

Message from the CEO



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The NTT Group has made steady progress since the announcement of our Medium-Term Management Strategy in May 2023.

This year, the second year of the strategy, is an important year for us to steadily build momentum toward achieving the goals of the Medium-Term Management Strategy for FY2027.

By steadily promoting existing initiatives and proactively tackling new challenges, we will create new value and contribute to the realization of global sustainability.

Following Through with My Original Vision: A Medium-Term Management Strategy Connected to NTT's Roots

When I first took office as CEO in June 2022, I declared that we would continue on the path of transformation that the NTT Group had been pursuing, and that we would forge our way forward by adapting to change and, at times, transforming ourselves in anticipation of change. I also decided that we would pursue three initiatives to make the NTT Group a group capable of dynamic change, bringing new experiences and fresh excitement to its customers: (1) Create the customer experience (CX) from the employee experience (EX); (2) Aim to achieve decarbonization through technology; and (3) Keep communications infrastructure and critical systems connected even in the event of a major disaster.

All three of these initiatives serve to perpetuate the NTT Group's mission of "contributing to society through our business operations" into the future. This mission may seem rather abstract and obscure to some people. We have, in fact, received this kind of feedback from our stakeholders. However, the NTT Group comprises 967 companies that are engaged in a wide range of businesses centered on information and communications that transcend national borders, span multiple sectors, and touch on all sorts of social issues. We want to solve these social issues using the power of information and communications technology. This desire is what is succinctly encapsulated in the phrase "contributing to society through our business operations."

To achieve our mission, the NTT Group must be "Your Value Partner," the partner people choose again and again. This is because the information and communications business is based on multiplication:

$$[\text{Partners}] \times [\text{Information and communications}] = [\text{Contribution to society}]$$

There is a limit to what we can accomplish through information and communications alone. In order for our business to become a driving force in solving social issues, we need the capabilities of our partners. Our partners are not just our customers. For us, every stakeholder is a partner. We aspire to be a group that aligns itself with its partners and achieves value together with them.

To continue being this kind of NTT Group, we defined "Connect," "Trust," and "Integrity" as the three Shared Values constituting the foundation that unites our employees. These key terms were established through extensive global discussions across the NTT Group. NTT's roots lie in telecommunications. "Connect" also encompasses the sense of "connections with people." Connections with people cannot be established without "Trust." And "Integrity" is necessary in order to establish trust. With these three cornerstone values in place, customers can forge lasting relationships with the NTT Group. This "DNA" also plays a pivotal role in contributing to societal sustainability. The NTT Group's 340,000 employees working around the world perform their daily duties with these three values firmly in mind.

These values lead back to NTT's roots, and will remain fundamentally unchanged into the future. However, the shape of the NTT Group will change drastically from being a group that "connects communications," as we have in the past, to a group that "connects data." Utilizing all kinds of data, I intend to accelerate our growth as a group that provides services to improve our customers' businesses and lifestyles, and to build an NTT Group that "connects to the future" together with our partners and employees.

This was basically my original vision when I first became CEO. Based on the above ideas, in May 2023, we started working under our new Medium-Term Management Strategy with "Innovating a sustainable future for people and planet" as our basic approach. Embedded within the Medium-Term Management Strategy is the message that 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. Following

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through with my original vision as CEO also means realizing this Medium-Term Management Strategy.



Creating New Value and Achieving Global Sustainability

The Medium-Term Management Strategy is the core of the NTT Group’s value creation process.

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.” Bringing together the collective strengths of the NTT Group, we will promote four initiatives: (1) IOWN-Driven Creation of New Value; (2) Data-Driven Creation of New Value; (3) Achievement of a Circular Economy; and (4) Further Strengthening of Business Foundations. This kind of new value all comes from people. The second and third pillars of the Medium-Term Management Strategy are “Upgrading the Customer Experience (CX)” and “Improving the Employee Experience (EX).” These two pillars serve as mechanisms to support the first pillar. CX and EX can be compared to the two loops in NTT’s Dynamic Loop logo. CX is the large outer loop, and EX is the small inner loop. The excitement, inspiration, and joy felt by each employee as they take on challenges with a sense of vitality and purpose (EX) will, in turn, lead to customer satisfaction (CX). Moreover, the “thank yous” from customers will further boost our motivation. In this way, I believe that the looping sequence of CX and EX that connects us to the future will create things of value to the world and become the driving force for the creation of a sustainable society.

