

Placing Sustainability at the Core of our Management Strategy

– Self-transformation and embracing challenges –



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Business Strategy and Sustainability

You might be surprised to hear that The NTT Group's history is a story of self-transformation and embracing challenges. To date, we have undertaken various initiatives to contribute to the achievement of a sustainable society by addressing social issues through our business activities. As society and the economy undergo profound changes, I believe that it will be increasingly important to place sustainability at the core of our management strategy and promote it even more vigorously in order to enhance our corporate value. For this reason, our commitment to continuous self-transformation and embracing challenges remains unchanged.

The growth driver in the NTT Group's value creation process is laid out in our Medium-Term Management Strategy, announced in May 2023: "Innovating a Sustainable Future for People and Planet." We are working to achieve business growth and sustainability at the same time. For example, on the financial

side, we have changed our principal indicators to EBITDA to strengthen our ability to generate cash for sustainable growth, and on the non-financial side, we have set sustainability-related indicators such as achieving carbon neutrality by 2040.

At the NTT Group, we are continuing to transform our management style to prioritize both financial and non-financial management. Over the past year, on the financial side, we have been working to improve return on invested capital and have been monitoring and disclosing information on the financial situation of our Financial and Data Center businesses. On the non-financial side, we reviewed the activities specified in the NTT Group Global Sustainability Charter and revised them into 18 activities, and then set measurable indicators for each. Going forward, we will continue to transform our management style, focusing on both financial and non-financial aspects.

Achievement of Previous Medium-Term Financial Targets and a New Start

Our consolidated financial results for fiscal 2023 show that operating revenues increased by 238.4 billion yen over the previous year to 13,374.6 billion yen, operating profit increased by 93.9 billion yen over the previous year to 1,922.9 billion yen, and profit increased by 66.4 billion yen over the previous year to 1,279.5 billion yen, all of which were record highs. Meanwhile, EBITDA increased by 127.9 billion yen over the previous year to 3,418.1 billion yen. The previous Medium-Term Management Strategy (announced in November 2018 and revised in October 2021), for which fiscal 2023 was the last year, set an Earnings per Share (EPS) target of 14.8 yen. Despite this being a very high financial target, we achieved it with actual EPS of 15.1 yen

by streamlining non-core assets, mainly those no longer needed as a result of past efforts to improve efficiency and technological advances (with an impact on operating profit of approximately 140.0 billion yen).

Although the forecast for fiscal 2024 shows a decrease in profit compared with the previous year, we expect operating revenues to increase excluding special factors such as streamlining non-core assets, and we are actively implementing measures to achieve the Medium-Term Financial Target (announced in May 2023) of a 20% increase in EBITDA in fiscal 2027 (compared with fiscal 2022).

FY2024 Forecast

	FY2023 Results	FY2024 Forecast	Year-on-Year
Operating revenues	¥13,374.6 billion	¥13,460.0 billion	¥85.4 billion
Operating profit	¥1,922.9 billion	¥1,810.0 billion	(¥112.9 billion)
Profit*	¥1,279.5 billion	¥1,100 billion	(¥179.5 billion)
EBITDA	¥3,418.1 billion	¥3,330.0 billion	(¥88.1 billion)

*Profit represents profit attributable to NTT, excluding non-controlling interests.

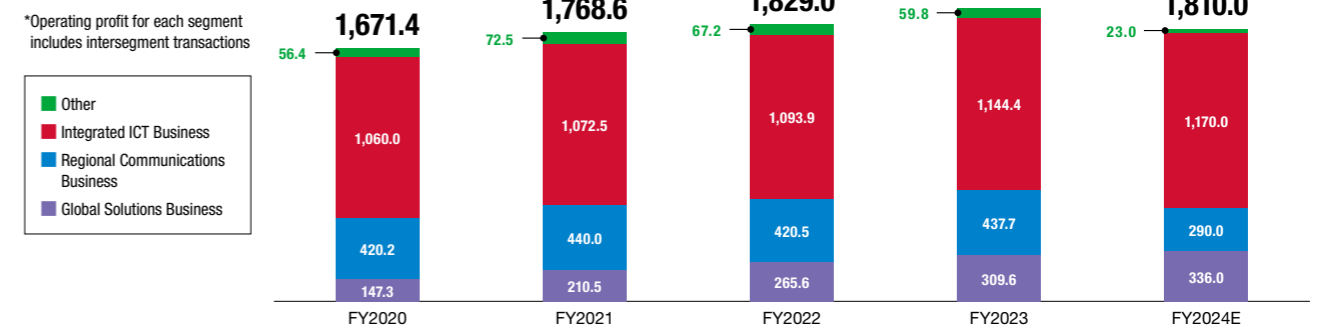
Progress and Capital Allocation in the Medium-Term Management Strategy p. 72 Medium-Term Management Strategy

