



NTT FINANCE CORPORATION

\$500,000,000 4.142% Senior Notes due 2024

\$500,000,000 4.239% Senior Notes due 2025

\$500,000,000 4.372% Senior Notes due 2027

NTT FINANCE CORPORATION, a joint stock company incorporated with limited liability under the laws of Japan, or NTT Finance, proposes to issue an aggregate principal amount of \$500,000,000 of senior notes due on July 26, 2024, or the 2024 notes, \$500,000,000 of senior notes due on July 25, 2025, or the 2025 notes, and \$500,000,000 of senior notes due on July 27, 2027, or the 2027 notes and together with the 2024 notes and the 2025 notes, the notes. The 2024 notes will bear interest accruing from July 27, 2022, at the rate of 4.142% per annum, payable semi-annually in arrears on January 26 and July 26 of each year, with the first interest payment to be made on January 26, 2023. There will therefore be a short first coupon for the 2024 notes. The 2025 notes will bear interest accruing from July 27, 2022, at the rate of 4.239% per annum, payable semi-annually in arrears on January 25 and July 25 of each year, with the first interest payment to be made on January 25, 2023. There will therefore be a short first coupon for the 2025 notes. The 2027 notes will bear interest accruing from July 27, 2022, at the rate of 4.372% per annum, payable semi-annually in arrears on January 27 and July 27 of each year, with the first interest payment to be made on January 27, 2023.

We intend to allocate an amount equal to the net proceeds from the offering of the notes, to make loans to NTT Group to finance or refinance, in whole or in part, new or existing projects that meet one or more of the "Eligibility Criteria" as defined in the Green Finance Framework. See "Use of Proceeds."

Each series of the notes will be direct, unsecured and unsubordinated general obligations of NTT Finance and will have the same rank in liquidation as all of the other unsecured and unsubordinated debt (except for statutorily preferred obligations) of NTT Finance, without any preference among themselves. **The notes do not benefit from any guarantee or other credit support from NIPPON TELEGRAPH AND TELEPHONE CORPORATION, or NTT, or any other member of the NTT Group.**

We may redeem, at our option, the notes, in whole or in part, at any time prior to the maturity date, in the case of the 2024 notes and the 2025 notes, or June 27, 2027, in the case of the 2027 notes, at the applicable make-whole prices determined in the manner described herein. We may also redeem the 2027 notes, in whole or in part, at any time on or after June 27, 2027, at a price equal to 100% of the respective principal amounts being redeemed plus accrued and unpaid interest to, but excluding, the date of redemption. In addition, we may redeem, at our option and sole discretion, the notes in whole, but not in part, upon the occurrence of certain changes in Japanese tax law. See "Description of the Notes."

The notes will be issued only in registered form in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

Approval in-principle has been received for the listing and quotation of the notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering circular. Approval in-principle from, admission of the notes to the official list of, and the listing and quotation of the notes on, the SGX-ST is not to be taken as an indication of the merits of us or the notes.

Investing in the notes involves risks that are described in "Risk Factors" beginning on page 11 of this offering circular.

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, in reliance on the exemption from registration requirements provided by Rule 144A under the Securities Act, or Rule 144A, or any state securities laws and NTT Finance has not been registered, and will not register, as an investment company under the U.S. Investment Company Act of 1940, as amended, or the Investment Company Act, in reliance on the exemption from registration provided by Section 3(c)(7) of the Investment Company Act.

The notes are being offered and sold by the initial purchasers, as set forth in "Plan of Distribution," in the United States to persons reasonably believed to be both (1) qualified institutional buyers, or QIBs, within the meaning of Rule 144A and (2) qualified purchasers, or QPs, within the meaning of Section 2(a)(51)(A) under the Investment Company Act and the rules and regulations promulgated thereunder. The notes are also being offered or sold to persons other than U.S. persons in offshore transactions outside the United States in reliance on Regulation S under the Securities Act, or Regulation S. The notes are subject to certain restrictions on transfer. See "Transfer Restrictions" and "Plan of Distribution."

Issue price of the 2024 notes: 100.000% plus accrued interest, if any

Issue price of the 2025 notes: 100.000% plus accrued interest, if any

Issue price of the 2027 notes: 100.000% plus accrued interest, if any

Interest on the notes will accrue from July 27, 2022.

It is expected that delivery of the notes will be made through the book-entry facilities of The Depository Trust Company, or DTC, for the accounts of its participants, including Euroclear Bank SA/NV, or Euroclear, and Clearstream Banking S.A., or Clearstream, on or about July 27, 2022.

Joint Lead Managers and Joint Bookrunners

Morgan Stanley

J.P. Morgan

Nomura

BofA Securities

**Goldman Sachs
& Co. LLC**

BNP PARIBAS

Mizuho Securities

**Daiwa Capital
Markets**

The date of this offering circular is July 20, 2022.

No person has been authorized in connection with the offering to give any information or to make any representations not contained in this offering circular. If given or made, any such information or representations must not be relied upon as having been authorized by us, any initial purchaser or any person affiliated with the initial purchasers. No action has been, or will be, taken to permit a public offering of the notes in any jurisdiction where action would be required for that purpose. Accordingly, the notes offered hereby may not be offered or sold, directly or indirectly, and this offering circular may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof.

IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF US AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE UNDER THE LAWS OF THE UNITED STATES.

We are furnishing this offering circular solely for the purpose of enabling prospective investors to consider the purchase of the notes in connection with an offering not registered under the Securities Act. The information contained in this offering circular has been provided by us and other sources identified in this offering circular. Any reproduction or distribution of this offering circular, in whole or in part, and any disclosure of its contents or use of any information contained in it for any purpose other than considering an investment in the notes offered hereby is prohibited. Each offeree of the notes, by accepting delivery of this offering circular, agrees to the foregoing.

No representation or warranty is made by the initial purchasers or any of their agents, affiliates or advisors as to the accuracy or completeness of the information contained in this offering circular and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation by the initial purchasers or their agents, affiliates or advisors.

The notes have not been and will not be registered under the Securities Act, or with any securities authority of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The notes are being offered:

- in the United States, only to persons reasonably believed to be both (1) QIBs in reliance on the exemption from registration requirements of the notes provided by Rule 144A and (2) QPs in reliance on the exemption from registration requirements of NTT Finance as an investment company provided by Section 3(c)(7) of the Investment Company Act; or
- in offshore transactions to persons other than U.S. persons in reliance on Regulation S.

You are hereby notified that sellers of the notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

CERTAIN VOLCKER RULE CONSIDERATIONS—The Issuer has not been and will not be registered as an “investment company” under the Investment Company Act, in reliance on the exception provided by Section 3(c)(7) thereof. Consequently, the Issuer will likely be a “covered fund” for purposes of the “Volcker Rule.” See “Risk Factors—Risks Related to the Notes—The Volcker Rule treatment of the notes may change or affect the ability of banking entities to purchase or retain the notes.”

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA, and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended), or the Special Taxation Measures Act. The notes may not be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used in this sentence means any person resident of Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with,

the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. The notes are not, as part of the distribution by the initial purchasers pursuant to the purchase agreement dated the date of this offering circular at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than a beneficial owner that is, (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with NTT Finance as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, or a specially-related person of NTT Finance, or (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Order for Enforcement of the Act on Special Measures Concerning Taxation of Japan (Cabinet Order No. 43 of 1957, as amended) (the “Cabinet Order”), relating to Article 6, Paragraph (11) of the Special Taxation Measures Act. **BY SUBSCRIBING FOR THE NOTES, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS A PERSON WHO FALLS INTO THE CATEGORY OF (i) OR (ii) ABOVE.**

Interest payments on the notes will generally be subject to Japanese withholding tax unless it is established that such notes are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of NTT Finance, or (ii) a Japanese designated financial institution described in Article 6, Paragraph (11) of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph or (iii) a Japanese public corporation, financial institution or financial instruments business operator described in Article 3-3, Paragraph (6) of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph.

Interest payments on the notes to an individual resident of Japan, to a Japanese corporation not described in the preceding paragraph, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of NTT Finance will be subject to deduction in respect of Japanese income tax at a current rate of 15.315% of the amount of such interest.

Each prospective investor who places an order for the notes consents to the disclosure by the initial purchasers to us of the prospective investor’s identity, the details of such order and the actual amount of notes subscribed, if any.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS—The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014, (as amended, the “PRIIPs Regulation”), for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS—The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended the “EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the domestic law of the UK by virtue of the EUWA. Consequently, no key information document required by PRIIPs Regulation as it forms part of the domestic law of the UK by virtue of the EUWA, (as amended, the “UK PRIIPs Regulation”), for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

In the UK, this offering circular is for distribution to, and is only directed at, persons who are qualified investors (as defined under Article 2 of Regulation (EU) 2017/1129 as it forms part of the domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended, the “UK Prospectus Regulation”) who also (i) have professional experience in matters relating to investments falling within Article 19(5) of the FSMA

(Financial Promotion) Order 2005 (as amended, the “FPO”), (ii) are persons falling within Article 49(2)(a) to (e) (“high net worth companies, unincorporated associations, etc.”) of the FPO, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all of these persons together being referred to as “relevant persons”). This offering circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering circular relates is available only to relevant persons and will be engaged in only with relevant persons.

For a further description of restrictions on the offer and sale of the notes, see “Transfer Restrictions” and “Plan of Distribution.”

NOTICE CONCERNING SINGAPORE

Section 309B Notification—The notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in Monetary Authority of Singapore Notice SFA 04-N12: Notice on the Sale of Investment Products and Monetary Authority of Singapore Notice FAA-N16: Notice on Recommendations on Investment Products).

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AVAILABLE INFORMATION

We have agreed that so long as any of the notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, we will, at any time we are not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, nor exempt from the reporting requirements under the Exchange Act pursuant to Rule 12g3-2(b) under the Exchange Act, provide to each holder of restricted securities and to each prospective purchaser (as designated by the holder) of restricted securities, upon request of the holder or prospective purchaser, the information required to be provided by Rule 144A(d)(4)(i) under the Securities Act.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this offering circular, “we,” “us,” “our,” “our group,” and “NTT Finance” refer to NTT FINANCE CORPORATION and its consolidated subsidiaries and affiliates accounted for by the equity method, taken as a whole, except as otherwise expressly stated or as the context requires. The “Parent” and “NTT” refer to NIPPON TELEGRAPH AND TELEPHONE CORPORATION, and “NTT Group” refers to NIPPON TELEGRAPH AND TELEPHONE CORPORATION and its consolidated subsidiaries and affiliates accounted for by the equity method, taken as a whole, except as otherwise expressly stated or as the context requires. References to “NTT DOCOMO” are to NTT DOCOMO, INC., references to “NTT East” are to NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, references to “NTT West” are to NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, and references to “NTT Business Associe” are to NTT BUSINESS ASSOCIE Co., Ltd.

In this offering circular, when information has been extracted from our financial statements and is presented in millions or billions of yen, amounts of less than one million or one billion, as the case may be, have been truncated unless otherwise specified. With respect to information extracted from the financial statements of NTT presented in millions or billions of yen in “NTT Group,” amounts of less than one million or one billion, as the case may be, have been rounded unless otherwise specified. In this offering circular, where information is presented as percentages, amounts less than one-tenth of one percent or one-hundredth of one percent, as the case may be, have been rounded unless otherwise specified. Accordingly, figures presented in tables in this offering circular may not total due to such truncating or rounding. In this offering circular, references to “yen,” or “¥” are to the lawful currency of Japan; references to “\$,” “US\$,” “U.S. dollar,” “United States dollar” or “USD” are to the lawful currency of the United States of America; and references to “€,” “EUR” or “euro” are to the lawful currency of those member states of the European Union that are participating in the European Economic and Monetary Union pursuant to the Treaty on European Union. References to “£” are to the lawful currency of the United Kingdom, references to “S\$” are to the lawful currency of Singapore. Our fiscal year end is March 31. Unless otherwise specified, the financial information set forth herein is presented on a consolidated basis.

Our audited consolidated financial statements as of and for the years ended March 31, 2020, 2021 and 2022 included elsewhere in this offering circular have been prepared in accordance with accounting principles generally accepted in Japan, or Japanese GAAP. Financial information with respect to NTT included in this offering circular is derived from NTT’s consolidated financial statements for the years ended March 31, 2020, 2021 and 2022 not included in this offering circular that have been prepared in accordance with International Financial Reporting Standards, or IFRS. Financial figures prepared in accordance with Japanese GAAP are not comparable to financial figures prepared in accordance with IFRS.

THIRD-PARTY INFORMATION

We make statements in this offering circular about the NTT Group’s competitive position in the telecommunications, IT and ICT markets. In addition, we include statistics relating to industry and general economic trends. Where indicated, these statements are made on the basis of statistics and other information we have obtained from third-party sources, such as governmental agencies, research institutes and industry or general publications that we believe are reliable. Although we have no reason to believe any of this information is inaccurate in any material respect, we have not independently verified and cannot assure the accuracy of any data provided by or derived from such third-party sources. In addition, where indicated, these statements are made on the basis of our own internal analyses of third-party statistics and other information as well as other information available to us. Such internal analyses have not been verified by any third party and are inherently subject to speculation and uncertainty.

FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements. These statements appear in a number of places in this offering circular and include statements regarding the intent, belief or current and future expectations of our management with respect to our business, financial condition and results of operations. You can identify forward-looking statements by discussions of strategy, plans or intentions. In many cases, but not all, we use such words as “aim,” “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “may,” “outlook,” “plan,” “potential,” “predict,” “probability,” “project,” “risk,” “seek,” “should,” “target,” “will,” “would” and similar expressions in relation to us or our management to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate.

Potential risks and uncertainties include, without limitation, those identified in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” “NTT Group,” “Environmental, Social and Governance Policies of NTT Group” and elsewhere in this offering circular. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this offering circular. We disclaim any obligation to update, or to announce publicly any revision to, any of the forward-looking statements contained in this offering circular to reflect future actual events or developments.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a Japanese joint stock corporation incorporated under the laws of Japan. The majority of our Directors, Corporate Auditors reside in Japan, and a substantial portion of our assets and of such persons are located outside the United States. As a result, it may not be possible for holders or beneficial owners of the notes to effect service of process within the United States or elsewhere outside Japan upon us or such persons or to enforce against us or such persons judgments obtained in U.S. courts or elsewhere, whether or not predicated upon the civil liability provisions of the U.S. federal or state securities laws or other laws of the United States or elsewhere. Mori Hamada & Matsumoto, our Japanese counsel, has advised us that, in original actions or in actions for enforcement of judgments of U.S. federal or state courts brought before Japanese courts, there is in general doubt as to the enforceability of liabilities based solely on U.S. federal and state securities laws.

GLOSSARY

The following terms used in this offering circular have the meanings indicated below:

Term	Description
5G	Fifth-generation mobile telecommunications systems (“5G”) with high-speed and large-capacity transmission and low latency properties. 5G-enabled mobile devices connect to 5G frequencies for data throughput, but continue to use older 4G systems for non-data features, such as connecting to the base stations and servers. Operators in Japan launched 5G services in 2020 in selected locations, with service expanding over time.
6G	Sixth-generation mobile telecommunications systems (“6G”) with very high speed, very large-capacity transmission and very low latency properties.
AI	<i>Artificial intelligence.</i>
B2B2X	<i>Business-to-Business-to-X.</i> A business model that delivers added value services to end users by integrating capabilities of telecom service providers such as us and expertise of other third-party service providers such as IT service providers.
Broadband	A descriptive term for evolving digital technologies that provide consumers with a signal-switched facility offering integrated access to voice, high-speed data service, video-on-demand services and interactive delivery services.
DX	<i>Digital transformation.</i> Digital transformation is a strategy of enabling business innovation based on the incorporation of digital technologies into operational processes, solutions, and customer interactions.
ESG	<i>Environmental, Social and Governance.</i> Three key factors when measuring the sustainability and ethical impact on an investment in a business or company.
FTTH	<i>Fiber-to-the-home.</i> An optical fiber access network in which the optical fiber network unit is on or within the customer’s premises. Although the first-connected capacity of an FTTH network varies, the upgrade capacity of an FTTH network exceeds all other transmission media.
ICT	<i>Information and communication technology.</i>
Interconnection	The connection of one telecommunications carrier’s network to another or of a piece of telephone equipment to the telephone network.
IoT	<i>Internet of Things.</i> A network of physical devices, including vehicles, home appliances and other items with built-in sensors which are able to connect to each other over the internet and exchange data.
IOWN	<i>Innovative Optical and Wireless Network.</i> An innovative network and information processing platform featuring ultra-high capacity, ultra-low power consumption and

<u>Term</u>	<u>Description</u>
	ultra-low latency, built around a breakthrough photonic technology, optimizing the individual with the whole based on all kinds of information and creating a society open to diversity.
IP	<i>Internet protocol.</i> The protocol for exchanging data between computers, mobile devices and other devices such as “IP phones” over the internet.
MIC	<i>Ministry of Internal Affairs and Communications</i> of Japan, or the responsible government minister thereof, as the context requires.
MNO	<i>Mobile network operator.</i> An MNO is an operator of a mobile telecommunications business that provides mobile telecommunications services and which establishes or operates its own radio stations for mobile telecommunications services.
MVNO	<i>Mobile virtual network operator.</i> MVNO refers to a telecommunications business operator that provides mobile telecommunications services by using mobile telecommunications services provided by an MNO or by connecting to an MNO instead of establishing or operating its own radio stations related to the mobile telecommunications services.
OTT	<i>Over-the-top.</i> An over-the-top is a streaming media service offered directly to viewers via the Internet.
SIM	<i>Subscriber identity module.</i> SIM often refers to subscriber identity module cards, which are cards that record information that identifies the person that has entered into a subscription agreement with the mobile service provider and that is inserted into a mobile device such as a smartphone. “Electronic SIM,” “embedded SIM” or “eSIM” technology, which is becoming more widespread, enables a subscriber to access mobile services without the need to insert SIM card provided by the mobile service provider.
Spectrum	A range of the electromagnetic spectrum, particularly the range with frequencies from 3 Hz to 300 GHz that is widely used in modern technology such as telecommunication. The spectrum is strictly regulated by national laws, which are coordinated by the International Telecommunication Union, in order to prevent interference between users. In the United States and the United Kingdom, spectrum for mobile phones is generally allotted based on auctions. In Japan, however, the MIC determines a spectrum-allotment policy based on usage plans submitted by operators seeking an allotment. Such plans are then examined by the Radio Regulatory Council and, upon receiving a report on these deliberations from the Radio Regulatory Council, the MIC allots spectrum to the operators.

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SUMMARY

The following summary is qualified in its entirety by, and is subject to, the detailed information and financial statements and related notes contained elsewhere in this offering circular. Prospective investors should carefully consider the information set forth under the caption “Risk Factors” and all other information set forth in this offering circular.

NTT Finance

Overview

We are a wholly-owned finance subsidiary of NTT. As the sole finance subsidiary within the NTT Group, we have a strong business foundation occupying a central role in the provision of financing solutions to companies within the NTT Group, and of cash management, accounting and tax and billing and collection services to companies within the NTT Group. In addition, we are engaged in providing finance and accounting-related services to third parties, as described below.

We organize and report our operations based on the following three business segments:

- *Billing Business.* The Billing Business segment comprises billing and collection services for clients' customer charges, mainly for telecommunication services charges of NTT Group companies. Our Billing Business segment had revenue of ¥150,567 million (excluding inter-segment transactions) and segment profit of ¥3,906 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2022, which respectively accounted for 79.3% of our total revenue from external customers and 36.7% of our total segment profit for the fiscal year.
- *Credit Card Business.* The Credit Card Business segment comprises billing services for clients' customer charges paid by credit card, mainly for telecommunication services charges of NTT Group companies, as well as credit card issuing, merchant acquisition and payment processing. Our Credit Card Business had revenue of ¥5,205 million (excluding inter-segment transactions, or ¥51,768 million including revenue attributable to inter-segment transactions) and segment profit of ¥2,747 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2022, which respectively accounted for 2.7% of our total revenue from external customers (or 21.9% including revenue attributable to inter-segment transactions) and 25.8% of our total segment profit for the fiscal year.
- *Accounting/Finance Business.* The Accounting/Finance Business segment comprises provision of loans to, or investments in, NTT Group companies as well as provision of accounting, consulting and tax services primarily to NTT Group companies. Our Accounting/Finance Business segment had revenue of ¥31,836 million (excluding inter-segment transactions) and segment profit of ¥3,956 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2022, which respectively accounted for 16.8% of our total revenue from external customers and 37.2% of our total segment profit for the fiscal year.

We also classify certain revenue and profit that are not attributable to our reportable segments as “Other.” “Other” revenue and profit accounted for ¥2,271 million, or 1.2% of our total revenue from external customers, and ¥22 million, or 0.2% of our total segment profit, respectively for the fiscal year ended March 31, 2022. For more detailed operating results of each segment, see Note 16 of our audited consolidated financial statements as of and for the fiscal years ended March 31, 2021 and 2022 included elsewhere in this offering circular.

Our close integration with the diversified operating businesses of the NTT Group through each of our three business segments provides us with access to strong sources of cash derived from the group and contributes to our creditworthiness. Leveraging this close integration with the NTT Group, we have maintained a strong balance sheet and financial position. Going forward, we and the NTT Group are in the process of expanding our finance-related service capabilities and thereby consolidating the group's other finance-related functions, including accounting and tax services, within our operations. In our position as the group's sole finance arm, we also aim to lead the NTT Group's efforts to reduce debt levels after a temporary increase due to the group's acquisition of NTT DOCOMO. Through the offering of the notes and our other financing activities, we also seek to contribute to the group's ESG initiatives.

Our Strengths

Strong Business Foundation and Positioning as the NTT Group's Sole Finance Subsidiary

We are the sole finance subsidiary of the NTT Group, a leader in the telecommunications and ICT fields both in Japan and globally and the largest provider of telecommunications and ICT services in Japan in terms of operation revenues in the fiscal year ended March 31, 2022. We play a central role within the NTT Group, raising capital and performing cash management functions for the group as well as providing advanced financing solutions for both NTT Group companies and third-party customers.

Our comprehensive and centralized advanced financial solutions include billing and collection services and cloud payment services in our Billing business and credit card services in our Credit Card business, and also include accounting and other financial services business in our Accounting/Finance business. Accordingly, we perform a variety of critical functions and have a solid business foundation as a comprehensive payment and financial platform for the NTT Group. We believe this places us in a position equivalent to the "Finance Department" for the entire NTT Group. In light of our critical role in the group, we became a wholly-owned subsidiary of the Parent from September 2020.

Close Integration with the NTT Group Provides Access to Strong Sources of Cash and Contributes to Creditworthiness

We play an essential role in the operation of the NTT Group's businesses, which provides us with centralized access to the group's cash. Through our billing and collection services, we assume customer receivables for telecommunications and other services provided by the group, which provide us with direct access to cash flows from the group's customers. For the fiscal year ended March 31, 2021, we handled approximately 620 million invoices for NTT Group customers, in the aggregate amount of approximately ¥7.9 trillion. We also have access to group surplus cash through our cash management systems for lending funds and holding surplus cash within the group. We believe that our close integration with the NTT Group's businesses and centralized access to the group's cash flows contribute to our strong financial position and creditworthiness. The NTT Group has a strong ability to generate stable and significant cash flows, supported by its strong performance and positioning in a wide range of markets. As an indication of the NTT Group's strong performance, the group generated consolidated operating profit of approximately ¥1.5 trillion or more and Adjusted EBITDA of approximately ¥3 trillion or more for each of the three fiscal years ended March 31, 2022. See "NTT Group—IFRS Selected Financial Data of NTT Group."

We have received credit ratings of A from S&P, AAA for Japan Credit Rating Agency, Ltd., or JCR, and AA+ from Rating and Investment Information, Inc. In addition, in April 2022 we received our first rating from Moody's of A1. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. S&P, Moody's and JCR have provided the same ratings to both us and the Parent, which we believe shows the important role and central functions we play within the NTT Group.

Strong Balance Sheet and Strong Financial Position

A substantial majority of our assets consists of loans to NTT Group companies, which we believe contributes to maintaining a strong and stable financial condition both for us and the NTT Group more generally. As of March 31, 2022, approximately 98% of our operating assets, which we define as the total of trade accounts receivable (net of allowance for doubtful receivables) and investments in venture businesses, were loans to the Parent and other operating companies of the NTT Group. We believe that our group loan counterparties have excellent creditworthiness and access to cash flows. The NTT Group has a strong revenue base due to its attractive positioning in large and stable markets and its diverse business portfolio divided across four business segments: Integrated ICT Business (including mobile telecommunications), Regional Communications Business, Global Solutions Business and Others including real estate and energy. See "NTT Group—Overview" for a description of these business segments.

In addition, in July 2020, we spun off our leasing business and a substantial part of our international business to a newly established company, NTT TC Leasing, with us retaining 10% of the company's shares. We believe that the spin-off has helped improve the stability of our business by reducing our exposure to the volatility associated with the spun-off businesses.

Our and the NTT Group's Strong Commitment to ESG Initiatives

We and the NTT Group both have a strong commitment to promoting sustainable initiatives to achieve growth while at the same time contributing to resolving social issues. By proactively implementing ESG initiatives across its businesses, the NTT Group aims to expand business opportunities and minimize business risks, which will contribute to sustainable enterprise value.

As part of these ESG-based management efforts, we completed the group's inaugural ¥40 billion green bond issuance in Japan in June 2020. We issued additional green bonds in October 2021 and December 2021 in the amounts of ¥300 billion and €1.5 billion, respectively. The NTT Group has also set group-wide targets for reductions in greenhouse gas emission. In October 2020, the NTT Group obtained certification under the Science Based Targets (SBT) initiative, an international climate change initiative, that its greenhouse gas emissions reduction target of 30% (for Scope 1 and 2 emissions) was consistent with an increase in global temperatures of well below the 2°C level compared to pre-industrial levels. In September 2021, the group raised its greenhouse gas emission reduction target for March 31, 2031 to 80% (for Scope 1 and 2 emissions), which was certified as being consistent with an increase in global temperatures of no more than 1.5°C compared to pre-industrial levels. For a more detailed description of the NTT Group's greenhouse gas emission targets, see "Environmental, Social and Governance Policies of NTT Group" as well as "Risk Factors—Risk Relating to Our Reliance on the NTT Group—The NTT Group's ESG-related initiatives may not achieve their targeted results on their anticipated timing or at all."

In recognition of these and other initiatives, the NTT Group has been included in numerous domestic and overseas ESG investment indices such as the Dow Jones Sustainability Indices and Japan's Government Pension Investment Fund ESG indices.

The information above contains forward-looking statements, which are based upon the NTT Group's current expectations, assumptions, estimates and projections. In particular, the goals and targets described below and underlying assumptions are subject to various risks, uncertainties and subjectivity, and the NTT Group's actual results may differ materially such goals and targets. See "Risk Factors."

Our Strategies

Enhance our Position in the NTT Group through Deeper Group Integration

We and the NTT Group aim to pursue our further integration with the group to realize more efficient finance operations. We believe that deeper integration with the NTT Group will further enhance our position as the sole finance subsidiary of the group. In addition to our role in operating the NTT Group's group finance and billing operations, we and the NTT Group aim to fully consolidate all group finance-related functions into our operations by gradually migrating the accounting and tax functions of the other NTT Group companies to our business. We believe this will enable us to be at the center of an organizational structure that will allow us and the NTT Group as a whole to more effectively utilize capital, further streamline operations, reduce administrative workload and develop financial human resources.

Specifically, we believe that our further integration with the NTT Group will be beneficial in the following ways:

- *Group funds optimization.* We will continue to raise capital through diverse methods and consolidate the NTT Group's surplus cash. We will aim to optimally deploy such cash through loans to NTT Group companies and reduce interest-bearing debt as a whole.
- *Centralization of finance operations.* We will further aim to lower financing costs and foster sophistication of our financial services by leveraging both the scale of the group's operations as we further integrate our business with the group, as well as our financial position and reputation in the capital markets.
- *Enhance administrative efficiencies.* We will aim to increase efficiency by reducing the administrative burden for the group's other companies by further centralizing the group's finance-related operations, including accounting and tax functions, into our operations.

Enhance Billing and Payment Solutions through DX

Through further enhancement and expansion of our billing and payment solutions, we intend to contribute not only to streamlining the billing and payment operations of the NTT Group companies, but also to improving

our productivity and the productivity of the NTT Group as a whole. To improve both the efficiency and quality of our solutions, in addition to establishing a new shared billing system for the NTT Group, we will accelerate DX by improving our web billing platform's functions, further digitizing invoices and expanding AI customer support. To meet the increasingly diverse billing needs of businesses and other organizations, we will expand our billing solution services such as "Billing One" and "Rakuraku Cloud Payment Service" in collaboration with our customers. For more information on these services, see "Business—Our Business Operations—Billing Business."

Maintain and Enhance Financial Soundness by Reducing Debt Levels

By leveraging the NTT Group's stable and strong cash flow generated through its robust businesses and financial base, we seek to further strengthen our and the group's financial position by reducing the group's indebtedness, which has increased as a result of approximately ¥4.3 trillion of debt we incurred in connection with the Parent's acquisition of the minority interests in NTT DOCOMO. As we manage the overall financing operations of the NTT Group, we will lead the group's efforts to reduce interest-bearing debt over time with the aim of reducing the NTT Group's leverage at the group level.

As one part of our efforts to reduce debt levels, we spun off our leasing business in July 2020 as described above, which we estimate reduced interest-bearing debt of the group by approximately ¥1.1 trillion. Going forward, the NTT Group plans to generate cash through securitizing certain NTT DOCOMO card and handset installment receivables, with the cash generated from such transactions transferred to us. Using cash from such securitized receivables and cash from our regular operations, we plan to repay a portion of our indebtedness, which we estimate will allow us to reduce the group's interest-bearing indebtedness by approximately ¥1.0 trillion and ¥0.9 trillion, respectively. In the medium to long term, the NTT Group aims to lower its ratio of interest-bearing debt to Adjusted EBITDA from roughly 2.3x as of March 31, 2022 to roughly 2.0x.

Further Promote ESG Initiatives

As part of the NTT Group's commitment to corporate and social responsibility, as described above, we and the NTT Group will further promote the group's ESG initiatives. In particular, we aim to align our operations with the NTT Group Global Sustainability Charter, established in November 2021 to realize a sustainable society. The charter addresses nine challenges and 30 specific activities in three broad themes—ensuring the co-existing of nature and humanity, improving prosperity for all people and cultures and maximizing well-being for all. For more information on the group's Global Sustainability Charter, see "Environmental, Social and Governance Policies of NTT Group."

The group's ESG initiatives will also be driven by the principles set forth in "NTT Green Innovation toward 2040," a new environmental energy vision formulated by the group in September 2021 that simultaneously aims to address environmental issues and improve economic growth through reduction of the environmental impact of business activities and the creation of breakthrough innovations. Accordingly, the NTT Group seeks to implement initiatives to reduce greenhouse gas emissions, primarily through expanding the use of renewable energy and reducing electricity consumption through the introduction of IOWN optical network and computing technologies. In particular, the NTT Group aims to reach carbon neutrality by the fiscal year ending March 31, 2041, with an 80% group-wide reduction in greenhouse gas emissions and carbon neutrality in its mobile and data center businesses targeted as soon as the fiscal year ending March 31, 2031. See "Environmental, Social and Governance Policies of NTT Group" and "Risk Factors—Risks Relating to Our Reliance on the NTT Group—The NTT Group's ESG-related initiatives may not achieve their targeted results on their anticipated timing or at all" for more information regarding these initiatives and related risks."

The information above contains forward-looking statements, which are based upon the NTT Group's current expectations, assumptions, estimates and projections. In particular, the goals and targets described below and underlying assumptions are subject to various risks, uncertainties and subjectivity, and the NTT Group's actual results may differ materially such goals and targets. See "Risk Factors."

Company Information

Our headquarters is located at Shinagawa Season Terrace, 1-2-70 Konan, Minato-ku, Tokyo 108-0075, Japan. Our main telephone number is +81-3-6455-8810. Our corporate internet website is <https://www.ntt-finance.co.jp/eng/index.html>. The information on our website does not constitute a part of this offering circular.

Summary Risk Factors

Investing in the notes involves a number of risks, and prospective investors are urged to carefully consider the matters discussed under “Risk Factors” prior to making an investment in the notes. Such risks include, but are not limited to:

- Our business and financial condition are dependent on the operations of the NTT Group;
- Our finance business exposes us to the credit risk of the NTT Group companies to which we have provided or may in the future provide loans, particularly the Parent in connection with its financing of its acquisition of the public shares of NTT DOCOMO;
- There is no assurance that the Parent will continue to position us as the sole finance subsidiary of the NTT Group or maintain our current business arrangements with the NTT Group;
- We engage in transactions with NTT Group companies in various aspects of our business, and NTT Group companies may be subject to conflicts of interest in engaging in these transactions;
- The NTT Group’s ESG-related initiatives may not achieve their targeted results on their anticipated timing or at all;
- Our Billing Business exposes us to the credit risk of the NTT Group’s customers;
- Our Credit Card Business exposes us to various risks, including increases in interchange and other fees we must pay in connection with credit card transactions we process, pressure on interchange fees we receive, cardmember credit risk, and competition with other credit card companies and forms of payment;
- Increases in prevailing market interest rates could increase our interest expense and adversely affect our financial condition and results of operations;
- Our results of operations could be adversely affected by negative economic, social and geopolitical conditions in our main operating markets and globally;
- If we are not able to invest successfully in and introduce digital and other technological developments across all our businesses, our financial performance may suffer;
- We rely on third parties to provide products and services for the operation of our business, and the failure or inability of such parties to provide products and services or defects therein could adversely affect our business;
- Our systems may be the target of potential cyber-attacks or other security breaches that could have significant negative consequences;
- We may be subject to liability and regulatory action or suffer reputational damage if we are unable to maintain the privacy of our data or maintain effective policies and procedures for the storage, management, usage and protection of personal, confidential or sensitive information;
- Our indebtedness could materially adversely affect our business, financial condition or results of operations;
- Fluctuations in currency exchange rates may adversely affect our business and result of operations;
- The transition away from LIBOR may adversely affect our business;
- Our risk management strategies may not be fully effective in mitigating our risk exposures in all market environments or against all types of risk;
- Our results of operations could be adversely affected by the COVID-19 pandemic;
- We are subject to extensive laws, government regulations and licensing regimes that restrict and may impose new restrictions on our business;
- Our business may be affected by natural disasters, climate change, geopolitical crises or other unexpected events;
- We may have difficulties or incur significant costs in recruiting and retaining skilled employees; and
- From time to time, we may become involved in legal proceedings, which could adversely affect our business.

In addition, as the sole finance subsidiary of NTT Group, we engage in significant transactions with NTT Group across our businesses, including extending loans to NTT Group companies, purchasing and servicing

accounts receivables from NTT Group companies and other transactions. We are accordingly exposed to the performance of the NTT Group's businesses, and any risks associated with these businesses could adversely impact our business. The key risks faced by NTT Group include, but are not limited to, those described below.

- The NTT Group faces intense competition in its businesses, and such competition may intensify;
- The NTT Group operates in industries characterized by rapid technological development, and may be unable to respond effectively to changes in technologies and business models in its industries;
- The NTT Group's business depends on its ability to maintain and improve its network, and any network failures or delays or errors in transmissions could cause the group to lose customers and expose it to potential liability;
- The NTT Group may be unable to secure adequate radio frequency spectrum to support its operations;
- The NTT Group's investments, acquisitions, alliances and corporate collaborations may not be successful;
- The NTT Group relies on third parties to provide products and services for the operation of its business, and the failure or inability of such parties to provide products and services or defects therein could adversely affect its business;
- The NTT Group faces risks associated with its international operations;
- The NTT Group is subject to extensive laws, government regulations and licensing regimes that restrict and may impose new restrictions on its business;
- The NTT Group is subject to additional regulations due to its history as a government-affiliated group and its continuing role as the owner and direct operator of substantially all of Japan's wired telecommunications infrastructure; and
- The Japanese government is the Parent's largest shareholder and has the ability to exercise significant influence over the Parent's business, and thus indirectly over our business, and its interests may differ from those of typical shareholders of a public company.

For a discussion of these and other risks you should consider before making an investment in the notes, see the section entitled "Risk Factors."

The Offering

Issuer	NTT FINANCE CORPORATION
Securities Offered:	\$500,000,000 aggregate principal amount of 4.142% senior notes due 2024. \$500,000,000 aggregate principal amount of 4.239% senior notes due 2025. \$500,000,000 aggregate principal amount of 4.372% senior notes due 2027.
Issue Price:	100.000% plus accrued interest, if any, from July 27, 2022. 100.000% plus accrued interest, if any, from July 27, 2022. 100.000% plus accrued interest, if any, from July 27, 2022.
Maturity Date:	July 26, 2024. July 25, 2025. July 27, 2027.
Status of the Notes:	Each series of the notes will be the Issuer's direct, unsecured and unsubordinated general obligations and will have the same rank in liquidation as all of the Issuer's other unsecured and unsubordinated debt (except for statutorily preferred obligations) and without any preference among themselves. The notes do not benefit from any guarantee or other credit support from the Parent or any other member of the NTT Group.
Minimum Denomination:	Each series of the notes will be in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.
Payments of Principal and Interest on the Notes:	<p>The 2024 notes will bear interest at an annual rate of 4.142%, the 2025 notes will bear interest at an annual rate of 4.239%, and the 2027 notes will bear interest at an annual rate of 4.372%. The 2024 notes will bear interest accruing from July 27, 2022, payable semi-annually in arrears on January 26 and July 26 of each year, with the first interest payment to be made on January 26, 2023. There will therefore be a short first coupon for the 2024 notes in respect of the period from (and including) July 27, 2022 to (but excluding) January 26, 2023. The 2025 notes will bear interest accruing from July 27, 2022, payable semi-annually in arrears on January 25 and July 25 of each year, with the first interest payment to be made on January 25, 2023. There will therefore be a short first coupon for the 2025 notes in respect of the period from (and including) July 27, 2022 to (but excluding) January 25, 2023. The 2027 notes will bear interest accruing from July 27, 2022, payable semi-annually in arrears on January 27 and July 27 of each year, with the first interest payment to be made on January 27, 2023. Interest on the notes will accrue from and including the date of original issuance or, if interest has already been paid, from and including the date it was most recently paid. Interest on the notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months.</p> <p>Principal will be repaid at a price of 100% of the principal amount of the notes on the applicable maturity date.</p> <p>If any date for payment of principal, premium (if any) or interest (or additional amounts, if any) in respect of the notes falls on a day that is not a business day, then such payment need not be made on such date but may be made on the next succeeding business day. Any payment made on such next succeeding business day shall have the same force and</p>

effect as if made on the original due date, and no additional interest shall accrue with respect to such payment for the period after such original due date.

See “Description of the Notes—Principal and Maturity” and “Description of the Notes—Interest.”

Additional Amounts: All payments of principal, premium (if any) and interest in respect of the notes by the Issuer shall be made without withholding or deduction for, or on account of, taxes imposed by or within Japan, unless such withholding or deduction is required by law. If the payments are subject to such withholding or deduction, the Issuer shall pay such additional amounts (subject to certain exceptions) in respect of Japanese taxes as will result in the payment of amounts otherwise receivable absent any withholding or deduction on account of such Japanese taxes. See “Description of the Notes—Taxation and Additional Amounts.”

References to principal or interest in respect of the notes shall be deemed to include any additional amounts which may be payable as set forth in the indenture.

See “Description of the Notes—Taxation and Additional Amounts.”

Optional Redemption: Prior to their maturity date, for the 2024 notes and the 2025 notes, or June 27, 2027 (one month prior to their maturity date) (the “Par Call Date”), for the 2027 notes, the Issuer may redeem the notes of each series at its option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

(i) (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the notes matured on the Par Call Date, for the 2027 notes) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 15 basis points, for the 2024 notes, 15 basis points, for the 2025 notes, and 20 basis points, for the 2027 notes, less (b) interest accrued to the date of redemption, and

(ii) 100% of the principal amount of the notes to be redeemed, *plus*, in either case, accrued and unpaid interest thereon to the redemption date.

On or after the Par Call Date, the Issuer may redeem the 2027 notes, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest thereon to the redemption date.

See “Description of the Notes—Optional Redemption.”

Optional Tax Redemption: Each series of the notes may be redeemed at any time, at the option and sole discretion of the Issuer, in whole, but not in part, and upon giving not less than 10 days’ nor more than 60 days’ notice of redemption to the holders (which notice shall be irrevocable) and the trustee at a redemption price equal to 100% of the principal amount of the notes of such series together with interest accrued to (but excluding) the date fixed for redemption and any additional amounts thereon, if the Issuer has or will become obliged to pay additional amounts with respect to such series of notes as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority

thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the notes.

See “Description of the Notes—Optional Tax Redemption.”

Use of Proceeds: We intend to allocate an amount equal to the net proceeds from the offering of the notes, to make loans to NTT Group to finance or refinance, in whole or in part, new or existing projects that meet one or more of the “Eligibility Criteria” as defined in the Green Finance Framework. See “Use of Proceeds.”

Global Notes: Each series of the notes will be initially represented by one or more global notes in fully registered form without interest coupons. The global notes will be deposited upon issuance with the custodian for DTC and registered in the name of DTC or its nominee. Beneficial interests in the global notes may be held only through DTC (or any successor clearing system that holds global notes) and its participants, including Euroclear and Clearstream.

The security numbers for the notes are:

For the notes sold under Regulation S:

2024 notes:		
CUSIP No:	ISIN:	Common Code:
J5S39R AH7	USJ5S39RAH79	249941760

2025 notes:		
CUSIP No:	ISIN:	Common Code:
J5S39R AJ3	USJ5S39RAJ36	249941816

2027 notes:		
CUSIP No:	ISIN:	Common Code:
J5S39R AK0	USJ5S39RAK09	249941832

For the notes sold under Rule 144A:

2024 notes:		
CUSIP No:	ISIN:	Common Code:
62954W AH8	US62954WAH88	249941751

2025 notes:		
CUSIP No:	ISIN:	Common Code:
62954W AJ4	US62954WAJ45	249941808

2027 notes:		
CUSIP No:	ISIN:	Common Code:
62954W AK1	US62954WAK18	249941824

Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by the depositaries and their participants. The sole holder of the notes represented by one or more global notes will at all times be DTC or its nominee (or a successor of DTC or its nominee), and voting and other consensual rights of holders of the notes will be exercisable by beneficial owners of the notes only indirectly through the rules and procedures of the depositaries from time to time in effect. Beneficial interests in the global notes may not be exchanged for definitive notes except in the limited circumstances described under “Description of the Notes—Book-Entry; Delivery and Form—Exchange of Global Notes for Definitive Notes.”

Transfer Restrictions: The offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The notes have not been and will not be registered under the Securities Act or with any securities

regulatory authority of any state or other jurisdiction. Accordingly, the notes may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except (a) to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A that are also qualified purchasers (as defined in Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder) and (b) outside the U.S. to persons other than “U.S. persons” (as defined in Rule 902 under the Securities Act) in offshore transactions in compliance with Regulation S. See “Transfer Restrictions.”

To enforce the restrictions on transfers of the notes and interests therein, the Issuer has the right to require any holder of a note offered in reliance on Rule 144A (or beneficial interest therein) that is a U.S. person and is determined not to have been both (i) a qualified institutional buyers and (ii) a qualified purchasers at the time of acquisition of such note (or such beneficial interest therein) or is otherwise determined to be in breach, at the time given, of any of the representations and agreements contained in “Transfer Restrictions” to transfer such note (or such beneficial interest therein), within 30 days after notice of the sale requirement is given, to a transferee acceptable to the Issuer who is able to and who does make all of the representations and agreements set forth in “Transfer Restrictions.”

Governing Law: The notes and the indenture will be governed by and construed in accordance with the laws of the State of New York.

Ratings: It is expected that the notes will be rated A1 by Moody’s Japan K.K., or Moody’s and A by S&P Global Ratings Japan Inc., or S&P.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing and Trading: Approval in-principle has been received for the listing and quotation of the notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the notes to the official list of the SGX-ST is not to be taken as an indication of the merits of us or the notes.

So long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require, NTT Finance shall appoint and maintain a paying agent in Singapore where the notes may be presented or surrendered for payment or redemption, in the event that a global note is exchanged for definitive notes. In addition, in the event that a global note is exchanged for definitive notes, an announcement of such exchange shall be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

The notes are expected to be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies) for so long as such notes are listed on the SGX-ST.

Trustee: The Bank of New York Mellon

Paying Agent, Transfer Agent and
Notes Registrar: The Bank of New York Mellon

RISK FACTORS

Prior to making an investment decision, you should carefully consider the following risks, along with the other information in this offering circular, including our consolidated financial statements and related notes and other financial information, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Our business, financial condition and results of operations could be materially and adversely affected by the factors discussed below. This offering circular also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this offering circular. See “Forward-Looking Statements.”

Risks Relating to Our Reliance on the NTT Group

Our business and financial condition are dependent on the operations of the NTT Group.

As the sole finance subsidiary of the NTT Group, we are substantially reliant on the NTT Group for a significant part of our existing business as well as for new business generation. In particular, in our Billing Business we generate revenue primarily through commissions we receive from NTT Group companies for assuming their receivables from customers, and in our Accounting/Finance Business, we provide interest-bearing loans, cash management and other finance and accounting services to NTT Group companies. In addition, a substantial part of the revenue from the Credit Card Business consists of commissions we receive from NTT Group companies for processing payment of telecommunication charges made through credit cards. For the fiscal year ended March 31, 2022, we derived a substantial majority of our revenue from NTT Group companies, including 45.8% of our revenue from NTT DOCOMO. In addition, as of March 31, 2022, approximately 98% of our operating assets, which we define as the total of trade accounts receivable (net of allowance for doubtful receivables) and investments in venture businesses were loans to the Parent and other operating companies of the NTT Group.

Accordingly, any change in conditions adversely affecting the NTT Group as a whole or any of its significant companies could have a significant impact on our business and results of operations. Factors that may affect the NTT Group include, but are not limited to, the following:

- intense competition in the telecommunications, ICT and other industries in which the NTT Group operates;
- rapid technological development in the NTT Group’s industries, to which it may be unable to effectively respond;
- the NTT Group’s dependence on its ability to maintain and improve its telecommunications network;
- any inability to secure adequate radio frequency spectrum;
- failure of investments, acquisitions, alliances and corporate collaborations;
- reliance on third parties to provide products and services for the operation of its businesses;
- risks associated with international operations, including with respect to monitoring and coordination, laws and regulations, political and economic instability and uncertain business environments, and labor and personnel matters;
- regulation of the Parent and the NTT Group’s businesses; and
- a range of other operational and market risks including the NTT Group’s failure to execute its business strategies, cost overruns, and economic, social and geo-political conditions in Japan and globally.

See “—Risk Factors Relating to Our Exposure to the Operations and Financial Condition of the NTT Group” for further description of risks affecting the NTT Group’s other businesses, any of which could directly or indirectly adversely affect us. In addition, negative developments affecting the reputation or financial condition of the NTT Group could cause damage to our own corporate image or reputation and have an adverse effect on our results of operations. Such negative developments could be caused by external factors, such as the effect of market, political or economic disruptions, or by employee misfeasance or malfeasance or other factors affecting conditions among the NTT Group.

Any of the foregoing factors may cause a material reduction in our revenue and adversely affect our business, financial condition and results of operations.

Our finance business exposes us to the credit risk of the NTT Group companies to which we have provided or may in the future provide loans, particularly the Parent in connection with its financing of its acquisition of the public shares of NTT DOCOMO.

In our finance business, we provide debt financing to companies within the NTT Group, and we generally engage in and manage all debt financing from external financial institutions as well as the capital markets for the NTT Group. Because we use the proceeds of such debt financing to provide financing to companies in the NTT Group, we have substantial exposure to the credit risk of the other NTT Group companies. As of March 31, 2022, 99.2% of our total trade accounts receivable (loans) of ¥8,107,979 million comprised loans to NTT Group companies, which primarily included loans to the Parent accounting for 71.6% of our total trade accounts receivable (loans) which were largely incurred in connection with the financing of its acquisition of the remaining public shares of NTT DOCOMO in December 2020. Accordingly, any of the factors that could adversely affect the NTT Group’s business, including but not limited to those described in “—Risk Factors Relating to Our Exposure to the Operations and Financial Condition of the NTT Group,” would also be likely to adversely affect NTT Group’s credit risk, which in turn could expose us to losses to the extent that any of the relevant companies experience difficulty in repaying the loans, increases in allowances for doubtful receivables or defaults by such companies on their loans. Any of the foregoing may in turn cause us to experience difficulty in repaying our third-party borrowings, including the notes, and performing our other obligations to third parties, which could have a material and adverse effect on our business, financial condition and results of operations and the business, financial condition and results of operations of the NTT Group as a whole. See “—Our indebtedness could materially adversely affect our business, financial condition or results of operations.”

In addition, to the extent that the Parent has indebtedness that is senior to our loans to the Parent in terms of priority, payment of such senior indebtedness would have priority over our loans to the Parent. For example, under the Act on Nippon Telegraph and Telephone Corporation, etc. of Japan (Act No. 85 of 1984, as amended) (the “NTT Act”), holders of debt securities issued by the Parent which are classified as “*shasai*” under the meaning of the NTT Act have the preferential right (*ippan-tanpo*) to be paid prior to other unsecured indebtedness of the Parent, including its indebtedness to us. As a result, our claims against the Parent under such indebtedness will be subordinated to those of holders of debt securities issued by the Parent that are classified as “*shasai*” under the meaning of the NTT Act, and the Parent had ¥99,995 million of such “*shasai*” debt securities as of March 31, 2022.

There is no assurance that the Parent will continue to position us as the sole finance subsidiary of the NTT Group or maintain our current business arrangements with the NTT Group.

We are a wholly-owned subsidiary of the Parent, and the Parent substantially controls our business both directly and indirectly through its control over our counterparties within the NTT Group. While the Parent has positioned us as its sole finance subsidiary and aims to further leverage us to consolidate the NTT Group’s intragroup finance-related services such as accounting and tax, the Parent is under no obligation to maintain our position within the NTT Group, and it may create other group finance, cash management, accounting or tax subsidiaries or partially or completely distribute any or all such functions or other businesses among the NTT Group’s operating companies in the future. Similarly, while we currently perform billing and payment services on behalf of the NTT Group’s operating subsidiaries, pursuant to the relevant agreements with these companies, which are generally subject to renewable one year terms, the Parent or such subsidiaries could discontinue these arrangements for any reason upon their expiration.

Moreover, while the Parent made us its wholly owned subsidiary in September 2020, it is under no obligation to continue to hold all or any of our outstanding shares. If the Parent were to dispose of some or all of our shares, we may be unable to maintain our role as the central provider of billing and payment, finance and other services for the NTT Group on the same terms or at all, and we would likely lose access to other forms of support such as those discussed immediately below in “—We engage in transactions with NTT Group companies in various aspects of our business, and NTT Group companies may be subject to conflicts of interest in engaging in these transactions.”

Any of the foregoing factors may affect our ability to maintain our business as currently conducted and adversely affect our business, financial condition and results of operations.

We engage in transactions with NTT Group companies in various aspects of our business, and NTT Group companies may be subject to conflicts of interest in engaging in these transactions.

We engage in a wide range of transactions with NTT Group across a variety of areas of our business. As described above, we generate a substantial portion of our revenue from providing billing, finance and accounting

and tax services to NTT Group companies. We also rely on NTT Group companies in a variety of other aspects of our business. In particular:

- In March 2009, we received an equity injection of ¥19,994 million from the Parent in response to our incurring significant losses during that fiscal year. Also, NTT fully and unconditionally guarantees the notes we issued in March 2021 in a total amount of \$8 billion and €2 billion, respectively. There is, however, no other guarantee or keepwell arrangement in place between us and the Parent or any other member of the NTT Group in relation to supporting us financially. There is no assurance that the Parent or any other member of the NTT Group will provide such support to us in the future.
- As a consequence of our history and positioning within the NTT Group, all of our current directors and a significant proportion of our current managers have in the past worked for, and some directors are currently senior managers at, other companies within the NTT Group. Furthermore, although we have an agreement in place with the Parent in relation to our management as part of the NTT Group, with the aim of maximizing the corporate value of each NTT Group company while respecting each NTT Group company's autonomy and independence, such agreement may not ensure that we are operated independently from the interests of NTT Group as a whole or other NTT Group companies.
- The Parent currently holds all of our outstanding voting rights and has the ability to control our management as our sole shareholder. While we expect the Parent to respect our autonomy and independence as a company, the Parent is nonetheless in a position to take actions that may be in the interest of the NTT Group but not necessarily in our best interest on a standalone basis.

We also make use of many of the NTT Group's IT and ICT-related services such as various internet and data processing and storage services used in providing our billing and credit card services to NTT Group customers, mobile and fixed-line telephone and data services, server-related services, internal web-based training services, office automation services, remote work-related services, deposit and withdrawal services.

Our policy is that transactions with affiliates are to be conducted on an arm's-length basis and on terms as favorable to us as with non-affiliates. While we believe our current arrangements with NTT Group companies have terms as beneficial to us as our arrangements with unaffiliated third parties, there can be no assurance that all our future transactions with NTT Group companies will be beneficial to us, particularly as we are a wholly owned subsidiary of the Parent, and the Parent may manage us in a manner that may be in the interest of the Parent or the NTT Group but not necessarily in our best interest.

The NTT Group's ESG-related initiatives may not achieve their targeted results on their anticipated timing or at all.

Although the NTT Group has established a number of ESG-related initiatives aimed at reducing its environmental impact, including those set forth "Environmental, Social and Governance Policies of NTT Group", there can be no assurance that the NTT Group will be successful in implementing these initiatives and achieving its targeted results. For example, although NTT Group's "NTT Green Innovation toward 2040" initiative identifies targets for the NTT Group to reduce its greenhouse gas emissions over the medium to long term, there can be no assurance that the NTT Group will be able to reduce its emissions in the targeted amounts or at all, particularly as the targets depend on the assumed adoption of technologies such as the IOWN concept that are not yet fully developed and whose climate-related benefits cannot yet be known with any certainty. In addition, the NTT Group has assumed it will be able to obtain a substantial majority of its future energy needs from renewable sources, but the NTT Group anticipates largely depending on third parties for the provision of renewable energy, and there is no assurance that the NTT Group will be able to obtain sufficient renewable energy on attractive terms or at all. Moreover, the greenhouse gas emission reduction targets depend on assumptions related to the NTT Group's energy demand for many years in the future, which is impossible to predict with any certainty, including due to any future changes in the nature of its service offerings, unforeseen technological developments and regulatory changes. Any failure by the NTT Group to achieve the results it targets under its ESG-related initiatives could adversely impact its business in various ways including through impacts on its reputation, ability to obtain "green" financing in the future and costs of compliance with environmental regulations.

Targets under NTT Group's ESG-related initiatives are based upon its current expectations, assumptions, estimates and projections, and there is no guarantee that they may not be changed in the future due to changes in its business strategy, developments in the political, economic, technological, social and market environments or other factors. Although NTT Group believes such targets are in line with various societal goals, including, for

example, the Science Based Targets initiatives' 1.5°C level, there is no assurance that such targets will be sufficient or be perceived to be sufficient by investors or other stakeholders in meeting relevant environmental, social or governance goals. For example, under NTT DOCOMO's "Green 5G" initiative, NTT DOCOMO seeks to maintain the ratio of its effective renewable energy consumption to its total energy consumption above the ratio of its 5G subscriptions to its total number of mobile subscriptions. However, this target may not necessarily result in increases in its ratio of renewable energy consumption if its subscribers do not continue to adopt 5G services. Furthermore, measuring our progress towards such goals, including, for example, the accurate calculation of our greenhouse gas emissions for any given period, is subject to inherent uncertainty and is also susceptible to human, technological and other errors. Different methodologies for calculation or measurement of relevant outcomes may also yield different results. Any future changes to NTT Group's targets, any failure of such targets to meet or be perceived as meeting relevant environmental, social or governance goals or any disputes relating to the methodologies for calculation or errors in the measurement of relevant outcomes could adversely impact our reputation and business. See "Environmental, Social and Governance Policies of NTT Group."

