

# Financial Results for the Fiscal Year Ended March 31, 2014 (15<sup>th</sup> Term)

**May 13, 2014**

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

# FY2013 Financial Results Summary

	FY2012	FY2013 <sup>*1</sup>	Increase (Decrease)	FY2014 Forecast <sup>*1</sup>	Increase (Decrease) <sup>*2</sup>
Operating Revenues	1,627.9	1,589.6 (+8.6)	(38.3)	1,582.0 (+2.0)	(7.6) [(39.6)]
Operating Expenses	1,608.7	1,573.2 (+12.2)	(35.5)	1,547.0 (+2.0)	(26.2) [(43.2)]
Operating Income	19.2	16.3 (-3.6)	(2.8)	35.0 (0)	+18.6 [+3.6]
Recurring Profit	28.3	26.0 (-1.9)	(2.3)	28.0 (0)	+1.9
Net Profit	20.9	18.7 (-0.2)	(2.2)	25.0 (-)	+6.2
Capital Investment	358.4	339.4 (-0.5)	(19.0)	320.0 (0)	(19.4)
FLET'S Hikari Net Increase (in thousands)	340	310 (+10)	(30)	400 (0)	+90

\*1: The figures in parenthesis represent the increase (decrease) from the forecasts announced on February 28, 2014

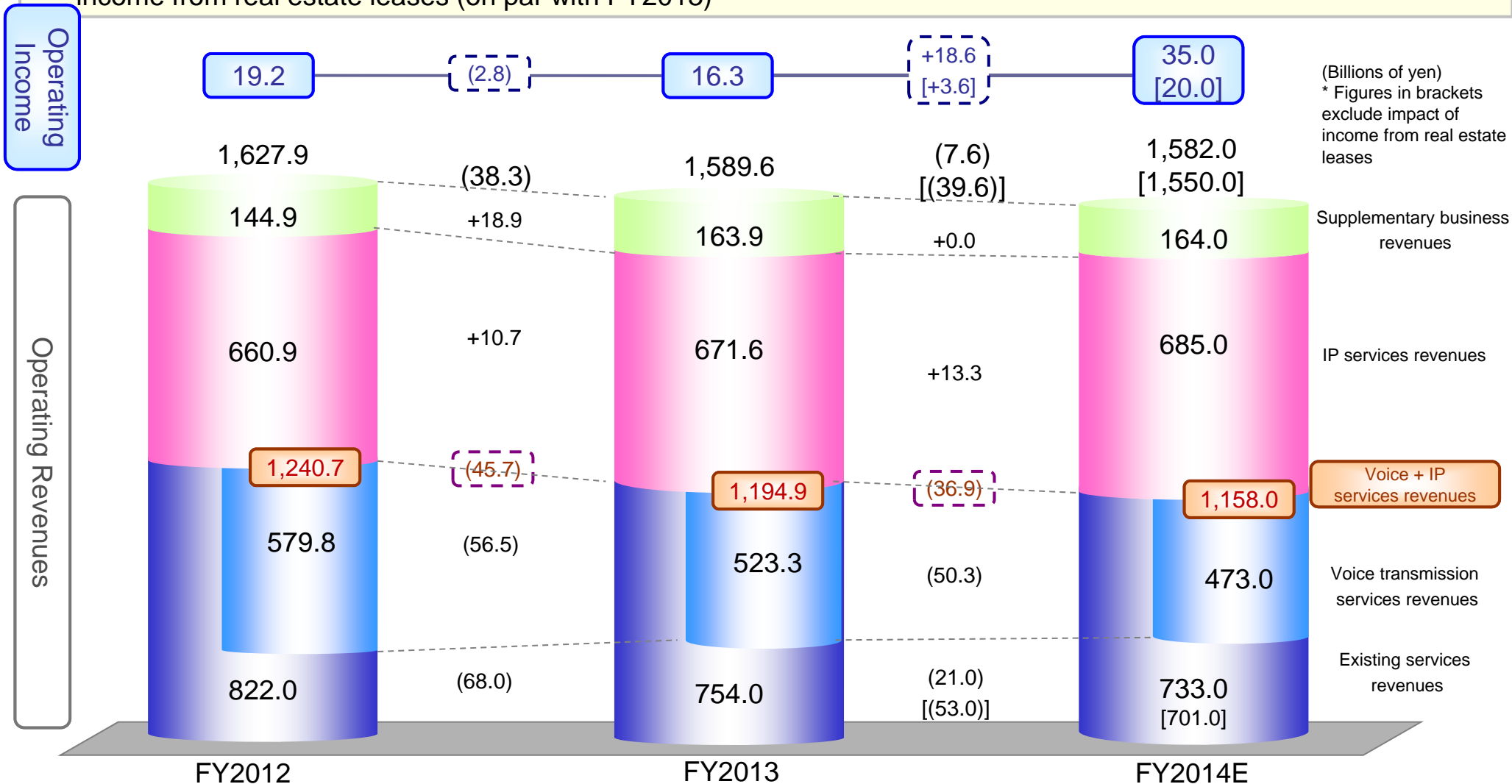
\*2: Figures in brackets exclude the impact of the change in allocation of income from real estate leases

