

January 21, 2014

Company Name: Nippon Telegraph and Telephone Corporation
Representative: Hiroo Unoura, President and Chief Executive Officer
(Code No.: 9432, First section of Tokyo Stock Exchange)

**Notice Regarding Applications for Authorization to Revise
Optical Subscriber Line Interconnection Charges for NTT East and NTT West**

Nippon Telegraph and Telephone East Corporation (“NTT East”) and Nippon Telegraph and Telephone West Corporation (“NTT West”), subsidiaries of Nippon Telegraph and Telephone Corporation, today applied to the Minister of Internal Affairs and Communications for authorization to change the Articles of Agreement Concerning Interconnection to Designated Telecommunications Facilities with regards to the interconnection charges for optical subscriber lines. Interconnection charges have been calculated based on the interconnection accounting for the fiscal year ended March 31, 2013. Revisions would be applied beginning with the fiscal year ending March 31, 2015.

For more details, please see the attached press releases by NTT East and NTT West.

For further inquiries, please contact:

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Application for Authorization of
Revising Optical Subscriber Line Interconnection Charges

Nippon Telegraph and Telephone East Corporation (“NTT East”) today applied to the Minister of Internal Affairs and Communications for authorization to change the Articles of Agreement Concerning Interconnection to Designated Telecommunications Facilities with regards to the interconnection charges for optical subscriber lines. Interconnection charges have been calculated based on the interconnection accounting for the fiscal year ended March 31, 2013. Revisions would be applied beginning with the fiscal year ending March 31, 2015.

1. Proposed Interconnection Charges

Category	Revised Charges*4			Current Charges
	For FY2014*1	For FY2015*2	For FY2016	
Optical Subscriber Line	3,159 yen [(1)%]	3,115 yen [(3)%]	3,072 yen [(4)%]	3,203 yen
Optical Main Subscriber Line Under Shared Access System*3	2,809 yen [(1)%]	2,783 yen [(2)%]	2,756 yen [(3)%]	2,835 yen

The above represent monthly charges per single-core cable for Type 1-1 (daytime and weekday support in case of malfunction).

Figures inside the [] represent the percent change from the current charges.

- *1 The applicable charges for FY2014 include the price gap between actual revenues and actual costs in FY2012 (40 yen out of 3,159 yen for optical subscriber line, and 34 yen out of 2,809 yen for optical main subscriber line under the shared access system).
- *2 The applicable charges for FY2015 include the price gap between forecasted revenues and forecasted costs in FY2013 (108 yen out of 3,115 yen for optical subscriber line, and 92 yen out of 2,783 yen for optical main subscriber line under the shared access system).
- *3 The outside optical splitter charge applicable in FY2014 (82 yen), which is reviewed under the actual cost method every fiscal year, is included in the revised charges for optical main subscriber line under the shared access system.
- *4 Regarding the current application to revise interconnection charges, adjustments are made for each fiscal year by adding or subtracting the difference between the actual revenues and actual costs to or from the interconnection charge costs for the second succeeding fiscal year.

In addition, interconnection charges for the fiscal year ending March 31, 2015 for optical branch subscriber lines under the shared access system will be revised (to 275 yen from the current 273 yen).

2. Period of Implementation

After ministerial approval, the revised interconnection charges will be applied starting on April 1, 2014.

- Reference Material: Regarding the Review of Interconnection Charges for Optical Subscriber Lines

For inquiries, please contact:
Corporate Strategy Planning Department
Nippon Telegraph and Telephone East Corporation
E-mail: kikakur@sino.east.ntt.co.jp

Regarding the Review of Interconnection Charges for Optical Subscriber Lines

- Lower prices every year using the future cost method for a three-year period, factoring in constant efforts to decrease costs and create active demand.
- Adjust the difference between actual revenues and actual costs every fiscal year in order to recover appropriate costs.

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Reference Material 1. Basic Policy for the Calculation of Interconnection Charges for Optical Subscriber Lines

Reference Material 2. Review of Optical Subscriber Line Interconnection Charges

Reference Material 3. Changes in Actual Cost Per Single-core Cable of Optical Subscriber Lines

Reference Material 4. Optical Subscriber Line and Shared Access System

Reference Material 5. Review of Optical Main Subscriber Line Interconnection Charges

Basic Policy for the Calculation of Interconnection Charges for Optical Subscriber Lines

1. Fundamental Approach for the Calculation of Interconnection Charges for Optical Subscriber Lines

- Interconnection charges are levied on customers to recover actual costs relating to facilities, and our fundamental approach is to calculate the charges on an actual cost method. However, for the current review, NTT East adopted the future cost method to calculate and set interconnection charges based on the premise that, by providing a forecast for lower interconnection charges, NTT East will create a market environment into which interconnection service providers can easily enter. NTT East will use a three-year calculation period, the same duration as for the current interconnection charges, from FY2014 to FY2017.
- NTT East has aggressively forecasted its and other interconnection service providers' demand number necessary for the interconnection calculation while the needs of broadband shift from fixed-line to mobile. The calculation also takes into account greater efficiency with respect to investments and expenses.
- The cost allocation method between optical-fiber and metal lines was revised to reflect the final report released by the "Study Group on State of Metal Line Costs" established by The Ministry of Internal Affairs and Communications⁽¹⁾. Due to this revision, the charges after adjusting for the price gap for FY2014 and FY2015 exceeded current interconnection charges. As a result, NTT East transferred its optical-fiber costs to metal line costs, enabling it to set its interconnection charges lower than current interconnection charge levels.
- The applicable charges for FY2014 include the price gap between actual revenues and actual costs from FY2012, and the applicable charges for FY2015 include the price gap between forecasted revenues and forecasted costs for FY2013.
- As a result of calculations based on the above, the applicable fees for FY2014 through FY2016 will be as follows:
 - ① Optical subscriber line:
FY2014: 3,159 yen/month; FY2015: 3,115 yen/month; and FY2016: 3,072 yen/month⁽²⁾
 - ② Optical main subscriber line under the shared access system⁽³⁾:
FY2014: 2,809 yen/month; FY2015: 2,783 yen/month; and FY2016: 2,756 yen/month⁽²⁾

