

Message from our CFO

Achievement of the medium-term financial targets and sustainable enhancement of corporate value by resolving social issues through business operation

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Contribution to Realizing a Sustainable Society and Profit Growth

The NTT Group aims to contribute to the realization of a sustainable society by promoting its own transformation in response to the direction of society and the economy, and solving various social issues through its business operation. Under the three frameworks of “transformation to a new management style,” “enhancement of domestic and global business,” and “enhancement of corporate value” in the NTT Group Medium-Term Management Strategy which was announced to have been revised in October 2021, we are accelerating specific initiatives to simultaneously contribute to the realization of a sustainable society and achieve profit growth, as well as to achieve our medium-term financial targets.

In regard to our FY2021 consolidated financial results, our operating revenues and operating profit increased year on year, mainly due to an increase in SI revenue from NTT DATA, which took advantage of strong growth in demand for digitization. Profit exceeded ¥1 trillion for the first time, mainly due to an increase in operating income and the impact of taking a

minority interest in NTT DOCOMO, which was made a wholly owned subsidiary. In addition, with regard to the three key indicators set for contributing to the realization of a sustainable society, our greenhouse gas emissions toward carbon neutrality in FY2021 were 2.9 million tons (a 38% reduction compared to FY2013), B2B2X revenue was 544.1 billion yen (the target for FY2022 was 600 billion yen), and ratio of women newly promoted to management positions was 29% (the target for FY2022 was 30%). These results indicate that we are making steady progress with our initiatives.

As we confront a number of risks, such as the increasingly tense global situation and the impact of COVID-19, we intend to make FY2022 the year for steadily developing measures through expanded synergy within the new DOCOMO Group, growing our overseas business, and further promotion of digital transformation (DX). In order to further promote sustainability, we will also incorporate the above three indicators into the performance indicators for officer compensation from FY2022.

[For more information on specific initiatives, see here](#) **P44-**

FY2021 Results and Earnings Forecast for FY2022

	FY2020 Results	FY2021 Results	YoY	Earnings Forecast for FY2022	YoY
Operating revenues	¥11,944.0 billion	¥12,156.4 billion	+¥212.5 billion (+1.8%)	¥12,600.0 billion	+¥443.6 billion (+3.6%)
Operating profit	¥1,671.4 billion	¥1,768.6 billion	+¥97.2 billion (+5.8%)	¥1,820.0 billion	+¥51.4 billion (+2.9%)
Profit	¥916.2 billion	¥1,181.1 billion	+¥264.9 billion (+28.9%)	¥1,190.0 billion	+¥8.9 billion (+0.8%)

*The net income displayed is net income attributable to NTT less net income attributable to non-controlling interests.

Medium-term Financial Targets/Progress

Good progress is generally being seen for the financial targets set forth in the NTT Group Medium-Term Management Strategy.

EPS, the most important indicator, was achieved in FY2021 two years ahead of the original financial target (announced in FY2018; same below) of approximately ¥320 in FY2023 (+50% compared to FY2017). We will achieve the new EPS target of ¥370 for FY2023 (a 75% increase over FY2017) primarily through profit growth by steadily implementing our Medium-Term Management Strategy, in addition to share buybacks.

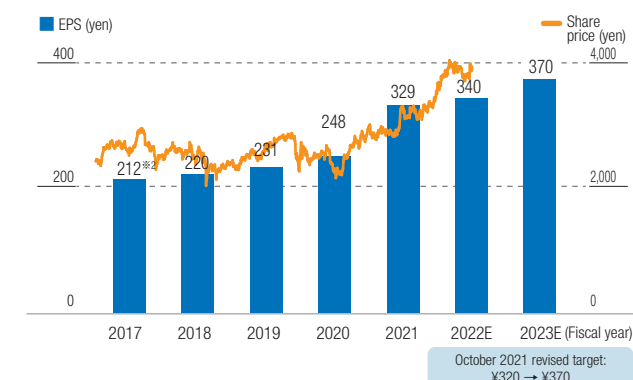
With regard to cost reductions, we also achieved our initial financial target of -¥800 billion or more by FY2023 in FY2021, two years ahead of schedule. To achieve the new target of -¥1

trillion or more in FY2023, we will accelerate additional efforts to promote DX.

