

Consolidated Financial Statements

NTT FINANCE CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the Years Ended March 31, 2024 and 2023
Together with Independent Auditor's Report

NTT FINANCE CORPORATION and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2024 and 2023

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	2024	2023	2024	2023
CURRENT ASSETS:				
Cash and cash equivalents	¥ 203,247	¥ 290,025	\$ 1,342,362	\$ 2,256,926
Trade accounts receivable:				
Loans (Notes 11 and 17)	9,157,878	8,724,163	60,483,973	2,668,069
Credit cards	52,870	59,295	349,187	60,797
Billing (Notes 14 and 17)	264,771	93,913	1,748,703	329,601
Allowance for doubtful receivables	(40,027)	(21,072)	(264,363)	2,220,280
Investments in venture businesses (Notes 3 and 11)	8,698	6,912	57,447	6,851,782
Other (Note 14)	62,997	47,727	416,071	26
Total current assets	9,710,435	9,200,965	64,133,382	2,852,997
				39,405
				8,547,478
				780
				140,394
PROPERTY AND EQUIPMENT, NET (Note 4):	5,707	5,720	37,694	25,578,141
INTANGIBLE ASSETS—Assets held for own use	6,419	6,869	42,397	
INVESTMENTS AND OTHER ASSETS:				
Investment securities (Notes 3, 5 and 11)	17,681	16,465	116,776	20,341,303
Defined benefit asset (Note 7)	2,670	2,101	17,638	17,830,248
Deferred tax assets (Note 9)	12,059	9,726	79,649	16
Other (Notes 5 and 11)	7,113	6,815	46,979	10,415
Allowance for doubtful receivables	(475)	(467)	(3,140)	101,936
Total investments and other assets	39,049	34,641	257,903	8,739
				3,369
				38,296,029
DEFERRED ASSETS				
Deferred charges	6,509	6,316	42,989	63,874,171
Total deferred assets	6,509	6,316	42,989	
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Short-term bank loans (Note 6)	¥ 341,721	¥ 400,169		
Current portion of long-term borrowings (Notes 6 and 11)	403,972	60,797		
Current portion of bonds (Notes 6 and 11)	336,172	329,601		
Commercial papers (Note 6)	1,037,428	600,605		
Lease obligations (Note 6)	4	4		
Accounts payable - other (Note 17)	431,972	427,968		
Accrued income taxes	5,966	230		
Deposits received (Note 17)	1,294,173	1,811,338		
Deposits received from shareholders, directors or employees	118	106		
Other	21,257	11,841		
Total current liabilities	3,872,786	3,642,663		
LONG-TERM LIABILITIES:				
Bonds (Notes 6 and 11)	3,079,876	2,697,794		
Long-term borrowings (Notes 6 and 11)	2,699,677	2,805,261		
Lease obligations (Note 6)	2	6		
Provision for loss on system use agreements	1,577	1,752		
Defined benefit liability (Note 7)	15,434	18,346		
Asset retirement obligations	1,323	1,315		
Other	510	295		
Total long-term liabilities	5,798,401	5,524,771		
Total liabilities	9,671,188	9,167,435		
NET ASSETS:				
Shareholders' equity (Notes 8 and 18):				
Common stock—authorized, 80,000 shares; issued, 51,960 shares in 2024 and 2023	16,770	16,770		
Capital surplus	15,950	15,950		
Retained earnings	52,891	46,993		
Treasury stock; 595 shares in 2024 and 2023	(1,126)	(1,126)		
Total shareholders' equity	84,486	78,588		
Accumulated other comprehensive income/(loss):				
Unrealized gain/(loss) on available-for-sale securities	2,803	2,374		
Deferred gain/(loss) on hedges	(120)	-		
Foreign currency translation adjustments	4,406	2,203		
Remeasurements of defined benefit plans	5,355	3,912		
Total accumulated other comprehensive income/(loss)	12,445	8,490		
Total net assets	96,931	87,078		
TOTAL LIABILITIES AND NET ASSETS	¥ 9,768,120	¥ 9,254,513	\$ 64,514,366	\$ 64,514,366

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries
**Consolidated Statements of Income
Years Ended March 31, 2024 and 2023**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
REVENUE (Note 16):	¥ 301,767	¥ 226,403	\$ 1,993,047
COST OF SALES	173,902	122,821	1,148,551
Gross profit/(loss)	127,865	103,582	844,495
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	111,437	92,633	736,000
Operating income/(loss) (Note 16)	16,427	10,948	108,494
OTHER INCOME:			
Interest income	0	0	0
Dividend income	23	21	157
Share of profit of equity-accounted investees	1,679	1,838	11,092
Foreign exchange gain	2,146	1,073	14,177
Other	75	29	496
Total other income	3,925	2,963	25,924
OTHER EXPENSES:			
Interest expense	72	25	478
Loss on retirement of assets held for own use	63	124	420
Other	17	10	117
Total other expenses	153	160	1,016
EXTRAORDINARY LOSSES:			
Loss on termination of card business service	926	384	6,116
Loss on realization of foreign currency translation adjustments due to liquidation of foreign subsidiary	-	356	-
Expenses associated with renewal of core accounting system	448	-	2,962
Provision reserve for loss on system use agreements	504	-	3,328
Total extraordinary losses	1,878	741	12,408
PROFIT/(LOSS) BEFORE INCOME TAXES	18,319	13,010	120,994
INCOME TAXES (Note 9):			
Current	8,199	2,404	54,154
Deferred	(3,101)	656	(20,481)
Total income taxes	¥ 5,098	¥ 3,060	\$ 33,672

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2024 and 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
PROFIT/(LOSS)	¥ 13,221	¥ 9,949	\$ 87,322
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 13,221	¥ 9,949	\$ 87,322
	Yen		U.S. Dollars (Note 1)
	2024	2023	2024
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	
Basic earnings per share	¥ 257,402.93	¥ 193,708.73	\$ 1,700.04
Cash dividends applicable to the year (Note 18)	152,855.00	142,106.00	1,009.54

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended March 31, 2024 and 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
PROFIT/(LOSS)	¥ 13,221	¥ 9,949	\$ 87,322
OTHER COMPREHENSIVE INCOME/(LOSS) (Note 15):			
Unrealized gain/(loss) on available-for-sale securities	372	(140)	2,460
Deferred gain/(loss) on hedges	(120)	-	(794)
Foreign currency translation adjustments	1,954	1,007	12,911
Remeasurements of defined benefit plans	1,438	1,327	9,502
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	309	(38)	2,043
Total other comprehensive income/(loss)	3,955	2,156	26,123
COMPREHENSIVE INCOME/(LOSS)	¥ 17,176	¥ 12,106	\$ 113,445
Comprehensive income/(loss) attributable to:			
Owners of parent	¥ 17,176	¥ 12,106	\$ 113,445

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2024 and 2023

	Millions of Yen											
	Number of Shares of Common Stock Outstanding	Shareholders' Equity					Accumulated Other Comprehensive Income/(Loss)					
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gain/(Loss) on Available-for- Sale Securities	Deferred gain/(loss) on hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income/(Loss)	Total Net Assets
BALANCE, April 1, 2022	51,365	¥ 16,770	¥ 15,950	¥ 39,877	¥ (1,126)	¥ 71,472	¥ 2,762	¥ -	¥ 989	¥ 2,582	¥ 6,334	¥ 77,806
Cash dividends, ¥54,798.00 per share				(2,833)		(2,833)						(2,833)
Profit attributable to owners of parent				9,949		9,949						9,949
Net changes of items other than shareholders' equity							(387)		1,213	1,330	2,156	2,156
BALANCE, March 31, 2023	51,365	¥ 16,770	¥ 15,950	¥ 46,993	¥ (1,126)	¥ 78,588	¥ 2,374	¥ -	¥ 2,203	¥ 3,912	¥ 8,490	¥ 87,078
Cash dividends, ¥142,106.00 per share				(7,323)		(7,323)						(7,323)
Profit attributable to owners of parent				13,221		13,221	429	(120)	2,202	1,443	3,955	13,221
Net changes of items other than shareholders' equity												3,955
BALANCE, March 31, 2024	51,365	¥ 16,770	¥ 15,950	¥ 52,891	¥ (1,126)	¥ 84,486	¥ 2,803	¥ (120)	¥ 4,406	¥ 5,355	¥ 12,445	¥ 96,931

