



News Release

NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION

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March 1, 2005

**Submission for Approval of Business Operation Plan
for Fiscal Year Ending March 31, 2006**

Nippon Telegraph and Telephone West Corporation (NTT West) today submitted its business operation plan for the fiscal year ending March 31, 2006 to the Minister for Internal Affairs and Communications for approval.

Information and communications are expected to play a key role in the process of forming a ubiquitous network society by enhancing the efficiency and vitality of socioeconomic activities and the convenience of national life. To that end, the public and private sectors are working closely together under the u-Japan Initiative to bring the network society to reality. At the same time, the information and telecommunications market has been undergoing drastic transformations affecting the structure of the market itself. These changes include the growing sophistication and diversification of user needs, the steady progress of globalization, and the explosive growth in demand for Internet communications. The regional communications market is feeling the impact of the progressive contraction in the conventional fixed-line telephone market as consumers switch from fixed to mobile communications, and from voice transmission to Internet and data communications, while IP telephony is expected to expand rapidly. Further, new competition is emerging, triggered by the launch by other companies of telephone services that do not rely on NTT's network. The broadband market, the growing leader in telecommunications, continues to be the scene of intense competition for greater market penetration among ADSL and optical providers in both services and price.

In this intensely competitive environment, NTT West has identified the fiscal year ending March 31, 2006 as critical to its strategy to achieve a dramatic increase in users of its optical access and IP services. NTT West will actively engage in the enrichment of its broadband services, including provision of applications that take advantage of Fiber-optic IP Connection, and in the development of high-value-added solutions businesses such as security services, as the company endeavors to realize a resonant communications environment. As well as contributing to provide stable, high-quality universal services, NTT West has set up the following goals to fulfill the NTT Group's Medium-Term Management Strategy:

- Migrate seamlessly from its existing network to the optical and IP network.
- Enhance optical access network that constitutes the backbone for its broadband services.
- Contribute to the development of a fair telecommunications market.
- Advance its research and development capabilities in applied fields.
- Work towards ensuring the reliability and public availability of telecommunications services.

As a reflection of these fundamental principles, NTT West will strive in its business management during the fiscal year ending March 31, 2006, to offer high-value-added services that cater to diverse modes of use by creating new broadband services and technologies and improve its services by responding effectively and quickly to customer needs and demands. Further, in the face of the severe business environment, NTT West will make every effort to secure the continued flow of profits through such management innovation programs as greater improvements in business efficiency and trimming of costs, while still responding to any changes in the market. In other areas, NTT West will implement measures for maintaining smooth interconnection and open networks. It will seek to promote its research and development position in applied fields, improve disaster prevention measures, promote human resources development, and actively pursue new business opportunities in cooperation with NTT group companies. Through this line of action, NTT West will endeavor to achieve a stable course of future development. NTT West stands ready to share the benefits of these initiatives with its customers, local communities and the shareholders in the holding company.

The above outlines NTT West's basic strategies for the fiscal year ending March 31, 2006. While special emphasis will be assigned to the matters summarized below, NTT West will respond with appropriate flexibility to any changes in the business environment.

1. VOICE TRANSMISSION SERVICES

(1) Subscriber Telephones:

NTT West stands ready to respond speedily to all demand for subscriber telephones, including the relocation of existing lines. The total number of subscribers is projected to reach approximately 23.29 million by the end of the fiscal year ending March 31, 2006.

Item	Planned Number (subscribers)
Additional Installations	(1.91 million)
Relocations	4.01 million

(2) Social-Welfare Telephones:

The progress of social welfare has generated demand for various telecommunications services. To respond to welfare-related needs, NTT West shall promote the installation of its "Silver Phones series" (Anshin (Relief), Meiryo (Clearness), Hibiki (Sound), Fureai (Communication)) and other welfare-oriented products.