For such value creation initiatives to move forward, it is essential to provide input to the business, especially investments in growth areas. The NTT Group will expand investments in growth areas by investing roughly eight trillion yen over the next five years, a 50% increase over prior investments. Including existing areas, we plan to invest roughly 12 trillion yen in total.

We will then use these investments to expand our ability to generate cash for the future. EBITDA (earnings before interest, taxes, depreciation, and amortization), an indicator of how much cash flow a company generates in its main business, has flatlined in recent years for the NTT Group. Our Medium-Term Management Strategy calls for a 20% increase in EBITDA to roughly four trillion yen by FY2027 through expanded investments in growth

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areas. This newly generated cash will become dividends for stakeholders, as well as be channeled back into the business as input to realize value such as improving the financial value of the company, mitigating climate change, creating new social value in diverse sectors centered on IOWN and AI, strengthening resilience to protect social infrastructure, and promoting human capital management that will support these efforts. These financial and non-financial outcomes are integral to our business, and the NTT Group would not be able to conduct business without any one of them. Another key management issue is contributing to the creation of a sustainable society through our business and ensuring that our shareholders receive the resulting benefits. The new Medium-Term Management Strategy maintains our fundamental policy on shareholder returns, such as continuously increasing dividends and flexibly implementing share buybacks.

The NTT Group’s value creation process is a cycle that sustainably enhances corporate value with the Medium-Term Management Strategy at its core, as well as a loop that continuously connects NTT’s roots to the future. We created a video illustrating the NTT Group’s Medium-Term Management Strategy to convey this concept of ours. I hope you will take a moment to watch it.

Steady Progress on the Medium-Term Management Strategy

The Medium-Term Management Strategy announced last year is progressing smoothly. We remain firmly committed to achieving our medium-term targets for FY2027.

Proactively Taking on the Challenge of New Initiatives

We have made steady progress on the initiatives for “IOWN-Driven Creation of New Value,” one of the pillars of our Medium-Term Management Strategy. These include the establishment of NTT Innovative Devices Corporation, a manufacturer of photonics-electronics convergence devices, to accelerate the development of such devices, and the realization of All Photonics Network (APN) connections between data centers in Japan and pilot testing for connections between data centers overseas.

In addition, we are promoting new value creation through AI and digital transformation (DX) solutions, beginning with the launch of commercial service for NTT’s generative AI “tsuzumi,” for which we are strengthening and expanding collaboration with partners, and the establishment of NTT AI-CIX, a new company that aims to provide consulting, development, and services utilizing AI technology.

In the area of personal business, we are strengthening our financial services and marketing solutions through capital and business alliances with Monex, Inc., ORIX Credit Corporation, and INTAGE HOLDINGS Inc.

As for the data center business, we are making steady progress in upgrading and expanding our data centers overseas. While continuing to develop our own highly profitable data centers, we will make upfront investments in land in anticipation of demand for land for AI data centers and hyperscalers, as well as consider M&A as an option for capturing new regions and functions.

Outside of the communications business, in the environment and energy field, we have brought Green Power Investment Corporation into the Group and are expanding our renewable energy sources. We have also launched “NTT GxInno,” a brand of solutions for green transformation (GX), to leverage our renewable energy infrastructure, technology, and expertise in order to strengthen our ability to provide solutions that contribute to our customers’ green transformations.

