

Interim Consolidated Financial Statements (Unaudited)

For the Six Months Ended September 30, 2023

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Balance Sheets
September 30, 2023 as compared with March 31, 2023—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, 2023	March 31, 2023	September 30, 2023		September 30, 2023	March 31, 2023	September 30, 2023
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 123,849	¥ 290,025	\$ 827,982	Short-term bank loans	¥ 394,387	¥ 400,169	\$ 2,636,632
Trade accounts receivable:				Current portion of long-term borrowings	273,640	60,797	1,829,392
Loans	8,760,091	8,724,163	58,564,593	Current portion of bonds	299,891	329,601	2,004,893
Credit cards	57,270	59,295	382,873	Commercial papers	809,384	600,605	5,411,045
Billing	269,669	93,913	1,802,845	Accounts payable - other	442,339	427,968	2,957,208
Allowance for doubtful receivables	(28,369)	(21,072)	(189,659)	Accrued income taxes	3,729	230	24,932
Investments in venture businesses	7,734	6,912	51,711	Deposits received	1,131,366	1,811,338	7,563,622
Other	61,751	47,727	412,835	Deposits received from shareholders, directors or employees	29	106	198
				Other	20,662	11,845	138,136
Total current assets	9,251,999	9,200,965	61,853,182	Total current liabilities	3,375,431	3,642,663	22,566,062
PROPERTY AND EQUIPMENT, NET:	5,605	5,720	37,474				
INTANGIBLE ASSETS—Assets held for own use	6,065	6,869	40,549	LONG-TERM LIABILITIES:			
INVESTMENTS AND OTHER ASSETS:				Bonds	2,986,857	2,697,794	19,968,297
Investment securities	16,696	16,465	111,621	Long-term borrowings	2,830,554	2,805,261	18,923,349
Other	19,274	18,642	128,856	Provision for loss on system use agreements	1,415	1,752	9,459
Allowance for doubtful receivables	(475)	(467)	(3,176)	Defined benefit liability	18,959	18,346	126,751
Total investments and other assets	35,495	34,641	237,301	Asset retirement obligations	1,333	1,315	8,917
DEFERRED ASSETS				Other	264	302	1,766
Deferred charges	6,337	6,316	42,366	Total long-term liabilities	5,839,385	5,524,771	39,038,541
Total deferred assets	6,337	6,316	42,366	Total liabilities	9,214,816	9,167,435	61,604,604
				NET ASSETS:			
TOTAL ASSETS	¥ 9,305,502	¥ 9,254,513	\$ 62,210,875	Shareholders' equity (Note 5):			
See notes to interim consolidated financial statements.				Common stock—authorized, 80,000 shares; issued, 51,960 shares as of September 30 and March 31, 2023	16,770	16,770	112,120
				Capital surplus	15,950	15,950	106,635
				Retained earnings	49,009	46,993	327,649
				Treasury stock; 595 shares as of September 30 and March 31, 2023	(1,126)	(1,126)	(7,534)
				Total shareholders' equity	80,604	78,588	538,870
				Accumulated other comprehensive income/(loss):			
				Unrealized gain/(loss) on available-for-sale securities	2,342	2,374	15,661
				Deferred gain/(loss) on hedges	(15)	-	(101)
				Foreign currency translation adjustments	4,032	2,203	26,957
				Remeasurements of defined benefit plans	3,722	3,912	24,883
				Total accumulated other comprehensive income/(loss)	10,081	8,490	67,400
				Total net assets	90,686	87,078	606,271
				TOTAL LIABILITIES AND NET ASSETS	¥ 9,305,502	¥ 9,254,513	\$ 62,210,875

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income
Six-Month Periods Ended September 30, 2023 and 2022—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2023	2022	2023
REVENUE (Note 10):	¥ 145,307	¥ 106,112	\$ 971,439
COST OF SALES	<u>84,775</u>	<u>54,699</u>	<u>566,756</u>
Gross profit/(loss)	60,532	51,412	404,682
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>49,723</u>	<u>43,462</u>	<u>332,423</u>
Operating income/(loss) (Note 10)	<u>10,808</u>	<u>7,950</u>	<u>72,259</u>
OTHER INCOME:			
Interest income	-	0	-
Dividend income	21	19	141
Foreign exchange gain	2,153	2,771	14,396
Share of profit of equity-accounted investees	808	1,191	5,404
Other	<u>13</u>	<u>12</u>	<u>90</u>
Total other income	2,996	3,994	20,032
OTHER EXPENSES:			
Interest expense	25	7	172
Loss on retirement of assets held for own use	26	102	178
Other	<u>5</u>	<u>0</u>	<u>38</u>
Total other expenses	58	111	388
EXTRAORDINARY LOSSES:			
Loss on termination of card business service	<u>66</u>	-	<u>446</u>
Total extraordinary losses	66	-	446
PROFIT/(LOSS) BEFORE INCOME TAXES	<u>13,680</u>	<u>11,833</u>	<u>91,456</u>
INCOME TAXES	4,340	3,288	29,019
PROFIT/(LOSS)	<u>9,339</u>	<u>8,545</u>	<u>62,436</u>
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	<u>¥ 9,339</u>	<u>¥ 8,545</u>	<u>\$ 62,436</u>

