

# *News Release*

NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION

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

February 28, 2014

## **Submission for Approval of Business Operation Plan for the Fiscal Year Ending March 31, 2015**

Nippon Telegraph and Telephone East Corporation (“NTT East”) today submitted its business operation plan for the fiscal year ending March 31, 2015 to the Minister for Internal Affairs and Communications for approval.

For inquiries, please contact:  
Corporate Strategy Planning Department  
Nippon Telegraph and Telephone East Corporation  
Tel: +81-3-5359-2997

Information and communications services have become an essential part of the infrastructure of socio-economic activity. These services are expected to make people's daily lives more convenient as well as revitalize communities, while also improving corporate efficiency, creating new businesses and enhancing industry-wide international competitiveness.

The information and communications market is growing due to an increasing shift to broadband services and globalization. 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 widespread use of applications that enable free phone calls and messaging. Regional telecommunications markets are also changing dramatically, with intensifying competition in broadband access facilities and services centered around the shift to fiber-optic access, and increasing offloading needs due to the expansion of the volume of data communications. New services that leverage a variety of wireless devices are also expanding, which in turn leads to diversification in the way that customers are using these devices.

Amid such a difficult and volatile business environment, as a carrier with an important leadership role in the information and communications industry, NTT East will aim to continue to provide high-quality, stable universal services, work to develop a disaster-resistant information and communications network, and promptly restore services in times of large-scale natural disasters and other calamities in order to ensure their reliability as part of the social infrastructure, and respond to network migration appropriately. NTT East will do this 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 complying with any applicable regulation.

Furthermore, NTT East will endeavor to contribute toward the further enrichment and sustained development of society by enhancing the broadband and ubiquitous environment and further expanding fiber-optic access, which is now used by over 10 million subscribers. NTT East intends to achieve these objectives by offering services and products that leverage the advantages of the next-generation network ("NGN"), as well as offering customer-friendly pricing options with long-term appeal, and by using information communication technology ("ICT") to confront the 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 its business operations for the fiscal year ending March 31, 2015, amid the continuing economic recovery associated with the transition away from deflation,

NTT East plans to continue expanding and promoting the use of fiber-optic access, and aims to achieve the upgrade and expansion of its broadband network environment through the NGN on the basis described above. These objectives will be achieved through the creation of new uses 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 development and provision of services for business users. NTT East plans to offer an even wider range of services for IP telephony and video services, including maintenance and support for network infrastructure. As an “accessible, full-service ICT company,” NTT East at the same time aims to develop and provide a variety of high value-added and user-friendly services designed to provide customers and local communities with a sense of security, safety and convenience, including new services created through further collaboration with companies in diverse industries. Meanwhile, NTT East expects to further improve customer services, while taking steps to ensure steady business growth into the future by further increasing operating efficiency and reinforcing its management base. NTT East will strive to return the results of these measures to customers, the local community and, through its holding company, to its shareholders.

NTT East plans to manage its business in the fiscal year ending March 31, 2015 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 aim to respond promptly to all demands for telephone subscriptions, including the relocation of existing lines. The number of subscriptions is projected to total approximately 10.3 million by the end of the fiscal year ending March 31, 2015.

Item	Planned number (subscriptions)
Additional installations	(0.93 million)
Relocations	1.38 million

### (2) Social welfare telephones

As social welfare programs continue to expand and develop, social demand for welfare-oriented telecommunications services has increased. In response to this need, NTT East plans to 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)	1500
Meiryō (clearness)	0

### (3) Public telephones

NTT East plans to continue to meet the minimum requirements for providing a public means of communication and review its plan with respect to underutilized public telephones. NTT East will also strive to continue to improve convenience by, among other things, publicizing the

locations of public telephones in order to promote their increased usage and to prepare for disasters and other emergencies.

Item	Planned number (units)
Public telephones	(6,000)

(4) Integrated digital communications services

The numbers of INS-Net 64 and INS-Net 1500 subscriber lines are projected to total approximately 1,380,000 and 17,000, respectively, by the close of the fiscal year ending March 31, 2015.

Item	Planned number (circuits)
INS-Net 64 subscriber lines	(152,000)
INS-Net 1500 subscriber lines	(2,000)

## **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 aim to provide a wide range of other services.

Item	Planned number (contracts)
FLET'S Hikari	0.30 million

## **3. Leased circuit services**

Subscriptions for conventional leased circuits and high-speed digital transmission circuits are projected to total approximately 117,000 and 73,000, respectively, by the close of the fiscal year ending March 31, 2015.