ROIC improved by 0.3% year on year to 7.5% in FY2021 and is on track to reach the 8.0% target in FY2023. In addition, Capex to Sales for the domestic network business was 13.1% in FY2021, allowing us to achieve our target of 13.5% or less in FY2021.

Finally, the overseas operating profit margin improved by 3.3% year on year to 6.3% in FY2021, primarily due to the impact of structural reforms as well as the increase in NTT DATA's revenue. We plan to attain 7.0% in FY2022, aiming to achieving our target of 7.0% by FY2023 one year ahead of schedule.

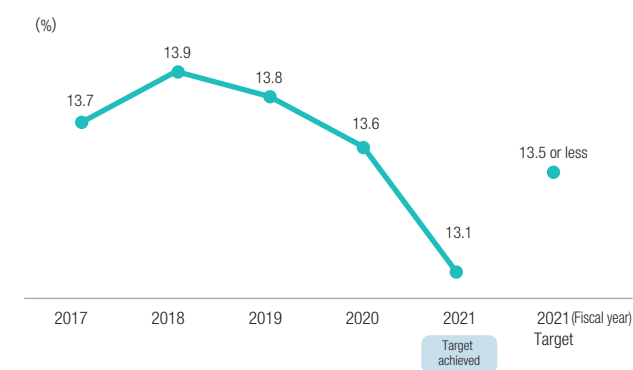
EPS Growth and Share Price



*1 For EPS, a 2-for-1 stock split of common stock, effective January 1, 2020, is taken into account.

*2 Excluding the impact of the arbitration award received from Tata Sons Limited.

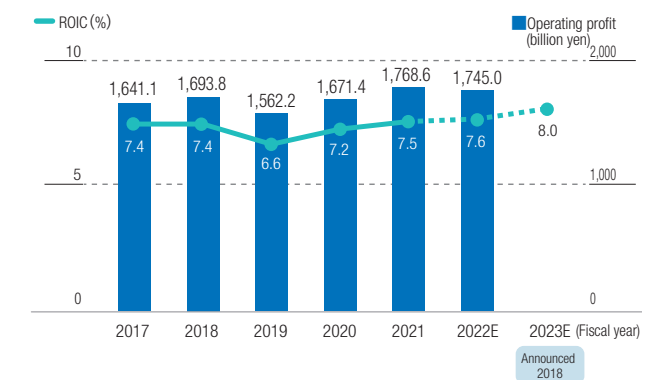
Capex to sales (Domestic network business)



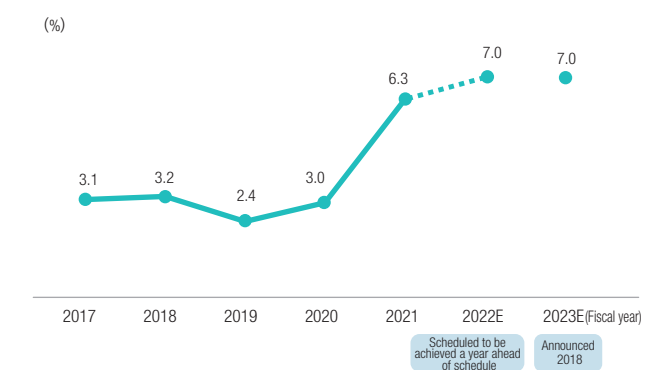
*Excluding NTT Communications data centers, etc.

It is essential to grow and strengthen the new DOCOMO Group in order to achieve our EPS target of ¥370, and the drivers of this growth are the Enterprise Business and Smart Life Business. Under the new structure, NTT DOCOMO and NTT Communications have integrated their enterprise businesses, which has finally made it possible to create a sales structure that can be compatible with the characteristics

ROIC and Operating Profit



Overseas operating profit margin



of all types of customers, from large corporations to small- and medium-sized enterprises. Using this sales structure as a base, we believe that the key to future growth will lie in the ways we can provide new services that combine mobile, fixed-line, cloud, and other services. In addition to revenue growth, we expect the enterprise businesses to become a driver of profit growth through efforts for fundamental cost

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efficiencies, such as integrating and standardizing back office and other business processes. In the Smart Life Business, NTT DOCOMO will further expand its financial business and develop marketing solutions by leveraging its customer base of approximately 90 million customers and data, one of its strengths, which will contribute significantly to profit growth.

