

Interim Consolidated Financial Statements (Unaudited)

For the Three Months Ended June 30, 2021

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries
**Interim Consolidated Balance Sheets
June 30, 2021 as compared with March 31, 2021—Unaudited**

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	June 30, 2021	March 31, 2021	June 30, 2021		June 30, 2021	March 31, 2021	June 30, 2021
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 578,676	¥ 408,851	\$ 5,233,102	Short-term bank loans	¥ 2,077,139	¥ 2,006,041	\$ 18,784,047
Trade accounts receivable:				Current portion of long-term borrowings	50,958	22,099	460,833
Loans	7,684,874	7,369,961	69,496,059	Current portion of bonds	108,490	108,508	981,102
Other loans	956	965	8,649	Commercial papers	919,499	536,495	8,315,242
Credit cards	63,036	61,096	570,056	Accounts payable - other	460,029	415,480	4,160,155
Billing	105,740	85,682	956,235	Accrued income taxes	297	1,023	2,690
Allowance for doubtful receivables	(14,915)	(15,811)	(134,888)	Deposits received	1,260,413	1,332,072	11,398,201
Investments in venture businesses	9,093	4,901	82,230	Deposits received from shareholders, directors or employees	25	91	234
Other	46,943	40,143	424,521	Asset retirement obligations	37	63	337
				Other	9,428	6,747	85,268
Total current assets	8,474,405	7,955,791	76,635,967	Total current liabilities	4,886,321	4,428,623	44,188,112
PROPERTY AND EQUIPMENT, NET:	5,324	5,346	48,154				
INTANGIBLE ASSETS—Assets held for own use	6,329	5,443	57,235	LONG-TERM LIABILITIES:			
INVESTMENTS AND OTHER ASSETS:				Bonds	2,452,283	2,351,736	22,176,552
Investment securities	15,979	15,956	144,508	Long-term borrowings	1,088,573	1,126,029	9,844,217
Other	17,503	18,515	158,285	Provision for loss on system use agreements	541	541	4,892
Allowance for doubtful receivables	(430)	(447)	(3,894)	Defined benefit liability	23,513	23,127	212,638
				Asset retirement obligations	1,409	1,444	12,744
Total investments and other assets	33,052	34,024	298,899	Other	391	411	3,535
DEFERRED ASSETS				Total long-term liabilities	3,566,711	3,503,290	32,254,582
Deferred charges	6,756	7,066	61,103	Total liabilities	8,453,033	7,931,914	76,442,694
Total deferred assets	6,756	7,066	61,103	NET ASSETS:			
				Shareholders' equity (Note 4):			
				Common stock—authorized, 80,000 shares;			
				issued, 51,960 shares as of June 30 and March 31, 2021	16,770	16,770	151,663
				Capital surplus	15,950	15,950	144,243
				Retained earnings	35,508	41,239	321,107
				Treasury stock; 595 shares as of June 30 and March 31, 2021	(1,126)	(1,126)	(10,191)
				Total shareholders' equity	67,102	72,833	606,823
				Accumulated other comprehensive income/(loss):			
				Unrealized gain/(loss) on available-for-sale securities	5,112	2,458	46,232
				Foreign currency translation adjustments	157	12	1,428
				Remeasurements of defined benefit plans	462	453	4,180
				Total accumulated other comprehensive income/(loss)	5,732	2,924	51,842
				Total net assets	72,835	75,758	658,665
TOTAL ASSETS	¥ 8,525,868	¥ 8,007,672	\$ 77,101,360	TOTAL LIABILITIES AND NET ASSETS	¥ 8,525,868	¥ 8,007,672	\$ 77,101,360

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Three-Month Periods Ended June 30, 2021 and 2020—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2021	2020	2021
REVENUE	¥ 46,179	¥ 116,704	\$ 417,609
COST OF SALES	22,445	82,785	202,979
Gross profit/(loss)	23,733	33,918	214,630
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	20,773	26,744	187,857
Operating income/(loss)	2,960	7,174	26,772
OTHER INCOME:			
Interest income	0	0	0
Dividend income	21	48	197
Gain on bad debts recovered	150	156	1,364
Earnings on equity method investments	361	83	3,264
Other	0	12	5
Total other income	534	300	4,832
OTHER EXPENSES:			
Interest expense	14	37	134
Foreign exchange loss	87	211	786
Other	21	106	196
Total other expenses	123	356	1,117
EXTRAORDINARY LOSSES:			
Restructuring expenses	64	288	585
Total extraordinary losses	64	288	585
PROFIT/(LOSS) BEFORE INCOME TAXES	3,306	6,830	29,901
INCOME TAXES	989	2,063	8,945
PROFIT/(LOSS)	2,317	4,767	20,956
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-	7	-
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 2,317	¥ 4,760	\$ 20,956

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Three-Month Periods Ended June 30, 2021 and 2020—Unaudited

	Yen		U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2021	2020	2021
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	51,365
Basic earnings per share	¥ 45,116.40	¥ 92,672.33	\$ 407.99

