



News Release

NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION

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FOR IMMEDIATE RELEASE

Interim Settlement for Fiscal Year Ending March 31, 2006

The results of Nippon Telegraph and Telephone East Corporation (NTT East) for the interim period of fiscal 2005 are presented in the following attachments.

(Attachments)

1. Summary of Results
2. Non-consolidated Comparative Balance Sheets
3. Non-consolidated Comparative Statements of Income
4. Business Results (Non-consolidated Operating Revenues)
5. Non-consolidated Comparative Statements of Cash Flows

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SUMMARY OF RESULTS

1. Overall Business Conditions

During the interim period ended September 30, 2005, the Japanese economy continued a steady recovery. Corporate profits improved, and capital investment gradually expanded. The employment situation, while still harsh, continued to improve, and personal consumption showed a gradual increase.

In the information and communications sector, consumer demands have become increasingly complex, diversified and global in scale, as society's expectations for ubiquitous networks--the ability to send and receive a wide range of information anytime and anywhere have increased. With a surge in demand for mobile and Internet communications, the telecommunications market has been undergoing drastic structural changes, leading to intensified service competition for customers. Within the broadband market, IP telephony is becoming widely available and the number of new optical access service subscribers has exceeded that of new DSL service subscribers, as the demand for optical access services has continued to rise rapidly.

In the fixed-line market, the direct subscriber telephone service using dry copper went into full swing, bringing about a full-scale competition for subscribers to metal, optical, and other types of access line services.

Within this business environment, Nippon Telegraph and Telephone East Corporation (NTT East) has worked hard to achieve the goal defined in the NTT Group's Medium-Term Management Strategy, which was announced in November 2004 of shifting 30 million customers to optical fiber access services by 2010. To this end, NTT East has devoted its energy on meeting increased customer needs for broadband communications to attract one million new subscribers to FLET'S Hikari services by the end of this fiscal year. Specific measures include the full-scale promotion of optical IP telephone services and the development and provision of safe, reliable and high value-added services. NTT East has also worked to build a stable and enhanced management infrastructure and to reduce property expenses and streamline its assets to increase operational efficiency, and has implemented internal reorganization in order to accelerate decision making and further boost its sales. With measures such as these,

NTT East has strove to achieve more flexible business operations that are more responsive to changes in the business environment.

2. Promotion of Optical IP-Based Services

In the rapidly expanding broadband market, NTT East has worked to further upgrade its services to respond to its customers' diverse needs, while continuing to lower rates. The company actively promoted the "Hikari Denwa" IP telephony service that permits subscribers to make and receive calls to and from conventional phone lines and within the IP phone network, using the conventional phone-line number with no prefix, and introduced a new monthly rate plan for the service in April 2005. In addition, the company changed the service name of "Corporate IP Telephone Service" to "Hikari Denwa Business Type" and modified its service terms by lowering basic fees and introducing a new call rate plan to attract more corporate customers. NTT East also augmented its B FLELT'S service, which offers flat-rate high-speed Internet connections via a fiber optic network, to add a new menu item enabling the combined use of B FLET'S with Hikari Denwa Business Type.

NTT East introduced various optional services to increase convenience for Hikari Denwa users. NTT East has devoted its efforts on launching such value-added services as the "Free Access" reverse charge call service (for Hikari Denwa Business Type only) in April 2005 and the "171" disaster message service in May. The company has also worked to reduce rates by lowering monthly charges for the "Nuisance Call Blocking Service" in June.

In keeping with the ongoing development of the ubiquitous broadband society, NTT East has been promoting the increase "FLET'S SPOT" access points where subscribers to the FLET'S SPOT service can connect to high-speed flat-rate Internet via access points near stations, cafes, hotels, and other locations, using their own wireless LAN-compatible laptop PCs that are used in the office or at home. Additionally, in order to provide subscribers with enhanced and convenient Internet connections, NTT East, jointly with NTT West, has begun providing mutual roaming services to give both FLET'S SPOT users access to the Internet via access points in the NTT East and NTT West FLET'S SPOT service areas and to enhance service functions of FLET'S SPOT to enable subscribers to have Internet access using different types of wireless LAN equipment.

With respect to measures taken by NTT East to promote sales of FLET'S services, NTT East launched in May 2005 the "FLET'S Summer Campaign" to waive monthly fees for B FLET'S services for two months. Through such promotional activities, NTT East has actively committed itself to meeting customers' diversified needs and to developing a user-friendly environment for broadband communications.

