

Message from the CEO



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Seizing the Age of Change as an Opportunity

The NTT Group has been taking proactive steps to transforming itself, evolving its business while consistently addressing social issues. Roughly 40 years ago, when NTT was privatized, it primarily generated revenue from its telephone business. However, nowadays, revenue from voice-related services accounts for only 15% of our total operating revenues. We have rapidly adapted to changes in technology and societal trends, reallocating our existing resources and incorporating new ones while keeping a close eye on the evolution of technologies and devices such as telephones, pagers, PCs, mobile devices, and smartphones, as well as other changes across the globe. Looking ahead to the years 2040 and 2050, there is no doubt that the world will differ significantly from what it is today. NTT views these impending changes as opportunities and is committed to its ongoing transformation. To that end, it is imperative for us to continuously evolve our business portfolio. However, this is not as simple as suddenly deciding to venture into entirely new business domains. It is crucial for the NTT Group to leverage its existing technologies and expertise, consolidate its personnel, collaborate with partners across various sectors, and work tirelessly to solve the issues facing society. To continue to be people's company of choice, one that supports the sustainability of society, we will place emphasis on dialogue with our investors and with all other stakeholders as we continue to meet their expectations.

Connect, Trust, Integrity

One of NTT's core strengths is its ongoing commitment to integrity, earning trust, and continuing to build on its efforts step by step. Delivering reliable products naturally leads to a greater degree of trust, and a consistent foundation of integrity is essential for this cycle to function. We define "Connect," "Trust," and "Integrity" as the Shared Values constituting the foundation that unites our employees—our DNA, as it were. These key terms have been established through extensive global discussions, and must be preserved moving forward. Given that NTT's origins lie in telecommunications, the concept of "Connect" also encapsulates the critical element of human connection. Trust is indispensable when it comes to forming meaningful human connections, and establishing Trust requires a foundation of Integrity. With these three cornerstone values in place, customers can forge lasting relationships with NTT. This "DNA" also plays a pivotal role in contributing to the achievement of a sustainable society. For instance, NTT DATA Japan launched an emergency medical service in 2012 in which patients are loaded into ambulances and crucial data is quickly entered on a tablet in the ambulance to be sent to the receiving hospital. This solution was first provided in Takamatsu City. A decade later, it has expanded across Kagawa Prefecture and has been adopted in other prefectures as well.

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Another example is a project that began 10 years ago to digitize ancient books in the Vatican Library. This project involves creating digital archives with funding in the form of donations from all over the world. Nowadays, this initiative has been extended to include efforts in Japan, such as digitizing texts from Mount Koya and the Kobo Daishi era from more than a thousand years ago. Additionally, NTT ArtTechnology Corporation, established in 2021, focuses on leaving a legacy for future generations. For example, the company is creating a business that digitizes Hokusai's paintings and examines how to display them to future generations, as well as how to display other delicate items such as paintings created around the world. In this manner, we aim to achieve growth in our business and advancements in sustainability initiatives at the same time while also capitalizing on the DNA of the NTT Group. We remain committed to consistently delivering services that enhance our customers' businesses and lifestyles.

Recent Performance and Human Capital Initiatives

Since taking office as CEO in June 2022, I've focused on a significant theme: transforming the NTT Group into an entity that delivers new experiences and excitement to our customers. This has been our concerted effort over the past year. We have become increasingly diligent in questioning whether the products and services we offer are genuinely satisfying our customers. In today's competitive environment, any stagnation, however minor, can ultimately impact the organization as a whole. We must continue to strive to satisfy our customers. Fueled by this sense of urgency, and as a result of the reforms we have implemented, the NTT Group's consolidated results for fiscal 2022 has set new records, with increases in operating revenues, operating profit, and net income. This achievement partly reflects the gradual impact of our Group-wide reorganization, and it is also the result of our unwavering commitment to cost-efficiency and successfully meeting our customers' digitization and other needs on the front lines of each company.