Risks Relating to Our Business

Our Billing Business exposes us to the credit risk of the NTT Group's customers.

In our Billing Business, we are exposed to credit risks on the portfolio of receivables transferred to us from NTT Group companies, thus transferring the credit risk with respect to such receivables from the operating NTT Group company to us. We are paid commissions on assuming such receivables, which are calculated based on our analysis of the credit risk associated with such receivables taking into account the historical record of the collectability of certain groups of customers. Any sudden increase in defaults under such receivables may therefore cause our actual credit loss to exceed estimates, or the commissions we receive, which would adversely affect our results of operations. Changes in the credit risk associated with such receivables can be affected by a number of factors including global, country, industry and customer specific economic conditions, including sudden shifts in regional or global economic activity such as those associated with the COVID-19 pandemic, which in turn may impact individual customers' finances and business customers' working capital and their ability to make scheduled payments on the receivables we hold. In addition, customer disputes regarding product quality, service delivery, amounts due to us or other circumstances, may cause customers to delay scheduled payments when due. If we are unable to collect receivables, we may be unable to generate sufficient cash to meet our business obligations, including servicing our debt, which may force us to enter into additional financing arrangements that may not be favorable to us or otherwise negatively impact our business, results of operations and financial condition.

In addition to individual customers, primarily of the mobile and fixed-line telecommunications services of NTT DOCOMO, NTT East and NTT West, the NTT Group's customer base includes a variety of enterprises, from small and medium businesses to large organizations and governmental entities. We perform regular credit evaluations of the financial condition of our enterprise customers. These credit evaluations rely in part on third-party information, including information provided by such customers, and may not successfully predict customers' financial conditions and detect and prevent fraud or misconduct with respect to such information or by other third parties. Any such fraud or misconduct could have a significant impact on our ability to collect receivables. If we become aware of information related to the creditworthiness of a customer, or if actual default rates on receivables in the future differ from those currently anticipated, we may need to adjust our allowance for credit losses, which could affect our financial condition and results of operations. In addition, see "—Our Credit Card Business exposes us to various risks, including increases in interchange and other fees we must pay in connection with credit card transactions we process, pressure on interchange fees we receive, cardmember credit risk, and competition with other credit card companies and forms of payment" for a description of risks related to the portion of our Billing Business invoices that customers pay using credit cards.

Our Credit Card Business exposes us to various risks, including increases in interchange and other fees we must pay in connection with credit card transactions we process, pressure on interchange fees we receive, cardmember credit risk, and competition with other credit card companies and forms of payment.

In our role as payment processor and merchant acquirer for NTT Group customer telecommunications invoices paid with credit card, card issuer of NTT Group and NTT Finance-branded credit cards, merchant acquirer to third parties, and the provider of the payment processing service Paysol, we are exposed to various risks.

In our role as payment processor and merchant acquirer for NTT Group customer telecommunications invoices paid with credit card which accounted for 89.9% of our Credit Card Business's revenue for the fiscal

year ended March 31, 2022 due to inter-segment transfers from our Billing Business, we are required to pay interchange fees set by the payment networks of invoiced customers' credit cards. From time to time, the payment networks may increase the interchange fees and other fees that they charge. At their sole discretion, other credit card issuers have the right to pass any increases in interchange and other fees on to us and they have consistently done so in the past. We are generally permitted to under the contracts into which we enter, and in the past we have been able to, pass these fee increases along to our merchants, including the NTT Group operating companies, through corresponding increases in our processing fees. However, if we are unable to pass through these and other fees in the future, or if the relevant NTT Group companies and other merchants' businesses are adversely affected by such fee increases, it could have a material adverse effect on our business, financial condition and results of operations.

At the same time, due to our role as credit card issuer, our revenue and profitability may be adversely affected by pressure to reduce interchange fees. Legislative and regulatory bodies in a number of countries are seeking to reduce interchange fees through legislation, competition-related regulatory proceedings, voluntary agreements, central bank regulation and/or litigation, and legislative and regulatory bodies such as the Japan Fair Trade Commission may also seek such reductions in Japan in the future. In addition to this regulatory activity, merchants are also seeking avenues to reduce interchange fees, including bargaining for lower interchange fees and lobbying for legal restrictions. In addition, retailers may also bring legal proceedings against MasterCard and Visa and their card-issuing partners, claiming that their practices toward merchants, including interchange and similar fees, violate antitrust laws. Merchants may also promote new or alternative forms of payment with lower fees or seek to impose surcharges at the point of sale for use of credit cards, potentially leading to issuer transaction fees or the displacement of credit cards as a payment method.

Like other credit card issuers, we face the risk that our customers will not repay their balances on time or at all. A customer's ability and willingness to repay us can be adversely affected by decreases in their income or increases in their payment obligations to other lenders, whether as a result of higher debt levels or rising interest rates, by rising levels of inflation, or by restricted availability of credit generally. We may fail to quickly identify and reduce our exposure to customers that are likely to default on their payment obligations, whether by closing the relevant account or restricting authorizations. Our ability to manage the credit risk is also affected by legal or regulatory changes, competitors' actions and consumer behavior, and depends on the effectiveness of our collections staff, techniques and models. In addition, our ability to accurately assess the creditworthiness of our customers may diminish, which could result in an increase in our credit losses and a deterioration of our returns.

The credit quality of our customers can have a significant impact on our results of operations. We establish an allowance for doubtful accounts against credit risks based on our assessment of expected credit losses in our Credit Card Business. This process requires complex judgments, including forecasts of economic conditions. We may underestimate our expected losses and fail to hold an allowance sufficient to account for these losses. Rising losses or leading indicators of rising losses may also require us to increase our allowance for doubtful accounts, which would decrease our profitability if we are unable to raise revenue or reduce costs to compensate for higher losses. In addition, we face the risk that consumer and commercial customer behavior may change (for example, an increase in the unwillingness or inability of customers to repay debt, which may be heightened by increasing interest rates or levels of consumer debt), causing a long-term rise in delinquencies and charge-offs.

In addition, our Credit Card Business faces competition from other credit card issuers, including those in the banking, retail and distribution and transportation industries. We also face competition from other payment methods such as internet banking, debit and pre-paid and chargeable cards and cash-on-delivery, as well as newer payment methods such as mobile carrier payments, buy-now-pay-later and mobile wallets that consumers fund from sources such as a bank account or credit card, including PayPay and Rakuten Pay. In our role as merchant acquirer, we face competition from other merchant acquirers, including those affiliated with financial institutions and retailers. Competition may intensify in the future, both as emerging technologies continue to enter the market and as large financial incumbents increasingly seek to innovate the services that they offer. Technological advances and the continued growth of e-commerce activities have increased consumers' accessibility to payment products and services and led to the expansion of competition in payment options, including those incorporating new technology.

In order to provide our Credit Card Business, we are registered with the MasterCard and Visa payment networks. We and many of our clients are subject to payment network rules. If we or our associated participants do not comply with the payment network requirements, the payment networks could seek to fine us, suspend us or terminate our registrations. If we are unable to recover fines from or pass through costs to our merchants or other associated participants, we would experience a financial loss. The termination of our registration, or any

changes in the payment network rules that would impair our registration, could require us to stop providing credit card service, which would have a material adverse effect on our business, financial condition and results of operations. Payment network rules are established and changed from time to time by each payment network, as they may determine in their sole discretion and with or without advance notice to their participants. Failure to comply in a timely manner with rule changes could result in fines, penalties or reputational damage, and could negatively impact our registration with the payment networks. Any changes in the rules or standards of these payment networks and card schemes, or the way they are implemented, could increase our cost of doing business or limit our ability to provide credit card services to our clients and have a material adverse effect on our business, financial condition and results of operations.

Increases in prevailing market interest rates could increase our interest expense and adversely affect our financial condition and results of operations.

As of March 31, 2022, a portion of our outstanding bonds and borrowings was subject to floating interest rates and we were a party to interest rate swap agreements with respect to ¥18,844 million of such bonds and borrowings. Any increase in market interest rates could result in increased interest payments on our borrowings and existing floating-rate bonds and new bonds. Higher interest rates may also limit our capacity for short- and long-term borrowings, which would in turn limit our ability to conduct our group financing activities. While interest rates in Japan have remained low following downward adjustments by the Bank of Japan as a result of the global financial crisis in 2008, it is possible that stimulus measures implemented by the Bank of Japan could cause interest rates to increase in the future. In particular, the Bank of Japan has been pursuing a major policy for Quantitative and Qualitative Monetary Easing (QQE), including the establishment of an inflation target to achieve price stability of 2% in terms of the year-on-year rate of change in the consumer price index in Japan and various other monetary easing measures. The effectiveness of these policies remains unclear, especially given the uncertainties due to the ongoing COVID-19 pandemic and rising inflation globally and in Japan seen in the wake of Russia's invasion of Ukraine. Furthermore, the Bank of Japan may reverse the current expansionary policies to pursue contractionary measures if inflation targets are achieved or for any other reason. These initiatives may, among other factors, increase market volatility and result in increased interest rates in Japan in the future.

In addition, market interest rates can be affected by the monetary policy of other countries, including through the impact on foreign exchange rates and the resulting pressures on monetary policy in Japan. In particular, the U.S. and other major economies have experienced rapid inflation in recent months, which central banks other than the Bank of Japan have attempted to curtail through contractionary measures. The recent divergence in monetary policy between Japan and other major economies is believed to have contributed to a sharp weakening of the yen in early 2022. However, central banks, including the Bank of Japan, if inflation exceeds its target, may not be able to control ongoing inflationary trends. In response, central banks may further increase policy interest rates, which could have an even more pronounced adverse effect on our financial condition and results of operations. We attempt to mitigate our exposure to interest rate volatility by using interest rate hedging arrangements that convert variable interest rates to fixed interest rates and by diversifying our debt to include more long-term borrowings and bonds with varying maturity dates. However, these measures may not be effective in reducing our exposure to interest rate changes. For example, the counterparties to our hedging arrangements may not honor their obligations. Failure to effectively mitigate our exposure to interest rate volatility may have a material adverse effect on our financial condition and results of operations.

Our results of operations could be adversely affected by negative economic, social and geopolitical conditions in our main operating markets and globally.

The performance of our business is generally sensitive to economic, social and geopolitical conditions, particularly in our main operating market of Japan, as well as global economic conditions more generally, including due to the effect of Japanese and global economic conditions on the businesses of the NTT Group. Negative economic conditions may adversely impact demand for the services we or the NTT Group offer or result in downward competitive pressure on the pricing of our services outside the NTT Group or the products and services of the NTT Group. For example, if customers of NTT DOCOMO, NTT East or NTT West cancel or downgrade their subscriptions, or fail to make timely payments, our Billing Business may be adversely affected. In addition, in our Credit Card Business, our customers may reduce their purchasing or fail to make timely payments, which could negatively affect our revenue. Furthermore, our lending to and other business with NTT Group companies may be adversely affected by negative economic conditions to the extent that such conditions cause downturns in their own businesses or if credit markets are adversely affected.

The outlook for the economy in Japan and globally is highly uncertain and could be adversely affected by a range of economic, social and geopolitical developments. In particular, as described in “—Our results of

operations could be adversely affected by the COVID-19 pandemic”, the COVID-19 pandemic and the various countermeasures adopted in response thereto have negatively affected economic activity globally, including consumer and business activity, and the duration and extent of the future impact of COVID-19 remains highly uncertain. Although a number of stimulus and other measures have been implemented by governments and central banks to mitigate the economic impact of the COVID-19 pandemic, there is no assurance that such measures will be effective, and such measures may be discontinued or scaled back in the future. With respect to Japan, the economic environment continues to be challenging due to a number of other factors, including continued deflation and longer-term challenges surrounding the impact of unfavorable demographic trends such as the declining birthrate and the decline and aging of the overall population. The global economy is also subject to a number of potential challenges and uncertainties including Russia’s invasion of Ukraine, ongoing political disputes and trade tensions between the United States and China and other major trading partners, the future relationship between the United Kingdom and the European Union, the volatile political environment in many major European countries and the potential escalation of geopolitical risks associated with the Middle East and North Korea. Any economic volatility, whether actual or perceived, in or affecting any of our major operating markets or the global economy due to any of the foregoing factors or otherwise, whether widespread or localized, may reduce demand for our services and adversely affect our business, financial condition and results of operations.

In particular, in recent months, the prices of energy and commodity sharply increased, and credit and financial markets have experienced extreme volatility and disruptions due to the current conflict between Ukraine and Russia. The conflict is expected to have further global economic consequences, including but not limited to the possibility of severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in inflation rates and uncertainty about economic and political stability. In addition, the United States, Japan and other countries have imposed and may further impose sanctions on Russia, and as a retaliatory measure Russia has imposed and may further impose its own sanctions or launch cyberattacks against the government, infrastructure or businesses in the United States, Japan or other countries perceived to be unfriendly or adversarial. Any of the foregoing consequences, including those we cannot yet predict, may cause our business, financial condition and results of operations to be adversely affected.

In addition, our main sources of outside funding are bank loans and corporate bonds. If changes in economic or financial market conditions continue to cause a rise in interest rates or cause any adverse changes to our creditworthiness, our cost of raising funds could increase which would in turn impact our business, financial condition or results of operations. If share prices continue to decline as a result of deterioration of economic or financial market conditions, we may incur impairment losses which would in turn adversely affect our results of operations and financial condition.

If we are not able to invest successfully in and introduce digital and other technological developments across all our businesses, our financial performance may suffer.

Our industry is subject to rapid and significant technological changes and our ability to meet our customers’ needs and expectations is key to our ability to maintain and grow revenue and earnings. We expect digital technologies to have a significant impact on the billing, payment, credit card and accounting industries over time. Businesses and consumers expect robust digital experiences from their financial services providers. The ability for customers to make payments, access their accounts and conduct financial transactions using digital technology, including mobile applications, is an important aspect of the financial services industry and financial institutions are rapidly introducing new digital and other technology-driven products and services that aim to offer a better customer experience and to reduce costs. Our continued success depends, in part, upon our ability to address the needs of our customers by using digital technology to provide products and services that meet their expectations. The development and launch of new digital products and services depends in large part on our capacity to invest in and build the technology platforms that can enable them, in a cost effective and timely manner. Any failure to develop and provide our products and services using existing and new digital technology in a cost effective and timely manner may adversely affect our results of operations and financial condition.

We rely on third parties to provide products and services for the operation of our business, and the failure or inability of such parties to provide products and services or defects therein could adversely affect our business.

We rely on a variety of third parties to provide various services and products that are critical to operating our businesses. For example, individual customers of NTT Group services such as mobile phone services of NTT DOCOMO and fixed-line telecommunication services of NTT East and NTT West may pay their outstanding balances through in-person transactions at convenience stores, by credit card or through online or in-person retail

banking services. A disruption or impairment in the ability of the relevant third parties to facilitate payments to us, or to provide the services or systems we utilize for our business operations, could materially and adversely affect our business, financial condition and results of operations. Also, we rely on certain licensed third-party intellectual property in connection with our businesses. If we are unable to continue to license critical third-party intellectual property on commercially acceptable terms or at all, we may not be able to provide certain services to our customers.

In addition, as described in “—Our Credit Card Business exposes us to various risks, including increases in interchange and other fees we must pay in connection with credit card transactions we process, pressure on interchange fees we receive, cardmember credit risk, and competition with other credit card companies and forms of payment,” our Credit Card Business acquires merchants for and issues credit cards on the MasterCard and Visa networks. Such card payment networks set rules for participating in their networks, and such rules are established and changed from time to time by each network as they may determine in their sole discretion and with or without advance notice to their participants. Failure to comply in a timely manner with rule changes could result in fines, penalties or reputational damage, and changes in the rules of these networks, or the way they are implemented, could increase our cost of doing business or limit our ability to provide transaction processing services to or through our clients.

We do not have direct operational or financial control over these key service providers, and there can be no assurance that such service providers will continue to provide services on attractive terms in the future, if at all. Moreover, our service providers and their ability to supply us with services we require, or our ability to purchase them, may be negatively affected by political, economic or other outside factors, including uncertainty about or negative developments involving global trade or security policy.

Any inability to continue to maintain relationships with our service providers, suppliers and other third parties on which we rely, or any interruption or decline in quality of their services or products could have a material adverse effect on our business, financial condition and results of operations.

Our systems may be the target of potential cyber-attacks or other security breaches that could have significant negative consequences.

We collect, possess, manage and handle substantial amount of sensitive and confidential information, including in relation to customers of our Credit Card Business and Billing Business, and we are exposed to a range of cybersecurity and other information security threats in our businesses. These threats continue to become increasingly sophisticated and diversified. Security breaches and other malicious activities including cyber-attacks, computer hackings, computer viruses, worms or other destructive or disruptive software, process breakdowns and denial of service attacks could cause a degradation or disruption of our services, damage to our properties, equipment and data, or unauthorized disclosure of personal or confidential information of us or our customers. We have experienced attempts to breach our systems in the past and may experience such attempts in the future. Our security measures may also be breached due to employee error, malfeasance or otherwise, and outside parties may attempt to fraudulently induce our employees or customers to disclose sensitive information to gain access to our data or our customers’ data, including information subject to data protection laws and regulations. In addition, as we share certain information with certain third-parties, such information is vulnerable to unauthorized access through the systems of these third parties. The risk of these systems-related events and security breaches occurring has intensified, in part because we maintain certain information necessary to conduct our businesses in digital form stored on servers connected to the internet. Also, as a result of the COVID-19 pandemic, many of our employees have spent significantly more time working remotely at locations where they may use less secure computer and networking systems and consequently face a higher risk of exposure to viruses, break-ins or cyberattacks.

While we develop and maintain systems and processes designed to prevent systems-related events and security breaches from occurring, the development and maintenance of these systems and processes are costly and require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. Despite our efforts, there can be no assurance that unauthorized access and security breaches will not occur in the future. In addition, because the techniques used to obtain unauthorized access to systems, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may not be able to anticipate these techniques or implement adequate preventive measures.

Any security breach or unauthorized access could cause significant legal and financial exposure, including lost revenue due to business interruption, increased expenditures on security measures, monetary damages,

regulatory enforcement actions, fines or other penalties. In addition, any related damage to our reputation and the market perception of the effectiveness of our security measures could cause us to lose customers. Moreover, the amount and scope of insurance we maintain against losses resulting from unauthorized access or security breaches may not be sufficient to cover our losses or otherwise adequately compensate us for any disruptions to our businesses that may result.

We may be subject to liability and regulatory action or suffer reputational damage if we are unable to maintain the privacy of our data or maintain effective policies and procedures for the storage, management, usage and protection of personal, confidential or sensitive information.

Due to the nature of our business operations, we possess a substantial amount of personal, confidential or otherwise sensitive information with respect to current, past or prospective individual and business customers. In some cases, we also rely upon third-party service providers to handle customer information. The requirements under the Act on Protection of Personal Information of Japan (Act No. 57 of 2003, as amended), or the Act on Protection of Personal Information, which was recently amended in June 2020, that apply to our handling and use of personal information in our Japanese operations are stringent. We must also comply with the Payment Card Industry Data Security Standard set by the Payment Card Industry Security Standards Council consisting of major credit card network providers. Certain of these regulations impose fines or direct liability on businesses for data breaches where data security systems are found to be inadequate, in some cases regardless of harm to the affected users, and the potential amount of fines or liability can be substantial.

Compliance with these laws and regulations, the requirements and interpretations of which may differ significantly from country to country, has become more complex in recent years due to the increasing awareness of management of personal, confidential and sensitive information. Accordingly, the cost of complying with these laws and regulations is substantial and has been increasing. In addition, such laws and regulations related to the handling and use of personal, confidential and sensitive information have become stricter in recent years and may become even more stringent in the future, or we may change our policies concerning handling and usage voluntarily or in response to violations of applicable laws and regulations, perceived wrongdoing or for other reasons. As a result, it may become difficult for us to utilize certain information that is critical to our existing products and services or to develop new products and services, which in turn may harm our ability to maintain or grow our business.

Authorities in various countries are considering a number of legislative and regulatory proposals concerning data protection, including measures to ensure that encryption of users' data does not hinder law enforcement agencies' access to that data. In addition, as many consumer and data protection laws and regulations have been in force for a relatively short period, the interpretation and application of consumer and data protection laws and regulations are often uncertain and in flux, and it is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent with our current data practices. If we fail to comply with any such laws and regulations, we could suffer damage to our reputation and loss of customers. We could also be subject to liability or regulatory investigations or legal or other actions from regulators, users or other third parties relating to actual or alleged violations of laws and regulations surrounding data protection and privacy or otherwise. Any new restrictions or limitations relating to data protection and security may result in the deterioration of the quality of our products and services that rely on data and our overall competitive advantage, and possibly result in a loss of individual users or business clients or necessitate a revision or overhaul of our business models and strategies. See "Business—Regulation."

Our indebtedness could materially adversely affect our business, financial condition or results of operations.

We have significant outstanding indebtedness and debt service obligations. As of March 31, 2022, we had ¥299 billion in short-term bank loans, ¥404 billion in commercial papers, ¥2,316 billion in deposits received, ¥2,995 billion in bonds (including current portion) and ¥2,169 billion in long-term borrowings (including current portion), and we anticipate that we will continue to rely on bonds and borrowings as part of our financing strategy going forward. Our substantial indebtedness could have adverse consequences, including, but not limited to:

- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, research and development, business opportunities and other corporate requirements;
- increasing our vulnerability to a downturn in our businesses or economic and market conditions;
- requiring the dedication of a portion of our cash flow from operations to the payment of interest on our indebtedness, thereby reducing the cash flow available to fund our operations, capital expenditures or

for other corporate purposes, including contracted payments to NTT Group companies for the products and services they sell to customers for which we perform billing;

- exposing us to higher interest expenses due to market interest rate fluctuations to the extent that we are not able to effectively hedge the portion of our borrowings which are subject to floating interest rates using derivative instruments or otherwise;
- requiring the repayment of maturing indebtedness from our cash flow from operations or the incurring of new indebtedness;
- limiting our flexibility in planning for, or reacting to, changes in our businesses and the competitive environment;
- placing us and the NTT Group at a competitive disadvantage compared to competitors that are not similarly leveraged;
- subjecting us to restrictive financial and other covenants, which may require us to repay some or all of our outstanding indebtedness if we breach any such covenants; and
- a downgrade of our credit ratings, which may result in an increase in our borrowing costs.

Our borrowing costs could increase because of changes in economic or financial market conditions, such as rising interest rates, or any adverse changes to our creditworthiness. In addition, if we are unable to secure funds in the future on favorable terms or at all. As a result of any of the foregoing, we or other NTT Group companies may be unable to make necessary capital expenditures, including to make necessary investments to develop and respond to new technologies or otherwise execute our or their business strategies.

In addition, while we intend to reduce the overall level of indebtedness of the NTT Group by repaying indebtedness using the proceeds of the NTT Group's planned securitization of certain receivables of NTT DOCOMO and our operating cash flows, there is no assurance that we will be able to achieve this objective. To the extent that we do not reduce the level of indebtedness of NTT Group, we would continue to be exposed to the risks set forth above and would fail to achieve benefits of lower levels of indebtedness including reducing our interest expenses, and improving our and the NTT Group's creditworthiness. See "Business—Our Strategies—Maintain and Enhance Financial Soundness by Reducing Debt Levels."

As a result of any of the foregoing, our business, financial position and results of operations could be materially and adversely affected.

Fluctuations in currency exchange rates may adversely affect our business and result of operations.

As we procure financing and also operate our business internationally, we are exposed to fluctuations in currency exchange rates. In particular, a large portion of our outstanding indebtedness is, and the notes are, denominated in currencies other than the yen, primarily the U.S. dollar and Euro, while a substantial majority of our revenues and cash flows are denominated in Japanese yen from transactions with the NTT Group and other counterparties in Japan. The yen has substantially weakened in recent months, and further weakening would tend to reduce our ability to make interest payments and repay the principal of such foreign currency indebtedness. In addition, our consolidated financial statements are presented in yen, and by translating the foreign currency financial statements of our foreign subsidiaries into yen, the amounts of our revenue, profit, assets and equity, on a consolidated basis, are affected by prevailing rates of exchange. With respect to such translation risk, we are adversely affected when the yen appreciates against the U.S. dollar and the Euro. Although we attempt to manage our exposure to exchange rate fluctuations by matching the amounts of foreign currency denominated indebtedness with foreign currency denominated assets and employ currency swaps for hedging purposes, such hedging measures do not cover all of our exposures and, even to the extent that they do, they may only delay, or may otherwise be unable to completely eliminate, the impact of fluctuations in foreign currency exchange rates.

The transition away from LIBOR may adversely affect our business.

Central banks around the world have commissioned committees and working groups of market participants and official sector representatives to replace LIBOR and replace or reform other interest rate benchmarks. The publication of non-U.S. dollar LIBOR rates on a representative basis, as well as the publication of the lesser used 1-week and 2-month U.S. dollar LIBOR tenors, ceased as of the end of December 2021. While the most commonly used U.S. dollar LIBOR tenors are expected to continue to be published until June 30, 2023, the U.S. banking agencies issued guidance that banking organizations should cease using U.S. dollar LIBOR as a

reference rate in new contracts in any event by December 31, 2021. A transition away from the widespread use of LIBOR to alternative rates and other potential interest rate benchmark reforms has begun and is continuing. These reforms have caused and may in the future cause such rates to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted.

Given LIBOR's extensive use across financial markets, the transition away from LIBOR presents several risks and challenges to the financial markets and financial services providers, including us. We have loans, derivative contracts, unsecured debt and other instruments with attributes that are either directly or indirectly dependent on LIBOR. Uncertainty as to the nature of potential changes, alternative reference rates (including the pace of transition to, the specific terms and parameters for, and market acceptance of, such rates), or other reforms may adversely affect market liquidity, the pricing of LIBOR-based instruments, and the availability and cost of associated hedging instruments and borrowings. The transition away from LIBOR could result in adverse tax or accounting impacts, compliance, legal or operational costs and risks associated with customer disclosures, as well as systems disruption, model disruption and other business continuity issues for us.

In addition, risks will remain for us with respect to outstanding instruments which rely on LIBOR. Those risks arise in connection with transitioning such instruments to a new reference rate, the taking of discretionary actions (for example, under fallback provisions) or the negotiation of fallback provisions and final amendments to existing LIBOR based agreements. Payments under contracts referencing new reference rates may significantly differ from those referencing LIBOR. For some instruments, the method of transitioning to a new reference rate may be challenging, especially if parties to an instrument cannot agree as to how to effect that transition. If a contract is not transitioned to a new reference rate and LIBOR ceases to exist, the impact on our obligations is likely to vary by contract. In addition, prior to LIBOR cessation, instruments that continue to refer to LIBOR may be impacted if there is a change in the availability or calculation of LIBOR. The transition from LIBOR to an alternative reference rate has changed our market risk profile and required changes to risk and pricing models, valuation tools, product design, information technology systems, reporting infrastructure, operational processes and controls, and hedging strategies, and may result in or require further such changes in the future. In many cases, we are and may in the future be dependent on third parties to upgrade systems, software and other critical functions that could materially disrupt our readiness if they are not done on a timely basis or otherwise fail. Our assessment of the ultimate impact of, and our planning for, the transition from LIBOR remains ongoing. Failure to adequately manage the transition could have a material adverse effect on our reputation, business, financial condition and results of operations.

Our risk management strategies may not be fully effective in mitigating our risk exposures in all market environments or against all types of risk.

Management of market, credit, liquidity, operational and compliance risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. Even though we continue to devote significant resources to developing our risk management framework, our risk management strategies may not be fully effective in identifying and mitigating our risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of our methods of managing these risks are based upon our use of observed historical market behavior and management's judgment. These methods may not accurately predict future exposures, which could be significantly greater than the historical measures indicate and market conditions, particularly during a period of financial market stress, can involve unprecedented dislocations. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the timing of such outcomes. For example, our ability to implement our risk management strategies may be hindered by adverse changes in the volatility or liquidity conditions in certain markets and as a result, may limit our ability to distribute such risks. We may, therefore, incur losses in the course of our risk management or investing activities.

Our results of operations could be adversely affected by the COVID-19 pandemic.

The global spread of COVID-19 has created significant uncertainty, financial market volatility and global macroeconomic disruption. In Japan, the central and local governments imposed a number of measures to try to contain the spread of the disease, including the declaration of multiple states of emergency and other emergency measures in affected areas, and additional measures may be implemented in the future. Although vaccines have become more widely available and administered in Japan, the number of COVID-19 infections remains high as variants of the virus continue to be prevalent. As a result of the various measures taken to contain the spread of COVID-19, economic conditions in Japan have been significantly impacted, which have adversely affected the

businesses of a portion of our customer base, including NTT Group companies. In our Billing Business, we perform billing on behalf of other NTT Group companies, and could thus be affected to the extent that such group companies' underlying businesses and customer relationships are affected by the COVID-19 pandemic. Our Billing Business could also experience unexpected credit losses to the extent that group company customers experience financial difficulties caused by the pandemic. In addition, our group finance business primarily involves transactions with NTT Group companies, and we believe that this business could be affected by the current COVID-19 pandemic due to a slowdown in capital expenditure by, and decreased lending to, NTT Group companies.

The COVID-19 pandemic has also forced us to adjust our operations in a number of areas. Most significantly, we have implemented remote working arrangements to protect the health and safety of our employees. Our increased remote working, marketing and customer interaction measures may result in additional costs and expose us to challenges relating to data security and internal controls as our employees increasingly access our systems remotely. See “—Our systems may be the target of potential cyber-attacks and other security breaches that could have significant negative consequences.”

The magnitude and duration of the economic impact of the COVID-19 pandemic and the countermeasures adopted in responses thereto remains highly uncertain and may vary significantly in terms of severity and duration depending on the country, and it is possible that the economic slowdown in Japan and our other operating markets could continue for an extended period.

We are subject to extensive laws, government regulations and licensing regimes that restrict and may impose new restrictions on our business.

We are subject to various laws, regulations and licensing regimes pertaining to our Billing and Credit Card Businesses and other businesses. In particular, as a credit card issuer and provider of the payment processing service Paysol, we are subject to various consumer protection laws and other regulatory regimes, including the Installment Sales Act, Money Lending Business Act, Interest Rate Restriction Act, Act on Prevention and Transfer of Criminal Proceeds and Banking Act of Japan. We are also subject to a number of laws and regulations in our businesses, including those relating to personal information and data protection, consumer reporting, labor, social welfare, anti-money laundering, anti-bribery and anti-corruption, taxation and antitrust laws. See “Business—Regulation” for a summary of the key laws and regulations applicable to our business. In addition, our Finance and Accounting Business is also particularly susceptible to changes in applicable accounting and tax regimes. Our business is also affected by legal and regulatory changes affecting the businesses of the NTT Group. See “The NTT Group is subject to extensive laws, government regulations and licensing regimes that restrict and may impose new restrictions on its business.”

The legal and regulatory structures that apply to our business are complex, and any failure to comply with them could result in fines, penalties, losing permission to operate certain businesses, being ordered to suspend operations, litigation and other legal proceedings and have an adverse effect on our or the group's reputation. If new laws and regulations are introduced in a form we do not expect, or if existing laws and regulations are amended or subject to changes in interpretation or application, the services and products that we and the group are able to offer to customers, or our and their ability to set prices for those services and products, could be limited. We may not be able to accurately predict, prevent or effectively react to new laws and regulations, or new amendments to or interpretations and applications of existing laws and regulations, which could have a material adverse effect on our business, financial condition and results of operations.

Our business may be affected by natural disasters, climate change, geopolitical crises or other unexpected events.

Our operations and systems are vulnerable to damage or interruption from natural disasters, such as earthquakes, volcanoes, typhoons, heavy rain, heavy snow, fires and floods, including those resulting from climate change, as well as power losses, telecommunications or other infrastructure failures, cyberattacks, terrorist attacks, acts of war, public health crises including pandemics such as the COVID-19 pandemic and other outbreaks of infectious diseases, political crises or instability, human errors, break-ins and other unexpected events. In the case of such an event, we may be unable to continue our operations and may endure system or service interruptions, reputational harm, delays in our provision of services, breaches of data security and loss of critical data, all of which could have an adverse effect on our future operating results.

In addition, massive natural disasters, such as the March 2011 Great East Japan Earthquake and the subsequent tsunami and nuclear accident in Fukushima, Japan, the series of earthquakes that occurred in April

2016 around Kumamoto, Japan, and other large-scale crises and unexpected events could have secondary adverse effects, such as mass or long-term devastation to the people or infrastructure, including through the disruption of electric supply and deterioration in economic conditions. Any natural disasters or other large-scale catastrophic events could materially and adversely impact our business and results of operations.

Although we engage in business continuity planning and have developed disaster recovery plans, if such plans are inadequate to ensure that our business functions continue to operate during and after a disaster, or if we fail to successfully execute on those plans in the event of a disaster or emergency, our business and reputation would be harmed.

We may have difficulties or incur significant costs in recruiting and retaining skilled employees.

Our ability to attract, retain and motivate our employees is critical to our success. Qualified individuals are limited in number and in high demand, and we may incur significant costs to attract, develop and motivate talented employees. Our future success also depends, in part, on our ability to continue to attract, retain and motivate highly skilled personnel. We face intense competition in hiring talented employees from a broad range of companies, some of which may have more financial and other resources than we do. In order to compete with such companies, we must offer competitive compensation packages and a high-quality work environment to attract, retain and motivate employees. If we are unable to attract qualified personnel to fill key positions and retain and motivate our existing employees, we may be unable to manage our business effectively, which could adversely affect our business, results of operations and financial condition. Even if we were to offer higher compensation and other benefits, people with suitable skills may choose not to join us or not to continue to work for us.

From time to time, we may become involved in legal proceedings, which could adversely affect our business.

From time to time, we may become subject to legal proceedings, claims, litigation and government investigations or inquiries, which could be expensive, lengthy or disruptive to normal business operations or affect our corporate image. The outcome of this and any other legal proceedings, claims, litigation, investigations or inquiries may be difficult to predict. We may incur significant expenses in defending against such proceedings, claims, litigation, investigations or inquiries. In addition, we may be required to pay significant awards, settlements or penalties. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

Risk Factors Relating to Our Exposure to the Operations and Financial Condition of the NTT Group

As the sole finance subsidiary of NTT Group, we engage in significant transactions with NTT Group across our businesses, including extending loans to NTT Group companies, purchasing and servicing accounts receivables from NTT Group companies and other transactions. We are accordingly exposed to the performance of the NTT Group's businesses, and any risks associated with these businesses could adversely impact our business. The key risks faced by NTT Group include, but are not limited to, those described below.

The NTT Group faces intense competition in its businesses, and such competition may intensify.

The NTT Group is subject to intense competition in all of its businesses.

The Japanese telecommunications industry, in which the NTT Group operates its largest business segments, is subject to intense competition, and competition is expected to increase, particularly in the mobile telecommunications industry. The Japanese population is both aging and declining, resulting in decreases in the number of potential new subscribers and the overall number of potential consumers of the telecommunications services the group provides. In addition, the mobile telecommunications market in Japan is relatively saturated in terms of subscriber numbers. The home broadband market is also approaching saturation, while the market for fixed-line telephone services has been shrinking. As a result of the continued decrease in the overall number of potential consumers of telecommunications services in Japan, the group expects that competition in the telecommunications industry for consumer subscriptions will continue to intensify. The NTT Group's domestic ICT and IT services customers are also affected by the changing demographics in Japan, and competition for their business is also intensifying.

In its mobile telecommunications business, the NTT Group's main competitors are the other established MNOs, KDDI Corporation, or KDDI and SoftBank Corp., or SoftBank. In addition, Rakuten, Inc., or Rakuten,

which previously operated only as an MVNO, has commenced service over its own mobile telecommunications network, and is now operating as an MNO as well as an MVNO, through its subsidiary Rakuten Mobile, Inc. If price competition among MNOs further intensifies and the NTT Group is not able to offer attractive fee plans compared to other MNOs, the group may lose its customers, and even if the NTT Group further reduces fees to maintain its competitive position, its profit margins and results of operations may be significantly impacted.

In the NTT Group's fixed-line telecommunications business, although the group has a unique competitive position as the operator of the largest nationwide fiber-optics network in Japan and the only operator of a nationwide fixed-line telephone network in Japan, the group faces competition from a number of competing telecommunications and other service providers. In the broadband internet services market, competition has intensified after the NTT Group began offering wholesale fiber-optics services in 2015, which enabled new market entrants to offer internet services using the group's fiber-optics infrastructure. In the NTT Group's fixed-line telephone business, the market for traditional fixed-line telephones has been shrinking due to the increasing adoption of mobile devices and voice over IP services by both consumers and businesses as replacements for traditional fixed-line telephones. In addition, the NTT Group's fixed-line telecommunications businesses are subject to various laws, regulations and licensing regimes that are intended to secure and enhance fair competition among other domestic telecommunications and other service providers as well as to protect end users. If these laws and regulations are amended in the future in a manner that results in increased competition, the group's results of operations may be adversely affected.

The NTT Group's ICT and IT services, it competes with a number of other ICT solutions providers, both in Japan and in other markets. As the group continues to expand ICT and IT services in overseas markets, the group will be further exposed to new competitors in those markets, many of which may have longer track records and more established positions in such markets.

Changes in the technological, commercial, regulatory or other aspects of the telecommunications industry may result in further competition. For example, in 2019, new regulations aimed at encouraging fair competition in the Japanese mobile telecommunications industry took effect, including, among other things, a prohibition on imposing a penalty fee for canceling a plan that is longer than two years or any penalty fee exceeding ¥1,000. Furthermore, adoption of "electronic SIM" technology has enabled subscribers to switch carriers using an automated process, without directly contacting their current or new carrier as was previously necessary. Any potential further technological, commercial, regulatory or other changes that could further decrease the cost or simplify the process of switching carriers could further intensify competition with established and new MNOs and MVNOs if implemented. Any further changes to the competitive environment stemming from new developments could subject the NTT Group to increased competitive pressure, causing it to lose subscribers, or require it to make other changes to its business, including further altering pricing plans or other aspects.

The NTT Group's competitors may have, or in the future may develop, larger operations or other competitive advantages over the group in terms of, for example, capital available to them for improving or maintaining their networks, services and products, including mobile device selection and network speed, quality or availability (or the amount of capital required to do so), price competitiveness, customer base, sales channels or capability, brand awareness, public recognition or collaborations with third-party service providers for, for example, payment, contents or other value-added services. If the NTT Group's competitors were to sell services or products that harness their competitive advantages to a greater extent than they currently do, the group may be placed at a competitive disadvantage or may be unable to provide services and products or acquire or retain customers as anticipated. Moreover, even if the NTT Group introduces highly competitive services, products or sales methods ahead of its competitors, its competitive advantages may lessen if competitors deploy equivalent or better services, products or sales methods.

Competition in the NTT Group's businesses may intensify as new competitors enter the telecommunications and information services markets. In addition, new services applying advanced technologies such as 5G, virtualization and AI may result in rapid changes to the competitive environment, and market competition is expected to continue to evolve beyond the boundaries of the traditional telecommunications sector as new competitors expand their businesses relating to the telecommunications industry and engage in collaboration with other industry participants to provide new services. For example, in recent years, some OTT service providers that own their own data centers have been entering into business alliances with venture companies which own core technologies for cloud applications for 5G network services. Also, the growth of information service companies overseas, including emerging companies in China and India, is increasing global competition.

Any inability to effectively react to changes in telecommunications and other services, whether due to disruptions or volatility in the economy, technological advancement, changes in consumer preferences or

enterprise needs or other reasons, may weaken the NTT Group's competitive position in the industry and its ability to capture new or maintain existing subscribers, leading to decreased revenue or requiring it to make greater capital or other expenditures.

Any of the above consequences could have a material adverse effect on the NTT Group's business, financial condition and results of operations.

The NTT Group operates in industries characterized by rapid technological development, and may be unable to respond effectively to changes in technologies and business models in its industries.

The NTT Group's future success depends, in part, on its ability to anticipate and adapt in a timely manner to the fast-paced changes in technology and business models that characterize the technology industry in general and the telecommunications industry in particular. The group expects that new services, technologies and business models will continue to emerge and that existing services, technologies and business models will also further develop, requiring significant capital expenditures in connection with the deployment of such new or improved technologies. In particular, the group believes that the proliferation and sophistication of 5G network technologies significantly impact the telecommunications industry. If the NTT Group fails to upgrade its existing mobile and fixed-line telecommunications networks or other businesses to allow it to offer reliable 5G mobile services, the NTT Group may lose customers to its competitors, particularly as consumers and businesses increasingly demand faster and seamless usage of video and data across mobile and fixed devices. Moreover, if the NTT Group fails to adapt to the rapidly changing technological development characterized by the introduction and proliferation of 5G or other related technologies or to effectively introduce and market new services based upon such technological innovations, its businesses may become less attractive to consumers. For example, a failure to effectively develop and deploy a viable 5G network could adversely affect the NTT Group's ability to participate in IoT-related businesses, such as new services in entertainment and new solutions in medicine, education and manufacturing, which are expected to rely heavily on the higher speeds and connectivity expected to be inherent in new 5G technologies. In addition, next-generation 6G high-speed network technologies may be developed in the future, and there is no assurance that the NTT Group's efforts to respond to the adoption of 6G or other new technologies will be successful. This could limit the NTT Group's ability to acquire new customers and cause it to lose existing customers to competitors, which could have a material adverse effect on its business, financial condition and results of operations.

The NTT Group could fail to respond to technological changes for a number of reasons, including insufficient or flawed technological research and development, insufficient cash on hand or a lack of ability to borrow or otherwise acquire sufficient funding to make the necessary capital expenditures or failures to make appropriate plans for or anticipate customer demands or expectations for new technologies. Even if the NTT Group is able to introduce new technologies, the total amount of expenditures required to do so successfully may significantly exceed its original expectations. Moreover, despite the group's expectations and those of its competitors, new technologies, including 5G and 6G, may not be as successful with subscribers as it anticipates, including due to technical trade-offs inherent in such technologies such as increased battery drain and decreased coverage or lack of compelling use cases for increased speeds, making it difficult for the NTT Group to grow its subscriber base or recoup investments therein. In addition, there can be no assurance that anticipated new technologies will be developed according to expected schedules or perform according to expectations, or that common standards and specifications will be achieved or achieve commercial acceptance. Any failure of new technologies to meet the NTT Group's expectations, or the failure of any technology to achieve commercial acceptance, could place the group behind its competitors in terms of technological development. Any such factors may adversely affect the NTT Group's business, financial condition and results of operations.

The NTT Group's business depends on its ability to maintain and improve its network, and any network failures or delays or errors in transmissions could cause the group to lose customers and expose it to potential liability.

In order for the NTT Group to remain competitive and retain and grow its customer bases, it must undertake continuous maintenance and improvements to its mobile and fixed-line networks to ensure adequate network capacity and capability and to protect against disruptions. As network services have diversified and become more complex and the amount of data being used by various services has expanded, the demands on the group's network have accordingly increased. As the operator of the largest fixed-line and mobile networks in Japan, the NTT Group requires substantial capital in order to implement required network maintenance and improvements. If the NTT Group is unable to maintain and improve its networks, the quality of its services would be significantly affected, which could result in the loss of customers and damage to its competitive position. In addition, the NTT Group holds significant property, plant and equipment relating to its mobile and fixed-line networks.

The NTT Group's telecommunications services are used broadly across society to support daily activities and to facilitate business activity and transactions. Any unexpected disruptions may significantly inconvenience customers and potentially subject the group to legal claims that customers were harmed, which may impair its ability to attract or maintain customers, harm the NTT brand and reputation and potentially subject the group to legal or regulatory liability. If there is any such disruption in service in the future, the group's business and results of operations could be adversely affected in terms of damage to the NTT brand image, liability to customers or parties affected, payment of financial penalties and cancellation of the allocations of radio frequency spectrum allocated to the NTT Group for use in its services.

Constraints on network capacity or other issues affecting the NTT Group's network including hardware or software malfunctions may cause unanticipated system disruptions and slower response times, adversely affecting data transmission. With respect to network capacity, the group is required to accurately predict its future capacity needs based on present and historical amounts of network traffic. If the NTT Group underestimates the amount of capacity its business requires, or if it is unable to improve its network systems quickly enough to accommodate future traffic levels, avoid obsolescence, successfully integrate newly developed or acquired technology with its existing systems or accommodate the use of new or untested devices on its networks, it could experience issues with service, adverse consequences to its reputation, a reduction in its customer base or difficulties in acquiring new customers, and it may be required to make unanticipated additional capital expenditures.

The NTT Group may be unable to secure adequate radio frequency spectrum to support its operations.

The NTT Group heavily depends on the availability of radio frequency spectrum in order to provide its mobile telecommunications services. The level of traffic on the group's mobile telecommunications network continues to increase as subscribers increasingly adopt smartphones for data-intensive functions and applications and due to the increasing demand for streaming video services and the implementation of IoT and other technologies. As a result, the NTT Group expects that it will need to secure additional spectrum as well as enhance the use of its existing allocations by further developing its technologies.

The NTT Group uses radio frequency spectrum bands that are allocated to it by the MIC, which has the authority to reallocate spectrum as it deems necessary to secure an appropriate and reasonable utilization of spectrum, taking into consideration the effect that such actions may have on other spectrum users. If the NTT Group is unable to secure the required spectrum in the future, its service quality may decline relative to its competitors, or it may be unable to develop and enhance its network as planned, which could make it difficult to acquire or retain subscribers, and this may be exacerbated if its current or potential competitors receive more favorable spectrum allocations from the MIC than the group does. For example, the MIC allocated additional 5G spectrum in April 2021 among the MNOs, including Rakuten, and the presence of Rakuten may have caused a proportional reduction in the spectrum the NTT Group would otherwise have been allocated. Additionally, a commitment to pay fees for receiving allocations may be required in the future. Moreover, the MIC has considered, and may again in the future consider, the implementation of a spectrum auction system. If an auction system were to be officially implemented in Japan, or if the MIC were to place a greater emphasis on fees to be paid by network operators for spectrum usage or require payments for the receipt of allocations, the NTT Group may be required to make considerable additional unexpected expenditures, which may adversely affect its business, financial condition and results of operations. Such a change in the spectrum allocation process could also enable new competitors to more easily enter the market.

The NTT Group's investments, acquisitions, alliances and corporate collaborations may not be successful.

The NTT Group has engaged in joint ventures, alliances and collaborations, as well as acquisitions and other strategic investments to expand its global business operations, in particular in response to changes in market structure and customers' needs, and may engage in similar transactions in the future. For example, in November and December 2020, the NTT Group acquired all the outstanding shares of NTT DOCOMO that it did not previously own, making NTT DOCOMO its wholly-owned subsidiary, through a tender offer and purchase of the remaining minority stake through a statutory demand to purchase the shares for ¥4,254 billion, and in connection therewith, we engaged in a number of financing transactions, including the provision of a substantial loan to the Parent.

Assessing a potential growth opportunity involves, among other things, extensive due diligence. However, the amount of information the NTT Group can obtain about a potential growth opportunity may be limited, and there can be no assurance that any acquisitions, joint ventures and strategic investments will positively affect the

group's financial performance or will perform as planned. In addition, there is no assurance that the NTT Group will be able to identify any attractive opportunities or other strategic alliances in the future, or that it will be able to pursue any opportunities it does identify due to the unavailability of adequate financing, the inability to obtain regulatory approvals or other reasons.

The process of integrating acquired companies into the group's operations exposes it to a variety of risks. The NTT Group may not be able to successfully assimilate or integrate companies that it acquires, including their personnel, financial systems, distribution, operations and general operating procedures, or achieve any anticipated business synergies. The group's failure to assimilate or integrate acquired companies successfully could materially impact its business, reputation and results of operations, and it may suffer losses in case of dissolution of alliances or disposition of investments. Likewise, the NTT Group's failure to integrate and manage acquired companies successfully may cause it to recognize a reduction in their expected future cash flows and lead to impairment of any associated goodwill and intangible assets. With respect to joint ventures, the NTT Group is also exposed to the ongoing risk that its relationship with third-party partners may deteriorate, or that the business or financial condition of its partners could decline, which could in turn negatively impact the joint venture and also directly and adversely affect the group's reputation.

Furthermore, the recent increase in the number of overseas subsidiaries within the group may result in increased fragmentation within the group and render a common understanding difficult to achieve. There may be occasions when it is difficult for the NTT Group to exert the control over its overseas subsidiaries necessary to oversee their business and operations.

The realization of any of the foregoing risks could have a material adverse effect on the NTT Group's business, financial condition or results of operations.

The NTT Group relies on third parties to provide products and services for the operation of its business, and the failure or inability of such parties to provide products and services or defects therein could adversely affect its business.

The NTT Group relies on a variety of third parties to provide various products and services that are critical to operating its businesses. For example, the group procures telecommunications equipment, network devices, mobile phones, other mobile devices and various other hardware, software, support and services from a variety of vendors. With respect to its mobile telecommunications business in particular, the ability to provide popular and in-demand mobile phones or other mobile devices has been and will continue to be critical to the group's ability to acquire and retain subscribers. Although the NTT Group generally expects vendors to supply products and services in a timely manner and in sufficient volume, in accordance with the specifications contained in its agreements with such vendors, the group may be unable to switch suppliers or equipment in a timely or cost-efficient manner in case problems occur. Similarly, the group expects products and services to be delivered free of defects to its reasonable satisfaction, and to be replaced in case of defects; however, there can be no assurance that this will be the case. The NTT Group does not have direct operational or financial control over these key vendors, and there can be no assurance that such vendors will continue to provide equipment and services at attractive prices or that the group will be able to obtain such equipment and services in the future from those or other providers, on the scale and within the time frames that it requires, if at all. Moreover, the group's vendors and their ability to supply it with required products and services, or the group's ability to purchase them, may be negatively affected by political, economic or other outside factors, including uncertainty about or negative developments involving global trade or security policy. For instance, the NTT Group has ensured that it does not use in any of its critical operations equipment provided by companies connected to the Chinese military as determined under the U.S. National Defense Authorization Act. Changes to these or other similar regulations may cause the group to restrict or terminate its relationships with other suppliers or vendors in the future.

In addition, the NTT Group consigns sales activities, product servicing, acquisition and retention of customers and the execution of other related operations in whole or in part to subcontractors, including dealers and third-party sales agents. The group's business development could therefore be impacted if these subcontractors, including dealers and third-party sales agents, are unable to execute their duties in line with the group's expectations, and the group may not be able to find suitable replacements for these third-party providers in a timely manner or at all. Damage to the credibility or reputation of these subcontractors could also have a negative impact on the NTT Group's credibility or corporate image.

Any inability of the NTT Group to continue to maintain relationships with its suppliers, service providers and other third parties on which it relies could have a material adverse effect on its business, financial condition and results of operations.

The NTT Group faces risks associated with its international operations.

The NTT Group has extensive international operations and operates in more than 190 countries across the world. The group's international operations expose it to a number of risks, including but not limited to the following:

- difficulties in monitoring and coordinating operations across a large number and wide range of jurisdictions;
- risks related to compliance with laws, regulations and policies, including trade, capital and exchange controls, in the markets in which the group operates, and any subsequent changes thereto;
- changes with respect to taxation, including impositions or increases of withholding and other taxes on remittances and other payments by the group's overseas subsidiaries;
- varying standards and practices in the legal, regulatory and business cultures in the jurisdictions in which the group operates, including with respect to the enforcement of contracts and protection of intellectual property rights;
- trade restrictions, including with respect to sensitive technologies, and changes in tariffs;
- risks related to political instability and uncertain business environments;
- changes in the political or economic relationship among Japan and the other countries and regions in which the group operates;
- acts of terrorism, war, epidemics and other sources of social disruption;
- differences in business culture and customs, including contract practices; and
- difficulties associated with labor relations including managing local personnel and preventing misconduct, including by local third-party alliance or joint venture partners.

Any one or more of these or other factors could increase the NTT Group's costs, reduce its net sales, disrupt its operations or damage its reputation, which could result in material adverse effects on the group's business, financial condition and results of operations.

The NTT Group is subject to extensive laws, government regulations and licensing regimes that restrict and may impose new restrictions on its business.

NTT Group companies are subject to various laws, regulations and licensing regimes pertaining to their telecommunications and other businesses as well as to general corporate business activities. In particular, the NTT Act, the Telecommunications Business Act of Japan (Act No. 86 of 1984, as amended) (the "TBA") and the Radio Act of Japan (Act No. 131 of 1950, as amended) (the "Radio Act"), which govern its telecommunications businesses, the relevant guidelines under each Act formulated by the MIC and the regimes that govern the spectrum allocated to it by the MIC, govern the way it is able to conduct its mobile telecommunications businesses, including the services it provides and the ways in which it markets and prices these services. In addition, the Parent and certain of its subsidiaries are subject to additional requirements and restrictions that do not apply to other telecommunications carriers. Many of the licenses and permits that the NTT Group companies require to provide telecommunications services are subject to various conditions and other requirements and there is no assurance that they will be able to satisfy such conditions or other requirements. As we depend upon NTT Group companies in our business, any adverse impact on such companies due to these or other regulations may also indirectly cause a material and adverse impact on our business, financial condition and results of operations. In particular, the group's businesses are subject to stringent laws and regulations relating to the environment, such as those governing the reduction of greenhouse gas emissions, energy conservation, waste disposal and harmful substance removal. In response to the increasing importance of environmental sustainability, more stringent laws, regulations or other requirements may be adopted or imposed in the future. In such case, the NTT Group may incur significant expenditures in order to comply with such laws, regulations or requirements which in turn could adversely affect its, and directly or indirectly our, results of operations and financial condition. As environmental matters are the subject of increasing attention by security holders and the public, if the NTT Group is perceived as making inadequate efforts at regulatory compliance or voluntary environmental protection measures, its business may be impacted due to a deterioration in its relationships with security holders, customers, local communities or employees. Additionally, the NTT Group has been subject to administrative guidance in the past and any future breaches of relevant regulations may subject it to further administrative guidance or administrative sanctions by government agencies, which could hinder its business development, harm its reputation or create financial burdens that could negatively affect the group's business, financial condition and results of operations.

In particular, as mobile phones, and particularly smartphones, become increasingly integral to modern society, Japanese mobile telecommunications service operators have come under stricter supervision by regulatory authorities in recent years, and NTT DOCOMO, KDDI and SoftBank have all revised their respective service offerings in the past in part in response to such supervision. For example, the Japan Fair Trade Commission, which is responsible for enforcing the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade of Japan (Act No. 54 of 1947, as amended), released a study in June 2018 that viewed negatively the competitive impact of two-year consumer subscriber contracts on the Japanese mobile telecommunications industry. Following further regulatory and legislative deliberations, in October 2019, new regulations aimed at encouraging fair competition in the mobile telecommunications business took effect, including, among other things, a prohibition on imposing a penalty fee for canceling a plan that is longer than two years or any penalty fee exceeding ¥1,000. In response, NTT DOCOMO eliminated penalty fees for early termination of two-year contracts for users meeting certain requirements. At the same time, the MIC also enacted requirements capping the amount of carrier subsidies that can be offered on handset sales at ¥20,000 and requiring unbundling of handsets and telecommunications fees. In addition, charging customers for moving to another service provider while retaining their mobile telephone numbers will be banned and service providers will be required to take measures to enable customers to cancel contracts without delay from July 1, 2022. Any new policies or recommendations enacted or proposed as a result of similar activities by regulatory authorities may materially and adversely affect NTT DOCOMO's, and thus the Parent's and our, business, results of operations or financial condition. Furthermore, public officials and prominent politicians have, in the past, expressed personal or informal views regarding the state of the Japanese telecommunications industries in public settings. Statements by public officials, as well as speculation about the potential direction of any government regulations, policies or other actions with respect to the mobile telecommunications business, may have an impact on prices of equity or debt securities of the companies involved in the Japanese mobile telecommunications industry, potentially including the notes.

The legal and regulatory structures that apply to the NTT Group's businesses are complex, and any failure to comply with them could result in fines, penalties, losing permission to operate certain businesses, being ordered to suspend operations, litigation and other legal proceedings and have an adverse effect on the group's reputation.

If new laws and regulations are introduced in a form the NTT Group does not expect, or if existing laws and regulations are amended or subject to changes in interpretation or application, the services and products that the group is able to offer to customers, or its ability to set prices for those services and products, could be limited. The group may not be able to accurately predict, prevent or effectively react to new laws and regulations, or new amendments to or interpretations and applications of existing laws and regulations, which could have a material adverse effect on its business, financial condition and results of operations.

