



November 22, 2001

FOR IMMEDIATE RELEASE

NTT Announces Results from First-Half of Fiscal Year Ending March 31, 2002

1. STATUS OF THE NTT CORPORATE GROUP

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

The business results of consolidated subsidiaries and their respective positions in the NTT Group are as follows:

NTT DoCoMo, Inc. and NTT DATA Corporation, two consolidated subsidiaries, are listed on the First Section of the Tokyo Stock Exchange.

(1) Regional Communications Businesses

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

The consolidated subsidiaries in the regional communication business are Nippon Telegraph and Telephone East Corporation (NTT East) and Nippon Telegraph and Telephone West Corporation (NTT West).

(2) Long-Distance and International Communications Businesses

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

The consolidated subsidiaries in the long-distance and international businesses are NTT Communications Corporation, NTT USA, inc., NTT Rocky, Inc., NTTA&T Investment, Inc., NTT America, Inc., TELETECHNO, Inc., Milletechno, Inc., NTTA&A Investment, Inc., Autoweb Communications, Inc., NTT MULTIMEDIA COMMUNICATIONS LABORATORIES, Inc., NTT AUSTRALIA PTY. LTD., NTT Worldwide Telecommunications Corporation, NTT EUROPE LTD., NTT MSC SDN. BHD., NTT SINGAPORE PTE. LTD., NTT (HONG KONG) LIMITED, NTT COM ASIA LTD., NTT Taiwan Ltd., NTT Korea Co., Ltd., NTT Comunicações do Brasil Participações Ltda, and NTT do Brasil Telecomunicações Ltda.

(3) Mobile Communications Businesses

The principal elements in this business are mobile telephone services, car telephone services, PHS services, quick-cast businesses (formerly, pager services), and related ancillary services.

The consolidated subsidiaries in the mobile communications businesses are NTT DoCoMo, Inc., NTT DoCoMo Hokkaido, Inc., NTT DoCoMo Tohoku, Inc., NTT DoCoMo Tokai, Inc., NTT DoCoMo Hokuriku, Inc., NTT DoCoMo Kansai, Inc., NTT DoCoMo Chugoku, Inc., NTT DoCoMo Shikoku, Inc., NTT DoCoMo Kyushu, Inc., , DoCoMo Service Inc., DoCoMo Engineering Inc., DoCoMo Mobile Inc., DoCoMo Support Inc., DoCoMo Sentsu, Inc., DoCoMo Technology, Inc., DoCoMo Systems, Inc., and other 19 companies.

(4) Data Communications Businesses

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

The consolidated subsidiaries in the data communications businesses are NTT DATA Corporation, NTT System Technologies Inc., NTT System Service Corporation, NTT DATA FINANCIAL CORPORATION, DREAM NET Corporation, NTT DATA TOKYO SMS CORPORATION, NTT DATA CUSTOMER SERVICE CORPORATION, and other 28 companies.

(5) Other Businesses

Nippon Telegraph and Telephone Corporation ("NTT")

Other consolidated subsidiaries of NTT are NTT Power and Building Facilities Inc., NTT Urban Development Co., NTT Comware Corporation, NTT Leasing Co., Ltd., NTT Auto Leasing Co., Ltd., NTT Finance Japan Co., Ltd., NTT Software Corporation, NTT Electronics Corporation, NTT Advanced Technology Corporation, NTT IT Corporation, and NTT Broadband Initiative Inc.

- The consolidated subsidiaries in Regional Communications Businesses Support Group are NTT-ME Hokkaido Co., Ltd., NTT-ME Tohoku Co., Ltd., NTT-ME Corporation, NTT-ME Tokai Co., Ltd., NTT-ME Hokuriku Co., Ltd., NTT-ME Kansai Co., Ltd., NTT-ME Chugoku Co., Ltd., NTT-ME Shikoku Co., Ltd., NTT-ME Kyushu Co., Ltd., NTT-Do Inc., NTT Directory Services Co., and NTT Teleca Corporation.
- The consolidated subsidiaries in Long-Distance and International Businesses Support Group are Verio Inc., NTT World Engineering Marine Corporation, and other 11 companies.

