

## Questioner #1

### Q&A 1

[Question] Regarding the impact of financial burden offset by financial income, it did not seem to increase in Q4 more than I expected. On the basis of the quarterly financial results, the net financial burden increased by approximately 10.2 billion yen during three quarters from Q1 to Q3 and it increased by 16.7 billion yen on a full-year basis. This means that it increased by 6.4 billion yen during Q4. Is this due to a temporary reason, that is, a period in which the Company paid less interest than that in other quarters? Or did you take any measures? How much do you think the net financial burden will be in FY2023? I remember that you estimated the burden at approximately 40 billion yen for the fiscal year. Please share your ideas on this with us.

[Answer] I understand that you would like to know the reason that the net financial losses decreased in Q4 from Q3. This was because we partially changed the scope of application of the accounting standard for the NTT Ltd. Group. As a result, all borrowing costs incurred prior to the fiscal year were capitalized in Q4, which led to a temporary decrease in financial losses by approximately 6 billion yen. When excluding this temporary factor, the year-on-year change in Q4 was on par with that in Q3. Most of the impact was due to the integration of NTT Ltd. Therefore, there was little change in the net financial burden.

[Question] I see. The net financial burden was slightly more than 10 billion yen on a quarterly basis, and the full-year figure in FY2023 would be more than 40 billion yen as you expected. Is my understanding correct?

[Answer] Yes. That is how we see it under the current plan.

### Q&A 2

[Question] The figures on page 38 show that NTT Ltd.'s EBITA forecast for FY2023 is about less than 80 billion yen, which is twice as much as 39.8 billion yen in FY2022. Solely on the basis of this information, I think that the increase is simply due to the extension of the consolidated accounting period from 6 months to 12 months. In addition, on the basis of the figures on page 11, structural transformation costs are expected to be 19 billion yen for the full year of FY2023 compared to 17 billion yen for the second half of FY2022. It seems that the Company's burden will be reduced. Do you expect that NTT Ltd.'s EBITA for FY2023, even when excluding costs, will be on par with or slightly lower than that for the previous fiscal year? Please show us your view as well as the background.

[Answer] The Company's consolidated EBITA margin was 6.8% for the second half of FY2022, and it will also be 6.8% for FY2023. The EBITA margin for FY2022 when including the performance outside of the Company's consolidated accounting period was at least 4% but less than 5%.

[Question] I understand. I think that this means that the Company started to make up for the poor results in the first half of FY2022 from Q3, and profit margin will continue to recover in FY2023. However, do you expect that the net sales will not grow so well?

[Answer] Yes, we do. We have a policy of achieving quality growth.

## Questioner #2

### Q&A 1

[Question] I have a question regarding financial costs, which is related to the previous question. Interest rates have risen sharply in recent six months or so. Under this circumstance, I think that investments in global data centers will probably no longer become profitable with overseas financing. Although demands in data centers may be high, the data center construction business is no longer sustainable, in my view. President Honma said earlier that the Company would continue to invest in data centers aggressively using the same financing methods as before. My question is, is this plan viable? You probably have to change the way of financing. As costs for measures pursued by NTT some time ago, such as financing from external sources and cooperation with leasing companies, should have increased, I am afraid that they do not make a business sense any longer. Although interest rates are still lower in Japan, I think that the business will not be sustained without the commitment of the entire NTT Group to find a solution for the issue.

You told us earlier that financial costs per quarter would increase by approximately 10 billion yen year on year. The costs will increase if interest rates continue to rise and you make more investments. How will you solve this issue? First of all, I would like to know President Honma's view on these mixed issues.

[Answer] Regarding the data center business, according to a report from a research company, it will grow at 12%. Actually, the profit margin of the data center business is as high as a late-teen percentage. Therefore, the business contributes to the operating income. However, as you pointed out, under a circumstance where interest costs are getting more expensive, it will not contribute to the net income soon. After the business combination with NTT Ltd. in October 2022, interest-bearing liabilities increased by approximately 1 trillion yen to 1.7 trillion yen. We are planning to reduce interest-bearing liabilities by injecting capital from third parties and removing them from the balance sheet to ease interest burdens. This is what I think about the issues.

