

# Consolidated Financial Statements

NTT FINANCE CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the Years ended March 31, 2022 and 2021  
Together with Independent Auditor's Report

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**  
**Consolidated Balance Sheets**  
**March 31, 2022 and 2021**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022		2022	2021	2022
<b>ASSETS</b>				<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and cash equivalents	¥ 364,567	¥ 408,851	\$ 2,978,737	Short-term bank loans (Note 6)	¥ 299,688	¥ 2,006,041	\$ 2,448,632
Trade accounts receivable:				Current portion of long-term borrowings (Notes 6 and 11)	144,043	22,099	1,176,925
Loans (Notes 11 and 17)	8,107,979	7,369,961	66,247,072	Current portion of bonds (Notes 6 and 11)	179,188	108,508	1,464,080
Other loans	929	965	7,591	Commercial papers (Note 6)	404,726	536,495	3,306,855
Credit cards	58,990	61,096	481,989	Lease obligations (Notes 6 and 11)	1	4	9
Billing (Notes 14 and 17)	85,644	85,682	699,768	Accounts payable - other (Note 17)	412,714	415,480	3,372,122
Allowance for doubtful receivables	(15,748)	(15,811)	(128,672)	Accrued income taxes	205	1,023	1,676
Investments in venture businesses (Notes 3 and 11)	6,245	4,901	51,033	Deposits received (Note 17)	2,316,897	1,332,072	18,930,448
Other (Note 14)	45,759	40,143	373,882	Deposits received from shareholders, directors or employees (Note 17)	85	91	699
Total current assets	8,654,368	7,955,791	70,711,404	Asset retirement obligations	137	63	1,120
PROPERTY AND EQUIPMENT, NET (Note 4):	6,205	5,346	50,701	Other	12,048	6,742	98,446
INTANGIBLE ASSETS—Assets held for own use	10,536	5,443	86,089	Total current liabilities	3,769,736	4,428,623	30,801,018
INVESTMENTS AND OTHER ASSETS:				<b>LONG-TERM LIABILITIES:</b>			
Investment securities (Notes 3, 5 and 11)	19,037	15,956	155,547	Bonds (Notes 6 and 11)	2,816,633	2,351,736	23,013,592
Defined benefit asset (Note 7)	1,837	1,453	15,011	Long-term borrowings (Notes 6 and 11)	2,025,584	1,126,029	16,550,243
Deferred tax assets (Note 9)	10,939	10,888	89,379	Lease obligations (Notes 6 and 11)	3	6	25
Other (Notes 5 and 11)	6,598	6,173	53,912	Provision for loss on system use agreements	2,380	541	19,446
Allowance for doubtful receivables	(406)	(447)	(3,319)	Defined benefit liability (Note 7)	21,819	23,127	178,279
Total investments and other assets	38,005	34,024	310,531	Asset retirement obligations	1,333	1,444	10,896
DEFERRED ASSETS				Deferred tax liabilities (Note 9)	0	-	7
Deferred charges	7,177	7,066	58,642	Other	995	405	8,136
Total deferred assets	7,177	7,066	58,642	Total long-term liabilities	4,868,750	3,503,290	39,780,627
				Total liabilities	8,638,487	7,931,914	70,581,645
				<b>NET ASSETS:</b>			
				Shareholders' equity (Notes 8 and 18):			
				Common stock—authorized, 80,000 shares; issued, 51,960 shares in 2022 and 2021	16,770	16,770	137,028
				Capital surplus	15,950	15,950	130,325
				Retained earnings	39,877	41,239	325,825
				Treasury stock; 595 shares in 2022 and 2021	(1,126)	(1,126)	(9,208)
				Total shareholders' equity	71,472	72,833	583,971
				Accumulated other comprehensive income/(loss):			
				Unrealized gain/(loss) on available-for-sale securities	2,762	2,458	22,569
				Foreign currency translation adjustments	989	12	8,083
				Remeasurements of defined benefit plans	2,582	453	21,099
				Total accumulated other comprehensive income/(loss)	6,334	2,924	51,752
				Total net assets	77,806	75,758	635,724
<b>TOTAL ASSETS</b>	<b>¥ 8,716,293</b>	<b>¥ 8,007,672</b>	<b>\$ 71,217,369</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>¥ 8,716,293</b>	<b>¥ 8,007,672</b>	<b>\$ 71,217,369</b>

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Income  
Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
REVENUE (Notes 14 and 16):	¥ 189,882	¥ 250,619	\$ 1,551,452
COST OF SALES	96,702	146,123	790,121
Gross profit/(loss)	93,179	104,495	761,331
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	87,297	90,670	713,271
Operating income/(loss) (Note 16)	5,881	13,825	48,059
OTHER INCOME:			
Interest income	0	0	0
Dividend income	24	54	196
Earnings on equity method investments	3,705	-	30,273
Gain on bad debts recovered	566	640	4,627
Foreign exchange gain	1,373	-	11,223
Other	140	82	1,144
Total other income	5,809	777	47,465
OTHER EXPENSES:			
Interest expense	50	229	410
Foreign exchange loss	-	83	-
Loss on equity method investments	-	645	-
Loss on retirement of assets held for own use	155	151	1,271
Other	4	125	36
Total other expenses	210	1,236	1,717
EXTRAORDINARY INCOME:			
Gain on sales of shares of subsidiaries	-	614	-
Total extraordinary income	-	614	-
EXTRAORDINARY LOSSES:			
Restructuring expenses	166	348	1,358
Provision reserve for loss on system use agreements	2,118	-	17,305
Total extraordinary losses	2,284	348	18,663
PROFIT/(LOSS) BEFORE INCOME TAXES	9,196	13,631	75,144
INCOME TAXES (Note 9):			
Current	3,639	3,464	29,739
Deferred	(1,130)	1,013	(9,233)
Total income taxes	¥ 2,509	¥ 4,477	\$ 20,506

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Consolidated Statements of Income  
Years Ended March 31, 2022 and 2021**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
PROFIT/(LOSS)	¥ 6,687	¥ 9,153	\$ 54,637
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-	7	-
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 6,687	¥ 9,146	\$ 54,637
	Yen		U.S. Dollars (Note 1)
	2022	2021	2022
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	
Basic earnings per share	¥ 130,188.48	¥ 178,067.98	\$ 1,063.72
Cash dividends applicable to the year (Note 18)	54,798.00	156,698.00	447.73

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income  
Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
PROFIT/(LOSS)	¥ 6,687	¥ 9,153	\$ 54,637
OTHER COMPREHENSIVE INCOME/(LOSS) (Note 15):			
Unrealized gain/(loss) on available-for-sale securities	349	678	2,856
Foreign currency translation adjustments	608	71	4,970
Remeasurements of defined benefit plans	2,124	1,022	17,362
Share of other comprehensive income (loss) of affiliates accounted for using equity method	326	167	2,664
Total other comprehensive income/(loss)	3,409	1,939	27,854
COMPREHENSIVE INCOME/(LOSS)	¥ 10,096	¥ 11,093	\$ 82,491
Comprehensive income/(loss) attributable to:			
Owners of parent	¥ 10,096	¥ 11,086	\$ 82,491
Non-controlling interests	-	7	-

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity  
Years Ended March 31, 2022 and 2021

	Millions of Yen													
	Shareholders' Equity						Accumulated Other Comprehensive Income/(Loss)						Non-controlling Interests	Total Net Assets
	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)				
BALANCE, April 1, 2020	51,365	¥ 16,770	¥ 15,950	¥ 92,949	¥ (1,126)	¥ 124,543	¥ 1,988	¥ (65)	¥ (571)	¥ 1,352	¥ 183	¥ 126,079		
Cash dividends, ¥248,031.00 per share				(58,949)		(58,949)							(58,949)	
Change in equity in entities accounted for using equity method				(1,906)		(1,906)							(1,906)	
Profit attributable to owners of parent				9,146		9,146							9,146	
Net changes of items other than shareholders' equity							469	77	1,025	1,572	(183)		1,389	
BALANCE, March 31, 2021	51,365	16,770	15,950	41,239	(1,126)	72,833	2,458	12	453	2,924	-	75,758		
Cash dividends, ¥156,698.00 per share				(8,048)		(8,048)							(8,048)	
Profit attributable to owners of parent				6,687		6,687							6,687	
Net changes of items other than shareholders' equity							303	977	2,128	3,409			3,409	
BALANCE, March 31, 2022	51,365	¥ 16,770	¥ 15,950	¥ 39,877	¥ (1,126)	¥ 71,472	¥ 2,762	¥ 989	¥ 2,582	¥ 6,334	¥ -	¥ 77,806		