[Group organizational chart appears on the following page.](#)

2. BUSINESS OPERATION POLICY

(1) Basic Business Operation Policy

In an environment of dramatic changes in market structure, Nippon Telegraph and Telephone Corporation (NTT) and its affiliates (NTT Group or Group) are actively engaged in reforming the Group's business structure. Specific initiatives include: (1)

positive contribution to the realization of the IT revolution through lowering of charges for Internet access centered on flat-rate services, active development of fiber-optic services, and commitment to the development of demand for broadband content applications; (2) promotion of international operations in mobile communications businesses and IP network and platform businesses; (3) Group-wide effort to radically reform the cost structures of Nippon Telegraph and Telephone East Corporation (NTT East) and Nippon Telegraph and Telephone West Corporation (NTT West) which face very challenging financial conditions; and (4) full utilization of the advantages of the holding company system for Group management to achieve the above objectives.

(2) Basic Principle Concerning Profit Allocation

NTT believes it is very important for it to reinforce its financial standing and to serve the best interests of its shareholders over the long run. As such, NTT has adopted as its basic principle the payment of appropriate dividends while acting to secure necessary levels of internal reserves.

Such internal reserves will be utilized to reinforce NTT's financial standing.

3. BUSINESS RESULTS

(1) Results for the Interim Period Ended September 30, 2001

During the interim period ended September 30, 2001, the Japanese economy marked its highest unemployment rate in postwar history. Meanwhile, corporate profits and capital investments declined as economic conditions continued to deteriorate.

Rapid changes were observed in the telecommunications markets as a result of the ongoing global-scale "IT recession." In the market for conventional fixed-line telephone services, the combined total of analog and ISDN telephone subscriptions began to decline. Increased competition was seen in this segment as charges were lowered following the introduction of "MYLINE" carrier selection services. In contrast, although the growth in the number of subscribers slowed down slightly, the mobile communications market maintained its upward momentum as a result of continued growth of demand for mobile multimedia services. The Internet access services market witnessed the entry of new enterprises utilizing new business models featuring integrated packages of both platform and content. As a result, rapid growth was seen in ADSL and fiber-optic services. At the same time, these developments have created extremely competitive market conditions leading to situations which can be fairly described as the "collapse of price structures." The globalization of Japan's telecommunications markets is continuing as foreign carriers acquire total management rights of major domestic carriers.

Amid this business environment, the NTT Group companies implemented a further series of rate cuts to respond to the intensification of price competition and to generate new demand centered on Internet-based services. Concerted efforts were also undertaken to make further inroads into the broadband market, such as through the launching of full-fledged fiber-optic services. Similarly, the management resources of the NTT Group were brought together to establish NTT Broadband Initiative Inc., a company whose primary objective is to develop new businesses aimed at the creation of a content marketplace for the broadband age. Concurrently, the regional operating companies, NTT East and NTT West, continued to reduce their workforce and capital investment budgets in accordance with the provisions of the Mid-term Restructuring

Plan in order to achieve further improvements in management efficiency.

As a result of these efforts, NTT's consolidated business results for the interim period ended September 30, 2001 were as follows:

Consolidated operating revenues amounted to 5,806.4 billion yen (up 5.8% from the previous year). Consolidated ordinary profit was impacted by the deteriorating profit performances of fixed-line telecommunications businesses which have been affected by intensified competition and reductions in charges. Consequently, consolidated ordinary profit slipped to 403.4 billion yen (down 26.8% from the previous year). At the interim settlement, corporate values of overseas companies in which the NTT Group holds equity positions were reevaluated in light of the recent changes in the business environment, such as the ongoing "IT recession" and the slowdown in the U.S. economy, and current financial conditions. This led to a write-off of losses associated with Verio Inc. and KPN Mobile N.V. As a result, extraordinary losses amounting to 760.7 billion yen were registered (including 498.0 billion in losses related to Verio and 262.7 billion yen in losses related to KPN Mobile). Thus, consolidated net loss for the interim period came to 261.8 billion yen.