Notes:

(1) This report is available at http://www.soumu.go.jp/menu_news/s-news/01kiban03_02000205.html (Japanese only)

(2) Includes the outside optical splitter charge applicable in FY2014, which is reviewed under the actual cost method every fiscal year.

(3) The difference between actual revenues and actual costs that newly arise and are adjusted during the calculation period is not included.

2. Main Assumptions in the Calculation of Interconnection Charges

(1) Demand

- While there is a decreasing trend in the net increase in FLET'S Hikari subscriptions, NTT East projects a net increase of 0.5 million subscriptions in each fiscal year from FY2014 to FY2017, the same forecast as in the business plan for the current fiscal year, by working to further expand fiber-optic access services. The necessary number of core cables is determined based on this projection and on estimates made for individual buildings and optical distribution areas^(*).
- It is difficult for NTT East to predict the number of dark fiber core cables as this number is dependent on the future business strategies of interconnection service providers. However, for the current calculation of interconnection charges, NTT East expects the necessary number of core cables to be as follows:

[Single Star System]

NTT East expects that the demand for core cables will further increase in the future as a result of the expansion of Wi-Fi and LTE services. The expected number of core cables is calculated by assuming that the net annual increase in core cables will rise every year, by setting the FY2013 net increase figure equivalent to the largest annual net increase in the past three years and by surveying the circumstances of the past three years.

[Shared Access System]

While the growth of the Fiber to the Home (FTTH) service market is slowing down, NTT East expects the number of core cables to continue to increase. NTT East has used a figure equivalent to double the number of core cables during the first half of FY2013 as the base for its net increase estimate, separately adding, among other things, new sources of demand to calculate the expected number of core cables each fiscal year.

- NTT East has aggressively forecasted demand, including the demand of other interconnection service providers.

Note: (*) An area that can be covered by a single outside optical splitter.

(2) Investment

- Investment is assumed to be at the level necessary for the deployment of the minimum amount of cables corresponding to the estimated demand. As a result, a decrease of 3% in investment unit prices is expected.

