

Message from the CEO

NTT Group is pursuing increases in corporate value through the refined medium-term management strategy, which is centered on a new management system that focuses on remote work to respond to social trends during and after the COVID-19 pandemic.

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Operating Environment Changes and Course of NTT Group's Transformation

The accelerated division of the world driven by the COVID-19 pandemic, coupled with the rapid spread of digitization and digital transformation (DX), has expedited the shift toward a remote world and decentralized society. These is also a rising movement to fundamentally transform society in order to achieve carbon neutrality as abnormal weather events continue to spark catastrophic natural disasters around the world. Meanwhile, we are witnessing swift progress in research and development on Beyond 5G, 6G, quantum, and other new technologies with the potential to shatter existing paradigms. These changes in the operating environment signal a need to alter the approaches toward business that we have adopted previously.

NTT Group has charted a new course for its transformation in response to these major operating environment changes. On this course, we will transform to a new management style that is more compatible with the remote world and decentralized society expected to become the norm during and after the pandemic, enhance domestic and global business amid the advancing trends toward digitization and DX, and move forward with the enhancement of corporate value through environmental, social, and governance (ESG) initiatives in response to society's increased emphasis

on well-being. By developing its business with these focuses, NTT Group will contribute to the realization of a sustainable society.

Contributions to the Realization of a Sustainable Society

Looking back at our history, it could be said that NTT has been contributing to the realization of a sustainable society through its business activities since its establishment through the privatization of Nippon Telegraph and Telephone Public Corporation. Going forward, NTT Group will need to fulfill the missions of both a public utility and a private company, which it has embraced since its founding, in order to contribute to society as a sustainable entity. These missions will not change, no matter how significantly COVID-19 changes the economy and society. Telecommunications services are an important part of social infrastructure. Our mission of providing reliable, uninterrupted telecommunications services as a public institution as designated by the Basic Act on Disaster Control Measures is becoming increasingly more important amid the current conditions. At the same time, we are pressed with our mission of generating ongoing profits as a private company.

We have also embraced the basic philosophy of "Self as We" to guide us in contributing to the realization of a sustainable society. Under this philosophy, people are encouraged to see that they themselves are supported by the connections between diverse people, things, and technology. Modern society is plagued by various opposing concepts, including global and local perspectives and the environment and the economy. Moreover, the perception and meaning of reality can change based on the viewer. The sustainable society envisioned by NTT is one achieved by promoting a paraconsistent society in which such opposing concepts and viewpoints are incorporated and in which mutual acceptance of diverse values is the norm. To help us realize such a society, we have established the new NTT Group Global Sustainability Charter, which prescribes three themes: ensuring the positive coexisting of nature and humanity, improving prosperity for all people and cultures, and maximizing well-being for all.

This is the course we have charted for NTT Group's transformation, doing so based on our unchanging commitment to fulfilling the missions of both a public utility and a private company while pursuing self-transformation to resolve social issues through our business by working together with partners as "Your Value Partner." This course also accounts for our new approach toward contributing to the realization of a sustainable society.

Refinement of Our Medium-Term Management Strategy

Based on the aforementioned course for NTT Group's transformation, we announced a refinement to our medium-term management strategy in October 2021. The refined strategy has three major pillars. The first is the transformation to a new management style based on remote work. The second pillar is to enhance domestic and global business through the growth and reinforcement of the new DOCOMO Group and the development and introduction of the "Innovative Optical and Wireless Network" (IOWN). The third and final pillar is the enhancement of corporate value through

environmental and disaster response initiatives coupled with the improvement of shareholder returns.

The refinement also entailed the revision of our medium-term financial targets, namely those for earnings per share (EPS) and for cost reductions. The EPS target was raised by ¥50 from the prior target of ¥320, making for an ambitious target that represents an increase of 75% from the EPS figure of ¥212 posted in the fiscal year ended March 31, 2018. We will look to achieve this lofty target through earnings growth of ¥100.0 billion accomplished by generating synergies at the new DOCOMO Group and reducing costs of over ¥200.0 billion via the promotion of DX, factors which are expected to contribute to increases in earnings in the fiscal year ending March 31, 2024. As for cost reductions, we have put forth the new target of achieving cost reductions of more than ¥1 trillion by the fiscal year ending March 31, 2024, based on the fact that we are set to achieve our prior target two years ahead of schedule. The amount of ¥1 trillion was arrived at by adding the cost reductions expected to be achieved through the promotion of DX to the prior target. Meanwhile, we will continue to work toward our targets of return on invested capital (ROIC) of 8% and an overseas



operating profit margin of 7% in the fiscal year ending March 31, 2024, as well as a capital expenditure (capex) to sales ratio of 13.5% or less for our domestic network business to be achieved by the fiscal year ending March 31, 2022. We had previously set a target for overseas sales, but this target has since been canceled in reflection of changes in the accounting standards applied to overseas subsidiaries and the impacts of the COVID-19 pandemic.

