

Interim Consolidated Financial Statements (Unaudited)

For the Six Months Ended September 30, 2020

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Balance Sheets
September 30, 2020 as compared with March 31, 2020—Unaudited

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	September 30, 2020	March 31, 2020	September 30, 2020		September 30, 2020	March 31, 2020	September 30, 2020
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 383,357	¥ 452,674	\$ 3,623,415	Short-term bank loans	¥ 391,425	¥ 680,691	\$ 3,699,676
Trade accounts receivable:				Current portion of long-term borrowings	14,404	37,594	136,146
Loans	3,203,761	2,735,599	30,281,303	Current portion of bonds	88,545	71,191	836,909
Other loans	518	32,954	4,897	Commercial papers	865,968	662,984	8,184,953
Credit cards	61,588	62,153	582,118	Accounts payable - other	421,189	422,293	3,980,993
Billing	88,654	85,428	837,948	Accrued income taxes	225	5,410	2,133
Allowance for doubtful receivables	(20,093)	(26,089)	(189,920)	Deposits received	921,624	402,687	8,711,011
Investments in venture businesses	7,499	4,293	70,879	Deposits received from shareholders, directors or employees	66	592,048	629
Other	47,633	916,506	450,222	Asset retirement obligations	27	32	264
				Other	5,547	41,489	52,431
Total current assets	3,772,919	4,263,521	35,660,865	Total current liabilities	2,709,024	2,916,422	25,605,149
PROPERTY AND EQUIPMENT, NET:	4,719	36,965	44,604				
INTANGIBLE ASSETS—Assets held for own use	5,149	5,414	48,675	LONG-TERM LIABILITIES:			
INVESTMENTS AND OTHER ASSETS:				Bonds	211,997	258,903	2,003,753
Investment securities	66,276	116,618	626,429	Long-term borrowings	793,749	1,104,031	7,502,361
Other	15,062	31,567	142,370	Provision for loss on system use agreements	558	572	5,274
Allowance for doubtful receivables	(584)	(3,274)	(5,526)	Defined benefit liability	25,045	24,709	236,720
				Asset retirement obligations	1,498	1,872	14,161
Total investments and other assets	80,754	144,938	763,273	Other	422	18,249	3,998
				Total long-term liabilities	1,033,271	1,408,338	9,766,269
				Total liabilities	3,742,296	4,324,761	35,371,418
				NET ASSETS:			
				Shareholders' equity (Note 5):			
				Common stock—authorized, 80,000 shares;			
				issued, 51,960 shares as of September 30 and March 31, 2020	16,770	16,770	158,515
				Capital surplus	15,950	15,950	150,760
				Retained earnings	85,827	92,949	811,220
				Treasury stock; 595 shares as of September 30 and March 31, 2020	(1,126)	(1,126)	(10,652)
				Total shareholders' equity	117,421	124,543	1,109,844
				Accumulated other comprehensive income/(loss):			
				Unrealized gain/(loss) on available-for-sale securities	4,662	1,988	44,071
				Foreign currency translation adjustments	(333)	(65)	(3,153)
				Remeasurements of defined benefit plans	(503)	(571)	(4,762)
				Total accumulated other comprehensive income/(loss)	3,825	1,352	36,155
				Non-controlling interests	-	183	-
				Total net assets	121,246	126,079	1,146,000
TOTAL ASSETS	¥ 3,863,542	¥ 4,450,840	\$ 36,517,418	TOTAL LIABILITIES AND NET ASSETS	¥ 3,863,542	¥ 4,450,840	\$ 36,517,418

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income
Six-Month Periods Ended September 30, 2020 and 2019—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2020	2019	2020
REVENUE	¥ 159,470	¥ 227,262	\$ 1,507,282
COST OF SALES	102,189	160,483	965,877
Gross profit/(loss)	57,280	66,779	541,405
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	48,633	56,378	459,672
Operating income/(loss)	8,647	10,400	81,732
OTHER INCOME:			
Interest income	0	0	1
Dividend income	48	43	462
Gain on bad debts recovered	334	283	3,165
Equity in earnings of affiliates	908	161	8,590
Other	13	9	125
Total other income	1,306	498	12,344
OTHER EXPENSES:			
Interest expense	99	3	939
Bond issuance costs	72	19	685
Foreign exchange loss	566	276	5,358
Other	124	76	1,181
Total other expenses	863	375	8,164
EXTRAORDINARY INCOME			
Gain on sales of shares of subsidiaries	614	-	5,804
Total extraordinary income	614	-	5,804
EXTRAORDINARY LOSSES:			
Restructuring expenses	348	-	3,297
Loss on valuation of investment securities	-	243	-
Total extraordinary losses	348	243	3,297
PROFIT/(LOSS) BEFORE TAXES	9,354	10,280	88,420
INCOME TAXES	3,729	2,971	35,247
PROFIT/(LOSS)	5,625	7,309	53,172
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	7	17	70
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 5,618	¥ 7,291	\$ 53,101