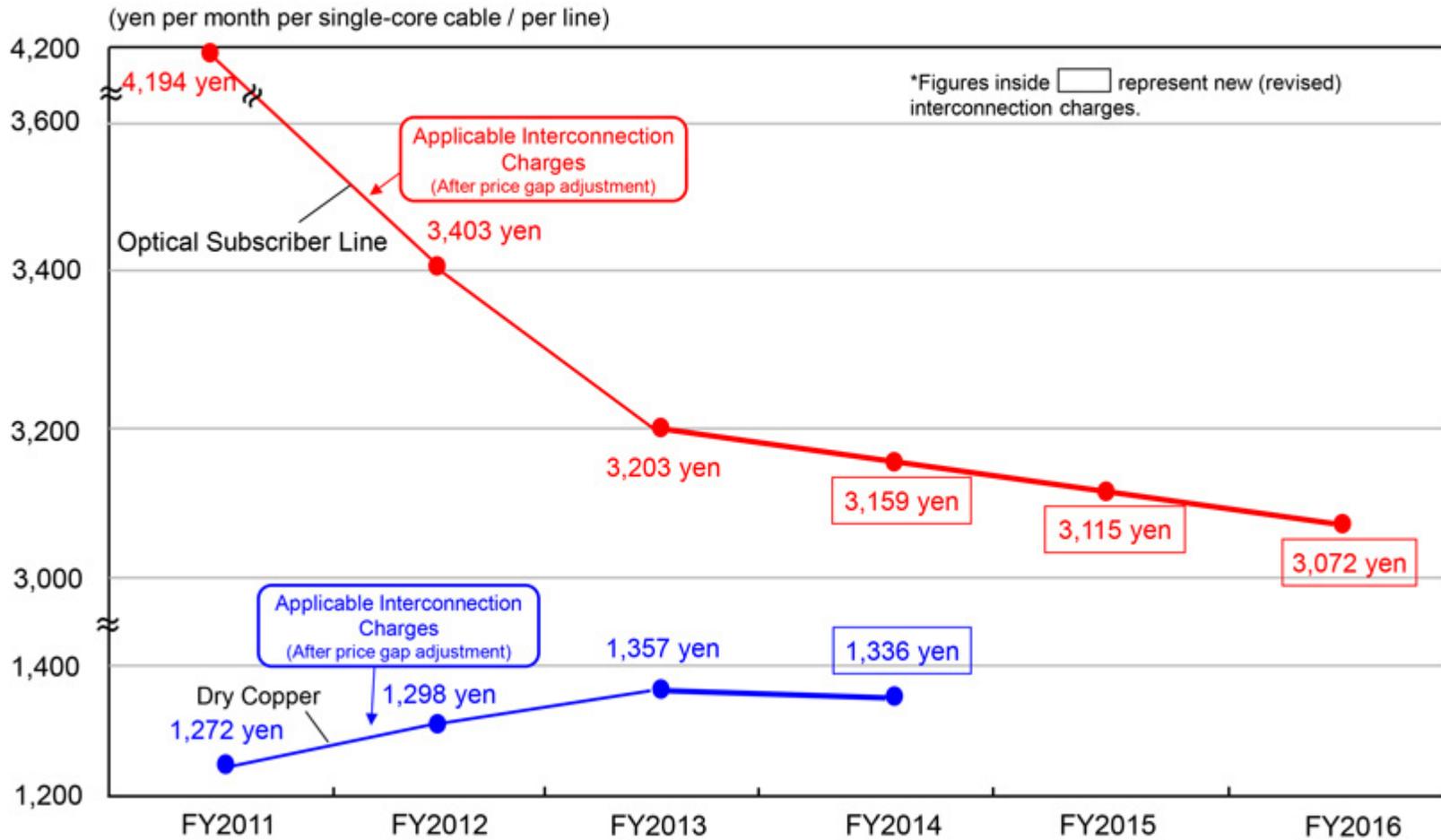
(3) Expenses

- Depreciation costs are calculated based on the investment amounts above. The annual efficiency improvement rate based on the results of the fiscal year ended March 31, 2013 (-3%) has been factored into the facility maintenance costs.

3. Price Gap Adjustment System

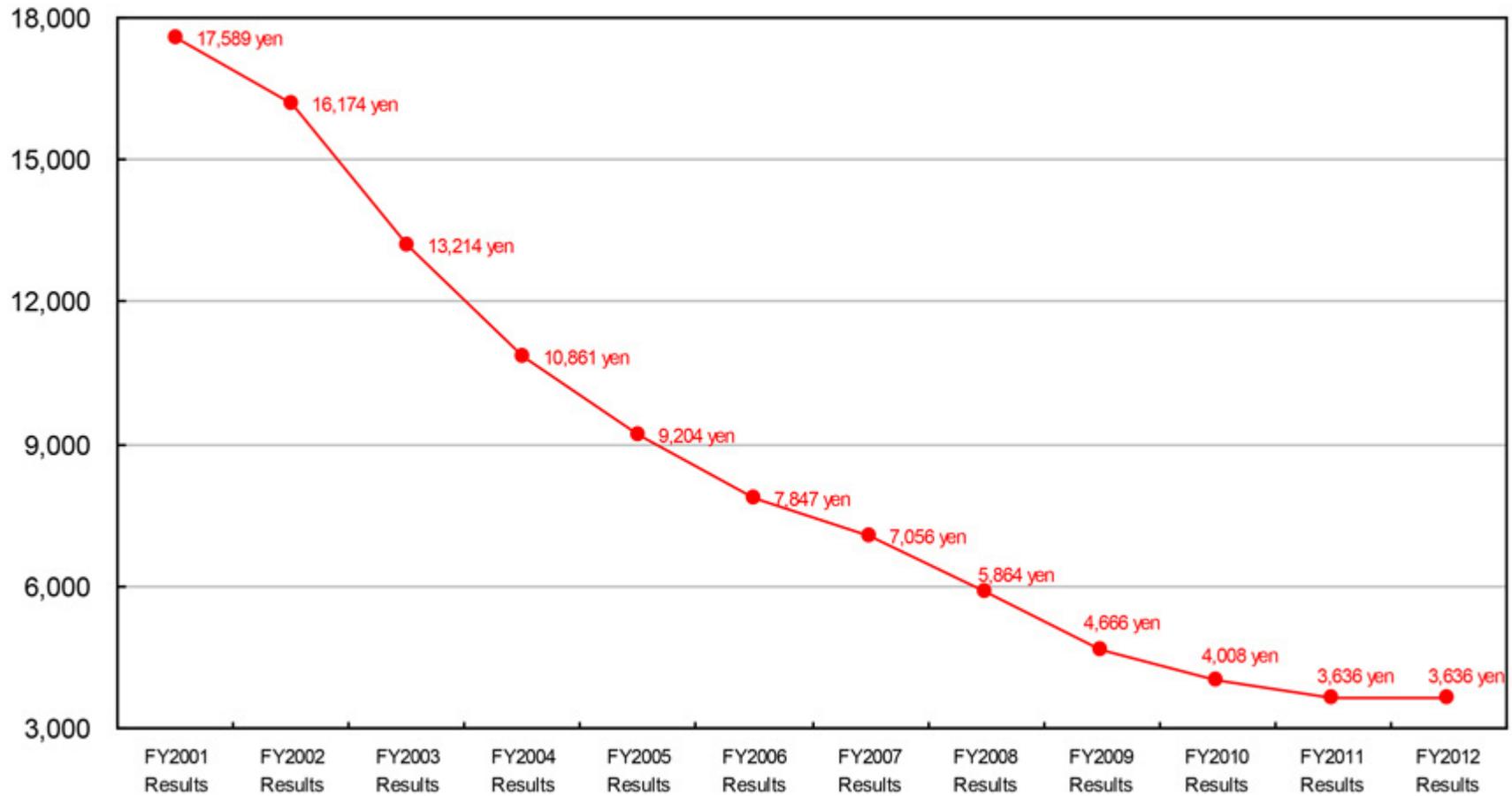
- The future cost method is a calculation method based on certain forecasts, and the estimated impact on actual costs and demands of factors such as future developments in services and technology, economic conditions and customer trends, as well as the business strategies of interconnection service providers. As such, actual costs will likely deviate from these forecasts.
- When employing the future cost method, it is essential to make adjustments for situations where cost recovery may become either excessive or insufficient. In this interconnection charges review, adjustments are made for each fiscal year by adding or subtracting the difference between actual revenues and actual costs to or from the interconnection charge cost for the second succeeding fiscal year.
(The difference between the forecasted price gap and the actual price gap for the fiscal year ending March 31, 2014 will be adjusted in the interconnection charges for the fiscal year ending March 31, 2016, and the difference between the forecasted price gap and the actual price gap for the fiscal year ending March 31, 2015 will be adjusted in the interconnection charges for the fiscal year ending March 31, 2017, and so on.)
- Price gap adjustments to current interconnection charges are permitted. Most recently, price gap adjustments of -5.8 billion yen for the fiscal year ended March 31, 2011 and -6.5 billion yen for the fiscal year ended March 31, 2012 were reflected in the interconnection charges for the fiscal year ended March 31, 2013 and fiscal year ending March 31, 2014, respectively. NTT East believes there is an incentive for fiber-optic service providers to increase demand under this system, because interconnection charges decrease as NTT East and other interconnection service providers further increase demand.

