



News Release

NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION

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November 10, 2004**FOR IMMEDIATE RELEASE****Interim Settlement for Fiscal Year Ending March 31, 2005**

The results of Nippon Telegraph and Telephone East Corporation (NTT East) for the interim period of fiscal 2004 are presented in the order indicated on the attachment.

(Attachments)

- 1. Summary of Results**
- 2. Non-consolidated Balance Sheet**
- 3. Non-consolidated Statements of income**
- 4. Business Results (Non-consolidated Operating Revenues)**
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SUMMARY OF RESULTS

During the interim period ended September 30, 2004, the economy continued to show signs of a steady recovery. Corporate profits continued to rise, and capital investment expanded. The employment situation, while still harsh, continued to improve, and personal consumption showed a gradual increase.

In the information and communications sector, the demand for broadband service has been growing rapidly as society moves closer to ubiquitous networks—the ability to send and receive a wide range of information anytime and anywhere. Within the broadband market, ADSL speed continued to rise and intense competition for customers has led to lower rates. In addition, IP telephone services are becoming widely available, and demand for optical access services has steadily expanded. In the fixed-line market, meanwhile, a competitor announced plans to build an IP-based fixed-line network using dry copper, a move that can be expected to further intensify competition here as well.

Within this business environment, Nippon Telegraph and Telephone East Corporation (NTT East) has worked hard to develop new sources of revenue and build a strong financial base while keeping business operations focused on the vision of being “a truly customer-oriented company.” NTT East has positioned this period as the critical period for gearing up its recently launched “Hikari” optic network and has implemented internal reorganization in order to further boost its sales and service-development capabilities and to accelerate decision making. In addition, NTT East has worked actively to develop a wide range of new IP / broadband services.

During the interim period under review, NTT East focused its efforts on the following.

First, in the rapidly expanding broadband market, NTT East worked to further upgrade and expand its services to respond to its customers' diverse needs, while continuing to lower rates. With regard to its ADSL service, in August 2004, NTT East began offering faster transfer speeds through “FLET'S ADSL More III,” with maximum download speeds of approximately 47 Mbps and maximum upload speeds of approximately 5Mbps. In September 2004, for users of its B FLET'S “Mansion Type,” NTT East began offering “Hikari Denwa,” IP Telephony Service for Condominiums that permits subscribers to make and receive calls to and from conventional

phone lines and within the IP phone network, using the conventional phone-line number with no prefix. In addition, NTT East initiated "L-Mode on FLET'S," which gives users of B FLET'S, FLET'S ADSL, and other broadband services the use of L-mode capabilities, including the ability to send and receive email and search for information with a specially designed telephone. To respond to the video-transmission needs of our corporate customers, NTT East began providing its "More Live" service, which enables simultaneous video transmission to multiple receivers within a prefecture without sacrificing image quality.

At the same time NTT East initiated several services designed to give its customers an added sense of security. NTT East added "More III" options to its existing 24 hours and 7 days a week repair and backup service "FLET'S ADSL Advanced Support." For small businesses, NTT East began offering "FLET'S Safety Type II," which makes it easy to protect against viruses and unauthorized access. And in September 2004, NTT East soled by subscription an IP-based video phone terminal called "FLET'S Phone VP 1000," operated by user-friendly touch screen, for added customer convenience.

Meanwhile, in an effort to expand its offerings of high value-added content exploiting the broadband environment, NTT East began trial distribution of "Try To Golfers' BB on FLET'S" in partnership with another company and is working to make the pay-per-use service "FLET'S on Demand" accessible to more users.

NTT East has also taken a number of steps to promote sales. It has worked to lower rates by instituting toll-free calls between "Corporate IP Telephone Service" subscribers, even between prefectures, and by lowering monthly access rates for its B FLET'S "Mansion Type." NTT East also extended its "3 months free" campaign for FLET'S ADSL and is planning a "2 months free campaign" for B FLET'S beginning in October 2004. In April 2004, NTT East has launched a new calling plan that will allow subscribers to call from mobile to fixed-line phones at lower rates than those offered by mobile telephone carriers.