	Thousands of U.S. Dollars (Note 1)											
	Shareholders' Equity						Accumulated Other Comprehensive Income/(Loss)					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gain/(Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income/(Loss)	Non-controlling Interests	Total Net Assets	
BALANCE, April 1, 2021	\$ 137,028	\$ 130,325	\$ 336,951	\$ (9,208)	\$ 595,097	\$ 20,089	\$ 100	\$ 3,708	\$ 23,898	\$ -	\$ 618,995	
Cash dividends, \$1,280.32 per share			(65,763)		(65,763)						(65,763)	
Profit attributable to owners of parent			54,637		54,637						54,637	
Net changes of items other than shareholders' equity						2,480	7,983	17,390	27,854		27,854	
BALANCE, March 31, 2022	\$ 137,028	\$ 130,325	\$ 325,825	\$ (9,208)	\$ 583,971	\$ 22,569	\$ 8,083	\$ 21,099	\$ 51,752	\$ -	\$ 635,724	

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Cash Flows  
Years Ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
OPERATING ACTIVITIES:			
Profit before income taxes	¥ 9,196	¥ 13,631	\$ 75,144
Adjustments to reconcile profit before income taxes to net cash provided by/(used in) operating activities:			
Depreciation of leased assets and assets held for own use	5,776	3,175	47,193
(Gain)/loss on retirement of leased assets and assets held for own use	149	139	1,221
(Increase)/decrease in defined benefit asset	(158)	(106)	(1,292)
Increase/(decrease) in defined benefit liability	1,530	(225)	12,505
Increase/(decrease) in allowance for doubtful receivables	(103)	(5,806)	(848)
Increase/(decrease) in provision for loss on system use agreements	1,839	(31)	15,025
Interest and dividend income	(24)	(54)	(196)
Financing costs and interest expense	17,235	12,611	140,823
Foreign exchange (gain)/loss	41,415	16,569	338,393
Equity in (earnings)/losses of affiliates	(3,705)	645	(30,273)
(Gain)/loss on sales of investment securities	(121)	(34)	(992)
(Gain)/loss on sales of shares of affiliates	0	(611)	0
Bond issuance costs	1,486	258	12,146
(Increase)/decrease in trade accounts receivable - installment sales	-	(52)	-
(Increase)/decrease in lease receivables and investments in leases	(2,744)	312	(22,421)
(Increase)/decrease in trade accounts receivable - loans	(712,950)	(4,195,164)	(5,825,236)
(Increase)/decrease in trade accounts receivable - other loans	36	(1,203)	297
(Increase)/decrease in trade accounts receivable - rents	-	820	-
(Increase)/decrease in trade accounts receivable - credit cards	2,105	1,056	17,203
(Increase)/decrease in trade accounts receivable - billing	37	(253)	309
(Increase)/decrease in investments in venture businesses	(963)	163	(7,873)
(Increase)/decrease in other securities to earn financial income for operating purpose	-	2,770	-
Purchases of leased assets	-	(6,655)	-
Increase/(decrease) in trade notes and accounts payable	(45)	(7,498)	(375)
Increase/(decrease) in accounts payable - other	(6,363)	(6,396)	(51,991)
Increase/(decrease) in deposits received - billing	(10,785)	(7,155)	(88,120)
Other—net	(18,577)	2,294	(151,789)
Subtotal	(675,733)	(4,176,799)	(5,521,148)
Interest and dividend income received	554	258	4,531
Interest expense paid	(13,063)	(10,721)	(106,738)
Income taxes refund/(paid)	(4,649)	(5,223)	(37,987)
Net cash provided by/(used in) operating activities	¥ (692,891)	¥ (4,192,485)	\$ (5,661,342)

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Consolidated Statements of Cash Flows  
Years Ended March 31, 2022 and 2021**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Net cash provided by/(used in) operating activities	¥ (692,891)	¥ (4,192,485)	\$ (5,661,342)
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	57,126	-
Proceeds from sale and redemption of investment securities	257	126	2,100
Payments for purchases of investments in affiliates	-	(550)	-
Proceeds from sales of shares of affiliates	0	9	1
Payments for purchases of assets held for own use	(5,021)	(3,516)	(41,029)
Proceeds from sale of assets held for own use	-	5	-
Other—net	(367)	(209)	(3,005)
Net cash provided by/(used in) investing activities	(5,132)	52,991	(41,933)
<b>FINANCING ACTIVITIES:</b>			
Increase/(decrease) in short-term bank loans	(1,722,773)	1,318,682	(14,076,093)
Increase/(decrease) in commercial papers	(133,357)	(126,453)	(1,089,609)
Increase in long-term borrowings	1,013,511	491,505	8,280,996
Repayments of long-term borrowings	(23,446)	(32,231)	(191,573)
Proceeds from issuance of bonds	640,390	2,190,333	5,232,379
Redemption of bonds	(108,467)	(71,087)	(886,244)
Cash dividends paid	(8,048)	(12,740)	(65,763)
Increase/(decrease) in deposits received	995,756	338,498	8,135,928
Other—net	(0)	(16)	(0)
Net cash provided by/(used in) financing activities	653,565	4,096,492	5,340,019
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	38	(815)	314
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(44,420)	(43,817)	(362,942)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	408,851	452,674	3,340,560
INCREASE IN CASH AND CASH EQUIVALENTS FROM ABSORPTION TYPE COMPANY SPLIT	136	-	1,119
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM DECONSOLIDATION OF SUBSIDIARIES	-	(5)	-
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 364,567	¥ 408,851	\$ 2,978,737

See notes to consolidated financial statements.



# NTT FINANCE CORPORATION and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements Years Ended March 31, 2022 and 2021

### 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, and has been made at the rate of ¥122.39 to \$1.00, the approximate rate of exchange at March 31, 2022, and then the translated amounts have been rounded down to the nearest thousand. As a result, the totals shown in the accompanying consolidated financial statements in U.S. dollar do not necessarily agree with the sums of the individual amounts. Such translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation*—Entities over which the Company has, directly or indirectly, a controlling financial interest are fully consolidated, and entities over which the Company has the ability to exercise significant influence are accounted for by the equity method.

The consolidated financial statements as of March 31, 2022 include the accounts of the Company and its 8 significant subsidiaries, such as NTTL Holdings, Inc. (together, the “Group”). NTT Finance Israel L.P. was included in the scope of consolidation from the year ended March 31, 2022 due to new investments.

Investments in 4 affiliates are accounted for by the equity method.

Investment in 7 non-consolidated subsidiaries are stated at cost and are excluded from the scope of applying the equity method of accounting due to their immaterial effect to the consolidated financial statements even if the equity method of accounting had been applied.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

- b. Cash Equivalents*—Cash equivalents are short-term investments that are readily convertible into cash and that are not exposed to significant risk of changes in value. All cash equivalents mature or become due within three months from the date of acquisition.
- c. Securities, Investment Securities and Investments in Venture Businesses*—Securities, investment securities and investments in venture businesses are classified and accounted for, depending on management’s intent, as follows: (i) held-to-maturity debt securities, which are expected to be held to

maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, (ii) available-for-sale securities, except for equity securities without market price, are stated at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. Costs of securities sold are determined by the moving-average method and (iii) equity securities without market price are stated at cost determined by the moving-average method.

- d. *Property and Equipment***—Property and equipment are stated at cost less accumulated depreciation. Depreciation of assets held for own use is computed using the straight-line method. The range of useful lives is principally from 8 to 15 years for buildings and facilities attached to buildings, and from 2 to 20 years for furniture and fixtures.
- e. *Intangible Assets***—Assets held for own use are stated at cost less accumulated amortization, which is calculated by the straight-line method. Software for internal use is amortized using the straight-line method over an estimated useful life of 5 years.
- f. *Goodwill***—Goodwill is amortized using the straight-line method over the period where the respective goodwill is considered to be effective.
- g. *Long-Lived Assets***—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured at the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- h. *Bond Issuance Costs***—Bond issuance costs were amortized using the interest method over the bond redemption period.
- i. *Allowance for Doubtful Receivables***—Allowance for doubtful receivables is provided for at an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables such as due from debtors likely to become bankrupt and/or from debtors in bankruptcy and reorganization based on the examination on their financial conditions and the amount calculated based on the historical rate of losses for the other regular receivables.
- j. *Provision for Loss on System Use Agreements***—Provision for loss on system use agreements is recognized based on the estimated loss amount as of the balance sheet date to provide for the loss associated with unavoidable expenses incurring for remaining periods of system use agreements related to the telephone fee combined services.
- k. *Retirement Benefit Plans***—The Company has funded and unfunded defined benefit plans. In determining retirement benefit obligations, the benefit formula basis is used for the method of attributing expected benefit to periods. Past service costs are amortized by the straight-line method over the average remaining years of service of the employees when such past service costs occur. Actuarial gains or losses are amortized by the straight-line method over periods based on the average remaining years of service of the employees in the fiscal year when such gains or losses occur, commencing from the following fiscal year.

