



May 14, 2002

FOR IMMEDIATE RELEASE**NTT Announces Financial Results
for Fiscal Year Ended 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 communication 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 communications businesses are NTT Communications Corporation, NTT USA, 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 COMMUNICATIONS GLOBAL PROFESSIONAL SERVICES GROUP LLC, 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, PHS services, quick-cast businesses, 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 Systems, Inc., DoCoMo Sentsu, Inc., DoCoMo Technology, 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 communication businesses are NTT DATA Corporation, NTT DATA 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 12 companies.

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

2. BUSINESS OPERATION POLICY

(1) Basic Business Operation Policy

In a business environment marked by rapid and dramatic changes in market structure, Nippon Telegraph and Telephone Corporation (NTT) and its affiliates (NTT Group or Group) are actively engaged in the reform of the Group's business structure. Specific initiatives include: (1) positive contribution to the realization of the IT Revolution through such means as lowering of charges led by flat-rate Internet-related services, active development of fiber-optic services, and the development of full-fledged demand for broadband content applications; (2) promoting the international development of mobile communication businesses and IP network businesses; (3) Group-wide efforts 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 difficult financial conditions; and (4) full utilization of the advantages of the holding company system to achieve the above objectives.

(2) Basic Principle concerning Profit Allocation

NTT believes it is critically 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) Basic Principle and Policies concerning Reduction of Minimum Trading Lots for Shares

The reduction of minimum trading lots for shares is believed to have a certain impact on expanding the scope of investors. NTT shall decide on this matter while taking into account such factors as shareholder composition, liquidity, and the cost of such measures.

3. BUSINESS RESULTS AND FINANCIAL CONDITIONS

(1) Business Results

During the fiscal year ended March 31, 2002, the Japanese economy continued to face difficult conditions as plant and equipment investment and corporate earnings fell sharply and personal consumption remained flat. Towards the end of the fiscal year, the downward slide in exports came to a stop and other signs were observed indicating that the economy may be bottoming.

In the telecommunication markets, rapid changes continued in the market environment centered on higher-speed and higher-volume broadband communications. Competition in the broadband market was intensified by the entry of various new enterprises while market scale, led by the spread of ADSL, grew at an accelerated pace. These developments have heralded the full-fledged start of the broadband age. The mobile communications segment underwent a slowdown in new subscriptions as market

penetration of mobile telephones reached higher levels. On the other hand, i-mode and other services featuring terminals with Internet access claimed a majority position in the market. The market for conventional fixed-line telephone services shrank as a result of continued shift in demand to mobile communications and ADSL and other flat-rate services. At the same time, market competition in this segment was intensified with the introduction of "MYLINE" carrier selection services. Turning to the overseas information and communications markets, the business environment became even more challenging as a result of the IT recession and Europe's rising licensing fees for third-generation mobile telephone systems.

Amid these conditions, NTT Group companies pursued the objectives of the NTT Group Three-Year Business Plan (fiscal years 2001-2003) and implemented active measures to develop broadband markets. Specific actions taken included the full-fledged launching of optical-access services, the mainstay of broadband systems. In a related move, NTT Broadband Initiative Inc. was established to provide content-distribution services, such as new communication services based on high-resolution visual and video transmission. Furthermore, third-generation mobile communication services supporting high-speed and high-volume data transmission were launched in October 2001.

While continuing to reduce charges to develop new demand centered on the Internet and to cope with growing competition, active measures were taken to reinforce the financial foundations of NTT East and NTT West. In addition to maintaining ongoing cost-cutting programs, a Group-wide effort was made to promote structural reform centered on the reduction of personnel costs to be achieved through the diversification of employment formats and thorough outsourcing of business functions. In pursuit of these objectives, a series of regional outsourcing companies were formed to take over the order-processing, facility maintenance, and other operational functions of NTT East and NTT West. The transition to the new Group structure and its dramatically different management and operation system was made in May 2002.

As a result of these activities, during the period under review, NTT DoCoMo increased its earnings by expanding its position in the mobile multimedia segment. On the other hand, NTT East, NTT West, and NTT Communications Corporation registered negative growth in earnings due to lower charges and the intensification of competition. Consequently, the NTT Group's consolidated business results for the fiscal year ending March 31, 2002 were as follows. Consolidated operating revenue amounted to 11,681.5 billion yen (2.3% increase from the previous year), and consolidated recurring profit amounted to 718.2 billion yen (1.1% decrease from the previous year). Extraordinary losses of 2,079.0 billion yen in total were registered in connection with the write-off of losses of overseas affiliates and subsidiaries amounting to 1,407.3 billion yen, and retirement allowance expenses generated by the restructuring programs undertaken by NTT East and NTT West amounting to 671.7 billion yen. As a result, a consolidated net loss of 812.1 billion yen was registered (as compared to a consolidated net profit of 464.0 billion yen in the previous year).

