



# *News Release*

NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATIONTelephone +81 6 4793 23113-15 Bambacho Chuo-ku, Osaka 540-8511 Japan**November 10, 2004****FOR IMMEDIATE RELEASE****Interim Settlement for Fiscal Year Ending March 31, 2005**

The results of Nippon Telegraph and Telephone West Corporation (NTT West) for the interim period of fiscal 2004 are presented in the following attachments.

(Attachments)

1. Summary of Results
2. Non-consolidated Balance Sheet
3. Non-consolidated Statements of Income
4. Business Results (Non-consolidated Operating Revenues)
5. Non-consolidated Statements of Cash Flows

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## Summary of Results

During the six months ended September 30, 2004, the Japanese economy continued to recover at an overall healthy pace, fueled by a significant improvement in corporate earnings owing to increased exports and production as well as a moderate upswing in consumer spending.

In the telecommunications market, penetration and expansion of broadband access services like ADSL (asymmetric digital subscriber line) and optical lines are gaining momentum in step with the advanced and diversified demands of users in an increasingly globalized world. Nevertheless, intensifying competition for customers in both prices and services among telecommunication carriers made for an ever more severe business environment.

Meanwhile, the fixed-line telecommunications market continued to narrow against the backdrop of an accelerated changeover from fixed-line to mobile telephony and from voice to Internet and data telecommunications, along with a proliferation of IP phone services for businesses. The shrinking market combined with the launch of direct connection phone services using dry copper has ushered in full-scale competition.

In the face of rapidly changing markets and competition as well as constantly changing surrounding circumstances, Nippon Telegraph and Telephone West Corporation (NTT West) has positioned fiscal 2004 as the springboard to creating new momentum for a dramatic leap into the fiber-optic broadband market and the transformation of its revenue structure from telephone-based to IP-based. Toward this end, NTT West has been aggressive in its efforts to take full advantage of the characteristics of fiber optics to enrich its application services and content, promote high value-added solutions offerings like security services, and expand the operations of the entire NTT West Group in a bid to create a resonant communications environment. In line with this, NTT West is committed to the aggressive pursuit of:

### 1. Development of Broadband Business

#### i) Expanded Broadband Access Services

In response to customer demand for high-speed telecommunications, NTT West has launched a new service, "FLET'S ADSL MORE SPECIAL," with a downstream speed of up to 47 Mbps and upstream speed of up to 5 Mbps, in addition to the five existing FLET'S ADSL plans: MORE 40, MORE 24, MORE, 8M PLAN and 1.5M PLAN.

Also, in order to make the FLET'S service available to a wider range of customers, NTT West offered special plans limited to new subscribers during specified periods: a one-month free service campaign for B-FLET'S, a three-month free service campaign for FLET'S ADSL. NTT West likewise introduced attractive special discount programs in April 2004 for continuing B-FLET'S and FLET'S ADSL users: "FLET'S ATTO (amazing) DISCOUNT" and "FLET'S ZUTTO (continuous) DISCOUNT."

In addition, NTT West has mounted multifaceted promotional campaigns through marketing alliances with home appliance volume retailers and tie-ups with Internet Service Providers, as well as offered customers the chance to win special VIP seats for "a-nation '04" in its "FLET'S a-nation campaign," co-sponsored by the AVEX GROUP.

#### ii) Expanded Broadband Application Services

NTT West's FLET'S SQUARE provides attractive broadband content to B-FLET'S and FLET'S ADSL customers in collaboration with leading content holders, including "a-nation 2003 concert image" from the AVEX GROUP, information about "Searching for the Bluebird" and "Takarazuka Dream Kingdom" from the Takarazuka Revue Company, and "Pokémon content" from the Pokémon Company.

Meanwhile, to respond to growing customer demand for lower calling charges and high quality IP phone service comparable to fixed-line phones, NTT West launched "HIKARI DENWA (fiber-optic phone)," a new IP phone service for multi-family dwellings targeted at users subscribing to B-FLET'S Condominium Type. This service allows customers to keep their existing telephone numbers, make emergency calls to 110, 118 and 119 services, and access toll-free numbers.