Figures are rounded down to the nearest billion.

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# Changes in Operating Revenues and Operating Income

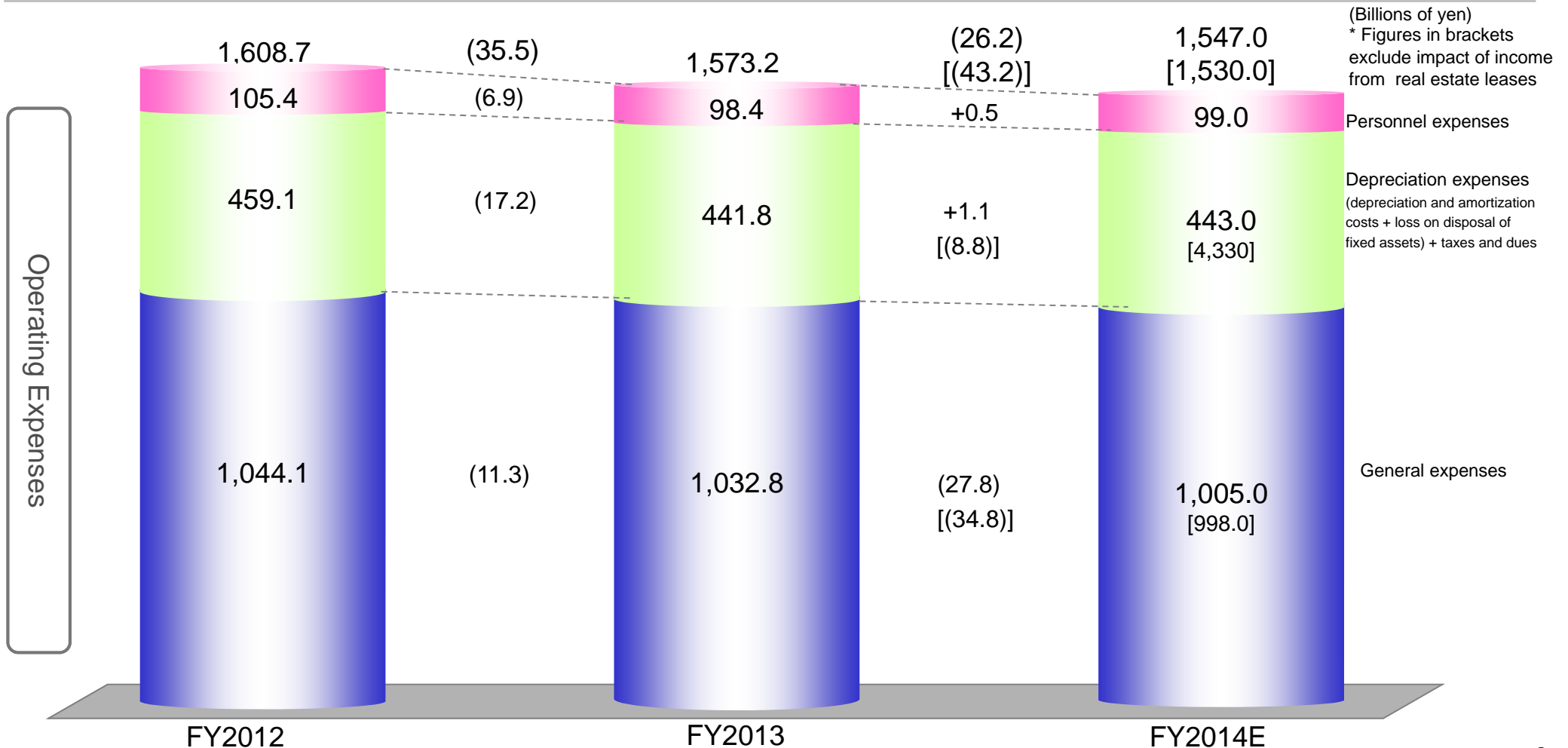
- FY2014: Operating Income target of 35.0 billion yen, including 15.0 billion yen in income from real estate leases
- FY2013: Operating Revenues decreased from the previous fiscal year by 38.3 billion yen, due to, among other factors, a 45.7 billion yen decrease in revenues from Voice + IP services
- FY2014: Expected decrease in Operating Revenues of 7.6 billion yen, or 39.6 billion yen excluding the impact of income from real estate leases (on par with FY2013)