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Six-Month Periods Ended September 30, 2020 and 2019—Unaudited

	Yen		U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2020	2019	2020
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	51,365
Basic earnings per share	¥ 109,377.02	¥ 141,960.23	\$ 1,033.00

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Comprehensive Income
Six-Month Periods Ended September 30, 2020 and 2019—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2020	2019	2020
PROFIT/(LOSS)	¥ 5,625	¥ 7,309	\$ 53,172
OTHER COMPREHENSIVE INCOME/(LOSS):			
Unrealized gain/(loss) on available-for-sale securities	2,374	516	22,441
Foreign currency translation adjustments	(27)	(241)	(263)
Remeasurements of defined benefit plans	67	76	635
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	59	(59)	557
Total other comprehensive income/(loss)	<u>2,472</u>	<u>291</u>	<u>23,371</u>
COMPREHENSIVE INCOME/(LOSS)	<u>¥ 8,098</u>	<u>¥ 7,600</u>	<u>\$ 76,544</u>
Comprehensive income/(loss) attributable to:			
Owners of parent	¥ 8,090	¥ 7,582	\$ 76,473
Non-controlling interests	7	17	70

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Cash Flows

Six-Month Periods Ended September 30, 2020 and 2019—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2020	2019	2020
OPERATING ACTIVITIES:			
Profit before income taxes	¥ 9,354	¥ 10,280	\$ 88,420
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	1,921	2,218	18,157
(Gain)/loss on retirement of leased assets and assets held for own use	95	81	898
(Increase)/decrease in defined benefit asset	(59)	(60)	(559)
Increase/(decrease) in defined benefit liability	712	797	6,730
Increase/(decrease) in allowance for doubtful receivables	(1,386)	2,273	(13,108)
Increase/(decrease) in provision for loss on system use agreements	(14)	(433)	(132)
Interest and dividend income	(49)	(43)	(463)
Financing costs and interest expense	4,803	8,622	45,397
Foreign exchange (gain)/loss	(7,186)	(12,944)	(67,925)
Equity in (earnings)/losses of affiliates	(908)	(161)	(8,590)
(Gain)/loss on valuation of investment securities	-	243	-
(Gain)/loss on sales of shares of subsidiaries and affiliates	(611)	-	(5,778)
Bond issuance costs	72	19	685
(Increase)/decrease in trade accounts receivable - installment sales	(52)	(5,741)	(491)
(Increase)/decrease in lease receivables and investments in leases	597	(26,565)	5,649
(Increase)/decrease in trade accounts receivable - loans	(38,408)	(513,205)	(363,033)
(Increase)/decrease in trade accounts receivable - other loans	(811)	5,296	(7,670)
(Increase)/decrease in trade accounts receivable - rents	820	(162)	7,757
(Increase)/decrease in trade accounts receivable - credit cards	564	2,386	5,339
(Increase)/decrease in trade accounts receivable - billing	(3,225)	176,737	(30,491)
(Increase)/decrease in investments in venture businesses	262	(575)	2,477
(Increase)/decrease in other securities to earn financial income for operating purpose	2,770	(1,204)	26,187
Purchases of leased assets	(6,655)	(257)	(62,904)
Increase/(decrease) in trade notes and accounts payable	(7,051)	(654)	(66,651)
Increase/(decrease) in accounts payable - other	1,905	815	18,005
Increase/(decrease) in deposits received - billing	(16,458)	68,090	(155,563)
Other—net	(6,147)	(6,522)	(58,106)
Subtotal	(65,147)	(290,671)	(615,762)
Interest and dividend income received	84	78	795
Interest expense paid	(4,457)	(9,028)	(42,131)
Income taxes refund/(paid)	(5,088)	(1,941)	(48,092)
Net cash provided by/(used in) operating activities	¥ (74,609)	¥ (301,562)	\$ (705,191)