- l. Asset Retirement Obligations*—Asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized in the period when a reasonable estimate of the asset retirement obligation can be made.

Upon initial recognition of liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

- m. Revenue Recognition on Finance Lease Transactions*—Revenues from finance lease contracts and corresponding costs are recognized at the time of actual collection of the payments.
- n. Revenue Arising from Contracts with Customers*—Major contents of performance obligations relating to revenue arising from contracts with customers of the Group and timing of the satisfaction of performance obligations (timing of revenue recognition) are as follows:

(a) Billing business

The Group is contracted for billing and collection for telecommunication services mainly for NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, NTT COMMUNICATIONS CORPORATION and NTT DOCOMO, Inc. Revenue is recognized in the amount, which the Group expects to be entitled in exchange for the transfer of service when the Group collected such telecommunication service charges as the performance obligation is determined to be satisfied at that time, in the amount to which the Group expects to be entitled in exchange for the transfer of goods or services.

(b) Credit card business

The Group provides services relating to credit card settlement processing systems mainly to member stores. The performance obligation is determined to be satisfied over time as the customers receive benefit of facilitation of settlement through continuous usage of the credit card settlement solutions of the Group. Revenue is recognized in the amount to which the Group expects to be entitled in exchange for the transfer of service.

(c) Accounting and finance business

The Group provides, maintains, and operates the uniform accounting system functions mainly to NTT Group companies. The performance obligation is determined to be satisfied over time as the customers receive benefit of improvements in operational efficiency and quality through stable system provided by the Group. Revenue is recognized in the amount to which the Group expects to be entitled in exchange for the transfer of service.

- o. Income Taxes*—Provision for income taxes is computed based on taxable income and charged to income on an accrual basis. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- p. Foreign Currency Transactions*—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by foreign exchange forward contracts.
- q. Foreign Currency Financial Statements*— All financial statement accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity which is translated at the historical rate. Differences arising from such translation are shown as foreign currency translation adjustments in a separate component of net assets.

- r. **Derivatives and Hedge Accounting**—All derivatives, except for certain contracts described below, are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income. For derivatives which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until the gains or losses on the corresponding hedged items are recognized in income.

Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts which meet specific matching criteria are translated at the foreign exchange rate stipulated in the contracts. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the net amount to be paid or received under the swap agreements are recognized and included in cost of sales.

-Hedge accounting treatments applying “the Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR”

Of the above-mentioned hedge accounting treatments, the Company applied the exceptional treatment defined in the “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (“Practical Solution,” Practical Issues Task Force (PITF) No. 40, March 17, 2022) to all hedge accounting treatments in the scope of the Practical Solution. The details of the hedge accounting treatments in the scope of the Practical Solution are as follows:

Method of hedge accounting:	Allocation method (Furiate-shori)
Hedging instruments:	Currency swap contracts
Hedged items:	Financial liabilities denominated in foreign currencies
Type of hedge transaction:	Transactions denominated in foreign currencies with fixed cash flows to hedge foreign exchange rate volatility

- s. **Per Share Information**—Basic earnings per share is computed by dividing profit attributable to owners of parent by the weighted-average number of common shares outstanding for the period.

Diluted earnings per share reflects the potential dilution that could occur if stock acquisition rights were exercised into common stock. Diluted earnings per share of common stock assumes full exercise of the outstanding stock acquisition rights at the beginning of the year (or at the time of grant).

Diluted earnings per share is not disclosed because no potentially dilutive securities are outstanding.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the respective year.

- t. **Application of tax effect accounting for transition from the consolidated taxation system to the group tax sharing system**

The Company and some of its domestic consolidated subsidiaries will transition from the consolidated taxation system to the group tax sharing system from the fiscal year ending March 31, 2023. Having regard to paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020), however, the Company and its domestic consolidated subsidiaries do not follow paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) but apply provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system.

“Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021), which sets out accounting and disclosure of corporation and local taxes and tax effect accounting under the group tax sharing system, will be applied from the beginning of the fiscal year ending March 31, 2023.

**u. Significant Accounting Estimates**

Accounting estimates recognized in the consolidated financial statements for the year ended March 31, 2022 could have a significant impact on the consolidated financial statements for the year ending March 31, 2023. The significant item of these estimates is allowance for doubtful receivables related to billing receivables provided mostly for general receivables. The detail of those estimate items are as follows:

(a) Amount recognized in the year ended March 31, 2022

	Millions of Yen		Thousands of
	2022	2021	U.S. Dollars
			2022
Allowance for doubtful billing receivables	¥ 14,915	¥ 14,825	\$ 121,867

(b) Information regarding the significant accounting estimates of the identified items

Allowance for doubtful billing receivables is recognized based on the historical rate of losses for the other regular billing receivables. The historical rate of credit losses is calculated based on the historical credit losses for each number of elapsed months of billing receivables according to the management's judgement that probable credit losses approximate the historical credit losses.

In addition, given the significant amounts of general receivables, the appropriateness of the historical rate of credit losses may have a significant effect on the determination of allowance for doubtful receivables for general receivables.

Since the respective estimates can be affected by the future events such as changes in uncertain economic conditions, the estimates could have a significant impact on the business results in the following fiscal year ending March 31, 2023 in case the actual defaults on billing receivables will differ from the estimates.

**v. Changes in Accounting Policies**

*Revenue Recognition*

From the beginning of the year ended March 31, 2022, the Group adopted "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other related guidance. The Group recognizes revenue at the time of the transfer of promised goods or services to customers in an amount to which the Group expects to be entitled in exchange for those goods or services. The transitional treatment as stipulated in Paragraph 84 of the Accounting Standard for Revenue Recognition is applied. There is no effect of adopting these standard and guidance on the consolidated financial statements.

*Fair Value Measurement*

From the beginning of the year ended March 31, 2022, the Group adopted "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019) and other related standard and guidance. The new accounting policies as stipulated in these standards and guidance are applied prospectively in accordance with the transitional treatment as stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, issued on July 4, 2019). There is no effect of adopting these standards and guidance on financial statements. Fair value of financial instruments and breakdown by level of fair values is disclosed in Note 11 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES.

### 3. SECURITIES, INVESTMENT SECURITIES AND INVESTMENTS IN VENTURE BUSINESSES

Acquisition cost and fair value of available-for-sale securities as of March 31, 2022 and 2021 are as follows:

Millions of Yen			
2022			
Fair Value	Acquisition Cost/ Amortized Cost	Difference	
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 4,005	¥ 353	¥ 3,651
Sub-total	4,005	353	3,651
Securities with fair values not exceeding acquisition costs or amortized costs:			
Debt securities	10,000	10,000	-
Sub-total	10,000	10,000	-
Total	¥ 14,005	¥ 10,353	¥ 3,651
Thousands of U.S. Dollars			
2022			
Fair Value	Acquisition Cost/ Amortized Cost	Difference	
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	\$ 32,726	\$ 2,889	\$ 29,837
Sub-total	32,726	2,889	29,837
Securities with fair values not exceeding acquisition costs or amortized costs:			
Debt securities	81,706	81,706	-
Sub-total	81,706	81,706	-
Total	\$ 114,432	\$ 84,595	\$ 29,837
Millions of Yen			
2021			
Fair Value	Acquisition Cost/ Amortized Cost	Difference	
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 3,720	¥ 309	¥ 3,410
Sub-total	3,720	309	3,410
Securities with fair values not exceeding acquisition costs or amortized costs:			
Debt securities	10,000	10,000	-
Sub-total	10,000	10,000	-
Total	¥ 13,720	¥ 10,309	¥ 3,410

As of March 31, 2022 and 2021, unlisted equity securities of ¥1,321 million (\$10,800 thousand) and ¥1,228 million and investments in partnerships of ¥1,926 million (\$15,742 thousand) and ¥968 million are excluded from the above table because they do not have readily determinable market values.

