



# News Release

May 14, 2010

FOR IMMEDIATE RELEASE

## **Settlement for Fiscal Year Ended March 31, 2010**

The results of Nippon Telegraph and Telephone East Corporation (NTT East) for the fiscal year ended March 31, 2010 are presented in the following attachments.

(Attachments)

1. Summary of Results for the Fiscal Year Ended March 31, 2010
2. Non-Consolidated Comparative Balance Sheets
3. Non-Consolidated Comparative Statements of Income
4. Non-Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets
5. Business Results (Non-Consolidated Operating Revenues)
6. Non-Consolidated Comparative Statements of Cash Flows
7. Changes in Directors

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## **1. Summary of Results for the Fiscal Year Ended March 31, 2010**

In the fiscal year ended March 31, 2010, against a backdrop of improvements in the global economy, particularly in Asia, and the positive effects of large scale economic stimulus measures, the Japanese economy showed signs of recovery, mainly in exports and production. The economic climate continued to be difficult, however, with capital investments decreasing substantially and the job market rapidly worsening due mainly to a deterioration in corporate earnings.

In the information and telecommunications sector, in addition to the rapid growth of mobile phones and the expansion of Internet usage following upon advances in the use of IP and broadband networks, Nippon Telegraph and Telephone East Corporation (“NTT East”) is implementing dynamic structural changes through the integration of communications and broadcasting, as well as of fixed-line and mobile communications, and the expansion of new network services that utilize SaaS<sup>\*1</sup>, cloud computing<sup>\*2</sup>, CGM<sup>\*3</sup> and other services.

In the broadband market, fiber-optic access services have expanded to account for over half of broadband services. In addition to facility competition from other businesses and increasing service competition, the market environment is undergoing major change as a result of the expansion of triple play service offerings, including video distribution, and the appearance of new services for information devices other than personal computers. In the fixed-line telephone market, the shift from conventional fixed-line telephony to optical IP telephony advanced as fiber-optic access services expanded. In addition, competition with direct subscriber telephone services provided by competitors using dry copper lines and telephone services provided by cable television operators continued.

In this difficult and changing business environment, NTT East endeavors to be an “accessible all-around ICT corporation”<sup>\*4</sup> that provides and maintains high quality and stable universal service, allowing customers to place their trust in us with peace of mind. In line with NTT Group’s new Medium-Term Management Strategy “Road to Service Creation Business Group – *full-scale rollout of broadband and ubiquitous service*” adopted by Nippon Telegraph and Telephone Corporation (“NTT”) in May 2008, NTT East has devoted its energy to promoting and expanding safe, secure, reliable, and appealing broadband services that meet customers’ needs, through new services and products that utilize the framework of the NGN<sup>\*5</sup> and its networks.

### **(1) Efforts to Promote Fiber-optic and IP Services**

In line with the NTT Group Medium-Term Management Strategy, “Road to Service Creation Business Group – *full-scale rollout of broadband and ubiquitous service*”, NTT East’s area coverage rate<sup>\*6</sup> for FLET’S Hikari<sup>\*7</sup> expanded to over 90%, and the service coverage area for FLET’S Hikari Next, a highly-reliable fiber-optic access service that uses the NGN and can be used for bandwidth-secured applications, expanded to approximately all of the B FLET’S service coverage area.

FLET'S Hikari achieved a steady increase in subscriptions, which topped 7 million in October 2009. Of this figure, FLET'S Hikari Next subscriptions exceeded 1 million, accounting for a majority of new FLET'S Hikari subscriptions. Business Ether Wide, a VPN-type service that utilizes the NGN and is tailored for large group of users, is also seeing a steady increase in subscriptions. In addition, NTT East worked to expand its service offerings, launching for FLET'S Cast subscribers the FLET'S line ID subscriber notification service, which provides enhanced security, FLET'S Hikari Next Family High Speed Type and FLET'S Hikari Next Mansion High Speed Type, both of which boast a maximum downlink speed of 200 Mbps, and Hikari Denwa Office A (Ace), an optical IP telephony service which is tailored to large offices and is compatible with FLET'S Hikari Next.

