

May 12, 2023

Company Name: Nippon Telegraph and Telephone Corporation
Representative: Akira Shimada, President and Chief Executive Officer
(Code No.: 9432, Prime Market of Tokyo Stock Exchange)

New Medium-Term Management Strategy

Nippon Telegraph and Telephone Corporation (“NTT”) hereby announces its New Medium-Term Management Strategy “New Value Creation & Sustainability 2027 Powered by IOWN”. Details of the new medium-term management strategy is as follows.

Fundamental Principles of New Value Creation & Sustainability 2027 Powered by IOWN

Innovating a Sustainable Future for People and Planet

Pillars of Our Initiatives

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

- (1) IOWN-Driven Creation of New Value (from concept to commercialization)
- (2) Data-Driven Creation of New Value
- (3) Achievement of a Circular Economy Society
- (4) Further Strengthening of Business Foundations

2. Upgrading the Customer Experience (CX)

- (5) Fusion of Research and Development with a Market-Focused Strategy
- (6) Strengthening of Services that Emphasize Customer Experience (CX)

3. Improving the Employee Experience (EX)

- (7) Open and Innovative Corporate Culture
- (8) Support Career Growth
- (9) Global Benefits for Employees and their Families

Medium-Term Financial Targets

Targets Indicators		Target Levels (FY2027)
Company-Wide Targets	EBITDA	+ 20% increase (compared to FY2022)
	Growth Areas ¹	+ 40% increase (compared to FY2022)
		Overseas Operating Income Margin ² 10% (FY2025)
	Existing Areas ³	+ 10% increase (compared to FY2022)
		ROIC 9% (FY 2022 Results : 8.2%)

In addition to the above, we are setting sustainability-related targets:

- New Female Manager Promotion Rate : at least 30% each year
- Greenhouse Gas Emissions : targeting carbon neutrality in 2040, as well as Net Zero
- Engagement Rate: To be improved

¹ IOWN, digital/data centers, power/energy, Smart Life, real estate, AI/robots, etc.

² NTT DATA consolidated. Excludes temporary expenses, such as M&A-related depreciation costs of intangible fixed assets.

³ NTT DOCOMO's consumer telecommunications businesses, NTT East and NTT West

Reference Material

- Presentation Slides

For further inquiries, please contact:

INOUE or WATANABE
Investor Relations Office
Finance and Accounting Department
Nippon Telegraph and Telephone Corporation
Contact us by email:
<https://group.ntt/en/ir/contact/>

New Medium-Term Management Strategy New Value Creation & Sustainability 2027

Powered by **IOWN**

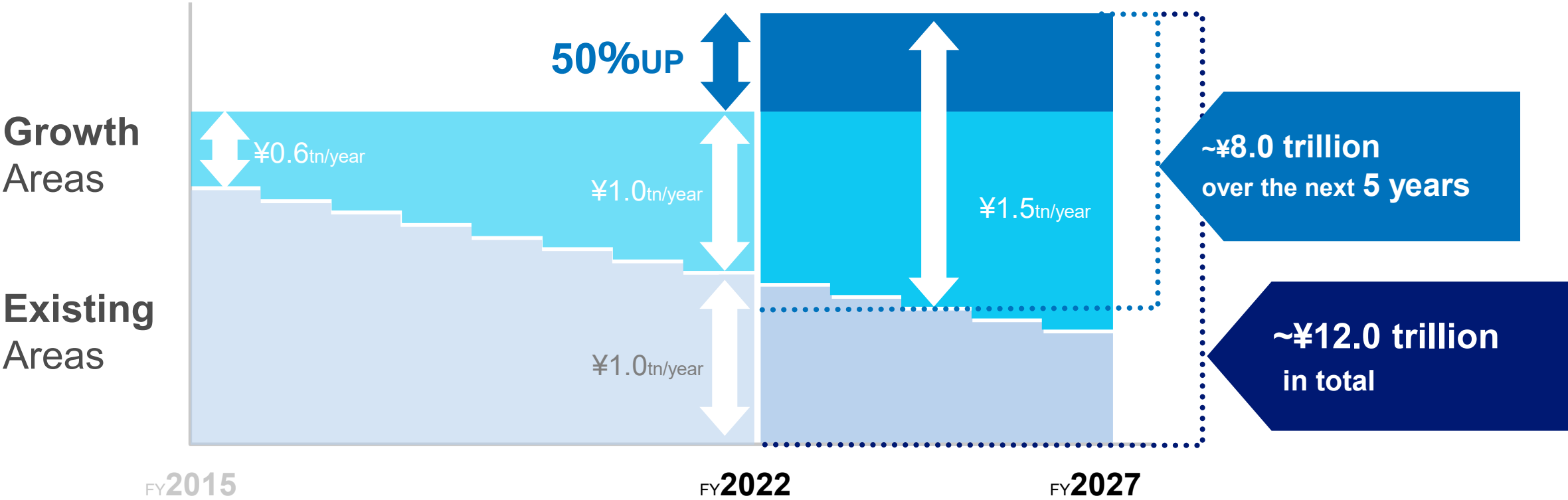
May 12, 2023

Innovating a Sustainable Future for People and Planet

For that Purpose, We Will Increase Our Investments in Growth Areas



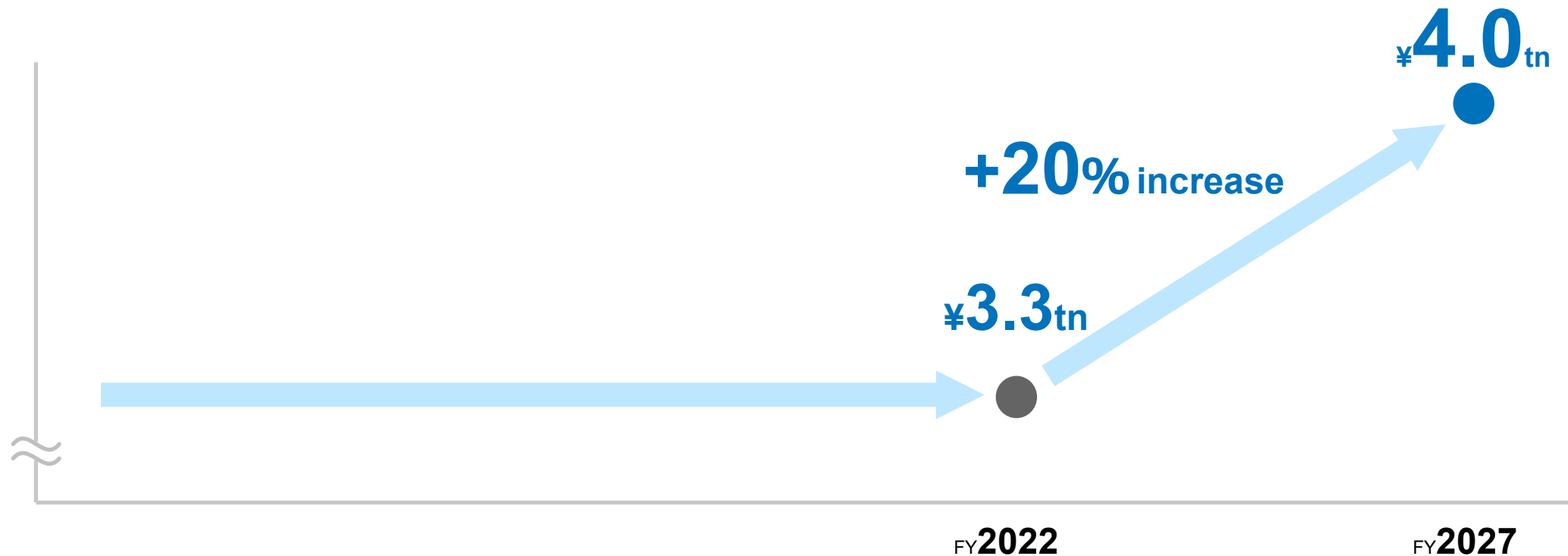
Will invest ~¥8.0 trillion
in growth areas over the next 5 years