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Six-Month Periods Ended September 30, 2023 and 2022—Unaudited

	Yen		U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2023	2022	2023
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	
Basic earnings per share	¥ 181,822.50	¥ 166,360.06	\$ 1,215.55

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, 2023 and 2022—Unaudited**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2023	2022	2023
PROFIT/(LOSS)	¥ 9,339	¥ 8,545	\$ 62,436
OTHER COMPREHENSIVE INCOME/(LOSS):			
Unrealized gain/(loss) on available-for-sale securities	(18)	(195)	(123)
Deferred gain/(loss) on hedges	(15)	-	(101)
Foreign currency translation adjustments	1,595	1,323	10,667
Remeasurements of defined benefit plans	(190)	(116)	(1,272)
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	219	360	1,469
	1,591	1,372	10,640
Total other comprehensive income/(loss)			
COMPREHENSIVE INCOME/(LOSS)	¥ 10,930	¥ 9,917	\$ 73,077
Comprehensive income/(loss) attributable to:			
Owners of parent	¥ 10,930	¥ 9,917	\$ 73,077
Non-controlling interests	-	-	-

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, 2023 and 2022—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2023	2022	2023
OPERATING ACTIVITIES:			
Profit before income taxes	¥ 13,680	¥ 11,833	\$ 91,456
Adjustments to reconcile profit before income taxes to net cash provided by/(used in) operating activities:			
Depreciation of assets held for own use	2,144	3,433	14,335
(Gain)/loss on retirement of assets held for own use	26	101	178
(Increase)/decrease in defined benefit asset	(114)	(107)	(765)
Increase/(decrease) in defined benefit liability	454	443	3,036
Increase/(decrease) in allowance for doubtful receivables	7,304	1,236	48,835
Increase/(decrease) in provision for loss on system use agreements	(337)	(324)	(2,252)
Interest and dividend income	(21)	(19)	(141)
Financing costs and interest expense	34,905	13,207	233,354
Foreign exchange (gain)/loss	46,808	76,422	312,930
Share of (profit)/loss of equity-accounted investees	(808)	(1,191)	(5,404)
(Gain)/loss on sales of investment securities	(6)	-	(41)
Bond issuance costs	915	896	6,122
(Increase)/decrease in lease receivables and investments in leases	254	182	1,699
(Increase)/decrease in trade accounts receivable - loans	28,268	43,018	188,983
(Increase)/decrease in trade accounts receivable - other loans	-	929	-
(Increase)/decrease in trade accounts receivable - credit cards	2,025	(1,185)	13,540
(Increase)/decrease in trade accounts receivable - billing	(175,756)	(6,340)	(1,174,998)
(Increase)/decrease in investments in venture businesses	(910)	(747)	(6,087)
Increase/(decrease) in accounts payable - other	14,424	15,327	96,433
Increase/(decrease) in deposits received - billing	(90,428)	(4,095)	(604,546)
Other—net	(12,074)	(765)	(80,720)
Subtotal	(129,244)	152,255	(864,052)
Interest and dividend income received	659	1,734	4,407
Interest expense paid	(18,032)	(15,049)	(120,551)
Income taxes refund/(paid)	(567)	(3,114)	(3,792)
Net cash provided by/(used in) operating activities	¥ (147,185)	¥ 135,825	\$ (983,989)