The NTT Group is subject to additional regulations due to its history as a government-affiliated group and its continuing role as the owner and direct operator of substantially all of Japan's wired telecommunications infrastructure.

In addition to the regulations discussed under “—The NTT Group is subject to extensive laws, government regulations and licensing regimes that restrict and may impose new restrictions on its business,” the Parent, NTT East and NTT West are subject to further regulatory requirements and restrictions on their businesses due to the Parent's history as a government-owned enterprise and the group's continuing role after its privatization as the largest owner and direct operator of wired telecommunications infrastructure in Japan, including infrastructure for fixed-line telephones and related services and for optical fiber internet connections. As long as these regulatory restrictions apply to its businesses, it may be unable to effectively compete with other companies that are not subject to these restrictions. The additional regulatory restrictions and requirements that apply only to the NTT Group include, but are not limited to:

- The Parent is required to obtain approval from the MIC with respect to certain matters, including the issuance of new shares, the adoption of resolutions regarding the appointment or dismissal of directors or corporate auditors and changes to its business operation plan or the business operation plan of NTT East or NTT West.
- NTT East and NTT West are obligated to provide universal telephone services in Japan, including remote villages and islands, for which they receive compensation to cover the associated costs from the Universal Services Fund.

- NTT East and NTT West are required to obtain approval from the MIC for interconnection agreements, and such approval is subject to the condition that interconnection rates are set in a manner consistent with regulated rates.
- The Parent is required to hold the shares issued by NTT East and NTT West, and NTT East and NTT West are each required to engage in certain regional telecommunications businesses in specified regions of Japan.
- The Parent is required to notify the MIC of the terms and conditions of its telecommunication services.
- NTT East and NTT West are required to notify the MIC if the fees of its telecommunication services are below the standard price index specified by the MIC, and such fees must be approved by the MIC if they exceed the standard price index.
- The Japanese government is required to own one third or more of the issued shares of the Parent's common stock.
- The Parent is prohibited from registering foreign ownership in its shares if the ratio of foreign ownership would be equal to or exceed one third in terms of total voting rights.

The Japanese government is the Parent's largest shareholder and has the ability to exercise significant influence over the Parent's business, and thus indirectly over our business, and its interests may differ from those of typical shareholders of a public company.

As of March 31, 2022, the Japanese government, through the Minister of Finance, owned 35.6% of the issued shares of the Parent's common stock excluding treasury stock and, pursuant to the NTT Act, is in general required to continue to own one third or more of the issued shares of the Parent's common stock. As the Parent's largest shareholder, the Japanese government has the ability to control matters that require supermajority shareholder approval through a special resolution, including mergers, the reduction of capital stock and any amendment of the Parent's articles of incorporation. The Japanese government may also exercise control over certain matters under the NTT Act, which requires the Parent to obtain approval from the MIC in connection with certain actions. The interests of the Japanese government may in large part be based upon broader public policy considerations, rather than economic or other considerations that apply to other shareholders. As a result, the Japanese government may exercise control or influence over the Parent, and indirectly over us, in a manner different from typical shareholders of a public company, including with respect to matters affecting the notes.

The NTT Group is subject to a range of other operational and market risks.

In addition to the risks described above, the NTT Group is subject to a range of other operational and market risks, including but not limited to the following;

- failure to execute the growth strategies of the group;
- cost overruns or losses under contracts in its system integration business;
- recent developments relating to the COVID-19 pandemic in its main operating markets and globally;
- negative economic, social and geopolitical conditions in its main operating markets and globally;
- potential cyber-attacks and other security breaches that could have significant negative consequences;
- liability and regulatory action or reputational damage resulting from the inability to maintain the privacy of data or maintain effective policies and procedures for the storage, management, usage and protection of personal, confidential or sensitive information;
- failure to adequately protect its intellectual property and other proprietary rights, or actual or alleged infringement on such rights held by others;
- natural disasters such as earthquakes or other unexpected disruptions; and
- difficulties or significant costs in recruiting and retaining skilled employees.

Risks Related to the Notes

The notes constitute obligations solely of us and are not guaranteed by the Parent or any other NTT Group.

The notes will constitute unsubordinated and unsecured obligations solely of us. Although the Parent has guaranteed certain notes issued by us in the past, the notes issued hereby do not benefit from any guarantee or

other credit support from the Parent or any other member of the NTT Group or from any other party nor is there any general guarantee or other credit support arrangement between us and the Parent or any other member of the NTT Group. Therefore, you are dependent upon our ability to effectively manage our business to generate sufficient cash flow, including cash flow from our financing activities, for the repayment of principal at maturity and the ongoing payment of interest on the notes.

There is no prior market for the notes, and the notes may have limited liquidity.

There is no existing market for the notes. Approval in-principle has been received for the listing and quotation of the notes on the SGX-ST, but there can be no assurance that any active trading market for the notes will develop or be sustained or whether, or at what price, holders of the notes will be able to sell or otherwise transfer their notes. The liquidity of any trading market for the notes will depend upon the number of holders of notes, our financial condition and results of operations, the market for similar securities, the interest of securities dealers in making a market in the notes and other factors. Although the initial purchasers have informed us that they intend to make a market in the notes, the initial purchasers are not obligated to do so, and any such market-making activity will be subject to the limits imposed by applicable law and may be interrupted or discontinued at any time without notice. If an active trading market for the notes does not develop or is not sustained, the market price and liquidity of the notes may be adversely affected and you may be unable to resell the notes or may only be able to sell them at a substantial discount.

The notes are unsecured obligations.

The notes are unsecured obligations and repayment of the notes may be compromised if, among other things:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- we default in the payment of our secured indebtedness or other unsecured indebtedness; or
- any of our indebtedness is accelerated.

If any of these events occurs, then our assets may be insufficient to pay amounts due on the notes.

The indenture and the notes contain very limited restrictive covenants and provide no protection in the event of a change in control or a change in our position or role within the NTT Group.

The indenture and the notes do not contain any financial covenants or other restrictions on our ability to securitize our assets, pay dividends on our shares of common stock, incur unsecured indebtedness or issue new securities, or repurchase our outstanding securities. In addition, there are only limited restrictions on our ability to pledge assets to secure other indebtedness or to sell or otherwise dispose of our assets. These or other actions by us could adversely affect our ability to pay amounts due on the notes. Furthermore, claims of the creditors of our subsidiaries will generally have priority with respect to the assets of such subsidiaries over the claims of holders of the notes. Accordingly, the notes will be effectively subordinated to the obligations of our subsidiaries. In addition, the indenture and the notes do not contain any covenants or other provisions that prevent a change in control or require us to repurchase the notes in the event of a change in control. In addition, the Parent and other NTT Group companies are not parties to the indenture or the notes nor are they subject to any covenants or restrictions, including any obligation to continue to maintain our position as the sole finance subsidiary of NTT Group. Therefore, there is no guarantee that our role as the sole finance subsidiary, including being the centralized finance organization with global cash management responsibilities, of the NTT Group will be maintained in the future.

The ratings of the notes could be lowered.

It is expected that the notes will be rated A1 by Moody's and A by S&P. In addition, our long-term issuer rating is A1 (stable outlook) from Moody's and A (stable outlook) from S&P. Other rating agencies may also assign credit ratings to the notes without solicitation from or provision of information by us. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but reflect only the view of each rating agency at the time the rating is issued. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. For example, ratings agencies may view our creditworthiness as linked to that of NTT Group, and any negative factors

affecting NTT Group or its ratings, even those that may not directly impact our business, including a ratings action taken with respect to Japan, or any change to our role as the sole finance subsidiary of NTT Group or to the support or perceived support received by us from NTT Group, could result in credit rating agencies deciding to lower our credit rating. A downgrade or potential downgrade in our credit ratings or the assignment of new ratings that are lower than existing ratings could reduce the population of potential investors in the notes and adversely affect the price and liquidity of the notes. A rating is based upon information furnished by us or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time.

We may redeem the notes prior to maturity.

We may redeem the notes, in whole or in part, at our option at any time and from time to time. See “Description of the Notes—Optional Redemption.” In the event we choose to redeem the notes, the holders of such notes may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the notes.

The notes are subject to transfer restrictions.

The notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to persons reasonably believed to be both (1) QIBs within the meaning of Rule 144A and (2) QPs within the meaning of Section 2(a)(51)(A) under the Investment Company Act and the rules and regulations promulgated thereunder, or to persons other than U.S. persons in offshore transactions outside the United States in reliance on Regulation S. In addition, subject to the conditions set forth herein and in the indenture, the notes may be transferred only if the principal amount of the notes transferred is at least \$200,000. It is the obligation of holders of the notes to ensure that their offers and sales of the notes comply with applicable securities laws and the applicable transfer restrictions.

To enforce the restrictions on transfers of the notes and interests therein, we may demand that any holder of notes or interests therein who is not (i) a QP and a QIB or (ii) a non-U.S. person sell to a holder that meets such criteria. If a holder of notes or interests therein is forced to sell its note or interest therein, the price such noteholder may receive for the sale could be lower than the price such holder paid for the note. For further discussion of the transfer restrictions applicable to the notes, see “Transfer Restrictions.” See “Description of the Notes—Issuer Right to Require Resale.”

The Volcker Rule treatment of the notes may change or affect the ability of banking entities to purchase or retain the notes.

Section 13 of the Bank Holding Company Act and regulations adopted by U.S. banking and markets regulators to implement the statute (colloquially known as the “Volcker Rule”), among other things, prohibits “banking entities” from engaging in certain proprietary trading activities (known as the proprietary trading provisions) and restricts banking entities from sponsorship or acquiring or retaining “ownership interests” in “covered funds” (known as the covered fund provisions). The definition of “covered fund” in the Volcker Rule includes (generally) any entity that would be an investment company under the Investment Company Act but for the exemption provided under Sections 3(c)(1) or 3(c)(7) thereunder. Because we will rely on Section 3(c)(7) of the Investment Company Act, we are expected to be a “covered fund” within the meaning of the Volcker Rule. We do not expect, however, that the notes would be viewed as “ownership interests,” and thus the purchase or retention of the notes by a banking entity should not trigger application of the covered fund provisions of the Volcker Rule.

However, the Volcker Rule and interpretations thereunder are still uncertain. Each investor in the notes must make its own determination as to whether it is subject to the Volcker Rule, whether its investment in the notes would be restricted or prohibited under the Volcker Rule, and the potential impact of the Volcker Rule on its investment and any liquidity required in connection therewith and on its portfolio generally. Investors in the notes are responsible for analyzing their own regulatory position and none of us, the initial purchasers nor any of their affiliates makes any representation to any prospective investor or purchaser of the notes regarding the application of the Volcker Rule to us, or to such investor’s investment in the offered securities on the closing date or at any time in the future.

The notes may not be suitable for all investors seeking exposure to “green” assets.

We intend to allocate an amount equal to the net proceeds from the offering of the notes to make loans to NTT Group to finance and/or re-finance, in whole or in part, existing and future qualifying environmentally-related projects by NTT Group companies, which we refer to as “Eligible Projects,” defined under the Green Finance Framework adopted by NTT Group. See “Use of Proceeds.” The examples of Eligible Projects provided in the “Use of Proceeds” section are for illustrative purposes only and no assurance can be provided that disbursements for projects with the specific characteristics described in these examples will be made by us or the NTT Group companies to which we loan or otherwise provide the proceeds from the offering of the notes. The Green Finance Framework and the Second Party Opinion (as defined in “Use of Proceeds”) are not incorporated into, and do not form a part of, this offering circular. The Green Finance Framework is established by NTT Group and therefore, we do not have direct control over the contents of the Green Finance Framework, and the Green Finance Framework may be updated from time to time, including in response to further advances and developments in the Green Bond Principles, or other applicable industry or government guidelines establishing best practices for green bond market.

Prospective investors should consider the information set out in this offering circular regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in the notes together with any other investigation such investor deems necessary. We and the NTT Group companies to which we loan or otherwise provide the net proceeds from the offering of the notes have significant flexibility in allocating the net proceeds, including re-allocating the net proceeds in the event we or they determine in our or their discretion that projects receiving allocation no longer meet the criteria for Eligible Projects. There can be no assurance that such use of proceeds for any Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations regarding such “green” or other equivalently-labeled performance objectives, or that adverse environmental impacts will not occur during the implementation of any Eligible Projects funded by the proceeds from the notes or that the Eligible Projects will not be subject to controversy or to criticism by activist groups or other stakeholders.

While it is our expectation that the NTT Group companies to which we loan or otherwise provide the proceeds of the notes will apply the net proceeds of the notes in, or substantially in, the manner described in this offering circular, there can be no assurance that the relevant project(s) or use(s), the subject of, or related to, any Eligible Projects will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such net proceeds will be fully or partially disbursed for such Eligible Projects. In addition, there can be no assurance that such Eligible Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to environmental objectives) as originally expected or anticipated by us. Moreover, we have relatively limited control over or oversight role in such companies’ ultimate use of the net proceeds. As such, any failure to apply the net proceeds from this offering in the manner set out in “Use of Proceeds,” or the withdrawal of any opinion, certification or evaluation of a third party, or any attestation that we or the NTT Group are not complying in whole or in part with any matters subject to such opinion, certification or evaluation, may have a material adverse effect on the value of the notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose. However, neither any such failure, nor any failure to comply with our commitment to certain reporting obligations as described under “Use of Proceeds,” will constitute a default or an event of default under the notes or the indenture.

There is no legal, regulatory, or market definition of or standardized criteria for what constitutes a “green,” “environmental” or other equivalently labeled project, and any such designations made by third parties with respect to the notes may not be suitable for the investment criteria of an investor.

A framework overview and second-party opinion from Sustainalytics, an outside consultant, regarding NTT Group’s Green Finance Framework has been made publicly available on our website. However, no assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by us) that will be made available in connection with the issuance of the notes and, in particular, with respect to whether any Eligible Projects fulfill any green, environmental and/or other criteria. For the avoidance of doubt, any such opinion or certification is not and shall not be deemed to be incorporated into and/or form part of this offering circular. Any such opinion or certification is not, nor should be deemed to be, a recommendation by us or any initial purchaser, or any other person to buy, sell or hold the notes. Any such opinion or certification is only current as of the date that opinion or certification was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the

purpose of any investment in the notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. Any withdrawal of any such opinion or certification or any additional opinion or certification attesting that we are not complying in whole or in part with any matters for which such opinion or certification is opining or certifying may have a material adverse effect on the value of the notes and/or result in adverse consequences for certain investors with mandates to invest in securities to be used for a particular purpose.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green” or “environmental” or an equivalently-labeled project or as to what precise attributes are required for a particular project to be defined as “green” or “environmental” or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Projects will meet any or all investor expectations regarding such “green,” “environmental” or other equivalently-labeled performance objectives or that any adverse environmental and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Projects. To the extent that we or NTT Group are included in any domestic or overseas ESG or other similar investment indices, no assurance is or can be given that inclusion in such indices means that we or NTT Group will meet present or future investor expectations regarding such “green,” “ESG” or other similar objectives, or that we will continue to be included in such indices in the future.

In addition, no representation or assurance is given by us or any initial purchaser or any other person that our intended use of proceeds or, in the event that the notes are listed or admitted to trading on any dedicated “green,” “environmental” or other equivalently-labeled segment of any stock exchange or securities market (whether or not regulated), such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental impact of any projects or uses, the subject of or related to, any Eligible Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by us or any initial purchaser or any other person that any such listing or admission to trading will be obtained in respect of the notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the notes.

The trading price of the notes may be negatively affected to the extent that perception by investors of the suitability of the notes as “green” bonds deteriorates or demand for green-themed investment products diminishes.

Perception by investors of the suitability of the notes as “green” bonds could be negatively affected by dissatisfaction with our compliance with NTT Group’s Green Finance Framework for determining Eligible Projects described under “Use of Proceeds,” controversies involving the environmental impact of our business or industry, evolving standards or market consensus as to what constitutes a “green” bond or the desirability of investing in “green” bonds or any opinion or certification as to the suitability of the notes as “green” bonds no longer being in effect. The notes will not be listed or admitted to any dedicated “green,” “environmental” or other equivalently-labeled segment of any stock exchange or securities market or included in any green bond or similar index. The trading price of the notes may be also negatively affected to the extent demand for green-themed investment products diminishes due to evolving investor preferences, increased regulatory or market scrutiny on funds and strategies dedicated to sustainability or environmental, social or governance themed investing or for other reasons.

USE OF PROCEEDS

We expect that the aggregate net proceeds from the notes offered hereby will be approximately \$1,492 million, after deducting the initial purchasers' discounts and estimated offering expenses payable by us.

The NTT Group established its NTT Group Green Finance Framework (the "Green Finance Framework") in June 2022. The Green Finance Framework aligns with the Green Bond Principles ("GBP") 2021 published by the International Capital Market Association ("ICMA"), the Green Bond Guidelines 2020 published by the Ministry of the Environment of Japan, the Green Loan Principles ("GLP") 2021 published by the Loan Market Association ("LMA"), the Asia-Pacific Loan Market Association ("APLMA") and the Loan Syndications and Trading Association ("LSTA") and the Green Loan and Sustainability Linked Loan Guidelines 2020 published by the Ministry of the Environment of Japan.

We intend to allocate an amount equal to the net proceeds from the offering of the notes, to make loans to NTT Group to finance or refinance, in whole or in part, new or existing projects that meet one or more of the eligibility criteria (the "Eligibility Criteria") as defined in the Green Finance Framework (the "Eligible Projects"). The look-back period for refinancing operating expenditure will be limited to three years on or prior to the date of issuance. Allocations to research and development will be limited to no more than 20% of the total allocations on the net proceeds.

Eligibility Criteria for Eligible Projects

The eligibility criteria for Eligible Projects under the NTT Group Green Finance Framework to which proceeds may be allocated are as follows:

5G-related investment

Investments in the development, refurbishment and operation of base stations for building 5G networks that meet the following criteria:

- installation of 5G base stations that can save power compared to existing base stations (including "Green 5G" related investment);
- development of base stations that can save standby power by automatically shifting to sleep mode at night and during low traffic periods, and introduction of such technology to commercial base stations.

With respect to "Green 5G" related investment, NTT DOCOMO will strive to reduce greenhouse gas emissions through the use of renewable energy sources, such as green base stations that utilize solar power generation systems, and solar power plants (Corporate PPA) that have been installed exclusively for NTT DOCOMO. PPA stands for Power Purchase Agreement, an agreement under which a customer (NTT DOCOMO) purchases renewable energy power from a power producer for a long period of time.

FTTH-related investment

Investments in the installation and operation of an optical fiber network ("FTTH").

Research and development for the realization of the IOWN concept

Research and development to pursue the IOWN concept and achieve drastically high efficiency and power savings through the "fusion of mobile and fixed" and "fusion of networks and computing." Example Projects include:

- photonics in the connection between substrates in endpoint devices such as terminals and computers; and
- research and development of "optical disaggregated computing" architecture, which is expected to significantly reduce power consumption through photonic connections (opticalization in large-scale integration (LSI)) in signal transmission between chips on a substrate, with the aim of commercialization by 2030.

Highly energy efficient and power-saving data center

Investments in the construction, refurbishment, acquisition and operations of data centers that meet the following criteria and improve power efficiency and reduce environmental impact of business operations:

- PUE (Power Usage Effectiveness) under 1.5.

Green Buildings

Investments and expenditures for the construction, modification and acquisition of properties that were confirmed to meet any of the following eligibility criteria, and properties that are planned to satisfy such criteria in the future.

- LEED-BD+C (Building Design and Construction) or LEED-O+M (Building Operations and Maintenance) certified: Platinum, Gold or Silver
- CASBEE building (New, existing or modified) or CASBEE real estate (including CASBEE by local governments) evaluation/certification: S, A or B+
- BELS (Building-Housing Energy-efficiency Labelling System): Three stars or above
- DBJ Green Building Certificate: Three stars or above
- Power-saving evaluation based on the Tokyo Building Environment Plan: AAA for both thermal insulation property of building and power-saving property of facility system

Renewable Energy

Expenditures on or investment in the construction, refurbishment, acquisition and operation for the following NTT Group's renewable energy projects:

- Wind power generation projects: Any project with output of 10,000 kW or more shall have already completed the environment assessment defined by the Environmental Impact Assessment Law of Japan. Any project with output of less than 10,000 kW shall undergo an environment assessment as required. Where an environmental impact assessment is required to be processed by a local government of the area where operations are conducted, such assessment shall be properly executed.
- Solar photovoltaic generation projects: Any project with an installed capacity of 40 MW or more shall have already completed the environment assessment defined by the Environmental Impact Assessment Law of Japan. Any project with an installed capacity of less than 40 MW shall undergo an environment assessment as required. Where an environmental impact assessment is required to be processed by a local government of the area where operations are conducted, such assessment shall be properly executed.
- Geothermal power generation projects: CO₂ emissions shall be 100g CO₂/kWh or less. Any project with output of 10,000 kW or more shall have already completed the environment assessment defined by the Environmental Impact Assessment Law of Japan. Any project with output of less than 10,000 kW shall undergo an environment assessment as required. Where an environmental impact assessment is required to be processed by a local government of the area where operations are conducted, such assessment shall be properly executed.
- Biomass power generation projects: Fuel to be used shall be waste-derived (excluding palm oil waste). Where an environmental impact assessment is required to be processed by a local government of the area where operations are conducted, such assessment shall be properly executed.
- Hydroelectric power generation projects: The project shall be a run-of-river type without artificial reservoir or low storage capacity. Where an environmental impact assessment is required to be processed by a local government of the area where operations are conducted, such assessment shall be properly executed.

Process for Project Evaluation and Selection

Projects that may be financed and/or refinanced by the notes will be identified by the NTT Group operating company that executes each Eligible Project based on the aforementioned eligibility criteria. Evaluation and selection of Eligible Projects will be done by way of discussion and consideration of the conformity to the NTT Group Global Sustainability Charter, a basic guideline for the NTT Group, by the Group Treasury Department of our Finance and Accounting Business Headquarters and by NTT. The director in charge of the Group Treasury Department of our Finance and Accounting Business Headquarters will make the final decision.

In the selection of target projects, the NTT Group will confirm whether the eligibility criteria have been met and whether the mitigation of environmental and social risks has been considered as follows:

- Conformity to environmental laws, regulations, etc., required by the central and local governments of the area where the operation site is located, and implementation of environmental impact surveys;

- Provision of a thorough explanation of business to local communities;
- Implementation of proper toxic waste handling in accordance with laws related to waste treatment and cleaning, as well as proper storage, management, and safe and adequate disposal of equipment that uses or is contaminated by PCB in compliance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Waste of Japan; and
- Execution of risk evaluations of suppliers based on the NTT Group Guidelines for Sustainability in Supply Chain. Requesting of suppliers' compliance with the NTT Group Green Procurement Standards.

Management of Proceeds

The Group Treasury Department of our Finance and Accounting Business Headquarters, which is responsible for the group finance function of the NTT Group, centrally controls the proceeds of the notes issued based on this Green Finance Framework and confirms the status of proceeds allocation to the Eligible Projects at the operating companies executing Eligible Projects. Our Finance and Accounting Department manages the proceeds and allocates proceeds using an internal control system, and tracks the funds every quarter. Until allocation, the equivalent amount of the proceeds is managed as cash or cash equivalent. The allocation is planned to be completed within 24 months from the date of issuance of the notes.

Reporting

Allocation reporting

Until proceeds are fully allocated, the NTT Group will annually report on the status of allocation on the NTT Group website and/or integrated report.

The NTT Group plans to report the following items where feasible:

- The status of allocation of the proceeds amount to Eligible Projects;
- Overview of Eligible Projects funded (including the age of the assets and remaining useful life);
- The amount allocated to Eligible Projects and the unallocated amount;
- The percentage of financing and refinancing; and
- Where there is an unallocated portion, the planned allocation policy.

The first report on the allocation status of proceeds is scheduled to be provided within a year from the issuance of the notes. Should a significant change occur in the status of the fund following allocation of proceeds, such change will be disclosed.

In addition, when refinancing an asset that needs to be maintained over a long period of time through the issuance of multiple notes, the elapsed life, remaining useful life and refinancing amount of the asset will be disclosed at the time of issuance.

Impact Reporting

As long as the notes remain outstanding, the NTT Group will annually report on the environmental impact from the allocation.

The following items will be reported individually and as a category total.

- *5G-related investment*
 - Number of 5G base stations installed
- *FTTH-related investment*
 - Number of subscribers (units)
- *Research and development for realization of the IOWN concept*
 - The intended effects
 - The progress of R&D

- *Highly energy efficient and power-saving data center*
 - Volume of CO₂ emissions (t-CO₂)
- *Green buildings*
 - Property name of the green building, obtained certification level, and the timing of acquisition and reacquisition
 - Volume of CO₂ emissions (t-CO₂)
- *Renewable energy*
 - Power generation capacity/actual volume (GWh)
 - Volume of CO₂ emissions reduced (t-CO₂)

Further Information

Sustainalytics, an external consultant, has issued a publicly available opinion (the “Second Party Opinion”) that the Green Finance Framework is consistent with the GBP 2021 published by ICMA, the Green Bond Guidelines 2020 published by the Ministry of the Environment of Japan, the GLP 2021 published by the LMA, the APLMA and the LSTA, and the Green Loan and Sustainability Linked Loan Guidelines 2020 published by the Ministry of the Environment of Japan.

Neither the Green Finance Framework, the Second Party Opinion nor any report concerning the external review is incorporated by reference into this offering circular.

The Green Finance Framework may be updated from time to time, including in response to further advances and developments in the Green Bond Principles, or other applicable industry or government guidelines establishing best practices for green bond market.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated capitalization and indebtedness as of March 31, 2022 on an actual basis and on an adjusted basis to give effect to the offering and sale of the notes.

The information in the table below should be read together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes included elsewhere in this offering circular.

	<u>As of March 31, 2022</u>	
	<u>Actual</u>	<u>As Adjusted</u>
	<u>(in millions of yen)</u>	
Current liabilities:		
Short-term bank loans	¥ 299,688	¥ 299,688
Current portion of long-term borrowings	144,043	144,043
Current portion of bonds	179,188	179,188
Commercial papers	404,726	404,726
Non-current liabilities:		
Bonds	2,816,633	2,816,633
Long-term borrowings	2,025,584	2,025,584
Notes offered hereby ⁽¹⁾	—	182,606
Total borrowings	<u>5,869,862</u>	<u>6,052,468</u>
Equity:		
Common stock	16,770	16,770
Authorized—80,000 shares		
Issued—51,960 shares		
Capital surplus	15,950	15,950
Retained earnings	39,877	39,877
Treasury stock—595 shares	<u>(1,126)</u>	<u>(1,126)</u>
Total shareholders’ equity	<u>71,472</u>	<u>71,472</u>
Total capitalization and indebtedness	<u>¥5,941,334</u>	<u>¥6,123,940</u>

Note:

(1) Translation of the U.S. dollar amounts of the notes into yen has been made at the rate of ¥122.39, the actual yen-dollar exchange rate prevailing as of March 31, 2022.

Except as set forth above, there has been no material change in our consolidated capitalization and indebtedness since March 31, 2022.

SELECTED FINANCIAL DATA AND OTHER INFORMATION

Japanese GAAP Selected Financial Data and other Data

Financial information as of and for the years ended March 31, 2020, 2021 and 2022 is derived from and should be read together with our audited consolidated financial statements as of and for the years ended March 31, 2020, 2021 and 2022, including the notes thereto, which are included elsewhere in this offering circular. Financial information as of and for the years ended March 31, 2018 and 2019 is derived from our audited consolidated financial statements as of and for the years ended March 31, 2018 and 2019, which are not included in this offering circular.

We spun off our leasing business and a substantial part of our international business in July 2020, and therefore our financial information as of and for the years ended March 31, 2021 and 2022 are not directly comparable with the financial information as of and for the years ended before March 31, 2021. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Spin-off of Leasing Business.” In addition, we acquired accounting business of NTT Business Associe in July 2021. Due to the impact of the acquisition of accounting business, the financial information as of and for the years ended March 31, 2021 and 2022 are also not directly comparable. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Acquisition of Accounting Business.”

	As of and for the year ended March 31,				
	2018	2019	2020	2021	2022
	(in millions of yen, except for percentages)				
Selected Statement of Income Data:					
Revenue	¥ 404,476	¥ 424,310	¥ 453,809	¥ 250,619	¥ 189,882
Gross profit (loss)	139,116	136,259	133,412	104,495	93,179
Gross profit margin ⁽¹⁾	34.4%	32.1%	29.4%	41.7%	49.1%
Operating income (loss)	18,781	16,624	18,221	13,825	5,881
Operating income (loss) margin ⁽²⁾	4.6%	3.9%	4.0%	5.5%	3.1%
Profit (loss) before income taxes	18,599	17,163	18,288	13,631	9,196
Profit (loss) attributable to non-controlling interests	64	15	19	7	—
Profit (loss) attributable to owners of parent	12,813	11,761	12,771	9,146	6,687
Profit (loss) attributable to owners of parent margin ⁽³⁾	3.2%	2.8%	2.8%	3.6%	3.5%
Selected Balance Sheet Data:					
Cash and cash equivalents	¥ 148,805	¥ 134,929	¥ 452,674	¥ 408,851	¥ 364,567
Trade accounts receivable:					
Loans	1,474,956	1,759,168	2,735,599	7,369,961	8,107,979
Other loans	60,096	56,625	32,954	965	929
Credit cards	53,066	67,772	62,153	61,096	58,990
Billing	296,609	271,325	85,428	85,682	85,644
Allowance for doubtful receivables	(16,627)	(20,017)	(26,089)	(15,811)	(15,748)
Total current assets	2,713,032	3,084,010	4,263,521	7,955,791	8,654,368
Total investments and other assets	130,261	143,089	144,938	34,024	38,005
Total assets	2,878,058	3,266,695	4,450,840	8,007,672	8,716,293
Short-term bank loans	126,124	143,767	680,691	2,006,041	299,688
Current portion of long-term borrowings ..	116,656	88,430	37,594	22,099	144,043
Current portion of bonds	61,247	39,998	71,191	108,508	179,188
Commercial papers	39,000	263,000	662,984	536,495	404,726
Accounts payable—other	432,638	413,941	422,293	415,480	412,714
Deposits received	112,992	350,929	402,687	1,332,072	2,316,897
Total current liabilities	1,769,001	1,914,386	2,916,422	4,428,623	3,769,736
Bonds	269,836	244,119	258,903	2,351,736	2,816,633
Long-term borrowings	672,843	940,230	1,104,031	1,126,029	2,025,584
Total long-term liabilities	983,838	1,227,364	1,408,338	3,503,290	4,868,750
Total liabilities	2,752,839	3,141,751	4,324,761	7,931,914	8,638,487
Common stock	16,770	16,770	16,770	16,770	16,770
Total shareholders’ equity	124,586	123,533	124,543	72,833	71,472

As of and for the year ended
March 31,

	2018	2019	2020	2021	2022
	(in millions of yen, except for percentages)				
Cash Flows Data:					
Net cash provided by (used in) operating activities	¥ (481,482)	¥ (394,485)	¥ (774,825)	¥(4,192,485)	¥ (692,891)
Net cash provided by (used in) investing activities	(2,767)	(7,818)	(6,280)	52,991	(5,132)
Net cash provided by (used in) financing activities	256,462	388,087	1,098,912	4,096,492	653,565

Notes:

- (1) Gross profit margin is calculated as gross profit divided by revenue.
- (2) Operating income (loss) margin is calculated as operating income divided by revenue.
- (3) Profit (loss) attributable to owners of parent margin is calculated as profit attributable to owners of parent divided by revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this offering circular. Unless otherwise specified, financial information presented herein is on a consolidated basis. Our financial statements are prepared in conformity with Japanese GAAP, which differs in certain significant respects from accounting principles generally accepted in other jurisdictions, including U.S. GAAP and IFRS. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions, and are subject to the qualifications set forth under "Forward-Looking Statements." Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those set forth under "Risk Factors" and elsewhere in this offering circular.

Overview

We are a wholly-owned finance subsidiary of NTT. As the sole finance subsidiary within the NTT Group, we have a strong business foundation occupying a central role in the provision of financing solutions to companies within the NTT Group, and of cash management, accounting and tax and billing and collection services to companies within the NTT Group. In addition, we are engaged in providing finance and accounting-related services to third parties, as described below.

We organize and report our operations based on the following three business segments:

- *Billing Business.* The Billing Business segment comprises billing and collection services for clients' customer charges, mainly for telecommunication services charges of NTT Group companies. Our Billing Business segment had revenue of ¥150,567 million (excluding inter-segment transactions) and segment profit of ¥3,906 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2022, which respectively accounted for 79.3% of our total revenue from external customers and 36.7% of our total segment profit for the fiscal year.
- *Credit Card Business.* The Credit Card Business segment comprises billing services for client's customer charges paid by credit card, mainly for telecommunication services charges of NTT Group companies, as well as credit card issuing, merchant acquisition and payment processing. Our Credit Card Business had revenue of ¥5,205 million (excluding inter-segment transactions, or ¥51,768 million including revenue attributable to inter-segment transactions) and segment profit of ¥2,747 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2022, which respectively accounted for 2.7% of our total revenue from external customers (or 21.9% including revenue attributable to inter-segment transactions) and 25.8% of our total segment profit for the fiscal year.
- *Accounting/Finance Business.* The Accounting/Finance Business segment comprises provision of loans to, or investments in, NTT Group companies as well as provision of accounting, consulting and tax services primarily to NTT Group companies. Our Accounting/Finance Business segment had revenue of ¥31,836 million (excluding inter-segment transactions) and segment profit of ¥3,956 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2022, which respectively accounted for 16.8% of our total revenue from external customers and 37.2% of our total segment profit for the fiscal year.

We also classify certain revenue and profit that are not attributable to our reportable segments as "Other." "Other" revenue and profit accounted for ¥2,271 million, or 1.2% of our total revenue from external customers, and ¥22 million, or 0.2% of our total segment profit, respectively for the fiscal year ended March 31, 2022. For more detailed operating results of each segment, see Note 16 of our audited consolidated financial statements as of and for the fiscal years ended March 31, 2021 and 2022 included elsewhere in this offering circular.

Spin-off of Leasing Business

On February 6, 2020, NTT announced that it agreed to form a capital and business tie-up with Tokyo Century, a leading leasing company in Japan. As part of this tie-up, the two companies agreed to spin off our leasing business and a substantial part of our international business to a joint venture between the NTT Group and Tokyo Century (the "Spin-off"), in order to strengthen and expand the leasing and financing business of the NTT Group and Tokyo Century both domestically and internationally.

More specifically, NTT TC Leasing, a new company established by us in February 2020, succeeded to our leasing business and a substantial part of our international business (together, the “Relevant Business”) effective on July 1, 2020 by way of an absorption-type corporate split prescribed under the Companies Act of Japan, whereby assets and liabilities relating to the Relevant Business were transferred by us to NTT TC Leasing in exchange for new shares issued by NTT TC Leasing. We sold 50% of the outstanding shares of NTT TC Leasing to Tokyo Century in July 2020, and transferred 40% to NTT in October 2020. As a result of these transfers, we now hold 10% of the outstanding shares of NTT TC Leasing.

From July 1, 2020 onwards, we have accounted for our interest in NTT TC Leasing under the equity method. As a result, we recorded the profits and losses of the Relevant Business in our consolidated statement of income through the end of the three-month period ended June 30, 2020, and thereafter have been accounting for our share in the profits and losses of NTT TC Leasing under the equity method.

The Spin-off has significantly impacted our financial results as our leasing business and the portion of the international business we transferred accounted for a significant portion of our results. Revenue and operating income for the year ended March 31, 2021 decreased 44.8% and 24.1%, respectively, compared to the previous fiscal year due primarily to the fact that the Relevant Business contributed to our consolidated results of operations only through the three-month period ended June 30, 2020 during the fiscal year. Revenue and operating income for the year ended March 31, 2022 decreased 24.2% and 57.5%, respectively, compared to the previous fiscal year due primarily to the lack of contribution from the Relevant Business during the fiscal year.

Acquisition of Accounting Business

In July 2021, the accounting business of NTT Business Associe was transferred to us by way of an absorption-type corporate split prescribed under the Companies Act of Japan. As a result, we renamed our Finance Business segment as our Accounting/Finance Business segment beginning from the three-month period ended September 30, 2021. The revenue and operating income contribution attributable to the accounting business during the nine-month period ended March 31, 2022 was ¥7,301 million and ¥469 million, respectively.

Impact of the COVID-19 Pandemic

The global spread of COVID-19, which was declared a global pandemic by the World Health Organization in March 2020, has created significant uncertainty, financial market volatility and global macroeconomic disruption. As a result, economic conditions in Japan and our other operating markets have significantly weakened. In response to the outbreak of COVID-19, authorities in Japan and other countries implemented and continue to implement numerous measures to try to contain the spread of the disease, such as travel bans and restrictions, quarantines, shelter-in-place orders and lockdowns and other restrictions on mobility and targeted activities. As a result, many major economies, including Japan, the United States, European countries and other countries in which we operate, reported economic contractions in the first six months of 2020. For the year ended March 31, 2021, the amount of receivables we processed through the Billing Business decreased 2.2% to ¥6,074,056 million compared to the prior fiscal year. Also, the volume of transactions by our credit card customers declined due to the impact of COVID-19 pandemic. In addition, the economic contraction and reduction in household income during the COVID-19 pandemic affected some of our customers’ ability to make their scheduled payments in connection with our Billing Business and Credit Card Business, and we offered extensions or deferrals for payment of telecommunication charges and credit card payment to customers impacted by COVID-19 during the fiscal year ended March 31, 2021.

Although the impact of the COVID-19 pandemic has gradually lessened to a certain degree in Japan and overseas, the number of reported COVID-19 cases still remains high in certain parts of Japan and other countries due to the spread of the Omicron and other variants, and the effectiveness of existing vaccines and treatments against these or other new variants is uncertain.

Our results of operations may continue to be negatively affected due to a number of factors. More specifically, as we perform billing on behalf of other NTT Group companies in our Billing Business, our results of operations could be affected to the extent that the group companies’ underlying business and customer relationships are affected by the COVID-19, including due to reduction of business activities by our customers, decreasing demand for mobile devices and telecommunication services. In addition, as our finance business primarily involves transactions with NTT Group companies, our finance business could be affected by decrease in capital expenditures and other cash needs of the NTT Group companies, which could result in a decrease in loans we make to such companies. Furthermore, even after the spread of COVID-19 is controlled, it is possible

that lifestyles and business practices could be significantly altered as a result, which could have lasting effects on our business and results of operations.

The COVID-19 pandemic has forced us to adjust our business operations in a number of areas. For example, we have implemented remote working arrangements and increased remote marketing and customer interaction measures to protect the health and safety of our employees and customers, and we are considering making some aspects of remote work more permanent. As our employees increasingly access our systems remotely, we have made efforts to improve access to, and strengthen the security of, our IT infrastructure, including through such measures as conference systems accessible from a wider variety of devices, and implementation of zero-trust security. These improvements have resulted in additional costs, and remote work may expose us to challenges relating to data security and internal controls that might not be fully mitigated by the countermeasures we have implemented, but we also expect to derive long-term benefits from them.

Factors Affecting Our Financial Results

Factors Affecting the Billing Business Segment

In the Billing Business segment, our revenue consists of the commissions we receive from our clients, mainly NTT Group companies, for billing their customers and collecting the related charges. We generally assume the accounts receivable in connection with such charges from our clients, but we also provide billing collection agency services where we collect charges on behalf of our clients without assuming accounts receivable. As a substantial part of the commissions are derived from the collection of accounts receivable we assume from clients, the amount of receivables we assume from clients in connection with charges is a key indicator of our revenue base.

In particular, as we primarily assume receivables relating to telecommunication service charges from the other NTT Group companies, the amount of receivables we assume is affected by the sales of such other NTT Group companies, including primarily NTT DOCOMO, NTT East and NTT West. The sales of NTT Group are in turn affected by a number of factors, including the number of subscriptions of the mobile, fixed-line telephone, internet communication or the other services as well as the average monthly operating revenues on a per subscriber (user), or ARPU. For example, revenue in our Billing Business segment may be affected by any decrease in ARPU of NTT DOCOMO in the future due to the recent introduction by NTT DOCOMO of lower cost mobile telecommunications fee plans or other reasons.

Any increase or decrease in sales of NTT DOCOMO, NTT East and NTT West would result in a corresponding increase or decrease in the customer receivables that we assume from these companies, which would in turn affect the revenue we generate from assuming such receivables. The sales of NTT Group are also impacted by a number of factors including general economic conditions, competitive environment among mobile communications and broadband service providers surrounding NTT Group companies.

We set the commissions to be received from our clients, including NTT Group companies, based on our analysis of the credit risk associated with such receivables taking into account the historical record of the collectability of certain groups of customers as well as the general cost we incur in connection with our billing operations, including postage, printing and personnel cost and billing system expense.

Factors Affecting the Credit Card Business Segment

In the Credit Card Business segment, we receive fees from merchant clients, including NTT Group companies, in connection with the payment of telecommunication charges and from third party merchants for credit card charges for the purchase of goods or services. As an issuer of NTT Group cards and NTT Finance Biz cards, we also receive membership fees and fees and interest for revolving loans and consumer finance from card holders.

Accordingly, we receive commissions from NTT Group companies when customers of telecommunication services of NTT Group companies pay their charges using credit cards. As these commissions from NTT Group companies are derived from our billing services, revenue and segment profit associated with such transactions are transferred to our Credit Card Business segment from our Billing Business segment. Such inter-segment revenue accounted for 89.9% of our Credit Card Business revenue for the fiscal year ended March 31, 2022.

When customers pay using credit cards that we have not issued, we act as a merchant acquirer and payment processor and thus pay interchange fees to card issuers and network fees to network providers such as

MasterCard and Visa and others. In some cases, we receive interchange fees from other merchant acquirers and payment processors when holders of NTT Group cards or NTT Finance Biz cards make payment at a third party merchant using credit cards we issued. As we issue credit cards on the MasterCard and Visa networks, we pay network fees to MasterCard and Visa.

We also receive fees from clients for our Paysol's payment processing services. See "Business—Our Business Operations—Credit Card Business" for a description of Paysol.

The volume of transactions we process for our credit card services is a key indicator of our revenue base. We define the volume of transaction as a total of the amount of charges we process for credit card payments and the amount of loans we provided to our credit card customers. The volume of transactions is affected by a number of factors, including general economic conditions and the level of household income. In particular, as a substantial part of transaction volume we process consists of the payments on telecommunication charges from the NTT Group, including NTT DOCOMO, NTT East and NTT West, the volume of transactions is affected by the sale of services of NTT Group.

We set the amount of commission we receive from merchant clients, including NTT Group companies, based on the billing amount multiplied by commission rate. The commission rate is determined based on the credit cost which reflects our analysis on the collectability of credit card charges taking into account of the historical record of certain customer group, fees to be paid to the credit card networks or interchange fees to be paid to the other credit card issuers, as applicable, and other general costs we incur for our Credit Card Business operations, including postage, printing and personnel cost and billing system expenses.

Factors Affecting the Accounting/Finance Business Segment

The revenue of Accounting/Finance Business is primarily generated from our finance business and our accounting business.

In our finance business, we generate revenue from interest income in connection with loans we extend primarily to NTT Group companies. Accordingly, the amount of loans we provide is a key indicator of our revenue in the Accounting/Finance Business segment. The amount of loans provided is affected by the cash demands of NTT Group companies for their operations.

The principal capital and liquidity needs of NTT Group are for operating cash, capital expenditures, research and development, strategic acquisitions and investments and dividend payments. NTT Group requires significant capital resources in order to make capital investments across its businesses. In particular, NTT Group made significant capital expenditures to maintain and upgrade its network infrastructure, including its mobile communications network and its fixed-line fiber and telephone networks. In addition, NTT required a large amount of cash in connection with its acquisition of NTT DOCOMO.

The interest rate for the loans to NTT Group is calculated by adding a target margin rate set by NTT Group to the finance cost we incur to procure funds. The target margin rate is set by taking into consideration the optimal balance between the benefit on NTT Group companies from stable and low cost funding and profit for us in terms of sustainable operation of our business as the sole finance subsidiary within the NTT Group.

In our accounting business, we generate revenue primarily from fixed monthly fees charged for providing accounting services to NTT Group companies and other third parties.

Description of Key Line Items

Revenue

Billing Business

In the Billing Business, we primarily generate revenue when we collect charges which we assumed primarily from the other NTT Group companies. Revenue is recognized for an amount corresponding to the commissions we receive when we collect accounts receivable from customers of our clients. In some cases, we receive commissions from our clients for billing collection agency services where we do not assume accounts receivable.

Credit Card Business

The revenue for this segment consists of commissions paid by our merchant clients including NTT Group companies and third party merchants. The revenue also includes interchange fees paid by merchant acquirers and payment processors in cases where holders of NTT Group cards and NTT Finance Biz cards make payment at a third party merchant, as well as fees and interest for revolving loans and consumer finance loans received from holders of credit cards we issued. Also, the segment's revenue includes commissions paid by clients for our Paysol's payment processing services.

Commissions we receive from other NTT Group companies when customers of telecommunication services of NTT Group companies pay their charges using credit cards are first recorded in our Billing Business segment and then transferred to our Credit Card Business segment.

Accounting/Finance Business

The revenue of this segment consists primarily of the interest paid by NTT Group companies in connection with the loans we extended. For the accounting business, we also record revenue for the amount corresponding to the fixed monthly fees we receive in connection with accounting services.

Cost of Sales

Cost of sales for our Billing Business and Credit Card Business primarily consists of bad debt expenses which reflect credit risk associated with assumed receivables as well as general costs we incur in connection with our operations of Billing and Credit Card Business, including postage, printing and personnel costs and billing system expenses. We record trade accounts receivable (credit cards) or trade accounts receivable (billing), as the case may be, for the amount corresponding to the amount of accounts receivable.

Cost of sales for our Credit Card Business also includes interchange fees paid to other card issuers and fees paid to the credit card network providers. Cost of sales for our Accounting/Finance Business primarily consists of finance costs including interest expenses and other operational costs such as personnel costs.

Selling General and Administrative Expenses

Our selling, general and administrative expenses include primarily the following:

- *Personnel expenses.* Personnel expenses consist primarily of employee compensation and benefits expenses.
- *Expenses for outsourcing services.* Expenses for outsourcing services comprise primarily outsourcing expenses in connection with issuing invoices in our Billing Business.
- *Provision for allowance for doubtful receivables.* Provision for allowance for doubtful receivables is recognized at an amount sufficient to cover probable losses on collection. It consists of estimated uncollectible amount with respect to certain identified doubtful receivables.
- *Other expenses.* Other categories of selling, general and administrative expenses include rent for office properties as well as depreciation and amortization of property, plant and equipment.

Critical Accounting Policies and Estimates

In the preparation of our consolidated financial statements, management makes judgments, estimates and assumptions that affect the carrying amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the end of the reporting period and the amounts of revenue and expenses reported. Judgments made by management in the application of accounting policies have a significant effect on the amounts recognized in the consolidated financial statements.

These judgments are based on the best estimates and assumptions of the management in light of the historical experience and various factors deemed to be reasonable. Given their nature, actual results may differ from those estimates and assumptions. The estimates and assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognized in the period of the change and/or future periods.

Among the above estimates and assumptions, the following items are those that may have a material effect on the amounts recognized in our consolidated financial statements in future periods.

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.

Allowance for doubtful billing receivables is recognized based on the historical rate of credit 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 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. Since the respective estimates can be affected by uncertain future events such as changes in economic conditions, the estimates could have a significant impact on the business results in future fiscal years if the actual defaults on billing receivables differ from the estimates. See Note 2 to our audited consolidated financial statements as of and for the years ended March 31, 2021 and 2022 included elsewhere in this offering circular.

Retirement Benefit Plans

We have 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.

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. See Note 2 to our audited consolidated financial statements as of and for the years ended March 31, 2021 and 2022 included elsewhere in this offering circular.

New Accounting Standards Adopted

Revenue Recognition

From the year ended March 31, 2022, we adopted "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other related guidance. We recognize revenue at the time of the transfer of promised goods or services to customers in an amount to which we expect to be entitled in exchange for those goods or services. The impact of this change, however, is immaterial on the consolidated financial statements and no retrospective application, therefore, was made. See Note 2 to our audited consolidated financial statements as of and for the years ended March 31, 2021 and 2022 included elsewhere in this offering circular.

Fair Value Measurement

From the year ended March 31, 2022, we adopted "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and other related standard and guidance. The new accounting policies as stipulated in these standards and guidance are applied prospectively in accordance with the transitional treatment as stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, issued on July 4, 2019). The impact of this change, however, is immaterial on the consolidated financial statements. See Note 2 and 11 to our audited consolidated financial statements as of and for the years ended March 31, 2021 and 2022 included elsewhere in this offering circular.

Results of Operations

The following table shows our consolidated financial data for the years ended March 31, 2020, 2021 and 2022.

	Year ended March 31,		
	2020	2021	2022
	(in millions of yen)		
Revenue	¥453,809	¥250,619	¥189,882
Cost of sales	320,397	146,123	96,702
Gross profit (loss)	133,412	104,495	93,179
Selling, general and administrative expenses	115,190	90,670	87,297
Operating income (loss)	18,221	13,825	5,881
Other income	918	777	5,809
Other expenses	609	1,236	210
Extraordinary income	—	614	—
Extraordinary losses	243	348	2,284
Profit (loss) before income taxes	18,288	13,631	9,196
Income taxes	5,496	4,477	2,509
Profit (loss) attributable to non-controlling interests	19	7	—
Profit (loss) attributable to owners of parent	12,771	9,146	6,687

Comparison of the Year Ended March 31, 2022 and the Year Ended March 31, 2021

Revenue

The following table shows revenue for each business segment for the years ended March 31, 2021 and 2022:

	For the year ended March 31,	
	2021	2022
	(in millions of yen)	
Revenue⁽¹⁾:		
Billing Business:		
Revenue from external customers	¥153,351	¥150,567
Intersegment revenue or transfers	54	—
Total	153,405	150,567
Credit Card Business:		
Revenue from external customers	5,221	5,205
Intersegment revenue or transfers	44,041	46,563
Total	49,263	51,768
Accounting/Finance Business ⁽¹⁾ :		
Revenue from external customers	18,851	31,836
Intersegment revenue or transfers	—	14
Total	18,851	31,851
Leasing Business ⁽¹⁾ :		
Revenue from external customers	68,553	—
Intersegment revenue or transfers	—	—
Total	68,553	—
International Business ⁽¹⁾ :		
Revenue from external customers	2,807	—
Intersegment revenue or transfers	—	—
Total	2,807	—
Other ⁽²⁾ :		
Revenue from external customers	1,835	2,271
Intersegment revenue or transfers	—	—
Total	1,835	2,271
Total:		
Revenue from external customers	¥250,619	¥189,882
Intersegment revenue or transfers	44,096	46,578
Total	294,715	236,460

Notes:

- (1) Our business segments were restructured from Billing Business, Credit Card Business, Finance Business, Leasing Business and International Business to Billing Business, Credit Card Business and Finance

Business beginning from the three-month period ended June 30, 2021 due to the Spin-off of the Leasing Business and substantial part of our International Business which took effect in July 2020. We renamed our Finance Business to Accounting/Finance Business from the three month period ended September 30, 2021 due to the acquisition of accounting business of NTT Business Associe which took effect in July 2021. Due to the impact of the Spin-off and acquisition of accounting business, financial information for the years ended March 31, 2021 and 2022 are not directly comparable. See “—Spin-off of Leasing Business.”

- (2) “Other” represents the business not attributable to reportable segments and mainly includes revenue and profit arising from services under “Common operation services agreement” and “System services agreement” concluded between NTT TC Leasing and us.

Revenue in the year ended March 31, 2022 decreased 24.2% from the previous fiscal year to ¥189,882 million. This decrease was due to the lack of contribution of the Leasing Business and International Business during the first quarter in the prior fiscal period, which we spun off on July 1, 2020.

Changes in revenue by operating segment were as follows:

- Revenue (excluding intersegment transactions) from Billing Business for year ended March 31, 2022 decreased 1.8% from the previous fiscal year to ¥150,567 million. This decrease was due to a decrease in the amount of accounts receivable assumed from clients. The amount of accounts receivable assumed from clients decreased 0.9% from the previous fiscal year to ¥6,013,593 million. This decrease was primarily due to a decrease in the sales of fixed voice-related services, mobile voice-related services and IP/packet communication services by NTT Group.

The sales from fixed voice-related services of the NTT Group decreased due to the continuous decrease in the number of subscriptions of fixed-line telephone service and INS-Net service which is attributable to the increase in number of users of mobile phones, IP phones or other forms of lower-cost telecommunication services provided by OTT service providers. The sales from mobile voice-related services of the NTT Group decreased due primarily to the reduction of wholesale telecommunication service fees. The sales of IP/packet communication services of NTT Group decreased due to the introduction of lower-cost mobile telecommunication fee plans, while such effect was partially offset by an increase in the number of subscriptions of DOCOMO Hikari FTTH services.

- Revenue from Credit Card Business (including revenue attributable to intersegment transactions) for year ended March 31, 2022 increased 5.1% from the previous fiscal year to ¥51,768 million. The volume of transaction we processed for credit card payments increased 3.9% from the previous fiscal year to ¥3,292,234 million. This was due to an increase in the volume of telecommunication charges we processed and an increase in commissions we received for our Paysol service.

While the sales of fixed voice-related services, mobile voice-related services and IP/packet communication services by NTT Group decreased compared to the prior fiscal year, the volume of telecommunication charges we processed increased primarily due to an increase in the number of users paying their telecommunication charges by credit card.

- Revenue from Accounting/Finance Business (excluding intersegment transactions) for year ended March 31, 2022 increased 68.9% from the previous fiscal year to ¥31,836 million. This increase was due to the acquisition of accounting business from NTT Business Associe in July 2021 and an increase in interest received in connection with loans provided to the other NTT Group companies. The increase in the loans provided to the other NTT Group companies is primarily due to an increase in the demand for group finance to meet its cash needs including share repurchases and dividends by NTT. On the other hand, the amount of the loans provided decreased 50.1% from the previous fiscal year to ¥5,479,121 million. This decrease in the amount of the loans provided was primarily due to a large amount of loans we extended to NTT in the prior fiscal year in connection with the acquisition of NTT DOCOMO.

Cost of Sales

Cost of sales in the year ended March 31, 2022 decreased 33.8% from the previous fiscal year to ¥96,702 million. The reason for the decrease was due to the spin-off of the Leasing Business and a substantial part of the International Business during the prior fiscal year.

Gross Profit

As a result of the foregoing, gross profit for the year ended March 31, 2022 decreased 10.8% from the previous fiscal year to ¥93,179 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended March 31, 2022 decreased 3.7% from the previous fiscal year to ¥87,297 million. This decrease was primarily due to a decrease in personnel fees, office rent expenses and other sourcing fees attributable to the spin-off of the Leasing Business and a substantial part of the International Business during the prior fiscal year.

Operating Income

Operating income for the year ended March 31, 2022 decreased 57.5% from the previous fiscal year to ¥5,881 million. This decrease was due to the lack of contribution of the Leasing Business and International Business during the first quarter in the prior fiscal year, which we spun off on July 1, 2020.