We Will Also Further Increase Our Cash-Generation Ability for the Future



Looking ahead to FY2027, aiming to increase our cash-generation ability for growth and reach **EBITDA of ~¥4.0 trillion**



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

① IOWN-Driven Creation of New Value (from concept to commercialization)

- i. Establishment of manufacturing company for photonic-electronic convergence devices
- ii. Acceleration of IOWN research and development/commercialization

② Data-Driven Creation of New Value

- i. Strengthening the personal business
- ii. Strengthening the use of DX/data in society and industry
- iii. Expansion and upgrade of data center infrastructure

③ Achievement of a Circular Economy Society

- i. Develop sustainability solutions for customers
- ii. Creating Circular Economy businesses
- iii. Progression towards Net-Zero

④ Further Strengthening of Business Foundations

2. Upgrading the Customer Experience (CX)

- ⑤ Fusion of Research and Development with a Market-Focused Strategy
- ⑥ Strengthening of Services that Emphasize Customer Experience (CX)

3. Improving the Employee Experience (EX)

- ⑦ Open and Innovative Corporate Culture
- ⑧ Support Career Growth
- ⑨ Global Benefits for Employees and their Families

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

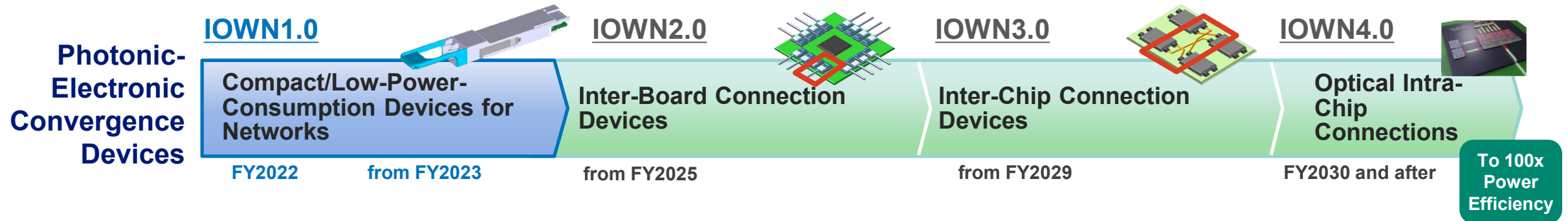


① IOWN-Driven Creation of New Value

(from Concept to Commercialization)

i . Establishment of manufacturing company for photonic-electronic convergence devices

- **Will establish “NTT Innovative Devices Corporation” in June 2023** to rapidly commercialize photonic-electronic convergence devices that achieve low power consumption, as a solution to the growing power consumption caused by the increased use of AI
(starting with an initial investment of **¥30.0 billion**, with subsequent increases to be considered)



ii . Acceleration of IOWN (including 6G) research and development/commercialization

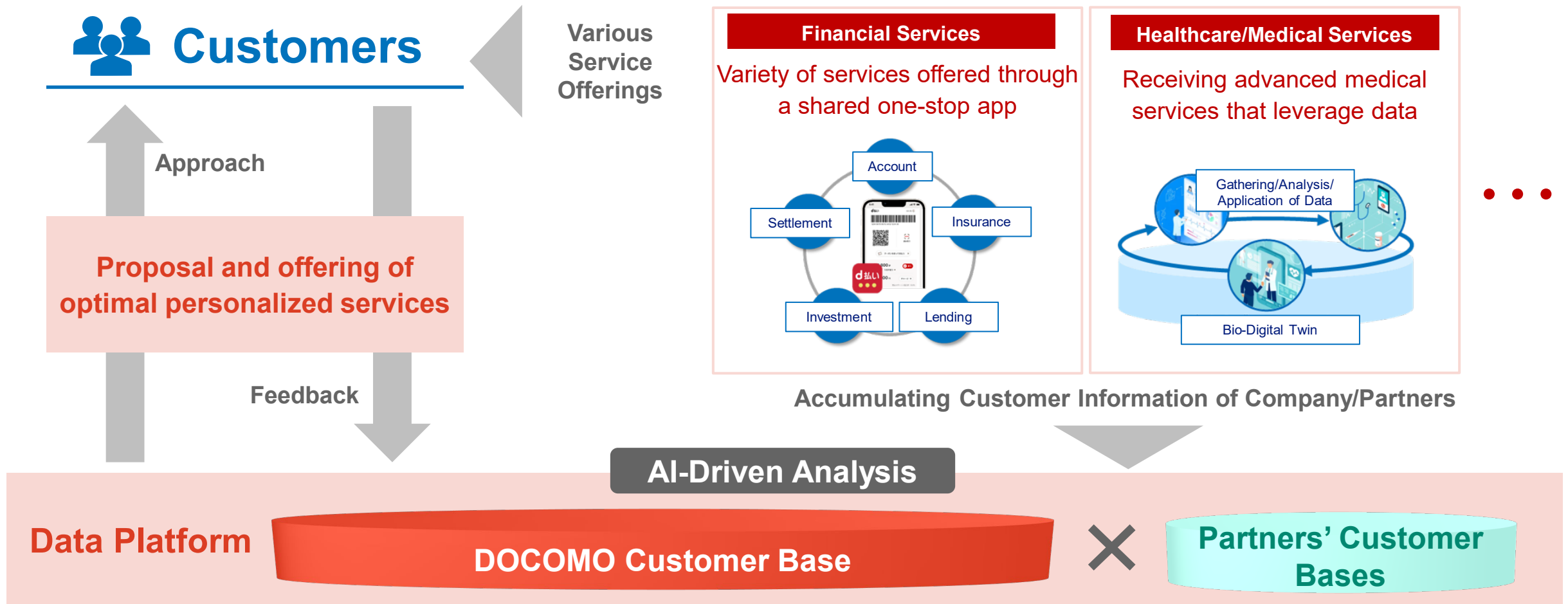
- Total research and development for IOWN (including 6G) will be **~¥100.0 billion** for FY2023 with continued investments thereafter, and accelerated commercialization of servers (SWB⁽¹⁾) and DTC⁽²⁾

(1) Super White Box (2) Digital Twin Computing

② Data-Driven Creation of New Value (Smart World)

i . Strengthening personal business (strengthening DOCOMO's Smart Life businesses)

- Will actively invest in personal business and other growth areas (at least **~¥1.0tn/5 years**)



