



News Release

NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION

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May 12, 2006

FOR IMMEDIATE RELEASE

Settlement for Fiscal Year Ended March 31, 2006

The results of Nippon Telegraph and Telephone West Corporation (NTT West) for fiscal 2005 are presented in the following attachments.

(Attachments)

1. Summary of Results for Fiscal Year Ended March 31, 2006
2. Non-consolidated Comparative Balance Sheets
3. Non-consolidated Comparative Statements of Income
4. Non-consolidated Comparative Statements of Cash Flows
5. Proposal for Appropriation of Unappropriated Retained Earnings
6. Business Results (Non-Consolidated Operating Revenues)
7. Changes in Directors

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1. Summary of Results for Fiscal Year Ended March 31, 2006

During the fiscal year that ended March 31, 2006, the Japanese economy continued to move toward recovery, with improved corporate earnings and increased capital investment.

The information and telecommunications market has been undergoing drastic environmental changes, with the emergence of new types of services such as “Triple Play” service, which integrate Internet, IP phone and video capabilities, and FMC (Fixed-Mobile Convergence) services, which merge mobile and fixed-line communications. These changes have been supported by the rapid proliferation of broadband access services, and by technological innovation. The dramatically growing broadband market also witnessed increasingly widespread use of optical fiber broadband networks, with optical access lines eclipsing ADSL in terms of the net increase in number of users. Meanwhile, the expansion of IP telephony services and direct subscriber telephone services using dry copper lines intensified competition in the fixed-line telephone market, putting pressure on basic rates and making our business environment more harsh than before.

In the midst of rapid changes in market and competitive conditions, Nippon Telegraph and Telephone West Corporation (NTT West) declared fiscal 2005 as a critical “first step” for achieving the “NTT West Medium-Term Vision”, with the goal of “providing optical access services to 15 million users by 2010.” Toward this end, NTT West moved forward with efforts to introduce attractive new services aimed at dramatic expansion of optical access lines and fiber-optic IP-based services, promoting highly value-added solution businesses such as security features, and expanding the operations of the entire NTT West Group. In line with this vision, NTT West implemented the following measures:

1. Development of the Broadband Business

(1) Expanded Broadband Access Services

NTT West started its full-scale optical access services in August 2001 with the launch of “B-FLET’S,” after a trial service period that began in December 2000. In March 2005, NTT West offered “FLET’S *HIKARI* PREMIUM,” a service that provides high-quality video-telephony that includes IPv6 technology and security protection as basic functions, to satisfy diverse user needs. NTT West also began marketing “Triple Play” services which combine the “*HIKARI DENWA* (fiber-optic phone)” with video capabilities, in order to boost sales.

In addition to the conventional limited-time, no-monthly-fee campaign for “FLET’S *HIKARI*,” NTT West introduced the “*HIKARI GUTTO* (significant) DISCOUNT,” a discount program with a special rate for up to one year for the “FLET’S *HIKARI* PREMIUM Family Type” and “B-FLET’S Family 100 Type” plans and began running various other service campaigns, including free initial installation service. NTT West also made efforts to provide services that meet diverse customer needs by achieving shorter lead times (from application to line connection), through the introduction of the Administrative Quick Response for Optical Service (AQROS) system, and by making 24-hour support available. As a result, the number of FLET’S *HIKARI* subscriber lines installed exceeded 1.5 million in the four years and eight months since the full-scale launch of the service.

NTT West also engaged in extensive marketing activities for its ADSL services, running a campaign for new subscribers offering a half-price rate for up to one year, to make the services available to a wider range of customers.

(2) Expanded Broadband Application Services

NTT West expanded its lineup of optical IP phone services. In order to develop its customer base from big businesses to condominium residents, NTT West started providing the "*HIKARI DENWA* (fiber-optic phone)" service for detached houses in May 2005. For smaller businesses, in March 2006 NTT West began to accept subscription applications for the "*HIKARI DENWA* Office Type" service, which will begin in May 2006. This service will give a subscriber the use of up to 8 channels with a maximum of 32 telephone numbers. NTT West also engaged in proactive efforts to extend services across regions to attract a wider range of customers.

NTT West has also addressed the issue of developing new features to improve the convenience of its services. Specifically, NTT West expanded the conventional "*HIKARI DENWA*" plan with the introduction of a "multiple channel" service that enables simultaneous handling of outgoing and incoming calls by 2 lines per subscriber, as well as an "additional number" service that allows the use of up to 5 telephone numbers per subscriber. The company also added a mobile IP-phone terminal capability, compatible with the "IP Centrex function,*" to the "*HIKARI DENWA* Business Type" plan.