Transformation to
a New Management
Style

We are faced with a need to accommodate the burgeoning remote world and decentralized society, and NTT will thus be unable to survive if it continues to cling to prior work styles and management styles. Rather than clinging to the past, I believe that NTT, with its long history of providing telecommunications services, should be at the forefront of transforming work styles and management styles. We must also team up with our partners and customers to help them transform their work styles. This approach should enable us to contribute to the realization of a society that is considerate of well-being. What we pursue is a new management style that is compatible with a remote world and decentralized society. Accordingly, NTT will advance process reform, DX, system revision, and workplace environment cultivation initiatives in order to promote remote work and facilitate work-in-life (health management) and thereby realize work processes that are more open, global, and innovative. By transforming ourselves, we look to support the DX of customers, facilitate regional economic development, improve social resilience, and contribute to a remote world and decentralized society.

NTT plans to advance various process reform and DX initiatives. The first of these initiatives will be to implement cloud-based and zero-trust systems. The installation of these systems is scheduled for completion by the fiscal year ending March 31, 2024, and their introduction will create an environment in which any employee is able to work in any location at any time. Our next step will be to automate and standardize sales, maintenance, development, and other processes. This undertaking will entail promoting the creation of a connected value chain that links NTT with its partners in order to automate more than 100 processes by the fiscal year ending March 31, 2026. At the same time, we will seek to expand the scope of our customer reach through digital marketing targeting small and medium-sized enterprises and thereby grow earnings via online sales. NTT also intends to install its high-precision 3D spatial information system, which uses underground facilities, in all ordinance-designated cities in Japan by January 2023 so that it can facilitate the DX of society as a whole via means such as the development of smart infrastructure platforms. Alongside these initiatives, we will strengthen corporate governance systems in a manner that is mindful of conduct and other risks. In doing so, we hope to maintain appropriate relationships with stakeholders, accurately manage the life cycles of services and other offerings, improve crisis response capabilities, and implement other measures. We also aim to completely phase out paper, including that used for bills and order processing documents, by 2025 together with other proactive process reform and DX initiatives.

These initiatives will be supported by system revision and workplace environment cultivation efforts. For example, we look to begin redeveloping information security

systems and revising office environments to be suited to remote operations in the fiscal year ending March 31, 2023, while also fostering core DX human resources. Diversity and inclusion will also be an area to which we devote significant effort. As part of these efforts, we are bolstering our career support programs to help female employees be promoted to managerial and corporate officer positions. We thereby look to raise the ratio of female managers to 15%, roughly double the current level, and increase the ratio of female officers from 25% to 30% by the fiscal year ending March 31, 2026. We will also actively recruit non-Japanese individuals as well as people currently working outside of the Group while bolstering efforts to cultivate global management personnel. In addition, our job-based personnel system will be extended to all managers as we seek to facilitate the optimal allocation of human resources, regardless of age or number of years of service, in order to promote autonomous career development.

Meanwhile, the Company will promote work-in-life (health management) and advance initiatives for realizing work processes that are more open, global, and innovative. Remote work will be the standard work style for employees going forward. By allowing employees freedom in choosing their work location, we will transition from a centralized organization to a decentralized and autonomous network-style organization. This transition will also help facilitate work-in-life by enabling employees to work close to home. As part of this transition, NTT will look to increase its number of satellite offices to more than 260 by the fiscal year ending March 31, 2023. Furthermore, our headquarters and back-office functions will be decentralized and spread among various regions. We thereby aim to contribute to regional economic development by taking a hands-on approach toward resolving the issues faced by local primary industries together with municipalities and partners. Another focus will be the development of information infrastructure. IOWN will be promoted as a game changer to contribute



Talk session with Mr. Takuma Sato at NTT R&D Forum 2020

to the realization of a sustainable society by driving regional urban development as well as the development and introduction of social infrastructure. We also hope to help create resilient infrastructure and advance disaster preparedness initiatives in response to the intensification of natural disasters.