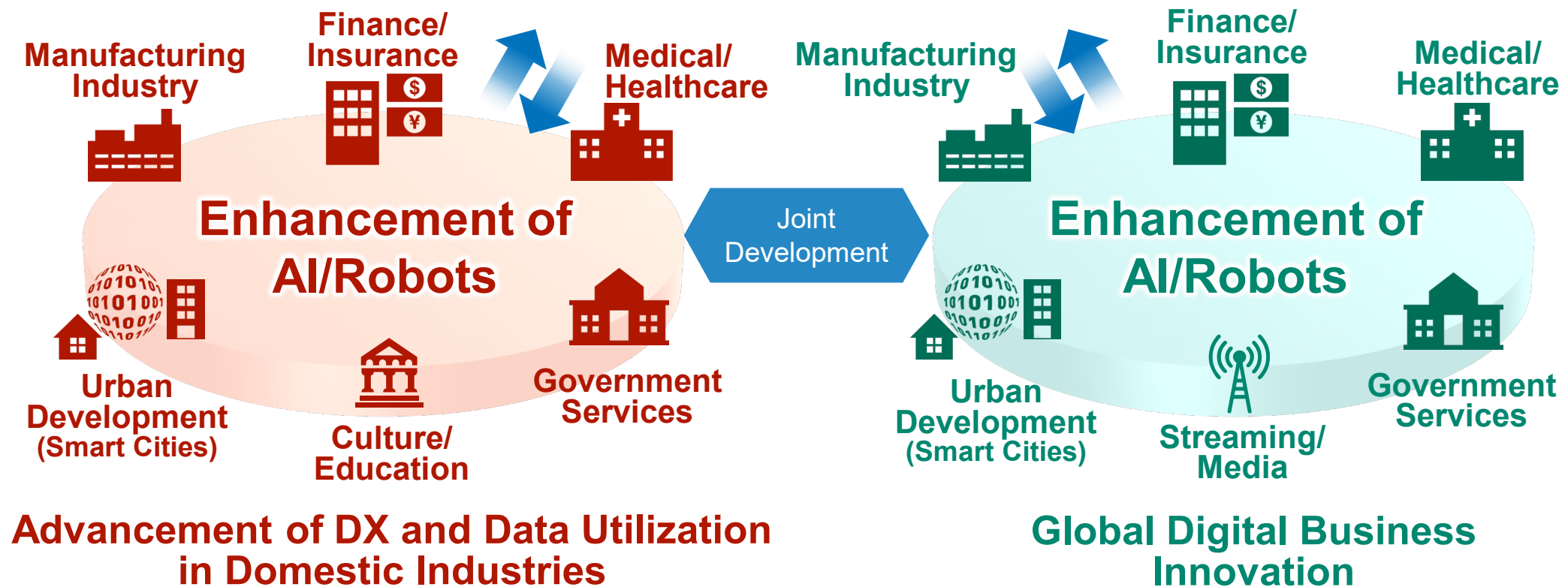
② Data-Driven Creation of New Value (Smart World)

ii . Strengthening the Use of DX/Data in Society and Industry (use of AI/Robots)

- Will jointly develop technology and solutions globally, transforming industries that support day-to-day life and society

(will make investments of at least **~¥3.0tn/5 years** in digital business)

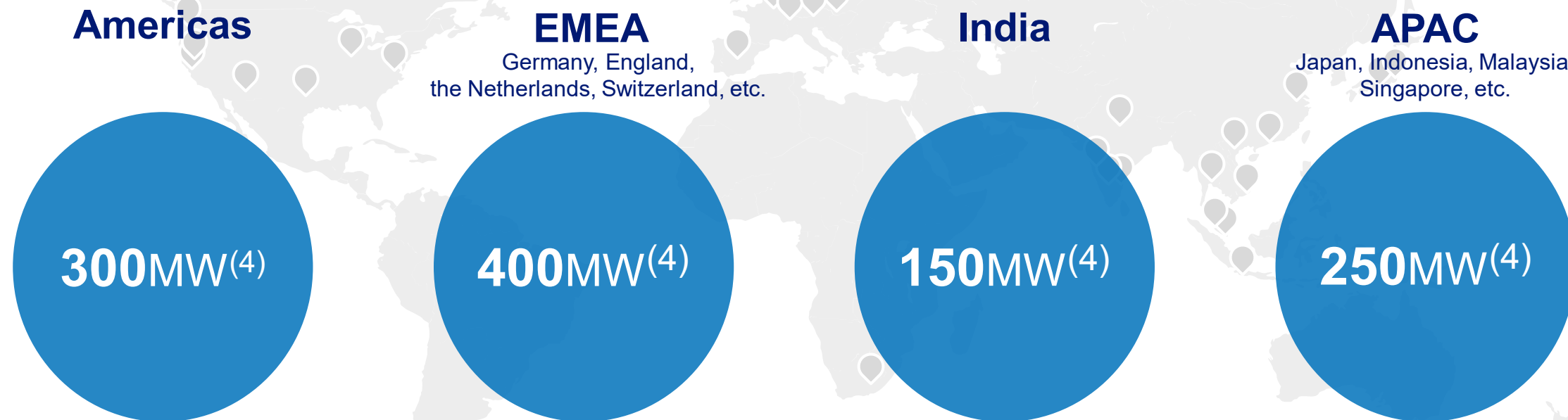
IOWN Digital Twin



② Data-Driven Creation of New Value (Smart World)

iii. Expansion and Upgrade of Data Centers

- Will further expand the world's third-largest⁽¹⁾ data center infrastructure, and implement upgrades through the introduction of IOWN technology
(will make investments of at least **~¥1.5tn/5 years**⁽²⁾)
- Achievement of carbon neutrality by FY2030⁽³⁾



Nearly Doubling the Current Total of 1,100MW

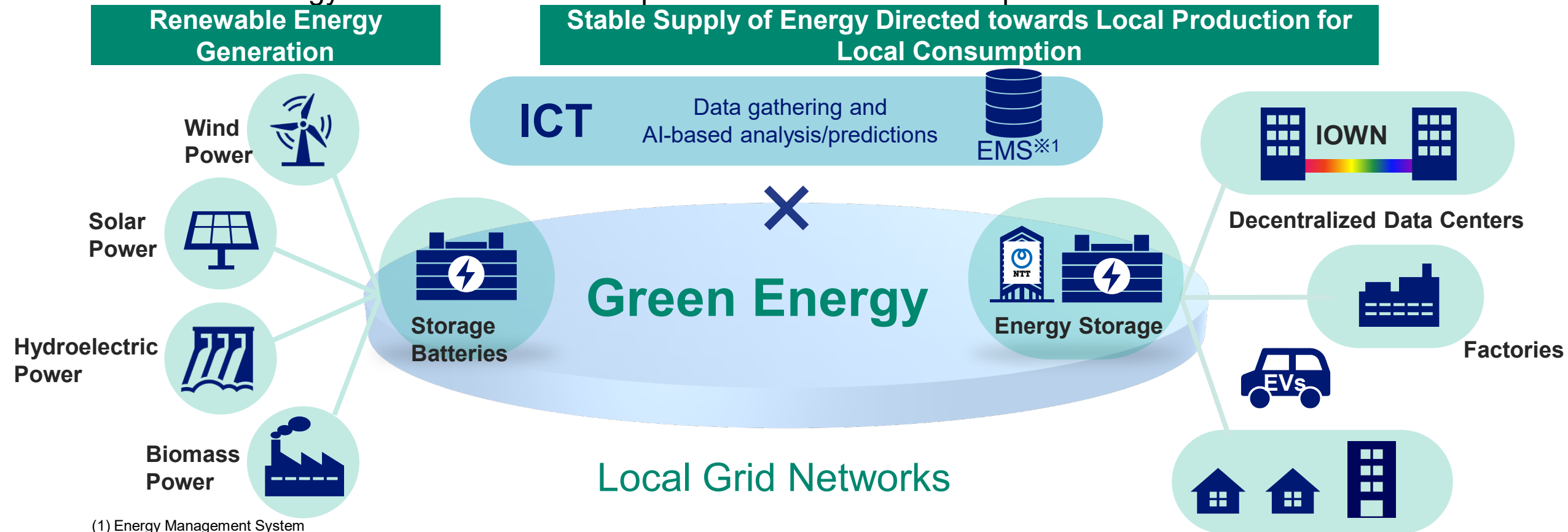
(1) Recalculated from Structure Research 2022 Report, excluding Chinese operators. (2) Does not include capital investments made using third-party capital.

