

# Regional communications growth strategy

**IR DAY 2024**

- 1. Current Issues**
- 2. Market Changes and Future Business Strategy**
- 3. Targeted Direction for the Regional Telecommunications Business/NTT East and NTT West**

**1. Current Issues**

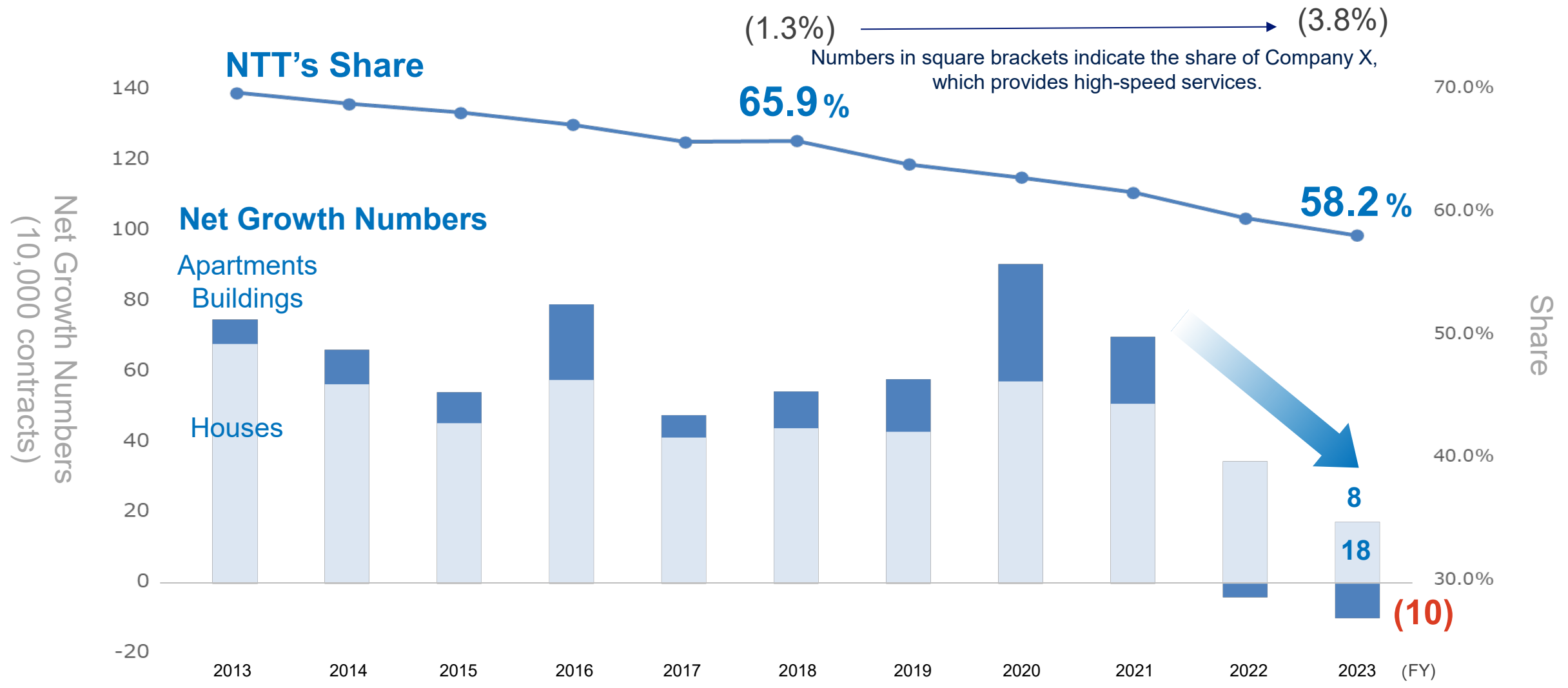
**2. Market Changes and Future Business Strategy**

**3. Targeted Direction for the Regional  
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# Current Issues: Reductions in Net Fiber Optic Growth



Responses to the need to transition to faster fiber optic connections, and initiatives for the apartment buildings market, have been insufficient



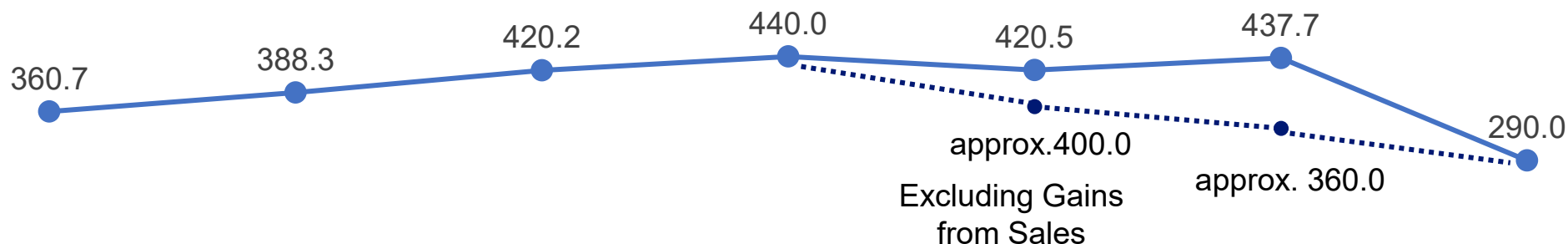
# Current Issues: Cost Reduction Trends



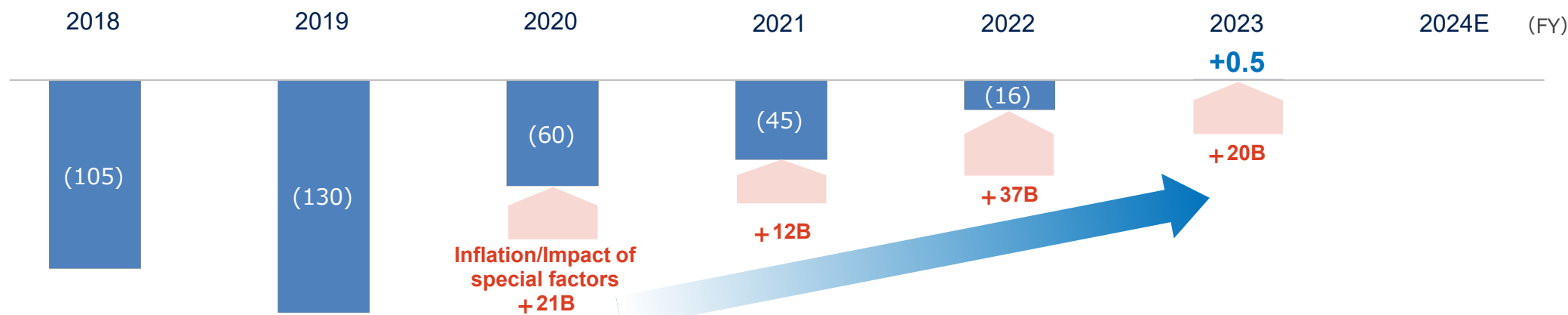
As a result of inflation-related effects (including electricity costs and personnel expenses) and other special factors, cost reduction effects have been reduced

## Operating Profit

(Billions of yen)



## Cost Reduction Results under Prior Medium-Term Plan (compared to FY2017)



\* Cost reduction amounts for FY2018 and FY2019 were affected by the compensatory effect of the impairment of metal equipment recorded in FY2017 (approximately ¥130.0 billion)

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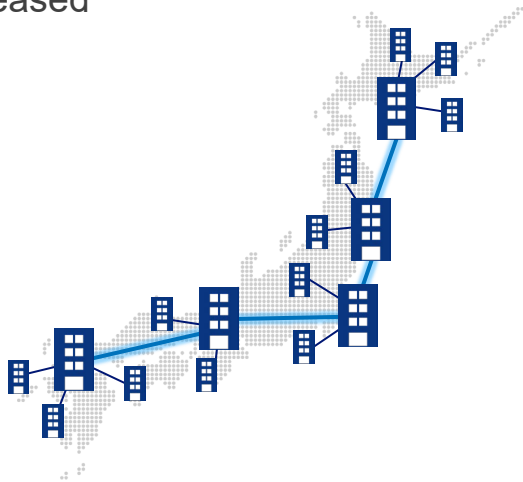
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# Explosive Demand for Digitalization and Networks

- The digitalization of government agencies and others has accelerated the transition to the cloud, leading to increased demand for WANs
- Traffic has concentrated on cloud operators, and demand for networks between data centers has increased
- Individual users have also driven an increase in traffic due to video streaming and the spread of remote work

## For Enterprise Users

Demand for private network connections between multiple locations nationwide has increased

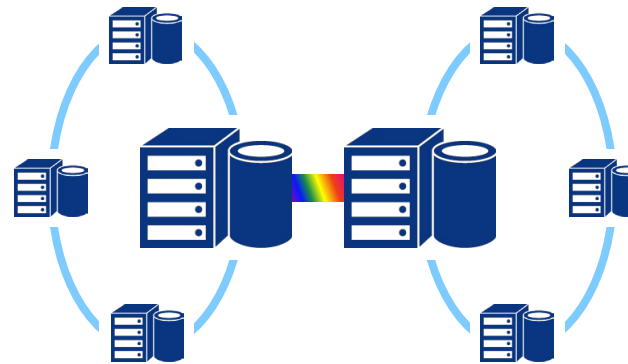


### Example Order

- Development of infrastructure networks for government agencies and others
- Development of information infrastructure, education and disaster prevention networks

