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FOR IMMEDIATE RELEASE

**NTT Announces Results from First-Half
of Fiscal Year Ending March 31, 2000****1. Business Operation Plan****(1) Basic Business Operation Plan**

In response to growing competition in the information communication markets and the changing business environment, Nippon Telegraph and Telephone Corporation (NTT) was reorganized on July 1, 1999 to form a holding company and three wholly-owned operating companies consisting of two regional operators (Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation) and NTT Communications Corporation. Nippon Telegraph and Telephone East Corporation covers the areas of Hokkaido, Tohoku, Kanto, Tokyo, and Shinetsu, while Nippon Telegraph and Telephone West Corporation covers the areas of Tokai, Hokuriku, Kansai, Chugoku, Shikoku, and Kyushu. These two regional companies are responsible for intra-prefectural communication services, while NTT Communications Corporation is responsible for inter-prefectural communication services and has advanced into international communications businesses.

The following arrangements have been made under the terms of the reorganization. (1) The holding company owns all shares of the above three companies and other group subsidiaries. The holding company has been assigned leadership and coordinating functions for actively promoting the management of the NTT Group. It is also responsible for promoting basic research and development and the effective utilization of research and development results. (2) The holding company provides comprehensive administrative services for basic research and development and receives compensation from group companies utilizing these research and development results under a contract concluded between NTT and the group companies. The holding company also receives compensation from consolidated group companies for the provision of comprehensive administrative services pertaining to the management of the NTT Group, in accordance with a contract between NTT and the consolidated group companies. (3) Customer services provided by NTT before the reorganization will be provided by the above three companies which have acquired the operations of NTT.

We believe this reorganization provides us with an excellent opportunity for responding to the changing business environment and look forward to maximizing the advantages of a pure holding company in the promoting the management of the NTT Group.

The NTT Group will not only provide conventional telephone services, but will also seek to exploit its digital network by aggressively developing new information distribution markets, including platforms for distributing content. Through these

strategies, the NTT Group will seek to become a "Global Information-Sharing Corporate Group."

(2) Basic Principles Concerning Profit Allocation

Nippon Telegraph and Telephone Corporation believes it is very important for it to reinforce its financial standing and to serve the best interests of 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.

2. Business Results

(1) Results from First-Half of Fiscal Year Ending March 31, 2000

During the six-month period under review, the Japanese economy showed some signs of improvement, including a mild recovery in personal consumption. However, a full-fledged recovery proved elusive as a consequence of the continued bleak employment outlook and other negative developments.

In the telecommunications markets, the sharp increase in mobile telephone and Internet users has resulted in a major shift in demand from conventional telephone services to mobile and digital data transmission services. Along with this, market conditions have become increasingly competitive with the growing diversity in services and fee structures, and the entry of foreign firms and new participants from other industries.

In this business environment, and in response to the growing use of the Internet, prior to its reorganization, NTT launched various initiatives during the April-June quarter to offer a more varied menu of services and fees for OCN services. Specifically, the fixed-rate connection time was lengthened for the "OCN Dial Access Long" service, and the fixed-rate charge for 128 kb/s "Super OCN" services was lowered.

NTT also launched a joint experimental program for electronic money. Named the "Super Cash" program, NTT joined hands with 23 domestic banks to take an important step toward the promotion of electronic commerce.

As of June 30, 1999, the number of principal installations was as follows.

The total number of subscriber telephone lines installed was at 57.74 million as of June 30, 1999, representing a decrease of 0.54 million lines over the end of the previous fiscal year.

In the area of INS-net digital services, the number of INS-net 64 lines installed totaled 4.47 million as of June 30, 1999, representing an increase of 0.52 million lines over the end of the previous fiscal year.

In the area of leased circuit services, the number of high-speed digital transmission lines came to 247 thousands as of June 30, 1999, representing an increase of 19 thousands lines over the end of the previous fiscal year.

Since July 1, 1999, NTT has functioned as a pure holding company in charge of basic research and development and the active promotion of the management of the NTT

Group. In addition to research and development to develop future networks with autonomous flexibility, NTT has promoted joint experiments to examine potentials for telemedicine, information distribution, and information appliances using high-speed networks. In this new role, NTT has been receiving payment from group companies in compensation for the comprehensive administrative services it has provided in support of the management of the entire NTT Group and for basic research and development activities.