The number of access points for FLET'S SPOT, the main pillar of NTT West's ubiquitous network service, exceeded 1,500 in the NTT West service region at the end of May 2004. NTT West now provides the widest public wireless LAN service coverage in Japan, employing the shared wireless LAN method at commonly accessed places within the public transportation network (JR-West Nozomi Line stops, etc.) since June 2004.

In addition, in order to make its service available to many more customers, NTT West targeted new subscribers with a limited-time three-month free access campaign for FLET'S COMMUNICATION and FLET'S SPOT. On top of this, NTT West offered free switching equipment installation to subscribers who signed up for B-FLET'S, FLET'S ADSL and FLET'S ISDN at the same time.

## **2. Development of Solution Business**

NTT West's prosol Series provides customized system solutions to a wide range of customers according to their type of business. To enhance its lineup of Internet VPN Solutions on its N.prosol menu, the optimum total network solution, NTT West added the "SSL-VPN Solution," a product that uses SSL (secure socket layer) encryption to accomplish a network environment where data is protected from such security failures as eavesdropping, spoofing and falsification as if it were being transferred over dedicated lines, and its "TV Conference Package," a product for businesses and local governments that provides high-quality voice and image communications cheaply and swiftly via broadband lines like B-FLET'S.

Furthermore, NTT West introduced new items to the lineup for "C.prosol," a total solution for optimizing commerce (commercial transaction cycles) for business. NTT West's "Shared EDI Solution for Liquor Businesses" promises increased operating efficiency and speed by using the Internet to exchange a wide range of electronic information from order intake/placement data to new products and hot-selling items in the industry. "EDI Solution for Department Stores" allows vendors like wholesalers and manufacturers to easily create the product masters needed to process sales in-store and generate a timely and multi-dimensional analysis of sales and other transaction data to aid in strategic merchandising.

NTT West also collaborated with Fukuoka City and the Fukuoka City Foundation for Health Plan Promotion in an experiment to demonstrate the feasibility, convenience and validity of a new library system service using the wireless IC tag technology that will serve as the foundation for the ubiquitous network society.

NTT West teamed up with NTT MARKETING ACT CORPORATION and NTT NEOMEIT CORPORATION to offer the "Information Security Audit Service," which provides an objective assessment of a customer's information asset management according to the standards of the Information Security Audits of the Ministry of Economy, Trade and Industry. NTT West also worked together with Trend Micro Inc. to introduce the "Training in Fighting Spam," a new security service that provides measures against security threats in response to the ever more sophisticated and complex needs of businesses and local governments.

NTT West is going to build an IP phone system connecting the 49 operating bases of OSAKA GAS CO., LTD. to fully exploit the benefits of a ubiquitous communications environment. The progressive switchover is scheduled to start in 2005, with completion at the end of 2006.

## **3. Expanded NTT West Group Operations**

NTT NEOMEIT CORPORATION, in collaboration with the National Institute of Advanced Industrial Science and Technology, has begun research in pursuit of a customer information management system with stronger security measures, such as decentralized data storage employing grid technology in its AQStage PF IP Call Center Service to prevent leakage of customer data from a call center.

NTT NEOMEIT also launched "InfoDock," a comprehensive information security diagnostic tool through which security experts can provide customers with an analytical evaluation of information security and measures for improvement through face-to-face conversations at the customer's office.

In addition, NTT NEOMEIT has added "AQStage Call S" to its existing lineup of services, an economical and easy-to-install IP phone service for small- and medium-sized businesses, and "AQStage Shared Public Wireless LAN Access Point Service," which houses multiple wireless LAN

carriers in a single public wireless LAN access point and promotes solutions and services for radio interference problems.