NTT East is also taking measures to respond to an increasingly competitive environment with respect to phone rates. Beginning January 2005, NTT East is implementing a rate cut in anticipation of the coming era of optical IP services, which will usher in a system of flat basic charges and call rates. We will also implement cuts in subscription fees from March 2005.

In its corporate-services sector, NTT East implemented a review of our headquarters in July 2004 in order to construct business units for each business group based on operations by industry and business category and to realize a corporate system that will enable it to provide total services from service development to sales.

Under NTT East's "Team M@rketing Solutions" business concept for tackling issues and developing new businesses in partnership with its corporate customers, NTT East has been working actively to provide new services for business use, including data centers and such corporate optic access services as "Mega Data Netz," "Super Wide LAN," and "Metro Ether," while simultaneously moving forward with its "total solutions" business designed to meet accurately the increasingly diverse and sophisticated needs of its customers, as by taking advantage of the bilateral-contract system under the amended Telecommunications Business Law, revised in April 2004. In addition, active efforts are under way in the e-Japan Promotion Department of the Corporate Business Headquarters, as well as the e-Japan Promotion Office of the Business Communications Department of each branch, to respond to opportunities presented by the e-Japan Priority Plans of local governments within the NTT East area.

As for business management structure, we have established three new units—the Consumer Business Headquarters, Corporate Business Headquarters, and Network Business Headquarters—as well as the reorganization of NTT East corporate headquarters, including streamlining and consolidation in the area of staffing, to increase the speed of decision making, including relationships with branch offices. In addition, the NTT East Group has been working actively to expand its business domain, as seen in the development of a new IT home consulting business offered through partnerships with the prefectural outsourcing subsidiaries* established under the group's structural reform program.

* Prefectural outsourcing subsidiaries: Companies set up at the prefecture level named NTT Service [prefecture name] Corporation, NTT ME [prefecture or region name] Corporation, or NTT Business Associe [prefecture name] Co., Ltd.

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

In NTT East's broadband access services, as of the end of September 2004 there were 632,000 B FLET'S subscribers, an increase of 206,000 from the end of March 2004, and 2,620,000 FLET'S ADSL subscribers, an increase of 338,000 from the end of March 2004.

In subscriber telephone services, the total number of lines installed was 25.23 million as of the end of September 2004, an increase of 10,000 from the end of March 2004, while the total number of INS-Net 64 lines fell by 180,000 from the end of March 2004 to 4.21 million as a result of the shift to broadband access services.

In leased circuit services, as of the end of September 2004 the total number of High Super Digital (HSD) transmission services installed was 229,000 circuits, a decline of 20,000 circuits from the end of March 2004 resulting from a shift in demand toward business-user-oriented optical access services.

During the interim period under review, operating revenue totaled 1,071.4 billion yen (down 3.8 % from the same period of the previous year); recurring profit came to 53.4 billion yen (down 27.7% from the same period of the previous year); and net profit totaled 31.3 billion yen (down 21.9% from the same period of the previous year).

Attachment 2

NON-CONSOLIDATED BALANCE SHEET
(Based on accounting principles generally accepted in Japan)

	<u>March 31, 2004</u>	<u>September 30, 2004</u>	
	Millions of Yen	Millions of Yen	Millions of US\$
<u>ASSETS</u>			
FIXED ASSETS	3,664,084	3,572,357	32,183
CURRENT ASSETS	642,633	554,238	4,993
TOTAL ASSETS	<u>4,306,718</u>	<u>4,126,596</u>	<u>37,176</u>
<u>LIABILITIES</u>			
LONG-TERM LIABILITIES:			
Long-term debt	1,010,103	977,410	8,805
Liability for employees' severance payments	728,580	717,389	6,462
Other	6,207	6,017	54
Total long-term liabilities	<u>1,744,890</u>	<u>1,700,817</u>	<u>15,322</u>
CURRENT LIABILITIES:			
Current portion of long-term debt	95,559	83,809	755
Accounts payable, trade	170,463	88,354	795
Accounts payable, other	324,058	193,661	1,744
Accrued taxes on income	146	1,374	12
Other	77,950	166,226	1,497
Total current liabilities	<u>668,178</u>	<u>533,426</u>	<u>4,805</u>
TOTAL LIABILITIES	<u>2,413,069</u>	<u>2,234,243</u>	<u>20,128</u>
<u>SHAREHOLDERS' EQUITY</u>			
Common stock	335,000	335,000	3,018
Additional paid-in capital	1,499,726	1,499,726	13,511
Unappropriated retained earnings for the period	57,985	56,809	511
Net unrealized gains (losses) on securities	936	817	7
TOTAL SHAREHOLDERS' EQUITY	<u>1,893,648</u>	<u>1,892,352</u>	<u>17,048</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>4,306,718</u>	<u>4,126,596</u>	<u>37,176</u>