The following table shows segment profit for each business segment (including profit attributable to inter-segment transactions) for the years ended March 31, 2021 and 2022:

	For the year ended March 31,	
	2021	2022
	(in millions of yen)	
Segment Profit⁽¹⁾⁽²⁾:		
Billing Business	¥ 6,639	¥ 3,906
Credit Card Business	3,204	2,747
Accounting/Finance Business ⁽²⁾	4,821	3,956
Leasing Business ⁽²⁾	3,229	—
International Business ⁽²⁾	859	—
Other ⁽³⁾	21	22
Corporate expenses ⁽⁴⁾	(4,950)	(4,750)
Operating income	¥13,825	¥ 5,881

Notes:

- (1) Segment profit includes inter-segment transactions.
- (2) Our business segments were restructured from Billing Business, Credit Card Business, Finance Business, Leasing Business and International Business to Billing Business, Credit Card Business and Finance Business beginning from the three-month period ended June 30, 2021 due to the Spin-off of the Leasing Business and substantial part of our International Business which took effect in July 2020. We renamed our Finance Business to Accounting/Finance Business from the three month period ended September 30, 2021 due to the acquisition of accounting business of NTT Business Associe which took effect in July 2021. Due to the impact of the spin-off and acquisition of accounting business, financial information for the years ended March 31, 2021 and 2022 are not directly comparable. See “—Spin-off of Leasing Business.”
- (3) “Other” represents the business not attributable to reportable segments and mainly includes revenue and profit arising from services under “Common operation services agreement” and “System services agreement” concluded between NTT TC Leasing and us.
- (4) Corporate expenses mainly represent general and administrative expenses not attributable to reportable segments.

Other Income

Other income for the year ended March 31, 2022 increased 647.6% from the previous fiscal year to ¥5,809 million. This increase was due to an increase the investment gain on equity method and exchange gain which we had in the fiscal year ended March 31, 2022.

Other Expenses

Other expenses for the year ended March 31, 2022 decreased 83.0% from the previous fiscal year to ¥210 million. This decrease was primarily due to an investment loss on equity method we had in the prior fiscal year as well as a decrease in interest expense compared to the prior fiscal year.

Extraordinary Income

We had no extraordinary income for the year ended March 31, 2022. Extraordinary income for the year ended March 31, 2021 was ¥614 million.

Extraordinary Losses

Extraordinary losses for the year ended March 31, 2022 increased 556.3% from the previous fiscal year to ¥2,284 million. This increase was due to provision for loss on system use agreements we incurred during the fiscal year ended March 31, 2022.

Profit before Income Taxes

As a result of the foregoing, profit before income taxes for the year ended March 31, 2022 decreased 32.5% from the previous fiscal year to ¥9,196 million.

Income Taxes

In the year ended March 31, 2022, income taxes decreased 44.0% from the previous fiscal year to ¥2,509 million. Average effective tax rates for the year ended March 31, 2022 and for the year ended March 31, 2021 were 27.3% and 32.8%, respectively.

Profit Attributable to Owners of Parent

Profit attributable to owners of parent for the year ended March 31, 2022 decreased 26.9% from the previous fiscal year to ¥6,687 million.

Comparison of the Year Ended March 31, 2021 and the Year Ended March 31, 2020

Revenue

The following table shows revenue for each business segment for the years ended March 31, 2020 and 2021:

	For the year ended March 31,	
	2020	2021
	(in millions of yen)	
Revenue⁽¹⁾:		
Billing Business:		
Revenue from external customers . . .	¥162,694	¥153,351
Intersegment revenue or transfers . . .	224	54
Total	162,918	153,405
Credit Card Business:		
Revenue from external customers . . .	5,350	5,221
Intersegment revenue or transfers . . .	39,596	44,041
Total	44,946	49,263
Finance Business ⁽¹⁾ :		
Revenue from external customers . . .	13,474	18,851
Intersegment revenue or transfers . . .	—	—
Total	13,474	18,851
Leasing Business ⁽¹⁾ :		
Revenue from external customers . . .	253,428	68,553
Intersegment revenue or transfers . . .	—	—
Total	253,428	68,553
International Business ⁽¹⁾ :		
Revenue from external customers . . .	18,861	2,807
Intersegment revenue or transfers . . .	—	—
Total	18,861	2,807
Other ⁽²⁾ :		
Revenue from external customers . . .	—	1,835
Intersegment revenue or transfers . . .	—	—
Total	—	1,835
Total:		
Revenue from external customers . . .	¥453,809	¥250,619
Intersegment revenue or transfers . . .	39,821	44,096
Total	493,630	294,715

Notes:

(1) Our business segments were restructured from Billing Business, Credit Card Business, Finance Business, Leasing Business and International Business to Billing Business, Credit Card Business and Finance

Business beginning from the three-month period ended June 30, 2021 due to the Spin-off of the Leasing Business and substantial part of our International Business which took effect in July 2020. We renamed our Finance Business to Accounting/Finance Business from the three month period ended September 30, 2021 due to the acquisition of accounting business of NTT Business Associe which took effect in July 2021. Due to the impact of the Spin-off, financial information for the years ended March 31, 2020 and 2021 are not directly comparable. See “—Spin-off of Leasing Business.”

- (2) “Other” represents the business not attributable to reportable segments and mainly includes revenue and profit arising from services under “Common operation services agreement” and “System services agreement” concluded between NTT TC Leasing and us.

Revenue in the year ended March 31, 2021 decreased 44.8% from the previous fiscal year to ¥250,619 million. This decrease was due to the spin-off of the Leasing Business and a substantial part of the International Business which took effect on July 1, 2020.

Changes in revenue by operating segment were as follows:

- Revenue from Billing Business (excluding intersegment transactions) for year ended March 31, 2021 decreased 5.7% from the previous fiscal year to ¥153,351 million. The amount of account receivables assumed from clients decreased 2.2% from the previous fiscal year to ¥6,074,056 million. This decrease was due to a decrease in sales of IP/packet communication services and fixed-line communication services of NTT Group, which was partially offset by an increase in sales of its mobile voice-related services.

The decrease in IP/packet communication services is primarily due to the introduction of lower-cost mobile telecommunication fee plans by NTT DOCOMO, while such impact was partially offset by an increase in the number of subscriptions of DOCOMO Hikari services. The sales of fixed-line communication service decreased primarily due to a decrease in the number of subscriptions for fixed-line communication services driven by increasing users of mobile phones, Hikari IP phones or other telecommunication services provided by other OTT service providers at lower cost or free of charge. On the other hand, sales of mobile voice-related services increased primarily due to increase in revenue as a result of expiration of “Monthly Support” discount which is a discount benefit for the mobile service fees applied to purchaser of certain of NTT DOCOMO’s mobile services.

- Revenue from Credit Card Business (including revenue attributable to intersegment transactions) for year ended March 31, 2021 increased 9.6% from the previous fiscal year to ¥49,263 million, and the volume of transaction we processed for credit card service increased 6.6% from the previous fiscal year to ¥3,167,987 million. This was due to an increase in the amount of telecommunication charges we processed and an increase in commission we received for our Paysol service, which was partially offset by a decrease in the amount of credit card shopping due to the impact of COVID-19. The increase in the amount of telecommunication charges is primarily attributable to the increase in sales of mobile voice-related services.

While the sales of fixed voice-related services and IP/packet communication services by NTT Group decreased compared to the prior fiscal year, the volume of telecommunication charges we processed increased primarily due to an increase in the number of users paying their telecommunication charges by credit card.

- Revenue from Finance Business (excluding intersegment transactions) for year ended March 31, 2021 increased 39.9% from the previous fiscal year to ¥18,851 million, and the amount of loans provided increased 142.5% from the previous fiscal year to ¥10,995,415 million. This increase was due to an increase in NTT Group’s finance demand primarily attributable to the acquisition of NTT DOCOMO.
- Revenue from Leasing Business (excluding intersegment transactions) for year ended March 31, 2021 decreased 72.9% from the previous fiscal year to ¥68,553 million, and the transaction volume decreased 81.0% from the previous fiscal year to ¥79,467 million. This decrease was due to the spin-off of the Leasing Business which took effect on July 1, 2020.
- International Business for year ended March 31, 2021 decreased 85.1% from the previous fiscal year to ¥2,807 million, and the transaction volume decreased 72.3% from the previous fiscal year to ¥113,574 million. This decrease was due to the spin-off of a substantial part of the International Business which took effect on July 1, 2020.

Cost of Sales

Cost of sales in the year ended March 31, 2021 decreased 54.4% from the previous fiscal year to ¥146,123 million. This decrease was primarily due to the spin-off of the Leasing Business and a substantial part of the International Business.

Gross Profit

As a result of the foregoing, gross profit for the year ended March 31, 2021 decreased 21.7% from the previous fiscal year to ¥104,495 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended March 31, 2021 decreased 21.3% from the previous fiscal year to ¥90,670 million. This decrease was due to a decrease in personnel fees, office rent expenses, provision for allowance for doubtful loans and other sourcing fees attributable to the spin-off of the Leasing Business and a substantial part of the International Business during the fiscal year ended March 31, 2021.

Operating Income

Operating income for the year ended March 31, 2021 decreased 24.1% from the previous fiscal year to ¥13,825 million. This decrease was primarily due to the spin-off of the Leasing Business and a substantial part of the International Business which took effect on July 1, 2020.

The following table shows segment profit for each business segment (including profit attributable to inter-segment transactions) for the years ended March 31, 2020 and 2021:

	For the year ended March 31,	
	2020	2021
	(in millions of yen)	
Segment Profit⁽¹⁾⁽²⁾:		
Billing Business	¥ 4,993	¥ 6,639
Credit Card Business	2,976	3,204
Finance Business	2,200	4,821
Leasing Business ⁽²⁾	13,558	3,229
International Business ⁽²⁾	3,320	859
Other ⁽³⁾	—	21
Corporate expenses ⁽⁴⁾	(8,826)	(4,950)
Operating income	¥18,221	¥13,825

Notes:

- (1) Segment profit includes inter-segment transactions.
- (2) Our business segments were restructured from Billing Business, Credit Card Business, Finance Business, Leasing Business and International Business to Billing Business, Credit Card Business and Finance Business beginning from the three-month period ended June 30, 2021 due to the Spin-off of the Leasing Business and substantial part of our International Business which took effect in July 2020. We renamed our Finance Business to Accounting/Finance Business from the three month period ended September 30, 2021 due to the acquisition of accounting business of NTT Business Associe which took effect in July 2021. Due to the impact of the Spin-off, financial information for the years ended March 31, 2020 and 2021 are not directly comparable. See “—Spin-off of Leasing Business.”
- (3) “Other” represents the business not attributable to reportable segments and mainly includes revenue and profit arising from services under “Common operation services agreement” and “System services agreement” concluded between NTT TC Leasing and us.
- (4) Corporate expenses mainly represent general and administrative expenses not attributable to reportable segments.

Other Income

Other income for the year ended March 31, 2021 decreased 15.4% from the previous fiscal year to ¥777 million. This decrease was due to a gain on equity method investments we had in the previous fiscal year, while did not record any gain on equity method investments in the fiscal year ended March 31, 2021.

Other Expenses

Other expenses for the year ended March 31, 2021 increased 103.0% from the previous fiscal year to ¥1,236 million. This increase was due to a loss on equity method investments we had during the fiscal year ended March 31, 2021.

Extraordinary Income

Extraordinary income for the year ended March 31, 2021 was ¥614 million. There was no extraordinary income for the year ended March 31, 2020. This increase was due to a gain on sale of shares of subsidiaries attributable to the sale of shares of NTT TC Leasing implemented as part of the spin-off of the Leasing Business and a substantial part of the International Business.

Extraordinary Losses

Extraordinary losses for the year ended March 31, 2021 increased 43.2% from the previous fiscal year to ¥348 million. This increase was due to restructuring expenses related to the spin-off of the Leasing Business and a substantial part of the International Business.

Profit before Income Taxes

As a result of the foregoing, profit before income taxes for the year ended March 31, 2021 decreased 25.5% from the previous fiscal year to ¥13,631 million.

Income Taxes

In the year ended March 31, 2021, income taxes decreased 18.5% from the previous fiscal year to ¥4,477 million. Average effective tax rates for the year ended March 31, 2021 was 32.8%. We have not presented our effective tax rate for the year ended March 31, 2020 because the difference between the Japanese statutory tax rate and our effective tax rate was less than 5%.

Profit (Loss) Attributable to Non-Controlling Interests

As a result, profit (loss) for the year ended March 31, 2021 decreased 28.4% from the previous fiscal year to ¥9,153 million. Profit attributable to non-controlling interests for the year ended March 31, 2021 decreased 63.2% from the previous fiscal year to ¥7 million.

Profit (Loss) Attributable to Owners of Parent

Profit attributable to owners of parent for the year ended March 31, 2021 decreased 28.4% from the previous fiscal year to ¥9,146 million.

Financial Condition

Assets

The following table shows condition of our assets as of March 31, 2020, 2021 and 2022.

	As of March 31,		
	2020	2021	2022
	(in millions of yen)		
Current Assets:			
Cash and cash equivalents	¥ 452,674	¥ 408,851	¥ 364,567
Trade accounts receivable:			
Loans	2,735,599	7,369,961	8,107,979
Other loans	32,954	965	929
Credit cards	62,153	61,096	58,990
Billing	85,428	85,682	85,644
Investment in venture businesses	4,293	4,901	6,245
Other	916,506	40,143	45,759
Allowance for doubtful receivables	(26,089)	(15,811)	(15,748)
Non-Current Assets:			
Property and Equipment	36,965	5,346	6,205
Intangible assets	5,414	5,443	10,536
Investments and other assets:			
Investment securities	116,618	15,956	19,037
Defined benefit asset	996	1,453	1,837
Deferred tax assets	12,514	10,888	10,939
Other	18,056	6,173	6,598
Allowance for doubtful receivables	(3,247)	(447)	(406)
Deferred Assets			
Bond issuance expenses	—	7,066	7,177
Total Assets	4,450,840	8,007,672	8,716,293

Comparison of the Year Ended March 31, 2022 and the Year Ended March 31, 2021

Cash and cash equivalents

Cash and cash equivalents for the year ended March 31, 2022 decreased 10.8% from the previous fiscal year to ¥364,567 million. The decrease was in connection with a refinement of the financial plans of NTT Group companies, resulting in a reduction of our cash balances along with the amount of our outstanding interest-bearing debt.

Trade accounts receivable

Changes in trade accounts receivable were as follows:

- Accounts receivable for loans for the year ended March 31, 2022 increased 10.0% from the previous fiscal year to ¥8,107,979 million. This increase was due to new loans extended to NTT for the cash needs related to its share repurchases and dividends.
- Accounts receivable for credit cards for the year ended March 31, 2022 decreased 3.4% from the previous fiscal year to ¥58,990 million. This decrease was due to a decrease in the amount of accounts receivable we assumed from NTT Group companies.
- Accounts receivable for billing for the year ended March 31, 2022 remained at the same level compared to the previous fiscal year, ¥85,644 million.

Investment securities

Investment securities for the year ended March 31, 2022 increased 19.3% from the previous fiscal year to ¥19,037 million. This increase was due to an increase in our holdings in certain unlisted companies for investment purpose.

Comparison of the Year Ended March 31, 2021 and the Year Ended March 31, 2020

Cash and cash equivalents

Cash and cash equivalents for the year ended March 31, 2021 decreased 9.7% from the previous fiscal year to ¥408,851 million. The reason for the decrease was due to our returning to what we consider a more typical cash balance after we maintained a relatively higher cash balance as of March 31, 2020 in connection with extended payment deadlines at the outset of the COVID-19 pandemic.

Trade accounts receivable

Changes in trade accounts receivable were as follows:

- Accounts receivable for loans for the year ended March 31, 2021 increased 169.4% from the previous fiscal year to ¥7,369,961 million. This increase was due to new loans to NTT provided in connection with its acquisition of NTT DOCOMO.

Accounts receivable for credit cards for the year ended March 31, 2021 decreased 1.7% from the previous fiscal year to ¥61,096 million. This decrease was due to a decrease in the amount of accounts receivable we assume from other NTT Group companies as well as a decrease in the amount of overdue card payments.

- Accounts receivable for billing for the year ended March 31, 2021 remained at the same level compared to the previous fiscal year, ¥85,682 million.

Investment securities

Investment securities for the year ended March 31, 2021 decreased 86.3% from the previous fiscal year to ¥15,956 million. This decrease was due to decrease in the fair market value of the investment securities held by us in connection with our disposition of such securities and other assets to NTT TC Leasing and its subsequent spin-off.

Loans to NTT Group

The following table shows the outstanding amount of loans we provided to the other NTT Group companies as of March 31, 2021 and 2022.

	As of March 31,	
	2021	2022
	(in millions of yen)	
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	¥5,319,759	¥5,801,610
NTT DATA Corporation	455,819	377,625
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	213,235	148,363
NTT Urban Development Corporation	444,813	547,165
NTT COMWARE CORPORATION	109,000	108,589
NTT Limited ⁽¹⁾	224,658	441,922
Other	534,578	620,710
Total	¥7,301,865	¥8,045,987

Note:

(1) The amount shows the total of the loans provided by us and our consolidated subsidiaries.

Liabilities

The following table shows our liabilities as of March 31, 2020, 2021 and 2022.

	As of March 31,		
	2020	2021	2022
	(in millions of yen)		
Current Liabilities:			
Short-term bank loans	¥ 680,691	¥2,006,041	¥ 299,688
Current portion of long-term borrowings	37,594	22,099	144,043
Current portion of bonds	71,191	108,508	179,188
Commercial papers	662,984	536,495	404,726
Lease obligations	1,217	4	1
Accounts payable—other	422,293	415,480	412,714
Accrued income taxes	5,410	1,023	205
Deposits received	402,687	1,332,072	2,316,897
Deposits received from shareholders, directors or employees	592,048	91	85
Asset retirement obligations	32	63	137
Other	40,271	6,742	12,048
Long-Term Liabilities:			
Bonds	¥ 258,903	¥2,351,736	¥2,816,633
Long-term borrowings	1,104,031	1,126,029	2,025,584
Lease obligations	16	6	3
Provision for loss on system use agreements	572	541	2,380
Defined benefit liability	24,709	23,127	21,819
Asset retirement obligations	1,872	1,444	1,333
Deferred tax liabilities	93	—	0
Other	18,139	405	995
Total Liabilities	¥4,324,761	¥7,931,914	¥8,638,487

Comparison of the Year Ended March 31, 2022 and the Year Ended March 31, 2021

Short-term bank loans

Short-term bank loans for the year ended March 31, 2022 decreased 85.1% from the previous fiscal year to ¥299,688 million. This decrease was due to a refinance of short-term bank loans we procured in connection with the acquisition of NTT DOCOMO to long-term loans.

Current portion of long-term borrowings

Current portion of long-term borrowings for the year ended March 31, 2022 increased 551.8% from the previous fiscal year to ¥144,043 million. This increase was a result of reclassifying of existing long-term borrowings to the current portions of long-term borrowings as the maturity dates approach.

Current portion of bonds

Current portion of bonds for the year ended March 31, 2022 increased 65.1% from the previous fiscal year to ¥179,188 million. This increase was a result of reclassifying of existing bonds to the current portion of bonds as the maturity dates approach.

Commercial papers

Commercial papers for the year ended March 31, 2022 decreased 24.6% from the previous fiscal year to ¥404,726 million. This decrease was due to an increase in the amount of excess funds received from NTT Group companies resulting in a reduced need for short-term financing from outside the NTT Group.

Deposits received

Deposits received for the year ended March 31, 2022 increased 73.9% from the previous fiscal year to ¥2,316,897 million. This increase was due to an increase in the amount of excess funds received from NTT Group companies.

Bonds

Bonds for the year ended March 31, 2022 increased 19.8% from the previous fiscal year to ¥2,816,633 million. This increase was due to an issuance of green bonds denominated in yen in October 2021 and an issuance of green bonds denominated in euro in December 2021.

Long-term borrowings

Long-term borrowings for the year ended March 31, 2022 increased 79.9% from the previous fiscal year to ¥2,025,584 million. This increase was due to a refinance of short-term borrowing we procured in connection with the acquisition of NTT DOCOMO.

Comparison of the Year Ended March 31, 2021 and the Year Ended March 31, 2020

Short-term bank loans

Short-term bank loans for the year ended March 31, 2021 increased 194.7% from the previous fiscal year to ¥2,006,041 million. This increase was due to short-term loans we procured in connection with the acquisition of NTT DOCOMO.

Current portion of long-term borrowings

Current portion of long-term borrowings for the year ended March 31, 2021 decreased 41.2% from the previous fiscal year to ¥22,099 million. This decrease was primarily due to the spin-off of the Leasing Business and a substantial part of the International Business.

Current portion of bonds

Current portion of bonds for the year ended March 31, 2021 increased 52.4% from the previous fiscal year to ¥108,508 million. This increase was a result of reclassifying of existing bonds to the current portion their maturity dates approach.

Commercial papers

Commercial papers for the year ended March 31, 2021 decreased 19.1% from the previous fiscal year to ¥536,495 million. This decrease was due to increases in the amount of excess funds received from NTT Group companies and long-term borrowings and resulting decrease in demand for short-term financing.

Deposits received

Deposits received for the year ended March 31, 2021 increased 230.8% from the previous fiscal year to ¥1,332,072 million. This increase was due to an increase in the amount of excess funds received from NTT Group companies.

Bonds

Bonds for the year ended March 31, 2021 increased 808.3% from the previous fiscal year to ¥2,351,736 million. This increase was due to an issuance of new bonds in connection with the acquisition of NTT DOCOMO.

Long-term borrowings

Long-term borrowings for the year ended March 31, 2021 increased 2.0% from the previous fiscal year to ¥1,126,029 million. This increase was due to an increase in demand for long-term borrowings.

Liquidity and Capital Resources

Capital Requirements

As the sole financing arm of NTT Group and as a part of our Accounting/Finance Business, our principal capital and liquidity needs are to provide finance to NTT Group companies for its operating cash, capital

expenditures, research and development, strategic acquisitions and investments and dividend payments. We also need capital and liquidity in order to purchase accounts receivable from clients including NTT Group companies and extend consumer loans to our credit customers in connection with the Billing Business and Credit Card Business. The following table shows the breakdown by maturity period of the outstanding amount of our trade accounts receivables (loans) on non-consolidated basis.

	<u>Year ended March 31, 2022</u>	
	(in millions of yen, except for percentages)	
Less than 1 year	¥2,480,855	31.65%
1 to 5 years	2,440,809	31.14%
5 to 10 years	2,850,023	36.37%
10 to 15 years	65,943	0.84%
15 to 20 years	—	—
20 to 25 years	—	—
More than 25 years	—	—
Total	<u>7,837,631</u>	<u>100.0%</u>

Note:

- (1) The figures of the table include loans to borrowers other than the NTT Group companies such as consumer loans to our credit card holders.

Contractual Obligations

Our existing contractual obligations as of March 31, 2022 are summarized as follows:

	<u>Payments due by period</u>						
	<u>Total</u>	<u>Less than one year</u>	<u>One to two years</u>	<u>Two to Three Years</u>	<u>Three to Four Years</u>	<u>Four to Five Years</u>	<u>More than five years</u>
	(in millions of yen)						
Short-term borrowings	¥ 299,688	¥ 299,688	—	—	—	—	—
Current portion of long-term borrowings	144,043	144,043	—	—	—	—	—
Bonds	2,995,822	179,188	¥328,529	¥263,347	¥383,193	¥488,300	¥1,353,262
Long-term borrowings	2,025,584	—	56,413	316,865	366,869	261,545	1,023,890
Other interest-bearing liabilities:							
Commercial paper	404,726	404,726	—	—	—	—	—
Deposits received from NTT Group companies	2,158,174	2,158,174	—	—	—	—	—

Capital Resources

We believe that the net cash we expect to generate from operating activities, financing from banks and other financial institutions and/or offerings of debt securities in the capital markets will provide the requisite financial resources to meet our currently capital requirements.

As of March 31, 2022, we had cash and cash equivalents balance at the end of the fiscal year of ¥364,567 million, a decrease of ¥44,284 million compared to the balance of ¥408,851 million as of March 31, 2021, which excludes the impact of the fiscal period end date being a non-business day. Cash equivalents represent a temporary cash surplus used to repay debts and make capital investments, among other factors, and are used as working capital. Accordingly, the balance of cash equivalents fluctuates each fiscal year depending on particular financing and working capital requirements.

In order to raise working capital efficiently, we utilize unsecured and secured short-term and long-term loans as well as the issuance of commercial paper and corporate bonds.

We also accept excess funds from the other NTT Group companies primarily by inter-company loans in order to optimize the allocation of group funds and to reduce financing cost. The following table shows the outstanding amount of loans provided by other NTT Group companies as of each date indicated.

	<u>Year ended March 31,</u>	
	<u>2021</u>	<u>2022</u>
(in millions of yen)		
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION		
	¥ 101,024	¥ 145,735
NTT DOCOMO, INC.	620,722	1,563,950
Other	<u>440,671</u>	<u>448,488</u>
Total	1,162,418	2,158,174

The following table summarizes our maturity schedule under our outstanding corporate bonds based on the issue amount:

<u>Year ending March 31,</u>	<u>Domestic bonds</u>	<u>US\$ and EUR notes⁽¹⁾</u>	<u>Total</u>
	(in millions of yen)		
2023	¥ 20,000	¥ 183,585	¥ 203,585
2024	200,000	144,262	344,262
2025	115,000	155,838	270,838
2026	300,000	88,855	388,855
2027	170,000	367,170	537,170
2028	200,000	5,700	205,700
2029	5,000	307,982	312,982
2030	5,000	136,700	141,700
2031	460,000	—	460,000
2032	155,000	122,390	277,390
2033	10,000	—	10,000

Note:

- (1) Translation of the U.S. dollar amounts of the notes into yen has been made at the rate of ¥122.39, and translation of the EUR amounts of the notes into yen has been made at the rate of ¥136.70, the actual yen-dollar and yen-euro exchange rate prevailing as of March 31, 2022.

In order to provide liquidity, we also maintain committed credit facilities with financial institutions.

We are in compliance with all of the restrictive covenants in our existing loan agreements as of the date of this offering circular and do not expect any of these covenants to restrict our operations in our foreseeable future, absent extraordinary events affecting our business.

Credit Ratings

As of the date of this offering circular, our credit ratings, which reflect each rating agency's opinion of our financial strength, operating performance and ability to meet our obligations, are as follows:

<u>Rating Agency</u>	<u>Category</u>	<u>Rating (outlook)</u>
Moody's Japan K.K.	Long-term issuer rating	A1 (Stable)
S&P Global Ratings Japan Inc.	Long-term issuer rating	A (Stable)
Japan Credit Rating Agency, Ltd.	Long-term issuer rating	AAA (Stable)
Rating and Investment Information	Long-term issuer rating	AA+ (Stable)

In addition, the credit ratings of NTT are as follows:

<u>Rating Agency</u>	<u>Category</u>	<u>Rating (outlook)</u>
Moody's Japan K.K.	Long-term issuer rating	A1 (Stable)
S&P Global Ratings Japan Inc.	Issuer rating	A (Stable)
Japan Credit Rating Agency, Ltd.	Long-term issuer rating	AAA (Stable)

The ratings are not a recommendation to buy, sell or hold securities. The ratings are subject to revision or withdrawal at any time by the assigning rating agency. Each of the financial strength ratings should be evaluated independently.

Off-Balance Sheet Arrangements

We provide guarantees to the other NTT Group companies, primarily as part of our Accounting/Finance Business, and in some cases in our Billing Business. The outstanding amount of guarantee liabilities was ¥53,533 million as of March 31, 2022 and ¥51,956 million as of March 31, 2021. In addition, we enter into commitment loan agreements with NTT Group companies, and we offer consumer loans to holders of NTT Group cards and NTT Finance Biz cards. The balance of unexecuted loan commitments was ¥3,566,146 million as of March 31, 2022 and ¥6,143,866 million as of March 31, 2021.

Cash Flows

The following table presents our consolidated cash flows for the years ended March 31, 2020, 2021 and 2022.

	<u>Year ended March 31,</u>		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
	(in millions of yen)		
Cash flows provided by (used in) operating activities	¥ (774,825)	¥(4,192,485)	¥(692,891)
Cash flows provided by (used in) investing activities	(6,280)	52,991	(5,132)
Cash flows provided by (used in) financing activities	1,098,912	4,096,492	653,565
Cash and cash equivalents, end of year	452,674	408,851	364,567

Comparison of the Year Ended March 31, 2022 and the Year Ended March 31, 2021

Cash flows used in operating activities during the year ended March 31, 2022 amounted to ¥692,891 million, a decrease of ¥3,499,594 million from ¥4,192,485 million in the year ended March 31, 2021. This decrease was due to, among other factors, a large amount of loans we extended to NTT in the prior fiscal year in connection with the acquisition of NTT DOCOMO.

Cash flows used in investing activities during the year ended March 31, 2022 amounted to ¥5,132 million, while we had cash flows provided by investing activities of ¥52,991 million in the year ended March 31, 2021. This difference was due to, among other factors, a cash inflow in the prior fiscal year attributable to the sales of the shares of NTT TC Leasing.

Cash flows provided by financing activities during the year ended March 31, 2022 amounted to ¥653,565 million, a decrease of ¥3,442,927 million from ¥4,096,492 million in the year ended March 31, 2021. This decrease was due to, among other factors, a large amount of cash we procured through borrowings and issuance of bonds in the prior fiscal year in order to cover the finance demand of NTT for its acquisition of NTT DOCOMO.

Comparison of the Year Ended March 31, 2021 and the Year Ended March 31, 2020

Cash flows used in operating activities during the year ended March 31, 2021 amounted to ¥4,192,485 million, an increase of ¥3,417,660 million from ¥774,825 million in the year ended March 31, 2020. This increase was due to, among other factors, a large amount of loans we extended to NTT in the fiscal year ended March 31, 2021 in connection with its acquisition of NTT DOCOMO.

Cash flows provided by investing activities during the year ended March 31, 2021 amounted to ¥52,991 million, compared to cash flows used in investing activities of ¥6,280 million in the year ended March 31, 2020. This difference was due to, among other factors, a cash inflow in the fiscal year ended March 31, 2021 attributable to the sales of the shares of NTT TC Leasing.

Cash flows provided by financing activities during the year ended March 31, 2021 amounted to ¥4,096,492 million, an increase of ¥2,997,580 million from ¥1,098,912 million in the year ended March 31, 2020. This increase was due to, among other factors, a large amount of cash we procured through borrowings and issuance of bonds in the fiscal year ended March 31, 2021 in order to cover the finance demand of NTT for its acquisition of NTT DOCOMO.

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to financial risks (credit risk, liquidity risk, and market risk) in conducting business activities. In order to avoid or reduce such risks, we manage risks based on certain policies. In addition, we report on the status of major financial risk management to our management. For more information, also see Note 11 to our audited consolidated financial statements as of and for the years ended March 31, 2021 and 2022 contained elsewhere in this offering circular.

Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in a loss to us. Our main exposure to credit risk is with counterparties under loans, which primarily include NTT Group companies, and counterparties under accounts receivable we assume from NTT Group, which primarily include customers of NTT Group services. In accordance with internal rules, we strive to promptly identify and reduce concerns about collection status on our receivables and the credit status of the counterparties, and renegotiate transaction terms or move to preserve the receivables.

Foreign Currency Risk

Our consolidated financial statements are presented in yen, and by translating the foreign currency financial statements of our foreign subsidiaries into yen, the amounts of our revenue, profit, assets and equity, on a consolidated basis, are affected by prevailing rates of exchange. In particular, we are adversely affected by translation risk when the yen appreciates against the U.S. dollar and the euro.

Pursuant to our treasury policy, we utilize certain hedging measures, including currency forward contracts for foreign currency transactions with our customers, and currency swaps for our foreign currency borrowings. However, such hedging measures do not cover all of our exposures and, even to the extent that they do, they may only delay, or may otherwise be unable to completely eliminate, the impact of fluctuations in foreign currency exchange rates.

Interest Rate Risk

As of March 31, 2022, a portion of our outstanding bonds and borrowings were subject to floating interest rates and we were party to interest rate swap agreements with respect to ¥18,844 million of our bonds and borrowings. If market interest rates increase, the applicable interest rate on our floating interest rate debt will increase, resulting in an increase in our interest expenses. We use derivative financial instruments such as interest rate swaps, but such efforts may not fully mitigate the impact of interest rate fluctuations. In addition, with respect to our debt that is subject to fixed interest rates, increases in market interest rates could increase our interest expenses when we refinance such debt.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in settling our financial obligations with cash or another financial asset. We manage our liquidity risk by following our cash management plan based on our treasury policy and expect that we will have sufficient cash to settle our financial obligations as they come due. In order to further mitigate this risk, we also maintain a revolving facility.

BUSINESS

Overview

We are a wholly-owned finance subsidiary of NTT. As the sole finance subsidiary within the NTT Group, we have a strong business foundation occupying a central role in the provision of financing solutions to companies within the NTT Group, and of cash management, accounting and tax and billing and collection services to companies within the NTT Group. In addition, we are engaged in providing finance and accounting-related services to third parties, as described below.

We organize and report our operations based on the following three business segments:

- *Billing Business.* The Billing Business segment comprises billing and collection services for clients' customer charges, mainly for telecommunication services charges of NTT Group companies. Our Billing Business segment had revenue of ¥150,567 million (excluding inter-segment transactions) and segment profit of ¥3,906 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2022, which respectively accounted for 79.3% of our total revenue from external customers and 36.7% of our total segment profit for the fiscal year.
- *Credit Card Business.* The Credit Card Business segment comprises billing services for client's customer charges paid by credit card, mainly for telecommunication services charges of NTT Group companies, as well as credit card issuing, merchant acquisition and payment processing. Our Credit Card Business had revenue of ¥5,205 million (excluding inter-segment transactions, or ¥51,768 million including revenue attributable to inter-segment transactions) and segment profit of ¥2,747 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2022, which respectively accounted for 2.7% of our total revenue from external customers (or 21.9% including revenue attributable to inter-segment transactions) and 25.8% of our total segment profit for the fiscal year.
- *Accounting/Finance Business.* The Accounting/Finance Business segment comprises provision of loans to, or investments in, NTT Group companies as well as provision of accounting, consulting and tax services primarily to NTT Group companies. Our Accounting/Finance Business segment had revenue of ¥31,836 million (excluding inter-segment transactions) and segment profit of ¥3,956 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2022, which respectively accounted for 16.8% of our total revenue from external customers and 37.2% of our total segment profit for the fiscal year.

We also classify certain revenue and profit that are not attributable to our reportable segments as "Other." "Other" revenue and profit accounted for ¥2,271 million, or 1.2% of our total revenue from external customers, and ¥22 million, or 0.2% of our total segment profit, respectively for the fiscal year ended March 31, 2022. For more detailed operating results of each segment, see Note 16 of our audited consolidated financial statements as of and for the fiscal years ended March 31, 2021 and 2022 included elsewhere in this offering circular.

Our close integration with the diversified operating businesses of the NTT Group through each of our three business segments provides us with access to strong sources of cash derived from the group and contributes to our creditworthiness. Leveraging this close integration with the NTT Group, we have maintained a strong balance sheet and financial position. Going forward, we and the NTT Group are in the process of expanding our finance-related service capabilities and thereby consolidating the group's other finance-related functions, including accounting and tax services, within our operations. In our position as the group's sole finance arm, we also aim to lead the NTT Group's efforts to reduce debt levels after a temporary increase due to the group's acquisition of NTT DOCOMO. Through the offering of the notes and our other financing activities, we also seek to contribute to the group's ESG initiatives.

Our History

We were established in 1985 under the name NTT Leasing Co., Ltd. as a subsidiary of NTT to engage in the leasing of telecommunication equipment sold by NTT Group companies. In 2004, we became a subsidiary of the Parent and other companies of the NTT Group as part of a strategy by the NTT Group to facilitate the efficient use of financial resources and strengthen the financial infrastructure within the NTT Group. In 2005, we merged with NTT FINANCE JAPAN CO., LTD., which until that time had undertaken the role of raising funds for, and lending on to, NTT's subsidiaries and affiliates, except for NTT East, NTT West and NTT Communications. In July 2006, we changed our corporate name to NTT FINANCE CORPORATION.

Effective on July 1, 2020, we spun off our leasing business and a substantial part of our international business to NTT TC Leasing Co., Ltd. (“NTT TC Leasing”), and sold 50% of the shares of NTT TC Leasing to Tokyo Century Corporation (“Tokyo Century”), and going forward will focus mainly on providing services to companies of the NTT Group. As a result of this transaction, our business segments were restructured to Billing Business, Credit Card Business and Finance Business beginning from the three-month period ended June 30, 2021. In addition, in September 2020, we became a wholly-owned subsidiary of the Parent. In July 2021, the accounting business of NTT Business Associate Corporation was transferred to us. As a result, we renamed our Finance Business segment as our Accounting/Finance Business segment beginning from the three-month period ended September 30, 2021.

Our Strengths

Strong Business Foundation and Positioning as the NTT Group’s Sole Finance Subsidiary

We are the sole finance subsidiary of the NTT Group, a leader in the telecommunications and ICT fields both in Japan and globally and the largest provider of telecommunications and ICT services in Japan in terms of operation revenues in the fiscal year ended March 31, 2022. We play a central role within the NTT Group, raising capital and performing cash management functions for the group as well as providing advanced financing solutions for both NTT Group companies and third-party customers.

Our comprehensive and centralized advanced financial solutions include billing and collection services and cloud payment services in our Billing business and credit card services in our Credit Card business, and also include accounting and other financial services business in our Accounting/Finance business. Accordingly, we perform a variety of critical functions and have a solid business foundation as a comprehensive payment and financial platform for the NTT Group. We believe this places us in a position equivalent to the “Finance Department” for the entire NTT Group. In light of our critical role in the group, we became a wholly-owned subsidiary of the Parent from September 2020.

Close Integration with the NTT Group Provides Access to Strong Sources of Cash and Contributes to Creditworthiness

We play an essential role in the operation of the NTT Group’s businesses, which provides us with centralized access to the group’s cash. Through our billing and collection services, we assume customer receivables for telecommunications and other services provided by the group, which provide us with direct access to cash flows from the group’s customers. For the fiscal year ended March 31, 2021, we handled approximately 620 million invoices for NTT Group customers, in the aggregate amount of approximately ¥7.9 trillion. We also have access to group surplus cash through our cash management systems for lending funds and holding surplus cash within the group. We believe that our close integration with the NTT Group’s businesses and centralized access to the group’s cash flows contribute to our strong financial position and creditworthiness. The NTT Group has a strong ability to generate stable and significant cash flows, supported by its strong performance and positioning in a wide range of markets. As an indication of the NTT Group’s strong performance, the group generated consolidated operating profit of approximately ¥1.5 trillion or more and Adjusted EBITDA of approximately ¥3 trillion or more for each of the three fiscal years ended March 31, 2022. See “NTT Group—IFRS Selected Financial Data of NTT Group.”

We have received credit ratings of A from S&P, AAA for Japan Credit Rating Agency, Ltd., or JCR, and AA+ from Rating and Investment Information, Inc. In addition, in April 2022 we received our first rating from Moody’s of A1. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. S&P, Moody’s and JCR have provided the same ratings to both us and the Parent, which we believe shows the important role and central functions we play within the NTT Group.

Strong Balance Sheet and Strong Financial Position

A substantial majority of our assets consists of loans to NTT Group companies, which we believe contributes to maintaining a strong and stable financial condition both for us and the NTT Group more generally. As of March 31, 2022, approximately 98% of our operating assets, which we define as the total of trade accounts receivable (net of allowance for doubtful receivables) and investments in venture businesses, were loans to the Parent and other operating companies of the NTT Group. We believe that our group loan counterparties have excellent creditworthiness and access to cash flows. The NTT Group has a strong revenue base due to its

attractive positioning in large and stable markets and its diverse business portfolio divided across four business segments: Integrated ICT Business (including mobile telecommunications), Regional Communications Business, Global Solutions Business and Others including real estate and energy. See “NTT Group—Overview” for a description of these business segments.

In addition, in July 2020, we spun off our leasing business and a substantial part of our international business to a newly established company, NTT TC Leasing, with us retaining 10% of the company’s shares. We believe that the spin-off has helped improve the stability of our business by reducing our exposure to the volatility associated with the spun-off businesses.

Our and the NTT Group’s Strong Commitment to ESG Initiatives

We and the NTT Group both have a strong commitment to promoting sustainable initiatives to achieve growth while at the same time contributing to resolving social issues. By proactively implementing ESG initiatives across its businesses, the NTT Group aims to expand business opportunities and minimize business risks, which will contribute to sustainable enterprise value.

As part of these ESG-based management efforts, we completed the group’s inaugural ¥40 billion green bond issuance in Japan in June 2020. We issued additional green bonds in October 2021 and December 2021 in the amounts of ¥300 billion and €1.5 billion, respectively. The NTT Group has also set group-wide targets for reductions in greenhouse gas emission. In October 2020, the NTT Group obtained certification under the Science Based Targets (SBT) initiative, an international climate change initiative, that its greenhouse gas emissions reduction target of 30% (for Scope 1 and 2 emissions) was consistent with an increase in global temperatures of well below the 2°C level compared to pre-industrial levels. In September 2021, the group raised its greenhouse gas emission reduction target for March 31, 2031 to 80% (for Scope 1 and 2 emissions), which was certified as being consistent with an increase in global temperatures of no more than 1.5°C compared to pre-industrial levels. For a more detailed description of the NTT Group’s greenhouse gas emission targets, see “Environmental, Social and Governance Policies of NTT Group” as well as “Risk Factors—Risk Relating to Our Reliance on the NTT Group—The NTT Group’s ESG-related initiatives may not achieve their targeted results on their anticipated timing or at all.”

In recognition of these and other initiatives, the NTT Group has been included in numerous domestic and overseas ESG investment indices such as the Dow Jones Sustainability Indices and Japan’s Government Pension Investment Fund ESG indices.

The information above contains forward-looking statements, which are based upon the NTT Group’s current expectations, assumptions, estimates and projections. In particular, the goals and targets described below and underlying assumptions are subject to various risks, uncertainties and subjectivity, and the NTT Group’s actual results may differ materially such goals and targets. See “Risk Factors.”

Our Strategies

Enhance our Position in the NTT Group through Deeper Group Integration

We and the NTT Group aim to pursue our further integration with the group to realize more efficient finance operations. We believe that deeper integration with the NTT Group will further enhance our position as the sole finance subsidiary of the group. In addition to our role in operating the NTT Group’s group finance and billing operations, we and the NTT Group aim to fully consolidate all group finance-related functions into our operations by gradually migrating the accounting and tax functions of the other NTT Group companies to our business. We believe this will enable us to be at the center of an organizational structure that will allow us and the NTT Group as a whole to more effectively utilize capital, further streamline operations, reduce administrative workload and develop financial human resources.

Specifically, we believe that our further integration with the NTT Group will be beneficial in the following ways:

- *Group funds optimization.* We will continue to raise capital through diverse methods and consolidate the NTT Group’s surplus cash. We will aim to optimally deploy such cash through loans to NTT Group companies and reduce interest-bearing debt as a whole.

- *Centralization of finance operations.* We will further aim to lower financing costs and foster sophistication of our financial services by leveraging both the scale of the group's operations as we further integrate our business with the group, as well as our financial position and reputation in the capital markets.
- *Enhance administrative efficiencies.* We will aim to increase efficiency by reducing the administrative burden for the group's other companies by further centralizing the group's finance-related operations, including accounting and tax functions, into our operations.

Enhance Billing and Payment Solutions through DX

Through further enhancement and expansion of our billing and payment solutions, we intend to contribute not only to streamlining the billing and payment operations of the NTT Group companies, but also to improving our productivity and the productivity of the NTT Group as a whole. To improve both the efficiency and quality of our solutions, in addition to establishing a new shared billing system for the NTT Group, we will accelerate DX by improving our web billing platform's functions, further digitizing invoices and expanding AI customer support. To meet the increasingly diverse billing needs of businesses and other organizations, we will expand our billing solution services such as "Billing One" and "Rakuraku Cloud Payment Service" in collaboration with our customers. For more information on these services, see "—Our Business Operations—Billing Business."

Maintain and Enhance Financial Soundness by Reducing Debt Levels

By leveraging the NTT Group's stable and strong cash flow generated through its robust businesses and financial base, we seek to further strengthen our and the group's financial position by reducing the group's indebtedness, which has increased as a result of approximately ¥4.3 trillion of debt we incurred in connection with the Parent's acquisition of the minority interests in NTT DOCOMO. As we manage the overall financing operations of the NTT Group, we will lead the group's efforts to reduce interest-bearing debt over time with the aim of reducing the NTT Group's leverage at the group level.

As one part of our efforts to reduce debt levels, we spun off our leasing business in July 2020 as described above, which we estimate reduced interest-bearing debt of the group by approximately ¥1.1 trillion. Going forward, the NTT Group plans to generate cash through securitizing certain NTT DOCOMO card and handset installment receivables, with the cash generated from such transactions transferred to us. Using cash from such securitized receivables and cash from our regular operations, we plan to repay a portion of our indebtedness, which we estimate will allow us to reduce the group's interest-bearing indebtedness by approximately ¥1.0 trillion and ¥0.9 trillion, respectively. In the medium to long term, the NTT Group aims to lower its ratio of interest-bearing debt to Adjusted EBITDA from roughly 2.3x as of March 31, 2022 to roughly 2.0x.

Further Promote ESG Initiatives

As part of the NTT Group's commitment to corporate and social responsibility, as described above, we and the NTT Group will further promote the group's ESG initiatives. In particular, we aim to align our operations with the NTT Group Global Sustainability Charter, established in November 2021 to realize a sustainable society. The charter addresses nine challenges and 30 specific activities in three broad themes—ensuring the co-existing of nature and humanity, improving prosperity for all people and cultures and maximizing well-being for all. For more information on the group's Global Sustainability Charter, see "Environmental, Social and Governance Policies of NTT Group."

The group's ESG initiatives will also be driven by the principles set forth in "NTT Green Innovation toward 2040," a new environmental energy vision formulated by the group in September 2021 that simultaneously aims to address environmental issues and improve economic growth through reduction of the environmental impact of business activities and the creation of breakthrough innovations. Accordingly, the NTT Group seeks to implement initiatives to reduce greenhouse gas emissions, primarily through expanding the use of renewable energy and reducing electricity consumption through the introduction of IOWN optical network and computing technologies. In particular, the NTT Group aims to reach carbon neutrality by the fiscal year ending March 31, 2041, with an 80% group-wide reduction in greenhouse gas emissions and carbon neutrality in its mobile and data center businesses targeted as soon as the fiscal year ending March 31, 2031. See "Environmental, Social and Governance Policies of NTT Group" and "Risk Factors—Risks Relating to Our Reliance on the NTT Group—The NTT Group's ESG-related initiatives may not achieve their targeted results on their anticipated timing or at all" for more information regarding these initiatives and related risks."

The information above contains forward-looking statements, which are based upon the NTT Group's current expectations, assumptions, estimates and projections. In particular, the goals and targets described below and underlying assumptions are subject to various risks, uncertainties and subjectivity, and the NTT Group's actual results may differ materially such goals and targets. See "Risk Factors."

Our Business Operations

Billing Business

In our Billing Business segment, we provide billing and collection services primarily in relation to charges for the communications services provided by NTT DOCOMO, NTT East, NTT West and NTT Communications. We purchase accounts receivable of these NTT Group companies, and we receive commissions in connection with the transfer of these accounts receivable calculated based on the estimated credit risk associated with such receivables and a certain premium to compensate us for providing billing and collection services.

We offer a number of services to customers to improve the billing experience including the following:

- *Invoice consolidation.* To provide more user-friendly services to customers and improve and streamline the billing and collection operations, we offer a bill consolidation service that enables customers to choose to have separate invoices from the above NTT Group entities consolidated in a single invoice. Customers may also choose to consolidate the invoices for certain utility payments, Internet access charges, newspaper subscription fees, fees for the reception of public broadcasting and other services with the invoices of the above NTT Group entities, to the extent the provider of such services has entered into an appropriate arrangement with us.
- *Web billing.* We provide a convenient web billing system that allows customers to access billing information for NTT Group services, manage payment options, print invoices and other documents and set up email notifications.
- *"Billing One" service.* Our "Billing One" service is a service for corporate clients that allows them to consolidate all their communications service charges from NTT Group companies and other communications companies into a single invoice, which can reduce the burden of managing payments for multiple services. This service also provides tools that enable clients to analyze and search the details of their charges for these services and automatically categorize charges by department or other division within their organization. Clients can download data from this service for use in their accounting systems, which can help clients increase efficiency in recording costs in their accounting records.

We aim to increase user adoption of these consolidation services, while at the same time seeking to streamline operational costs relating to billing and collection in order to establish a stable and efficient business foundation.

We also offer billing and collection services to business clients outside the NTT Group. Our business clients provide us with billing information for their users, and we issue a consolidated invoice to users including charges for our clients' services together with charges for using NTT Group services. In addition, we also offer a cloud-based billing and collection platform called "Rakuraku Cloud Payment Service" that allows businesses to easily manage user information and submit the relevant billing information to us for processing.

Credit Card Business

In our Credit Card Business segment, we provide credit settlement services, sales financing and consumer loans and facilitate payment of telecommunications bills through credit cards issued to individual customers of the NTT Group. Revenue for this segment consists primarily of commissions we receive from other NTT Group companies in respect of credit card payments of invoices by customers of the NTT Group's telecommunications services, which are first recorded in our Billing Business segment and then transferred to our Credit Card Business segment. Such commissions accounted for 89.9% of the segment's revenue for the fiscal year ended March 31, 2022.

We also receive interchange fees set by the MasterCard and Visa networks as a card issuer, merchant commissions when we act as a merchant acquirer, processing fees when we act separately as a payment

processor, and cardholder fees and interest on sales financing and consumer loans. Our primary customer-facing products in this segment are as follows:

- *NTT Group cards.* For individual customers, we offer the NTT Group regular card and the NTT Group gold card, which offers more premium features such as airport lounge access for an annual fee that may be waived for customers who reach a certain spending level. In addition, our NTT Group cards offer an incentive in the form of bonus points or cash back for payment of NTT Group telecommunications invoices.
- *NTT Finance Biz cards.* For small- and medium-sized businesses and sole proprietorship customers, we offer the NTT Finance Biz regular card, which has no annual fee, and the NTT Finance Biz gold card, which offers more premium features such as airport lounge access for a low annual fee. Our NTT Finance Biz cards also feature an online statement editing service that makes it possible to divide card statements between business and personal transactions.
- *Card settlement solution service “Paysol.”* For businesses, especially those that periodically bill their customers such as insurers or subscription services, we provide the high-quality card payment solution service “PaySol” that complies the Installment Sales Act of Japan and international brand rules, simplifying their compliance with industry regulations regarding transaction authorization, customer data storage and security. Our proprietary system safely manages credit card data while also enabling speedy processing, even for vast quantities of transactions.

Accounting/Finance Business

In our Accounting/Finance Business segment, we provide loans, cash management and other financial services for the NTT Group, an investment business, and accounting, consulting and tax services for NTT Group companies and third parties.

To improve fund management and operational efficiency of the NTT Group and to reduce finance costs, the debt financing function of the group has been centralized to us and we are, in principle, in charge of all debt financing from external financial institutions as well as from the capital markets as the sole benchmark issuer within the NTT Group. As of March 31, 2022, we had trade accounts receivable (loans) of ¥8,107,979 million, 99.2% of which was pursuant to loans to NTT Group companies. This amount primarily consists of loans to the Parent, accounting for 71.6% of our total trade accounts receivable (loans), which were largely incurred in connection with the financing of its acquisition of the remaining public shares of NTT DOCOMO in December 2020. The interest rate for the loans to NTT Group companies is calculated by adding a target margin rate set by NTT Group to the finance cost we incurred to procure funds. As the target margin rate is set by taking into consideration the optimal balance between the benefit on NTT Group companies from stable and low cost funding and profit for us in terms of sustainable operation of our business. For more information regarding our current group finance transactions, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Loans to NTT Group.”

We provide cash management services to the NTT Group in Japan and globally, closely integrating us with the NTT Group’s operating companies through intra-group loans and deposits received. We maintain our Cash Management System (CMS) with respect to the NTT Group’s domestic businesses, including the Parent, and our Global Cash Management System (GCMS) with respect to the group’s businesses outside Japan.

In July 2021, the accounting business of NTT Business Associe was transferred to us. As a result, we renamed our Finance Business segment as our Accounting/Finance Business segment beginning from the three-month period ended September 30, 2021. The accounting business performs the accounting and book closing of other NTT Group companies, and provides accounting consulting, tax and other services related to internal controls and accounting system development for NTT Group companies and third parties.

Other

We classify certain of our revenue and its associated expenses as “other” as they are not attributable to our reportable segments. For the fiscal years ended March 31, 2021 and 2022, this mainly consisted of revenue and profit arising from a common operation services agreement and system services agreement which are transitional service agreements entered into between NTT Business Associe and us.

Relationships with NTT Group Companies

As the sole finance subsidiary within the NTT Group, we have a strong business foundation occupying a central role in the provision of financing solutions to companies within the NTT Group, and of cash management,

accounting and tax and billing and collection services to companies within the NTT Group. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Financial Results” and “Related Party Transactions” for information regarding our most significant relationships with NTT Group companies.

We have entered into an agreement with NTT in relation to our management as part of the NTT Group, with the aim of maximizing the corporate value of each NTT Group company while respecting each NTT Group company’s autonomy and independence.

Regulation

Our business is subject to, among other laws and regulations, the following key laws and regulations:

The Installment Sales Act

The Installment Sales Act (Act No. 159 of 1961, as amended) applies to intermediaries of installment sales transactions, including credit card issuers who pay the purchase price for goods and services to merchants on behalf of their cardholders and collect such amounts from the cardholders via installment payments. Our issuance of NTT Group and NTT Finance-branded credit cards is classified as an intermediation of comprehensive credit purchases. We are registered with the Ministry of Economy, Trade and Industry, or METI as a comprehensive credit purchase intermediary in order to conduct this business in Japan.

Under this Act, a registered comprehensive credit purchase intermediary must investigate the customer’s payment capacity by reviewing certain matters as specified under the Ordinance for Enforcement of the Installment Sales Act, or the Enforcement Ordinance, such as the customer’s annual income, bank deposit(s) (as required), payment status of debt involving intermediation of credit purchases and certain other matters, or the Customer Information, using specified credit information available from a designated credit bureau, before granting a credit limit to the customer or increasing the credit limit granted to the customer in respect of the intermediation of comprehensive credit purchases, and is prohibited from doing so if the credit limit to be granted or after the increase exceeds a certain amount calculated based on the Customer Information, except where the customer protection is not prejudiced as specified under the Enforcement Ordinance. Failure to perform these investigations may result in business improvement orders by METI and failure to comply with the business improvement orders may result in suspension of our businesses and/or cancellation of registration by METI.

In respect of our services as card issuer of NTT Group and NTT Finance-branded credit cards, merchant acquirer, and provider of the payment processing service Paysol, we are also registered with METI as a business operator concluding contracts handling credit card information. Under this Act, a registered business operator concluding contracts handling credit card information is under certain obligations such as the obligations to inspect merchants (i) whom they intend to conclude contracts with to see whether these merchants are carrying out necessary measures to appropriately manage and control credit card information and, if the measures turn out to be insufficient or are suspected to be insufficient, not conclude contracts with such merchants; and (ii) whom they have concluded contracts with to periodically see whether these merchants are continuously implementing such measures and, as necessary, take actions to ensure their compliance (such as providing instructions to meet the security standards provided under the Installment Sales Act and cancelling the contracts with non-complying merchants). Failure to fulfill these obligations may result in business improvement orders by METI and failure to comply the business improvement orders may result in cancellation of registration by METI.

Moreover, under this Act, customers have a right to reject payments to registered intermediaries (including us) by exercising the right of defense which they may invoke against merchants under certain conditions.

The Money Lending Business Act

The Money Lending Business Act (Act No. 32 of 1983, as amended) governs operators of money lending businesses, requiring them to register and adhere to certain strict business regulations.

In accordance with this Act, we are registered as a moneylender with the Financial Services Authority, or the FSA. The FSA has the authority under this Act to issue business improvement orders when it deems necessary, and to suspend our businesses and to cancel our registration as a moneylender upon substantial non-compliance with this Act and failure to comply with certain administrative orders. Our operations are regularly inspected by the FSA.

In respect of our consumer finance service through our issued credit cards and providing loans with the NTT Group companies, under this Act, registered moneylenders are required to deliver a written notice of: (a) the terms and conditions of the loan agreement to borrowers and guarantors at the time of, and promptly after, execution of the loan agreement or any guarantee agreement; and (b) repayment amounts received by the lender and the application of those amounts to the principal and interest owed, as well as the borrower's remaining balance immediately after each repayment, to a person who has made such repayment.