Despite escalating global tensions, rising electricity costs, increased interest rates, inflation, and semiconductor shortages, our fiscal 2023 performance forecast plans for new record highs in operating profit and net income. We believe that by harnessing the collective strength of the NTT Group's 340,000 personnel, we can navigate this uncertain landscape and achieve our goals.

To this end, it is crucial to establish an environment where a diverse array of talented individuals can fully exercise their abilities. The NTT Group in Japan introduced a job-based personnel system for all managers in October 2021, and in April 2023, we revised the personnel system for general employees with a focus on specialization. Our aim is to support the autonomous career development of each and every employee and enhance their engagement by providing a system that encourages growth. We aim to continue transforming our company into one where each individual feels a sense of growth, fulfillment, and excitement in their work.

In addition, a conviction I have held since the beginning of my tenure is to always focus on the

front lines and be there for every single employee. To put this into practice, I have been hosting dialog sessions with employees both in Japan and overseas. I have organized these sessions not only within Japan, but also in North America, South America, Asia, and Europe. In terms of within Japan, there have been discussions with employees in solutions, urban development, smart agriculture, XR, and digital comics. I believe that by being present with employees who are making daily efforts on the front lines in a wide variety of sectors, understanding their perspectives, and integrating them into our managerial decisions, we can further enhance the NTT Group's corporate value.



Dialogue with members of NTT Asia Pacific Pte. Ltd and the Singapore subsidiary (Singapore)

NTT as a Creator of New Value and Accelerator of a Global Sustainable Society

This past May, we announced our new Medium-Term Management Strategy, “New Value Creation & Sustainability 2027 Powered by IOWN.” As our Basic Policy, we have declared that “Innovating a Sustainable Future for People and Planet.”

Based on this guiding philosophy, we have identified three major pillars for our specific initiatives. The first pillar is “NTT as a Creator of New Value and Accelerator of a Global Sustainable Society.” Sustainability and business do not conflict with one another. Our vision for a sustainable society is to realize both, rather than having to choose only one. We aim to resolve a variety of social issues, contributing to a world where Earth and humanity can sustainably coexist—striving for a resource-recycling future, not a resource-consuming one. This message is embedded within our medium-term strategy. The second and third pillars serve as mechanisms to support the first,

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Dialogue with NTT DATA Business Solutions members (Germany)

with the second being "Upgrading the Customer Experience (CX)" and the third "Improving the Employee Experience (EX)." Everything new comes from people. To achieve our goal, we need our employees to be lively, feel job satisfaction, and take on challenges. Creating excitement in each employee (namely, EX), will form a small ring in NTT's Dynamic Loop logo, generating CX that will lead to greater customer satisfaction, which is the big ring. We will only be able to make our customers feel excitement if our employees feel excitement and joy. Moreover, the "thank you" from customers increase our motivation. This virtuous cycle of CX and EX will deliver value to the world, and be the driving force in creating a sustainable society.

To that end, we will expand our investments in growth areas, with plans to invest eight trillion yen over the next five years, a 50% increase over prior investments. Including existing areas, the total investment amount comes to 12 trillion yen. Moreover, we are looking to expand our cash generation capacity for the future. EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization), an indicator that shows how much cash flow a company has generated through its core business, has been flat thus far. However, through expanding investments in growth areas, we aim to achieve a 20% increase in EBITDA, with a target of four trillion yen by fiscal 2027. We intend to generate new cash flows through these growth investments and channel them into further growth initiatives.

We will strive to continually transform the NTT Group's business portfolio by consistently staying abreast of global trends and shifts, focusing on regions and sectors where we can leverage our strengths through a comprehensive market-in approach that centers customer needs.

Initiatives for Shareholder Returns/Expanding the Investor Base

Contributing to the creation of a sustainable society through our business and delivering the resulting benefits to our shareholders remains a key management issue. Our approach of ensuring consistent dividend growth and flexible share buybacks remains unchanged within our new medium-term management strategy.