Note: Yen amounts have been translated, for convenience only, at ¥111=US\$1.00, the approximate exchange rate on September 30, 2004. Fractions are rounded down.

NON-CONSOLIDATED STATEMENTS OF INCOME
(Based on accounting principles generally accepted in Japan)

	<u>Six months Ended September 30</u>		
	<u>2003</u>	<u>2004</u>	
	<u>Millions of Yen</u>	<u>Millions of Yen</u>	<u>Millions of US\$</u>
OPERATING REVENUES	1,113,738	1,071,460	9,652
OPERATING EXPENSES	1,047,951	1,023,530	9,220
OPERATING INCOME	65,786	47,930	431
NON-OPERATING REVENUES	29,406	27,952	251
NON-OPERATING EXPENSES	21,179	22,406	201
RECURRING PROFIT	74,013	53,476	481
SPECIAL PROFITS	—	2,840	25
SPECIAL LOSSES	3,368	3,368	30
INCOME BEFORE INCOME TAXES	70,645	52,948	477
CORPORATION, INHABITANT, AND ENTERPRISE TAXES	10,766	(18,427)	(166)
DEFERRED TAX EXPENSES (BENEFITS)	19,700	40,000	360
NET INCOME	<u>40,179</u>	<u>31,375</u>	<u>282</u>

Note: Yen amounts have been translated, for convenience only, at ¥111=US\$1.00, the approximate exchange rate on September 30, 2004. Fractions are rounded down.

BUSINESS RESULTS (NON-CONSOLIDATED OPERATING REVENUES)

(Based on accounting principles generally accepted in Japan)

(Millions of Yen)

Service	Six months Ended September 30, 2003	Six months Ended September 30, 2004	Increase (Decrease)	Year Ended March 31, 2004
Voice Transmission Services Revenues (excluding the amounts of IP Services Revenues)	758,091	713,846	(44,244)	1,506,952
Monthly Charge Revenues*	470,460	462,868	(7,591)	939,584
Call Rates Revenues*	126,579	98,752	(27,826)	238,749
Interconnection Call Revenues*	105,395	103,338	(2,056)	224,417
IP Services Revenues	67,054	98,036	30,981	151,343
Leased Circuit Services Revenues (excluding the amounts of IP Services Revenues)	125,722	105,123	(20,599)	246,962
Telegram Services Revenues	15,777	13,155	(2,621)	30,992
Other Telecommunications Services Revenues	75,868	73,717	(2,151)	166,561
Telecommunications total revenues	1,042,514	1,003,879	(38,634)	2,102,812
Related business total revenues	71,224	67,581	(3,643)	164,371
Total operating revenues	1,113,738	1,071,460	(42,277)	2,267,184

* Partial listing only

Note: Fractions are rounded down.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
(Based on accounting principles generally accepted in Japan)

