



News Release

NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION

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Submission for Approval of Business Operation Plan for Fiscal Year Ending March 31, 2006

Nippon Telegraph and Telephone East Corporation (NTT East) today submitted its business operation plan for the fiscal year ending March 31, 2006 to the Minister for Internal Affairs and Communications for approval.

Information and communications are expected to contribute enormously to invigorating and enhancing the efficiency of socioeconomic activities, creating new industries, and improving the living environment of citizens in order to achieve the aim of the u-Japan Initiative: a ubiquitous network society. Moreover, as needs grow steadily more sophisticated, diverse, and global in character, the very structure of the information and telecommunications market is undergoing dramatic change, characterized by surging demand for mobile and Internet communications. The regional telecommunications market has also ushered in an era of rapid structural change and full-fledged competition. In the fixed telephone field, competition has intensified with the launch of fixed telephone services by new common carriers that use dry copper lines. In the field of broadband communications, charges for Internet access have also been falling with the expansion of demand and the heightening of competition, and the use of IP telephones has been spreading rapidly not only in the corporate market but also the household market.

Amidst such a difficult and sharply fluctuating operating environment, Nippon Telegraph and Telephone East Corporation (NTT East) will continue to strive to provide high-quality, stable universal services, while also enhancing the stability and strength of its management base. The company will lead the rapidly growing and diversifying broadband market and provide new services employing highly reliable and sophisticated infrastructure, with the aim of contributing to a wide range of both corporate and individual activities. NTT East will strive to fulfill its mission as a leading company in the IP era and will contribute to its further development with the aim of fostering information sharing. At the same time, in order to realize the NTT Group's Medium-Term Management Strategy, the company will devote itself to efficiently building optical access networks as an infrastructure for broadband services and to ensuring reliability in the field of telecommunications. Through these endeavors, NTT East will seek to make a real difference to the world.

In the management of business operations for the fiscal year ending March 31, 2006, based upon this fundamental concept, NTT East will make every effort to ascertain customer opinions and demands swiftly and accurately, and to improve services accordingly. In the face of today's difficult operating environment, the

company will also endeavor to further raise the efficiency of management. Moreover, NTT East will devote its full energy to the expansion of demand for broadband communications that match user needs, including providing safe and secure high value added services that are sure to lead the broadband market, such as the full-fledged development of optical IP phone services. NTT East will also 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, 2006, 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 demand for subscriber telephones, including the relocation of existing lines. The number of subscribers is projected to total approximately 22.58 million by the end of the fiscal year ending March 31, 2006.

Item	Planned Number (subscribers)
Additional Installations	(2.26) million
Relocations	4.94 million

(2) Social-Welfare Telephones

The advance of the welfare society has been accompanied by a greater social requirement for telecommunications services in the sphere of welfare. To respond to this need, NTT East will continue to promote the installation of welfare-related products, such as its "Silver Phones Series" (Anshin(Relief), Meiryō (Clearness), Hibiki (Sound), and Fureai (Communication)).

Item	Planned Number (units)
Silver Phones	
Anshin (Relief)	400
Meiryō (Clearness)	100

(3) Public Telephones

While securing a minimum level of public means of communication, NTT East will review public telephones which are in low use today. The company will strive to improve social welfare facilities and public services by continuing to promote the installation of wheelchair-accessible public telephone boxes. All IC card public telephones will be replaced by magnetic card public telephones by the end of the fiscal year ending March 31, 2006.

Item	Planned Number (units)
Public Telephones	(23,000)

(4) INS-Net Digital Services

INS-Net digital services can be provided in all regions in which demand is forecasted. The numbers of INS-Net 64 lines and INS-Net 1500 lines are projected to total approximately 3,418,000 and 33,000, respectively, by the close of the fiscal year ending March 31, 2006.

Item	Planned Number (circuits)
INS-Net 64 Subscriber Lines	(559,000)
INS-Net 1500 Subscriber Lines	(2,000)

2. Data Transmission Services

To respond to heightening demand for broadband services, NTT East will endeavor to enhance access services, expand service areas, and provide new services, focusing mainly on the full provision of optical IP phone services.

Item	Planned Number (circuits)
B FLET'S	1 million

3. Leased Circuit Services

In the field of leased circuit services, NTT East is planning to install the facilities needed to cater to the increasingly varied demand for circuits, including for high-speed digital transmission and voice and image transmission.

Item	Planned Number (circuits)
Conventional Leased Circuits	(38,000)
High-Speed Digital Transmission Circuits	(42,000)

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

Item	Planned Number (million fiber km)
Optical Subscriber Cables	1.9

(Cover rate at the end of March 2006 will be 85%.)

(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 in the sphere of 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 if large-scale disasters occur, and to assist with the sharing of information after a natural disaster.

(4) Installation of Underground Transmission Cables

With regard to the burying of transmission cables, from the standpoint of improving the reliability of communications facilities, ensuring safe and pleasant passage spaces, and enhancing the appearance of urban areas, NTT East will work in cooperation with the national and local governments and with other companies.

