



News Release

May 12, 2006**FOR IMMEDIATE RELEASE****Settlement for Fiscal Year Ended March 31, 2006**

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

(Attachments)

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1. Summary of Results

During the fiscal year ended March 31, 2006, the Japanese economy continued its steady recovery. Corporate revenues improved and capital investment expanded. The employment situation, while still harsh, began to show wider scale improvements, and personal consumption continues to gradually increase.

In the information and communications sector, consumer demands have become increasingly complex, diversified and global in scale, as exemplified by the full-scale introduction of ubiquitous services—the ability to send and receive a wide range of information anytime and anywhere—and “triple-play” services that provide Internet, IP telephony and video services on a single broadband connection. A surge in demand for mobile and Internet communications has led to rapid structural changes in the telecommunications market, resulting in intensified service competition for customers.

Within the broadband market, with the spread of video transmission services provided via optical access networks and of enhanced applications for interactive video communications, such as videophones, the number of new optical access service subscribers has exceeded that of new DSL service subscribers since the fourth quarter of the fiscal year ended March 31, 2005, and the demand for optical access services has continued to rise rapidly.

In the fixed-line market, as subscribers to mobile and IP telephony services have increased and the direct subscriber telephone service using dry copper has become widely available, the competitive conditions became even more difficult, bringing about competition for subscribers on all fronts, regardless of whether for metal, optical, or 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 of shifting 30 million customers to optical fiber access services by 2010 which was announced in November 2004. To this end, NTT East has devoted its energy to meeting increased customer needs for broadband communications. Specific measures include the full-scale promotion of optical IP telephone services and the development and provision of high value-added services that are both safe and reliable. At the same time, NTT East has implemented internal reorganization in order to accelerate decision making and to further boost its sales. As a result of these undertakings, the company has successfully reached its goal of attracting one million new subscribers to B FLET'S services by the end of this fiscal

year. NTT East has also worked to build a stable and enhanced management infrastructure and to reduce property expenses and streamline its assets in order to increase operational efficiency, in an effort to achieve more flexible business operations that are more responsive to changes in the business environment.

The measures actively implemented during this fiscal year may be summarized as follows.

1. Promotion of Optical IP-Based Services

In the rapidly expanding broadband market, NTT East has worked to further upgrade its services and lower rates by focusing on the provision of triple-play services and other attractive new services aiming to further expand optical access lines and optical IP services that respond to its customers' diverse needs. Specific measures include, with regard to the enhancement of optic access lines, augmenting the B FLET'S service by adding a new menu item enabling the combined use of B FLET'S with Hikari Denwa Business Type and lowering usage fees for VDSL devices (maximum download speed of 100 Mbps*) used in such services as B FLET'S Mansion Type plan for apartment blocks, in order to attract larger numbers of customers. In optical IP services, NTT East actively promoted the "Hikari Denwa," a high-quality IP telephony service that provides low-priced voice transmissions with the same quality as fixed telephone lines, and launched two services in November 2005: the "Double Channel" service that enables two calls to be made simultaneously on the same line and the "My Number" service that permits users to have multiple telephone numbers. The company also worked hard to provide value-added services, including videophone communications services between the "FLET'S PHONE VP1000," an IP-based videophone terminal, and NTT DoCoMo's FOMA (R) mobile phone.

* Traffic speed refers to the maximum communications speed between optical network units installed in customers' premises and optical line terminals located in NTT East's central offices. This figure is based on technical standards and does not indicate the actual traffic speed experienced by customers.

In addition, NTT East took various measures to meet diversified business customer needs. Specifically, the company changed the service name of "Corporate IP Telephone Service" to "Hikari Denwa Business Type" and modified its service terms by adjusting basic fees and introducing a new call rate plan. The company also rolled out "Hikari Denwa Office Type," an IP telephone service designed for corporate subscribers currently using B FLET'S "Hyper Family Type."

In keeping with the ongoing development of a ubiquitous broadband society, NTT East

has been promoting the widespread use of the “FLET'S SPOT” service. This service allows subscribers to connect to high-speed flat-rate Internet via access points in railway stations, airports, hotels and other locations by using the wireless LAN-compatible mobile terminals they have in the office or at home. In order to provide subscribers with enhanced and convenient Internet connections, NTT East expanded FLET'S SPOT access points and in October 2005, jointly with NTT West, began 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. The two companies also enhanced FLET'S SPOT service functions to enable subscribers to access the Internet with different types of wireless LAN equipment.