(3) The targets for reduction are Scope 1 (our own direct greenhouse gas emissions) and Scope 2 (indirect emissions associated with the purchase of electricity, heat and steam that are provided by other companies) under the GHG protocol for data centers. (4) IT power capacity of purpose-built datacenters owned by NTT Communications Group and NTT Ltd. Group (including JVs with third parties) as of March 2023.

③ Achievement of a Circular Economy Society

i. Develop sustainability solutions for customers

- Will promote green solutions that can be achieved by “Green Energy x ICT”
(will make investments of **~¥1.0tn/5 years**)
- Will expand our renewable energy generation business and achieve a stable supply of optimized and efficient energy directed towards local production for local consumption

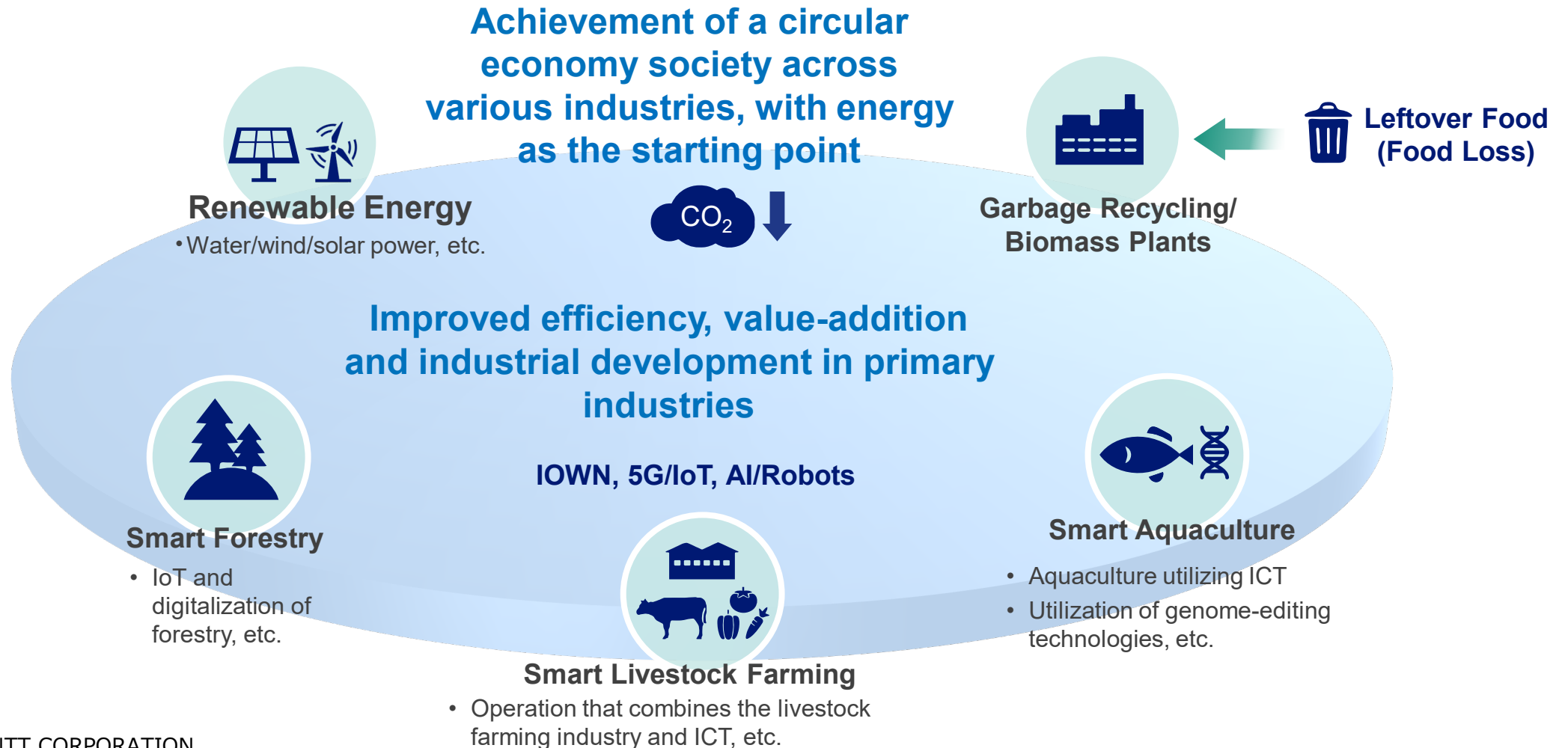


(1) Energy Management System

③ Achievement of a Circular Economy Society

ii . Creating Circular Economy-Oriented Businesses

- Will achieve a sustainable society by recycling resources across various industries and further accelerating regional revitalization