Figures are rounded down to the nearest billion.

# Changes in Operating Expenses

- FY2013: Operating Expenses decreased by 35.5 billion yen from the previous fiscal year as a result of comprehensive cost reductions, mainly in the area of general expenses.
- FY2014: Targeting further reductions of 43.2 billion yen in Operating Expenses (compared to FY2013), excluding the impact of income from real estate leases, through continued comprehensive cost reductions, such as improvements in operational efficiency.



Figures are rounded down to the nearest billion.

## ○ FY2013 Smart Hikari Business Results

- ✓ Capitalized on community-based sales capability, achieving 1,700 projects and 200 collaborative projects in two years




## ○ FY2014 Promoting Business Creation



- ✓ Promote business creation by packaging best practices and deploying them horizontally in the same sector
- ✓ Strengthen promotional functions (Increase resources and strengthen front office sales support structure)

## Smart Hikari Business Case Studies

### ○ Smart Hikari Life

- Provide online supermarket services using Hikari BOX+
- Provide ICT nursing care support services using FLET'S Hikari / video phone  Example 1
- Collaborate to provide security services for households
- Provide living room learning services using Hikari BOX+

### ○ Smart Hikari Town

- Distribute government administrative information using Hikari BOX+  Example 2
- Distribute local information and provide health promotion programs in community centers using Hikari BOX+
- Contribute to local crime prevention and disaster preparedness through installation of vending machines equipped with Wi-Fi and security cameras and establishment of disaster relief stations equipped with emergency earthquake alarm systems and uninterrupted power supplies  Example 3

### ○ Smart Hikari Office

- Provide Eco Megane to solar panel sales companies (600 companies)

- Creation of a caring environment using FLET'S Hikari and video phones, achieving efficiency and attentive support



### Realizing the Provision of a New Method of In-Home Nursing Care

**Visiting care provider**

**Creating a caring environment using FLET'S Hikari and video phones**

- Attentive support using video phones
- Immediate support for assured response on an as-needed basis

