Message from the CEO

Leading by Example, Performance Tracking, and Speed

I joined Nippon Telegraph and Telephone Public Corporation roughly 40 years ago. In the years that followed, I was largely involved in research and development, taking part in designing the structures of telephone poles and manholes. Later, I became the manager of a telephone exchange where I was responsible for performing facility maintenance and interacting with customers on the front lines of operations. The majority of the other employees at that exchange had been situated longer than I was. This experience made me painfully aware of the difficulty of leading an organization. In this position, I tried to always lead by example. At the same time, I took steps to track the performance of our organization from various perspectives. Whether it be the number of telephone poles installed, the length of cables laid, or the number of customers at which installations were performed, I would track these metrics and compare them with figures from other organizations. I thereby aimed to foster employee ambition and drive transformation.

In 2000, I transferred to NTT Communications Corporation. During the period when I served as executive manager of the Corporate Strategy Planning Department, I was involved in over 10 M&As, many of which were for overseas companies. It was in 2014 when I became a Representative Member of the Board of the Company. Later, I held a concurrent position as the president of NTT Security Corporation, where I spearheaded the integration of the Group’s cybersecurity companies. Over the years, I have held many concurrent titles at various companies. Faced with limited time to fulfill my duties in concurrent positions, I naturally came to emphasize speed in my work. Today, I consider management as adhering to the formula of mass (m) × acceleration (a) = force (F). As illustrated by this formula, swift decision-making and action can heighten organizational capacities. Though my position as president of the holding company has taken me away from the front lines, this has not changed the importance I place on frontline operations. In this position, I will track performance based on quantitative results while fostering work habits that instill a fundamental element of speed into the organization as I lead the transformation of NTT Group by example.

Mission of Acting Simultaneously as a Public Utility and a Private Company

Some may say that NTT Group, with its long history and massive scale, cannot change. While there is some truth to this statement, it is not completely accurate. The privatization of Nippon Telegraph and Telephone Public Corporation in 1985 led to the formation of NIPPON TELEGRAPH AND TELEPHONE CORPORATION and NTT Group. At this time, the Group joined the ranks of many organizations requiring a unique approach toward management to act simultaneously as a public utility and as a private company, two hats that are said to be difficult to wear at once. Important tasks needing to be addressed include the ongoing provision of reliable communications infrastructure, the installation of communications infrastructure in underpopulated areas and on isolated islands, and effective responses to natural disasters. If there is anyone in Japan that is going to address these tasks, it should be NTT Group. In fact, we see this as our mission. This pride in our role as a public utility and our commitment to fulfilling this role are aspects of NTT that cannot change. This is the reason why I see the very act of management as being a CSR activity for NTT Group. At the same time, so long as we are a private company, we will also be obligated to continue
generating profits. Fulfilling this obligation is also critical to our ability to function as a public utility. This obligation necessitates ongoing change.

In truth, the business structure of NTT Group has changed greatly over the years. At the time of our privatization in 1985, voice related revenues accounted for more than 80% of our operating revenues. In the fiscal year ended March 31, 2018, however, less than 20% of operating revenues came from voice related revenues. The main sources of our revenue today are IP / packet communications services and system integration services, which generated more than 60% of operating revenues in the fiscal year under review. In addition, overseas sales were 10 times higher in the fiscal year under review than in the fiscal year ended March 31, 2009. This change was a result of our focus on expanding overseas sales through M&As and organic growth that followed from our positioning global cloud services as the cornerstone of our business in the “Towards the Next Stage” Medium-Term Management Strategy, announced in November 2012. In February 2015, we launched the Hikari Collaboration Model, the world’s first model for full-scale fiber-access services offered through a wholesale framework. These services represented a massive change as they were indicative of a shift in our business model, from supplying network services directly to customers to supporting customers in creating new businesses as an enabler. Under the “Towards the Next Stage 2.0” Medium-Term Management Strategy, which was launched in May 2015, we have been expanding our collaborative efforts with various partners as we evolve the Hikari Collaboration Model into a B2B2X model. We have also been faithful in fulfilling our obligations to our shareholders. Since 1989, we have conducted more than ¥3 trillion in share buybacks on an aggregate basis. In addition, we are planning to raise dividend payments for the eighth consecutive year, and the targeted per share dividend payment is 6.8 times higher than in the fiscal year ended March 31, 2004.

Society expects NTT Group to support social infrastructure and to help resolve social issues. It was the process of self-transformation with the goal of living up to these expectations—that has enabled us to continue evolving up until today. In other words, it is our aforementioned management approach of acting simultaneously as a public utility and a private company that has driven ongoing improvements in our corporate value thus far and that will continue to do so in the future.

Vision of Being “Your Value Partner”

I would next like to talk about the social changes we project in the future and the expectations that society will likely place on NTT Group in light of such changes. In recent years, it seems that we have entered a new stage of technological progress with someone predicting end of Moore’s law. There is a rising sense of anticipation for the resolution of social challenges through the advance of so-called digital transformations, which entail utilizing revolutionary digital technologies, such as those pertaining to the Internet of Things, big data, and artificial intelligence. The information communications sector is also expected to undergo massive changes. For example, NTT DOCOMO plans to begin providing commercial services based on fifth-generation (5G) communication standards in Japan in 2020. In addition, the year of 2020 will see major events, most notably the Tokyo 2020 Olympic and Paralympic Games.