Review of Optical Subscriber Line Interconnection Charges (FY2011 – FY2016)



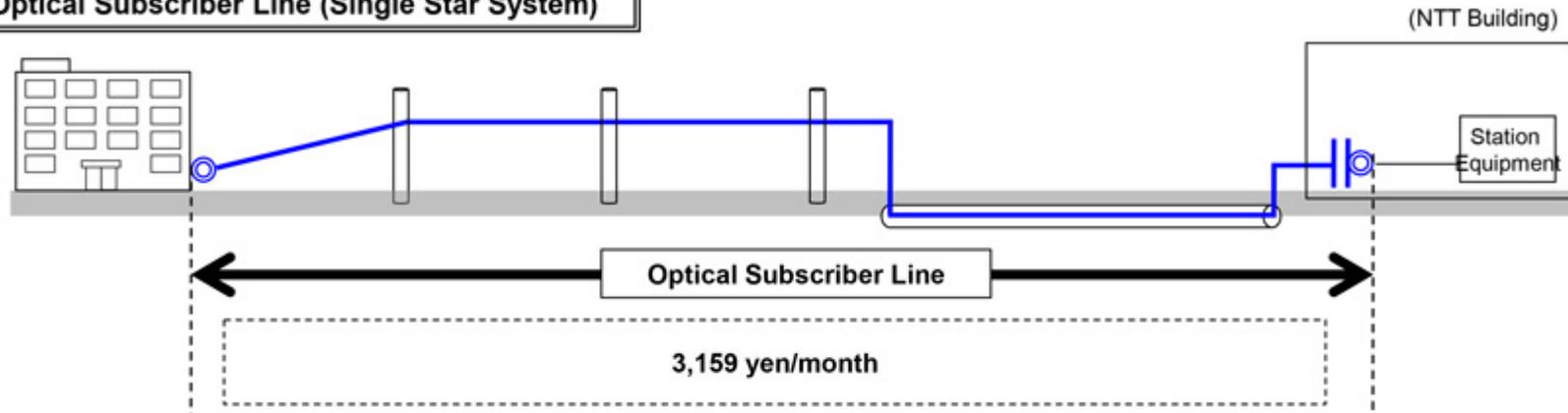
Changes in Actual Cost Per Single-core Cable of Optical Subscriber Lines [FY2001 – FY2012]

(yen per month per single-core cable)



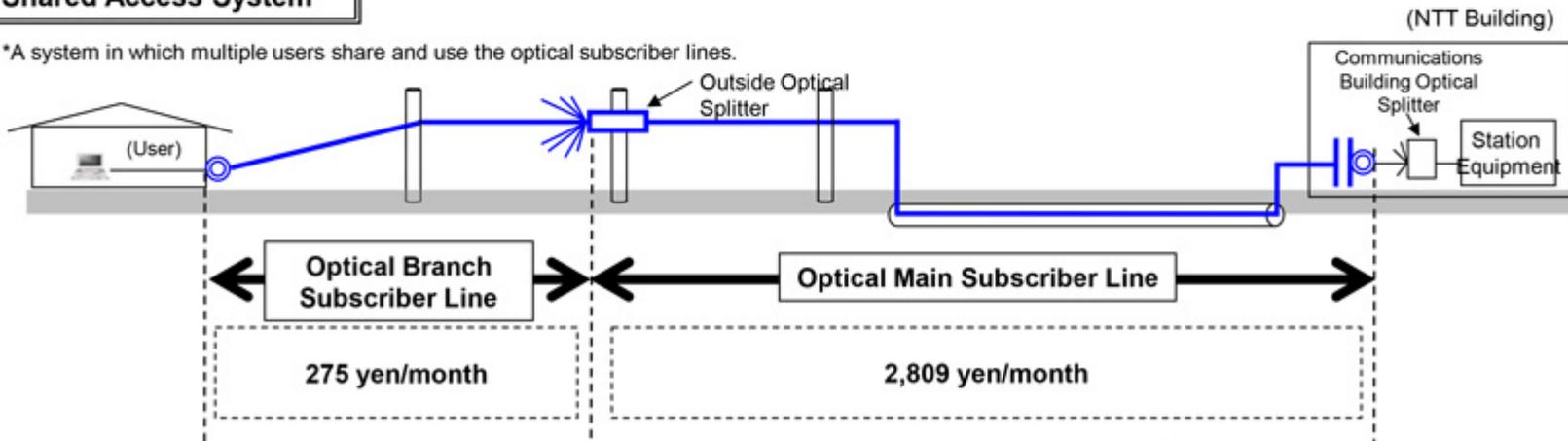
Optical Subscriber Line and Shared Access System

