



News Release

NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION

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FOR IMMEDIATE RELEASE

Settlement for Fiscal Year Ended March 31, 2011

The results of Nippon Telegraph and Telephone East Corporation (NTT East) for the fiscal year ended March 31, 2011 are presented in the following attachments.

(Attachments)

1. Summary of Results for the Fiscal Year Ended March 31, 2011
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

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1. Summary of Results for the Fiscal Year Ended March 31, 2011

In the fiscal year ended March 31, 2011, the Japanese economy showed signs of continuing improvement, but was unable to achieve a full-scale recovery due to the rapid appreciation of the yen and rising cost of resources, as well as the effects of the Great East Japan Earthquake, which occurred around the end of the fiscal year.

In the information and telecommunications sector, in addition to 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 structural changes through the integration of communications and broadcasting, as well as of fixed and mobile communications, and expanding new network services that utilize SaaS^{*1}, cloud computing^{*2}, CGM^{*3} and other services, as well as capitalizing on the spread of smartphones and tablet PCs.

In the broadband market, fiber-optic access services have expanded to account for over half of broadband services. In addition to facility-based 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 a variety of wireless devices. 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^{*4} corporation” 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 reliable and appealing broadband services, with safety, security and convenience in mind, that meet the needs of customers and local communities, through new services and products that utilize the framework of the NGN^{*5} and its networks and providing new fee options that are easy-to-use for customers.

In the aftermath of the Great East Japan Earthquake, some of NTT East’s services were unavailable, mainly in areas around the Tohoku region, causing inconvenience to its customers. NTT East has been making company-wide efforts to restore communication services and communication equipment and has undertaken initiatives such as securing means of communication and information gathering in the affected areas. NTT East will continue to direct its utmost efforts towards the full-fledged restoration of communication services and communication equipment, support for disaster victims and assistance in rebuilding the affected areas.

(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 expanded the FLET’S Hikari^{*6} service areas through alliances with local governments and otherwise. The number of subscribers surpassed 8 million in August 2010, but due in part to the Great East Japan Earthquake, the number of subscribers as of the end of March 2011 was only 8.51 million. Of this number, subscribers to FLET’S Hikari Next, an NGN-based, highly-reliable, fiber-optic access service that enables use of secured bandwidth applications, totaled 2.96 million, accounting for the majority of new FLET’S Hikari subscriptions.

In its efforts to promote the spread and use of FLET’S Hikari, NTT East, in response to the diversification and personalization of the Wi-Fi^{*7} device market, which includes smartphones and tablet devices, reduced monthly rates for some of the service menus of the public wireless LAN service “FLET’S SPOT” in conjunction with the launch of the mobile Wi-Fi router “Hikari Portable,” which allows users to connect to wireless LANs both inside and outside their homes. NTT East also began offering “FLET’S Market,” which links service providers and users via FLET’S Hikari, and “Hikari i-frame,” a cloud-based household device. Furthermore, NTT East expanded the operating systems compatible with the FLET’S Software Delivery Service and its software lineup, revised the conditions for providing “FLET’S Hikari Mansion Type Mini,” and otherwise endeavored to create new use scenarios through service expansion and offered new rate menus.

To improve FLET’S Hikari’s accessibility, NTT East introduced discounts on monthly charges, installation charges and other fees. As for the members-only program FLET’S Hikari Members Club, which is designed to enhance customer satisfaction through improved CRM^{*8}, the number of its members surpassed 1.5 million in February 2011. Moreover, NTT East added music downloads, e-books and other Internet service offerings to the point-redemption options, and otherwise strengthened its efforts to retain customers. Meanwhile, NTT East opened “Hikari House,” a showroom where visitors can experience cutting-edge use scenarios for fiber-optic access service at home and in everyday life, and endeavored to promote understanding of the innovation, convenience and safety of fiber-optic access services.

NTT East also endeavored to expand video services such as by lowering the monthly charges for FLET’S TEREBI Building-wide Subscription Plan^{*9}, a service available to multi-unit dwelling owners, management companies and management unions, and launching “Miyagi Cable TV & FLET’S Hikari^{*10}” in collaboration with Miyagi Cable TV Co., Ltd. In addition, NTT East started offering “iTICKET on FLET’S Hikari,” a service for clinics and doctors’ offices provided in collaboration with iTICKET Corporation, an online doctor appointment service provider, and otherwise cooperated with a broad range of businesses.

