

NTT East and NTT West Together Exceed 10 Million Optical Subscribers—Making the Most of the Potential of Hikari

***Tsutomu Ebe,
President of NTT East***

Overview

The NTT Group is accelerating its efforts to meet its goal of 20 million subscribers to optical services by the end of fiscal 2010. How will NTT East help meet this goal as well as expand the deployment of the Next Generation Network? We interviewed Tsutomu Ebe, President of NTT East, about the company's approach.



Expansion of optical circuits and NGN contributes to a more comfortable life

—*Mr. Ebe, what is the priority for NTT East in the Medium-Term Management Strategy established by the NTT Group?*

The objectives of the NTT Group are to contribute to a more comfortable life and greater corporate productivity, to create services that meet the needs of customers and society on the whole, and to increase customer satisfaction. To accomplish these objectives, the NTT Group has announced a Medium-Term Management Strategy that aims to contribute to a more comfortable life and greater corporate productivity by constructing a full Internet protocol (IP) network, such as the Next Generation Network (NGN), and by creating and expanding new broadband and ubiquitous services using that network.

At NTT East, we are focusing considerable effort on replacing copper access lines between our customers and NTT East with optical fiber. We are also promoting the NGN as a network featuring high reliability and security and guaranteed communication quality. We believe that we can provide safer, more

secure, and more pleasurable communication services and help enrich life by converting access lines to optical fiber and establishing an NGN infrastructure.

—*The target set by NTT East and NTT West combined is 20 million optical subscribers by fiscal 2010. How are you progressing?*

Together with NTT West, our aim is to achieve 20 million subscribers nationwide to optical-fiber services by the end of fiscal 2010. And by fiscal 2011, we aim to have optical-service businesses in the black on a single-year basis.

Optical-fiber services, which have been provided by the NTT Group since 2001, reached a milestone on September 14, 2008 by exceeding 10 million subscribers for NTT East and NTT West combined, thanks to the daily efforts of all employees. Up to now, optical-circuit services have been mainly used for high-speed Internet connections, and many NTT customers have viewed the role of optical circuits as such. But the possibilities of fiber optics do not stop there. Optical circuits are now being used to connect telephones, personal computers, television sets, and video games to the network, and looking forward, our

plan is to connect all information appliances used in the home. We see enormous potential for *hikari* services (*hikari* is the Japanese word for light).

—*What is your outlook for the NGN?*

NGN commercial services began in March 2008, and at NTT East, our plan is to have the existing FLET'S network migrate completely to the NGN by fiscal 2012. Up to now, we have been making step-by-step preparations for the deployment of the NGN and have been expanding service-provision areas starting with Tokyo's 23 wards. We would like to complete the expansion of the existing B FLET's provision area by fiscal 2009. Making full use of NGN features such as high reliability and security plus guaranteed communication quality, we envision a more convenient and pleasurable communication environment by developing and providing services for a wide variety of terminal devices that connect to optical circuits on the NGN infrastructure.

—*What do you think is the key to increasing the number of optical-service users and expanding the NGN?*

I think it's important to provide attractive new services. One example would be new video services. These come in various forms, and at present, existing services such as TV broadcasting, multichannel broadcasting, and video on demand (VOD) are being provided via the NGN and optical circuits. There are also companies that are creating new video services using the optical circuits and NGN of NTT East. In the case of multichannel broadcasting, there is SKY PerfecTV, and for VOD, there is a new service provided through a tie-up with a company called NTT Plala as well as the Actvila service that enables Internet protocol television (IPTV) to be viewed directly on your TV without the use of a personal computer. From here on, I think it will become increasingly important for us to work together with other companies to create even better services.

Other examples of new video services are person-to-person communications and person-to-enterprise communications using bidirectional video communications. In the former case, adding video to audio would allow grandparents who live far from their family to see the clear expressions on the faces of their grandchildren and to watch them grow up through the virtual communications. In the latter case, we can consider the benefits in a call center. It

would be possible, for example, to illustrate using pictures to explain ideas that are difficult to explain in words alone. This will enable the company to provide much more information accurately and smoothly to their valued customers.

