

# **Business Operation Plan for Fiscal Year Ending March 31, 2011**

March 1, 2010

Nippon Telegraph and Telephone West Corporation  
("NTT West")

The forward-looking statements and projected figures concerning the future performance of NTT West, its parent company (NTT) and their respective subsidiaries and affiliates contained or referred to herein are based on a series of assumptions, projections, estimates, judgments and beliefs of the management of NTT West in light of information currently available to it regarding NTT West, the economy and telecommunications industry in Japan and overseas, and other factors. These projections and estimates may be affected by the future business operations of NTT West, NTT and their respective subsidiaries and affiliates, the state of the economy in Japan and abroad, possible fluctuations in the securities markets, the pricing of services, the effects of competition, the performance of new products, services and new businesses, changes to laws and regulations affecting the telecommunications industry in Japan and elsewhere, other changes in circumstances that could cause actual results to differ materially from the forecasts contained or referred to herein, as well as other risks included in NTT's most recent Annual Report on Form 20-F and other filings and submissions with the United States Securities and Exchange Commission.

\* "FY" in this material indicates the fiscal year ending March 31 of the succeeding year.

# Service Plan and Capital Investment Plan

## ■ Service Plan (net increase)

Item	Unit	① FY2009 prior forecast <small>(announced Nov. 9, 2009)</small>	② FY2009 revised forecast		③ FY2010 plan	
				Change ②-①		Change ③-②
FLET'S Hikari	10,000 subscriptions	110 (594)	85 (569)	(25)	85 (654)	0
Hikari Denwa	10,000 channels	110 (486)	90 (466)	(20)	90 (556)	0
Telephone Subscription + ISDN	10,000 subscriptions	(201) (1,911)	(185) (1,927)	16	(180) (1,747)	5

Notes: Figures in parentheses represent number of subscriptions at the end of fiscal year.

Figures for ISDN subscriber lines represent the combined total for INS-Net 64 and INS-Net 1500 (One INS-Net 1500 subscription is calculated as ten INS-Net 64 subscriptions).

## ■ Capital Investment Plan

Item	Unit	① FY2009 initial forecast <small>(announced 11/09/09)</small>	② FY2009 revised forecast		③ FY2010 plan	
				Change ②-①		Change ③-②
Capital Investment	Billions of yen	405	405	0	380	(25)
Investment in conversion to optical access network <small>(partial listing only)</small>	Billions of yen	Approx. 120	Approx. 120	0	Approx. 120	0

# Revenue and Expenses Plan

(billions of yen)

Item	①	②	Change ②-①	③	Change ③-②
	FY2009 prior forecast <small>(announced 11/09/09)</small>	FY2009 revised forecast		FY2010 plan	
Operating Revenues	1,767.0	1,768.0	+1.0	1,734.0	(34.0)
IP-related Services Revenues	528.0	524.0	(4.0)	575.0	+51.0
Existing Services Revenues	1,087.0	1,092.0	+5.0	1,004.0	(88.0)
Voice Transmission Services Revenues <small>(partial listing only)</small>	794.0	796.0	+2.0	725.0	(71.0)
Supplementary Businesses Revenues	152.0	152.0	0	155.0	+3.0
Operating Expenses	1,762.0	1,760.0	(2.0)	1,726.0	(34.0)
Personnel	127.0	127.0	0	119.0	(8.0)
Cost of services and Equipment Sold, and Selling, General and Administrative Expenses	1,146.0	1,138.0	(8.0)	1,120.0	(18.0)
Capital Investments	421.0	427.0	+6.0	419.0	(8.0)
Tax and Public Dues	68.0	68.0	0	68.0	0
Operating Income	5.0	8.0	+3.0	8.0	0
Recurring Profit	10.0	20.0	+10.0	20.0	0