To enhance customer service, in order to shorten the time required for providing new services, NTT East notified customers of installation dates at the time they applied for service, promoted remote installation, and otherwise continued to work on shortening the time it takes to install new fiber-optic access services. Unfortunately, due to the impact of the Great East Japan Earthquake, NTT East was not able to swiftly respond to customer requests regarding installation work, causing inconvenience to some customers. As part of its efforts to provide services that customers can use with peace of mind, for the Internet security service “FLET’S Virus Clear,” NTT East started offering “FLET’S Virus Clear v6 Management Tool,” which can perform contract information management and provide security settings for multiple personal computers. The number

of subscriptions to the “Remote Support Service,” which remotely handles a wide range of customer inquiries concerning personal computers, routers, printers and other broadband matters in general, exceeded 2 million in November 2010.

Meanwhile, NTT East announced the general outlook on PSTN^{*11} migration^{*12} in November 2010. In light of the shift in demand to IP services and the end of the useful lives of PSTN switchboards, NTT East anticipates beginning the migration from PSTN to IP networks approximately 10 years from now, around 2020, and completing the migration around 2025. Through such migration, the provision of some services will be terminated, but adequate advance notice will be given to customers to allow sufficient time to address customer concerns. Even after the migration from PSTN to IP networks, NTT East will make it possible to continue the basic services that customers use on PSTN networks and also continuously expand IP-based services and work to improve customer convenience in order to promote the increased use of IP and broadband services.

(2) Measures Relating to the Solutions Business

NTT East engaged in efficient and effective ICT-based marketing activities tailored to regional customers, focusing on industry-specific solutions that incorporate industry characteristics and trends in such areas as local government and education.

In the area of local government, NTT East took active measures towards the elimination of the digital divide, by participating in the construction of fiber-optic facilities for local governments in disadvantaged areas^{*13}, leasing the fiber-optic facilities of local governments under IRU^{*14} contracts, and providing broadband services. NTT East also took active measures directed towards the provision of broadband service environments tailored to regional needs, such as by offering IP retransmission of terrestrial digital broadcasts and disaster announcements among other solutions. Further, NTT East provided remote health consultation systems in collaboration with Kurihara-shi, Miyagi Prefecture, and Miharu-machi and Minami-aizu-machi, Fukushima Prefecture. NTT East also launched “VoiceAir,” a system that assists in the preparation of meeting minutes, and is easy for local governments to set up and use. In the area of education, NTT East participated in the Ministry of Internal Affairs and Communications’s “Future School” field trials.

With respect to its efforts to expand corporate VPN services, for “FLET’S VPN Gate,” NTT East added the Dual Class, a 1 Gbps product provided over redundant subscriber lines, and a 100 Mbps product with “FLET’S Hikari Next Business Type.” In addition, the “FLET’S Hikari Next Business Type” service was added for “FLET’S VPN Wide.” Moreover, for “FLET’S VPN Wide,” “FLET’S VPN Gate,” and “FLET’S Cast,” NTT East began offering “Support Option,” which provides for efficient maintenance and operation for customers, with a centralized 24-hour service request receipt function, recovery status notification function, report function, and construction and failure information notification function.

In its efforts to expand services for businesses, NTT East provided “DATACONNECT,” a bandwidth-secured data transmission service, and “Hikari Denwa Number Gate,” a high-volume, multichannel optical IP telephone service compatible with “DATACONNECT,” which enables high-resolution multipoint videoconferences to customers who use Hikari Denwa with FLET’S Hikari Next. NTT East also launched “OFFICE MARUGOTO SUPPORT,” which handles consultations with small and medium-sized entities regarding the use of ICT equipment and offers one-stop service at a

specialized call center when customers encounter failures or other service trouble. Further, the service was enhanced by the addition of “Web Security Diagnosis,” which provides low-cost website vulnerability diagnosis and alteration detection. Meanwhile, NTT East continued to seek alliances with businesses across a broad range of fields, including collaborating with the Toshiba group (TOSHIBA CORPORATION and its group companies^{*15}) in the sale of office ICT equipment, network construction, and maintenance support for small to medium-sized businesses, collaborating with OMRON Corporation in the provision of environmental solutions for corporations, and signing an agreement on collaboration with Yamaha Corporation directed towards the creation of new solutions for live music performance venues to link remote locations.