In an effort to expand its offerings of high value-added content exploiting the broadband environment, NTT East formed partnerships with various content providers in distributing content. Examples include the "Korean Drama Theater 'Brokore (Broadband Korea)' on FLET'S" that offers popular Korean dramas, as well as Korean entertainment news, and "Toei Tokusatsu Anime Archives on FLET'S" that features very popular Japanese animations and live-action superhero (tokusatsu) programs that were broadcast on TV in the past.

3. Measures for Fixed-Line Telephone Services

In the fixed-line market, the introduction of direct subscriber telephone service using dry copper line has brought about an era of full-scale competition for customers. Under such circumstances, in May 2005, in an effort to reduce monthly charges for fixed-line telephone services, NTT East began offering discounts on basic connection fees to subscribers who have multiple telephone lines under a single billing address.

4. Development of Solutions Business

In its corporate service sector, under NTT East's "Team M@rketing Solutions" business concept for tackling issues and developing new businesses in partnership with its corporate customers, the company has been working actively to provide "total solutions" that combine its network integration and systems integration technologies. In doing so, NTT East drew on its network services for business users, including "Mega Data Netz," "Flat Ether," "Super Wide LAN," and "Metro Ether," as well as its information systems services, including security data centers. In its total solutions business, NTT East launched "Mobile Presence Solutions" and "Network Quarantine Solution." The Mobile Presence Solutions service reduces overall management costs by minimizing operational losses arising from unnecessary callbacks and call-handling time in daily operations. The Network Quarantine Solution service, designed to accommodate

corporate security needs, prevents information leakage and virus infection by enhancing security measures for business computers used in public and private institutions. In addition, active efforts have been made in the e-Japan Strategic Sales Promotion Division of the Corporate Business Headquarters and the e-Japan Strategic Sales Promotion Office of the Business Communications Department of each branch, to provide e-government solutions in response to opportunities presented by the e-Japan Priority Plans of local governments within the NTT East area.

5. Reorganization of Business Operation Structure

As for business management structure, NTT East has been committed to enhancing its customer services, increasing profitability and cost competitiveness to respond to the full-scale development of optical IP networks, and enhancing efficiency by introducing a flow-through operation system. To this end, NTT East integrated each prefecture's three outsourcing subsidiaries (those responsible for sales, facilities and common back-office functions)* into a single prefectural outsourcing subsidiary. The new outsourcing companies are in charge of corporate service operations previously conducted by NTT East branches. With respect to the Tokyo area, it has been divided into five blocks and each block has a new outsourcing subsidiary to provide more fine-tuned customer services and increase operational efficiency.

* Sales subsidiary: NTT Service [prefecture name] Corporation; Facility subsidiary: NTT ME [prefecture or region name] Corporation; Back-office subsidiary: NTT Business Associe [prefecture name] Co., Ltd.

Following the full enforcement of the Personal Information Protection Act, in April 2005, NTT East established the Personal Information Protection Promotion Office that formulates and organizes policies for promoting the protection of personal data and that conducts activities to raise its employees' privacy awareness. As a corporate citizen, NTT East has also been promoting initiatives that give serious consideration not only to economic aspects but also to social aspects, such as corporate ethics and philanthropy, and environmental aspects, thereby contributing to the sustainable development of society. In supporting these endeavors, in August 2005, NTT East set up the CSR (corporate social responsibility) Committee.

With regard to disaster countermeasures, NTT East provided support as an information and communications provider to the victims of the flood in the Niigata region in June 2005 and of the earthquake in the Miyagi region in August 2005, by operating the “171” disaster message service that enables people to confirm the safety of their families, relatives and friends in disaster areas.

6. Sales Performance

As a result of these efforts, sales performance in NTT East major areas of service was as follows during the interim period under review.

With respect to NTT East’s broadband access services, as of the end of September 2005, there were 1,301,000 B FLET’S subscribers, an increase of 416,000 from the end of March 2005, and 2,971,000 FLET’S ADSL subscribers, an increase of 138,000 from the end of March 2005.

The number of channels for the “Hikari Denwa” IP telephony service grew to 101,000 channels as of the end of September 2005.

With respect to NTT East’s subscriber telephone services, the total number of lines installed was 24.25 million as of the end of September 2005, a decrease of 640,000 from the end of March 2005, while the total number of INS-Net 64 lines fell by 140,000 from the end of March 2005 to 3.92 million as a result of the shift to broadband access services.

During the interim period under review, operating revenue totaled 1,049.9 billion yen (down 2.0 % from the same period of the previous year); recurring profit came to 56.4 billion yen (up 5.5% from the same period of the previous year); and net profit totaled 34.0 billion yen (up 8.5% from the same period of the previous year).

