



# News Release

NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION

Telephone +81 3 5359 3711

19-2 Nishi-shinjuku 3-chome Shinjuku-ku, Tokyo 163-8019 Japan

**August 3, 2006****FOR IMMEDIATE RELEASE****Financial Statements for the Three Months Ended June 30, 2006**

The results of Nippon Telegraph and Telephone East Corporation (NTT East) for the three months ended June 30, 2006 are presented in the following attachments.

(Attachments)

1. Non-Consolidated Comparative Balance Sheets
2. Non-Consolidated Comparative Statements of Income
3. Non-Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets
4. Business Results (Non-Consolidated Operating Revenues)
5. Non-Consolidated Comparative Statements of Cash Flows

Inquiries:

Shigeru Matsuhisa and Kenkichi Nakata

Accounting Section, Finance Division

NTT East

Tel: (03) 5359-3331

E-mail: [kessan@sinoa.east.ntt.co.jp](mailto:kessan@sinoa.east.ntt.co.jp)

# 1. Non-Consolidated Comparative Balance Sheets

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	March 31, 2006	June 30, 2006	Increase (Decrease)
<b>ASSETS</b>			
<b>Fixed assets:</b>			
<b>Telecommunications businesses</b>			
Property, plant and equipment	2,958,375	2,929,478	(28,896)
Machinery and equipment	556,601	547,137	(9,463)
Antenna facilities	7,690	7,554	(136)
Terminal equipment	48,220	52,710	4,490
Local line facilities	684,119	687,589	3,470
Long-distance line facilities	9,977	9,563	(413)
Engineering facilities	735,027	726,144	(8,883)
Submarine line facilities	865	819	(45)
Buildings	612,451	600,975	(11,476)
Construction in progress	34,931	32,973	(1,958)
Other	268,488	264,008	(4,479)
Intangible fixed assets	99,808	96,792	(3,015)
<b>Total fixed assets-telecommunications businesses</b>	<b>3,058,183</b>	<b>3,026,270</b>	<b>(31,912)</b>
<b>Investments and other assets</b>			
Deferred income taxes	343,198	344,471	1,272
Other investments	81,053	83,062	2,009
Allowance for doubtful accounts	(2,647)	(2,465)	181
<b>Total investments and other assets</b>	<b>421,604</b>	<b>425,068</b>	<b>3,464</b>
<b>Total fixed assets</b>	<b>3,479,787</b>	<b>3,451,339</b>	<b>(28,448)</b>
<b>Current assets:</b>			
Cash and bank deposits	118,783	87,335	(31,447)
Notes receivable	37	309	272
Accounts receivable, trade	329,798	294,920	(34,877)
Supplies	30,165	32,828	2,663
Other current assets	69,119	70,823	1,703
Allowance for doubtful accounts	(3,125)	(2,890)	235
<b>Total current assets</b>	<b>544,779</b>	<b>483,327</b>	<b>(61,451)</b>
<b>TOTAL ASSETS</b>	<b>4,024,566</b>	<b>3,934,666</b>	<b>(89,899)</b>

(Millions of yen)

	March 31, 2006	June 30, 2006	Increase (Decrease)
<b><u>LIABILITIES</u></b>			
Long-term liabilities:			
Long-term borrowings from parent company	777,785	753,419	(24,365)
Liability for employees' severance payments	582,104	574,800	(7,303)
Other long-term liabilities	7,554	7,462	(91)
Total long-term liabilities	1,367,444	1,335,683	(31,760)
Current liabilities:			
Current portion of long-term borrowings from parent company	141,096	113,795	(27,300)
Accounts payable, trade	117,095	73,017	(44,078)
Short-term borrowings	42,000	70,000	28,000
Accounts payable, other	330,063	204,873	(125,190)
Accrued taxes on income	1,068	* 4,611	3,542
Other current liabilities	84,781	207,647	122,865
Total current liabilities	716,105	673,944	(42,161)
<b>TOTAL LIABILITIES</b>	<b>2,083,550</b>	<b>2,009,627</b>	<b>(73,922)</b>
<b><u>SHAREHOLDERS' EQUITY</u></b>			
Common stock	335,000	—	—
Capital surplus			
Additional paid-in capital	1,499,726	—	—
Total capital surplus	1,499,726	—	—
Earned surplus			
Unappropriated retained earnings for the period	101,261	—	—
Total earned surplus	101,261	—	—
Net unrealized gains (losses) on securities	5,028	—	—
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,941,016</b>	<b>—</b>	<b>—</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>4,024,566</b>	<b>—</b>	<b>—</b>