[Question] Financial costs removed from the balance sheet are only changed to other payable items. The counterparty probably raises money to accept the off-balance sheet liabilities, which means that financial costs will not be substantially reduced but increased, instead, in my view. Therefore, off-balance sheet financing is not a solution for these issues, and I think that an operating profit margin of 10% is not related to the financial costs of an investment. The Company will additionally invest hundreds of billions of yen in data centers. I wonder if the increased financial costs due to the investment will be balanced with the increase in the Company's actual operating income. Global data center players have shied away from investments because they are unprofitable. Under such circumstances, I do not understand why you invest in data centers. I insist that you should stop an investment when the investment generates a net loss even if operating income becomes positive. Do you have any solution?

[Answer] The data center business is a high value-added business with operating income at a late-teen percentage. Therefore, it will be highly profitable. Interest-bearing liabilities will be reduced through the injection of capital from third parties.

[Question] Will you inject capital from third parties via a form of equity? If you use the same method as you did in the past, such as leasing, I am afraid that financial costs will be reflected directly in financial results.

[Answer] If we utilize capital from third parties by inviting a third party to participate in the management of a data center that we own, we will sell some of the equity interest in the data center to the third party. In this case, we will receive proceeds in cash and use them to reduce the amount of borrowings, which will result in a decrease in financial costs.

[Question] I understand. Will new investments really become profitable after paying financial costs? With even totally new investments?

[Answer] We believe that they will become profitable, and we are working on them.

[Question] I see. I trust that you have calculated investment effects appropriately because we outsiders cannot do the math for the investments.

## Q&A 2

[Question] My question is largely related to the previous discussion. Regarding the forecasts of the Overseas Segment shown on page 38, the figures are the net of structural transformation and business combination costs as the forecasted EBITA is inclusive of these costs. Is my understanding correct?

[Answer] Yes, it is. Please note that overseas business combination costs are included in the costs for the Overseas Segment but excluded from the numbers for each region: North America and EMEA & LATAM.

[Question] Do you mean that EBITA of 145 billion yen does not include overseas business combination costs?

[Answer] It includes the costs.

[Question] I see. Please tell me the allocation of the overseas business combination costs between regions after the reflection. In addition, I would like to know how much each region has reflected the withdrawals from unprofitable businesses that you explained before.

[Answer] Please note that the overseas business combination costs are included in the Overseas Segment because they cannot be allocated to each region.

[Question] I understand. Do you mean that the costs are not included in this re-posted part?

[Answer] Yes, I do.

[Question] I see.

## Q&A 3

[Question] Which overseas region withdrew from low-profit businesses?

[Answer] Please understand that the costs for the withdrawals from overseas low-profit businesses are recorded under NTT Ltd.

[Question] I understand. Under the original plan, I think that the Company appropriated approximately 38 billion yen for the structural transformation costs of NTT Ltd. for the previous fiscal year. Please show me how much of the costs did the Company actually spend and how much of the costs will it spend in FY2023.

[Answer] The results of FY2022 are shown in the column for NTT Ltd. on page 11 of the material. The amount actually spent during the fiscal year was 35 billion yen (18 billion yen for the first half and 17 billion yen for the second half), compared to the estimated amount of 38 billion yen. The Company will spend 19 billion yen in FY2023.

[Question] I see. Was the estimated amount of 19 billion yen for NTT Ltd. taken into consideration for the calculation of EBITA of 79.2 billion yen?

[Answer] Yes, it was.

[Question] So, NTT Ltd.'s EBITA would be 98 billion yen without the structural transformation costs?

[Answer] Yes, it would be.

[Question] I understand the calculation.

### Questioner #3

#### Q&A 1

[Question] First of all, I would like to ask an additional question regarding NTT Ltd. I looked at the changes in the top line and figures for Q4 and found that net sales growth significantly slowed down even in yen. I think that net sales probably decreased in local currencies. I am afraid that the demands for data centers and others in Q4 and the current quarter have significantly deteriorated. Please marshal facts for me.