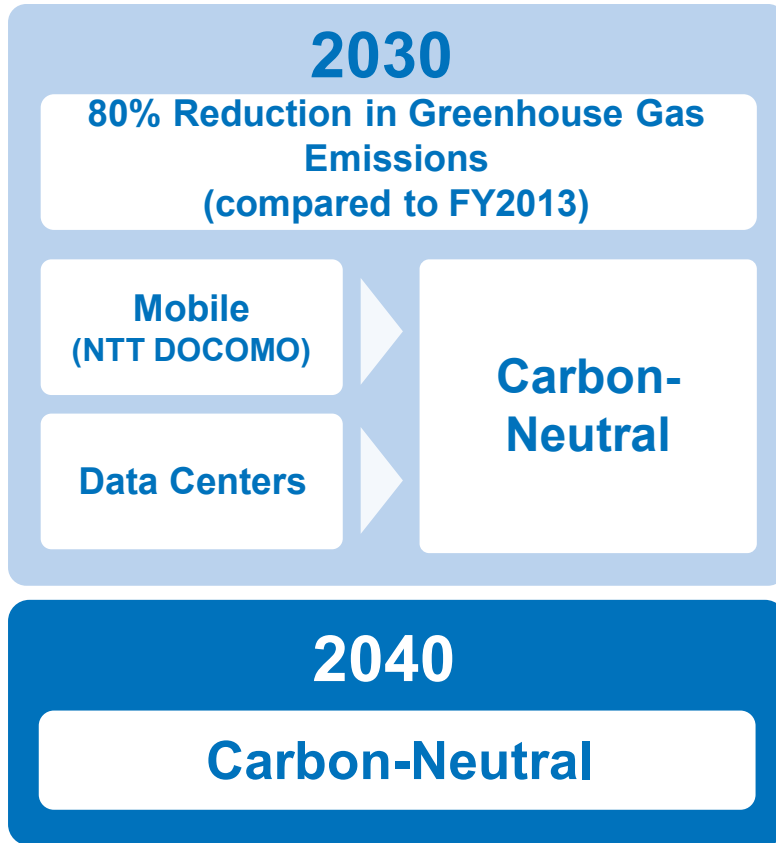


③ Achievement of a Circular Economy Society

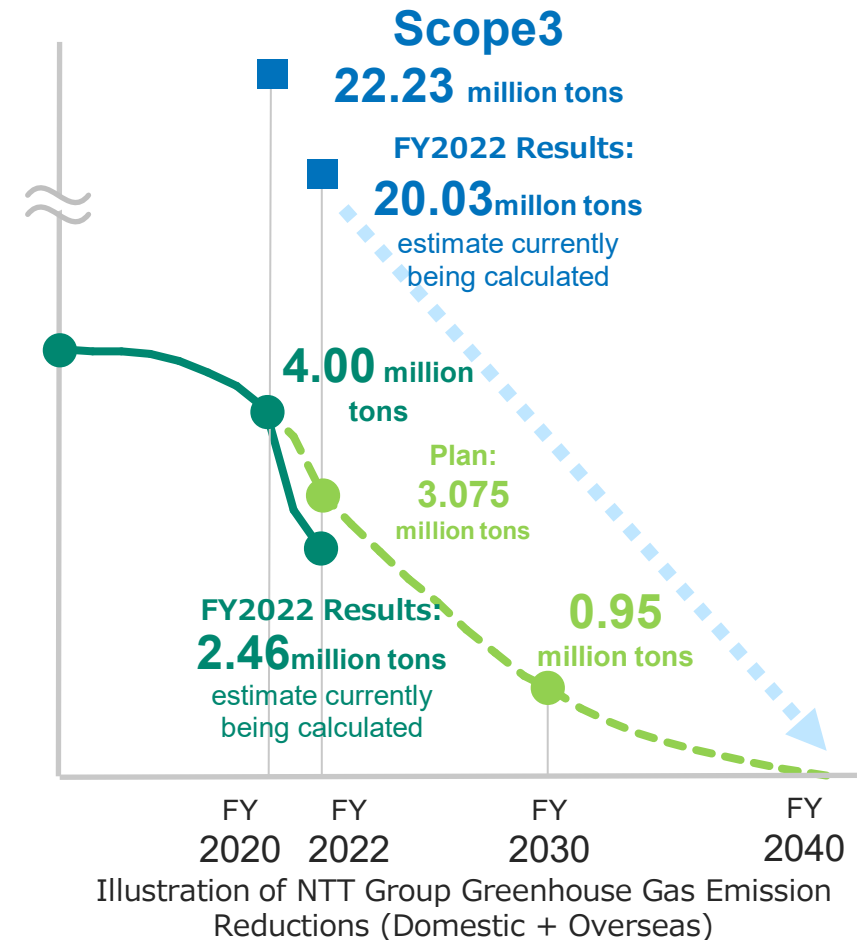
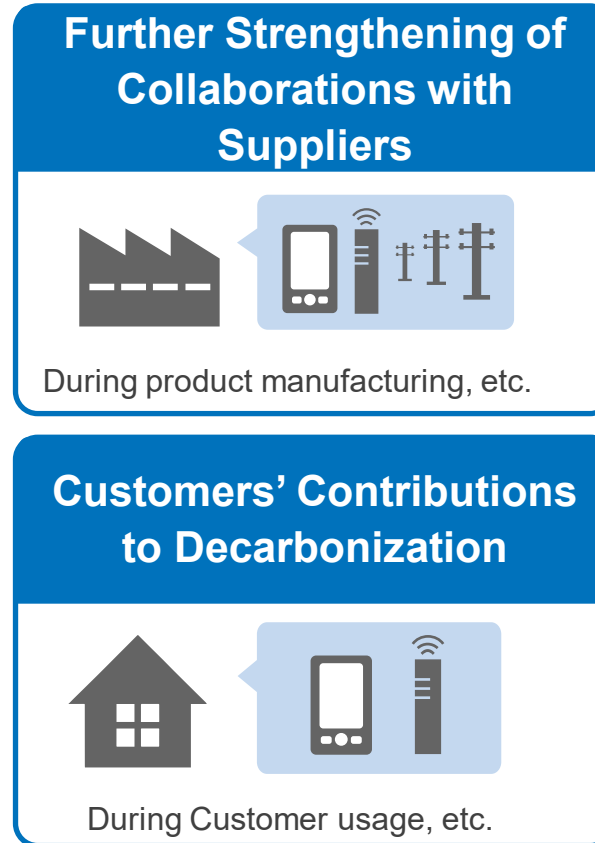
iii. Progression towards Net-Zero

- Looking ahead to FY2040, aiming to expand “NTT Green Innovation toward 2040” to Scope 3

NTT Green Innovation toward 2040⁽¹⁾



Expansion to Scope 3



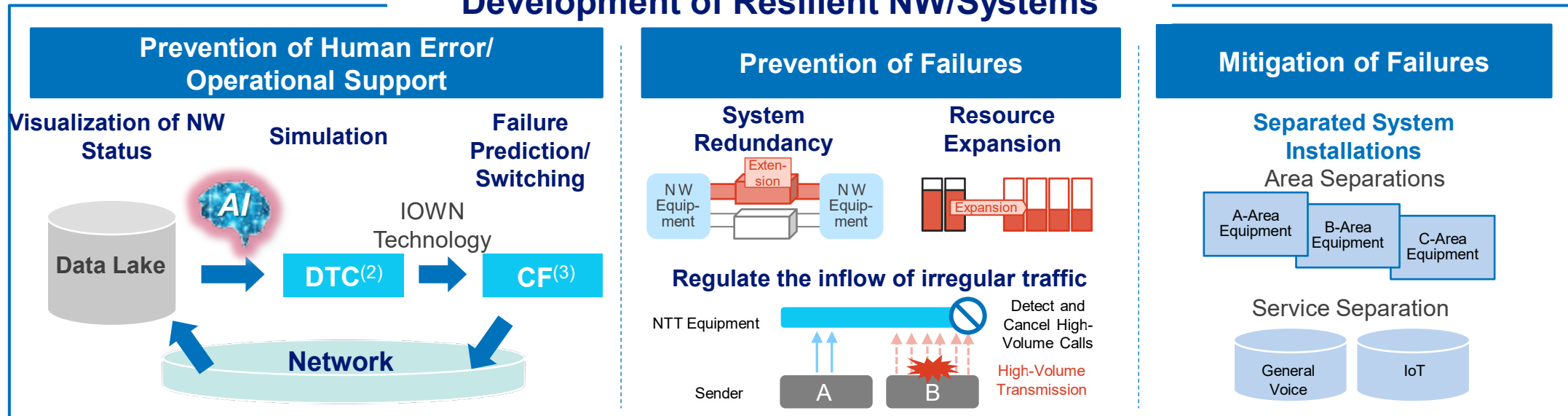
(1) GHG Protocol: Scope 1 (our own direct greenhouse gas emissions) and Scope 2 (indirect emissions associated with the purchase of electricity, heat and steam that are provided by other companies)

④ Further Strengthening of Business Foundations

- We will make our networks/systems more resilient to withstand large-scale failures, cyberattacks or other occurrences in order to strengthen social infrastructure and enhance our countermeasures against increasingly severe natural disasters

(will make investments of **¥160.0 billion⁽¹⁾ by FY2025**)