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Video: “NTT no Omoi”
https://www.youtube.com/watch?v=oQdyX5iGnco



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NTT Innovative Devices
https://www.ntt-innovative-devices.com/



NTT AI-CIX
https://aicix.jp/



p. 75 Expansion and Upgrade of Data Center Infrastructure

NTT GxInno
https://group.ntt.jp/group/nttgxinno/



Steady Progress on Existing Initiatives


Initiatives associated with our existing communications businesses are critical in supporting the new initiatives we are tackling. Although the recent performance of our existing businesses such as the Hikari fiber optics service and mobile communications has been weak, I believe it is important to recover and improve business performance by improving efficiency and cost competitiveness through DX to swiftly revive the regional communications business, and to strengthen the foundation of our mobile communications business by combining it with smart life services. We will continue to maintain and operate our network facilities stably and sustainably, while taking pride in the fact that we are responsible for Japan’s communications infrastructure.

Upgrading the Customer Experience (CX) and Improving the Employee Experience (EX)

We are steadily advancing initiatives to upgrade the customer experience (CX). In July 2023, we began offering Eximo and Irumo, new price plans for mobile communications services. In addition, measures to improve the customer experience of mobile communications quality, which was inconveniencing customers and causing them concern, were completed as planned in December 2023. We will continue striving to improve our mobile communications quality. Furthermore, in April 2024, we launched the “Docomo Poikatsu Plan,” a mix of payment and mobile services centered on d POINTs. We also began collaborating with Amazon with regard to d POINTs and Amazon Prime. In order to further advance these initiatives to upgrade CX, we appointed new Chief Customer Experience Officers (CCXOs) at major NTT Group companies and decided to reflect “customer engagement indicators” in the officers’ performance-linked compensation.

Improving EX is also essential. In April 2023, we revised our personnel and salary system to focus on specialization. With regard to personnel affairs in FY2023, roughly one-fifth (18.8%) of management-level employees and one-tenth (10%) of regular employees were promoted at a faster rate than in the past. In addition, the number of employees using the Remote Standard system introduced in July 2022 has grown to roughly 50,000 employees, and as of April 2024, we have eliminated roughly 1,500 solo assignments that separate employees from their families. To promote an open and innovative corporate culture, we hold conferences such as the Sustainability Conference, CX Conference, TSUNAGU Conference, and the Learning from Failure Conference. These conferences introduce the efforts of employees who are taking on challenges in various fields, which raises the level of ambitious thinking across the entire Group.

Going forward, we will continue to create new value by bringing about a virtuous cycle of CX and EX.

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Something I Value as CEO

From the beginning of my term as CEO, I have maintained the conviction that I must always focus on the front lines and be there for every single employee. This is also my way of implementing “value creation through a virtuous cycle of CX and EX.” To capture their real voices and thoughts, I engage in dialogue with employees who are making daily efforts on the front lines in a wide range of sectors, including solutions, urban development, smart agriculture, cross reality (XR), digital comics, smart energy, green energy, human resources, and finance, organizing these sessions not only within Japan, but also in North America, South America, Asia, and Europe. I believe that reflecting their voices in the Group’s management will lead to further enhancement of the NTT Group’s corporate value.

With this in mind, I have held these dialogue sessions a total of 14 times in 4 countries in the roughly two years since I took office as CEO.

I have also continued to meet once a week with a few young employees for lunch. I find that there are moments when I am able to clarify my thoughts and come up with ideas as I listen to the younger employees and occasionally share my own thoughts with them. This is yet another initiative I plan to continue.

Communicating my thoughts to all 340,000 people in the 967 companies of the NTT Group is no easy feat. In addition to sending CEO messages addressed to the entire Group each quarter, in May 2024, I delivered a 35-minute CEO message reflecting on the Medium-Term Management Strategy, once again explaining my thinking and our progress to all of our employees. I look forward to continuing to work together with our employees as we head toward the year 2027.



Thoughts on the Revised NTT Act

I am optimistic about the revisions to the NTT Act in April 2024, which have removed our obligation to publicly disclose our research and development results and relaxed some of the restrictions on appointing non-Japanese directors. I also expect that discussions about further revisions, including the design of a detailed legal system, will be stepped up in the coming fiscal year, and we intend to continue to cooperate in these discussions.

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 the NTT Group an organization that supports global sustainability through the creation of new value. We sincerely hope for your continued support in the years ahead.