



# *News Release*

NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION

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FOR IMMEDIATE RELEASE

**Financial Statements for the Three Months Ended June 30, 2005**

The results of Nippon Telegraph and Telephone East Corporation (NTT East) for the three months ended June 30, 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	June 30, 2005	Increase (Decrease)
<b><u>ASSETS</u></b>			
<b>Fixed assets:</b>			
<b>Non-current assets for telecommunications businesses</b>			
Property, plant and equipment	2,968,134	2,984,841	16,707
Machinery and equipment	580,807	569,760	(11,047)
Antenna facilities	8,158	8,022	(136)
Terminal equipment	30,769	35,039	4,269
Local line facilities	655,890	661,317	5,427
Long-distance line facilities	11,901	11,319	(581)
Engineering facilities	766,392	757,430	(8,962)
Submarine line facilities	1,050	994	(55)
Buildings	622,535	652,840	30,304
Construction in progress	28,245	29,140	895
Other	262,382	258,977	(3,405)
Intangible fixed assets	105,746	100,818	(4,928)
<b>Total non-current assets for telecommunications businesses</b>	<b>3,073,880</b>	<b>3,085,660</b>	<b>11,779</b>
<b>Investments and other assets</b>			
Deferred income taxes	347,781	347,482	(299)
Other investments	84,291	74,518	(9,772)
Allowance for doubtful accounts	(2,122)	(1,993)	129
<b>Total investments and other assets</b>	<b>429,950</b>	<b>420,007</b>	<b>(9,942)</b>
<b>Total fixed assets</b>	<b>3,503,830</b>	<b>3,505,667</b>	<b>1,836</b>
<b>Current assets:</b>			
Cash and bank deposits	107,637	118,777	11,139
Notes receivable	131	226	95
Accounts receivable, trade	370,104	339,660	(30,443)
Supplies	29,475	29,516	40
Other current assets	81,202	107,601	26,398
Allowance for doubtful accounts	(4,082)	(3,837)	244
<b>Total current assets</b>	<b>584,469</b>	<b>591,944</b>	<b>7,475</b>
<b>TOTAL ASSETS</b>	<b>4,088,300</b>	<b>4,097,612</b>	<b>9,312</b>

(Millions of yen)

	March 31, 2005	June 30, 2005	Increase (Decrease)
<b><u>LIABILITIES</u></b>			
<b>Long-term liabilities:</b>			
Long-term borrowings from parent company	883,881	857,215	(26,666)
Liability for employees' severance payments	656,004	646,330	(9,673)
Other long-term liabilities	7,359	7,340	(19)
<b>Total long-term liabilities</b>	<b>1,547,245</b>	<b>1,510,886</b>	<b>(36,358)</b>
<b>Current liabilities:</b>			
Current portion of long-term borrowings from parent company	144,171	179,788	35,616
Accounts payable, trade	118,372	78,688	(39,683)
Short-term borrowings	—	33,000	33,000
Accounts payable, other	273,517	240,600	(32,917)
Accrued taxes on income	2,676	* 4,254	1,578
Other current liabilities	83,266	148,242	64,975
<b>Total current liabilities</b>	<b>622,004</b>	<b>684,573</b>	<b>62,569</b>
<b>TOTAL LIABILITIES</b>	<b>2,169,249</b>	<b>2,195,460</b>	<b>26,210</b>
<b><u>SHAREHOLDERS' EQUITY</u></b>			
Common stock	335,000	335,000	—
<b>Capital surplus</b>			
Additional paid-in capital	1,499,726	1,499,726	—
<b>Total capital surplus</b>	<b>1,499,726</b>	<b>1,499,726</b>	<b>—</b>
<b>Earned surplus</b>			
Unappropriated retained earnings for the period	83,563	66,225	(17,337)
<b>Total earned surplus</b>	<b>83,563</b>	<b>66,225</b>	<b>(17,337)</b>
Net unrealized gains (losses) on securities	760	1,199	438
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,919,050</b>	<b>1,902,151</b>	<b>(16,898)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>4,088,300</b>	<b>4,097,612</b>	<b>9,312</b>

Note: \*The Company participates in a consolidated tax return system, which is adopted by NTT (Holding company) and its wholly-owned subsidiaries in Japan, but did not calculate income taxes 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)

