

Interim Consolidated Financial Statements (Unaudited)

For the Nine Months Ended December 31, 2022

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Balance Sheets
December 31, 2022 as compared with March 31, 2022—Unaudited

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2022	March 31, 2022	December 31, 2022		December 31, 2022	March 31, 2022	December 31, 2022
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 230,058	¥ 364,567	\$ 1,733,676	Short-term bank loans	¥ 421,540	¥ 299,688	\$ 3,176,642
Trade accounts receivable:				Current portion of long-term borrowings	96,000	144,043	723,436
Loans	8,373,353	8,107,979	63,099,876	Current portion of bonds	382,064	179,188	2,879,156
Other loans	-	929	-	Commercial papers	1,071,991	404,726	8,078,305
Credit cards	65,369	58,990	492,611	Accounts payable - other	483,111	412,714	3,640,626
Billing	287,109	85,644	2,163,595	Accrued income taxes	1,884	205	14,204
Allowance for doubtful receivables	(18,681)	(15,748)	(140,780)	Deposits received	1,264,657	2,316,897	9,530,202
Investments in venture businesses	7,045	6,245	53,091	Deposits received from shareholders, directors or employees	45	85	344
Other	50,640	45,759	381,619	Asset retirement obligations	-	137	-
				Other	16,818	12,050	126,738
Total current assets	8,994,895	8,654,368	67,783,690	Total current liabilities	3,738,113	3,769,736	28,169,656
PROPERTY AND EQUIPMENT, NET:	5,658	6,205	42,639				
INTANGIBLE ASSETS—Assets held for own use	7,546	10,536	56,869	LONG-TERM LIABILITIES:			
INVESTMENTS AND OTHER ASSETS:				Bonds	2,802,923	2,816,633	21,122,254
Investment securities	16,175	19,037	121,896	Long-term borrowings	2,396,604	2,025,584	18,060,323
Other	19,780	19,374	149,064	Provision for loss on system use agreements	1,909	2,380	14,385
Allowance for doubtful receivables	(412)	(406)	(3,106)	Defined benefit liability	22,534	21,819	169,815
				Asset retirement obligations	1,311	1,333	9,879
Total investments and other assets	35,544	38,005	267,854	Other	309	999	2,329
DEFERRED ASSETS				Total long-term liabilities	5,225,591	4,868,750	39,378,988
Deferred charges	6,800	7,177	51,250	Total liabilities	8,963,705	8,638,487	67,548,645
Total deferred assets	6,800	7,177	51,250	NET ASSETS:			
				Shareholders' equity (Note 4):			
				Common stock—authorized, 80,000 shares; issued, 51,960 shares as of December 31 and March 31, 2022	16,770	16,770	126,382
				Capital surplus	15,950	15,950	120,199
				Retained earnings	48,442	39,877	365,052
				Treasury stock; 595 shares as of December 31 and March 31, 2022	(1,126)	(1,126)	(8,492)
				Total shareholders' equity	80,036	71,472	603,142
				Accumulated other comprehensive income/(loss):			
				Unrealized gain/(loss) on available-for-sale securities	2,421	2,762	18,244
				Foreign currency translation adjustments	1,875	989	14,134
				Remeasurements of defined benefit plans	2,407	2,582	18,139
				Total accumulated other comprehensive income/(loss)	6,703	6,334	50,519
				Total net assets	86,740	77,806	653,661
TOTAL ASSETS	¥ 9,050,446	¥ 8,716,293	\$ 68,202,306	TOTAL LIABILITIES AND NET ASSETS	¥ 9,050,446	¥ 8,716,293	\$ 68,202,306