# Major Initiatives for FY2010

**2010**  
(FY2010)

**2011**  
(FY2011)

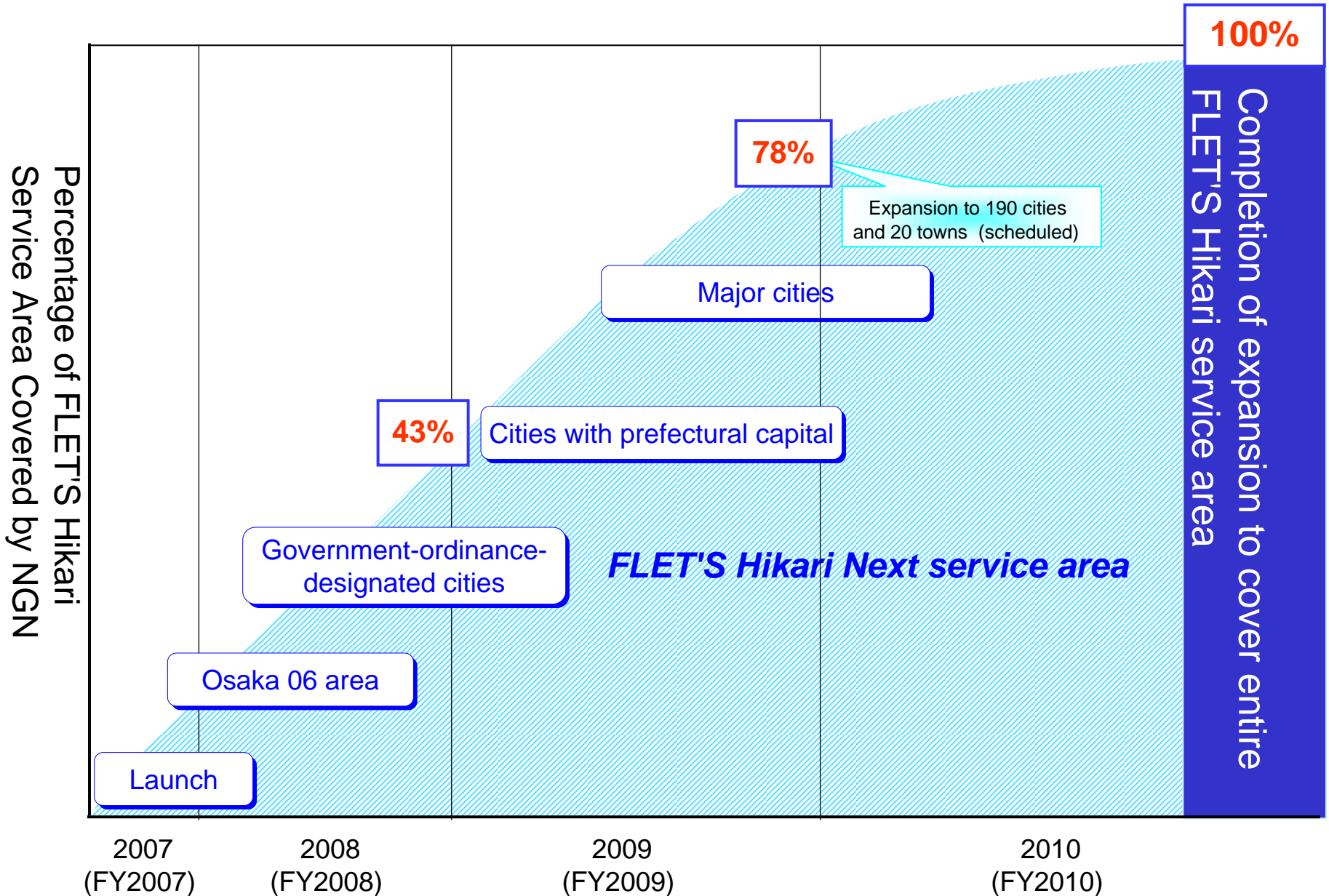
*Changing business structure to one centered around Optical and IP*

*Achieve Profitability in Optical Businesses*

*Secure Profitability*

- Expansion of NGN service area and of service line-up  
(at end of FY2010, complete expansion to cover entire FLET'S Hikari service area)
- Expanded penetration and improved ARPU for FLET'S Hikari
- Develop growth business strategies to secure new sources of revenue
- Initiatives directed at thorough cost control and ecological management
- Comprehensive focus on compliance (adherence to fair competition rules)

# Expansion of NGN Service Area



# Service Line-up Expansion

until FY2009

FY2010

Platform  
Contents / Applications

Digital Cinema  
(from July 2009)  
(NTT Smart Connect)



Mediatope, a high function  
streaming service (from Feb. 2010)  
(NTT Smart Connect)



Services for SaaS Business  
(from Nov. 2008)