Pursuant to these activities, NTT's results from the first-half of the fiscal year ending March 31, 2000 were as follows. Operating revenues amounted to 1,528.8 billion yen, down 49.5% from the same period of the previous year. Recurring profit amounted to 106.3 billion yen, down 13.6% from the same period of the previous year, while net income for the six-month period came to 149.1 billion yen, up 136.3% from the same period of the previous year.

The sharp decline in business performance reflects the divestiture of NTT East, NTT West and NTT Communications on July 1, 1999. Eliminating the impact of the divestiture, NTT's business performance would be as follows: operating revenues would amount to 2,990.8 billion yen (down 1.3% from the same period of the previous year), recurring profit would amount to 121.7 billion yen (down 1.1% from the same period of the previous year), and net income would amount to 117.6 billion yen (up 86.5% from the same period of the previous year).

In accordance with NTT's above-stated basic principle, an interim cash dividend of ¥2,500 per share will be paid to shareholders.

Since July 1, 1999, NTT East and NTT West have been responsible for providing customer services in their respective areas of coverage. Both companies have actively pursued the development of new services and business opportunities. For instance, to promote the use of the Internet in schools, the two companies have launched the "i-School" program, an experimental service offering discounted rates to schools. On its part, NTT Communications has lowered the fixed rates on its "Super Relay FR" system and has been working to reduce network costs with the introduction of its "Arcstar Value Access" system enabling the integration of access lines for various types of services.

On a consolidated basis, NTT's results from the first-half of the fiscal year ending March 31, 2000 were as follows. Operating revenues amounted to 5,009.1 billion yen, up 6.3% from the same period of the previous year. Recurring profit amounted to 492.2 billion yen, up 21.7% from the same period of the previous year, while net income for the six-month period came to 240.4 billion yen, down 9.3% from the same period of the previous year.

(2) Projections for Fiscal Year Ending March 31, 2000

Regarding the second half of the current fiscal year, projections indicate that although the economy will proceed on a mild recovery path, conditions will not necessarily allow for optimism.

Competition in the information communication markets is expected to become more severe with the entry of new participants from other industries and the continued trend toward mergers and affiliations among existing telecommunication enterprises.

Against this background, NTT is committing itself to promoting the continued development of the entire NTT Group and to maximizing its value. In this regard,

NTT will seek the optimal allocation of management resources, and will aim to diversify and to expand the operations of the Group through the formulation and implementation of Group strategies. In addition, NTT will actively undertake basic research and development activities which constitute the source of the competitive advantages of the NTT Group.

Projections for the fiscal year ending March 31, 2000 are as follows. Operating revenues are projected to reach 1,701 billion yen (down 72.3% from the same period of the previous year). Recurring profit is projected to amount to 121 billion yen, (down 49.0% from the same period of the previous year), while net income is expected to reach 99 billion yen (down 74.4% from the same period of the previous year).

The sharp decline in business performance reflects the divestiture of NTT East, NTT West and NTT Communications on July 1, 1999. Eliminating the impact of the divestiture, NTT's projected business performance would be as follows: operating revenues would amount to 6,063 billion yen (down 1.2% from the same period of the previous year), recurring profit would amount to 201 billion yen (down 15.3% from the same period of the previous year), and, with the additional appropriation of funds at the end of the fiscal year to cover accrued retirement allowances, loss for the fiscal year would amount to 284 billion yen, and net change in retained earnings would amount to 304 billion yen (down 21.3% from the same period of the previous year), taking into cumulative effect for prior year's tax allocation.

On a consolidated basis, operating revenue is expected to be 10,359 billion yen, recurring profit is expected to be 730 billion yen, and with the additional appropriation of funds at the end of the fiscal year to cover accrued retirement allowances, loss for the fiscal year is estimated to amount to 126 billion yen, and net change in retained earnings is expected to be 521 billion yen, taking into cumulative effect for prior year's tax allocation.

For the fiscal year ending March 31, 2000, we expect to offer common dividends of ¥5,000 per share.

All financial information stated in this release was prepared on the basis of generally accepted accounting principles in Japan.

3. Coping With the Year 2000 Problem

1. Status of Y2K Compliance

(1) Action Policy

As one of the principal supporters of Japan's entire telecommunications system, NTT believes that the achievement of Y2K compliance represents an extremely vital management goal. NTT has undertaken all necessary measures to assure Y2K compliance as part of its continued efforts to provide stable and uninterrupted telecommunication services.

