

Message from the CFO

With its refined medium-term management strategy, NTT has instituted an upward revision to its target for EPS, one of its main financial indicators, and is accelerating earnings growth.



Akira Shimada
Representative Member of the Board
Senior Executive Vice President and
Chief Financial Officer

Medium-Term Financial Targets and Underlying Policies

NTT has revised the financial targets put forth in the medium-term management strategy announced in November 2018.

NTT has consistently positioned EPS as one of its main financial indicators based on the recognition that growth in this indicator will help the Company to achieve steady profit growth and enhance shareholder returns. It became apparent that we were on course to achieve the prior EPS target for the fiscal year ending March 31, 2024 of ¥320, which represents growth of 50% from the fiscal year ended March 31, 2018, a year ahead of schedule. Accordingly, we chose to raise the target for the fiscal year ending March 31, 2024 by ¥50, to ¥370, which will make for an increase of roughly 75% from the level of ¥212 in the fiscal year ended March 31, 2018. To achieve this incredibly ambitious target, we will conduct flexible share buybacks while also pursuing earnings growth. Major factors projected to contribute to earnings growth under the refined medium-term management strategy include growth, reinforcement, and synergies at the new DOCOMO Group and reductions in costs through the promotion of DX, which are anticipated to buoy earnings by approximately ¥100.0 billion and over ¥200.0 billion, respectively, in the fiscal year ending March 31, 2024.

We have also revised our target for cost reductions. The prior target prescribed reductions of at least ¥800.0 billion to be achieved by the fiscal year ending March 31, 2024. However, our current position has allowed us to target cost reductions of ¥840 billion in the fiscal year ending March 31, 2022, meaning that we will be able to achieve this target two years in advance. We have thus raised this target by ¥200.0 billion, the aforementioned amount of cost reductions to be achieved via DX, to make for a target of cost reductions surpassing ¥1 trillion for the fiscal year ending March 31, 2024.

Meanwhile, NTT Group plans to aggressively develop its business in a manner oriented toward sustainable growth while maintaining financial discipline with an emphasis on capital efficiency. Accordingly, we continue to pursue our prior target for ROIC of 8% for the fiscal year ending March 31, 2024.

Other financial targets include a 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, as well as an overseas operating profit margin of 7% for the fiscal year ending March 31, 2024. As for overseas sales, we had previously set a target of \$25.0 billion for the fiscal year ending March 31, 2024. However, this target has since been canceled due to changes in the accounting standards applied to overseas subsidiaries and the impacts of the COVID-19 pandemic.

Our medium-term financial targets will, of course, be incorporated into the evaluation indicators for officers of NTT, the holding company. They will also be incorporated into the evaluation indicators for officers of the operating companies under the holding company to entrench these targets into Groupwide strategies in order to drive more effective initiatives.

Medium-Term Financial Targets

	Current Targets	New Targets	(Reference) FY2021 Plan
EPS	Approx. ¥320 (FY2023)	¥370 (FY2023)	¥302
Overseas Sales*1 *2	\$25B (FY2023)	— (FY2023)	\$19B
Overseas Operating Profit Margin*1	7% (FY2023)	7% (FY2023)	6%
Cost Reductions (In Fixed-Line / Mobile Access Networks)*3	At least ¥(800.0) billion (FY2023)	At least ¥(1,000.0) billion (FY2023)	¥(840.0) billion
ROIC	8% (FY2023)	8% (FY2023)	7.4%
Capex to Sales (Domestic Network Business)*4	13.5% or less (FY2021)	13.5% or less (FY2021)	13.5%

*1 Includes results from the global holding company, its subsidiaries and its affiliates.
Overseas Operating Income excludes temporary expenses, such as M&A-related depreciation costs of intangible fixed assets.
*2 In addition to the change in accounting for some of the income, the impact of COVID-19 is also significant, so no target is set.
*3 Figures above show cumulative reductions since FY2017.
*4 Excludes NTT Communications' data centers and certain other items.