Optical Subscriber Line (Single Star System)



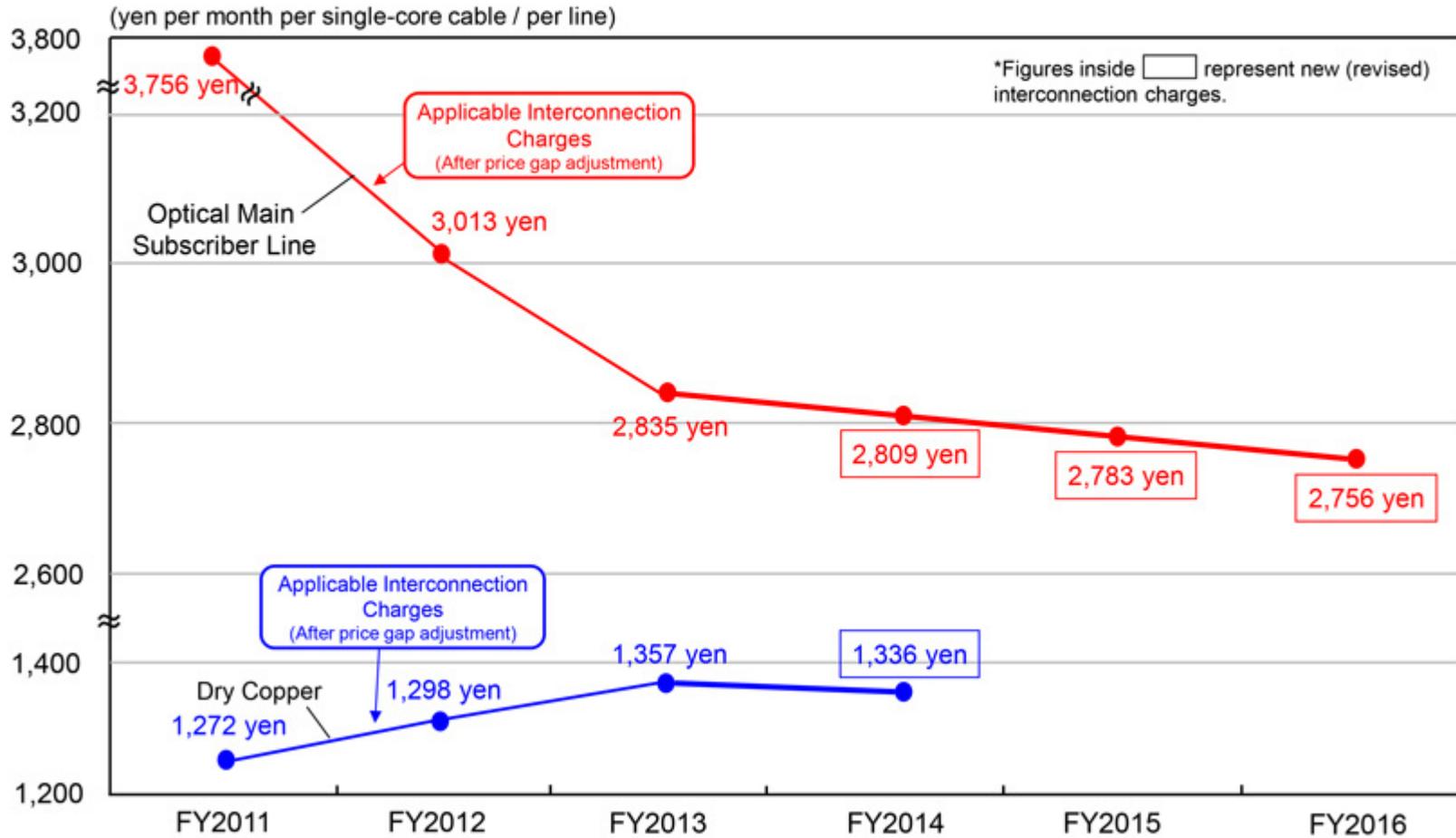
Shared Access System*

*A system in which multiple users share and use the optical subscriber lines.



Note: Monthly fees are the applicable rate for FY2014. (Separate installation fees are required for optical branch subscriber lines. The optical main subscriber line fees include the outside optical splitter charge applicable in FY2014 (82 yen/month), which is reviewed under the actual cost method every fiscal year.)

Review of Optical Main Subscriber Line Interconnection Charges (FY2011 – FY2016)



Application for Authorization of
Revising Optical Subscriber Line Interconnection Charges

Nippon Telegraph and Telephone West Corporation (“NTT West”) today applied to the Minister of Internal Affairs and Communications for authorization to change the Articles of Agreement Concerning Interconnection to Designated Telecommunications Facilities with regards to the interconnection charges for optical subscriber lines. Interconnection charges have been calculated based on the interconnection accounting for the fiscal year ended March 31, 2013. Revisions would be applied beginning with the fiscal year ending March 31, 2015.