	Thousands of U.S. Dollars (Note 1)										
	Shareholders' Equity				Accumulated Other Comprehensive Income/(Loss)						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gain/(Loss) on Available-for-Sale Securities	Deferred gain/(loss) on hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Accumulated Other Comprehensive Income/(Loss)	Total Net Assets
BALANCE, April 1, 2023	\$ 110,765	\$ 105,346	\$ 310,374	\$ (7,443)	\$ 519,042	\$ 15,680	\$ -	\$ 14,551	\$ 25,842	\$ 56,074	\$ 575,116
Cash dividends, \$938.55 per share			(48,367)		(48,367)						(48,367)
Profit attributable to owners of parent			87,322		87,322	2,836	(794)	14,549	9,531	26,123	87,322
Net changes of items other than shareholders' equity											26,123
BALANCE, March 31, 2024	\$ 110,765	\$ 105,346	\$ 349,329	\$ (7,443)	\$ 557,997	\$ 18,517	\$ (794)	\$ 29,100	\$ 35,373	\$ 82,197	\$ 640,195

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2024 and 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
OPERATING ACTIVITIES:			
Profit before income taxes	¥ 18,319	¥ 13,010	\$ 120,994
Adjustments to reconcile profit before income taxes to net cash provided by/(used in) operating activities:			
Depreciation of assets held for own use	3,743	6,902	24,725
(Gain)/loss on retirement of assets held for own use	58	122	383
(Increase)/decrease in defined benefit asset	(217)	(203)	(1,435)
Increase/(decrease) in defined benefit liability	(1,190)	(1,620)	(7,862)
Increase/(decrease) in allowance for doubtful receivables	18,963	5,385	125,243
Increase/(decrease) in provision for loss on system use agreements	(175)	(628)	(1,155)
Interest and dividend income	(23)	(21)	(157)
Financing costs and interest expense	77,549	37,072	512,184
Foreign exchange (gain)/loss	96,667	40,603	638,447
Share of (profit)/loss of equity-accounted investees	(1,679)	(1,838)	(11,092)
(Gain)/loss on sales of investment securities	(6)	-	(40)
(Gain)/loss on sales of shares of affiliates	0	1	5
Bond issuance costs	1,880	1,883	12,416
Loss on realization of foreign currency translation adjustments due to liquidation of foreign subsidiary	-	356	-
(Increase)/decrease in lease receivables and investments in leases	575	425	3,801
(Increase)/decrease in trade accounts receivable - loans	(357,434)	(593,488)	(2,360,708)
(Increase)/decrease in trade accounts receivable - other loans	-	929	-
(Increase)/decrease in trade accounts receivable - credit cards	6,425	(304)	42,435
(Increase)/decrease in trade accounts receivable - billing	(170,857)	(8,268)	(1,128,444)
(Increase)/decrease in investments in venture businesses	(1,396)	(683)	(9,222)
Increase/(decrease) in accounts payable - other	3,088	17,167	20,399
Increase/(decrease) in deposits received - billing	(85,976)	(2,227)	(567,839)
Other—net	10,857	(833)	71,710
Subtotal	(380,827)	(486,256)	(2,515,210)
Interest and dividend income received	661	1,736	4,371
Interest expense paid	(48,216)	(35,616)	(318,449)
Income taxes refund/(paid)	(1,885)	(5,056)	(12,451)
Net cash provided by/(used in) operating activities	¥ (430,267)	¥ (525,193)	\$ (2,841,739)

NTT FINANCE CORPORATION and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2024 and 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
Net cash provided by/(used in) operating activities	¥ (430,267)	¥ (525,193)	\$ (2,841,739)
INVESTING ACTIVITIES:			
Proceeds from sale and redemption of investment securities	6	-	41
Proceeds from sales of shares of affiliates	2	3	13
Proceeds from liquidation of affiliates	-	2,190	-
Payments for purchases of assets held for own use	(3,553)	(2,679)	(23,471)
Other—net	(417)	(216)	(2,759)
Net cash provided by/(used in) investing activities	(3,963)	(702)	(26,175)
FINANCING ACTIVITIES:			
Increase/(decrease) in short-term bank loans	(84,449)	83,986	(557,756)
Increase/(decrease) in commercial papers	307,706	181,680	2,032,275
Increase in long-term borrowings	284,078	810,000	1,876,217
Repayments of long-term borrowings	(99,474)	(147,449)	(656,988)
Proceeds from issuance of bonds	712,320	206,712	4,704,577
Redemption of bonds	(330,128)	(179,150)	(2,180,357)
Cash dividends paid	(7,299)	(2,814)	(48,208)
Increase/(decrease) in deposits received	(435,124)	(503,568)	(2,873,817)
Other—net	(4)	(4)	(26)
Net cash provided by/(used in) financing activities	347,624	449,391	2,295,915
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(171)	1,961	(1,134)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(86,778)	(74,542)	(573,134)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	290,025	364,567	1,915,496
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 203,247	¥ 290,025	\$ 1,342,362

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Years Ended March 31, 2024 and 2023

1. BASIS OF PRESENTATION OF 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 (the “Companies Act”), 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 consolidated financial statements have been compiled from the 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 consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the prior year’s consolidated financial statements to bring them into conformity with the current year’s presentation.

The accompanying 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 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 ¥151.41 to \$1.00, the approximate rate of exchange at March 31, 2024, and then the translated amounts have been rounded down to the nearest thousand. As a result, the totals shown in the accompanying 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation*—Entities over which the Company has, directly or indirectly, a controlling financial interest are fully consolidated, and entities over which the Company has the ability to exercise significant influence are accounted for by the equity method.

The consolidated financial statements as of March 31, 2024 include the accounts of the Company and its 4 significant subsidiaries, such as NTT Finance Americas Inc. (together, the “Group”). NTT Finance Investment, Inc. was excluded from the scope of consolidation because it is small in scale in terms of its total assets, net sales, profit, retained earnings, etc., and these items as a whole do not significantly affect the consolidated financial statements.

Investments in 3 affiliates are accounted for by the equity method.

Investment in 5 non-consolidated subsidiaries are stated at cost and are excluded from the scope of applying the equity method of accounting due to their immaterial effect to the consolidated financial statements even if the equity method of accounting had been applied.

The fiscal year-end of 1 consolidated subsidiary, NTT Finance Israel L.P., is December 31. Pro forma financial statements as of March 31 are prepared in a manner that is substantially same as the fiscal year-end financial statements and used for consolidation. The fiscal year-end of other consolidated subsidiaries are the same as the balance sheet date.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

- b. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are not exposed to significant risk of changes in value. All cash equivalents mature or become due within three months from the date of acquisition.
- c. Securities, Investment Securities and Investments in Venture Businesses**—Securities, investment securities and investments in venture businesses are classified and accounted for, depending on management’s intent, as follows: (i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, (ii) available-for-sale securities, except for equity securities without market price, are stated at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. Costs of securities sold are determined by the moving-average method and (iii) equity securities without market price are stated at cost determined by the moving-average method.
- d. Property and Equipment**—Property and equipment are stated at cost less accumulated depreciation. Depreciation of assets held for own use is computed using the straight-line method. The range of useful lives is principally from 8 to 18 years for buildings and facilities attached to buildings, and from 2 to 20 years for furniture and fixtures.
- e. Intangible Assets**—Assets held for own use are stated at cost less accumulated amortization, which is calculated by the straight-line method. Software for internal use is amortized using the straight-line method over an estimated useful life of 2 to 7 years.
- f. Goodwill**—Goodwill is amortized using the straight-line method over the period where the respective goodwill is considered to be effective.
- g. Long-Lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured at the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- h. Bond Issuance Costs**—Bond issuance costs were amortized using the interest method over the bond redemption period.
- i. Allowance for Doubtful Receivables**—Allowance for doubtful receivables is provided for at an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables such as due from debtors likely to become bankrupt and/or from debtors in bankruptcy and reorganization based on the examination on their financial conditions and the amount calculated based on the historical rate of losses for the other regular receivables.
- j. Provision for Loss on System Use Agreements**—Provision for loss on system use agreements is recognized based on the estimated loss amount as of the balance sheet date to provide for the loss associated with unavoidable expenses incurring for remaining periods of system use agreements related to the telephone fee combined services.
- k. Retirement Benefit Plans**—The Company has funded and unfunded defined benefit plans. In determining retirement benefit obligations, the benefit formula basis is used for the method of attributing expected benefit to periods. Past service costs are amortized by the straight-line method over the average remaining years of service of the employees when such past service costs occur. Actuarial gains or losses are amortized by the straight-line method over periods based on the average remaining years of service of the employees in the fiscal year when such gains or losses occur, commencing from the following fiscal year.