In addition, prior to exercise of a loan, registered moneylenders are required to investigate the ability of borrowers to repay. In case of execution of a loan to individual borrowers, registered moneylenders are required to use credit information held by third-party information providers for the abovementioned investigation. Execution of a loan to an individual borrower is generally not permitted, if after the execution of such loan, the aggregate amount of outstanding loans of the borrower (excluding the amount of loans contracts for funds necessary for building, or purchasing or improving residential housing) from all registered moneylenders will exceed one-third of the borrower's annual income, provided however that this restriction does not apply in certain cases, including execution of a loan for funds necessary for building, purchasing or improving residential housing.

The Interest Rate Restriction Act

The Interest Rate Restriction Act (Act No. 100 of 1954, as amended) sets limits on the maximum interest rates permissible on loans. Any agreement providing for payment of interest at a rate exceeding the statutory limits is void with respect to the portion of any interest in excess of such limits.

The Act on Prevention of Transfer of Criminal Proceeds

Under the Act on Prevention of Transfer of Criminal Proceeds (Act No. 22 of 2007, as amended), credit card issuers are required to perform customer identification procedure and keep records of customer identifications and transactions with customers as prescribed by a ministerial ordinance. Under this Act, credit card issuers are also required to report to a competent authority if they suspect that any property accepted from a customer has been obtained illegally or the customer conducts certain criminal acts.

The Banking Act

The Banking Act of Japan (Act No. 59 of 1981, as amended) governs any business operator which engages in an "Electronic Payment Service," including a business the operator of which receives orders from its customers to conduct settlement transactions to transfer funds relating to such customers' accounts and communicates those orders to banks upon entrustment from its customers who are bank depositors and by a method using an electronic data processing system such as application programming interface provided by banks. In accordance with this Act, we are registered as an electronic payment service provider with the FSA.

Before conducting an Electronic Payment Service, an electronic payment service provider must enter into contracts therefor with banks, and such contracts must provide, among other things, for the allocation of indemnity liabilities between the banks and the electronic payment service provider for any loss or damage incurred by customers in connection with the relevant Electronic Payment Service. An electronic payment service provider must also provide its customers with certain prescribed information, including policies regarding compensation for loss or damage to its customers.

The FSA has the authority to issue a business improvement order when it deems necessary, and to suspend our business and to cancel our registration as an electronic payment service provider upon non-compliance with this Act and failure to comply with certain administrative orders.

Act on the Protection of Personal Information

The Act on the Protection of Personal Information (Act No. 57 of 2003, as amended) and related guidelines covers all business operators which utilize or maintain databases containing personal information. Pursuant to this Act, such business operators are required to (i) specify and notify or publish the purpose of the use of the personal information prior to handling such information, (ii) refrain from using the personal information beyond such purpose without obtaining the prior consent of the person to whom such information relates, except in cases

permitted under this Act, (iii) refrain from providing the personal information to a third party without obtaining the prior consent of the person to whom such information relates, except in cases permitted under this Act, and (iv) take necessary and appropriate measures to securely manage and prevent leakage, damage, and loss of the personal information.

Under this Act, the Personal Information Protection Commission has the authority, upon violation of certain requirements under this Act, to issue a recommendation to the business operator to suspend such violation or take other necessary action to rectify the violation. The Commission also has the authority to order the business operator who does not follow such recommendation to take action pursuant to the said recommendation or suspend such violation or take other necessary action to rectify the violation, subject to certain conditions. Noncompliance with such order will subject the ordered business operator to criminal sanctions.

Competition

As the services in our Billing Business (including credit card transactions transferred to our Credit Card Business) and Accounting/Finance Business are primarily provided to NTT Group companies, we do not face significant competition in either of these segments as a whole. However, we do market our billing and accounting services to unrelated third parties, and face competition from other companies operating in these markets. In particular, in our Billing Business we compete for third-party customers with other settlement companies, especially with respect to our Billing One service and our Rakuraku Cloud Payment Service.

Our Credit Card Business faces competition from other credit card issuers, including those in the banking, retail and distribution and transportation industries. We also face competition from other payment methods such as internet banking, debit and pre-paid and chargeable cards and cash-on-delivery, as well as newer payment methods such as mobile carrier payments, buy-now-pay-later and mobile wallets that consumers fund from sources such as a bank account or credit card, including PayPay and Rakuten Pay. In our role as merchant acquirer, we face competition from other merchant acquirers, including those affiliated with financial institutions and retailers. Competition may intensify in the future, both as emerging technologies continue to enter the market and as large financial incumbents increasingly seek to innovate the services that they offer. Technological advances and the continued growth of e-commerce activities have increased consumers' accessibility to payment products and services and led to the expansion of competition in payment options, including those incorporating new technology.

In addition, see “Risk Factors—Risk Factors Relating to Our Exposure to the Operations and Financial Condition of the NTT Group—The NTT Group faces intense competition in its businesses, and such competition may intensify” for a discussion of competition faced by NTT Group in its main business lines.

Insurance

To the extent that it is reasonably available, we maintain insurance policies, which have policy specifications and insured limits that are adequate and appropriate for our business. Like many other companies in Japan, risks are covered by our fire insurance policies. We also maintain a range of insurance policies for our directors and officers that are appropriate for our business.

Facilities

We own an office building for our corporate headquarters in Tokyo, Japan. Also, we and our subsidiaries own a number of offices in Japan primarily handling billing and credit card business in each region.

Employees

As of March 31, 2022, we had 3,456 full-time employees on a consolidated basis. The following table shows a breakdown of our employees in each business segment, with the number of full-time employees as of March 31, 2022, and the average annual number of part-time employees for the fiscal year ended March 31, 2022.

<u>Business segment</u>	<u>Number of full-time employees</u>	<u>Average number of part-time employees</u>
Billing ⁽¹⁾	3,068	832
Credit Card ⁽¹⁾	83	11
Accounting/Finance ⁽¹⁾	203	42
Group-wide ⁽¹⁾⁽²⁾	<u>102</u>	<u>7</u>
Total	<u>3,456</u>	<u>892</u>

Notes:

- (1) Our employees are engaged in one or more business segments.
- (2) Shows the number of employees engaged in administrative divisions that are not categorized to any business segment.

As of March 31, 2022, a substantial portion of our employees were members of the All NTT Workers Union of Japan. We believe our labor relations are stable.

Legal Proceedings

We are routinely involved in litigation and other legal proceedings in connection with our ordinary course business activities. We are not currently involved in any litigation or other legal proceedings that, if determined adversely to us, would individually or in the aggregate be expected to have a material adverse effect on our financial condition or results of operations.

MANAGEMENT

Directors and Corporate Auditors

Our articles of incorporation provide for a board of directors consisting of not more than 20 members. Currently, we have 11 directors, referred to as “Members of the Board.” The Members of the Board are elected at our general meeting of shareholders. The normal term of office for Members of the Board expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within two years after such Member of the Board’s election, although Members of the Board may serve any number of consecutive terms. By resolution, the Board shall designate, from among its members, one President, who have the authority to represent us generally in the conduct of its affairs and may designate, from among its members, one or more representative directors. Our Board may appoint one or more Vice President and one or more Senior Executive Directors.

The Board is responsible for decisions regarding important management issues and other matters, and for supervising the directors’ execution of their duties. Generally, the Board meets once a month. Under the Companies Act, directors are prohibited from engaging in any transaction in competition with any of our businesses for themselves or on behalf of any third party, and from engaging in certain other transactions involving a conflict with our interests, unless the transaction is approved by a board resolution. No director may vote on a proposal in which that director is deemed to be materially interested. In addition, the Companies Act requires a resolution of the board to decide on material business matters including, but not limited to, acquisitions or disposals of material assets, substantial borrowings, issuances of bonds and establishment of internal control systems for the business group.

Our articles of incorporation provide for not more than four corporate auditors, referred to as “Corporate Auditors.” Currently, we have three Corporate Auditors. Under the Companies Act, the Corporate Auditors are not required to be certified public accountants. The corporate auditors may not at the same time be directors, managers or any other type of employees of ours or any of our subsidiaries or accounting advisors (kaikei sanyo) or executive officers of any of our subsidiaries. Corporate Auditors are elected at our general meeting of shareholders. The normal term of office for Corporate Auditors expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within four year after such Corporate Auditor’s election, although Corporate Auditors may serve any number of consecutive terms.

Under the Companies Act, corporate auditors have the duty to examine our annual consolidated and non-consolidated financial statements and business reports to be submitted by a representative director at general meetings of shareholders and, based on such examination and a report of an accounting auditor referred to below, to individually prepare their audit reports. They also have the statutory duty to supervise the administration by the board members of our affairs. In addition, corporate auditors are obligated to attend meetings of the board of directors and, if necessary, to express their opinion at such meetings. Corporate auditors, however, are not entitled to vote at such meetings.

We have set up an internal control system under which the legal and internal audit division has the responsibility of implementing internal audits in accordance with our internal control rules and frameworks. The legal and internal audit division evaluates the effectiveness of the internal control systems based on internal audits regarding high risk matters affecting the entire our group, and shall make sure that necessary corrective measures and improvements are implemented.

We must appoint a certified public accountant or an audit corporation as independent auditor, in addition to Corporate Auditors. Such independent auditor has the statutory duty of examining the financial statements prepared in accordance with the Companies Act and other related laws and regulations, to be submitted by Directors to general meetings of shareholders and preparing an audit report thereon. Our independent auditor for such purposes is KPMG AZSA LLC.

The following are our directors and corporate auditors as at the date of this offering circular:

Name	Title	Director or Corporate Auditor Since
Shozo Ito	President	October 2020
Kiyoshi Harada	Senior Executive Vice President	June 2019
Takashi Nakamura	Senior Executive Vice President	June 2021
Hiroyuki Fujisawa	Senior Vice President	July 2021
Osami Awada	Senior Vice President	June 2020
Katsuya Maeda	Senior Vice President	June 2021
Masaya Fujimoto	Senior Vice President	June 2022
Seiichi Hashimoto	Senior Vice President	June 2022
Keiichi Enomoto	Senior Vice President	June 2022
Katsuyuki Isomura	Senior Vice President	June 2022
Madoka Ikeda	Senior Vice President	June 2022
Masashi Kino	Corporate Auditor	June 2020
Yutaka Arai	Corporate Auditor	June 2022
Kazuo Shimizuishi	Corporate Auditor	August 2017

Shozo Ito was appointed President of NTT FINANCE CORPORATION in June 2021 and has previously served as Vice President. Mr. Ito started his career at NIPPON TELEGRAPH AND TELEPHONE PUBLIC CORPORATION in April 1984. Mr. Ito joined NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in July 2009, where he served in a number of key positions, including Executive Manager of Finance Department; Executive Manager of Human Resources Department; Director & Executive Manager of Human Resources Department; Director & Executive Manager of Corporate Strategy Planning Department; Director, Executive Manager of Corporate Strategy Planning Department & Executive Manager of Finance Department; Director & Executive Manager of Corporate Strategy Planning Department; and Executive Vice President & Senior Executive Manager of Alliance Sales Department.

Kiyoshi Harada was appointed Senior Executive Vice President & Senior Executive Manager of Corporate IT Department, Credit Card Business Headquarters, Billing Business Headquarters of NTT FINANCE CORPORATION in July 2022. Mr. Harada started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1986. Mr. Harada joined NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION in June 2013, where he served as General Manager of Kanagawa Branch; Executive Manager of Kanagawa Business Division & General Manager of Kanagawa Branch, Kanagawa Business Division; Director, Executive Manager of Kanagawa Business Division & General Manager of Kanagawa Branch, Kanagawa Business Division; Director, Vice Senior Executive Manager of Business & Office Sales Promotion Headquarters & Executive Manager of Business Sales Department, Business & Office Sales Promotion Headquarters; and Director, Vice Senior Executive Manager of Business Innovation Headquarters & Executive Manager of Value Create Department, Business Innovation Headquarters. Mr. Harada also served as Director of NIPPON TELEGRAPH AND TELEPHONE EAST - MINAMIKANTO CORPORATION.

Takashi Nakamura was appointed Senior Executive Vice President & Senior Executive Manager of Corporate Strategy Planning Department, Finance and Accounting Business Headquarters of NTT FINANCE CORPORATION in June 2022. Mr. Nakamura was previously appointed as Managing Director in June 2021. Mr. Nakamura started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1987, where he served as Chief of Fourth Division, Headquarters for Transitioning to Holding Company; Chief of Fourth Division; Manager of Fourth Division; and Manager of Finance Department. Mr. Nakamura joined NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in April 2005, where he served as Manager of Finance Department and Manager of Human Resources Department (secondment to NTT BUSINESS ASSOCIE Co., Ltd). Mr. Nakamura has also served as Executive Officer & Executive Manager of Finance Department of NTT DATA Corporation.

Hiroyuki Fujisawa was appointed Senior Vice President & Executive Manager of Accounting Department, Finance and Accounting Business Headquarters of NTT FINANCE CORPORATION in July 2021. Mr. Fujisawa started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1988 and has served as Division Chief of Finance Department and Division Chief of Planning Division, Global Business Promotion Department of NTT Communications Corporation; Division Chief of Finance Department of NIPPON TELEGRAPH AND TELEPHONE CORPORATION; and Executive Manager of Business Cooperation &

Promotion Department and Director & Executive Manager, Accounting Business Department of NTT BUSINESS ASSOCIE Co., Ltd.

Osami Awada was appointed Senior Vice President & Executive Manager of Billing Services Promotion Department, Billing Business Headquarters of NTT FINANCE CORPORATION in June 2020. Mr. Awada started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1988. Mr. Awada has served as Executive Manager of Sales Department, Tokai Branch; Manager of Corporate Strategy Planning Department; and Executive Manager of Price Sales Department of NTT DoCoMo, Inc. (currently NTT DOCOMO, INC.), Executive Manager of Billing Service Department and Executive Manager of Marketing Department of NTT DOCOMO, INC. and Executive Manager of Sales Division of DOCOMO CS, Inc.

Katsuya Maeda was appointed Senior Vice President & Executive Manager, Business Promotion Department, Finance and Accounting Business Headquarters of NTT FINANCE CORPORATION in July 2021. Mr. Maeda started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1991. Mr. Maeda joined NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in July 2013, where he served as Manager of Planning Department, Business & Sales Headquarters; Manager of Human Resources (secondment to NTT Business Solutions Corporation); Manager of Management & Planning; Manager of Management & Planning and DX Promotion PT, Senior Executive Manager of Shikoku Business Headquarters, General Manager of Ehime Branch & Equipment Department and Service Management Department (International Project Promotion Division); and Senior Executive Manager of Shikoku Business Headquarters & General Manager of Ehime Branch. Mr. Maeda was appointed Director of NTT FINANCE CORPORATION in June 2021.

Masaya Fujimoto was appointed Senior Vice President & Executive Manager of Billing Platform Department, Billing Business Headquarters of NTT FINANCE CORPORATION in July 2022. Mr. Fujimoto started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1991, where he served as Manager of Corporate Planning Division. After joining NTT Communications Corporation in July 2009, he served as Manager of Corporate Planning Department; Executive Manager of Finance Department; Senior Executive Manager of First Sales Headquarters; and Executive Manager of Procurement & Billing Department.

Seiichi Hashimoto was appointed Senior Vice President & Executive Manager of Group Treasury Department, Finance and Accounting Business Headquarters of NTT FINANCE CORPORATION in June 2022. Mr. Hashimoto started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1992, where he served as Manager (Funding) of Finance Department and Director, Office of Audit & Supervisory Board Members. Mr. Hashimoto joined NTT DATA Corporation in July 2009 where he served as Executive Manager of Global IT Service Business Promotion Department, Senior Specialist of Global Business General Headquarters (secondment to NTT DATA EUROPE GmbH & Co. KG) and Senior Specialist of Global Business Headquarters (secondment to NTT DATA EMEA LTD.). Mr. Hashimoto was appointed Director of NTT FINANCE CORPORATION in August 2017.

Keiichi Enomoto was appointed Senior Vice President & Executive Manager of General Affairs and Personnel Department of NTT FINANCE CORPORATION in June 2022. Mr. Enomoto started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1992, where he served as Manager of General Affairs Department. Mr. Enomoto joined NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, where he served as Executive Manager of Planning Department, Hokkaido Branch (concurrently served as Chief of Information Security Promotion Office); Executive Manager of General Affairs Department, Hokkaido Branch; Manager of General Affairs and Human Resources Department (Executive Manager of Planning Department of NTT-ME); Manager of General Affairs and Human Resources Department, Head of General Affairs Department and Head PT of Business Management Investigation Division; Manager (Head of First Human Resources Division) of General Affairs and Human Resources; and General Manager of Saitama Business Department, Nagano Branch.

Katsuyuki Isomura was appointed Senior Vice President & Executive Manager of Billing Solution Department, Billing Business Headquarters of NTT FINANCE CORPORATION in June 2022. Mr. Isomura started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1992. After joining NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in July 2009, Mr. Isomura served as Division Chief of Business Partner Sales Department, Sales Headquarters; Manager of Business Partner Sales Department, Sales Headquarters; Executive Manager of Sales Department and Kanazawa Branch Sales Department, Hokuriku Business Headquarters; Manager (Head of Second Sales Division) of Hikari Collaboration Sales Department, Alliance Sales Headquarters; Executive Manager of Smart Business Promotion Department, Business Sales Headquarters; and Executive Manager of Smart Business Sales Department, Business Sales Headquarters.

Madoka Ikeda was appointed Senior Vice President of NTT FINANCE CORPORATION in June 2022. Ms. Ikeda started her career at NTT DoCoMo, Inc. (currently NTT DOCOMO, INC.) in April 2001, where she served as Division Chief of Human Resources Department (seconded to DOCOMO CS, Inc.) and Division Chief of International Business Department. Ms. Ikeda also served as Division Chief and Manager of General Affairs Division at NIPPON TELEGRAPH AND TELEPHONE CORPORATION.

Masashi Kino was appointed Corporate Auditor of NTT FINANCE CORPORATION in June 2020. Mr. Kino started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1984, and he then joined NTT Communications Corporation, where he served as Executive Manager of Carrier Sales Department, Network Business Division; Executive Manager of Sales Planning, Channel Sales Headquarters, Corporate Business Headquarters; Director of Business Customer Sales, Second Sales Headquarters; and Manager of Human Resources. He also served as Representatives Director & President of NTT Com Marketing Corporation and Representatives Director & President of NTT World Engineering Marine Corporation.

Yutaka Arai was appointed Corporate Auditor of NTT FINANCE CORPORATION in June 2022. Mr. Arai started his career at the Administrative Management Agency in April 1983. Mr. Arai has served as Director of Administrative Evaluation Bureau and Director-General for Policy Planning at the Ministry of Internal Affairs and Communications. Mr. Arai also served as Advisor and Executive Director of Coastal Development Institute of Technology.

Kazuo Shimizuishi was appointed Corporate Auditor of NTT FINANCE CORPORATION in August 2017. Mr. Shimizuishi started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1996, where he currently also serves as Manager of Management and Planning Department. Mr. Shimizuishi joined NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION as Division Chief of Planning at Tokyo Branch, where he also served as Division Chief and Manager of Planning Department.

Executive Compensation

The aggregate compensation to the Directors during the year ended March 31, 2022 was ¥109 million and the aggregate compensation to the Corporate Auditors was ¥36 million.

RELATED PARTY TRANSACTIONS

We are engaged in a variety of transactions with NTT and its consolidated subsidiaries. Such transactions include extending loans to NTT and its consolidated subsidiaries as well as providing services related to billing and collection of charges on behalf of NTT and its consolidated subsidiaries. We also accept excess funds from the other NTT Group companies in order to optimize the allocation of group funds and to reduce financing cost. In addition, NTT has granted guarantees to certain of our notes.

Transactions with our affiliates and jointly controlled entities are conducted based on arm's length prices. For more information, see Note 17 of our audited consolidated financial statements as of and for the years ended March 31, 2021 and 2022 included elsewhere in this offering circular.

For the status of our loans to the other NTT Group companies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Loans to NTT Group," and for the status of acceptance of excess funds from other NTT Group companies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources."

The following table shows the summary of transactions between NTT Finance and NTT Group companies listed in the table below related to our Billing Business on a non-consolidated basis (including transactions ultimately transferred to our Credit Card Business) as of and for the years ended March 31, 2021 and 2022.

	As of, or for the year ended March 31,	
	2021	2022
	(in millions of yen)	
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION:		
Amount of receivables transferred to NTT Finance	¥ 550,352	¥ 516,325
Revenue related to billing business	27,644	26,794
Balance of accounts payable	28,673	27,225
Balance of deposit	65,247	60,058
Balance of accounts receivable	871	800
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION:		
Amount of receivables transferred to NTT Finance	¥ 507,026	¥ 474,140
Revenue related to billing business	27,972	26,724
Balance of accounts payable	25,484	24,118
Balance of deposit	20,226	18,596
Balance of accounts receivable	1,059	974
NTT DOCOMO, INC.:		
Amount of receivables transferred to NTT Finance	¥5,005,839	¥5,012,779
Revenue related to billing business	87,466	87,011
Balance of accounts payable	328,743	326,041
Balance of deposit	25,122	23,151
Balance of accounts receivable	12,532	13,405

SUBSIDIARIES AND AFFILIATES

As of March 31, 2022, we had eight consolidated subsidiaries and four affiliates. The following tables present our parent company, subsidiaries and other affiliates as of March 31, 2022:

Company Name	Location	Issued Capital	Percentage of outstanding shares held by the parent company (%)	Principal Business
Parent company:				
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	Tokyo, Japan	¥937,950 million	100.00	Basic research & development, management of NTT Group
Consolidated subsidiaries:				
NTT Finance Investment, Inc.	Tokyo, Japan	¥50 million	100.00	Asset management and management of the investment business partnership
NTT Finance 2007 L.P.	Tokyo, Japan	¥3,129 million	100.00	Venture capital business
NTTL Holdings, Inc.	Delaware, USA	US\$24,060 thousand	100.00	Holding company in USA Lease, business loan, bond investment business in USA and other countries
NTT Finance Americas Inc.	Delaware, USA	US\$17,050 thousand	100.00	Venture capital business in USA and other countries
NTT Leasing Capital (U.S.A.), Inc.	Delaware, USA	US\$7,000 thousand	100.00	Lease & financing business in Germany
NTT Finance Germany GmbH	Düsseldorf, Germany	€25 thousand	100.00	Lease & financing business in UK
NTT Finance UK Limited	London, UK	£3,500 thousand	100.00	Venture capital business in Israel
NTT Finance Israel L.P.	British Virgin Islands	US\$5,000 thousand	100.00	
Equity method affiliates:				
V Lease Co., Ltd	Tokyo, Japan	¥1 million	50.00	Leasing business of aircraft engines
Cosmos Posts & Telecommunications International Leasing Co., Ltd.	Beijing, PRC	US\$21,556 thousand	42.50	Leasing business in PRC
NTT Global Data Centers Corporation	Tokyo, Japan	¥7,250 million	10.00	Overseas data center businesses
NTT TC Leasing Co., Ltd.	Tokyo, Japan	¥10,000 million	10.00	Leasing & financing business

NTT GROUP

As the sole finance subsidiary of NTT Group, we engage in significant transactions with NTT Group across our businesses, including extending loans to NTT Group companies, purchasing and servicing accounts receivables from NTT Group companies and other transactions. Due to our extensive relationships with NTT Group and exposure to NTT Group's businesses, we have included certain information about NTT Group that we believe may be useful in assessing our business and exposure to NTT Group.

Financial information with respect to NTT Group included in this offering circular are derived from financial statements that have been prepared in accordance with IFRS not included in this offering circular, whereas financial information with respect to NTT Finance included in this offering circular are derived from financial statements that have been prepared in accordance with Japanese GAAP. Financial figures prepared in accordance with Japanese GAAP are not comparable to financial figures prepared in accordance with IFRS.

The notes will constitute unsubordinated and unsecured obligations solely of us. The notes do not benefit from any guarantee or other credit support from NTT or any other member of the NTT Group. Accordingly, prospective investors should not place undue reliance on the information set forth below.

Overview

NTT Group is a leading provider of comprehensive ICT and system integration solutions globally, with operations in more than 190 countries. NTT Group is also one of Japan's largest telecommunications providers, offering a wide range of high-quality mobile and fixed-line telecommunications services and products to consumers and enterprises domestically. In addition, certain of NTT Group companies and affiliates engage in real estate development and urban renewal, clean power development and financial services, among other businesses. NTT Group restructured its five reportable segments consisting of Mobile Communications Business, Regional Communications Business, Long Distance and International Communications Business, Data Communications Business and Other Business into four reportable segments consisting of Integrated ICT Business, Regional Communications Business, Global Solutions Business, and Others beginning from the year ended March 31, 2022.

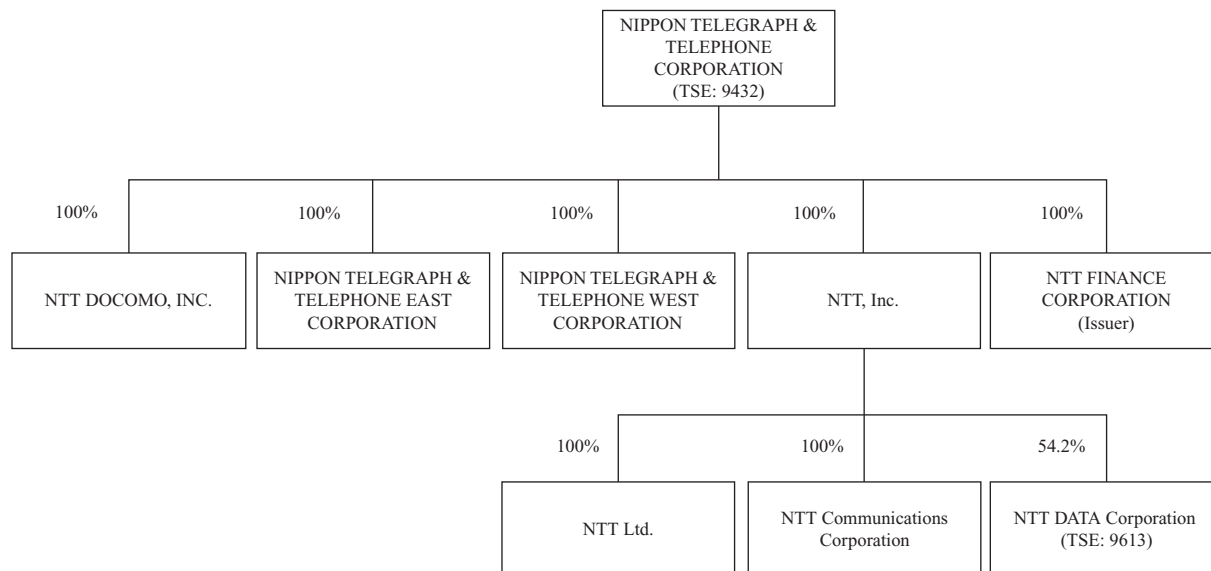
The four business segments of NTT Group are summarized as follows:

- *Integrated ICT.* In the Integrated ICT Business segment, NTT Group offers mobile phone services, domestic inter-prefectural communications services and *d Market* services such as movie and music distribution and e-book services conducted through NTT DOCOMO and other subsidiaries. The Integrated ICT Business segment had segment operating revenues of ¥5,582 billion excluding inter-segment transactions and segment operating profit of ¥1,073 billion including inter-segment transactions for the year ended March 31, 2022, which accounted for 45.9% of the total segment operating revenues of NTT Group and 60.7% of the total segment operating profit of NTT Group for the fiscal year.
- *Regional Communications.* The principal services in the Regional Communications Business segment are intra-prefectural communication services and related services conducted by NTT East and NTT West and other subsidiaries. The Regional Communications Business segment had segment operating revenues of ¥2,499 billion excluding inter-segment transactions and segment operating profit of ¥440 billion including inter-segment transactions for the year ended March 31, 2022, which accounted for 20.6% of the total segment operating revenues and 24.9% of the total segment operating profit of NTT Group for the fiscal year.
- *Global Solutions.* The Global Solutions Business segment comprises system integration services, cloud services, data center services, cloud migration support services and ICT outsourcing services. These services are conducted by NTT DATA Corporation, NTT Ltd. and other subsidiaries. The Global Solutions Business segment had segment operating revenues of ¥3,416 billion excluding inter-segment transactions and segment operating profit of ¥211 billion including inter-segment transactions for the year ended March 31, 2022, which accounted for 28.1% of the total segment operating revenues of NTT Group and 11.9% of the total segment operating profit of NTT Group for the fiscal year.
- *Other.* The Other Business segment principally comprises building maintenance, real estate rentals, electric power, systems development and other services related to research and development. These businesses are conducted through NTT Urban Solutions, Inc., NTT Anode Energy Corporation and other subsidiaries. Our businesses are categorized in this segment. The Other Business segment had

segment operating revenues of ¥660 billion excluding inter-segment transactions and segment operating profit of ¥73 billion including inter-segment transactions for the year ended March 31, 2022, which accounted for 5.4% of the total segment operating revenues of NTT Group and 4.1% of the total segment operating profit of NTT Group for the fiscal year.

NTT Group Structure, History and Anticipated International Business Restructuring

The following chart is a simplified summary of the corporate structure of NTT Group as of March 31, 2022. The following chart does not include all of NTT's subsidiaries.



NTT Group began business operations in August 1952 as NIPPON TELEGRAPH AND TELEPHONE PUBLIC CORPORATION, a government monopoly owning and operating Japan's telecommunications infrastructure. NTT Group was privatized as NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1985 pursuant to the NTT Act, which requires the government of Japan to own at least one-third of its issued shares. In 1987, NTT completed its initial public offering and was listed on the Tokyo Stock Exchange and other stock exchanges in Japan. NTT Group continued to own and operate Japan's fixed-line telecommunications infrastructure after its privatization and the NTT Act obligated NTT Group to maintain fixed-line telephone service throughout the country.

NTT was reorganized as a holding company in July 1999 through amendments to the NTT Act, and the group's intra-prefectural communications services were transferred to NTT East and NTT West and the group's inter-prefectural communications services were transferred to NTT Communications Corporation. The amended NTT Act requires that NTT own all of the shares issued by NTT East and NTT West, to ensure appropriate and reliable provision of telecommunications services by these companies, and to engage in research activities relating to telecommunications technologies that form the foundation for telecommunications in Japan. The NTT Act also requires NTT East and NTT West to manage regional telecommunications businesses as joint-stock companies, to ensure fixed-line telephone service, public telephones and emergency call services provided throughout Japan including its remote islands and villages, and to lease their unused optical fiber to other carriers at regulated rates.

In December 2020, NTT completed the acquisition of the shares of NTT DOCOMO that it did not already own through a tender offer and subsequent a statutory demand for share cash out and NTT DOCOMO became a wholly-owned subsidiary of NTT Group. The total purchase price for the shares of NTT DOCOMO acquired in the tender offer and the subsequent share cash out was ¥4,254 billion.

In May 2022, NTT announced a plan to restructure its international businesses for business customers that had been separately conducted by NTT DATA, NTT, Inc. and NTT Ltd. Under this business restructuring, to be effective from October 1, 2022, (A) NTT, Inc. will distribute all shares it holds of NTT DATA to NTT, as a result of which NTT DATA will become a direct subsidiary of NTT. (B) NTT DATA will transfer its global business to NTT, Inc. by an absorption-type company split, (C) NTT will transfer a portion of the shares it holds of NTT, Inc. to NTT DATA, as a result of which NTT will own 45% of the shares of NTT, Inc. and NTT DATA

will own the other 55% of the shares. Further, NTT DATA will establish a new domestic operating company, and the domestic business currently operated by NTT DATA will be transferred to such new operating company on July 1, 2023. As a result of this restructuring, NTT DATA will become a holding company under which the overseas business will be operated by NTT, Inc. and its subsidiary, NTT Ltd., and the domestic business will be operated by the newly established company. NTT also intends to acquire up to 60 million shares of NTT DATA or to the value of 100 billion yen through market transactions.

IFRS Selected Financial Data of NTT Group

The following tables show selected financial data of NTT Group as of and for the years indicated. Financial data of NTT Group as of and for the years ended March 31, 2020, 2021 and 2022 is derived from the consolidated financial statements of NTT Group not included in this offering circular that have been prepared in accordance with IFRS.

The notes will constitute unsubordinated and unsecured obligations solely of us. The notes do not benefit from any guarantee or other credit support from NTT or any other member of the NTT Group. Accordingly, prospective investors should not place undue reliance on the information set forth below.

	As of and for the year ended March 31,		
	2020	2021	2022
	(in billions of yen, except for percentages)		
Selected Statement of Profit or Loss Data:			
Operating revenues	¥11,899	¥11,944	¥12,156
Integrated ICT business ⁽¹⁾⁽²⁾	—	5,627	5,582
Regional Communications business ⁽¹⁾⁽²⁾	—	2,503	2,499
Global Solutions business ⁽¹⁾⁽²⁾	—	3,176	3,416
Other business ⁽¹⁾⁽²⁾	—	637	660
Operating expenses	10,337	10,273	10,388
Operating profit	1,562	1,671	1,769
Operating profit margin ⁽¹⁾⁽³⁾	13.1%	14.0%	14.5%
Integrated ICT business ⁽¹⁾⁽³⁾	—	1,060	1,073
Regional Communications business ⁽¹⁾⁽³⁾	—	420	440
Global Solutions business ⁽¹⁾⁽³⁾	—	147	211
Other business ⁽¹⁾⁽³⁾	—	56	73
Profit before taxes	1,570	1,653	1,796
Profit	1,111	1,128	1,256
Profit attributable to NTT	855	916	1,181
Profit attributable to NTT margin ⁽⁴⁾	7.2%	7.7%	9.7%
Profit attributable to Non-controlling interests	256	212	75
Capital investment	1,807	1,728	1,688
Percentage of operating revenue	15.2%	14.5%	13.9%
Selected Statement of Financial Position Data:			
Cash and cash equivalents	¥ 1,034	¥ 936	¥ 835
Total assets	23,014	22,965	23,862
Current liabilities: Short-term borrowings	2,055	3,169	1,647
Non-current liabilities: Long-term borrowings	2,166	4,456	5,717
Total liabilities	11,552	14,762	14,844
Common stock	938	938	938
Retained earnings	6,500	7,068	7,294
Treasury stock	(653)	(705)	(226)
Total equity	11,463	8,203	9,018
Cash Flows Data:			
Net cash provided by operating activities	¥ 2,995	¥ 3,009	¥ 3,010
Net cash used in investing activities	(1,853)	(1,425)	(1,699)
Net cash used in financing activities	(1,041)	(1,690)	(1,438)
Other Data:			
Interest-bearing debt ⁽⁵⁾	¥ 4,220	¥ 7,624	¥ 7,364

Notes:

- (1) NTT Group restructured its five reportable segments consisting of Mobile Communications Business, Regional Communications Business, Long Distance and International Communications Business, Data Communications Business and Other Business to four reportable segments consisting of Integrated ICT Business, Regional Communications Business, Global Solutions Business, and Others beginning from the year ended March 31, 2022, and the segment financial information for the year ended March 31, 2021 was restated based on the new segments. The segment operating revenue and segment operating profit for the year ended March 31, 2020 under the prior segments are not shown in the table because these figures are not comparable with the figures under the current segments.
- (2) Figures for each segment exclude inter-segment transactions.
- (3) Figures for each segment include inter-segment transactions.
- (4) Calculated as profit attributable to NTT divided by operating revenues.
- (5) Sum of short-term borrowings and long-term borrowings.

Non-IFRS Measures

In addition to NTT Group's reported financial results prepared under IFRS, NTT Group also uses non-IFRS performance measures as supplementary information to evaluate its performance and financial condition. As described in more detail below, these non-IFRS measures reflect adjustments for a number of items that NTT Group believes are useful to separate so that key trends driving the performance of its business can be more clearly identified by investors. However, non-IFRS measures have a number of important limitations, including those described below, and should not be viewed as a substitute for financial information prepared in accordance with IFRS. It is important to note that these non-IFRS measures have no standardized meanings prescribed by IFRS and may not be comparable to the calculation of similar measures of other companies. Due to the limitations inherent in non-IFRS measures, investors should not solely rely on non-IFRS measures in assessing the performance and financial condition of NTT Group.

Adjusted EBITDA

NTT Group calculates Adjusted EBITDA as profit, plus income taxes, minus or plus share of profit or loss of entities accounted for using equity method, minus or plus finance income or costs, plus depreciation and amortization, minus depreciation of right-of-use assets, plus losses on sales and retirement of property, plant and equipment and intangible assets and plus impairment losses. As IFRS 16 (Leases) became effective on April 1, 2019, NTT Group has changed the method of accounting for lease payments under operating leases from expenses to depreciation. Accordingly, the amount of depreciation and amortization used in the calculation of Adjusted EBITDA below includes additional depreciation of right-of-use assets due to the adoption of IFRS 16. However, NTT Group has included an additional adjustment to the calculation of Adjusted EBITDA in order to exclude such additional depreciation of right-of-use assets. Adjusted EBITDA is not a financial measure prescribed by IFRS but is a supplemental financial measure that NTT Group believes is useful for management and investors to assess the operating performance and profitability of its business and to facilitate comparison of its operating performance to that of other companies in the same industry and other industries.

Adjusted EBITDA should not be considered as an alternative to the measures presented in accordance with IFRS, as it has important limitations as an analytical tool, because it excludes some, but not all, items that affect its reported profit. NTT Group's definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies in its industry, which may define these or similarly titled measures differently, thereby diminishing its utility. The table below sets forth a reconciliation of its profit to Adjusted EBITDA for the periods indicated.

	For the year ended March 31,		
	2020	2021	2022
	(in billions of yen, except for percentages)		
Reconciliation of Adjusted EBITDA:			
Profit	¥1,111	¥1,128	¥1,256
Add: Income taxes	459	525	540
Subtract/add: Share of (profit) loss of entities accounted for using equity method	(11)	(0)	(20)
Subtract/add: Finance (income) costs	3	19	(7)
Operating profit	1,562	1,671	1,769
Add: Depreciation and amortization	1,465	1,507	1,561
Subtract: Depreciation of right-of-use assets	(162)	(175)	(183)
Add: Losses on sales and retirement of property, plant and equipment and intangible assets	84	82	62
Add: Impairment losses	17	26	38
Adjusted EBITDA	<u>¥2,966</u>	<u>¥3,112</u>	<u>¥3,247</u>
Operating profit margin	13.1%	14.0%	14.5%
Adjusted EBITDA margin ⁽¹⁾	24.9%	26.1%	26.7%

Note:

(1) Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by Operating Revenues.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES OF NTT GROUP

The following summarizes certain policies of the NTT Group relating to environmental, social and governance matters.

The information on the NTT Group policies below contains forward-looking statements, which are based upon the NTT Group’s current expectations, assumptions, estimates and projections. In particular, the goals and targets described below and underlying assumptions are subject to various risks, uncertainties and subjectivity, and the NTT Group’s actual results may differ materially such goals and targets. See “Risk Factors.”

NTT Group Global Sustainability Charter

To help realize a harmonious society, the NTT Group restructured its existing CSR Charter and established the NTT Group Global Sustainability Charter (the “Sustainability Charter”) in November 2021 which it believes meets the global standard by including SDGs, ESG and CSV initiatives. Eligible projects under the Green Finance Framework are evaluated and selected by way of discussion and consideration of the conformity to the Sustainability Charter, which serves as a basic guideline for the group, by our Group Treasury Department’s Finance and Accounting Business Headquarters and the Parent after a project is identified by a NTT Group operating company.

Pursuant to the Sustainability Charter, the NTT Group will promote sustainable initiatives to achieve growth while simultaneously contributing to resolving social issues. The charter addresses nine challenges and 30 specific activities, with the nine challenges in three broad themes as follows, which will be supported by NTT’s IOWN concept, based on high ethical standards, and depending on cutting-edge technologies and innovation.

3 Themes	9 Challenges	30 Activities
Ensuring the coexistence of nature and humanity	<ul style="list-style-type: none"> • Moving towards a decarbonized society • A commitment to a resource-recycling future • A future where people and nature are in harmony 	<ol style="list-style-type: none"> 1. Promoting energy conservation 2. Reducing power consumption by introducing IOWN technologies 3. Developing and expanding the use of renewable energy 4. Providing new services that contribute to carbon neutrality 5. Creating innovative environmental and energy technologies 6. Increasing the reuse and recycling of communications equipment, mobile terminals, and other technologies 7. Reducing of plastic use and increased recycling 8. Properly treating, storing, and managing hazardous waste 9. Appropriate and efficient management of water resources 10. Thoroughly implementing environmental assessment 11. Contributing to natural ecosystem conservation
Improving prosperity for all people and cultures	<ul style="list-style-type: none"> • Establish shared ethical standards • Prepare for a new future with the power of technology • Moving towards a safe, secure, and resilient society 	<ol style="list-style-type: none"> 12. Establishing and thoroughly complying with ethical standards 13. Appropriately managing personal and group conduct risk 14. Thoroughly reinforcing corporate governance and compliance 15. Sharing high ethical standards with business partners 16. Promoting the B2B2X model 17. Protecting and respecting intellectual property

3 Themes	9 Challenges	30 Activities
<p>Maximizing wellbeing for all</p>	<ul style="list-style-type: none"> • Respect for human rights • Diversity & Inclusion • Creating new work style models 	<ol style="list-style-type: none"> 18. Contributing to the revitalization of local communities and economies 19. Ensuring the stability and reliability of services 20. Strengthening information security and personal information protection 21. Promoting a decentralized society based on remote work 22. Complying with the NTT Group Human Rights Policy 23. Encouraging society as a whole to respect human rights 24. Promoting recruitment, training, and education of diverse human resources and women's advancement in the workplace 25. Encouraging of understanding of LGBTQ and promoting the advancement of disabled people 26. Supporting for balancing work and life such as childcare/nursing care 27. Promoting remote work and other workplace models 28. Achieving zero fatal accidents as well as maintaining and promoting employees' health 29. Supporting autonomous capacity development 30. Promoting paperless operations

In order to realize the three themes of the Sustainability Charter, the NTT Group has established key indicators that will also be reflected in executive compensation. One key indicator is greenhouse gas (“GHG”) emission volume, discussed below. Others include revenues from B2B2X initiatives and the rate of appointment of women among newly appointed managers. For the fiscal year ended March 31, 2022, the NTT Group reached B2B2X revenue of ¥549.0 billion, which it considers to be growing at a faster pace than its initial goal, and a rate of appointment of women among newly appointed managers of 29%, which it aims to further advance and thereafter maintain at a minimum of 30%.

NTT Green Innovation toward 2040

In September 2021, the NTT Group refined the objectives of its previous “Environment and Energy Vision” and set and released its new environmental energy vision of “NTT Green Innovation toward 2040,” a goal of realizing carbon neutrality by 2040, including an action plan and interim GHG emission reduction targets. The NTT Group aims to reduce its Scope 1 and Scope 2 GHG emissions primarily through (i) increasing use of renewable energy (including actual renewable energy through Non-Fossil Fuel Certificates) and (ii) development and introduction of technologies employing the IOWN concept, which it believes will lead to a significant reduction in power consumption with an aim to realize energy saving beginning from the mid to late 2020s. Each of the two initiatives seeks to contribute a GHG emissions reduction of 45% by the fiscal year ending March 31, 2040, as compared to an estimated hypothetical base case where the group made no reduction efforts since the fiscal year ended March 31, 2014.

In particular, by the fiscal year ending March 31, 2031, the NTT Group aims to reduce its overall GHG emissions by 80% compared to the fiscal year ended March 31, 2014, and reduce its mobile (consisting of 15 companies in the NTT DOCOMO Group as of September 28, 2021) and data center GHG emissions to net zero. This reduction target encompasses both “Scope 1” emissions—which are the group’s own direct greenhouse gas emissions—and “Scope 2” emissions—which are indirect emissions associated with the purchase of electricity, heat and steam that are provided by other companies calculated based on the GHG Protocol. By the fiscal year ending March 31, 2041, the NTT Group aims to reduce its overall Scope 1 and Scope 2 GHG emissions to net zero. Such reductions have been certified as consistent with the Science Based Targets initiative’s 1.5°C level, which refers to a GHG reduction target for companies to be attained in five to 15 years that is consistent with limiting the increase in global temperatures below 1.5°C as measured against the pre-industrial revolution era. The NTT Group estimates that its group-wide GHG emissions for the fiscal year ended March 31, 2022 was 3.090 million tons, which it considers to be on track towards reaching its goals.

Green 5G and Network Efficiency Improvements

As discussed in “Use of Proceeds,” with respect to “Green 5G” related investment, NTT DOCOMO will strive to reduce greenhouse gas emissions through the use of renewable energy sources, such as green base stations that utilize solar power generation systems, and solar power plants (Corporate PPA) that have been installed exclusively for NTT DOCOMO. PPA stands for Power Purchase Agreement, an agreement under which a customer (NTT DOCOMO) purchases renewable energy power from a power producer for a long period of time. In particular, to assess its progress in its “Green 5G” initiative, NTT DOCOMO seeks to maintain its ratio of its effective renewable energy consumption (including the purchase of non-fossil fuel certificates designated as renewable energy) to total energy consumption above its ratio of 5G subscriptions to total number of mobile subscriptions.

NTT DOCOMO also seeks to improve the energy efficiency of its network through enhancement of its base stations’ sleep functions, rollout of 5G low power consumption equipment, high-density base station digital processing equipment, direct power supply of high-voltage direct current to reduce transmission losses, and active rollout of intelligent air conditioning control systems.

DESCRIPTION OF THE NOTES

The following is a summary of the detailed provisions of the notes and the Indenture (as defined below). It does not purport to be complete. This summary is subject to and is qualified in its entirety by reference to all the provisions of the notes and the Indenture, including the definitions of certain terms used therein. You are urged to read those documents in their entirety prior to making an investment decision because they, and not this description, define the rights of holders of the notes. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. You may request copies of those documents upon written request from the corporate trust office of the trustee located at 240 Greenwich Street, New York, NY 10286, United States of America. The holders of the notes are deemed to have notice of all the provisions of the notes and the Indenture.

The notes will be issued pursuant to an indenture to be dated on or around July 27, 2022 (the “Indenture”) among the Issuer, The Bank of New York Mellon, as trustee, DTC paying agent, DTC transfer agent and DTC registrar, The Bank of New York Mellon, London Branch, as London paying agent and The Bank of New York Mellon SA/NV, Luxembourg Branch, as Luxembourg transfer agent and registrar.

General

The notes will be issued only in fully registered form without interest coupons in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof. The notes will be represented by one or more registered notes in global form without coupons and in certain circumstances may be represented by registered notes in definitive form.

The Indenture and the notes do not contain any financial covenants or restrictions on the Issuer’s ability to pay dividends on its common stock, incur additional indebtedness, including other senior indebtedness (other than as set forth below under “—Negative Pledge”), or issue new securities or repurchase its existing securities. In addition, there are only limited restrictions on the Issuer’s ability to pledge assets or secure other indebtedness. The Indenture, and the notes do not contain any covenants or other provisions to afford more than limited protection to holders of the notes in the event of a highly-leveraged transaction or a change in control of the Issuer.

The notes are being offered and sold without being registered under the Securities Act, in reliance upon an exemption therefrom, and the exception provided by Section 3(c)(7) of the Investment Company Act, (i) in the United States to persons reasonably believed to be both a QIB within the meaning of Rule 144A in transactions pursuant to Rule 144A and a QP as defined in Section 2(a)(51) of the Investment Company Act and the rules and regulations thereunder and (ii) outside the United States in offshore transactions to persons other than U.S. persons in reliance on Regulation S. Accordingly, the Indenture is not required to be, and will not be, qualified under the U.S. Trust Indenture Act of 1939, as amended.

Status of the Notes

The notes will be the Issuer’s direct, unsecured and unsubordinated general obligations and will have the same rank in liquidation as all of the Issuer’s other unsecured and unsubordinated debt (except for statutorily preferred obligations) and without any preference among themselves. **The notes do not benefit from any guarantee or other credit support from the Parent or any other member of the NTT Group.**

Principal and Maturity

The initial aggregate principal amount of the 2024 notes is \$500,000,000, the 2025 notes is \$500,000,000 and the 2027 notes is \$500,000,000. The 2024 notes will mature on July 26, 2024, the 2025 notes will mature on July 25, 2025 and the 2027 notes will mature on July 27, 2027.

The notes of each series will be repaid at maturity at a price of 100% of the principal amount thereof. The notes will not be redeemable prior to maturity, except as set forth below under “—Optional Redemption” and “—Optional Tax Redemption,” and will not be subject to any sinking fund.

Interest

The notes will bear interest at the applicable rates per annum shown on the cover page of this offering circular. Interest will be paid on the 2024 notes semi-annually in arrears on January 26 and July 26 of each year

(each a “2024 Interest Payment Date”), beginning on January 26, 2023. There will therefore be a short first coupon for the 2024 notes in respect of the period from (and including) July 27, 2022 to (but excluding) January 26, 2023. Interest will be paid on the 2025 notes semi-annually in arrears on January 25 and July 25 of each year (each a “2025 Interest Payment Date”), beginning on January 25, 2023. There will therefore be a short first coupon for the 2025 notes in respect of the period from (and including) July 27, 2022 to (but excluding) January 25, 2023. Interest will be paid on the 2027 notes semi-annually in arrears on January 27 and July 27 of each year (together with each 2024 Interest Payment Date and each 2025 Interest Payment Date, each an “Interest Payment Date”), beginning on January 27, 2023. We will pay interest to the holders of record of the notes as at 5:00 p.m. (New York City time) on the day that is 15 calendar days immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

Interest on the notes will accrue from and including the date of original issuance or, if interest has already been paid, from and including the date it was most recently paid and will be paid to but excluding the relevant Interest Payment Date. Interest on the notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest will be computed by rounding the resultant figure to the nearest cent, half a cent being rounded upwards.

If any date for payment of principal, premium (if any) or interest (or Additional Amounts (as defined below), if any) in respect of the notes falls on a day that is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such next succeeding Business Day shall have the same force and effect as if made on the original due date, and no additional interest shall accrue with respect to such payment for the period after such original due date.

“Business Day” means, for the purpose of the Indenture and the notes, a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in The City of New York or Tokyo.

Repurchases of the Notes

The Issuer or any of its subsidiaries may at any time purchase any or all of the notes in the open market or otherwise at any price. Subject to applicable law, none of the Issuer or any of its subsidiaries shall have any obligation to offer to purchase any notes held by any holder as a result of its purchase or offer to purchase notes held by any other holder in the open market or otherwise. Any notes so repurchased shall be cancelled.

Optional Redemption

Prior to their maturity date, for the 2024 notes and the 2025 notes, or June 27, 2027 (one month prior to their maturity date) (the “Par Call Date”), for the 2027 notes, the Issuer may redeem the notes of each series at its option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

- (i) (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the notes matured on the Par Call Date, for the 2027 notes) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 15 basis points, for the 2024 notes, 15 basis points, for the 2025 notes, and 20 basis points, for the 2027 notes, less (b) interest accrued to the date of redemption, and
- (ii) 100% of the principal amount of the notes to be redeemed,

plus, in either case, accrued and unpaid interest thereon to the redemption date.

On or after the Par Call Date, the Issuer may redeem the 2027 notes, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest thereon to the redemption date.

“*Treasury Rate*” means, with respect to any redemption date, the yield determined by the Issuer in accordance with the following two paragraphs.

The Treasury Rate shall be determined by the Issuer after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the redemption date based upon the yield or yields for the most

recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as “Selected Interest Rates (Daily)—H.15” (or any successor designation or publication) (“H.15”) under the caption “U.S. government securities—Treasury constant maturities—Nominal” (or any successor caption or heading). In determining the Treasury Rate, the Issuer shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the redemption date to the maturity date, for the 2024 notes and the 2025 notes, or the Par Call Date, for the 2027 notes (the “Remaining Life”); or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields—one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life—and shall interpolate to the maturity date, for the 2024 notes and the 2025 notes, or the Par Call Date, for the 2027 notes, on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third business day preceding the redemption date H.15 or any successor designation or publication is no longer published, the Issuer shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to, the maturity date, for the 2024 notes and the 2025 notes, or the Par Call Date, for the 2027 notes, as applicable. If there is no United States Treasury security maturing on the maturity date, for the 2024 notes and the 2025 notes, or the Par Call Date, for the 2027 notes, but there are two or more United States Treasury securities with a maturity date equally distant from the maturity date, for the 2024 notes and the 2025 notes, or the Par Call Date, for the 2027 notes, one with a maturity date preceding the maturity date, for the 2024 notes and the 2025 notes, or the Par Call Date, for the 2027 notes, and one with a maturity date following the maturity date, for the 2024 notes and the 2025 notes, or the Par Call Date, for the 2027 notes, the Issuer shall select the United States Treasury security with a maturity date preceding the maturity date, for the 2024 notes and the 2025 notes, or the Par Call Date, for the 2027 notes. If there are two or more United States Treasury securities maturing on the maturity date, for the 2024 notes and the 2025 notes, or the Par Call Date, for the 2027 notes, or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Issuer shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

The Issuer’s actions and determinations in determining the redemption price shall be conclusive and binding for all purposes, absent manifest error.

Notice of any redemption will be mailed or electronically delivered (or otherwise transmitted in accordance with the depository’s procedures) at least 10 days but not more than 60 days before the redemption date to each holder of notes to be redeemed and the trustee.

In the case of a partial redemption, selection of the notes for redemption will be made pro rata, by lot or by such other method as the Trustee in its sole discretion deems appropriate and fair. No notes of a principal amount of \$200,000 or less will be redeemed in part. If any note is to be redeemed in part only, the notice of redemption that relates to the note will state the portion of the principal amount of the note to be redeemed. A new note in a principal amount equal to the unredeemed portion of the note will be issued in the name of the holder of the note upon surrender for cancellation of the original note. For so long as the notes are held by DTC (or another depository), the redemption of the notes shall be done in accordance with the policies and procedures of the depository.

Unless the Issuer defaults in payment of the redemption price, on and after the redemption date interest will cease to accrue on the notes or portions thereof called for redemption.

Optional Tax Redemption

The notes of any series may be redeemed at any time, at the option and sole discretion of the Issuer, in whole, but not in part, and upon giving not less than 10 days' nor more than 60 days' prior notice of redemption to the holders (which notice shall be irrevocable) and the trustee, at a redemption price equal to 100% of the principal amount of the relevant series of notes then outstanding together with interest accrued to (but excluding) the date fixed for redemption and any Additional Amounts (as defined below) thereon, if the Issuer has or will become obliged to pay any Additional Amounts with respect to such series of notes as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the notes and such obligation cannot be avoided through the taking of reasonable measures available to the Issuer (an "Additional Amounts Event").

Prior to the giving of any notice of such redemption, the Issuer shall deliver to the trustee (i) a certificate signed by an authorized officer of the Issuer stating that the conditions precedent to the right to so redeem the notes have been fulfilled and (ii) an opinion of independent legal advisors of recognized standing confirming that an Additional Amounts Event has occurred. The trustee shall be entitled to conclusively rely on and accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the holders of the relevant series of the notes.

No notice of redemption for an Additional Amounts Event shall be given sooner than 90 days prior to the earliest date on which the Issuer (or the successor entity) would actually be obliged to pay such Additional Amounts on a payment with respect to the relevant series of the notes.

Taxation and Additional Amounts

All payments of principal, premium (if any) and interest in respect of the notes by the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments, levies or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision of, or any authority in, or of, Japan having power to tax ("Japanese Taxes"), unless such withholding or deduction is required by law. In such event, the Issuer shall pay to the holder of each note such additional amounts (all such amounts being referred to herein as "Additional Amounts") as may be necessary so that the net amounts received by such holder after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of such note in the absence of such withholding or deduction.