With respect to FLET'S sales promotion measures, NTT East conducted a campaign that waives monthly fees for B FLET'S services, and launched its first Hikari Denwa service campaign whereby no installation fees are charged. Through such promotional activities, NTT East has actively committed itself to meeting customers' diversified needs.

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 transmission of the “GyaO” free broadband broadcasting service by USEN CORPORATION via FLET'S on- demand, and jointly with other equity partners, established a sales company for the fiber optic-based “SKY PerfectTV! HIKARI” multichannel broadcasting service.

2. 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.

3. Development of Solutions Business

In the corporate service sector, as part of 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,” “Smart Ether,” “Super Wide LAN,” and “Metro Ether,”

as well as its information systems services, including security and data centers. In the total solutions business, NTT East launched “Mobile Presence Solutions” a service which reduces overall management costs by minimizing operational losses arising from unnecessary callbacks and call-handling time in daily operations, and started the Network Quarantine Solution service which is designed to accommodate corporate security needs and prevent information leakage and virus infection by enhancing security measures for business computers used by both public and private institutions. In addition, active efforts have been made to provide e-government and e-healthcare solutions in response to various IT promotion measures taken by local governments within the NTT East service area.

4. Reorganization of Business Operation Structure

As for business management structure, the objective was to enhance customer services by better responding to customers’ “one-stop shopping” needs and by increasing efficiency under a flow-through operation system. NTT East’s answer to this has been to integrate 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. In the Tokyo area, the region 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. In November 2005 NTT East reinforced its installation service structure to shorten lead time, and began implementing an on-the-spot decision system for B FLET’S and Hikari Denwa installation work schedule and accepting service orders and installation on weekends and holidays. In February 2006, the Hikari Support Center was set up to respond promptly to customers’ inquiries, requests and complaints.

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

In April 2005, following the full enactment of the Personal Information Protection Act, NTT East established the Personal Information Protection Promotion Office to further promote the protection of personal data. NTT East has also been fostering initiatives that give serious consideration not only to the economic side of being a corporate citizen, but also to the social aspects (including corporate ethics and philanthropy), and environmental aspects, thereby contributing to the sustainable development of society. To support these endeavors, NTT East set up a CSR (corporate social

responsibility) Committee in August 2005, which has compiled and published the *NTT East CSR Report 2005*.

In its role as an information and communications provider, NTT East has also provided a variety of disaster support and relief measures. In the case of the flooding in the Niigata region in June 2005 and the earthquake in the Miyagi region in August 2005, the company made an all-out company-wide effort to quickly restore telecommunications facilities and resume communications services, the "Dial 171" disaster message service that enables people to confirm the safety of their families, relatives and friends in disaster areas was also available. NTT East also provided free Dial Q² services to broadcasters and public organizations in order to assist the collection of contributions for the victims of the Northern Pakistan earthquake in October 2005. Lastly, in winter 2006, the company put in place special measures relating to telephone charges and the provision of other communications services for the municipalities in Niigata and Nagano prefectures that were subject to the application of the Disaster Relief Act because of extremely heavy snowfall.

5. Business Results for Fiscal Year Ended March 31, 2006

During the fiscal year under review, operating revenue totaled 2,125.3 billion yen (a decrease of 2.5 % from the previous year); recurring profit amounted to 84.2 billion yen (a decrease of 13.7% from the previous year); and net profit totaled 51.2 billion yen (a decrease of 11.8 % from the previous year).

2. Non-Consolidated Comparative Balance Sheets
 (Based on accounting principles generally accepted in Japan)

(Millions of yen)

