



# *News Release*

NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION

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FOR IMMEDIATE RELEASE

## **Settlement for Fiscal Year Ended March 31, 2007**

The results of Nippon Telegraph and Telephone East Corporation (NTT East) for fiscal 2006 are presented in the following attachments.

(Attachments)

1. Summary of Results for Fiscal Year Ended March 31,2007
2. Non-Consolidated Comparative Balance Sheets
3. Non-Consolidated Comparative Statements of Income
4. Non-Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets
5. Business Results (Non-Consolidated Operating Revenues)
6. Non-Consolidated Comparative Statements of Cash Flows
7. Changes in Directors

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## **I. Summary of Results for Fiscal Year Ended March 31, 2007**

### **(1). Summary of Results**

#### **<1>. Overall Business Conditions**

During the fiscal year ended March 31, 2007, the Japanese economy continued its steady recovery, supported by rising corporate earnings, growth in domestic personal consumption, and expanding improvement in the employment situation despite the persistence of some challenges.

In the information and communications sector, the formation of the ubiquitous broadband society, which is the goal of government initiatives such as the u-Japan Policy and IT New Reform Strategy, is becoming a reality with a rise in mergers and acquisitions among communications companies and surging demand for access, IP, and mobile services. Against this backdrop, the market is undergoing rapid structural change, as seen in the convergence of fixed and mobile services and the linking of communications and broadcasting. In the regional communications markets, demand for optical access services and other broadband access continues to expand at an accelerated rate with the number of new optical access service subscribers steadily increasing while a net decline was seen in the number of DSL subscribers. This rich network infrastructure has become fertile territory for the growth of net-related business, including triple-play services that provide Internet access, IP telephony and video services on a single broadband line, social networking services (see Note 1), and blogging services. At the same time, in addition to competition in conventional telephone services, developments such as the expansion of optical IP telephone services have intensified competition for subscribers to metal, optical, and other types of access line services.

Within this business environment, Nippon Telegraph and Telephone East Corporation (NTT East) has endeavored to provide high-quality and affordable universal service, while striving to achieve the goal defined in the NTT Group's Medium-Term Management Strategy of bringing optical access services to 30 million customers by 2010, which was announced in November 2004. To this end, NTT East has devoted its energy toward living up to its responsibilities as a telecommunications carrier in the IP era by providing safe, reliable, and attractive services and products through comprehensive and ongoing support for networks and customers' information communications environments with the aim of becoming an accessible all-around ICT corporation (see Note 2) that maintains loyal patronage from its customers.

Among the specific measures implemented to enhance services, NTT East has worked with local governments and communities to expand the B FLET'S service area. At the same time, it has actively promoted the expansion of optical access services by providing new services such as the Hikari Denwa Office plan, which offers the use of up to eight channels and 32 telephone numbers, and the transmission of attractive video/television channels through partnerships and other tie-ups with video/television distributors. In the corporate service sector, the company has actively developed security, video/television, data center, CTI/CRM (see Note 3), and other solutions to help businesses and local governments streamline operations and implement new business strategies. In addition, NTT East has continued to promote the development of rich communications environments, enhance the efficiency and vitality of its corporate activities, and create new business opportunities, such as the

commencement of field trials in preparation for the full-scale launch of NGN (Next Generation Network) commercial services.

At the same time, in an effort to improve customer service, NTT East worked to promote the establishment of a service operation system for the IP age by shortening the lead time for installation of B FLET'S, further improving services on weekends and national holidays, and expanding the service area of the Hikari Support Center to include all of NTT East's service area. In addition, to achieve flexible business operations that are more responsive to changes in the business environment, NTT East has worked to build a stable and enhanced management infrastructure by further increasing management efficiency through the reduction of non-personnel expenses, development of data center services, and utilization of idle real estate.

NTT East regards CSR (corporate social responsibility) activities as a major pillar of its business operations. It is actively promoting educational activities based on the "NTT Group CSR Charter" drawn up in June 2006, and has promoted initiatives that give serious consideration not only to economic aspects but also to social and environmental aspects, such as compliance with legal requirements including the protection of personal data and, more generally, NTT East Group's contribution to society. At the same time, NTT East has endeavored to communicate more effectively to stakeholders the company's involvement in CSR activities by issuing, amongst other things, the "NTT East CSR Report 2006".