Enhancement of Domestic and Global Business

In December 2020, NTT DOCOMO was converted into a wholly owned subsidiary for the purpose of bolstering its competitiveness while contributing to its growth as well as to the growth of the entire NTT Group. With an eye to its medium-term growth and development, NTT Group is deploying and supplying new services that accommodate the remote world, promoting resource concentration and DX, advancing global-scale R&D activities, and strengthening smart life and other new businesses. As we move forward with these activities, the strategic, Groupwide utilization of resources and assets will be crucial, as will swift decision-making. Going forward, the new DOCOMO Group will undertake new initiatives including the conversion of NTT Communications and NTT COMWARE into subsidiaries, the integration of functions, and the clarification of business responsibilities. NTT Group will lend its support to these initiatives. Specific efforts will include the expansion of businesses targeting corporations as well as the smart life business, the strengthening of communications businesses and international businesses, the reinforcement of IT and R&D activities, and the promotion of ESG. Looking ahead, we will target earnings of ¥100.0 billion in the fiscal year ending March 31, 2024, and more than ¥200.0 billion in the fiscal year ending March 31, 2026, to be generated through synergies between NTT DOCOMO, NTT Communications, and NTT COMWARE.

Efforts to enhance global businesses will include the reinforcement of digital business consulting capabilities as a united “One NTT.” We are currently moving ahead with joint sales and marketing activities based on the “One NTT” value proposition. One example of these activities would be the start of smart city solution provision in North America. We are also collaborating with NEC Corporation, Fujitsu Limited, and other partners in our global businesses promoting O-RAN and vRAN. Through this collaboration, we aim to launch a global radio access network (RAN) business late in the fiscal year ending March 31, 2023, through which we will offer multivendor integration, maintenance monitoring, intelligent control software, construction, maintenance, operation, and other services. After the fiscal year ending March 31, 2024, we will branch out from the RAN field into the network field as we seek to promote more open systems and grow businesses that will form the foundations for the future implementation of IOWN.

NTT Green Innovation toward 2040

In May 2020, NTT Group unveiled its Environment and Energy Vision. This vision was later updated with the formulation of our new environment and energy vision, NTT Green Innovation toward 2040, which was designed to accommodate recent developments such as the announcement of the Japanese government’s goal of achieving carbon neutrality by 2050. By reducing the environmental impact of our business activities and creating breakthrough innovation, we look to help society achieve zero environmental impacts while continuing economic growth.

We have set a target of reducing Groupwide greenhouse gas emissions by 80% from the level from the fiscal year ended March 31, 2014, by the fiscal year ending March 31, 2031. In addition, we will target carbon neutrality in our mobility communications (NTT DOCOMO) and data center business a step ahead of other businesses before striving to achieve carbon neutrality on a Groupwide basis by the fiscal year ending March 31, 2041.

We expect that the current trends will lead to an increase in electricity consumption, and consequently greenhouse gas emissions, as a result of rapid growth in data traffic. In response to these trends, we will take a three-pronged approach toward achieving carbon neutrality. First of all, we will target a 10% decrease in greenhouse gas emissions through the continuation of energy conservation initiatives. Second, we will cut emissions by 45% through increased use of renewable energy. Third and last, we will seek to reduce electricity consumption by 45% via the introduction of IOWN. Through these three initiatives, NTT will achieve carbon neutrality.

As we work to reduce our own emissions, NTT will also strive to contribute to the reduction of greenhouse gas emissions across society. By promoting the installation and popularization of IOWN in the communications fields and in a variety of other industrial fields, we hope to reduce emissions in Japan by at least 4% while lowering overseas emissions by 2% or more. We will also deploy new services that contribute to carbon neutrality, such as *Green 5G* and *docomo Denki Green*. At the same time, NTT will ramp up its development and introduction of renewable energy.

Going forward, NTT will advance concrete initiatives based on four objectives: reduction of environmental impact through business activities, creation of breakthrough innovation, greening of society by use of ICT (Green by ICT), and greening of NTT (Green of ICT).

Shareholder Returns

As we exercise consideration for our various stakeholders through an array of measures, we continue to recognize the enhancement of shareholder returns as one of our most important management responsibilities. This responsibility even formed the foundation based on which we refined the medium-term management strategy. Our basic policy for dividends is to continuously increase dividend payments. In addition, NTT takes a flexible stance toward treasury stock acquisitions based on its financial position with a view of improving capital efficiency. The planned dividend for the fiscal year ending March 31, 2022 is ¥110 per share, which will make for the 11th consecutive year of dividend increases. Meanwhile, in August 2021 we resolved to acquire ¥250.0 billion worth of treasury stock, or 100 million shares, in the fiscal year ending March 31, 2022, and we are moving forward with these acquisitions with the goal of

completing them prior to the end of the fiscal year. Furthermore, 280 million shares of treasury stock, equivalent to approximately 7% of the total number of shares issued, were canceled in November 2021 based on a resolution by the Board of Directors.

NTT Group will accelerate its transformation as “Your Value Partner,” aiming to continue being a reliable partner to its stakeholders, including customers, shareholders, and local communities. In doing so, we will focus all of our efforts on sustainably increasing our corporate value and contributing to the realization of a sustainable society.

I ask all of our shareholders and investors to continue supporting our efforts.

November 2021

