Consolidated Financial Statements

NTT FINANCE CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the Years Ended March 31, 2025 and 2024
Together with Independent Auditor's Report

NTT FINANCE CORPORATION and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2025	2024	2025
CURRENT ASSETS:			
Cash and cash equivalents	¥ 263,129	¥ 203,247	$ 1,759,831
Trade accounts receivable:			
Loans (Notes 11 and 17)	9,269,201	9,157,878	61,993,051
Credit cards	47,947	52,870	320,677
Billing (Notes 14 and 17)	98,384	264,771	658,000
Allowance for doubtful receivables	(28,350)	(40,027)	(189,609)
Investments in venture businesses (Notes 3 and 11)	9,901	8,698	66,221
Others (Note 14)	74,007	62,997	494,970
Total current assets	9,734,221	9,710,435	65,103,142
PROPERTY AND EQUIPMENT, NET (Note 4):	7,194	5,707	48,119
INTANGIBLE ASSETS—Assets held for own use	6,444	6,419	43,098
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 5 and 11)	18,583	17,681	124,286
Defined benefit asset (Note 7)	2,429	2,670	16,249
Deferred tax assets (Note 9)	6,611	12,059	44,215
Others (Notes 5 and 11)	8,181	7,113	54,720
Allowance for doubtful receivables	(538)	(475)	(3,598)
Total investments and other assets	35,267	39,049	235,873
DEFERRED ASSETS			
Deferred charges	7,643	6,509	51,119
Total deferred assets	7,643	6,509	51,119
TOTAL ASSETS	¥ 9,790,772	¥ 9,768,120	$ 65,481,354

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND NET ASSETS	2025	2024	2025
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 216,028	¥ 341,721	$ 1,444,815
Current portion of long-term borrowings (Notes 6 and 11)	591,546	403,972	3,956,303
Current portion of bonds (Notes 6 and 11)	452,438	336,172	3,025,939
Commercial papers (Note 6)	1,225,816	1,037,428	8,198,346
Lease obligations (Note 6)	8	4	57
Accounts payable - other (Note 17)	445,522	431,972	2,979,686
Accrued income taxes (Note 9)	104	5,966	698
Deposits received (Notes 6 and 17)	550,334	1,294,173	3,680,676
Deposits received from shareholders, directors or employees	19	118	128
Asset retirement obligations	81	-	548
Others	26,891	21,257	179,853
Total current liabilities	3,508,794	3,872,786	23,467,055
LONG-TERM LIABILITIES:			
Bonds (Notes 6 and 11)	3,562,023	3,079,876	23,823,059
Long-term borrowings (Notes 6 and 11)	2,573,976	2,699,677	17,214,928
Lease obligations (Note 6)	28	2	188
Provision for loss on system use agreements	701	1,577	4,688
Defined benefit liability (Note 7)	10,224	15,434	68,379
Asset retirement obligations	1,171	1,323	7,835
Others	34,766	510	232,518
Total long-term liabilities	6,182,891	5,798,401	41,351,598
Total liabilities	9,691,685	9,671,188	64,818,653
NET ASSETS:			
Shareholders' equity (Notes 8 and 18):			
Common stock—authorized, 80,000 shares; issued, 51,960 shares in 2025 and 2024	16,770	16,770	112,165
Capital surplus	15,950	15,950	106,677
Retained earnings	55,748	52,891	372,846
Treasury stock; 595 shares in 2025 and 2024	(1,126)	(1,126)	(7,537)
Total shareholders' equity	87,342	84,486	584,152
Accumulated other comprehensive income:			
Unrealized gain/(loss) on available-for-sale securities	2,548	2,803	17,042
Deferred gain/(loss) on hedges (Note 12)	(93)	(120)	(623)
Foreign currency translation adjustments	4,526	4,406	30,273
Remeasurements of defined benefit plans	4,762	5,355	31,855
Total accumulated other comprehensive income	11,744	12,445	78,547
Total net assets	99,086	96,931	662,700
TOTAL LIABILITIES AND NET ASSETS	¥ 9,790,772	¥ 9,768,120	$ 65,481,354

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
REVENUE (Note 16):	¥ 322,813	¥ 301,767	$ 2,158,997
COST OF SALES	209,895	173,902	1,403,793
Gross profit/(loss)	112,918	127,865	755,204
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	99,009	111,437	662,184
Operating income/(loss) (Note 16)	13,908	16,427	93,019
OTHER INCOME:			
Interest income	0	0	0
Dividend income	19	23	132
Share of profit of equity-accounted investees	1,603	1,679	10,721
Foreign exchange gain	-	2,146	-
Settlement fee received	177	-	1,185
Others	52	75	351
Total other income	1,852	3,925	12,391
OTHER EXPENSES:			
Interest expense	705	72	4,718
Foreign exchange loss	170	-	1,140
Loss on retirement of assets held for own use	112	63	754
Others	94	17	629
Total other expenses	1,082	153	7,242
EXTRAORDINARY LOSSES:			
Loss on termination of card business service	207	926	1,388
Loss on valuation of investment securities	145	-	971
Expenses associated with renewal of core accounting system	-	448	-
Provision reserve for loss on system use agreements	-	504	-
Total extraordinary losses	352	1,878	2,359
PROFIT/(LOSS) BEFORE INCOME TAXES	14,325	18,319	95,809
INCOME TAXES (Note 9):			
Current	(2,080)	8,199	(13,915)
Deferred	5,698	(3,101)	38,113
Total income taxes	¥ 3,618	¥ 5,098	$ 24,197

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
PROFIT/(LOSS)	¥ 10,707	¥ 13,221	$ 71,611
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 10,707	¥ 13,221	$ 71,611

	Yen		U.S. Dollars (Note 1)
	2025	2024	2025
PER SHARE OF COMMON STOCK (Note 18):			
Weighted average number of shares outstanding	51,365	51,365	
Basic earnings per share	¥ 208,457.55	¥ 257,402.93	$ 1,394.18
Cash dividends applicable to the year (Note 8)	131,419.00	152,855.00	878.94