In preparation for unforeseen natural disasters, NTT East is implementing various measures focused around the basic principles of improving communications network reliability, securing vital communications, and achieving rapid restoration of services. Specifically, in an effort to secure critical communications and ensure the rapid restoration of customer services in the event of a disaster, NTT East has implemented disaster training drills in coordination with government bodies, the Self Defense Forces, and others, and commenced full operation of "web171," a broadband disaster message service which provides a means by which people can confirm the safety of persons who may have been affected.

Finally, NTT East offers its sincere apologies regarding the situation last year when the Hikari Denwa optical IP telephony service became intermittently unavailable for a brief period causing considerable inconvenience to customers. In response to this incident, the company has taken steps to improve the reliability of the Hikari Denwa service so that customers can use it with confidence. Specific measures include accelerating the addition of new servers and establishing an IP network management office responsible for the integrated management and stable operation of the entire network. NTT East will continue to make every effort to prevent the recurrence of this problem and ensure stable operation.

As a result of efforts like these, while NTT East has achieved its target for this fiscal year of attracting 1.5 million new subscribers to the B FLET'S service, operating revenue for the year totaled 2,061.3 billion yen (down 3.0% from the same period of the previous year), recurring profit came to 90.3 billion yen (up 7.3% from the same period of the previous year), and net profit totaled 84.3 billion yen (up 64.5% from the same period of the previous year).

Note 1: Membership-based community sites that promote and support personal connections.

Note 2: ICT: Information and Communication Technology.

Note 3: 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.

## **<2>. Business Operation Structure**

Based on the “Promoting NTT Group’s Medium-Term Management Strategy” announced in November 2005, NTT Group carried out a review of its upper-layer services and enterprise services, in order to adapt to service convergence resulting from the shift toward IP services, to meet customer demands for one-stop service, and to enhance competitiveness by making more effective uses of resources in the NTT Group. In the area of upper-layer services, the shares owned by NTT East in Plala Networks Inc., which provides mainly Internet access services, were transferred to NTT Communications Corporation in August 2006. In the area of enterprise services, a restructuring took place in August 2006 with the result that NTT East is responsible for serving local administrations, regional banks, educational institutions, and other customers where close involvement in the local community is needed, while NTT Communications serves customers such as central government agencies, city banks, and general trading firms. In addition, 70% of the outstanding shares of NTT BizLink Corporation, which provides video conferencing and other services, were transferred to NTT Communications in January 2007.

Furthermore, an IT Innovation Department was established in March 2007 with the aim of improving customer service and drastically overhauling and streamlining business processes to adapt them to the optical access IP era. The department has overall responsibility for company-wide efforts to optimize business processes, formulate systems development policies and plans, and to enable optimal and efficient systems development.

NTT East also acquired additional shares in TelWel East Nippon Corporation, making it a subsidiary in June 2006.

In this and other ways, a review of the services of NTT Group companies is underway that aims to strengthen market competitiveness and enhance efficiency within the NTT Group.

## **(2). System for Ensuring the Proper Conduct of Business Affairs**

The board of directors of NTT East has adopted a basic policy for the maintenance of internal control systems for the NTT East Group. With a view to strengthening its internal control systems, NTT east has also established an Audit and Compliance Office which has conducted audits of the operation and maintenance of the internal control systems, evaluated the effectiveness of the system, and implemented necessary corrective measures and improvements. The substance of the basic policy for the maintenance of internal control systems is set out below .

### **Basic Policies concerning the Maintenance of Internal Control Systems**

The basic stance of the NTT East Group is to “contribute to the sustained development of society based on a keen awareness of its corporate social responsibility.” In carrying out its responsibilities as a leading telecommunications carrier, the NTT Group will continue to focus on the key objectives of ensuring comprehensive compliance with legal requirements and protecting personal and customer information, while also contributing positively to resolving social issues such as the aging population and declining birth rate, nursing and medical care, and energy and environmental problems by ensuring that the business activities of the NTT group, including the provision of broadband and ubiquitous services, is conducted by directors and employees in a proper manner.

To accomplish this mission, NTT East will conduct effective group management including by providing suitable and accurate advice and intermediary services to NTT East Group companies, and will maintain the following internal control systems.