FLET'S Software Delivery Service  
Pay at Once with FLET'S  
(from Jan. 2010)



Line information notice function  
(from Sept. 2009)

Hikari Denwa for large businesses

Femtocell-compatible services  
Service area improvement type (from March 2009)  
Service utilization type (from Nov. 2009)

FLET'S Television  
service area expansion



FLET'S Hikari Next high-speed menu



Single FLET'S Television subscription  
for one building

NGN / Optical Access

Office Net  
Omakase Support  
(from Sept. 2009)



Home Net Omakase Support  
(trial from Dec. 2009)



Digital Terrestrial  
TV-compatible Television

Information Devices /  
Home Appliances



Photo Frame  
(1<sup>st</sup> product in  
Hikari LINK Series)  
(from Feb. 2009)

Hikari BOX  
(2<sup>nd</sup> Product in  
Hikari LINK Series)  
(from July 2009)

Hikari LINK  
PC Series  
(from Dec. 2009)

Expanded line-up of  
NGN-compatible terminals  
in the Hikari LINK series



Expanded service line-up utilizing the characteristics of the NGN

# Expand Penetration and Improve ARPU for FLET'S Hikari

More subscriptions to additional services

Hikari Denwa

Remote Support Services

Video Services

New Services Utilizing NGN Characteristics

Capturing new subscriptions

- Expanded coverage for residents in multi-unit dwellings
- Explore markets for non-Internet users
- Expand product line-up in Hikari LINK series
- Create new usage scenarios with "television + Hikari"

Reducing churn rate

- Enhanced customer support
- More membership programs
- Enhanced marketing of video services and other additional services

5,920 yen

+150 yen

5,770 yen

+150 yen

5,620 yen

2010  
(FY2010)  
(forecasts)

IP-related services income  
575.0 billion yen  
(+51.0)

2009  
(FY2009)

IP-related services income  
524.0 billion yen

2008  
(FY2008)

IP-related services income  
460.0 billion yen

+850,000

+850,000

4,840,000

5,690,000

6,540,000

End of FY2008

End of FY2009

End of FY2010

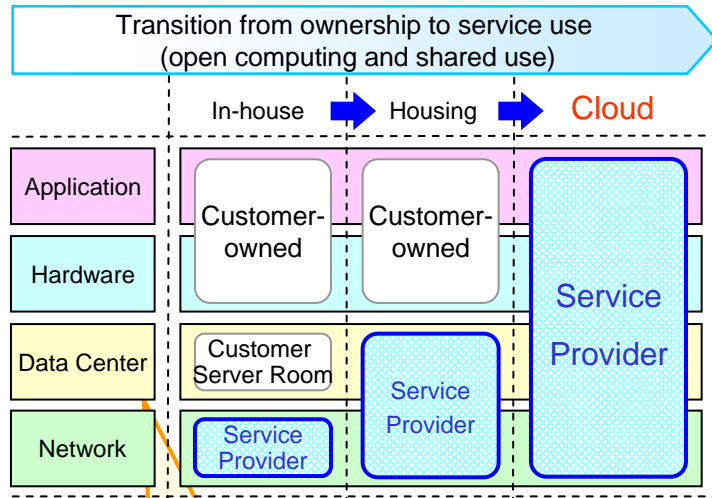
Expand penetration of FLET'S Hikari (number of FLET'S Hikari subscriptions)



# Transition to Cloud Computing

Initiatives for Cloud Computing Market

- In order to respond to a transition to cloud computing systems, NTT West will seek to use its strength in highly reliable network and data centers to attract customers and market share by offering varied service menus to support the development of related businesses.



NTT West Group's Cloud Computing Initiatives

**SaaS, other large service providers (private cloud)**

- Utilizing the NGN and highly reliable data centers, NTT West will provide solutions optimized to individual firms.

