



# News Release

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

February 27, 2015

## **Submission for Approval of Business Operation Plan for the Fiscal Year Ending March 31, 2016**

Nippon Telegraph and Telephone East Corporation (“NTT East”) today submitted its business operation plan for the fiscal year ending March 31, 2016 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. These services are expected to make significant contributions to increasing the convenience of people's daily lives and the vitalization of local economies, 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 to 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 applicable regulations.

Furthermore, NTT East will endeavor to contribute to the further enrichment and sustained development of society by enhancing the broadband and ubiquitous network environment and further expanding fiber-optic access. 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, 2016, amid the continuing economic recovery resulting from a positive economic growth cycle, 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 through, among other things, the use of Wi-Fi, 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, and to further improve customer services. In addition, NTT East will provide service providers in a wide range of fields with fair and equal services on the basis of its world-class network through the Hikari Collaboration Model, as well as support a variety of value creation opportunities.

At the same time, NTT East will also take 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, 2016 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 9.60 million by the end of the fiscal year ending March 31, 2016.

Item	Planned number (subscriptions)
Additional installations	(0.84 million)
Relocations	1.05 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)	1,300
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 1,222,000 and 18,000, respectively, by the close of the fiscal year ending March 31, 2016.

Item	Planned number (circuits)
INS-Net 64 subscriber lines	(155,000)
INS-Net 1500 subscriber lines	(1,000)

## 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*	0.40 million

\*Figures for FLET'S Hikari include subscribers to the Hikari Collaboration Model.

## 3. Leased circuit services

Subscriptions for conventional leased circuits and high-speed digital transmission circuits are projected to total approximately 113,000 and 60,000, respectively, by the close of the fiscal year ending March 31, 2016.

Item	Planned number (circuits)
Conventional leased circuits	(4,000)
High-speed digital transmission circuits	(7,000)

## 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	1.3

(Coverage rate at the end of the fiscal year ending March 31, 2016 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, 2016

Type of service	Plan
Voice transmission services	
Telephone subscriptions	
Additional installations	(0.84 million) subscriptions
Relocations	1.05 million subscriptions
Social welfare telephones (Silver Phones)	1,400 units
Public telephones	(6,000) units
Integrated digital communications services	
INS-Net 64 subscriber lines	(155,000) circuits
INS-Net 1500 subscriber lines	(1,000) circuits
Data transmission services	
FLET'S Hikari*	0.40 million contracts
Leased circuit services	
Conventional leased circuits	(4,000) circuits
High-speed digital transmission circuits	(7,000) circuits

\*Figures for FLET'S Hikari include subscribers to the Hikari Collaboration Model.

Table 2

## Capital Investment Plan for the Fiscal Year Ending March 31, 2016

(Billions of yen)

Item	Expected investment
1. Expansion and improvement of services	278 *
(1) Voice transmission	142
(2) Data transmission	21
(3) Leased circuits	114
(4) Telegraph	1
2. Research and development facilities	2
3. Common facilities and others	20
Total	300

\* This figure includes approximately 110 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, 2016

(Billions of yen)	
Item	Amount
Revenues	
Operating revenues	1,726
Voice transmission	617
Data transmission	273
Leased circuits	495
Telegraph	13
Others	328
Non-operating revenues	6
Total revenues	1,732
Expenses	
Operating expenses	1,606
Operating costs	1,181
Taxes and dues	74
Depreciation	351
Non-operating expenses	6
Total expenses	1,612
Recurring profit	120

Planned Sources and Applications of Funds  
for the Fiscal Year Ending March 31, 2016

(Billions of yen)

Item	Amount
Sources:	
Operational:	1,862
Operating revenues	1,856
Non-operating revenues	6
Financial:	0
Proceeds from issuance of long-term loans and bonds	0
Other financial income	0
Estimated consumption tax receipts	136
Balance brought forward from previous fiscal year	90
Total	2,088
Applications:	
Operational:	1,400
Operating expenses	1,394
Non-operating expenses	6
Financial:	360
Capital investments	300
Other financial expenses	60
Account settlement expenses	77
Provisional consumption tax payments	108
Balance carried forward to following fiscal year	143
Total	2,088

<Reference>

Revisions to Business Results Forecasts for the Fiscal Year Ending March 31, 2015 (the Sixteenth Term)

NTT East will revise its business results forecasts for the fiscal year ending March 31, 2015 (the Sixteenth Term), which were announced on November 7, 2014 (second quarter earnings announcement for the fiscal year ending March 31, 2015), as follows.

(Billions of yen)

	Before revision	After revision	Change
Operating revenues	1,771	1,771	-
Operating income	90	100	+10
Recurring profit	103	111	+8
Net income	62	62	-