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
PROFIT/(LOSS)	¥ 10,707	¥ 13,221	$ 71,611
OTHER COMPREHENSIVE INCOME (Note 15):			
Unrealized gain/(loss) on available-for-sale securities	(126)	372	(844)
Deferred gain/(loss) on hedges	27	(120)	181
Foreign currency translation adjustments	(154)	1,954	(1,030)
Remeasurements of defined benefit plans	(691)	1,438	(4,625)
Share of other comprehensive income of affiliates accounted for using equity method	243	309	1,630
Total other comprehensive income	(701)	3,955	(4,688)
COMPREHENSIVE INCOME	¥ 10,006	¥ 17,176	$ 66,923
Comprehensive income attributable to:			
Owners of parent	¥ 10,006	¥ 17,176	$ 66,923

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets
Years Ended March 31, 2025 and 2024

	Millions of Yen											
		Shareholders' Equity					Accumulated Other Comprehensive Income					
	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	Deferred Gain/(Loss) on Hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Total Net Assets
BALANCE, April 1, 2023	51,365	¥ 16,770	¥ 15,950	¥ 46,993	¥ (1,126)	¥ 78,588	¥ 2,374	¥ -	¥ 2,203	¥ 3,912	¥ 8,490	¥ 87,078
Cash dividends, ¥142,106.00 per share (Note 8)				(7,323)		(7,323)						(7,323)
Profit attributable to owners of parent				13,221		13,221						13,221
Net changes of items other than shareholders' equity							429	(120)	2,202	1,443	3,955	3,955
BALANCE, March 31, 2024	51,365	¥ 16,770	¥ 15,950	¥ 52,891	¥ (1,126)	¥ 84,486	¥ 2,803	¥ (120)	¥ 4,406	¥ 5,355	¥ 12,445	¥ 96,931
Cash dividends, ¥152,855.00 per share (Note 8)				(7,851)		(7,851)						(7,851)
Profit attributable to owners of parent				10,707		10,707						10,707
Net changes of items other than shareholders' equity							(255)	27	120	(592)	(701)	(701)
BALANCE, March 31, 2025	51,365	¥ 16,770	¥ 15,950	¥ 55,748	¥ (1,126)	¥ 87,342	¥ 2,548	¥ (93)	¥ 4,526	¥ 4,762	¥ 11,744	¥ 99,086

	Thousands of U.S. Dollars (Note 1)										
	Shareholders' Equity					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gain/(Loss) on Available-for-Sale Securities	Deferred Gain/(Loss) on Hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Total Net Assets
BALANCE, April 1, 2024	$ 112,165	$ 106,677	$ 353,745	$ (7,537)	$ 565,051	$ 18,751	$ (804)	$ 29,468	$ 35,820	$ 83,236	$ 648,287
Cash dividends, $1,022.30 per share (Note 8)			(52,510)		(52,510)						(52,510)
Profit attributable to owners of parent			71,611		71,611						71,611
Net changes of items other than shareholders' equity						(1,709)	181	804	(3,965)	(4,688)	(4,688)
BALANCE, March 31, 2025	$ 112,165	$ 106,677	$ 372,846	$ (7,537)	$ 584,152	$ 17,042	$ (623)	$ 30,273	$ 31,855	$ 78,547	$ 662,700

See notes to consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
OPERATING ACTIVITIES:			
Profit/(loss) before income taxes	¥ 14,325	¥ 18,319	$ 95,809
Adjustments to reconcile profit before income taxes to net cash provided by/(used in) operating activities:			
Depreciation of assets held for own use	2,913	3,743	19,483
(Gain)/loss on retirement of assets held for own use	128	58	856
(Increase)/decrease in defined benefit asset	(331)	(217)	(2,215)
Increase/(decrease) in defined benefit liability	(5,547)	(1,190)	(37,099)
Increase/(decrease) in allowance for doubtful receivables	(11,614)	18,963	(77,676)
Increase/(decrease) in provision for loss on system use agreements	(876)	(175)	(5,858)
Interest and dividend income	(19)	(23)	(132)
Financing costs and interest expense	111,078	77,549	742,898
Foreign exchange (gain)/loss	(43,695)	96,667	(292,236)
Share of (profit)/loss of equity-accounted investees	(1,603)	(1,679)	(10,721)
(Gain)/loss on valuation of investment securities	145	-	971
(Gain)/loss on sales of investment securities	-	(6)	-
Bond issuance costs	2,212	1,880	14,795
(Increase)/decrease in lease receivables and investments in leases	657	575	4,398
(Increase)/decrease in trade accounts receivable - loans	(110,928)	(357,434)	(741,897)
(Increase)/decrease in trade accounts receivable - credit cards	4,922	6,425	32,923
(Increase)/decrease in trade accounts receivable - billing	166,386	(170,857)	1,112,807
(Increase)/decrease in investments in venture businesses	(1,417)	(1,396)	(9,481)
Increase/(decrease) in accounts payable - other	12,817	3,088	85,725
Increase/(decrease) in deposits received - billing	82,995	(85,976)	555,080
Other—net	(5,219)	10,857	(34,906)
Subtotal	217,330	(380,827)	1,453,522
Interest and dividend income received	773	661	5,172
Interest expense paid	(72,989)	(48,216)	(488,158)
Income taxes refund/(paid)	(10,309)	(1,885)	(68,950)
Net cash provided by/(used in) operating activities	¥ 134,805	¥ (430,267)	$ 901,585

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
INVESTING ACTIVITIES:			
Proceeds from sale and redemption of investment securities	-	6	-
Payments for purchases of shares of affiliates	(420)	-	(2,808)
Proceeds from sales of shares of affiliates	-	2	-
Payments for purchases of assets held for own use	(5,273)	(3,553)	(35,266)
Proceeds from sales of assets held for own use	1,082	-	7,238
Other—net	(143)	(417)	(962)
Net cash provided by/(used in) investing activities	(4,754)	(3,963)	(31,799)
FINANCING ACTIVITIES:			
Increase/(decrease) in short-term bank loans	(125,163)	(84,449)	(837,103)
Increase/(decrease) in commercial papers	183,816	307,706	1,229,378
Increase in long-term borrowings	472,863	284,078	3,162,542
Repayments of long-term borrowings	(405,861)	(99,474)	(2,714,428)
Proceeds from issuance of bonds	948,692	712,320	6,344,918
Redemption of bonds	(336,238)	(330,128)	(2,248,788)
Cash dividends paid	(7,851)	(7,299)	(52,510)
Increase/(decrease) in deposits received	(826,860)	(435,124)	(5,530,098)
Proceeds from long-term deposits received	34,400	-	230,069
Other—net	(5)	(4)	(34)
Net cash provided by/(used in) financing activities	(62,208)	347,624	(416,054)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(7,958)	(171)	(53,230)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	59,882	(86,778)	400,500
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	203,247	290,025	1,359,330
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 263,129	¥ 203,247	$ 1,759,831

See notes to consolidated financial statements.