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Comprehensive Income
Three-Month Periods Ended June 30, 2021 and 2020—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	Three-Month Period Ended June 30		Three-Month Period Ended June 30	
	2021	2020	2021	
PROFIT/(LOSS)	¥ 2,317	¥ 4,767	\$ 20,956	
OTHER COMPREHENSIVE INCOME/(LOSS):				
Unrealized gain/(loss) on available-for-sale securities	2,624	1,992	23,732	
Foreign currency translation adjustments	0	(73)	0	
Remeasurements of defined benefit plans	8	33	76	
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	174	(42)	1,581	
Total other comprehensive income/(loss)	2,807	1,909	25,391	
COMPREHENSIVE INCOME/(LOSS)	¥ 5,125	¥ 6,677	\$ 46,347	
Comprehensive income/(loss) attributable to:				
Owners of parent	¥ 5,125	¥ 6,669	\$ 46,347	
Non-controlling interests	-	7	-	

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Notes to Interim Consolidated Financial Statements—Unaudited

1. BASIS OF PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NTT FINANCE CORPORATION (the “Company”) maintains its books of account in accordance with the provisions set forth in the Companies Act of Japan and the Financial Instruments and Exchange Act of Japan and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accompanying interim consolidated financial statements have been compiled from the interim consolidated financial statements that were filed with the Director of the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying interim consolidated financial statements, certain reclassifications and rearrangements have been made to the interim consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The accounting standard for quarterly financial statements requires companies to prepare a set of interim consolidated financial statements for each quarter comprised of the consolidated balance sheet as of the current quarter-end and the consolidated statements of income, comprehensive income and cash flows for the year-to-date period. Consolidated statements of changes in net assets are not required.

Effective April 1, 2011, under the revised accounting standard for quarterly financial statements, the year-to-date consolidated statements of cash flows for the first quarter and the third quarter are not required but may be prepared at the company’s option. In addition, the consolidated statements of income and comprehensive income for the current quarter are not required but may be prepared at the company’s option.

The consolidated statements of cash flows and changes in net assets are not presented herein.

The accompanying interim consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. As permitted by the regulations under the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying interim consolidated financial statements in yen do not necessarily agree with the sums of the individual amounts.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, and has been made at the rate of ¥110.58 to \$1.00, the approximate rate of exchange at June 30, 2021, and then the translated amounts have been rounded down to the nearest thousand. As a result, the totals shown in the accompanying interim consolidated financial statements in U.S. dollar do not necessarily agree with the sums of the individual amounts. Such translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

Substantially the same accounting policies have been followed in these interim consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended March 31, 2021.

From the first quarter of the year ending March 31, 2022, NTT Finance Israel L.P. was included in the scope of consolidation due to its establishment.

From the beginning of the first quarter of the year ending March 31, 2022, the Company has applied the “Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan (ASBJ) Statement No. 30, July 4, 2019) and relevant ASBJ regulations. New accounting policies set forth by the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations are applied prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no effect of this application on the interim consolidated financial statements.

From the beginning of the first quarter of the year ending March 31, 2022, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations.

Revenue is recognized when control of the promised goods or services is transferred to the customer in the amount expected to be received in exchange for those goods or services.

Application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is in accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition.

The Company calculated the cumulative effect of applying the new accounting policies prior to the beginning of the first quarter of the year ending March 31, 2022. There is no cumulative effect and also no effect on profit or loss for the three-month period ended June 30, 2021.

In accordance with the transitional treatment prescribed in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), the Company did not provide information of disaggregated revenue from contracts with customers for the three-month period ended June 30, 2020.

3. SECURITIES, INVESTMENT SECURITIES AND INVESTMENTS IN VENTURE BUSINESSES

The amounts of securities, investment securities and investments in venture businesses including carrying amounts on the accompanying interim consolidated balance sheet do not change significantly compared to those as of March 31, 2021.

4. EQUITY

Dividends

The following dividends are paid during the three-month periods ended June 30, 2021 and 2020:

Three-Month Period Ended June 30, 2021								
Resolution	Class of Shares	Total Dividends (Millions of Yen)	Total Dividends (Thousands of U.S. Dollars)	Dividends per Share (Yen)	Dividends per Share (U.S. Dollars)	Record Date	Effective Date	Source of Dividends
Annual shareholders' meeting held on June 18, 2021	Common stock	¥ 8,048	\$ 72,787	¥156,698.00	\$ 1,417.05	March 31, 2021	June 21, 2021	Retained earnings

Three-Month Period Ended June 30, 2020								
Resolution	Class of Shares	Total Dividends (Millions of Yen)		Dividends per Share (Yen)		Record Date	Effective Date	Source of Dividends
Annual shareholders' meeting held on June 19, 2020	Common stock	¥ 12,740		¥248,031.00		March 31, 2020	June 22, 2020	Retained earnings

5. DEPRECIATION

Depreciation of leased assets and assets held for own use for the three-month periods ended June 30, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2021	2020	2021
Leased assets and assets held for own use	¥ 645	¥ 1,338	\$ 5,839

6. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The amounts of financial instruments including carrying amounts on the accompanying interim consolidated balance sheets as of June 30, 2021 do not change significantly compared to those as of March 31, 2021.