	March 31, 2005	March 31, 2006	Increase (Decrease)
ASSETS			
Fixed assets:			
Fixed assets-telecommunications businesses			
Property, plant and equipment	2,968,134	2,958,375	(9,759)
Machinery and equipment	580,807	556,601	(24,206)
Antenna facilities	8,158	7,690	(467)
Terminal equipment	30,769	48,220	17,450
Local line facilities	655,890	684,119	28,229
Long-distance line facilities	11,901	9,977	(1,923)
Engineering facilities	766,392	735,027	(31,364)
Submarine line facilities	1,050	865	(185)
Buildings	622,535	612,451	(10,084)
Structures	18,825	17,568	(1,256)
Other machinery and equipment	2,706	2,222	(483)
Vehicles and vessels	150	186	35
Tools, furniture and fixtures	46,810	43,185	(3,624)
Land	193,889	205,324	11,435
Construction in progress	28,245	34,931	6,686
Intangible fixed assets	105,746	99,808	(5,937)
Total fixed assets-telecommunications businesses	3,073,880	3,058,183	(15,697)
Investments and other assets			
Investment securities	9,017	15,689	6,671
Investments in subsidiaries and affiliated companies	45,213	44,035	(1,178)
Long-term loan receivable to subsidiaries	13,040	2,701	(10,339)
Long-term prepaid expenses	2,667	2,584	(83)
Deferred income taxes	347,781	343,198	(4,582)
Other investments	14,352	16,043	1,690
Allowance for doubtful accounts	(2,122)	(2,647)	(524)
Total investments and other assets	429,950	421,604	(8,345)
Total fixed assets	3,503,830	3,479,787	(24,043)
Current assets:			
Cash and bank deposits	107,637	118,783	11,145
Notes receivable	131	37	(93)
Accounts receivable, trade	370,104	329,798	(40,305)
Accounts receivable, other	32,420	11,353	(21,067)
Securities	20	—	(20)
Supplies	29,475	30,165	689
Advance payment	4,479	4,036	(442)
Prepaid expenses	5,303	5,459	155
Deferred income taxes	10,200	7,882	(2,317)
Other current assets	28,779	40,388	11,609
Allowance for doubtful accounts	(4,082)	(3,125)	956
Total current assets	584,469	544,779	(39,690)
TOTAL ASSETS	4,088,300	4,024,566	(63,733)

(Millions of yen)

	March 31, 2005	March 31, 2006	Increase (Decrease)
<u>LIABILITIES</u>			
Long-term liabilities:			
Long-term borrowings from parent company	883,881	777,785	(106,096)
Liability for employees' severance payments	656,004	582,104	(73,899)
Other long-term liabilities	7,359	7,554	195
Total long-term liabilities	1,547,245	1,367,444	(179,800)
Current liabilities:			
Current portion of long-term borrowings from parent company	144,171	141,096	(3,075)
Accounts payable, trade	118,372	117,095	(1,276)
Short-term borrowings	—	42,000	42,000
Accounts payable, other	273,517	330,063	56,546
Accrued expenses	25,019	23,432	(1,586)
Accrued taxes on income	2,676	1,068	(1,607)
Advance received	6,455	6,543	87
Deposit received	33,317	43,084	9,767
Unearned revenue	92	284	191
Other current liabilities	18,381	11,437	(6,944)
Total current liabilities	622,004	716,105	94,101
TOTAL LIABILITIES	2,169,249	2,083,550	(85,699)
<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 year	83,563	101,261	17,698
Total earned surplus	83,563	101,261	17,698
Net unrealized gains (losses) on securities	760	5,028	4,267
TOTAL SHAREHOLDERS' EQUITY	1,919,050	1,941,016	21,965
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,088,300	4,024,566	(63,733)

3. Non-Consolidated Comparative Statements of Income

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2005	Year ended March 31, 2006	Increase(Decrease)
Recurring profits and losses			
Operating revenues and expenses			
Telecommunications businesses			
Operating revenues	2,024,629	1,967,812	(56,817)
Operating expenses	1,937,555	1,898,156	(39,399)
Business expenses	474,221	496,855	22,633
Operations	22,098	18,726	(3,371)
Maintenance expenses	507,618	490,417	(17,200)
Overhead expenses	110,089	109,950	(138)
Administration	140,217	127,402	(12,815)
Experiment and research	61,833	57,315	(4,517)
Depreciation and amortization	463,151	446,314	(16,836)
Retirement of fixed assets	62,527	41,084	(21,442)
Communication network charges	19,128	34,409	15,280
Miscellaneous taxes	76,670	75,678	(991)
Operating income from telecommunications businesses	87,073	69,656	(17,417)
Supplementary businesses			
Operating revenues	156,298	157,520	1,221
Operating expenses	155,638	161,227	5,589
Operating income (losses) from supplementary businesses	660	(3,707)	(4,367)
Operating income	87,733	65,948	(21,785)
Non-Operating revenues and expenses			
Non-operating revenues:	61,006	63,269	2,263
Interest income	63	45	(17)
Dividends received	231	339	108
Lease income	53,563	55,685	2,121
Miscellaneous income	7,147	7,199	51
Non-operating expenses:	51,124	45,005	(6,118)
Interest expenses	17,628	16,406	(1,222)
Lease expenses	26,497	24,086	(2,411)
Miscellaneous expenses	6,997	4,512	(2,484)
Recurring profit	97,615	84,212	(13,403)
Special profits and losses			
Special profits	8,397	2,442	(5,955)
Gain on sale of fixed assets	8,397	2,442	(5,955)
Special losses	6,736	—	(6,736)
Installment amortization of shortfall due to new retirement benefit accounting standard	6,736	—	(6,736)
Income before Income taxes	99,276	86,654	(12,621)
Corporation, inhabitant, and enterprise taxes	(21,153)	31,411	52,564
Deferred tax expenses (benefits)	62,300	3,989	(58,310)
Net income	58,129	51,253	(6,876)
Unappropriated retained earnings brought forward	25,433	50,008	24,574
Unappropriated retained earnings for the year	83,563	101,261	17,698