For fiscal 2023, we plan a 13th consecutive year of dividend growth, which will result in a 10-fold increase in the dividend per share compared to 20 years ago. Regarding share buybacks for fiscal 2023, a resolution was made in August to buy back up to 200 billion yen of our own shares.

Additionally, in July, we dramatically reduced the investment unit through a 1:25 stock split. In anticipation of the new NISA system starting in 2024, we aim to facilitate investment in NTT shares and broaden our individual investor base across a diverse range of generations who share our belief in the NTT Group's sustained growth.

To meet the expectations of our many stakeholders, our mission is to continue to contribute to the realization of a better society by placing sustainability at the core of our management. We will continue to take on the challenge of making NTT an organization that supports a global sustainable society through the creation of new value.

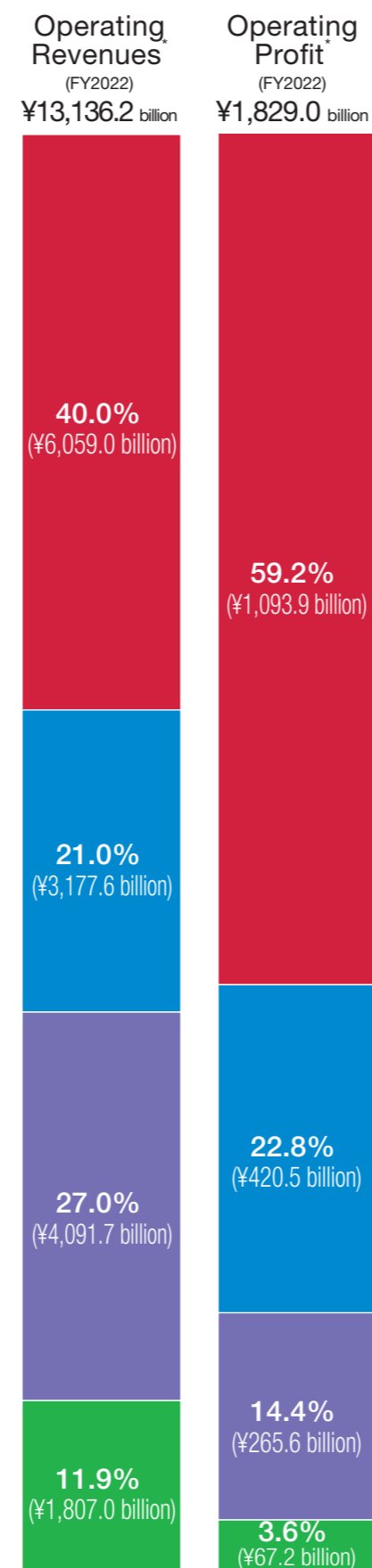
We sincerely hope for your continued support in the years ahead.



NTT at a glance



Business	Services and Main Companies
Integrated ICT Business	<p>The principal services in the Integrated ICT Business are mobile phone services, domestic inter-prefectural communications services, international communications services, solutions services, and system development services and related services.</p>
Regional Communications Business	<p>The principal services in the Regional Communications Business are domestic intraprefectural communications services and related ancillary services.</p>
Global Solutions Business	<p>The principal services in the Global Solutions Business are system integration services, network system services, cloud services, global data center services, and related services.</p>
Others (Real Estate, Energy and Others)	<p>Other Group companies</p> <p>Others include the real estate business, energy business and others.</p>



*Percentage of simple sum of each segment (including intersegment transactions)

Financial Highlights (International Financial Reporting Standards (IFRS))