## Connections between Data Centers

Increasing numbers of data center operators have required private networks to connect data centers without latency



### Example Order

- Strengthening networks/infrastructure between data centers
- Outsourcing related facility construction, building and maintenance

## For Individual Users

There has been an explosive increase in traffic from video streaming, remote work, online gaming, and other factors



### Example Order

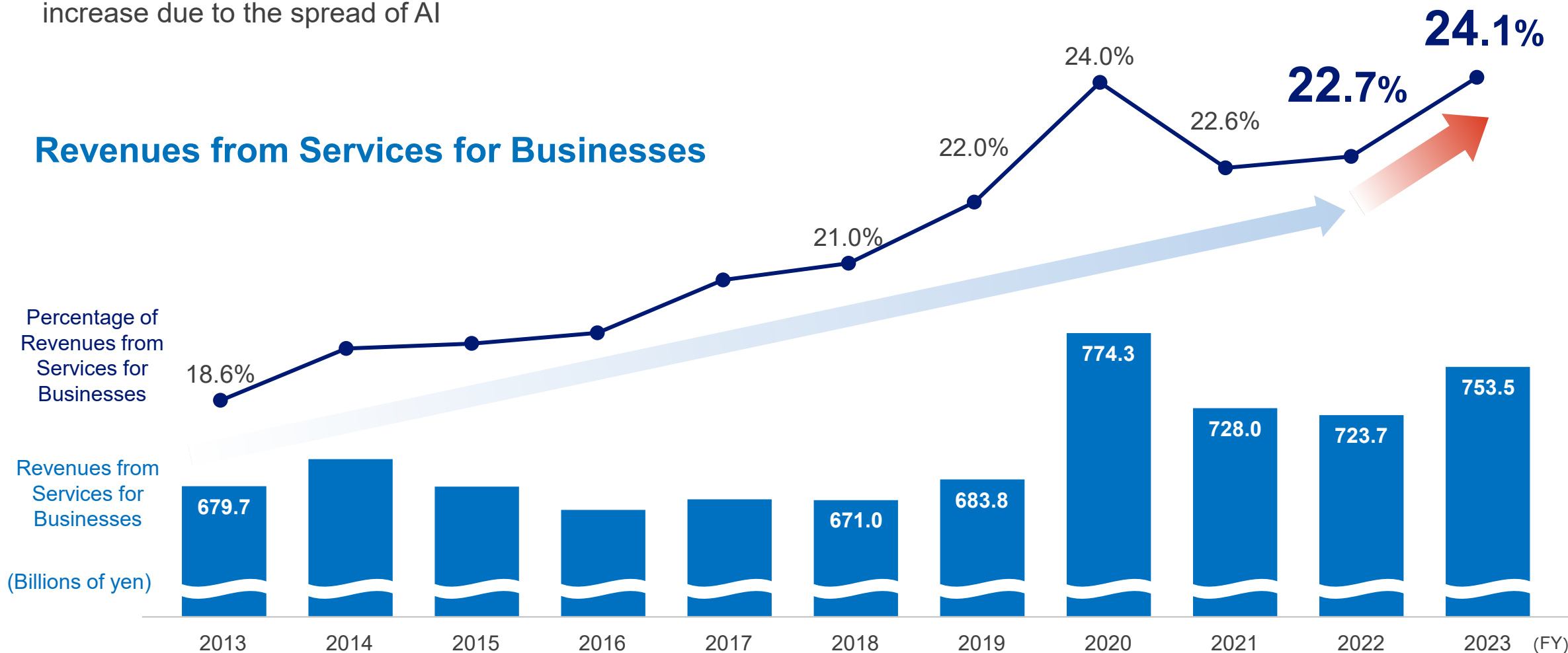
- Hikari fiber optic broadband services (high-speed type)

# Changes in Earnings Structure



- The proportion of revenues from services for businesses has increased due to DX, cloud services and other factors
- In the future, we anticipate that the proportion of revenues from services for businesses will further increase due to the spread of AI

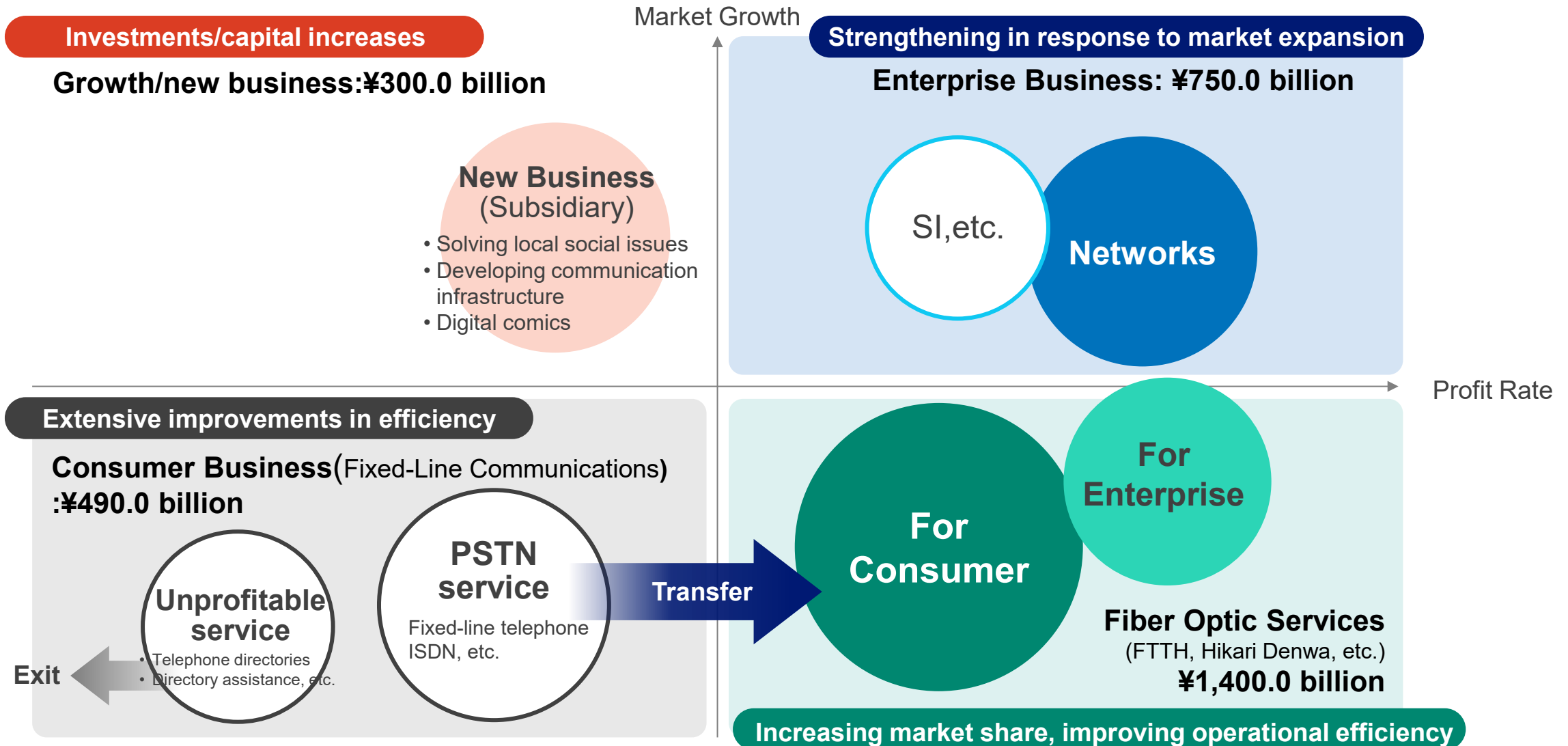
## Revenues from Services for Businesses





- 1. Growth Strategy for the Enterprise Network Business**
- 2. Recapturing Market Share in the Fiber Optic Business**
- 3. Reforming the Cost Structure of Existing Business**
  - Reform of Telecommunications Operations**
- 4. Changes in Business Portfolio**
- 5. Further Expanding Growth Businesses**

