

# Consolidated Financial Statements

NTT FINANCE CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the Years ended March 31, 2021 and 2020  
Together with Independent Auditor's Report

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**  
**Consolidated Balance Sheets**  
**March 31, 2021 and 2020**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021		2021	2020	2021
<b>ASSETS</b>				<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and cash equivalents (Note 12)	¥ 408,851	¥ 452,674	\$ 3,692,992	Short-term bank loans (Notes 7 and 12)	¥ 2,006,041	¥ 680,691	\$ 18,119,789
Trade accounts receivable (Note 12):				Current portion of long-term borrowings (Notes 7, 12 and 14)	22,099	37,594	199,615
Loans (Note 19)	7,369,961	2,735,599	66,569,974	Current portion of bonds (Notes 7 and 12)	108,508	71,191	980,114
Other loans	965	32,954	8,721	Commercial papers (Notes 7 and 12)	536,495	662,984	4,845,952
Credit cards	61,096	62,153	551,858	Lease obligations (Notes 7 and 12)	4	1,217	41
Billing (Note 19)	85,682	85,428	773,936	Accounts payable - other (Notes 12 and 19)	415,480	422,293	3,752,874
Allowance for doubtful receivables	(15,811)	(26,089)	(142,815)	Accrued income taxes	1,023	5,410	9,244
Investments in venture businesses (Notes 3 and 12)	4,901	4,293	44,275	Deposits received (Notes 12 and 19)	1,332,072	402,687	12,032,084
Other	40,143	916,506	362,598	Deposits received from shareholders, directors or employees (Notes 12 and 19)	91	592,048	827
Total current assets	7,955,791	4,263,521	71,861,542	Asset retirement obligations	63	32	570
PROPERTY AND EQUIPMENT, NET (Note 4):	5,346	36,965	48,291	Other	6,742	40,271	60,906
INTANGIBLE ASSETS—Assets held for own use	5,443	5,414	49,171	Total current liabilities	4,428,623	2,916,422	40,002,020
INVESTMENTS AND OTHER ASSETS:				LONG-TERM LIABILITIES:			
Investment securities (Notes 3, 6 and 12)	15,956	116,618	144,133	Bonds (Notes 7 and 12)	2,351,736	258,903	21,242,312
Defined benefit asset (Note 8)	1,453	996	13,127	Long-term borrowings (Notes 7, 12 and 14)	1,126,029	1,104,031	10,170,982
Deferred tax assets (Note 10)	10,888	12,514	98,350	Lease obligations (Notes 7 and 12)	6	16	59
Other (Notes 6 and 12)	6,173	18,056	55,761	Provision for loss on system use agreements	541	572	4,886
Allowance for doubtful receivables (Note 12)	(447)	(3,247)	(4,039)	Defined benefit liability (Note 8)	23,127	24,709	208,900
Total investments and other assets	34,024	144,938	307,332	Asset retirement obligations	1,444	1,872	13,045
DEFERRED ASSETS				Deferred tax liabilities (Note 10)	-	93	-
Deffered Charges	7,066	-	63,831	Other	405	18,139	3,660
Total deferred assets	7,066	-	63,831	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
<b>TOTAL ASSETS</b>	<b>¥ 8,007,672</b>	<b>¥ 4,450,840</b>	<b>\$ 72,330,168</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>¥ 8,007,672</b>	<b>¥ 4,450,840</b>	<b>\$ 72,330,168</b>

See notes to consolidated financial statements.

**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

**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	<u>7</u>	<u>19</u>	<u>67</u>
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	<u>¥ 9,146</u>	<u>¥ 12,771</u>	<u>\$ 82,616</u>
	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.