7. DERIVATIVES

The amounts of derivatives including contract amounts as of June 30, 2021 do not change significantly compared to those as of March 31, 2021.

8. COMMITMENTS AND CONTINGENCIES

Contingent liabilities as of June 30, 2021 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 53,174	\$ 480,865

9. REVENUE RECOGNITION

The information on disaggregated revenue from contracts with customers is presented in Note 10 on segment information.

10. SEGMENT INFORMATION

Information about revenue and profit by reportable segment

The following tables represent information about revenue and profit by reportable segment for the three-month periods ended June 30, 2021 and 2020. Information on disaggregated revenue from contracts with customers is provided only for the three-month period ended June 30, 2021.

Millions of Yen						
Three-Month Period Ended June 30, 2021						
Reportable Segment				Other		
Billing	Credit Card	Finance	Total	(Note)	Total	
Revenue:						
Revenue from contracts with customers	¥ 9,622	¥ 242	¥ 82	¥ 9,946	¥ 565	¥ 10,512
Other revenue	28,676	1,049	5,941	35,666	-	35,666
Revenue from external customers	38,299	1,291	6,023	45,613	565	46,179
Intersegment revenue or transfers	-	11,411	-	11,411	-	11,411
Total	¥ 38,299	¥ 12,702	¥ 6,023	¥ 57,024	¥ 565	¥ 57,590
Segment profit	¥ 2,402	¥ 918	¥ 717	¥ 4,038	¥ 5	¥ 4,044
Thousands of U.S. Dollars						
Three-Month Period Ended June 30, 2021						
Reportable Segment				Other		
Billing	Credit Card	Finance	Total	(Note)	Total	
Revenue:						
Revenue from contracts with customers	\$ 87,017	\$ 2,190	\$ 744	\$ 89,951	\$ 5,113	\$ 95,065
Other revenue	259,329	9,486	53,727	322,544	-	322,544
Revenue from external customers	346,346	11,676	54,472	412,496	5,113	417,609
Intersegment revenue or transfers	-	103,193	-	103,193	-	103,193
Total	\$ 346,346	\$ 114,870	\$ 54,472	\$ 515,689	\$ 5,113	\$ 520,802
Segment profit	\$ 21,725	\$ 8,308	\$ 6,486	\$ 36,520	\$ 50	\$ 36,571

Note: “Other” mainly includes revenue and profit arising from services based on the “Outsourcing agreement for common operations” and “System service agreement” concluded between the Company and NTT TC Leasing Co., Ltd. other than reportable segments.

	Millions of Yen					
	Three-Month Period Ended June 30, 2020					
	Reportable Segment					
	Billing	Credit Card	Finance	Leasing	International	Total
Revenue from external customers	¥ 41,414	¥ 1,270	¥ 2,565	¥ 68,645	¥ 2,807	¥ 116,704
Intersegment revenue or transfers	54	10,707	-	-	-	10,761
Total	¥ 41,468	¥ 11,978	¥ 2,565	¥ 68,645	¥ 2,807	¥ 127,465
Segment profit	¥ 3,493	¥ 788	¥ 614	¥ 3,445	¥ 859	¥ 9,202

Differences between total amounts for reportable segments and amounts in the interim consolidated statements of income and main details of these differences

	Millions of Yen		Thousands of U.S. Dollars
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2021	2020	2021
Segment profit:			
Reportable segments total	¥ 4,038	¥ 9,202	\$ 36,520
Profit in "Other"	5	-	50
Corporate expenses (Note)	(1,083)	(2,027)	(9,798)
Operating income in the interim consolidated statements of income	¥ 2,960	¥ 7,174	\$ 26,772

Note: Corporate expenses mainly represent general and administrative expenses not attributable to reportable segments.

Information regarding change in reportable segments

The absorption-type company split was conducted during the second quarter of the year ended March 31, 2021, under which the rights and obligations of the leasing business and part of the international business of the Company were transferred to NTT TC Leasing Co., Ltd. Accordingly, the Company changed its business segments from the previous five segments ("Billing business," "Credit card business," "Finance business," "Leasing business," and "International business") to the new three segments ("Billing business," "Credit card business," and "Finance business"), effective April 1, 2021.

Significant loss on impairment of long-lived assets by reportable segment

For the three-month periods ended June 30, 2021 and 2020, there is no applicable information to disclose.

Significant change in the amount of goodwill by reportable segment

For the three-month periods ended June 30, 2021 and 2020, there is no applicable information to disclose.

Significant gain on bargain purchase by reportable segment

For the three-month periods ended June 30, 2021 and 2020, there is no applicable information to disclose.

11. SUBSEQUENT EVENTS

There are no significant subsequent events to disclose.

12. SUPPLEMENTAL INFORMATION

Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

With respect to items subject to the review of the non-consolidated taxation system conducted to coincide with transition from the consolidated taxation system to the group tax sharing system, which was created under the “Act Partially Amending the Income Tax Act” (Act No. 8 of 2020), the Company and some of its domestic consolidated subsidiaries have not applied the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) in accordance with the treatment prescribed in Paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (Practical Issues Task Force (PITF) No. 39, March 31, 2020) and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of tax laws before the revision.

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