

Interim Consolidated Financial Statements (Unaudited)

For the Nine Months Ended December 31, 2021

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries
**Interim Consolidated Balance Sheets
December 31, 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)
	December 31, 2021	March 31, 2021	December 31, 2021		December 31, 2021	March 31, 2021	December 31, 2021
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 287,140	¥ 408,851	\$ 2,496,443	Short-term bank loans	¥ 284,555	¥ 2,006,041	\$ 2,473,969
Trade accounts receivable:				Current portion of long-term borrowings	62,091	22,099	539,834
Loans	8,183,847	7,369,961	71,151,512	Current portion of bonds	20,058	108,508	174,389
Other loans	938	965	8,157	Commercial papers	1,178,051	536,495	10,242,147
Credit cards	64,359	61,096	559,546	Accounts payable - other	471,500	415,480	4,099,291
Billing	288,007	85,682	2,503,976	Accrued income taxes	57	1,023	496
Allowance for doubtful receivables	(13,802)	(15,811)	(120,001)	Deposits received	1,723,314	1,332,072	14,982,734
Investments in venture businesses	6,810	4,901	59,213	Deposits received from shareholders, directors or employees	84	91	734
Other	45,379	40,143	394,534	Asset retirement obligations	-	63	-
				Other	9,196	6,747	79,951
Total current assets	8,862,680	7,955,791	77,053,383	Total current liabilities	3,748,909	4,428,623	32,593,547
PROPERTY AND EQUIPMENT, NET:	6,160	5,346	53,562				
INTANGIBLE ASSETS—Assets held for own use	12,022	5,443	104,522	LONG-TERM LIABILITIES:			
INVESTMENTS AND OTHER ASSETS:				Bonds	2,973,446	2,351,736	25,851,558
Investment securities	16,677	15,956	144,997	Long-term borrowings	2,094,800	1,126,029	18,212,485
Other	18,524	18,515	161,052	Provision for loss on system use agreements	476	541	4,138
Allowance for doubtful receivables	(426)	(447)	(3,703)	Defined benefit liability	25,238	23,127	219,425
				Asset retirement obligations	1,465	1,444	12,740
Total investments and other assets	34,775	34,024	302,346	Other	1,989	411	17,298
DEFERRED ASSETS				Total long-term liabilities	5,097,415	3,503,290	44,317,647
Deferred charges	7,595	7,066	66,036	Total liabilities	8,846,325	7,931,914	76,911,195
Total deferred assets	7,595	7,066	66,036	NET ASSETS:			
				Shareholders' equity (Note 4):			
				Common stock—authorized, 80,000 shares;			
				issued, 51,960 shares as of December 31 and March 31, 2021	16,770	16,770	145,809
				Capital surplus	15,950	15,950	138,675
				Retained earnings	41,019	41,239	356,629
				Treasury stock; 595 shares as of December 31 and March 31, 2021	(1,126)	(1,126)	(9,798)
				Total shareholders' equity	72,614	72,833	631,316
				Accumulated other comprehensive income/(loss):			
				Unrealized gain/(loss) on available-for-sale securities	3,372	2,458	29,319
				Foreign currency translation adjustments	461	12	4,009
				Remeasurements of defined benefit plans	461	453	4,011
				Total accumulated other comprehensive income/(loss)	4,294	2,924	37,340
				Total net assets	76,908	75,758	668,656
TOTAL ASSETS	¥ 8,923,234	¥ 8,007,672	\$ 77,579,852	TOTAL LIABILITIES AND NET ASSETS	¥ 8,923,234	¥ 8,007,672	\$ 77,579,852