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Cash Flows

Six-Month Periods Ended September 30, 2020 and 2019—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2020	2019	2020
Net cash provided by/(used in) operating activities	¥ (74,609)	¥ (301,562)	\$ (705,191)
INVESTING ACTIVITIES:			
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	57,126	-	539,948
Payments for purchases of investments in affiliates	(550)	(250)	(5,198)
Proceeds from sales of shares of affiliates	9	-	86
Payments for purchases of assets held for own use	(1,313)	(1,510)	(12,418)
Proceeds from redemption of investments in capital	-	1,540	-
Other—net	(102)	(54)	(969)
Net cash provided by/(used in) investing activities	55,169	(274)	521,448
FINANCING ACTIVITIES:			
Increase/(decrease) in short-term bank loans	(280,903)	246,265	(2,655,039)
Increase/(decrease) in commercial papers	202,870	376,968	1,917,492
Increase in long-term borrowings	140,523	18,557	1,328,194
Repayments of long-term borrowings	(5,689)	(27,951)	(53,775)
Proceeds from issuance of bonds	39,927	15,269	377,386
Redemption of bonds	(71,087)	(20,000)	(671,899)
Cash dividends paid	(12,740)	(11,761)	(120,416)
Increase/(decrease) in deposits received	(62,261)	(74,126)	(588,484)
Other—net	(14)	(25)	(135)
Net cash provided by/(used in) financing activities	(49,374)	523,194	(466,677)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(502)	(68)	(4,749)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(69,316)	221,288	(655,169)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	452,674	134,929	4,278,584
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	-	20	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	¥ 383,357	¥ 356,238	\$ 3,623,415

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Notes to Interim Consolidated Financial Statements—Unaudited

1. BASIS OF PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, and has been made at the rate of ¥105.80 to \$1.00, the approximate rate of exchange at September 30, 2020, and then the translated amounts have been rounded down to the nearest thousand. As a result, the totals shown in the accompanying interim consolidated financial statements in U.S. dollar do not necessarily agree with the sums of the individual amounts. Such translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

Substantially the same accounting policies have been followed in these interim consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended March 31, 2020.

From the second quarter of the year ending March 31, 2021, NTT TC Leasing Co., Ltd. was excluded from the scope of consolidation as the entity became an affiliate due to the sale of shares held in the entity. Six subsidiaries of NTT TC Leasing Co., Ltd. including Esperance Line S.A. were also excluded from the scope of consolidation from the second quarter of the year ending March 31, 2021 resulting from the respective sale of shares. The aforementioned change in scope of consolidation is expected to have a significant impact on the consolidated financial statements for the year ending March 31, 2021 with the decrease of total assets of the consolidated balance sheets and the decrease of revenue, etc. of the consolidated statements of income.

From the second quarter of the year ending March 31, 2021, NTT TC Leasing Co., Ltd. was included in the scope of the equity method as the entity became an affiliate due to the sale of shares held in the entity.

3. LOANS AND OTHERS

Loans and others as of September 30 and March 31, 2020 include claims to borrowers in bankruptcy and past due loans as follows. The amounts below are based on the non-consolidated financial statements of the Company:

	Millions of Yen		Thousands of U.S. Dollars
	September 30, 2020	March 31, 2020	September 30, 2020
Claims to borrowers in bankruptcy (Note a)	¥ 30	¥ 23	\$ 286
Past due loans (Note b)	911	961	8,611
Delinquent loans contractually past due three months or more (Note c)	-	-	-
Restructured loans (Note d)	19	1,480	182

- Notes:
- Claims to borrowers in bankruptcy represent non-accrual loans which are defined in Article 96, Paragraph (1) (iii) of the Enforcement Order of the Corporation Tax Act of Japan.
 - Past due loans are non-accrual loans other than “claims to borrowers in bankruptcy” and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulty.
 - Delinquent loans contractually past due three months or more are loans for which the payment of principal and/or interest was contractually past due three months or more, excluding “claims to borrowers in bankruptcy” and “past due loans.”
 - Restructured loans are loans for which the terms are restructured, such as a reduction of the original interest rate, forbearance of interest and/or principal payments, an extension of the maturity date or debt forgiveness in order to support borrowers in their financial recovery or restructuring, excluding “claims to borrowers in bankruptcy,” “past due loans” and “delinquent loans contractually past due three months or more” mentioned above.

