



News Release

NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION

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FOR IMMEDIATE RELEASE

Financial Statements for the Third Quarter Ended December 31, 2006

The results of Nippon Telegraph and Telephone East Corporation (NTT East) for the Third Quarter Ended December 31, 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
6. Revision of the Business Forecasts for the Fiscal Year Ending March 31, 2007

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

(Millions of yen)

	March 31, 2006	December 31, 2006	Increase (Decrease)
<u>ASSETS</u>			
Fixed assets:			
Fixed assets for telecommunications businesses			
Property, plant and equipment	2,958,375	2,911,455	(46,919)
Machinery and equipment	556,601	544,371	(12,230)
Antenna facilities	7,690	7,333	(357)
Terminal equipment	48,220	57,612	9,392
Local line facilities	684,119	704,862	20,742
Long-distance line facilities	9,977	8,812	(1,164)
Engineering facilities	735,027	709,745	(25,282)
Submarine line facilities	865	733	(132)
Buildings	612,451	584,700	(27,751)
Construction in progress	34,931	34,898	(32)
Other	268,488	258,386	(10,102)
Intangible fixed assets	99,808	96,303	(3,504)
Total fixed assets for telecommunications businesses	3,058,183	3,007,759	(50,423)
Investments and other assets			
Deferred income taxes	343,198	345,255	2,056
Other investments and assets	81,053	76,062	(4,990)
Allowance for doubtful accounts	(2,647)	(2,812)	(164)
Total investments and other assets	421,604	418,505	(3,098)
Total fixed assets	3,479,787	3,426,265	(53,522)
Current assets:			
Cash and bank deposits	118,783	67,680	(51,102)
Notes receivable	37	93	55
Accounts receivable, trade	329,798	359,186	29,387
Supplies	30,165	37,094	6,929
Other current assets	69,119	71,775	2,655
Allowance for doubtful accounts	(3,125)	(3,096)	29
Total current assets	544,779	532,734	(12,044)
TOTAL ASSETS	4,024,566	3,958,999	(65,567)

(Millions of yen)

	March 31, 2006	December 31, 2006	Increase (Decrease)
<u>LIABILITIES</u>			
Long-term liabilities:			
Long-term borrowings from parent company	777,785	687,259	(90,525)
Liability for employees' retirement benefits	582,104	548,967	(33,137)
Other long-term liabilities	7,554	7,334	(220)
Total long-term liabilities	1,367,444	1,243,561	(123,883)
Current liabilities:			
Current portion of long-term borrowings from parent company	141,096	154,785	13,689
Accounts payable, trade	117,095	88,234	(28,860)
Short-term borrowings	42,000	100,000	58,000
Accounts payable, other	330,063	228,200	(101,863)
Accrued taxes on income	1,068	11,239*	10,171
Other current liabilities	84,781	167,156	82,375
Total current liabilities	716,105	749,617	33,511
TOTAL LIABILITIES	2,083,550	1,993,178	(90,372)
<u>SHAREHOLDERS' EQUITY</u>			
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	—	—
TOTAL SHAREHOLDERS' EQUITY	1,941,016	—	—
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,024,566	—	—

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	December 31, 2006	Increase (Decrease)
<u>NET ASSETS</u>			
Shareholders' equity			
Common stock	—	335,000	—
Capital surplus			
Additional paid-in capital	—	1,499,726	—
Total capital surplus	—	1,499,726	—
Earned surplus			
Other earned surplus	—	129,081	—
Accumulated earned surplus	—	129,081	—
Total earned surplus	—	129,081	—
Total shareholders' equity	—	1,963,808	—
Unrealized gains (losses), translation adjustments, and others			
Net unrealized gains (losses) on securities	—	2,013	—
Total unrealized gains (losses), translation adjustments, and others	—	2,013	—
TOTAL NET ASSETS	—	1,965,821	—
TOTAL LIABILITIES AND NET ASSETS	—	3,958,999	—

2. Non-Consolidated Comparative Statements of Income

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Nine months ended December 31, 2005	Nine months ended December 31, 2006	Increase (Decrease)	Year ended March 31, 2006
Telecommunications businesses				
Operating revenues	1,478,135	1,429,342	(48,793)	1,967,812
Operating expenses	1,412,755	1,374,603	(38,152)	1,898,156
Operating income from telecommunications businesses	65,380	54,738	(10,641)	69,656
Supplementary businesses				
Operating revenues	100,793	101,929	1,135	157,520
Operating expenses	99,416	98,598	(817)	161,227
Operating income (losses) from supplementary businesses	1,376	3,330	1,953	(3,707)
Operating income	66,756	58,069	(8,687)	65,948
Non-operating revenues:	46,926	56,183	9,256	63,269
Interest income	38	23	(14)	45
Dividends received	337	11,194	10,857	339
Lease and rental income	41,597	41,442	(155)	55,685
Miscellaneous income	4,952	3,521	(1,430)	7,199
Non-operating expenses:	31,931	26,497	(5,434)	45,005
Interest expenses	12,417	10,436	(1,981)	16,406
Lease and rental expenses	15,642	13,641	(2,000)	24,086
Miscellaneous expenses	3,871	2,419	(1,452)	4,512
Recurring profit	81,751	87,755	6,004	84,212
Special profits and losses	1,358	9,021	7,663	2,442
Income before Income taxes	83,109	96,777	13,667	86,654
Corporation, inhabitant, and enterprise taxes	34,083*	35,401*	1,317	31,411
Deferred tax expenses (benefits)	—	—	—	3,989
Net income	49,025	61,375	12,349	51,253
Unappropriated retained earnings brought forward	50,008	—	—	50,008
Unappropriated retained earnings for the period	99,033	—	—	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)