However, no such Additional Amounts shall be payable in relation to any such withholding or deduction in respect of any payment on any note:

- (i) to or for the benefit of a holder or beneficial owner of a note who is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Japanese Taxes in respect of such note by reason of its (A) having some present or former connection with Japan other than the mere holding of such note or (B) being a person having a special relationship with the Issuer as described in Article 6, Paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act") and Article 3-2-2, Paragraphs (5) to (7) of the Order for Enforcement of the Act on Special Measures Concerning Taxation of Japan (Cabinet Order No.43 of 1957, as amended) (the "Cabinet Order") (a "Specially-related Person of the Issuer");
- (ii) to or for the benefit of a holder or beneficial owner of a note who would otherwise be exempt from any such withholding or deduction but (A) who fails to comply with any applicable requirement to provide certification, information, documents or other evidence concerning its nationality, residence, identity or connection with Japan, including any requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to the Issuer or the paying agent, as appropriate, or (B) whose Interest Recipient Information is not duly communicated through the Participant (as defined below) and the relevant international clearing organization to the paying agent;
- (iii) to or for the benefit of a holder or beneficial owner of a note who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation who duly notifies (directly, or through the Participant or otherwise) the

paying agent of its status as not being subject to Japanese Taxes to be withheld or deducted by the Issuer by reason of such individual resident of Japan or Japanese corporation receiving interest on the relevant note through a payment handling agent in Japan appointed by it);

- (iv) to or for the benefit of a holder or beneficial owner of a note who presents the note for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below), except to the extent that such holder or beneficial owner of the note would have been entitled to such Additional Amounts on presenting the same for payment on any date during such 30-day period;
- (v) to or for the benefit of a holder or beneficial owner of a note who is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, any note, where Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such Additional Amounts had it been the holder of such note; or
- (vi) any combination of (i) through (v) above.

None of the Issuer, the trustee, any paying agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any note pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended, commonly referred to as FATCA, any law, regulation or other official guidance implementing FATCA, or an intergovernmental agreement with respect thereto, or any agreement between the Issuer, the trustee or a paying agent and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

Where a note is held through a participant of an international clearing organization or a financial intermediary (each, a “Participant”), in order to receive payments free of withholding or deduction by the Issuer for, or on account of, Japanese Taxes, if the relevant beneficial owner of the note is (a) an individual non-resident of Japan or a non-Japanese corporation that in either case is not a Specially-related Person of the Issuer or (b) a Japanese financial institution (a “Designated Financial Institution”) falling under certain categories prescribed by Article 6, Paragraph (11) of the Special Taxation Measures Act, and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder, the “Act”), all in accordance with the Act, such beneficial owner of the note must, at the time of entrusting a Participant with the custody of the relevant note, provide certain information prescribed by the Act to enable the Participant to establish that such beneficial owner of the note is exempted from the requirement for Japanese Taxes to be withheld or deducted (the “Interest Recipient Information”), and advise the Participant if the beneficial owner of the note ceases to be so exempted, including the case where the relevant beneficial owner of the note who is an individual non-resident of Japan or a non-Japanese corporation becomes a Specially-related Person of the Issuer.

Where a note is not held by a Participant, in order to receive payments free of withholding or deduction by the Issuer for, or on account of, Japanese Taxes, if the relevant beneficial owner of the note is (a) an individual non-resident of Japan or a non-Japanese corporation that in either case is not a Specially-related Person of the Issuer or (b) a Designated Financial Institution, all in accordance with the Act, such beneficial owner of the note must, prior to each date on which it receives interest, submit to the Issuer or a paying agent, as appropriate, a written application for tax exemption (*hikazei tekiyo shinkokusho*) (a “Written Application for Tax Exemption”) in the form obtainable from the Issuer or any paying agent, as appropriate, stating, among other things, the name and address (and, if applicable, the Japanese individual or corporation ID number) of such beneficial owner of the note, the title of the notes, the relevant Interest Payment Date, the amount of interest payable and the fact that such beneficial owner of the note is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence. If the relevant beneficial owner of the note provides to a paying agent the information required to be stated in the Written Application for Tax Exemption in an electronic form prescribed by the Act, such beneficial owner of the note will be deemed to have submitted the Written Application for Tax Exemption to the paying agent.

As used herein, the “Relevant Date” means the date on which any payment in respect of a note first becomes due, except that, if the full amount of the moneys payable has not been duly received by the paying agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of the notes in accordance with the Indenture.

By subscribing for the notes, an investor will be deemed to have represented that it is a beneficial owner that is, (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an

individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-related Person of the Issuer; or (ii) a Designated Financial Institution. For more details regarding Japanese withholding tax, see “Taxation—Japanese Taxation.”

The Issuer will make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. The Issuer will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, the Issuer will use reasonable efforts to obtain other evidence satisfactory to the paying agent, and the paying agent shall make such certified copies or other evidence available to the holders or the beneficial owners of the notes upon request.

The obligation to pay Additional Amounts shall not apply to (A) any estate, inheritance, gift, excise, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (B) any tax, duty, assessment, fee or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal or interest on the notes. Except as otherwise set forth in the notes and in the Indenture, the Issuer shall pay all stamp, court, excise or other documentary taxes, charges or similar levies which may be imposed by Japan, the United States or any respective political subdivision or any taxing authority thereof or therein, with respect to the execution of the Indenture or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the notes.

References to principal, premium (if any) or interest in respect of the notes shall be deemed to include any Additional Amounts due which may be payable as set forth in the notes and the Indenture.

Merger, Consolidation, Sale or Disposition

The Indenture contains provisions permitting the Issuer, without the consent of the holders of the notes, to merge or consolidate with or merge into, or sell, assign, transfer, lease or convey all or substantially all of its properties or assets to any person or persons, provided that (a) the Issuer is the surviving party of such consolidation, merger, sale, assignment, transfer, lease or conveyance, or (b) the entity formed by such consolidation or into which the Issuer is merged, or the entity that acquires by conveyance or transfer of all or substantially all of the properties and assets of the Issuer is a joint stock company (*kabushiki kaisha*) incorporated with limited liability under the laws of Japan and expressly assumes the Issuer’s obligations under the Indenture and on all series of securities issued thereunder and certain other conditions are met, including that, immediately after giving effect to such transaction, no event of default under the Indenture has occurred and is continuing. Before the consummation of the proposed consolidation, merger, sale, assignment, transfer, lease or conveyance, the Issuer shall deliver an officer’s certificate, and an opinion of counsel, to the effect that the conditions set forth above and in the Indenture have been met. The trustee shall be entitled to rely conclusively upon such officer’s certificate and opinion of counsel.

Negative Pledge

So long as any of the notes remain outstanding, the Issuer will not create or permit to subsist any Lien (as defined below) on any of its property, assets or revenues, present or future, to secure, for the benefit of the holders of Public External Indebtedness (as defined below), payment of any sum owing in respect of any such Public External Indebtedness, any payment under any guarantee of any such Public External Indebtedness or any payment under any indemnity or other like obligation relating to any such Public External Indebtedness, unless contemporaneously therewith effective provision is made to secure the notes equally and ratably with such Public External Indebtedness with a similar Lien on the same property, assets or revenues securing such Public External Indebtedness for so long as such Public External Indebtedness are secured by such Lien. Notwithstanding the foregoing, this restriction will not apply to Liens on money paid to or money or securities deposited by the Issuer with a fiscal agent, trustee or depository to pay, defease or discharge in full over time its obligations in respect of other Public External Indebtedness (provided that such money or securities so paid or deposited, and the proceeds therefrom, will be sufficient to pay or discharge such obligations in full).

“Lien” means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom, prior to any general creditor of the owner thereof.

“Public External Indebtedness” means bonds, debentures, notes or other similar investment securities of the Issuer or any other person evidencing indebtedness for borrowed moneys of, or any guarantees thereof, which (a) are either (i) by their terms payable, or confer a right to receive payment, in any currency other than Japanese yen or (ii) denominated in Japanese yen and more than 50% of the aggregate principal amount thereof is initially distributed outside of Japan by or with the authorization of the issuer thereof; and (b) are capable of being or are intended to be, quoted, listed, ordinarily dealt in or traded on a stock exchange or over-the-counter or other securities market outside Japan.

Issuer Right to Require Resale

Any purported sale or transfer of a note (or beneficial interest therein) which is not made in compliance with the transfer restrictions set forth under “Transfer Restrictions” herein will be void and will not be honored by the Issuer. The Issuer has the right under the Indenture to require any holder of a note (or beneficial interest therein) that is a U.S. person and is determined not to have been both a QIB and a QP at the time of acquisition of such note (or such beneficial interest therein) or is otherwise determined to be in breach, at the time given, of any of the representations and agreements set forth under “Transfer Restrictions” herein to sell such note (or such beneficial interest therein), within 30 days after notice of the sale requirement is given, to a transferee acceptable to the Issuer who is able to and who does make all of the representations and agreement set forth in “Transfer Restrictions” herein. Pending such transfer, such holder will be deemed not to be the holder of such notes for any purpose, including but not limited to receipt of principal and interest payments on such notes, and such holder will be deemed to have no interest whatsoever in such notes except as otherwise required to sell its interest therein as described in this paragraph. See “Transfer Restrictions—Compliance Procedures for Purpose of Section 3(c)(7) of the Investment Company Act—Forced Sale for Non-QIBs/QPs.”

Events of Default

Holders of the notes of a series will have certain rights if an event of default occurs. References to an event of default mean any of the following:

- (i) default is made in the payment of any interest or Additional Amounts, if any, on any of the notes of such series when it becomes due and payable, and such default continues for a period of 30 days thereafter;
- (ii) default is made in the payment of the principal of or any premium on any of the notes of such series when it becomes due and payable;
- (iii) default by the Issuer in the performance or observance of any other obligation applicable to such series of the notes and such default shall continue for 60 days after the Issuer’s receipt of written notice requiring such default to be remedied from the trustee, or holders of not less than 25% in aggregate outstanding principal amount of the notes of such series;
- (iv) (a) any indebtedness for borrowed monies contracted or incurred by the Issuer exceeding in the aggregate US\$10,000,000 (or its equivalent in any other relevant currency or currencies) is accelerated as a result of a default by any person or any event treated in effect as a default; or (b) the Issuer defaults in the repayment or discharge of any such indebtedness when due or, if later, at the expiration of any grace period originally applicable thereto; or (c) the Issuer shall have failed to pay when due or, if later, at the expiration of any grace period originally applicable thereto any guarantee exceeding in the aggregate US\$10,000,000 (or its equivalent in any other relevant currency or currencies) contracted or incurred by it in respect of any indebtedness for borrowed monies in accordance with the terms of any such guarantee;
- (v) A final and non-appealable order of a court of competent jurisdiction is made or an effective resolution of the Issuer is passed for its winding-up or dissolution except for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction under which the continuing corporation or the corporation formed as a result thereof effectively assumes the Issuer’s entire obligations under the Indenture in relation to the notes;
- (vi) An encumbrancer shall have taken possession, or a trustee or receiver shall have been appointed, in bankruptcy, civil rehabilitation, reorganization or insolvency of the Issuer, of all or substantially all of the Issuer’s assets and undertakings and such possession or appointment shall have continued undischarged and unstayed for a period of 60 days;
- (vii) The Issuer stops payment (within the meaning of the bankruptcy laws of Japan) or ceases to carry on business or is unable to pay its debts generally as and when they fall due;

- (viii) A decree or order by any court having jurisdiction shall have been issued adjudging the Issuer bankrupt or insolvent, or approving a petition seeking with respect to the Issuer a reorganization or liquidation under bankruptcy, civil rehabilitation, reorganization or insolvency laws of Japan, and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or
- (ix) The Issuer initiates or consents to proceedings relating to it under bankruptcy, civil rehabilitation, reorganization or insolvency law of Japan or shall make a conveyance or assignment for the benefit of, or shall enter into any composition with, the Issuer's creditors generally.

If an event of default with respect to the notes of a series occurs and is continuing, then in every such case (other than an event of default specified in (v), (vi) or (viii) above) the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding notes of each affected series may, and the trustee at the written request of such holders shall (subject to receiving indemnity and/or security and/or pre-funding to its satisfaction), declare the principal amount of all the notes of such affected series to be due and payable immediately, by a notice in writing to the Issuer (and to the trustee if given by holders), and upon any such declaration such principal amount together with all accrued and unpaid interest, and Additional Amounts, if any, shall become immediately due and payable.

The trustee and the agents need not do anything to ascertain whether any event of default has occurred or is continuing and will not be responsible to holders or any other person for any loss arising from any failure by it to do so, and the trustee or the agents may assume that no default or event of default has occurred and that the Issuer is performing its obligations under the Indenture and the notes unless a Responsible Officer of the trustee or, as the case may be, the agents have received written notice of the occurrence of such default or event of default or facts establishing that the Issuer is not performing its obligations under the Indenture or the notes or a default or an event of default has occurred. Neither the trustee nor the agents shall be required to verify any information in such notice.

“Responsible Officer” means, when used with respect to the trustee, any managing director, vice president, trust associate, relationship manager, transaction manager, client service manager, any trust officer or any other officer located at the Specified Corporate Trust Office who customarily performs functions similar to those performed by any persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and in each such case, who shall have direct responsibility for the day to day administration of this Indenture.

“Specified Corporate Trust Office” means The Bank of New York Mellon, Singapore Branch located at One Temasek Avenue, #02-01 Millenia Tower, Singapore 039192; Attention: Global Corporate Trust—NTT Finance; Facsimile: +65 6883 0338; E-mail: Ctsingaporegcs@bnymellon.com.

Notwithstanding the foregoing, in the case of an event of default arising under (v), (vi) or (viii) above, the principal of and interest on the outstanding notes will become immediately due and payable without further action by the trustee or the holders or notice.

Limitation on Suits

Other than the right to institute a suit for the enforcement of the payment of principal, premium (if any) or interest (including, in each case, any Additional Amounts, if applicable) in respect of the notes of any series after the applicable due date specified in the notes of such series, no holder of any note of such series has any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture, unless:

- such holder has previously given written notice to the trustee of a continuing event of default;
- the holders of not less than 25% in aggregate principal amount of the notes of such series shall have made written request to the trustee to institute proceedings in respect of such event of default in its own name as trustee;
- such holder or holders have offered to the trustee indemnity and/or security and/or pre-funding satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such written request;
- the trustee for 60 days after its receipt of such written notice, request and offer of indemnity and/or security and/or pre-funding satisfactory to the trustee has failed to institute any such proceeding; and

- no direction inconsistent with such written request has been given to the trustee during such 60-day period by the holders of a majority in aggregate principal amount of the notes of such series.

Discharge, Defeasance and Covenant Defeasance

The Issuer has the ability to eliminate most or all of its obligations on any series of the notes prior to maturity if the Issuer complies, among other conditions, with the following provisions:

Discharge of Indenture. The Issuer may discharge all of its obligations with respect to a series of the notes, other than as to transfers and exchanges, under the Indenture after it has:

- (i) paid or caused to be paid the principal of and any premium and interest on all of the outstanding notes of such series, in accordance with their terms;
- (ii) delivered to the paying agent for cancellation all of the outstanding notes of such series; or
- (iii) irrevocably deposited with the trustee (or its agent) cash or U.S. government obligations in trust for the benefit of the holders of any such series of notes that have either become due and payable, or are by their terms due and payable, or are scheduled for redemption, within one year, in an amount certified by an accounting or financial firm of international standing to be sufficient to pay on each date that they become due and payable, the principal of and any premium and interest on those notes. However, the deposit of cash or U.S. government obligations for the benefit of holders of a series of notes that are due and payable, or are scheduled for redemption, within one year will discharge obligations under the Indenture relating only to such series of notes.

Defeasance of a Series of the Notes at Any Time. The Issuer may also discharge all of its obligations, other than as to transfers and exchanges, under any series of the notes at any time, which is referred to in this offering circular as defeasance. Alternatively, the Issuer may be released with respect to any outstanding series of notes from the obligations imposed by the covenants described above limiting consolidations, mergers, transfers of assets and the creation of security interests, and elect not to comply with those sections without creating an event of default. Discharge under those procedures is called covenant defeasance.

Defeasance or covenant defeasance may be effected only if, among other things:

- (i) the Issuer irrevocably deposits with the trustee (or its agent) cash or U.S. government obligations, as trust funds in an amount certified to be sufficient to pay on each date that they become due and payable, the principal of and any premium or interest on the notes of such series; and
- (ii) the Issuer delivers to the trustee an opinion of counsel of recognized standing to the effect that:
 - a. the beneficial owners of the series of the notes being defeased will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance or covenant defeasance; and
 - b. the beneficial owners of the notes being defeased will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred.

In the case of a defeasance, the opinion must be based on a ruling of the U.S. Internal Revenue Service or a change in U.S. federal income tax law occurring after the issuance of the notes of such series.

Further Issuances

The Issuer reserves the right, from time to time, without the consent of the holders of the notes, to issue additional notes on terms and conditions identical to those of the notes of a series offered hereby (other than the issue date, the issue price and, in some cases, the first interest payment date), which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the notes of the relevant series; provided, however, that if any additional notes are not fungible with the notes of the relevant series offered hereby for U.S. federal income tax purposes, such additional notes will be issued as a separate series under the Indenture and will have a separate CUSIP, ISIN, Common Code or similar identifying number from the notes of the relevant series offered hereby.

Indemnification of Judgment Currency

The Issuer will indemnify the trustee and each holder of a note to the full extent permitted by applicable law against any loss incurred by the trustee and the holder as a result of any judgment or order being given or made

for any amount due under the notes and the judgment or order being expressed and paid in a currency, referred to as judgment currency, other than U.S. dollars and as a result of any variation as between (a) the rate of exchange at which the U.S. dollar is converted into the judgment currency for the purpose of the judgment or order and (b) the spot rate of exchange in The City of New York at which the trustee and the holder on the Business Day after such payment is made pursuant to the judgment or order is able to purchase U.S. dollars with the amount of the judgment currency actually received by the trustee and the holder.

Modification and Waiver

Modification and amendment of the notes of any series and the Indenture may be made by the Issuer and the trustee with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding notes of each affected series; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding note affected thereby:

- (i) change the maturity date of the principal or payment date of any interest or change any obligation of the Issuer to pay any Additional Amounts;
- (ii) reduce the principal amount of, or rate of interest on, any of the notes;
- (iii) reduce any amount payable on redemption of any of the notes;
- (iv) affect the rights of holders of less than all the outstanding notes;
- (v) change the place of payment where, or the coin or currency in which, any of the notes or interest thereon is payable; or
- (vi) impair the right of a holder to institute suit for the enforcement of any payment on or with respect to any of the notes on or after the date when due;

provided, further, that no such modification may, without the consent of the holders of all of the notes of the affected series outstanding at the time, alter the respective percentages of outstanding notes necessary, pursuant to the Indenture, to modify the terms of the notes, waive past defaults or accelerate the payment of the principal amount of the notes.

It shall not be necessary for any act of holders under the relevant section of the Indenture to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

Notwithstanding the foregoing, without the consent of any holders of the notes of a particular series, the Issuer and the trustee, at any time and from time to time, may enter into one or more supplemental indentures to the Indenture, in form satisfactory to the trustee, for any of the following purposes:

- (i) to secure the notes or any other series of debt securities issued under the Indenture, provided it does not breach the negative pledge described above under “—Negative Pledge”;
- (ii) to evidence the succession of another corporation, entity or person to the Issuer and the assumption by any such successor of the Issuer’s covenants in the Indenture and the notes;
- (iii) to add to the Issuer’s covenants or to surrender any right or power in the Indenture conferred upon the Issuer for the benefit of the holders of the notes;
- (iv) to evidence and provide for the acceptance of appointment under the Indenture by a successor trustee;
- (v) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be defective or inconsistent with any other provision in the Indenture or applicable laws, or to make any other provisions with respect to matters or questions arising under the Indenture, provided that such action shall not adversely affect the interests of the holders of the notes in any material respect;
- (vi) to establish the forms or terms of any subsequent series of debt securities to be issued under the Indenture; or
- (vii) to make any other change that does not adversely affect the interests of the holders of the notes in any material respect.

Paying Agent, Transfer Agent and Notes Registrar

The Bank of New York Mellon, located in 240 Greenwich Street, New York, NY 10286, United States of America, will initially act as paying agent, transfer agent and registrar (collectively, the “agents”) for the notes.

The Issuer may change the paying agent, transfer agent or registrar without prior notice to the holders of the notes, and the Issuer or any of its subsidiaries may act as paying agent, transfer agent or registrar.

The Trustee

The trustee, The Bank of New York Mellon, is a banking corporation incorporated and existing under the laws of the United States of America, with its registered office located in 240 Greenwich Street, New York, NY 10286, United States of America. The Indenture provides that during the existence of an event of default with respect to the notes, the trustee will exercise the rights and powers vested in it by the Indenture, and use the same degree of care and skill in the exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. In the absence of an event of default with respect to the notes, the trustee need only perform the duties specifically set forth in the Indenture.

The Indenture does not contain limitations on the rights of the trustee under the Indenture, should it be or become a creditor of the Issuer, to obtain payment of claims. The trustee is not precluded from engaging in other transactions with the Issuer.

The trustee will be under no obligation to exercise any rights or powers vested in it by the Indenture at the request or direction of any holder, unless the requisite number of holders of such series have instructed the trustee in writing and offered to the trustee security and/or indemnity and/or pre-funding satisfactory to it against the costs, expenses (including the fees and properly incurred expenses of its counsel) and liabilities which might be incurred by it in compliance with such request or direction.

Successor Trustee

Any successor trustee appointed pursuant to the terms of the Indenture shall have a combined capital and surplus of not less than \$50,000,000 and shall be a bank or trust company organized and doing business under the laws of the United States or of the State of New York, in good standing and having an office in the Borough of Manhattan, The City of New York.

Repayment of Funds

Any money deposited by the Issuer with the trustee or a paying agent in trust for payment of principal of or interest and any Additional Amounts on any note which remains unclaimed for two years after such principal, interest or Additional Amounts have become due and payable and paid to the trustee shall, upon the written request of the Issuer, be repaid to the Issuer and all liability of the trustee or such paying agent with respect to such payments will cease, and to the extent permitted by law, the holder of that note shall thereafter look only to the Issuer for payment thereof.

Reporting Requirements

For as long as any notes are outstanding, the Issuer will promptly furnish to the trustee (for the benefit of the holders of the notes):

- (i) within three months after the end of each fiscal year, English translations of consolidated balance sheets and consolidated statements of income, changes in net assets and cash flows of the Issuer prepared in accordance with Japanese GAAP and audited by independent auditors; and
- (ii) as soon as practicable after the end of each quarterly period (other than the last quarterly period of a fiscal year), English translations of quarterly consolidated balance sheets and consolidated statements of income and cash flows of the Issuer prepared in accordance with Japanese GAAP, provided that quarterly consolidated statements of cash flows will not be required for the first and third fiscal quarters of each fiscal year.

To the extent any reports or other documents are published by the Issuer on its investor relations website for such reports or documents or any other publicly available electronic medium, such reports or other documents shall be deemed to have been furnished to the holders of the notes.

Governing Law; Consent to Jurisdiction and Service of Process; Communications

The Indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.

The Issuer has irrevocably submitted to the non-exclusive jurisdiction of the courts of any New York State or United States federal court sitting in the Borough of Manhattan, The City of New York with respect to any action that may be brought in connection with the Indenture or the notes. As long as any of the notes remain outstanding, the Issuer will at all times have an authorized agent with an office in the Borough of Manhattan, The City of New York upon whom process may be served in any action arising out of or relating to the Indenture or the notes. The Issuer has appointed Cogency Global Inc. with offices located at 122 East 42nd Street, 18th Floor, New York 10168 as its initial agent for such purpose.

Methods of Receiving Payments

The principal of, and interest and Additional Amounts on, the notes represented by global notes will be payable in U.S. dollars. The paying agent will hold all sums received by it for the payment of the principal and interest on the notes in trust for the benefit of the holders of the notes. The Issuer will cause the trustee or the paying agent to pay such amounts, on the dates on which payment is to be made, directly to DTC.

Book-Entry; Delivery and Form

The notes will initially be issued to investors only in book-entry form. The notes sold in offshore transactions to persons other than U.S. persons in reliance on Regulation S will be initially in the form of one or more fully-registered global notes (the “Regulation S Global Notes”), and the notes sold to persons reasonably believed to be QIBs who are also QPs in reliance on Rule 144A will initially be in the form of one or more fully-registered global notes (the “Rule 144A Global Notes” and, together with the Regulation S Global Notes, the “Global Notes”). The Global Notes will be issued and registered in the name of Cede & Co., acting as nominee for DTC, which will act as securities depository for the notes. The Global Notes will initially be deposited with The Bank of New York Mellon, acting as custodian for DTC.

The notes (including beneficial interests in the Global Notes) will be subject to certain restrictions on transfer set forth in the notes and the Indenture and will bear a legend regarding the restrictions as set forth under “Transfer Restrictions.” Under certain circumstances, transfers may be made only upon receipt by the trustee of a written certification or certifications (in the form provided in the Indenture).

Prior to the fortieth day after the later of the commencement of the offering and the date of the issuance of the notes, beneficial interests in a Regulation S Global Note may be transferred within the United States to a person who takes delivery in the form of an interest in the related Rule 144A Global Note only upon receipt by the transfer agent of a written certification (in the form provided in the Indenture) (a) from the transferee to the effect that such transferee (i) is a QIB who is also a QP purchasing for its own account (or for the account of one or more QIBs who are QPs over which account it exercises sole investment discretion) and (ii) agrees to comply with the restrictions on transfer set forth under “Transfer Restrictions,” and (b) from the transferor to the effect that the transfer was made to a person whom the transferor reasonably believes is a QIB who is also a QP acquiring for its own account or the account of a QIB who is also a QP and that the transferor has notified the transferee of the restrictions on transfer set forth under “Transfer Restrictions.” After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions set forth under “Transfer Restrictions.”

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only upon receipt by the transfer agent of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in compliance with the restrictions on transfer set forth under “Transfer Restrictions” and pursuant to and in accordance with Rule 903 or 904 of Regulation S.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note without any written certification from the transferor or the transferee, but such transfers will continue to be subject to the transfer restrictions contained in the legend regarding such restrictions set forth under “Transfer Restrictions.”

Any beneficial interest in one of the Global Notes that is transferred to an entity that takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interest in such other Global Note for as long as it remains such an interest.

Persons that acquire beneficial ownership interests in the Global Notes will hold their interests through DTC in the United States or through Euroclear or Clearstream in Europe, if they are participants of those systems, or indirectly through organizations that are participants in those systems. Euroclear and Clearstream will hold omnibus positions on behalf of their participants through customers' securities accounts in Euroclear's and Clearstream's names on the books of their respective depositories, which in turn will hold those positions in customers' securities accounts in the depositories' names on the books of DTC. Unless and until notes in definitive form ("Definitive Notes") are issued, the only holder of the notes will be Cede & Co., as nominee of DTC, or the nominee of a successor depository. Beneficial owners will be permitted to exercise their rights only indirectly through DTC, Euroclear, Clearstream and their participants.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with it. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in its participants' accounts, thereby eliminating the need for physical movement of securities certificates. Participants in DTC include Euroclear and Clearstream, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to others, such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions among its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries.

Euroclear is operated by Euroclear Bank SA/NV (the "Euroclear Operator"), under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation (the "Cooperative"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the initial purchasers or their affiliates. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear Operator is regulated and examined by the Belgian Banking and Finance Commission. Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law. These Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding securities through Euroclear participants.

Under Belgian law, the Euroclear Operator is required to pass on the benefits of ownership in any interests in securities on deposit with it, such as dividends, voting rights and other entitlements, to any person credited with such interests in securities on its records.

Clearstream is a limited liability company organized under Luxembourg law. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. Clearstream is registered as a bank in Luxembourg, and as such is subject to regulation by the Luxembourg Commission de Surveillance du Secteur Financier. Clearstream participants are recognized

financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with a Clearstream participant.

Purchases of notes within the DTC system must be made by or through the DTC participants, which will receive a credit for the notes on DTC's records and on the records of Euroclear or Clearstream, if applicable. The ownership interest of each actual purchaser of notes, a beneficial owner of an interest in a Global Note, is in turn to be recorded on the DTC participants' and indirect participants' records.

Beneficial owners of interests in a Global Note will not receive written confirmation from DTC, Euroclear or Clearstream of their purchases, but they are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the DTC participants or indirect participants through which they purchased the notes. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of the DTC participants and indirect participants acting on behalf of beneficial owners of interests in a Global Note. Beneficial owners of interests in a Global Note will not receive certificates representing their ownership interests in the notes unless use of the book-entry system for the notes is discontinued.

Transfers among DTC, Euroclear and Clearstream

Transfers between DTC participants will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes, cross-market transfers between persons holding, directly or indirectly through DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant European depository; however, those crossmarket transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the relevant European depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the European depositories.

Because of time zone differences, credits of securities received in Euroclear or Clearstream as a result of a transaction with a person that does not hold the notes through Euroclear or Clearstream will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Euroclear or Clearstream as a result of sales of securities by or through a Euroclear participant or a Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

Limitations on Responsibilities

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a Global Note. DTC's records reflect only the identity of the DTC participants to whose accounts those notes are credited, which may or may not be the beneficial owners of interests in a Global Note. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts those notes are credited, which also may or may not be the beneficial owners of interests in a Global Note. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

DTC's Procedures for Notices, Voting and Payments

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or that nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the Global Note for all

purposes under the notes and the Indenture. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture.

DTC has advised that it will take any action permitted to be taken by a holder of notes, including the presentation of notes for exchange as described below, only at the direction of one or more of its participants to whose account DTC's interests in the Global Notes are credited and only in respect of that portion of the aggregate principal amount of notes as to which that participant or participants has or have given the direction.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of interests in a Global Note will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The paying agent will make payments of principal of, and premium and interest on the notes and send any notices in respect of the notes held in book-entry form to Cede & Co. Payment of principal of, and premium and interest on the notes held in book-entry form will be made to Cede & Co. or another nominee of DTC in immediately available funds. DTC's practice is to credit its participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on that payment date. Payments by DTC's participants and indirect participants to beneficial owners of interests in a Global Note will be governed by standing instructions and customary practices, and will be the responsibility of those participants and indirect participants and not of DTC or the Issuer, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal of, and premium and interest on the notes or other amounts to DTC is the responsibility of the Issuer, disbursement of these payments to participants is the responsibility of DTC, and disbursement of those payments to the beneficial owner of an interest in a Global Note is the responsibility of participants and indirect participants.

Except as described in this offering circular, a beneficial owner of an interest in a Global Note will not be entitled to receive physical delivery of notes. Accordingly, each beneficial owner of an interest in a Global Note must rely on the procedures of DTC to exercise any rights under the notes.

The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of beneficial owners of interests in a Global Note to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants, none of them is under any obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time. Neither the Issuer, the trustee nor any agent will have any responsibility for the performance by DTC, Euroclear, Clearstream or their participants or indirect participants under the rules and procedures governing them. DTC, Euroclear and Clearstream may discontinue providing their services as securities depository with respect to the notes at any time by giving notice to the Issuer. Under those circumstances, Definitive Notes would be delivered as described below.

The information in this section concerning DTC, Euroclear and Clearstream and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer does not take responsibility for the accuracy thereof.

Exchange of Global Notes for Definitive Notes

No Definitive Notes will be issued in exchange for the Global Notes unless (i) DTC is at any time unwilling or unable to continue as a depository for the Global Notes or has ceased to be qualified to act as such as required by the Indenture and a successor depository is not appointed within 90 days or (ii) there shall have occurred and be continuing an event of default with respect to the notes. Definitive Notes delivered in exchange for beneficial interests in any Global Note will be registered in such names, and issued in such approved denominations, as directed by DTC or the successor depository, in accordance with its customary procedures, and will be issued without coupons.

The principal amount of the Definitive Notes will be payable by the paying agent by wired transfer, upon presentation and surrender of the notes at the offices of the Issuer or at the principal office of the paying agent in The City of New York or at such other place or places in the Borough of Manhattan, The City of New York as the trustee shall designate by notice to the holders of the notes. If the Issuer acts as its own paying agent, interest on the Definitive Notes will be payable by check, drawn on a bank in The City of New York, mailed to the persons in whose names the notes, or one or more predecessor notes, are registered on each interest payment record date. Notwithstanding the foregoing, the person in whose name a note is registered may elect to receive payments of principal or interest by wire transfer in immediately available funds to a bank account in The City of New York designated by such person in a written notice received by the trustee (a) in the case of a payment of interest, no later than 15 calendar days prior to the Interest Payment Date on which such payment is due and (b) in the case of payment of principal on the maturity date, no later than 15 calendar days prior to the maturity date, provided that in the case of such payment of principal, the note shall have been surrendered to the paying agent for payment together with such notice.

Enforcement

For the purposes of enforcement of the provisions of the Indenture against the trustee, the persons named in a certificate of the holder of any Global Note in respect of which a Global Note is issued will be recognized as the beneficiaries of the Indenture, to the extent of the principal amounts of their interests in the notes set out in the certificate of the holder, as if they were themselves the holders of the notes in such principal amounts.

Clearance and Settlement

The notes have been accepted for clearance through DTC, Euroclear and Clearstream.

Minimum Board Lot Size on the SGX-ST

The notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies) for so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require.

TAXATION

The following summaries are not intended to be a complete analysis of the tax consequences under Japanese or United States law as a result of the acquisition, ownership and sale of notes by investors. Potential investors should consult their own tax advisers on the tax consequences of acquisition, ownership, sale, and other relevant circumstances concerning the notes, including specifically the applicable tax consequences under Japanese or United States law, the law of the jurisdiction of their country of residence (if different) and any tax treaty between Japan and their country of residence.

Japanese Taxation

The following is a general description of certain aspects of Japanese taxation applicable to the notes. It does not purport to be a comprehensive description of the tax aspects of the notes. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on current tax laws and regulations in Japan and current income tax treaties executed by Japan all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statements in this offering circular are to be regarded as advice on the tax position of any beneficial owner of the notes or any person purchasing, selling or otherwise dealing in the notes or any tax implication arising from the purchase, sale or other dealings in respect of the notes.

The Notes

The notes do not fall under the concept of so called “taxable linked notes” as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, being notes of which the amount of interest is to be calculated or determined by reference to certain indicators (as prescribed in the Cabinet Order) in respect of the issuer of such notes or any other person who has a special relationship with such issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is directly or indirectly controlled by a person who also directly or indirectly controls, such issuer) as described in Article 6, Paragraph (4) of the Special Taxation Measures Act and Article 3-2-2, Paragraphs (5) to (7) of the Cabinet Order.

Interest Payments on the Notes

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the notes, where the notes are issued by us outside Japan and payable outside Japan. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1) Non-Resident Holders that are not Specially-Related Persons

If the recipient of interest on the notes is a holder or beneficial owner of the notes that is, for Japanese tax purposes, an individual non-resident of Japan or a non-Japanese corporation, or a non-resident holder, as described below, the Japanese tax consequences to such non-resident holder are significantly different depending upon whether such non-resident holder is a specially-related person. Most importantly, if such non-resident holder is a specially-related person, income tax at the rate of 15.315% of the amount of such interest will be withheld by us under Japanese tax law.

- a. If the recipient of interest on the notes is a non-resident holder that is not a specially-related person having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the notes is not attributable to such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding, deduction or otherwise, if such recipient complies with certain requirements, inter alia:
 - (i) if the relevant notes are held through certain participants in an international clearing organization such as DTC, Euroclear and Clearstream or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder), or the Law in this Japanese taxation section, the requirement to

provide, at the time of entrusting a “participant” within the meaning of each such participant or financial intermediary with the custody of the relevant notes the Interest Recipient Information (as defined in “Description of the Notes—Taxation and Additional Amounts”), and to advise the participant if such non-resident holder ceases to be so exempted (including the case where it became a specially-related person); and

- (ii) if the relevant notes are not held through a participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) or certain information to be stated in such written application in an electronic form (the “Written Application for Tax Exemption”) together with certain documentary evidence.

Failure to comply with the foregoing requirements (including the case where the Interest Recipient Information is not duly communicated through a participant or to the relevant paying agent as required under the Law) will result in the withholding by us of income tax at the rate of 15.315% of the amount of such interest.

- b. If the recipient of interest on the notes is a non-resident holder having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315% withholding tax by us, if the recipient provides the Interest Recipient Information or submits the written application for tax exemption as set out in paragraph (a) above. Failure to do so will result in the withholding by us of income tax at the rate of 15.315% of the amount of such interest. The amount of such interest will be aggregated with the recipient’s other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

2) Resident Holders, and Non-Resident Holders that are Specially-Related Persons

Payments of interest on the notes to be made to a holder or beneficial owner of the notes that is, for Japanese tax purposes, an individual resident of Japan or a Japanese corporation, or a resident holder (except for (a) a designated financial institution which has complied with the requirements under Article 6 of the Special Taxation Measures Act and (b) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act which has received interest through a payment handling agent in Japan as defined in Article 3-3, Paragraph (1) of the Special Taxation Measures Act and Article 2-2, Paragraph (2) of the Cabinet Order), or to a non-resident holder that is a specially-related person will be subject to deduction in respect of Japanese income tax at the rate of 15.315%.

For an individual resident of Japan and an individual non-resident of Japan that is a specially-related person having a permanent establishment in Japan, interest on the notes in general constitutes taxable income, together with other interest, dividends and capital gains arising from certain specified notes and listed shares, and is subject to income taxation by reporting at the rate of 15.315%. Such interest income may be offset against capital losses arising from sale of certain specified notes or listed shares by filing a tax return. The withholding tax referred to above will in general be credited against their income tax liability reportable by their tax return. Alternatively, they may elect to finalize their income tax liability only by the withholding tax referred to above without filing a tax return.

For an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially related person having no permanent establishment in Japan, the Japanese taxation is finalized only by the withholding tax referred to above.

Under the Law, if a non-resident holder becomes a specially-related person, and if the notes are held through a participant, then such non-resident holder is required to notify the participant of such change in status by the immediately following interest payment date of the notes. As the status of such non-resident holder as a specially-related person for Japanese withholding tax purposes is determined based on the status as at the beginning of our fiscal year in which the relevant interest payment date falls, such non-resident holder should, by such notification, identify and advise the participant of the specific interest payment date on which Japanese withholding tax commences to apply with respect to such non-resident holder as being a specially-related person.

The Japanese withholding tax imposed upon interest on the notes paid to a non-resident holder that is a specially-related person as mentioned above may be reduced or exempted by an income tax treaty between Japan and the country of residence of such non-resident holder in accordance with its terms.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale of notes outside Japan by an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the notes in connection with the issue of the notes, nor will such taxes will be payable by holders of the notes in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired notes from another individual as legatee, heir or donee.

United States Federal Income Taxation

The following is a summary of United States federal income tax considerations generally applicable to the ownership and disposition of notes by a “U.S. holder” (as defined below) who acquires our notes upon original issuance at their initial offering price and who holds the notes as “capital assets” (generally, property held for investment) for United States federal income tax purposes. This summary is based upon the Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations, judicial decisions, published positions of the Internal Revenue Service (“IRS”), and other applicable authorities, all as in effect as of the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). This summary does not discuss all aspects of United States federal income taxation which may be important to particular investors in light of their individual investment circumstances, such as investors subject to special tax rules (e.g., banks or other financial institutions, insurance companies, broker-dealers, traders in securities that have elected the mark-to-market method of accounting, partnerships and their partners, real estate investment trusts, regulated investment companies, pension plans, cooperatives, tax-exempt organizations (including private foundations)), investors who are not U.S. holders, investors subject to the alternative minimum tax, investors who hold notes as part of a straddle or other integrated security transaction, investors required to accelerate the recognition of any item of gross income with respect to the notes as a result of such income being recognized on an applicable financial statement, or investors whose functional currency is not the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not address any state, local, non-United States, or non-income tax (such as United States federal gift and estate tax) considerations or the Medicare surtax on net investment income. You are urged to consult your tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our notes.

For purposes of this summary, a “U.S. holder” is a beneficial owner of our notes that is, for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation created in, or organized under the laws of, the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has an election in effect under applicable United States Treasury regulations to be treated as a United States person.

If a partnership or other entity treated as a partnership is a beneficial owner of the notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner of a partnership holding the notes, you are urged to consult your tax advisers regarding the United States federal income tax considerations of an investment in the notes.

Payments of Interest

The gross amount of any interest on the notes (including any Japanese or other foreign taxes withheld from the interest payments and any additional amounts paid in respect of such taxes withheld) will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for United States federal income tax purposes.

Interest income in respect of the notes will generally constitute foreign-source income for purposes of computing the foreign tax credit allowable under the U.S. federal income tax laws. The rules governing the foreign tax credit are complex. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits or deductions in respect of foreign taxes paid or accrued and the treatment of additional amounts (if any).

Sale, Exchange or Other Disposition of the Notes

Upon the sale, exchange or other taxable disposition of a note, you will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange or other disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as ordinary interest income, as described in “—Payments of Interest” above, to the extent not previously included in income) and your tax basis in the note. Your tax basis in a note will generally be the purchase price for the note reduced by any principal payments previously received with respect to the note. Any gain or loss recognized on the sale, exchange or other taxable disposition will be capital gain or loss and will be long-term capital gain or loss if the note was held for more than one year. Certain non-corporate U.S. holders (including individuals) may qualify for preferential rates of United States federal income taxation in respect of long-term capital gains. The deductibility of capital losses is subject to certain limitations. Any gain or loss recognized by a U.S. Holder on the sale, exchange, redemption, retirement or other disposition of a note will generally be treated as U.S. source gain or loss, as the case may be.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with an investment in the notes (including any interest in a note) by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, (“ERISA”), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the U.S. Internal Revenue Code (the “Code”), or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (“Similar Laws”), and entities whose underlying assets are considered to include “plan assets” of any such employee benefit plan, account or arrangement (each, a “Plan”).

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code, (a “Covered Plan”), and prohibit certain transactions involving the assets of a Covered Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of a Covered Plan or the management or disposition of the assets of a Covered Plan, or who renders investment advice for a fee or other compensation to a Covered Plan, is generally considered to be a fiduciary of the Covered Plan. The fiduciary to a Covered Plan responsible with respect to the investment in notes should note, and will be deemed to acknowledge, that (unless an exemption applies under ERISA) neither we, the initial purchasers nor any of our and their affiliates and agents are undertaking or will undertake to provide advice in a fiduciary capacity to the Covered Plan in connection with the Covered Plan’s investment in the notes.

In considering an investment in the notes of a portion of the assets of any Plan, a fiduciary should determine, among other things, that the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary’s duties to the Plan including, without limitation, as applicable, the prudence, diversification, delegation of control, conflict of interest and prohibited transaction provisions of ERISA and the Code with respect to Covered Plans, and any other applicable Similar Laws.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit Covered Plans from engaging in specified transactions involving plan assets with persons or entities who are “parties in interest,” within the meaning of ERISA, or “disqualified persons,” within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the Covered Plan that engages in such a non-exempt prohibited transaction may also be subject to penalties and other liabilities under ERISA and the Code. For example, the acquisition and/or holding of the notes (including any interest in a note) by a Covered Plan with respect to which we or an initial purchaser or any of our or their affiliates (collectively, “the Transaction Parties”) are considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the notes are acquired and held in accordance with an applicable statutory, class or individual prohibited transaction exemption.

In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions (“PTCEs”), that may potentially apply to prohibited investments in the notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Covered Plan involved in the transaction and provided further that the Covered Plan pays no more than adequate consideration in connection with the transaction. There can be no assurance that any such exemption or any other exemption will apply to any or all transactions in connection with an investment in the notes by a Covered Plan that may otherwise be prohibited, or that all of the conditions of any such exemptions or any other exemption will be satisfied.

Representation

Accordingly, by acceptance of the notes (including any interest in a note), each purchaser and subsequent transferee of the notes will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the notes (including any interest in a note) constitutes assets of any Plan or (ii) the purchase, holding and subsequent disposition of the notes (including any interest in a note) by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Laws, and none of the Transaction Parties has acted or will act as the Plan's fiduciary in connection with the Plan's acquisition of the notes in this offering.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be necessary, and if so, applicable with regards to the purchase and holding of the notes (or any interest therein). The sale of notes (or any interest in a note) to a Plan is in no respect a representation to any purchaser or subsequent transferee by any of the Transaction Parties that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or a representation or that such an investment is appropriate for Plans generally or any particular Plan. Further, nothing herein should be considered a recommendation or advice with respect to the acquisition or holding of a note (or any interest in a note) by a Plan. Purchasers of notes (including any interest in a note) have the exclusive responsibility for ensuring, to the extent applicable, that their investment in the notes complies with the fiduciary responsibility rules of ERISA and does not violate the prohibited transaction rules of ERISA, the Code or any applicable Similar Laws.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the notes.

The offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction. Accordingly, the notes may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except (a) to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A that are also qualified purchasers (as defined in Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder) and (b) outside the U.S. to persons other than “U.S. persons” (as defined in Rule 902 under the Securities Act) in offshore transactions in compliance with Regulation S.

For a discussion of the requirements to effect exchanges or transfers of interests in the Global Notes, see “Description of the Notes—Book-Entry; Delivery and Form.”

Rule 144A Notes

Each purchaser of the notes (including the registered holders and beneficial owners of the notes as they exist from time to time, including as a result of transfers, in each case, as of the time of purchase) offered hereby in reliance on Rule 144A (the “Rule 144A Notes”) must be able to and will be deemed to have represented and agreed, on its own behalf and on behalf of each account for which it is purchasing, as follows:

1. It is a QIB who is also a QP; is aware the resale of the notes to it is being made in reliance on Rule 144A; is acquiring such notes for its own account or the account of a QIB who is also a QP as to which the purchaser exercises sole investment discretion; and it and each such account:
 - is not a broker-dealer which owns and invests on a discretionary basis less than US\$25,000,000 in securities of unaffiliated issuers;
 - is not formed for the purpose of investing in the Issuer (unless all of its beneficial owners are QIBs who are also QPs);
 - has not invested more than 40% of its assets in the notes (or beneficial interests therein) and/or other securities of the Issuer after giving effect to the purchase of the notes (or beneficial interests therein) (unless all of its beneficial owners are QIBs who are also QPs);
 - is not a participant-directed employee plan, such as a 401(K) plan, or a trust holding the asset of such a plan, unless the investment decisions with respect to such plan are made solely by the fiduciary, trustee or sponsor of such plan;
 - is not a partnership, common trust fund or corporation, special trust, pension fund or retirement plan, or other entity, in which the partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners, as the case may be, may designate the particular investment to be made, or the allocation thereof, unless all such partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners are QIBs who are also QPs;
 - will provide notice of the transfer restrictions described in this “Transfer Restrictions” to any subsequent transferees, who will be deemed to make the same representations contained in this “Transfer Restrictions”;
 - acknowledges that the Issuer may receive a list of participants holding positions in the Rule 144A Global Notes from one or more book-entry depositaries; and
 - if it is a Section 3(c)(1) or Section 3(c)(7) investment company, or a Section 7(d) foreign investment company relying on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act with respect to its U.S. holders and was formed on or before April 30, 1996, it has received the necessary consent from its beneficial owners as required by the Investment Company Act.
2. It understands that if at any time the Issuer determines in good faith that a holder of a note (or beneficial interest therein) that is a U.S. person and is determined not to have been both (i) a QIB and (ii) a QP at the time of acquisition of such note or is otherwise determined to be in breach, at the time given, of any of the representations and agreements contained in this “Transfer Restrictions,” the Issuer

has the right to require such holder to transfer such note (or beneficial interest therein) to a transferee acceptable to the Issuer who is able to and who does make all of the representations and agreements set forth in this “Transfer Restrictions.” Pending such transfer, such holder will be deemed not to be the holder of such notes for any purpose, including but not limited to receipt of principal and interest payments on such notes, and such holder will be deemed to have no interest whatsoever in such notes except as otherwise required to sell its interest therein as described in this paragraph.

3. It understands that the Issuer is not required to be registered as an “investment company” under the Investment Company Act.
4. It understands and acknowledges that such Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States, within the meaning of the Securities Act, and the Rule 144A Notes offered hereby have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred except to a person who the seller reasonably believes is both a QIB and a QP in a transaction meeting the requirements of Rule 144A, or to a non-U.S. person in an offshore transaction in accordance with Regulation S, in each case in accordance with all applicable securities laws of the states of the United States.
5. It understands and acknowledges that Rule 144A Notes (or any interest therein) may be held, purchased, sold, pledged or otherwise transferred only in minimum principal amounts of US\$200,000 and integral multiples of US\$1,000 in excess thereof.
6. It understands that each Global 144A Note, and each Definitive Note issued in exchange for all or part of a Global 144A Note or an interest therein, will bear a legend to the following effect, unless the Issuer determines otherwise in compliance with applicable law:

THE NOTES MAY BE PURCHASED AND TRANSFERRED ONLY IN MINIMUM PRINCIPAL AMOUNTS OF US\$200,000 AND INTEGRAL MULTIPLES OF US\$1,000 IN EXCESS THEREOF. IF AT ANY TIME THE ISSUER DETERMINES IN GOOD FAITH THAT A HOLDER OR BENEFICIAL OWNER OF THIS NOTE OR BENEFICIAL INTERESTS HEREIN IS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE, THE ISSUER SHALL REQUIRE SUCH HOLDER TO TRANSFER THIS NOTE (OR INTEREST HEREIN) TO A TRANSFEREE ACCEPTABLE TO THE ISSUER WHO IS ABLE TO AND WHO DOES SATISFY ALL OF THE REQUIREMENTS SET FORTH HEREIN AND IN THE INDENTURE. PENDING SUCH TRANSFER, SUCH HOLDER WILL BE DEEMED NOT TO BE THE HOLDER OF THIS NOTE (OR INTEREST HEREIN) FOR ANY PURPOSE, INCLUDING BUT NOT LIMITED TO RECEIPT OF PRINCIPAL AND INTEREST PAYMENTS ON THE NOTE, AND SUCH HOLDER WILL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THE NOTE EXCEPT AS OTHERWISE REQUIRED TO SELL ITS INTEREST THEREIN AS DESCRIBED HEREIN.

THE NOTES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE SECURITIES LAW. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”). ACCORDINGLY, OFFERS AND SALES OF THE NOTES MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS IN THE UNITED STATES OR THE APPLICABLE SECURITIES LAWS OF ANY OTHER JURISDICTION AND IN A TRANSACTION THAT DOES NOT CAUSE THE ISSUER TO BE REQUIRED TO REGISTER UNDER THE INVESTMENT COMPANY ACT. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT (I) IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE ISSUER AND THE NOTES, (II) IT IS NOT ACQUIRING SUCH NOTE WITH A VIEW TO ANY DISTRIBUTION THEREOF, (III) IT IS A QUALIFIED INSTITUTIONAL BUYER (“QIB”) (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND A QUALIFIED PURCHASER (“QP”) (AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT AND RELATED RULES), IN EACH CASE PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QIB WHO IS ALSO A QP AS TO WHICH THE PURCHASER EXERCISES SOLE INVESTMENT DISCRETION, IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A, (IV) IT IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US\$25,000,000 IN

SECURITIES OF ISSUERS THAT ARE NOT ITS AFFILIATED PERSONS, (V) IT IS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER, (VI) IT HAS NOT INVESTED MORE THAN 40% OF ITS ASSETS IN THE NOTES (OR BENEFICIAL INTERESTS THEREIN) AND/OR OTHER SECURITIES OF THE ISSUER AFTER GIVING EFFECT TO THE PURCHASE OF THE NOTES (OR BENEFICIAL INTERESTS THEREIN) (UNLESS ALL OF ITS BENEFICIAL OWNERS ARE QIBS WHO ARE ALSO QPS); (VII) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN, OR A TRUST HOLDING THE ASSET OF SUCH A PLAN, UNLESS THE INVESTMENT DECISIONS WITH RESPECT TO SUCH PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN; (VIII) IT IS NOT A PARTNERSHIP, COMMON TRUST FUND OR CORPORATION, SPECIAL TRUST, PENSION FUND OR RETIREMENT PLAN, OR OTHER ENTITY, IN WHICH THE PARTNERS, BENEFICIARIES, BENEFICIAL OWNERS, PARTICIPANTS, SHAREHOLDERS OR OTHER EQUITY OWNERS, AS THE CASE MAY BE, MAY DESIGNATE THE PARTICULAR INVESTMENT TO BE MADE, OR THE ALLOCATION THEREOF, UNLESS ALL SUCH PARTNERS, BENEFICIARIES, BENEFICIAL OWNERS, PARTICIPANTS, SHAREHOLDERS OR OTHER EQUITY OWNERS ARE QIBS WHO ARE ALSO QPS; (IX) IT, AND EACH ACCOUNT FOR WHICH IT IS PURCHASING, WILL HOLD AND TRANSFER AT LEAST THE MINIMUM DENOMINATION OF SECURITIES, (X) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN THIS NOTE FROM ONE OR MORE BOOK-ENTRY DEPOSITARIES, (XI) IF IT IS A SECTION 3(C)(1) OR SECTION 3(C)(7) INVESTMENT COMPANY, OR A SECTION 7(D) FOREIGN INVESTMENT COMPANY RELYING ON SECTION 3(C)(1) OR SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT WITH RESPECT TO ITS U.S. HOLDERS AND WAS FORMED ON OR BEFORE APRIL 30, 1996, IT HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS AS REQUIRED BY THE INVESTMENT COMPANY ACT, AND (XII) IT MUST BE ABLE TO AND WILL BE DEEMED TO REPRESENT THAT IT AGREES TO COMPLY WITH THE APPLICABLE TRANSFER RESTRICTIONS, AND WILL NOT TRANSFER THIS NOTE OR ANY BENEFICIAL INTERESTS HEREIN EXCEPT TO A PURCHASER WHO CAN MAKE THE SAME REPRESENTATIONS AND AGREEMENTS ON BEHALF OF ITSELF AND EACH ACCOUNT FOR WHICH IT IS PURCHASING OR TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 OF REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT, AND IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. AS A CONDITION TO THE REGISTRATION OF THE TRANSFER HEREOF, THE ISSUER OR THE TRANSFER AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT AND THE INVESTMENT COMPANY ACT.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ONLY ON THE CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN.

7. It understands that no representation can be made as to the availability of the exemption provided by Rule 144 for resales of the notes offered hereby.
8. It acknowledges that the Trustee and the transfer agent for the notes will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to the Issuer, the Trustee and the transfer agent that the restrictions set forth herein have been complied with.
9. Either: (i) no portion of the assets used by it to acquire or hold the notes (including any interest in a note) constitutes assets of any Plan, or (ii) the purchase and holding of the notes (including any interest in a note) by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Laws, and none of the Transaction Parties has acted or will act as its fiduciary in connection with its investment in the notes.
10. It acknowledges that the Issuer, the initial purchasers, the transfer agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by

its purchase of the notes are no longer accurate, it shall promptly notify the Issuer, the transfer agent and the initial purchasers. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Compliance Procedures for Purposes of Section 3(c)(7) of the Investment Company Act

The following procedures will be taken in respect of all notes that are Rule 144A Notes:

Reminder notices

At least annually, and each time the Issuer sends a periodic reports to holders of notes, the Issuer will send to all holders of the notes a reminder notice stating that: (i) each beneficial holder that is a U.S. person is required to be both a QIB and a QP that can make the representations and agreements set forth under the caption “Transfer Restrictions” herein, (ii) the notes can be transferred only to another U.S. person that is both a QIB and a QP that can make such representations and agreements or to a non-U.S. person in an offshore transaction in accordance with Regulation S and (iii) any such transfer not in accordance with such provisions is void ab initio and the Issuer has the right to force any beneficial holder who is in breach of any such representations and agreements to sell its notes. The Issuer will send the annual or periodic report, together with the reminder notice, to each subsequent purchaser with a request that such subsequent purchaser pass the notifications along to beneficial owners of notes; provided, that so long as the notes are in the form of Global Notes (as defined below), the Issuer may instead arrange for an “Important Notice” to be sent to participants identified by the book-entry system(s) in which the notes are deposited with a request that participants pass them along to beneficial owners.

DTC actions with respect to the notes

The Issuer will instruct DTC to take the following (or substantially similar) steps with respect to the notes:

1. to include a “3c7” marker that indicates that sales, resales, pledges, exchanges or other transfers of beneficial interests to U.S. persons are limited to QIBs that are also QPs in the DTC 20-character descriptor for the notes and the 48-character additional descriptor;
2. to cause each (i) physical order ticket that DTC delivers after settlement for the notes to have the 20-character descriptor printed on it and (ii) where the deliver order ticket is electronic, to have a “3c7” indicator and a related user manual for participants, which will contain a description of the relevant restrictions;
3. to send an “Important Notice” outlining the 3(c)(7) and other transfer restrictions with respect to the Global Notes to all DTC participants in connection with the initial offering, and up to one time per year, to re-issue the “Important Notice”;
4. to include in its “Reference Directory” that DTC makes available to its participants the name of the Issuer on the list of all issuers who have advised DTC that they are 3(c)(7) issuers, the CUSIP number of the Global Notes and a paragraph explaining the transfer restrictions for the Global Notes in more detail.