The business results of the principal member companies of the NTT Group during the fiscal year ended March 31, 2002 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) Financial Conditions

Cash flow obtained by NTT from operating activities during the fiscal year ended March 31, 2002 amounted to 2,424.5 billion yen (645.9 billion yen (21.0%) less than the previous year). This figure was affected by NTT's pre-tax net loss which was 1,360.7 billion yen, depreciation expenses, and non-financial losses constituting extraordinary losses, such as impairment on shares of affiliated companies, and one-time write-off expenses related to consolidated adjustment accounts. A total of 2,576.8 billion yen (2,611.3 billion yen (50.3%) less than the previous year) was spent on investment activities, including the acquisition of fixed assets, while the amount of 472.5 billion yen (1,334.9 billion yen (73.9%) less than the previous year) was obtained from financing activities, including long-term borrowing and issuance of corporate bonds. As a result, NTT had cash and cash equivalents in the amount of 1,319.1 billion yen at the end of the period, an increase of 441.2 billion yen (50.3%) over the previous year.

(3) Profit Allocation

In accordance with the basic profit-allocation principle outlined above, NTT will be distributing a cash dividend of 2,500 yen per share of common stock at the end of the fiscal year ended March 31, 2002. With the addition of interim payments previously made, this will bring the total of dividends paid to 5,000 yen per share for the entire period.

(4) Projections for Fiscal Year Ending March 31, 2003

There are some bright spots in the outlook for the Japanese economy as exports can be expected to recover with the bottoming-out of the U.S. and Asian economies. Progress made in inventory adjustment will be another source of support for the Japanese economy in the fiscal year ending March 31, 2003. On the other hand, trends in corporate earnings and the employment and income environment will remain severe. Consequently, it appears that more time will be required for the realization of a comprehensive economic recovery in Japan.

In the information and communication field, the broadband market will continue to grow with the proliferation of easy-to-use equipment and the upgrading of integrated systems for wired and wireless access. At the same time, competition in this segment will be intensified with the entry of enterprises offering a diverse range of new business models. Victory in this highly competitive setting requires the provision of access services of higher quality and higher convenience. Moreover, it will be necessary to prepare a full range of broadband services combining platform and content. It is clear that participants in this segment will be required to urgently reinforce their financial foundations in order to effectively support these business developments.

Given this challenging business environment, the NTT Group Three-Year Business Plan (fiscal years 2002-2004) was formulated with the aim to strengthen NTT's management foundations while contributing to the promotion of the IT Revolution. In accordance with this Plan, the NTT Group will actively develop broadband businesses by focusing the full capabilities of the Group on a series of initiatives which will include the diversification of optical and wireless access services, the development of platforms to promote distribution of content, and the upgrading and expansion of content distribution services. Concerted efforts will continue in implementing structural reform centered on NTT East and NTT West. In this vital area, further cuts will be made in personnel expenses and plant and equipment investment. Similarly, unprofitable services will be rigorously reviewed and other measures will be taken to improve cost competitiveness and to reinforce the Group's financial foundations. With regard to international operations, the focus of attention will be placed on IP businesses and mobile multimedia businesses, and the NTT Group will implement a strategy of selection and concentration in order to maintain an efficient course of business development. Finally, the NTT Group is committed to winning and maintaining the full confidence of its customers. For this purpose, it will continue to upgrade its customer support services and to ensure prompt responses to customer orders. Such initiatives will be aimed at improving the competitiveness of voice communication services which constitute a vital customer base, as well as all other services in general.

Projections for the fiscal year ending March 31, 2003 are as follows. Consolidated operating revenues are projected to reach 11,969.0 billion yen (2.5% increase from the previous year). Consolidated recurring profit is projected to amount to 1,116.0 billion yen (55.4% increase from the previous year), while consolidated net income is expected to reach 361.0 billion yen.

For the fiscal year ending March 31, 2003, we expect to offer dividends of 5,000 yen per share of common stock.

[Note]

The consolidated financial results forecasts above are forward-looking statements about the future performance of NTT which are based on the assumptions, estimates, judgments, projections and beliefs of the management of the Company in light of the information currently available to it. The projected numbers in this report were derived using certain assumptions that are indispensable for making projections in addition to historical facts that have been acknowledged accurately. Risks and uncertainties inherent in future projections, the Company's future business operation, the state of the economy in Japan and abroad, possible fluctuations in the securities markets and other changes in circumstances could cause the Company's actual results to differ materially from the projected figures above.

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