Item		Planned Number (units)
Silver Phones	Anshin (Relief)	2,500
	Meiryo (Clearness)	100

(3) Public Telephones:

While maintaining public telephones to ensure a minimum level of access to outdoor communications, NTT West will continue to review and to remove low-use public telephones. On the other hand, in its commitment to improved services and welfare, NTT West will promote the installation of public telephone boxes for wheelchair users.

Item	Planned Number (units)
Public Telephones	(23,000)

(4) INS-Net Digital Services:

INS-Net Digital Services are now available in all areas with potential demand. The total number of INS-Net 64 subscriber lines and INS-Net 1500 subscriber lines is projected to reach approximately 3,276,000 circuits and approximately 20,000 circuits, respectively, by the end of the fiscal year ending March 31, 2006.

Item	Planned Number (circuits)
INS-Net 64 Subscriber Lines	(524,000)
INS-Net 1500 Subscriber Lines	(1,000)

2. DATA TRANSMISSION SERVICES

NTT West will reinforce its Fiber-optic IP Connection Service and other access services as well as provide new services to respond to the expanding demand for broadband services.

Item	Planned Number (subscribers)
B FLET'S	800,000

3. LEASED CIRCUIT SERVICES

Facilities for leased circuit services are scheduled to be installed to actively respond to demand, including high-speed digital transmission services and voice and image transmission services.

Item	Planned Number (circuits)
Conventional Leased Circuits	(49,000)
High-Speed Digital Transmission Circuits	(71,000)

4. TELEGRAPH SERVICES

NTT West shall promote such measures as the maintenance of telegraph operation systems to enhance services and raise efficiency.

5. IMPROVEMENTS AND ADVANCES IN TELECOMMUNICATIONS EQUIPMENT

(1) Optical Access Network:

NTT West shall actively promote the deployment of the Optical Access Network in coordination with expanding demand for broadband services.

Item	Planned Number (million fiber km)
Optical Subscriber Cables	1.5

(Coverage rate at the end of March 2006 will be 84%.)

(2) Telecommunications Network:

NTT West shall enhance network services as well as improve network economy and efficiency while meeting demand for broadband services.

(3) Disaster-Prevention Measures:

NTT West shall promote necessary disaster-prevention measures for telecommunications equipment. To this end, it shall establish emergency communication and crisis management measures, as well as procedures for restoring systems and distributing vital information in the event of a large-scale disaster.

(4) Installation of Underground Transmission Cables:

NTT West shall install underground transmission cables to aid transmission stability, secure safe and comfortable passage spaces and improve the appearance of urban areas in cooperation with the local and national governments or other companies.

(5) Facility Maintenance:

NTT West shall implement facility maintenance, including the replacement of cables, to maintain customer services, ensure safety and harmony with social environments and stabilize communications systems.

NTT West shall pursue cost reduction by making exhaustive use of existing equipment and facilities in improving and upgrading communications facilities.

6. PROMOTION OF RESEARCH AND DEVELOPMENT ACTIVITIES

The information and telecommunications market is at a significant crossroads. NTT West shall promote research and development in the spheres of network systems and access systems which create more sophisticated and reliable telecommunications networks. In addition, to meet diverse public demand for information and telecommunications, NTT West shall also promote research and development in such areas as information distribution applications and communications terminals of various types which expand the range of choices available to customers in their selection of reliable and convenient services through sophisticated telecommunications networks.

The summary of the business plans for the above principal services and the plant and equipment investment plans are outlined in the attached tables.