**Home requiring nursing care**

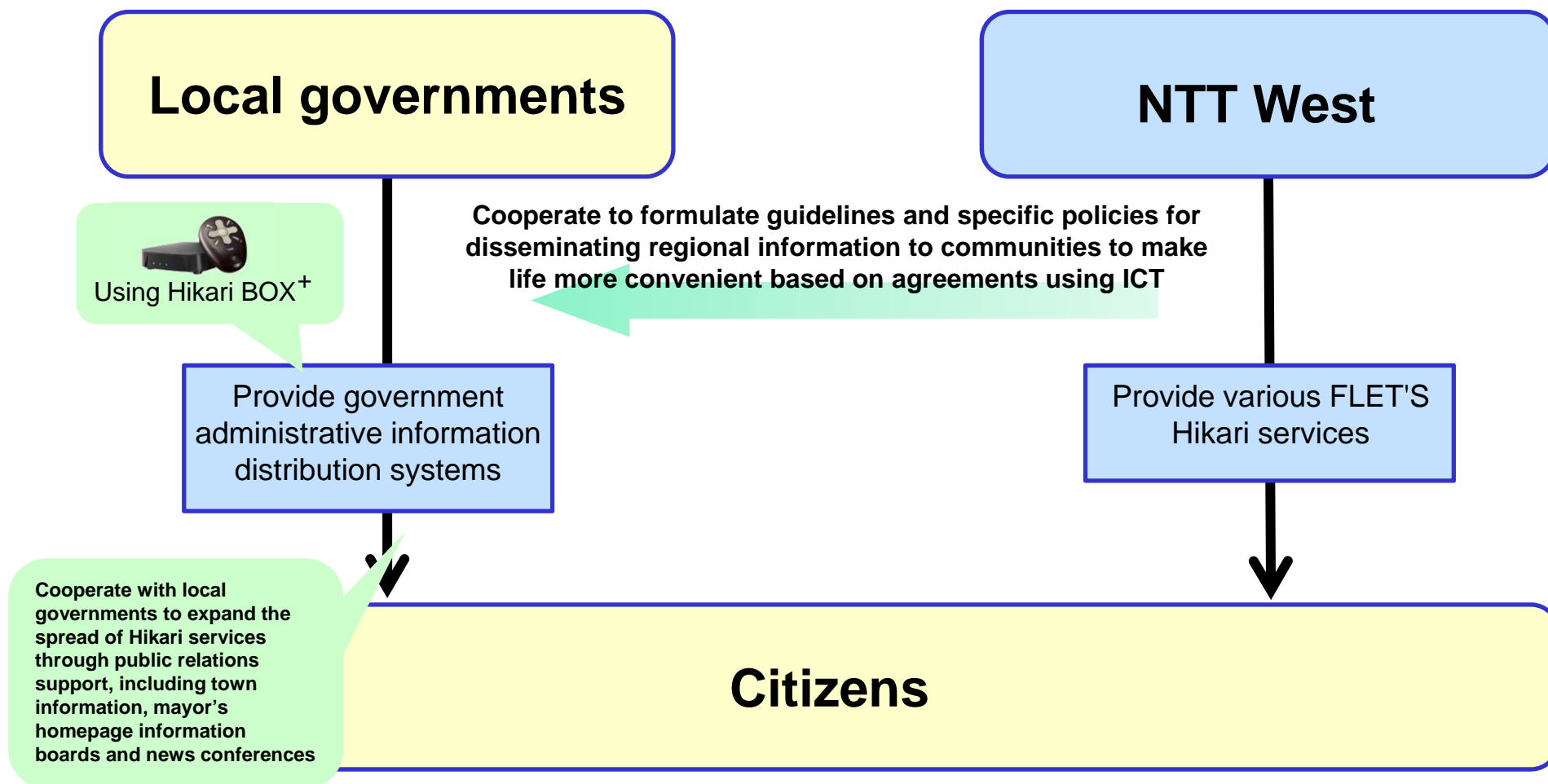
**NTT West**

Providing FLET'S Hikari, Hikari BOX+ and in-home support

Video phone devices **光BOX+**



- Make Smart Hikari Life a reality through collaboration between TVs and FLET'S Hikari and work with local governments to provide government administrative information distribution services to local communities



(Example 3) Providing Security and Safety through Installation of Vending Machines Equipped with Wi-Fi