1. Proposed Interconnection Charges

Category	Revised Charges*4			Current Charges
	For FY2014*1	For FY2015*2	For FY2016	
Optical Subscriber Line	3,206 yen [(0.4)%]	3,192 yen [(0.9)%]	3,178 yen [(1.3)%]	3,220 yen
Optical Main Subscriber Line Under Shared Access System*3	2,847 yen [(1.2)%]	2,812 yen [(2.4)%]	2,777 yen [(3.6)%]	2,882 yen

The above represent monthly charges per single-core cable for Type 1-1 (daytime and weekday support in case of malfunction).

Figures inside the [] represent the percent change from the current charges.

- *1 The applicable charges for FY2014 include the price gap between actual revenues and actual costs in FY2012 ((7) yen out of 3,206 yen for optical subscriber line, and (7) yen out of 2,847 yen for optical main subscriber line under the shared access system).
- *2 The applicable charges for FY2015 include the price gap between forecasted revenues and forecasted costs in FY2013 (213 yen out of 3,192 yen for optical subscriber line, and 186 yen out of 2,812 yen for optical main subscriber line under the shared access system).
- *3 The outside optical splitter charge applicable in FY2014 (61 yen), which is reviewed under the actual cost method every fiscal year, is included in the revised charges for optical main subscriber line under the shared access system.
- *4 Regarding the current application to revise interconnection charges, adjustments are made for each fiscal year by adding or subtracting the difference between the actual revenues and actual costs to or from the interconnection charge costs for the second succeeding fiscal year.

In addition, interconnection charges for the fiscal year ending March 31, 2015 for optical branch subscriber lines under the shared access system will be revised (to 306 yen from the current 301 yen).

2. Period of Implementation

After ministerial approval, the revised interconnection charges will be applied starting on April 1, 2014.

- Reference Material: Regarding the Review of Interconnection Charges for Optical Subscriber Lines

For inquiries, please contact:
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Regarding the Review of Interconnection Charges for Optical Subscriber Lines

- Lower prices every year using the future cost method for a three-year period, factoring in constant efforts to decrease costs and create active demand.
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[Shared Access System]

While the growth of the Fiber to the Home (FTTH) service market is slowing down, NTT West expects the number of core cables to continue to increase. NTT West has used a figure equivalent to double the number of core cables during the first half of FY2013 as the base for its net increase estimate, separately adding, among other things, new sources of demand to calculate the expected number of core cables each fiscal year.

- NTT West has aggressively forecasted demand, including the demand of other interconnection service providers.

Note: (*) An area that can be covered by a single outside optical splitter.

(2) Investment

- Investment is assumed to be at the level necessary for the deployment of the minimum amount of cables corresponding to the estimated demand. As a result, a decrease of 3% in investment unit prices is expected.