In May 2022, to reinforce the competitiveness of our global operations, we announced the integration of NTT Data's global operations and NTT Ltd. The two companies will cooperate to provide new value by combining NTT Data's consulting and app development capabilities with NTT

Ltd.'s expertise in high-value-added services, such as data centers, networks, and managed services. In addition, by bringing the NTT Group's global human resources together, we will achieve prompt decision-making that is compatible with business and customer characteristics in each overseas region and enhance our global governance. As of FY2023, the final fiscal year of our medium-term financial target, we expect higher integration costs due to the effects of synergy, but we will increase synergy effects to approximately ¥30 billion in FY2025 afterwards.

Capital Allocation

NTT Group's businesses provide it with a steady cash flow. With this cash flow, in addition to investing in growth opportunities, we are working to enhance shareholder returns through continuous dividend increases and flexible share buybacks, while also ensuring a sound financial position by reducing interest-bearing debt.

Growth area investment and asset efficiency

We recognize that active investment in growth areas is an essential component of sustainable development of the NTT Group. Between FY2019 and FY2021, we invested approximately ¥380 billion in 5G, the foundation of our telecommunications services, with the goal of achieving a population coverage rate of 90% or higher by the end of FY2023. We are also investing in new areas such as healthcare, medical, and XR to create new services that take advantage of the high-speed, high-capacity, and low latency features of 5G. In our data center business which is continuing to see extremely high demand, we are accelerating construction of data centers in various regions of the world. We are quickly responding to the expanding data center market by actively expanding our own investments, as well as utilizing third-party capital from Century Tokyo Corporation, Macquarie Asset Management, and others.

At the same time, investments in existing businesses will be streamlined, and overall capital expenditures will be carefully controlled so that they do not exceed current levels by a significant amount.

We are also working to secure cash and improve capital efficiency while reducing assets through disposal of inefficient assets and idle facilities, as well as curbing investments through facility sharing. NTT DOCOMO announced that it will sell up to 6,002 of its telecommunication towers to JTOWER Corporation in March 2022. Such efforts will enable NTT DOCOMO to reduce tower maintenance and operation costs and promote the development of 5G networks.

Enhancing Shareholder Returns

The enhancement of shareholder returns is among the NTT Group'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.

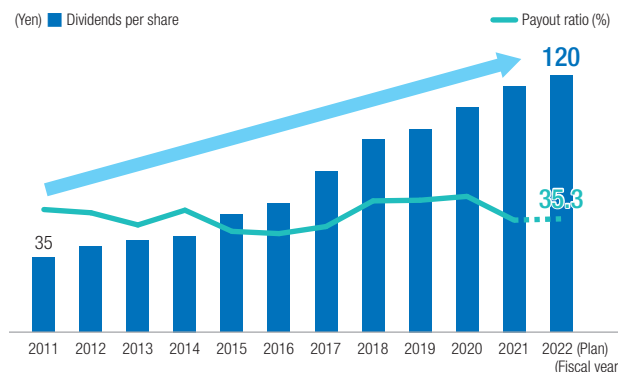
The planned dividend for the fiscal year ending March 31, 2023 is ¥120 per share, a ¥5 increase year-over-year which will make for the 12th consecutive year of dividend increases. The planned payout ratio is 35.3%.

With regard to share buybacks, we resolved to buy back up to ¥400 billion's worth of shares in FY2022, and bought back ¥360.3 billion's worth of shares on September 15.

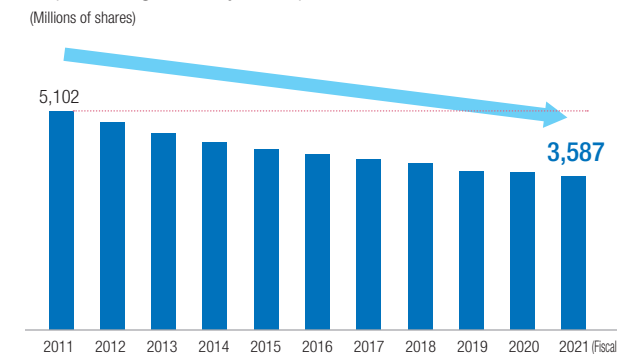
In addition, in November 2021, we canceled approximately 280 million shares of our treasury stock acquired thus far. The cumulative number of shares canceled to date has led to an approximately 30% decrease in the total number of issued shares, and has significantly contributed to improving the balance of supply and demand for our shares.

