



News Release

NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION

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FOR IMMEDIATE RELEASE

Interim Settlement for Fiscal Year Ending March 31, 2008

The results of Nippon Telegraph and Telephone East Corporation (NTT East) for the interim period of fiscal 2007 are presented in the following attachments.

(Attachments)

1. Summary of Results
2. Non-Consolidated Comparative Balance Sheets
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5. Business Results (Non-Consolidated Operating Revenues)
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1. Summary of Results

[Overview of Interim Financial Status]

-Summary of Results-

During the first six-month period of the fiscal year ending March 31, 2008, the Japanese economy improved and capital investment increased while corporate business sentiment remained cautious. A gradual recovery was observed as evidenced by the improvement in employment.

In the information and communications sector, continued efforts were made to achieve the ubiquitous broadband society envisioned by the government's "u-Japan Policy" and "IT New Reform Strategy". To that end, accelerated progress was made in the introduction of broadband and mobile services and in the building of next-generation networks, while other factors also helped to bring about dramatic changes to the structure of the market, including alliances between information and communications companies, the collaboration of communications and broadcasting, and the convergence of fixed and mobile services.

While there was a net decrease in the number of DSL subscribers, because of the accelerated increase in the number of optical broadband service subscribers, the broadband service market continued to expand. In addition, there was a rapid growth in net-related businesses, such as full-blast launch of triple-play services that provide Internet access, IP telephony and video services on a single broadband line, and consumer-initiated media such as video-sharing sites and social networking services¹. In the telephone market, in addition to the existing competition for telephone services, developments such as advances in mobile phones and optical IP phone services led to full-scale and intensified competition for subscribers to mobile, optical IP telephone, and other types of access line services.

Amid this business environment, Nippon Telegraph and Telephone East Corporation (NTT East) has endeavoured to provide high-quality and stable universal service, while striving to achieve the goals of the NTT Group's Medium-Term Management Strategy, announced in November 2004, primarily focused on the establishment of a next-generation network. To that end, with regard to networks and customers' information communications environment, NTT East has endeavoured to expand its broadband communication business by meeting its customer needs, by continuing the provision of safe, reliable and attractive services, and be coming an all-round ICT² corporation patronaged by many and familiar to all.

Specifically, to enable more customers to use its B FLET'S optical broadband service, NTT East has sought to boost sales by offering a series of discounts, such as discounts on monthly charges and for installation fees, and has worked with local governments and communities to actively expand its service coverage areas. In addition, NTT East formed partnerships with video transmitting enterprises transmitting contents such as multichannel broadcasting and VOD³. To enhance security measures designed to counter

the ever increasing threat of computer viruses, vigorous efforts were made to increase the sales of FLET'S VIRUS CLEAR and FLET'S HOME SECURITY was launched to enable users to remotely surveil their homes through broadband access lines and network cameras. In such manner, NTT East has been making efforts to expand the use of safe, convenient, optical broadband services with high added value.

As part of its efforts to enhance customer services, the B FLET'S installation lead-time was shortened, customer supports for new subscribers as well as engineering work for opening a line were made available on non-business days, and Hikari Support Center, a customer support service which functions as a one-step shop to solve problems for Hikari Denwa service users, were augmented. In addition, a One-Stop After Sales Service was brought into full-scale operation for B FLET'S users providing an equipment-rental service to enable Hikari Denwa to be used even during power outages and providing a support service for solving problems in network, personal computers, routers and other peripheral equipment. This service is provided on a one-stop-shop basis for both on-site support and remote support by telephone. In these and other ways, NTT East has been taking steps to enhance services to give customers greater security as it promotes the further expansion of optical broadband services.

In the corporate service sector the company has actively developed security, video-images, data center, CTI/CRM⁴, and other solutions to help businesses and local governments to enhance the efficiency of their operations and to allow them implement new business strategies. Of particular note is that in the burgeoning market for data center business, steps have been taken to transform idle real estate into data centers.