NTT East will continue to develop and offer new, highly convenient services that take full advantage of the wide bandwidth, high quality and high security characteristics of the NGN and will seek to further enhance the appeal of the NGN. NTT East will also move forward with efforts aimed at creating a rich communication environment and new business opportunities.

To improve FLET'S Hikari's accessibility, NTT East introduced discounts on monthly charges, installation charges and other fees. NTT East strengthened efforts to encourage continued customer use of the FLET'S Hikari service, such as expanding fiber optic coverage for apartments to control cancellations due to moves and launching the members-only program FLET'S Hikari Members Club, which is designed to enhance customer satisfaction through improved CRM<sup>\*8</sup>.

To increase FLET'S Hikari use, NTT East bolstered video services by expanding the service area of FLET'S TEREBI<sup>\*9</sup>, which is offered through an alliance with Opticast Inc. NTT East also launched "FLET'S TEREBI Building-wide Subscription Plan"<sup>\*10</sup>, a new fee structure for multi-unit dwelling owners, management companies and management unions, introduced "CATV Yamagata & FLET'S Hikari"<sup>\*11</sup> through a partnership with CATV Yamagata KK and "New Digital Cable & FLET'S Hikari"<sup>\*12</sup> through collaboration with New Digital Cable Corp., and reached agreement on collaboration with Siogama Cable TV Co., Ltd. NTT East also teamed with businesses in a broad range of fields, including: cooperation with Sohgo Security Services Co., Ltd. in the Internet-based monitoring service "Home Security"; collaboration with Lifenet Insurance Company in the life insurance industry's first remote videophone consulting service; provision of "Bugyo on FLET'S", which offers a safe and comfortable core corporate operation management environment, through cooperation with OBIC BUSINESS CONSULTANTS CO., LTD.; provision of "FLET'S SPOT" at Starbucks Coffee locations operated by Starbucks Coffee Japan, Ltd.; agreement on collaboration with Shobi University and Tokyo Kasei Gakuin University for provision of "FLET'S SPOT Community Model"<sup>\*13</sup>; and agreement on collaboration with Ricoh Co., Ltd. and Fuji Xerox Co., Ltd. in the office ICT field. NTT East also sought to increase usage scenarios and expand high value-added services, releasing the living room PC "Hikari BOX", part of the Hikari LINK series of information devices that help create a convenient, safe and comfortable lifestyle through FLET'S Hikari.

To improve customer service NTT East took steps to reduce the time it takes to commence optical access services, including increasing the number of applications where installation work dates can be determined immediately, such as for optical cabling<sup>\*14</sup> for multi-unit dwellings, and increasing the use of remote installation. Moreover, as part of its efforts to offer services that subscribers can use with peace of

mind, NTT East expanded its Internet security service FLET'S Virus Clear as well as Remote Support Service, which remotely handles customer inquiries on general broadband matters, including personal computers, routers and printers. In March 2010, subscriptions to FLET'S Virus Clear and Remote Support Service surpassed 1 million and 1.5 million, respectively.

## **(2) Measures Relating to the Solutions Business**

With the aim of providing optimal services to corporate customers and enhancing service quality, NTT East has combined the Corporate Business Headquarters, which provided individual solutions primarily to large businesses, with the Business Marketing Department of the Consumer Business Headquarters, which provided generalized packages to small and medium-sized enterprises, to form the Corporate Business Headquarters, which is responsible for the corporate user market as a whole.

With respect to its efforts aimed at large businesses, NTT East engaged in efficient and effective ICT-based marketing activities tailored to regional customers. NTT East focused on industry-specific solutions that incorporate industry characteristics and trends in such areas as local government, police and fire departments, education and universities, agriculture, regional banks and healthcare. NTT East is striving to cultivate demand for its data center business and has opened the Nerima Data Center, which boasts lower costs, scalability and flexibility.

NTT East also endeavored to expand and improve its corporate VPN and Business Ether services. A 10Gbps product was added to the existing lineup of 10Mbps, 100Mbps and 1Gbps products of the corporate VPN service "FLET'S VPN Gate" and the service was made compatible with FLET'S Hikari Next Business Type as an access line. NTT East also launched Business Service Failure Notification, a service which provides e-mail notification to Business Ether customers in case of line failures.