- l. Asset Retirement Obligations**—Asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized in the period when a reasonable estimate of the asset retirement obligation can be made.

Upon initial recognition of liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

- m. Revenue Recognition on Finance Lease Transactions**—Revenues from finance lease contracts and corresponding costs are recognized at the time of actual collection of the payments.
- n. Revenue Arising from Contracts with Customers**—Major contents of performance obligations relating to revenue arising from contracts with customers of the Group and timing of the satisfaction of performance obligations (timing of revenue recognition) are as follows:

(a) Billing business

The Group is contracted for billing and collection for telecommunication services mainly for NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, NTT COMMUNICATIONS CORPORATION and NTT DOCOMO, Inc. Revenue is recognized in the amount, which the Group expects to be entitled in exchange for the transfer of service when the Group collected such telecommunication service charges as the performance obligation is determined to be satisfied at that time, in the amount to which the Group expects to be entitled in exchange for the transfer of goods or services.

(b) Credit card business

The Group provides services relating to credit card settlement processing systems mainly to member stores. The performance obligation is determined to be satisfied over time as the customers receive benefit of facilitation of settlement through continuous usage of the credit card settlement solutions of the Group. Revenue is recognized in the amount to which the Group expects to be entitled in exchange for the transfer of service.

(c) Accounting and finance business

The Group provides, maintains, and operates the uniform accounting system functions mainly to NTT Group companies. The performance obligation is determined to be satisfied over time as the customers receive benefit of improvements in operational efficiency and quality through stable system provided by the Group. Revenue is recognized in the amount to which the Group expects to be entitled in exchange for the transfer of service.

- o. Income Taxes**—Provision for income taxes is computed based on taxable income and charged to income on an accrual basis. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- p. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by foreign exchange forward contracts.
- q. Foreign Currency Financial Statements**—Assets and liabilities of major foreign subsidiaries are translated into Japanese yen at the exchange rates at the balance sheet date, and income and expenses of these subsidiaries are translated into Japanese yen using the average exchange rates during the year. Differences arising from such translation are shown as foreign currency translation adjustments in a separate component of net assets.

- r. Derivatives and Hedge Accounting**—All derivatives, except for certain contracts described below, are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income. For derivatives which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until the gains or losses on the corresponding hedged items are recognized in income.

Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts which meet specific matching criteria are translated at the foreign exchange rate stipulated in the contracts. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the net amount to be paid or received under the swap agreements are recognized and included in cost of sales.

-Hedge accounting treatments applying “the Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR”

Of the above-mentioned hedge accounting treatments, the Company applied the exceptional treatment defined in the “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (“Practical Solution,” Practical Issues Task Force (PITF) No. 40, March 17, 2022) to all hedge accounting treatments in the scope of the Practical Solution. The details of the hedge accounting treatments in the scope of the Practical Solution are as follows:

Method of hedge accounting: Allocation method (Furiate-shori)
Hedging instruments: Currency swap contracts
Hedged items: Financial liabilities denominated in foreign currencies
Type of hedge transaction: Transactions denominated in foreign currencies with fixed cash flows to hedge foreign exchange rate volatility

- s. Per Share Information**—Basic earnings per share is computed by dividing profit attributable to owners of parent by the weighted-average number of common shares outstanding for the period.

Diluted earnings per share reflects the potential dilution that could occur if stock acquisition rights were exercised into common stock. Diluted earnings per share of common stock assumes full exercise of the outstanding stock acquisition rights at the beginning of the year (or at the time of grant).

Diluted earnings per share is not disclosed because no potentially dilutive securities are outstanding.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the respective year.

t. Significant Accounting Estimates

Accounting estimates recognized in the consolidated financial statements for the year ended March 31, 2024 could have a significant impact on the consolidated financial statements for the year ending March 31, 2025. The significant item of these estimates is allowance for doubtful receivables related to billing receivables provided mostly for general receivables. The detail of those estimate items are as follows:

(a) Amounts recognized in the years ended March 31, 2024 and 2023

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Allowance for doubtful billing receivables	¥ 39,296	¥ 20,287	\$ 259,535

(b) Information regarding the significant accounting estimates of the identified items

Allowance for doubtful billing receivables is recognized based on the historical rate of losses for the other regular billing receivables. The historical rate of credit losses is calculated based on the historical credit losses for each number of elapsed months of billing receivables according to the management's judgement that probable credit losses approximate the historical credit losses.

In addition, given the significant amounts of general receivables, the appropriateness of the historical rate of credit losses may have a significant effect on the determination of allowance for doubtful receivables for general receivables.

Since the respective estimates can be affected by the future events such as changes in uncertain economic conditions, the estimates could have a significant impact on the business results in the following fiscal year ending March 31, 2025 in case the actual defaults on billing receivables will differ from the estimates.

u. Accounting Standards Issued but not yet Applied

- Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(a) Overview

ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting and other guidances were issued in February 2018, and the relocation of the practical guidelines related to tax effect accounting, issued by The Japanese Institute of Certified Public Accountants ("JICPA"), from the JICPA to the ASBJ, was completed. The following two topics, which were to be reviewed again after the issuance of ASBJ Statement No. 28 in the course of discussions for the relocation, were discussed and issued at this time.

- Classification of income taxes (when taxes are imposed on other comprehensive income)
- Tax effects related to the sale of shares in subsidiaries and affiliates when the corporate group tax system is applied

(b) Scheduled date of application

The above standards and guidance are scheduled to be applied from the beginning of the fiscal year ending March 31, 2025.

(c) Effects of application of the standards, etc.

The effects of the application on the consolidated financial statements are currently being assessed.

3. SECURITIES, INVESTMENT SECURITIES AND INVESTMENTS IN VENTURE BUSINESSES

Acquisition cost and fair value of available-for-sale securities as of March 31, 2024 and 2023 are as follows:

Millions of Yen			
2024			
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 3,520	¥ 357	¥ 3,162
Sub-total	3,520	357	3,162
Securities with fair values not exceeding acquisition costs or amortized costs:			
Total	¥ -	¥ -	¥ -
	¥ 3,520	¥ 357	¥ 3,162
Thousands of U.S. Dollars			
2024			
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	\$ 23,250	\$ 2,361	\$ 20,888
Sub-total	23,250	2,361	20,888
Securities with fair values not exceeding acquisition costs or amortized costs:			
Total	\$ -	\$ -	\$ -
	\$ 23,250	\$ 2,361	\$ 20,888
Millions of Yen			
2023			
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 3,582	¥ 353	¥ 3,228
Sub-total	3,582	353	3,228
Securities with fair values not exceeding acquisition costs or amortized costs:			
Total	¥ -	¥ -	¥ -
	¥ 3,582	¥ 353	¥ 3,228

As of March 31, 2024 and 2023, unlisted equity securities of ¥2,862 million (\$18,908 thousand) and ¥1,484 million and investments in partnerships of ¥3,289 million (\$21,724 thousand) and ¥2,696 million are excluded from the above table because they do not have readily determinable market values.

Securities sold during the years ended March 31, 2024 and 2023 are as follows:

Millions of Yen			
2024			
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	¥ 113	¥ 96	¥ -

	Thousands of U.S. Dollars		
	2024		
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	\$ 750	\$ 640	\$ -
	Millions of Yen		
	2023		
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	¥ 3	¥ -	¥ 1

If the fair value of a security other than an equity security without market price as of a fiscal year-end declines 50% or more from its acquisition cost, the difference between the fair value and the acquisition cost is recognized as loss on impairment.

In addition, if the fair value of a security as of a fiscal year-end declines 30% to 50% from its acquisition cost, the necessary amount based on the consideration of the recoverability is recognized as loss on impairment.

Losses on impairment of available-for-sale securities for the years ended March 31, 2024 and 2023 were nil and ¥325 million, respectively.

4. PROPERTY AND EQUIPMENT, NET

Accumulated depreciation of assets held for own use as of March 31, 2024 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Assets held for own use	¥ 5,438	¥ 6,852	\$ 35,918

5. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in non-consolidated subsidiaries and affiliates as of March 31, 2024 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Investment securities	¥ 16,706	¥ 15,614	\$ 110,341
Other under investments and other assets	3,338	3,033	22,051

Investment securities include investments in jointly controlled entities in the amount of ¥15,205 million (\$100,429 thousand) and ¥14,130 million for the years ended March 31, 2024 and 2023, respectively.