Securities sold during the years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		
	2022		
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	¥ 257	¥ 121	¥ 0
	Thousands of U.S. Dollars		
	2022		
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	\$ 2,102	\$ 993	\$ 0
	Millions of Yen		
	2021		
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	¥ 3,136	¥ 2,682	¥ 30

If the fair value of a security as of a fiscal year-end declines 50% or more from its acquisition cost, the difference between the fair value and the acquisition cost is recognized as loss on impairment.

In addition, if the fair value of a security as of a fiscal year-end declines 30% to 50% from its acquisition cost, the necessary amount based on the consideration of the recoverability is recognized as loss on impairment.

Losses on impairment of available-for-sale securities for the years ended March 31, 2022 and 2021 were ¥298 million (\$2,442 thousand) and ¥5 million, respectively.

#### 4. PROPERTY AND EQUIPMENT, NET

Accumulated depreciation of leased assets and assets held for own use as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Assets held for own use	¥ 6,050	¥ 3,999	\$ 49,437

#### 5. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in non-consolidated subsidiaries and affiliates as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Investment securities	¥ 18,029	¥ 14,941	\$ 147,311
Other under investments and other assets	2,728	2,315	22,293

Investment securities include investments in jointly controlled entities in the amount of ¥13,549 million (\$110,704 thousand) and ¥12,674 million for the years ended March 31, 2022 and 2021, respectively.

Other under investments and other assets includes investments in silent partnerships. Silent partnerships are Japanese bilateral contracts governed by the Commercial Code of Japan between silent partners and an operator.

Under a silent partnership agreement, silent partners provide funds for partnership business and are entitled to be allocated all profits or losses arising from the business. However, the silent partners do not have any interest or right to the assets of the partnership business. Also, the silent partners shall have no authority, control over, or interest in the partnership business except participating in the allocated profits or losses.

The operator operates the partnership business for the benefit of the silent partners and makes distributions of profits and losses to the silent partners in accordance with the partnership agreement.



## 6. SHORT-TERM AND LONG-TERM DEBT

Short-term and long-term debts as of March 31, 2022 and 2021 consisted of the following:

	Interest Rate (%) (Notes a, b, c and d)	Millions of Yen		Thousands of U.S. Dollars
		2022	2021	2022
Short-term debt:				
Short-term bank loans	0.528	¥ 299,688	¥ 2,006,041	\$ 2,448,632
Commercial papers	0.010	404,726	536,495	3,306,855
Short-term borrowings		704,414	2,542,537	5,755,488
Lease obligations, current portion	-	1	4	9
Deposits received from NTT Group companies, including current portion of long-term deposits received from NTT Group companies	0.009	2,158,174	1,162,418	17,633,582
Long-term debt:				
Long-term borrowings	0.401	2,169,628	1,148,128	17,727,169
Unsecured bonds	0.001 – 2.065	2,748,925	2,329,645	22,460,372
Bonds issued under Euro Medium Term Note Program	0.082 – 1.302	246,897	130,599	2,017,300
Sub-total		5,165,450	3,608,373	42,204,842
Less current portion	0.476	323,232	130,607	2,641,006
Long-term debt		4,842,217	3,477,765	39,563,836
Lease obligations, excluding current portion	-	3	6	25

- Notes:
- Interest rate represents a weighted-average rate of interest on the outstanding balance of debt (excluding bonds and finance lease obligations) as of March 31, 2022.
  - Interest rate for unsecured bonds represents the range of annual coupon rates rounded down to the nearest hundredth percent.
  - Interest rate for bonds issued under Euro Medium Term Note Program represents the range of annual coupon rates rounded down to the nearest hundredth percent.
  - Interest rate for finance lease obligations is not disclosed since lease obligations are recorded on the consolidated balance sheets in the amount not deducting the amount equivalent to interest that is included in the total lease payment.

The annual maturities of long-term borrowings, bonds payable, and lease obligations over 1 year through 5 years as of March 31, 2022 are summarized as follows:

	Millions of Yen			
	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years
March 31, 2022				
Long-term borrowings	¥ 56,413	¥ 316,865	¥ 366,869	¥ 261,545
Bonds payable	328,529	263,347	383,193	488,300
Lease obligations	1	1	0	-

  

	Thousands of U.S. Dollars			
	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years
March 31, 2022				
Long-term borrowings	\$ 460,933	\$2,588,980	\$2,997,546	\$2,136,984
Bonds payable	2,684,286	2,151,711	3,130,921	3,989,705
Lease obligations	9	9	6	-

## 7. RETIREMENT BENEFITS

### (1) Overview of Retirement Benefit Plans

The Company has funded and unfunded defined benefit plans (mainly NTT corporate pension fund plan, contract-type corporate pension plan and lump-sum payment plan) and defined contribution plans. The defined benefit corporate pension plans, all of which are funded, provide lump-sum or pension benefits based on salaries and the length of service. The lump-sum payment plan, which is unfunded, provides lump-sum benefits based on salaries and the length of service.

Contribution to the contract-type corporate pension plan made on or after April 1, 2014 has been transferred to a defined contribution pension plan.

### (2) Defined Benefit Plans

#### (a) Reconciliation between retirement benefit obligations at beginning and end of year

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Retirement benefit obligations at beginning of year	¥ 44,739	¥ 44,908	\$ 365,547
Current service costs	1,316	1,366	10,753
Interest costs	259	259	2,120
Actuarial gains and losses arising during year	(3,218)	1,132	(26,293)
Retirement benefits paid	(1,863)	(1,957)	(15,223)
Succession due to transfer	2,690	(969)	21,981
Retirement benefit obligations at end of year	¥ 43,924	¥ 44,739	\$ 358,886

(b) *Reconciliation between plan assets at beginning and end of year*

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Plan assets at beginning of year	¥ 23,065	¥ 21,195	\$ 188,457
Expected return on plan assets	401	354	3,276
Actuarial gains and losses arising during year	(153)	2,409	(1,250)
Contribution from employer	281	389	2,303
Retirement benefits paid	(704)	(613)	(5,752)
Succession due to transfer	1,063	(659)	8,686
Other	(12)	(11)	(102)
Plan assets at end of year	<u>¥ 23,941</u>	<u>¥ 23,065</u>	<u>\$ 195,618</u>

(c) *Reconciliation between retirement benefit obligations and plan assets and defined benefit liability and defined benefit asset on the consolidated balance sheets*

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Retirement benefit obligations of funded plans	¥ 28,883	¥ 29,824	\$ 235,999
Plan assets	<u>(23,941)</u>	<u>(23,065)</u>	<u>(195,618)</u>
	4,942	6,758	40,381
Retirement benefit obligations of unfunded plans	<u>15,040</u>	<u>14,915</u>	<u>122,887</u>
Net balance of liability and asset recorded on the consolidated balance sheet	<u>19,982</u>	<u>21,674</u>	<u>163,268</u>
Defined benefit liability	21,819	23,127	178,279
Defined benefit asset	<u>(1,837)</u>	<u>(1,453)</u>	<u>(15,011)</u>
Net balance of liability and asset recorded on the consolidated balance sheet	<u>¥ 19,982</u>	<u>¥ 21,674</u>	<u>\$ 163,268</u>

(d) *Profit and loss related to retirement benefits*

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Current service costs	¥ 1,316	¥ 1,366	\$ 10,753
Interest costs	259	259	2,120
Expected return on plan assets	(401)	(354)	(3,276)
Amortization of actuarial gains and losses	63	257	516
Amortization of past service costs	<u>(64)</u>	<u>(64)</u>	<u>(524)</u>
Retirement benefit costs on defined benefit plans	<u>¥ 1,173</u>	<u>¥ 1,464</u>	<u>\$ 9,589</u>

(e) *Remeasurements of defined benefit plans recorded in other comprehensive income*

Breakdown of items recorded as remeasurements of defined benefit plans, before tax, recorded in other comprehensive income is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Past service costs	¥ (64)	¥ (64)	\$ (524)
Actuarial gains and losses	3,128	1,535	25,559
Total	¥ 3,064	¥ 1,471	\$ 25,034

(f) *Remeasurements of defined benefit plans recorded in accumulated other comprehensive income*

Breakdown of items recorded as remeasurements of defined benefit plans, before tax, included in accumulated other comprehensive income is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized past service costs	¥ 163	¥ 227	\$ 1,337
Unrecognized actuarial gains and losses	3,549	421	29,003
Total	¥ 3,713	¥ 649	\$ 30,340

(g) *Breakdown of plan assets*

Percentage to total plan assets by main category is as follows:

	2022	2021
Cash and cash equivalents	4.99%	6.67%
Debt securities	39.51	37.37
Equity securities	13.17	16.87
Beneficiary certificates of securities investment trust	16.84	16.47
Jointly managed money trust	7.85	6.55
General account of life insurance	14.24	13.88
Other	3.41	2.19
Total	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*

	2022	2021
Actuarial assumptions at end of year:		
Discount rate	0.5 - 0.9%	0.1 - 0.6%
Long-term expected rate of return:		
NTT corporate pension fund	2.5%	2.5%
Contract-type corporate pension	1.0%	1.0%

### **(3) Defined Contribution Plans**

The required contributions to the defined contribution plans of the Company amounted to ¥178 million (\$1,454 thousand) and ¥185 million, for the years ended March 31, 2022 and 2021, respectively.