# Direction of Each Business Portfolio



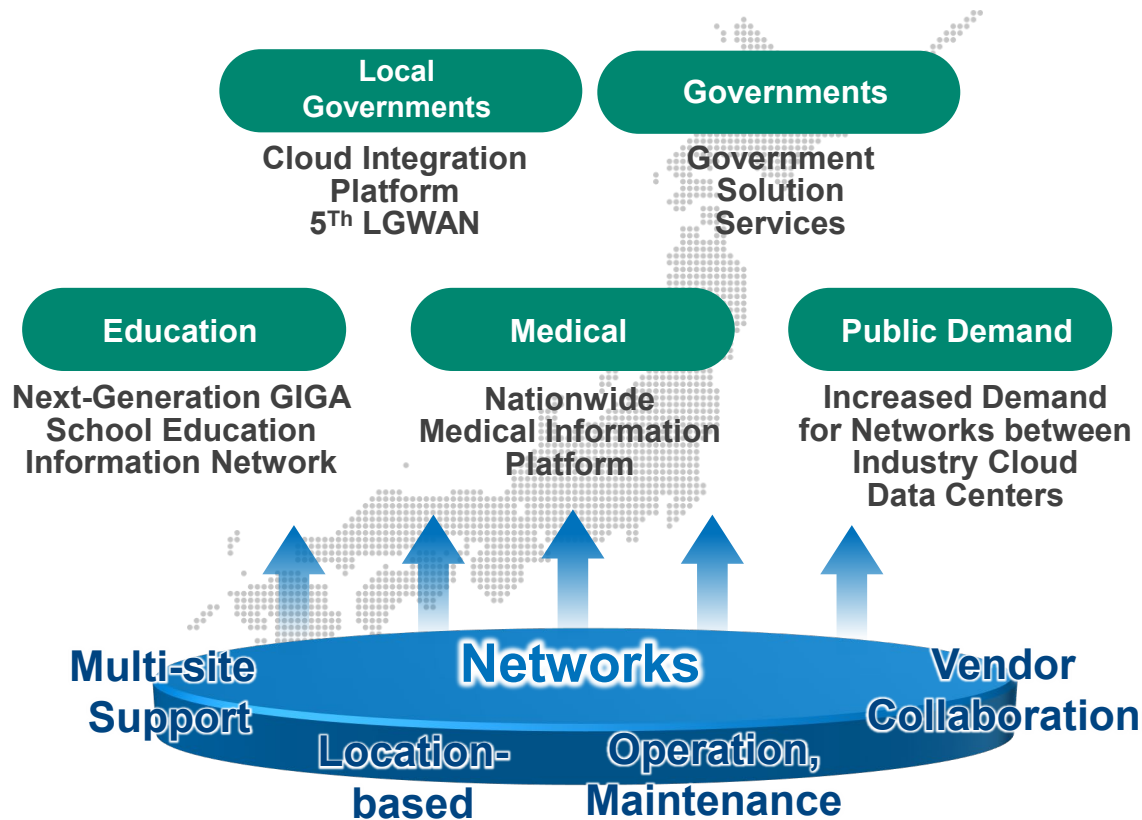
Note: Circle sizes represent FY2023 operating revenues.

# Evolving and Expanding the Enterprise Network Business

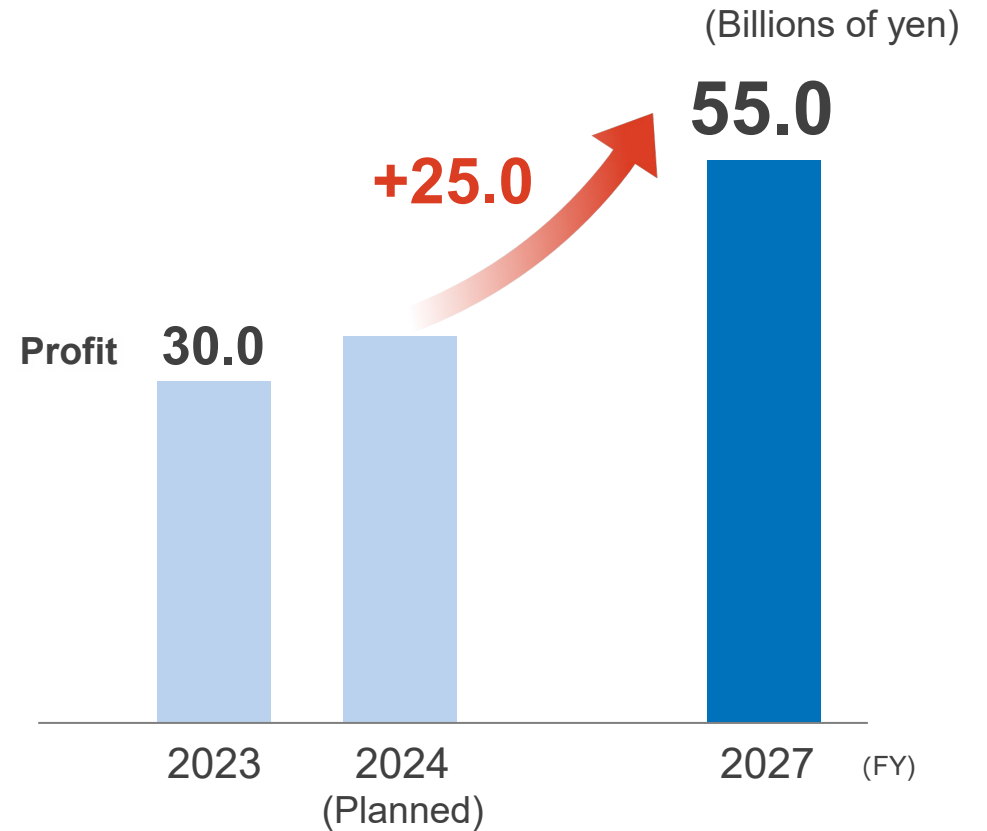


Making the most of existing optical networks, we will leverage our strengths in regional connections and engineering to expand our network businesses that support the digitalization of society (targeting a ¥25.0 billion increase in profit through FY2027)