〔 Nine months ended
December 31, 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 nine-month period									
Cash dividends*				(33,500)	(33,500)	(33,500)			(33,500)
Bonuses paid to directors and corporate auditors*				(55)	(55)	(55)			(55)
Net income				61,375	61,375	61,375			61,375
Others, net							(3,014)	(3,014)	(3,014)
Total net change in this nine-month period	—	—	—	27,819	27,819	27,819	(3,014)	(3,014)	24,804
December 31, 2006	335,000	1,499,726	1,499,726	129,081	129,081	1,963,808	2,013	2,013	1,965,821

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

4. Business Results (Non-Consolidated Operating Revenues)

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Nine months ended December 31, 2005	Nine months ended December 31, 2006	Increase (Decrease)	Percent Increase (Decrease)	Year ended March 31, 2006
Voice transmission services revenues (excluding IP services revenues)	983,303	883,173	(100,129)	(10.2%)	1,294,098
Monthly charge revenues*	606,335	560,156	(46,178)	(7.6%)	801,186
Call rates revenues*	141,789	117,694	(24,095)	(17.0%)	183,977
Interconnection call revenues*	161,890	139,964	(21,925)	(13.5%)	213,119
IP services revenues	197,423	259,035	61,612	31.2%	270,799
Leased circuit services revenues (excluding IP services revenues)	148,218	144,031	(4,187)	(2.8%)	198,061
Telegram services revenues	19,526	18,341	(1,185)	(6.1%)	25,961
Other telecommunications services revenues	129,663	124,759	(4,903)	(3.8%)	178,890
Telecommunications total revenues	1,478,135	1,429,342	(48,793)	(3.3%)	1,967,812
Supplementary business total revenues	100,793	101,929	1,135	1.1%	157,520
Total operating revenues	1,578,929	1,531,271	(47,657)	(3.0%)	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)

	Nine months ended December 31, 2005	Nine months ended December 31, 2006	Increase (Decrease)	Year ended March 31, 2006
I Cash flows from operating activities:				
Income before income taxes	83,109	96,777	13,667	86,654
Depreciation and amortization	362,537	319,361	(43,175)	467,256
Loss on disposal of property, plant and equipment	15,542	16,917	1,375	23,391
Increase (decrease) in liability for employees' retirement benefits	(19,506)	(33,137)	(13,631)	(73,899)
(Increase) decrease in accounts receivable	2,302	(26,649)	(28,951)	40,204
(Increase) decrease in inventories	(3,123)	(6,929)	(3,805)	(689)
Increase (decrease) in accounts payable and accrued expenses	(98,090)	(119,628)	(21,538)	22,455
Increase (decrease) in accrued consumption tax	(164)	4,655	4,820	(1,173)
Other	(55,000)	18,673	73,673	(45,166)
Sub-total	287,606	270,039	(17,566)	519,034
Interest and dividends received	383	11,219	10,835	392
Interest paid	(11,938)	(10,830)	1,108	(16,591)
Income taxes received (paid)	21,195	(33,696)	(54,891)	21,195
Net cash provided by (used in) operating activities	297,246	236,732	(60,514)	524,031
II Cash flows from investing activities:				
Payments for property, plant and equipment	(298,732)	(310,664)	(11,932)	(420,613)
Proceeds from sale of property, plant and equipment	3,249	12,656	9,407	5,022
Payments for purchase of investment securities	(549)	(8,060)	(7,510)	(1,867)
Proceeds from sale of investment securities	438	5,162	4,723	5,365
Other	8,270	(742)	(9,013)	9,711
Net cash provided by (used in) investing activities	(287,324)	(301,648)	(14,324)	(402,380)
III Cash flows from financing activities:				
Proceeds from issuance of long-term debt	35,000	-	(35,000)	35,000
Payments for settlement of long-term debt	(78,553)	(76,836)	1,717	(144,171)
Net increase (decrease) in short-term borrowings	40,000	105,000	65,000	42,000
Dividends paid	(33,500)	(33,500)	-	(33,500)
Net cash provided by (used in) financing activities	(37,053)	(5,336)	31,717	(100,671)
IV Net increase (decrease) in cash and cash equivalents	(27,131)	(70,252)	(43,121)	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	93,923	71,781	(22,142)	142,034

6. Revision of the Business Forecasts for the Fiscal Year Ending March 31, 2007

NTT East has revised its business forecasts for the fiscal year ending March 31, 2007, which were announced together with the interim business results on November 10, 2006, as follows.

	Unit	Operating revenues	Operating income	Recurring profits	Net income
Previous forecasts (A)	Millions of yen	2,042,000	65,000	80,000	53,000
Revised forecasts (B)	Millions of yen	2,042,000	60,000	90,000	63,000
Increase (Decrease) (B-A)	Millions of yen	0	(5,000)	10,000	10,000
Percent Increase (Decrease)	%	0.0%	(7.7%)	12.5%	18.9%
<Ref.> Results for the year ended March 31, 2006	Millions of yen	2,125,300	65,900	84,200	51,200

* Recurring profits were revised from 80,000 million yen to 90,000 million yen, mainly due to the interim dividends from the NTT Group companies that were reported for the third quarter ended December 31, 2006.