

NIPPON TELEGRAPH AND TELEPHONE Makes NTT DATA GROUP a Wholly-owned Subsidiary—No Immediate Impact on Rating; JCR Will Focus on Investment Effects

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the decision by NIPPON TELEGRAPH AND TELEPHONE CORPORATION (security code: 9432) to make NTT DATA GROUP CORPORATION (security code: 9613) a wholly-owned subsidiary.

- (1) NIPPON TELEGRAPH AND TELEPHONE CORPORATION (the “Company”) announced today that it has decided to acquire the shares of NTT DATA GROUP CORPORATION, a consolidated subsidiary in which it holds a 57.73% stake, through a tender offer. The tender offer period is from May 9 to June 19, with the aim of making it a wholly-owned subsidiary. The purchase price is 4,000 yen per share, with the acquisition amount expected to be approximately 2.4 trillion yen.
- (2) The Company has identified the Global Solutions Business centered on NTT DATA GROUP as one of the growth drivers in its Medium-Term Management Strategy. In this Business, it has positioned system integration and data center related businesses as important pillars, and plans to strengthen the use of DX/data in society and industry and make proactive investments in data centers. By making NTT DATA GROUP a wholly-owned subsidiary, it aims to accelerate the growth of this business by making flexible investments and strengthening collaboration within the Group (R&D and Corporate sales) under the unified decision-making of the Group.
- (3) This is a large investment since the Company made NTT DOCOMO, INC. a wholly owned subsidiary in 2020 (total acquisition price: approximately 4.3 trillion yen), and a deterioration in financial indicators such as the interest-bearing debt/EBITDA ratio is unavoidable. The Company planned to reduce the interest-bearing debt/EBITDA ratio from 2.5x (FY2022 actual) to approximately 2.0x times (FY2027 target) as the Medium-term Financial Targets, but following the tender offer, this ratio is expected to rise sharply. While the financial burden will significantly increase, JCR has determined that there is no need to immediately revise the rating, considering the Company's business foundation, earnings power, financial strength, etc. The overall cash flow generation capability of the Group, which is primarily engaged in the Communications Business, remains stable, and JCR expects that the temporarily affected financial structure will gradually improve. It is important whether the Company can accelerate growth for the entire Group to achieve the EBITDA target of 4 trillion yen for FY2027, and JCR will monitor the realization of synergies and other factors. Furthermore, although the transaction of tender offer will reduce the equity attributable to owners of the parent in accounting, JCR considers that the reduction should not be viewed as an actual impairment of capital.

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<Reference>

Issuer: NIPPON TELEGRAPH AND TELEPHONE CORPORATION

Long-term Issuer Rating: AAA Outlook: Stable

Issuer: NTT DATA GROUP CORPORATION

Long-term Issuer Rating: AAA Outlook: Stable

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