## Supporting the Future of Digital Social Infrastructure

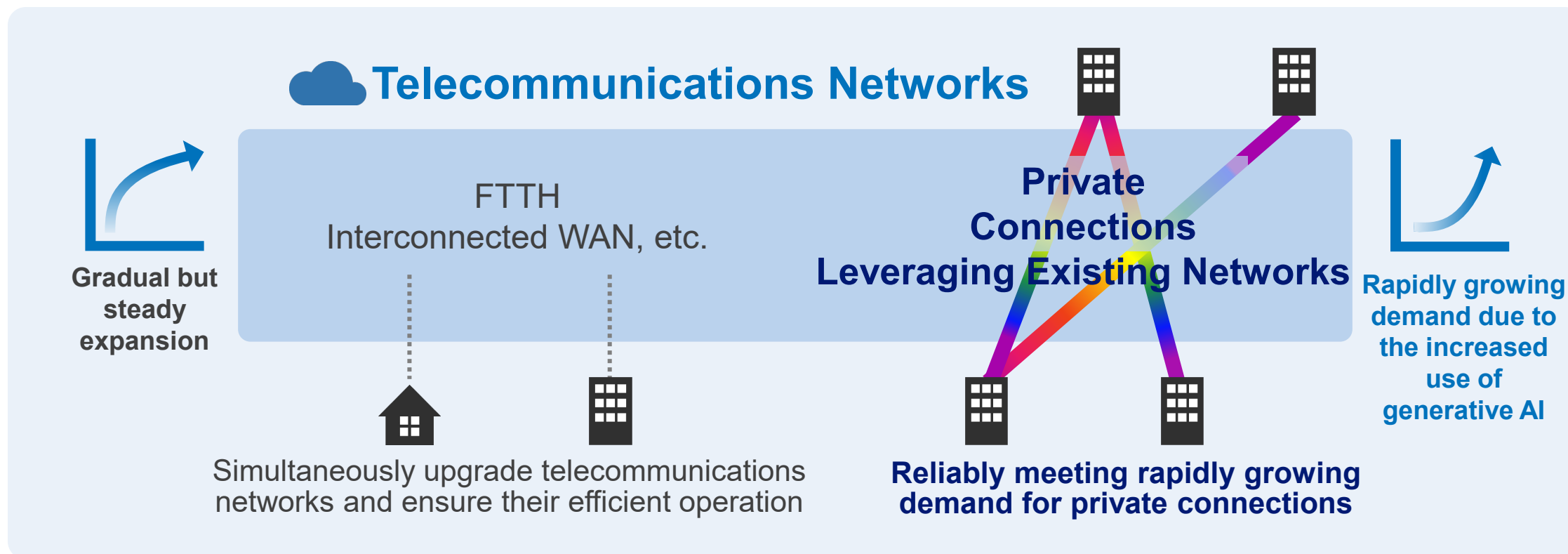


## Increasing Profits from the Network Integration Business



# Supporting Future Network Demand

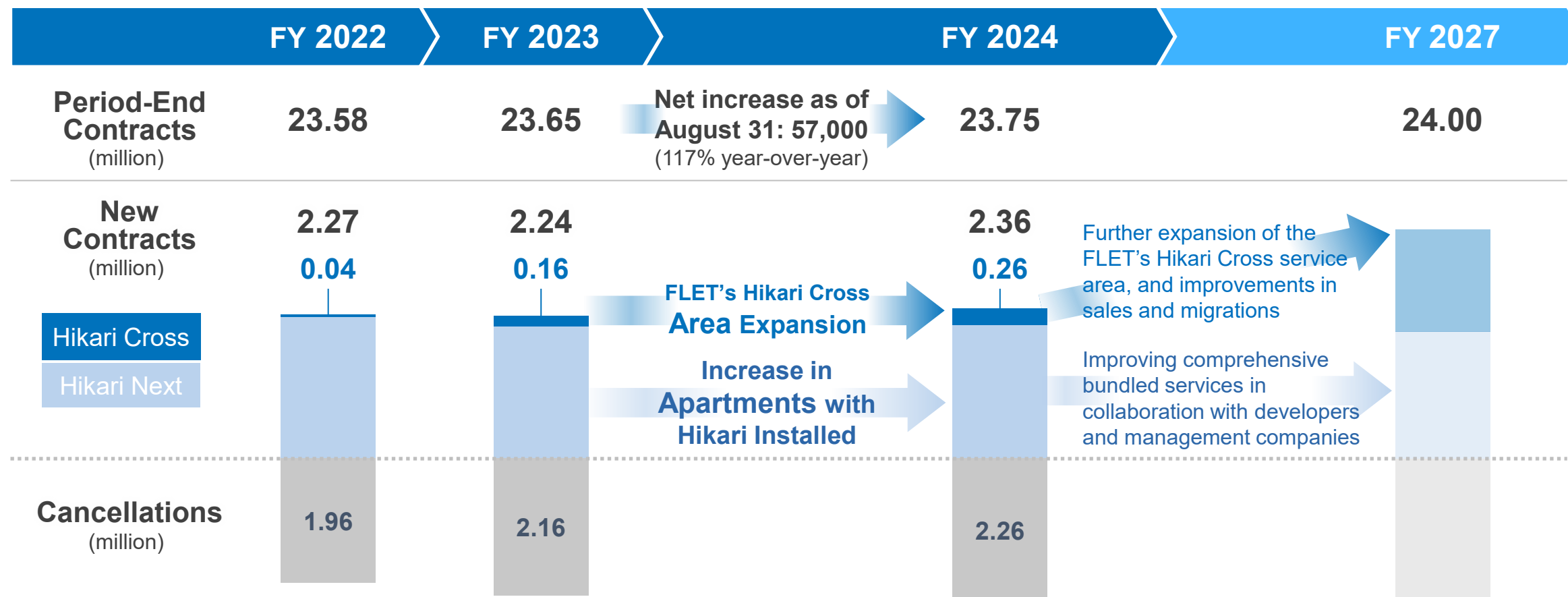
- In response to the further-accelerating increase in telecommunications traffic, we will simultaneously upgrade telecommunications networks and ensure their efficient operation, in order to continue to maintain Japan's information and telecommunications infrastructure and provide our service offerings
- As the use of generative AI continues to grow, the demand for private connections that directly connect multiple sites is increasing
- We will fully leverage the telecommunications networks that we own to capture demand for these private connections



# Current Status of Fiber Optic Services and Future Targets



- By strengthening sales and improving the pricing strategies for FLET's Hikari Cross and the apartment building market business, we plan to expand our market share and improve our profitability, with a goal of generating profit of ¥40.0 billion in FY2027
- Our net increase in users in FY2024 as of the end of August was 117% year-over-year, showing a shift towards improvement, and that initiatives are beginning to succeed

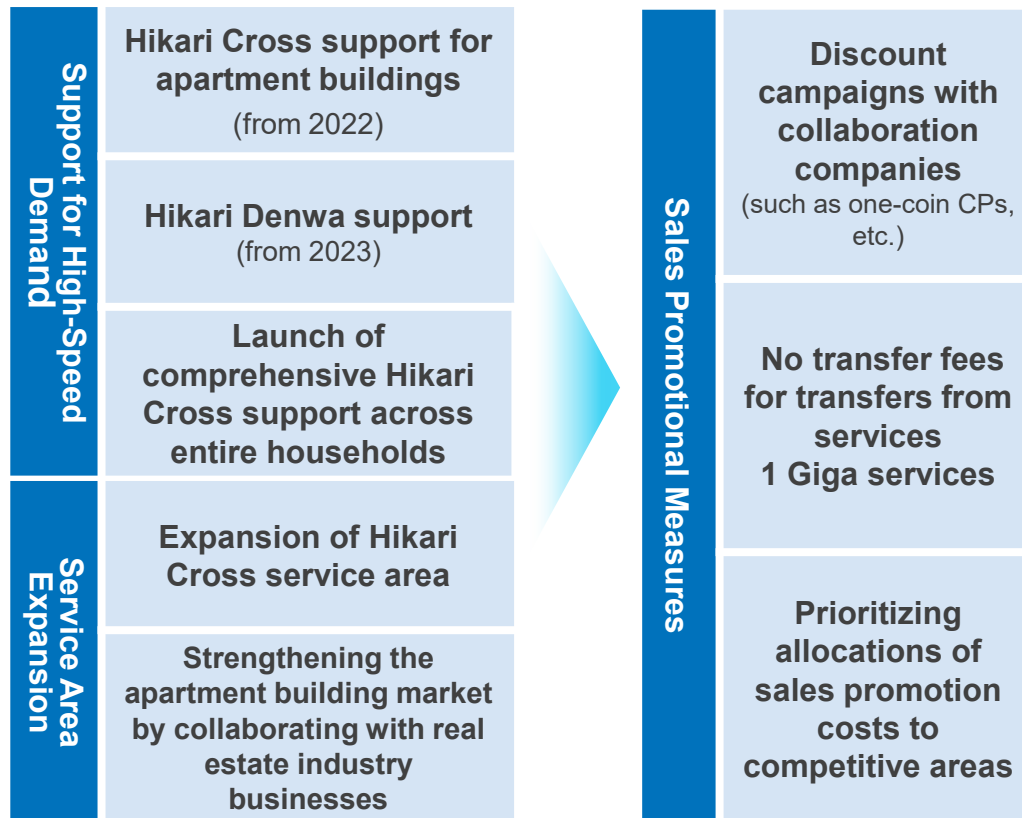


# Initiatives to Increase Hikari Cross Sales (Responding to Demand for Faster Fiber Optic Speeds)

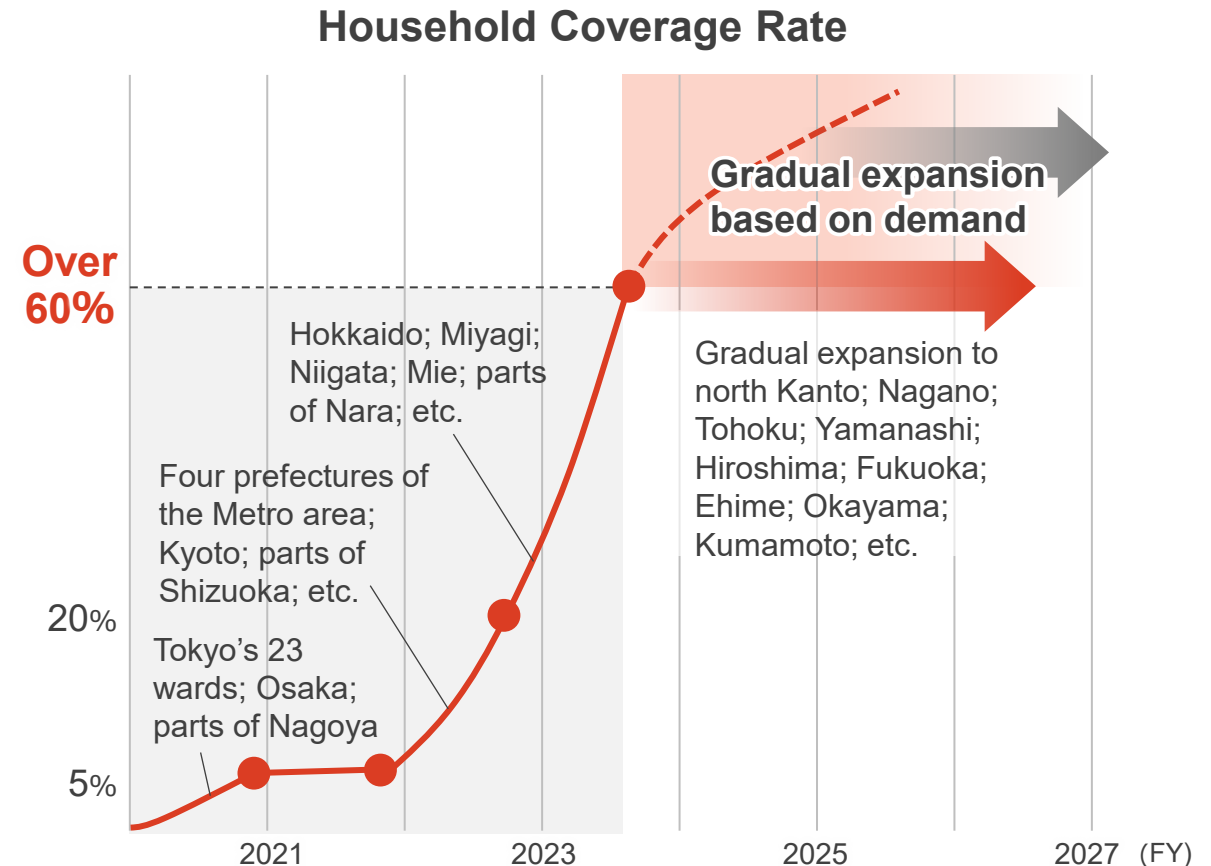


We will expand the Hikari base with improved support for high-speed demand by promoting transitions to Hikari Cross, which is expected to increase ARPU, with free installations and other promotional measures, investments in other promotions based on the market environment, and service area expansion initiatives

