are as below.
 - 1Q Results: Sum of number of active subscribers** (as defined below) for each month from Apr. to Jun.
 - 2Q Results: Sum of number of active subscribers** for each month from Jul. to Sept.
 - 3Q Results: Sum of number of active subscribers** for each month from Oct. to Dec.
 - 4Q Results: Sum of number of active subscribers** for each month from Jan. to Mar.
 - FY Results/FY Forecast: Sum of number of active subscribers** for each month from Apr. to Mar.

**active subscribers = (number of subscribers at end of previous month + number of subscribers at end of the current month) / 2

Consolidated Subsidiaries

AS of March 31, 2010

Company	Capital	Voting rights ratio	Main line(s) of business
(Consolidated subsidiaries)	(Millions of yen)	(%)	
REGIONAL COMMUNICATIONS BUSINESS SEGMENT			
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	335,000	100.0	Regional telecommunications services in eastern Japan. NTT (Holding Company) is making long-term capital loans to NTT East.
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	312,000	100.0	Regional telecommunications services in western Japan. NTT (Holding Company) is making long-term capital loans to NTT West.
NTT EAST-TOKYOMINAMI CORPORATION	50	100.0	Consigned sales of telecommunications services provided by NTT East
NTT WEST-KANSAI CORPORATION	100	100.0	Consigned sales of telecommunications services provided by NTT West
NTT-ME CORPORATION	100	100.0	IT-related consulting, products and services planning, development, sales and maintenance
NTT NEOMEIT CORPORATION	100	100.0	Maintenance and operation of information sharing networks, planning, development and sale of IT solutions
NTT MARKETING ACT CORPORATION	100	100.0	Systems integration, IT solution service provider, telemarketing, human resource solutions
NTT INFRASTRUCTURE NETWORK CORPORATION	2,000	100.0	Survey, engineering, installation and maintenance of telecommunications facilities
NTT DIRECTORY SERVICES Co.	3,500	100.0	Publishing of telephone directories; directory assistance and related services
NTT Quaris Corporation	558	100.0	Printing of telephone directories and commercial printing
NTT Solco Corporation	100	100.0	Planning and implementation of telemarketing services
NTT CARD SOLUTION Inc.	100	84.5	Telephone card planning and sales, encoding practice and pre-paid card planning and sales
TelWel East Japan Corporation	3,000	100.0	Staffing, telegraph, and office solution services
TelWel West Japan Corporation	3,000	100.0	Same as above
NTT WEST ASSETPLANNING CORPORATION	110	100.0	Real estate leasing and brokerage, as well as maintenance and management
NTT TELECON CO., LTD.	400	86.9	Remote meter reading and control, development of security and other systems, sales and construction work, and maintenance services.
NTT Solmare Corporation	100	100.0	Various content distribution businesses, including distribution of comics to mobile phones

LONG DISTANCE AND INTERNATIONAL COMMUNICATIONS BUSINESS SEGMENT

NTT COMMUNICATIONS CORPORATION	211,763	100.0	Long distance and international telecommunications services, multimedia network services NTT (Holding Company) is making long-term capital loans to NTT Communications
NTT PC Communications Incorporated	4,000	100.0	Telecommunications Business as defined in the Telecommunications Business Law
NTT Resonant Inc.	25,000	100.0	Development of video communications services, development of broadband portals services
NTT Plala Inc.	12,321	75.3	Provision of Internet connection and video distribution services
Verio Inc.	USD7,500.51 million	100.0	Provision of Internet solution services in the U.S.
NTT COM ASIA LIMITED	HKD272.49 million	100.0	Provision of Arcstar services in Hong Kong
NTT America, Inc.	USD997.01 million	100.0	Provision of Arcstar services in the U.S.
NTT AUSTRALIA PTY, LTD.	AUD218.73 million	100.0	Provision of Arcstar services in Australia
NTT EUROPE LTD.	GBP150.84 million	100.0	Provision of Arcstar services in Europe
NTT WORLD ENGINEERING MARINE CORPORATION	1,400	66.7	Laying, maintenance, repair and management of underwater cabling

Company	Capital	Voting rights ratio	Main line(s) of business
(Consolidated subsidiaries)	(Millions of yen)	(%)	
NTT BizLink, Inc.	100	100.0	Consigned services of construction and maintenance of telecommunications network
NTT Com Technology Corporation	400	100.0	Planning, design, development and sales of communication systems and information processing systems
NTT FANET SYSTEMS Corp.	400	100.0	Development, planning, design, production and sales of automation systems
NTT Com CHEO Corporation	495	100.0	Training, staffing and placement services, and ICT outsourcing business
NTT Worldwide Telecommunications Corporation	6,200	100.0	Construction and implementation of overseas data centers
Integralis AG	1,158	78.4	Consulting on security solutions, provision of integration and security services