In preparation for the full-scale launch of Next Generation Network (NGN), which will offer higher connection speed and a greater security and reliability, while being able to access at anytime, anywhere, in March 2008, field trials began in December 2006. The trial was extended to home users in April 2007 to enable customer needs to be assessed. Based on these field trials and through alliances with companies in a broad range of fields, NTT East proceeded next to build a rich communication environment and to create new business opportunities, by providing high-capacity, high-quality video distribution services and real-time two-way video communication services, plus a variety of services such as information-distribution business using information home appliances.

NTT East has also worked to establish a business administrative structure for the coming Optical-IP era by the centralization of charging units and 116 centers, and by increased outsourcing. In addition, NTT has enhanced its marketing activities tailored more carefully for Tokyo-area corporate customers. In an effort to further improve service by refinement of customer services to meet diversifying and sophisticated needs of customers. In October 2007 an Office Business Department was established in the Tokyo branch and in the five prefectural companies within Tokyo⁵, and a new company—NTT East Solution Corporation⁶—was established. NTT EAST has also worked to build a stable and enhanced management infrastructure by reducing non-personnel expenses and by making a use of idle real estate assets to increase operating efficiency, aiming to achieve flexible business operations that are responsive to changes in the business environment.

In line with its commitment to create a safe and prosperous society, NTT East placed corporate social responsibility (CSR) as one of its major pillar of its business operations. Based on the "NTT Group CSR Charter" drawn up in June 2006, while NTT East will without saying comply with legal requirements including the protection of personal data, it has also been actively promoting activities that give serious consideration not only to economic aspects but also to environmental and social aspects contributing to society and local community. Specific initiatives to enhance CSR management have included the formulation, in April 2007, of the "NTT EAST Group CSR Code of Conduct," which serves as a guideline for the CSR activities of every individual employee.

Steps taken for times of disaster included company-wide efforts for the swift restoration of communications equipment and services in the aftermath of the earthquake offshore Chuetsu in Niigata Prefecture in July this year. In addition, the company provided means of making contact by installing emergency public telephones and operating its "171" disaster message number and its "web171" broadband disaster message service. Other means by which NTT East played a part in helping disaster victims from the standpoint of an information and communications provider included waiving the payment of standing charges for customers during the period in which they were unable to use phones for such reasons as equipment damage caused by the disaster, and providing the Dial Q2 service for no charge to broadcasters when soliciting contributions for disaster victims.

As a result of these efforts, as of September 30, 2007, the number of subscribers to the B FLET'S service stood at 4.21 million (an increase of 810,000 from the end of March 2007), and the number for Hikari Denwa stood at 2.37 million (an increase of 670,000 from the end of March 2007). With regard to general telephone services, the number of subscriptions at the end of September totaled 20.45 million (a decrease of 910,000 from the end of March 2007), and with regard to INS Net services the number for INS Net 64 was 3.17 million (a decrease of 190,000 from the end of March 2007).

Operating revenues in the first six-month period of the year ending March 31, 2008 totaled ¥981.8 billion, (down by 3.1% from the same period of the previous year), recurring profit totaled ¥46.2 billion (down by 9.6% from the same period of the previous year), and net profit was ¥73.1 billion (up by 106.3% from the same period of the previous year).

In May 2007 there were technical failures in Hikari Denwa and other services, and NTT East deeply regrets the considerable trouble and inconvenience caused to customers as a result. The company has responded by taking prompt measures, including the shortening of the time required to restore service, and by upgrading of processing capabilities of IP transmission devices. NTT East will continue to make efforts to enhance reliability by taking steps to prevent any recurrence of such failure and ensuring stable operations, and by reinforcing the ability of the technical staff responsible for IP-related services.

With respect to the series of major leakages of information that occurred in September this year, NTT East expresses its utmost regrets for the considerable trouble caused to customers and all others affected. It has long been company policy to prohibit the unauthorized removal of business-related files from company premises and NTT East has been using fingerprint verification to control access to servers on which customer information is stored. All employees have been trained and made thoroughly aware of the requirements for handling personal information, and the company has been committed to the protection of such information. NTT East has taken a very serious view of the occurrence of these recent incidents, and has taken steps to ensure stricter control of the handling of personal information, which includes restriction of in-house personal computers' links with external recording equipment through an introduction of software to prevent any outflows of confidential information, and by once again subjecting employees to rigorous courses of training on this subject.