(3) Status of Business Operation Structures

With respect to the business operation structure, in order to enhance customer service and operational efficiency in the Tokyo region, a merger was carried out with NTT EAST-TOKYOMINAMI CORPORATION and four other companies in the Tokyo region^{*16}. NTT EAST-TOKYOMINAMI CORPORATION was the surviving entity and changed its corporate name to NTT EAST-TOKYO CORPORATION.

Initiatives pursued as part of NTT East’s efforts to achieve efficient operation of its call centers included the continuation of 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^{*17}, including those of its construction contractors, and other measures such as shortening order processing time for FLET’S Hikari, as well as allowing construction information to flow through to construction contractors and using thin clients^{*18} for the portable handsets for construction workers.

(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 reducing the environmental burden of its operations, 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 fair competition, as well as compliance with laws and regulations concerning privacy protection, appropriate advertisement displays and worker dispatch. In particular, in respect to information relating to other businesses, measures were taken to ensure that firewalls are in place to prevent such information from reaching sales divisions, and efforts were made to enhance research towards proper use of such information, and to strengthening monitoring and inspection of such use.

In its efforts towards reducing its environmental burden, among other things, NTT East proposed ways to reduce the environmental burden from customers’ use of information and communications services, upgraded network equipment to low-power consumption models, promoted the use of low-emission vehicles as company cars, and promoted the

conversion to LED lighting in phone booths. In addition, in order to promote efforts that will lead to a reduced environmental burden in the office, at home, in local communities, and in a variety of other locations and situations, NTT East undertook the “NTT East Group Act Green 21” campaign, which encourages employees and others to raise their environmental awareness by obtaining “eco-Test”^{*19} certification, participating in “local cleanup activities,” and participating in the “my cup campaign”, by installing “use my cup” vending machines that dispense into containers provided by the user.

Furthermore, NTT East worked to foster, through its diversity management^{*20} strategy, a culture that promotes the diversified use of personnel and various working styles, promoting work-life balance.

Meanwhile, for crisis management, NTT East engaged in joint training exercises with the Self Defense Forces in order to ensure prompt restoration of communication services at times of disaster. In particular, at the APEC Summit which was held in November 2010 in Yokohama, NTT East constructed a framework for crisis management, and upon conducting preparatory exercises before the event, provided stable communication service at the summit.

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 2010 to proactively disclose relevant information to its stakeholders.

(5) Responses to the Great East Japan Earthquake

Following the Great East Japan Earthquake in March 2011, disaster countermeasure offices were immediately set up at NTT East headquarters and in the afflicted regions, and efforts were directed towards the prompt restoration of communication services and communication facilities. Mobile power supply vehicles and portable satellite equipment were deployed and, with the support of other NTT Group companies and telecommunications construction companies, NTT East engaged in restoration activities for communication services and facilities with a force of approximately 6,000 persons^{*21}. As a result, by the end of March 2011, approximately 95% of the exchange offices had their functions restored.

In addition, through the provision of public telephones for free use across the entire east Japan area, installing and providing free use of temporary public telephones and Internet access booths at evacuation centers, and operating the “Disaster Emergency Message Dial (171)” and the “Disaster Emergency Broadband Message Board (Web 171),” NTT East endeavored to secure means of communication and information gathering. Other activities in which NTT East participated included having employees relay messages from victims of the disaster to their families or others; if the intended party was not reached, the message would be registered on behalf of the victim at the “Disaster Emergency Message Dial.” For customers who were unable to use their phones because of facilities affected by the disaster and customers who were unable to use their phones due to evacuation orders or recommendations, basic charges for the relevant period were waived. Meanwhile, NTT East collected donations from customers using the points program, FLET’S Hikari Members Club, and also, as a member of NTT Group, NTT East made donations as a telecommunication carrier, and otherwise directed its efforts towards support of the victims and recovery for the afflicted areas.

(6) Financial Standing

As a result of these efforts during the fiscal year ended March 31, 2011, operating revenues totaled 1,957.1 billion yen an increase of 1.5% from the fiscal year ended March 31, 2010), operating income totaled 77.1 billion yen an increase of 62.0% from the fiscal year ended March 31, 2010), recurring profit was 96.0 billion yen an increase of 33.9% from the fiscal year ended March 31, 2010). Special losses in relation to the Great East Japan Earthquake of 19.1 billion yen was recorded and net income totaled 52.3 billion yen an increase of 3.5% from the fiscal year ended March 31, 2010).