[Answer] NTT Ltd.'s businesses can be largely divided into the following categories: data center, network, management services, and communication equipment sales. The net sales of the data center and network categories have grown. The net sales of the management services category have remained almost unchanged. The net sales of the communication equipment sales category have not grown for some reasons. The full-year amount decreased by 47 billion yen when excluding the impacts of foreign exchange. There are two major reasons. The first reason is the remaining impacts of the semiconductor supply chain disruptions. As NTT Ltd. delivers integrated equipment only, it cannot book sales until it receives all parts. Supply chain disruptions have affected the business. The second reason is that we now book sales in a net amount, not in a gross amount as before. Because of these two reasons, the net sales of the communication equipment sales category have declined or grown more slowly.

[Question] I understand that you meant earlier that the net sales of the data center and network categories have grown when excluding the impacts of foreign exchange. I looked at the financial results of overseas companies and found that demands, especially for hardware, have grown more slowly. Some overseas companies are forecasted to record negative growth. Conversely, you forecast an increase in net sales for FY2023 on a full-year consolidated basis. What is your idea regarding actual demands for this fiscal year when excluding the impacts of foreign exchange?

[Answer] We have order backlogs in the communication equipment sales category, and supply chain disruptions have been partially eased, which has a positive impact. With regard to the data center category, net sales, when excluding the impact of foreign exchange, increased by approximately 45 billion yen on a full-year basis in FY2022. However, net sales are expected to remain unchanged in FY2023 because of our effort to pass on higher power prices and the anticipated impacts of stronger yen. Overall, the net sales of NTT Ltd. have not decreased. They remain unchanged on a full-year basis if not grown significantly.

#### Q&A 2

[Question] As the aggregation of profits and losses is not allowed under NTT Ltd.'s accounting policy, I think that

the tax rates related to the Company's overseas business combination were very high. How do you assume the tax rates for overseas businesses in FY2023? Please show me exact numbers of tax rates that you assume, if any.

[Answer] As we do not disclose the exact number of tax rates for a company, I will give you an overall picture. We plan withdrawals from low-profit businesses in FY2023, and the costs for the withdrawals cannot be included in the deductible expenses. The impact will be felt in FY2023, in my view. We anticipate slightly higher tax rates.

### Q&A 3

[Question] Next, outside the scope of NTT Ltd., I would like to ask a question regarding the current demand environments in North America and EMEA & LATAM as always. The results of EMEA & LATAM were very strong, and I would like you to give details for each region later. With regard to North America, which focuses on profitability to some extent, not only net sales but also profits have not increased so much. Please tell me the demand environments and profitability in these two regions.

[Answer] The North America Segment's EBITA margin rose to 7.1% in FY2022 from 6.5% in FY2021. We aim at increasing the margin further to 7.6% in FY2023 by implementing measures to promote digital shifts and enhance consulting and shoring capabilities. The North America Segment has witnessed little growth in net sales but a stable year-on-year increase in profit margin partly because it focuses on profit growth through digital shifts. The segment's new orders received slightly decreased in FY2022 when excluding the impacts of foreign exchange. This is a reactionary decline due to fewer orders for large-scale projects in FY2022 than in FY2021, and there were some orders to be recorded in a future fiscal year. Such orders that were not recorded during the fiscal year will increase the forecasted new orders received in FY2023 by 79 billion yen. The impacts of foreign exchange on the new orders are as much as 23 billion yen. When excluding the impacts of foreign exchange, new orders received will increase by approximately 100 billion yen. Therefore, it would be appropriate to say that in North America, profit margin has grown and business has been robust.

Regarding the EMEA & LATAM Segment, we have continued to see growth in new orders received, net sales, and profit across all countries and industries. However, the EMEA & LATAM Segment has recorded the lowest profit margin among our overseas businesses. Its EBITA margin was as low as 4.3% in FY2022. In FY2023, we have shifted to a strategy of raising profit margin drastically toward FY2024. Therefore, the segment's new orders received and net sales have not grown so much. Instead, we are implementing a strategy to increase EBITA margin to 5.6% in FY2023 from 4.3% in FY2022.