## **8. EQUITY**

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### **a. Dividends**

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### **b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus**

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

### **c. Treasury Stock and Treasury Stock Acquisition Rights**

The Companies Act also permits companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of net assets. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from stock acquisition rights.

The following dividends were paid during the years ended March 31, 2022 and 2021:

(1) Dividends paid in cash

Year Ended March 31, 2022							
Resolution	Class of Shares	Total Dividends (Millions of Yen)	Total Dividends (Thousands of U.S. Dollars)	Dividends per Share (Yen)	Dividends per Share (U.S. Dollars)	Record Date	Effective Date
Annual shareholders' meeting held on June 18, 2021	Common stock	¥ 8,048	\$ 65,763	¥156,698.00	\$ 1,280.32	March 31, 2021	June 21, 2021

Year Ended March 31, 2021							
Resolution	Class of Shares	Total Dividends (Millions of Yen)		Dividends per Share (Yen)		Record Date	Effective Date
Annual shareholders' meeting held on June 19, 2020	Common stock	¥ 12,740		¥248,031.00		March 31, 2020	June 22, 2020

(2) Dividends paid other than in cash

Year Ended March 31, 2021							
Resolution	Class of Shares	Class of Dividend Property	Carrying Amount of Dividend Property (Millions of Yen)	Dividends per Share (Yen)		Record Date	Effective Date
Extraordinary shareholders' meeting held on October 9, 2020	Common stock	Shares in affiliates	¥ 46,209	¥ -		October 9, 2020	October 16, 2020

No dividends other than in cash were paid during the year ended March 31, 2022.

## 9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences which resulted in net deferred tax assets as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Accrued enterprise taxes	¥ 43	¥ 223	\$ 351
Accrued bonuses	435	429	3,562
Accounts payable - other	421	247	3,443
Allowance for doubtful receivables	3,758	3,023	30,708
Accrued retirement benefits	6,682	7,056	54,598
Loss on valuation of investment securities	1,267	1,195	10,355
Provision for loss on system use agreements	728	165	5,955
Others	438	1,141	3,586
Sub-total	13,776	13,483	112,562
Valuation allowance	(885)	(873)	(7,238)
Total deferred tax assets	12,890	12,609	105,323
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(1,164)	(1,023)	(9,518)
Others	(787)	(697)	(6,432)
Total deferred tax liabilities	(1,952)	(1,721)	(15,951)
Net deferred tax assets	¥ 10,938	¥ 10,888	\$ 89,372

Reconciliation between the statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2022 and 2021 is as follows:

	2022	2021
Statutory tax rate	30.6%	30.5%
Entertainment expenses permanently not deductible for income tax purposes	0.0	0.0
Tax on undistributed profits for a family corporation	0.8	1.0
Per capita inhabitant tax	0.8	0.6
Changes in valuation allowance	0.1	(1.0)
Effects of succession of bonds	-	(2.1)
Effects of organizational restructuring	-	4.9
Share of profit of equity-accounted investees	(4.2)	-
Others	(0.8)	1.1
Actual effective tax rate	27.3%	32.8%

## 10. LEASES

### *Lease transactions as lessee*

Future minimum lease payments under non-cancelable operating leases are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due in 1 year or less	¥ 802	¥ 544	\$ 6,553
Due after 1 year	969	608	7,925
Total	¥ 1,772	¥ 1,153	\$ 14,478

## 11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### *(1) Group Policy for Financial Instruments*

The Group mainly engages in financial businesses such as loans to domestic and overseas NTT Group companies. In order to cover funds necessary for these businesses, the Group raises funds through bank borrowings, issuance of corporate bonds and commercial papers, and acceptance of excess funds from NTT Group companies. The Group periodically adjusts the balance between short-term and long-term products, taking market conditions into account, and intends to further diversify its financing methods and counterparties and obtains credit facilities from various financial institutions.

In order to quickly respond to changes in financial markets, the Group aims to optimize the relationship between sources and uses of funds, taking into account market trends in various interest rates and foreign exchange rates and implementing appropriate asset liability management (“ALM”). In line with this goal, the Group has various derivative transactions only for hedging purposes and not for trading purposes.

### *(2) Nature and Extent of Risks Arising from Financial Instruments*

Loans receivable held by the Group are exposed to credit loss due to counterparties’ default and fluctuations in interest rates.

Investments in venture businesses, and securities and investment securities mainly consist of equity securities. These securities are held for capital gain or to promote business relationships, which are exposed to credit risk of issuers, interest rate risk and market risk, respectively.

Bank borrowings, corporate bonds and commercial papers are exposed to liquidity risk, i.e., the risk the Group cannot meet its contractual obligations in full on maturity dates for such reasons as the Group would be unable to access financial markets under certain circumstances. Furthermore, the Group uses funds based on variable rates, which are exposed to risk resulting from fluctuations in interest rates. In order to avoid such risk, the Group uses interest rate swaps for certain financing transactions.

Assets and liabilities denominated in foreign currencies are exposed to foreign currency risk. The Group manages each transaction to mitigate such risk by matching the amount of cash flows attributed to these assets and liabilities or by using currency swap contracts and forward foreign exchange contracts.

The Group uses hedging derivatives such as interest rate swaps, currency swaps and foreign exchange forward contracts. Moreover, credit derivatives could be used to avoid credit risk of assets held by the Group, if appropriate. Hedging derivatives are exposed to risk associated with fluctuations in market prices and risk attributable to counterparties’ default, but the Group considers that market risk and credit risk are extremely low because fair value of such derivatives is highly correlated with that of hedged item and the counterparty is limited to creditworthy financial institutions with limited risk of default.



### **(3) Risk Management for Financial Instruments**

#### *Credit risk management*

The Group manages credit risk in accordance with internal rules. For each credit transaction, the Group implements such procedures as performing ex-ante evaluation and ex-post monitoring and reevaluation of customer credit, securing collateral or guarantees, and addressing troubled receivables, if any.

#### *Liquidity risk management on financing*

The Group manages its liquidity risk, taking market conditions into account, by adjusting the balance of financial products between long-term and short-term on a regular basis, using the ALM technique, by diversifying financing methods and counterparties and by obtaining credit facilities from various financial institutions.

#### *Market risk management*

##### **Risks of interest rate fluctuations**

The Group comprehensively monitors interest rates and terms of financial assets and liabilities on a continual basis, using the ALM technique and performing gap analysis and sensitivity analysis.

##### **Risk of exchange rate fluctuations**

Each transaction denominated in foreign currency is managed to avoid foreign currency risk by matching the amount of cash flows attributed to these assets and liabilities or by using currency swap contracts and forward foreign exchange contracts.

##### **Risks of price fluctuations**

Securities and investment securities, which are exposed to risk of price fluctuations, are managed through periodic monitoring of their fair values and the financial positions of issuers.

##### **Quantitative information on market risk**

Loans receivable, long-term borrowings, corporate bonds and interest rate swaps are exposed to interest rate risk.