## **I. Basic Approach on the Maintenance of Internal Control Systems**

- A. NTT East will maintain a system of internal controls including measures for the prevention and minimization of losses, with the objectives of ensuring compliance with legal requirements, managing risks, and achieving proper and efficient business operations.
- B. NTT East will establish an Audit and Compliance Office to oversee the establishment and maintenance of internal control rules and systems. The Audit and Compliance Office will evaluate the effectiveness of the internal control system based on audit reviews and audits regarding high risk matters affecting the entire NTT East Group, including audit items affecting all NTT group companies as instructed by NTT, and will implement necessary corrective measures and improvements.
- C. NTT East will also take appropriate measures in collaboration with NTT to ensure the reliability of its system of internal controls based on the US Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley Act) Sections 302 (disclosure controls) and 404 (internal control over financial reporting).
- D. As the chief executive officer, the president of NTT East will be responsible for ensuring the establishment, maintenance and operation of the system of internal controls.

## **II. Development of the Internal Control Systems**

- A. Systems to ensure that the performance of duties by directors and employees conform with laws and regulations and NTT East’s Articles of Incorporation

NTT East has implemented the following measures with the objective of ensuring that its business is conducted in compliance with law and in accordance with high ethical standards.

- (1) Employment rules and regulations require employees to adhere faithfully to applicable laws, regulations and official notices, and to devote all their energies to the performance of their duties so that business activities may be carried out appropriately and effectively.
- (2) In accordance with the NTT Group Corporate Ethics Charter, all directors and employees of the NTT will endeavor to strengthen corporate ethics within the NTT East Group.

- (3) A Corporate Ethics Committee chaired by a senior executive vice president was established to clarify the structure of responsibilities for corporate ethics, including developing and promoting corporate ethics within the organization, raising awareness concerning compliance, maintaining corporate discipline, and conducting investigations concerning reports of misconduct.
- (4) An internal helpline was established to foster a more open corporate culture and provide a forum for personnel to report and consult on internal ethics issues. In addition, an external group-wide Corporate Ethics Helpline staffed by attorneys was created for personnel to report and receive consultation on ethical issues.
- (5) Corporate ethics training is conducted as part of continuous educational activities for officers and employees. In addition, corporate ethics awareness surveys are conducted to improve and reinforce internal checks.

B. Regulations and other systems concerning business risk management

NTT East takes the following measures to manage business risks appropriately.

- (1) NTT East established a Business Risk Management Committee, headed by a senior executive vice president, to clarify responsibilities concerning management of business risks and to perform crisis management in response to new business risks affecting corporate operations.
- (2) NTT also formulated a Business Risk Management Manual with the goal of promoting a unified risk management system for the entire NTT East Group focusing on preventing and preparing for risks, and positioning the NTT East Group to respond appropriately and rapidly as risks materialize.

C. Systems for ensuring that directors perform their duties efficiently

NTT East has taken the following measures to ensure that its business activities are managed efficiently through appropriate allocation of responsibilities among directors and maintaining an appropriate oversight structure to monitor such matters.

- (1) NTT East has adopted organizational rules governing the functions and operations of internal organizational groups, and responsibility regulations setting forth the allocation of responsibilities among the various organizational groups.
- (2) NTT East has adopted board of director regulations governing the function and responsibilities of the board of directors. In principle, the board of directors holds meetings once each month, and is responsible for decisions on important matters pertaining to management on the basis of applicable laws and regulations, business judgment principles, and other considerations including the duty of care of a good manager. Directors report regularly to the full board of directors concerning the status of implementation of their duties.
- (3) NTT East has established executive committees and subcommittees for the purpose of considering and deciding important matters pertaining to the management of NTT East and the NTT East Group.

D. Systems for custody and management information relating to the performance of duties by directors

NTT East has adopted the following measures to facilitate appropriate and efficient conduct of business activities through the proper management of information relating to the performance of duties by directors.

- (1) NTT East has adopted document retention regulations and rules on information security setting forth matters necessary for the management of documents (including related materials and information recorded on electronic media; referred to as “Documents”) and other information.
- (2) Documents shall be retained for the periods required by law and as necessary for business operations.

E. Systems for ensuring the propriety of the business activities of the NTT East Group

NTT East has adopted the following measures to ensure that transactions among NTT East Group companies and with NTT are conducted appropriately and in compliance with applicable laws and regulations, and to ensure appropriate business conduct by the NTT East Group[, thus contributing to the growth and development of the NTT East Group] [Note to NTT: Consider deleting the bracketed wording].

- (1) Develop communications systems for NTT East group companies to notify NTT East and for notification by NTT east to NTT in emergency situations.
- (2) Conduct employee education and training to prevent scandals or misconduct.
- (3) Establish systems concerning information security and the protection of personal information.
- (4) Require NTT East Group companies to report regularly to NTT East on their financial condition.
- (5) Audits of NTT East Group companies by NTT East’s internal audit division.