2. Non-Consolidated Comparative Balance Sheets

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	March 31, 2005	September 30, 2005	Increase (Decrease)
<u>ASSETS</u>			
Fixed assets:			
Fixed assets - telecommunications businesses			
Property, plant and equipment	2, 968, 134	2, 954, 701	(13, 433)
Machinery and equipment	580, 807	565, 409	(15, 398)
Antenna facilities	8, 158	8, 123	(34)
Terminal equipment	30, 769	39, 200	8, 431
Local line facilities	655, 890	666, 073	10, 182
Long-distance line facilities	11, 901	10, 880	(1, 020)
Engineering facilities	766, 392	749, 107	(17, 284)
Submarine line facilities	1, 050	938	(111)
Buildings	622, 535	629, 446	6, 910
Construction in progress	28, 245	29, 454	1, 209
Other	262, 382	256, 065	(6, 316)
Intangible fixed assets	105, 746	99, 469	(6, 276)
Total fixed assets - telecommunications businesses	3, 073, 880	3, 054, 171	(19, 709)
Investments and other assets			
Deferred income taxes	347, 781	323, 250	(24, 531)
Other investments	84, 291	76, 382	(7, 909)
Allowance for doubtful accounts	(2, 122)	(1, 818)	303
Total investments and other assets	429, 950	397, 813	(32, 136)
Total fixed assets	3, 503, 830	3, 451, 984	(51, 846)
Current assets:			
Cash and bank deposits	107, 637	92, 399	(15, 238)
Notes receivable	131	52	(78)
Accounts receivable, trade	370, 104	314, 484	(55, 619)
Supplies	29, 475	32, 819	3, 343
Other current assets	81, 202	120, 392	39, 189
Allowance for doubtful accounts	(4, 082)	(5, 202)	(1, 119)
Total current assets	584, 469	554, 945	(29, 523)
TOTAL ASSETS	4, 088, 300	4, 006, 930	(81, 369)

(Millions of yen)

	March 31, 2005	September 30, 2005	Increase (Decrease)
<u>LIABILITIES</u>			
Long-term liabilities:			
Long-term borrowings from parent company	883, 881	842, 955	(40, 926)
Liability for employees' severance payments	656, 004	640, 505	(15, 498)
Other long-term liabilities	7, 359	7, 218	(140)
Total long-term liabilities	1, 547, 245	1, 490, 680	(56, 565)
Current liabilities:			
Current portion of long-term borrowings from parent company	144, 171	169, 454	25, 282
Accounts payable, trade	118, 372	81, 778	(36, 594)
Short-term borrowings	—	55, 000	55, 000
Accounts payable, other	273, 517	188, 936	(84, 580)
Accrued taxes on income	2, 676	1, 266	(1, 409)
Other current liabilities	83, 266	99, 353	16, 086
Total current liabilities	622, 004	595, 789	(26, 214)
TOTAL LIABILITIES	2, 169, 249	2, 086, 469	(82, 779)
<u>SHAREHOLDERS' EQUITY</u>			
Common stock	335, 000	335, 000	—
Capital surplus			
Additional paid-in capital	1, 499, 726	1, 499, 726	—
Total capital surplus	1, 499, 726	1, 499, 726	—
Earned surplus			
Unappropriated retained earnings for the period	83, 563	84, 036	473
Total earned surplus	83, 563	84, 036	473
Net unrealized gains (losses) on securities	760	1, 697	936
TOTAL SHAREHOLDERS' EQUITY	1, 919, 050	1, 920, 460	1, 410
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4, 088, 300	4, 006, 930	(81, 369)

3. Non-Consolidated Comparative Statements of Income

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Six months ended September 30, 2004	Six months ended September 30, 2005	Increase (Decrease)	Year ended March 31, 2005
Recurring profits and losses				
Operating revenues and expenses				
Telecommunications businesses				
Operating revenues	1, 003, 879	983, 387	(20, 492)	2, 024, 629
Operating expenses	958, 508	934, 312	(24, 195)	1, 937, 555
Operating income from telecommunications businesses	45, 371	49, 075	3, 703	87, 073
Related businesses				
Operating revenues	67, 581	66, 606	(974)	156, 298
Operating expenses	65, 021	68, 562	3, 540	155, 638
Operating income (losses) from related businesses	2, 559	(1, 956)	(4, 515)	660
Operating income	47, 930	47, 118	(811)	87, 733
Non-operating revenues and expenses				
Non-operating revenues:	27, 952	30, 800	2, 848	61, 006
Interest income	32	25	(7)	63
Lease income	24, 524	27, 133	2, 608	53, 563
Miscellaneous income	3, 394	3, 641	246	7, 379
Non-operating expenses:	22, 406	21, 485	(921)	51, 124
Interest expenses	8, 967	8, 278	(688)	17, 628
Lease expenses	12, 255	11, 647	(607)	26, 497
Miscellaneous expenses	1, 184	1, 559	374	6, 997
Recurring profit	53, 476	56, 434	2, 958	97, 615
Special profits and losses				
Special profits	2, 840	878	(1, 962)	8, 397
Special losses	3, 368	—	(3, 368)	6, 736
Income before Income taxes	52, 948	57, 312	4, 363	99, 276
Corporation, inhabitant, and enterprise taxes	(18, 427)	(1, 812)	16, 614	(21, 153)
Deferred tax expenses (benefits)	40, 000	25, 096	(14, 903)	62, 300
Net income	31, 375	34, 028	2, 652	58, 129
Unappropriated retained earnings brought forward	25, 433	50, 008	24, 574	25, 433
Unappropriated retained earnings for the period	56, 809	84, 036	27, 227	83, 563