Other under investments and other assets includes investments in silent partnerships. Silent partnerships are Japanese bilateral contracts governed by the Commercial Code of Japan between silent partners and an operator.

Under a silent partnership agreement, silent partners provide funds for partnership business and are entitled to be allocated all profits or losses arising from the business. However, the silent partners do not have any interest or right to the assets of the partnership business. Also, the silent partners shall have no authority, control over, or interest in the partnership business except participating in the allocated profits or losses.

The operator operates the partnership business for the benefit of the silent partners and makes distributions of profits and losses to the silent partners in accordance with the partnership agreement.

6. SHORT-TERM AND LONG-TERM DEBT

Short-term and long-term debts as of March 31, 2024 and 2023 consisted of the following:

	Interest Rate (%) (Notes a, b, c and d)	Millions of Yen		Thousands of U.S. Dollars
		2024	2023	2024
Short-term debt:				
Short-term bank loans	5.414	¥ 341,721	¥ 400,169	\$ 2,256,926
Commercial papers	3.785	1,037,428	600,605	6,851,782
Short-term borrowings		1,379,149	1,000,775	9,108,708
Lease obligations, current portion	-	4	4	26
Deposits received from NTT Group companies, including current portion of long-term deposits received from NTT Group companies	0.365	1,222,540	1,654,645	8,074,373
Long-term debt:				
Long-term borrowings	0.927%	3,103,650	2,866,059	20,498,317
Unsecured bonds	0.001 – 4.372	3,376,594	2,968,859	22,300,999
Bonds issued under Euro Medium Term Note Program	0.332 – 1.302	39,455	58,535	260,584
Sub-total		6,519,699	5,893,454	43,059,902
Less current portion	0.641%	740,145	390,398	4,888,349
Long-term debt		5,779,554	5,503,055	38,171,552
Lease obligations, excluding current portion	-	2	6	16

- Notes:
- Interest rate represents a weighted-average rate of interest on the outstanding balance of debt (excluding bonds and finance lease obligations) as of March 31, 2024.
 - Interest rate for unsecured bonds represents the range of annual coupon rates rounded down to the nearest hundredth percent.
 - Interest rate for bonds issued under Euro Medium Term Note Program represents the range of annual coupon rates rounded down to the nearest hundredth percent.
 - Interest rate for finance lease obligations is not disclosed since lease obligations are recorded on the consolidated balance sheets in the amount not deducting the amount equivalent to interest that is included in the total lease payment.

The annual maturities of long-term borrowings, bonds payable, and lease obligations over 1 year through 5 years as of March 31, 2024 are summarized as follows:

	Millions of Yen			
	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years
March 31, 2024				
Long-term borrowings	¥ 595,575	¥ 499,913	¥ 506,006	¥ 443,282
Bonds payable	452,438	548,300	276,052	482,945
Lease obligations	1	0	-	-

	Thousands of U.S. Dollars			
	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years
March 31, 2024				
Long-term borrowings	\$3,933,530	\$3,301,720	\$3,341,962	\$2,927,693
Bonds payable	2,988,167	3,621,293	1,823,209	3,189,656
Lease obligations	10	5	-	-

7. RETIREMENT BENEFITS

(1) Overview of Retirement Benefit Plans

The Company has funded and unfunded defined benefit plans (mainly NTT corporate pension fund plan, contract-type corporate pension plan and lump-sum payment plan) and defined contribution plans. The defined benefit corporate pension plans, all of which are funded, provide lump-sum or pension benefits based on salaries and the length of service. The lump-sum payment plan, which is unfunded, provides lump-sum benefits based on salaries and the length of service.

Contribution to the contract-type corporate pension plan made on or after April 1, 2014 has been transferred to a defined contribution pension plan.

(2) Defined Benefit Plans

(a) Reconciliation between retirement benefit obligations at beginning and end of year

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Retirement benefit obligations at beginning of year	¥ 39,851	¥ 43,924	\$ 263,204
Current service costs	1,088	1,263	7,189
Interest costs	519	383	3,431
Actuarial gains and losses arising during year	(1,152)	(2,604)	(7,608)
Retirement benefits paid	(2,849)	(3,306)	(18,822)
Succession due to transfer	351	192	2,320
Retirement benefit obligations at end of year	¥ 37,809	¥ 39,851	\$ 249,714

(b) *Reconciliation between plan assets at beginning and end of year*

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Plan assets at beginning of year	¥ 23,606	¥ 23,941	\$ 155,910
Expected return on plan assets	414	419	2,738
Actuarial gains and losses arising during year	1,446	(355)	9,555
Contribution from employer	303	297	2,003
Retirement benefits paid	(776)	(697)	(5,127)
Succession due to transfer	63	13	416
Other	(12)	(12)	(82)
Plan assets at end of year	¥ 25,045	¥ 23,606	\$ 165,416

(c) *Reconciliation between retirement benefit obligations and plan assets and defined benefit liability and defined benefit asset on the consolidated balance sheets*

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Retirement benefit obligations of funded plans	¥ 25,848	¥ 26,873	\$ 170,719
Plan assets	(25,045)	(23,606)	(165,416)
	803	3,267	5,303
Retirement benefit obligations of unfunded plans	11,960	12,978	78,994
Net balance of liability and asset recorded on the consolidated balance sheet	12,763	16,245	84,298
Defined benefit liability	15,434	18,346	101,936
Defined benefit asset	(2,670)	(2,101)	(17,638)
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 12,763	¥ 16,245	\$ 84,298

(d) *Profit and loss related to retirement benefits*

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Current service costs	¥ 1,088	¥ 1,263	\$ 7,189
Interest costs	519	383	3,431
Expected return on plan assets	(414)	(419)	(2,738)
Amortization of actuarial gains and losses	(476)	(271)	(3,145)
Amortization of past service costs	(48)	(64)	(321)
Retirement benefit costs on defined benefit plans	¥ 668	¥ 891	\$ 4,415

(e) *Remeasurements of defined benefit plans recorded in other comprehensive income*

Breakdown of items recorded as remeasurements of defined benefit plans, before tax, recorded in other comprehensive income is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Past service costs	¥ (48)	¥ (64)	\$ (321)
Actuarial gains and losses	2,122	1,977	14,018
Total	¥ 2,073	¥ 1,913	\$ 13,697

(f) *Remeasurements of defined benefit plans recorded in accumulated other comprehensive income*

Breakdown of items recorded as remeasurements of defined benefit plans, before tax, included in accumulated other comprehensive income is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrecognized past service costs	¥ 50	¥ 99	\$ 335
Unrecognized actuarial gains and losses	7,649	5,527	50,522
Total	¥ 7,700	¥ 5,626	\$ 50,858

(g) *Breakdown of plan assets*

Percentage to total plan assets by main category is as follows:

	2024	2023
Cash and cash equivalents	2.23%	3.49%
Debt securities	39.51	40.63
Equity securities	11.82	12.26
Beneficiary certificates of securities investment trust	17.75	18.04
Jointly managed money trust	11.82	7.70
General account of life insurance	12.56	13.65
Other	4.31	4.23
Total	100.00%	100.00%

(h) *Determination of long-term expected rate of return*

In determining long-term expected rate of return on plan assets, the Company considers current and future plan asset portfolio, and expected return and risks based on the analysis of past yields on various long-term investments.

(i) *Actuarial assumptions*

	2024	2023
Actuarial assumptions at end of year:		
Discount rate	0.9 - 1.6%	0.9 - 1.3%
Long-term expected rate of return:		
NTT corporate pension fund	2.5%	2.5%
Contract-type corporate pension	1.0%	1.0%

(3) *Defined Contribution Plans*

The required contributions to the defined contribution plans of the Company amounted to ¥204 million (\$1,349 thousand) and ¥193 million, for the years ended March 31, 2024 and 2023, respectively.

8. EQUITY

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also permits companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of net assets. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from stock acquisition rights.

