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March 1, 2006

## **Submission for Approval of Business Operation Plan for Fiscal Year Ending March 31, 2007**

Nippon Telegraph and Telephone Corporation (NTT) today submitted its business operation plan for the fiscal year ending March 31, 2007 to the Minister for Internal Affairs and Communications for approval.

### **Business Operation Plan for Fiscal Year Ending March 31, 2007**

In the building of an advanced information and telecommunications network society, information and communications are expected to make a substantial contribution to invigorating and raising the efficiency of socioeconomic activities, enhancing lifestyle convenience, and more. Today, the public and private sectors in Japan are working together to make such a society a reality. In addition, the market has undergone drastic changes due to the following factors: the rapid growth of broadband services, especially optical fiber access services; the diversification and upgrading of mobile phone services; the intensified competition due to the full-scale development by new common carriers of fixed telephone services that use dry copper lines; and the convergence of fixed-line services with mobile services in IP networks as well as of communication services with broadcasting services.

To help ensure that universal services are maintained amid this information and communications environment, NTT intends to provide all necessary advice, mediation, and other assistance to Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation (the "regional companies"). It will also endeavor to promote research and development in telecommunications technology in order to respond to society's demands for the development of an advanced information and telecommunications network society. In addition, through implementing the "NTT Group's Medium-Term Management Strategy" as a step toward realizing its "Vision for a New Optical Generation," NTT will build ubiquitous broadband networks that provide customers with not only "fast and convenient" but also "safe and secure" connections "anytime, anywhere and with anyone or anything," helping to enrich communication environments for individuals and communities, making corporate activities more efficient, and creating new business opportunities. To these ends, NTT will build open network environments enabling a diverse range of service providers and other business entities to deploy a variety of services taking advantage of the next-generation network, while ensuring fair competitive conditions under the framework of existing laws. In addition, NTT will actively promote alliances with these providers.

Through efforts like these, NTT intends to contribute toward realization of government initiatives such as the "IT New Reform Strategy" and u-Japan Policy, as well as working to raise corporate value, and actively carrying out group management toward development of the NTT Group as a whole.

Based upon these fundamental concepts in the management of business operations for the fiscal year ending March 31, 2007, NTT will aim to improve the management efficiency of its Group operations, including those of the regional companies; to develop new businesses for enhancing the information-sharing industry, including expanding the ubiquitous broadband market; and to continue to strengthen research and development that will contribute to the advancement of telecommunications. In this way, NTT will seek to ensure the stable development of Group operations in the future, and to return the fruits of these efforts to customers, shareholders, and the community at large.

Based on this thinking, under the business operation plan for the fiscal year ending March 31, 2007, NTT will conduct its business management by giving priority to the following activities, and will do so in a flexible manner so as to respond to changes in the operating environment.

### **1. Advice, Mediation, etc.**

For the regional companies, NTT will provide all necessary advice, mediation, etc. to ensure the maintenance of high-quality and stable universal services. These will include planning and coordination relating to the quality and upgrading of telecommunications networks, deployment of control and coordination capabilities when natural disasters and other emergencies occur, efficient fund-raising, and formulation of policies for materials procurement. NTT will also exercise its shareholder rights, as necessary, in order to assure the smooth flow of dividends to shareholders.

NTT will support the efforts of each of the NTT Group companies, including the regional companies, to streamline their business operations and expand their business opportunities, and will assist with the development of the human resources that form the core of the NTT Group.

### **2. Promotion of Basic Research and Development**

One prerequisite for responding to the social requirements for the formation of an advanced information and telecommunications network society is the harmonious and coordinated development of network-based technologies, technologies that provide the basis for new services and applications, and advanced and basic technologies in general. NTT will conduct research and development activities to realize "a communication environment where entities such as people and objects are interactively connected by broadband and ubiquitous networks anytime, anywhere and with anyone or anything, and people enjoy superb usability that is secure, reliable, and simple."

In conjunction with these efforts, NTT will continue to actively disseminate the results of its research and development and conduct active technology exchanges with institutions both within Japan and overseas, including ongoing contributions to standardization activities, industry standardization of research and development results, and research and development in collaboration with other research institutions.

To ensure the continuous execution of this basic research and development, NTT will seek to further increase research efficiency, and research costs will be borne by the regional companies and other NTT Group companies, which in turn will benefit from these efforts.

Specifically, priority will be given to the following areas in NTT's research and development activities:

#### (1) Infrastructure-related research and development

In order to establish a next-generation network infrastructure to realize a network environment for ubiquitous broadband services that can offer customers not only "fast and convenient," but also "safe and secure" connections "anytime, anywhere and with anyone or anything" to achieve a seamless migration from fixed line to IP telephone services and from metal wire systems to optical fiber, NTT will promote research and development in the sphere of base network technologies, including technologies for configuring economical and diverse access networks, technologies for building networks that can adapt readily to diverse network services, node architecture technology, optical multiplexing technology, and next-generation IP network technologies. At the same time, NTT will pursue basic research in the field of operation systems to improve the reliability of telecommunications networks and the quality of customer services. Additionally, considering the sharp increase in energy consumption accompanying the development of the advanced information and telecommunications network society, NTT will promote research and development on reducing electric power consumption and on other measures to promote the preservation of the global environment.

#### (2) User-related research and development

NTT will pursue research and development activities on infrastructure for providing customers with diverse telecommunications services, including e-commerce, content sharing, and community collaboration in order to realize an advanced information and telecommunications network society in which the electronic exchange of information, goods, and currencies among people, corporations, and objects is further enhanced on sophisticated telecommunications networks. Specifically, this will include research and development in technologies for ensuring the security of information and communications; technologies for billing, authentication, and authorization in e-commerce transactions; information-distribution technologies adaptable to diverse network environments; media-processing technologies, such as those for the compression, recognition, and sharing of image and audio data; multimedia database technologies for storage and retrieval of a variety of media; user interface technologies making services readily accessible to all users; and technologies of open source software (OSS).

#### (3) Research and development in basic technologies

NTT is committed to securing a leadership position in the basic and advanced technologies that will underpin the future of telecommunications and to contributing to innovative improvement and development of telecommunications in Japan. To fulfill these commitments, the company will pursue research and development activities on ultra high-density wavelength division multiplexing and other new optical communications technologies as well as optical amplification, optical wavelength multiplexers and demultiplexers, optoelectronic fusion devices, and other new optical components technologies that will contribute to a photonic network enabling ultra high-speed, ultra high-volume petabit-level communications, for an age in which

massive volumes of digital information circulate through networks. NTT will also pursue research in such areas as nanotechnology, which seeks to realize the potentials of new materials with unique characteristics, and communications science, which explores new possibilities in communications. These will be combined with research on innovative new principles and new concepts for the next generation.

[The following tables](#) present an overview of the capital investment plan for all of these activities.

<a href="#">Table</a>	<a href="#">Capital Investment Plan for Fiscal Year Ending March 31, 2007</a>
<a href="#">Attachment 1</a>	<a href="#">Revenues and Expenses Plan for Fiscal Year Ending March 31, 2007</a>
<a href="#">Attachment 2</a>	<a href="#">Sources and Applications of Funds Plan for Fiscal Year Ending March 31, 2007</a>
<a href="#">Reference</a>	<a href="#">Summary of Business Operation Plan for Fiscal Year Ending March 31, 2007</a>

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**NTT NEWS RELEASE** 

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