## Strengthened Support for High-Speed Demand/ Sales Promotion Measures



## Schedule for Hikari Cross Service Area Expansion

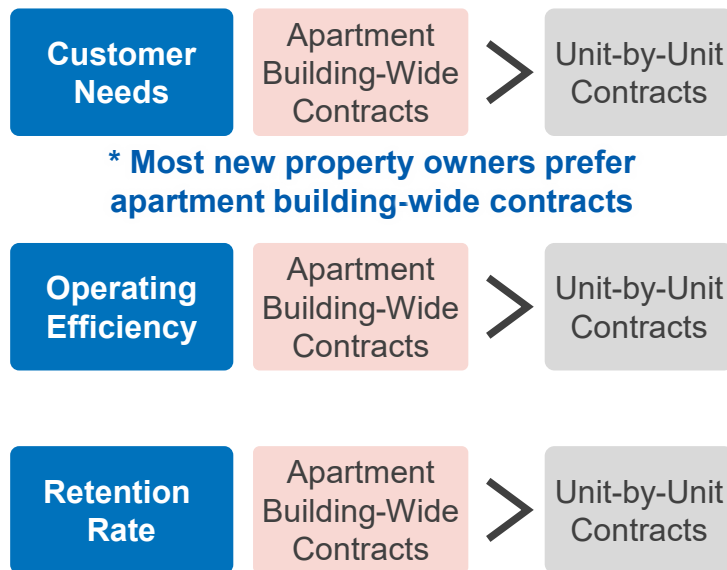


# Initiatives in the Apartment Market

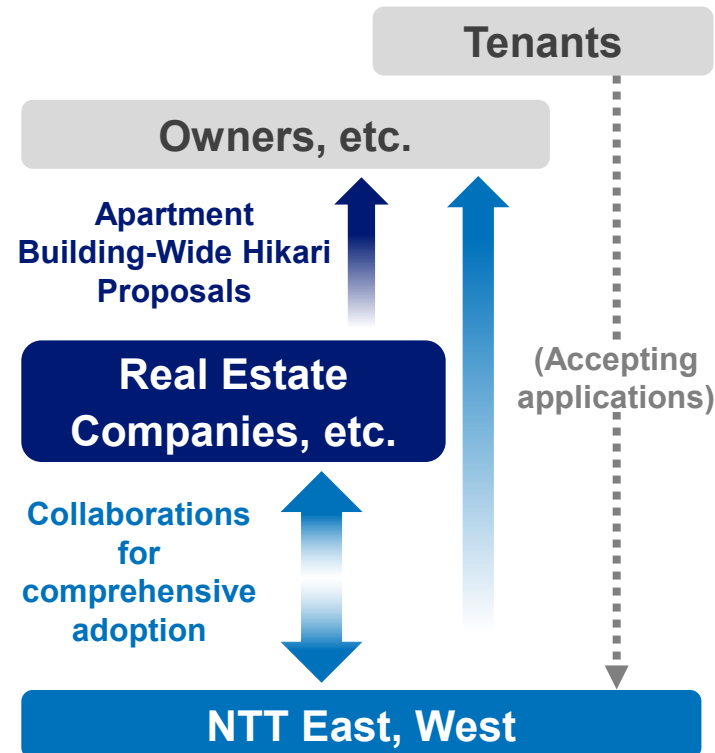


- We will strengthen collaborations with developers and management companies to launch comprehensive apartment building-wide services that meet market needs and have high operating efficiency
- We will shift to a business model in which we can maintain medium- and long-term revenues by expanding comprehensive apartment services

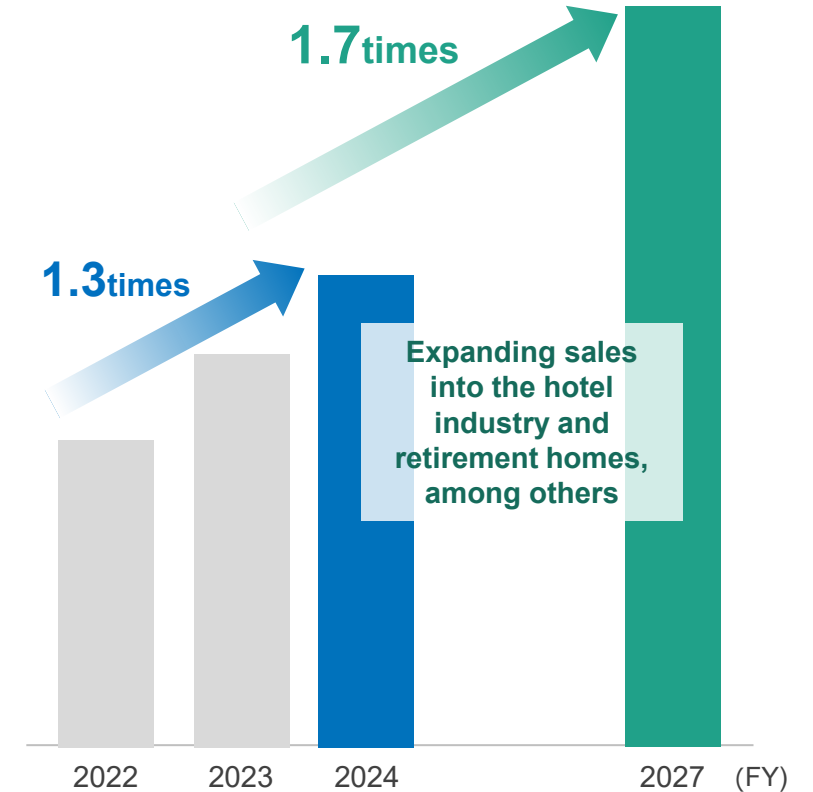
## Significance of Providing Apartment Building-Wide Services



## Strengthening Apartment Building-Wide Sales through Comprehensive Collaborations with Real Estate Companies and Others



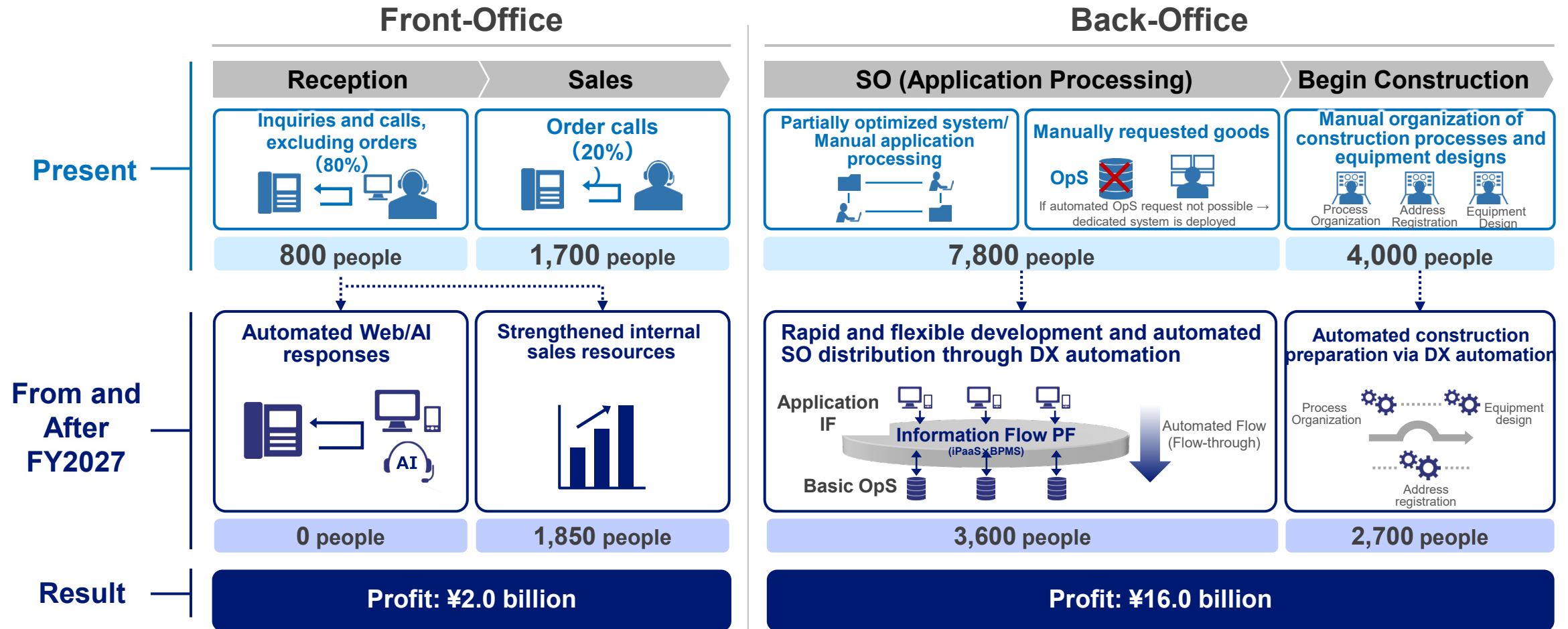
## Adoption Rate of Apartment Building-Wide Services