The following dividends were paid during the years ended March 31, 2024 and 2023:

(1) Dividends paid in cash

Year Ended March 31, 2024							
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
Annual shareholders' meeting held on June 16, 2023	Common stock	¥ 7,299	\$ 48,208	¥142,106.00	\$ 938.55	March 31, 2023	June 19, 2023

Year Ended March 31, 2023							
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
Annual shareholders' meeting held on June 17, 2022	Common stock	¥ 2,814	\$ 18,589	¥54,798.00	\$ 361.92	March 31, 2022	June 20, 2022

(2) Dividends paid other than in cash

Year Ended March 31, 2024								
Resolution	Class of Shares	Class of Dividend Property	Carrying Amount of Dividend Property (Millions of Yen)	Carrying Amount of Dividend Property (Thousands of U.S. Dollars)	Dividends per Share (Yen)	Dividends per Share (U.S. Dollars)	Record Date	Effective Date
Extraordinary shareholders' meeting held on April 21, 2023	Common stock	Available -for-sale securities	¥ 24	\$ 158	¥ -	\$ -	April 21, 2023	May 12, 2023

Year Ended March 31, 2023								
Resolution	Class of Shares	Class of Dividend Property	Carrying Amount of Dividend Property (Millions of Yen)	Carrying Amount of Dividend Property (Thousands of U.S. Dollars)	Dividends per Share (Yen)	Dividends per Share (U.S. Dollars)	Record Date	Effective Date
Annual shareholders' meeting held on June 17, 2022	Common stock	Available -for-sale securities	¥ 19	\$ 126	¥ -	\$ -	June 17, 2022	June 30, 2022

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences which resulted in net deferred tax assets as of March 31, 2024 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deferred tax assets:			
Accrued enterprise taxes	¥ 369	¥ 52	\$ 2,437
Accrued bonuses	365	460	2,413
Accounts payable - other	390	327	2,580
Allowance for doubtful receivables	7,672	3,944	50,674
Accrued retirement benefits	4,657	5,618	30,758
Loss on valuation of investment securities	466	499	3,079
Provision for loss on system use agreements	482	536	3,189
Others	1,025	1,167	6,772
Sub-total	15,429	12,606	101,904
Valuation allowance	(888)	(919)	(5,868)
Total deferred tax assets	14,540	11,687	96,036
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(1,299)	(1,134)	(8,582)
Others	(1,181)	(826)	(7,805)
Total deferred tax liabilities	(2,481)	(1,961)	(16,387)
Net deferred tax assets	¥ 12,059	¥ 9,726	\$ 79,649

Reconciliation between the statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2024 and 2023 is as follows:

	2024	2023
Statutory tax rate	30.6%	30.6%
Tax on undistributed profits for a family corporation	1.2	0.7
Per capita inhabitant tax	0.3	0.6
Changes in valuation allowance	0.3	0.2
Difference in tax rates of consolidated subsidiaries	(1.8)	(3.4)
Share of profit of equity-accounted investees	(2.8)	(4.3)
Others	0.0	(0.9)
Actual effective tax rate	27.8%	23.5%

The Company and some of its domestic subsidiaries have applied the group tax sharing system. Corporate and local taxes and tax effect accounting are accounted for and disclosed in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021).

10. LEASES

Lease transactions as lessee

Future minimum lease payments under non-cancelable operating leases are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Due in 1 year or less	¥ 581	¥ 578	\$ 3,843
Due after 1 year	186	422	1,232
Total	¥ 768	¥ 1,001	\$ 5,076

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group mainly engages in financial businesses such as loans to domestic and overseas NTT Group companies. In order to cover funds necessary for these businesses, the Group raises funds through bank borrowings, issuance of corporate bonds and commercial papers, and acceptance of excess funds from NTT Group companies. The Group periodically adjusts the balance between short-term and long-term products, taking market conditions into account, and intends to further diversify its financing methods and counterparties and obtains credit facilities from various financial institutions.

In order to quickly respond to changes in financial markets, the Group aims to optimize the relationship between sources and uses of funds, taking into account market trends in various interest rates and foreign exchange rates and implementing appropriate asset liability management (“ALM”). In line with this goal, the Group has various derivative transactions only for hedging purposes and not for trading purposes.

(2) Nature and Extent of Risks Arising from Financial Instruments

Loans receivable held by the Group are exposed to credit loss due to counterparties’ default and fluctuations in interest rates.

Investments in venture businesses and investment securities mainly consist of equity securities. These securities are held for capital gain or to promote business relationships, which are exposed to credit risk of issuers, interest rate risk and market risk, respectively.

Bank borrowings, corporate bonds and commercial papers are exposed to liquidity risk, i.e., the risk the Group cannot meet its contractual obligations in full on maturity dates for such reasons as the Group would be unable to access financial markets under certain circumstances. Furthermore, the Group uses funds based on variable rates, which are exposed to risk resulting from fluctuations in interest rates. In order to avoid such risk, the Group uses interest rate swaps for certain financing transactions.

Assets and liabilities denominated in foreign currencies are exposed to foreign currency risk. The Group manages each transaction to mitigate such risk by matching the amount of cash flows attributed to these assets and liabilities or by using currency swap contracts and forward foreign exchange contracts.

The Group uses hedging derivatives such as interest rate swaps, currency swaps and foreign exchange forward contracts. Moreover, credit derivatives could be used to avoid credit risk of assets held by the Group, if appropriate. Hedging derivatives are exposed to risk associated with fluctuations in market prices and risk attributable to counterparties’ default, but the Group considers that market risk and credit risk are extremely low because fair value of such derivatives is highly correlated with that of hedged item and the counterparty is limited to creditworthy financial institutions with limited risk of default.

(3) Risk Management for Financial Instruments

Credit risk management

The Group manages credit risk in accordance with internal rules. For each credit transaction, the Group implements such procedures as performing ex-ante evaluation and ex-post monitoring and reevaluation of customer credit, securing collateral or guarantees, and addressing troubled receivables, if any.

Liquidity risk management on financing

The Group manages its liquidity risk, taking market conditions into account, by adjusting the balance of financial products between long-term and short-term on a regular basis, using the ALM technique, by diversifying financing methods and counterparties and by obtaining credit facilities from various financial institutions.

Market risk management

Risks of interest rate fluctuations

The Group comprehensively monitors interest rates and terms of financial assets and liabilities on a continual basis, using the ALM technique and performing gap analysis and sensitivity analysis.

Risk of exchange rate fluctuations

Each transaction denominated in foreign currency is managed to avoid foreign currency risk by matching the amount of cash flows attributed to these assets and liabilities or by using currency swap contracts and forward foreign exchange contracts.

Risks of price fluctuations

Investment securities, which are exposed to risk of price fluctuations, are managed through periodic monitoring of their fair values and the financial positions of issuers.

Quantitative information on market risk

Loans receivable, long-term borrowings, corporate bonds and interest rate swaps are exposed to interest rate risk.

Effects of interest rate fluctuations on these financial instruments, which are measured based on the maximum interest rate change observed during a certain period after the zero-interest-rate policy ended, are used in quantitative analysis for managing interest rate risk. In measuring the effects, financial instruments subject to this analysis are classified into two kinds: those with fixed rates and with variable rates. Each of them is further broken down by maturity in order to apply relevant interest rate change corresponding to maturity. Increase in interest rate by one basis point (0.01%) as of March 31, 2024 and 2023 is estimated to decrease market value of the Group's net financial assets by ¥75 million (\$499 thousand) and ¥35 million, respectively, keeping all other parameters fixed. This analysis does not consider correlation between interest rate and other parameters.

Management of derivative transactions

The Group enters into derivative transactions in accordance with its internal "Derivative Transaction Rule," which stipulates purposes of use, authorization and management thereof in order to hedge risks such as fluctuation risks in interest rates and foreign currency exchange rates.

Moreover, the status of derivative transactions is reported to the Executive Committee periodically.

(4) Fair Values of Financial Instruments

Measurement of fair values of financial instruments reflects certain variable factors. The resulting fair values may differ if different assumptions are applied. Carrying amount of derivative transactions in the following table does not represent market risk.

(5) Fair value of financial instruments and breakdown by level of fair values

The carrying amounts of financial instruments presented in the consolidated balance sheets, their fair values and the differences and their breakdown by the level of fair values as of March 31, 2024 and 2023 are as follows. Equity securities without market price and investments in partnerships are not included in the following table; information on such instruments is presented in the table (b) below.

Fair values of financial instruments are categorized into following three levels depending on observability and materiality of inputs used for the measurement of fair values.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

If multiple inputs that have significant impact on the fair value measurement are used, the fair value is categorized in the level of the lowest level input used in the fair value measurement.