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income
 Nine-Month Periods Ended December 31, 2022 and 2021—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2022	2021	2022
REVENUE	¥ 166,688	¥ 141,949	\$ 1,256,133
COST OF SALES	<u>87,215</u>	<u>70,919</u>	<u>657,237</u>
Gross profit/(loss)	79,473	71,030	598,896
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>65,850</u>	<u>61,832</u>	<u>496,239</u>
Operating income/(loss)	<u>13,622</u>	<u>9,197</u>	<u>102,657</u>
OTHER INCOME:			
Interest income	0	0	0
Dividend income	21	24	162
Foreign exchange gain	1,104	508	8,324
Gain on bad debts recovered	-	430	-
Share of profit of equity-accounted investees	1,466	1,148	11,049
Other	<u>25</u>	<u>138</u>	<u>190</u>
Total other income	2,617	2,249	19,727
OTHER EXPENSES:			
Interest expense	19	23	148
Loss on retirement of assets held for own use	111	100	842
Other	<u>2</u>	<u>1</u>	<u>19</u>
Total other expenses	134	126	1,010
EXTRAORDINARY LOSSES:			
Restructuring expenses	-	166	-
Loss on termination of service	<u>309</u>	<u>-</u>	<u>2,334</u>
Total extraordinary losses	309	166	2,334
PROFIT/(LOSS) BEFORE INCOME TAXES	<u>15,796</u>	<u>11,154</u>	<u>119,039</u>
INCOME TAXES	4,397	3,325	33,141
PROFIT/(LOSS)	<u>11,398</u>	<u>7,828</u>	<u>85,897</u>
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	<u>¥ 11,398</u>	<u>¥ 7,828</u>	<u>\$ 85,897</u>

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Nine-Month Periods Ended December 31, 2022 and 2021—Unaudited

	Yen		U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2022	2021	2022
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	
Basic earnings per share	¥ 221,913.92	¥ 152,416.41	\$ 1,672.30

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

**Interim Consolidated Statements of Comprehensive Income
Nine-Month Periods Ended December 31, 2022 and 2021—Unaudited**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2022	2021	2022
PROFIT/(LOSS)	¥ 11,398	¥ 7,828	\$ 85,897
OTHER COMPREHENSIVE INCOME/(LOSS):			
Unrealized gain/(loss) on available-for-sale securities	(85)	898	(644)
Foreign currency translation adjustments	501	221	3,780
Remeasurements of defined benefit plans	(174)	7	(1,317)
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	128	242	968
Total other comprehensive income/(loss)	369	1,369	2,787
COMPREHENSIVE INCOME/(LOSS)	¥ 11,768	¥ 9,198	\$ 88,684
Comprehensive income/(loss) attributable to:			
Owners of parent	¥ 11,768	¥ 9,198	\$ 88,684
Non-controlling interests	-	-	-

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Notes to Interim Consolidated Financial Statements—Unaudited

1. BASIS OF PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, and has been made at the rate of ¥132.70 to \$1.00, the approximate rate of exchange at December 31, 2022, 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, 2022.

From the third quarter of the year ending March 31, 2023, NTT Finance 2007 L.P. was excluded from the scope of consolidation as it was dissolved.

From the first quarter of the year ending March 31, 2023, V Lease Ltd. was excluded from the scope of applying the equity method of accounting due to the liquidation.

3. SECURITIES, INVESTMENT SECURITIES AND INVESTMENTS IN VENTURE BUSINESSES

The amounts of securities, investment securities and investments in venture businesses including carrying amounts on the accompanying interim consolidated balance sheet do not change significantly compared to those as of March 31, 2022.

4. EQUITY

Dividends

The following dividends are paid during the nine-month periods ended December 31, 2022 and 2021:

(1) Dividends paid in cash

Nine-Month Period Ended December 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	Source of Dividends
Annual shareholders' meeting held on June 17, 2022	Common stock	¥ 2,814	\$ 21,210	¥54,798.00	\$ 412.946	March 31, 2022	June 20, 2022	Retained earnings

Nine-Month Period Ended December 31, 2021								
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 18, 2021	Common stock	¥ 8,048	¥156,698.00	March 31, 2021	June 21, 2021	Retained earnings		

(2) Dividends paid other than in cash

Nine-Month Period Ended December 31, 2022									
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
Annual shareholders' meeting held on June 17, 2022	Common stock	Available-for-sale securities	¥ 19	\$ 144	¥ -	\$ -	June 17, 2022	June 30, 2022	Retained earnings

5. DEPRECIATION

Depreciation of assets held for own use for the nine-month periods ended December 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2022	2021	2022
Assets held for own use	¥ 5,177	¥ 3,992	\$ 39,018

6. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The amounts of financial instruments including carrying amounts on the accompanying interim consolidated balance sheets as of December 31, 2022 do not change significantly compared to those as of March 31, 2022.