4. Business Results (Non-Consolidated Operating Revenues)

(Based on accounting principles generally accepted in Japan)

(Millions of Yen)

	Six months ended September 30, 2004	Six months ended September 30, 2005	Increase (Decrease)	Percent Increase (Decrease)	Year ended March 31, 2005
Voice transmission services revenues (excluding the amounts of IP services revenues)	713,846	661,986	(51,859)	(7.3%)	1,401,433
Monthly charge revenues*	462,868	406,335	(56,533)	(12.2%)	903,629
Call rates revenues*	98,752	96,224	(2,528)	(2.6%)	190,405
Interconnection call revenues*	103,338	109,726	6,387	6.2%	215,128
IP services revenues	98,036	127,182	29,146	29.7%	211,357
Leased circuit services revenues (excluding the amounts of IP services revenues)	105,123	98,548	(6,574)	(6.3%)	208,730
Telegram services revenues	13,155	12,774	(381)	(2.9%)	27,201
Other telecommunications services revenues	73,717	82,895	9,177	12.5%	175,907
Telecommunications total revenues	1,003,879	983,387	(20,492)	(2.0%)	2,024,629
Related business total revenues	67,581	66,606	(974)	(1.4%)	156,298
Total operating revenues	1,071,460	1,049,993	(21,466)	(2.0%)	2,180,928

* Partial listing only

5. Non-Consolidated Comparative Statements of Cash Flows

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Six months ended September 30, 2004	Six months ended September 30, 2005	Increase (Decrease)	Year ended March 31, 2005
I Cash flows from operating activities:				
Income before income taxes	52,948	57,312	4,363	99,276
Depreciation and amortization	238,486	254,686	16,199	483,027
Loss on disposal of property, plant and equipment	16,998	8,711	(8,286)	40,136
Increase (decrease) in liability for employees' severance payments	(11,190)	(15,498)	(4,308)	(72,575)
(Increase) decrease in accounts receivable	46,022	57,044	11,022	12,725
(Increase) decrease in inventories	(1,198)	(3,343)	(2,144)	1,171
Increase (decrease) in accounts payable and accrued expenses	(171,192)	(99,346)	71,845	(83,952)
Increase (decrease) in accrued consumption tax payable	1,871	607	(1,264)	(158)
Other	(22,035)	(70,956)	(48,920)	(13,159)
Sub-total	150,710	189,218	38,508	466,490
Interest and dividends received	252	354	101	297
Interest paid	(9,794)	(9,243)	551	(17,771)
Income taxes received (paid)	(16,022)	21,196	37,218	(16,095)
Net cash provided by (used in) operating activities	125,146	201,526	76,380	432,922
II Cash flows from investing activities:				
Payments for property, plant and equipment	(208,330)	(207,723)	607	(401,013)
Proceeds from sale of property, plant and equipment	3,962	2,399	(1,562)	11,624
Acquisition of investment securities	(126)	(543)	(417)	(7,353)
Proceeds from sale of investment securities	398	412	14	417
Other	(3,792)	(785)	3,006	8,273
Net cash provided by (used in) investing activities	(207,888)	(206,239)	1,649	(388,050)
III Cash flows from financing activities:				
Proceeds from issuance of long-term debt	17,950	35,000	17,050	17,950
Payments for settlement of long-term debt	(62,393)	(50,643)	11,750	(95,559)
Net increase (decrease) in short-term borrowings	71,000	55,000	(16,000)	—
Dividends paid	(32,495)	(33,500)	(1,005)	(32,495)
Net cash provided by (used in) financing activities	(5,938)	5,856	11,795	(110,104)
IV Net increase (decrease) in cash and cash equivalents	(88,680)	1,144	89,824	(65,232)
V Cash and cash equivalents at beginning of period	186,287	121,055	(65,232)	186,287
VI Cash and cash equivalents at end of period	97,607	122,199	24,592	121,055