Upon request of the Issuer, DTC will provide to the Issuer a list of all DTC participants holding interests in the Global Notes.

Bloomberg screens, etc.

The Bloomberg screen containing information about any note will include appropriate legends regarding Rule 144A and Section 3(c)(7) restrictions. In the event that Telekurs, Reuters or any other information service provider becomes an important source of information in the secondary market for the notes, any screen of any such provider containing information about any notes will include substantially similar language.

CUSIP

The confirmations relating to trades of the notes sold in reliance on Rule 144A will contain a CUSIP number which has a fixed field attached thereto containing “Section 3(c)(7)” and “Rule 144A” indicators.

Legends

The Issuer will not remove the legends or portion thereof relating to Section 3(c)(7) of the Investment Company Act described under “Transfer Restrictions” from the notes sold in reliance on Rule 144A so long as the Issuer is relying on the exemption from registration under the Investment Company Act provided by Section 3(c)(7) thereof.

Forced Sale for Non-QIBs/QPs

The Issuer has the right under the Indenture to require any holder of a note (or beneficial interest therein) that is a U.S. person and is determined not to have been both (i) a QIB and (ii) a QP at the time of acquisition of such note (or such beneficial interest therein) or is otherwise determined to be in breach, at the time given, of any of the representations and agreements contained in this “Transfer Restrictions” to transfer such note (or such beneficial interest therein), within 30 days after notice of the sale requirement is given, to a transferee acceptable to the Issuer who is able to and who does make all of the representations and agreements set forth in this “Transfer Restrictions.” Pending such transfer, such holder will be deemed not to be the holder of such notes for any purpose, including but not limited to receipt of principal and interest payments on such notes, and such holder will be deemed to have no interest whatsoever in such notes except as otherwise required to sell its interest therein as described in this paragraph. See “Description of the Notes—Issuer Right to Require Sale.”

Regulation S Notes

Each purchaser of notes other than the Rule 144A Notes (“Regulation S Notes”) must be able to and will be deemed to have represented and agreed as follows:

1. It is a non-U.S. person who is acquiring such Regulation S Notes in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.
2. It understands that such Regulation S Notes are being offered only outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act and that the Regulation S Notes offered hereby have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons except as permitted by the legend set forth in paragraph (5) below.
3. It agrees that it will deliver to each person to whom it transfers the Regulation S Notes notice of any restrictions on transfer of such Regulation S Notes.
4. It understands that each Global Regulation S Note, and each Definitive Note issued in exchange for all or part of a Global Regulation S Note or interest therein, will bear a legend to the following effect, unless the Issuer determines otherwise in compliance with applicable law:

THE NOTES MAY BE PURCHASED AND TRANSFERRED ONLY IN MINIMUM PRINCIPAL AMOUNTS OF \$200,000 AND INTEGRAL MULTIPLES OF \$1,000 IN EXCESS THEREOF.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. THE ISSUER HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE DATE OF ISSUANCE OF THE NOTES.

5. It acknowledges that the Trustee and the transfer agent for the notes will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to the Issuer, the Trustee and the transfer agent that the restrictions set forth herein have been complied with.
6. Either: (i) no portion of the assets used by it to acquire or hold the notes (including any interest in a note) constitutes assets of any Plan, or (ii) the purchase and holding of the notes (including any interest in a note) by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Laws, and none of the Transaction Parties has acted or will act as its fiduciary in connection with its investment in the notes.

7. It acknowledges that the Issuer, the initial purchasers, the transfer agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the notes are no longer accurate, it shall promptly notify the Issuer, the transfer agent and the initial purchasers. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions set forth in a purchase agreement, dated July 20, 2022, or the purchase agreement, between us and the initial purchasers named below, the initial purchasers have severally, and not jointly, agreed to purchase, and we have agreed to sell to the initial purchasers, the respective principal amount of the notes listed opposite their names below.

<u>Initial purchasers</u>	<u>Principal amount of 2024 notes</u>	<u>Principal amount of 2025 notes</u>	<u>Principal amount of 2027 notes</u>
Morgan Stanley & Co. LLC	\$175,000,000	\$175,000,000	\$175,000,000
J.P. Morgan Securities LLC	150,000,000	150,000,000	150,000,000
Nomura Securities International, Inc.	50,000,000	50,000,000	50,000,000
BofA Securities, Inc.	25,000,000	25,000,000	25,000,000
Goldman Sachs & Co. LLC	25,000,000	25,000,000	25,000,000
BNP Paribas Securities Corp.	25,000,000	25,000,000	25,000,000
Mizuho Securities USA LLC	25,000,000	25,000,000	25,000,000
Daiwa Capital Markets America Inc.	25,000,000	25,000,000	25,000,000
Total	<u>\$500,000,000</u>	<u>\$500,000,000</u>	<u>\$500,000,000</u>

The initial purchasers have advised us that they propose initially to offer each series of the notes at the issue prices listed on the cover page of this offering circular. After the initial offering, the issue prices, concessions or any other term of the offering may be changed. The initial purchasers have agreed to purchase each series of the notes from us at a purchase price that reflects a discount from the issue price, and the initial purchasers will retain the difference between such purchase price and issue price as compensation.

The initial purchasers are entitled to be released and discharged from their obligations under, and to terminate, the purchase agreement in certain circumstances prior to paying us for the notes. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased. The initial purchasers are offering the notes subject to their acceptance of the notes from us and subject to prior sale. The purchase agreement provides that the obligations of the several initial purchasers to pay for and accept delivery of the notes are subject to approval of certain legal matters by their counsel and to certain other conditions.

The purchase agreement provides that we will indemnify the initial purchasers and their affiliates against specified liabilities, including liabilities under the Securities Act, in connection with the offer and sale of the notes, and will contribute to payments the initial purchasers and their affiliates may be required to make in respect of those liabilities.

The notes are being offered by the initial purchasers or affiliates of certain of the initial purchasers outside the United States in offshore transactions to persons other than U.S. persons in reliance on Regulation S and by the initial purchasers or affiliates of certain of the initial purchasers inside the United States to persons reasonably believed to be both (1) QIBs as defined in Rule 144A and (2) QPs as defined in Section 2(a)(51)(A) under the Investment Company Act and the rules and regulations promulgated thereunder.

No Sale of Similar Securities

The Issuer has agreed that, during a period from the date hereof and through and including the date that is one day after the closing date of this offering, it will not, without the prior written consent of the initial purchasers, offer, sell, contract to sell or otherwise dispose of any U.S. dollar-denominated senior debt securities issued or guaranteed by the Issuer and having a maturity greater than one year.

Short Positions

In connection with this offering, the initial purchasers may purchase and sell the notes in the open market, subject to applicable laws and regulations. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sales of notes in excess of the principal amount of notes to be purchased by the initial purchasers in this offering, which creates a short position for the initial purchasers. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the notes

while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

The initial purchasers make no representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, the initial purchasers have no obligation to engage in these transactions, and these transactions, once commenced, may be discontinued at any time.

New Issue of the Notes

The notes are a new issue of securities with no established trading market. In addition, the notes are subject to certain restrictions on resale and transfer as described under “Certain ERISA Considerations” and “Transfer Restrictions.” Approval in-principle has been received for the listing and quotation of the notes on the SGX-ST. The notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies) for so long as the notes are listed on the SGX-ST. The initial purchasers have advised us that they presently intend to make a market in the notes after completion of this offering. Such market-making activity will be subject to the limits imposed by applicable laws. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. A liquid or active public trading market for any of the notes may not develop. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If such notes are traded, they may trade at a discount from the initial issue price, depending on the market for similar securities, our performance and other factors. See “Risk Factors—Risks Related to the Notes—There is no prior market for the notes, and the notes may have limited liquidity.”

Settlement

We expect that delivery of the notes will be made to investors on or about July 27, 2022, which will be the 5th New York business day following the date of this offering circular (such settlement being referred to as “T+5”). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

Selling Restrictions

General

No action has been or will be taken by us that would permit a public offering of the notes, or possession or distribution of this offering circular, any amendment or supplement thereto, or any other offering or publicity material relating to the notes in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the notes may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering or publicity material relating to the notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

The notes have not been, and will not be, registered under the Securities Act or any state securities laws, in reliance on the exemption from registration requirements provided by Rule 144A, and the Issuer has not been registered, and will not register, as an investment company under the Investment Company Act, in reliance on the exemption from registration provided by Section 3(c)(7) of the Investment Company Act. Accordingly, the notes may not be offered or sold within the United States (as defined in Regulation S) or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except to persons reasonably believed to be both QIBs (as defined in Rule 144A) and QPs (as defined in Section 2(a)(51)(A) under the Investment Company Act and the rules and regulations promulgated thereunder). The initial purchasers or U.S. affiliates of the initial purchasers

may arrange for the sale of a portion of the notes in the United States exclusively to persons reasonably believed by them to be both QIBs and QPs in reliance on the exemption from registration provided by Rule 144A under the Securities Act and the exemption from registration provided by Section 3(c)(7) of the Investment Company Act, and each purchaser of the notes that is a U.S. person is hereby notified that the offer and sale of the notes to it is being made in reliance upon such exemptions. The offering of the notes to persons other than U.S. persons will be made outside the United States in offshore transactions in compliance with Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of the notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer is made otherwise than pursuant to Rule 144A under the Securities Act or another exemption from registration under the Securities Act.

Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under “Transfer Restrictions.”

CERTAIN VOLCKER RULE CONSIDERATIONS—The Issuer has not been and will not be registered as an “investment company” under the Investment Company Act, in reliance on the exception provided by Section 3(c)(7) thereof. Consequently, the Issuer will likely be a “covered fund” for purposes of the “Volcker Rule”. See “Risk Factors—Risks Relating to the Notes—The Volcker Rule treatment of the notes may change or affect the ability of banking entities to purchase or retain the notes.”

Canada

The notes may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and that are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts, or NI 33-105, the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Japan

The notes have not been and will not be registered under the FIEA, and are subject to the Special Taxation Measures Act. Each of the initial purchasers has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any of the notes in Japan or to, or for the benefit of, any resident of Japan (which term as used in this item (i) means any person that is a resident of Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan; and (ii) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any notes as part of its distribution pursuant to the purchase agreement at any time, to, or for the benefit of, any person other than a beneficial owner that is (a) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of NTT Finance, (b) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order or (c) an individual resident of Japan or a Japanese corporation whose receipt of interest on the notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph (2) of the Cabinet Order.

Member States of the European Economic Area

This offering circular has been prepared on the basis that all offers of the notes in any member state (the “Member States” and each, a “Member State”) of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce or publish a prospectus. Accordingly, any person making or intending to make any offer within a Member State of the notes may only do so in circumstances in which no obligation arises for the Issuer or any initial purchaser to produce or publish a prospectus pursuant to Article 3 of the Prospectus Regulation in relation to such offer. Neither the Issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of the notes in circumstances in which an obligation arises for the Issuer or any initial purchaser to publish a prospectus for such offer. The Issuer does not consent to the use of this offering circular in any other circumstances. The Issuer has not authorized and does not authorize the making of any offer of the notes through any financial intermediary, other than offers made by the initial purchasers resulting in sales constituting the final placement of the notes contemplated in this offering circular.

The notes may not be offered, sold or otherwise made available and will not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by the PRIIPs Regulation, for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United Kingdom

This offering circular has been prepared on the basis that all offers of the notes in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to produce or publish a prospectus. Accordingly, any person making or intending to make any offer in the UK of the notes may only do so in circumstances in which no obligation arises for the Issuer or any initial purchaser to produce or publish a prospectus pursuant to Article 3 of the UK Prospectus Regulation in relation to such offer. Neither the Issuer nor the initial purchaser have authorized, nor do they authorize, the making of any offer of the notes in circumstances in which an obligation arises for the Issuer or any initial purchaser to publish a prospectus for such offer.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Consequently, no key information document required by the UK PRIIPs Regulation for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to us, and all applicable provisions of the FSMA have been complied with and will be complied with in respect to anything done in relation to the notes in, from or otherwise involving the UK.

Hong Kong

The contents of this offering circular have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this offering circular, you should obtain independent professional advice.

The notes have not been, and will not be, offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”), and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

No advertisement, invitation or document relating to the notes has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Notice to Prospective Investors in Singapore

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

1. to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
2. where no consideration is or will be given for the transfer;
3. where the transfer is by operation of law;
4. as specified in Section 276(7) of the SFA; or
5. as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Switzerland

This document is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this document nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, nor the Issuer nor the notes have been or will be filed with or approved by any Swiss regulatory authority. The notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA, and investors in the notes will not benefit from protection or supervision by such authority.

Stamp Taxes and Other Charges

Purchasers of the notes offered by this offering circular may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase and in addition to the issue price on the cover page of this offering circular.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking and commercial banking services for us or our subsidiaries and affiliates, for which they received or will receive customary fees and expenses.

In particular, MUFG Bank, Ltd. and Mizuho Bank, Ltd. are some of NTT Group's principal bank lenders. Morgan Stanley & Co. LLC, one of the joint lead managers and bookrunners for the offering, is a subsidiary of Morgan Stanley. Mitsubishi UFJ Financial Group, Inc. or MUFG, holds approximately 21.8% of the common shares in Morgan Stanley. MUFG Bank, Ltd. is a subsidiary of MUFG. Mizuho Bank, Ltd. is an affiliate of Mizuho Securities USA LLC, one of the joint lead managers and bookrunners for the offering. We may also engage in a currency hedging transaction and/or an interest rate hedging transaction directly or indirectly with one or more of the initial purchasers in connection with the issue and offering of the notes.

In addition, in the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), financial instruments (including bank loans), currencies and commodities for their own account (including purchasing the notes for their own account) and for the accounts of their customers, and such investment and securities activities may involve securities, instruments or assets of ours or related to our business. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their respective affiliates may also make investment recommendations and may publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

LEGAL MATTERS

The validity of the notes and certain legal matters will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP and for the initial purchasers by Davis Polk & Wardwell LLP. Certain Japanese legal matters will be passed upon by Mori Hamada & Matsumoto, our Japanese counsel.

INDEPENDENT AUDITORS

The consolidated financial statements of NTT FINANCE CORPORATION and consolidated subsidiaries as of March 31, 2022 and 2021 and the years then ended and the consolidated financial statements of NTT FINANCE CORPORATION and consolidated subsidiaries as of March 31, 2021 and 2020 and the years then ended, included in this offering circular, have been audited by KPMG AZSA LLC, independent auditors, as stated in their reports appearing herein.

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Independent Auditor's Report

To the Board of Directors of NTT FINANCE CORPORATION:

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, 2022 and 2021, 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, 2022 and 2021, 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Appropriateness of the historical rate of credit losses for general receivables	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of NTT FINANCE CORPORATION (“the Company”) and its consolidated subsidiaries as of March 31, 2022, billing receivables of ¥85,644 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, u. Significant accounting estimates” to the consolidated financial statements, allowance for doubtful receivables related to billing receivables of ¥14,915 million was provided mostly for general receivables.</p> <p>The Company recognizes allowance for doubtful receivables for general receivables based on the historical rate of credit losses to cover probable losses on collection.</p> <p>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.</p> <p>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.</p>	<p>The primary procedures we performed to assess the appropriateness of the historical rate of credit losses for general receivables included the following:</p> <p>(1) Internal control testing</p> <p>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.</p> <p>(2) Assessment of the appropriateness of the historical rate of credit losses for general receivables</p> <p>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.</p>

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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 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.

/S/ Atsunori Sadahiro
Designated Engagement Partner
Certified Public Accountant

/S/ Koichi Hamaguchi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 16, 2022

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

NTT FINANCE CORPORATION and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2022 and 2021

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
CURRENT ASSETS:			
Cash and cash equivalents	¥ 364,567	¥ 408,851	\$ 2,978,737
Trade accounts receivable:			
Loans (Notes 11 and 17)	8,107,979	7,369,961	66,247,072
Other loans	929	965	7,591
Credit cards	58,990	61,096	481,989
Billing (Notes 14 and 17)	85,644	85,682	699,768
Allowance for doubtful receivables	(15,748)	(15,811)	(128,672)
Investments in venture businesses (Notes 3 and 11)	6,245	4,901	51,033
Other (Note 14)	45,759	40,143	373,882
Total current assets	<u>8,654,368</u>	<u>7,955,791</u>	<u>70,711,404</u>
PROPERTY AND EQUIPMENT, NET (Note 4):	<u>6,205</u>	<u>5,346</u>	<u>50,701</u>
INTANGIBLE ASSETS—Assets held for own use	<u>10,536</u>	<u>5,443</u>	<u>86,089</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 5 and 11)	19,037	15,956	155,547
Defined benefit asset (Note 7)	1,837	1,453	15,011
Deferred tax assets (Note 9)	10,939	10,888	89,379
Other (Notes 5 and 11)	6,598	6,173	53,912
Allowance for doubtful receivables	(406)	(447)	(3,319)
Total investments and other assets	<u>38,005</u>	<u>34,024</u>	<u>310,531</u>
DEFERRED ASSETS			
Deferred charges	<u>7,177</u>	<u>7,066</u>	<u>58,642</u>
Total deferred assets	<u>7,177</u>	<u>7,066</u>	<u>58,642</u>
TOTAL ASSETS	<u>¥ 8,716,293</u>	<u>¥ 8,007,672</u>	<u>\$ 71,217,369</u>

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 299,688	¥ 2,006,041	\$ 2,448,632
Current portion of long-term borrowings (Notes 6 and 11)	144,043	22,099	1,176,925
Current portion of bonds (Notes 6 and 11)	179,188	108,508	1,464,080
Commercial papers (Note 6)	404,726	536,495	3,306,855
Lease obligations (Notes 6 and 11)	1	4	9
Accounts payable - other (Note 17)	412,714	415,480	3,372,122
Accrued income taxes	205	1,023	1,676
Deposits received (Note 17)	2,316,897	1,332,072	18,930,448
Deposits received from shareholders, directors or employees (Note 17)	85	91	699
Asset retirement obligations	137	63	1,120
Other	12,048	6,742	98,446
Total current liabilities	3,769,736	4,428,623	30,801,018
LONG-TERM LIABILITIES:			
Bonds (Notes 6 and 11)	2,816,633	2,351,736	23,013,592
Long-term borrowings (Notes 6 and 11)	2,025,584	1,126,029	16,550,243
Lease obligations (Notes 6 and 11)	3	6	25
Provision for loss on system use agreements	2,380	541	19,446
Defined benefit liability (Note 7)	21,819	23,127	178,279
Asset retirement obligations	1,333	1,444	10,896
Deferred tax liabilities (Note 9)	0	-	7
Other	995	405	8,136
Total long-term liabilities	4,868,750	3,503,290	39,780,627
Total liabilities	8,638,487	7,931,914	70,581,645
NET ASSETS:			
Shareholders' equity (Notes 8 and 18):			
Common stock—authorized, 80,000 shares; issued, 51,960 shares in 2022 and 2021	16,770	16,770	137,028
Capital surplus	15,950	15,950	130,325
Retained earnings	39,877	41,239	325,825
Treasury stock; 595 shares in 2022 and 2021	(1,126)	(1,126)	(9,208)
Total shareholders' equity	71,472	72,833	583,971
Accumulated other comprehensive income/(loss):			
Unrealized gain/(loss) on available-for-sale securities	2,762	2,458	22,569
Foreign currency translation adjustments	989	12	8,083
Remeasurements of defined benefit plans	2,582	453	21,099
Total accumulated other comprehensive income/(loss)	6,334	2,924	51,752
Total net assets	77,806	75,758	635,724
TOTAL LIABILITIES AND NET ASSETS	¥ 8,716,293	¥ 8,007,672	\$ 71,217,369

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
REVENUE (Notes 14 and 16):	¥ 189,882	¥ 250,619	\$ 1,551,452
COST OF SALES	96,702	146,123	790,121
Gross profit/(loss)	93,179	104,495	761,331
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	87,297	90,670	713,271
Operating income/(loss) (Note 16)	5,881	13,825	48,059
OTHER INCOME:			
Interest income	0	0	0
Dividend income	24	54	196
Earnings on equity method investments	3,705	-	30,273
Gain on bad debts recovered	566	640	4,627
Foreign exchange gain	1,373	-	11,223
Other	140	82	1,144
Total other income	5,809	777	47,465
OTHER EXPENSES:			
Interest expense	50	229	410
Foreign exchange loss	-	83	-
Loss on equity method investments	-	645	-
Loss on retirement of assets held for own use	155	151	1,271
Other	4	125	36
Total other expenses	210	1,236	1,717
EXTRAORDINARY INCOME:			
Gain on sales of shares of subsidiaries	-	614	-
Total extraordinary income	-	614	-
EXTRAORDINARY LOSSES:			
Restructuring expenses	166	348	1,358
Provision reserve for loss on system use agreements	2,118	-	17,305
Total extraordinary losses	2,284	348	18,663
PROFIT/(LOSS) BEFORE INCOME TAXES	9,196	13,631	75,144
INCOME TAXES (Note 9):			
Current	3,639	3,464	29,739
Deferred	(1,130)	1,013	(9,233)
Total income taxes	¥ 2,509	¥ 4,477	\$ 20,506

(Continued)

NTT FINANCE CORPORATION and Consolidated Subsidiaries

**Consolidated Statements of Income
Years Ended March 31, 2022 and 2021**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
PROFIT/(LOSS)	¥ 6,687	¥ 9,153	\$ 54,637
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-	7	-
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 6,687	¥ 9,146	\$ 54,637
	Yen		U.S. Dollars (Note 1)
	2022	2021	2022
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	
Basic earnings per share	¥ 130,188.48	¥ 178,067.98	\$ 1,063.72
Cash dividends applicable to the year (Note 18)	54,798.00	156,698.00	447.73

See notes to consolidated financial statements.

(Concluded)

NTT FINANCE CORPORATION and Consolidated Subsidiaries

**Consolidated Statements of Comprehensive Income
Years Ended March 31, 2022 and 2021**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
PROFIT/(LOSS)	¥ 6,687	¥ 9,153	\$ 54,637
OTHER COMPREHENSIVE INCOME/(LOSS) (Note 15):			
Unrealized gain/(loss) on available-for-sale securities	349	678	2,856
Foreign currency translation adjustments	608	71	4,970
Remeasurements of defined benefit plans	2,124	1,022	17,362
Share of other comprehensive income (loss) of affiliates accounted for using equity method	326	167	2,664
Total other comprehensive income/(loss)	3,409	1,939	27,854
COMPREHENSIVE INCOME/(LOSS)	¥ 10,096	¥ 11,093	\$ 82,491
Comprehensive income/(loss) attributable to:			
Owners of parent	¥ 10,096	¥ 11,086	\$ 82,491
Non-controlling interests	-	7	-

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity Years Ended March 31, 2022 and 2021

	Millions of Yen											
	Shareholders' Equity					Accumulated Other Comprehensive Income/(Loss)						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gain/(Loss) on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income/(Loss)	Non- controlling Interests	Total Net Assets
BALANCE, April 1, 2020	51,365	¥ 16,770	¥ 15,950	¥ 92,949	¥ (1,126)	¥ 124,543	¥ 1,988	¥ (65)	¥ (571)	¥ 1,352	¥ 183	¥ 126,079
Cash dividends, ¥248,031.00 per share				(58,949)		(58,949)						(58,949)
Change in equity in entities accounted for using equity method				(1,906)		(1,906)						(1,906)
Profit attributable to owners of parent				9,146		9,146						9,146
Net changes of items other than shareholders' equity							469	77	1,025	1,572	(183)	1,389
BALANCE, March 31, 2021	51,365	¥ 16,770	¥ 15,950	¥ 41,239	¥ (1,126)	¥ 72,833	¥ 2,458	¥ 12	¥ 453	¥ 2,924	¥ -	¥ 75,758
Cash dividends, ¥156,698.00 per share				(8,048)		(8,048)						(8,048)
Profit attributable to owners of parent				6,687		6,687						6,687
Net changes of items other than shareholders' equity							303	977	2,128	3,409		3,409
BALANCE, March 31, 2022	51,365	¥ 16,770	¥ 15,950	¥ 39,877	¥ (1,126)	¥ 71,472	¥ 2,762	¥ 989	¥ 2,582	¥ 6,334	¥ -	¥ 77,806

Thousands of U.S. Dollars (Note 1)

	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	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income/(Loss)	Non- controlling Interests	Total Net Assets
BALANCE, April 1, 2021	\$ 137,028	\$ 130,325	\$ 336,951	\$ (9,208)	\$ 595,097	\$ 20,089	\$ 100	\$ 3,708	\$ 23,898	\$ -	\$ 618,995
Cash dividends, \$1,280.32 per share			(65,763)		(65,763)						(65,763)
Profit attributable to owners of parent			54,637		54,637						54,637
Net changes of items other than shareholders' equity						2,480	7,983	17,390	27,854		27,854
BALANCE, March 31, 2022	\$ 137,028	\$ 130,325	\$ 325,825	\$ (9,208)	\$ 583,971	\$ 22,569	\$ 8,083	\$ 21,099	\$ 51,752	\$ -	\$ 635,724

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
OPERATING ACTIVITIES:			
Profit before income taxes	¥ 9,196	¥ 13,631	\$ 75,144
Adjustments to reconcile profit before income taxes to net cash provided by/(used in) operating activities:			
Depreciation of leased assets and assets held for own use	5,776	3,175	47,193
(Gain)/loss on retirement of leased assets and assets held for own use	149	139	1,221
(Increase)/decrease in defined benefit asset	(158)	(106)	(1,292)
Increase/(decrease) in defined benefit liability	1,530	(225)	12,505
Increase/(decrease) in allowance for doubtful receivables	(103)	(5,806)	(848)
Increase/(decrease) in provision for loss on system use agreements	1,839	(31)	15,025
Interest and dividend income	(24)	(54)	(196)
Financing costs and interest expense	17,235	12,611	140,823
Foreign exchange (gain)/loss	41,415	16,569	338,393
Equity in (earnings)/losses of affiliates	(3,705)	645	(30,273)
(Gain)/loss on sales of investment securities	(121)	(34)	(992)
(Gain)/loss on sales of shares of affiliates	0	(611)	0
Bond issuance costs	1,486	258	12,146
(Increase)/decrease in trade accounts receivable - installment sales	-	(52)	-
(Increase)/decrease in lease receivables and investments in leases	(2,744)	312	(22,421)
(Increase)/decrease in trade accounts receivable - loans	(712,950)	(4,195,164)	(5,825,236)
(Increase)/decrease in trade accounts receivable - other loans	36	(1,203)	297
(Increase)/decrease in trade accounts receivable - rents	-	820	-
(Increase)/decrease in trade accounts receivable - credit cards	2,105	1,056	17,203
(Increase)/decrease in trade accounts receivable - billing	37	(253)	309
(Increase)/decrease in investments in venture businesses	(963)	163	(7,873)
(Increase)/decrease in other securities to earn financial income for operating purpose	-	2,770	-
Purchases of leased assets	-	(6,655)	-
Increase/(decrease) in trade notes and accounts payable	(45)	(7,498)	(375)
Increase/(decrease) in accounts payable - other	(6,363)	(6,396)	(51,991)
Increase/(decrease) in deposits received - billing	(10,785)	(7,155)	(88,120)
Other—net	(18,577)	2,294	(151,789)
Subtotal	(675,733)	(4,176,799)	(5,521,148)
Interest and dividend income received	554	258	4,531
Interest expense paid	(13,063)	(10,721)	(106,738)
Income taxes refund/(paid)	(4,649)	(5,223)	(37,987)
Net cash provided by/(used in) operating activities	¥ (692,891)	¥ (4,192,485)	\$ (5,661,342)

(Continued)

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Net cash provided by/(used in) operating activities	¥ (692,891)	¥ (4,192,485)	\$ (5,661,342)
INVESTING ACTIVITIES:			
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	57,126	-
Proceeds from sale and redemption of investment securities	257	126	2,100
Payments for purchases of investments in affiliates	-	(550)	-
Proceeds from sales of shares of affiliates	0	9	1
Payments for purchases of assets held for own use	(5,021)	(3,516)	(41,029)
Proceeds from sale of assets held for own use	-	5	-
Other—net	(367)	(209)	(3,005)
Net cash provided by/(used in) investing activities	(5,132)	52,991	(41,933)
FINANCING ACTIVITIES:			
Increase/(decrease) in short-term bank loans	(1,722,773)	1,318,682	(14,076,093)
Increase/(decrease) in commercial papers	(133,357)	(126,453)	(1,089,609)
Increase in long-term borrowings	1,013,511	491,505	8,280,996
Repayments of long-term borrowings	(23,446)	(32,231)	(191,573)
Proceeds from issuance of bonds	640,390	2,190,333	5,232,379
Redemption of bonds	(108,467)	(71,087)	(886,244)
Cash dividends paid	(8,048)	(12,740)	(65,763)
Increase/(decrease) in deposits received	995,756	338,498	8,135,928
Other—net	(0)	(16)	(0)
Net cash provided by/(used in) financing activities	653,565	4,096,492	5,340,019
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	38	(815)	314
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(44,420)	(43,817)	(362,942)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	408,851	452,674	3,340,560
INCREASE IN CASH AND CASH EQUIVALENTS FROM ABSORPTION TYPE COMPANY SPLIT	136	-	1,119
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM DECONSOLIDATION OF SUBSIDIARIES	-	(5)	-
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 364,567	¥ 408,851	\$ 2,978,737

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Years Ended March 31, 2022 and 2021

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 ¥122.39 to \$1.00, the approximate rate of exchange at March 31, 2022, 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, 2022 include the accounts of the Company and its 8 significant subsidiaries, such as NTTL Holdings, Inc. (together, the “Group”). NTT Finance Israel L.P. was included in the scope of consolidation from the year ended March 31, 2022 due to new investments.

Investments in 4 affiliates are accounted for by the equity method.

Investment in 7 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.

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 15 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 5 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—All financial statement accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity which is translated at the historical rate. 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. **Application of tax effect accounting for transition from the consolidated taxation system to the group tax sharing system**

The Company and some of its domestic consolidated subsidiaries will transition from the consolidated taxation system to the group tax sharing system from the fiscal year ending March 31, 2023. Having regard to paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020), however, the Company and its domestic consolidated subsidiaries do not follow paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) but apply provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system.

“Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021), which sets out accounting and disclosure of corporation and local taxes and tax effect accounting under the group tax sharing system, will be applied from the beginning of the fiscal year ending March 31, 2023.

- u. **Significant Accounting Estimates**

Accounting estimates recognized in the consolidated financial statements for the year ended March 31, 2022 could have a significant impact on the consolidated financial statements for the year ending March 31, 2023. 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) Amount recognized in the year ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Allowance for doubtful billing receivables	¥ 14,915	¥ 14,825	\$ 121,867

(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, 2023 in case the actual defaults on billing receivables will differ from the estimates.

v. **Changes in Accounting Policies**

Revenue Recognition

From the beginning of the year ended March 31, 2022, the Group adopted "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other related guidance. The Group recognizes revenue at the time of the transfer of promised goods or services to customers in an amount to which the Group expects to be entitled in exchange for those goods or services. The transitional treatment as stipulated in Paragraph 84 of the Accounting Standard for Revenue Recognition is applied. There is no effect of adopting these standard and guidance on the consolidated financial statements.

Fair Value Measurement

From the beginning of the year ended March 31, 2022, the Group adopted "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and other related standard and guidance. The new accounting policies as stipulated in these standards and guidance are applied prospectively in accordance with the transitional treatment as stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, issued on July 4, 2019). There is no effect of adopting these standards and guidance on financial statements. Fair value of financial instruments and breakdown by level of fair values is disclosed in Note 11 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES.

3. SECURITIES, INVESTMENT SECURITIES AND INVESTMENTS IN VENTURE BUSINESSES

Acquisition cost and fair value of available-for-sale securities as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		
	2022		
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 4,005	¥ 353	¥ 3,651
Sub-total	4,005	353	3,651
Securities with fair values not exceeding acquisition costs or amortized costs:			
Debt securities	10,000	10,000	-
Sub-total	10,000	10,000	-
Total	¥ 14,005	¥ 10,353	¥ 3,651

Thousands of U.S. Dollars			
2022			
Fair Value	Acquisition Cost/ Amortized Cost	Difference	
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	\$ 32,726	\$ 2,889	\$ 29,837
Sub-total	32,726	2,889	29,837
Securities with fair values not exceeding acquisition costs or amortized costs:			
Debt securities	81,706	81,706	-
Sub-total	81,706	81,706	-
Total	\$ 114,432	\$ 84,595	\$ 29,837

Millions of Yen			
2021			
Fair Value	Acquisition Cost/ Amortized Cost	Difference	
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 3,720	¥ 309	¥ 3,410
Sub-total	3,720	309	3,410
Securities with fair values not exceeding acquisition costs or amortized costs:			
Debt securities	10,000	10,000	-
Sub-total	10,000	10,000	-
Total	¥ 13,720	¥ 10,309	¥ 3,410

As of March 31, 2022 and 2021, unlisted equity securities of ¥1,321 million (\$10,800 thousand) and ¥1,228 million and investments in partnerships of ¥1,926 million (\$15,742 thousand) and ¥968 million are excluded from the above table because they do not have readily determinable market values.

Securities sold during the years ended March 31, 2022 and 2021 are as follows:

Millions of Yen			
2022			
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	¥ 257	¥ 121	¥ 0

Thousands of U.S. Dollars			
2022			
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	\$ 2,102	\$ 993	\$ 0

Millions of Yen			
2021			
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	¥ 3,136	¥ 2,682	¥ 30

If the fair value of a security 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, 2022 and 2021 were ¥298 million (\$2,442 thousand) and ¥5 million, respectively.

4. PROPERTY AND EQUIPMENT, NET

Accumulated depreciation of leased assets and assets held for own use as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Assets held for own use	¥ 6,050	¥ 3,999	\$ 49,437

5. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in non-consolidated subsidiaries and affiliates as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Investment securities	¥ 18,029	¥ 14,941	\$ 147,311
Other under investments and other assets	2,728	2,315	22,293

Investment securities include investments in jointly controlled entities in the amount of ¥13,549 million (\$110,704 thousand) and ¥12,674 million for the years ended March 31, 2022 and 2021, 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, 2022 and 2021 consisted of the following:

	Interest Rate (%) (Notes a, b, c and d)	Millions of Yen		Thousands of U.S. Dollars
		2022	2021	2022
Short-term debt:				
Short-term bank loans	0.528	¥ 299,688	¥ 2,006,041	\$ 2,448,632
Commercial papers	0.010	404,726	536,495	3,306,855
Short-term borrowings		704,414	2,542,537	5,755,488
Lease obligations, current portion	-	1	4	9
Deposits received from NTT Group companies, including current portion of long-term deposits received from NTT Group companies	0.009	2,158,174	1,162,418	17,633,582
Long-term debt:				
Long-term borrowings	0.401	2,169,628	1,148,128	17,727,169
Unsecured bonds	0.001 – 2.065	2,748,925	2,329,645	22,460,372
Bonds issued under Euro Medium Term Note Program	0.082 – 1.302	246,897	130,599	2,017,300
Sub-total		5,165,450	3,608,373	42,204,842
Less current portion	0.476	323,232	130,607	2,641,006
Long-term debt		4,842,217	3,477,765	39,563,836
Lease obligations, excluding current portion	-	3	6	25

- 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, 2022.
 - 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, 2022 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, 2022				
Long-term borrowings	¥ 56,413	¥ 316,865	¥ 366,869	¥ 261,545
Bonds payable	328,529	263,347	383,193	488,300
Lease obligations	1	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, 2022				
Long-term borrowings	\$ 460,933	\$2,588,980	\$2,997,546	\$2,136,984
Bonds payable	2,684,286	2,151,711	3,130,921	3,989,705
Lease obligations	9	9	6	-

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
	2022	2021	2022
Retirement benefit obligations at beginning of year	¥ 44,739	¥ 44,908	\$ 365,547
Current service costs	1,316	1,366	10,753
Interest costs	259	259	2,120
Actuarial gains and losses arising during year	(3,218)	1,132	(26,293)
Retirement benefits paid	(1,863)	(1,957)	(15,223)
Succession due to transfer	2,690	(969)	21,981
Retirement benefit obligations at end of year	¥ 43,924	¥ 44,739	\$ 358,886

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Plan assets at beginning of year	¥ 23,065	¥ 21,195	\$ 188,457
Expected return on plan assets	401	354	3,276
Actuarial gains and losses arising during year	(153)	2,409	(1,250)
Contribution from employer	281	389	2,303
Retirement benefits paid	(704)	(613)	(5,752)
Succession due to transfer	1,063	(659)	8,686
Other	(12)	(11)	(102)
Plan assets at end of year	¥ 23,941	¥ 23,065	\$ 195,618

(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
	2022	2021	2022
Retirement benefit obligations of funded plans	¥ 28,883	¥ 29,824	\$ 235,999
Plan assets	(23,941)	(23,065)	(195,618)
	4,942	6,758	40,381
Retirement benefit obligations of unfunded plans	15,040	14,915	122,887
Net balance of liability and asset recorded on the consolidated balance sheet	19,982	21,674	163,268
Defined benefit liability	21,819	23,127	178,279
Defined benefit asset	(1,837)	(1,453)	(15,011)
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 19,982	¥ 21,674	\$ 163,268

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Current service costs	¥ 1,316	¥ 1,366	\$ 10,753
Interest costs	259	259	2,120
Expected return on plan assets	(401)	(354)	(3,276)
Amortization of actuarial gains and losses	63	257	516
Amortization of past service costs	(64)	(64)	(524)
Retirement benefit costs on defined benefit plans	¥ 1,173	¥ 1,464	\$ 9,589

(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
	2022	2021	2022
Past service costs	¥ (64)	¥ (64)	\$ (524)
Actuarial gains and losses	3,128	1,535	25,559
Total	¥ 3,064	¥ 1,471	\$ 25,034

(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
	2022	2021	2022
Unrecognized past service costs	¥ 163	¥ 227	\$ 1,337
Unrecognized actuarial gains and losses	3,549	421	29,003
Total	¥ 3,713	¥ 649	\$ 30,340

(g) *Breakdown of plan assets*

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

	2022	2021
Cash and cash equivalents	4.99%	6.67%
Debt securities	39.51	37.37
Equity securities	13.17	16.87
Beneficiary certificates of securities investment trust	16.84	16.47
Jointly managed money trust	7.85	6.55
General account of life insurance	14.24	13.88
Other	3.41	2.19
Total	<u>100.00%</u>	<u>100.00%</u>

(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*

	2022	2021
Actuarial assumptions at end of year:		
Discount rate	0.5 - 0.9%	0.1 - 0.6%
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 ¥178 million (\$1,454 thousand) and ¥185 million, for the years ended March 31, 2022 and 2021, 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, 2022 and 2021:

(1) Dividends paid in cash

Year Ended March 31, 2022							
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 18, 2021	Common stock	¥ 8,048	\$ 65,763	¥156,698.00	\$ 1,280.32	March 31, 2021	June 21, 2021

Year Ended March 31, 2021							
Resolution	Class of Shares	Total Dividends (Millions of Yen)		Dividends per Share (Yen)		Record Date	Effective Date
Annual shareholders' meeting held on June 19, 2020	Common stock	¥ 12,740		¥248,031.00		March 31, 2020	June 22, 2020

(2) Dividends paid other than in cash

Year Ended March 31, 2021							
Resolution	Class of Shares	Class of Dividend Property	Carrying Amount of Dividend Property (Millions of Yen)	Dividends per Share (Yen)		Record Date	Effective Date
Extraordinary shareholders' meeting held on October 9, 2020	Common stock	Shares in affiliates	¥ 46,209	¥ -		October 9, 2020	October 16, 2020

No dividends other than in cash were paid during the year ended March 31, 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, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Accrued enterprise taxes	¥ 43	¥ 223	\$ 351
Accrued bonuses	435	429	3,562
Accounts payable - other	421	247	3,443
Allowance for doubtful receivables	3,758	3,023	30,708
Accrued retirement benefits	6,682	7,056	54,598
Loss on valuation of investment securities	1,267	1,195	10,355
Provision for loss on system use agreements	728	165	5,955
Others	438	1,141	3,586
Sub-total	13,776	13,483	112,562
Valuation allowance	(885)	(873)	(7,238)
Total deferred tax assets	12,890	12,609	105,323
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(1,164)	(1,023)	(9,518)
Others	(787)	(697)	(6,432)
Total deferred tax liabilities	(1,952)	(1,721)	(15,951)
Net deferred tax assets	¥ 10,938	¥ 10,888	\$ 89,372

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, 2022 and 2021 is as follows:

	2022	2021
Statutory tax rate	30.6%	30.5%
Entertainment expenses permanently not deductible for income tax purposes	0.0	0.0
Tax on undistributed profits for a family corporation	0.8	1.0
Per capita inhabitant tax	0.8	0.6
Changes in valuation allowance	0.1	(1.0)
Effects of succession of bonds	-	(2.1)
Effects of organizational restructuring	-	4.9
Share of profit of equity-accounted investees	(4.2)	-
Others	(0.8)	1.1
Actual effective tax rate	27.3%	32.8%

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
	2022	2021	2022
Due in 1 year or less	¥ 802	¥ 544	\$ 6,553
Due after 1 year	969	608	7,925
Total	¥ 1,772	¥ 1,153	\$ 14,478

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 securities 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

Securities and 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, 2022 and 2021 is estimated to decrease market value of the Group's net financial assets by ¥35 million (\$290 thousand) and ¥69 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, 2022 and 2021 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 whose fair values are presented as carrying amounts in the consolidated balance sheets*

March 31, 2022	Millions of Yen			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Investments in venture businesses, securities and investment securities:				
Available-for-sale securities				
Equity securities	¥ 4,005	¥ -	¥ -	¥ 4,005
Debt securities	-	10,000	-	10,000
Other securities	-	-	-	-
Total	¥ 4,005	¥ 10,000	¥ -	¥ 14,005

March 31, 2022	Thousands of U.S. Dollars			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Investments in venture businesses, securities and investment securities:				
Available-for-sale securities				
Equity securities	\$ 32,726	\$ -	\$ -	\$ 32,726
Debt securities	-	81,706	-	81,706
Other securities	-	-	-	-
Total	\$ 32,726	\$ 81,706	\$ -	\$ 114,432

March 31, 2021	Millions of Yen	
	Carrying Amount	
Investments in venture businesses, securities and investment securities:		
Available-for-sale securities		
Equity securities	¥ 3,720	
Debt securities	10,000	
Other securities	-	
Total	¥ 13,720	

(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.

Millions of Yen							
March 31, 2022	Fair Value				Carrying Amount	Difference	
	Level 1	Level 2	Level 3	Total			
Loans receivable	¥ -	¥ -	¥ 8,063,081	¥ 8,063,081	¥ 8,107,979	¥ (44,897)	
Total assets	¥ -	¥ -	¥ 8,063,081	¥ 8,063,081	¥ 8,107,979	¥ (44,897)	
Bonds payable	¥ -	¥ 3,054,885	¥ -	¥ 3,054,885	¥ 2,995,822	¥ 59,062	
Long-term borrowings	-	2,167,171	-	2,167,171	2,169,628	(2,456)	
Total liabilities	¥ -	¥ 5,222,057	¥ -	¥ 5,222,057	¥ 5,165,450	¥ 56,606	
Derivative transactions (Notes a and b):							
Interest related	¥ -	¥ 72,827	¥ -	¥ 72,827	¥ -	¥ 72,827	
Currency related	-	(100)	-	(100)	-	(100)	
Total derivative transactions	¥ -	¥ 72,727	¥ -	¥ 72,727	¥ -	¥ 72,727	

Thousands of U.S. Dollars							
March 31, 2022	Fair Value				Carrying Amount	Difference	
	Level 1	Level 2	Level 3	Total			
Loans receivable	\$ -	\$ -	\$ 65,880,230	\$ 65,880,230	\$ 66,247,072	\$ (366,842)	
Total assets	\$ -	\$ -	\$ 65,880,230	\$ 65,880,230	\$ 66,247,072	\$ (366,842)	
Bonds payable	\$ -	\$ 24,960,253	\$ -	\$ 24,960,253	\$ 24,477,673	\$ 482,580	
Long-term borrowings	-	17,707,097	-	17,707,097	17,727,169	(20,072)	
Total liabilities	\$ -	\$ 42,667,350	\$ -	\$ 42,667,350	\$ 42,204,842	\$ 462,508	
Derivative transactions (Notes a and b):							
Interest related	\$ -	\$ 595,047	\$ -	\$ 595,047	\$ -	\$ 595,047	
Currency related	-	(823)	-	(823)	-	(823)	
Total derivative transactions	\$ -	\$ 594,223	\$ -	\$ 594,223	\$ -	\$ 594,223	

March 31, 2021	Millions of Yen		
	Fair Value	Carrying Amount	Difference
Loans receivable	¥ 7,369,961	¥ 7,362,358	¥ (7,602)
Total assets	¥ 7,369,961	¥ 7,362,358	¥ (7,602)
Bonds payable	¥ 2,460,244	¥ 2,499,812	¥ 39,567
Long-term borrowings	1,148,128	1,146,203	(1,925)
Total liabilities	¥ 3,608,373	¥ 3,646,015	¥ 37,641
Derivative transactions (Notes a and b):			
Interest related	¥ 6,442	¥ -	¥ 6,442
Currency related	(1,187)	-	(1,187)
Total derivative transactions	¥ 5,255	¥ -	¥ 5,255

- 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, Securities, 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, 2022. The information on available-for-sale securities as of March 31, 2022 is as follows:

Acquisition cost or amortized cost, fair value and difference by types of available-for-sale securities as of March 31, 2022 are as follows. Total sales amount and gain on sale of available-for-sale securities for the year ended March 31, 2022 were ¥257 million (\$2,102 thousand) and ¥121 million (\$993 thousand), respectively.

	Millions of Yen		
	2022		
	Acquisition Cost/ Amortized Cost	Fair Value	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 353	¥ 4,005	¥ 3,651
Sub-total	353	4,005	3,651
Securities with fair values not exceeding acquisition costs or amortized costs:			
Debt securities	10,000	10,000	-
Sub-total	10,000	10,000	-
Total	¥ 10,353	¥ 14,005	¥ 3,651

	Thousands of U.S. Dollars		
	2022		
	Acquisition Cost/ Amortized Cost	Fair Value	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	\$ 2,889	\$ 32,726	\$ 29,837
Sub-total	2,889	32,726	29,837
Securities with fair values not exceeding acquisition costs or amortized costs:			
Debt securities	81,706	81,706	-
Sub-total	81,706	81,706	-
Total	\$ 84,595	\$ 114,432	\$ 29,837

There were no securities for which the holding purpose had been changed during the year ended March 31, 2022.

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 on derivatives.

Carrying amounts of equity securities without market price and investments in partnerships as of March 31, 2022 and 2021 are summarized as follows. These instruments are excluded from investments in venture businesses, securities and investment securities in the above tables.

Classification	Type	Carrying Amount		
		Millions of Yen		Thousands of U.S. Dollars
		2022	2021	2022
Investments in affiliates	Unlisted equity securities	¥ 18,029	¥ 14,941	\$ 147,311
Available-for-sale securities	Unlisted equity securities	1,321	1,228	10,800
	Investments in partnerships	1,926	968	15,742
	Total available-for-sale securities	¥ 3,248	¥ 2,196	\$ 26,542

(6) Maturity Analysis for Monetary Claims and Securities with Contractual Maturities

	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, 2022						
Loans receivable	¥ 2,899,252	¥ 461,678	¥ 673,005	¥ 805,234	¥ 852,242	¥ 2,416,566
Investments in venture businesses, securities and investment securities:						
Available-for-sale securities with contractual maturities	10,000	-	-	-	-	-
	Thousands of U.S. Dollars					
March 31, 2022	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
Loans receivable	\$23,688,635	\$3,772,190	\$5,498,856	\$6,579,254	\$6,963,334	\$19,744,802
Investments in venture businesses, securities and investment securities:						
Available-for-sale securities with contractual maturities	81,706	-	-	-	-	-
	Millions of Yen					
March 31, 2021	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
Loans receivable	¥ 3,432,464	¥ 442,248	¥ 453,235	¥ 490,393	¥ 711,521	¥ 1,840,097
Investments in venture businesses, securities and investment securities:						
Available-for-sale securities with contractual maturities	10,000	-	-	-	-	-

(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 on short-term and long-term debt.

13. COMMITMENTS AND CONTINGENCIES

As of March 31, 2022 and 2021, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Guarantees in the ordinary course of business	¥ 53,533	¥ 51,956	\$ 437,400
Unexecuted loan commitments (Note)	3,566,146	6,143,866	29,137,568

Note: The Group enters into loan commitment agreements with customers. As of March 31, 2022 and 2021, loan commitments given to customers were ¥6,027,990 million (\$49,252,308 thousand) and ¥9,322,918 million, of which ¥2,461,843 million (\$20,114,740 thousand) and ¥3,179,051 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, 2022 and 2021, the Group had the following receivables arising from contracts with customers:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Billing receivables	¥ 4,534	¥ -	\$ 37,051
Current assets – Other	218	-	1,785
Receivables arising from contracts with customers	¥ 4,753	¥ -	\$ 38,836

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, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized gain/(loss) on available-for-sale securities:			
Gains/(losses) arising during the year	¥ 415	¥ 4,074	\$ 3,397
Reclassification adjustments	74	(3,092)	611
Amount before income tax effect	490	981	4,008
Income tax effect	(141)	(303)	(1,152)
Unrealized gain/(loss) on available-for-sale securities	349	678	2,856
Foreign currency translation adjustments:			
Gains/(losses) arising during the year	608	32	4,970
	-	39	-
Foreign currency translation adjustments	608	71	4,970
Remeasurements of defined benefit plans:			
Gains/(losses) arising during the year	3,064	1,277	25,042
Reclassification adjustments	(0)	193	(7)
Amount before income tax effect	3,064	1,471	25,034
Income tax effect	(939)	(448)	(7,672)
Remeasurements of defined benefit plans	2,124	1,022	17,362
Share of other comprehensive income (loss) of affiliates accounted for using equity method:			
Gains/(losses) arising during the year	326	167	2,664
Total other comprehensive income/(loss)	¥ 3,409	¥ 1,939	\$ 27,854

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 tax 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 will be 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, 2022 and 2021.

	Millions of Yen				
	2022				
	Reportable Segment				Total
Billing	Credit Card	Accounting and Finance	Other (Note)		
Revenue:					
Revenue arising from contracts with customers	¥ 37,660	¥ 495	¥ 7,718	¥ 2,271	¥ 48,145
Other revenue	112,907	4,710	24,118	-	141,736
Revenue from external customers	150,567	5,205	31,836	2,271	189,882
Intersegment revenue or transfers	-	46,563	14	-	46,578
Total	¥ 150,567	¥ 51,768	¥ 31,851	¥ 2,271	¥ 236,460
Segment profit	¥ 3,906	¥ 2,747	¥ 3,956	¥ 22	¥ 10,632

	Thousands of U.S. Dollars				
	2022				
	Reportable Segment				Total
Billing	Credit Card	Accounting and Finance	Other (Note)		
Revenue:					
Revenue arising from contracts with customers	\$ 307,710	\$ 4,046	\$ 63,061	\$ 18,562	\$ 393,381
Other revenue	922,519	38,485	197,065	-	1,158,070
Revenue from external customers	1,230,230	42,532	260,127	18,562	1,551,452
Intersegment revenue or transfers	-	380,450	120	-	380,570
Total	\$ 1,230,230	\$ 422,982	\$ 260,248	\$ 18,562	\$1,932,023
Segment profit	\$ 31,915	\$ 22,446	\$ 32,328	\$ 183	\$ 86,873

	Millions of Yen						
	2021						
	Reportable Segment					Other (Note)	Total
Billing	Credit Card	Finance	Leasing	International			
Revenue from external customers	¥ 153,351	¥ 5,221	¥ 18,851	¥ 68,553	¥ 2,807	¥ 1,835	¥ 250,619
Intersegment revenue or transfers	54	44,041	-	-	-	-	44,096
Total	¥ 153,405	¥ 49,263	¥ 18,851	¥ 68,553	¥ 2,807	¥ 1,835	¥ 294,715
Segment profit	¥ 6,639	¥ 3,204	¥ 4,821	¥ 3,229	¥ 859	¥ 21	¥ 18,776

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
	2022	2021	2022
Revenue:			
Reportable segments total	¥ 234,188	¥ 292,880	\$ 1,913,461
Segment "Other"	2,271	1,835	18,562
Intersegment eliminations	(46,578)	(44,096)	(380,570)
Revenue in the consolidated statements of income	¥ 189,882	¥ 250,619	\$ 1,551,452
Segment profit:			
Reportable segments total	¥ 10,609	¥ 18,754	\$ 86,689
Segment "Other"	22	21	183
Corporate expenses (Note)	(4,750)	(4,950)	(38,813)
Operating income in the consolidated statements of income	¥ 5,881	¥ 13,825	\$ 48,059

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, 2022 and 2021 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Revenue from external customers:			
Financial service	¥ 34,108	¥ 92,046	\$ 278,689
Credit card	5,205	5,221	42,532
Billing	150,567	153,351	1,230,230
Total	¥ 189,882	¥ 250,619	\$ 1,551,452

Disclosures on information about revenue by geographical area for the years ended March 31, 2022 and 2021 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 year ended March 31, 2022 and 2021 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, 2022 is as follows:

	Revenue		Related Segments
	Millions of Yen	Thousands of U.S. Dollars	
NTT DOCOMO, INC.	¥ 87,113	\$ 711,768	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	29,122	237,949	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	28,791	235,246	Billing and Accounting and Finance

Information about revenue by major customer for the year ended March 31, 2021 is as follows:

	Revenue	Related Segments
	Millions of Yen	
NTT DOCOMO, INC.	¥ 87,476	Leasing and Billing
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	28,410	Leasing and Billing
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	28,072	Leasing and Billing

Loss on impairment of long-lived assets by reportable segment

For the years ended March 31, 2022 and 2021, 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, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Transactions:			
Execution of loans	¥ 5,483,745	¥ 2,028,381	\$ 44,805,506
Debt guarantee granted (Note)	2,106,880	2,106,880	17,214,478
Account balances:			
Loans receivable	5,801,610	5,319,759	47,402,648

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, 2022 and 2021 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Transactions:			
Execution of loans	¥ 1,526,643	¥ 1,224,799	\$ 12,473,596
Acceptance of excess funds	1,038,008	478,421	8,481,152
Transactions related to transferred receivables	6,003,245	6,063,218	49,050,129
Billing-related revenue	140,529	143,083	1,148,211
Account balances:			
Billing receivables	15,179	14,463	124,029
Accounts payable - other	377,384	382,901	3,083,460
Deposits received	1,902,428	832,344	15,543,986
Loans receivable	1,504,293	1,346,781	12,290,983

Furthermore, the Group enters into several other transactions with an affiliate, NTT TC Leasing Co., Ltd. Significant transactions with NTT TC Leasing Co., Ltd. as of and for the year ended March 31, 2021 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Transactions:			
Execution of loans	¥ -	¥ 465,326	\$ -
Acceptance of excess funds	-	107,607	-

18. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2022 was approved at the Company's shareholders meeting held on June 17, 2022:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥54,798.00 (\$447.73) per share	¥ 2,814	\$ 22,997

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Independent Auditor's Report

To the Board of Directors of NTT FINANCE CORPORATION:

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, 2021 and 2020, the consolidated statements of income and comprehensive income, changes in equity 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, 2021 and 2020, 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Appropriateness of the historical rate of credit losses for general receivables	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of NTT FINANCE CORPORATION (“the Company”) and its consolidated subsidiaries as of March 31, 2021, billing receivables of ¥85,682 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, s. Significant accounting estimates” to the consolidated financial statements, allowance for doubtful receivables related to billing receivables of ¥14,825 million was provided mostly for general receivables.</p> <p>The Company recognizes allowance for doubtful receivables for general receivables based on the historical rate of credit losses to cover probable losses on collection.</p> <p>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.</p> <p>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.</p>	<p>The primary procedures we performed to assess the appropriateness of the historical rate of credit losses for general receivables included the following:</p> <p>(1) Internal control testing</p> <p>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.</p> <p>(2) Assessment of the appropriateness of the historical rate of credit losses for general receivables</p> <p>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.</p>

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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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.