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 ¥149.52 to $1.00, the approximate rate of exchange at March 31, 2025, 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, 2025 include the accounts of the Company and its 4 significant subsidiaries, such as NTT Finance Americas Inc. (together, the "Group").

Investments in 3 affiliates are accounted for by the equity method.

Investment in 5 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.

The fiscal year-end of 1 consolidated subsidiary, NTT Finance Israel L.P., is December 31. Pro forma financial statements as of March 31 are prepared in a manner that is substantially same as the fiscal year-end financial statements and used for consolidation. The fiscal year-end of other consolidated subsidiaries are the same as the balance sheet date.

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 7 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 to 7 years.

f. ***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.

g. ***Bond Issuance Costs*—**Bond issuance costs were amortized using the interest method over the bond redemption period.

h. ***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.

i. ***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.

j. ***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.

k. ***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.

l. ***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.

m. ***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.

n. ***Income Taxes*****—**Provision for income taxes is computed based on taxable income and charged to income on an accrual basis. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

o. ***Foreign Currency Transactions*****—**All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by foreign exchange forward contracts.

p. ***Foreign Currency Financial Statements*****—**Assets and liabilities of major foreign subsidiaries are translated into Japanese yen at the exchange rates at the balance sheet date, and income and expenses of these subsidiaries are translated into Japanese yen using the average exchange rates during the year. Differences arising from such translation are shown as foreign currency translation adjustments in a separate component of net assets.

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

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

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

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

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

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

s. ***Significant Accounting Estimates***

Accounting estimates recognized in the consolidated financial statements for the year ended March 31, 2025 could have a significant impact on the consolidated financial statements for the year ending March 31, 2026. 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) Amounts recognized in the years ended March 31, 2025 and 2024

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Allowance for doubtful billing receivables	¥ 27,908	¥ 39,296	$ 186,653

(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, 2026 in case the actual defaults on billing receivables will differ from the estimates.

t. Changes in Accounting Policies

Application of the Accounting Standard for Current Income Taxes

From the beginning of the year ended March 31, 2025, the Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard 2022").

Revisions of classification of income taxes (when taxes are imposed on other comprehensive income) have been made in accordance with the transitional treatments prescribed in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022 and in the proviso (2) of Paragraph 65-2 of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "Revised Guidance 2022"). This change has no impact on the consolidated financial statements.

For revisions related to changes in the accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries and affiliates resulting from transactions between consolidated companies are deferred for tax purposes, the Company has applied the Revised Guidance 2022 from the beginning of the year ended March 31, 2025. This change in accounting policies was applied retrospectively and has no impact on the consolidated financial statements for the year ended March 31, 2024.

u. Accounting Standards Issued but not yet Applied

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024)

(a) Overview
As part of its efforts to ensure consistency between Japanese GAAP and international accounting standards, the ASBJ reviewed the Accounting Standard for Leases to recognize assets and liabilities for all leases held by a lessee, with international accounting standards taken into consideration. Accordingly, the ASBJ issued the Accounting Standard for Leases, etc. that adopts only the key provisions of IFRS 16 that is based on the single accounting model. The revision aims to be simple and highly convenient, and to make it unnecessary to revise non-consolidated financial statements that apply IFRS 16 in the Accounting Standard for Leases, etc.
Regarding the method for allocating the lease expenses in the lessee's accounting treatment, using the same approach as IFRS 16, a single accounting model is applied for recording the depreciation associated with the right-of-use assets and the amount equivalent to the interest on the lease liabilities for all leases regardless of whether the lease is a finance lease or an operating lease.

(b) Scheduled date of application
The above standard and guidance are scheduled to be applied from the beginning of the fiscal year ending March 31, 2028.

(c) Effects of application of the standards, etc.
The effects of the application on the consolidated financial statements are currently being assessed.

- Practical Guidelines on the Accounting for Financial Instruments (ASBJ Transferred Guidance No. 9, March 11, 2025)

(a) Overview
Under the revised practical guidelines, investors in certain qualifying partnerships or similar entities are allowed to measure at fair value all equity securities without market price (excluding the investors' shares in subsidiaries and affiliates) included in the constituent assets of such partnerships or entities, and to use them as the basis for their accounting treatment.

(b) Scheduled date of application
The scheduled date of application has not yet been determined.

(c) Effects of application of the standards, etc.
The effects of the application on the consolidated financial statements are currently being assessed.

3. SECURITIES, INVESTMENT SECURITIES AND INVESTMENTS IN VENTURE BUSINESSES

Acquisition cost and fair value of available-for-sale securities as of March 31, 2025 and 2024 are as follows:

	Millions of Yen		
	2025		
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 3,188	¥ 355	¥ 2,832
Sub-total	3,188	355	2,832
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	¥ 3,188	¥ 355	¥ 2,832

	Thousands of U.S. Dollars		
	2025		
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	$ 21,323	$ 2,376	$ 18,947
Sub-total	21,323	2,376	18,947
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	$ 21,323	$ 2,376	$ 18,947

	Millions of Yen		
	2024		
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 3,520	¥ 357	¥ 3,162
Sub-total	3,520	357	3,162

Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	¥ 3,520	¥ 357	¥ 3,162

As of March 31, 2025 and 2024, unlisted equity securities of ¥3,345 million ($22,372 thousand) and ¥2,862 million and investments in partnerships of ¥4,245 million ($28,396 thousand) and ¥3,289 million are excluded from the above table because they do not have readily determinable market values.

Securities sold during the years ended March 31, 2025 and 2024 are as follows:

	Millions of Yen		
	2025		
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	¥ 152	¥ 119	¥ -

	Thousands of U.S. Dollars		
	2025		
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	$ 1,020	$ 798	$ -

	Millions of Yen		
	2024		
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	¥ 113	¥ 96	¥ -

If the fair value of a security other than an equity security without market price 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, 2025 and 2024 were ¥167 million ($1,122 thousand) and nil, respectively.