Changes in Our Business Portfolio

As digital transformation (DX) continues to advance, and AI evolves and expands in application, the NTT Group's business portfolio is also changing. Our DX Business and Data Center Business are steadily growing as drivers of growth. These businesses are centered on the Smart Life and Enterprise businesses in the Integrated ICT Business segment, as well as on the Global Solutions Business segment, and are positioned

as growth areas for accelerated investment in the Medium-Term Management Strategy. Meanwhile, business operations have reached a major turning point in the Regional Communications Business and Mobile Communications Business, which until now have been generating stable profits. We will consider and implement measures (detailed below) in order to restore their cash generation capacity in the future.

Operating Profit by Segment

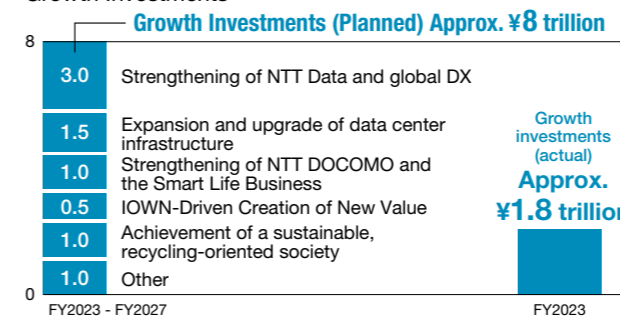


First Year Progress and Challenges of the Medium-Term Management Strategy

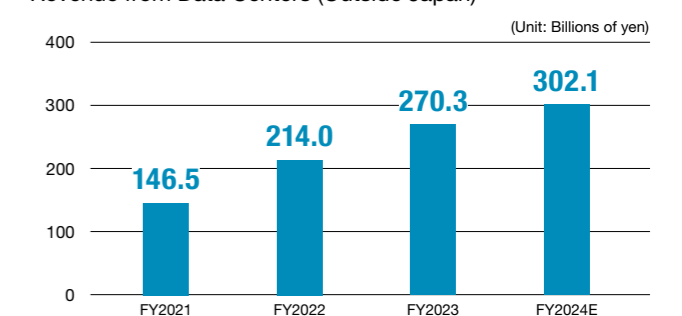
The Medium-Term Management Strategy announced in May 2023 envisions expanding investment in growth areas to approximately 8 trillion yen over five years from fiscal 2023. In fiscal 2023, the NTT Group invested a total of approximately 1.8 trillion yen in growth areas (capital investments and contributions) and has begun its next challenge of pivoting and expanding into new business areas. In the Smart Life Business, we invested in fields such as investment and finance, including the acquisition of Monex, Inc. in January 2024 and ORIX Credit Corporation in March 2024 as subsidiaries, with the aim of further expanding the Financial Business. Based on our customer base of

approximately 100 million members of the d Point Club, I believe there is potential to create synergies in the future by promoting collaboration among financial services and by combining these services with communications services, leveraging the advantages of smartphones, which are widely used information devices. In addition, in the Data Center Business, we made approximately 400 billion yen in capital investments to meet rising demand driven by the expansion of AI. Orders for data center services continue to exceed available capacity. We expect the data centers we have invested in to contribute to increases in revenue and EBITDA once they begin operating.

Growth Investments

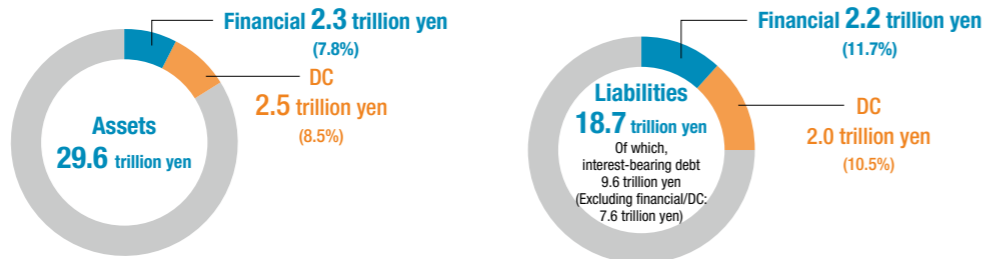


Revenue from Data Centers (Outside Japan)