4. Non-Consolidated Comparative Statements of Cash Flows

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2005	Year ended March 31, 2006	Increase (Decrease)
I Cash flows from operating activities:			
Income before income taxes	99,276	86,654	(12,621)
Depreciation and amortization	483,027	467,256	(15,770)
Loss on disposal of property, plant and equipment	40,136	23,391	(16,744)
Increase (decrease) in liability for employees' severance payments	(72,575)	(73,899)	(1,323)
(Increase) decrease in accounts receivable	12,725	40,204	27,478
(Increase) decrease in inventories	1,171	(689)	(1,860)
Increase (decrease) in accounts payable and accrued expenses	(83,952)	22,455	106,408
Increase (decrease) in accrued consumption tax payable	(158)	(1,173)	(1,015)
Other	(13,159)	(45,166)	(32,007)
Sub-total	466,490	519,034	52,543
Interest and dividends received	297	392	94
Interest paid	(17,771)	(16,591)	1,180
Income taxes received (paid)	(16,095)	21,195	37,290
Net cash provided by (used in) operating activities	432,922	524,031	91,108
II Cash flows from investing activities:			
Payments for property, plant and equipment	(401,013)	(420,613)	(19,600)
Proceeds from sale of property, plant and equipment	11,624	5,022	(6,602)
Acquisition of investment securities	(7,353)	(1,867)	5,486
Proceeds from sale of investment securities	417	5,365	4,948
Other	8,273	9,711	1,438
Net cash provided by (used in) investing activities	(388,050)	(402,380)	(14,329)
III Cash flows from financing activities:			
Proceeds from issuance of long-term debt	17,950	35,000	17,050
Payments for settlement of long-term debt	(95,559)	(144,171)	(48,612)
Net increase (decrease) in short-term borrowings	—	42,000	42,000
Dividends paid	(32,495)	(33,500)	(1,005)
Net cash provided by (used in) financing activities	(110,104)	(100,671)	9,432
IV Net increase (decrease) in cash and cash equivalents	(65,232)	20,979	86,212
V Cash and cash equivalents at beginning of year	186,287	121,055	(65,232)
VI Cash and cash equivalents at end of year	121,055	142,034	20,979

5. Proposal for Appropriation of Unappropriated Retained Earnings

(Millions of yen)

	Year ended March 31, 2005	Year ended March 31, 2006
Unappropriated retained earnings for the year	83, 563	101, 261
Proposal of appropriation:		
Cash dividends	33, 500	33, 500
	(¥5,000 per share)	(¥5,000 per share)
Bonuses paid to directors and corporate auditors	54	55
(Portion paid to corporate auditors)	(13)	(13)
Unappropriated Retained earnings carried forward	50, 008	67, 705

6. Business Results (Non-Consolidated Operating Revenues)

(Based on accounting principles generally accepted in Japan)

(Millions of Yen)

	Year ended March 31, 2005	Year ended March 31, 2006	Increase (Decrease)	Percent Increase (Decrease)
Voice transmission services revenues (excluding IP services revenues)	1,401,433	1,294,098	(107,335)	(7.7%)
Monthly charge revenues*	903,629	801,186	(102,442)	(11.3%)
Call rates revenues*	190,405	183,977	(6,427)	(3.4%)
Interconnection call revenues*	215,128	213,119	(2,008)	(0.9%)
IP services revenues	211,357	270,799	59,442	28.1%
Leased circuit services revenues (excluding the amounts of IP services revenues)	208,730	198,061	(10,668)	(5.1%)
Telegram services revenues	27,201	25,961	(1,239)	(4.6%)
Other telecommunications services revenues	175,907	178,890	2,982	1.7%
Telecommunications total revenues	2,024,629	1,967,812	(56,817)	(2.8%)
Related business total revenues	156,298	157,520	1,221	0.8%
Total operating revenues	2,180,928	2,125,333	(55,595)	(2.5%)