4. PROPERTY AND EQUIPMENT, NET

Accumulated depreciation of assets held for own use as of March 31, 2025 and 2024 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Assets held for own use	¥ 5,419	¥ 5,438	$ 36,243

5. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in non-consolidated subsidiaries and affiliates as of March 31, 2025 and 2024 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Investment securities	¥ 17,705	¥ 16,706	$ 118,415
Other under investments and other assets	3,853	3,338	25,772

Investment securities include investments in jointly controlled entities in the amount of ¥15,841 million ($105,945 thousand) and ¥15,205 million for the years ended March 31, 2025 and 2024, 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 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, 2025 and 2024 consisted of the following:

	Interest Rate (%) (Notes a, b, c and d)	Millions of Yen		Thousands of U.S. Dollars
		2025	2024	2025
Short-term debt:				
Short-term bank loans	3.912	¥ 216,028	¥ 341,721	$ 1,444,815
Commercial papers	3.094	1,225,816	1,037,428	8,198,346
Short-term borrowings		1,441,845	1,379,149	9,643,161
Lease obligations, current portion	-	8	4	57
Deposits received from NTT Group companies, including current portion of long-term deposits received from NTT Group companies	0.632	430,330	1,222,540	2,878,077
Long-term debt:				
Long-term borrowings	1.424%	3,165,522	3,103,650	21,171,232
Unsecured bonds	0.001 – 5.136	3,997,978	3,376,594	26,738,756
Bonds issued under Euro Medium Term Note Program	0.332 – 1.302	16,483	39,455	110,243
Sub-total		7,179,985	6,519,699	48,020,231
Less current portion	1.934%	1,043,985	740,145	6,982,243
Long-term debt		6,136,000	5,779,554	41,037,988
Lease obligations, excluding current portion	-	28	2	188

Notes:
a. 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, 2025.
b. Interest rate for unsecured bonds represents the range of annual coupon rates rounded down to the nearest hundredth percent.
c. 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.
d. 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, 2025 are summarized as follows:

	Millions of Yen			
March 31, 2025	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
Long-term borrowings	¥ 615,062	¥ 529,501	¥ 536,384	¥ 684,828
Bonds payable	548,300	415,715	482,829	533,769
Lease obligations	8	7	7	6

	Thousands of U.S. Dollars			
March 31, 2025	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
Long-term borrowings	$4,113,580	$3,541,342	$3,587,372	$4,580,176
Bonds payable	3,667,067	2,780,335	3,229,196	3,569,889
Lease obligations	53	47	47	40

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
	2025	2024	2025
Retirement benefit obligations at beginning of year	¥ 37,809	¥ 39,851	$ 252,871
Current service costs	780	1,088	5,219
Interest costs	476	519	3,186
Actuarial gains and losses arising during year	(737)	(1,152)	(4,929)
Retirement benefits paid	(2,646)	(2,849)	(17,701)
Succession due to transfer	(6,328)	351	(42,322)
Retirement benefit obligations at end of year	¥ 29,354	¥ 37,809	$ 196,324

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Plan assets at beginning of year	¥ 25,045	¥ 23,606	$ 167,507
Expected return on plan assets	402	414	2,695
Actuarial gains and losses arising during year	(962)	1,446	(6,435)
Contribution from employer	204	303	1,369
Retirement benefits paid	(832)	(776)	(5,566)
Succession due to transfer	(2,289)	63	(15,309)
Other	(9)	(12)	(66)
Plan assets at end of year	¥ 21,559	¥ 25,045	$ 144,193

(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
	2025	2024	2025
Retirement benefit obligations of funded plans	¥ 21,782	¥ 25,848	$ 145,681
Plan assets	(21,559)	(25,045)	(144,193)
	222	803	1,487
Retirement benefit obligations of unfunded plans	7,572	11,960	50,642
Net balance of liability and asset recorded on the consolidated balance sheet	7,794	12,763	52,130
Defined benefit liability	10,224	15,434	68,379
Defined benefit asset	(2,429)	(2,670)	(16,249)
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 7,794	¥ 12,763	$ 52,130

(d) Profit and loss related to retirement benefits

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Current service costs	¥ 780	¥ 1,088	$ 5,219
Interest costs	476	519	3,186
Expected return on plan assets	(402)	(414)	(2,695)
Amortization of actuarial gains and losses	(671)	(476)	(4,493)
Amortization of past service costs	(12)	(48)	(81)
Retirement benefit costs on defined benefit plans	¥ 169	¥ 668	$ 1,135

(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
	2025	2024	2025
Past service costs	¥ (12)	¥ (48)	$ (81)
Actuarial gains and losses	(897)	2,122	(5,999)
Total	¥ (909)	¥ 2,073	$ (6,081)

(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
	2025	2024	2025
Unrecognized past service costs	¥ 38	¥ 50	$ 257
Unrecognized actuarial gains and losses	6,752	7,649	45,161
Total	¥ 6,791	¥ 7,700	$ 45,419

(g) Breakdown of plan assets

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

	2025	2024
Cash and cash equivalents	3.20%	2.23%
Debt securities	38.14	39.51
Equity securities	10.74	11.82
Beneficiary certificates of securities investment trust	17.93	17.75
Jointly managed money trust	12.03	11.82
General account of life insurance	12.12	12.56
Other	5.84	4.31
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

	2025	2024
Actuarial assumptions at end of year:		
Discount rate	2.0 – 2.5%	0.9 – 1.6%
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 ¥212 million ($1,423 thousand) and ¥204 million, for the years ended March 31, 2025 and 2024, respectively.

8. NET ASSETS

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, 2025 and 2024:

(1) Dividends paid in cash

Year Ended March 31, 2025

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 14, 2024	Common stock	¥ 7,851	$ 52,510	¥152,855.00	$ 1,022.30	March 31, 2024	June 17, 2024

Year Ended March 31, 2024

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 16, 2023	Common stock	¥ 7,299	$ 48,818	¥142,106.00	$ 950.41	March 31, 2023	June 19, 2023

(2) Dividends paid other than in cash

No dividends other than in cash were paid during the year ended March 31, 2025.