Moreover, with the aim of eliminating the digital divide and providing a broadband service environment that meets regional needs, NTT East partnered with individual local governments to improve the broadband environment.

For small and medium-sized businesses, NTT East introduced "Flat-rate Intragroup Calling", a new flat-rate service for the optical IP telephony service Hikari Denwa Office Type, among other services. NTT East also started offering "FLET'S Software Delivery Service", which allows software companies to distribute packaged software to users via FLET'S Hikari, and "FLET'S MATOMETE SHIHARAI", a service that performs billing and collection of fee-based information service charges for subscribers to "FLET'S Software Delivery Service" and "FLET'S Cast."

## **(3) Status of Business Operation Structures**

The consolidation of the "116 Center" sites, an initiative that had started in prior years, was completed. Other initiatives pursued as part of NTT East's efforts to achieve efficient operation of its call centers included the consolidation of sites for interconnection operations and repair service operations, such as "113 Center" sites.

In addition, to achieve flexible business operations that can promptly respond to changes in the business environment, NTT East worked to raise efficiency by improving its

systems and BPR<sup>\*15</sup>, including those of its construction contractors, and other measures such as shortening order processing time for FLET'S Hikari.

#### **(4) Corporate Social Responsibility Activities**

NTT East considers Corporate Social Responsibility (“CSR”) activities to be one of the most important pillars in the management of the company. NTT East believes that it is the social responsibility of a company to contribute to the environmentally-friendly, healthy and sustainable development of society. To this end, pursuant to the NTT Group CSR Charter (adopted in June 2006), NTT East sought not only to comply with the law and address its efforts towards realizing a low-carbon society, but also to maintain and gain the trust of its customers by providing a safe and secure communication infrastructure.

In its compliance efforts, NTT East continued to direct its efforts towards compliance with laws and regulations concerning privacy protection, appropriate advertisement displays, fair competition and worker dispatch.

Amid the growing societal interest in information security, including preventing data leaks and unauthorized access, NTT East formed the Information Security Department in April 2010. The Information Security Department's goal is the thorough implementation and strengthening of security measures for protecting and managing customer information, and of measures for the proper use of and prevention of unauthorized access to such information. Towards this end, the Information Security Department is tasked with drafting company-wide policies on information security, improving related structure and rules, and planning, implementing and inspecting security measures. The establishment of the department is also designed to carry out groupwide and uniform efforts on information security for the NTT East group.

With respect to its efforts to achieve a low-carbon society, NTT East has made proposals for the reduction of the environmental burden caused by use of information communication services and for conversion of its network facilities to energy saving devices. The “NTT East Group Act Green 21” campaign was launched to promote measures that will lead to reduction of the environmental burden in various situations and to encourage environmental awareness by NTT East's employees. The campaign encourages employees to undergo the “eco Test”<sup>\*16</sup> certification, register in the “Our Home's Minister of the Environment” program<sup>\*17</sup>, and participate in local cleanup activities. As proactive measures for the greening of the NTT East Head Office Building, NTT East introduced the rooftop greening with “green potatoes”<sup>\*18</sup> program, a solar power generating system, and LED<sup>\*19</sup> lighting, and also promoted the use of low-emission vehicles for all company cars and the change of all fluorescent lights in public phone booths to LED lights.

Furthermore, NTT East worked to foster, through its diversity management<sup>\*20</sup> strategy, a culture that promotes the diversified use of personnel and various working styles. As risk management measures, NTT East established an H1N1 influenza task force, strengthened early restoration capabilities in the event of disasters, and participated in joint disaster drills held with the Self-Defense Forces as countermeasures for large-scale disasters.

To promote the principles of the NTT Group CSR Charter and group-wide CSR activities, NTT East enhanced its CSR management by setting the “NTT East Group CSR Goals” and issued the NTT East Group CSR Report 2009 to proactively disclose relevant information to its stakeholders.