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.

(Millions of yen)

	March 31, 2006	June 30, 2006	Increase (Decrease)
<b>NET ASSETS</b>			
<b>Shareholders' equity</b>			
Common stock	—	335,000	—
<b>Capital surplus</b>			
Additional paid-in capital	—	1,499,726	—
Total capital surplus	—	1,499,726	—
<b>Earned surplus</b>			
Other earned surplus	—	87,149	—
Accumulated earned surplus	—	87,149	—
Total earned surplus	—	87,149	—
Total shareholders' equity	—	1,921,876	—
<b>Unrealized gains (losses), translation adjustments, and others</b>			
Net unrealized gains (losses) on securities	—	3,162	—
Total unrealized gains (losses), translation adjustments, and others	—	3,162	—
<b>TOTAL NET ASSETS</b>	—	1,925,038	—
<b>TOTAL LIABILITIES AND NET ASSETS</b>	—	3,934,666	—

## 2. Non-Consolidated Comparative Statements of Income

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Three months ended June 30, 2005	Three months ended June 30, 2006	Increase (Decrease)	Year ended March 31, 2006
<b>Recurring profits and losses</b>				
<b>Operating revenues and expenses</b>				
<b>Telecommunications businesses</b>				
Operating revenues	488,624	469,621	(19,002)	1,967,812
Operating expenses	464,581	448,069	(16,512)	1,898,156
Operating income from telecommunications businesses	24,042	21,551	(2,490)	69,656
<b>Supplementary businesses</b>				
Operating revenues	29,816	31,866	2,049	157,520
Operating expenses	29,307	30,297	989	161,227
Operating income (losses) from supplementary businesses	508	1,568	1,060	(3,707)
Operating income	24,551	23,120	(1,430)	65,948
<b>Non-Operating revenues and expenses</b>				
<b>Non-operating revenues:</b>	14,699	15,471	772	63,269
Interest income	13	6	(7)	45
Lease income	12,985	14,217	1,232	55,685
Miscellaneous income	1,699	1,247	(452)	7,538
<b>Non-operating expenses:</b>	12,269	8,427	(3,842)	45,005
Interest expenses	4,145	3,497	(647)	16,406
Lease expenses	7,017	4,478	(2,538)	24,086
Miscellaneous expenses	1,106	451	(655)	4,512
Recurring profit	26,980	30,164	3,183	84,212
Special profits	836	2,550	1,713	2,442
Income before Income taxes	27,817	32,714	4,897	86,654
Corporation, inhabitant, and enterprise taxes	11,600*	13,270*	1,670	31,411
Deferred tax expenses (benefits)	—*	—*	—	3,989
Net income	16,217	19,443	3,226	51,253
Unappropriated retained earnings brought forward	50,008	—	—	50,008
Unappropriated retained earnings for the period	66,225	—	—	101,261

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. Non-Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets

(Based on accounting principles generally accepted in Japan)

Three months ended  
June 30, 2006

(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 in this quarter									
Cash dividends				(33,500)	(33,500)	(33,500)			(33,500)
Bonuses paid to directors and corporate auditors				(55)	(55)	(55)			(55)
Net income				19,443	19,443	19,443			19,443
Others, net							(1,865)	(1,865)	(1,865)
Total net change in this quarter	-	-	-	(14,111)	(14,111)	(14,111)	(1,865)	(1,865)	(15,977)
June 30, 2006	335,000	1,499,726	1,499,726	87,149	87,149	1,921,876	3,162	3,162	1,925,038