/S/ Atsunori Sadahiro
Designated Engagement Partner
Certified Public Accountant

/S/ Koichi Hamaguchi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 17, 2021

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

NTT FINANCE CORPORATION and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2021 and 2020

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
CURRENT ASSETS:			
Cash and cash equivalents (Note 12)	¥ 408,851	¥ 452,674	\$ 3,692,992
Trade accounts receivable (Note 12):			
Loans (Note 19)	7,369,961	2,735,599	66,569,974
Other loans	965	32,954	8,721
Credit cards	61,096	62,153	551,858
Billing (Note 19)	85,682	85,428	773,936
Allowance for doubtful receivables	(15,811)	(26,089)	(142,815)
Investments in venture businesses (Notes 3 and 12)	4,901	4,293	44,275
Other	40,143	916,506	362,598
Total current assets	7,955,791	4,263,521	71,861,542
PROPERTY AND EQUIPMENT, NET (Note 4):	5,346	36,965	48,291
INTANGIBLE ASSETS—Assets held for own use	5,443	5,414	49,171
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 6 and 12)	15,956	116,618	144,133
Defined benefit asset (Note 8)	1,453	996	13,127
Deferred tax assets (Note 10)	10,888	12,514	98,350
Other (Notes 6 and 12)	6,173	18,056	55,761
Allowance for doubtful receivables (Note 12)	(447)	(3,247)	(4,039)
Total investments and other assets	34,024	144,938	307,332
DEFERRED ASSETS			
Defferd Charges	7,066	-	63,831
Total deferred assets	7,066	-	63,831
TOTAL ASSETS	¥ 8,007,672	¥ 4,450,840	\$ 72,330,168

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 12)	¥ 2,006,041	¥ 680,691	\$ 18,119,789
Current portion of long-term borrowings (Notes 7, 12 and 14)	22,099	37,594	199,615
Current portion of bonds (Notes 7 and 12)	108,508	71,191	980,114
Commercial papers (Notes 7 and 12)	536,495	662,984	4,845,952
Lease obligations (Notes 7 and 12)	4	1,217	41
Accounts payable - other (Notes 12 and 19)	415,480	422,293	3,752,874
Accrued income taxes	1,023	5,410	9,244
Deposits received (Notes 12 and 19)	1,332,072	402,687	12,032,084
Deposits received from shareholders, directors or employees (Notes 12 and 19)	91	592,048	827
Asset retirement obligations	63	32	570
Other	6,742	40,271	60,906
Total current liabilities	4,428,623	2,916,422	40,002,020
LONG-TERM LIABILITIES:			
Bonds (Notes 7 and 12)	2,351,736	258,903	21,242,312
Long-term borrowings (Notes 7, 12 and 14)	1,126,029	1,104,031	10,170,982
Lease obligations (Notes 7 and 12)	6	16	59
Provision for loss on system use agreements	541	572	4,886
Defined benefit liability (Note 8)	23,127	24,709	208,900
Asset retirement obligations	1,444	1,872	13,045
Deferred tax liabilities (Note 10)	-	93	-
Other	405	18,139	3,660
Total long-term liabilities	3,503,290	1,408,338	31,643,848
Total liabilities	7,931,914	4,324,761	71,645,868
NET ASSETS:			
Shareholders' equity (Notes 9 and 20):			
Common stock—authorized, 80,000 shares; issued, 51,960 shares in 2021 and 2020	16,770	16,770	151,485
Capital surplus	15,950	15,950	144,074
Retained earnings	41,239	92,949	372,499
Treasury stock; 595 shares in 2021 and 2020	(1,126)	(1,126)	(10,179)
Total shareholders' equity	72,833	124,543	657,880
Accumulated other comprehensive income/(loss):			
Unrealized gain/(loss) on available-for-sale securities	2,458	1,988	22,208
Foreign currency translation adjustments	12	(65)	111
Remeasurements of defined benefit plans	453	(571)	4,100
Total accumulated other comprehensive income/(loss)	2,924	1,352	26,420
Non-controlling interests	-	183	-
Total net assets	75,758	126,079	684,300
TOTAL LIABILITIES AND NET ASSETS	¥ 8,007,672	¥ 4,450,840	\$ 72,330,168

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Income Years Ended March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
REVENUE (Note 18):	¥ 250,619	¥ 453,809	\$ 2,263,747
COST OF SALES	146,123	320,397	1,319,878
Gross profit/(loss)	104,495	133,412	943,869
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	90,670	115,190	818,987
Operating income/(loss) (Note 18)	13,825	18,221	124,881
OTHER INCOME:			
Interest income	0	0	1
Dividend income	54	53	491
Earnings on equity method investments	-	283	-
Gain on bad debts recovered	640	557	5,786
Other	82	22	744
Total other income	777	918	7,023
OTHER EXPENSES:			
Interest expense	229	27	2,071
Bond issuance costs	72	19	655
Foreign exchange loss	83	146	758
Loss on equity method investments	645	-	5,832
Loss on retirement of assets held for own use	151	342	1,370
Other	53	73	481
Total other expenses	1,236	609	11,168
EXTRAORDINARY INCOME:			
Gain on sales of shares of subsidiaries	614	-	5,547
Total extraordinary income	614	-	5,547
EXTRAORDINARY LOSSES:			
Restructuring expenses	348	-	3,151
Loss on valuation of investment securities	-	243	-
Total extraordinary losses	348	243	3,151
PROFIT/(LOSS) BEFORE INCOME TAXES	13,631	18,288	123,132
INCOME TAXES (Note 10):			
Current	3,464	7,935	31,296
Deferred	1,013	(2,438)	9,151
Total income taxes	¥ 4,477	¥ 5,496	\$ 40,448

(Continued)

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Income Years Ended March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
PROFIT/(LOSS)	¥ 9,153	¥ 12,791	\$ 82,684
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	7	19	67
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 9,146	¥ 12,771	\$ 82,616
	Yen		U.S. Dollars (Note 1)
	2021	2020	2021
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	
Basic earnings per share	¥ 178,067.98	¥ 248,649.52	\$ 1,608.41
Cash dividends applicable to the year (Note 20)	156,698.00	248,031.00	1,415.39

See notes to consolidated financial statements.

(Concluded)

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income Years Ended March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
PROFIT/(LOSS)	¥ 9,153	¥ 12,791	\$ 82,684
OTHER COMPREHENSIVE INCOME/(LOSS)			
(Note 16):			
Unrealized gain/(loss) on available-for-sale securities	678	(43)	6,131
Foreign currency translation adjustments	71	(173)	643
Remeasurements of defined benefit plans	1,022	392	9,234
Share of other comprehensive income (loss) of affiliates accounted for using equity method	167	(63)	1,512
Total other comprehensive income/(loss)	1,939	111	17,521
COMPREHENSIVE INCOME/(LOSS)	¥ 11,093	¥ 12,903	\$ 100,205
Comprehensive income/(loss) attributable to:			
Owners of parent	¥ 11,086	¥ 12,883	\$ 100,137
Non-controlling interests	7	19	67

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity Years Ended March 31, 2021 and 2020

	Millions of Yen											
	Shareholders' Equity					Accumulated Other Comprehensive Income/(Loss)						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gain/(Loss) on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Accumulated Other Comprehensive Income/(Loss)	Non- controlling Interests	Total Net Assets
BALANCE, April 1, 2019	51,365	¥ 16,770	¥ 15,950	¥ 91,938	¥ (1,126)	¥ 123,533	¥ 2,031	¥ 172	¥ (963)	¥ 1,240	¥ 169	¥ 124,944
Cash dividends, ¥228,985.00 per share				(11,761)		(11,761)						(11,761)
Profit attributable to owners of parent				12,771		12,771	(43)	(237)	392	111	13	12,771
Net changes of items other than shareholders' equity												125
BALANCE, March 31, 2020	51,365	¥ 16,770	¥ 15,950	¥ 92,949	¥ (1,126)	¥ 124,543	¥ 1,988	¥ (65)	¥ (571)	¥ 1,352	¥ 183	¥ 126,079
Cash dividends, ¥248,031.00 per share				(58,949)		(58,949)						(58,949)
Change in equity in entities accounted for using equity method				(1,906)		(1,906)						(1,906)
Profit attributable to owners of parent				9,146		9,146	469	77	1,025	1,572	(183)	9,146
Net changes of items other than shareholders' equity												1,389
BALANCE, March 31, 2021	51,365	¥ 16,770	¥ 15,950	¥ 41,239	¥ (1,126)	¥ 72,833	¥ 2,458	¥ 12	¥ 453	¥ 2,924	¥ -	¥ 75,758

	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	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Accumulated Other Comprehensive Income/(Loss)	Non- controlling Interests	Total Net Assets	
BALANCE, April 1, 2020	\$ 151,485	\$ 144,074	\$ 839,572	\$(10,179)	\$1,124,952	\$ 17,964	\$ (588)	\$ (5,158)	\$ 12,216	\$ 1,655	\$ -	\$1,138,825
Cash dividends, \$2,240.36 per share			(532,467)		(532,467)							(532,467)
Change in equity in entities accounted for using equity method			(17,221)		(17,221)							(17,221)
Profit attributable to owners of parent			82,616		82,616	4,243	700	9,258	14,203	(1,655)		82,616
Net changes of items other than shareholders' equity												12,547
BALANCE, March 31, 2021	\$ 151,485	\$ 144,074	\$ 372,499	\$(10,179)	\$ 657,880	\$ 22,208	\$ 111	\$ 4,100	\$ 26,420	\$ -	\$ -	\$ 684,300

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
OPERATING ACTIVITIES:			
Profit before income taxes	¥ 13,631	¥ 18,288	\$ 123,132
Adjustments to reconcile profit before income taxes to net cash provided by/(used in) operating activities:			
Depreciation of leased assets and assets held for own use	3,175	4,478	28,678
Impairment loss	-	1,220	-
(Gain)/loss on retirement of leased assets and assets held for own use	139	303	1,262
(Increase)/decrease in defined benefit asset	(106)	(111)	(966)
Increase/(decrease) in defined benefit liability	(225)	636	(2,035)
Increase/(decrease) in allowance for doubtful receivables	(5,806)	6,280	(52,450)
Increase/(decrease) in provision for loss on system use agreements	(31)	(374)	(280)
Interest and dividend income	(54)	(54)	(492)
Financing costs and interest expense	12,611	16,260	113,916
Foreign exchange (gain)/loss	16,569	(12,810)	149,666
Equity in (earnings)/losses of affiliates	645	(283)	5,832
(Gain)/loss on valuation of investment securities	-	243	-
(Gain)/loss on sales of investment securities	(34)	-	(311)
(Gain)/loss on sales of shares of affiliates	(611)	-	(5,522)
Bond issuance costs	258	19	2,332
(Increase)/decrease in trade accounts receivable - installment sales	(52)	(5,750)	(469)
(Increase)/decrease in lease receivables and investments in leases	312	(78,057)	2,822
(Increase)/decrease in trade accounts receivable - loans	(4,195,164)	(979,401)	(37,893,277)
(Increase)/decrease in trade accounts receivable - other loans	(1,203)	23,576	(10,871)
(Increase)/decrease in trade accounts receivable - rents	820	(1,124)	7,413
(Increase)/decrease in trade accounts receivable - credit cards	1,056	5,619	9,546
(Increase)/decrease in trade accounts receivable - billing	(253)	185,896	(2,290)
(Increase)/decrease in investments in venture businesses	163	(663)	1,477
(Increase)/decrease in other securities to earn financial income for operating purpose	2,770	(1,829)	25,023
Purchases of leased assets	(6,655)	(11,075)	(60,114)
Increase/(decrease) in trade notes and accounts payable	(7,498)	(12,478)	(67,733)
Increase/(decrease) in accounts payable - other	(6,396)	8,433	(57,774)
Increase/(decrease) in deposits received - billing	(7,155)	86,774	(64,629)
Other - net	2,294	(7,520)	20,725
Subtotal	(4,176,799)	(753,506)	(37,727,391)
Interest and dividend income received	258	257	2,337
Interest expense paid	(10,721)	(17,021)	(96,841)
Income taxes refund/(paid)	(5,223)	(4,555)	(47,178)
Net cash provided by/(used in) operating activities	¥ (4,192,485)	¥ (774,825)	\$ (37,869,073)

(Continued)

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Net cash provided by/(used in) operating activities	¥(4,192,485)	¥ (774,825)	\$(37,869,073)
INVESTING ACTIVITIES:			
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	57,126	-	516,001
Proceeds from sale and redemption of investment securities	126	-	1,146
Payments for purchases of investments in affiliates	(550)	(915)	(4,967)
Proceeds from sales of shares of affiliates	9	-	82
Payments for purchases of assets held for own use	(3,516)	(3,619)	(31,765)
Proceeds from sale of assets held for own use	5	-	45
Payments for investments in capital	-	(3,000)	-
Proceeds from redemption of investments in capital	-	1,540	-
Other—net	(209)	(286)	(1,894)
Net cash provided by/(used in) investing activities	52,991	(6,280)	478,649
FINANCING ACTIVITIES:			
Increase/(decrease) in short-term bank loans	1,318,682	541,462	11,911,144
Increase/(decrease) in commercial papers	(126,453)	399,946	(1,142,201)
Increase in long-term borrowings	491,505	223,557	4,439,571
Repayments of long-term borrowings	(32,231)	(101,974)	(291,134)
Proceeds from issuance of bonds	2,190,333	87,769	19,784,425
Redemption of bonds	(71,087)	(40,000)	(642,100)
Cash dividends paid	(12,740)	(11,761)	(115,076)
Increase/(decrease) in deposits received	338,498	(42)	3,057,523
Other—net	(16)	(45)	(144)
Net cash provided by/(used in) financing activities	4,096,492	1,098,912	37,002,006
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(815)	(80)	(7,364)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(43,817)	317,724	(395,782)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	452,674	134,929	4,088,829
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	-	20	-
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM DECONSOLIDATION OF SUBSIDIARIES	(5)	-	(53)
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 408,851	¥ 452,674	\$ 3,692,992

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Years Ended March 31, 2021 and 2020

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 ¥110.71 to \$1.00, the approximate rate of exchange at March 31, 2021, 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, 2021 include the accounts of the Company and its 7-significant subsidiaries, such as NTTL Holdings, Inc. (together, the “Group”). NTT TC Leasing Co., Ltd. was excluded from the scope of consolidation from the year ended March 31, 2021 since it became an affiliate as a result of the sales of the shares held by the Company. Along with the share sales, 6 subsidiaries of NTT TC Leasing Co., Ltd. including Esperance Line S. A. were also excluded from the scope of consolidation from the year ended March 31, 2021.

NTT Finance Netherlands B.V., which had been a consolidated subsidiary until the previous fiscal year, was also excluded from the scope of consolidation due to the decreased materiality.

Investments in 4 affiliates are accounted for by the equity method. NTT TC Leasing Co., Ltd. was included in the scope of the equity method from the year ended March 31, 2021 since it became an affiliate as a result of sales of the shares held by the Company.

Investment in 8 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.

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 with market values, which are not classified as held-to-maturity debt securities, 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) non-marketable available-for-sale securities 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 15 years for buildings, and from 2 to 20 years for furniture and fixtures. Leased assets are depreciated using the straight-line method over the period based on the lease period or estimated useful lives of the lease assets with the residual value calculated as the estimated disposal value of the lease assets at the time of the lease termination.
- 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 5 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. 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.
- o. 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.
- p. Foreign Currency Financial Statements*—All financial statement accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity which is translated at the historical rate. Differences arising from such translation are shown as foreign currency translation adjustments in a separate component of net assets.
- q. 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, September 29, 2020) 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:	Bonds
Type of hedge transaction:	Transactions denominated in foreign currencies with fixed cash flows to hedge foreign exchange rate volatility

- r. **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.

s. **Significant Accounting Estimates**

Accounting estimates recognized in the consolidated financial statements for the year ended March 31, 2021 could have a significant impact on the consolidated financial statements for the year ending March 31, 2022. 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) Amount recognized in the year ended March 31, 2021

	Millions of Yen	Thousands of U.S. Dollars
	2021	2021
Allowance for doubtful billing receivables	¥ 14,825	\$ 133,916

- (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, 2022 in case the actual defaults on billing receivables will differ from the estimates.

t. **Changes in Accounting Policies**

Bond Issuance Costs

From the year ending March 31, 2021, bond issuance costs which had been previously expensed as incurred were amortized using the interest method over the bond redemption period. The background of this change is an increasing role of the Company in supporting the business operations of NTT Group companies, where the Company has become a wholly owned subsidiary of NTT (Nippon Telegraph and Telephone Corporation, the parent company of the Company) in September 2020 after the spin-off of the part of leasing and international segments in July 2020, against the background of the conclusion of a capital and business tie-up agreement between NTT and Tokyo Century Corporation in February 2020. As part of efforts, the Company issued Japan's largest-ever bond of 1 trillion yen (\$9.66 billion) in December 2020 to lend funds to NTT. As this has elevated the importance of corporate bonds for the Company as a source of funds, bond issuance costs characterized as interest expenses are amortized as described above from the current fiscal year since the benefits are expected to appear over the periods. The impact of this change, however, is immaterial on the consolidated financial statements and no retrospective application, therefore, was made.

u. Accounting Standards Issued but not yet Applied

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 31, 2020)

(a) Overview

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) jointly developed a comprehensive accounting standard for revenue recognition and issued Revenue from Contracts with Customers in May 2014 as International Financial Reporting Standards (“IFRS”) 15 (IASB) and Topic606 (FASB), respectively. To respond to both IFRS 15 and Topic606 applied from the fiscal years beginning on or after January 1, 2018 and December 15, 2017, respectively, ASBJ developed a comprehensive accounting standard for revenue recognition and issued it with the implementation guidance.

ASBJ’s basic policy in developing the accounting standard for revenue recognition was to adopt the core principle of IFRS 15 from a comparability point of view of the financial statements, which is one of the benefits of ensuring consistency with IFRS 15. At the same time, ASBJ provided alternative treatments for matters that would require consideration of the current practices under Generally Accepted Accounting Principles in Japan (“Japanese GAAP”) as far as such treatments would not significantly impair international comparability.

(b) Scheduled date of application

The above standard is scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

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

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

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Management (ASBJ Guidance No. 31, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(a) Overview

Both IASB and FASB each established a nearly identical and detailed guidance for fair value measurement (IFRS 13 “Fair Value Measurement” in IFRS and Accounting Standards Codification Topic 802 “Fair Value Measurement” in Generally Accepted Accounting Principles in the United States (“US-GAAP”)). Given this fact, ASBJ issued the “Accounting Standard for Fair Value Measurement” to establish consistency between Japanese standards and international standards regarding the guidance and disclosure mainly for fair value of financial instruments.

ASBJ’s basic policy in developing the accounting standard for fair value measurement was to adopt entire IFRS 13 with the unified measurement methodology for a better comparability of the financial statements of domestic and foreign enterprises. ASBJ, on the other side, specified other alternative treatments in individual items considering the current practices under Japanese GAAP as far as such treatments would not significantly impair international comparability.

(b) Scheduled date of application

The above standard is scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

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

The effects of the application on the consolidated financial statements have not yet been determined.

3. SECURITIES, INVESTMENT SECURITIES AND INVESTMENTS IN VENTURE BUSINESSES

Acquisition cost and fair value of available-for-sale securities as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		
	2021		
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 3,720	¥ 309	¥ 3,410
Sub-total	3,720	309	3,410
Securities with fair values not exceeding acquisition costs or amortized costs:			
Debt securities	10,000	10,000	-
Sub-total	10,000	10,000	-
Total	¥ 13,720	¥ 10,309	¥ 3,410

	Thousands of U.S. Dollars		
	2021		
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	\$ 33,605	\$ 2,797	\$ 30,807
Sub-total	33,605	2,797	30,807
Securities with fair values not exceeding acquisition costs or amortized costs:			
Debt securities	90,326	90,326	-
Sub-total	90,326	90,326	-
Total	\$ 93,123	\$ 123,931	\$ 30,807

Unlisted equity securities of ¥1,228 million (\$11,095 thousand) and investments in partnerships of ¥968 million (\$8,743 thousand) are excluded from the above table because they do not have readily determinable market values and their fair values are not practically estimable.

	Millions of Yen		
	2020		
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 3,288	¥ 605	¥ 2,682
Debt securities	67,141	66,247	893
Sub-total	70,429	66,853	3,575
Securities with fair values not exceeding acquisition costs or amortized costs:			
Equity securities	3	3	(0)
Debt securities	56,104	56,801	(697)
Sub-total	56,107	56,805	(697)
Total	¥ 126,537	¥ 123,658	¥ 2,878

Unlisted equity securities of ¥1,442 million and investments in partnerships of ¥1,736 million are excluded from the above table because they do not have readily determinable market values and their fair values are not practically estimable.

Securities sold during the years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		
	2021		
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	¥ 3,136	¥ 2,682	¥ 30
	Thousands of U.S. Dollars		
	2021		
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	\$ 28,326	\$ 24,228	\$ 275
	Millions of Yen		
	2020		
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	¥ 430	¥ 430	¥ -

If the fair value of a security 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, 2021 and 2020 were ¥5 million (\$48 thousand) and ¥280 million, respectively.

4. PROPERTY AND EQUIPMENT, NET

Accumulated depreciation of leased assets and assets held for own use as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Leased assets	¥ -	¥ 14,059	\$ -
Assets held for own use	3,999	4,105	36,122

5. LONG-LIVED ASSETS

The Group recognized an impairment loss on long-lived assets for the years ended March 31, 2021 and 2020 as follows:

Classification (item)	Location	Millions of Yen		Thousands of U.S. Dollars
		2021	2020	2021
Leased assets (vehicles)	Republic of Singapore	¥ -	¥ 1,220	\$ -

For some consolidated subsidiaries of the Company, the carrying amount of the certain leased assets was reduced to the recoverable amount due to the declined profitability resulting from the decreased expected future cash flows. Such reduction was recognized as impairment loss under cost of sales.

The recoverable amounts were calculated based on the future cash flows on each asset by using the value in use, where discounting was omitted due to the short term of the future cash flows from the respective assets.

6. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in non-consolidated subsidiaries and affiliates as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Investment securities	¥ 14,941	¥ 4,254	\$ 134,964
Other under investments and other assets	2,315	2,125	20,915

Investment securities include investments in jointly controlled entities in the amount of ¥12,674 million (\$114,484 thousand) and nil for the years ended March 31, 2021 and 2020, 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.

7. SHORT-TERM AND LONG-TERM DEBT

Short-term and long-term debts as of March 31, 2021 and 2020 consisted of the following:

	Interest Rate (%) (Notes a, b, c and d)	Millions of Yen		Thousands of U.S. Dollars
		2021	2020	2021
Short-term debt:				
Short-term bank loans	0.317	¥ 2,006,041	¥ 680,691	\$ 18,119,789
Commercial papers	0.013	536,495	662,984	4,845,952
Short-term borrowings		2,542,537	1,343,675	22,965,741
Lease obligations, current portion	-	4	524	41
Deposits received from NTT Group companies, including current portion of long-term deposits received from NTT Group companies	0.007	1,162,418	823,919	10,499,665
Long-term debt:				
Long-term borrowings	0.451	1,148,128	1,141,625	10,370,597
Unsecured bonds	0.001 – 2.065	2,329,645	142,499	21,042,777
Bonds issued under Euro Medium Term Note Program	0.260 – 1.900	130,599	187,596	1,179,650
Sub-total		3,608,373	1,471,721	32,593,025
Less current portion	1.346	130,607	108,786	1,179,730
Long-term debt		3,477,765	1,362,935	31,413,295
Lease obligations, excluding current portion	-	6	709	59

- 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, 2021.
 - 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, 2021 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, 2021				
Long-term borrowings	¥ 139,173	¥ 51,959	¥ 210,334	¥ 315,860
Bonds payable	179,266	327,797	162,446	300,000
Lease obligations	3	1	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, 2021				
Long-term borrowings	\$ 1,257,095	\$ 469,333	\$ 1,899,869	\$ 2,853,045
Bonds payable	1,619,243	2,960,867	1,467,313	2,709,782
Lease obligations	31	10	10	7

8. 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
	2021	2020	2021
Retirement benefit obligations at beginning of year	¥ 44,908	¥ 45,452	\$ 405,643
Current service costs	1,366	1,461	12,339
Interest costs	259	219	2,339
Actuarial gains and losses arising during year	1,132	(1,099)	10,225
Retirement benefits paid	(1,957)	(1,686)	(17,679)
Succession due to transfer	(969)	561	(8,755)
Other	-	(0)	-
Retirement benefit obligations at end of year	¥ 44,739	¥ 44,908	\$ 404,113

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Plan assets at beginning of year	¥ 21,195	¥ 21,700	\$ 191,452
Expected return on plan assets	354	370	3,199
Actuarial gains and losses arising during year	2,409	(756)	21,765
Contribution from employer	389	278	3,521
Retirement benefits paid	(613)	(588)	(5,542)
Succession due to transfer	(659)	203	(5,954)
Other	(11)	(11)	(103)
Plan assets at end of year	¥ 23,065	¥ 21,195	\$ 208,339

(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
	2021	2020	2021
Retirement benefit obligations of funded plans	¥ 29,824	¥ 30,103	\$ 269,389
Plan assets	(23,065)	(21,195)	(208,339)
	6,758	8,908	61,049
Retirement benefit obligations of unfunded plans	14,915	14,805	134,723
Net balance of liability and asset recorded on the consolidated balance sheet	21,674	23,713	195,773
Defined benefit liability	23,127	24,709	208,900
Defined benefit asset	(1,453)	(996)	(13,127)
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 21,674	¥ 23,713	\$ 195,773

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

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Current service costs	¥ 1,366	¥ 1,461	\$ 12,339
Interest costs	259	219	2,339
Expected return on plan assets	(354)	(370)	(3,199)
Amortization of actuarial gains and losses	257	285	2,329
Amortization of past service costs	(64)	(64)	(580)
Retirement benefit costs on defined benefit plans	¥ 1,464	¥ 1,531	\$ 13,228

(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
	2021	2020	2021
Past service costs	¥ (64)	¥ (64)	\$ (580)
Actuarial gains and losses	1,535	628	13,869
Total	¥ 1,471	¥ 564	\$ 13,289

(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
	2021	2020	2021
Unrecognized past service costs	¥ 227	¥ 292	\$ 2,058
Unrecognized actuarial gains and losses	421	(1,114)	3,807
Total	¥ 649	¥ (821)	\$ 5,865

(g) *Breakdown of plan assets*

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

	2021	2020
Cash and cash equivalents	6.67%	7.23%
Debt securities	37.37	38.95
Equity securities	16.87	14.87
Beneficiary certificates of securities investment trust	16.47	14.85
Jointly managed money trust	6.55	7.00
General account of life insurance	13.88	15.13
Other	2.19	1.97
Total	<u>100.00%</u>	<u>100.00%</u>

(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*

	2021	2020
Actuarial assumptions at end of year:		
Discount rate	0.1 - 0.6%	0.1 - 0.6%
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 ¥185 million (\$1,679 thousand) and ¥240 million, for the years ended March 31, 2021 and 2020, respectively.

9. 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, 2021 and 2020:

(1) Dividends paid in cash

Year Ended March 31, 2021							
Resolution	Class of Shares	Total Dividends (Millions of Yen)	Total Dividends (Thousands of U.S. Dollars)	Dividends per Share (Yen)	Dividends per Share (U.S. Dollars)	Record Date	Effective Date
Annual shareholders' meeting held on June 19, 2020	Common stock	¥ 12,740	\$ 115,076	¥248,031.00	\$ 2,240.36	March 31, 2020	June 22, 2020

Year Ended March 31, 2020							
Resolution	Class of Shares	Total Dividends (Millions of Yen)	Dividends per Share (Yen)	Record Date	Effective Date		
Annual shareholders' meeting held on June 13, 2019	Common stock	¥ 11,761	¥228,985.00	March 31, 2019	June 14, 2019		

(2) Dividends paid other than in cash

Year Ended March 31, 2021								
Resolution	Class of Shares	Class of Dividend Property	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 October 9, 2020	Common stock	Shares in affiliates	¥ 46,209	\$ 417,390	¥ -	\$ -	October 9, 2020	October 16, 2020

No dividends other than in cash were paid during the year ended March 31, 2020.

10. 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, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Accrued enterprise taxes	¥ 223	¥ 317	\$ 2,020
Accrued bonuses	429	572	3,875
Accounts payable - other	247	142	2,239
Unearned profit on installment sales	-	403	-
Allowance for doubtful receivables	3,023	2,034	27,308
Accrued retirement benefits	7,056	7,235	63,742
Loss on valuation of investment securities	1,195	222	10,799
Assets for re-leasing	-	1,951	-
Provision for loss on system use agreements	165	174	1,491
Effect of change in finance lease accounting	-	106	-
Others	1,141	1,527	10,310
Sub-total	13,483	14,686	121,788
Valuation allowance	(873)	(1,009)	(7,889)
Total deferred tax assets	12,609	13,677	113,899
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(1,023)	(861)	(9,248)
Others	(697)	(394)	(6,300)
Total deferred tax liabilities	(1,721)	(1,256)	(15,548)
Net deferred tax assets	¥ 10,888	¥ 12,420	\$ 98,350

Reconciliation between the statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the year ended March 31, 2021 is as follows:

	2021
Statutory tax rate	30.5%
Entertainment expenses permanently not deductible for income tax purposes	0.0
Tax on undistributed profits for a family corporation	1.0
Per capita inhabitant tax	0.6
Changes in valuation allowance	(1.0)
Effects of succession of bonds	(2.1)
Effects of organizational restructuring	4.9
Others	1.1
Actual effective tax rate	32.84%

Reconciliation between the statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2020 is not disclosed because the difference between the Japanese statutory tax rate and the effective income tax rate was less than 5% of the Japanese statutory tax rate.

11. 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
	2021	2020	2021
Due in 1 year or less	¥ 544	¥ 703	\$ 4,922
Due after 1 year	608	1,167	5,497
Total	¥ 1,153	¥ 1,871	\$ 10,420

12. 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 securities 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.

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 Finance Department 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.

Risks of price fluctuations

Securities and 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, 2021 and 2020 is estimated to decrease market value of the Group's net financial assets by ¥69 million (\$630 thousand) and ¥315 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

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. As the rational valuation techniques include certain assumptions, the results of valuation may differ if different assumptions are applied. Carrying amount of derivative transactions in the following table does not represent market risk.

(a) Fair value of financial instruments

The carrying amounts of financial instruments presented in the consolidated balance sheets, their fair values and the differences as of March 31, 2021 and 2020 are as follows. Financial instruments whose fair value cannot be reliably determined are not included in the following table; information on such instruments is presented in the table (b) below.

March 31, 2021	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥ 408,851	¥ 408,851	¥ -
Loans receivable	7,369,961		
Less: allowance for doubtful receivables (Note a)	-		
	<u>7,369,961</u>	<u>7,362,358</u>	<u>(7,602)</u>
Credit card receivables	61,096		
Less: allowance for doubtful receivables (Note a)	(985)		
	<u>60,111</u>	<u>60,111</u>	<u>-</u>
Billing receivables	85,682		
Less: allowance for doubtful receivables (Note a)	(14,825)		
	<u>70,856</u>	<u>70,856</u>	<u>-</u>
Investments in venture businesses, securities and investment securities:			
Available-for-sale securities	13,720	13,720	-
Total assets	<u>¥ 7,923,501</u>	<u>¥ 7,915,898</u>	<u>¥ (7,602)</u>
Short-term bank loans	2,006,041	2,006,041	-
Commercial papers	536,495	536,495	-
Accounts payable - other	415,480	415,480	-
Deposits received	1,332,072	1,332,072	-
Deposits received from shareholders, directors or employees	91	91	-
Bonds payable	2,460,244	2,499,812	39,567
Long-term borrowings	1,148,128	1,146,203	(1,925)
Total liabilities	<u>¥ 7,898,555</u>	<u>¥ 7,936,197</u>	<u>¥ 37,641</u>
Derivative transactions (Note b):			
Not qualifying for hedge accounting	¥ -	¥ -	¥ -
Qualifying for hedge accounting	5,255	5,255	-
Total derivative transactions	<u>¥ 5,255</u>	<u>¥ 5,255</u>	<u>¥ -</u>

March 31, 2021	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	\$ 3,692,992	\$ 3,692,992	\$ -
Loans receivable	66,569,974		
Less: allowance for doubtful receivables (Note a)	-		
	<u>66,569,974</u>	<u>66,501,300</u>	<u>(68,674)</u>
Credit card receivables	551,858		
Less: allowance for doubtful receivables (Note a)	(8,898)		
	<u>542,959</u>	<u>542,959</u>	<u>-</u>
Billing receivables	773,936		
Less: allowance for doubtful receivables (Note a)	(133,916)		
	<u>640,020</u>	<u>640,020</u>	<u>-</u>
Investments in venture businesses, securities and investment securities:			
Available-for-sale securities	123,931	123,931	-
Total assets	<u>\$71,569,878</u>	<u>\$71,501,203</u>	<u>\$(68,674)</u>
Short-term bank loans	18,119,789	18,119,789	-
Commercial papers	4,845,952	4,845,952	-
Accounts payable - other	3,752,874	3,752,874	-
Deposits received	12,032,084	12,032,084	-
Deposits received from shareholders, directors or employees	827	827	-
Bonds payable	22,222,427	22,579,821	357,393
Long-term borrowings	10,370,597	10,353,208	(17,388)
Total liabilities	<u>\$71,344,552</u>	<u>\$71,684,556</u>	<u>\$340,004</u>
Derivative transactions (Note b):			
Not qualifying for hedge accounting	\$ -	\$ -	\$ -
Qualifying for hedge accounting	47,471	47,471	-
Total derivative transactions	<u>\$ 47,471</u>	<u>\$ 47,471</u>	<u>\$ -</u>

- Notes:
- General allowance for doubtful receivables and special allowance for specific receivables corresponding to respective operating receivables are deducted.
 - Receivables and payables arising from derivative transactions are presented on a net basis.

March 31, 2020	Millions of Yen		
	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥ 452,674	¥ 452,674	¥ -
Loans receivable	2,735,599		
Less: allowance for doubtful receivables (Note a)	(659)		
	2,734,940	2,734,413	(526)
Credit card receivables	62,153		
Less: allowance for doubtful receivables (Note a)	(1,292)		
	60,860	60,860	-
Billing receivables	85,428		
Less: allowance for doubtful receivables (Note a)	(20,493)		
	64,935	64,935	-
Investments in venture businesses, securities and investment securities:			
Available-for-sale securities	126,537	126,537	-
Total assets	¥ 3,439,948	¥ 3,439,421	¥ (526)
Short-term bank loans	¥ 680,691	¥ 680,076	¥ (615)
Commercial papers	662,984	662,984	-
Accounts payable - other	422,293	422,293	-
Deposits received	402,687	402,687	-
Deposits received from shareholders, directors or employees	592,048	592,048	-
Bonds payable	330,095	332,142	2,046
Long-term borrowings	1,141,625	1,142,523	897
Total liabilities	¥ 4,232,425	¥ 4,234,755	¥ 2,329
Derivative transactions (Note b):			
Not qualifying for hedge accounting	¥ 26	¥ 26	¥ -
Qualifying for hedge accounting	(3,266)	(3,266)	-
Total derivative transactions	¥ (3,240)	¥ (3,240)	¥ -

- Notes: a. General allowance for doubtful receivables and special allowance for specific receivables corresponding to respective operating receivables are deducted.
- b. Receivables and payables arising from derivative transactions are presented on a net basis.

Change in presentation

“Installment sales receivable,” “Lease receivables and investments in leases,” “Other loans receivable” and “Trade notes and accounts payable,” presented in the year ended March 31, 2020, are not presented from the year ended March 31, 2021 as they are no longer considered individually material. This change is also reflected in the presentation of account balances as of March 31, 2020. As of March 31, 2020, the carrying amount (after deduction of allowance for doubtful receivables) and the fair value of “Installment sales receivable” were ¥130,594 million and ¥131,233 million; the carrying amount (after deduction of allowance for doubtful receivables) and the fair value of “Lease receivables and investments in leases” were ¥676,675 million and ¥677,899 million; the carrying amount (after deduction of allowance for doubtful receivables) and the fair value of “Other loans receivable” were ¥32,929 million and ¥33,124 million; the carrying amount and the fair value of “Trade notes and accounts payable” were ¥20,500 million and ¥20,500 million, respectively.

Assets

Cash and Cash Equivalents, Credit Card Receivables, and Billing Receivables

The carrying amounts of these items approximate their fair values because of their short maturities.

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 carrying amounts of doubtful receivables net of allowance for such accounts approximate their fair values because allowance for such accounts is estimated based on collectible amounts through liquidation of collateral and/or realization of guarantees.

Investments in Venture Businesses, Securities, and Investment Securities

The fair values of listed stocks are determined based on quoted market prices, 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. If market quotes from financial institutions are not available, the fair value is calculated by discounting estimated future cash flows using interest rates currently available to the Group for similar transactions.

The information on securities classified by holding purpose is presented in Note 3 on securities, investment securities and investments in venture businesses.

Liabilities

Short-term Bank Loans, Commercial Papers, Accounts Payable – Other, Deposits Received, and Deposits Received from Shareholders, Directors or Employees

The carrying amounts of these items approximate their fair values because of their short maturities, except for liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts which meet specific matching criteria.

Bonds Payable

The fair value of bonds is estimated based on the Reference Statistical Prices for OTC Bond Transactions.

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.

Derivative Transactions

The information on derivative transactions is presented in Note 13 on derivatives.

(b) Financial instruments whose fair value cannot be reliably determined

Carrying amounts of financial instruments whose fair values cannot be reliably determined as of March 31, 2021 and 2020 are summarized as follows. These instruments are excluded from investments in venture businesses, securities and investment securities in the above tables.

Classification	Type	Carrying Amount		
		Millions of Yen		Thousands of U.S. Dollars
		2021	2020	2021
Investments in affiliates	Unlisted equity securities	¥ 14,941	¥ 4,254	\$ 134,964
Available-for-sale securities	Unlisted equity securities	1,228	1,442	11,095
	Investments in partnerships	968	1,736	8,743
	Total available-for-sale securities	¥ 2,196	¥ 3,178	\$ 19,839

(5) *Maturity Analysis for Monetary Claims and Securities with Contractual Maturities*

March 31, 2021	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
Cash and cash equivalents	¥ 408,851	¥ -	¥ -	¥ -	¥ -	¥ -
Loans receivable (Note a)	3,432,464	442,248	453,235	490,393	711,521	1,840,097
Credit card receivables (Note a)	61,096	-	-	-	-	-
Billing receivables (Note a)	85,682	-	-	-	-	-
Investments in venture businesses, securities and investment securities: Available-for-sale securities with contractual maturities (Note a)	10,000	-	-	-	-	-

March 31, 2021	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
Cash and cash equivalents	\$ 3,692,992	\$ -	\$ -	\$ -	\$ -	\$ -
Loans receivable (Note a)	31,004,109	3,994,654	4,093,902	4,429,536	6,426,894	16,620,877
Credit card receivables (Note a)	551,858	-	-	-	-	-
Billing receivables (Note a)	773,936	-	-	-	-	-
Investments in venture businesses, securities and investment securities: Available-for-sale securities with contractual maturities (Note a)	90,326	-	-	-	-	-

Note: a. The amount does not include receivables from companies in bankruptcy and reorganization and receivables deemed to be uncollectible.

March 31, 2020	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
Cash and cash equivalents	¥ 452,674	¥ -	¥ -	¥ -	¥ -	¥ -
Installment sales receivable (Note a)	35,281	29,602	22,949	17,562	10,819	18,872
Lease receivables and investments in leases (Notes a and b)	182,353	160,342	125,680	96,223	59,375	118,704
Loans receivable (Note a)	1,056,964	302,612	195,996	219,377	371,313	589,335
Other receivables (Note a)	17,720	2,169	1,414	5,095	672	5,881
Credit card receivables (Note a)	62,153	-	-	-	-	-
Billing receivables (Note a)	85,428	-	-	-	-	-
Investments in venture businesses, securities and investment securities: Available-for-sale securities with contractual maturities (Note a)	13,057	5,718	4,439	6,404	4,109	43,410

Notes: a. The amount does not include receivables from companies in bankruptcy and reorganization and receivables deemed to be uncollectible.
b. Lease payments to be received including interest are presented as lease receivables and investments in leases.

(6) *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 7 on short-term and long-term debt.

13. DERIVATIVES

The aggregate contract amount, fair value and unrealized gains or losses of derivative transactions other than market trades as of March 31, 2020 (excluding hedging transactions) are as follows. The fair value of currency swaps is measured by discounting future cash flows to the present value using observable market condition such as London Interbank Offered Rate (LIBOR), swap rates and exchange rates.

There are no respective contract amount of derivative transactions other than market trades as of March 31, 2021.

	Millions of Yen			
	Contract Amount		Fair Value	Unrealized Gain/(Loss)
	Total	Due after 1 Year		
<u>March 31, 2020</u>				
Currency swaps (Pay fixed rate, receive variable rate)	¥ 3,600	¥ -	¥ 26	¥ 26
Total	¥ 3,600	¥ -	¥ 26	¥ 26

Derivative instruments which qualify as hedging instruments as of March 31, 2021 and 2020 are summarized as follows. The fair value of interest rate swaps and currency swaps is measured by discounting future cash flows to the present value using observable market condition such as London Interbank Offered Rate (LIBOR), swap rates and exchange rates.

	Hedged Item	Millions of Yen		
		Contract Amount		Fair Value
		Total	Due after 1 Year	
<u>March 31, 2021</u>				
Interest rate swaps (Note a)				
(Pay fixed rate, receive variable rate)	Long-term borrowings	¥ 18,723	¥ 17,893	¥ (1,187)
(Pay variable rate, receive fixed rate)	-	-	-	-
Currency swaps (Note b)				
(Pay fixed rate, receive variable rate)	Long-term borrowings	47,417	47,417	(4,531)
(Pay fixed rate, receive fixed rate)	Bonds payable	1,214,206	1,135,738	10,974
Total		¥ 1,280,347	¥ 1,201,049	¥ 5,255

	Hedged Item	Thousands of U.S. Dollars		
		Contract Amount		Fair Value
		Total	Due after 1 Year	
<u>March 31, 2021</u>				
Interest rate swaps (Note a)				
(Pay fixed rate, receive variable rate)	Long-term borrowings	\$ 169,125	\$ 161,625	\$ (10,724)
(Pay variable rate, receive fixed rate)	-	-	-	-
Currency swaps (Note b)				
(Pay fixed rate, receive variable rate)	Long-term borrowings	428,303	428,303	(40,933)
(Pay fixed rate, receive fixed rate)	Bonds payable	10,967,449	10,258,683	99,129
Total		\$ 11,564,878	\$ 10,848,612	\$ 47,471

		Millions of Yen		
<u>March 31, 2020</u>				
Interest rate swaps (Note a)				
(Pay fixed rate, receive variable rate)	Long-term borrowings	¥ 62,928	¥ 57,074	¥ (2,814)
(Pay variable rate, receive fixed rate)	Bonds payable	5,441	-	8
Currency swaps (Note b)				
(Pay fixed rate, receive variable rate)	Long-term borrowings	114,024	47,417	(5,957)
(Pay fixed rate, receive fixed rate)	Bonds payable	140,566	107,326	5,496
Total		<u>¥ 322,960</u>	<u>¥ 211,818</u>	<u>¥ (3,266)</u>

- Notes:
- 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.

14. PLEDGED ASSETS AND COLLATERAL

As of March 31, 2021 and 2020 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Assets pledged as collateral:			
Leased assets	¥ -	¥ 13,016	\$ -
Total	<u>¥ -</u>	<u>¥ 13,016</u>	<u>\$ -</u>
Corresponding debt:			
Current portion of long-term borrowings	¥ -	¥ 883	\$ -
Long-term borrowings	-	9,453	-
Total	<u>¥ -</u>	<u>¥ 10,336</u>	<u>\$ -</u>

As of March 31, 2020, the Group had ¥13 million and ¥1,553 million of notes receivable which was obtained for lease and installment sales, respectively.

15. COMMITMENTS AND CONTINGENCIES

As of March 31, 2021 and 2020, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Guarantees in the ordinary course of business	¥ 51,956	¥ 24,439	\$ 469,303
Unexecuted loan commitments (Note)	6,143,866	2,149,409	55,495,134

Note: The Group enters into loan commitment agreements with customers. As of March 31, 2021 and 2020, loan commitments given to customers were ¥9,322,918 million (\$84,210,264 thousand) and ¥3,077,769 million, of which ¥3,179,051 million (\$28,715,129 thousand) and ¥928,359 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.

16. COMPREHENSIVE INCOME

Reclassification adjustments and related income tax effect on other comprehensive income for the years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrealized gain/(loss) on available-for-sale securities:			
Gains/(losses) arising during the year	¥ 4,074	¥ 318	\$ 36,801
Reclassification adjustments	(3,092)	(384)	(27,931)
Amount before income tax effect	981	(65)	8,869
Income tax effect	(303)	22	(2,737)
Unrealized gain/(loss) on available-for-sale securities	678	(43)	6,131
Foreign currency translation adjustments:			
Gains/(losses) arising during the year	32	(173)	290
	39		352
Foreign currency translation adjustments	71	(173)	643
Remeasurements of defined benefit plans:			
Gains/(losses) arising during the year	1,277	343	11,540
Reclassification adjustments	193	220	1,749
Amount before income tax effect	1,471	564	13,289
Income tax effect	(448)	(171)	(4,054)
Remeasurements of defined benefit plans	1,022	392	9,234
Share of other comprehensive income (loss) of affiliates accounted for using equity method:			
Gains/(losses) arising during the year	167	(63)	1,512
Total other comprehensive income/(loss)	¥ 1,939	¥ 111	\$ 17,521

17. BUSINESS COMBINATION

With the approval and adoption at the Annual Shareholders' Meeting held on June 19, 2020, the Company implemented an absorption-type company split (the "Company Split") as of July 1, 2020 with the NTT TC Leasing Co., Ltd., established by the Company as a wholly owned subsidiary (the "New Company"), where the rights and obligations of leasing business and part of international business of the Company are assumed by the New Company. Following that, the Company transformed the New Company into a joint venture by transferring shares of the New Company equivalent to 50 percent of the total number of outstanding shares to Tokyo Century Corporation ("Tokyo Century").

I. Purpose

As of February 6, 2020, Nippon Telegraph and Telephone Corporation (the parent company of the Company, "NTT") and Tokyo Century concluded a capital and business tie-up agreement.

As the first step in the capital and business tie-up, NTT and Tokyo Century decided to spin off leasing business and part of international business of the Company, the core financial company in the NTT Group, and establish a joint venture of the three companies the Company, NTT, and Tokyo Century, to take over, bolster and augment their leasing and financial business in Japan and other countries.

In specific terms, the New Company established by the Company will first succeed to leasing business and part of international business of the Company by the method of absorption-type split upon spin-off, and then Tokyo Century will transform the New Company into a joint venture by acquiring shares in it. To ensure that the NTT Group and Tokyo Century have the same level of interest in the New Company, Tokyo Century acquired shares equivalent to 50 percent of the total number of outstanding shares.

NTT Group and Tokyo Century will work together to heighten the corporate value of the New Company by fusing the credibility and research and development abilities of the NTT Group, the leasing business capabilities nurtured by the Company, and, Tokyo Century's know-how in the area of financial and other service solutions and its ability to provide them. At the same time, they are going to take approaches to effective use of the assets of the NTT Group.

II. Outline of the Company Split (transactions under common control)

(1) Outline of the transaction

a. Lines and description of businesses transferred

Lines: Leasing business and part of international business
 Description: Lease, installment sales, loans, factoring services and investments in debt securities and silent partnerships, etc., which are provided in and outside Japan

b. Effective date of the company split

July 1, 2020

c. Legal form of the company split

Absorption-type company split with the Company as the splitting company and the New Company as the succeeding company.

d. Corporate name of the succeeding company

NTT TC Leasing Co., Ltd.

(2) Accounting treatment

The company split was treated as a transaction under common control in accordance with "Accounting Standard for Business Combinations" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

III. Outline of share transfer (business divestitures)

(1) Outline of the transaction

a. Name of transferee company

Tokyo Century Corporation

b. Description of businesses divested

Leasing business and part of international business

c. Effective date

July 8, 2020

d. Other outline of transaction including legal form

Transferring of shares in exchange for cash

(2) Outline of accounting treatment

a. Gain/loss on transfer of businesses

	Millions of Yen	Thousands of U.S. Dollars
Gain on transfer of businesses	¥ 614	\$ 5,547

b. Appropriate book value and breakdowns of assets and liabilities of divested businesses

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 1,393,242	\$ 12,584,610
Non-current assets	162,865	1,471,099
Total assets	¥ 1,556,107	\$ 14,055,709
Current liabilities	¥ 1,007,758	\$ 9,102,686
Non-current liabilities	428,600	3,871,376
Total liabilities	¥ 1,436,358	\$ 12,974,063

c. Accounting treatment

The share transfer was treated in accordance with “Accounting Standard for Business Divestitures” and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

(3) Gain/loss of business divestiture recorded on the consolidated statements of income for the year ended March 31, 2021

	Millions of Yen	Thousands of U.S. Dollars
Revenue	¥ 71,453	\$ 645,411
Gross profit	7,377	66,637

(4) Continuing involvement

The Company has no continuing involvement in the New Company.

18. 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 five segments: “Billing business,” “Credit card business,” “Finance business,” “Leasing business” and “International business.”

“Billing business” includes billing and collection services for telecommunication service charges. “Credit card business” includes sales financing and consumer loans. “Finance business” includes loans for domestic and overseas NTT Group companies. “Leasing business” includes lease, installment sales, loans, factoring services and investments in debt securities, which are provided in Japan. “International business” includes lease, loans, factoring services and investments in debt securities and silent partnerships, etc., which are provided outside Japan.

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 will be 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, 2021 and 2020.

	Millions of Yen						
	2021						
	Reportable Segment					Other (Note)	Total
	Billing	Credit Card	Finance	Leasing	International		
Revenue from external customers	¥ 153,351	¥ 5,221	¥ 18,851	¥ 68,553	¥ 2,807	¥ 1,835	¥ 250,619
Intersegment revenue or transfers	54	44,041	-	-	-	-	44,096
Total	¥ 153,405	¥ 49,263	¥ 18,851	¥ 68,553	¥ 2,807	¥ 1,835	¥ 294,715
Segment profit	¥ 6,639	¥ 3,204	¥ 4,821	¥ 3,229	¥ 859	¥ 21	¥ 18,776

	Thousands of U.S. Dollars						
	2021						
	Reportable Segment					Other (Note)	Total
	Billing	Credit Card	Finance	Leasing	International		
Revenue from external customers	\$ 1,385,161	\$ 47,164	\$ 170,274	\$ 619,212	\$ 25,359	\$ 16,575	\$ 2,263,747
Intersegment revenue or transfers	493	397,811	-	-	-	-	398,305
Total	\$ 1,385,654	\$ 444,976	\$ 170,274	\$ 619,212	\$ 25,359	\$ 16,575	\$ 2,662,052
Segment profit	\$ 59,975	\$ 28,944	\$ 43,552	\$ 29,167	\$ 7,760	\$ 196	\$ 169,596

	Millions of Yen						
	2020						
	Reportable Segment						Total
	Billing	Credit Card	Finance	Leasing	International		
Revenue from external customers	¥ 162,694	¥ 5,350	¥ 13,474	¥ 253,428	¥ 18,861		¥ 453,809
Intersegment revenue or transfers	224	39,596	-	-	-		39,821
Total	¥ 162,918	¥ 44,946	¥ 13,474	¥ 253,428	¥ 18,861		¥ 493,630
Segment profit	¥ 4,993	¥ 2,976	¥ 2,200	¥ 13,558	¥ 3,320		¥ 27,048

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
	2021	2020	2021
Revenue:			
Reportable segments total	¥ 292,880	¥ 493,630	\$ 2,645,477
Segment “Other”	1,835		16,575
Intersegment eliminations	(44,096)	(39,821)	(398,305)
Revenue in the consolidated statements of income	¥ 250,619	¥ 453,809	\$ 2,263,747
Segment profit:			
Reportable segments total	¥ 18,754	¥ 27,048	\$ 169,400
Segment “Other”	21		196
Corporate expenses (Note)	(4,950)	(8,826)	(44,715)
Operating income in the consolidated statements of income	¥ 13,825	¥ 18,221	\$ 124,881

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, 2021 and 2020 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Revenue from external customers:			
Financial service	¥ 92,046	¥ 285,765	\$ 831,421
Credit card	5,221	5,350	47,164
Billing	153,351	162,694	1,385,161
Total	¥ 250,619	¥ 453,809	\$ 2,263,747

Disclosures on information about revenue by geographical area for the years ended March 31, 2021 and 2020 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 year ended March 31, 2021 are omitted, as property and equipment in Japan exceeds 90% of consolidated property and equipment.

Information about property and equipment by geographical area as of March 31, 2020 is as follows:

	Millions of Yen
	2020
Property and equipment:	
Japan	¥ 19,978
Asia	16,987
Total	¥ 36,965

Information about revenue by major customer for the year ended March 31, 2021 is as follows:

	Revenue		Related Segments
	Millions of Yen	Thousands of U.S. Dollars	
NTT DOCOMO, INC.	¥ 87,476	\$790,144	Leasing and Billing
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	28,410	256,618	Leasing and Billing
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	28,072	253,568	Leasing and Billing

Information about revenue by major customer for the year ended March 31, 2020 is as follows:

	Revenue		Related Segments
	Millions of Yen		
NTT DOCOMO, INC.	¥ 92,418		Leasing and Billing
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	30,490		Leasing and Billing
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	30,308		Leasing and Billing

Loss on impairment of long-lived assets by reportable segment

For the year ended March 31, 2021, there is no applicable information to disclose.

Loss on impairment of long-lived assets by reportable segment for the year ended March 31, 2020 is as follows:

	Millions of Yen							Corporate Assets	Total
	2020								
	Reportable Segment								
	Billing	Credit Card	Finance	Leasing	International				
Impairment loss	¥ -	¥ -	¥ -	¥ -	¥ 1,220		¥-	¥ 1,220	

Goodwill by reportable segment

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

19. 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 year ended March 31, 2021 and which had 92.17% (direct) and 7.83% (indirect) ownership share in the Company as of and for the year ended March 31, 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Transactions:			
Execution of loans	¥ 2,028,381	¥ 533,864	\$ 18,321,574
Debt guarantee granted (Note)	2,106,880	-	19,030,620
Account balances:			
Loans receivable	5,319,759	771,775	48,051,300

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 and 14 other NTT Group companies as of and for the years ended March 31, 2021 and 2020, respectively, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Transactions:			
Execution of loans	¥ 1,224,799	¥ 1,199,509	\$ 11,063,132
Acceptance of excess funds	478,421	587,418	4,321,393
Transactions related to transferred receivables	6,063,218	5,968,581	54,766,676
Billing-related revenue	143,083	152,186	1,292,415
Account balances:			
Billing receivables	14,463	9,279	130,646
Accounts payable - other	382,901	380,115	3,458,602
Deposits received	832,344	54,983	7,518,237
Deposits received from shareholders, directors or employees	-	552,930	-
Loans receivable	1,346,781	1,329,724	12,164,948

Furthermore, the Group enters into several other transactions with an affiliate, NTT TC Leasing Co., Ltd. Significant transactions with NTT TC Leasing Co., Ltd. as of and for the year ended March 31, 2021 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Transactions:			
Execution of loans	¥ 465,326	¥ -	\$ 4,203,113
Acceptance of excess funds	107,607	-	971,974

20. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2021 was approved at the Company's shareholders meeting held on June 18, 2021:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥156,698.00 (\$1,415.39) per share	¥ 8,048	\$ 72,701

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