(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 this, 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 R&D Activities

To further stabilize and strengthen its management base, and to respond to the rapid expansion and diversification of the Internet market and public demand for the creation of an advanced information and telecommunications network society, NTT East will promote research and development in the spheres of network systems and access systems so as to upgrade telecommunications networks. In addition, to position itself to give customers the 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 applications 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, 2006

Type of Service	Plan
Voice Transmission Services	
Subscriber Telephones	
Additional Installations	(2.26 million) subscribers
Relocations	4.94 million subscribers
Social-Welfare Telephones (Silver Phones)	500 units
Public Telephones	(23,000) units
INS-Net Digital Services	
INS-Net 64 Subscriber Lines	(559,000) circuits
INS-Net 1500 Subscriber Lines	(2,000) circuits
Data Transmission Services	
B FLET'S	1 million contracts
Leased Circuit Services	
Conventional Leased Circuits	(38,000) circuits
High-Speed Digital Transmission Circuits	(42,000) circuits

Table 2

Capital Investment Plan for Fiscal Year Ending March 31, 2006

(billions of yen)	
Item	Investment Required
	(Note)
1. Expansion and Improvement of Services	378
(1) Voice Transmission	242
(2) Data Transmission	45
(3) Leased Circuits	90
(4) Telegraph	1
2. R&D Facilities	4
3. Joint Facilities, etc.	18
Total	400

Note: This includes approximately 170 billion yen to be invested in the Optical Access Network.

Attachment 1

(Reference)

Revenues and Expenses Plan for Fiscal Year Ending March 31, 2006

(billions of yen)

Item	Amount
Revenues	
Operating Revenues	2,012
Voice Transmission	1,223
Data Transmission	143
Leased Circuits	296
Telegraph	25
Others	325
Non-Operating Revenues	54
Total Revenues	2,066
Expenses	
Operating Expenses	1,997
Operating Costs	1,495
Tax and Dues	75
Depreciation	427
Non-Operating Expenses	44
Total Expenses	2,041
Recurring Profit	25

Attachment 2
(Reference)

Plan of Sources and Applications of Funds
for Fiscal Year Ending March 31, 2006

(billions of yen)

Item	Amount
Sources:	
Operational:	2,744
Operating Revenues	2,690
Non-Operating Revenues	54
Financial:	144
Long-Term Loans and Bonds	144
Other Financial Income	0
Estimated Consumption Tax Receipts	100
Brought Forward from Previous Fiscal Year	106
Total	3,094
Applications:	
Operational:	2,307
Operating Expenses	2,277
Non-Operating Expenses	30
Financial:	564
Capital Investments for Property, Plant, and Equipment	400
Other Financial Expenses	164
Account Settlement Expenses	34
Provisional Consumption Tax Payments	83
Carry Forward to Following Fiscal Year	106
Total	3,094

Reference

The earnings forecast for the fiscal year ending March 31, 2005 announced in autumn 2004 has been revised as follows.

Earnings Forecast for Fiscal Year Ending March 31, 2005

(billions of yen)

Item	Operating Revenues	Operating Income	Recurring Profit	Net Income
Earnings Forecast	2,152	80	90	53

(Previous Earnings Forecast for Fiscal Year Ending March 31, 2005)
[announced November 10, 2004]

(billions of yen)

Item	Operating Revenues	Operating Income	Recurring Profit	Net Income
Previous Earnings Forecast	2,128	75	85	46

Outline of NTT East's Business Operation Plan for Fiscal Year Ending March 31, 2006

1. Revenues and Expenses Plan for Fiscal Year Ending March 31, 2006

(billions of yen)

Item	FY 3/06*	FY 3/05	Change
Total Revenues	2,066	2,206	(140)
(1) Voice Transmission (excl. IP services)	1,208	1,378	(170)
(2) IP-related	295	213	82
(3) Leased Circuits (excl. IP services)	158	201	(43)
Total Expenses	2,041	2,116	(75)
(1) Personnel Expenses	195	204	(9)
(2) Non-personnel Expenses	1,250	1,273	(23)
(3) Depreciation	427	464	(37)
Recurring Profit	25	90	(65)

* Figures for the fiscal year ending March 31, 2006 include a 28 billion yen increase over the previous year in voice transmission revenue through end-to-end charging for calls from fixed telephones to mobile phones and a 28 billion yen increase in non-personnel expenses arising from access charges payable.

[Reference]

Operating Free Cash Flow	84	190	(106)
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2. Principal Services Plan

Type of Service		FY 3/06	FY 3/05	Change
IP Services	Broadband Access			
	B FLET'S	1,000,000 contracts	450,000 contracts	550000
	FLET'S ADSL	200,000 contracts	600,000 contracts	(400000)
IP Phones	Optical IP Phone Services	1,000,000 channels	0 channels	1000000
Subscriber Telephones and ISDN*		(2,840,000) subscribers	(850,000) subscribers	(1990000)
(1) Subscriber Telephones		(2,260,000) subscribers	(420,000) subscribers	(1840000)
Leased Circuits	Conventional Leased Circuits	(38,000) circuits	(29,000) circuits	(9000)
	High-Speed Digital Transmission Circuits	(42,000) circuits	(39,000) circuits	(3000)

* Figures for ISDN subscriber lines are consisting 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 3/06	FY 3/05*	Change
Expansion and Improvement of Services	378	370	8
(1) Voice Transmission	242	253	(11)
(2) Data Transmission	45	34	11
(3) Leased Circuits	90	81	9
(4) Telegraph	1	2	(1)
R&D Facilities	4	5	(1)
Joint Facilities, etc.	18	35	(17)
Total	400	410 (400)**	(10) (±0)**

Optical Access Network	Approx. 170	Approx. 130 (Approx. 140)**	Approx. 40 (Approx 30)**
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* Figures based on the initial plan.

** Figures based on the revised estimates.

4. Principal Work to Improve and Upgrade Telecommunications Facilities

Item	FY 3/06	FY 3/05	Change
Optical Subscriber Cables (million fiber km)	1.9	1.3	0.6
Optical Subscriber Cables coverage at Fiscal Year-End	85%	83%	+2percentage points