For "FLET'S SPOT," its public wireless LAN service, NTT West vigorously worked to expand the coverage area and usefulness of the service, by actively utilizing the shared wireless LAN facilities provided by NTT Broadband Platform, Inc., and by introducing a mutual-roaming service with NTT East.

For IPv6-enabled application services, NTT West launched "FLET'S v6 My Disk" in August 2005, targeted at users of the "FLET'S *HIKARI* PREMIUM" and "FLET'S v6 APPLI" services. The new service enables users to store and manage a large volume of data, such as digital photos and document files, and to share data with other users safely.

In the field of broadband content distribution, NTT West has been providing attractive content exclusive to FLET'S services on its "FLET'S SQUARE" website, in collaboration with the Takarazuka Revue Company, The Walt Disney Company Japan, Ltd., and The Pokemon Company. In addition, NTT West has been operating the "v6 Stage" website to distribute "multi-angle content" and "high-quality content," making full use of the broadband features of "FLET'S *HIKARI*."

NTT West also joined forces with Warner Bros. Inc. and Toho Co., Ltd. in the "4K Pure Cinema" trial, in which fiber-optic broadband was used to distribute digital videos under DCI (Digital Cinema Initiatives) specifications over the network for multiple commercial movie theaters to play on their screens on a continuous and regular basis. The trial, the first of its kind, yielded valuable results that added momentum to the commercialization of this kind of network-reliant distribution system.

* A function that provides a standard PBX function as an IP telephone network service.

2. Development of the Solution Business

NTT West launched its "Mobile IP Centrex Solution" as a new item in the lineup for "N.prosol." This solution allows for the fast and low-cost creation of a ubiquitous office environment that integrates fixed-line telephones with mobile telephones and voice with data by combining "*HIKARI DENWA* Business Type," an IP telephony service for corporate customers, with 3-GHz/wireless LAN dual mobile phones.

For security-related services, NTT West launched its "ThinClient Total Solution," a

system that protects confidential information from being lost or stolen, or from being removed improperly by persons within the organization. This system is targeted at business customers and local governments that have concerns regarding information security measures in response to the Law Concerning the Protection of Personal Information coming into effect.

Also, to provide a higher level of authentication at login to enterprise systems that are accessible from multiple networked sites, NTT West introduced the "Biometrics-enabled IC Card Security System." This system combines biometrics technology, which has gained attention due to its effectiveness in preventing loss or theft of information and as a means to protect personal information, with "ELWISE-CARD," which is an IC card developed by NTT Service Integration Laboratories.

Furthermore, in response to customer needs for security measures to protect not only data files but also web content accessible via browsers, NTT West launched its "Web Contents Protection Service," a service that provides protection for important information (such as customers' personal information) in a company's web-based system. The service accomplishes this by regulating the browsing, storing, and printing of content viewed on a browser.

To enhance its value-added services for Ethernet users, NTT West strengthened the reliability of its "Service Level Agreement" (SLA) by introducing an additional agreement, the "Service Availability SLA," which guarantees a committed level of availability of its network services. This was done in order to meet customer needs for greater reliance on the SLA. Also, in response to demand for the total monitoring of LAN equipment at low cost, NTT West added a "Multi-Equipment Monitoring" function to its existing "Inline Monitoring" service, and adjusted its monthly fees.

Furthermore, NTT West opened its business service center. The center seeks to provide secure, safe, and reliable services to loyal corporate customers that use many of NTT West's business Internet access services, such as leased circuits and Ethernet. The entire process of order acceptance, installation, and support for stable operation is managed in a prompt, flexible, and integrated manner, while achieving smooth multi-point, multi-line connections, prompt repair services, and comprehensive after-sale services, regardless of type of circuit or location.

3. Expanded NTT West Group Operations

NTT NEOMEIT CORPORATION collaborated with NETMARKS INC. to start a new business offering thin-client solutions that increase the efficiency of existing personal computers, by uninstalling the existing hard disk and installing a thin-client module called "NBORN."

NTT NEOMEIT also introduced a secure IP call center service which uses grid technology to enhance the security features of the conventional "AQStage PF IP Call Center Service." The new service protects the identities of individual whose personal information is stored in the call center from being disclosed, by dispersing the data and storing it in distributed multiple servers, thereby mitigating the risk of loss of personal information due to the acts of individuals and system failures caused by disasters and the like.

Furthermore, NTT NEOMEIT launched its "AQStage Wide-Area Ethernet Easy LAN" service, which allows users to create an Ethernet VPN at low cost by combining the

FLET'S services provided by NTT East and NTT West with IP capsuling equipment that enables virtual creation of IP Layer 2 (L2).