### Q&A 4

[Question] Are there any regional trends in EMEA? Is there any region where you have an advantage or a disadvantage?

[Answer] Actually, our business has grown in Spain, Italy, Germany, the UK, and the Netherlands across all industries and offerings, and there is no particular area or offering where we have an advantage in each

country. Currently, as we are required to increase profit margin by promoting digital shifts and enhancing consulting and shoring capabilities, we will focus more on these measures.

## Questioner #4

### Q&A 1

[Question] I have a question regarding the information on page 33. I think that it relates to the previous question. According to the material, the Company will reduce liabilities by utilizing third-party capital and ROIC will turn upward in FY2024 and exceed 6% recorded in the most recent fiscal year in FY2025. What size and what kind of deal will you make during FY2023? Please give me detailed information to the extent that you can talk about it. In addition, I think that liabilities have increased, and capital costs have decreased. Please explain how much capital costs will be in the future and its spread compared to ROIC, if possible.

[Answer] I would like to refrain from answering your question regarding a deal because it involves negotiations with a counterparty. I understand that the Company's WACC is in the upper half of the five percent range.

[Question] By how much would you like to reduce the liabilities exceeding 1 trillion yen within a year? According to the material, ROIC will decline in FY2023. Do you mean that ROIC will drop to the level as low as capital costs? Please tell me because the graph has no vertical axis numbers.

[Answer] During the period under the current medium-term management plan, we would like to reduce the liabilities by 300 billion to 500 billion yen, or about 100 billion yen per year, although it will vary depending on a fiscal year or a counterparty. This is our idea about the amount. You pointed out that the graph has no vertical axis numbers. We omitted detailed numbers because they depend on the progress of dealing, capital expenditures, and whether we can close an M&A deal successfully or not. We would like you to understand that the ROIC level will be lower than 5%.

### Q&A 2

[Question] You would like to sell liabilities of 100 billion to 200 billion yen in a year, but do you think that it would be more profitable to reduce liabilities by selling data centers than to maintain the data center business? I think that this factor is not included in the guidance. If successful, is there any upside?

[Answer] The data center business has utilized third-party capital since NTT Ltd. was under the control of NTT. Under this circumstance, such sales were considered under a business plan and actually conducted to some extent.

## Questioner #5

### Q&A 1

[Question] I would like to ask two simple questions. You will spend 45 billion yen in total for structural transformation and PMI, if I am correct. Please tell me how much effect of prior structural transformation appeared in the first half of FY2022 and how much effect will be generated in FY2023 by structural transformation conducted in the previous year. I would like to understand how much profit will be negatively affected by structural transformation costs on a net basis.

[Answer] We have spent structural transformation costs for fiscal years, and it becomes more difficult to capture the effects of structural transformation. Therefore, please see page 11 of the material to understand how much structural transformation costs we spent and how EBITA margin has been improved.

### Q&A 2

[Question] The next questions are regarding NTT Ltd. In FY2023, you are planning to spend 590 billion yen of capital expenditures in total, which is bigger than the previous fiscal year by 210 billion yen. First, I would like to know whether this means that NTT Ltd. will invest approximately 300 billion yen in a year. Next, you will plan to increase dividends. I think that you had a policy of paying dividends of approximately 30% of the weighted average of the consolidated cash flow dividend payout ratio over five years. According to the chart on page 54, the ratio reached 140%. I would be happy if you kindly marshal the plan regarding capital expenditures and your policy of dividend payout.

[Answer] For capital expenditures, we are planning to invest approximately 350 billion yen in the data center business in FY2023. For dividend payout, the Company is still in a growing phase and would like to contribute to shareholders by making investments aggressively to improve corporate value. As you pointed out, the consolidated cash flow dividend payout ratio is no longer a good indicator under a circumstance where we spend capital expenditures aggressively. Therefore, from the end of FY2022, we changed the dividend policy with a mid-to-long-term dividend payout ratio as a reference indicator.

[Question] I understand that you will pay dividends with a dividend payout ratio of approximately 25%. Is my understanding correct?

[Answer] We have not determined a particular number but will make sure that a dividend payout ratio for a single fiscal year does not dip below 20%.