Regarding cash flow during the period under review, NTT obtained from its operating activities cash in the amount of 1,046 billion yen. Investment activities, absorbed cash in the amount of 1,500.6 billion yen. Finally, financing activities absorbed cash in the amount of 46.8 billion yen. As a result, NTT had cash and cash equivalents in the amount of 464.5 billion yen at the end of the consolidated interim period.

The business results of NTT and the principal NTT Group companies during the interim period ended September 30, 2001 are as follows:

- [*Nippon Telegraph and Telephone Corporation \(Holding Company\)*](#)
- [*Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation*](#)
- [*NTT Communications Corporation*](#)
- [*NTT DATA Corporation*](#)
- [*NTT DoCoMo Inc.*](#)

(2) Projections for the Fiscal Year Ended March 31, 2002

The outlook for the Japanese economy for the second half of the current fiscal year remains uncertain as it now appears that a further deceleration in the world economy cannot be avoided in the wake of the terrorist attacks on the United States.

In the information communication field, no change is anticipated in the general trend toward globalization and the proliferation of IP technologies. In this environment, telecommunications carriers face an increasingly urgent need to bolster their competitive positions. In addition to the obvious need to provide low-cost and high-speed services, telecommunications carriers will have to develop the capacity to provide a comprehensive package of services, keeping in mind the distribution of content, and to reinforce their financial standing. In response to these critical

challenges, we expect to see increased activity toward reorganization and realignment of telecommunications carriers on a global scale.

Given these conditions, the NTT Group is actively engaged in the following core initiatives under the Group management of NTT (holding company): development of broadband markets, continued structural reform centered on the two regional operating companies, and the development of greater competitive strength in international businesses.

With regard to the development of broadband markets, the NTT Group is expanding its high-speed access networks for both fixed-line and mobile communications, and is aggressively pursuing the development of broadband content distribution services.

The NTT Group is engaged in a Group-wide effort to support the structural reform of NTT East and NTT West in order to promote and to ensure the independent standing of these two regional operating companies. Key lines of action for structural reform include the thorough outsourcing of operations, the introduction of more diverse employment systems, the achievement of further reductions in personnel costs through continued reallocation of personnel to Group companies, and cost-cutting across a broad range of activities.

In the area of international operations, the NTT Group will focus on developing its strategic businesses in the global IP and mobile communication markets through ongoing cooperation with overseas companies in which it has capital alliances. Furthermore, in order to overcome the very severe conditions in the world markets, the NTT Group will continue to make vigorous efforts to strengthen its competitive position. Verio shall be identified as a strategic Group company to play a key role in the development of global IP services. Moreover, various financial measures shall be implemented for Verio to achieve financial soundness at an early date. NTT DoCoMo will make every effort to promote the early global development of services similar to i-mode and the third-generation mobile communication system-areas in which Japan leads the world-through KPN Mobile and its various overseas affiliates.

For the realization of these objectives, NTT will continue to provide necessary advice and intermediation to the NTT Group companies and will maintain R&D activities which provide the foundation for information sharing.

The NTT Group is committed to the creation of greater corporate value through the determined implementation of these activities aimed at actively reinforcing management foundations in preparation for the emerging broadband age.

For the results of operation for the fiscal year ending March 31, 2002, NTT projects 11,812 billion yen in consolidated operating revenues and 665 billion yen in consolidated ordinary profit, up 3.5% and down 8.4% from the previous year, respectively. NTT also forecasts 331 billion yen in consolidated net loss, as it expects, among other things, the extraordinary loss in the amount of 183 billion yen accompanied by restructure plans of NTT East and NTT West.

As for the annual dividend, NTT plans to pay out dividends of 5,000 yen per share of its common stock this fiscal year.

Figures contained in the foregoing projections are based on limited available information, and are subject to change in response to trends in the Japanese economy and the information communications industry. They may also change as a result of

introducing new services and new rate of telecommunications charges. The NTT Group therefore cannot assure that actual results will not vary from these projections.

Attachment

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[NIPPON TELEGRAPH AND TELEPHONE CORPORATION CONSOLIDATED BALANCE SHEET](#)
- [Attachment 2](#)
[NIPPON TELEGRAPH AND TELEPHONE CORPORATION CONSOLIDATED STATEMENT OF INCOME](#)
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