If bidirectional video communications were to be used for obtaining advice about stocks and financial planning, customers would have less need to make special trips to financial institutions, and no need to wait in a queue.

Besides creating new services, it is also important to provide services at fees acceptable to customers. To this end, we are adopting a variety of measures to bring costs down. These include reducing component procurement costs, upgrading systems, and reducing expenses by combining and centralizing sites for 116 call centers (reached by dialing 116).

Knowing the field: the first step to building a good relationship between NTT East and customers

—*What do you need to be concerned with to become a company that satisfies its customers?*

Since NTT East is a service-oriented company, I think that all work must start from an awareness that "everything is for the customer." NTT East has business offices in various regions and each has many opportunities to communicate with both corporate and individual customers. Many kinds of inquiries also come into our call centers from customers who use our services on a daily basis. It is important that we take advantage of these opportunities to obtain valuable information. We need to find out what bothers our customers about existing services and exactly what kinds of services they need.

When I took up my present position in June 2008, I sent the following message to employees: "There is valuable information in the field where contact is made with customers or where products are located. It is important that this information be obtained and reflected in service development and improvement. To this end, each and every employee must pay close attention to his/her environment. Look around and you will be able to change the world. I also want to enhance the ability of this company to solve the problems occurring in the field by making use of the whole organization." The ability to notice problems and solve them as a united organization is what I call *genba-ryoku*. I've been visiting branch offices since September to meet directly with employees in the

field with the aim of uncovering common problems. In this way, I hope to reinforce our field ability and integrate the various organizations of NTT East to become a company that can meet our customers' demands.

Expanding collaboration with NTT Laboratories to achieve attractive services

—What do you think is the role of R&D with respect to business?

One important role of R&D in the NTT Group, including the R&D department of NTT East, is to cultivate the seeds of new services so that we can provide attractive services to our customers. The work of R&D is divided as follows: NTT Laboratories of the NTT Holding Company performs fundamental research and development, and NTT East, taking advantage of its close relationship with customers, performs research and development directly related to new services while making existing services more user-friendly.

NTT East also promotes R&D while building cooperative relationships with various companies. Taking the NGN as an example, fundamental research and development is carried out entirely by NTT Laboratories, but NTT East applies those R&D results to develop diverse services for its customers in collaboration with content providers, software and hardware vendors, and many other types of companies.

—Mr. Ebe, what expectations do you have of NTT Laboratories?

Among telecommunications carriers around the world, NTT is one of the few that has laboratory groups performing the full range of research from fundamental to applied. Its research in optical communications and other fields is providing substantial achievements on a world-class level. It's exactly because of those achievements, such as optical fibers and NGN technology, that we can provide our customers with the services that they are using today.

I believe that we are now in a difficult business

environment what with the diversification of customer needs and the standardization and globalization of industry and technology. Under these circumstances, I would like to see NTT Laboratories continue to evolve and remain a world leader in R&D. Of course, I look forward to short-term R&D results, but I also want R&D to proceed with a long-term view managing its limited resources.

I would also like to see research results applied to a variety of fields besides telecommunications. I think that many research results could be put to good use if we take into account the needs of companies in different fields and universities.

Through mutual interaction between R&D expertise, including that of the NTT Holding Company, and the field ability of NTT East, we will carry out our core business operations to continue to promote customer service and enhance safety, security, and reliability as well as to increase profit and improve efficiency.

Interviewee profile

■ Career highlights

Tsutomu Ebe joined Nippon Telegraph and Telephone Public Corporation (now NTT) in 1970. He became Senior Vice President and Director of the Corporate Planning Department in July 1999, Senior Vice President and Director of the Corporate Strategy Planning Department in May 2002, Executive Vice President and Director of the Corporate Strategy Planning Department in June 2002, Senior Executive Vice President in June 2003, Senior Executive Vice President and Director of Broadband Promotion Headquarters in July 2003, and Senior Executive Vice President and Director of Kansai Regional Headquarters of NTT West in July 2006. He served as the Representative Director and Senior Executive Vice President of Nippon Telegraph & Telephone Corporation from June 2007 until June 2008. He assumed the post of President of NTT East in June 2008.