NTT MARKETING ACT CORPORATION introduced "ACTOS WATCH-OVER EYE," a new monitoring service for the security of the elderly, wherein sensor systems are installed in the homes of elderly people who live alone so that either other family members or local government staff can review the daily living situation from a distance via personal computer and an e-mail message can be transmitted to a pre-registered contact if a problem is detected.

NTT MARKETING ACT has likewise worked together with NTT Syscom Corporation and Dai Nippon Printing Co., Ltd. to develop "ACTOS KIT OKKAKE (surveillance) CAMERA MENU," an image distribution system combining broadband lines and wireless IC tag technology. NTT MARKETING ACT GROUP offers this solution package mainly to kindergartens and nursery schools.

On top of the above, for customers who could not use their telephones due to building damage from typhoons and those who had no access to their telephones because they had been ordered to evacuate, NTT West waived the basic fees and reinstallation charges for the period of their move from damaged buildings to temporary housing.

The spate of corporate scandals is bringing about growing social criticism, and the NTT West Group has been actively working on corporate ethics. Throughout the period, the Group applied itself to cultivating high ethical standards both officially and privately and creating a solid corporate culture against fraud and misconduct. Newly produced videos that carry the president's messages to the employees and corporate ethics workshops for all levels of management were used to spread ethical consciousness throughout the organization.

Moreover, in light of the series of information leaks around the country, the NTT West Group took appropriate actions to protect its customer information based on the concepts of the Act for the Protection of Computer Processed Personal Data held by Administrative Organs promulgated last year. Among the specific measures the NTT Group implemented were a complete overhaul of its systems operation and stricter control of customer information held by contractors, in addition to those already in practice, such as training workshops for all employees to boost moral and improvements to the administrative structure that handles customer information to maintain full control of customer data.

As a result of the above efforts, the principal marketing results as of September 30, 2004 were: the number of subscriber telephone lines installed stood at 25.65 million; in INS-Net services, the number of INS-Net 64 lines installed totaled 3.98 million; and the number of FLET'S ADSL and B-FLET'S came to 2.12 million and 0.58 million respectively.

Operating revenues for the first six months of the fiscal year ending March 31, 2005 was 129.1 billion yen, recurring profit, 53.4 billion yen, and net income, 31.5 billion yen.

## Attachment 2

**NON-CONSOLIDATED BALANCE SHEET**

(Based on accounting principles generally accepted in Japan)

	<u>March 31, 2004</u>	<u>September 30, 2004</u>	
	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
	<u>of Yen</u>	<u>of Yen</u>	<u>of US\$</u>
<b><u>Assets</u></b>			
Fixed assets	3,595,293	3,471,394	31,273
Current assets	630,525	596,029	5,369
<b>Total assets</b>	<b><u>4,225,819</u></b>	<b><u>4,067,423</u></b>	<b><u>36,643</u></b>
<b><u>Liabilities</u></b>			
Long-term liabilities:			
Long-term debt	1,065,285	1,097,241	9,885
Liability for employees' severance payments	790,436	775,758	6,988
Other	9,945	9,856	88
<b>Total long-term liabilities</b>	<b><u>1,865,667</u></b>	<b><u>1,882,856</u></b>	<b><u>16,962</u></b>
Current liabilities:			
Current portion of long-term debt	276,201	307,775	2,772
Accounts payable, trade	137,748	95,639	861
Accounts payable, other	288,992	160,839	1,449
Accrued taxes on income	186	1,193	10
Other	112,095	77,940	702
<b>Total current liabilities</b>	<b><u>815,225</u></b>	<b><u>643,389</u></b>	<b><u>5,796</u></b>
<b>Total liabilities</b>	<b><u>2,680,893</u></b>	<b><u>2,526,246</u></b>	<b><u>22,758</u></b>
<b><u>Shareholders' equity</u></b>			
Common stock	312,000	312,000	2,810
Additional paid-in capital	1,170,054	1,170,054	10,541
Unappropriated retained earnings for the period	62,109	59,172	533
Net unrealized gains (losses) on securities	762	(48)	(0)
<b>Total shareholders' equity</b>	<b><u>1,544,926</u></b>	<b><u>1,541,177</u></b>	<b><u>13,884</u></b>
<b>Total liabilities and shareholders' equity</b>	<b><u>4,225,819</u></b>	<b><u>4,067,423</u></b>	<b><u>36,643</u></b>

Note: Yen amounts have been translated, for convenience only, at ¥111=US\$1.00, the approximate exchange rate on September 30, 2004. Fractions are rounded down.