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Cash Flows

Six-Month Periods Ended September 30, 2023 and 2022—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2023	2022	2023
Net cash provided by/(used in) operating activities	¥ (147,185)	¥ 135,825	\$ (983,989)
INVESTING ACTIVITIES:			
Proceeds from sale and redemption of investment securities	6	-	42
Proceeds from liquidation of affiliates	-	2,190	-
Payments for purchases of assets held for own use	(1,365)	(1,041)	(9,132)
Other—net	(259)	(160)	(1,734)
Net cash provided by/(used in) investing activities	(1,619)	989	(10,824)
FINANCING ACTIVITIES:			
Increase/(decrease) in short-term bank loans	(28,641)	99,599	(191,481)
Increase/(decrease) in commercial papers	167,387	319,348	1,119,052
Increase in long-term borrowings	189,461	250,000	1,266,624
Repayments of long-term borrowings	(600)	(44,653)	(4,011)
Proceeds from issuance of bonds	379,063	206,712	2,534,185
Redemption of bonds	(124,028)	(20,000)	(829,175)
Cash dividends paid	(7,299)	(2,814)	(48,798)
Increase/(decrease) in deposits received	(592,545)	(883,128)	(3,961,392)
Other—net	(2)	(2)	(13)
Net cash provided by/(used in) financing activities	(17,203)	(74,938)	(115,010)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(168)	1,988	(1,124)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(166,175)	63,864	(1,110,948)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	290,025	364,567	1,938,931
CASH AND CASH EQUIVALENTS, END OF PERIOD	¥ 123,849	¥ 428,432	\$ 827,982

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Notes to Interim Consolidated Financial Statements—Unaudited

1. BASIS OF PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

The consolidated statements of 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 ¥149.58 to \$1.00, the approximate rate of exchange at September 30, 2023, 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, 2023.

3. LOANS AND OTHERS

Non-performing loans based on the classification provided in Article 9 of the “Cabinet Office Order on Account Management of Specified Finance Companies” (Order of the Prime Minister’s Office and the Ministry of Finance No. 32, May 19, 1991) as of September 30 and March 31, 2023 are as follows. The amounts below are based on the non-consolidated financial statements of the Company:

	Millions of Yen		Thousands of
	September 30, 2023	March 31, 2023	U.S. Dollars September 30, 2023
Bankrupt or de facto bankrupt loans (Note a)	¥ 10	¥ 10	\$ 71
Doubtful loans (Note b)	139	140	929
Delinquent loans contractually past due three months or more (Note c)	-	-	-
Restructured loans (Note d)	47	50	318
Normal loans (Note e)	8,746,425	8,620,226	58,473,288

- Notes:
- Bankrupt or de facto bankrupt loans are claims to borrowers who have fallen into bankruptcy due to reasons such as commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or petition for commencement of rehabilitation proceedings, and other similar claims.
 - Doubtful loans are claims to borrowers who have not yet become bankrupt but whose financial position and business performance have deteriorated and it is highly probable that the loan principal cannot be collected and interest cannot be received in accordance with the contract, excluding “bankrupt or de facto bankrupt loans.”
 - 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 “bankrupt or de facto bankrupt loans” and “doubtful 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 “bankrupt or de facto bankrupt loans,” “doubtful loans” and “delinquent loans contractually past due three months or more.”
 - Normal loans are claims to borrowers who have no financial or business performance problems, excluding “bankrupt or de facto bankrupt loans,” “doubtful loans,” “delinquent loans contractually past due three months or more” and “restructured loans.”

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 as of September 30, 2023 do not change significantly compared to those as of March 31, 2023.

5. EQUITY

Dividends

The following dividends are paid during the six-month periods ended September 30, 2023 and 2022:

(1) Dividends paid in cash

Six-Month Period Ended September 30, 2023								
Resolution	Class of Shares	Total Dividends (Millions of Yen)	Total Dividends (Thousands of U.S. Dollars)	Dividends per Share (Yen)	Dividends per Share (U.S. Dollars)	Record Date	Effective Date	Source of Dividends
Annual shareholders' meeting held on June 16, 2023	Common stock	¥ 7,299	\$ 48,798	¥142,106	\$ 950.03	March 31, 2023	June 19, 2023	Retained earnings

Six-Month Period Ended September 30, 2022								
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 17, 2022	Common stock	¥ 2,814	¥54,798	March 31, 2022	June 20, 2022	Retained earnings		

(2) Dividends paid other than in cash

Six-Month Period Ended September 30, 2023									
Resolution	Class of Shares	Class of Dividend Property	Carrying Amount of Dividend Property (Millions of Yen)	Carrying Amount of Dividend Property (Thousands of U.S. Dollars)	Dividends per Share (Yen)	Dividends per Share (U.S. Dollars)	Record Date	Effective Date	Source of Dividends
Extraordinary shareholders' meeting held on April 21, 2023	Common stock	Available-for-sale securities	¥ 24	\$ 160	¥ -	\$ -	April 21, 2023	May 12, 2023	Retained earnings

