

Message from our CEO

CEO
Message



島田 明

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

My name is Akira Shimada, and I was appointed as President and CEO of NTT in June this year. As the successor to former CEO Jun Sawada, I will advance our business operations by continuing on the path of the NTT Group's transformation undertaken thus far. As the future economic situation and business environment remain unclear, we hope to create a path forward by responding to changes, or, at times, by pre-empting changes and transforming ourselves. The NTT Group, which continues to dynamically transform itself, will work to its utmost ability to deliver new experiences and value to our customers.

Q | Now that former CEO Sawada has passed you the torch, how will you run the NTT Group going forward? Please tell us about your policies.

I will steadily implement reforms to make the NTT Group grow even more. The NTT Group's business has been changing. Forty years ago when I joined Nippon Telegraph and Telephone Public Corporation, we only had our telephone business, but now voice related service revenues account for just 15% of our operating revenues. I will take swift action to reconfigure our resources and add new ones with a firm focus on global changes. A major policy on business restructuring was decided during President Sawada's term. The concrete implementation of the policy and the creation of results is just beginning. I believe that our mission for the time being is to be sure the policy yields results. In order to produce those results, it is important to create an organization and structure that will generate innovative outputs one after another, and I will strive for management to achieve that.

Q | I think that the process of implementing a policy poses different challenges than the process of creating one. Can you tell us about your past experiences and the work that has left a lasting impression on you?

I think one of the unique aspects of my experience is that I have had a variety of careers, including in sales, development, corporate planning, finance, and general affairs. My experience also includes working overseas for about eight years. When you work on the same team alongside people with different backgrounds and nationalities, diversity and inclusion generate new innovations and help provide services that exceed customers' expectations. I still fondly recall the many such experiences I have had.

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One of my most memorable experiences was the establishment of the international communications business at NTT Europe. It was a great opportunity to learn about the physical aspects of network construction, such as where to place nodes when starting up from scratch with no facilities such as data centers. For example, water is the archenemy of communications. Water leak detectors are therefore necessary for air conditioning equipment installed with communication facilities, and we had discussions on how to install them. I believe that reliable services are created through the consistent and diligent completion of such steady work.

Business Strategy

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The NTT Group is currently undergoing a major transformation. I would first like to ask about the new DOCOMO Group. NTT DOCOMO became a wholly owned subsidiary, and a new structure including NTT Communications and NTT COMWARE was launched in July. What are the aims of this and what results do you expect it will lead to?

The aim is to strengthen our enterprise business, improve network efficiency, and enhance our software development capabilities. With this new structure, I believe that the DOCOMO Group will have an enhanced system for enterprise business. Solutions are the forte of NTT Communications, while NTT DOCOMO's strength is its mobile services. Because software development capabilities are also needed to provide services, we will combine the strengths of the three companies, including NTT COMWARE, and thereby greatly increase the competitiveness of the NTT Group's enterprise business.

I believe that the future growth drivers for the DOCOMO Group will be enterprise business and smart life business. Firstly, for enterprise business, we will build a sales structure enabling provision of one-stop services to all customers, and aim to achieve revenue of over two trillion yen in fiscal year ending March 31, 2026. For the smart life business, in addition to further growth in finance, payment, and marketing solutions, we will work on electricity, medical, and XR businesses as new areas, and double profits in fiscal year ending March 31, 2026 compared to fiscal year ending March 31, 2022.

Moreover, due to the circumstances during the establishment of NTT DOCOMO, both NTT DOCOMO and NTT Communications own their own core networks, which has of course meant there are double the facilities and operations. We must eliminate this kind of waste. We will promote integration not only to reduce costs, but also to improve customer service.

Q

Moving onto the next question, it was announced in May that the businesses of NTT DATA and NTT Ltd. will be integrated in order to strengthen the competitiveness of our global business. In terms of the investment ratio of the new overseas operating company, NTT owns 45% while NTT DATA owns 55%. Please explain the approach to global business, including on this point.

The investment ratio for the overseas operating company was set with NTT DATA at 55% in order to clearly establish NTT DATA's leadership. This is the result of consideration on our ideal business models. NTT DATA has a market-oriented business model that includes consulting for customers, while the business model of NTT Ltd. is selling components such as data centers and communication networks. NTT DATA's business model offers the greatest business opportunities, so we decided to put the company in the lead position in order to highlight its strengths in providing total solutions to customers.

This business integration will create a unique ICT and SI company unlike anything else in the world with full stack coverage, from industry-specific apps and system integration to data centers, networks, and other infrastructure. There are also of course customers that require components, and their needs differ from country to country. It is therefore important that NTT Ltd.'s services are ranked among the top in the world. For example, our data centers are ranked third in the world, even amidst the expansion of the overall market. This means that we can meet all needs.



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of the NTT Group. Moreover, we will of course increase our own investment in key data centers that are expected to generate significant demand, but we will also combine this with the use of third-party capital to rapidly scale up the business.