Attachment 3

**NON-CONSOLIDATED STATEMENTS OF INCOME**  
(Based on accounting principles generally accepted in Japan)

	<u>Six months Ended September 30</u>		
	<u>2003</u>	<u>2004</u>	
	Millions of Yen	Millions of Yen	Millions of US\$
Operating revenues	1,060,905	1,029,187	9,271
Operating expenses	1,019,827	981,198	8,839
Operating income	41,078	47,989	432
Non-operating revenues	26,524	26,431	238
Non-operating expenses	27,986	21,001	189
Recurring profit	39,616	53,419	481
Special profits	4,409	3,662	32
Special losses	3,590	3,590	32
Income before income taxes	40,435	53,491	481
Corporation, inhabitant, and enterprise taxes	(53,915)	(32,908)	(296)
Deferred tax expenses (benefits)	67,900	54,800	493
Net income	<u>26,450</u>	<u>31,599</u>	<u>284</u>

Note: Yen amounts have been translated, for convenience only, at ¥111=US\$1.00, the approximate exchange rate on September 30, 2004. Fractions are rounded down.

**BUSINESS RESULTS (NON-CONSOLIDATED OPERATING REVENUES)**

(Based on accounting principles generally accepted in Japan)

(Millions of Yen)

Service	Six months Ended September 30, 2003	Six months Ended September 30, 2004	Increase (Decrease)	Year Ended March 31, 2004
Voice Transmission Services Revenues (excluding the amounts of IP Services Revenues)	738,361	697,360	(41,001)	1,465,833
Monthly Charge Revenues*	453,465	446,489	(6,976)	905,590
Call Rates Revenues*	130,284	103,651	(26,632)	245,963
Interconnection Call Revenues*	102,961	101,730	(1,230)	216,169
IP Services Revenues	55,233	82,481	27,247	127,284
Leased Circuit Services Revenues (excluding the amounts of IP Services Revenues)	101,816	87,440	(14,376)	206,031
Telegram Services Revenues	16,160	14,731	(1,428)	33,421
Other Telecommunications Services Revenues	81,289	74,259	(7,030)	165,281
Telecommunications total revenues	992,862	956,272	(36,589)	1,997,852
Related business total revenues	68,043	72,915	4,871	169,000
Total operating revenues	1,060,905	1,029,187	(31,717)	2,166,852

\* Partial listing only

Note: Fractions are rounded down.

**NON-CONSOLIDATED STATEMENTS OF CASH FLOWS**  
 (Based on accounting principles generally accepted in Japan)

	<u>Six months Ended September 30</u>		
	<u>2003</u>	<u>2004</u>	
	<u>Millions of Yen</u>	<u>Millions of Yen</u>	<u>Millions of US\$</u>
<b>Cash flows from operating activities:</b>			
Income before income taxes	40,435	53,491	481
Depreciation and amortization	233,519	217,843	1,962
Loss on disposal of property, plant and equipment	13,223	17,273	155
Increase (decrease) in liability for employees' severance payments	2,321	(14,678)	(132)
(Increase) decrease in accounts receivable	14,628	53,958	486
Increase (decrease) in accounts payable and accrued expenses	(129,208)	(147,372)	(1,327)
Increase (decrease) in accrued consumption tax	5,492	1,946	17
Other	(485)	(26,932)	(242)
Sub-total	179,926	155,530	1,401
Interest and dividends received	30	95	0
Interest paid	(11,174)	(9,907)	(89)
Income taxes received (paid)	69,948	52,474	472
Net cash provided by (used in) operating activities	238,731	198,193	1,785
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment	(219,587)	(185,081)	(1,667)
Acquisition of investments	(39)	(2,300)	(20)
Other	8,147	4,703	42
Net cash provided by (used in) investing activities	(211,479)	(182,677)	(1,645)
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term debt	60,000	100,000	900
Payments for settlement of long-term debt	(90,957)	(36,469)	(328)
Increase (decrease) in short-term borrowings	—	(40,000)	(360)
Dividends paid	(18,769)	(34,494)	(310)
Net cash provided by (used in) financing activities	(49,727)	(10,964)	(98)
Net increase (decrease) in cash and cash equivalents	(22,474)	4,551	41
Cash and cash equivalents at beginning of period	140,808	118,806	1,070
Cash and cash equivalents at end of period	118,334	123,358	1,111