## **(5) Financial Standing**

As a result of these efforts during the fiscal year ended March 31, 2010, operating revenues totaled 1,928.6 billion yen (a decrease of 1.2% from the fiscal year ended March 31, 2009), recurring profit was 71.7 billion yen (an increase of 9.7% from the fiscal year ended March 31, 2009), and net profit totaled 50.5 billion yen (a decrease of 34.8% from the fiscal year ended March 31, 2009).

### Notes

- \*1. SaaS: Software as a Service. A system for providing software application functions to customers as needed via a network.
- \*2. A computing method in which software and data that were managed and used by computers that a user is actually using are utilized on demand in the form of a service via the Internet and other networks.
- \*3. CGM: Consumer Generated Media. Blogs, SNS and other online media created by the transmission of information by consumers themselves.
- \*4. ICT: Information and Communication Technology.
- \*5. NGN: Next-Generation Network.
- \*6. Area coverage rate = Number of fixed telephone facilities in FLET'S Hikari service area / Number of fixed telephone facilities
- \*7. FLET'S Hikari includes NTT East's FLET'S Hikari Next and B FLET'S.
- \*8. CRM: Customer Relationship Management. A technique aimed at increasing sales by deepening ties with customers.
- \*9. A service available to subscribers of NTT East's telecommunication services FLET'S Hikari and FLET'S TEREBI Transmission Service, as well as the broadcasting service Opticast Facility Usage Service offered by Opticast Inc., that enables reception of terrestrial broadcasts (digital/analog) and BS broadcasts (digital/analog).
- \*10. A service available to multi-unit dwelling owners, management unions and management companies with subscriptions to NTT East's telecommunication services FLET'S Hikari Next Family High Speed Type and FLET'S TEREBI Transmission Service Building-wide Subscription Plan, as well as the broadcasting service Opticast Facility Usage Service offered by Opticast Inc., that enables their tenants to receive terrestrial broadcasts (digital/analog) and BS broadcasts (digital/analog).
- \*11. A service available to subscribers of NTT East's telecommunication services FLET'S Hikari Next and FLET'S TEREBI Transmission Service, as well as the broadcasting service Digital Service EX offered by CATV Yamagata KK, that enables reception of terrestrial broadcasts (digital/analog), BS broadcasts (digital) and CS broadcasts.
- \*12. A service available to subscribers of NTT East's telecommunication services FLET'S Hikari Next and FLET'S TEREBI Transmission Service, as well as the

broadcasting service Basic Course (FLET'S Hikari plan) or Light Course (FLET'S Hikari plan) offered by New Digital Cable Corp., that enables reception of terrestrial broadcasts (digital/analog) and BS broadcasts (digital/analog).

- \*13. A form in which NTT East offers the public wireless LAN service FLET'S SPOT, which is designed to improve the usage environment for community facilities, such as university campuses, and to promote broadband use among students and other users of these facilities.
- \*14. An All-Optical method for installing optical fiber directly to individual units in buildings served by NTT East by running lines through common areas in the building.
- \*15. BPR: Business Process Reengineering. The setting of a target (sales, profit margin, etc.) relating to corporate activities, and the analysis and optimization of operations, workflows and organizational structures with the goal of achieving that target.
- \*16. Certification test for Environmental Specialists, sponsored by the Tokyo Chamber of Commerce and Industry.
- \*17. Sponsored by the Ministry of the Environment.
- \*18. A registered trademark of NTT Facilities, Inc. It is a method of rooftop greening that uses aero-hydroponics to grow sweet potatoes, which are easy to cultivate.
- \*19. LED: Light Emitting Diode. A type of semiconductor device which becomes luminous when carrying an electric current.
- \*20. A management strategy for employing diverse human resources.