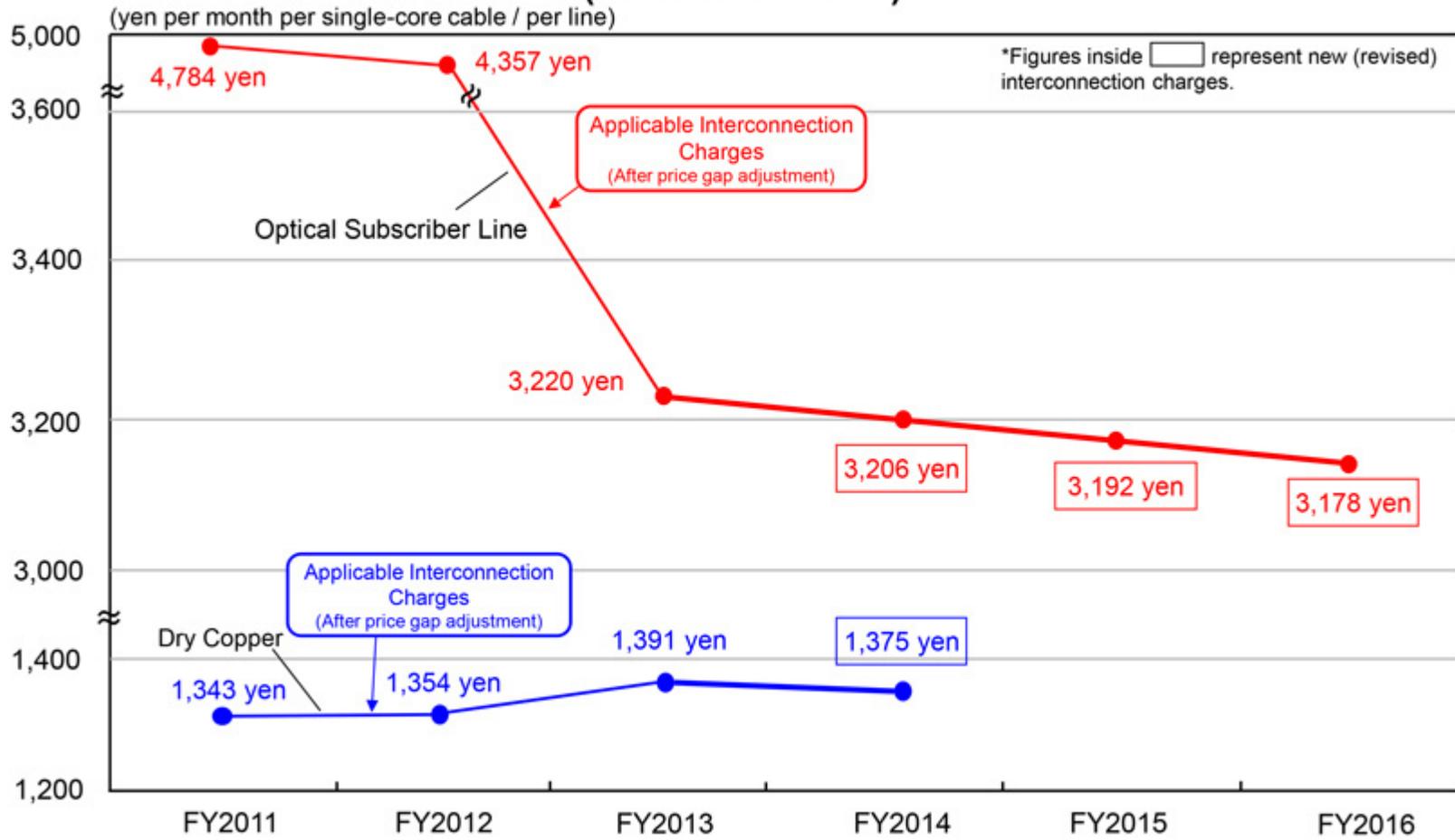
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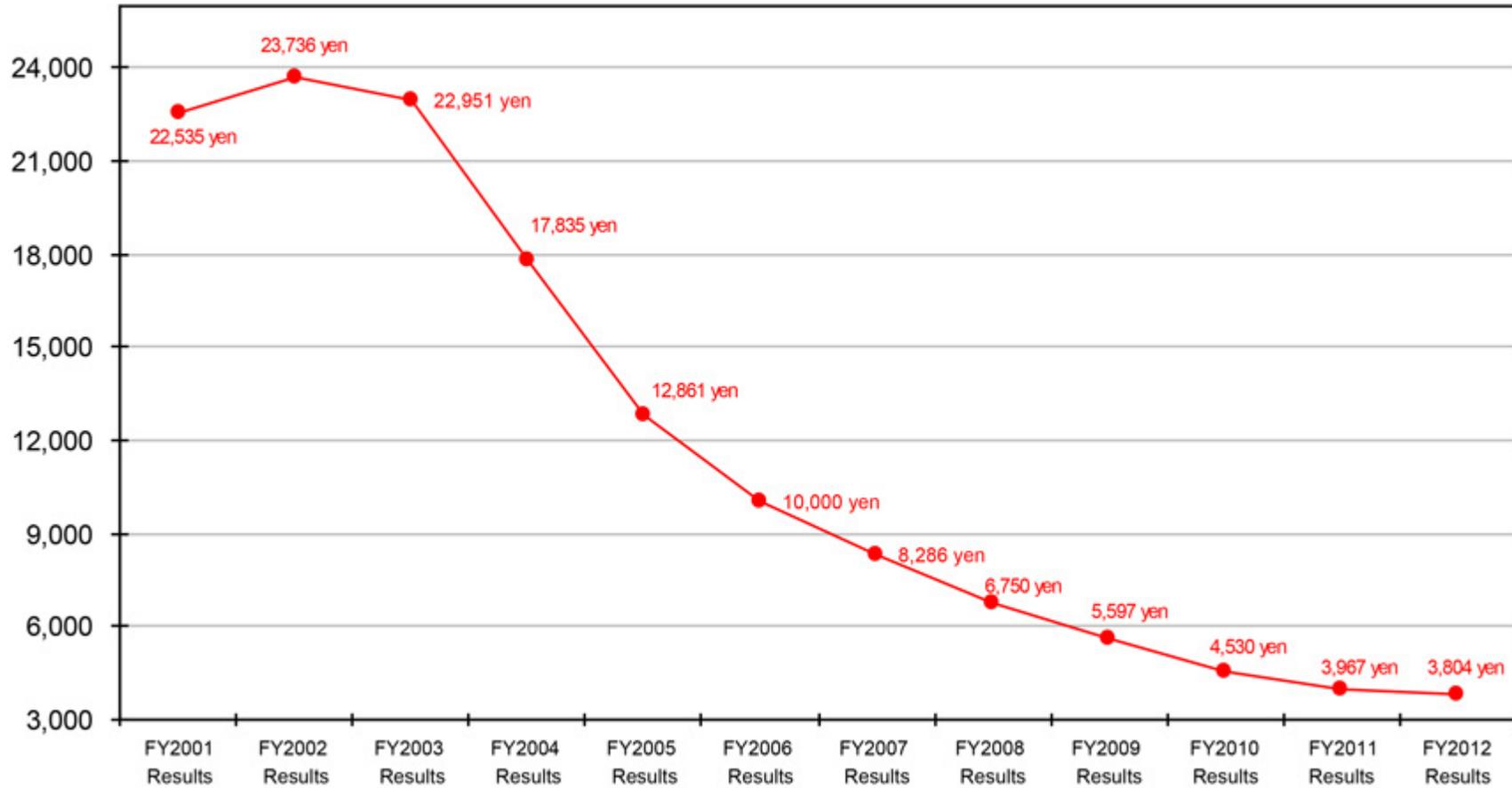
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- Price gap adjustments to current interconnection charges are permitted. Most recently, price gap adjustments of -6.1 billion yen for the fiscal year ended March 31, 2011 and -6.0 billion yen for the fiscal year ended March 31, 2012 were reflected in the interconnection charges for the fiscal year ended March 31, 2013 and fiscal year ending March 31, 2014, respectively. NTT West believes there is an incentive for fiber-optic service providers to increase demand under this system, because interconnection charges decrease as NTT West and other interconnection service providers further increase demand.