F. Matters relating to employees who assist corporate auditors in the performance of their duties and the independence of those employees from the directors

NTT East has adopted the following measures with respect to employees who assist corporate auditors in the performance of their duties to ensure the effective performance of audits by the auditors.

- (1) The Auditors’ Office was established as an integral part of NTT East’s corporate organization under the Corporation Law. The Auditors’ Office is staffed with dedicated personnel who work full time in assisting the corporate auditors in the performance of their duties.
- (2) Personnel assigned to the Auditor’s Office perform their responsibilities at the instruction and direction of the corporate auditors.
- (3) Decisions concerning matters such as transfer of personnel assigned to the Auditor’s Office, evaluations of such personnel and similar matters are made with due regard for the opinion of the board of corporate auditors.

G. Systems for reporting to corporate auditors by directors and employees and systems for ensuring the effective implementation of audits by auditors

To ensure that audits by the corporate auditors are carried out effectively, NTT East has adopted the following measures concerning reporting to the corporate auditors by directors and employees with regard to important matters relating to the performance of their duties.

- (1) Directors and other personnel report the following matters concerning the performance of their duties.
  - (a) Matters resolved at executive management meetings
  - (b) Matters that cause or may cause substantial damage to the company
  - (c) Monthly financial reports
  - (d) The status of internal audits
  - (e) Matters that pose a risk of violation of applicable law or the Articles of Incorporation
  - (f) The status of reporting to helplines
  - (g) Other material compliance matters.
- (2) Representative directors, accounting auditors, and internal control divisions report to and exchange ideas and opinions with corporate auditors periodically and at other times as necessary upon request from the corporate auditors.
- (3) Corporate auditors may attend meetings of the board of directors and other important meetings.
- (4) Corporate auditors may contract independently with and seek advice from external experts with respect to the performance of audit operations.



## 2. Non-Consolidated Comparative Balance Sheets

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	March 31, 2006	March 31, 2007	Increase (Decrease)
<b><u>ASSETS</u></b>			
<b>Fixed assets:</b>			
Fixed assets-telecommunications businesses			
Property, plant and equipment	2,958,375	2,926,472	(31,902)
Machinery and equipment	556,601	546,813	(9,788)
Antenna facilities	7,690	7,162	(528)
Terminal equipment	48,220	63,661	15,441
Local line facilities	684,119	723,184	39,064
Long-distance line facilities	9,977	8,466	(1,511)
Engineering facilities	735,027	704,138	(30,889)
Submarine line facilities	865	699	(166)
Buildings	612,451	573,407	(39,043)
Structures	17,568	16,202	(1,366)
Other machinery and equipment	2,222	2,355	132
Vehicles and vessels	186	285	98
Tools, furniture and fixtures	43,185	39,174	(4,011)
Land	205,324	202,591	(2,733)
Construction in progress	34,931	38,330	3,398
Intangible fixed assets	99,808	97,677	(2,130)
Total fixed assets-telecommunications businesses	3,058,183	3,024,150	(34,032)
Investments and other assets			
Investment securities	15,689	13,004	(2,684)
Investments in subsidiaries and affiliated companies	44,035	43,620	(414)
Long-term loans receivable to subsidiaries	2,701	100	(2,601)
Long-term prepaid expenses	2,584	2,957	373
Deferred income taxes	343,198	280,755	(62,442)
Other investments and assets	16,043	15,059	(984)
Allowance for doubtful accounts	(2,647)	(2,573)	74
Total investments and other assets	421,604	352,925	(68,679)
Total fixed assets	3,479,787	3,377,075	(102,712)
<b>Current assets:</b>			
Cash and bank deposits	118,783	107,575	(11,208)
Notes receivable	37	79	42
Accounts receivable, trade	329,798	367,547	37,748
Accounts receivable, other	11,353	23,066	11,713
Supplies	30,165	35,217	5,052
Advance payment	4,036	3,722	(314)
Prepaid expenses	5,459	5,548	89
Deferred income taxes	7,882	7,385	(496)
Short-term loans receivable	3,401	12,685	9,284
Other current assets	36,987	13,252	(23,735)
Allowance for doubtful accounts	(3,125)	(3,187)	(61)
Total current assets	544,779	572,893	28,114
<b>TOTAL ASSETS</b>	<b>4,024,566</b>	<b>3,949,969</b>	<b>(74,597)</b>

(Millions of yen)