In addition, NTT NEOMEIT developed and commercialized a concrete pole tester* that enables the diagnosis of the location and degree of hidden cracks using "ultrasonic waves" without the need for digging to expose the base of the pole. This allows replacement of poles to be done more efficiently, since only impaired poles are replaced. (*This innovation earned the 38th Telecommunication Industry Achievement Award in 2005)

Meanwhile, NTT MARKETING ACT CORPORATION introduced "ACTOS *MIMAMORI* (WATCH-OVER) EYE," a remote security monitoring service for the elderly (who often live alone in Japan's rapidly aging society), local governments, nursing care service providers, and families. This system installs sensor systems in the homes of elderly people who live alone, so that either other family members or care providers can view the subject's daily living situation remotely via personal computer. An e-mail message can be transmitted to a pre-registered contact should any problem be detected.

NTT MARKETING ACT, together with NTT APPLIE CORPORATION and Dai Nippon Printing Co., Ltd., developed the "ACTOS KIT TAG de *OMAMORI* (protect) MENU," a system that combines broadband circuit and wireless IC tag technologies to provide support to operators of welfare facilities. The new system was introduced by the NTT MARKETING ACT group companies, primarily to welfare institutions, kindergartens, and nursery schools, as a packaged solution.

NTT MARKETING ACT continued to offer "ACTOS e-*MACHI-SHIROU* (Find out about your town on the web)", a portal site that provides local community information and allows local stores and businesses to attract more customers and increase sales, and "ACTOS MOBILE C," a service that enables timely distribution of e-mail and coupons to members of a user company via mobile phones using 2-dimensional codes. NTT MARKETING ACT also opened "CA-RA-REER," a new website that merges the features of job placement services and social networking sites (SNS). This new business model is based on the SNS function, which in recent years has been drawing attention for its web-based content.

4. Measures for Fixed-Line Telephone Services

Faced with widespread use of direct subscriber telephone services using dry copper lines, NTT West addressed the demand for lower rates, and implemented a discount on basic charges (line service charges) for customers who pay a consolidated bill for multiple lines, in order to encourage continued use of NTT West's telephone services.

Less than seven years after its full-scale launch, over five million subscribers signed up for the "Number Display" service, in large part because the service meets the needs of home telephone users who want to know who is calling them, and also because the service improves customer service at phone reception desks in business offices.

5. CSR Efforts

The NTT West Group sees its corporate social responsibility (CSR) as a "value creation" activity, in which the Group improves its corporate value by "increasing social value" for customers, the global environment, and communities, "increasing economic value" for shareholders, and "increasing human value" for employees. The Group created the "CSR Promotion Council," which coordinates the activities of existing promotion committees for social contribution, global environmental protection, and

information security, under the president's direct control. Other CSR efforts have included the publication of a CSR Report, information disclosure on the company's website, and a CSR survey given to all employees. Specifically, the Group implemented the following measures:

(1) Establishment of Corporate Ethics

The NTT West Group has been actively working to reinforce its corporate ethics. During the period, the Group has further intensified its efforts to cultivate high ethical standards under review both officially and privately, and to create a solid corporate culture that protects against fraud and misconduct. Various programs to instill a consciousness of ethics throughout the organization include corporate ethics workshops for all levels of employees including top management and awareness surveys to examine the extent to which these ideas have permeated the company.

(2) Approach to Global Environmental Protection

In compliance with relevant environmental laws and regulations, and in accordance with the NTT West Group Global Environment Charter, the NTT West Group has been making concerted efforts toward environmental protection, by addressing the reduction of environmental load and by ensuring strict compliance. Specifically, during the period under review, the NTT West Group participated in the "Team Minus 6%" campaign initiated by the central government, which is in line with the Kyoto Protocol. The company viewed this campaign as an opportunity to establish a corporate culture that places emphasis on curbing global warming. The NTT West Group also implemented the "Summer 28 Promotion," a summer program to raise awareness about energy saving across the organization. This program includes the rule of "modest cooling temperature, 28 degrees Celsius," with "light clothing in the workplace" during summer, and the running of a "modest heating (20 degrees Celsius) campaign during winter," in order to reduce power consumption through various electricity-saving measures.

In addition, the NTT West Group has also been working on certification to ISO14001, the international standard for environmental management systems, in order to constantly improve its efforts to protect the environment and reduce environmental risks. NTT West's strategy has been for each branch or office location to apply for certification independently under its own budget. During the period under review, the Kagoshima branch obtained the certification, the last among the 16 branches in the NTT West region to do so.