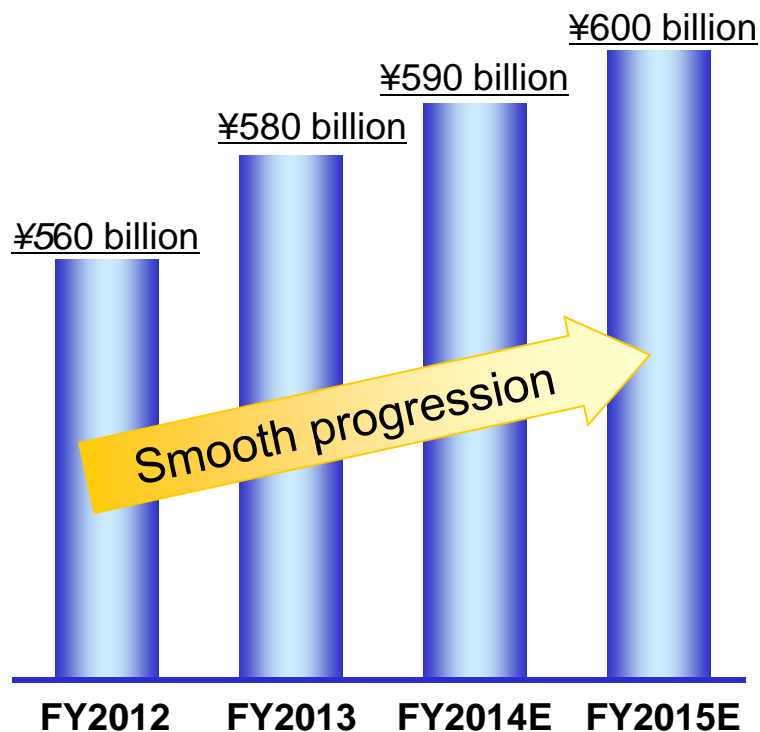
➤ Add value through installation of vending machines equipped with Wi-Fi AP, security cameras, etc.





- Efforts to achieve sales of 600 billion yen in the business sales segment are on track, with a target of ¥590 billion sales in FY2014

## Sales Progress in Business Sales Segment



## Specific Initiatives

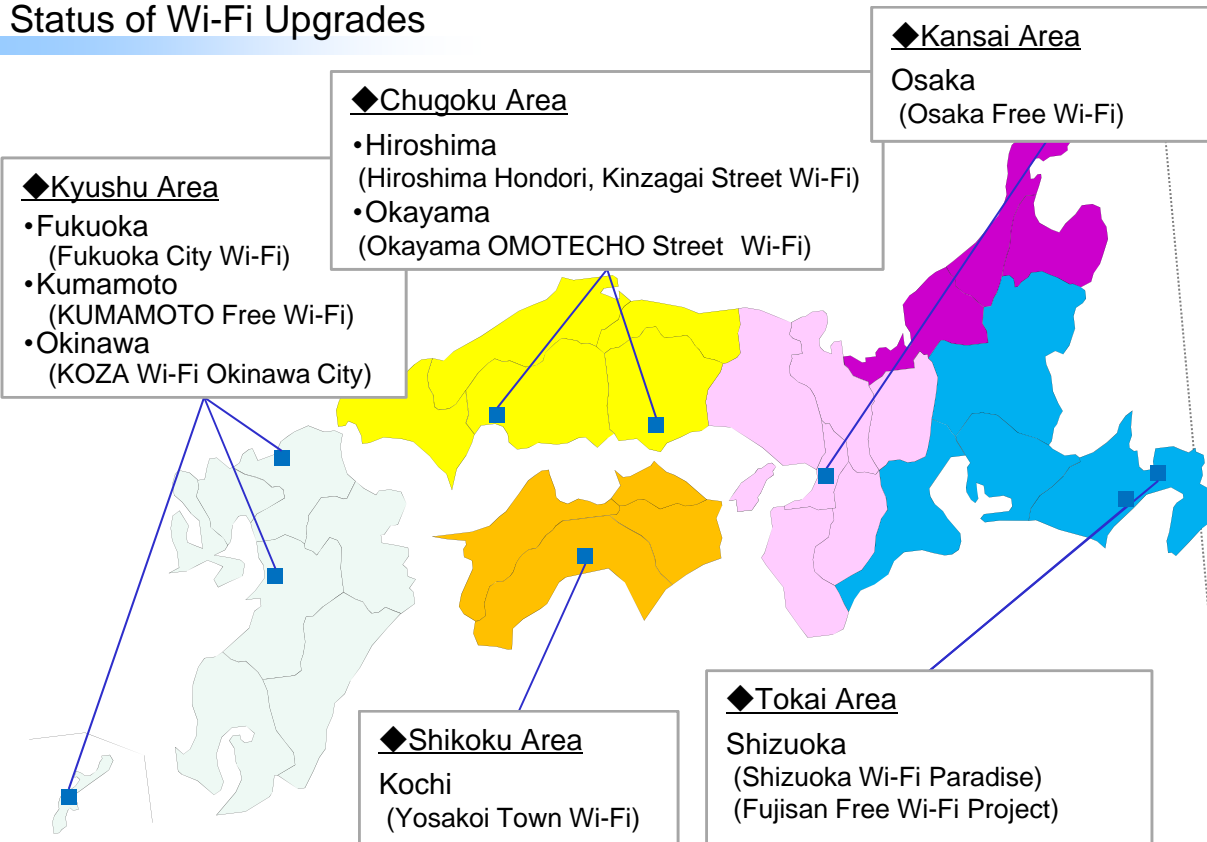
- ✓ Build alliances with local vendors with strengths in particular businesses
- ✓ Expand provision of business networks
  - Provide Business Ether Burst Plan (April 2013~) (maximum speed of 1 Gbps bandwidth 200 Mbps)
- ✓ As a BCP measure, expand data center business in response to growing demand for backup services in the Tokyo area
- ✓ Further boost sales by assigning performance-based sales teams
- ✓ Enhance service lineup
  - Provide "Office Anshin Pack," an ICT support menu starting at ¥500/month for small- and medium-sized businesses (April 2014~)
  - Expand total voice solutions services, including those provided on-premises, by strengthening voice cloud services

