



# *News Release*

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

March 1, 2013

## **Submission for Approval of Business Operation Plan for the Fiscal Year Ending March 31, 2014**

Nippon Telegraph and Telephone East Corporation (“NTT East”) today submitted its business operation plan for the fiscal year ending March 31, 2014 to the Minister for Internal Affairs and Communications for approval.

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Information and communications services have become an essential part of the infrastructure of socio-economic activity. It is expected to make the daily life of individuals more convenient as well as revitalize communities, while also improving the efficiency of corporate activities, creating new businesses and enhancing industry-wide international competitiveness.

The information and communications market is growing due to expanding Internet usage in conjunction with an increasing shift to IP and broadband services. The market is undergoing structural changes beyond the existing framework, including fixed-mobile convergence, cloud computing and smart TV development, penetration of high-speed wireless and Wi-Fi compatible devices, such as smartphones and tablet devices, and wide spread use of applications that enable free calls and message communications. Regional telecommunications markets are also changing dramatically, with intensifying competition in broadband access service facilities and services centered around the shift to fiber-optic access services, the expansion of other new services that leverage various wireless devices which in turn leads to diversified usage by customers, and increasing non-conventional needs due to the expansion of the volume of data communications.

Amidst such a difficult and volatile business environment, as a carrier with an important leadership role in the information and communications industry, NTT East will continue to provide high-quality, stable universal services, work to develop a disaster-resistant information and communications network and ensure the reliability as a part of social infrastructure through activities such as prompt restoration of services in times of large-scale natural disasters and other calamities, all while striving to ensure that it strictly abides by the requirements of fair competition and seeking to secure a stable and solid foundation for its business, as well as conforming to laws, regulations and social norms. Furthermore, NTT East will contribute towards the further enrichment and sustained development of society by enhancing the broadband and ubiquitous environment and expanding fiber-optic access through the provision of services and products that leverage the advantages of the next-generation network (“NGN”), as well as the provision of price menus that are customer-friendly and for a longer term, and by using information communication technology (“ICT”) to solve various economic and social issues facing Japan, such as the low birthrate and aging population, and achieving a low-carbon society.

With regard to the management of business operations for the fiscal year ending March 31, 2014, in the face of an unpredictable economic recovery, despite an expectation of overcoming issues related to appreciation of the yen and deflation, and the uncertain business environment, NTT East will continue to expand fiber optic access, and will expand and achieve an even more

advanced broadband network environment with the NGN based on the basic concepts described above. This includes the creation of new use scenarios for ICT that are closely connected to daily domestic life and community activities, the enhancement of the ICT environment by expanding Wi-Fi areas, and the provision of services that make daily living more convenient by providing devices that are easy to use for customers. NTT East will offer an even wider range of services for IP telephony and video services, including maintenance and support services on this network infrastructure. As “an accessible, all-round ICT company,” NTT East will at the same time provide a variety of services designed to provide customers and local communities with a sense of security, safety and convenience by developing and providing customers with high value-added and user-friendly services, including services newly created in collaboration with companies in diverse industries. Meanwhile, NTT East will further improve customer services, while taking steps to ensure steady business growth into the future by further increasing operating efficiency and building a stable and enhanced management base. NTT East will strive to return the results of these measures to customers, the local community and, through the holding company, to the shareholders.

NTT East will conduct its business management in the fiscal year ending March 31, 2014 on the basis of the above outlined concepts, emphasizing the items outlined below, while maintaining the flexibility needed to respond to changes in the business environment.

## 1. Voice transmission services

### (1) Telephone subscriptions

NTT East will respond promptly to all demands for telephone subscriptions, including the relocation of existing lines. The number of subscriptions is projected to total approximately 11.10 million by the end of the fiscal year ending March 31, 2014.

Item	Planned number (subscriptions)
Additional installations	(1.17 million)
Relocations	1.73 million

### (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 provision 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)	500
Meiryō (clearness)	100

### (3) Public telephones

NTT East will continue to meet the minimum requirements for providing a public means of communications and review public telephones which are currently in low use. NTT East will also strive to improve convenience by, among other things, disclosing the installation locations of

public telephones in order to promote increased usage of public telephones and to prepare for emergencies, including disasters.

Item	Planned number (units)
Public telephones	(7,000)

(4) Integrated digital communications services

The numbers of INS-Net 64 subscriber lines and INS-Net 1500 subscriber lines are projected to total approximately 1,500,000 and 18,000, respectively, by the close of the fiscal year ending March 31, 2014.

Item	Planned number (circuits)
INS-Net 64 subscriber lines	(202,000)
INS-Net 1500 subscriber lines	(3,000)

## **2. Data transmission services**

To respond to the increasing demand for broadband services, NTT East will endeavor to expand its fiber-optic access services by targeting services unique to fiber-optic technologies, such as Hikari Denwa and video services, and will endeavor to provide a wide range of other services.

Item	Planned number (contracts)
FLET'S Hikari	0.50 million

## **3. Leased circuit services**

The subscriptions for conventional leased circuits and high-speed digital transmission circuits are projected to total approximately 122,000 and 75,000, respectively, by the close of the fiscal year ending March 31, 2014.

Item	Planned number (circuits)
Conventional leased circuits	(6,000)
High-speed digital transmission circuits	(4,000)

## **4. Telegraph services**

NTT East will conduct maintenance of its systems in order to promote the enhancement of services and operational efficiency in its telegraph services.