(3) Enhanced Information Security

Now that the Law Concerning the Protection of Personal Information, the need for proper handling of customer information is more important has become fully effective than ever. Against this backdrop, the NTT West Group stepped up its efforts to improve its information management systems and methods, by creating the "Information Security Promotion Center" to provide guidance across all group companies. The NTT West Group also conducted a caravan campaign, as well as on-site inspections of contractors, in order to implement stricter control systems and procedures based on the "Security Guidelines for Protection of Customer Information Held by Contractors."

The NTT West Group's efforts to enhance the protection of customer information have also included training sessions on information protection. The Group also checks employees' level of understanding regarding protection of customer

information, through mandatory self-evaluation testing on the Web (those in group companies, and temporary workers, must participate). Finally, the NTT West Group prepares and distributes “Q&As” on the protection of personal information, and “One-Point Advice” that summarizes the precautions users must take.

(4) Disaster Recovery Operations

To supplement the conventional Disaster Emergency *Dengon* (Message) Dial “171,” a method to record voice messages confirming the safety of people in affected regions, in August 2005 NTT West introduced the “Broadband Disaster Message Board” (web 171), which uses video and text, in order to take advantage of the recent diffusion of the Internet to improve the security, safety and reliability of the Group’s services.

For the victims of typhoons and the Fukuoka Seiho-oki Earthquake, NTT West waived the basic fees for the period during which the victims had no access to their telephones due to evacuation orders or to structural damage. For those who were forced to move from damaged buildings to temporary housing, NTT West also waived reinstallation charges.

Furthermore, NTT West has worked to maintain and improve the level of customer services throughout its entire service area. As a part of these efforts, NTT West created a system that reroutes heavily congested telephone calls to the Number “113” (repair service hotline) to the Number 113 centers in less affected regions, as a means to accept as many calls as possible during times of disaster/equipment failure.

In addition, for early detection and repair of facility malfunctions, in June 2005 NTT West set up a system to receive information from customers regarding problems and failures at facilities (equipment service hotline “110”), while developing an organizational structure in the NTT Group that also addresses this goal.

To lay the groundwork for the efforts described above, members of the NTT West Group have constantly worked together to advance the Group’s “Customer-First Activities,” with the goal of gaining customer confidence in the Group’s services.

As a result of the above efforts, operating revenue for the fiscal year amounted to 2029.6 billion yen (down 3.3% from the previous year), and ordinary income amounted to 56.5 billion yen (down 29.5% from the previous year). Net income totaled 32.6 billion yen (down 20.4% from the previous year), marking the fourth consecutive year of positive net income.

2. Non-Consolidated Comparative Balance Sheets

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	March 31, 2005	March 31, 2006	Increase (Decrease)
ASSETS			
Fixed assets:			
Fixed assets-telecommunications businesses			
Property, plant and equipment	2,920,524	2,920,831	306
Machinery and equipment	550,458	606,429	55,971
Antenna facilities	11,407	10,514	(893)
Terminal equipment	27,847	29,877	2,029
Local line facilities	826,738	829,435	2,697
Long-distance line facilities	8,497	7,198	(1,298)
Engineering facilities	647,060	631,497	(15,563)
Submarine line facilities	5,177	4,542	(634)
Buildings	555,067	520,264	(34,803)
Structures	21,591	19,643	(1,947)
Other machinery and equipment	1,911	1,693	(217)
Vehicles and vessels	152	152	0
Tools, furniture and fixtures	35,491	35,139	(352)
Land	190,870	187,357	(3,513)
Construction in progress	38,253	37,085	(1,167)
Intangible fixed assets	94,823	99,788	4,964
Total fixed assets-telecommunications businesses	3,015,348	3,020,619	5,271
Investments and other assets			
Investment securities	9,490	7,780	(1,709)
Investments in subsidiaries and affiliated companies	12,218	60,626	48,407
Long-term prepaid expenses	2,978	2,707	(271)
Deferred income taxes	391,488	360,666	(30,821)
Other investments	9,689	12,335	2,646
Allowance for doubtful accounts	(713)	(1,638)	(924)
Total investments and other assets	425,151	442,478	17,327
Total fixed assets	3,440,499	3,463,098	22,598
Current assets:			
Cash and bank deposits	111,479	90,274	(21,204)
Notes receivable	14	4	(9)
Accounts receivable, trade	379,119	333,158	(45,961)
Accounts receivable, other	69,341	19,003	(50,337)
Supplies	34,833	39,094	4,261
Advance payment	3,163	3,147	(16)
Prepaid expenses	6,480	5,484	(996)
Deferred income taxes	8,000	7,106	(893)
Other current assets	31,130	23,689	(7,441)
Allowance for doubtful accounts	(3,233)	(2,233)	1,000
Total current assets	640,329	518,729	(121,599)
TOTAL ASSETS	4,080,829	3,981,828	(99,001)