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries
Interim Consolidated Statements of Income
Nine-Month Periods Ended December 31, 2021 and 2020—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2021	2020	2021
REVENUE	¥ 141,949	¥ 206,147	\$ 1,234,129
COST OF SALES	70,919	123,184	616,582
Gross profit/(loss)	71,030	82,963	617,546
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	61,832	69,148	537,578
Operating income/(loss)	9,197	13,814	79,968
OTHER INCOME:			
Interest income	0	0	0
Dividend income	24	54	208
Foreign exchange gain	508	-	4,420
Gain on bad debts recovered	430	493	3,741
Earnings on equity method investments	1,148	1,173	9,983
Other	138	78	1,199
Total other income	2,249	1,799	19,553
OTHER EXPENSES:			
Interest expense	23	205	206
Foreign exchange loss	-	970	-
Loss on retirement of long-lived assets held for own use	100	110	872
Other	1	109	16
Total other expenses	126	1,395	1,095
EXTRAORDINARY INCOME:			
Gain on sales of shares of subsidiaries	-	614	-
Total extraordinary income	-	614	-
EXTRAORDINARY LOSSES:			
Restructuring expenses	166	348	1,445
Total extraordinary losses	166	348	1,445
PROFIT/(LOSS) BEFORE INCOME TAXES	11,154	14,484	96,981
INCOME TAXES	3,325	5,244	28,915
PROFIT/(LOSS)	7,828	9,239	68,065
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-	7	-
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 7,828	¥ 9,231	\$ 68,065

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Nine-Month Periods Ended December 31, 2021 and 2020—Unaudited

	Yen		U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2021	2020	2021
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	51,365
Basic earnings per share	¥ 152,416.41	¥ 179,732.13	\$ 1,325.12

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Comprehensive Income
Nine-Month Periods Ended December 31, 2021 and 2020—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2021	2020	2021
PROFIT/(LOSS)	¥ 7,828	¥ 9,239	\$ 68,065
OTHER COMPREHENSIVE INCOME/(LOSS):			
Unrealized gain/(loss) on available-for-sale securities	898	2,266	7,809
Foreign currency translation adjustments	221	(299)	1,925
Remeasurements of defined benefit plans	7	100	66
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	242	89	2,109
Total other comprehensive income/(loss)	1,369	2,157	11,910
COMPREHENSIVE INCOME/(LOSS)	¥ 9,198	¥ 11,397	\$ 79,975
Comprehensive income/(loss) attributable to:			
Owners of parent	¥ 9,198	¥ 11,389	\$ 79,975
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 ¥115.02 to \$1.00, the approximate rate of exchange at December 31, 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 nine-month period ended December 31, 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 nine-month period ended December 31, 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 nine-month periods ended December 31, 2021 and 2020:

(1) Dividends paid in cash

Nine-Month Period Ended December 31, 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	\$ 69,977	¥156,698.00	\$ 1,362.35	March 31, 2021	June 21, 2021	Retained earnings

Nine-Month Period Ended December 31, 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

(2) Dividends paid other than in cash

Nine-Month Period Ended December 31, 2020								
Resolution	Class of Shares	Class of Dividend Property	Carrying Amount of Dividend Property (Millions of Yen)	Dividends per Share (Yen)	Record Date	Effective Date	Source of Dividends	
Extraordinary shareholders' meeting held on October 9, 2020	Common stock	Shares of affiliates	¥ 46,209	¥ -	October 9, 2020	October 16, 2020	Retained earnings	

(Note) NTT (Nippon Telegraph and Telephone Corporation, the parent company of the Company) has obtained 40% of the shares of NTT TC Leasing Co., Ltd. previously owned by the Company as dividend in kind to strengthen and enhance the leasing business, etc. which had been spun off from the Company based on the capital and business tie-up agreement between NTT and Tokyo Century Corporation in February 2020. As a result of this dividend in kind and other variation, retained earnings decreased ¥58,949 million and amounted to ¥41,324 million as of December 31, 2020.

5. DEPRECIATION

Depreciation of leased assets and assets held for own use for the nine-month periods ended December 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2021	2020	2021
Leased assets and assets held for own use	¥ 3,992	¥ 2,539	\$ 34,715

6. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The amounts of financial instruments including carrying amounts on the accompanying interim consolidated balance sheets as of December 31, 2021 are critical to the business operation of the Company and its subsidiaries and do change significantly compared to those as of March 31, 2021. However, a disclosure is omitted except for bonds as the differences between the carrying amounts and their fair values are immaterial both as of December 31, 2021 and as of March 31, 2021.

December 31, 2021	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Bonds payable	¥ 2,993,504	¥ 3,062,841	¥ 69,337
December 31, 2021	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Bonds payable	\$ 26,025,947	\$ 26,628,774	\$ 602,826
March 31, 2021	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Bonds payable	¥ 2,460,244	¥ 2,499,812	¥ 39,567

7. DERIVATIVES

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

8. COMMITMENTS AND CONTINGENCIES

Contingent liabilities as of December 31, 2021 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 53,890	\$ 468,528

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 nine-month periods ended December 31, 2021 and 2020. Information on disaggregated revenue from contracts with customers is provided only for the nine-month period ended December 31, 2021.

