



# *News Release*

NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION

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This English text is a translation of the Japanese original. The Japanese original is authoritative.

**March 1, 2006**

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

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

Information and communications are expected to contribute enormously to creating a rich communications environment, invigorating and enhancing corporate activities, and generating new business opportunities toward the achievement of a ubiquitous network society defined in the u-Japan Policy and the IT New Reform Strategy. Moreover, the information and telecommunications market is undergoing dramatic change as illustrated by the formation of business alliances among telecommunications carriers, cross-industry alliances, and the fixed-mobile convergence (FMC) as well as the convergence of telecommunications and broadcasting backed by the rapid advancement of optical IP services. The regional telecommunications market has also ushered in an era of rapid structural change and full-fledged competition with the speedy expansion of optical access and other broadband services and the competition among by new common carriers of fixed telephone services that use dry copper lines and optical IP networks.

Amidst such a difficult and sharply fluctuating operating environment, NTT East will continue to strive to provide high-quality, stable universal services, and as a leading carrier in the IP era, the company will provide attractive products and services that are highly safe, secure, and reliable, thus contributing to the development of society. Through these endeavors, NTT East will seek to make a real difference to the world, while ensuring fair competitive conditions under the framework of existing laws, and build a next-generation network that realizes “fast and convenient,” “safe and secure” connections “anytime, anywhere and with anyone or anything.” This will enable us to provide versatile services and help achieve the NTT Group's Medium-Term Management Strategy.

With regard to the management of business operations for the fiscal year ending March 31, 2007, based on the concept mentioned above and in the face of today's difficult operating environment, NTT East will endeavor to further raise the efficiency of management and improve customer services by establishing business operation structure that responds to the era of optical IP networks. Specifically, the company will offer one-stop and flow-through services to ascertain customer opinions and needs swiftly and accurately. Building on this, NTT East will devote its full energy to the expansion of demand for broadband communications and provide services that are high

value-added and user-friendly, including full-fledged optical access and IP telephony services and the development of FMC services and services that integrate telecommunications and broadcasting. NTT East will strive to return the fruits of these measures to customers, the community, and --through the holding company-- to shareholders, and will promote the ongoing development of stable operations in the future.

In line with this concept, for the fiscal year ending March 31, 2007, NTT East will give priority to the following categories in the conduct of its business management, and will do so flexibly so as to respond to changes in the operating environment.

## **1. Voice Transmission Services**

### **(1) Subscriber Telephones**

NTT East will respond to all demands for telephone subscriptions, including the relocation of existing lines. The number of subscribers is projected to total approximately 20.04 million by the end of the fiscal year ending March 31, 2007.

<b>Item</b>	<b>Planned Number (subscribers)</b>
<b>Additional Installations</b>	<b>(2.62) million</b>
<b>Relocations</b>	<b>4.84 million</b>

### **(2) Social-Welfare Telephones**

As social welfare programs continue to expand and develop, there is a greater social demand for welfare-oriented telecommunications services. To respond to this need, NTT East will continue to promote the installation of welfare-oriented products, such as its "Silver Phone Series" (Anshin [Relief], Meiryō [Clearness], Hibiki [Sound], and Fureai [Communication]).

Item	Planned Number (units)
Silver Phones	
Anshin (Relief)	300
Meiryo (Clearness)	100

### (3) Public Telephones

NTT East will continue to meet the minimum requirement for public means of communications and review the installation public telephones which are currently in low use. The company will also strive to improve social welfare facilities and public services by continuing to promote the installation of wheelchair-accessible public telephone booths.

Item	Planned Number (units)
Public Telephones	(9,000)

### (4) Integrated Digital Communications Services

The numbers of INS-Net 64 lines and INS-Net 1500 lines are projected to total approximately 3,021,000 and 34,000, respectively, by the close of the fiscal year ending March 31, 2007.

Item	Planned Number (circuits)
INS-Net 64 Subscriber Lines	(477,000)
INS-Net 1500 Subscriber Lines	(0,000)

## 2. Data Transmission Services

To respond to the heightening demand for broadband services, NTT East will endeavor to enhance access services, expand service areas, and provide

varied services, focusing mainly on the full provision of optical IP phone services.