Note: Yen amounts have been translated, for convenience only, at ¥111=US\$1.00, the approximate exchange rate on September 30, 2004. Fractions are rounded down.



## Non-Consolidated Semi-annual Financial Results for the Year Ending March 31, 2005

April 1, 2004 — September 30, 2004

(Based on accounting principles generally accepted in Japan)

### 【Operating Results】

(Billions of Yen)

Details	Six Months Ended Sept. 30, 2004	Six Months Ended Sept. 30, 2003	Increase (Decrease)	Percent Increase (Decrease)
Operating Revenues	1,029.1	1,060.9	(31.7)	(3.0%)
Operating Expenses	981.1	1,019.8	(38.6)	(3.8%)
Operating Income	47.9	41.0	6.9	16.8%
Non-Operating Income	5.4	(1.4)	6.8	—
Recurring Profit	53.4	39.6	13.8	34.8%
Special Profits	3.6	4.4	(0.7)	(16.9%)
Special Losses	3.5	3.5	—	—
Income before Income Taxes	53.4	40.4	13.0	32.3%
Income Taxes	21.8	13.9	7.9	56.5%
Net Income	31.5	26.4	5.1	19.5%

Note: Operating revenues for the Six Months ended Sept. 30, 2004 include the estimated amount of 8.8 billion yen (the amount for the Six Months ended Sept. 30, 2003 is 10.5 billion yen) in settlement of a subsidy from NTT East and 7.5 billion yen in settlement of interconnection charges based on the LRIC methodology.

### 【Forecasts for the Year Ending March 31, 2005】

(Billions of Yen)

Details	Operating Revenues	Operating Income	Recurring Profit	Net Income
Forecasts for the Year Ending March 31, 2005	2,049.0	65.0	74.0	44.0

## 【Breakdown of Operating Revenues and Operating Expenses】

### (1) Operating Revenues

(Billions of Yen)

Service	Six Months Ended Sept. 30, 2004	Six Months Ended Sept. 30, 2003	Increase (Decrease)	Percent Increase (Decrease)
Voice Transmission Services Revenues (excluding the amounts of IP Services Revenues)	697.3	738.3	(41.0)	(5.6%)
Monthly Charge Revenues*	446.4	453.4	(6.9)	(1.5%)
Call Rates Revenues*	103.6	130.2	(26.6)	(20.4%)
Interconnection Call Revenues*	101.7	102.9	(1.2)	(1.2%)
IP Services Revenues	82.4	55.2	27.2	49.3%
Leased Circuit Services Revenues (excluding the amounts of IP Services Revenues)	87.4	101.8	(14.3)	(14.1%)
Telegram Services Revenues	14.7	16.1	(1.4)	(8.8%)
Other Telecommunications Services Revenues	74.2	81.2	(7.0)	(8.6%)
Related Business Revenues	72.9	68.0	4.8	7.2%
<b>Total</b>	<b>1,029.1</b>	<b>1,060.9</b>	<b>(31.7)</b>	<b>(3.0%)</b>

\* Partial listing only

Notes: 1. "Voice Transmission Services Revenues" represent the total of telephone revenues and ISDN revenues.