	March 31, 2006	March 31, 2007	Increase (Decrease)
<b><u>LIABILITIES</u></b>			
<b>Long-term liabilities:</b>			
Long-term borrowings from parent company	777,785	577,567	(200,217)
Liability for employees' retirement benefits	582,104	499,232	(82,871)
Other long-term liabilities	7,554	7,309	(245)
<b>Total long-term liabilities</b>	<b>1,367,444</b>	<b>1,084,109</b>	<b>(283,335)</b>
<b>Current liabilities:</b>			
Current portion of long-term borrowings from parent company	141,096	200,217	59,121
Accounts payable, trade	117,095	112,289	(4,806)
Commercial paper	—	53,000	53,000
Short-term borrowings	42,000	110,000	68,000
Accounts payable, other	330,063	295,996	(34,067)
Accrued expenses	23,432	20,243	(3,189)
Accrued taxes on income	1,068	724	(343)
Advances received	6,543	7,537	994
Deposits received	43,084	63,719	20,634
Unearned revenue	284	267	(16)
Other current liabilities	11,437	13,300	1,863
<b>Total current liabilities</b>	<b>716,105</b>	<b>877,296</b>	<b>161,190</b>
<b>TOTAL LIABILITIES</b>	<b>2,083,550</b>	<b>1,961,405</b>	<b>(122,144)</b>
<b><u>SHAREHOLDERS' EQUITY</u></b>			
Common stock	335,000	—	—
Capital surplus			
Additional paid-in capital	1,499,726	—	—
<b>Total capital surplus</b>	<b>1,499,726</b>	<b>—</b>	<b>—</b>
Earned surplus			
Unappropriated retained earnings for the year	101,261	—	—
<b>Total earned surplus</b>	<b>101,261</b>	<b>—</b>	<b>—</b>
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>

(Millions of yen)

	March 31, 2006	March 31, 2007	Increase (Decrease)
<b>NET ASSETS</b>			
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	—	152,024	—
Accumulated earned surplus	—	152,024	—
Total earned surplus	—	152,024	—
Total shareholders' equity	—	1,986,751	—
Unrealized gains (losses), translation adjustments, and others			
Net unrealized gains (losses) on securities	—	1,812	—
Total unrealized gains (losses), translation adjustments, and others	—	1,812	—
<b>TOTAL NET ASSETS</b>	—	1,988,563	—
<b>TOTAL LIABILITIES AND NET ASSETS</b>	—	3,949,969	—

### 3. Non-Consolidated Comparative Statements of Income

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2006	Year ended March 31, 2007	Increase (Decrease)
<b>Telecommunications businesses</b>			
Operating revenues	1,967,812	1,907,832	(59,980)
Operating expenses	1,898,156	1,846,447	(51,709)
Business expenses	496,855	510,438	13,583
Operations	18,726	16,778	(1,947)
Maintenance expenses	490,417	481,998	(8,419)
Overhead expenses	109,950	101,707	(8,243)
Administration	127,402	117,226	(10,176)
Experiment and research	57,315	53,268	(4,046)
Depreciation and amortization	446,314	412,507	(33,807)
Retirement of fixed assets	41,084	42,771	1,686
Access charges	34,409	35,114	704
Miscellaneous taxes	75,678	74,636	(1,042)
Operating income from telecommunications businesses	69,656	61,385	(8,270)
<b>Supplementary businesses</b>			
Operating revenues	157,520	153,562	(3,957)
Operating expenses	161,227	155,037	(6,190)
Operating income (losses) from supplementary businesses	(3,707)	(1,474)	2,232
Operating income	65,948	59,911	(6,037)
<b>Non-operating revenues:</b>			
Interest income	45	35	(9)
Dividends received	339	11,247	10,907
Lease and rental income	55,685	54,255	(1,430)
Miscellaneous income	7,199	4,909	(2,290)
Non-operating expenses:	45,005	39,991	(5,014)
Interest expenses	16,406	13,858	(2,547)
Lease and rental expenses	24,086	19,975	(4,111)
Miscellaneous expenses	4,512	6,157	1,644
Recurring profit	84,212	90,366	6,154
<b>Special profits</b>			
Gains on sales of fixed assets	2,442	49,765	47,323
Income before Income taxes	86,654	140,132	53,477
Corporation, inhabitant, and enterprise taxes	31,411	(9,263)	(40,675)
Deferred tax expenses (benefits)	3,989	65,077	61,087
Net income	51,253	84,318	33,065
Unappropriated retained earnings brought forward	50,008	—	—
Unappropriated retained earnings for the year	101,261	—	—