Notes

- 1: Membership-based community sites that promote and support personal connections.
2. ICT: Information and Communication Technology.
3. VOD: Video On Demand. A system in which various video content is transmitted when the user wishes to see it.
4. CTI: Computer Telephony Integration. A technology that enables the integration of telephone and fax networks on a computer system.
CRM: Customer Relationship Management. A method by which companies use information systems to build long-term relationships with their customers. Refers to integrated customer management systems that include CTI.
5.
NTT East-Tokyominami Corporation (Head office: Minato-ku, Tokyo; President: Masayuki Yamamura)
NTT East-Tokyochuo Corporation (Head office: Chiyoda-ku, Tokyo; President: Satoru Kono)
NTT East-Tokyokita Corporation (Head office: Shinjuku-ku, Tokyo; President: Yoichi Suzuki)
NTT East-Tokyohigashi Corporation (Head office: Taito-ku, Tokyo; President: Hiroshi Hoshino)
NTT East-Tokyonishi Corporation (Head office: Tachikawa-shi, Tokyo; President: Kazuo Sobue)
6. NTT East Solution Corporation (Head office: Bunkyo-ku, Tokyo; President: Toyoaki Ukita) Established September 4, 2007.

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

(Millions of yen)

	March 31, 2007	September 30, 2007	Increase (Decrease)
ASSETS			
Fixed assets:			
Fixed assets - telecommunications businesses			
Property, plant and equipment	2,926,472	2,841,093	(85,379)
Machinery and equipment	546,813	477,795	(69,017)
Antenna facilities	7,162	6,955	(206)
Terminal equipment	63,661	71,967	8,305
Local line facilities	723,184	731,075	7,891
Long-distance line facilities	8,466	7,851	(615)
Engineering facilities	704,138	686,679	(17,459)
Submarine line facilities	699	628	(70)
Buildings	573,407	558,186	(15,221)
Construction in progress	38,330	44,883	6,552
Other	260,608	255,071	(5,536)
Intangible fixed assets	97,677	94,073	(3,604)
Total fixed assets - telecommunications businesses	3,024,150	2,935,167	(88,983)
Investments and other assets			
Deferred income taxes	280,755	243,149	(37,606)
Other investments and assets	74,742	71,024	(3,718)
Allowance for doubtful accounts	(2,573)	(2,387)	185
Total investments and other assets	352,925	311,786	(41,138)
Total fixed assets	3,377,075	3,246,953	(130,122)
Current assets:			
Cash and bank deposits	107,575	53,492	(54,082)
Notes receivable	79	5	(74)
Accounts receivable, trade	367,547	339,719	(27,827)
Supplies	35,217	38,057	2,840
Other current assets	65,661	64,552	(1,108)
Allowance for doubtful accounts	(3,187)	(3,019)	167
Total current assets	572,893	492,808	(80,085)
TOTAL ASSETS	3,949,969	3,739,762	(210,207)

(Millions of yen)

	March 31, 2007	September 30, 2007	Increase (Decrease)
<u>LIABILITIES</u>			
Long-term liabilities:			
Long-term borrowings from parent company	577,567	552,379	(25,188)
Liability for employees' retirement benefits	499,232	360,435	(138,797)
Other long-term liabilities	7,309	7,638	328
Total long-term liabilities	1,084,109	920,452	(163,656)
Current liabilities:			
Current portion of long-term borrowings from parent company	200,217	225,790	25,572
Accounts payable, trade	112,289	75,769	(36,519)
Short-term borrowings	110,000	111,000	1,000
Accounts payable, other	295,996	201,465	(94,530)
Accrued taxes on income	724	925	201
Other current liabilities	158,067	177,436	19,368
Total current liabilities	877,296	792,387	(84,908)
TOTAL LIABILITIES	1,961,405	1,712,840	(248,565)
<u>NET ASSETS</u>			
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	152,024	191,690	39,666
Accumulated earned surplus	152,024	191,690	39,666
Total earned surplus	152,024	191,690	39,666
Total shareholders' equity	1,986,751	2,026,417	39,666
Unrealized gains (losses), translation adjustments, and others			
Net unrealized gains (losses) on securities	1,812	504	(1,308)
Total unrealized gains (losses), translation adjustments, and others	1,812	504	(1,308)
TOTAL NET ASSETS	1,988,563	2,026,921	38,357
TOTAL LIABILITIES AND NET ASSETS	3,949,969	3,739,762	(210,207)