Development of Resilient NW/Systems



Further Strengthening of Disaster Countermeasures



(1) Includes other reliability improvement measures. (2) Digital Twin Computing (3) Cognitive Foundation

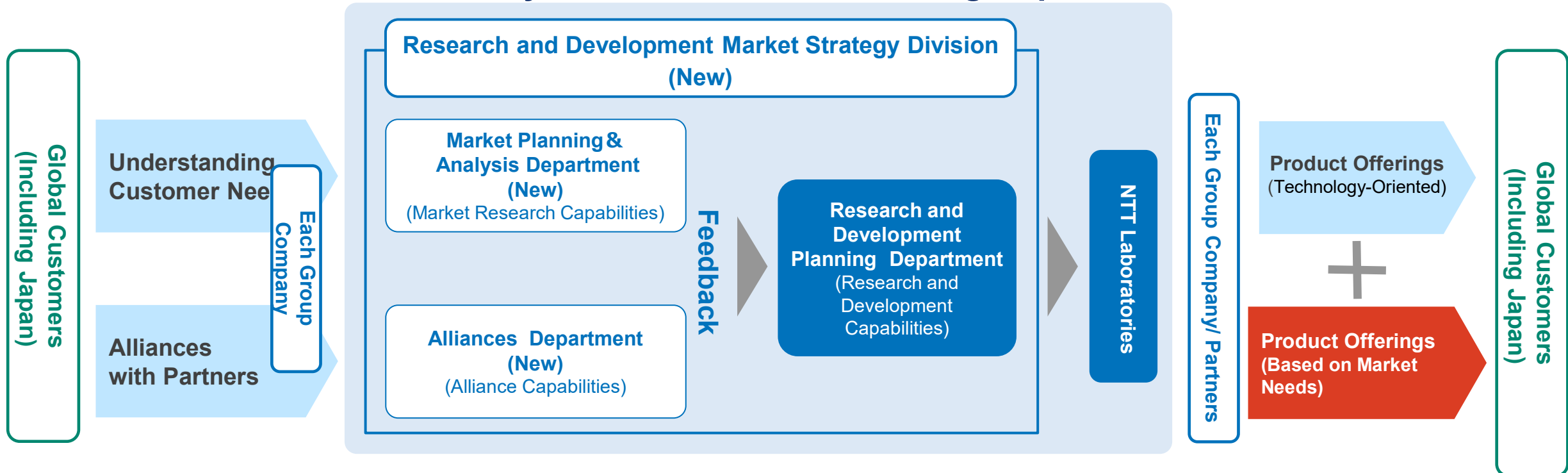


2. Upgrading the Customer Experience (CX)

⑤ Fusion of Research and Development with a Market-Focused Strategy

- Will combine and strengthen our R&D capabilities with our market analysis and alliance capabilities at the holding company level
- Will enable us to strengthen our product-oriented R&D to develop products through co-creations on a global scale and promote strategic alliances with a variety of partners

Establishing a New R&D Organization with Market Analysis, Alliances and Planning Capabilities



⑥ Strengthening of Services that Emphasize CX



Customers

(Individuals, businesses, local governments, government organizations, etc.)



Customer Experience First

With a Market-in Approach,
Achieve Both Customer
Satisfaction and Business
Growth at the Same Time

Set/Implement KPIs that Track the Customer Journey

Each NTT Group Company/
Partners

Offer New Experiences and Impressions that Exceed Customer Expectations

Each NTT Group Company/
Partners

Further Improve and Update Services by Being Agile

NTT Holdco Market Planning & Analysis Department → Research and Planning Division/Institute
Each NTT Group Company/Partners



3. Improving the Employee Experience (EX)

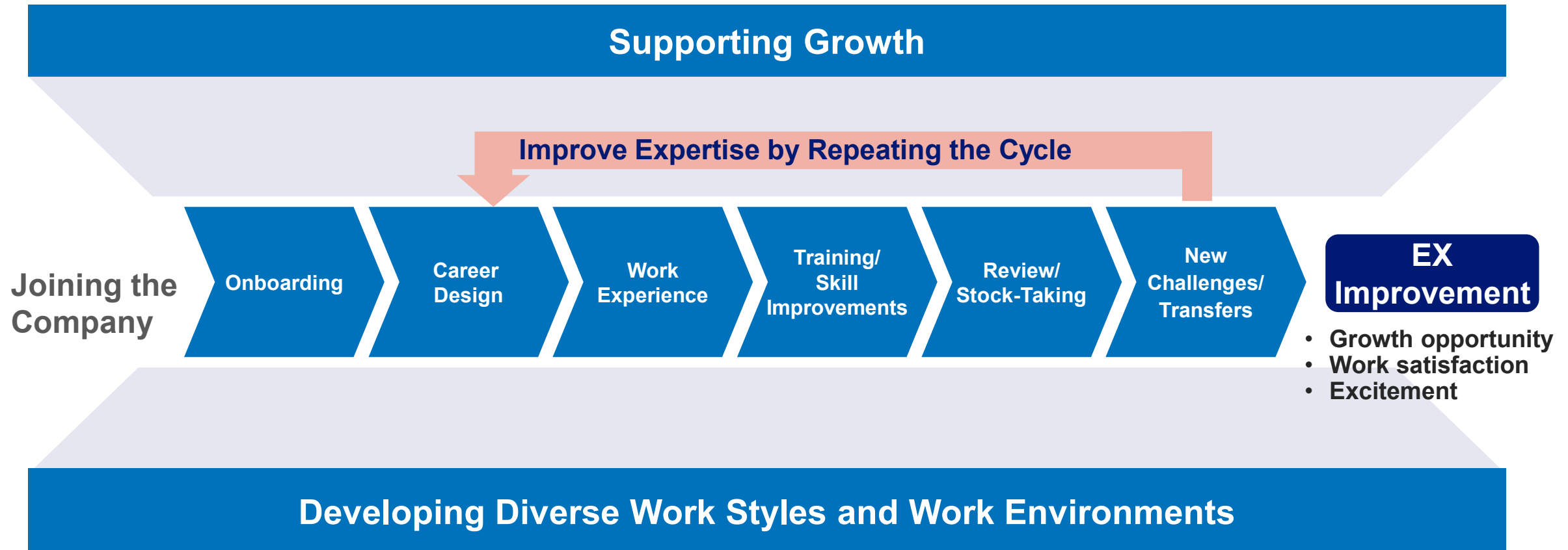
⑦ Open and Innovative Corporate Culture

- Foster a culture of **openness**, **collaboration** and **trial and error** for a **better customer experience**
- Continue to strengthen **diversity and inclusion**



