

# Long Distance and International Communications Business



Among corporate customers, there is a growing need to solve management issues using ICT. As for individual customers, their lifestyles are becoming increasingly diverse.

NTT Communications serves corporate customers as an ICT solutions partner offering high-value-added solutions with an emphasis on consulting-based marketing; while striving to provide individual customers with appealing services under the brand statement—“CreativE-Life” for Everyone.

## Performance in the Fiscal Year Ended March 31, 2009

### Lower revenues due to decline in fixed voice-related services revenues, despite increased IP-related services revenues and solution services revenues

Operating revenues decreased 0.6% year on year to ¥1,315.5 billion. Despite an increase in IP-related services revenues from “OCN” Internet connectivity services and virtual private network (VPN) services, as well as higher solution services revenues from corporate customers, overall operating revenues declined mainly due to lower fixed voice-related revenues including telephone services.

Operating expenses increased 0.1% to ¥1,218.6 billion, largely reflecting the absence of a gain from transfer of the substitutional portion of the Employee Pension Fund to the government posted in the previous year despite a decrease in termination charges accompanying lower fixed-voice revenues.

As a result, operating income declined 8.5% year on year to ¥96.9 billion.

\* All figures include intersegment transactions

## Business Development and Strategic Focus

### Various kinds of high-value-added services have been provided to corporate and individual customers

In enterprise services, as an ICT solution partner that solves customers’ management problems, the company directed its efforts towards promoting consulting-based marketing and offering customers high value-added solutions that meet their needs. Specifically, focusing on the fields with the customers’ high demands such as outsourcing and information security services, NTT Communications established competitive operations on a global level, created a corporate marketing framework broken down by industry and business categories, made process improvements and bolstered systems engineering (SE) functions.

In global businesses, responding to the needs of Japanese and multinational customers, the company strove to provide total ICT solutions that combine network integration services with data center, security and server management services. NTT

### OCN Subscriptions

	March 31, 2008	March 31, 2009
OCN	6.83 million	7.37 million

### Subscriptions of Major Enterprise Network Services

(Thousands of Lines)

	March 31, 2008	March 31, 2009
Major enterprise network services	424,000 lines	456,000 lines
Leased circuit	29,000 lines	26,000 lines
Frame relay/Self relay	14,000 lines	8,000 lines
IP-VPN	100,000 lines	116,000 lines
Group-VPN	50,000 lines	70,000 lines
OCN full-time connectivity (Corporate customers)	200,000 lines	204,000 lines
Wide-area Ethernet service (e-VLAN)	30,000 lines	32,000 lines

Communications also expanded its data center business in Hong Kong and Shanghai, upgraded our global network by, most notably, bringing its optical submarine cable linking Japan and Russia, and increased business presence through such means as opening branches and subsidiaries in India and Russia.

For individual customers, guided by its proposition message of "CreativE-Life for Everyone" (New, Broader Lifestyle Through Communication), the company provided a diverse range of services to match the diversified lifestyles of its customers. As for the upper layer business categories ("Net Business"), by promoting sales activities and provisioning various type of services, NTT Communications worked to expand the OCN- and Plala-brand ISPs' customer base. The company also promoted a comprehensive range of services such as 050 IP telephone, video distribution and CGM (consumer generated media) services by leveraging the comprehensive strengths of the NTT Communications Group, including NTT Resonant and NTT Plala. For example, efforts were continued to expand the service line-up in telephone services, including "PL@TINUM LINE," "SEKAI WARI" and "050 Anshin Number" services.

As for "OCN" Internet connectivity services, in June 2008, the number of subscribers topped 7 million while the number of subscribers to NTT Plala's "Hikari TV" service surpassed 0.5 million in March 2009, reflecting upgrades that included IP retransmission of terrestrial digital broadcasts, NHK on-demand services, and a greater selection of high-definition programming.

### **Plans for in the Fiscal Year Ending March 31, 2010** **Focus on three businesses in growth fields**

In a challenging business environment, NTT Communications' Group will further accelerate the strengthening and expansion of its growth sectors, namely, enterprise businesses, global businesses and Internet-related businesses, with "bridging" remaining the core conceptual framework of the company's mission.

Specifically, in enterprise and global services, NTT Communications will further strengthen consulting-based marketing activities as its customers' true ICT solution partner as well as continuing to provide one-stop, total and value-added ICT solutions to meet the needs of Japanese and multinational customers for high quality services that provide seamless functionality both domestically and abroad. Specifically, in enterprise services, the company will focus on the development and provisioning of maintenance as a service, as well as global services.

NTT Communications will support its customers' business expansion globally by further enhancing premium data centers in countries such as U.K., the United States and Singapore and by expanding its network of overseas offices to cities such as Saint Petersburg in Russia and Brussels in Belgium.

In its Net Business the company is endeavoring to build a new business model in the field of marketing solutions for enterprise customers in collaboration with Digital Forest Inc. as part of its expansion to the B2B2C business model.

In addition, NTT Communications aims to increase subscriptions of NTT Plala's "Hikari TV" to 1.1 million by the end of the fiscal year ending March 31, 2010. This will be achieved by continuing to develop services that are attractive to customers, including by expanding service areas for IP retransmission of terrestrial digital broadcasts.

Further, the company is working towards securing new operating revenue sources by developing and providing cutting-edge services including the development of services that enable seamless use of services on mobile phones and PCs and the enhancement of search functions in collaboration with NTT DOCOMO.

#### Topics

### **Linking the World via International Submarine Cable Systems** **Expansion and enhancement of global IP network**

The advancement of ICT has made possible the rapid development of business and services on a global scale over a variety of platforms. In 2008, NTT Communications joined forces with TransTeleCom Company CJSC to become the first telecommunications carriers to begin the commercial operation of a route using fiber-optic submarine cable between Japan and Russia as a new route linking Japan and Europe. In 2009, the company, in cooperation with major carriers in each country, concluded an agreement on the construction of a large-capacity fiber-optic submarine cable system linking the Asian region.

In related news, NTT Communications purchased Pacific Crossing Limited, which owns a large-capacity optic submarine cable linking Japan and the United States. Going forward, NTT Communications will address the demand for Internet data traffic between Asia, Japan and the U.S. by further increasing its owned capacity of cable linking Japan and the U.S.