	<u>Six months Ended September 30</u>		
	<u>2003</u>	<u>2004</u>	
	<u>Millions of Yen</u>	<u>Millions of Yen</u>	<u>Millions of US\$</u>
Cash flows from operating activities:			
Income before income taxes	70,645	52,948	477
Depreciation and amortization	234,763	238,486	2,148
Loss on disposal of property, plant and equipment	16,371	16,998	153
Increase (decrease) in liability for employees' severance payments	5,460	(11,190)	(100)
(Increase) decrease in accounts receivable	29,867	46,022	414
Increase (decrease) in accounts payable and accrued expenses	(149,297)	(171,192)	(1,542)
Increase (decrease) in accrued consumption tax	8,542	1,871	16
Other	(57,938)	(23,234)	(209)
Sub-total	158,414	150,710	1,357
Interest and dividends received	193	252	2
Interest paid	(10,986)	(9,794)	(88)
Income taxes received (paid)	57,611	(16,022)	(144)
Net cash provided by (used in) operating activities	205,233	125,146	1,127
Cash flows from investing activities:			
Payments for property, plant and equipment	(179,900)	(208,330)	(1,876)
Acquisition of investments	(663)	(126)	(1)
Other	(19,924)	567	5
Net cash provided by (used in) investing activities	(200,488)	(207,888)	(1,872)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	10,000	17,950	161
Payments for settlement of long-term debt	(43,380)	(62,393)	(562)
Increase (decrease) in short-term borrowings	(55,000)	71,000	639
Dividends paid	(3,035)	(32,495)	(292)
Net cash provided by (used in) financing activities	(91,415)	(5,938)	(53)
Net increase (decrease) in cash and cash equivalents	(86,671)	(88,680)	(798)
Cash and cash equivalents at beginning of period	220,619	186,287	1,678
Cash and cash equivalents at end of period	133,948	97,607	879

Note: Yen amounts have been translated, for convenience only, at ¥111=US\$1.00, the approximate exchange rate on September 30, 2004. Fractions are rounded down.

Non-Consolidated Semi-annual Financial Results for the Year Ending March 31, 2005

April 1, 2004 – September 30, 2004

(Based on accounting principles generally accepted in Japan)

【Operating Results】

(Billions of Yen)

Details	Six Months Ended Sept. 30, 2004	Six Months Ended Sept. 30, 2003	Increase (Decrease)	Percent Increase (Decrease)
Operating Revenues	1,071.4	1,113.7	(42.2)	(3.8%)
Operating Expenses	1,023.5	1,047.9	(24.4)	(2.3%)
Operating Income	47.9	65.7	(17.8)	(27.1%)
Non-Operating Income	5.5	8.2	(2.6)	(32.6%)
Recurring Profit	53.4	74.0	(20.5)	(27.7%)
Special Profits	2.8	—	2.8	—
Special Losses	3.3	3.3	—	—
Income before Income Taxes	52.9	70.6	(17.6)	(25.1%)
Income Taxes	21.5	30.4	(8.8)	(29.2%)
Net Income	31.3	40.1	(8.8)	(21.9%)

Notes: 1. "Special profits" for the six months ended Sept. 30, 2004 represent gain on sale of property, plant and equipment.

2. "Special losses" for the six months ended Sept. 30, 2004 represent amortization of cumulative effect of change in accounting standard for severance payments and pension plans.

【Forecasts for the Year Ending March 31, 2005】

(Billions of Yen)

Details	Operating Revenues	Operating Income	Recurring Profit	Net Income
Forecasts for the Year Ending March 31, 2005	2,128.0	75.0	85.0	46.0

【Breakdown of Operating Revenues and Operating Expenses】

(1) Operating Revenues

(Billions of Yen)

Service	Six Months Ended Sept. 30, 2004	Six Months Ended Sept. 30, 2003	Increase (Decrease)	Percent Increase (Decrease)
Voice Transmission Services Revenues (excluding the amounts of IP Services Revenues)	713.8	758.0	(44.2)	(5.8%)
Monthly Charge Revenues*	462.8	470.4	(7.5)	(1.6%)
Call Rates Revenues*	98.7	126.5	(27.8)	(22.0%)
Interconnection Call Revenues*	103.3	105.3	(2.0)	(2.0%)
IP Services Revenues	98.0	67.0	30.9	46.2%
Leased Circuit Services Revenues (excluding the amounts of IP Services Revenues)	105.1	125.7	(20.5)	(16.4%)
Telegram Services Revenues	13.1	15.7	(2.6)	(16.6%)
Other Telecommunications Services Revenues	73.7	75.8	(2.1)	(2.8%)
Related Business Revenues	67.5	71.2	(3.6)	(5.1%)
Total	1,071.4	1,113.7	(42.2)	(3.8%)

* Partial listing only

Notes: 1. "Voice Transmission Services Revenues" represent the total of telephone revenues and ISDN revenues.

2. "Voice Transmission Services Revenues" for the six months ended Sept. 30, 2004 include the estimated amount of 8.6 billion yen in settlement of interconnection charges based on the LRIC methodology, which is not included in "Voice Transmission Services Revenues" for the six months ended Sept. 30, 2003.