**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	Total 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						12,771
Net changes of items other than shareholders' equity							(43)	(237)	392	111	13	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						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

	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, 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							82,616
Net changes of items other than shareholders' equity						4,243	700	9,258	14,203	(1,655)	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)

**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)
<b>INVESTING ACTIVITIES:</b>			
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
<b>FINANCING ACTIVITIES:</b>			
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
	<u>2021</u>	<u>2021</u>
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	100.00%	100.00%

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

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

(i) *Actuarial assumptions*

	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	Carrying Amount of Dividend Property (Millions of Yen)	Carrying Amount of Dividend Property (Thousands of U.S. Dollars)	Dividends per Share (Yen)	Dividends per Share (U.S. Dollars)	Record Date	Effective Date
Extraordinary shareholders' meeting held on 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)		
	<u>2,734,940</u>	<u>2,734,413</u>	<u>(526)</u>
Credit card receivables	62,153		
Less: allowance for doubtful receivables (Note a)	(1,292)		
	<u>60,860</u>	<u>60,860</u>	<u>-</u>
Billing receivables	85,428		
Less: allowance for doubtful receivables (Note a)	(20,493)		
	<u>64,935</u>	<u>64,935</u>	<u>-</u>
Investments in venture businesses, securities and investment securities:			
Available-for-sale securities	126,537	126,537	-
Total assets	<u>¥ 3,439,948</u>	<u>¥ 3,439,421</u>	<u>¥ (526)</u>
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	<u>¥ 4,232,425</u>	<u>¥ 4,234,755</u>	<u>¥ 2,329</u>
Derivative transactions (Note b):			
Not qualifying for hedge accounting	¥ 26	¥ 26	¥ -
Qualifying for hedge accounting	(3,266)	(3,266)	-
Total derivative transactions	<u>¥ (3,240)</u>	<u>¥ (3,240)</u>	<u>¥ -</u>

- 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.

March 31, 2020	Millions of Yen			
	Contract Amount		Fair Value	Unrealized Gain/(Loss)
Total	Due after 1 Year			
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.

		Millions of Yen		
		Contract Amount		
	Hedged Item	Total	Due after 1 Year	Fair Value
<u>March 31, 2021</u>				
Interest rate swaps (Note a)	Long-term			
(Pay fixed rate, receive variable rate)	borrowings	¥ 18,723	¥ 17,893	¥ (1,187)
(Pay variable rate, receive fixed rate)	-	-	-	-
Currency swaps (Note b)	Long-term			
(Pay fixed rate, receive variable rate)	borrowings	47,417	47,417	(4,531)
(Pay fixed rate, receive fixed rate)	Bonds payable	1,214,206	1,135,738	10,974
Total		<u>¥1,280,347</u>	<u>¥ 1,201,049</u>	<u>¥ 5,255</u>

		Thousands of U.S. Dollars		
<u>March 31, 2021</u>				
Interest rate swaps (Note a)	Long-term			
(Pay fixed rate, receive variable rate)	borrowings	\$ 169,125	\$ 161,625	\$(10,724)
(Pay variable rate, receive fixed rate)	-	-	-	-
Currency swaps (Note b)	Long-term			
(Pay fixed rate, receive variable rate)	borrowings	428,303	428,303	(40,933)
(Pay fixed rate, receive fixed rate)	Bonds payable	10,967,449	10,258,683	99,129
Total		<u>\$11,564,878</u>	<u>\$10,848,612</u>	<u>\$ 47,471</u>

		Millions of Yen		
<u>March 31, 2020</u>				
Interest rate swaps (Note a)	Long-term			
(Pay fixed rate, receive variable rate)	borrowings	¥ 62,928	¥ 57,074	¥ (2,814)
(Pay variable rate, receive fixed rate)	Bonds payable	5,441	-	8
Currency swaps (Note b)	Long-term			
(Pay fixed rate, receive variable rate)	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	¥ -	¥ 13,016	\$ -
Corresponding debt:			
Current portion of long-term borrowings	¥ -	¥ 883	\$ -
Long-term borrowings	-	9,453	-
Total	¥ -	¥ 10,336	\$ -

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
	2021	2020	U.S. Dollars
			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	<u>¥ 250,619</u>	<u>¥ 453,809</u>	<u>\$ 2,263,747</u>
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	<u>¥ 13,825</u>	<u>¥ 18,221</u>	<u>\$ 124,881</u>

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	<u>¥ 250,619</u>	<u>¥ 453,809</u>	<u>\$ 2,263,747</u>

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	<u>¥ 36,965</u>

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									
	2020									
	Reportable Segment					Corporate Assets	Total			
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

\* \* \* \* \*

## 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</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>

<p>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>	
--	--

## 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.