## 2. Non-Consolidated Comparative Balance Sheets

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	March 31, 2009	March 31, 2010	Increase (Decrease)
<b>ASSETS</b>			
Fixed assets:			
Fixed assets - telecommunications businesses			
Property, plant and equipment			
Machinery and equipment	525,363	536,644	11,281
Antenna facilities	6,507	6,068	(438)
Terminal equipment	90,041	83,337	(6,703)
Local line facilities	774,171	807,620	33,449
Long-distance line facilities	5,863	4,764	(1,099)
Engineering facilities	645,278	636,588	(8,689)
Submarine line facilities	2,117	1,722	(394)
Buildings	513,715	487,827	(25,887)
Structures	14,385	14,119	(265)
Other machinery and equipment	2,890	2,579	(310)
Vehicles and vessels	172	118	(53)
Tools, furniture and fixtures	39,814	39,068	(746)
Land	195,049	201,167	6,118
Lease assets	3,894	4,788	893
Construction in progress	27,243	29,150	1,907
Total property, plant and equipment	2,846,508	2,855,567	9,059
Intangible fixed assets	99,629	103,461	3,832
Total fixed assets - telecommunications businesses	2,946,137	2,959,029	12,892
Investments and other assets			
Investment securities	7,584	7,571	(12)
Investments in subsidiaries and affiliated companies	48,486	48,196	(290)
Other investments in subsidiaries and affiliated companies	5,594	7,384	1,789
Investment in capital	2	166	163
Long-term loans receivable to subsidiaries	700	400	(300)
Long-term prepaid expenses	3,910	3,603	(307)
Deferred income taxes	207,377	193,911	(13,465)
Other investments and assets	11,744	10,457	(1,287)
Allowance for doubtful accounts	(1,619)	(1,425)	194
Total investments and other assets	283,782	270,266	(13,516)
Total fixed assets	3,229,920	3,229,295	(624)
Current assets:			
Cash and bank deposits	130,023	138,155	8,132
Notes receivable	5	68	63
Accounts receivable, trade	296,624	293,993	(2,631)
Accounts receivable, other	7,489	7,852	363
Securities	-	10	10
Supplies	37,414	35,496	(1,918)
Advance payment	2,366	2,332	(33)
Prepaid expenses	7,085	7,256	171
Deferred income taxes	7,330	8,198	867
Other current assets	14,564	20,331	5,766
Allowance for doubtful accounts	(2,360)	(2,748)	(387)
Total current assets	500,543	510,947	10,404
<b>TOTAL ASSETS</b>	<b>3,730,463</b>	<b>3,740,243</b>	<b>9,780</b>

(Millions of yen)

	March 31, 2009	March 31, 2010	Increase (Decrease)
<b>LIABILITIES</b>			
Long-term liabilities:			
Long-term borrowings from parent company	649,338	758,743	109,404
Lease obligations	3,547	4,508	960
Liability for employees' retirement benefits	285,469	280,650	(4,819)
Reserve for unused telephone cards	13,028	15,397	2,368
Other long-term liabilities	8,361	8,421	60
Total long-term liabilities	959,745	1,067,721	107,975
Current liabilities:			
Current portion of long-term borrowings from parent company	105,809	90,595	(15,214)
Accounts payable, trade	82,509	95,670	13,161
Short-term borrowings	65,000	-	(65,000)
Lease obligations	1,676	3,168	1,492
Accounts payable, other	242,626	218,158	(24,468)
Accrued expenses	18,116	16,945	(1,170)
Accrued taxes on income	2,253	8,143	5,890
Advance received	7,146	9,068	1,921
Deposit received	77,849	105,551	27,702
Unearned revenue	768	141	(627)
Other current liabilities	72,825	13,851	(58,974)
Total current liabilities	676,582	561,294	(115,287)
<b>TOTAL LIABILITIES</b>	<b>1,636,327</b>	<b>1,629,015</b>	<b>(7,311)</b>
<b>NET ASSETS</b>			
Shareholders' equity:			
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			
Other earned surplus	259,456	276,505	17,049
Reserve for reduction entry	-	5,152	5,152
Accumulated earned surplus	259,456	271,352	11,896
Total earned surplus	259,456	276,505	17,049
Total shareholders' equity	2,094,182	2,111,231	17,049
Unrealized gains (losses), translation adjustments, and others:			
Net unrealized gains (losses) on securities	(47)	(4)	42
Total unrealized gains (losses), translation adjustments, and others	(47)	(4)	42
<b>TOTAL NET ASSETS</b>	<b>2,094,135</b>	<b>2,111,227</b>	<b>17,092</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>3,730,463</b>	<b>3,740,243</b>	<b>9,780</b>