3. Non-Consolidated Comparative Statements of Income

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Six months ended September 30, 2006	Six months ended September 30, 2007	Increase (Decrease)	Year ended March 31, 2007
Telecommunications businesses				
Operating revenues	946,827	925,358	(21,468)	1,907,832
Operating expenses	911,492	893,867	(17,625)	1,846,447
Operating income from telecommunications businesses	35,334	31,491	(3,842)	61,385
Supplementary businesses				
Operating revenues	66,346	56,504	(9,842)	153,562
Operating expenses	63,653	54,161	(9,492)	155,037
Operating income (losses) from supplementary businesses	2,692	2,343	(349)	(1,474)
Operating income	38,027	33,835	(4,192)	59,911
Non-operating revenues:	30,192	33,735	3,542	70,447
Interest income	15	40	24	35
Lease and rental income	27,771	26,385	(1,385)	54,255
Miscellaneous income	2,405	7,309	4,903	16,156
Non-operating expenses:	17,090	21,337	4,246	39,991
Interest expenses	6,962	6,895	(67)	13,858
Lease and rental expenses	9,242	10,771	1,528	19,975
Miscellaneous expenses	885	3,671	2,785	6,157
Recurring profit	51,129	46,232	(4,896)	90,366
Special profits	8,710	139,331	130,621	49,765
Special losses	—	63,317	63,317	—
Income before income taxes	59,840	122,247	62,407	140,132
Corporation, inhabitant, and enterprise taxes	(2,342)	10,344	12,687	(9,263)
Deferred tax expenses (benefits)	26,713	38,736	12,023	65,077
Net income	35,469	73,166	37,697	84,318

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, 2007

(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 Accumulated earned surplus	Total earned surplus				
March 31, 2006	335,000	1,499,726	1,499,726	101,261	101,261	1,935,988	5,028	5,028	1,941,016
Net change during the annual period									
Cash dividends*				(33,500)	(33,500)	(33,500)			(33,500)
Bonuses paid to directors and corporate auditors*				(55)	(55)	(55)			(55)
Net income				84,318	84,318	84,318			84,318
Others, net							(3,215)	(3,215)	(3,215)
Total net change during the annual period	-	-	-	50,762	50,762	50,762	(3,215)	(3,215)	47,547
March 31, 2007	335,000	1,499,726	1,499,726	152,024	152,024	1,986,751	1,812	1,812	1,988,563

(*) Items approved in the shareholders' meeting held in June 2006

Six months ended September 30, 2007

(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 Accumulated earned surplus	Total earned surplus				
March 31, 2007	335,000	1,499,726	1,499,726	152,024	152,024	1,986,751	1,812	1,812	1,988,563
Net change during this semi-annual period									
Cash dividends				(33,500)	(33,500)	(33,500)			(33,500)
Net income				73,166	73,166	73,166			73,166
Others, net							(1,308)	(1,308)	(1,308)
Total net change during this semi-annual period	-	-	-	39,666	39,666	39,666	(1,308)	(1,308)	38,357
September 30, 2007	335,000	1,499,726	1,499,726	191,690	191,690	2,026,417	504	504	2,026,921

5. Business Results (Non-Consolidated Operating Revenues)

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Six months ended September 30, 2006	Six months ended September 30, 2007	Increase (Decrease)	Percent Increase (Decrease)	Year ended March 31, 2007
Voice transmission services revenues (excluding IP services revenues)	593,736	530,178	(63,557)	(10.7%)	1,159,041
Monthly charge revenues*	376,123	346,157	(29,965)	(8.0%)	739,811
Call rates revenues*	79,812	64,882	(14,929)	(18.7%)	151,550
Interconnection call revenues*	94,119	75,221	(18,897)	(20.1%)	181,751
IP services revenues	165,445	216,738	51,292	31.0%	359,462
Leased circuit services revenues (excluding IP services revenues)	95,880	90,114	(5,765)	(6.0%)	191,610
Telegram services revenues	11,909	11,865	(43)	(0.4%)	24,664
Other telecommunications services revenues	79,854	76,461	(3,393)	(4.2%)	173,053
Telecommunications total revenues	946,827	925,358	(21,468)	(2.3%)	1,907,832
Supplementary business total revenues	66,346	56,504	(9,842)	(14.8%)	153,562
Total operating revenues	1,013,173	981,863	(31,310)	(3.1%)	2,061,395