We are naturally conscious of the need to improve our balance sheet efficiency. For example, we expect the balance of credit receivables, etc. to reach 720 billion yen by the end of fiscal year ending March 31, 2023. We will also achieve our ROIC target and meet the expectations of our investors.

Corporate Value / Sustainability

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What do you want to emphasize and what in particular do you want to work on as you proceed with the various business reforms you have mentioned so far?

The main theme is “Making NTT Group continue to dynamically transform itself and deliver new experiences and value to our customers.” I would like to promote three initiatives to achieve this.

The first is to create better customer experiences (CX) through better employee experiences (EX). In order to create new value, experiences, and excitement for our customers (meaning CX), we need to mobilize the collective strength of the NTT Group’s approximately 330,000 employees and have each of them take on challenges with a sense of excitement. My mission is to firstly build a solid EX structure and loop this to CX to make our customers happy.

The second initiative is to decarbonize through technology. The decarbonization of society is a matter of utmost urgency. I believe it is the mission of those of us living in the present to ensure that our descendants can live sustainably on the planet. The NTT Group has set a goal of achieving carbon neutrality by 2040. In order to realize it, we are working to drastically reduce our power consumption through the promotion of IOWN, and to develop and expand our use of renewable energy.

The third initiative is to ensure connection of infrastructure and critical IT systems even in the event of major disasters. Looking into the past, disasters have occurred that were beyond anything we imagined. Preparation is the key to staying connected. We therefore need to flex our imaginations and continuously anticipate and consider disaster scenarios. There can be no way forward if we think something is just “good enough.”

Q

You are pursuing a two-pronged approach of not only providing full-stack services, but also having strong services that are recognized worldwide.

That being said, I believe that a large amount of capital investment is needed to actively develop infrastructure business such as data centers. What are your thoughts on this?

Market demand is still strong in many parts of the world, so the NTT Group will firmly expand its provision capabilities. We will expand our investment in the data center business both on an aggregate basis (total self-investment and use of third-party capital) and on a self-investment basis. We will invest about 300 billion yen (including about 180 billion yen of self-investment) in fiscal year ending March 31, 2023 compared to our investment of about 180 billion yen (including about 145 billion yen of self-investment) in fiscal year ending March 31, 2022. In addition, we will capture demand by promoting utilization of NTT DATA’s customer base and sales capabilities, as well as the provision of data centers with direct cable connections by leveraging its position as a network operator, as unique strengths

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I think that all these initiatives are highly significant for society as well.

What kind of results can we achieve from an investor's perspective in taking on the challenge of these three initiatives?

The promotion of these three initiatives is an opportunity to contribute to the realization of a sustainable society and also provides a chance for the NTT Group to generate revenue. It is also connected to themes such as ESG and non-financial capital. It is of course important to contribute to society, but I believe it is also necessary to show both internally and externally how our efforts are linked to the enhancement of corporate value. For example, NTT DATA is working to digitize valuable materials held by the Vatican Library and Koyasan University. In addition to the social significance of contributing to research and culture around the world, we are turning this into a business by providing solutions for the long-term preservation of valuable documents and collections through digital archiving. We will continue to disclose information on these themes and unique initiatives that are of great interest to investors, along with the NTT Group's approach, indicators, and other information.

It is also vital to utilize technology to more efficiently promote such initiatives. We have already had cases of the use of drones for early-stage recovery after disasters. I believe that by promoting initiatives utilizing technology in various fields, we can not only achieve our goals while avoiding unnecessary costs, but also generate opportunities to propose new services to our customers. I am aware that an issue for the NTT Group is our tendency to provide nearly perfect services that take too much time. I believe it is important to make our processes agile and improve them through interaction with customers.

Q

How would you like to shape the NTT Group going forward?

I want to make it a "company that connects data."

In addition to making additions to our existing business areas, we must also link completely new business areas to our existing businesses. I believe that data is the key to this. It is important for us to create new added value by leveraging our strong ability to accumulate and analyze information. For example, in our efforts to support the medical field and primary industries such as agriculture, livestock, and fisheries with ICT technology, we can acquire a variety of new data and structure it for analysis purposes, thereby connecting data and creating new value.

We need to apply our technology and know-how to many fields and collaborate with our partners in various fields to solve problems. I want to further expand our business base as we create new businesses and advance solutions to social issues, which is the mission of the NTT Group.

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Lastly, I would like to ask you about your approach to shareholder returns.

The enhancement of shareholder returns is among NTT's most important management issues. Our medium-term business strategy is to pursue ongoing increases in dividend payments, and flexible share buybacks are conducted to improve capital efficiency.

In fiscal year ending March 31, 2023, we plan to increase dividends for the 12th consecutive year, and the dividend per share will be 9.6 times higher than in fiscal year ending March 31, 2004. In addition, with regard to share buybacks in FY2022, we repurchased shares in the amount of about 360 billion yen in September.

I will continue to strive to further enhance the corporate value of the NTT Group.

I would like to ask for the continued support of our shareholders and investors.