Item	Planned Number (contracts)
B FLET'S	1.50 million

### 3. Dedicated Services

The numbers of conventional leased circuits and high-speed digital transmission circuits are projected to total approximately 193,000 and 144,000, respectively, by the close of the fiscal year ending March 31, 2007.

Item	Planned Number (circuits)
Conventional Leased Circuits	(23,000)
High-Speed Digital Transmission Circuits	(33,000)

### 4. Telegraph Services

NTT East will continue to conduct the maintenance of systems and other operations in order to further improve services and to promote increased operating efficiency in its telegraph services.

### 5. Improvements and Advances in Telecommunications Facilities

#### (1) Optical Access Network

The switch-over to the use of optical fiber in the access network will be actively promoted in accordance with factors such as the heightening demand for broadband services.

Item	Planned Number (million fiber km)
Optical Subscriber Cables	2.50

(Cover rate at the end of March 2007 will be 88%.)

## (2) Telecommunications Network

In its telecommunications network, NTT East will not only meet demand for broadband services, but at the same time will further upgrade network services and improve network economy and efficiency.

## (3) Disaster-Prevention Measures

NTT East will take all necessary measures disaster-prevention measures. These will include disaster-prevention measures for telecommunications equipment and facilities, measures to ensure emergency communications, and measures to strengthen the structure for crisis management and the restoration of systems in the event of large-scale disasters, and also the assistance with the sharing of information after a natural disaster.

## (4) Installation of Underground Transmission Cables

In furtherance of the goal to improve the reliability of communications facilities, ensuring safe and pleasant passage spaces, and enhance the appearance of urban areas, NTT East will work in coordination with the national and local governments and with other companies in installing underground transmission cables.

## (5) Facility Maintenance

The maintenance of facilities will be directed at ensuring stable and high-quality services by, for example, replacing cables and other facilities on an on-going basis. Through such maintenance, NTT East will aim not only to maintain customer services, but also to ensure safe operations, harmonization with the social environment, and the stabilization of communications systems.

NTT East will seek to minimize costs by making exhaustive use of existing equipment and facilities in improving and upgrading communications facilities.

## **6. Promotion of Research and Development Activities**

To further stabilize and strengthen its management base, and to respond to the rapid expansion and diversification of the broadband market and public demand for the creation of an advanced information and telecommunications network society, NTT East will promote research and development network systems and access systems so as to upgrade telecommunications networks. In addition, to position itself to offer customers choice of a diverse range of reliable and convenient services through sophisticated telecommunications networks, NTT East will also conduct research and development in such areas as information-sharing platforms and communications terminals of various types.

A summary of the business plans for the above principal services and capital investment plans are outlined in the attached tables.

Table 1

Principal Services Plan for Fiscal Year Ending March 31, 2007

Type of Service	Plan
Voice Transmission Services	
Subscriber Telephones	
Additional Installations	(2.62 million) subscribers
Relocations	4.84 million subscribers
Social-Welfare Telephones (Silver Phones)	500 units
Public Telephones	(9,000) units
Integrated Digital Communications Services	
INS-Net 64 Subscriber Lines	(477,000) circuits
INS-Net 1500 Subscriber Lines	(0,000) circuits
Data Transmission Services	
B FLET'S	1.50 million contracts
Dedicated Services	
Conventional Leased Circuits	(23,000) circuits
High-Speed Digital Transmission Circuits	(33,000) circuits



Table 2

## Capital Investment Plan for Fiscal Year Ending March 31, 2007

(billions of yen)

Item	Investment Required
1. Expansion and Improvement of Services	(Note) 388
(1) Voice Transmission	257
(2) Data Transmission	40
(3) Leased Circuits	90
(4) Telegraph	1
2. Reserch & Development Facilities	4
3. Common Facilities, etc.	18
Total	410

Note: This includes approximately 190 billion yen to be invested in the Optical Access Network.

