

NTT DOCOMO, subsidiary of NIPPON TELEGRAPH AND TELEPHONE, Makes SBI Sumishin Net Bank a Consolidated Subsidiary—No Immediate Impact on Rating; JCR Will Pay Attention to Investment Effects

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the acquisition of SBI Sumishin Net Bank, Ltd. (security code: 7163) by NTT DOCOMO, INC., a subsidiary of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (security code: 9432), and the capital and business alliance between NIPPON TELEGRAPH AND TELEPHONE CORPORATION and SBI Holdings, Inc. (security code: 8473).

- (1) NIPPON TELEGRAPH AND TELEPHONE CORPORATION (the “Company”) announced yesterday that its wholly-owned subsidiary, NTT DOCOMO had decided to acquire the common stock of SBI Sumishin Net Bank, through a tender offer (TOB). The purpose of this acquisition is to acquire all shares held by minority shareholders (31.62%) excluding Sumitomo Mitsui Trust Bank, Limited and SBI Holdings (each holding a 34.19% stake). The total acquisition amount is expected to be approximately 230 billion yen. Following the completion of the TOB, the Company plans to acquire the shares held by SBI Holdings (with scheduled acquisition amount of approximately 190 billion yen), resulting in an ultimate ownership ratio of 65.81% (with a voting rights ratio of 50.00%). Additionally, the Company has announced the conclusion of a capital and business alliance agreement with SBI Holdings, and plans to invest approximately 110 billion yen in SBI Holdings (investment ratio: 8%).
- (2) NTT DOCOMO has been strengthening its smart life business, particularly in the finance and payment sectors, which fall outside its core telecommunications business. By entering the banking business, it will be able to offer a full lineup of financial services. Through dual use of communication lines and bank accounts, synergies including the acquisition of new financial customer contacts, reduction of churn rates, and increase of ARPU are expected to be realized. On the other hand, SBI Sumishin Net Bank has strengths in mortgage loans and BaaS (Banking as a Service) and has a leading presence among online banks. Further expansion of the number of accounts and deposit balance is expected through collaboration with NTT DOCOMO's customer base and channels. Regarding the capital and business alliance with SBI Holdings, discussions are expected to take place in the future on maintaining and strengthening the alliance between SBI Sumishin Net Bank and SBI SECURITIES, as well as strengthening collaboration between NTT DATA GROUP and SBI Group companies in the financial systems field.
- (3) This TOB is a major investment following the announcement on May 8 of the Company's acquisition of NTT DATA GROUP as a wholly owned subsidiary (approximately 2.4 trillion yen). When combined with the series of transactions related to the making SBI Sumishin Net Bank as a consolidated subsidiary (approximately 420 billion yen) and the investment in SBI Holdings, the total investment amount exceeds 500 billion yen, and the financial burden will increase to a certain degree. However, considering the Company's business foundation, earnings capacity, financial strength, etc., JCR believes that there is no immediate need to revise the rating. The stability of cash flows based on the communications business remains unchanged, and the temporarily affected financial structure will gradually improve. In the telecommunications industry, where expansion of economic zones and customer acquisition competition are intensifying, the importance of expanding the customer base and strengthening customer engagement is increasing. JCR will closely monitor whether the Company can enhance the Group's overall earnings capacity through maximization of synergies.

Akihisa Motonishi, Naoki Muramatsu

<Reference>

Issuer: NIPPON TELEGRAPH AND TELEPHONE CORPORATION

Long-term Issuer Rating: AAA Outlook: Stable



Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)