7. DERIVATIVES

The amounts of derivatives including contract amounts as of December 31, 2022 do not change significantly compared to those as of March 31, 2022.

8. COMMITMENTS AND CONTINGENCIES

Contingent liabilities as of December 31, 2022 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 51,446	\$ 387,689

9. REVENUE RECOGNITION

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

10. SEGMENT INFORMATION

Information about revenue and profit by reportable segment

The following tables represent information about revenue and profit by reportable segment for the nine-month periods ended December 31, 2022 and 2021.

	Millions of Yen					
	Nine-Month Period Ended December 31, 2022					
	Reportable Segment			Total	Other (Note)	Total
Billing	Credit Card	Accounting and Finance				
Revenue:						
Revenue from contracts with customers	¥ 28,926	¥ 382	¥ 7,710	¥ 37,018	¥ 1,642	¥ 38,661
Other revenue	90,295	3,755	33,976	128,027	-	128,027
Revenue from external customers	119,221	4,138	41,686	165,046	1,642	166,688
Intersegment revenue or transfers	-	37,551	17	37,568	-	37,568
Total	¥ 119,221	¥ 41,689	¥ 41,703	¥ 202,615	¥ 1,642	¥ 204,257
Segment profit	¥ 6,745	¥ 3,036	¥ 7,815	¥ 17,596	¥ 16	¥ 17,613

Thousands of U.S. Dollars						
Nine-Month Period Ended December 31, 2022						
Reportable Segment						
	Billing	Credit Card	Accounting and Finance	Total	Other (Note)	Total
Revenue:						
Revenue from contracts with customers	\$ 217,981	\$ 2,883	\$ 58,101	\$ 278,966	\$ 12,376	\$ 291,342
Other revenue	680,447	28,301	256,041	964,791	-	964,791
Revenue from external customers	898,429	31,184	314,143	1,243,757	12,376	1,256,133
Intersegment revenue or transfers	-	282,980	129	283,110	-	283,110
Total	\$ 898,429	\$ 314,165	\$ 314,272	\$ 1,526,867	\$ 12,376	\$ 1,539,243
Segment profit	\$ 50,830	\$ 22,880	\$ 58,894	\$ 132,605	\$ 123	\$ 132,729

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

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

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

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

	Millions of Yen		Thousands of U.S. Dollars
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2022	2021	2022
Segment profit:			
Reportable segments total	¥ 17,596	¥ 12,378	\$ 132,605
Profit in “Other”	16	16	123
Corporate expenses (Note)	(3,990)	(3,196)	(30,071)
Operating income in the interim consolidated statements of income	¥ 13,622	¥ 9,197	\$ 102,657

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

Information regarding changes in reportable segments

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

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

For the nine-month periods ended December 31, 2022 and 2021, there is no applicable information to disclose.

Significant change in the amount of goodwill by reportable segment

For the nine-month periods ended December 31, 2022 and 2021, there is no applicable information to disclose.

Significant gain on bargain purchase by reportable segment

For the nine-month periods ended December 31, 2022 and 2021, there is no applicable information to disclose.

11. SUBSEQUENT EVENTS

There are no significant subsequent events to disclose.

12. SUPPLEMENTAL INFORMATION

Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System

The Company and some of its domestic consolidated subsidiaries have transitioned from the consolidated taxation system to the group tax sharing system from the first quarter of the year ending March 31, 2023. Along with this transition, corporate and local taxes and tax effect accounting are accounted for and disclosed in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Issues Task Force (PITF) No. 42, August 12, 2021; the “Practical Solution No. 42”). In addition, based on Paragraph 32 (1) of the Practical Solution No. 42, the Company deems that there is no effect of changes in accounting policies due to the application of the Practical Solution No. 42.

Loss on termination of service

The Company recorded expenses to be incurred due to termination of the “NTT Group Card” service as an extraordinary loss for the nine-month period ended December 31, 2022.

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