Given the nature of the Financial and Data Center businesses, where assets are leveraged to generate returns, I believe it will be necessary to continue to accelerate growth investments and expand the scale of our assets. In addition, because the return on investment and cash flows for these businesses differ from our existing Network Business, we began separately disclosing

Assets/Liabilities in the Financial and Data Center Businesses
(March 31, 2024)



On the other hand, I believe that we need to bolster our existing Network Business. In the Regional Communications Business segment, we have been working to improve cost efficiency. To achieve even greater cost efficiency, we will discontinue legacy

Improving Return on Invested Capital

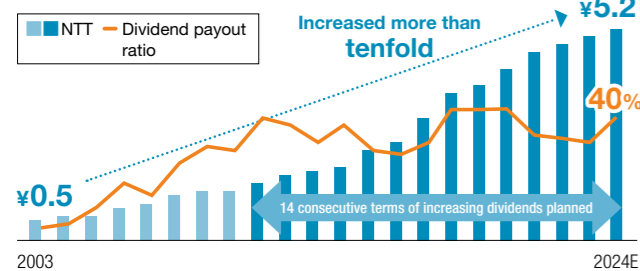
As we expand our investments in growth areas, we are also replacing our assets where necessary to improve our capital efficiency. In fiscal 2023, we implemented a major streamlining of non-core assets, and we will continue to consider ways to utilize assets within the Group and to convert them to cash through sales to outside parties. With regard to our data centers, in addition to deciding whether to sell each data center based on profitability and other factors, we are also considering a wide range of options, such as using a REIT to liquidate the data centers. By selling data centers to a REIT and speeding up the investment cycle by reinvesting the funds gained from the sale

Enhancing Shareholder Returns

Regarding shareholder returns, our fundamental policy is to steadily increase dividends. We also aim to improve capital efficiency by flexibly conducting share buybacks.

Regarding dividends, we have planned for a 0.1 yen per share increase to 5.2 yen in fiscal 2024, marking our 14th consecutive year of dividend growth. This represents a more than tenfold increase in the dividend per share compared to fiscal 2003.

Change in Dividends per Share



Interest-Bearing Debt

Our interest-bearing debt at the end of fiscal 2023 was 9.6 trillion yen (7.6 trillion yen excluding the Financial and Data Center businesses), an increase of 1.4 trillion yen over the previous fiscal

financial information for these businesses at the end of fiscal 2023. Our aim is to enhance the clarity of each part of our business portfolio, enabling investors to appropriately evaluate the corporate value and creditworthiness of the NTT Group as a whole.

p. 75 TOPIC1: Enhancing Financial Services
TOPIC2: Expansion and Upgrade of Data Center Infrastructure

services such as the telephone directory and directory assistance services (announced in July 2024) and aggressively promote the streamlining of operations through digitalization, with the aim of rapidly recovering business performance.

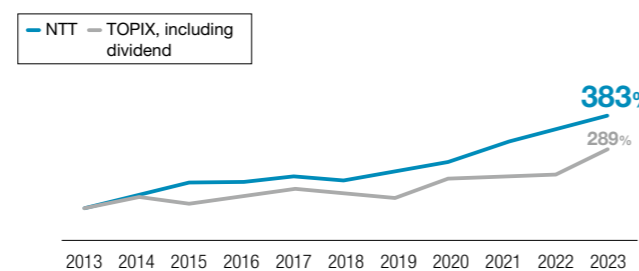
back into the data centers, we will be able to respond quickly to rising demand while also ensuring financial soundness.

Moreover, when executing investments in growth areas, we will hold discussions from various perspectives with the Directors and Audit & Supervisory Board Members, and make implementation decisions using hurdle rates such as ROIC in pursuit of appropriate returns. After carrying out investments, we will monitor them regularly to check for any deviations between initial plans and actual performance and promptly take corrective measures.

For share buybacks, as of fiscal 2023, we have executed approximately 5.5 trillion yen's worth and have set a cap of 200 billion yen for fiscal 2024.

The Company's total shareholder return, which accounts for dividends and stock price fluctuations, was 383% over the past 10 years, outperforming the TOPXDVNET index, which is calculated post-tax and including dividends.