# Reforming Telecommunications Operations through DX and AI



- We will fully leverage DX and AI to redesign personnel-heavy front and back-office support services  
⇒ Enhancing efficiency and transitioning to “zero-touch (automated)”
- We are aiming to improve profit by ¥18.0 billion through FY2027 by reducing headcount by about half



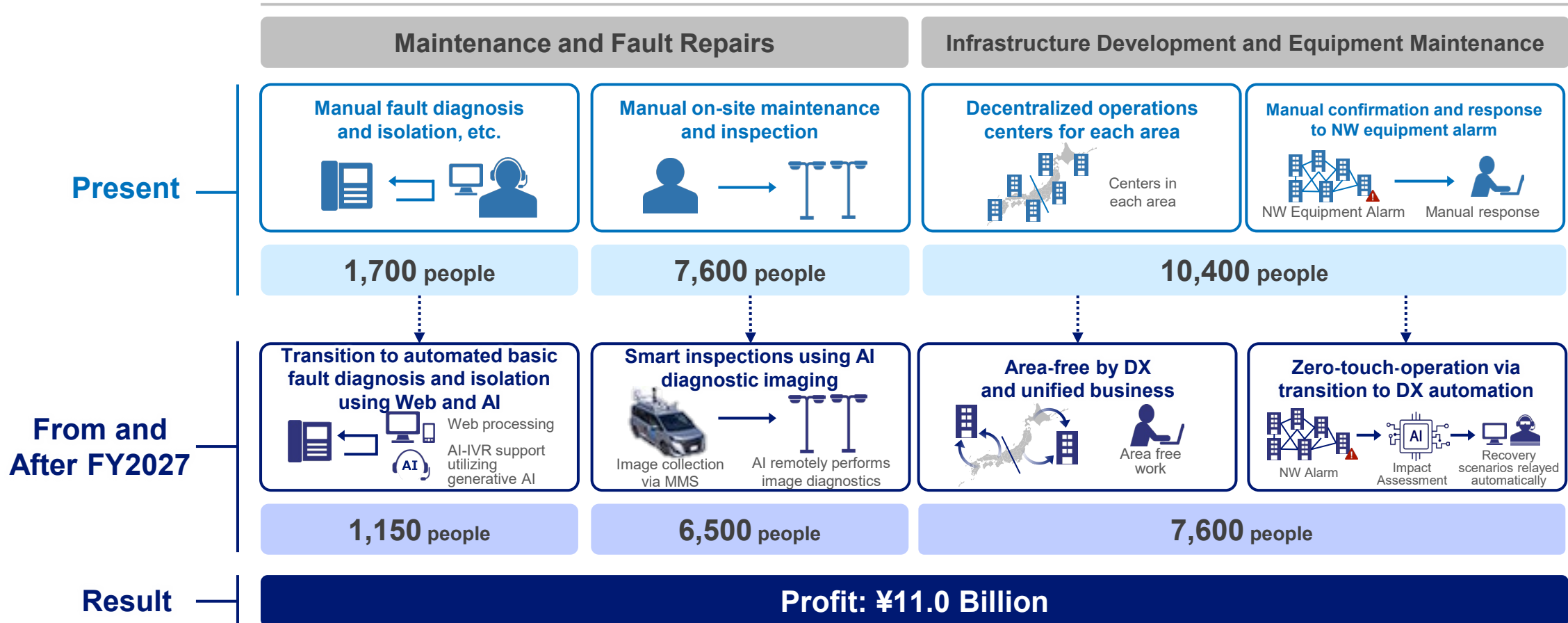


# Reforming Telecommunications Operations through DX and AI



- We will upgrade on-site operations and other manual tasks through the use of AI diagnostic imaging and other technologies
- We will fully leverage DX and AI to transition routine repetitive tasks in the operation of NW equipment to “zero-touch (automated),” with the aim of improving profit by ¥11.0 billion through FY2027

## Facilities-Related Operations



# Exit from Unprofitable Services

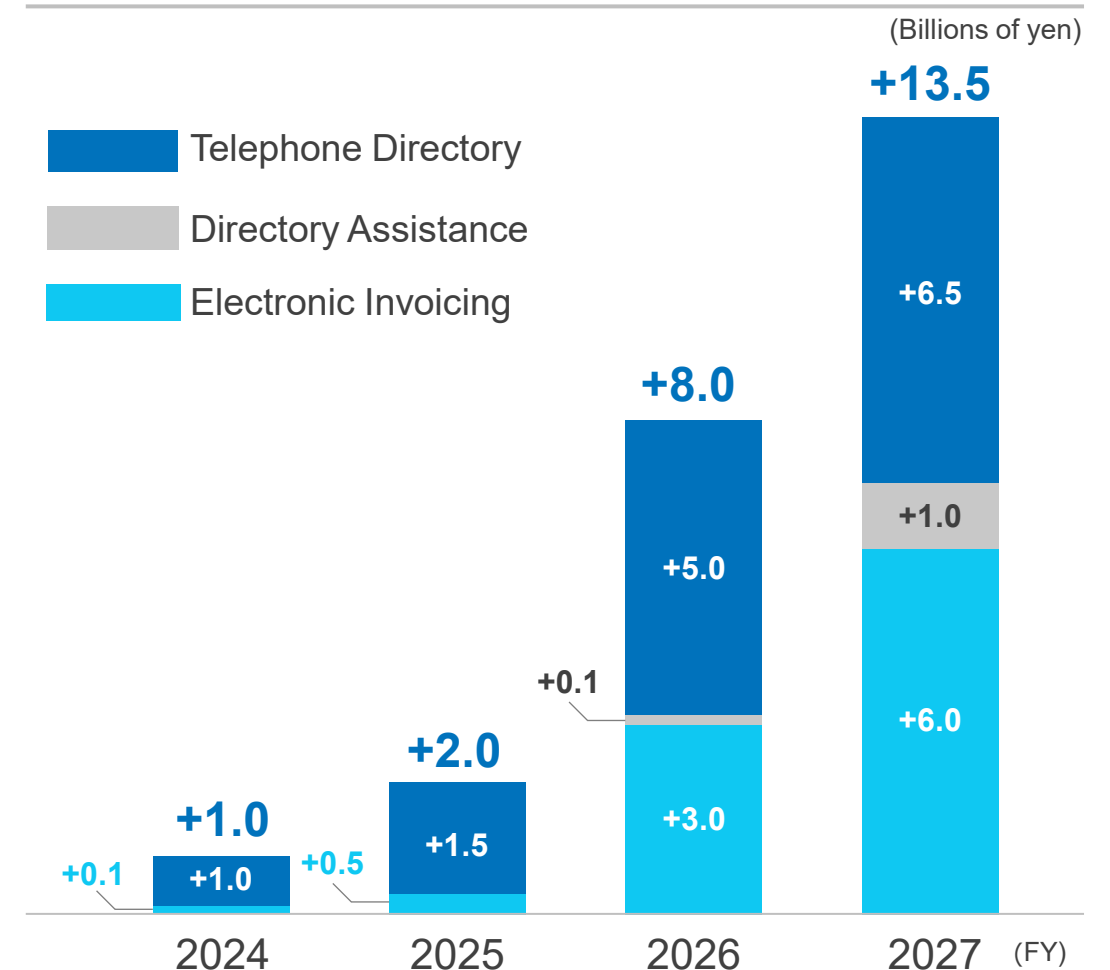


We will aim to improve profit by ¥13.5 billion in FY2027 through the termination of consumer line-related businesses and initiatives to promote the rapid shift to digital services