Year Ended March 31, 2024

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

(3) Dividends that belong to the current consolidated reporting year but become effective in the subsequent consolidated reporting year

Year Ended March 31, 2026

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 13, 2025	Common stock	¥ 6,750	$ 45,146	¥131,419.00	$ 878.94	March 31, 2025	June 16, 2025

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, 2025 and 2024 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Deferred tax assets:			
Accrued retirement benefits	¥ 2,815	¥ 4,657	$ 18,833
Allowance for doubtful receivables	3,475	7,672	23,246
Accrued bonuses	448	365	2,996
Accrued enterprise taxes	-	369	-
Accounts payable - other	217	390	1,455
Loss on valuation of investment securities	548	466	3,669
Tax loss carryforward	806	-	5,393
Provision for loss on system use agreements, etc.	289	482	1,938
Asset retirement obligations	394	405	2,641
Others	666	620	4,458
Sub-total	9,663	15,429	64,633
Valuation allowance for tax loss carryforwards (Note)	-	-	-
Valuation allowance for total deductible temporary differences, etc.	(1,060)	(888)	(7,089)
Sub-total	(1,060)	(888)	(7,089)
Total deferred tax assets	8,603	14,540	57,543
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(1,259)	(1,299)	(8,425)
Others	(732)	(1,181)	(4,902)
Total deferred tax liabilities	(1,992)	(2,481)	(13,327)
Net deferred tax assets	¥ 6,611	¥ 12,059	$ 44,215

Note: Tax loss carryforwards and deferred tax assets by expiration date as of March 31, 2025 and 2024

	Millions of Yen						
March 31, 2025	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	Total
Tax loss carryforwards (Note a)	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 806	¥ 806
Valuation allowance	-	-	-	-	-	-	-
Deferred tax assets (Note b)	-	-	-	-	-	806	806

March 31, 2025	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	Total
Tax loss carryforwards (Note a)	$ -	$ -	$ -	$ -	$ -	$ 5,393	$ 5,393
Valuation allowance	-	-	-	-	-	-	-
Deferred tax assets (Note b)	-	-	-	-	-	5,393	5,393

Notes: a. The amounts of tax loss carryforwards are calculated using the statutory tax rate.
b. Deferred tax assets relating to tax loss carryforwards are assessed as recoverable after estimating the future taxable income.

There is no applicable information to disclose for the year ended March 31, 2024.

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, 2025 and 2024 is as follows:

	2025	2024
Statutory tax rate	30.6%	30.6%
Permanent non-taxable differences, such as dividend income	(1.4)	(1.0)
Income taxes of overseas branches	1.1	0.7
Tax on undistributed profits for a family corporation	-	1.2
Per capita inhabitant tax	0.4	0.3
Changes in valuation allowance	0.2	0.3
Difference in tax rates of consolidated subsidiaries	(2.1)	(1.8)
Share of profit of equity-accounted investees	(3.4)	(2.8)
Upward adjustment of deferred tax assets at end of year due to tax rate change	(1.0)	-
Others	0.9	0.3
Actual effective tax rate	25.3%	27.8%

The Company and some of its domestic subsidiaries have applied the group tax sharing system. Corporate and local taxes and tax effect accounting are accounted for and disclosed in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021).

Following the enactment of the “Act on Partial Revision of the Income Tax Act, etc.” (Act No. 13, 2025) by the Diet on March 31, 2025, the special defense corporation tax will be imposed from the fiscal years beginning on or after April 1, 2026. In accordance with the Act, the statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, will increase from 30.6% to 31.5% for temporary differences that are expected to be eliminated during the fiscal year beginning on after April 1, 2026. Due to this change in the tax rate, the amount of deferred tax assets after deducting the amount of deferred tax liabilities increased ¥144 million ($963 thousand), deferred income taxes decreased ¥148 million ($990 thousand), and unrealized gain/(loss) on available-for-sale securities decreased ¥4 million ($27 thousand).

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
	2025	2024	2025
Due in 1 year or less	¥ 600	¥ 581	$ 4,015
Due after 1 year	749	186	5,009
Total	¥ 1,349	¥ 768	$ 9,025

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 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.

Risks 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
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, 2025 and 2024 is estimated to decrease market value of the Group's net financial assets by ¥68 million ($459 thousand) and ¥75 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, 2025 and 2024 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 and liabilities whose fair values are presented as carrying amounts in the consolidated balance sheets

	Millions of Yen			
	Carrying Amount			
March 31, 2025	Level 1	Level 2	Level 3	Total
Investments in venture businesses and investment securities:				
Available-for-sale securities				
Equity securities	¥ 3,188	¥ -	¥ -	¥ 3,188
Debt securities	-	-	-	-
Other securities	-	-	-	-
Total assets	¥ 3,188	¥ -	¥ -	¥ 3,188
Derivative transactions (Notes a and b):				
Currency related	¥ -	¥ -	¥ -	¥ -
Interest related	-	(179)	-	(179)
Total derivative transactions	¥ -	¥ (179)	¥ -	¥ (179)

	Thousands of U.S. Dollars			
	Carrying Amount			
March 31, 2025	Level 1	Level 2	Level 3	Total
Investments in venture businesses and investment securities:				
Available-for-sale securities				
Equity securities	$ 21,323	$ -	$ -	$ 21,323
Debt securities	-	-	-	-
Other securities	-	-	-	-
Total assets	$ 21,323	$ -	$ -	$ 21,323
Derivative transactions (Notes a and b):				
Currency related	$ -	$ -	$ -	$ -
Interest related	-	(1,198)	-	(1,198)
Total derivative transactions	$ -	$ (1,198)	$ -	$ (1,198)

March 31, 2024	Millions of Yen Carrying Amount Level 1	Level 2	Level 3	Total
Investments in venture businesses and investment securities:				
Available-for-sale securities				
Equity securities	¥ 3,520	¥ -	¥ -	¥ 3,520
Debt securities	-	-	-	-
Other securities	-	-	-	-
Total assets	¥ 3,520	¥ -	¥ -	¥ 3,520
Derivative transactions (Notes a and b):				
Currency related	¥ -	¥ -	¥ -	¥ -
Interest related	-	(140)	-	(140)
Total derivative transactions	¥ -	¥ (140)	¥ -	¥ (140)

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 for which deferral hedge accounting is applied.