# Strategic Development of Wi-Fi

- Exceeded 50,000 APs in FY2013, providing Wi-Fi that can be used anywhere
- Lower implementation costs by cutting cost of APs
- Accelerate spread of Wi-Fi by actively strengthening alliances with local governments, etc.
- Prepared support systems at NTT West and further strengthen its expansion

➤ Actively strengthening alliances with shopping districts and local governments in every area, and continue to collaborate with local governments throughout Japan to improve the W-Fi environment

## Status of Wi-Fi Upgrades



## (Reference) Osaka Free Wi-Fi Initiatives

- Launched free wireless LAN services for tourists, sponsored by Osaka Government Tourism Bureau in January 2014
- Looking to expand area and service by working with Osaka prefectural government, city government, private sector companies

### Features of Osaka Free Wi-Fi

- All Osaka prefectural Aps can be used free or charge, with no time restrictions
- After connection, users can access all kinds of information from the initial page
- WNTT-BP or NTT MEDIAS (DoSPOT) is used for the Wi-Fi platform



## Growth Businesses

### Contact Center Business (increase sales to around 30 billion yen)

#### NTT Marketing Act and others

- ◆ Provide total support from initial establishment to operation of call centers by using its know-how in operating 116 and other contact numbers
- ◆ Operate call center that provides life support services for seniors and administrative services for residents

### Cloud Business (increase sales to around 100 billion yen)

#### NTT SmartConnect

#### NTT Business Solutions

#### NTT-Neomeit and others

- ◆ Promote cloud services utilizing cloud platforms (DC, IaaS, etc.) – a strength of NTT West group

### Real Estate Business

(increase sales to 20 billion yen)

#### NTT West Asset Planning and others

- ◆ Advise on real estate use and leasing properties by utilizing know-how and track record of leveraging NTT West group-owned real property
- ◆ Promote use of high-margin buildings through relocation

### Mobile Content Business (increase sales to around 10 billion yen)

#### NTT Solmare

- ◆ Offer e-books (comics) and games to mobile device users
- ◆ Expand into overseas markets

### Wi-Fi Business

#### NTT MEDIAS

- ◆ Provide ubiquitous Wi-Fi throughout shopping districts and towns

### BPO Business

#### NTT BUSINESS ASSOCIE WEST

- ◆ Handle general administrative tasks on behalf of NTT West group  
Provide solutions based on wealth of service center experience

### Environment/Energy Business

#### NTT Smile Energy and others

- ◆ Offer “Eco-Megane,” a solar power generation visualization service utilizing cloud systems
- ◆ Achieve user panels totaling 150 megawatts
- ◆ Started power generation business through renewable energy (April 2014)
- ◆ Visualization of electricity use in households  
Build storage batteries for effective HEMS (Home Energy Management System) and electricity use