Item	Planned number (circuits)
Conventional leased circuits	(5,000)
High-speed digital transmission circuits	(3,000)

## **4. Telegraph services**

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

## 5. Improvements and advances in telecommunications facilities

### (1) Optical access network

NTT East plans to promote the efficient shift to the use of fiber-optics in its access network in response to, among other things, the demand for broadband services.

Item	Planned number (million fiber km)
Optical subscriber cables	1.8

(Coverage rate at the end of the fiscal year ending March 31, 2015 is expected to be 95%\*.)

\*Represents the percentage of wiring points (feeder points) that will be shifted to fiber-optics.

### (2) Telecommunications network

In its telecommunications network, NTT East will aim to upgrade network services and improve network efficiency, among other things, while continuing its efforts to meet demand for broadband services.

### (3) Disaster prevention measures

NTT East expects to take necessary measures in response to disasters. Such measures would include disaster prevention measures to prepare for damage to telecommunications equipment and facilities, securing lines for emergency communications, strengthening its organizational structure for crisis management and restoring systems in the event of large-scale disasters, and supporting information distribution after a disaster.

### (4) Underground installation of transmission cables

In order to improve the reliability of communications facilities, ensure safe and pleasant roads and other transit areas, 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, with the aim of advancing 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 communication devices, cloud platforms, security, 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, 2015

Table 2 – Capital Investment Plan for the Fiscal Year Ending March 31, 2015

Attachment 1 (Reference) – Revenues and Expenses Plan for the Fiscal Year Ending March 31, 2015

Attachment 2 (Reference) – Planned Sources and Applications of Funds for the Fiscal Year Ending March 31, 2015

<Reference> – Revisions to Business Results Forecasts for the Fiscal Year Ending March 31, 2014 (the Fifteenth Term)

<Reference> – Business Operation Plan for the Fiscal Year Ending March 31, 2015

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, 2015

Type of service	Plan
Voice transmission services	
Telephone subscriptions	
Additional installations	(0.93 million) subscriptions
Relocations	1.38 million subscriptions
Social welfare telephones (Silver Phones)	1,600 units
Public telephones	(6,000) units
Integrated digital communications services	
INS-Net 64 subscriber lines	(152,000) circuits
INS-Net 1500 subscriber lines	(2,000) circuits
Data transmission services	
FLET'S Hikari	0.30 million contracts
Leased circuit services	
Conventional leased circuits	(5,000) circuits
High-speed digital transmission circuits	(3,000) circuits

Table 2

## Capital Investment Plan for the Fiscal Year Ending March 31, 2015

(Billions of yen)

Item	Expected investment
1. Expansion and improvement of services	300 *
(1) Voice transmission	144
(2) Data transmission	30
(3) Leased circuits	125
(4) Telegraph	1
2. Research and development facilities	2
3. Common facilities and others	18
Total	320

\* This figure includes approximately 125 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, 2015

(Billions of yen)	
Item	Amount
Revenues	
Operating revenues	1,771
Voice transmission	670
Data transmission	258
Leased circuits	492
Telegraph	14
Others	337
Non-operating revenues	8
Total revenues	1,779
Expenses	
Operating expenses	1,681
Operating costs	1,244
Taxes and dues	74
Depreciation	363
Non-operating expenses	8
Total expenses	1,689
Recurring profit	90

Planned Sources and Applications of Funds  
for the Fiscal Year Ending March 31, 2015

(Billions of yen)

Item	Amount
Sources:	
Operational:	1,920
Operating revenues	1,912
Non-operating revenues	8
Financial:	80
Proceeds from issuance of long-term loans and bonds	80
Other financial income	0
Estimated consumption tax receipts	141
Balance brought forward from previous fiscal year	134
Total	2,275
Applications:	
Operational:	1,447
Operating expenses	1,439
Non-operating expenses	8
Financial:	450
Capital investments	320
Other financial expenses	130
Account settlement expenses	62
Provisional consumption tax payments	123
Balance carried forward to following fiscal year	193
Total	2,275

<Reference>

Revisions to Business Results Forecasts for the Fiscal Year Ending March 31, 2014 (the Fifteenth Term)

NTT East will revise its business results forecasts for the Fiscal Year Ending March 31, 2014 (the Fifteenth Term), which were announced on November 8, 2013 (second quarter earnings announcement for the fiscal year ending March 31, 2014), as follows.

(Billions of yen)			
	Before revision	After revision	Change
Operating revenues	1,783	1,772	(11)
Operating income	65	70	+5
Recurring profit	83	90	+7
Net income	50	52	+2