

# *News Release*

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

March 1, 2013

## **Submission for Approval of Business Operation Plan for the Fiscal Year Ending March 31, 2014**

Nippon Telegraph and Telephone West Corporation (“NTT West”) submitted today its business operation plan for the fiscal year ending March 31, 2014 to the Minister for Internal Affairs and Communications for approval.

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Information and communications services are expected to make significant contributions to invigorating and increasing the efficiency of social and economic activities and to improving lifestyle convenience. Accordingly, the government and the private sector are working in partnership to achieve the development of a ubiquitous broadband network society in which there is advance usage of information communication technology (“ICT”). Moreover, the information and telecommunications market is undergoing a structural change through the shift to broadband and globalization, and the spread of smartphones, tablets and other devices. The market is catering to increasingly sophisticated and diversified needs by, among other things, expanding platform services and cloud services. Regional telecommunications markets are also undergoing significant changes, such as the convergence of fixed and mobile services, and of telecommunications and broadcasting, and the introduction of new services caused by the use of a diverse range of wireless devices. This is due in part to an increase in competition not only between the providers of fiber-optic access services and cable television-based broadband services but also between the various services made available by faster mobile connections.

Within this challenging and dramatically changing business environment, NTT West is striving to promote the smooth migration to optical, IP-based networks and enhance the fiber-optic access network that is the backbone of broadband services, as well as continue to provide high-quality, stable universal services. NTT West also aims to contribute to the development of fair telecommunications markets and promote applied research and development to ensure the reliability and public utilization of telecommunications services. While ensuring fair terms of competition within the current legal framework, NTT West will also aim to realize a broadband and ubiquitous network environment that will enable customers to connect “anytime, anywhere and with anyone or anything” “in comfort, safety and with peace of mind,” by offering an open next-generation network (“NGN”) that utilizes the unique characteristics of fiber-optics and by expanding its Wi-Fi platform. At the same time, NTT West will endeavor to contribute to the development of an information distribution society and enrich people’s lifestyles by expanding the use of fiber-optic services, including the provision of various lower-rate plans that match each customer’s patterns of usage, and a variety of other services.

These are the basic concepts that underlie the business plan for the fiscal year ending March 31, 2014. In its broadband services, NTT West will be providing a more comfortable, safer and more secure NGN. In addition, NTT West will be providing customers with exciting opportunities by, among other things, collaborating with other players to create new services, offering video distribution services and Hikari Denwa services that make use of fiber-optic access lines. NTT West will also maintain its community-oriented sales activities so that it is able to respond to customers’ opinions and requests in an appropriate and timely manner, improving both the range and quality of services and contributing to the development of local communities. In conjunction with this, and in recognition of its responsibilities as an operator of social infrastructure, NTT West will contribute to the creation of safe and secure societies by seeking to ensure the stable provision of its broadband access, Hikari Denwa and other services, attempting to prevent equipment failures, strengthening facilities countermeasures in preparation for possible large-scale disasters, responding vigorously to restore service in times of disaster, and bringing all of its group resources to bear on the activities and services that will earn the continued trust of its customers. Although the business environment is harsh, NTT West will continue to improve the efficiency of its operations so as to maintain profitability.

NTT West will work to further achieve fair competition through its compliance efforts and lay the foundations for the stable development of its business into the future by proactively working on facilitating connectivity and ensure the openness of its networks, actively promoting human resource development, expanding into new business areas in coordination with its group companies, and making a positive contribution to reducing its burden on the environment. As these policies and programs bear fruit, NTT West will endeavor to share the benefits with its customers, local communities and, through the holding company, the shareholders.

NTT West foresees difficult financial conditions in the fiscal year ending March 31, 2014, but will respond flexibly to the changing business environment by placing priority on the following items, as called for in the concepts and strategies outlined above.

## 1. Voice transmission services

### (1) Telephone subscriptions

NTT West will respond promptly to all demands for telephone subscriptions, including the relocation of existing lines, and forecasts that it will have approximately 11.72 million subscriptions by the close of the fiscal year ending March 31, 2014.

Item	Planned number (subscriptions)
Additional installations	(1.05) million
Relocations	1.60 million

### (2) Social welfare telephones

As social welfare programs continue to expand and develop, there is a greater social demand for welfare-oriented telecommunications services. To respond to this need, NTT West will 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 Phone	Anshin (Relief)	5,000
	Meiryō (Clearness)	0

### (3) Public telephones

NTT West will continue to maintain public telephone facilities to ensure public safety and meet the minimum requirements for providing a public means of communications. At the same time, NTT West will review underused public telephones, and will also strive to provide social welfare services by continuing the maintenance of wheelchair-accessible public telephone booths.

Item	Planned number (units)
Public telephones	(10,000)

(4) Integrated digital communications services

The total numbers of INS-Net 64 subscriber lines and INS-Net 1500 subscriber lines are projected to be approximately 1.503 million and 10,000, respectively, by the close of the fiscal year ending March 31, 2014.

Item	Planned number (circuits)
INS-Net 64 subscriber lines	(185,000)
INS-Net 1500 subscriber lines	(1,000)

**2. Data transmission services**

To respond to the increasing demand for broadband services, NTT West will endeavor to expand its fiber-optic access services and provide a wider range of services.