* Partial listing only

7. Changes in Directors

(1) Candidates for Senior Vice President

Kazuo Ohki	(NTT-ME Corporation)
Ichiro Shoji	(Research Institute of Telecommunications and Economics, Japan)
Mitsuhiro Watanabe	(Executive Manager, General Affairs and Personnel Department)
Tatsuhisa Yoshimura	(Executive Manager, Plant Planning Department, Network Business Headquarters)
Toyoaki Ukita	(Executive Manager, Public Solution Sales Department, Corporate Business Headquarters)
Masami Yasuda	(Executive Manager, Marketing and Customer Service Department, Consumer Business Headquarters)

(2) Candidate for Corporate Auditor

Sumikazu Sekiguchi	(RESEARCH INSTITUTE FOR POSTAL SAVING FUND)
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(3) Senior Vice President scheduled to retire from office

Senior Executive Vice President

Hajime Takashima	(Scheduled to join Nippon COMSYS Corporation)
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Executive Vice President

Atsushi Yano	(Scheduled to join Sumitomo Electric Industries, Ltd.)
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Senior Vice President

Hiroaki Tamai

Senior Vice President
Takeshi Shimizu (Scheduled to join NTT Solco)

Senior Vice President
Sadao Koike (Scheduled to join TelWel West Nippon Corporation)

Senior Vice President
Kuniaki Okada (Scheduled to join NTT TELECON CO.,LTD.)

(4) Corporate Auditors scheduled to retire from office

Corporate Auditor
Kazuo Kuriyagawa

(5) Personnel scheduled to take posts of President, Senior Executive Vice President

(i) President

President Toyohiko Takabe

(ii) Senior Executive Vice President

Senior Executive Vice President Tetsuo Koga
Kazuo Ohki

(6) New Executives' Positions and Organizational Responsibilities

New Position(s) and Organizational Responsibilities	Name	Current Position(s) and Organizational Responsibilities
Senior Executive Vice President	Tetsuo Koga	Senior Executive Vice President Senior Executive Manager, Consumer Business Headquarters Responsible for: Protection of Personal Data Institutional Affairs General Affairs and Personnel Department Accounts and Finance Department
Senior Executive Vice President	Kazuo Ohki	
Senior Vice President	Masatoshi Kodama	Senior Vice President General Manager, Saitama Branch Deputy Senior Executive Manager, Corporate Business Headquarters
Senior Vice President	Akihiko Okada	Senior Vice President General Manager, Kanagawa Branch Deputy Senior Executive Manager, Corporate Business Headquarters
Senior Vice President	Fuminori Kozono	Senior Vice President Deputy Senior Executive Manager, Corporate Business Headquarters Responsible for Corporate Business
Senior Vice President	Hiroki Watanabe	Senior Vice President Executive Manager, Corporate Strategy Planning Department Responsible for Interconnection Promotion Department

New Position(s) and Organizational Responsibilities	Name	Current Position(s) and Organizational Responsibilities
Senior Vice President	Masayuki Yamamura	Senior Vice President General Manager, Tokyo Branch Deputy Senior Executive Manager, Corporate Business Headquarters
Senior Vice President	Ichiro Shoji	
Senior Vice President	Mitsuhiro Watanabe	Executive Manager, General Affairs and Personnel Department General Manager, Medical and Health Administrator Center, General Affairs and Personnel Department
Senior Vice President	Tatsuhisa Yoshimura	Executive Manager, Plant Planning Department, Network Business Headquarters
Senior Vice President	Toyoaki Ukita	Executive Manager, Public Solution Sales Department, Corporate Business Headquarters Executive Manager, e-Japan Strategic Sales Promotion Division, Corporate Business Headquarters
Senior Vice President	Masami Yasuda	Executive Manager, Marketing and Customer Service Department, Consumer Business Headquarters
Senior Vice President	Kiyoshi Kousaka	Senior Vice President

- Notes:
1. Kiyoshi Kousaka, to be reappointed senior vice president, is a candidate for outside senior vice president.
 2. Sumikazu Sekiguchi, a candidate for corporate auditor, is a candidate for outside corporate auditor.
 3. The corporate auditor scheduled to retire from office will do so following the seventh regular shareholder meeting (June 23).