EPS

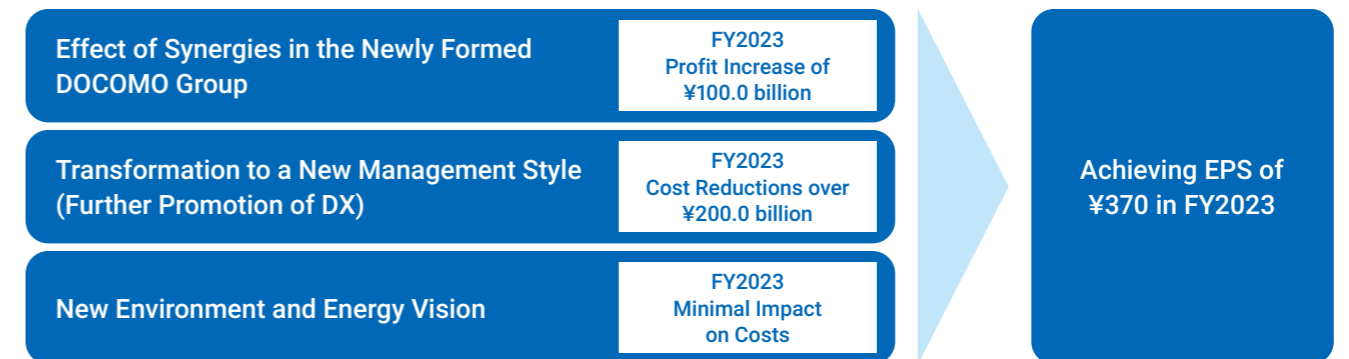
NTT looks to grow earnings in order to accomplish the new EPS target of ¥370 for the fiscal year ending March 31, 2024. Specifically, we will pursue higher operating revenues and operating profit by strengthening domestic and global operations and generating synergies via the growth and reinforcement of the new DOCOMO Group, through which we aim to boost earnings by approximately ¥100.0 billion in the fiscal year ending March 31, 2024. In addition, we will promote DX as part of our transformation to a new management style in order to achieve ongoing cost reductions and thereby increase earnings by more than ¥200.0 billion in the aforementioned fiscal year.

Our efforts to boost earnings by ¥100.0 billion through synergies at the new DOCOMO Group will include coordinating sales targeting corporate clients. By merging the functions and assets of NTT DOCOMO, NTT Communications, and NTT COMWARE, we will aim to increase sales from corporate clients for these entities from the ¥1.6 trillion achieved in the fiscal year ended March 31, 2021 to above ¥2.0 trillion in the fiscal year ending March 31, 2026. In addition, we will target the swift creation of innovative services by ramping up intra-Group service and solution coordination in NTT DOCOMO's smart life business and merging the services and solutions of NTT Communications with the software development capabilities of NTT COMWARE and the R&D capabilities of NTT DOCOMO. At the same time, we will work to streamline capital investment and operating costs by consolidating the network functions of NTT DOCOMO and NTT Communications in the telecommunications business.

To cut costs by more than ¥200.0 billion through DX, we will seek to increase efficiency across the value chain by digitizing sales, maintenance, development, and other Group processes to achieve automation and standardization. We will also target reductions in all types of costs, including personnel, equipment, and sales-related costs, going forward.

We will also advance an array of other initiatives aimed at accomplishing the ¥370 EPS target. For example, we will look to heighten earnings in the overseas businesses of NTT Ltd. and NTT DATA, grow real estate and energy businesses, and sell assets to transfer assets off of our balance sheet. Such efforts to grow revenue and profit will be continued even after the fiscal year ending March 31, 2024, the final year for our medium-term financial targets.

Initiatives for Accomplishing the ¥370 EPS Target



ROIC

NTT has proceeded to maintain ownership and practice in-house operation of access networks, network equipment, and a vast amount of other communications equipment in order to establish a communications network that spreads to every corner of Japan and supply reliable, high-quality communications services. Our telecommunications business will continue to function as our core business foundation going forward. However, we aim to move away from business models that presume asset ownership and to transition to management emphasizing cash flows. NTT also intends to diversify its portfolio by proactively developing new businesses targeting future growth. Accordingly, we will be downsizing our overall asset portfolio while securing cash flows in order to improve invested capital efficiency. These efforts will take the form of disposal of inefficient Company assets and idle equipment and curtailment of investments through equipment sharing. We thereby aim to create an asset portfolio that will allow for the cash generated through business activities to be invested in new businesses.

As one example of these activities, we transferred our leasing businesses to NTT TC Leasing Co., Ltd., a joint venture between Tokyo Century Corporation and NTT, in the fiscal year ended March 31, 2021, thereby achieving a ¥1.1 billion reduction in interest-bearing debt. In addition, we have been moving ahead with the liquidation of receivables, namely credit card receivables and installment payment receivables from sales of mobile phones, in NTT DOCOMO's finance business. We liquidated ¥50.0 billion worth of these receivables in the fiscal year ended March 31, 2020, ¥350.0 billion in the fiscal year ended March 31, 2021, and then ¥650.0 billion, including ¥300.0 billion in credit receivable roll over, in the six months ended September 30, 2021. We plan to continue liquidating such receivables based on funding needs going forward.