**Packaged software businesses**

- NTT West is preparing a shared distribution server
- Also offers fee collection services

- A new data center is scheduled to open in downtown Osaka in July 2010

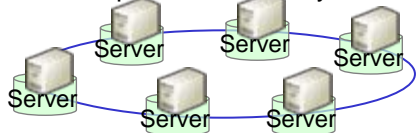
- 9-story building with a seismic-isolation foundation and data center floor area of 4,500m<sup>2</sup>
- Conveniently located, six minutes walk from nearest subway station



Intra-Group Cloud Computing

- NTT West Group's internal communication platform (roughly 100,000 e-mail accounts) will be switched over to cloud computing

Conventional system: Each NTT West Group company built and operated its own system



New system: Servers are consolidated and services are provided by NTT Neomeit



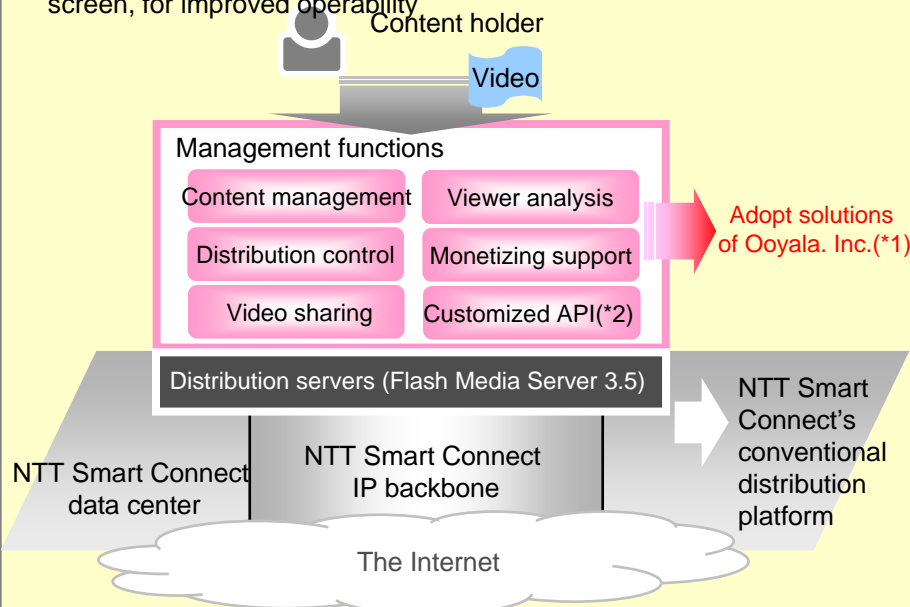
- Transition commenced January 2010; completion scheduled for 2013.
- E-mail services, login verification, file sharing, employee safety confirmation services, etc.

# Business Development Using “Mediatope” Services

- Starting in February 2010, NTT Smart Connect will launch a comprehensive video management and distribution platform service called “Mediatope”, which utilizes the technology of the US firm Ooyala.
- A variety of functions that support the Internet video distribution business (content management, viewer analysis, etc.) will be provided through cloud computing.

## Overview of Mediatope Services

- Advertisement insertion function for improving content value, support functions for monetization (profit realization) based on viewer analysis, etc.
- Improvement in site value through effective content display
- Centralized management of content using a web management screen, for improved operability



\*1: About Ooyala, Inc.

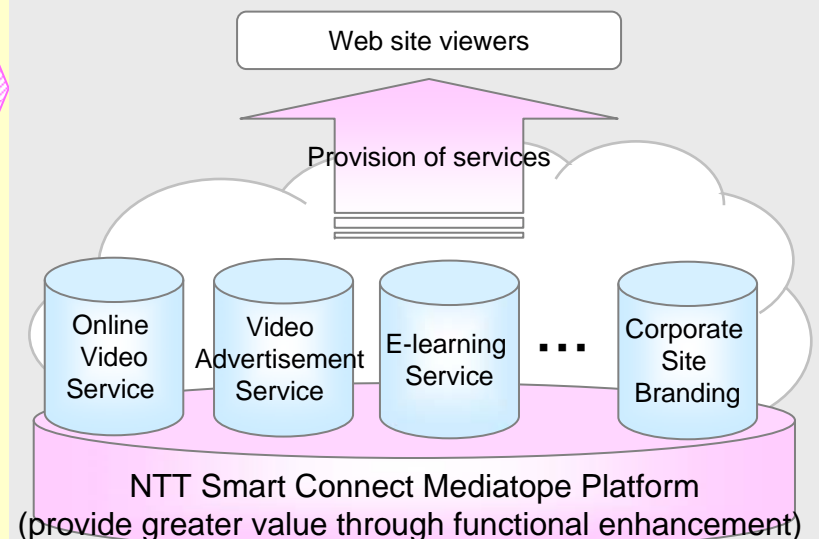
Silicon Valley venture business launched in 2007. Provides services primarily in the US, already with more than 500 clients.