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: A collective name for FLET'S Hikari Next and B FLET'S.
- *7: An abbreviation for Wireless Fidelity. This is a brand name for ensuring compatibility, so that when an IEEE802.11 series used in wireless communications is loaded onto a product, it can operate reciprocally with devices having a different IEEE802.11 series.
- *8: CRM: Customer Relationship Management. A technique aimed at increasing sales by deepening ties with customers.
- *9: A service available to multi-unit dwelling owners, management companies and management unions 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).
- *10: 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 Light Next offered by Miyagi Cable TV Co., Ltd., that enables reception of terrestrial broadcasts (digital/analog), BS broadcasts (digital/analog), CS broadcasts (digital) and community channels.
- *11: PSTN: Public Switched Telephone Networks: The networks used for general subscriber telephone lines.
- *12: To migrate. NTT East's "migration" encompasses the migration from PSTN to IP networks mentioned above, as well as the migration from metallic to fiber-optic and old IP networks to new IP networks (NGN) (the migration from old IP networks to new IP networks is scheduled for implementation by the end of March 2013).
- *13: This refers to areas where, given the conditions of the broadband infrastructure, it is not feasible for a private business to engage in business for reasons of profitability.
- *14: IRU: Indefeasible Right of User. Irrevocable right of user.
- *15: Toshiba Tec Corporation, Toshiba Tec Business Solutions corporation, Toshiba Information Equipments Co., Ltd.
- *16: NTT EAST-TOKYOCHUO CORPORATION; NTT EAST-TOKYOKITA CORPORATION; NTT EAST-TOKYOHIGASHI CORPORATION; NTT

EAST-TOKYONISHI CORPORATION.

- *17: 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.
- *18: The general name for systems where the individual PCs have only minimal functions, and a server manages resources such as applications and files.
- *19: Certification test for Environmental Specialists, sponsored by the Tokyo Chamber of Commerce and Industry.
- *20: A management strategy for employing diverse human resources.
- *21: Announced as of March 30, 2011. Approximately 6,500 people announced as of April 27, 2011.

2. Non-Consolidated Comparative Balance Sheets

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	March 31, 2010	March 31, 2011	Increase (Decrease)
ASSETS			
Fixed assets:			
Fixed assets - telecommunications businesses			
Property, plant and equipment			
Machinery and equipment	536,644	518,747	(17,897)
Antenna facilities	6,068	5,456	(611)
Terminal equipment	83,337	73,253	(10,084)
Local line facilities	807,620	801,071	(6,549)
Long-distance line facilities	4,764	3,921	(843)
Engineering facilities	636,588	628,723	(7,865)
Submarine line facilities	1,722	2,213	490
Buildings	487,827	474,115	(13,711)
Structures	14,119	14,675	555
Other machinery and equipment	2,579	2,762	182
Vehicles and vessels	118	139	21
Tools, furniture and fixtures	39,068	40,682	1,614
Land	201,167	199,039	(2,128)
Lease assets	4,788	2,172	(2,616)
Construction in progress	29,150	42,344	13,193
Total property, plant and equipment	2,855,567	2,809,318	(46,249)
Intangible fixed assets	103,461	104,987	1,526
Total fixed assets - telecommunications businesses	2,959,029	2,914,306	(44,722)
Investments and other assets			
Investment securities	7,571	7,119	(452)
Investments in subsidiaries and affiliated companies	48,196	48,253	56
Other investments in subsidiaries and affiliated companies	7,384	7,737	353
Investment in capital	166	545	378
Long-term loans receivable to subsidiaries	400	400	-
Long-term prepaid expenses	3,603	3,841	238
Deferred income taxes	193,911	178,619	(15,291)
Other investments and assets	10,457	8,476	(1,980)
Allowance for doubtful accounts	(1,425)	(1,063)	361
Total investments and other assets	270,266	253,929	(16,337)
Total fixed assets	3,229,295	3,168,235	(61,059)
Current assets:			
Cash and bank deposits	138,155	172,498	34,342
Notes receivable	68	7	(61)
Accounts receivable, trade	293,993	323,537	29,544
Accounts receivable, other	7,852	8,453	601
Securities	10	10	(0)
Supplies	35,496	35,259	(236)
Advance payment	2,332	2,168	(164)
Prepaid expenses	7,256	7,399	142
Deferred income taxes	8,198	9,702	1,503
Other current assets	20,331	41,854	21,523
Allowance for doubtful accounts	(2,748)	(4,073)	(1,325)
Total current assets	510,947	596,816	85,869
TOTAL ASSETS	3,740,243	3,765,052	24,809