(Millions of yen)

	March 31, 2005	March 31, 2006	Increase (Decrease)
<u>LIABILITIES</u>			
Long-term liabilities:			
Long-term borrowings from parent company	1,055,194	1,058,132	2,938
Liability for employees' severance payments	710,090	632,917	(77,173)
Other long-term liabilities	10,112	12,690	2,577
Total long-term liabilities	1,775,397	1,703,740	(71,656)
Current liabilities:			
Current portion of long-term borrowings from parent company	200,090	193,746	(6,343)
Accounts payable, trade	167,218	133,973	(33,244)
Commercial paper	42,000	45,000	3,000
Accounts payable, other	269,332	248,807	(20,524)
Accrued expenses	24,995	22,711	(2,283)
Accrued taxes on income	2,481	1,101	(1,379)
Advance received	5,201	6,459	1,257
Deposit received	33,246	68,002	34,756
Unearned revenue	97	143	46
Other current liabilities	10,026	5,576	(4,450)
Total current liabilities	754,690	725,524	(29,165)
TOTAL LIABILITIES	2,530,087	2,429,264	(100,822)
<u>SHAREHOLDERS' EQUITY</u>			
Common stock	312,000	312,000	—
Capital surplus			
Additional paid-in capital	1,170,054	1,170,054	—
Total capital surplus	1,170,054	1,170,054	—
Earned surplus			
Unappropriated retained earnings for the year	68,670	70,112	1,442
Total earned surplus	68,670	70,112	1,442
Net unrealized gains (losses) on securities	17	396	378
TOTAL SHAREHOLDERS' EQUITY	1,550,741	1,552,563	1,821
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,080,829	3,981,828	(99,001)

3. Non-Consolidated Comparative Statements of Income

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2005	Year ended March 31, 2006	Increase(Decrease)
Recurring profits and losses			
Operating revenues and expenses			
Telecommunications businesses			
Operating revenues	1,921,025	1,860,339	(60,686)
Operating expenses	1,846,367	1,823,115	(23,252)
Business expenses	473,107	469,461	(3,646)
Operations	25,273	23,193	(2,080)
Maintenance expenses	518,078	515,648	(2,429)
Overhead expenses	96,388	90,187	(6,200)
Administration	108,203	103,831	(4,371)
Experiment and research	56,717	52,190	(4,527)
Depreciation and amortization	422,032	420,818	(1,213)
Retirement of fixed assets	55,363	47,540	(7,822)
Communication network charges	19,040	29,209	10,168
Miscellaneous taxes	72,161	71,033	(1,128)
Operating income from telecommunications businesses	74,657	37,223	(37,434)
Supplementary businesses			
Operating revenues	177,022	169,287	(7,735)
Operating expenses	181,531	174,470	(7,060)
Operating income(losses) from supplementary businesses	(4,508)	(5,183)	(674)
Operating income	70,148	32,040	(38,108)
Non-Operating revenues and expenses			
Non-operating revenues:	56,074	66,633	10,558
Interest income	6	6	(0)
Dividends received	277	14,261	13,984
Lease income	47,648	46,459	(1,189)
Miscellaneous income	8,142	5,907	(2,235)
Non-operating expenses:	46,135	42,173	(3,962)
Interest expenses	19,264	17,273	(1,991)
Lease expenses	21,858	21,239	(619)
Miscellaneous expenses	5,012	3,660	(1,351)
Recurring profit	80,087	56,500	(23,586)
Special profits and losses			
Special profits	10,170	18,188	8,017
Gain on sale of fixed assets	10,170	18,188	8,017
Special losses	7,181	—	(7,181)
Installment amortization of shortfall due to new retirement benefit accounting standard	7,181	—	(7,181)
Income before Income taxes	83,077	74,689	(8,388)
Corporation, inhabitant, and enterprise taxes	(57,120)	10,534	67,654
Deferred tax expenses (benefits)	99,100	31,456	(67,643)
Net income	41,097	32,697	(8,399)
Unappropriated retained earnings brought forward	27,572	37,415	9,842
Unappropriated retained earnings for the year	68,670	70,112	1,442

4. Non-Consolidated Comparative Statements of Cash Flows

(Based on accounting principles generally accepted in Japan)

(Millions of yen)