\*2: Application Programming Interface

## Developments Going Forward

- Invite a variety of site services utilizing video content to the Mediatope platform
- By enhancing the functions that content holders seek, further develop as an Internet video distribution business platform

### An image of business development going forward

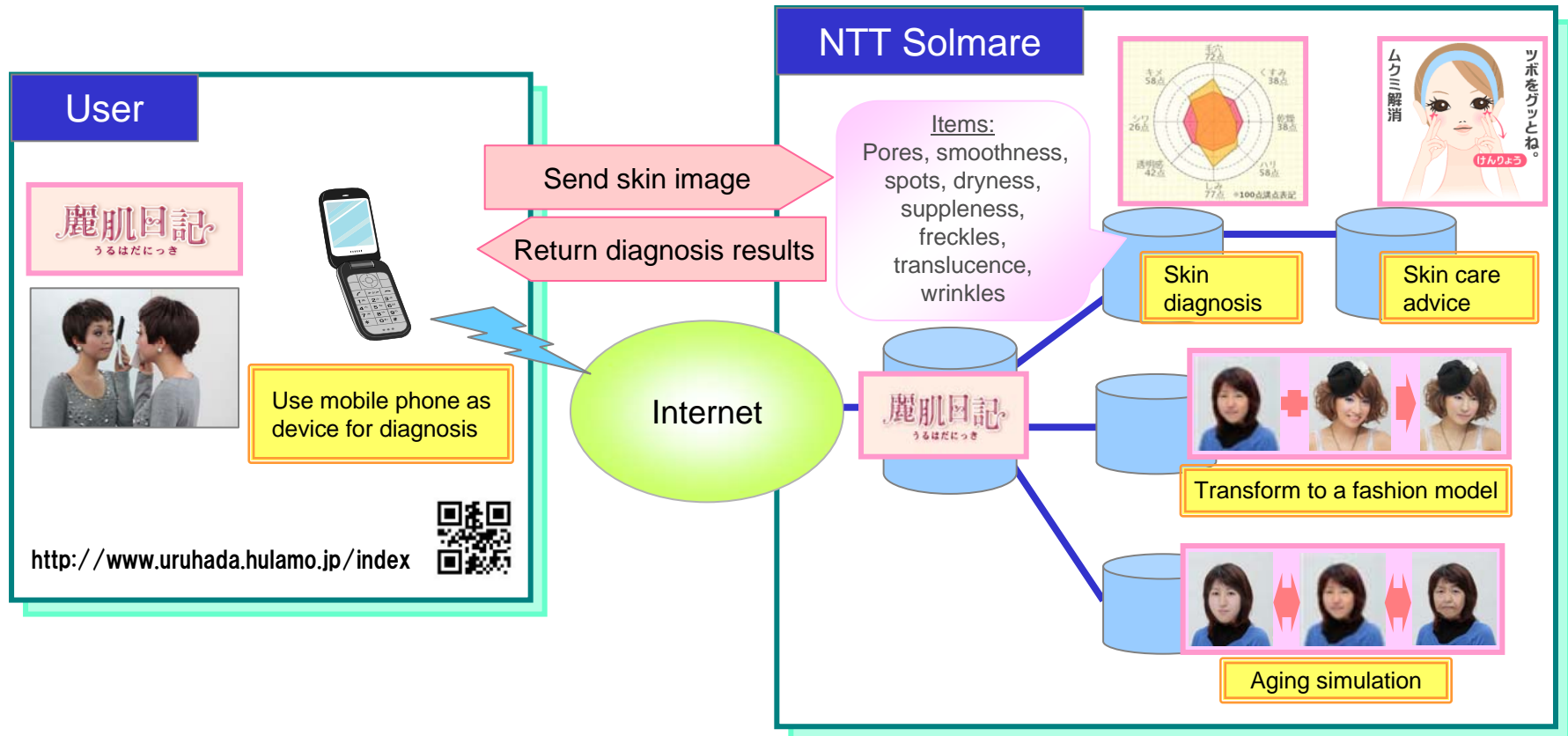


# Mobile Content Business Development

- NTT Solmare's mobile phone comic business is now distributed in 28 countries and regions. In terms of number of users in Japan, the site has ranked first among DOCOMO's 105 public sites (for comics) for 56 consecutive months.
- Proactive development of new content businesses where the target users are clearly identified, such as romance simulation games and services delivering decorative materials for changing the interface on mobile phone stand-by screens.