(a) Financial assets and liabilities whose fair values are presented as carrying amounts in the consolidated balance sheets

March 31, 2024	Millions of Yen			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Investments in venture businesses and investment securities:				
Available-for-sale securities				
Equity securities	¥ 3,520	¥ -	¥ -	¥ 3,520
Debt securities	-	-	-	-
Other securities	-	-	-	-
Total assets	¥ 3,520	¥ -	¥ -	¥ 3,520
Derivative transactions (Notes a and b):				
Currency related	¥ -	¥ -	¥ -	¥ -
Interest related	-	(140)	-	(140)
Total derivative transactions	¥ -	¥ (140)	¥ -	¥ (140)
March 31, 2024	Thousands of U.S. Dollars			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Investments in venture businesses and investment securities:				
Available-for-sale securities				
Equity securities	\$ 23,250	\$ -	\$ -	\$ 23,250
Debt securities	-	-	-	-
Other securities	-	-	-	-
Total assets	\$ 23,250	\$ -	\$ -	\$ 23,250
Derivative transactions (Notes a and b):				
Currency related	\$ -	\$ -	\$ -	\$ -
Interest related	-	(926)	-	(926)
Total derivative transactions	\$ -	\$ (926)	\$ -	\$ (926)

March 31, 2023	Millions of Yen			
	Carrying Amount			Total
	Level 1	Level 2	Level 3	
Investments in venture businesses and investment securities:				
Available-for-sale securities				
Equity securities	¥ 3,582	¥ -	¥ -	¥ 3,582
Debt securities	-	-	-	-
Other securities	-	-	-	-
Total	¥ 3,582	¥ -	¥ -	¥ 3,582

- Notes: a. Receivables and payables arising from derivative transactions are presented on a net basis.
b. Fair value of derivative transactions arising from interest rate swaps for which deferral hedge accounting is applied.

(b) Financial assets and liabilities whose carrying amounts in the consolidated balance sheets are not based on fair values

Disclosure of “Cash and Cash Equivalents,” “Credit Card Receivables,” “Billing Receivables,” “Short-term Bank Loans,” “Commercial Papers,” “Accounts Payable – Other,” “Deposits Received,” and “Deposits Received from Shareholders, Directors or Employees” are omitted since their carrying amounts approximate their fair values because of their short maturities.

March 31, 2024	Millions of Yen					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
Loans receivable	¥ -	¥ -	¥ 9,070,447	¥ 9,070,447	¥ 9,157,878	¥ (87,430)
Total assets	¥ -	¥ -	¥ 9,070,447	¥ 9,070,447	¥ 9,157,878	¥ (87,430)
Bonds payable	¥ -	¥ 3,635,941	¥ -	¥ 3,635,941	¥ 3,416,049	¥ 219,891
Long-term borrowings	-	3,088,696	-	3,088,696	3,103,650	(14,953)
Total liabilities	¥ -	¥ 6,724,637	¥ -	¥ 6,724,637	¥ 6,519,699	¥ 204,938
Derivative transactions (Notes a and b):						
Interest related	¥ -	¥ 268,232	¥ -	¥ 268,232	¥ -	¥ 268,232
Currency related	-	768	-	768	-	768
Total derivative transactions	¥ -	¥ 269,001	¥ -	¥ 269,001	¥ -	¥ 269,001

March 31, 2024	Thousands of U.S. Dollars					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
Loans receivable	\$ -	\$ -	\$ 59,906,529	\$ 59,906,529	\$ 60,483,973	\$ (577,443)
Total assets	\$ -	\$ -	\$ 59,906,529	\$ 59,906,529	\$ 60,483,973	\$ (577,443)
Bonds payable	\$ -	\$ 24,013,878	\$ -	\$ 24,013,878	\$ 22,561,584	\$ 1,452,294
Long-term borrowings	-	20,399,555	-	20,399,555	20,498,317	(98,762)
Total liabilities	\$ -	\$ 44,413,433	\$ -	\$ 44,413,433	\$ 43,059,902	\$ 1,353,531
Derivative transactions (Notes a and b):						
Interest related	\$ -	\$ 1,771,564	\$ -	\$ 1,771,564	\$ -	\$ 1,771,564
Currency related	-	5,077	-	5,077	-	5,077
Total derivative transactions	\$ -	\$ 1,776,641	\$ -	\$ 1,776,641	\$ -	\$ 1,776,641

March 31, 2023	Millions of Yen						
	Fair Value				Carrying Amount	Difference	
	Level 1	Level 2	Level 3	Total			
Loans receivable	¥ -	¥ -	¥ 8,641,653	¥ 8,641,653	¥ 8,724,163	¥ (82,509)	
Total assets	¥ -	¥ -	¥ 8,641,653	¥ 8,641,653	¥ 8,724,163	¥ (82,509)	
Bonds payable	¥ -	¥ 3,049,352	¥ -	¥ 3,049,352	¥ 3,027,395	¥ 21,956	
Long-term borrowings	-	2,833,299	-	2,833,299	2,866,059	(32,759)	
Total liabilities	¥ -	¥ 5,882,651	¥ -	¥ 5,882,651	¥ 5,893,454	¥ (10,802)	
Derivative transactions (Notes a and b):							
Interest related	¥ -	¥ 78,982	¥ -	¥ 78,982	¥ -	¥ 78,982	
Currency related	-	1,079	-	1,079	-	1,079	
Total derivative transactions	¥ -	¥ 80,062	¥ -	¥ 80,062	¥ -	¥ 80,062	

- Notes:
- Receivables and payables arising from derivative transactions are presented on a net basis.
 - Fair value of derivative transactions arising from interest rate swaps that meet specific matching criteria and foreign exchange forward contracts which meet specific matching criteria for which hedge accounting is applied.

Assets

Loans Receivable

The carrying amounts of loans with variable interest rates approximate their fair values because such loans reflect market rates in the short term and credit conditions of counterparties do not significantly change after the loan executions. The fair value of loans with fixed interest rates is calculated by discounting contractual cash flows using interest rates currently available to the Group for similar transactions. The fair values of loans are categorized in Level 3 as credit risk information used for the measurement of their fair values are unobservable inputs.

Investments in Venture Businesses and Investment Securities

The fair values of listed stocks are determined based on quoted market prices and categorized in Level 1, and the fair values of debt securities are generally valued at the market quotes obtained from financial institutions, which are estimated taking into account relevant factors such as fluctuations in interest rates, credit rating, remaining maturity and the fair value of underlying assets in case of asset-backed securities and categorized in Level 2.

The Group does not hold trading purpose securities and held-to-maturity debt securities as of March 31, 2024 and 2023. The information on available-for-sale securities as of March 31, 2024 and 2023 is as follows:

Acquisition cost or amortized cost, fair value and difference by types of available-for-sale securities as of March 31, 2024 and 2023 are as follows. Total sales amount and gain on sale of available-for-sale securities for the year ended March 31, 2024 were ¥113 million (\$750 thousand) and ¥96 million (\$640 thousand), respectively. Total sales amount and loss on sale of available-for-sale securities for the year ended March 31, 2023 were ¥3 million and ¥1 million, respectively.

Millions of Yen			
2024			
	Acquisition Cost/ Amortized Cost	Fair Value	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 357	¥ 3,520	¥ 3,162
Sub-total	357	3,520	3,162
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	¥ 357	¥ 3,520	¥ 3,162

Thousands of U.S. Dollars			
2024			
	Acquisition Cost/ Amortized Cost	Fair Value	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	\$ 2,361	\$ 23,250	\$ 20,888
Sub-total	2,361	23,250	20,888
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	\$ 2,361	\$ 23,250	\$ 20,888

Millions of Yen			
2023			
	Acquisition Cost/ Amortized Cost	Fair Value	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 353	¥ 3,582	¥ 3,228
Sub-total	353	3,582	3,228
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	¥ 353	¥ 3,582	¥ 3,228

There were no securities for which the holding purpose had been changed during the years ended March 31, 2024 and 2023.

Liabilities

Bonds Payable

The fair value of bonds is estimated based on the Reference Statistical Prices for OTC Bond Transactions and categorized in Level 2.

Long-term Borrowings

The carrying amounts of borrowings with variable interest rates approximate their fair values because such borrowings reflect market rates in the short term and credit condition of the Company does not significantly change after the borrowing executions. The fair values of borrowings with fixed interest rates are calculated by discounting contractual cash flows using interest rates currently available to the Group for similar transactions. These transactions are categorized in Level 2.

Derivative Transactions

The information on derivative transactions is presented in Note 12. DERIVATIVES.

Carrying amounts of equity securities without market price and investments in partnerships as of March 31, 2024 and 2023 are summarized as follows. These instruments are excluded from investments in venture businesses and investment securities in the above tables.