2. Operating revenues for the Six Months ended Sept. 30, 2004 include the estimated amount of 8.8 billion yen (the amount for the Six Months ended Sept. 30, 2003 is 10.5 billion yen) in settlement of a subsidy from NTT East and 7.5 billion yen in settlement of interconnection charges based on the LRIC methodology.

### (2) Operating Expenses

(Billions of Yen)

Details	Six Months Ended Sept. 30, 2004	Six Months Ended Sept. 30, 2003	Increase (Decrease)	Percent Increase (Decrease)
Personnel	97.5	115.1	(17.5)	(15.2%)
Purchase of goods and services	605.9	607.2	(1.3)	(0.2%)
Depreciation and amortization	214.5	230.2	(15.7)	(6.8%)
Retirement of fixed assets	26.2	20.3	5.8	29.0%
Miscellaneous Taxes	36.9	46.8	(9.8)	(21.1%)
<b>Total</b>	<b>981.1</b>	<b>1,019.8</b>	<b>(38.6)</b>	<b>(3.8%)</b>

**【Assets, Liabilities and Shareholders' Equity】**

(Billions of Yen)

Details	Sept. 30, 2004	March 31, 2004	Increase (Decrease)	Percent Increase (Decrease)
Fixed Assets	3,471.3	3,595.2	(123.8)	(3.4%)
Current Assets	596.0	630.5	(34.4)	(5.5%)
<b>Total Assets</b>	<b>4,067.4</b>	<b>4,225.8</b>	<b>(158.3)</b>	<b>(3.7%)</b>
Long-Term Liabilities	1,882.8	1,865.6	17.1	0.9%
Current Liabilities	643.3	815.2	(171.8)	(21.1%)
<b>Total Liabilities</b>	<b>2,526.2</b>	<b>2,680.8</b>	<b>(154.6)</b>	<b>(5.8%)</b>
Interest-Bearing Debts*	1,405.0	1,381.4	23.5	1.7%
Shareholders' Equity	1,541.1	1,544.9	(3.7)	(0.2%)
<b>Total of Liabilities and Shareholders' Equity</b>	<b>4,067.4</b>	<b>4,225.8</b>	<b>(158.3)</b>	<b>(3.7%)</b>

\* Partial listing only

**【Cash Flows】**

(Billions of Yen)

Details	Six Months Ended Sept. 30, 2004
Cash Flows from Operating Activities	198.1
Cash Flows from Investing Activities	(182.6)
Cash Flows from Financing Activities	(10.9)
Cash and Cash Equivalents at Beginning of Period	118.8
Cash and Cash Equivalents at End of Period	123.3

## 【Reference】

### 1.Number of Subscriber Lines

Details	Sept. 30, 2004	Sept. 30, 2003	Increase (Decrease)	Percent Increase (Decrease)
Number of Telephone Subscriber Lines (1,000)	25,685	25,661	24	0.1%
Number of ISDN Subscriber Lines (1,000)	4,194	4,606	(413)	(9.0%)
Number of Subscriber Lines	29,879	30,268	(389)	(1.3%)

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	Sept. 30, 2004	Sept. 30, 2003	Increase (Decrease)	Percent Increase (Decrease)
Number of FLET'S ISDN Subscribers (1,000)	407	542	(134)	(24.8%)
Number of FLET'S ADSL Subscribers (1,000)	2,119	1,523	595	39.1%
Number of B-FLET'S Subscribers (1,000)	583	246	336	136.5%

### 3.Number of Employees

Details	Sept. 30, 2004	Sept. 30, 2003	Increase (Decrease)	Percent Increase (Decrease)
Number of Employees	13,750	14,700	(950)	(6.5%)

### 4.Capital Investments

(Billions of Yen)

Details	Six Months Ended Sept. 30, 2004	Six Months Ended Sept. 30, 2003	Increase (Decrease)	Percent Increase (Decrease)
Capital Investments	166.6	199.0	(32.4)	(16.3%)