MOBILE COMMUNICATIONS BUSINESS SEGMENT

NTT DOCOMO, Inc.	949,679	66.4	Mobile telecommunications services, development, maintenance and sales of mobile telecommunications
DOCOMO Service Inc.	100	100.0	Collection of mobile phone fees
DOCOMO Engineering Inc.	100	100.0	Construction, maintenance and operation of telecommunications equipment
DOCOMO Mobile Inc.	30	100.0	Repair of mobile telecommunications terminals and peripherals
DOCOMO Support Inc.	20	100.0	Consignment of telephone reception, transactions, etc.
DOCOMO Systems, Inc.	652	100.0	Development and operation of information systems, software and equipment
DOCOMO Technology, Inc.	100	100.0	Research and development of telecommunications systems
DOCOMO Business Net, Inc.	100	100.0	Marketing and sales of mobile phones
DOCOMO interTouch Pte. Ltd.	USD216.00 million	100.0	High speed internet access and video distribution for hotels
DOCOMO PACIFIC, INC.	USD36.67 million	100.0	Mobile telecommunications services in Guam and the Commonwealth of the Northern Mariana Islands
DOCOMO.com, Inc.	2,500	100.0	Consulting services for mobile content providers
net mobile AG	846	81.5	Operation of platform for mobile content distribution, billing and other services
OAK LAWN MARKETING, INC.	1,467	51.0	Mail-order sales centered on TV media

DATA COMMUNICATIONS BUSINESS SEGMENT

NTT DATA CORPORATION	142,520	54.2	Systems integration, network systems services
NTT DATA FRONTIER CORPORATION	280	56.9	Design of data telecommunications systems and software development
NTT DATA SYSTEM TECHNOLOGIES INC.	200	100.0	Same as above
NTT DATA Getronics Corporation	831	70.0	Same as above
NTT DATA SYSTEMS CORPORATION	800	100.0	System sales
NTT DATA WAVE CORPORATION	100	80.1	Design of data telecommunications systems and software development
Nihon Card Processing Co., Ltd.	2,675	71.5	Services related to credit card business
NTT DATA FORCE CORPORATION	285	100.0	Design of data telecommunications systems and software development
NTT DATA i CORPORATION	100	100.0	Same as above
itelligence AG	EUR24.55 million	87.7	Consulting and design and development of systems
Cirquent GmbH	EUR11.50 million	74.4	Design and development of systems

Company	Capital	Voting rights ratio	Main line(s) of business
(Consolidated subsidiaries)	(Millions of yen)	(%)	
JSOL Corporation	5,000	50.0	Design and development of systems
NTT DATA CCS CORPORATION	330	60.0	Same as above
NJK Corporation	4,222	50.8	Same as above
NTT DATA MSE CORPORATION	200	60.0	Same as above
NTT DATA SANYO SYSTEM CORPORATION	586	50.0	Same as above
XNET Corporation	783	51.0	Sales of systems
NTT DATA FINANCIAL CORE CORPORATION	100	100.0	Design and development of systems
NTT DATA CUSTOMER SERVICE CORPORATION	2,000	100.0	System operations and maintenance
NTT DATA TOKYO SMS CORPORATION	100	100.0	Operation management of data telecommunications system
NTT DATA INTERNATIONAL L.L.C.	USD56.19 million	100.0	Marketing and sales
NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, INC.	450	100.0	Consulting
NTT DATA EUROPE GmbH & Co. KG	EUR286.26 million	100.0	Management of subsidiary companies in Europe