#### 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 at the shareholders' meeting held in June 2006

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

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2006	Year ended March 31, 2007	Increase (Decrease)	Percent Increase (Decrease)
Voice transmission services revenues (excluding IP services revenues)	1, 294, 098	1, 159, 041	(135, 057)	(10. 4%)
Monthly charge revenues*	801, 186	739, 811	(61, 375)	(7. 7%)
Call rates revenues*	183, 977	151, 550	(32, 426)	(17. 6%)
Interconnection call revenues*	213, 119	181, 751	(31, 368)	(14. 7%)
IP services revenues	270, 799	359, 462	88, 662	32. 7%
Leased circuit services revenues (excluding IP services revenues)	198, 061	191, 610	(6, 451)	(3. 3%)
Telegram services revenues	25, 961	24, 664	(1, 297)	(5. 0%)
Other telecommunications services revenues	178, 890	173, 053	(5, 836)	(3. 3%)
Telecommunications total revenues	1, 967, 812	1, 907, 832	(59, 980)	(3. 0%)
Supplementary business total revenues	157, 520	153, 562	(3, 957)	(2. 5%)
Total operating revenues	2, 125, 333	2, 061, 395	(63, 937)	(3. 0%)

\*Partial listing only

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

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2006	Year ended March 31, 2007	Increase (Decrease)
<b>I Cash flows from operating activities:</b>			
Income before income taxes	86,654	140,132	53,477
Depreciation and amortization	467,256	425,987	(41,268)
Loss on disposal of property, plant and equipment	23,391	27,365	3,973
Gains on sales of fixed assets	(2,442)	(49,765)	(47,323)
Increase (decrease) in liability for employees' retirement benefits	(73,899)	(82,871)	(8,972)
(Increase) decrease in accounts receivable	40,204	(37,916)	(78,120)
(Increase) decrease in inventories	(689)	(5,052)	(4,363)
Increase (decrease) in accounts payable and accrued expenses	22,455	(16,753)	(39,209)
Increase (decrease) in accrued consumption tax	(1,173)	2,431	3,605
Other	(42,724)	37,480	80,204
Sub-total	519,034	441,037	(77,996)
Interest and dividends received	392	11,282	10,889
Interest paid	(16,591)	(14,380)	2,210
Income taxes received (paid)	21,195	(33,706)	(54,901)
Net cash provided by (used in) operating activities	524,031	404,232	(119,798)
<b>II Cash flows from investing activities:</b>			
Payments for property, plant and equipment	(420,613)	(427,832)	(7,219)
Proceeds from sale of property, plant and equipment	5,022	55,343	50,320
Payments for purchase of investment securities	(1,867)	(9,500)	(7,633)
Proceeds from sale of investment securities	5,365	6,463	1,097
Other	9,711	415	(9,296)
Net cash provided by (used in) investing activities	(402,380)	(375,110)	27,269
<b>III Cash flows from financing activities:</b>			
Proceeds from issuance of long-term debt	35,000	—	(35,000)
Payments for settlement of long-term debt	(144,171)	(141,096)	3,075
Net increase (decrease) in short-term borrowings	42,000	121,000	79,000
Dividends paid	(33,500)	(33,500)	—
Net cash provided by (used in) financing activities	(100,671)	(53,596)	47,075
<b>IV Net increase (decrease) in cash and cash equivalents</b>	20,979	(24,474)	(45,454)
<b>V Cash and cash equivalents at beginning of period</b>	121,055	142,034	20,979
<b>VI Cash and cash equivalents at end of period</b>	142,034	117,559	(24,474)

## 7. Changes in Directors

### (1) Candidates for Senior Vice President

Hideo Naruse	(Executive Manager, Research and Development Center, Network Business Headquarters)
Hiroshi Nakagawa	(Executive Manager, General Affairs and Personnel Department )
Shigeru Toyoda	(Executive Manager, Accounts and Finance Department)

### (2) Senior Vice President scheduled to retire from office

Senior Vice President Masatoshi Kodama	(Scheduled to join NTT Software Corporation)
Senior Vice President Akihiko Okada	(Scheduled to join NTT Learning Systems Corporation)

### (3) Personnel scheduled to take posts of Executive Vice President

Executive Vice President	
Senior Vice President	Fuminori Kozono

#### Note:

Directors scheduled to retire from office will do so following the eighth regular shareholder meeting (June 22).