### 3. Non-Consolidated Comparative Statements of Income

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2009	Year ended March 31, 2010	Increase (Decrease)
Telecommunications businesses:			
Operating revenues	1,825,790	1,790,369	(35,421)
Operating expenses			
Business expenses	493,199	482,563	(10,635)
Operations	14,426	13,492	(933)
Maintenance expenses	455,647	438,855	(16,791)
Overhead expenses	95,863	94,395	(1,467)
Administration	112,595	116,735	4,140
Experiment and research	53,849	53,127	(721)
Depreciation and amortization	411,933	396,156	(15,776)
Retirement of fixed assets	39,622	42,098	2,476
Access charges	37,534	36,698	(836)
Miscellaneous taxes	74,580	72,376	(2,203)
Total operating expenses	1,789,250	1,746,500	(42,750)
Operating income from telecommunications businesses	36,540	43,868	7,328
Supplementary businesses:			
Operating revenues	127,201	138,283	11,082
Operating expenses	127,043	134,518	7,474
Operating income from supplementary businesses	157	3,765	3,608
Operating income	36,697	47,634	10,936
Non-operating revenues:			
Interest income	26	42	15
Interest on securities	3	4	1
Dividends received	12,229	3,814	(8,414)
Lease and rental income	52,774	54,519	1,744
Miscellaneous income	4,223	3,253	(970)
Total non-operating revenues	69,257	61,633	(7,623)
Non-operating expenses:			
Interest expenses	12,375	11,451	(923)
Lease and rental expenses	23,580	21,417	(2,163)
Miscellaneous expenses	4,615	4,648	32
Total non-operating expenses	40,571	37,517	(3,054)
Recurring profit	65,383	71,750	6,367
Special profits:			
Gains on sales of fixed assets	57,595	9,829	(47,765)
Total special profits	57,595	9,829	(47,765)
Income before income taxes	122,978	81,580	(41,398)
Corporation, inhabitant, and enterprise taxes	27,707	18,462	(9,245)
Deferred tax expenses (benefits)	17,718	12,568	(5,149)
Net income	77,552	50,549	(27,003)

#### 4. Non-Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets

(Based on accounting principles generally accepted in Japan)

Year ended March 31, 2009

(Millions of yen)

	Shareholders' equity							Unrealized gains (losses), translation adjustments, and others		Total net assets
	Common stock	Capital surplus		Earned surplus			Total shareholders' equity	Net unrealized gains (losses) on securities	Total unrealized gains (losses), translation adjustments, and others	
		Additional paid-in capital	Total capital surplus	Other earned surplus		Total earned surplus				
				Reserve for reduction entry	Accumulated earned surplus					
March 31, 2008	335,000	1,499,726	1,499,726	—	215,403	215,403	2,050,130	520	520	2,050,650
Net change during the annual period										
Cash dividends					(33,500)	(33,500)	(33,500)			(33,500)
Net income					77,552	77,552	77,552			77,552
Others, net								(567)	(567)	(567)
Total net change during the annual period	—	—	—	—	44,052	44,052	44,052	(567)	(567)	43,484
March 31, 2009	335,000	1,499,726	1,499,726	—	259,456	259,456	2,094,182	(47)	(47)	2,094,135

Year ended March 31, 2010

(Millions of yen)

	Shareholders' equity							Unrealized gains (losses), translation adjustments, and others		Total net assets
	Common stock	Capital surplus		Earned surplus			Total shareholders' equity	Net unrealized gains (losses) on securities	Total unrealized gains (losses), translation adjustments, and others	
		Additional paid-in capital	Total capital surplus	Other earned surplus		Total earned surplus				
				Reserve for reduction entry	Accumulated earned surplus					
March 31, 2009	335,000	1,499,726	1,499,726	—	259,456	259,456	2,094,182	(47)	(47)	2,094,135
Net change during the annual period										
Cash dividends					(33,500)	(33,500)	(33,500)			(33,500)
Net income					50,549	50,549	50,549			50,549
Provision of reserve for reduction entry				5,152	(5,152)					—
Others, net								42	42	42
Total net change during the annual period	—	—	—	5,152	11,896	17,049	17,049	42	42	17,092
March 31, 2010	335,000	1,499,726	1,499,726	5,152	271,352	276,505	2,111,231	(4)	(4)	2,111,227