Table 1

**Principal Services Plan
for Fiscal Year Ending March 31, 2006**

Type of Service	Unit	Plan
Voice Transmission Services		
Subscriber Telephones		
Additional installations	million subscribers	(1.91)
Relocations	million subscribers	4.01
Social-Welfare Telephones (Silver Phones)	units	2,600
Public Telephones	units	(23,000)
INS-Net Digital Services		
INS-Net 64 Subscriber Lines	circuits	(524,000)
INS-Net 1500 Subscriber Lines	circuits	(1,000)
Data Transmission Services		
B FLET'S	circuits	800,000
Leased Circuit Services		
Conventional Leased Circuits	circuits	(49,000)
High-Speed Digital Transmission Circuits	circuits	(71,000)

Table 2**Capital Investment Plan
for Fiscal Year Ending March 31, 2006**

billions of yen

Item	Estimated expenses
1. Expansion and Improvement of Services	367 [*]
(1) Voice Transmission	237
(2) Data Transmission	44
(3) Leased Circuits	85
(4) Telegraph	1
2. R&D Facilities	3
3. Other Facilities	10
Total	380

Note: *This includes approximately 160 billion yen to be invested in the Optical Access Network.

Attachment 1**Revenues and Expenses Plan
for Fiscal Year Ending March 31, 2006**

Item	billions of yen
Revenues	
Operating Revenues	1,966
Voice Transmission	1,221
Data Transmission	111
Leased Circuits	280
Telegraph	28
Others	326
Non-Operating Revenues	51
Total Revenues	2,017
Expenses	
Operating Expenses	1,962
Operating Costs	1,481
Taxes and Dues	73
Depreciation	408
Non-Operating Expenses	40
Total Expenses	2,002
Recurring Profit	15

Attachment 2**Plan for Sources and Application of Funds
for Fiscal Year Ending March 31, 2006**

Item	billions of yen
Sources:	
Operational:	2,630
Operating Revenues	2,575
Non-Operating Revenues	55
Financial:	242
Long-Term Loans and Bonds	200
Others	42
Estimated Consumption Tax Receipts	101
Brought Forward from Previous Fiscal Year	107
Total	3,080
Applications:	
Operational:	2,234
Operating Expenses	2,203
Non-Operating Expenses	31
Financial:	625
Capital Investment in Property, Plants and Equipment	380
Other Financial Expenses	245
Account Settlement Expenses	32
Provisional Consumption Tax Payments	82
Carry Forward to Following Year	107
Total	3,080

<Reference>

Note that we have revised our forecast of earnings for the fiscal year ending March 31, 2005 announced in autumn 2004 as follows.

【Revised Forecast】

(Billions of Yen)

	Operating revenue	Operating income	Recurring profit	Net profit
Year ending March 31, 2005	2,087	66	78	46

<Earlier Forecast (announced November 10, 2004)>

(Billions of Yen)

	Operating revenue	Operating income	Recurring profit	Net profit
Year ending March 31, 2005	2,049	65	74	44

March 1, 2005

Nippon Telegraph and Telephone West Corporation (NTT West)

Summary of the Business Operation Plan for the Fiscal Year Ending March 31, 2006

1. Basic Concept of the Business Operation Plan for Fiscal Year Ending March 31, 2006

The information and telecommunications market has been undergoing drastic transformations that affect the structure of the market itself. The regional communications market is feeling the impact of the progressive contraction in the conventional fixed-line telephone market as consumers switch from fixed to mobile communications and from voice transmission to Internet and data communications, while IP telephony is expected to expand rapidly. Furthermore, new competition is arising, triggered by the launch of telephone services by companies that are not using NTT's network. Meanwhile, the broadband market, the growing leader in telecommunications, has been the scene of intense competition for greater market penetration among ADSL and optical providers in both services and price.

In this intensely competitive environment, NTT West will continue to provide stable, high-quality universal services. The company has identified the fiscal year ending March 31, 2006 as critical to its strategy to achieve a dramatic increase of users of its optical access and IP services, and will actively engage in the enrichment of its broadband services, including provision of applications that take advantage of Fiber-optic IP Connection, as well as in the development of high-value-added solutions businesses such as security services, as the company endeavors to realize a resonant communications environment.