(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," "Accrued income taxes," "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, 2025	Millions of Yen Fair Value Level 1	Level 2	Level 3	Total	Carrying Amount	Difference
Loans receivable	¥ -	¥ -	¥ 9,112,375	¥ 9,112,375	¥ 9,269,201	¥ (156,825)
Total assets	¥ -	¥ -	¥ 9,112,375	¥ 9,112,375	¥ 9,269,201	¥ (156,825)
Bonds payable	¥ -	¥ 4,171,827	¥ -	¥ 4,171,827	¥ 4,014,462	¥ 157,365
Long-term borrowings	-	3,109,829	-	3,109,829	3,165,522	(55,693)
Total liabilities	¥ -	¥ 7,281,656	¥ -	¥ 7,281,656	¥ 7,179,985	¥ 101,671
Derivative transactions (Notes a and b):						
Interest related	¥ -	¥ 279,492	¥ -	¥ 279,492	¥ -	¥ 279,492
Currency related	-	(691)	-	(691)	-	(691)
Total derivative transactions	¥ -	¥ 278,800	¥ -	¥ 278,800	¥ -	¥ 278,800

	Thousands of U.S. Dollars					
	Fair Value				Carrying	
March 31, 2025	Level 1	Level 2	Level 3	Total	Amount	Difference
Loans receivable	$ -	$ -	$ 60,944,194	$ 60,944,194	$ 61,993,051	$ (1,048,857)
Total assets	$ -	$ -	$ 60,944,194	$ 60,944,194	$ 61,993,051	$ (1,048,857)
Bonds payable	$ -	$ 27,901,468	$ -	$ 27,901,468	$ 26,848,999	$ 1,052,468
Long-term borrowings	-	20,798,749	-	20,798,749	21,171,232	(372,482)
Total liabilities	$ -	$ 48,700,217	$ -	$ 48,700,217	$ 48,020,231	$ 679,986
Derivative transactions (Notes a and b):						
Interest related	$ -	$ 1,869,261	$ -	$ 1,869,261	$ -	$ 1,869,261
Currency related	-	(4,624)	-	(4,624)	-	(4,624)
Total derivative transactions	$ -	$ 1,864,637	$ -	$ 1,864,637	$ -	$ 1,864,637

	Millions of Yen					
	Fair Value				Carrying	
March 31, 2024	Level 1	Level 2	Level 3	Total	Amount	Difference
Loans receivable	¥ -	¥ -	¥ 9,070,447	¥ 9,070,447	¥ 9,157,878	¥ (87,430)
Total assets	¥ -	¥ -	¥ 9,070,447	¥ 9,070,447	¥ 9,157,878	¥ (87,430)
Bonds payable	¥ -	¥ 3,635,941	¥ -	¥ 3,635,941	¥ 3,416,049	¥ 219,891
Long-term borrowings	-	3,088,696	-	3,088,696	3,103,650	(14,953)
Total liabilities	¥ -	¥ 6,724,637	¥ -	¥ 6,724,637	¥ 6,519,699	¥ 204,938
Derivative transactions (Notes a and b):						
Interest related	¥ -	¥ 268,232	¥ -	¥ 268,232	¥ -	¥ 268,232
Currency related	-	768	-	768	-	768
Total derivative transactions	¥ -	¥ 269,001	¥ -	¥ 269,001	¥ -	¥ 269,001

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 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, 2025 and 2024. The information on available-for-sale securities as of March 31, 2025 and 2024 is as follows:

Acquisition cost or amortized cost, fair value and difference by types of available-for-sale securities as of March 31, 2025 and 2024 are as follows. Total sales amount and gain on sale of available-for-sale securities for the year ended March 31, 2025 were ¥152 million ($1,020 thousand) and ¥119 million ($798 thousand), respectively. Total sales amount and gain on sale of available-for-sale securities for the year ended March 31, 2024 were ¥113 million and ¥96 million, respectively.

	Millions of Yen		
	2025		
	Acquisition Cost/ Amortized Cost	Fair Value	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 355	¥ 3,188	¥ 2,832
Sub-total	355	3,188	2,832
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	¥ 355	¥ 3,188	¥ 2,832

	Thousands of U.S. Dollars		
	2025		
	Acquisition Cost/ Amortized Cost	Fair Value	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	$ 2,376	$ 21,323	$ 18,947
Sub-total	2,376	21,323	18,947
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	$ 2,376	$ 21,323	$ 18,947

	Millions of Yen		
	2024		
	Acquisition Cost/ Amortized Cost	Fair Value	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 357	¥ 3,520	¥ 3,162
Sub-total	357	3,520	3,162
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	¥ 357	¥ 3,520	¥ 3,162

There were no securities for which the holding purpose had been changed during the years ended March 31, 2025 and 2024.

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. DERIVATIVES.

Carrying amounts of equity securities without market price and investments in partnerships as of March 31, 2025 and 2024 are summarized as follows. These instruments are excluded from investments in venture businesses and investment securities in the above tables.

		Carrying Amount		
		Millions of Yen		Thousands of U.S. Dollars
Classification	Type	2025	2024	2025
Investments in affiliates	Unlisted equity securities	¥ 17,705	¥ 16,706	$ 118,415
Available-for-sale securities	Unlisted equity securities	3,345	2,862	22,372
	Investments in partnerships	4,245	3,289	28,396
	Total available-for-sale securities	¥ 7,590	¥ 6,152	$ 50,768

(6) Maturity Analysis for Monetary Claims

	Millions of Yen					
March 31, 2025	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
Loans receivable	¥ 2,648,085	¥1,255,334	¥1,339,630	¥932,200	¥1,274,596	¥1,819,353

	Thousands of U.S. Dollars					
March 31, 2025	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
Loans receivable	$ 17,710,576	$8,395,763	$8,959,542	$6,234,619	$8,524,587	$12,167,960

	Millions of Yen					
March 31, 2024	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
Loans receivable	¥ 2,859,222	¥ 1,013,202	¥ 1,213,065	¥ 1,207,955	¥ 839,241	¥ 2,025,191

(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. 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, 2025 and 2024 are summarized as follows.

