



News Release

NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION

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Financial Statements for the Third Quarter Ended December 31, 2005

The results of Nippon Telegraph and Telephone East Corporation (NTT East) for the Third Quarter ended December 31, 2005 are presented in the following attachments.

(Attachments)

1. Non-consolidated Comparative Balance Sheets
2. Non-consolidated Comparative Statements of Income
3. Business Results (Non-consolidated Operating Revenues)
4. Non-consolidated Comparative Statements of Cash Flows

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

(Millions of yen)

| | March 31, 2005 | December 31, 2005 | Increase (Decrease) |
|---|------------------|-------------------|---------------------|
| <u>ASSETS</u> | | | |
| Fixed assets: | | | |
| Fixed assets-telecommunications businesses | | | |
| Property, plant and equipment | 2,968,134 | 2,933,412 | (34,722) |
| Machinery and equipment | 580,807 | 558,542 | (22,265) |
| Antenna facilities | 8,158 | 7,880 | (277) |
| Terminal equipment | 30,769 | 43,489 | 12,719 |
| Local line facilities | 655,890 | 669,684 | 13,793 |
| Long-distance line facilities | 11,901 | 10,375 | (1,525) |
| Engineering facilities | 766,392 | 740,267 | (26,124) |
| Submarine line facilities | 1,050 | 885 | (164) |
| Buildings | 622,535 | 620,665 | (1,870) |
| Construction in progress | 28,245 | 28,873 | 628 |
| Other | 262,382 | 252,747 | (9,634) |
| Intangible fixed assets | 105,746 | 97,978 | (7,767) |
| Total fixed assets-telecommunications businesses | 3,073,880 | 3,031,391 | (42,489) |
| Investments and other assets | | | |
| Deferred income taxes | 347,781 | 344,574 | (3,206) |
| Other investments | 84,291 | 83,784 | (506) |
| Allowance for doubtful accounts | (2,122) | (2,780) | (657) |
| Total investments and other assets | 429,950 | 425,578 | (4,371) |
| Total fixed assets | 3,503,830 | 3,456,970 | (46,860) |
| Current assets: | | | |
| Cash and bank deposits | 107,637 | 91,568 | (16,069) |
| Notes receivable | 131 | 30 | (100) |
| Accounts receivable, trade | 370,104 | 369,522 | (581) |
| Supplies | 29,475 | 32,599 | 3,123 |
| Other current assets | 81,202 | 70,486 | (10,716) |
| Allowance for doubtful accounts | (4,082) | (3,644) | 438 |
| Total current assets | 584,469 | 560,563 | (23,905) |
| TOTAL ASSETS | 4,088,300 | 4,017,533 | (70,766) |

(Millions of yen)

| | March 31, 2005 | December 31, 2005 | Increase (Decrease) |
|---|--------------------|--------------------|---------------------|
| <u>LIABILITIES</u> | | | |
| Long-term liabilities: | | | |
| Long-term borrowings from parent company | 883, 881 | 842, 045 | (41, 836) |
| Liability for employees' severance payments | 656, 004 | 636, 497 | (19, 506) |
| Other long-term liabilities | 7, 359 | 7, 374 | 15 |
| Total long-term liabilities | 1, 547, 245 | 1, 485, 917 | (61, 328) |
| Current liabilities: | | | |
| Current portion of long-term borrowings from parent company | 144, 171 | 142, 454 | (1, 717) |
| Accounts payable, trade | 118, 372 | 77, 081 | (41, 290) |
| Short-term borrowings | — | 40, 000 | 40, 000 |
| Accounts payable, other | 273, 517 | 233, 071 | (40, 446) |
| Accrued taxes on income | 2, 676 | * 10, 791 | 8, 115 |
| Other current liabilities | 83, 266 | 88, 994 | 5, 727 |
| Total current liabilities | 622, 004 | 592, 393 | (29, 610) |
| TOTAL LIABILITIES | 2, 169, 249 | 2, 078, 310 | (90, 938) |
| <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 period | 83, 563 | 99, 033 | 15, 470 |
| Total earned surplus | 83, 563 | 99, 033 | 15, 470 |
| Net unrealized gains (losses) on securities | 760 | 5, 462 | 4, 701 |
| TOTAL SHAREHOLDERS' EQUITY | 1, 919, 050 | 1, 939, 222 | 20, 172 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 4, 088, 300 | 4, 017, 533 | (70, 766) |

Note: *NTT East participates in a consolidated tax return system which has been adopted by NTT (Holding company) and its wholly-owned subsidiaries in Japan, however, income taxes have not been calculated on a consolidated basis in the quarterly financial statements.