OTHER BUSINESSES

NTT URBAN DEVELOPMENT CORPORATION	48,760	67.3	Acquisition, construction, management and rental of real estate
NTT FINANCE CORPORATION	16,770	99.3	Leasing and installment sales of communications equipment, office equipment, and other non-fixed equipment
NTT FACILITIES, INC.	12,400	100.0	Design, management and maintenance of buildings, equipment and electric power facilities
NTT COMWARE CORPORATION	20,000	100.0	Development, operation and maintenance of telecommunications systems and software
NTT Electronics Corporation	6,576	95.8	Development, design, manufacture and sales of custom LSIs and optical components for communications applications and related electronic installations and systems
NTT ADVANCED TECHNOLOGY CORPORATION	5,000	100.0	Technology transfer; design and development of hardware, software and computing/telecommunications systems; analytical research on technical trends; technical consulting
NTT Software Corporation	500	100.0	Systems development; systems integration; total solutions and e-commerce consulting; product development and sales; development of advanced technologies
NTT BUSINESS ASSOCIE Corporation	7,750	100.0	Real estate-related business, consigned business for company housing management, management systems, settlement services
InfoCom Research, Inc.	100	100.0	Investigation and research concerning the information and communications industry
NTT LOGISCO Inc.	4,000	100.0	Comprehensive logistics services
NTT ADVERTISING, INC.	115	100.0	Advertising and related businesses
NTT LEARNING SYSTEMS CORPORATION	1,320	100.0	Training and development
NTT Human Solutions Corporation	100	100.0	Staffing and placement business
NTT Investment Partners, Inc.	50	100.0	Operation of venture investment funds

Other 453 companies

Corporate Information

As of March 31, 2010

Name

NIPPON TELEGRAPH AND TELEPHONE CORPORATION

Date of Establishment

April 1, 1985

Head Office

3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo
100-8116, Japan
Telephone: 81(3)5205-5111

President & CEO

Satoshi Miura

Common Stock

¥937,950,000,000

Number of Employees

194,982 (consolidated basis)

Investor Relations

http://www.ntt.co.jp/ir/contact_e/
Telephone: 81(3)5205-5581

Stock Exchanges on Which the Company is Listed

Tokyo, Osaka, Nagoya, Fukuoka, Sapporo,
New York, London

Depository for NTT American Depository Receipts ("ADRS")

JPMorgan Chase Bank
4 New York Plaza, 13th Floor
New York, NY 10004, U.S.A.
Telephone: 1-(866)576-2377
E-mail: adr@jpmorgan.com

Share Information

Total number of shares authorized to be issued by NTT: 6,192,920,900 shares
Total number of shares issued: 1,574,120,900 shares
Aggregate voting rights: 13,212,814
Number of shareholders (excluding holders of fractional shares): 999,836
Principal shareholders

Name	Number of shares held (thousand)	Ratio of the number of shares held to the total number of shares issued (%)
The Minister of Finance	530,569	33.71
Japan Trustee Services Bank, Ltd. (Trust Account)	55,187	3.51
The Master Trust Bank of Japan, Ltd. (Trust Account)	40,956	2.60
Moxley and Company (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	32,543	2.07
Japan Trustee Services Bank, Ltd. (Trust Account 9)	16,929	1.08
The Chase Manhattan Bank, N.A. London SL Omnibus Account (Standing proxy: Mizuho Corporate Bank, Ltd.)	12,605	0.80
NTT Employee Shareholding Association	12,378	0.79
State Street Bank and Trust Company 505225 (Standing proxy: Mizuho Corporate Bank, Ltd.)	10,836	0.69
OD 05 Omnibus China Treaty 808150 (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	10,792	0.69
Government of Singapore Investment Corporation PTE Ltd, Account "C" (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	9,529	0.61

Notes:

- On January 4, 2009, NTT carried out a 100-for-1 stock split and introduced a unit share system whereby one unit is set at 100 shares.
- The number of shares held is rounded down to the nearest thousand.
- NTT's holdings of 250,923,665 shares of treasury stock are not included in the above list of principal shareholders.

Distribution of Ownership among Shareholders

The number of shares represents the number of unit shares (100 shares). Figures in parentheses represent the composition ratio in percentage terms.



Notes:

- The composition ratio is the ratio of shares relative to the total number of issued shares, excluding fractional shareholdings less than one unit share (1,912,600 shares).
- "Other Japanese Corporations" includes 167 units nominally held by Japan Securities Depository Center, Inc.
- There are 233,842 odd-lot shareholders who hold only odd-lot shares.

Restrictions Under the NTT Law

The NTT Law requires the government to own at least one-third of the total number of issued shares*. Pursuant to the NTT Law, the proportion of voting rights of foreign nationals and foreign corporations is limited to less than one-third of the total voting rights. If the proportion of voting rights of foreign nationals and foreign corporations should exceed one-third, pursuant to the NTT Law, NTT is prohibited from registering ownership of shareholders in excess of such limit. As of the end of March 2010, 3,118,374 of the voting rights were owned by foreign nationals and foreign corporations.

* For the time being, pursuant to Article 13 of the NTT Law, any increase in the number of shares attributable to the issuance of new shares is not included in calculating the total number of issued shares for the purposes of the NTT Law.



Printed in Japan



NTT

NIPPON TELEGRAPH AND TELEPHONE CORPORATION



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