## Schedule

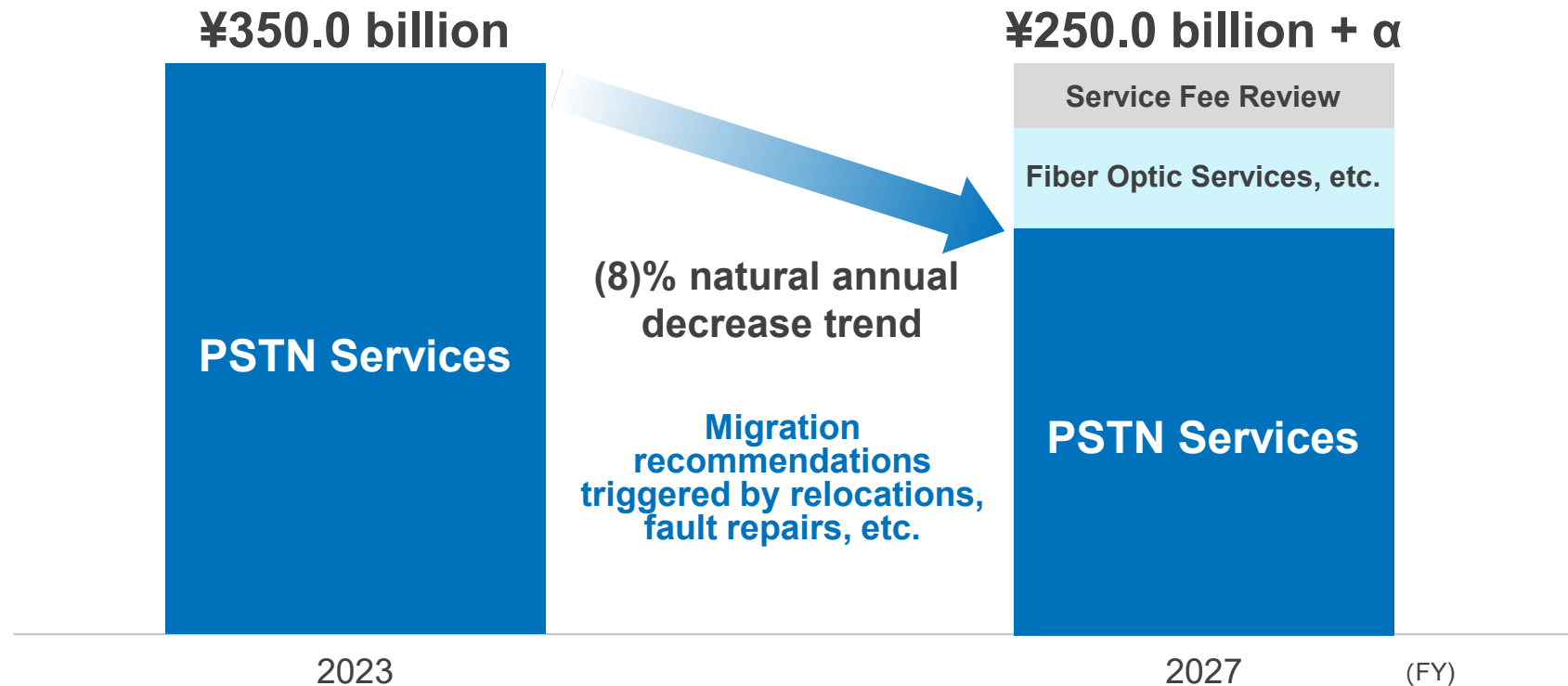
(FY)	2024	2025	2026	2027
Telephone Directory	▲ July 19: Press releases (termination of publication)		▲ March: Final publication of TownPage	
	On-demand delivery only →			
Directory Assistance	▲ July 19: Press releases (will no longer be provided)		▲ 3/31: Cease offering ▲ Center Closing (East Japan: two Centers) (West Japan: four Centers)	
Electronic Invoicing	▲ 7/29: Public Announcement Review of conditions for issuing a combined invoice for the following month		▲ Full-scale roll-out of electronic invoicing	
Others	Will re-examine telegrams and other legacy offerings in light of social trends and the business environment			

## Profit Improvement Effects



# Migration to Alternative PSTN Services

- The ¥350.0 billion PSTN service revenue base will be maintained to the fullest extent possible by encouraging migration and improving pricing strategies at various contact opportunities with customers
- Migration to alternative services (optical and wireless fixed-line telephones) by around 2035, when the metal facilities reach their limits



# Further Expansion of Growth Businesses (Solmare Expansion)



- In addition to expanding Comic C'MoA, which is one of the largest domestic e-book stores in Japan (with more than 40 million monthly users and over 1.40 million books), we are strengthening comprehensive initiatives from original comic production to licensing development, and also expanding the business into global markets
- We are targeting an increase in company sales from approximately ¥80.0 billion (FY2023) to ¥100.0 billion (FY2027)



ソルマール編集部  
シーモア  
コミックス


Expanding Original Works  
approx. **3,000** works  
(1.5 times compared to FY2023)


シーモア


Publishing  
Drama

Anime/  
Movies  
Merchandise

**FY2027**

Domestic Business Expansion   
approx. **¥95.0** billion

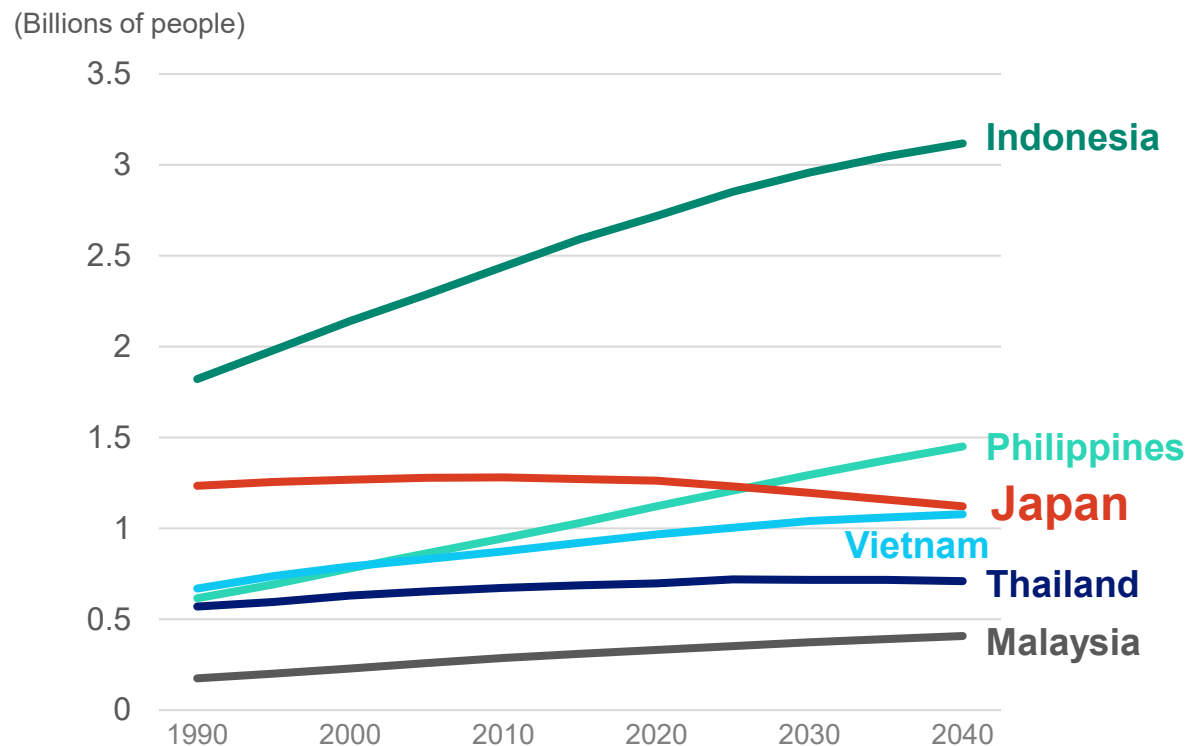
Global Expansion 

Manga Plaza   
approx. **¥5.0** billion

# Further Expansion of Growth Businesses (NTT e-Asia Initiatives)

- We are currently developing an FTTH maintenance business in Bình Dương Province, Vietnam, leveraging our know-how for high-quality telecommunications infrastructure development
- We are expanding our “social infrastructure business” to the Southeast Asia region, which is expected to have future population growth

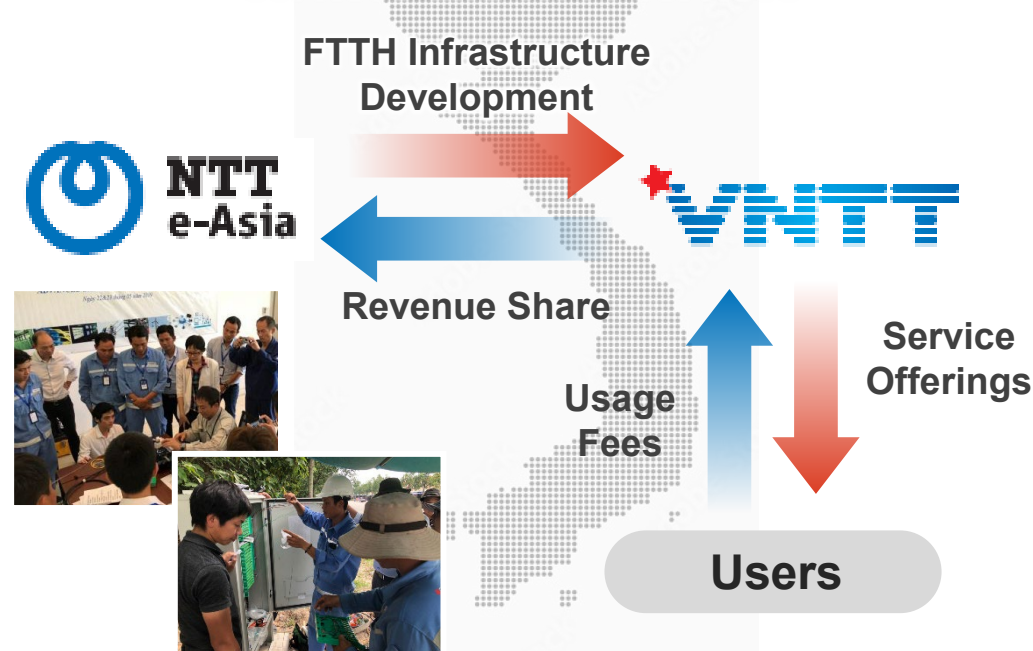
## Expected Population Growth in Southeast Asia