Through these services, NTT West will strive to ensure earnings while carrying out such management innovation programs as continued improvements to business efficiency and trimming of costs, with a view to maintaining a surplus for the fiscal year ending March 31, 2006.

<Specific Programs>

(1) Promotion of the fiber-optic broadband business

- We will increase fiber-optic IP Telephony Service sales by reinforcing the product portfolio of the service currently provided for condominiums (Hikari Denwa) and accelerating the introduction of other services for detached homes and small and mid-sized enterprises.
- We will generate demand for our fiber-optic lines by providing such attractive applications as Triple-Play Service and two-way video communications, through stronger alliances within the NTT Group and with content providers.
- We will achieve full-scale expansion in the fiber-optic broadband market by strengthening the sales structure for broadband access lines and taking advantage of the efficiencies of optical fiber in our marketing.

(2) Capital expenditures that support aggressive marketing of broadband services

- We will accelerate the construction of an innovative broadband optical IP network using GE-PON, IPv6 and other advanced technologies, and take aggressive measures to market our broadband services that include expansion of the service areas for fiber-optic IP Telephony and FLET's Hikari Premium. At the same time, we will ensure the quality and reliability of our existing services and enhance the efficiency of our capital investments.

2. Principal Services Plan

Type of Service		FY3/06	FY3/05
	Subscriber Telephones + ISDN	(2,440,000) subscribers	(840,000) subscribers
	Subscriber Telephones	(1,910,000) subscribers	(470,000) subscribers
	INS-Net Digital Services *	(530,000) circuits	(370,000) circuits (INS-Net 1500 converted to INS-Net 64)
	INS-Net 64 Subscriber Lines	(524,000) circuits	(362,000) circuits
	INS-Net 1500 Subscriber Lines	(1,000) circuits	(0) circuits
Leased Circuit Services	Conventional Leased Circuits	(49,000) circuits	(28,000) circuits
	High-Speed Digital Transmission Circuits	(71,000) circuits	(43,000) circuits

Note : * In terms of number of channels , transmission rate , and line use rate (base rate) , INS-Net 1500 is all cases roughly ten times greater than INS-Net 64 , one INS-Net 1500 subscriber is calculated as ten INS-Net 64 subscribers. (INS-Net 64 Lite Plan is included)

IP-based Services		
B FLET'S	800,000 subscriptions	400,000 subscriptions
FLET'S ADSL	400,000 subscriptions	600,000 subscriptions
Fiber-optic IP Telephony Service	600,000 channel	0 channel

3. Improvements and Advances in Telecommunications Equipment

Item	FY3/06	FY3/05
Subscriber Optical Cable	1.5 million fiber km	1.7 million fiber km
Coverage rate at year-end	84%	81%

4. Capital Investment Plan

(billions of yen)

Item	FY3/06	FY3/05	YoY Change	Remarks
Expansion and Improvement of Services	367	372	(5)	
* Voice Transmission	237	262	(25)	
* Data Transmission	44	29	15	
* Leased Circuits	85	79	6	
* Telegraph	1	2	(1)	
R&D Facilities	3	3	0	
Other Facilities	10	15	(5)	
Total	380	390	(10)	

* Optical Access Network	Approx. 160	Approx. 150	Approx. 10	
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* Listed again

5. Revenue and Expense Plan (Attached)

(billions of yen)

Item	FY3/06	FY3/05	YoY Change	Remarks
Total Revenues	2,017	2,141	(124)	
* Voice Transmission (excluding IP-based Services)	1,213	1,367	(154)	
* IP-based Services	248	183	65	
* Leased Circuits (excluding IP-based Services)	151	173	(22)	
Total Expenses	2,002	2,063	(61)	
* Personnel Expenses	182	196	(14)	
* Non-personnel Expenses	1,244	1,268	(24)	
* Depreciation Expenses	408	426	(18)	
Recurring Profit	15	78	(63)	

* Listed again

<Reference>

Operating free cash flow	73	136	(63)	
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