The Company's total shareholder return, which accounts for dividends and stock price fluctuations, was 455% over the past 10 years, outperforming the TOPXDVNET index, which is calculated post-tax and including dividends.

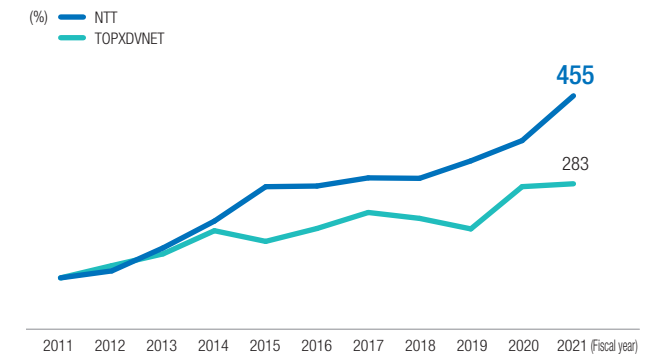
Dividends



Average Number of Shares During Period (Excluding Treasury Stock)



TSR



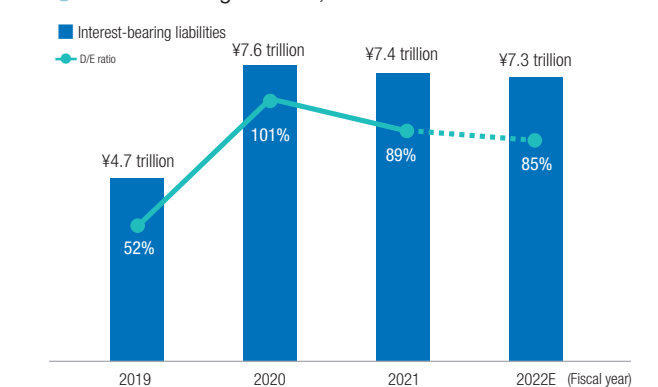
*Dividends per share and Average Number of Shares Issued have been adjusted to reflect the two-for-one stock split carried out on July 1, 2015, and two-for-one stock split carried out in January 1, 2020.

*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.

Interest-bearing liabilities

The NTT Group's policy is to ensure sound finances based on the entire Group's stable profitability and ability to generate cash flows. Interest-bearing liabilities were ¥7.3643 trillion at the end of FY2021, down ¥260.1 billion year on year, and the debt-to-equity ratio was 88.9%, indicating a sound state. For our rating level as well, we have obtained a stable single-A rating due to our sound financial state, and believe we are able to raise funds while keeping borrowing costs low. As for fundraising, NTT Group Green Bonds have been issued to achieve our new environment and energy vision, "NTT Green Innovation toward 2040," which was announced in September 2021. We are committed to and will continue to boldly advance efforts to make a sustainable society a reality, including in terms of finances.

Interest-bearing liabilities, D/E ratio



For more information on Green Bonds, see here [P51](#)

Enhancing Dialogue with Investors, Analysts, and Shareholders

Due to the spread of COVID-19, we have also taken the opportunity to foster dialogue by holding online meetings and using other forms of indirect communication. We will continue to have a cycle in which feedback obtained through communication with everyone is taken seriously, incorporated into NTT Group's management strategies in a timely manner, and channeled into enhancing corporate value. In addition, the NTT Group's business is undergoing significant changes, including the reorganization of the DOCOMO Group and global business, so we will continue our efforts

to communicate information to everyone. Moreover, we will consider enhancing disclosure of non-financial information, such as investments in intellectual property acquisition and human capital, which have been attracting increasing interest from investors recently, as important information that will enhance the NTT Group's corporate value.

We look forward to continuing meaningful dialogue with you as we work toward achieving sustainable growth of the NTT Group.