Unit: Billions of yen

	FY2020	FY2021	FY2022
Operating revenues	11,944.0	12,156.4	13,136.2
Operating profit	1,671.4	1,768.6	1,829.0
Profit attributable to NTT	916.2	1,181.1	1,213.1
Total assets	22,965.5	23,862.2	25,308.9
NTT shareholders' equity *1	7,562.7	8,282.5	8,561.4
Capital Investment	1,728.3	1,687.6	1,862.4
EBITDA*2	3,111.6	3,247.1	3,290.2
EPS (Yen) after stock split *3	9.9	13.2	13.9
EPS (Yen) before stock split	248	329	348
ROE (%)	11.0	14.9	14.4
ROIC (%)	7.2	7.5	7.4
Cash flows from operating activities *4	3,009.1	3,010.3	2,261.0
Cash flows from investing activities	(1,424.5)	(1,699.2)	(1,736.9)
Free cash flows (Cash flows from operating activities + Cash flows from investing activities)	1,584.5	1,311.1	524.1
Cash flows from financing activities	(1,689.5)	(1,438.1)	(590.2)

*1 NTT shareholders' equity does not include the portion attributable to non-controlling interests.

*2 EBITDA = Operating income + Depreciation and amortization + Loss on sales of property, plant and equipment + Impairment loss

NTT Group has excluded all depreciation expenses related to right-of-use assets from EBITDA and depreciation, as a component of EBITDA.

*3 NTT conducted a 25-for-1 stock split of its common stock with an effective date of July 1, 2023. The figures reflect the impact of this stock split.

*4 If the closing date falls on a holiday, the effects of that (such as the postponement of accounts receivable payment deadlines from the end of the month to the beginning of the following month) are excluded.

Non-financial Highlights

Indicator ⁵		FY2020	FY2021	FY2022
Climate change	Greenhouse Gas Emissions			
	Scope 1, 2	3.99 million tons	2.90 million tons	2.53 million tons
	Scope 3 ⁶	22.23 million tons	20.82 million tons	19.49 million tons
Human capital	Employee Engagement Rate	—	57%	57%
	New Female Manager Promotion Rate	—	29.1%	29.7%
	Male Childcare Leave Rate	—	—	114.1%
	Direct Dialogue Rate with Key Suppliers	—	—	100%
Creating new value	Amount of B2B2X Revenues	—	¥544.1 billion	¥815.4 billion
Resilience	Number of Serious Incidents ⁷	2	1	3
	Number of Telecommunications Service Interruptions due to External Cyberattacks	0	0	0

⁵The scope of the above indicators is as follows.

Greenhouse Gas Emissions: our company and its consolidated subsidiaries

Employee Engagement Rate: about 100 domestic Group companies (we plan to extend this to our overseas Group companies in the future)

New Female Manager Promotion Rate/Male Childcare Leave Rate: six major domestic companies (NTT, NTT DOCOMO, NTT Communications, NTT East, NTT West, and NTT DATA Japan)

Direct Dialogue Rate with Key Suppliers: 40 companies chosen each year from among the key suppliers who account for more than 90% of the total procurement expenditures of the NTT Group (as of fiscal 2022, this includes 126 companies)

Amount of B2B2X Revenues: the Integrated ICT Business Segment, the Regional Communications Business Segment, and the Global Solutions Business Segment

Number of Serious Incidents/Number of Telecommunications Service Interruptions due to External Cyberattacks: four specified public institutions (NTT East, NTT West, NTT Communications, and NTT DOCOMO)

⁶ Estimated based on the Ministry of the Environment's "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain."

⁷ A "significant incident" is defined as an event meeting the following conditions that disrupt or degrade the quality of telecommunications services:

- Voice services that handle emergency calls (110, 119, etc.): Lasting more than 1 hour and impacting over 30,000 people

- Voice services that do not handle emergency calls: Lasting more than 2 hours and impacting over 30,000 people, or more than 1 hour and impacting over 100,000 people

- Internet-related services (free): Lasting more than 12 hours and impacting over 1 million people, or more than 24 hours and impacting over 100,000 people

- Other services: Lasting more than 2 hours and impacting over 30,000 people, or more than 1 hour and impacting over 1 million people