2. Non-Consolidated Comparative Statements of Income

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

| | Nine months ended December 31, 2004 | Nine months ended December 31, 2005 | Increase(Decrease) | Year ended March 31, 2005 |
|---|--|--|--------------------|------------------------------|
| Recurring profits and losses | | | | |
| Operating revenues and expenses | | | | |
| Telecommunications businesses | | | | |
| Operating revenues | 1,519,319 | 1,478,135 | (41,183) | 2,024,629 |
| Operating expenses | 1,436,761 | 1,412,755 | (24,005) | 1,937,555 |
| Operating income from telecommunications businesses | 82,557 | 65,380 | (17,177) | 87,073 |
| Related businesses | | | | |
| Operating revenues | 104,165 | 100,793 | (3,372) | 156,298 |
| Operating expenses | 101,159 | 99,416 | (1,743) | 155,638 |
| Operating income from related businesses | 3,005 | 1,376 | (1,629) | 660 |
| Operating income | 85,563 | 66,756 | (18,807) | 87,733 |
| Non-Operating revenues and expenses | | | | |
| Non-operating revenues: | | | | |
| Interest income | 42,092 | 46,926 | 4,833 | 61,006 |
| Lease income | 49 | 38 | (10) | 63 |
| Miscellaneous income | 36,850 | 41,597 | 4,746 | 53,563 |
| Miscellaneous income | 5,192 | 5,290 | 97 | 7,379 |
| Non-operating expenses: | | | | |
| Interest expenses | 33,999 | 31,931 | (2,067) | 51,124 |
| Lease expenses | 13,425 | 12,417 | (1,007) | 17,628 |
| Miscellaneous expenses | 18,236 | 15,642 | (2,594) | 26,497 |
| Miscellaneous expenses | 2,337 | 3,871 | 1,534 | 6,997 |
| Recurring profit | 93,656 | 81,751 | (11,905) | 97,615 |
| Special profits and losses | | | | |
| Special profits | 4,750 | 1,358 | (3,391) | 8,397 |
| Special losses | 5,052 | — | (5,052) | 6,736 |
| Income before Income taxes | 93,354 | 83,109 | (10,244) | 99,276 |
| Corporation, inhabitant, and enterprise taxes | * 38,200 | * 34,083 | (4,116) | (21,153) |
| Deferred tax expenses (benefits) | * — | * — | — | 62,300 |
| Net income | 55,154 | 49,025 | (6,128) | 58,129 |
| Unappropriated retained earnings brought forward | 25,433 | 50,008 | 24,574 | 25,433 |
| Unappropriated retained earnings for the period | 80,587 | 99,033 | 18,445 | 83,563 |

Note: *NTT East participates in a consolidated tax return system which has been adopted by NTT (Holding company) and its wholly-owned subsidiaries in Japan, however, income taxes have not been calculated on a consolidated basis in the quarterly financial statements.

3. Business Results (Non-Consolidated Operating Revenues)

(Based on accounting principles generally accepted in Japan)

