



News Release

NIPPON TELEGRAPH AND TELEPHONE WEST 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 West Corporation (NTT West) 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	2,920,831	2,878,340	(42,491)
Machinery and equipment	606,429	615,901	9,471
Antenna facilities	10,514	10,083	(431)
Terminal equipment	29,877	27,641	(2,235)
Local line facilities	829,435	835,823	6,387
Long-distance line facilities	7,198	6,429	(769)
Engineering facilities	631,497	622,181	(9,315)
Submarine line facilities	4,542	3,883	(658)
Buildings	520,264	498,689	(21,574)
Construction in progress	37,085	20,040	(17,045)
Other	243,986	237,666	(6,320)
Intangible fixed assets	99,788	106,332	6,544
Total fixed assets for telecommunications businesses	3,020,619	2,984,672	(35,947)
Investments and other assets			
Deferred income taxes	360,666	360,882	215
Other investments and assets	83,449	86,470	3,020
Allowance for doubtful accounts	(1,638)	(1,577)	60
Total investments and other assets	442,478	445,774	3,296
Total fixed assets	3,463,098	3,430,447	(32,651)
Current assets:			
Cash and bank deposits	90,274	69,405	(20,869)
Notes receivable	4	30	25
Accounts receivable, trade	333,158	350,422	17,264
Supplies	39,094	36,523	(2,570)
Other current assets	58,431	70,906	12,475
Allowance for doubtful accounts	(2,233)	(1,856)	376
Total current assets	518,729	525,432	6,702
TOTAL ASSETS	3,981,828	3,955,879	(25,948)

(Millions of yen)

	March 31, 2006	December 31, 2006	Increase (Decrease)
<u>LIABILITIES</u>			
Long-term liabilities:			
Long-term borrowings from parent company	1,058,132	1,141,621	83,488
Liability for employees' retirement benefits	632,917	599,307	(33,609)
Other long-term liabilities	12,690	12,642	(47)
Total long-term liabilities	1,703,740	1,753,571	49,831
Current liabilities:			
Current portion of long-term borrowings from parent company	193,746	180,608	(13,138)
Accounts payable, trade	133,973	76,718	(57,254)
Short-term borrowings	—	50,000	50,000
Accrued taxes on income	1,101	5,195*	4,093
Other current liabilities	396,702	325,896	(70,805)
Total current liabilities	725,524	638,419	(87,105)
TOTAL LIABILITIES	2,429,264	2,391,990	(37,274)
<u>SHAREHOLDERS' EQUITY</u>			
Common stock	312,000	—	—
Capital surplus			
Additional paid-in capital	1,170,054	—	—
Total capital surplus	1,170,054	—	—
Earned surplus			
Unappropriated retained earnings for the period	70,112	—	—
Total earned surplus	70,112	—	—
Net unrealized gains (losses) on securities	396	—	—
TOTAL SHAREHOLDERS' EQUITY	1,552,563	—	—
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,981,828	—	—

Note: *NTT West 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)
NET ASSETS			
Shareholders' equity			
Common stock	—	312,000	—
Capital surplus			
Additional paid-in capital	—	1,170,054	—
Total capital surplus	—	1,170,054	—
Earned surplus			
Other earned surplus	—	81,754	—
Accumulated earned surplus	—	81,754	—
Total earned surplus	—	81,754	—
Total shareholders' equity	—	1,563,808	—
Unrealized gains (losses), translation adjustments, and others			
Net unrealized gains (losses) on securities	—	79	—
Total unrealized gains (losses), translation adjustments, and others	—	79	—
TOTAL NET ASSETS	—	1,563,888	—
TOTAL LIABILITIES AND NET ASSETS	—	3,955,879	—

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, 401, 541	1, 347, 298	(54, 243)	1, 860, 339
Operating expenses	1, 352, 470	1, 319, 759	(32, 710)	1, 823, 115
Operating income from telecommunications businesses	49, 070	27, 538	(21, 532)	37, 223
Supplementary businesses				
Operating revenues	110, 698	97, 531	(13, 167)	169, 287
Operating expenses	113, 241	98, 578	(14, 662)	174, 470
Operating income (losses) from supplementary businesses	(2, 543)	(1, 047)	1, 495	(5, 183)
Operating income	46, 527	26, 491	(20, 036)	32, 040
Non-operating revenues:	53, 766	59, 697	5, 931	66, 633
Interest income	3	4	0	6
Dividends received	14, 260	19, 980	5, 719	14, 261
Lease and rental income	35, 015	35, 906	890	46, 459
Miscellaneous income	4, 486	3, 806	(679)	5, 907
Non-operating expenses:	31, 360	29, 432	(1, 928)	42, 173
Interest expenses	12, 829	13, 715	886	17, 273
Lease and rental expenses	15, 349	13, 166	(2, 182)	21, 239
Miscellaneous expenses	3, 181	2, 550	(631)	3, 660
Recurring profit	68, 933	56, 756	(12, 177)	56, 500
Special profits	4, 097	2, 298	(1, 799)	18, 188
Income before Income taxes	73, 031	59, 054	(13, 976)	74, 689
Corporation, inhabitant, and enterprise taxes	24, 836 *	16, 157 *	(8, 678)	10, 534
Deferred tax expenses (benefits)	— *	— *	—	31, 456
Net income	48, 194	42, 897	(5, 297)	32, 697
Unappropriated retained earnings brought forward	37, 415	—	—	37, 415
Unappropriated retained earnings for the period	85, 610	—	—	70, 112