## 5. Improvements and advances in telecommunications facilities

### (1) Optical access network

NTT East will promote the efficient shift to the use of fiber-optics in the access network to respond to, among other things, the demands for broadband services.

Item	Planned number (million fiber km)
Optical subscriber cables	2.3

(Coverage rate at the end of the fiscal year ending March 31, 2014 is expected to be 94%\*.)

\*The percentage of wiring points (feeder points) that are shifted to fiber-optics.

### (2) Telecommunications network

In its telecommunications network, NTT East will upgrade network services and improve network efficiency, among other things, while working to expand its coverage area for the NGN and continuing its efforts to meet demand for broadband services.

### (3) Disaster prevention measures

NTT East will take necessary response measures in case of disasters. These will include disaster prevention measures to prepare for damage to telecommunications equipment and facilities, measures to secure lines for emergency communications, measures to strengthen the organizational structure for crisis management and the restoration of systems in the event of large-scale disasters, and support for distributing information after a disaster.

### (4) Underground installation of transmission cables

In order to improve the reliability of communications facilities, ensure safe and pleasant over-ground passage spaces, and enhance the appearance of the urban landscape, NTT East will work, in coordination with the national and local governments and with other companies, to install transmission cables underground.

### (5) Facility maintenance

NTT East will aim to provide stable and high-quality services by conducting cable maintenance and replacement, and by ensuring quality customer services, safe operations, harmonization with the social environment and stabilization of communications systems.

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

## **6. Promotion of research and development activities**

In order to further stabilize and strengthen its management base and to provide better communication services to its customers, NTT East will continue to promote research and development in network systems and access systems, which aim to advance the NGN and other telecommunications networks. In addition, in order to offer customers more choices while providing a range of safe and convenient services through telecommunications networks, NTT East will also conduct research and development in such areas as communications terminals of various types, information-distribution platforms, and in new market development including, among other things, value-added businesses utilizing telecommunications networks.

The following tables present an overview of the business plans for the above principal services and capital investment plans.

Table 1 – Principal Services Plan for the Fiscal Year Ending March 31, 2014

Table 2 – Capital Investment Plan for the Fiscal Year Ending March 31, 2014

Attachment 1 (Reference) – Revenues and Expenses Plan for the Fiscal Year Ending March 31, 2014

Attachment 2 (Reference) – Sources and Applications of Funds Plan for the Fiscal Year Ending March 31, 2014

<Reference> – Revisions to Business Results Forecasts for the Fiscal Year Ending March 31, 2013 (the Fourteenth Term)

<Reference> – Business Operation Plan for the Fiscal Year Ending March 31, 2014

Please note that the information in this Business Operation Plan is current as of the release date and may therefore differ from information current as of today.



Table 1

## Principal Services Plan for the Fiscal Year Ending March 31, 2014

Type of service	Plan
Voice transmission services	
Telephone subscriptions	
Additional installations	(1.17 million) subscriptions
Relocations	1.73 million subscriptions
Social welfare telephones (Silver Phones)	700 units
Public telephones	(7,000) units
Integrated digital communications services	
INS-Net 64 subscriber lines	(202,000) circuits
INS-Net 1500 subscriber lines	(3,000) circuits
Data transmission services	
FLET'S Hikari	0.50 million contracts
Leased circuit services	
Conventional leased circuits	(6,000) circuits
High-speed digital transmission circuits	(4,000) circuits

Table 2

## Capital Investment Plan for the Fiscal Year Ending March 31, 2014

(Billions of yen)

Item	Investment required
1. Expansion and improvement of services	326 *
(1) Voice transmission	145
(2) Data transmission	25
(3) Leased circuits	155
(4) Telegraph	1
2. Research and development facilities	3
3. Common facilities and others	21
Total	350

\* This figure includes approximately 150 billion yen to be invested in the fiber-optic access network.

Attachment 1  
(Reference)

Revenues and Expenses Plan for the Fiscal Year Ending March 31,2014

(Billions of yen)

Item	Amount
Revenues	
Operating revenues	1,783
Voice transmission	709
Data transmission	256
Leased circuits	507
Telegraph	15
Others	296
Non-operating revenues	45
Total revenues	1,828
Expenses	
Operating expenses	1,718
Operating costs	1,285
Tax and dues	72
Depreciation	361
Non-operating expenses	30
Total expenses	1,748
Recurring profit	80

Sources and Applications of Funds Plan  
for the Fiscal Year Ending March 31, 2014

(Billions of yen)

Item	Amount
Sources:	
Operational:	1,960
Operating revenues	1,915
Non-operating revenues	45
Financial:	118
Proceeds from issuance of long-term loans and bonds	118
Other financial income	0
Estimated consumption tax receipts	89
Balance brought forward from previous fiscal year	108
Total	2,275
Applications:	
Operational:	1,521
Operating expenses	1,497
Non-operating expenses	24
Financial:	523
Capital investments	350
Other financial expenses	173
Account settlement expenses	44
Provisional consumption tax payments	77
Balance carried forward to following fiscal year	110
Total	2,275

<Reference>

Revisions to Business Results Forecasts for the Fiscal Year Ending March 31, 2013 (the Fourteenth Term)

NTT East will revise its business results forecasts for the Fiscal Year Ending March 31, 2013 (the Fourteenth Term), which were announced on November 8, 2012 (second quarter earnings announcement for the fiscal year ending March 31, 2013) as follows.

(Billions of yen)

	Before revision	After revision	Change
Operating revenues	1,858	1,833	(25)
Operating income	65	65	—
Recurring profit	85	88	3
Net income	50	50	—