#### 4. Business Results (Non-Consolidated Operating Revenues)

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Three months ended June 30, 2005	Three months ended June 30, 2006	Increase (Decrease)	Percent Increase (Decrease)	Year ended March 31, 2006
Voice transmission services revenues (excluding IP services revenues)	333,190	300,494	(32,696)	(9.8%)	1,294,098
Monthly charge revenues*	204,134	189,445	(14,688)	(7.2%)	801,186
Call rates revenues*	48,998	40,893	(8,105)	(16.5%)	183,977
Interconnection call revenues*	54,833	47,803	(7,029)	(12.8%)	213,119
IP services revenues	62,155	79,178	17,023	27.4%	270,799
Leased circuit services revenues (excluding IP services revenues)	51,397	49,651	(1,745)	(3.4%)	198,061
Telegram services revenues	7,199	6,760	(438)	(6.1%)	25,961
Other telecommunications services revenues	34,682	33,536	(1,146)	(3.3%)	178,890
Telecommunications total revenues	488,624	469,621	(19,002)	(3.9%)	1,967,812
Related business total revenues	29,816	31,866	2,049	6.9%	157,520
Total operating revenues	518,440	501,487	(16,953)	(3.3%)	2,125,333

\*Partial listing only

## 5. Non-Consolidated Comparative Statements of Cash Flows

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Three months ended June 30, 2005	Three months ended June 30, 2006	Increase (Decrease)	Year ended March 31, 2006
<b>I Cash flows from operating activities:</b>				
Income before income taxes	27,817	32,714	4,897	86,654
Depreciation and amortization	132,051	106,813	(25,237)	467,256
Loss on disposal of property, plant and equipment	3,954	3,187	(766)	23,391
Increase (decrease) in liability for employees' severance payments	(9,673)	(7,303)	2,369	(73,899)
(Increase) decrease in accounts receivable	32,520	36,563	4,043	40,204
(Increase) decrease in inventories	(40)	(2,663)	(2,622)	(689)
Increase (decrease) in accounts payable and accrued expenses	(72,407)	(166,000)	(93,592)	22,455
Increase (decrease) in accrued consumption tax	2,813	5,326	2,512	(1,173)
Other	(65,856)	18,426	84,282	(45,166)
Sub-total	51,179	27,065	(24,113)	519,034
Interest and dividends received	163	238	74	392
Interest paid	(3,506)	(3,330)	175	(16,591)
Income taxes received (paid)	(101)	(145)	(43)	21,195
Net cash provided by (used in) operating activities	47,734	23,828	(23,906)	524,031
<b>II Cash flows from investing activities:</b>				
Payments for property, plant and equipment	(108,482)	(104,028)	4,454	(420,613)
Proceeds from sale of property, plant and equipment	1,212	3,662	2,450	5,022
Payments for purchase of investment securities	(9)	(6,119)	(6,110)	(1,867)
Proceeds from sale of investment securities	375	154	(220)	5,365
Other	(286)	(346)	(60)	9,711
Net cash provided by (used in) investing activities	(107,190)	(106,677)	513	(402,380)
<b>III Cash flows from financing activities:</b>				
Proceeds from issuance of long-term debt	25,000	—	(25,000)	35,000
Payments for settlement of long-term debt	(16,049)	(51,666)	(35,616)	(144,171)
Net Increase (decrease) in short-term borrowings	93,000	118,000	25,000	42,000
Dividends paid	(33,500)	(33,500)	—	(33,500)
Net cash provided by (used in) financing activities	68,450	32,833	(35,616)	(100,671)
IV Net increase (decrease) in cash and cash equivalents	8,994	(50,015)	(59,010)	20,979
V Cash and cash equivalents at beginning of period	121,055	142,034	20,979	121,055
VI Cash and cash equivalents at end of period	130,049	92,018	(38,030)	142,034