Effects of interest rate fluctuations on these financial instruments, which are measured based on the maximum interest rate change observed during a certain period after the zero-interest-rate policy ended, are used in quantitative analysis for managing interest rate risk. In measuring the effects, financial instruments subject to this analysis are classified into two kinds: those with fixed rates and with variable rates. Each of them is further broken down by maturity in order to apply relevant interest rate change corresponding to maturity. Increase in interest rate by one basis point (0.01%) as of March 31, 2022 and 2021 is estimated to decrease market value of the Group's net financial assets by ¥35 million (\$290 thousand) and ¥69 million, respectively, keeping all other parameters fixed. This analysis does not consider correlation between interest rate and other parameters.

#### *Management of derivative transactions*

The Group enters into derivative transactions in accordance with its internal "Derivative Transaction Rule," which stipulates purposes of use, authorization and management thereof in order to hedge risks such as fluctuation risks in interest rates and foreign currency exchange rates.

Moreover, the status of derivative transactions is reported to the Executive Committee periodically.

### **(4) Fair Values of Financial Instruments**

Measurement of fair values of financial instruments reflects certain variable factors. The resulting fair values may differ if different assumptions are applied. Carrying amount of derivative transactions in the following table does not represent market risk.

(5) *Fair value of financial instruments and breakdown by level of fair values*

The carrying amounts of financial instruments presented in the consolidated balance sheets, their fair values and the differences and their breakdown by the level of fair values as of March 31, 2022 and 2021 are as follows. Equity securities without market price and investments in partnerships are not included in the following table; information on such instruments is presented in the table (b) below.

Fair values of financial instruments are categorized into following three levels depending on observability and materiality of inputs used for the measurement of fair values.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

If multiple inputs that have significant impact on the fair value measurement are used, the fair value is categorized in the level of the lowest level input used in the fair value measurement.

(a) *Financial assets whose fair values are presented as carrying amounts in the consolidated balance sheets*

	Millions of Yen			
	Carrying Amount			
March 31, 2022	Level 1	Level 2	Level 3	Total
Investments in venture businesses, securities and investment securities:				
Available-for-sale securities				
Equity securities	¥ 4,005	¥ -	¥ -	¥ 4,005
Debt securities	-	10,000	-	10,000
Other securities	-	-	-	-
Total	¥ 4,005	¥ 10,000	¥ -	¥ 14,005

  

	Thousands of U.S. Dollars			
	Carrying Amount			
March 31, 2022	Level 1	Level 2	Level 3	Total
Investments in venture businesses, securities and investment securities:				
Available-for-sale securities				
Equity securities	\$ 32,726	\$ -	\$ -	\$ 32,726
Debt securities	-	81,706	-	81,706
Other securities	-	-	-	-
Total	\$ 32,726	\$ 81,706	\$ -	\$ 114,432

  

	Millions of Yen	
	Carrying Amount	
March 31, 2021		
Investments in venture businesses, securities and investment securities:		
Available-for-sale securities		
Equity securities	¥ 3,720	
Debt securities	10,000	
Other securities	-	
Total	¥ 13,720	

(b) Financial assets and liabilities whose carrying amounts in the consolidated balance sheets are not based on fair values

Disclosure of “Cash and Cash Equivalents,” “Credit Card Receivables,” “Billing Receivables,” “Short-term Bank Loans,” “Commercial Papers,” “Accounts Payable – Other,” “Deposits Received,” and “Deposits Received from Shareholders, Directors or Employees” are omitted since their carrying amounts approximate their fair values because of their short maturities.

March 31, 2022	Millions of Yen					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
Loans receivable	¥ -	¥ -	¥ 8,063,081	¥ 8,063,081	¥ 8,107,979	¥ (44,897)
Total assets	¥ -	¥ -	¥ 8,063,081	¥ 8,063,081	¥ 8,107,979	¥ (44,897)
Bonds payable	¥ -	¥ 3,054,885	¥ -	¥ 3,054,885	¥ 2,995,822	¥ 59,062
Long-term borrowings	-	2,167,171	-	2,167,171	2,169,628	(2,456)
Total liabilities	¥ -	¥ 5,222,057	¥ -	¥ 5,222,057	¥ 5,165,450	¥ 56,606
Derivative transactions (Notes a and b):						
Interest related	¥ -	¥ 72,827	¥ -	¥ 72,827	¥ -	¥ 72,827
Currency related	-	(100)	-	(100)	-	(100)
Total derivative transactions	¥ -	¥ 72,727	¥ -	¥ 72,727	¥ -	¥ 72,727

March 31, 2022	Thousands of U.S. Dollars					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
Loans receivable	\$ -	\$ -	\$ 65,880,230	\$ 65,880,230	\$ 66,247,072	\$ (366,842)
Total assets	\$ -	\$ -	\$ 65,880,230	\$ 65,880,230	\$ 66,247,072	\$ (366,842)
Bonds payable	\$ -	\$ 24,960,253	\$ -	\$ 24,960,253	\$ 24,477,673	\$ 482,580
Long-term borrowings	-	17,707,097	-	17,707,097	17,727,169	(20,072)
Total liabilities	\$ -	\$ 42,667,350	\$ -	\$ 42,667,350	\$ 42,204,842	\$ 462,508
Derivative transactions (Notes a and b):						
Interest related	\$ -	\$ 595,047	\$ -	\$ 595,047	\$ -	\$ 595,047
Currency related	-	(823)	-	(823)	-	(823)
Total derivative transactions	\$ -	\$ 594,223	\$ -	\$ 594,223	\$ -	\$ 594,223

March 31, 2021	Millions of Yen		
	Fair Value	Carrying Amount	Difference
Loans receivable	¥ 7,369,961	¥ 7,362,358	¥ (7,602)
Total assets	¥ 7,369,961	¥ 7,362,358	¥ (7,602)
Bonds payable	¥ 2,460,244	¥ 2,499,812	¥ 39,567
Long-term borrowings	1,148,128	1,146,203	(1,925)
Total liabilities	¥ 3,608,373	¥ 3,646,015	¥ 37,641
Derivative transactions (Notes a and b):			
Interest related	¥ 6,442	¥ -	¥ 6,442
Currency related	(1,187)	-	(1,187)
Total derivative transactions	¥ 5,255	¥ -	¥ 5,255

- Notes:
- a. Receivables and payables arising from derivative transactions are presented on a net basis.
  - b. Fair value of derivative transactions arising from interest rate swaps that meet specific matching criteria and foreign exchange forward contracts which meet specific matching criteria for which hedge accounting is applied.

### Assets

#### Loans Receivable

The carrying amounts of loans with variable interest rates approximate their fair values because such loans reflect market rates in the short term and credit conditions of counterparties do not significantly change after the loan executions. The fair value of loans with fixed interest rates is calculated by discounting contractual cash flows using interest rates currently available to the Group for similar transactions. The fair values of loans are categorized in Level 3 as credit risk information used for the measurement of their fair values are unobservable inputs.

#### Investments in Venture Businesses, Securities, and Investment Securities

The fair values of listed stocks are determined based on quoted market prices and categorized in Level 1, and the fair values of debt securities are generally valued at the market quotes obtained from financial institutions, which are estimated taking into account relevant factors such as fluctuations in interest rates, credit rating, remaining maturity and the fair value of underlying assets in case of asset-backed securities and categorized in Level 2.

The Group does not hold trading purpose securities and held-to-maturity debt securities as of March 31, 2022. The information on available-for-sale securities as of March 31, 2022 is as follows:

Acquisition cost or amortized cost, fair value and difference by types of available-for-sale securities as of March 31, 2022 are as follows. Total sales amount and gain on sale of available-for-sale securities for the year ended March 31, 2022 were ¥257 million (\$2,102 thousand) and ¥121 million (\$993 thousand), respectively.

	Millions of Yen		
	2022		
	Acquisition Cost/ Amortized Cost	Fair Value	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 353	¥ 4,005	¥ 3,651
Sub-total	353	4,005	3,651
Securities with fair values not exceeding acquisition costs or amortized costs:			
Debt securities	10,000	10,000	-
Sub-total	10,000	10,000	-
Total	¥ 10,353	¥ 14,005	¥ 3,651
	Thousands of U.S. Dollars		
	2022		
	Acquisition Cost/ Amortized Cost	Fair Value	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	\$ 2,889	\$ 32,726	\$ 29,837
Sub-total	2,889	32,726	29,837
Securities with fair values not exceeding acquisition costs or amortized costs:			
Debt securities	81,706	81,706	-
Sub-total	81,706	81,706	-
Total	\$ 84,595	\$ 114,432	\$ 29,837

There were no securities for which the holding purpose had been changed during the year ended March 31, 2022.