Six-Month Period Ended September 30, 2022									
Resolution	Class of Shares	Class of Dividend Property	Carrying Amount of Dividend Property (Millions of Yen)	Dividends per Share (Yen)	Record Date	Effective Date	Source of Dividends		
Annual shareholders' meeting held on June 17, 2022	Common stock	Available-for-sale securities	¥ 19	¥ -	June 17, 2022	June 30, 2022	Retained earnings		

6. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The amounts of financial instruments including carrying amounts on the accompanying interim consolidated balance sheet as of September 30, 2023 do not change significantly compared to those as of March 31, 2023.

7. DERIVATIVES

The amounts of derivatives including contract amounts as of September 30, 2023 do not change significantly compared to those as of March 31, 2023.

8. COMMITMENTS AND CONTINGENCIES

Contingent liabilities as of September 30, 2023 are as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Guarantees in the ordinary course of business	¥ 59,379	\$ 396,974

9. REVENUE RECOGNITION

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

10. SEGMENT INFORMATION

Information about revenue and profit by reportable segment

The following tables represent information about revenue and profit by reportable segment for the six-month periods ended September 30, 2023 and 2022.

	Millions of Yen					
	Six-Month Period Ended September 30, 2023					
	Reportable Segment			Total	Other (Note)	Total
Billing	Credit Card	Accounting and Finance				
Revenue:						
Revenue from contracts with customers	¥ 18,753	¥ 286	¥ 9,658	¥ 28,699	¥ 1,273	¥ 29,972
Other revenue	67,313	3,016	45,005	115,335	-	115,335
Revenue from external customers	86,067	3,303	54,664	144,034	1,273	145,307
Intersegment revenue or transfers	-	27,402	7	27,410	-	27,410
Total	¥ 86,067	¥ 30,705	¥ 54,672	¥ 171,445	¥ 1,273	¥ 172,718
Segment profit	¥ 4,039	¥ 2,218	¥ 7,891	¥ 14,149	¥ 28	¥ 14,178

	Thousands of U.S. Dollars					
	Six-Month Period Ended September 30, 2023					
	Reportable Segment			Total	Other (Note)	Total
Billing	Credit Card	Accounting and Finance				
Revenue:						
Revenue from contracts with customers	\$ 125,375	\$ 1,915	\$ 64,574	\$ 191,864	\$ 8,511	\$ 200,376
Other revenue	450,017	20,166	300,878	771,062	-	771,062
Revenue from external customers	575,392	22,082	365,452	962,927	8,511	971,439
Intersegment revenue or transfers	-	183,197	53	183,250	-	183,250
Total	\$ 575,392	\$ 205,279	\$ 365,505	\$1,146,177	\$ 8,511	\$1,154,689
Segment profit	\$ 27,005	\$ 14,831	\$ 52,759	\$ 94,596	\$ 189	\$ 94,785

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, 2022					
	Reportable Segment			Total	Other (Note)	Total
Billing	Credit Card	Accounting and Finance				
Revenue:						
Revenue from contracts with customers	¥ 19,202	¥ 276	¥ 5,144	¥ 24,623	¥ 1,120	¥ 25,744
Other revenue	58,916	2,480	18,971	80,368	-	80,368
Revenue from external customers	78,119	2,756	24,115	104,991	1,120	106,112
Intersegment revenue or transfers	-	24,526	11	24,537	-	24,537
Total	¥ 78,119	¥ 27,282	¥ 24,126	¥ 129,528	¥ 1,120	¥ 130,649
Segment profit	¥ 3,723	¥ 2,022	¥ 4,509	¥ 10,255	¥ 11	¥ 10,266

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

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

	Millions of Yen		Thousands of U.S. Dollars
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2023	2022	2023
Segment profit:			
Reportable segments total	¥ 14,149	¥ 10,255	\$ 94,596
Profit in “Other”	28	11	189
Corporate expenses (Note)	(3,369)	(2,316)	(22,526)
Operating income in the interim consolidated statements of income	¥ 10,808	¥ 7,950	\$ 72,259

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

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

For the six-month periods ended September 30, 2023 and 2022, 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, 2023 and 2022, there is no applicable information to disclose.

Significant gain on bargain purchase by reportable segment

For the six-month periods ended September 30, 2023 and 2022, there is no applicable information to disclose.

11. SUBSEQUENT EVENTS

There are no significant subsequent events to disclose.

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