## 5. Business Results (Non-Consolidated Operating Revenues)

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2009	Year ended March 31, 2010	Increase (Decrease)	Percent Increase (Decrease)
Voice transmission services revenues (excluding IP services revenues)	911,264	816,170	(95,094)	(10.4)
Monthly charge revenues*	619,821	562,912	(56,908)	(9.2)
Call rates revenues*	100,801	84,126	(16,674)	(16.5)
Interconnection call revenues*	118,078	101,115	(16,962)	(14.4)
IP services revenues	563,908	645,510	81,601	14.5
Leased circuit services revenues (excluding IP services revenues)	169,392	154,574	(14,818)	(8.7)
Telegram services revenues	22,216	20,671	(1,545)	(7.0)
Other telecommunications services revenues	159,008	153,442	(5,565)	(3.5)
Telecommunications total revenues	1,825,790	1,790,369	(35,421)	(1.9)
Supplementary business total revenues	127,201	138,283	11,082	8.7
Total operating revenues	1,952,991	1,928,653	(24,338)	(1.2)

\*Partial listing only

## 6. Non-Consolidated Comparative Statements of Cash Flows

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2009	Year ended March 31, 2010	Increase (Decrease)
Cash flows from operating activities:			
Income before income taxes	122,978	81,580	(41,398)
Depreciation and amortization	425,634	409,107	(16,527)
Loss on disposal of property, plant and equipment	20,989	22,817	1,827
Gains on sales of fixed assets	(57,595)	(9,829)	47,765
Increase (decrease) in liability for employees' retirement benefits	(33,468)	(4,819)	28,648
(Increase) decrease in accounts receivable	11,531	2,204	(9,326)
(Increase) decrease in inventories	(1,916)	1,918	3,834
Increase (decrease) in accounts payable and accrued expenses	(44,855)	(3,536)	41,319
Increase (decrease) in accrued consumption tax	174	809	634
Other	17,948	50,044	32,096
Sub-total	461,421	550,296	88,874
Interest and dividends received	12,255	3,856	(8,398)
Interest paid	(12,523)	(11,420)	1,102
Income taxes received (paid)	(15,401)	(24,929)	(9,527)
Net cash provided by (used in) operating activities	445,752	517,802	72,050
Cash flows from investing activities:			
Payments for property, plant and equipment	(478,356)	(451,531)	26,824
Proceeds from sale of property, plant and equipment	74,701	12,674	(62,026)
Payments for purchase of investment securities	(11,954)	(2,215)	9,738
Proceeds from sale of investment securities	526	353	(172)
Other	1,816	2,025	209
Net cash provided by (used in) investing activities	(413,266)	(438,693)	(25,426)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	150,000	200,000	50,000
Payments for settlement of long-term debt	(162,419)	(105,809)	56,610
Net increase (decrease) in short-term borrowings	11,992	(125,000)	(136,992)
Payments for settlement of lease obligations	(790)	(2,706)	(1,916)
Dividends paid	(33,500)	(33,500)	-
Net cash provided by (used in) financing activities	(34,717)	(67,015)	(32,298)
Net increase (decrease) in cash and cash equivalents	(2,232)	12,093	14,325
Cash and cash equivalents at beginning of year	134,903	132,671	(2,232)
Cash and cash equivalents at end of year	132,671	144,764	12,093

## **7. Changes in Directors**

### Candidates for Representative Directors

(1) Candidate scheduled to take office as President

Tsutomu Ebe

Current position: President

(2) Candidates scheduled to take office as Senior Executive Vice President

Koichi Maeda

Current position: Senior Executive Vice  
President

Fuminori Kozono

Current position: Senior Executive Vice  
President

(Note) The changes in directors noted above are only those that have been decided. Other changes will be announced once determined.