## Trial for a New Content Business

- Skin diagnosis service (Supple Skin (Uruhada) Diary)
- Period: Jan. 25, 2010 to March 31, 2010



# Enhancement and Expansion of Support Services

## Home Market

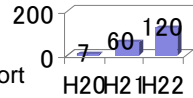
### Home Net Omakase Support Service

(current trial began Dec. 2009)

#### ○ Expand remote support services

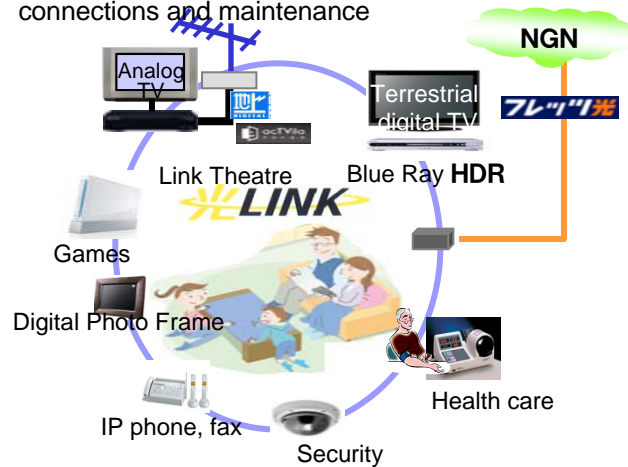
Remote support subscribers  
(10,000 users)

- Increased number of subscribers
- More devices for information appliance support



#### ○ Full-fledged implementation (from April 2010) of support services for Internet needs for digital terrestrial television

- Internet connections and settings for digital terrestrial television
- One-stop services for FLET'S Television connections and maintenance



### Remote Support



- Simple, secure and easy!
- One-stop support

• 33 sales offices, 220 locations  
• 1,500 highly trained IP technicians for home support (FY2012 plan)

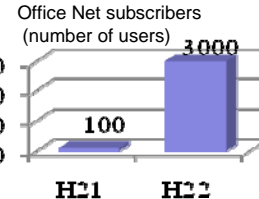
## Office Market

### Office Net Omakase Support Service

(from Sept. 2009)

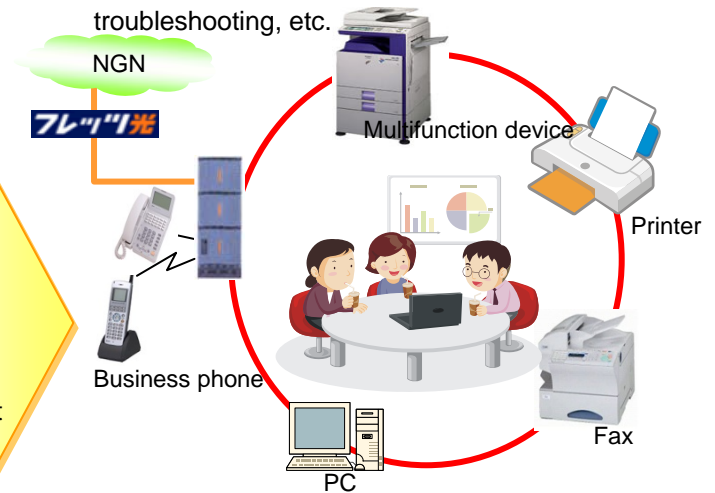
#### ○ Enhanced multifunction machine onsite support menu

- Increased number of subscribers
- One-stop maintenance for multifunction machines
- Addition of data back-up menu



#### ○ Launch remote support services (August 2010)

- Service enhancement through remote functions  
IT asset management, security management, troubleshooting, etc.