		Millions of Yen		
		Contract Amount		
	Hedged Item	Total	Due after 1 Year	Fair Value
March 31, 2025				
Interest rate swaps (Note a) (Pay fixed rate, receive variable rate)	Long-term borrowings	¥ 46,351	¥ -	¥ (179)
Interest rate swaps (Note b) (Pay fixed rate, receive variable rate)	Long-term borrowings	213,609	191,977	(691)
Currency swaps (Note c)				
(Pay fixed rate, receive variable rate)	Long-term borrowings	47,417	26,490	2,966
(Pay fixed rate, receive fixed rate)	Bonds payable	1,321,750	1,156,575	275,204
Foreign exchange forward contracts	Commercial paper			
(Buy U.S. Dollars)		241,539	-	(6,024)
(Buy Euro)		273,685	-	7,345
Total		¥ 2,144,353	¥ 1,375,042	¥278,621

		Thousands of U.S. Dollars		
March 31, 2025				
Interest rate swaps (Note a) (Pay fixed rate, receive variable rate)	Long-term borrowings	$ 310,000	$ -	$ (1,198)
Interest rate swaps (Note b) (Pay fixed rate, receive variable rate)	Long-term borrowings	1,428,634	1,283,956	(4,624)
Currency swaps (Note c)				
(Pay fixed rate, receive variable rate)	Long-term borrowings	317,131	177,168	19,842
(Pay fixed rate, receive fixed rate)	Bonds payable	8,839,956	7,735,254	1,840,589
Foreign exchange forward contracts	Commercial paper			
(Buy U.S. Dollars)		1,615,432	-	(40,294)
(Buy Euro)		1,830,427	-	49,124
Total		$ 14,341,583	$ 9,196,380	$ 1,863,438

		Millions of Yen		
March 31, 2024				
Interest rate swaps (Note a) (Pay fixed rate, receive variable rate)	Long-term borrowings	¥ 46,937	¥ 46,937	¥ (140)
Interest rate swaps (Note b) (Pay fixed rate, receive variable rate)	Long-term borrowings	22,503	22,503	768
Currency swaps (Note c)				
(Pay fixed rate, receive variable rate)	Long-term borrowings	47,417	47,417	3,813
(Pay fixed rate, receive fixed rate)	Bonds payable	1,384,454	1,186,169	262,054
Foreign exchange forward contracts (Buy Euro)	Commercial paper	257,904	-	2,364
Total		¥ 1,759,217	¥ 1,303,027	¥ 268,861

Notes: a. Deferral hedge accounting is applied to these contracts.
b. 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.
c. 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, 2025 and 2024, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Guarantees in the ordinary course of business	¥ 41,069	¥ 62,424	$ 274,678
Unexecuted loan commitments (Note)	6,142,220	5,426,246	41,079,593

Note: The Group enters into loan commitment agreements with customers. As of March 31, 2025 and 2024, loan commitments given to customers were ¥7,783,710 million ($52,057,987 thousand) and ¥7,466,198 million, of which ¥1,641,489 million ($10,978,394 thousand) and ¥2,039,952 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, 2025 and 2024, the Group had the following receivables arising from contracts with customers:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Billing receivables	¥ 6,566	¥ 6,330	$ 43,916
Current assets - Other	556	365	3,723
Receivables arising from contracts with customers	¥ 7,123	¥ 6,695	$ 47,640

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 taxes and income tax effect on other comprehensive income for the years ended March 31, 2025 and 2024 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrealized gain/(loss) on available-for-sale securities:			
Gains/(losses) arising during the year	¥ (248)	¥ 427	$ (1,661)
Reclassification adjustments	82	109	552
Amount before income taxes and income tax effect	(165)	536	(1,108)
Income taxes and income tax effect	39	(164)	264
Unrealized gain/(loss) on available-for-sale securities	(126)	372	(844)
Deferred gain/(loss) on hedges:			
Gains/(losses) arising during the year	14	(39)	100
Reclassification adjustments	19	(112)	129
Amount before income taxes and income tax effect	34	(152)	229
Income taxes and income tax effect	(7)	31	(48)
Deferred gain/(loss) on hedges	27	(120)	181
Foreign currency translation adjustments:			
Gains/(losses) arising during the year	(154)	1,954	(1,030)
Reclassification adjustments	-	-	-
Foreign currency translation adjustments	(154)	1,954	(1,030)
Remeasurements of defined benefit plans:			
Gains/(losses) arising during the year	(225)	2,598	(1,505)
Reclassification adjustments	(684)	(524)	(4,575)
Amount before income taxes and income tax effect	(909)	2,073	(6,081)
Income taxes and income tax effect	217	(635)	1,456
Remeasurements of defined benefit plans	(691)	1,438	(4,625)
Share of other comprehensive income of affiliates accounted for using equity method:			
Gains/(losses) arising during the year	243	309	1,630
Total other comprehensive income	¥ (701)	¥ 3,955	$ (4,688)

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 credit card settlement solutions and consumer loans. “Accounting and finance business” includes accounting and settlement services for NTT Group companies, loans for domestic and overseas NTT Group companies and investment services.

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 were 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, 2025 and 2024.

	Millions of Yen				
	2025				
	Reportable Segment				
	Billing	Credit Card	Accounting and Finance	Other (Note)	Total
Revenue:					
Revenue arising from contracts with customers	¥ 38,226	¥ 528	¥ 14,681	¥ 1,380	¥ 54,817
Other revenue	134,510	5,686	127,799	-	267,996
Revenue from external customers	172,736	6,214	142,481	1,380	322,813
Intersegment revenue or transfers	-	60,890	11	90	60,991
Total	¥ 172,736	¥ 67,105	¥ 142,492	¥ 1,470	¥ 383,805
Segment profit	¥ 4,400	¥ 4,412	¥ 13,651	¥ 103	¥ 22,567

	Thousands of U.S. Dollars				
	2025				
	Reportable Segment				
	Billing	Credit Card	Accounting and Finance	Other (Note)	Total
Revenue:					
Revenue arising from contracts with customers	$ 255,660	$ 3,535	$ 98,192	$ 9,231	$ 366,620
Other revenue	899,616	38,028	854,732	-	1,792,377
Revenue from external customers	1,155,276	41,564	952,925	9,231	2,158,997
Intersegment revenue or transfers	-	407,238	74	604	407,918
Total	$ 1,155,276	$ 448,802	$ 952,999	$ 9,836	$ 2,566,915
Segment profit	$ 29,427	$ 29,509	$ 91,301	$ 692	$ 150,931

	Millions of Yen				
	2024				
	Reportable Segment				
	Billing	Credit Card	Accounting and Finance	Other (Note)	Total
Revenue:					
Revenue arising from contracts with customers	¥ 37,771	¥ 527	¥ 14,890	¥ 2,218	¥ 55,408
Other revenue	142,459	5,816	98,083	-	246,358
Revenue from external customers	180,230	6,344	112,973	2,218	301,767
Intersegment revenue or transfers	-	55,911	18	-	55,930
Total	¥ 180,230	¥ 62,255	¥ 112,992	¥ 2,218	¥ 357,697
Segment profit	¥ 4,857	¥ 4,208	¥ 15,541	¥ 41	¥ 24,648

Note: The segment "Other" represents the business segment not attributable to reportable segments and mainly includes revenue and profit arising from services under "Common operation service agreement" and "System service agreement" concluded between the Company and NTT TC Leasing Co., Ltd.