Classification	Type	Carrying Amount		
		Millions of Yen		Thousands of U.S. Dollars
		2024	2023	2024
Investments in affiliates	Unlisted equity securities	¥ 16,706	¥ 15,614	\$ 110,341
Available-for-sale securities	Unlisted equity securities	2,862	1,484	18,908
	Investments in partnerships	3,289	2,696	21,724
	Total available-for-sale securities	¥ 6,152	¥ 4,180	\$ 40,632

(6) Maturity Analysis for Monetary Claims

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
March 31, 2024						
Loans receivable	¥ 2,859,222	¥ 1,013,202	¥ 1,213,065	¥ 1,207,955	¥ 839,241	¥ 2,025,191
	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
March 31, 2024						
Loans receivable	\$ 18,883,972	\$ 6,691,779	\$ 8,011,789	\$ 7,978,039	\$ 5,542,841	\$ 13,375,549
	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
March 31, 2023						
Loans receivable	¥ 2,560,776	¥ 816,528	¥ 999,961	¥ 1,170,586	¥ 1,208,244	¥ 1,968,065

(7) Maturity Analysis for Bonds Payable, Long-term Borrowings and Other Debts

The information on maturity analysis for bonds payable, long-term borrowings and other debts is presented in Note 6. SHORT-TERM AND LONG-TERM DEBT.

12. DERIVATIVES

The fair value of interest rate swaps and currency swaps are measured by discounting future cash flows to the present value using observable market condition such as swap rates and exchange rates and categorized in Level 2.

Derivative instruments which qualify as hedging instruments as of March 31, 2024 and 2023 are summarized as follows.

		Millions of Yen			
		Contract Amount			
	Hedged Item	Total	Due after 1 Year	Fair Value	
<u>March 31, 2024</u>					
Interest rate swaps (Note a) (Pay fixed rate, receive variable rate)	Long-term borrowings	¥ 46,937	¥ 46,937	¥ (140)	
Interest rate swaps (Note b) (Pay fixed rate, receive variable rate)	Long-term borrowings	22,503	22,503	768	
Currency swaps (Note c) (Pay fixed rate, receive variable rate)	Long-term borrowings	47,417	47,417	3,813	
(Pay fixed rate, receive fixed rate)	Bonds payable	1,384,454	1,186,169	262,054	
Foreign exchange forward contracts (Buy Euro)	Commercial paper	257,904	-	2,364	
Total		¥ 1,759,217	¥ 1,303,027	¥ 268,861	

		Thousands of U.S. Dollars		
<u>March 31, 2024</u>				
Interest rate swaps (Note a) (Pay fixed rate, receive variable rate)	Long-term borrowings	\$ 310,000	\$ 310,000	\$ (926)
Interest rate swaps (Note b) (Pay fixed rate, receive variable rate)	Long-term borrowings	148,625	148,625	5,077
Currency swaps (Note c) (Pay fixed rate, receive variable rate)	Long-term borrowings	313,173	313,173	25,188
(Pay fixed rate, receive fixed rate)	Bonds payable	9,143,744	7,834,155	1,730,762
Foreign exchange forward contracts (Buy Euro)	Commercial paper	1,703,352	-	15,613
Total		<u>\$ 11,618,895</u>	<u>\$ 8,605,953</u>	<u>\$ 1,775,715</u>

		Millions of Yen		
<u>March 31, 2023</u>				
Interest rate swaps (Note b) (Pay fixed rate, receive variable rate)	Long-term borrowings	¥ 20,088	¥ 20,088	¥ 1,079
Currency swaps (Note c) (Pay fixed rate, receive variable rate)	Long-term borrowings	47,417	47,417	1,993
(Pay fixed rate, receive fixed rate)	Bonds payable	1,376,308	1,270,208	76,847
Foreign exchange forward contracts (Buy Euro)	Commercial paper	14,374	-	140
Total		¥ 1,458,189	¥ 1,337,714	¥ 80,062

- Notes:
- Deferral hedge accounting is applied to these contracts.
 - These contracts are not remeasured at market value, but the net amount to be paid or received under the swap agreements are recognized and included in cost of sales.
 - Hedged items are translated at the foreign exchange rates stipulated in the contracts, and gains or losses on swap transactions are deferred until the gains or losses on the corresponding hedged items are recognized in income.

13. COMMITMENTS AND CONTINGENCIES

As of March 31, 2024 and 2023, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Guarantees in the ordinary course of business	¥ 62,424	¥ 52,243	\$ 412,290
Unexecuted loan commitments (Note)	5,426,246	3,802,600	35,838,095

Note: The Group enters into loan commitment agreements with customers. As of March 31, 2024 and 2023, loan commitments given to customers were ¥7,466,198 million (\$49,311,135 thousand) and ¥5,894,180 million, of which ¥2,039,952 million (\$13,473,039 thousand) and ¥2,091,580 million had been executed, respectively.

These credit lines are not necessarily executed to the maximum amount, because these agreements contain a clause to reject the loans or to lower the credit lines if there are reasonable grounds.

14. REVENUE ARISING FROM CONTRACTS WITH CUSTOMERS

The information on breakdown of revenue arising from contracts with customers is presented in Note 16. SEGMENT INFORMATION. The Group's accounting policy on revenue arising from contracts with customers is presented in Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, n. Revenue Arising from Contracts with Customers.

As of March 31, 2024 and 2023, the Group had the following receivables arising from contracts with customers:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Billing receivables	¥ 6,330	¥ 4,180	\$ 41,809
Current assets – Other	365	241	2,413
Receivables arising from contracts with customers	¥ 6,695	¥ 4,422	\$ 44,223

Disclosures about total amount allocated to the remaining performance obligations and the period in which related revenue recognition is expected are omitted, as initially scheduled contract period with customers of the Group is within one year.

15. COMPREHENSIVE INCOME

Reclassification adjustments and related income tax effect on other comprehensive income for the years ended March 31, 2024 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrealized gain/(loss) on available-for-sale securities:			
Gains/(losses) arising during the year	¥ 427	¥ (320)	\$ 2,822
Reclassification adjustments	109	150	723
Amount before income tax effect	536	(170)	3,546
Income tax effect	(164)	29	(1,086)
Unrealized gain/(loss) on available-for-sale securities	372	(140)	2,460
Deferred gain/(loss) on hedges:			
Gains/(losses) arising during the year	(39)	-	(263)
Reclassification adjustments	(112)	-	(742)
Amount before income tax effect	(152)	-	(1,005)
Income tax effect	31	-	211
Deferred gain/(loss) on hedges	(120)	-	(794)
Foreign currency translation adjustments:			
Gains/(losses) arising during the year	1,954	650	12,911
Reclassification adjustments	-	356	-
Foreign currency translation adjustments	1,954	1,007	12,911
Remeasurements of defined benefit plans:			
Gains/(losses) arising during the year	2,598	2,249	17,164
Reclassification adjustments	(524)	(335)	(3,467)
Amount before income tax effect	2,073	1,913	13,697
Income tax effect	(635)	(585)	(4,194)
Remeasurements of defined benefit plans	1,438	1,327	9,502
Share of other comprehensive income (loss) of affiliates accounted for using equity method:			
Gains/(losses) arising during the year	309	(38)	2,043
Total other comprehensive income/(loss)	¥ 3,955	¥ 2,156	\$ 26,123

16. SEGMENT INFORMATION

Description of reportable segments

Reportable segments of the Group are defined as components of the Group whose financial information is separately available and evaluated periodically by the Board of Directors in order to determine the allocation of resources and assess business performance.

The Group is engaged in business activities mainly comprising financial settlement services. The reportable segments of the Group are composed of three segments: “Billing business,” “Credit card business” and “Accounting and finance business.”

“Billing business” includes billing and collection services for telecommunication service charges. “Credit card business” includes sales financing and consumer loans. “Accounting and finance business” includes accounting and settlement services for NTT Group companies and loans for domestic and overseas NTT Group companies.

Method of measurement for the amounts of revenue, profit (loss), assets, and other items for each reportable segment

The accounting policies of the reportable segments are consistent to the description of the summary of significant accounting policies (see Note 2). The segment profit is based on the operating income of each reportable segment. The amounts of intersegment revenue and transfers are determined based on terms and conditions of general business practice reflecting the market prices.

The amounts of segment assets are not disclosed since the assets have not been allocated to the reportable segments after the absorption-type company split during the second quarter of the year ended March 31, 2021 where the rights and obligations of leasing business and part of international business of the Company were assumed by NTT TC Leasing Co., Ltd.

Information about revenue, profit (loss), assets and other items by reportable segment

The following tables represent information about revenue and profit by reportable segment for the years ended March 31, 2024 and 2023.