	Millions of Yen					
	Nine-Month Period Ended December 31, 2021					
	Reportable Segment				Other (Note)	Total
	Billing	Credit Card	Accounting/ Finance	Total		
Revenue:						
Revenue from contracts with customers	¥ 28,261	¥ 691	¥ 5,152	¥ 34,105	¥ 1,691	¥ 35,797
Other revenue	85,167	3,176	17,808	106,152	-	106,152
Revenue from external customers	113,428	3,868	22,961	140,258	1,691	141,949
Intersegment revenue or transfers	-	34,508	7	34,516	-	34,516
Total	¥ 113,428	¥ 38,377	¥ 22,969	¥ 174,775	¥ 1,691	¥ 176,466
Segment profit	¥ 6,597	¥ 2,705	¥ 3,075	¥ 12,378	¥ 16	¥ 12,394

Thousands of U.S. Dollars						
Nine-Month Period Ended December 31, 2021						
Reportable Segment						
	Billing	Credit Card	Accounting/ Finance	Total	Other (Note)	Total
Revenue:						
Revenue from contracts with customers	\$ 245,709	\$ 6,014	\$ 44,796	\$ 296,520	\$ 14,704	\$ 311,224
Other revenue	740,454	27,618	154,831	922,904	-	922,904
Revenue from external customers	986,164	33,632	199,628	1,219,425	14,704	1,234,129
Intersegment revenue or transfers	-	300,024	69	300,093	-	300,093
Total	\$ 986,164	\$ 333,656	\$ 199,697	\$1,519,518	\$ 14,704	\$1,534,222
Segment profit	\$ 57,356	\$ 23,524	\$ 26,735	\$ 107,616	\$ 145	\$ 107,761
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								
Nine-Month Period Ended December 31, 2020								
Reportable Segment								
	Billing	Credit Card	Finance	Leasing	Inter-national	Total	Other (Note)	Total
Revenue from external customers	¥ 119,938	¥ 3,812	¥ 9,799	¥ 68,553	¥ 2,807	¥ 204,911	¥ 1,236	¥ 206,147
Intersegment revenue or transfers	54	32,674	-	-	-	32,729	-	32,729
Total	¥ 119,992	¥ 36,487	¥ 9,799	¥ 68,553	¥ 2,807	¥ 237,640	¥ 1,236	¥ 238,876
Segment profit	¥ 9,650	¥ 2,524	¥ 1,538	¥ 3,225	¥ 859	¥ 17,797	¥ 19	¥ 17,816
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.							

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
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2021	2020	2021
Segment profit:			
Reportable segments total	¥ 12,378	¥ 17,797	\$ 107,616
Profit in “Other”	16	19	145
Corporate expenses (Note)	(3,196)	(4,002)	(27,793)
Operating income in the interim consolidated statements of income	¥ 9,197	¥ 13,814	\$ 79,968

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

Information regarding changes 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.

The Company received the accounting business of NTT BUSINESS ASSOCIE Corporation during the second quarter of the year ending March 31, 2022. Accordingly, the previous “Finance business” segment was renamed “Accounting/Finance business,” effective July 1, 2021.

Information regarding assets by reportable segment

As of September 30, 2020, segment assets in the leasing business and the international business had decreased by ¥1,031,494 million and ¥280,890 million, respectively, compared to the respective amounts as of March 31, 2020, which was mainly the result of the absorption-type company split 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.

As of December 31, 2020, segment assets in the finance business increased by ¥4,145,291 million compared to the respective amount as of March 31, 2020, which was mainly the result of the increased loans receivable due from NTT in connection with the tender offer made by NTT for NTT DOCOMO, Inc. during the third quarter of the year ended March 31, 2021.

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

For the nine-month periods ended December 31, 2021 and 2020, there is no applicable information to disclose.

Significant change in the amount of goodwill by reportable segment

For the nine-month periods ended December 31, 2021 and 2020, there is no applicable information to disclose.

Significant gain on bargain purchase by reportable segment

For the nine-month periods ended December 31, 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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