*Partial listing only

6. Non-Consolidated Comparative Statements of Cash Flows

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Six months ended September 30, 2006	Six months ended September 30, 2007	Increase (Decrease)	Year ended March 31, 2007
I Cash flows from operating activities:				
Income before income taxes	59,840	122,247	62,407	140,132
Depreciation and amortization	212,727	213,730	1,003	425,987
Loss on disposal of property, plant and equipment	9,416	7,020	(2,395)	27,365
Gains on sales of fixed assets	(8,710)	(14,529)	(5,819)	(49,765)
Gain on the transfer of substitutional portion of NTT Kosei-Nenkin-Kikin	—	(124,801)	(124,801)	—
Non-recurring depreciation of fixed assets	—	63,317	63,317	—
Increase (decrease) in liability for employees' retirement benefits	(27,129)	(13,995)	13,133	(82,871)
(Increase) decrease in accounts receivable	(25,452)	30,436	55,888	(37,916)
(Increase) decrease in inventories	(2,745)	(2,840)	(95)	(5,052)
Increase (decrease) in accounts payable and accrued expenses	(91,828)	(114,124)	(22,296)	(16,753)
Increase (decrease) in accrued consumption tax	5,242	1,218	(4,023)	2,431
Other	18,664	(3,593)	(22,257)	37,480
Sub-total	150,024	164,085	14,060	441,037
Interest and dividends received	358	3,967	3,608	11,282
Interest paid	(8,116)	(7,888)	227	(14,380)
Income taxes received (paid)	(31,484)	10,665	42,149	(33,706)
Net cash provided by (used in) operating activities	110,782	170,829	60,047	404,232
II Cash flows from investing activities:				
Payments for property, plant and equipment	(201,354)	(225,373)	(24,018)	(427,832)
Proceeds from sale of property, plant and equipment	12,214	16,305	4,090	55,343
Payments for purchase of investment securities	(8,059)	(40)	8,019	(9,500)
Proceeds from sale of investment securities	5,155	3,078	(2,077)	6,463
Other	(513)	643	1,156	415
Net cash provided by (used in) investing activities	(192,556)	(205,385)	(12,828)	(375,110)
III Cash flows from financing activities:				
Proceeds from issuance of long-term debt	—	90,000	90,000	—
Payments for settlement of long-term debt	(75,926)	(89,615)	(13,689)	(141,096)
Net increase (decrease) in short-term borrowings	113,000	5,000	(108,000)	121,000
Dividends paid	(33,500)	(33,500)	—	(33,500)
Net cash provided by (used in) financing activities	3,573	(28,115)	(31,689)	(53,596)
IV Net increase (decrease) in cash and cash equivalents	(78,200)	(62,671)	15,529	(24,474)
V Cash and cash equivalents at beginning of period	142,034	117,559	(24,474)	142,034
VI Cash and cash equivalents at end of period	63,834	54,888	(8,945)	117,559

Additional information

As NTT Kosei-Nenkin-Kikin ("NTT Plan") received permission to be relieved of the obligations related to past services and to disburse the NTT Plan benefits covering the substitutional portion as of July 1, 2007 from the Minister of Health, Labor and Welfare under the Defined Benefit Corporate Pension Law, the special profit of 124,801 million yen was recorded during this semi-annual period.

In addition, as NTT East made a change related to the depreciation pursuant to major machinery and equipment's renewal plans, 63,317 million yen was recorded as special losses during this semi-annual period.

7. Other

Regarding telephone cards issued by NTT Group, as liability is expected to be recorded based on reasonable estimates of their future usage, the preliminary calculations for such figure at present of roughly 13 billion yen have been included in the performance forecasts and recorded as a special loss.