4. SECURITIES, INVESTMENT SECURITIES AND INVESTMENTS IN VENTURE BUSINESSES

The amounts of securities, investment securities and investments in venture businesses including carrying amounts on the accompanying interim consolidated balance sheet do change significantly compared to those as of March 31, 2020.

Acquisition cost and fair value of available-for-sale securities as of September 30 and March 31, 2020 are as follows:

	Millions of Yen		
	September 30, 2020		
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Equity securities	¥ 6,633	¥ 569	¥ 6,063
Debt securities	-	-	-
Other	-	-	-
Total	¥ 6,633	¥ 569	¥ 6,063

	Thousands of U.S. Dollars		
	September 30, 2020		
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Equity securities	\$ 62,700	\$ 5,386	\$ 57,314
Debt securities	-	-	-
Other	-	-	-
Total	\$ 62,700	\$ 5,386	\$ 57,314

(Note) Unlisted equity securities of ¥1,218 million (\$11,517 thousand) and investments in partnerships of ¥694 million (\$6,560 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		
	March 31, 2020		
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Equity securities	¥ 3,291	¥ 608	¥ 2,682
Debt securities	123,245	123,049	195
Other	-	-	-
Total	¥ 126,537	¥ 123,658	¥ 2,878

(Note) 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.

5. EQUITY

Dividends

The following dividends are paid during the six-month periods ended September 30, 2020 and 2019:

Six-Month Period Ended September 30, 2020								
Resolution	Class of Shares	Total Dividends (Millions of Yen)	Total Dividends (Thousands of U.S. Dollars)	Dividends per Share (Yen)	Dividends per Share (U.S. Dollars)	Record Date	Effective Date	Source of Dividends
Annual shareholders' meeting held on June 19, 2020	Common stock	¥ 12,740	\$ 120,416	¥248,031.00	\$ 2,344.33	March 31, 2020	June 22, 2020	Retained earnings

Six-Month Period Ended September 30, 2019								
Resolution	Class of Shares	Total Dividends (Millions of Yen)		Dividends per Share (Yen)		Record Date	Effective Date	Source of Dividends
Annual shareholders' meeting held on June 13, 2019	Common stock	¥ 11,761		¥228,985.00		March 31, 2019	June 14, 2019	Retained earnings

6. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The amounts of financial instruments including carrying amounts on the accompanying interim consolidated balance sheets as of September 30, 2020 are critical to the business operation of the Company and its subsidiaries and do change significantly compared to those as of March 31, 2020. However, a disclosure is omitted as the differences between the carrying amounts and their fair values are immaterial both as of September 30, 2020 and as of March 31, 2020.

7. DERIVATIVES

The amounts of derivatives including contract amounts as of September 30, 2020 do not change significantly compared to those as of March 31, 2020.

8. COMMITMENTS AND CONTINGENCIES

Contingent liabilities as of September 30, 2020 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 21,315	\$ 201,468

9. SEGMENT INFORMATION

Information about revenue and profit by reportable segment

The following tables represent information about revenue and profit by reportable segment for the six-month periods ended September 30, 2020 and 2019.

	Millions of Yen							
	Six-Month Period Ended September 30, 2020							
	Reportable Segment						Other (Note)	Total
Billing	Credit Card	Finance	Leasing	Inter- national	Total			
Revenue from external customers	¥ 79,323	¥ 2,547	¥ 5,628	¥ 68,552	¥ 2,807	¥ 158,859	¥ 610	¥ 159,470
Intersegment revenue or transfers	54	21,516	-	-	-	21,571	-	21,571
Total	¥ 79,378	¥ 24,064	¥ 5,628	¥ 68,552	¥ 2,807	¥ 180,431	¥ 610	¥ 181,041
Segment profit	¥ 4,758	¥ 1,647	¥ 998	¥ 3,355	¥ 859	¥ 11,619	¥ 32	¥ 11,651