### Support Business

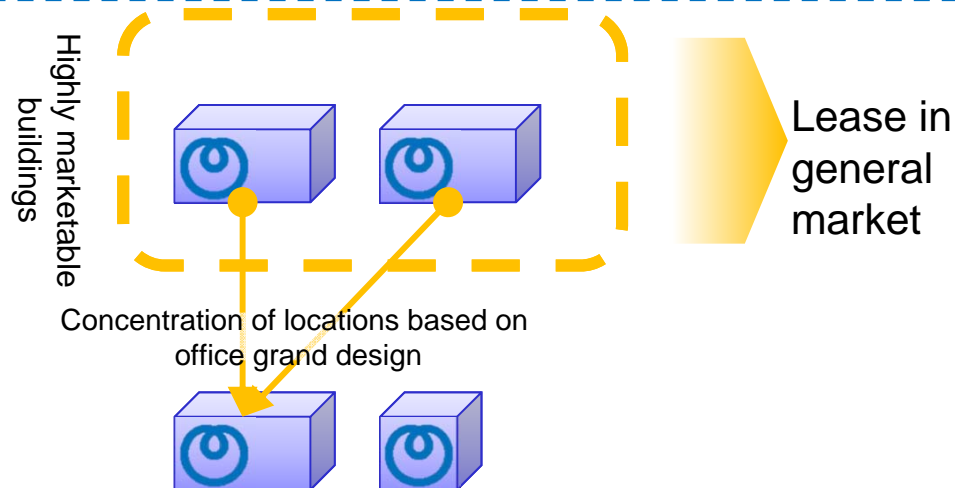
#### NTT Group Techno and others

- ◆ Expand support business by working with manufacturers

- Aiming for further expansion and targeting 20 billion yen in revenues by promoting the use of idle space through the concentration of bases and the streamlining of facilities

## Create usable properties

- Expansion of the leasing business in the general market, by establishing grand designs for office buildings and selecting highly marketable buildings, and promote the expansion of general market lending



Develop similar models in major cities in Western Japan

## Expand real estate utilization scenarios

- Leverage our experience of utilizing NTT Group real estate to realize a wide variety of usage patterns while giving due consideration to marketability



Share house (Osaka:Ikeda)

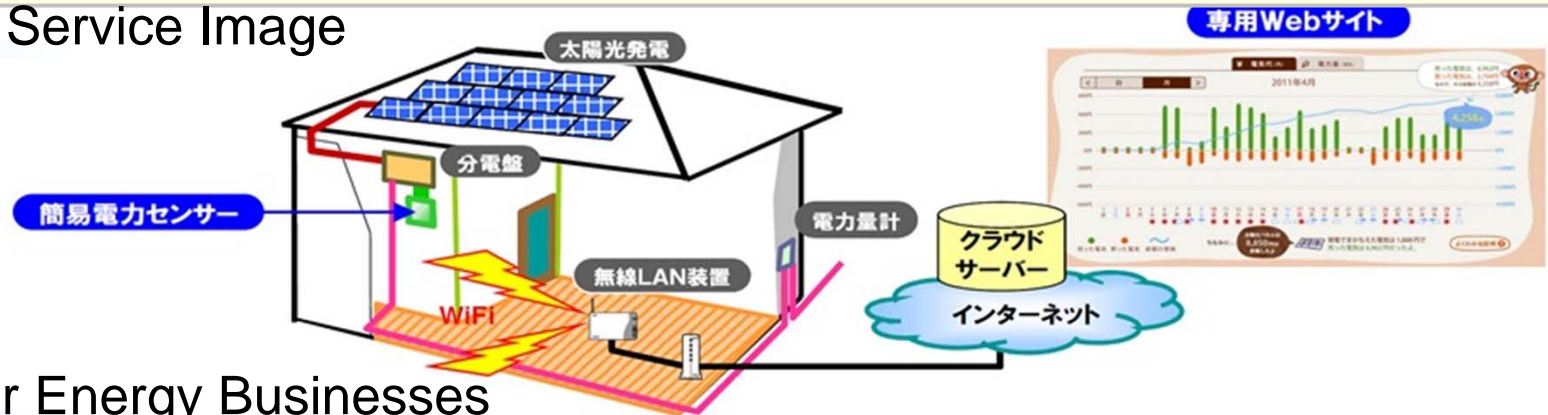


Wedding venue restaurants (Hyogo:Ashiya)