	Year ended March 31, 2005	Year ended March 31, 2006	Increase (Decrease)
I Cash flows from operating activities:			
Income before income taxes	83,077	74,689	(8,388)
Depreciation and amortization	435,060	435,236	176
Loss on disposal of property, plant and equipment	33,319	27,308	(6,010)
Increase (decrease) in liability for employees' severance payments	(80,346)	(77,173)	3,173
(Increase) decrease in accounts receivable	1,956	49,638	47,682
(Increase) decrease in inventories	4,606	(4,261)	(8,867)
Increase (decrease) in accounts payable and accrued expenses	(6,390)	(48,685)	(42,295)
(increase) decrease in accounts consumption tax receivable	(62)	(2,743)	(2,680)
Increase (decrease) in accrued consumption tax payable	(2,652)	—	2,652
Other	(3,381)	8,416	11,797
Sub-total	465,187	462,426	(2,760)
Interest and dividends received	283	14,267	13,983
Interest paid	(19,698)	(17,326)	2,372
Income taxes received (paid)	52,439	54,661	2,222
Net cash provided by (used in) operating activities	498,212	514,029	15,817
II Cash flows from investing activities:			
Payments for property, plant and equipment	(381,332)	(476,274)	(94,941)
Proceeds from sale of property, plant and equipment	13,567	15,264	1,696
Acquisition of investment securities	(3,678)	(49,646)	(45,968)
Proceeds from sale of investment securities	2,239	2,244	5
Other	(197)	(2,375)	(2,178)
Net cash provided by (used in) investing activities	(369,401)	(510,787)	(141,386)
III Cash flows from financing activities:			
Proceeds from issuance of long-term debt	190,000	196,685	6,685
Payments for settlement of long-term debt	(276,201)	(200,090)	76,111
Net increase (decrease) in short-term borrowings	2,000	3,000	1,000
Dividends paid	(34,494)	(31,200)	3,294
Net cash provided by (used in) financing activities	(118,696)	(31,605)	87,090
IV Net increase (decrease) in cash and cash equivalents	10,114	(28,364)	(38,478)
V Cash and cash equivalents at beginning of year	118,806	128,920	10,114
VI Cash and cash equivalents at end of year	128,920	100,556	(28,364)

5. Proposal for Appropriation of Unappropriated Retained Earnings

(Millions of yen)

	Year ended March 31, 2005	Year ended March 31, 2006
Unappropriated retained earnings for the year	68,670	70,112
Proposal of appropriation:		
Cash dividends	31,200	31,200
	(¥5,000 per share)	(¥5,000 per share)
Bonuses paid to directors and corporate auditors	55	55
(Portion paid to corporate auditors)	(13)	(13)
Unappropriated Retained earnings carried forward	37,415	38,857

6. Business Results (Non-Consolidated Operating Revenues)

(Based on accounting principles generally accepted in Japan)

(Millions of Yen)

	Year ended March 31, 2005	Year ended March 31, 2006	Increase (Decrease)	Percent Increase (Decrease)
Voice transmission services revenues (excluding IP services revenues)	1, 369, 195	1, 259, 541	(109, 653)	(8. 0%)
Monthly charge revenues*	872, 886	780, 312	(92, 573)	(10. 6%)
Call rates revenues*	198, 733	179, 099	(19, 634)	(9. 9%)
Interconnection call revenues*	209, 544	210, 827	1, 282	0. 6%
IP services revenues	180, 326	229, 572	49, 246	27. 3%
Leased circuit services revenues (excluding IP services revenues)	174, 392	171, 695	(2, 696)	(1. 5%)
Telegram services revenues	31, 180	29, 806	(1, 373)	(4. 4%)
Other telecommunications services revenues	165, 929	169, 721	3, 791	2. 3%
Telecommunications total revenues	1, 921, 025	1, 860, 339	(60, 686)	(3. 2%)
Related business total revenues	177, 022	169, 287	(7, 735)	(4. 4%)
Total operating revenues	2, 098, 048	2, 029, 626	(68, 421)	(3. 3%)

* Partial listing only

7. Changes in Directors

1. Candidates for New Directors

Masataka Isaji	General Manager, Okayama Branch
Tetsuya Shouji	Executive Manager, Personnel Department

2. Directors Scheduled to Resign from Office

Hiroaki Takano	Executive Vice President	(Scheduled to enter NTT CARD SOLUTION CORP)
Fumio Takaesu	Senior Vice President	(Scheduled to enter NTT Neomeit Corporation)
Michitomo Ueno	Senior Vice President	(Scheduled to assume the position of Senior Advisor, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION)