	Thousands of U.S. Dollars							
	Six-Month Period Ended September 30, 2020							
	Reportable Segment						Other (Note)	Total
Billing	Credit Card	Finance	Leasing	Inter- national	Total			
Revenue from external customers	\$ 749,749	\$ 24,075	\$ 53,201	\$ 647,947	\$ 26,535	\$1,501,510	\$ 5,772	\$1,507,282
Intersegment revenue or transfers	516	203,372	-	-	-	203,888	-	203,888
Total	\$ 750,265	\$ 227,448	\$ 53,201	\$ 647,947	\$ 26,535	\$1,705,399	\$ 5,772	\$1,711,171
Segment profit	\$ 44,974	\$ 15,573	\$ 9,441	\$ 31,712	\$ 8,120	\$ 109,822	\$ 308	\$ 110,130

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

	Millions of Yen					
	Six-Month Period Ended September 30, 2019					
	Reportable Segment					
	Billing	Credit Card	Finance	Leasing	International	Total
Revenue from external customers	¥ 80,621	¥ 2,684	¥ 6,809	¥ 125,138	¥ 12,008	¥ 227,262
Intersegment revenue or transfers	113	19,043	-	-	-	19,156
Total	¥ 80,735	¥ 21,727	¥ 6,809	¥ 125,138	¥ 12,008	¥ 246,419
Segment profit	¥ 3,157	¥ 1,804	¥ 986	¥ 6,758	¥ 1,909	¥ 14,617

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

	Millions of Yen		Thousands of U.S. Dollars
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2020	2019	2020
Segment profit:			
Reportable segments total	¥ 11,651	¥ 14,617	\$ 110,130
Corporate expenses (Note)	(3,004)	(4,216)	(28,398)
Operating income in the interim consolidated statements of income	¥ 8,647	¥ 10,400	\$ 81,732

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

Information regarding assets by reportable segment

As of September 30, 2020, segment assets in the leasing business and the international business had decreased by ¥1,031,494 million (\$9,749,472 thousand) and ¥280,890 million (\$2,654,915 thousand), respectively, compared to the respective amounts as of March 31, 2020, which was mainly the result of the absorption-type company split conducted during the second quarter of the year ending March 31, 2021, under which the rights and obligations of the leasing business and part of the international business of the Company were transferred to NTT TC Leasing Co., Ltd.

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

For the six-month periods ended September 30, 2020 and 2019, there is no applicable information to disclose.

Significant change in the amount of goodwill by reportable segment

For the six-month periods ended September 30, 2020 and 2019, there is no applicable information to disclose.

Significant gain on bargain purchase by reportable segment

For the six-month periods ended September 30, 2020 and 2019, there is no applicable information to disclose.

10. 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 part of the leasing business and 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 Corporation ("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 part of the leasing business and international business of the Company, the core financial company in the NTT Group, and establish it as a joint venture of the three companies the Company, NTT, and Tokyo Century, in order to bolster and augment their leasing and financial business in Japan and other countries.

In specific terms, the New Company established by NTT Finance will first succeed to part of the leasing business and international business of NTT Finance 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 intends to acquire shares equivalent to 50 percent of the total number of outstanding shares.

The two sides will endeavor to heighten the corporate value of the New Company by fusing the credibility and research and development powers 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 will be 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	\$ 5,804

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	\$ 13,168,640
Non-current assets	162,865	1,539,370
Total assets	¥ 1,556,107	\$ 14,708,011
Current liabilities	¥ 1,007,758	\$ 9,525,126
Non-current liabilities	428,600	4,051,040
Total liabilities	¥ 1,436,358	\$ 13,576,167

c. Accounting treatment

The share transfer will be 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 interim consolidated statements of income for six-month periods ended September 30, 2020

	Millions of Yen	Thousands of U.S. Dollars
Revenue	¥ 71,453	\$ 675,363
Gross profit	7,377	69,729

(4) Continuing involvement

The Company has no continuing involvement in the transferred assets at New Company.

11. SUBSEQUENT EVENTS

As a result of the resolution of shareholders' meeting responding to the "shareholder proposal" and the "will of agreement with the proposal" received on October 9, 2020 from Nippon Telegraph and Telephone Corporation (the parent company of the Company, "NTT"), the Company distributed dividends in kind on October 16, 2020 to NTT with 4,000 shares out of 5,000 NTT TC Leasing Co., Ltd. shares held by the Company.

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