### Liabilities

#### Bonds Payable

The fair value of bonds is estimated based on the Reference Statistical Prices for OTC Bond Transactions and categorized in Level 2.

#### Long-term Borrowings

The carrying amounts of borrowings with variable interest rates approximate their fair values because such borrowings reflect market rates in the short term and credit condition of the Company does not significantly change after the borrowing executions. The fair values of borrowings with fixed interest rates are calculated by discounting contractual cash flows using interest rates currently available to the Group for similar transactions. These transactions are categorized in Level 2

### Derivative Transactions

The information on derivative transactions is presented in Note 12 on derivatives.

Carrying amounts of equity securities without market price and investments in partnerships as of March 31, 2022 and 2021 are summarized as follows. These instruments are excluded from investments in venture businesses, securities and investment securities in the above tables.

Classification	Type	Carrying Amount		
		Millions of Yen		Thousands of U.S. Dollars
		2022	2021	2022
Investments in affiliates	Unlisted equity securities	¥ 18,029	¥ 14,941	\$ 147,311
Available-for-sale securities	Unlisted equity securities	1,321	1,228	10,800
	Investments in partnerships	1,926	968	15,742
	Total available-for-sale securities	<u>¥ 3,248</u>	<u>¥ 2,196</u>	<u>\$ 26,542</u>

**(6) Maturity Analysis for Monetary Claims and Securities with Contractual Maturities**

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
March 31, 2022						
Loans receivable	¥ 2,899,252	¥ 461,678	¥ 673,005	¥ 805,234	¥ 852,242	¥ 2,416,566
Investments in venture businesses, securities and investment securities: Available-for-sale securities with contractual maturities	10,000	-	-	-	-	-

	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
March 31, 2022						
Loans receivable	\$ 23,688,635	\$ 3,772,190	\$ 5,498,856	\$ 6,579,254	\$ 6,963,334	\$ 19,744,802
Investments in venture businesses, securities and investment securities: Available-for-sale securities with contractual maturities	81,706	-	-	-	-	-

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
March 31, 2021						
Loans receivable	¥ 3,432,464	¥ 442,248	¥ 453,235	¥ 490,393	¥ 711,521	¥ 1,840,097
Investments in venture businesses, securities and investment securities: Available-for-sale securities with contractual maturities	10,000	-	-	-	-	-

**(7) Maturity Analysis for Bonds Payable, Long-term Borrowings and Other Debts**

The information on maturity analysis for bonds payable, long-term borrowings and other debts is presented in Note 6 on short-term and long-term debt.

## 12. DERIVATIVES

The fair value of interest rate swaps and currency swaps are measured by discounting future cash flows to the present value using observable market condition such as swap rates and exchange rates and categorized in Level 2.

Derivative instruments which qualify as hedging instruments as of March 31, 2022 and 2021 are summarized as follows.

		Millions of Yen		
		Contract Amount		Fair Value
Hedged Item	Total	Due after 1 Year		
<u>March 31, 2022</u>				
Interest rate swaps (Note a) (Pay fixed rate, receive variable rate)	Long-term borrowings	¥ 18,844	¥ 18,844	¥ (100)
Currency swaps (Note b) (Pay fixed rate, receive variable rate)	Long-term borrowings	47,417	47,417	(1,098)
(Pay fixed rate, receive fixed rate)	Bonds payable	1,327,723	1,168,573	72,504
Foreign exchange forward contracts (Buy Euro)	Commercial paper	39,388	-	1,422
Total		<u>¥ 1,433,374</u>	<u>¥ 1,234,836</u>	<u>¥ 72,727</u>

		Thousands of U.S. Dollars		
<u>March 31, 2022</u>				
Interest rate swaps (Note a) (Pay fixed rate, receive variable rate)	Long-term borrowings	\$ 153,972	\$ 153,972	\$ (823)
Currency swaps (Note b) (Pay fixed rate, receive variable rate)	Long-term borrowings	387,429	387,429	(8,978)
(Pay fixed rate, receive fixed rate)	Bonds payable	10,848,303	9,547,951	592,402
Foreign exchange forward contracts (Buy Euro)	Commercial paper	321,830	-	11,623
Total		<u>\$ 11,711,535</u>	<u>\$ 10,089,354</u>	<u>\$ 594,223</u>

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



### 13. COMMITMENTS AND CONTINGENCIES

As of March 31, 2022 and 2021, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Guarantees in the ordinary course of business	¥ 53,533	¥ 51,956	\$ 437,400
Unexecuted loan commitments (Note)	3,566,146	6,143,866	29,137,568

Note: The Group enters into loan commitment agreements with customers. As of March 31, 2022 and 2021, loan commitments given to customers were ¥6,027,990 million (\$49,252,308 thousand) and ¥9,322,918 million, of which ¥2,461,843 million (\$20,114,740 thousand) and ¥3,179,051 million had been executed, respectively.

These credit lines are not necessarily executed to the maximum amount, because these agreements contain a clause to reject the loans or to lower the credit lines if there are reasonable grounds.

### 14. REVENUE ARISING FROM CONTRACTS WITH CUSTOMERS

The information on breakdown of revenue arising from contracts with customers is presented in Note 16 SEGMENT INFORMATION. The Group's accounting policy on revenue arising from contracts with customers is presented in Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, n. Revenue Arising from Contracts with Customers.

As of March 31, 2022 and 2021, the Group had the following receivables arising from contracts with customers:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Billing receivables	¥ 4,534	¥ -	\$ 37,051
Current assets – Other	218	-	1,785
Receivables arising from contracts with customers	¥ 4,753	¥ -	\$ 38,836

Disclosures about total amount allocated to the remaining performance obligations and the period in which related revenue recognition is expected are omitted, as initially scheduled contract period with customers of the Group is within one year.

## 15. COMPREHENSIVE INCOME

Reclassification adjustments and related income tax effect on other comprehensive income for the years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized gain/(loss) on available-for-sale securities:			
Gains/(losses) arising during the year	¥ 415	¥ 4,074	\$ 3,397
Reclassification adjustments	74	(3,092)	611
Amount before income tax effect	490	981	4,008
Income tax effect	(141)	(303)	(1,152)
Unrealized gain/(loss) on available-for-sale securities	349	678	2,856
Foreign currency translation adjustments:			
Gains/(losses) arising during the year	608	32	4,970
	-	39	-
Foreign currency translation adjustments	608	71	4,970
Remeasurements of defined benefit plans:			
Gains/(losses) arising during the year	3,064	1,277	25,042
Reclassification adjustments	(0)	193	(7)
Amount before income tax effect	3,064	1,471	25,034
Income tax effect	(939)	(448)	(7,672)
Remeasurements of defined benefit plans	2,124	1,022	17,362
Share of other comprehensive income (loss) of affiliates accounted for using equity method:			
Gains/(losses) arising during the year	326	167	2,664
Total other comprehensive income/(loss)	¥ 3,409	¥ 1,939	\$ 27,854

## 16. SEGMENT INFORMATION

### *Description of reportable segments*

Reportable segments of the Group are defined as components of the Group whose financial information is separately available and evaluated periodically by the Board of Directors in order to determine the allocation of resources and assess business performance.

The Group is engaged in business activities mainly comprising financial settlement services. The reportable segments of the Group are composed of three segments: “Billing business,” “Credit card business” and “Accounting and finance business.”

“Billing business” includes billing and collection services for telecommunication service charges. “Credit card business” includes sales financing and consumer loans. “Accounting and finance business” includes accounting tax services for NTT Group companies and loans for domestic and overseas NTT Group companies.

### *Method of measurement for the amounts of revenue, profit (loss), assets, and other items for each reportable segment*

The accounting policies of the reportable segments are consistent to the description of the summary of significant accounting policies (see Note 2). The segment profit is based on the operating income of each reportable segment. The amounts of intersegment revenue and transfers are determined based on terms and conditions of general business practice reflecting the market prices.

The amounts of segment assets are not disclosed since the assets have not been allocated to the reportable segments after the absorption-type company split during the second quarter of the year ended March 31, 2021 where the rights and obligations of leasing business and part of international business of the Company will be assumed by NTT TC Leasing Co., Ltd.

**Information about revenue, profit (loss), assets and other items by reportable segment**

The following tables represent information about revenue and profit by reportable segment for the years ended March 31, 2022 and 2021.