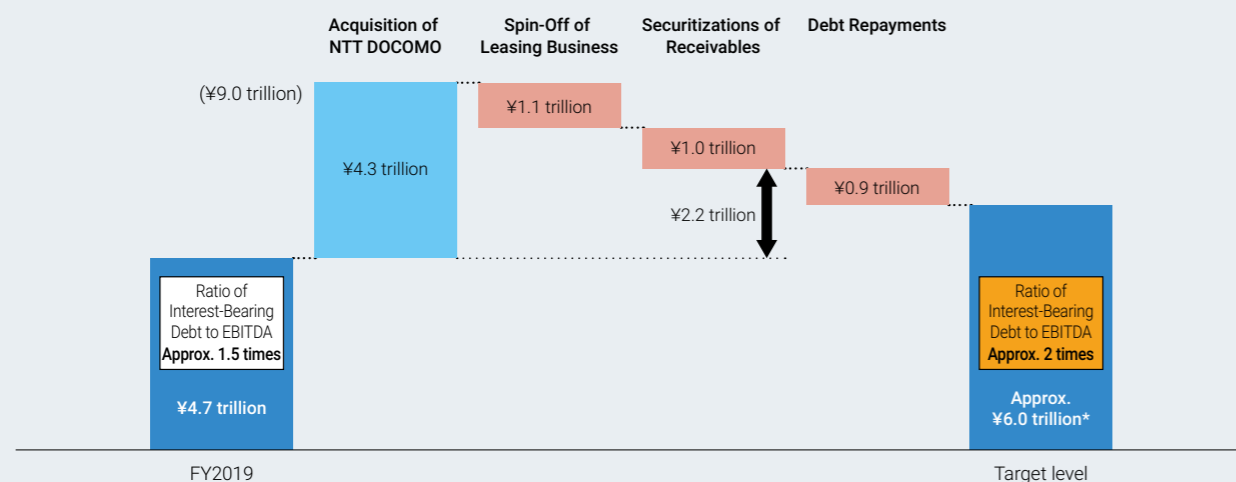
In addition, we commenced joint operation of data centers in India with Tokyo Century with the aim of improving efficiency and growing operations in our data center business. The first data center to be operated through this joint scheme was opened in Mumbai in August 2021. Data center business assets will be held jointly through an intermediate holding company established in Singapore in November 2021 in order to facilitate the growth of our data center operations in India. In the future, we will look to utilize third-party capital in order to develop operations efficiently while limiting capital investment.

COLUMN

Diversification of Funding Sources and Interest-Bearing Debt Target

In October 2021, NTT Group issued NTT Group Green Bonds. With an issue amount of ¥300.0 billion, these green bonds have one of the world's largest issue amounts for a first issue of green bonds through an operating company. These bonds are symbolic of our strong commitment to advancing Groupwide financial initiatives for contributing to the realization of a sustainable society through NTT Green Innovation toward 2040, the new environment and energy vision announced in September 2021.

The Company's level of interest-bearing debt has risen temporarily to a high level following the conversion of NTT DOCOMO into a consolidated subsidiary in the fiscal year ended March 31, 2021. Nevertheless, we plan to maintain financial health by utilizing our Groupwide capacity to generate stable, consistent profits and cash in order to lower financial leverage. The free cash flow produced through business activities will be used to enhance shareholder returns, to invest in growth, and to repay debt that exceeds fund procurement amounts. We will thereby seek to reduce liabilities to a level of roughly double the amount of EBITDA over the medium term. At the same time, NTT will lower financial leverage to maintain financial health along with a single A credit rating so that it can continue to procure funds at low interest rates.



* Level set on an assumption of EBITDA at ¥3 trillion (Reference) FY2020 Result: ¥3.11 trillion, FY2021 Plan: ¥3.16 trillion

Shareholder Returns

The enhancement of shareholder returns is among NTT's most important management issues.

Our basic policy is to pursue ongoing increases in dividend payments, and flexible share buybacks are conducted to improve capital efficiency. There has been no change to this policy under the refined medium-term management strategy.