(Millions of yen)

	March 31, 2010	March 31, 2011	Increase (Decrease)
LIABILITIES			
Long-term liabilities:			
Long-term borrowings from parent company	758,743	666,055	(92,687)
Lease obligations	4,508	2,057	(2,451)
Liability for employees' retirement benefits	280,650	254,054	(26,595)
Reserve for point services	-	2,944	2,944
Reserve for unused telephone cards	15,397	15,101	(296)
Asset retirement obligations	-	629	629
Other long-term liabilities	8,421	7,999	(422)
Total long-term liabilities	1,067,721	948,842	(118,878)
Current liabilities:			
Current portion of long-term borrowings from parent company	90,595	122,687	32,092
Accounts payable, trade	95,670	104,534	8,863
Short-term borrowings	-	30,000	30,000
Lease obligations	3,168	2,945	(223)
Accounts payable, other	218,158	254,810	36,652
Accrued expenses	16,945	17,943	997
Accrued taxes on income	8,143	1,661	(6,482)
Advance received	9,068	6,373	(2,694)
Deposit received	105,551	127,263	21,711
Unearned revenue	141	195	54
Allowance for loss on disaster	-	5,500	5,500
Asset retirement obligations	-	70	70
Other current liabilities	13,851	12,453	(1,398)
Total current liabilities	561,294	686,438	125,143
TOTAL LIABILITIES	1,629,015	1,635,281	6,265
NET ASSETS			
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			
Reserve for reduction entry	5,152	6,099	947
Accumulated earned surplus	271,352	289,209	17,856
Total earned surplus	276,505	295,308	18,803
Total shareholders' equity	2,111,231	2,130,035	18,803
Unrealized gains (losses), translation adjustments, and others:			
Net unrealized gains (losses) on securities	(4)	(263)	(259)
Total unrealized gains (losses), translation adjustments, and others	(4)	(263)	(259)
TOTAL NET ASSETS	2,111,227	2,129,771	18,544
TOTAL LIABILITIES AND NET ASSETS	3,740,243	3,765,052	24,809

3. Non-Consolidated Comparative Statements of Income

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2010	Year ended March 31, 2011	Increase (Decrease)
Telecommunications businesses:			
Operating revenues	1,790,369	1,776,085	(14,283)
Operating expenses			
Business expenses	482,563	473,250	(9,312)
Operations	13,492	12,748	(744)
Maintenance expenses	438,855	423,681	(15,174)
Overhead expenses	94,395	91,876	(2,519)
Administration	116,735	108,651	(8,084)
Experiment and research	53,127	51,053	(2,073)
Depreciation and amortization	396,156	390,417	(5,739)
Retirement of fixed assets	42,098	49,709	7,611
Access charges	36,698	33,143	(3,554)
Miscellaneous taxes	72,376	72,380	3
Total operating expenses	1,746,500	1,706,911	(39,588)
Operating income from telecommunications businesses	43,868	69,173	25,304
Supplementary businesses:			
Operating revenues	138,283	181,061	42,777
Operating expenses	134,518	173,080	38,561
Operating income from supplementary businesses	3,765	7,981	4,216
Operating income	47,634	77,155	29,520
Non-operating revenues:			
Interest income	42	132	90
Interest on securities	4	9	4
Dividends received	3,814	1,817	(1,997)
Lease and rental income	54,519	45,112	(9,406)
Miscellaneous income	3,253	6,823	3,569
Total non-operating revenues	61,633	53,894	(7,739)
Non-operating expenses:			
Interest expenses	11,451	10,969	(482)
Lease and rental expenses	21,417	21,457	40
Miscellaneous expenses	4,648	2,556	(2,091)
Total non-operating expenses	37,517	34,983	(2,533)
Recurring profit	71,750	96,066	24,315
Special profits:			
Gains on sales of fixed assets	9,829	-	(9,829)
Total special profits	9,829	-	(9,829)
Special losses:			
Special loss on disaster	-	19,190	19,190
Total special losses	-	19,190	19,190
Income before income taxes	81,580	76,876	(4,704)
Corporation, inhabitant, and enterprise taxes	18,462	10,607	(7,854)
Deferred tax expenses (benefits)	12,568	13,965	1,396
Net income	50,549	52,303	1,754