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Revenue:			
Reportable segments total	¥ 382,334	¥ 355,478	$ 2,557,079
Segment "Other"	1,470	2,218	9,836
Intersegment eliminations	(60,991)	(55,930)	(407,918)
Revenue in the consolidated statements of income	¥ 322,813	¥ 301,767	$ 2,158,997
Segment profit:			
Reportable segments total	¥ 22,463	¥ 24,606	$ 150,238
Segment "Other"	103	41	692
Corporate expenses (Note)	(8,658)	(8,221)	(57,911)
Operating income in the consolidated statements of income	¥ 13,908	¥ 16,427	$ 93,019

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, 2025 and 2024 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Revenue from external customers:			
Accounting and Finance	¥ 143,861	¥ 115,192	$ 962,156
Credit Card	6,214	6,344	41,564
Billing	172,736	180,230	1,155,276
Total	¥ 322,813	¥ 301,767	$ 2,158,997

Information about revenue by geographical area for the years ended March 31, 2025 and 2024 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Revenue:			
Japan	¥ 234,925	¥ 230,970	$ 1,571,197
Overseas:			
Asia	3,653	2,819	24,434
North America	4,739	6,347	31,696
Europe	77,535	60,025	518,563
Other	1,959	1,604	13,105
Total	87,887	70,797	587,799
Consolidated total	¥ 322,813	¥ 301,767	$ 2,158,997

Notes:
a. Revenue is classified by country or region based on the location of customers.
b. Revenue in the United Kingdom of ¥74,653 million ($499,288 thousand) and ¥57,103 million is included in Europe for the years ended March 31, 2025 and 2024, respectively.

Disclosures on information about property and equipment by geographical area for the years ended March 31, 2025 and 2024 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, 2025 is as follows:

	Revenue		
	Millions of Yen	Thousands of U.S. Dollars	Related Segments
NTT DOCOMO, INC.	¥ 119,117	$ 796,668	Billing and Accounting and Finance
NTT Limited	74,090	495,519	Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	29,469	197,093	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	27,250	182,256	Billing and Accounting and Finance

Information about revenue by major customer for the year ended March 31, 2024 is as follows:

	Revenue	
	Millions of Yen	Related Segments
NTT DOCOMO, INC.	¥ 121,259	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	31,093	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	28,198	Billing and Accounting and Finance

Loss on impairment of long-lived assets by reportable segment

For the years ended March 31, 2025 and 2024, 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, 2025 and 2024 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Transactions:			
Execution of loans	¥5,105,423	¥5,645,014	$34,145,419
Debt guarantee granted (Note)	2,412,590	1,741,630	16,135,567
Account balances:			
Loans receivable	4,984,575	5,679,567	33,337,179

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, 2025 and 2024 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Transactions:			
Execution of loans	¥ 3,463,666	¥ 2,096,451	$23,165,239
Acceptance of excess funds	-	317,963	-
Transactions related to transferred receivables	6,404,211	6,291,058	42,831,806
Billing-related revenue	161,612	169,593	1,080,872
Receipt of interest	48,348	23,612	323,359
Account balances:			
Billing receivables	22,129	23,221	148,003
Accounts payable - other	413,352	400,964	2,764,531
Deposits received	98,324	834,472	657,603
Loans receivable	3,127,703	2,430,584	20,918,295

18. PER SHARE INFORMATION

Net assets per share is as follows:

	Yen		U.S. Dollars
	2025	2024	2025
Net assets per share	¥1,929,075.29	¥ 1,887,120.87	$ 12,901.79

Earnings per share and its basis for the calculation are as follows:

	Yen		U.S. Dollars
	2025	2024	2025
Basic earnings per share	¥ 208,457.55	¥ 257,402.93	$ 1,394.18

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Basis for calculation:			
Profit/(loss) attributable to owners of parent	¥ 10,707	¥ 13,221	$ 71,611

Amount not attributable to common shareholders	-	-	-
Profit/(loss) attributable to owners of parent related to common stock	10,707	13,221	71,611
Weighted-average number of shares outstanding	51,365	51,365	

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

19. SUBSEQUENT EVENTS

There is no applicable information to disclose.

* * * * *

Independent Auditor's Report

To the Board of Directors of NTT FINANCE CORPORATION:

Report on the Audit of the Consolidated Financial Statements

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, 2025 and 2024, 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, 2025 and 2024, 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.

A Key Audit Matter

A Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

<table>
<tr><td colspan="2">Appropriateness of the historical rate of credit losses for general receivables</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>In the consolidated balance sheet of the Group as of March 31, 2025, billing receivables of ¥98,384 million ($658,000 thousand) were recognized related to telecommunication service charges transferred from NTT Group companies. In addition, as described in Note "2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, s. Significant Accounting Estimates" to the consolidated financial statements, allowance for doubtful receivables related to billing receivables of ¥27,908 million ($186,653 thousand) was provided mostly for general receivables.
The Company recognizes allowance for doubtful receivables for general receivables based on the historical rate of credit losses to cover probable losses on collection.</td><td>The primary procedures we performed to assess the appropriateness of the historical rate of credit losses for general receivables included the following:
(1) Internal control testing
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.
(2) Assessment of the appropriateness of the historical rate of credit losses for general</td></tr>
</table>

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. 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.	receivables 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.

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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 matter. 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.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 75 million yen and 32 million yen, respectively. Such fees for the previous year are 82 million yen and 10 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 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.

Atsunori Sadahiro
Designated Engagement Partner
Certified Public Accountant

Shinichiro Tozuka
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 12, 2025