Total Shareholder Return over the past 10 years



year. This was due to factors such as our investment in Monex, Inc. and the increase in foreign currency-denominated debt due to exchange rate fluctuations. The interest-bearing debt/EBITDA

ratio was 2.8 times. We meet our increasing investment in growth areas, by relying on the stable cash flows from our business activities and by taking advantage of our financial leverage. In

the medium term, we aim to reduce our interest-bearing debt/EBITDA ratio by increasing returns from growth areas.

Sustainability Initiatives Over the Past Year p. 26 Sustainability

The NTT Group Global Sustainability Charter established in November 2011 was recently revised to increase its effectiveness by linking it to the Medium-Term Management Strategy, as well as to adapt to changes in the external environment, such as greater alignment with international standards. Specifically, 30 activities were changed to 18 activities, and measurable indicators were set for each activity. After repeated discussions were held in the Sustainability Committee, which reports directly to the Board of Directors, the Board of Directors decided to revise the activities, set principal indicators, and set KPIs for board member compensation.

As for the method of selecting these activities, the activities were evaluated based on two axes: "Solving social issues" and "Growth as a company," incorporating a variety of perspectives, including disclosure ordinances, corporate governance codes, opinions from investors obtained during dialogue concerning ESG, inquiries from sustainability research institutions, and exchanges of opinions with experts. The Sustainability Charter states that a regular review will be carried out annually and that the charter will be revised as necessary.

In addition, the NTT Group has divided the selected activities into four categories: (1) Climate change, (2) Human capital, (3) New value creation, and (4) Resilience. We are promoting sustainability initiatives based on these key categories.

The first category is addressing climate change (see Climate Change, page 32). We are aiming to achieve net-zero emissions by 2040, including Scopes 1, 2, and 3. To this end, we are promoting energy conservation, expanding our use of renewable energy, and introducing IOWN technologies. On this we are making steady progress—greenhouse gas (GHG) emissions in fiscal 2023 were 2.32 million metric tons, which is a greater reduction than planned. We are also promoting resource recycling by reusing and recycling communications equipment and mobile devices, and by ensuring the proper disposal and management of hazardous waste. Going forward, we will continue to expand our decarbonization efforts through dialogue and engagement with all stakeholders, including suppliers upstream in the supply chain and customers downstream. We will also continue to enhance our surveys and information

disclosures regarding the status of our nature reserves and other initiatives related to natural capital.

The second category is human capital (see Human Capital, page 40). So far, we have built a framework to make it easier for employees to demonstrate their abilities, such as by introducing the Remote Standard system and a new personnel and salary system focused on specialization. Looking ahead, it will be important to use these systems to further establish throughout the organization measures such as autonomous career formation, organizational reform, the development of comfortable work environments, and improvements in the employee experience (EX). From these perspectives, we are working to visualize our human capital. This includes reorganizing the human capital value creation process, identifying the ideal employee profile for our management strategy, developing policies for the acquisition and training of human resources, and setting indicators and targets to monitor results.

The third category is creating new value (see New Value Creation, page 62). To contribute to solving social issues, we have been transforming our business structure by shifting from telecommunications to solutions. In the past year, we have seen the results of establishing the new Research and Development Market Strategy Division, a R&D division that includes marketing functions. One example is the launch of NTT AI-CIX (see NTT AI-CIX, page 64). We are promoting initiatives focused on upgrading the customer experience (CX), such as providing a one-stop service that includes everything from AI consulting to model development and platform services.

The fourth category is resilience (see Resilience, page 68). I believe that strengthening resilience is our mission as a company that provides communications and services. In addition to dealing with large-scale outages caused by natural disasters, such as the Noto Peninsula earthquake that occurred in January 2024, our response to cybersecurity is backed by specialists with advanced technology and expertise. We will strive to further strengthen our business foundations so that we can continue to realize our mission and vision, which can be traced back to NTT's roots, into the future.

Strengthening Engagement and Dialogue with Stakeholders

Going forward, we will continue to strengthen information disclosure about the NTT Group's businesses and sustainability initiatives and further enhance dialogue with stakeholders, reflecting this in our business strategy. Specifically, we will respect the opinions of our shareholders and investors, as well as those of our partners in the supply chain and business alliances. We

also intend to further cultivate a culture that prioritizes openness, collaboration, and a spirit of "trial and error" through town hall meetings with employees and other means. As we continue to shoot for sustainable growth in the NTT Group, we look forward to engaging in meaningful dialogue with everyone as we strive to stay ahead in a rapidly changing society.