



# *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 West Corporation (“NTT West”) 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 are expected to make significant contributions to the invigoration and increased efficiency of social and economic activities, improvements in lifestyle convenience and the vitalization of local economies. 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 an advanced level of utilization of information communication technology (“ICT”). Moreover, the information and telecommunications market is undergoing a structural change as a result of the shift to broadband and globalization, as well as the spread of smartphones, tablets and social media. 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 as a result of 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 rigorously ensuring fair terms of competition within the current legal framework as well as encouraging thorough compliance, 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” and “in comfort, safety and with peace of mind.” NTT West will achieve this 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 the creation of a new lifestyle 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, 2016. In its broadband services, NTT West expects to provide a more comfortable, safer and more secure NGN. In addition, NTT West will strive to provide customers with greater convenience by developing Hikari Denwa services that make use of fiber-optic access lines, video distribution services and services for corporate users, as well as by creating new services through the fair and equal provision of the Hikari Collaboration Model to, and promotion of collaborations with, a variety of service providers. NTT West also plans to maintain its community-oriented sales activities in order 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 aim to contribute to the creation of a safe and secure society 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 activities and services that will earn the continued trust of its customers. Amid a difficult business environment, NTT West will strive to continue to improve the efficiency of its operations so as to maintain profitability.

NTT West will work to lay the foundations for the stable development of its business into the future by proactively working to facilitate 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 its holding company, its shareholders.

NTT West foresees difficult financial conditions in the fiscal year ending March 31, 2016, but will respond flexibly to the changing business environment by prioritizing the following items, as called for by the concepts and strategies outlined above.

**1. Voice transmission services**

(1) Telephone subscriptions

NTT West will aim to promptly respond to all demands for telephone subscriptions, including the relocation of existing lines, and forecasts that it will have approximately 10.01 million subscriptions by the close of the fiscal year ending March 31, 2016.

Item	Projected number (subscriptions)
Additional installations	(0.77) million
Relocations	1.30 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 West 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		Projected number (units)
Silver Phone	Anshin (relief)	3,000
	Meiryō (clearness)	0

(3) Public telephones

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

Item	Projected number (units)
Public telephones	(1,000)

(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 1.281 million and 9,000, respectively, by the close of the fiscal year ending March 31, 2016.

Item	Projected number (circuits)
INS-Net 64 subscriber lines	(120,000)
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	Projected number (contracts)
FLET'S Hikari*	0.20 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 122,000 and 52,000, respectively, by the close of the fiscal year ending March 31, 2016.

Item	Projected number (circuits)
Conventional leased circuits	(3,000)

High-speed digital transmission circuits	(11,000)
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#### 4. Telegraph services

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

#### 5. Improvement and advances in telecommunications facilities

##### (1) Optical access networks

NTT West plans to actively promote the shift to the use of fiber optics in its access network in response to, among other things, the demand for broadband services.

Item	Projected number (million fiber km)
Optical subscriber cables	1.5

(Coverage rate at the end of the fiscal year ending March 31, 2016 is expected to be 93%.)

##### (2) Telecommunications network

In its telecommunications network, NTT West will aim to 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 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 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 and safe and secure service platform.

- (1) Review and service enhancement of optical Wi-Fi mobile technology for realizing a seamless link between mobile and fixed broadband that can be connected anytime, anywhere, and with anyone or anything.
- (2) Review of video and voice integrated communication technology for providing convenient and high value-added communication, sensor platforms technology, large-scale data analysis platform technology and technology for realizing advanced services.
- (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 and review of future network technologies that enable advanced and simplified operational 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, 2016**

Type of service	Plan
Voice transmission services	
Telephone subscriptions	(0.77 million) subscriptions
Additional installations	
Relocations	1.30 million subscriptions
Social welfare telephones (Silver Phone)	3,000 units
Public telephones	(1,000) units
Integrated digital communications services	
INS-Net 64	(120,000) circuits
INS-Net 1500	(1,000) circuits
Data transmission services	
FLET'S Hikari*	200,000 contracts
Leased circuit services	
Conventional leased circuits	(3,000) circuits
High-speed digital transmission circuits	(1,100) 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	277 *
(1) Voice transmission	150
(2) Data transmission	21
(3) Leased circuits	105
(4) Telegraph	1
2. Research and development facilities	2
3. Common facilities and others	11
Total	290

\* This figure includes approximately 95 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	1,517
Voice transmission	596
Data transmission	191
Leased circuits	421
Telegraph	14
Others	295
Non-operating revenues	7
Total	1,524
Expenses	
Operating expenses	1,472
Operating costs	1,084
Taxes and dues	67
Depreciation	321
Non-operating expenses	14
Total	1,486
Recurring profit	38

**Attachment 2  
(Reference)**

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

(Billions of yen)

Item	Amount
Sources:	
Operational:	1,808
Operating revenues	1,801
Non-operating revenues	7
Financial:	185
Proceeds from issuance of long-term loans and bonds	80
Other financial income	105
Estimated consumption tax receipts	121
Balance brought forward from previous fiscal year	90
 Total	 2,204
Applications:	
Operational:	1,472
Operating expenses	1,458
Non-operating expenses	14
Financial:	545
Capital investments	290
Other financial expenses	255
Account settlement expenses	19
Provisional consumption tax payments	93
Balance carried forward to following fiscal year	75
 Total	 2,204

<Reference>

Revisions to Business Results Forecasts for the Fiscal Year Ending March 31, 2015

NTT West will revise its business results forecasts for the fiscal year ending March 31, 2015 (the Sixteenth Term) as follows.

<Forecasts for the fiscal year ending March 31, 2015>

(Billions of yen)

	Before revision	After revision	Change
Operating revenues	1,582	1,579	(3)
Operating expenses	1,547	1,544	(3)
Operating income	35	35	0
Recurring profit	28	28	0
Net income	19	19	0