3. Persons Scheduled to Become Senior Directors

(1) Scheduled to Become President

Shunzo Morishita

(2) Scheduled to Become Senior Executive Vice Presidents

Tsutomu Ebe

Jun-ichi Yuuki

(3) Scheduled to Become Executive Vice President

Shinichi Otake

4. New Executives' Positions and Organizational Responsibilities

〔 New Positions and Organizational Responsibilities 〕	〔 Name 〕	〔 Current Positions and Organizational Responsibilities 〕
Senior Executive Vice President	Tsutomu Ebe	Senior Executive Vice President Executive Manager, Broadband Services Promotion Headquarters Responsible for: Institutional affairs Corporate Strategy Planning Department Accounts and Finance Department Personnel Department Branches
Senior Executive Vice President	Jun-ichi Yuuki	Senior Executive Vice President Executive Manager, Fundamental Services Promotion Headquarters Responsible for General Affairs Department Information Security
Executive Vice President	Shinichi Otake	Executive Vice President Executive Manager, Solution Business Headquarters Responsible for: Technology Department Plant Planning Department
Senior Vice President	Yukihiro Ozaki	Senior Vice President Executive Manager, Broadband Access line Services Department, Broadband Services Promotion Headquarters
Senior Vice President	Shinji Jikuya	Senior Vice President Executive Manager, Broadband Application Services Department, Broadband Services Promotion Headquarters

〔 New Positions and Organizational Responsibilities 〕	〔 Name 〕	〔 Current Positions and Organizational Responsibilities 〕
Senior Vice President	Yasuyoshi Katayama	Senior Vice President Executive Manager, Fundamental Services Department, Fundamental Services Promotion Headquarters, and Executive Manager, Plant Planning Department
Senior Vice President	Takayuki Watanabe	Senior Vice President Executive Manager, Accounts and Finance Department
Senior Vice President	Takushi Itoh	Senior Vice President General Manager, Nagoya Branch
Senior Vice President	Akio Nishio	Senior Vice President Executive Manager, Solution Business vice Headquarters, and General Manager, Solution Business Department
Senior Vice President	Kazutoshi Murao	Senior Vice President Executive Manager, Corporate Strategy Planning Department Responsible for Interconnection Promotion Department
Senior Vice President	Masataka Isaji	General Manager, Okayama Branch
Senior Vice President	Tetsuya Shouji	Executive Manager, Personnel Department
Senior Vice President	Hiroo Unoura	Senior Vice President

(Notes) •Among the candidates for Senior Vice President, Hiroo Unoura is a candidate for external director.

Non-Consolidated Financial Results for the Year Ended March 31, 2006

April 1, 2005 - March 31, 2006

(Based on accounting principles generally accepted in Japan)

【Operating Results】

(Billions of Yen)

Details	Year Ended March 31, 2006	Year Ended March 31, 2005	Increase (Decrease)	Percent Increase (Decrease)
Operating Revenues	2,029.6	2,098.0	(68.4)	(3.3%)
Operating Expenses	1,997.5	2,027.8	(30.3)	(1.5%)
Operating Income	32.0	70.1	(38.1)	(54.3%)
Non-Operating Income	24.4	9.9	14.5	146.1%
Recurring Profit	56.5	80.0	(23.5)	(29.5%)
Special Profits	18.1	10.1	8.0	78.8%
Special Losses	—	7.1	(7.1)	—
Income before Income Taxes	74.6	83.0	(8.3)	(10.1%)
Income Taxes	41.9	41.9	0.0	0.0%
Net Income	32.6	41.0	(8.3)	(20.4%)

【Proposal for Appropriation of Unappropriated Retained Earnings】

(Billions of Yen)

Details	Year Ended March 31, 2006
Unappropriated Retained Earnings for the Year	* 70.1
Cash Dividends	31.2
Bonuses to Directors and Corporate Auditors	55 million yen
Appropriation of Unappropriated Retained Earnings	31.2
Unappropriated Retained Earnings Carried Forward	38.8

Net Income 32.6

Unappropriated Retained Earnings
Brought Forward(+) 37.4

* Unappropriated Retained Earnings
for the Year 70.1

【Forecasts for the Year Ending March 31, 2007】

(Billions of Yen)

Details	Operating Revenues	Operating Income	Recurring Profit	Net Income
Forecasts for the Year Ending March 31, 2007	1,974.0	22.0	30.0	17.0

【Breakdown of Operating Revenues and Operating Expenses】

(1) Operating Revenues

(Billions of Yen)