Note: *NTT West 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	312,000	1,170,054	1,170,054	70,112	70,112	1,552,166	396	396	1,552,563
Net change in this nine-month period									
Cash dividends*				(31,200)	(31,200)	(31,200)			(31,200)
Bonuses paid to directors and corporate auditors*				(55)	(55)	(55)			(55)
Net income				42,897	42,897	42,897			42,897
Others, net							(316)	(316)	(316)
Total net change in this nine-month period	—	—	—	11,642	11,642	11,642	(316)	(316)	11,325
December 31, 2006	312,000	1,170,054	1,170,054	81,754	81,754	1,563,808	79	79	1,563,888

(*) 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)	956,700	867,906	(88,794)	(9.3%)	1,259,541
Monthly charge revenues*	589,839	548,767	(41,072)	(7.0%)	780,312
Call rates revenues*	137,844	113,887	(23,956)	(17.4%)	179,099
Interconnection call revenues*	160,072	144,392	(15,679)	(9.8%)	210,827
IP services revenues	167,315	219,927	52,611	31.4%	229,572
Leased circuit services revenues (excluding IP services revenues)	128,409	124,140	(4,269)	(3.3%)	171,695
Telegram services revenues	22,248	20,439	(1,809)	(8.1%)	29,806
Other telecommunications services revenues	126,866	114,884	(11,982)	(9.4%)	169,721
Telecommunications total revenues	1,401,541	1,347,298	(54,243)	(3.9%)	1,860,339
Supplementary business total revenues	110,698	97,531	(13,167)	(11.9%)	169,287
Total operating revenues	1,512,239	1,444,829	(67,410)	(4.5%)	2,029,626

*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	73,031	59,054	(13,976)	74,689
Depreciation and amortization	324,486	334,677	10,190	435,236
Loss on disposal of property, plant and equipment	21,405	14,366	(7,039)	27,308
Increase (decrease) in liability for employees' retirement benefits	(20,104)	(33,609)	(13,505)	(77,173)
(Increase) decrease in accounts receivable	9,660	(18,380)	(28,040)	49,638
(Increase) decrease in inventories	(2,587)	2,570	5,158	(4,261)
Increase (decrease) in accounts payable and accrued expenses	(138,292)	(124,754)	13,537	(48,685)
(Increase) decrease in accounts consumption tax receivable	62	2,805	2,743	(2,743)
Increase (decrease) in accrued consumption tax	2,124	3,912	1,787	—
Other	(24,225)	(38,325)	(14,099)	8,416
Sub-total	245,561	202,317	(43,243)	462,426
Interest and dividends received	14,263	19,984	5,720	14,267
Interest paid	(12,300)	(13,392)	(1,092)	(17,326)
Income taxes received (paid)	54,406	(12,036)	(66,443)	54,661
Net cash provided by (used in) operating activities	301,931	196,873	(105,057)	514,029
II Cash flows from investing activities:				
Payments for property, plant and equipment	(358,115)	(332,084)	26,031	(476,274)
Proceeds from sale of property, plant and equipment	6,180	15,249	9,069	15,264
Payments for purchase of investment securities	(1,165)	(2,952)	(1,787)	(49,646)
Proceeds from sale of investment securities	2,150	348	(1,801)	2,244
Other	(1,893)	(921)	972	(2,375)
Net cash provided by (used in) investing activities	(352,844)	(320,359)	32,484	(510,787)
III Cash flows from financing activities:				
Proceeds from issuance of long-term debt	146,707	170,000	23,292	196,685
Payments for settlement of long-term debt	(88,832)	(99,650)	(10,817)	(200,090)
Net increase (decrease) in short-term borrowings	(2,000)	55,000	57,000	3,000
Dividends paid	(31,200)	(31,200)	—	(31,200)
Net cash provided by (used in) financing activities	24,674	94,149	69,475	(31,605)
IV Net increase (decrease) in cash and cash equivalents	(26,238)	(29,336)	(3,097)	(28,364)
V Cash and cash equivalents at beginning of period	128,920	100,556	(28,364)	128,920
VI Cash and cash equivalents at end of period	102,682	71,220	(31,461)	100,556

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

NTT West 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	1,974,000	22,000	30,000	17,000
Revised forecasts 	Millions of yen	1,974,000	19,000	50,000	37,000
Increase(Decrease)<B-A>	Millions of yen	0	(30)	20,000	20,000
Percent Increase (Decrease)	%	0.0%	(13.6%)	66.7%	117.6%
<Ref.> Results for the year ended March 31, 2006	Millions of yen	2,029,600	32,000	56,500	32,600

* Recurring profits were revised from 30,000 million yen to 50,000 million yen, mainly due to the interim dividends from the NTT Group companies that were reported for the third quarter ended December 31, 2006.