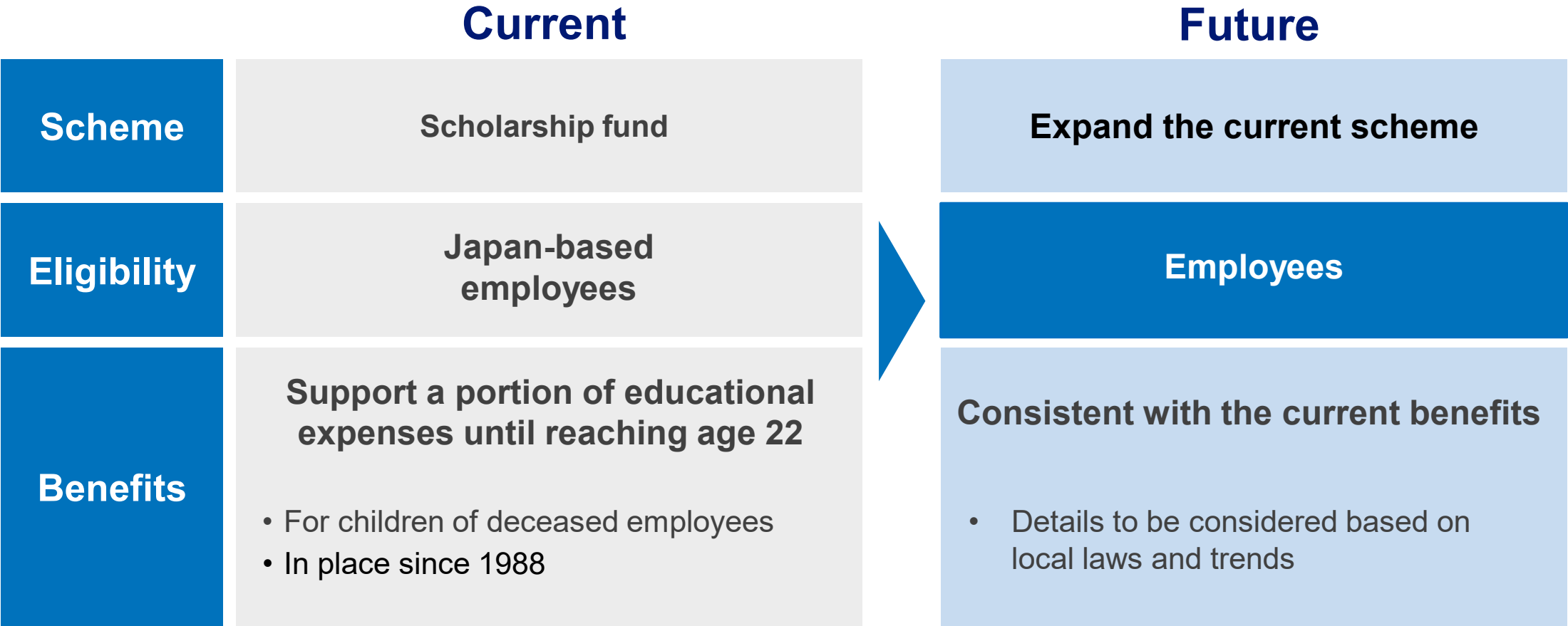
⑧ Support Career Growth

- Support employee career growth and increase investment in human capital to drive business growth



⑨Global Benefits for Employees and their Families

- Expand the benefits that support a portion of educational expenses for children of deceased employees until they reach age 22



Medium-Term Financial Targets



Medium-Term Financial Targets



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Company-Wide Targets	EBITDA	+ 20% increase (compared to FY2022)
Growth Areas ⁽¹⁾	EBITDA	+ 40% increase (compared to FY2022)
	Overseas Operating Income Margin ⁽²⁾	10% (FY2025)
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	ROIC	9% (FY2022 Results: 8.2%)

In addition to the above, we are setting sustainability-related targets:

- **New Female Manager Promotion Rate** : at least **30%** each year
- **Greenhouse Gas Emissions** : targeting **carbon neutrality in 2040**, as well as **Net-Zero**
- **Engagement Rate**: To be improved

(1) IOWN, digital/data centers, power/energy, Smart Life, real estate, AI/robots, etc.

(2) NTT DATA consolidated. Excludes temporary expenses, such as M&A-related depreciation costs of intangible fixed assets.

(3) NTT DOCOMO's consumer telecommunications businesses, NTT East and NTT West

Strengthening Our Ability to Generate Cash for Growth

(with EBITDA as a Key Indicator)

- We will strengthen initiatives **focused on our cash generation abilities** to achieve **further sustainable growth** and have set **EBITDA as a key indicator**, aiming for an **increase of 20% to reach ¥4.0 trillion by FY2027**

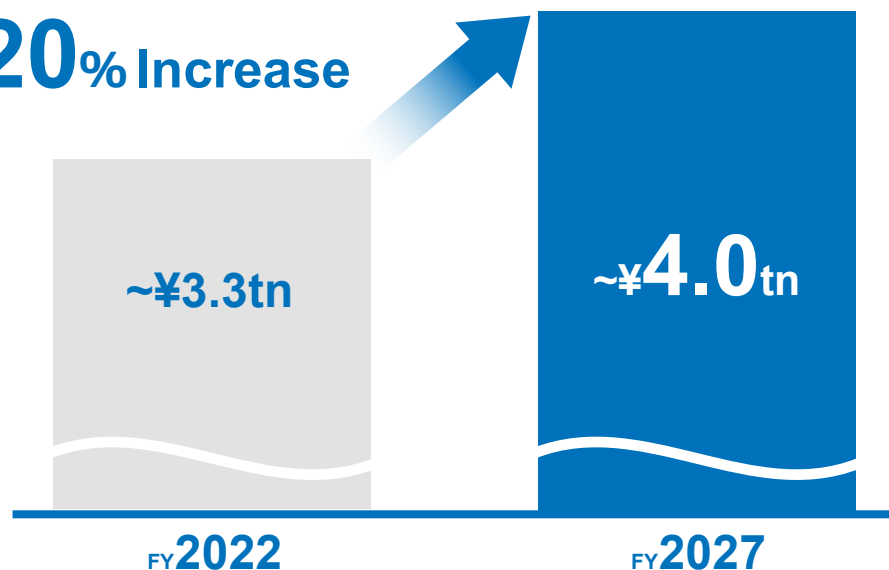
(We will continue to **balance sustainable growth and shareholder returns**, and are aiming for **EPS** to grow **consistently with previous levels**)

- In the **growth areas⁽¹⁾** that will be drivers of that growth, we are aiming for an **EBITDA increase of 40%**

EBITDA Progress

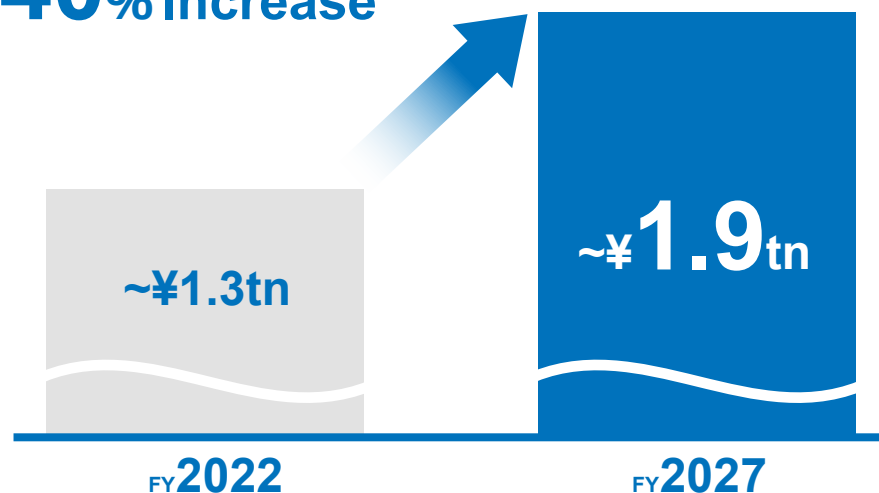
NTT Consolidated Targets

+20% Increase



Growth Areas

+40% Increase



- IOWN
- Digital/Data Centers (primarily globally)
- Power/Energy
- Smart Life
- Real Estate
- AI/Robots etc.