(2) Operating Expenses

(Billions of Yen)

Details	Six Months Ended Sept. 30, 2004	Six Months Ended Sept. 30, 2003	Increase (Decrease)	Percent Increase (Decrease)
Personnel	103.5	117.2	(13.7)	(11.7%)
Purchase of goods and services	623.7	632.7	(8.9)	(1.4%)
Depreciation and amortization	232.9	231.5	1.3	0.6%
Retirement of fixed assets	23.9	22.9	0.9	4.0%
Miscellaneous Taxes	39.4	43.3	(3.9)	(9.1%)
Total	1,023.5	1,047.9	(24.4)	(2.3%)

【Assets, Liabilities and Shareholders' Equity】

(Billions of Yen)

Details	Sept. 30, 2004	March 31, 2004	Increase (Decrease)	Percent Increase (Decrease)
Fixed Assets	3,572.3	3,664.0	(91.7)	(2.5%)
Current Assets	554.2	642.6	(88.3)	(13.8%)
Total Assets	4,126.5	4,306.7	(180.1)	(4.2%)
Long-Term Liabilities	1,700.8	1,744.8	(44.0)	(2.5%)
Current Liabilities	533.4	668.1	(134.7)	(20.2%)
Total Liabilities	2,234.2	2,413.0	(178.8)	(7.4%)
Interest-Bearing Debts*	1,132.2	1,105.6	26.5	2.4%
Shareholders' Equity	1,892.3	1,893.6	(1.2)	(0.1%)
Total of Liabilities and Shareholders' Equity	4,126.5	4,306.7	(180.1)	(4.2%)

* Partial listing only

【Cash Flows】

(Billions of Yen)

Details	Six Months Ended Sept. 30, 2004	Six Months Ended Sept. 30, 2003	Increase (Decrease)	Percent Increase (Decrease)
Cash Flows from Operating Activities	125.1	205.2	(80.0)	—
Cash Flows from Investing Activities	(207.8)	(200.4)	(7.4)	—
Cash Flows from Financing Activities	(5.9)	(91.4)	85.4	—
Net Increase (Decrease) in Cash and Cash Equivalents	(88.6)	(86.6)	(2.0)	—
Cash and Cash Equivalents at Beginning of Period	186.2	220.6	(34.3)	(15.6%)
Cash and Cash Equivalents at End of Period	97.6	133.9	(36.3)	(27.1%)

【Reference】**1.Number of Subscriber Lines**

Details	Sept. 30, 2004	Sept. 30, 2003	Increase (Decrease)	Percent Increase (Decrease)
Number of Telephone Subscriber Lines (1,000)	25,274	25,264	10	0.0%
Number of ISDN Subscriber Lines (1,000)	4,572	5,006	(434)	(8.7%)
Number of Subscriber Lines	29,846	30,270	(425)	(1.4%)

Notes: 1. "Number of Telephone Subscriber Lines" is the total of individual lines and central station lines (Analog Lite Plan is included).

2. Since, in terms of number of channels, transmission rate, and line use rate (base rate), INS-Net 1500 is in all cases roughly ten times greater than INS-Net 64, one INS-Net 1500 subscriber is calculated as ten INS-Net 64 subscribers (INS-Net 64 Lite Plan is included).

2.Number of IP-related Services Subscribers

Details	Sept. 30, 2004	Sept. 30, 2003	Increase (Decrease)	Percent Increase (Decrease)
Number of FLET'S ISDN Subscribers (1,000)	461	585	(124)	(21.2%)
Number of FLET'S ADSL Subscribers (1,000)	2,620	1,912	709	37.1%
Number of B-FLET'S Subscribers (1,000)	632	247	385	155.7%

3.Number of Employees

Details	Sept. 30, 2004	Sept. 30, 2003	Increase (Decrease)	Percent Increase (Decrease)
Number of Employees	14,900	15,600	(700)	(4.5%)

4.Capital Investments

(Billions of Yen)

Details	Six Months Ended Sept. 30, 2004	Six Months Ended Sept. 30, 2003	Increase (Decrease)	Percent Increase (Decrease)
Capital Investments	184.4	152.6	31.7	20.8%