Review of Optical Subscriber Line Interconnection Charges (FY2011 – FY2016)



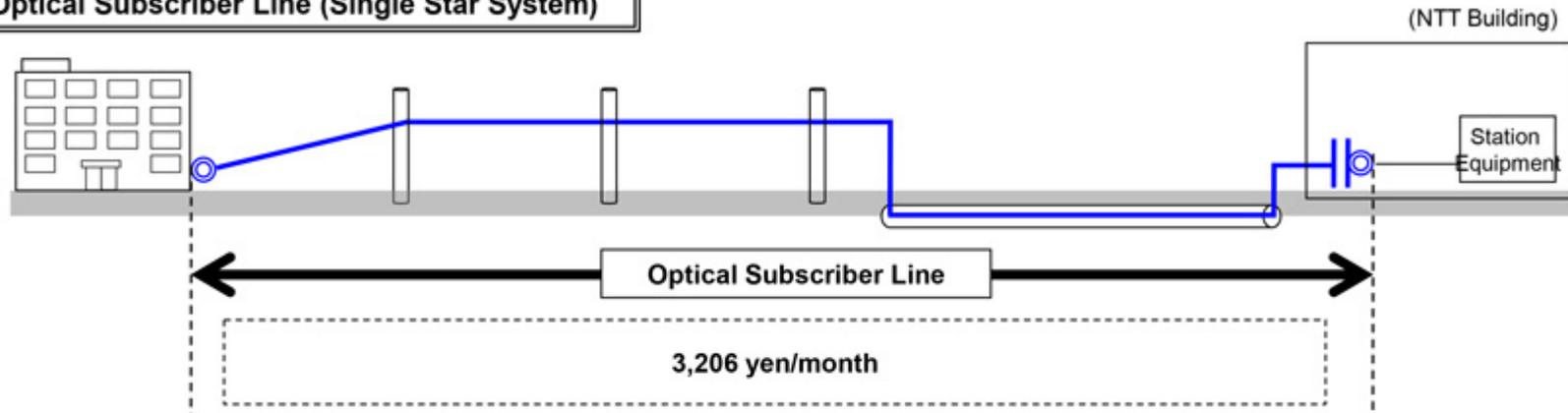
Changes in Actual Cost Per Single-core Cable of Optical Subscriber Lines [FY2001 – FY2012]

(yen per month per single-core cable)



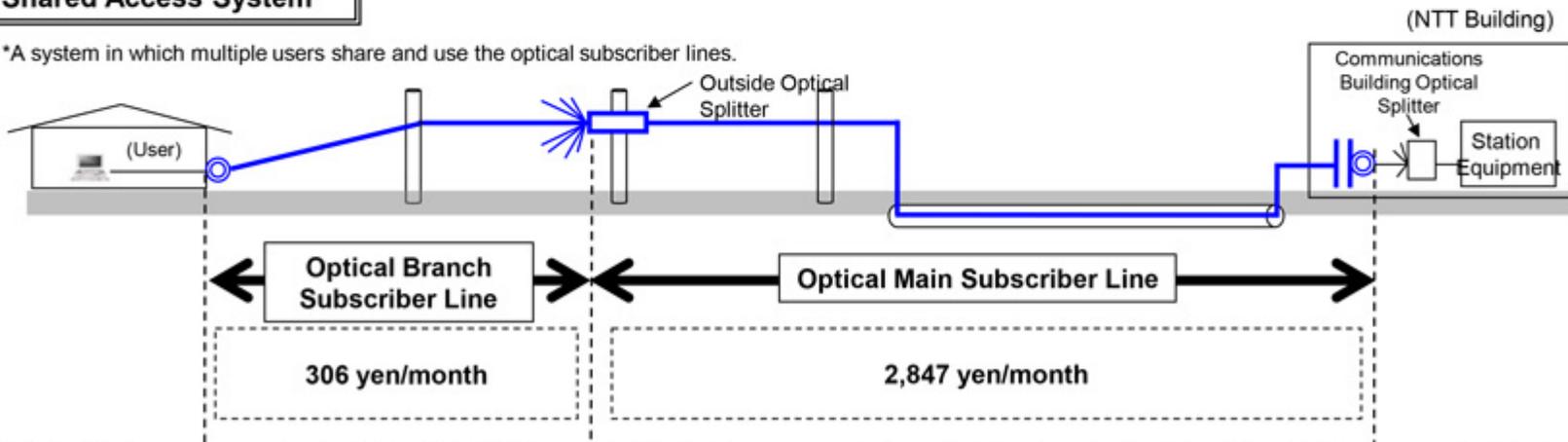
Optical Subscriber Line and Shared Access System

Optical Subscriber Line (Single Star System)



Shared Access System*

*A system in which multiple users share and use the optical subscriber lines.



Note: Monthly fees are the applicable rate for FY2014. (Separate installation fees are required for optical branch subscriber lines. The optical main subscriber line fees include the outside optical splitter charge applicable in FY2014 (61 yen/month), which is reviewed under the actual cost method every fiscal year.)

Review of Optical Main Subscriber Line Interconnection Charges (FY2011 – FY2016)