Home appliance manufacturers

Residence builders

### Using alliances to promote one-stop services

- Further expansion of support partnership with home appliance manufacturers
- Expand acceptance of orders for multifunction device maintenance

Multifunction device manufacturers

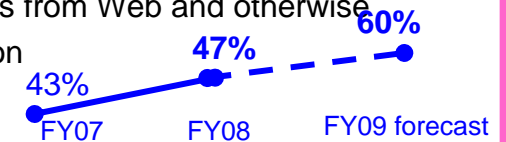
NTT Group

# Promoting Cost Controls

## Reducing Marketing Costs

- Increase proportion of customers who initiate applications for subscriptions from Web and otherwise
- Promotion of immediate determination of installation dates upon application
- Effective and efficient sales based on segment marketing

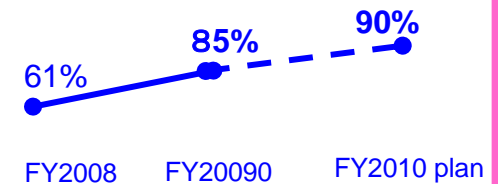
Installation dates decided immediately\*<sup>1</sup>



## Reducing Facility Costs

- More residential work done remotely
- Promotion of optical fiber wiring for multi-unit dwellings
- Streamlining trouble reports receipt process and repair operations by improving system functions
- Reduce procurement costs for NGN-related items

Remote work rate\*<sup>2</sup>



## Reducing Operation Costs

- Concentration of sites for non-area-specific services
- Promotion of backyard energy-conservation and automation through BPR

Strengthened managerial base through strict cost controls

\*<sup>1</sup> Percentage of subscriptions where installation dates were decided immediately among all subscriptions purchased at major electronic stores

\*<sup>2</sup> Percentage of service discontinuation requests for multi-unit dwellings (for VDSL) where termination of lines was handled remotely



# Promotion of Eco-friendly Management

Working to implement a “Five Pillar” strategy directed at reducing electricity use, which accounts for roughly 95% of the causes of greenhouse gas emissions

Slimming down and streamlining of legacy facilities

Develop energy-saving IP equipment

## The Five Pillars for Reducing the Burden on Environment

Eco-friendly offices

Adopt new technologies

Update air conditioning for greater efficiency

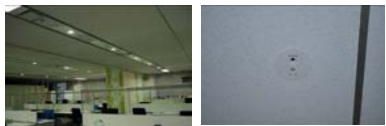
### ■ The Eco-Friendly Office Trial at the Hyogo Branch (from Dec. 2009)



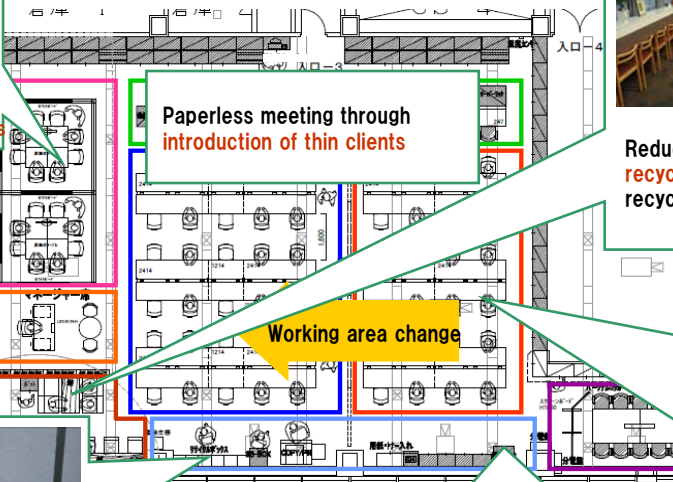
Improved productivity through functional environmental adjustments



Raising awareness through greater visibility



•LED down lights •Motion, brightness sensors  
Reducing electricity used for lighting with LED lighting and motion sensors



Paperless meeting through introduction of thin clients

Working area change

Promoting the paperless office

- Reduce number of printers/copiers
- Reduce space required for documents and material
- Savings on paper resources

Individual lockers



- Tables made from used materials
- Chairs from laminated bamboo
- Carbon offset carpets

Reduction of office waste through use of recycled materials and use of recyclable products



- More vibrant communication through “free address” work stations
- Reduce air conditioning usage
- Reduce lighting usage through concentration of overtime work space

■ Energy conservation results (as of early Feb.)

Lighting, PC energy consumption reduced by roughly 39%

Lighting: 60% less  
PCs: 20% less



Establish “Eco-Office Guidelines” reflecting the results of trials and promote across the firm