	Millions of Yen				
	2022				
	Reportable Segment				Total
Billing	Credit Card	Accounting and Finance	Other (Note)		
Revenue:					
Revenue arising from contracts with customers	¥ 37,660	¥ 495	¥ 7,718	¥ 2,271	¥ 48,145
Other revenue	112,907	4,710	24,118	-	141,736
Revenue from external customers	150,567	5,205	31,836	2,271	189,882
Intersegment revenue or transfers	-	46,563	14	-	46,578
Total	¥ 150,567	¥ 51,768	¥ 31,851	¥ 2,271	¥ 236,460
Segment profit	¥ 3,906	¥ 2,747	¥ 3,956	¥ 22	¥ 10,632

	Thousands of U.S. Dollars				
	2022				
	Reportable Segment				Total
Billing	Credit Card	Accounting and Finance	Other (Note)		
Revenue:					
Revenue arising from contracts with customers	\$ 307,710	\$ 4,046	\$ 63,061	\$ 18,562	\$ 393,381
Other revenue	922,519	38,485	197,065	-	1,158,070
Revenue from external customers	1,230,230	42,532	260,127	18,562	1,551,452
Intersegment revenue or transfers	-	380,450	120	-	380,570
Total	\$ 1,230,230	\$ 422,982	\$ 260,248	\$ 18,562	\$ 1,932,023
Segment profit	\$ 31,915	\$ 22,446	\$ 32,328	\$ 183	\$ 86,873

	Millions of Yen						
	2021						
	Reportable Segment					Other (Note)	Total
Billing	Credit Card	Finance	Leasing	International			
Revenue from external customers	¥ 153,351	¥ 5,221	¥ 18,851	¥ 68,553	¥ 2,807	¥ 1,835	¥250,619
Intersegment revenue or transfers	54	44,041	-	-	-	-	44,096
Total	¥ 153,405	¥ 49,263	¥ 18,851	¥ 68,553	¥ 2,807	¥ 1,835	¥294,715
Segment profit	¥ 6,639	¥ 3,204	¥ 4,821	¥ 3,229	¥ 859	¥ 21	¥ 18,776

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Revenue:			
Reportable segments total	¥ 234,188	¥ 292,880	\$ 1,913,461
Segment "Other"	2,271	1,835	18,562
Intersegment eliminations	(46,578)	(44,096)	(380,570)
Revenue in the consolidated statements of income	<u>¥ 189,882</u>	<u>¥ 250,619</u>	<u>\$ 1,551,452</u>
Segment profit:			
Reportable segments total	¥ 10,609	¥ 18,754	\$ 86,689
Segment "Other"	22	21	183
Corporate expenses (Note)	(4,750)	(4,950)	(38,813)
Operating income in the consolidated statements of income	<u>¥ 5,881</u>	<u>¥ 13,825</u>	<u>\$ 48,059</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, 2022 and 2021 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Revenue from external customers:			
Financial service	¥ 34,108	¥ 92,046	\$ 278,689
Credit card	5,205	5,221	42,532
Billing	150,567	153,351	1,230,230
Total	<u>¥ 189,882</u>	<u>¥ 250,619</u>	<u>\$ 1,551,452</u>

Disclosures on information about revenue by geographical area for the years ended March 31, 2022 and 2021 are omitted, as revenue from external customers in Japan exceeds 90% of consolidated revenue.

Disclosures on information about property and equipment by geographical area for the year ended March 31, 2022 and 2021 are omitted, as property and equipment in Japan exceeds 90% of consolidated property and equipment.

Information about revenue by major customer for the year ended March 31, 2022 is as follows:

	Revenue		Related Segments
	Millions of Yen	Thousands of U.S. Dollars	
NTT DOCOMO, INC.	¥ 87,113	\$ 711,768	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	29,122	237,949	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	28,791	235,246	Billing and Accounting and Finance

Information about revenue by major customer for the year ended March 31, 2021 is as follows:

	Revenue		Related Segments
	Millions of Yen		
NTT DOCOMO, INC.	¥ 87,476		Leasing and Billing
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	28,410		Leasing and Billing
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	28,072		Leasing and Billing

***Loss on impairment of long-lived assets by reportable segment***

For the years ended March 31, 2022 and 2021, there is no applicable information to disclose.

***Goodwill by reportable segment***

Disclosures on information about goodwill by reportable segment are omitted, as there is no applicable information to disclose.

## 17. RELATED PARTY TRANSACTIONS

Transactions and account balances of the Group with Nippon Telegraph and Telephone Corporation (“NTT”), which has 100% ownership share in the Company as of and for the years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Transactions:			
Execution of loans	¥ 5,483,745	¥ 2,028,381	\$44,805,506
Debt guarantee granted (Note)	2,106,880	2,106,880	17,214,478
Account balances:			
Loans receivable	5,801,610	5,319,759	47,402,648

Note: Debt guarantee is granted in connection with the issuance of bonds by the Company. No guarantee charge is paid for the debt guarantee.

In addition to the above, the Group enters into several other transactions with related parties that are companies under common control. Specifically, significant transactions and related account balances with 8 other NTT Group companies as of and for the years ended March 31, 2022 and 2021 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Transactions:			
Execution of loans	¥ 1,526,643	¥ 1,224,799	\$12,473,596
Acceptance of excess funds	1,038,008	478,421	8,481,152
Transactions related to transferred receivables	6,003,245	6,063,218	49,050,129
Billing-related revenue	140,529	143,083	1,148,211
Account balances:			
Billing receivables	15,179	14,463	124,029
Accounts payable - other	377,384	382,901	3,083,460
Deposits received	1,902,428	832,344	15,543,986
Loans receivable	1,504,293	1,346,781	12,290,983

Furthermore, the Group enters into several other transactions with an affiliate, NTT TC Leasing Co., Ltd. Significant transactions with NTT TC Leasing Co., Ltd. as of and for the year ended March 31, 2021 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Transactions:			
Execution of loans	¥ -	¥ 465,326	\$ -
Acceptance of excess funds	-	107,607	-

## 18. SUBSEQUENT EVENTS

### *Appropriations of Retained Earnings*

The following appropriation of retained earnings at March 31, 2022 was approved at the Company's shareholders meeting held on June 17, 2022:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥54,798.00 (\$447.73) per share	¥ 2,814	\$ 22,997

\* \* \* \* \*

## **Independent Auditor's Report**

To the Board of Directors of NTT FINANCE CORPORATION:

### **Opinion**

We have audited the accompanying consolidated financial statements of NTT FINANCE CORPORATION (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Appropriateness of the historical rate of credit losses for general receivables	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of NTT FINANCE CORPORATION (“the Company”) and its consolidated subsidiaries as of March 31, 2022, billing receivables of ¥85,644 million were recognized related to telecommunication service charges transferred from NTT Group companies. In addition, as described in Note “2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, u. Significant accounting estimates” to the consolidated financial statements, allowance for doubtful receivables related to billing receivables of ¥14,915 million was provided mostly for general receivables.</p> <p>The Company recognizes allowance for doubtful receivables for general receivables based on the historical rate of credit losses to cover probable losses on collection.</p> <p>The historical rate of credit losses is calculated based on the historical credit losses for each number of elapsed months of billing receivables according to the management’s judgment that probable credit losses approximate the historical credit losses. In addition, given the significant amounts of general receivables, the appropriateness of the historical rate of credit losses may have a significant effect on the determination of allowance for doubtful receivables for general receivables.</p> <p>We, therefore, determined that our assessment of the appropriateness of the historical rate of credit losses for general receivables was the most significant in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the appropriateness of the historical rate of credit losses for general receivables included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to calculating the historical rate of credit losses. In this assessment, we focused our testing on the internal controls relevant to the accuracy of the aggregation of general receivables and historical credit losses and the calculation of the historical rate of credit losses.</p> <p>(2) Assessment of the appropriateness of the historical rate of credit losses for general receivables</p> <p>We inquired of the management regarding the basis for the judgment that probable credit losses approximate the historical credit losses. In addition, we assessed the reasonableness of the management’s judgment by comparing the amounts recognized as allowance for doubtful receivables in the prior years with the corresponding actual amounts of credit losses and examining the causes of any variances between them.</p>

### Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor’s report thereon.

We do not perform any work on the other information as we determine such information does not exist.

### Responsibilities of Management and Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter

should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Atsunori Sadahiro  
Designated Engagement Partner  
Certified Public Accountant

/S/ Koichi Hamaguchi  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
June 16, 2022

### **Notes to the Reader of Independent Auditor's Report:**

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.