I suspect that these trends will result in NTT Group coming to be expected to address a diverse range of social issues by creating new businesses and industries through collaboration with an even broader spectrum of partners. I have no doubt in the ability of NTT Group to live up to these expectations due to its polyhedron, which is a product of its various connections with society and people in an exceptionally wide assortment of business fields. To accomplish this goal, we are working toward our vision of becoming “Your Value Partner” by offering value to and being chosen by customers, shareholders, local communities, employees, and all of our other stakeholders.

Upon assuming the position of president, I sought to explain “Your Value Partner,” our vision for the future, in an easy-to-understand manner to our approximately 300,000 employees working in about 90 countries and regions around the world. We defined “Service Expertise,” “Technical Expertise,” and “Intelligence” as the qualities we look for in our employees, who will be integral to the realization of this vision. Meanwhile, our Shared Values were defined as “Connect,” “Trust,” and “Integrity,” concepts that represent the very DNA of NTT.

At NTT, we hope to contribute to the realization of a smart society characterized by various connections that give rise to such innovations as connected cars, connected value chains, and connected industries. Connecting diverse business entities requires that we win trust, and trust must be earned by always maintaining a sense of integrity. These three Shared Values contribute to and enhance one another. Our Shared Values are also a factor differentiating NTT Group from its competitors that informs how we position ourselves and the direction of our management strategies.

Support Our Customers’ Digital Transformations

The position of NTT Group in the domestic market could be described as “neutral.” Our role is to connect various companies from a neutral standpoint, not bound by any particular capital relationship. The foundation for these efforts is formed by the trust we have cultivated over our years of operation. It is from this distinctive position that NTT Group is developing its B2B2X model and supporting its customer digital transformations. We are leveraging the advantages of this position of neutrality to engage in an increasingly wide range of collaborative initiatives. For example, we are...
Self-Transformation to Continue Being Chosen by Customers

If NTT Group wants to continue to be evaluated to have value and to be chosen by customers, it will need to keep transforming. For this reason, improving the profitability of global businesses has been positioned as a matter of top importance. We will pursue this goal by boosting competitiveness through improvements to the value of our products and services.

Overseas, we are seeking out those processes from among the unique product development, sales, and other business processes of specific companies that can be replaced with standardized processes. By integrating these processes, we will endeavor to provide high-value-added services and boost cost efficiency. The combination of the cloud capabilities of NTT Communications and Dimension Data completed in March 2018 is one facet of these efforts. Other initiatives include the establishment of NTT Venture Capital, L.P., through which we will step up investment in technological fields expected to see growth in the global market, and the internationalization of our R&D activities in the global market.

In Japan, we must accept the fact that the growth of our traditional telecommunications business will be peaking in the future. At the same time, digital technologies are transforming existing industries and social structures are changing domestically due to trends such as the aging population, declining birth rate, and shrinking workforce. To address these changes, we are utilizing the various data gained through NTT Group's business activities to undertake our own digital transformation by boosting efficiency via work process monitoring and accelerating the development of new high-value-added services. To facilitate this undertaking, I equipped chief digital officers (CDOs) at major operating companies in August 2018. Going forward, the CDO of each company will be responsible for formulating and implementing digital strategies for addressing various operating environment changes.
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One facet of our efforts to make such contributions was the establishment of TNcross Corp., a joint venture with Tokyo Electric Power Company Holdings, Inc. This company installs high-voltage, direct current systems at communications buildings and utilizes storage batteries to create new, high-efficiency energy services.

NTT Group consumes around 1% of all the electricity used in Japan. The sharp increase in data traffic seen in recent years has made improving energy efficiency even more important. For this reason, we have set the goals of doubling the energy efficiency of our telecommunications business and reducing power consumption by 10% leading up to 2025. NTT Group is also transitioning to electric vehicles (EVs) for its corporate fleet, and we have defined the goal of converting 50% of our fleet of general domestic corporate vehicles to EVs. Furthermore, the Group is in the process of preparing to join the EP100 and EV100 international initiatives pertaining to energy productivity and EVs, respectively.

However, we will not limit ourselves to environmental initiatives. Rather, we will incorporate social and governance perspectives to practice ESG management with the aim of contributing to the accomplishment of the United Nations Sustainable Development Goals.

New Medium-Term Management Strategies

In the fiscal year ended March 31, 2018, NTT Group broke records for operating revenues, operating income, and net income. In addition, we were able to achieve the medium-term financial targets of “Towards the Next Stage 2.0” with regard to earnings per share (EPS) growth, streamlining capital investment in our domestic network business, and cost reductions in fixed-line and mobile access networks. The only financial targets yet to be accomplished are those for overseas sales and operating income, but we are advancing initiatives with the goal of accomplishing these targets as quickly as possible.

The new medium-term management strategies are scheduled to be announced in November 2018. In this strategy, we plan to define targets and measures from short-, medium-, and long-term perspectives of three, five, and seven years (see “Outline of New Medium-Term Management Strategies” on page 22 for details).