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, 2010

(Millions of yen)

Year ended March 31, 2010

	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

Year ended March 31, 2011

(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, 2010	335,000	1,499,726	1,499,726	5,152	271,352	276,505	2,111,231	(4)	(4)	2,111,227
Net change during the annual period										
Cash dividends					(33,500)	(33,500)	(33,500)			(33,500)
Net income					52,303	52,303	52,303			52,303
Provision of reserve for reduction entry				947	(947)					—
Others, net								(259)	(259)	(259)
Total net change during the annual period	—	—	—	947	17,856	18,803	18,803	(259)	(259)	18,544
March 31, 2011	335,000	1,499,726	1,499,726	6,099	289,209	295,308	2,130,035	(263)	(263)	2,129,771

5. Business Results (Non-Consolidated Operating Revenues)

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2010	Year ended March 31, 2011	Increase (Decrease)	Percent Increase (Decrease)
Voice transmission services revenues (excluding IP services revenues)	816,170	742,278	(73,891)	(9.1)
Monthly charge revenues*	562,912	509,204	(53,708)	(9.5)
Call rates revenues*	84,126	71,160	(12,966)	(15.4)
Interconnection call revenues*	101,115	99,854	(1,261)	(1.2)
IP services revenues	645,510	724,493	78,982	12.2
Leased circuit services revenues (excluding IP services revenues)	154,574	149,488	(5,085)	(3.3)
Telegram services revenues	20,671	18,869	(1,802)	(8.7)
Other telecommunications services revenues	153,442	140,956	(12,486)	(8.1)
Telecommunications total revenues	1,790,369	1,776,085	(14,283)	(0.8)
Supplementary business total revenues	138,283	181,061	42,777	30.9
Total operating revenues	1,928,653	1,957,147	28,494	1.5

*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, 2010	Year ended March 31, 2011	Increase (Decrease)
Cash flows from operating activities:			
Income before income taxes	81,580	76,876	(4,704)
Depreciation and amortization	409,107	403,510	(5,596)
Loss on disposal of property, plant and equipment	22,817	26,826	4,008
Gains on sales of fixed assets	(9,829)	-	9,829
Increase (decrease) in liability for employees' retirement benefits	(4,819)	(26,595)	(21,776)
(Increase) decrease in accounts receivable	2,204	(30,084)	(32,289)
(Increase) decrease in inventories	1,918	2,939	1,021
Increase (decrease) in accounts payable and accrued expenses	(3,536)	39,504	43,040
Increase (decrease) in accrued consumption tax	809	3,460	2,650
Other	50,044	50,117	73
Sub-total	550,296	546,554	(3,741)
Interest and dividends received	3,856	1,959	(1,897)
Interest paid	(11,420)	(11,071)	349
Income taxes received (paid)	(24,929)	(23,043)	1,885
Net cash provided by (used in) operating activities	517,802	514,399	(3,403)
Cash flows from investing activities:			
Payments for property, plant and equipment	(451,531)	(395,380)	56,151
Proceeds from sale of property, plant and equipment	12,674	5,530	(7,143)
Payments for purchase of investment securities	(2,215)	(3,047)	(832)
Proceeds from sale of investment securities	353	2,201	1,847
Other	2,025	1,742	(282)
Net cash provided by (used in) investing activities	(438,693)	(388,953)	49,739
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	200,000	30,000	(170,000)
Payments for settlement of long-term debt	(105,809)	(90,595)	15,214
Net increase (decrease) in short-term borrowings	(125,000)	30,000	155,000
Payments for settlement of lease obligations	(2,706)	(3,289)	(583)
Dividends paid	(33,500)	(33,500)	-
Net cash provided by (used in) financing activities	(67,015)	(67,385)	(369)
Net increase (decrease) in cash and cash equivalents	12,093	58,060	45,966
Cash and cash equivalents at beginning of year	132,671	144,764	12,093
Cash and cash equivalents at end of year	144,764	202,824	58,060