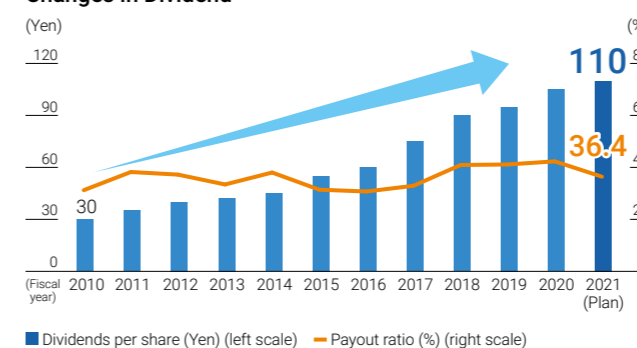
For the fiscal year ending March 31, 2022, NTT plans to issue dividend payments of ¥110 per share, an increase of ¥10 per share from the previous fiscal year, making for the 11th consecutive year of dividend increases. This amount will also represent an increase of roughly 3.7 times from the fiscal year ended March 31, 2011, a decade ago.

Meanwhile, in August 2021 the Company approved share buybacks with an upper limit of ¥250.0 billion, or 100 million shares, to be conducted leading up to March 31, 2022. The total number of shares acquired over the past 10 years has reached 30% of the total number of shares issued in the fiscal year ended March 31, 2011. These efforts have made large contributions to the growth of EPS, a main performance indicator of the medium-term management strategy.

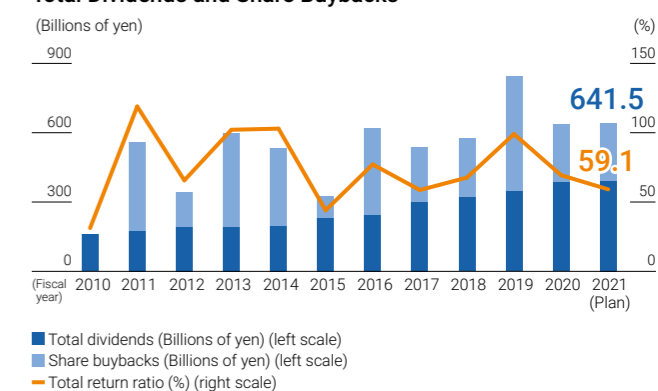
In addition, we canceled 280 million shares of treasury stock, equivalent to approximately 7% of the total number of shares issued, in November 2021.

The Company's total shareholder return, which accounts for dividends and stock price fluctuations, over the past 10 years was 373%, outperforming the TOPXDVNET index, which is calculated post-tax and including dividends.

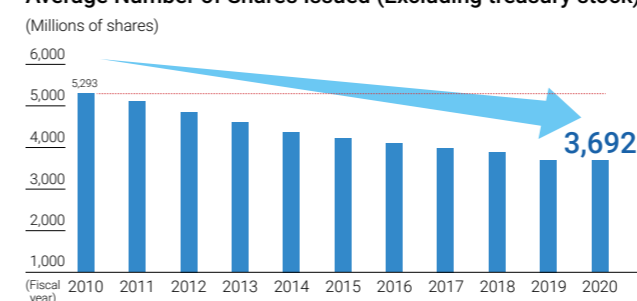
Changes in Dividend



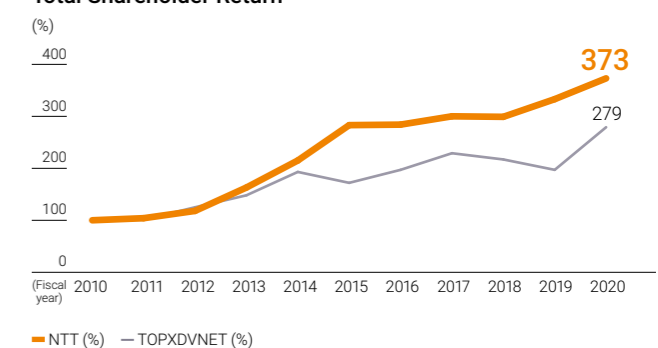
Total Dividends and Share Buybacks



Average Number of Shares Issued (Excluding treasury stock)



Total Shareholder Return



* Dividends per share and Average Number of Shares Issued have been adjusted to reflect the hundred-for-one stock split carried out on January 4, 2009, two-for-one stock split carried out on July 1, 2015, and two-for-one stock split carried out on January 1, 2020.
 * U.S. GAAP were applied for fiscal years up to and including the fiscal year ended March 31, 2018, while International Financial Reporting Standards (IFRS) have been applied for fiscal years from and including the fiscal year ended March 31, 2019.
 * The amount for total dividends for the fiscal year ending March 31, 2022, has been calculated in reflection of the share buybacks with an upper limit of 100 million shares approved at the meeting of the Board of Directors held in August 2021.