Millions of Yen						
2024						
Reportable Segment						
	Billing	Credit Card	Accounting and Finance	Other (Note)	Total	
Revenue:						
Revenue arising from contracts with customers	¥ 37,771	¥ 527	¥ 14,890	¥ 2,218	¥	55,408
Other revenue	142,459	5,816	98,083	-		246,358
Revenue from external customers	180,230	6,344	112,973	2,218		301,767
Intersegment revenue or transfers	-	55,911	18	-		55,930
Total	¥ 180,230	¥ 62,255	¥ 112,992	¥ 2,218	¥	357,697
Segment profit	¥ 4,857	¥ 4,208	¥ 15,541	¥ 41	¥	24,648

Thousands of U.S. Dollars						
2024						
Reportable Segment						
	Billing	Credit Card	Accounting and Finance	Other (Note)	Total	
Revenue:						
Revenue arising from contracts with customers	\$ 249,465	\$ 3,484	\$ 98,344	\$ 14,655	\$	365,949
Other revenue	940,883	38,416	647,797	-		1,627,097
Revenue from external customers	1,190,349	41,900	746,141	14,655		1,993,047
Intersegment revenue or transfers	-	369,273	124	-		369,397
Total	\$ 1,190,349	\$ 411,174	\$ 746,266	\$ 14,655	\$	2,362,445
Segment profit	\$ 32,080	\$ 27,792	\$ 102,645	\$ 274	\$	162,792

		Millions of Yen									
		2023									
		Reportable Segment									
		Billing		Credit Card		Accounting and Finance		Other (Note)		Total	
Revenue:											
Revenue arising from contracts with customers		¥	38,012	¥	524	¥	10,356	¥	2,202	¥	51,095
Other revenue			119,049		4,985		51,272		-		175,307
Revenue from external customers			157,061		5,509		61,629		2,202		226,403
Intersegment revenue or transfers			-		50,851		22		-		50,873
Total		¥	157,061	¥	56,360	¥	61,651	¥	2,202	¥	277,276
Segment profit		¥	3,665	¥	3,782	¥	10,278	¥	21	¥	17,748

Note: The segment “Other” represents the business segment not attributable to reportable segments and mainly includes revenue and profit arising from services under “Common operation service agreement” and “System service agreement” concluded between the Company and NTT TC Leasing Co., Ltd.

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

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Revenue:			
Reportable segments total	¥ 355,478	¥ 275,074	\$ 2,347,790
Segment “Other”	2,218	2,202	14,655
Intersegment eliminations	(55,930)	(50,873)	(369,397)
Revenue in the consolidated statements of income	¥ 301,767	¥ 226,403	\$ 1,993,047
Segment profit:			
Reportable segments total	¥ 24,606	¥ 17,726	\$ 162,517
Segment “Other”	41	21	274
Corporate expenses (Note)	(8,221)	(6,799)	(54,297)
Operating income in the consolidated statements of income	¥ 16,427	¥ 10,948	\$ 108,494

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

Related information

Information about revenue from external customers by product and service for the years ended March 31, 2024 and 2023 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Revenue from external customers:			
Financial service	¥ 115,192	¥ 63,831	\$ 760,796
Credit card	6,344	5,509	41,900
Billing	180,230	157,061	1,190,349
Total	¥ 301,767	¥ 226,403	\$ 1,993,047

Information about revenue by geographical area for the year ended March 31, 2024 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Revenue:		
Japan	¥ 230,970	\$ 1,525,461
Overseas:		
Asia	2,819	18,624
North America	6,347	41,921
Europe	60,025	396,442
Other	1,604	10,597
Total	70,797	467,586
Consolidated total	¥ 301,767	\$ 1,993,047

- Notes:
- Revenue is classified by country or region based on the location of customers.
 - Revenue in the United Kingdom of ¥57,103 million (\$377,147 thousand) is included in Europe.

Disclosures on information about revenue by geographical area for the year ended March 31, 2023 are omitted, as revenue from external customers in Japan exceeds 90% of consolidated revenue.

Disclosures on information about property and equipment by geographical area for the years ended March 31, 2024 and 2023 are omitted, as property and equipment in Japan exceeds 90% of consolidated property and equipment.

Information about revenue by major customer for the year ended March 31, 2024 is as follows:

	Revenue		Related Segments
	Millions of Yen	Thousands of U.S. Dollars	
NTT DOCOMO, INC.	¥ 121,259	\$ 800,870	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	31,093	205,361	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	28,198	186,236	Billing and Accounting and Finance

Information about revenue by major customer for the year ended March 31, 2023 is as follows:

	Revenue		Related Segments
	Millions of Yen		
NTT DOCOMO, INC.	¥ 96,811		Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	28,993		Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	27,129		Billing and Accounting and Finance

Loss on impairment of long-lived assets by reportable segment

For the years ended March 31, 2024 and 2023, there is no applicable information to disclose.

Goodwill by reportable segment

Disclosures on information about goodwill by reportable segment are omitted, as there is no applicable information to disclose.

17. RELATED PARTY TRANSACTIONS

Transactions and account balances of the Group with Nippon Telegraph and Telephone Corporation (“NTT”), which has 100% ownership share in the Company as of and for the years ended March 31, 2024 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Transactions:			
Execution of loans	¥5,645,014	¥5,691,476	\$37,282,971
Debt guarantee granted (Note)	1,741,630	1,947,730	11,502,740
Account balances:			
Loans receivable	5,679,567	6,154,752	37,511,177

Note: Debt guarantee is granted in connection with the issuance of bonds by the Company. No guarantee charge is paid for the debt guarantee.

In addition to the above, the Group enters into several other transactions with related parties that are companies under common control. Specifically, significant transactions and related account balances with 8 other NTT Group companies as of and for the years ended March 31, 2024 and 2023 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Transactions:			
Execution of loans	¥ 2,096,451	¥ 1,540,976	\$13,846,191
Acceptance of excess funds	317,963	934,366	2,100,018
Transactions related to transferred receivables	6,291,058	6,138,709	41,549,823
Billing-related revenue	169,593	146,739	1,120,097
Receipt of interest	23,612	6,988	155,948
Account balances:			
Billing receivables	23,221	16,887	153,367
Accounts payable - other	400,964	394,326	2,648,201
Deposits received	834,472	1,252,620	5,511,343
Loans receivable	2,430,584	1,493,807	16,053,000

18. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2024 was approved at the Company’s shareholders meeting held on June 14, 2024:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥152,855.00 (\$1,009.54) per share	¥ 7,851	\$ 51,855

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Independent Auditor's Report

To the Board of Directors of NTT FINANCE CORPORATION:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of NTT FINANCE CORPORATION (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2024 and 2023, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Appropriateness of the historical rate of credit losses for general receivables	
The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of NTT FINANCE CORPORATION (“the Company”) and its consolidated subsidiaries as of March 31, 2024, billing receivables of ¥264,771 million were recognized related to telecommunication service charges transferred from NTT Group companies. In addition, as described in Note “2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, t. Significant accounting estimates” to the consolidated financial statements, allowance for doubtful receivables related to billing receivables of ¥39,296 million was provided mostly for general receivables. The Company recognizes allowance for doubtful receivables for general receivables based on the historical rate of credit losses to cover probable losses on collection.	The primary procedures we performed to assess the appropriateness of the historical rate of credit losses for general receivables included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to calculating the historical rate of credit losses. In this assessment, we focused our testing on the internal controls relevant to the accuracy of the aggregation of general receivables and historical credit losses and the calculation of the historical rate of credit losses. (2) Assessment of the appropriateness of the historical rate of credit losses for general receivables

The historical rate of credit losses is calculated based on the historical credit losses for each number of elapsed months of billing receivables according to the management's judgment that probable credit losses approximate the historical credit losses. In addition, given the significant amounts of general receivables, the appropriateness of the historical rate of credit losses may have a significant effect on the determination of allowance for doubtful receivables for general receivables. We, therefore, determined that our assessment of the appropriateness of the historical rate of credit losses for general receivables was the most significant in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	We inquired of the management regarding the basis for the judgment that probable credit losses approximate the historical credit losses. In addition, we assessed the reasonableness of the management's judgment by comparing the amounts recognized as allowance for doubtful receivables in the prior years with the corresponding actual amounts of credit losses and examining the causes of any variances between them.
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Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 78 million yen and 10 million yen, respectively. Such fees for the previous year are 84 million yen and 25 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Atsunori Sadahiro
Designated Engagement Partner
Certified Public Accountant

Koichi Hamaguchi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 19, 2024