	Three months ended June 30, 2004	Three months ended June 30, 2005	Increase(Decrease)	Year ended March 31, 2005
<b>Recurring profits and losses</b>				
<b>Operating revenues and expenses</b>				
<b>Telecommunications businesses</b>				
Operating revenues	499,333	488,624	(10,709)	2,024,629
Operating expenses	476,940	464,581	(12,358)	1,937,555
Operating income from telecommunications businesses	22,392	24,042	1,649	87,073
<b>Supplementary businesses</b>				
Operating revenues	32,064	29,816	(2,247)	156,298
Operating expenses	30,983	29,307	(1,675)	155,638
Operating income from supplementary businesses	1,081	508	(572)	660
<b>Operating income</b>	23,473	24,551	1,077	87,733
<b>Non-Operating revenues and expenses</b>				
<b>Non-operating revenues:</b>	14,016	14,699	682	61,006
Interest income	16	13	(2)	63
Lease income	12,350	12,985	635	53,563
Miscellaneous income	1,650	1,699	49	7,379
<b>Non-operating expenses:</b>	10,202	12,269	2,067	51,124
Interest expenses	4,465	4,145	(319)	17,628
Lease expenses	5,092	7,017	1,924	26,497
Miscellaneous expenses	645	1,106	461	6,997
<b>Recurring profit</b>	27,287	26,980	(306)	97,615
<b>Special profits and losses</b>				
Special profits	1,967	836	(1,130)	8,397
Special losses	1,684	—	(1,684)	6,736
Income before Income taxes	27,570	27,817	246	99,276
Corporation, inhabitant, and enterprise taxes	* 11,400	* 11,600	200	(21,153)
Deferred tax expenses (benefits)	* —	* —	—	62,300
<b>Net income</b>	16,170	16,217	46	58,129
Unappropriated retained earnings brought forward	25,433	50,008	24,574	25,433
Unappropriated retained earnings for the period	41,604	66,225	24,621	83,563

Note: \*The Company participates in a consolidated tax return system, which is adopted by NTT (Holding company) and its wholly-owned subsidiaries in Japan, but did not calculate income taxes 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)

	Three months ended June 30, 2004	Three months ended June 30, 2005	Increase (Decrease)	Percent Increase (Decrease)	Year ended March 31, 2005
Voice transmission services revenues (excluding the amounts of IP services revenues)	358,966	333,190	(25,775)	(7.2%)	1,401,433
Monthly charge revenues*	231,546	204,134	(27,411)	(11.8%)	903,629
Call rates revenues*	50,220	48,998	(1,221)	(2.4%)	190,405
Interconnection call revenues*	52,361	54,833	2,471	4.7%	215,128
IP services revenues	47,729	62,155	14,426	30.2%	211,357
Leased circuit services revenues (excluding the amounts of IP services revenues)	56,336	51,397	(4,939)	(8.8%)	208,730
Telegram services revenues	7,438	7,199	(239)	(3.2%)	27,201
Other telecommunications services revenues	28,862	34,682	5,819	20.2%	175,907
Telecommunications total revenues	499,333	488,624	(10,709)	(2.1%)	2,024,629
Related business total revenues	32,064	29,816	(2,247)	(7.0%)	156,298
Total operating revenues	531,397	518,440	(12,956)	(2.4%)	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)

	Three months ended June 30, 2004	Three months ended June 30, 2005	Increase (Decrease)	Year ended March 31, 2005
<b>I Cash flows from operating activities:</b>				
Income before income taxes	27,570	27,817	246	99,276
Depreciation and amortization	114,746	132,051	17,304	483,027
Loss on disposal of property, plant and equipment	9,840	3,954	(5,886)	40,136
Increase (decrease) in liability for employees' severance payments	(7,032)	(9,673)	(2,640)	(72,575)
(Increase) decrease in accounts receivable	25,025	32,520	7,494	12,725
(Increase) decrease in inventories	1,240	(40)	(1,280)	1,171
Increase (decrease) in accounts payable and accrued expenses	(184,304)	(72,407)	111,896	(83,952)
Increase (decrease) in accrued consumption tax	4,837	2,813	(2,024)	(158)
Other	(14,943)	(65,856)	(50,912)	(13,159)
Sub-total	(23,018)	51,179	74,198	466,490
Interest and dividends received	145	163	17	297
Interest paid	(3,463)	(3,506)	(42)	(17,771)
Income taxes received (paid)	(145)	(101)	44	(16,095)
Net cash provided by (used in) operating activities	(26,482)	47,734	74,217	432,922
<b>II Cash flows from investing activities:</b>				
Payments for property, plant and equipment	(113,940)	(108,482)	5,457	(401,013)
Proceeds from sale of property, plant and equipment	2,425	1,212	(1,213)	11,624
Acquisition of investments	(29)	(9)	19	(7,353)
Proceeds from sale of investments	369	375	5	417
Other	(2,399)	(286)	2,113	8,273
Net cash provided by (used in) investing activities	(113,573)	(107,190)	6,382	(388,050)
<b>III Cash flows from financing activities:</b>				
Proceeds from issuance of long-term debt	17,950	25,000	7,050	17,950
Payments for settlement of long-term debt	(4,313)	(16,049)	(11,735)	(95,559)
Increase (decrease) in short-term borrowings	73,100	93,000	19,900	—
Dividends paid	(32,495)	(33,500)	(1,005)	(32,495)
Net cash provided by (used in) financing activities	54,241	68,450	14,209	(110,104)
<b>IV Net increase (decrease) in cash and cash equivalents</b>	(85,815)	8,994	94,810	(65,232)
<b>V Cash and cash equivalents at beginning of period</b>	186,287	121,055	(65,232)	186,287
<b>VI Cash and cash equivalents at end of period</b>	100,472	130,049	29,577	121,055