



# *News Release*

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

March 1, 2017

## **Submission for Approval of Business Operation Plan for the Fiscal Year Ending March 31, 2018**

Nippon Telegraph and Telephone West Corporation (“NTT West”) today submitted its business operation plan for the fiscal year ending March 31, 2018 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 through the formation of a new ICT society from the development of AI, Big Data and IoT. The government and the private sector are working in partnership to achieve these goals.

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 smart devices and social media. The market is catering to increasingly sophisticated and diversified needs and patterns of usage by, among other things, utilizing Big Data and IoT, as well as 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 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 strictly adhering to fair terms of competition within the current legal framework and encouraging thorough compliance, NTT West will also aim to realize a broadband 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 ICT society through the creation of a new lifestyle by expanding the use of fiber-optic services and through developing solutions for issues facing society, including the provision of “various services that match each customer’s patterns of usage.”

These are the basic concepts that underlie the business plan for the fiscal year ending March 31, 2018. 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 providing the Hikari Collaboration Model to a wide-range of service providers in an appropriate and fair manner, and promoting collaborations in order to create new services. 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, develop ICT solutions aimed at resolving issues facing society, improving the quality of services for customers 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 and providing victims and affected individuals with various means of communication 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. NTT West will strive to continue to improve the efficiency of its operations and to achieve a stable and strong management base.

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 a decrease primarily in voice-related revenues in the fiscal year ending March 31, 2018, 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 8.83 million subscriptions by the close of the fiscal year ending March 31, 2018.

Item	Projected number (subscriptions)
Additional installations	( 0.56) million
Relocations	0.90 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)	3,100
	Meiryō (clearness)	100

(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. The number of public telephone units is projected to total approximately 87,000 by the close of the fiscal year ending March 31, 2018.

Item	Projected number (units)
Public telephones	( 2,000)

(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 1.053 million and 7,000, respectively, by the close of the fiscal year ending March 31, 2018.

Item	Projected number (subscriptions)
INS-Net 64 subscriber lines	(104,000)
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. The number of FLET'S Hikari subscriptions is projected to total approximately 9.19 million by the close of the fiscal year ending March 31, 2018.

Item	Projected number (subscriptions)
FLET'S Hikari*	0.30 million

\*This Figure for FLET'S Hikari includes subscribers to the Hikari Collaboration Model.

### 3. Leased circuit services

Subscriptions for conventional leased circuit services and high-speed digital transmission services are projected to total approximately 113,000 and 41,000, respectively, by the close of the fiscal year ending March 31, 2018.

Item	Projected number (subscriptions)
Conventional leased circuit services	(3,000)
High-speed digital transmission services	(5,000)

### 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 efficiently promote the shift to the 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	0.65

#### (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 three points, in order to realize a “social information infrastructure network” in response to the needs of its customers and corporate businesses, among others.

- (1) Review towards the development of network technologies for IoT (next generation wireless networks and devices), analysis that creates new value from collected data and the technology that utilizes the new value (video and images analysis, visualization and control of living environment).
- (2) Review the realization of cost-effective, high-speed and high capacity networks as well as a sophisticated and efficient operations practice, and the migration from PSTN (Public Switched Telephone Network) to IP network.
- (3) Development of a security countermeasure technology that promotes the utilization of data and devices in response to the change in the diversifying customer environment, and the review of enhancing countermeasures against new threats (virtualization technology).

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, 2018**

Type of service	Plan
Voice transmission services	
Telephone subscriptions	
Additional installations	(0.56 million) subscriptions
Relocations	0.90 million subscriptions
Social welfare telephones (Silver Phone)	3,200 units
Public telephones	(2,000) units
Integrated digital communications services	
INS-Net 64	(104,000) subscriptions
INS-Net 1500	(1,000) subscriptions
Data transmission services	
FLET'S Hikari*	0.30 million subscriptions
*Including the Hikari collaboration Model	
Leased circuit services	
Conventional leased circuit services	(3,000) subscriptions
High-speed digital transmission services	(5,000) subscriptions

**Table 2****Capital Investment Plan  
for the Fiscal Year Ending March 31, 2018**

(Billions of yen)

Item	Expected investment
1. Expansion and improvement of services	239*
(1) Voice transmission	144
(2) Data transmission	17
(3) Leased circuits	77
(4) Telegraph	1
2. Research and development facilities	2
3. Common facilities and others	19
Total	260

\* This figure includes approximately 73 billion yen to be invested in the fiber-optic access network.



**Attachment 1****Revenues and Expenses Plan  
for the Fiscal Year Ending March 31, 2018**

(Billions of yen)

Item	Amount
Revenues	
Operating revenues	1,442
Voice transmission	531
Data transmission	194
Leased circuits	416
Telegraph	11
Others	290
Non-operating revenues	4
Total	1,446
Expenses	
Operating expenses	1,352
Operating costs	1,071
Taxes and dues	68
Depreciation	213
Non-operating expenses	9
Total	1,361
Recurring profit	85

**Attachment 2**

**Planned Sources and Application of Funds  
for the Fiscal Year Ending March 31, 2018**

(Billions of yen)

Item	Amount
Sources:	
Operational:	1,585
Operating revenues	1,581
Non-operating revenues	4
Financial:	120
Proceeds from issuance of long-term loans and bonds	60
Other financial income	60
Estimated consumption tax receipts	112
Balance brought forward from previous fiscal year	60
 Total	 1,877
Applications:	
Operational:	1,237
Operating expenses	1,228
Non-operating expenses	9
Financial:	470
Capital investments	260
Other financial expenses	210
Account settlement expenses	61
Provisional consumption tax payments	89
Balance carried forward to following fiscal year	20
 Total	 1,877