- Total sales for “Eco Megane,” a service that enables visualization of electricity use and the monitoring of solar power generation at any time, exceeded 21 thousand devices. Ability to monitor electricity generation, consumption and fees by accessing a dedicated website
- Develop the Group’s electric power generation business through effective use of solar power projects that are not being utilized even though they have been approved under Japan’s renewable energy FIT (feed-in tariff) program

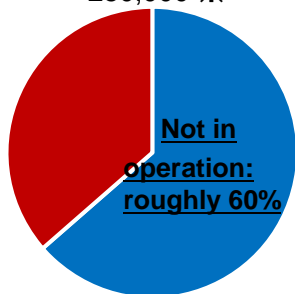
## ○ “Eco Megane” Service Image



## ○ Efforts by Solar Energy Businesses

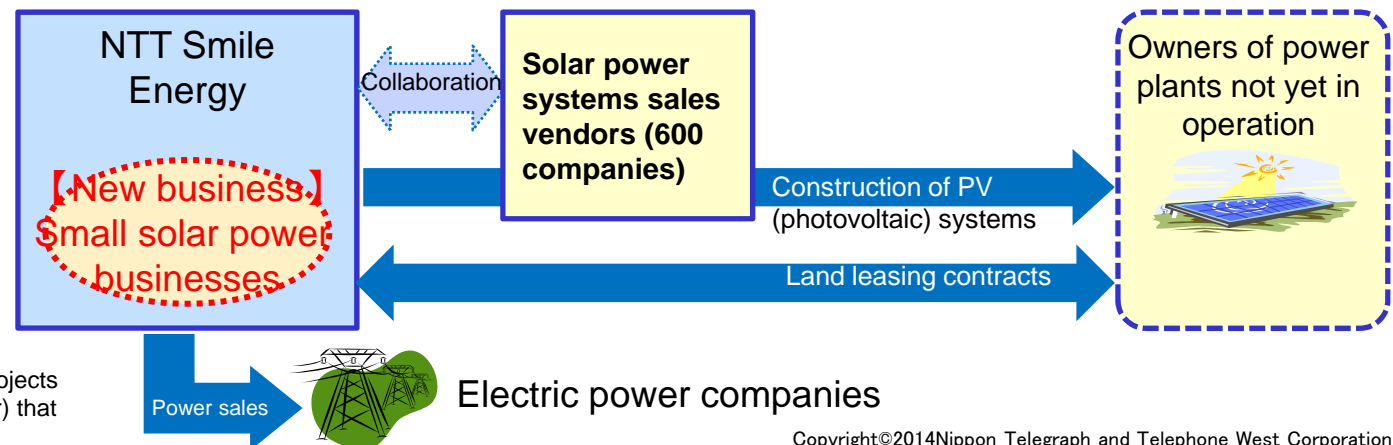
Facilities approved & facilities in operation  
(as of the end of Dec. 2013)

Total approvals: roughly  
250,000 ※



※The cumulative number of solar power plant projects of at least 10kw of sunlight (excluding mega-solar) that have been approved or are in operation

## Business scheme



Work to reduce costs in the medium term through comprehensive efforts to achieve efficiency in business operations

- Reduce backyard costs to half of current levels
  - ▶ Step-by-step consolidation of bases, aiming for a one-workbase-per-six-block system in the future
  - ▶ Striving to improve productivity through drastic review of operational processes and working to improve skills through personnel training
  - ▶ Developing systems with complete flow-through characteristics (to automate the flow of business)
- Continuous efforts to limit capital investments — reduce capital investment to under 300 billion yen
  - ▶ Promote comprehensive efforts to reduce procurement costs
  - ▶ Streamline line opening costs by increasing construction projects that do not require the dispatch of NTT employees
  - ▶ Limit new investment though greater sharing of existing facilities

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.

Accounting policies used to determine the figures in this presentation are consistent with those used to prepare financial statements in accordance with accounting principles generally accepted in Japan.

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