Service	Year Ended March 31, 2006	Year Ended March 31, 2005	Increase (Decrease)	Percent Increase (Decrease)
Voice Transmission Services Revenues (excluding the amounts of IP Services Revenues)	1,259.5	1,369.1	(109.6)	(8.0%)
Monthly Charge Revenues*	780.3	872.8	(92.5)	(10.6%)
Call Rates Revenues*	179.0	198.7	(19.6)	(9.9%)
Interconnection Call Revenues*	210.8	209.5	1.2	0.6%
IP Services Revenues	229.5	180.3	49.2	27.3%
Leased Circuit Services Revenues (excluding the amounts of IP Services Revenues)	171.6	174.3	(2.6)	(1.5%)
Telegram Services Revenues	29.8	31.1	(1.3)	(4.4%)
Other Telecommunications Services Revenues	169.7	165.9	3.7	2.3%
Related Business Revenues	169.2	177.0	(7.7)	(4.4%)
Total	2,029.6	2,098.0	(68.4)	(3.3%)

* Partial listing only

Note: "Voice Transmission Services Revenues" represent the total of telephone revenues and ISDN revenues.

(2) Operating Expenses

(Billions of Yen)

Details	Year Ended March 31, 2006	Year Ended March 31, 2005	Increase (Decrease)	Percent Increase (Decrease)
Personnel	182.7	195.1	(12.4)	(6.4%)
Purchase of goods and services	1,269.5	1,277.6	(8.1)	(0.6%)
Depreciation and amortization	425.1	425.8	(0.6)	(0.2%)
Retirement of fixed assets	48.2	56.1	(7.9)	(14.1%)
Miscellaneous Taxes	71.9	73.0	(1.1)	(1.6%)
Total	1,997.5	2,027.8	(30.3)	(1.5%)

【Financial Position】

(Billions of Yen)

Details	March 31, 2006	March 31, 2005	Increase (Decrease)	Percent Increase (Decrease)
Fixed Assets	3,463.0	3,440.4	22.5	0.7%
Current Assets	518.7	640.3	(121.5)	(19.0%)
Total Assets	3,981.8	4,080.8	(99.0)	(2.4%)
Long-Term Liabilities	1,703.7	1,775.3	(71.6)	(4.0%)
Current Liabilities	725.5	754.6	(29.1)	(3.9%)
Total Liabilities	2,429.2	2,530.0	(100.8)	(4.0%)
Interest-Bearing Debts*	1,296.8	1,297.2	(0.4)	(0.0%)
Shareholders' Equity	1,552.5	1,550.7	1.8	0.1%
Total of Liabilities and Shareholders' Equity	3,981.8	4,080.8	(99.0)	(2.4%)

* Partial listing only

【Cash Flows】

(Billions of Yen)

Details	Year Ended March 31, 2006	Year Ended March 31, 2005	Increase (Decrease)	Percent Increase (Decrease)
Cash Flows from Operating Activities	514.0	498.2	15.8	3.2%
Cash Flows from Investing Activities	(510.7)	(369.4)	(141.3)	(38.3%)
Cash Flows from Financing Activities	(31.6)	(118.6)	87.0	73.4%
Cash and Cash Equivalents at Beginning of Year	128.9	118.8	10.1	8.5%
Cash and Cash Equivalents at End of Year	100.5	128.9	(28.3)	(22.0%)

【Reference】

1. Number of Subscriber Lines

Details	March 31, 2006	March 31, 2005	Increase (Decrease)	Percent Increase (Decrease)
Number of Telephone Subscriber Lines (1,000)	23,802	25,396	(1,594)	(6.3%)
Number of ISDN Subscriber Lines (1,000)	3,748	4,042	(293)	(7.3%)
Number of Subscriber Lines	27,550	29,438	(1,888)	(6.4%)

Notes: 1. "Number of Telephone Subscriber Lines" is the total of individual lines and central station lines (Analog Lite Plan is included).
 2. Since, in terms of number of channels, transmission rate, and line use rate (base rate), INS-Net 1500 is in all cases roughly ten times greater than INS-Net 64, one INS-Net 1500 subscriber is calculated as ten INS-Net 64 subscribers (INS-Net 64 Lite Plan is included).

2. Number of IP-related Services Subscribers

Details	March 31, 2006	March 31, 2005	Increase (Decrease)	Percent Increase (Decrease)
Number of B-FLET'S Subscribers (1,000)	1,530	779	750	96.3%
Number of FLET'S ADSL Subscribers (1,000)	2,682	2,374	307	12.9%
Number of FLET'S ISDN Subscribers (1,000)	284	356	(72)	(20.1%)

3. Number of Employees

Details	March 31, 2006	March 31, 2005	Increase (Decrease)	Percent Increase (Decrease)
Number of Employees	12,250	12,850	(600)	(4.7%)

(Employees)

4. Capital Investments

Details	Year Ended March 31, 2006	Year Ended March 31, 2005	Increase (Decrease)	Percent Increase (Decrease)
Capital Investments	462.9	397.8	65.1	16.4%

(Billions of Yen)