(Millions of Yen)

| | Nine months ended December 31, 2004 | Nine months ended December 31, 2005 | Increase (Decrease) | Percent Increase (Decrease) | Year ended March 31, 2005 |
|--|---|---|------------------------|-----------------------------------|------------------------------|
| Voice transmission services revenues (excluding the amounts of IP services revenues) | 1,065,846 | 983,303 | (82,542) | (7.7%) | 1,401,433 |
| Monthly charge revenues* | 694,333 | 606,335 | (87,998) | (12.7%) | 903,629 |
| Call rates revenues* | 146,719 | 141,789 | (4,929) | (3.4%) | 190,405 |
| Interconnection call revenues* | 153,324 | 161,890 | 8,565 | 5.6% | 215,128 |
| IP services revenues | 153,080 | 197,423 | 44,343 | 29.0% | 211,357 |
| Leased circuit services revenues (excluding the amounts of IP services revenues) | 156,911 | 148,218 | (8,692) | (5.5%) | 208,730 |
| Telegram services revenues | 20,240 | 19,526 | (713) | (3.5%) | 27,201 |
| Other telecommunications services revenues | 123,240 | 129,663 | 6,422 | 5.2% | 175,907 |
| Telecommunications total revenues | 1,519,319 | 1,478,135 | (41,183) | (2.7%) | 2,024,629 |
| Related business total revenues | 104,165 | 100,793 | (3,372) | (3.2%) | 156,298 |
| Total operating revenues | 1,623,485 | 1,578,929 | (44,556) | (2.7%) | 2,180,928 |

* Partial listing only

4. Non-Consolidated Comparative Statements of Cash Flows

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

| | Nine months ended December 31, 2004 | Nine months ended December 31, 2005 | Increase (Decrease) | Year ended March 31, 2005 |
|--|--|--|------------------------|------------------------------|
| I Cash flows from operating activities: | | | | |
| Income before income taxes | 93,354 | 83,109 | (10,244) | 99,276 |
| Depreciation and amortization | 355,550 | 362,537 | 6,986 | 483,027 |
| Loss on disposal of property, plant and equipment | 25,996 | 15,542 | (10,453) | 40,136 |
| Increase (decrease) in liability for employees' severance payments | (15,894) | (19,506) | (3,612) | (72,575) |
| (Increase) decrease in accounts receivable | (20,349) | 2,302 | 22,652 | 12,725 |
| (Increase) decrease in inventories | (604) | (3,123) | (2,519) | 1,171 |
| Increase (decrease) in accounts payable and accrued expenses | (170,191) | (98,090) | 72,101 | (83,952) |
| Increase (decrease) in accrued consumption tax payable | 1,549 | (164) | (1,714) | (158) |
| Other | (14,884) | (55,000) | (40,115) | (13,159) |
| Sub-total | 254,525 | 287,606 | 33,080 | 466,490 |
| Interest and dividends received | 287 | 383 | 95 | 297 |
| Interest paid | (12,654) | (11,938) | 715 | (17,771) |
| Income taxes received (paid) | (16,051) | 21,195 | 37,247 | (16,095) |
| Net cash provided by (used in) operating activities | 226,107 | 297,246 | 71,139 | 432,922 |
| II Cash flows from investing activities: | | | | |
| Payments for property, plant and equipment | (299,320) | (298,732) | 587 | (401,013) |
| Proceeds from sale of property, plant and equipment | 7,032 | 3,249 | (3,782) | 11,624 |
| Acquisition of investment securities | (6,360) | (549) | 5,810 | (7,353) |
| Proceeds from sale of investment securities | 417 | 438 | 20 | 417 |
| Other | (3,803) | 8,270 | 12,074 | 8,273 |
| Net cash provided by (used in) investing activities | (302,034) | (287,324) | 14,710 | (388,050) |
| III Cash flows from financing activities: | | | | |
| Proceeds from issuance of long-term debt | 17,950 | 35,000 | 17,050 | 17,950 |
| Payments for settlement of long-term debt | (73,907) | (78,553) | (4,646) | (95,559) |
| Net increase (decrease) in short-term borrowings | 47,000 | 40,000 | (7,000) | — |
| Dividends paid | (32,495) | (33,500) | (1,005) | (32,495) |
| Net cash provided by (used in) financing activities | (41,452) | (37,053) | 4,398 | (110,104) |
| IV Net increase (decrease) in cash and cash equivalents | (117,380) | (27,131) | 90,249 | (65,232) |
| V Cash and cash equivalents at beginning of period | 186,287 | 121,055 | (65,232) | 186,287 |
| VI Cash and cash equivalents at end of period | 68,907 | 93,923 | 25,016 | 121,055 |