(2) Action Framework

NTT has consistently taken early action for the achievement of Y2K compliance. Internal studies were initiated in March 1995 and a company-wide "Y2K Compliance Project" was launched in November 1995. A further step was taken in December 1997 with the launching of the "Compliance Project" covering the computer systems sold by

NTT to outside customers.

In the process of the corporate reorganization undertaken this year, NTT was initially divided into four "transition headquarters," each of which included a Y2K committee placed under the chairmanship of a responsible director. In addition, a liaison meeting was established to coordinate the compliance activities of the transition headquarters. This framework for coordinated action has been retained after the completion of reorganization with the respective compliance committees of the NTT companies working in cooperation to achieve complete compliance.

(3) Progress Made in Y2K Compliance

The computer systems used by NTT to support its telecommunications operations fall into two broad categories: the node system (covering network facilities), and internal operations systems which cover such administrative functions as customer response, billing, network design and control.

(a) Node System (Network Facilities)

As a rule, the year is denoted in four digits in all communication-related systems. Furthermore, no year-related data is processed in the connection, transmission and exchange of communications. No trouble occurred in trial runs completed before June 30, leading management to believe that problems leading to the stoppage of communications as a result of the Y2K issue will not arise.

Because NTT does not exchange dated information (settlement data, etc.) with other telecommunication carriers, we believe that problems related to inter-connection will not arise. Furthermore, inter-connection testing conducted with 62 carriers before September 30, 1999 has indicated that no problems will arise in this area. On June 25, 1999, NTT participated in an NTT-DDI trial run organized by the Telecommunications Carriers Association.

While systems supporting certain telecommunication services require Y2K compliance, all compliance requirements in these areas were met before June 30, 1999.

(b) Internal Operations Systems

Regarding internal operations systems requiring Y2K compliance, all compliance requirements were met before June 30, 1999.

To further ensure compliance and to secure the confidence of the public, NTT has conducted inter-connection testing between other companies and has implemented third-party compliance checks and other reinforcement measures.

2. Expenses Related to Y2K Compliance

NTT began using four-digit denotations of the year in all switching and other equipment when launching its first digital networks in the 1980s. In 1992, NTT adopted the four-digit denotation as its standard for internal computer systems, and capital investment has been made to develop new systems that are Y2K compliant.

The total estimated cost for achieving Y2K compliance in existing systems is approximately 4 billion yen. These expenses have been included in system revision costs incurred in connection with NTT's reorganization. Efforts have been made for

optimal allocation of these funds as a part of normal maintenance and administrative expenses and as a separate item under development expenses.

3.Contingency Planning

As one of the principal supporters of Japan's telecommunications infrastructure, NTT has constantly endeavored to design its systems with an aim to achieving a high level of reliability. This has always been NTT's governing principle in providing customers with communications services and in developing vital and indispensable facilities and basic operating systems. Similarly, NTT has established crisis management systems and manuals in preparation of earthquakes and other disasters.

The Y2K problem is fundamentally different from conventional disasters in that the date and time of the possible crisis is known in advance, allowing for a state of alert and emergency preparations. In accordance with the government's action program, NTT has re-formulated its crisis management systems and manuals to include provisions pertinent to the Y2K problem. The formulation of these contingency plans was completed before June 30, 1999.

Since July 1, 1999, each of the reorganized NTT companies has developed its own detailed contingency and crisis management plans based on the above contingency plans, encompassing all aspects of customer response and transactions with related companies. These contingency and crisis management systems will remain in place until April 2000.

(Reference)

-[The consolidated financial results cover NTT and 29 subsidiaries.](#)

Attachment 1

-[NIPPON TELEGRAPH AND TELEPHONE CORPORATION NON-CONSOLIDATED BALANCE SHEET](#)

Attachment 2

-[NIPPON TELEGRAPH AND TELEPHONE CORPORATION NON-CONSOLIDATED STATEMENTS OF INCOME](#)

Attachment 3

-[Business Results \(Non-consolidated Operating Revenues\)](#)

Attachment 4

-[NIPPON TELEGRAPH AND TELEPHONE CORPORATION CONSOLIDATED BALANCE SHEET\(UNAUDITED\)](#)

Attachment 5

-[NIPPON TELEGRAPH AND TELEPHONE CORPORATION CONSOLIDATED STATEMENTS OF INCOME\(UNAUDITED\)](#)

Attachment

-[NTT's Shares and Shareholders \(as of September 30, 1999\)](#)

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