Item	Planned number (contracts)
FLET'S Hikari	0.50 million

**3. Leased circuit services**

The subscriptions for conventional leased circuits and high-speed digital transmission circuits are projected to total approximately 121,000 and 67,000, respectively, by the close of the fiscal year ending March 31, 2014.

Item	Planned number (circuits)
Conventional leased circuits	(7,000)
High-speed digital transmission circuits	(3,000)

**4. Telegraph services**

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

## 5. Improvement and advances in telecommunications facilities

### (1) Optical access networks

NTT West will actively promote the shift to the use of optical access networks to meet, among other things, the increasing demands for broadband services.

Item	Planned number (million fiber km)
Optical subscriber cables	1.2

(Coverage rate at the end of the fiscal year ending March 31, 2014 is expected to be 92%.)

### (2) Telecommunications network

In its telecommunications network, NTT West will upgrade network services and improve network economy and efficiency, among other things, while working to meet demand for broadband services.

### (3) Disaster prevention measures

NTT West will take necessary response measures in case of disasters. These will include disaster prevention measures to prepare for damage to telecommunications equipment and facilities, measures to secure lines for emergency communications, measures to strengthen the organizational structure for crisis management and the restoration of systems in the event of large-scale disasters, and support for distributing information after a disaster.

### (4) Underground installation of transmission cables

In order to improve the reliability of communications facilities, ensure safe and pleasant over-ground passage spaces, and enhance the appearance of the urban landscape, NTT West will work in coordination with the national and local governments and with other companies in installing transmission cables underground.

### (5) Facility maintenance

NTT West will conduct necessary cable maintenance and replacement to provide stable and high-quality services and ensure quality customer services, safe operations, harmonization with the social environment and stabilization of communications systems.

NTT West will seek to minimize costs by making full use of existing equipment and facilities in improving and upgrading communications facilities.

## 6. Promotion of research and development activities

NTT West will promote experimental and research measures and policies for technical areas by focusing on the following four points, in order to create new services that are responsive to the diversified needs of its customers and to develop an economical and eco-friendly network.

- (1) Review of optical Wi-Fi mobile technology for realizing a seamless link between mobile and fixed broadband connections and service enhancement .
- (2) Review of the cloud mutual platform that utilizes network virtualization technology and large-scale data utilization technology, and early launch of applications, that utilize platform technologies, and that contribute to the revitalization of communities.
- (3) Review of technologies for providing safe and secure networks and platforms.
- (4) Realization of large-scale data transfers that are economical and eco-friendly, review of mobile integration through the application of mobile architecture and review of next-generation network technologies that enable advanced and simplified operation services.

The following tables present an overview of the business plan for the above principal services and capital investment plans.

**Table 1**

**Principal Services Plan  
for the Fiscal Year Ending March 31, 2014**

Type of service	Plan
Voice transmission services	
Telephone subscriptions	(1.05 million) subscriptions
Additional installations	
Relocations	1.60 million subscriptions
Social welfare telephones (Silver Phone)	5,100 units
Public telephones	(10,000) units
Integrated digital communications services	
INS-Net 64	(185,000) circuits
INS-Net 1500	(1,000) circuits
Data transmission services	
FLET'S Hikari	500,000 contracts
Leased circuit services	
Conventional leased circuits	(7,000) circuits
High-speed digital transmission circuits	(3,000) circuits

**Table 2****Capital Investment Plan  
for the Fiscal Year Ending March 31, 2014**

(Billions of yen)

Item	Investment required
1. Expansion and improvement of services	321 *
(1) Voice transmission	162
(2) Data transmission	20
(3) Leased circuits	138
(4) Telegraph	1
2. Research and development facilities	2
3. Common facilities and others	17
Total	340

\* This figure includes approximately 125 billion yen to be invested in the fiber-optic access network.



**Attachment 1****Revenues and Expenses Plan  
for the Fiscal Year Ending March 31, 2014**

(Billions of yen)

Item	Amount
Revenues	
Operating revenues	1,595
Voice transmission	688
Data transmission	188
Leased circuits	439
Telegraph	16
Others	264
Non-operating revenues	39
Total	1,634
Expenses	
Operating expenses	1,575
Operating costs	1,185
Taxes and dues	67
Depreciation	323
Non-operating expenses	31
Total	1,606
Recurring profit	28

**Attachment 2**

**Sources and Application of Funds Plan  
for the Fiscal Year Ending March 31, 2014**

(Billions of yen)

Item	Amount
Sources:	
Operational:	1,931
Operating revenues	1,892
Non-operating revenues	39
Financial:	162
Proceeds from issuance of long-term loans and bonds	132
Other financial income	30
Estimated consumption tax receipts	80
Balance brought forward from previous fiscal year	110
 Total	 2,283
Applications:	
Operational:	1,549
Operating expenses	1,524
Non-operating expenses	25
Financial:	522
Capital investments	340
Other financial expenses	182
Account settlement expenses	32
Provisional consumption tax payments	70
Balance carried forward to following fiscal year	110
 Total	 2,283

<Reference>

Revisions to business results forecasts for the fiscal year ending March 31, 2013

NTT West will revise its Business Operation Plans for the Fiscal Year Ending March 31, 2013 (the Fourteenth Term) as follows.

<Forecasts for the period under review> (Billions of yen)

	Before revision	After revision	Change
Operating revenues	1,645	1,632	(13)
Operating expenses	1,605	1,614	+9
Operating income	40	18	(22)
Recurring profit	50	26	(24)
Net income	40	23	(17)