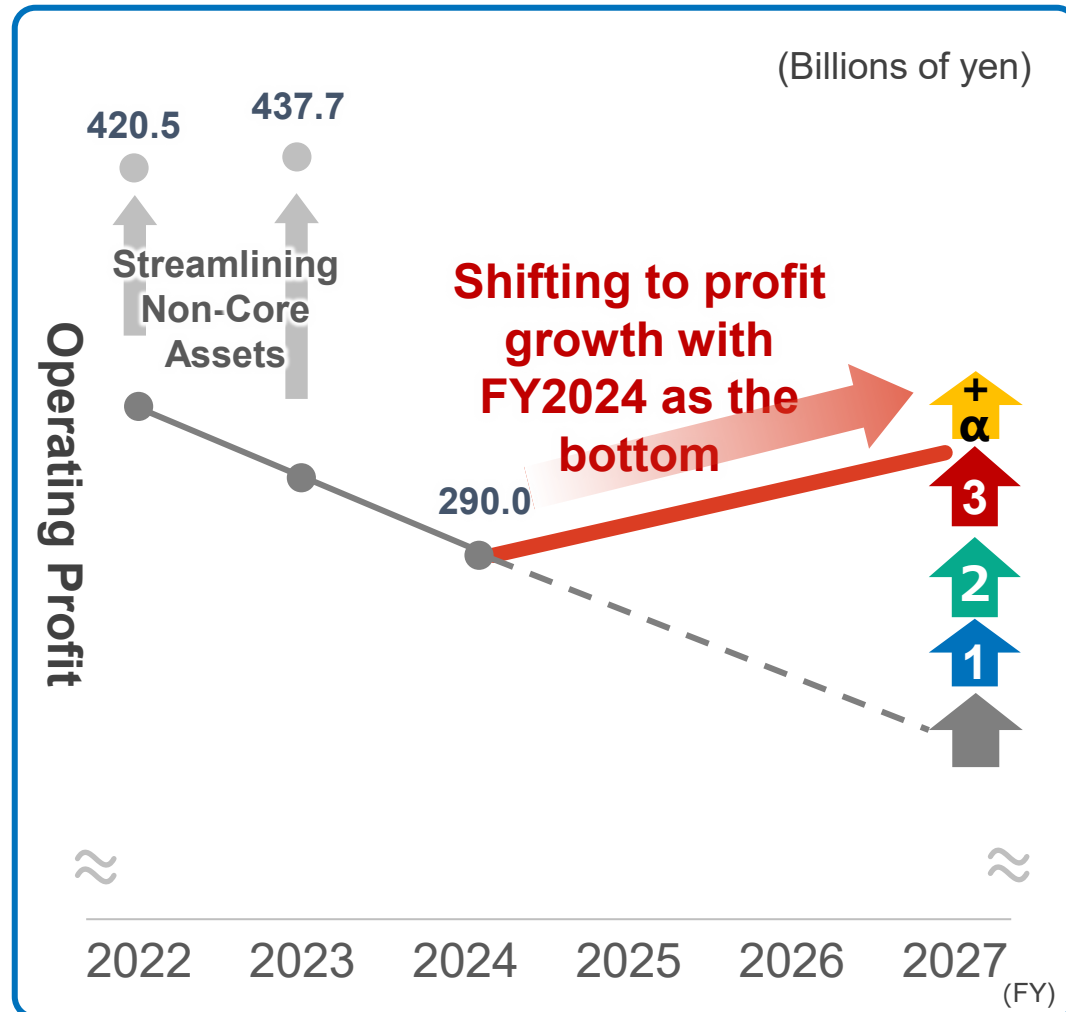
Source: PopulationPyramid.net.

## Initiatives in Bình Dương Province, Vietnam

**Building FTTH infrastructure for local carriers, and supporting the development of network services and Wi-Fi services**



# Initiatives to Restore Business Results (Summary)



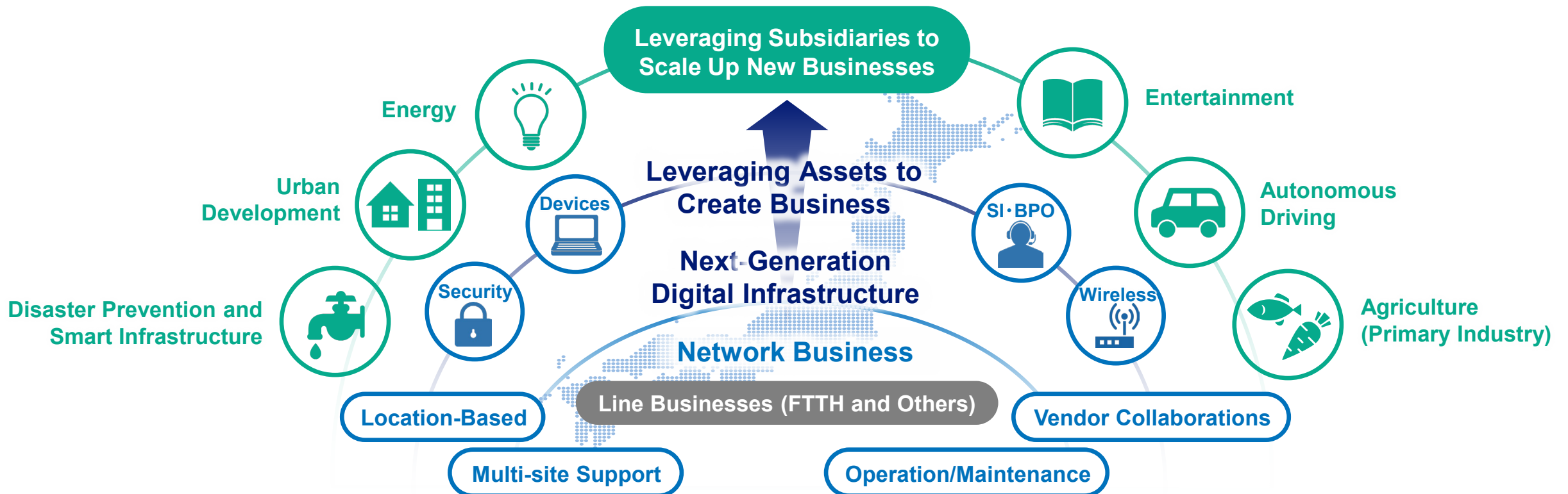
- Expansion of new businesses, further re-evaluation of fees, etc.
- Re-evaluation of personnel and business portfolio  
FY2027 +¥45.0 billion
- Initiatives to restore FTTH  
FY2027 +¥40.0 billion
- Initiatives to expand the Enterprise Business and other businesses  
FY2027 +¥25.0 billion
- Continuation of management improvement initiatives, including reductions in equipment costs and personnel expenses

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# Targeted Direction for the Regional Telecommunications Business/NTT East and NTT West



- Being telephone line infrastructure providers + network integrators that support the specific and growing demands of society
- Being platformers for Public Entities (Social Infrastructure Business)
- Being companies that continue to exist to support local communities





# Achievement of a Circular local Economy Society



## Smart Stores



Introduced in city halls and roadside stations Solving labor shortages and improving convenience (Nagai City, Yamagata Prefecture, and elsewhere)

## Next-Generation Greenhouse Horticulture



Failure-proof agriculture through IoT/AI, etc. Production on own farms (Veggie-Ai City, Yamanashi Chuo)

## Digitalization of Culture and Art



An exhibition held to digitalize the ceiling painting "Phoenix" in the main hall of Gansho-in Temple and reproduce it as a ceiling painting

## Biogas Power Generation



Methane fermentation biogas power generation in Shiwa, Iwate Prefecture

## e-Sports



NTT e-Sports High School Chiba Branch (Opening April 2025)

## Promoting sports in local communities



A first in the country! Baseball-specific AI cameras and PTZ cameras installed simultaneously at Wakasa Stadium Kyoto

## Mobility in the Community



In light of the reduction in bus services due to a shortage of drivers, self-driving services are being implemented in society.

## Drones



Deploying drones with pilots to spray pesticides Infrastructure inspection, including bridges, pipelines and pylons

***Innovating a Sustainable Future  
for People and Planet***



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\* "E" in this material represents that the figure is a plan or projection for operation.

\*\* "FY" in this material indicates the fiscal year ending March 31 of the succeeding year.