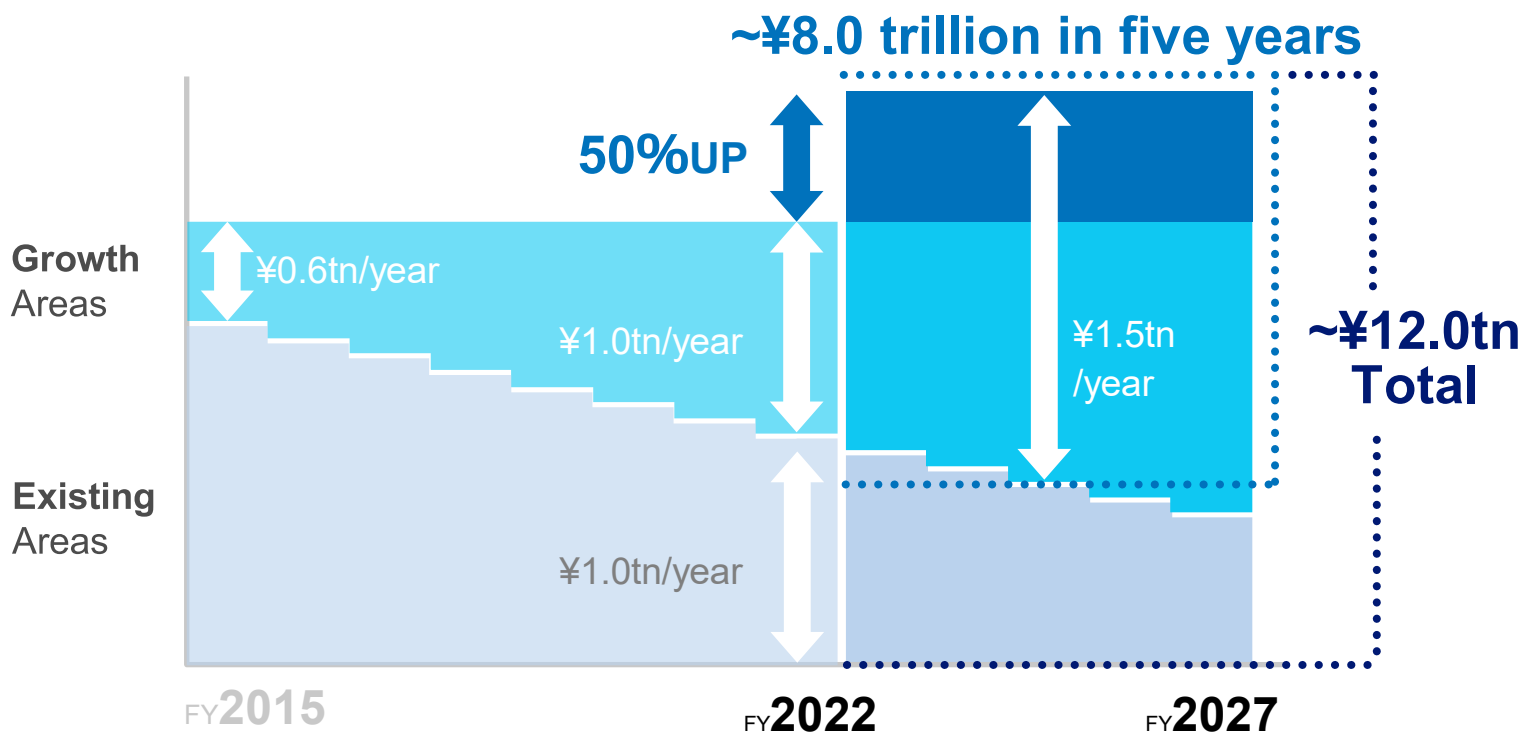
(1) IOWN, digital/data centers, power/energy, Smart Life, real estate, AI/robots, etc.
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Increase Investments to Achieve Further Growth

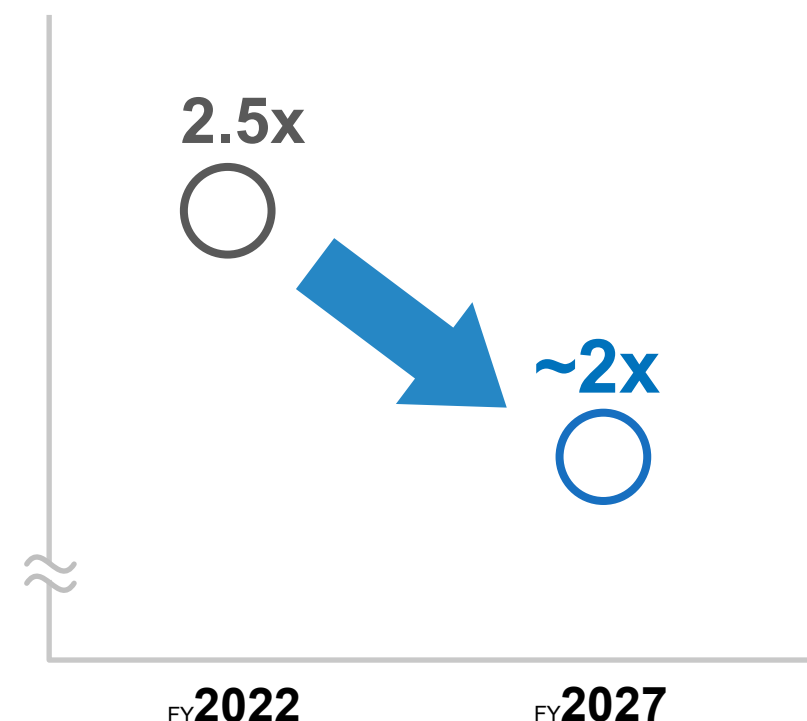


- We will make investments/contributions to our growth areas⁽¹⁾ amounting to **~¥8.0 trillion in the next five years⁽²⁾** (an increase of 50% over current levels), and plan for a total of ~¥12.0 trillion
- Maintain/reduce our debt-to-EBITDA ratio to ~2x

Growth Investments (Capital Expenditures + Investments)



Debt-to-EBITDA Ratio



(1) IOWN, digital/data centers, power/energy, Smart Life, real estate, AI/robots, etc. (2) From FY2023 – FY2027.

Dividend Policy

Our basic policy is to implement steady increases in dividends

Share Buybacks

We will flexibly conduct share buybacks to improve capital efficiency

This document is a translation of the Japanese original. The Japanese original is authoritative.

The forward-looking statements and projected figures concerning the future performance of NTT and its subsidiaries and affiliates contained or referred to herein are based on a series of assumptions, projections, estimates, judgments and beliefs of the management of NTT in light of information currently available to it regarding NTT and its subsidiaries and affiliates, the economy and telecommunications industry in Japan and overseas, and other factors. These projections and estimates may be affected by the future business operations of NTT and its subsidiaries and affiliates, the state of the economy in Japan and abroad, possible fluctuations in the securities markets, the pricing of services, the effects of competition, the performance of new products, services and new businesses, changes to laws and regulations affecting the telecommunications industry in Japan and elsewhere, and other changes in circumstances that could cause actual results to differ materially from the forecasts contained or referred to herein, as well as other risks included in NTT's most recent Annual Securities Report and in any other materials publicly disclosed by NTT on its website.

* "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.

Innovating a Sustainable Future for People and Planet