## Attachment 1

(Reference)

## Revenues and Expenses Plan for Fiscal Year Ending March 31, 2007

(billions of yen)

Item	Amount
<b>Revenues</b>	
<b>Operating Revenues</b>	2,057
Voice Transmission	1,185
Data Transmission	168
Dedicated Line	346
Telegraph	24
Others	334
<b>Non-Operating Revenues</b>	58
<b>Total Revenues</b>	2,115
<b>Expenses</b>	
<b>Operating Expenses</b>	1,992
Operating Costs	1,493
Tax and Dues	75
Depreciation	424
<b>Non-Operating Expenses</b>	43
<b>Total Expenses</b>	2,035
<b>Recurring Profit</b>	80

Plan of Sources and Applications of Funds  
for Fiscal Year Ending March 31, 2007

(billions of yen)

Item	Amount
<b>Sources:</b>	
Operational	2,660
Operating Revenues	2,600
Non-Operating Revenues	60
Financial	250
Long-Term Loans and Bonds	141
Other Financial Income	109
Estimated Consumption Tax Receipts	102
Brought Forward from Previous Fiscal Year	127
<b>Total</b>	<b>3,139</b>
<b>Applications:</b>	
Operational	2,216
Operating Expenses	2,178
Non-Operating Expenses	38
Financial	675
Capital Investments for Property, Plant, and Equipment	410
Other Financial Expenses	265
Account Settlement Expenses	34
Provisional Consumption Tax Payments	87
Carry Forward to Following Fiscal Year	127
<b>Total</b>	<b>3,139</b>

## Outline of NTT East's Business Operation Plan for Fiscal Year Ending March 31, 2007

### 1. Revenues and Expenses Plan for Fiscal Year Ending March 31, 2007

(billions of yen)

Item	FY 3/07	FY 3/06	Change	[Reference]	
				FY 3/05	Change FY 3/06 - FY 3/05
Total Revenues	2,115	2,157	(42)	2,241.9	(84.9)
(1) Voice Transmission* (excl. IP services)	1,156	1,271	(115)	1,401.4	(130.4)
(2) IP-related*	361	281	80	211.3	69.6
(3) Leased Circuits* (excl. IP services)	181	183	(2)	208.7	(25.7)
Total Expenses	2,035	2,077	(42)	2,144.3	(67.3)
(1) Personnel Expenses*	143	161	(18)	206.5	(45.5)
(2) Non-personnel Expenses*	1,300	1,284	16	1,275.3	8.6
(3) Depreciation*	424	456	(32)	469.8	(13.8)
Recurring Profit	80	80	0	97.6	(17.6)

\* Major items

[Reference]

Operating Free Cash Flow	112	147	(35)
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### 2. Principal Services Plan (Number of Facilities at End of Fiscal Year)

Type of Service		FY 3/07	FY 3/06	Change
IP Services	B-FLET'S	3,390,000 contracts	1,890,000 contracts	1,500,000 contracts
	FLET'S ADSL	2,930,000 contracts	3,030,000 contracts	(100,000) contracts
Subscriber Telephones and ISDN		23,410,000 subscribers	26,510,000 subscribers	(3,100,000) subscribers
Subscriber Telephones		20,040,000 subscribers	22,660,000 subscribers	(2,620,000) subscribers
Leased Circuits Services	Conventional Leased Circuits	193,000 circuits	215,000 circuits	(23,000) circuits
	High-Speed Digital Transmission Circuits	144,000 circuits	177,000 circuits	(33,000) circuits

\* Figures for ISDN subscriber lines consist of INS-Net 64 and INS-Net 1500. 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, one INS-Net 1500 subscription is calculated as ten INS-Net 64 subscriptions. (INS-Net 64 Lite Plan is included.)

### 3. Capital Investment Plan

(billions of yen)

Item	FY 3/07	FY 3/06	Change
Expansion and Improvement of Services	388	398	(10)
(1) Voice Transmission*	257	257	0
(2) Data Transmission*	40	50	(10)
(3) Dedicated*	90	90	0
(4) Telegraph*	1	1	0
Reserch & Development Facilities	4	4	0
Common Facilities, etc.	18	18	0
<b>Total</b>	<b>410</b>	<b>420</b>	<b>(10)</b>

Optical Access Network*	Approx. 190	Approx. 180	Approx. 10
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**Note: All figures for FY 3/06 are based on the initial projections.**

\*Major items

### 4. Principal Work to Improve and Upgrade Telecommunications Facilities

Item	FY 3/07	FY 3/06	Change
Optical Subscriber Cables (million fiber km)	2.5	1.9	0.6
Cover Rate of Optical Subscriber Cables (at end of fiscal year)	88%	85%	+3 percentage points