



## NTT FINANCE CORPORATION

**\$600,000,000 5.104% Senior Notes due 2027**

**\$900,000,000 5.110% Senior Notes due 2029**

**\$850,000,000 5.136% Senior Notes due 2031**

NTT FINANCE CORPORATION, a joint stock company incorporated with limited liability under the laws of Japan, or NTT Finance or the Issuer, proposes to issue an aggregate principal amount of \$600,000,000 of senior notes due on July 2, 2027, or the 2027 notes, \$900,000,000 of senior notes due on July 2, 2029, or the 2029 notes, and \$850,000,000 of senior notes due on July 2, 2031, or the 2031 notes and together with the 2027 notes and the 2029 notes, the notes. The 2027 notes will bear interest accruing from July 2, 2024, at the rate of 5.104% per annum, payable semi-annually in arrears on January 2 and July 2 of each year, with the first interest payment to be made on January 2, 2025. The 2029 notes will bear interest accruing from July 2, 2024, at the rate of 5.110% per annum, payable semi-annually in arrears on January 2 and July 2 of each year, with the first interest payment to be made on January 2, 2025. The 2031 notes will bear interest accruing from July 2, 2024, at the rate of 5.136% per annum, payable semi-annually in arrears on January 2 and July 2 of each year, with the first interest payment to be made on January 2, 2025.

Each series of the notes will be direct, unsecured and unsubordinated general obligations of NTT Finance and will have the same rank in liquidation as all of the other unsecured and unsubordinated debt (except for statutorily preferred obligations) of NTT Finance, without any preference among themselves. **The notes do not benefit from any guarantee or other credit support from NIPPON TELEGRAPH AND TELEPHONE CORPORATION, or NTT, or any other member of the NTT Group.**

We may redeem, at our option, the notes, in whole or in part, at any time prior to the maturity date, in the case of the 2027 notes, June 2, 2029, in the case of the 2029 notes, or May 2, 2031, in the case of the 2031 notes, at the applicable make-whole prices determined in the manner described herein. We may also redeem the 2029 notes and the 2031 notes, in whole or in part, at any time on or after June 2, 2029 with respect to the 2029 notes and May 2, 2031 with respect to the 2031 notes, at a price equal to 100% of the respective principal amounts being redeemed plus accrued and unpaid interest to, but excluding, the date of redemption. In addition, we may redeem, at our option and sole discretion, the notes in whole, but not in part, upon the occurrence of certain changes in Japanese tax law. See "Description of the Notes."

The notes will be issued only in registered form in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

Approval in-principle has been received for the listing and quotation of the notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering circular. Approval in-principle from, admission of the notes to the official list of, and the listing and quotation of the notes on, the SGX-ST is not to be taken as an indication of the merits of us or the notes.

**Investing in the notes involves risks that are described in "Risk Factors" beginning on page 10 of this offering circular.**

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, in reliance on the exemption from registration requirements provided by Rule 144A under the Securities Act, or Rule 144A, or any state securities laws and NTT Finance has not been registered, and will not register, as an investment company under the U.S. Investment Company Act of 1940, as amended, or the Investment Company Act, in reliance on the exemption from registration provided by Section 3(c)(7) of the Investment Company Act.

The notes are being offered and sold by the initial purchasers, as set forth in "Plan of Distribution," in the United States to persons reasonably believed to be both (1) qualified institutional buyers, or QIBs, within the meaning of Rule 144A and (2) qualified purchasers, or QPs, within the meaning of Section 2(a)(51)(A) under the Investment Company Act and the rules and regulations promulgated thereunder. The notes are also being offered or sold to persons other than U.S. persons in offshore transactions outside the United States in reliance on Regulation S under the Securities Act, or Regulation S. The notes are subject to certain restrictions on transfer. See "Transfer Restrictions" and "Plan of Distribution."

**Issue price of the 2027 notes: 100.000% plus accrued interest, if any**  
**Issue price of the 2029 notes: 100.000% plus accrued interest, if any**  
**Issue price of the 2031 notes: 100.000% plus accrued interest, if any**  
**Interest on the notes will accrue from July 2, 2024.**

It is expected that delivery of the notes will be made through the book-entry facilities of The Depository Trust Company, or DTC, for the accounts of its participants, including Euroclear Bank SA/NV, or Euroclear, and Clearstream Banking S.A., or Clearstream, on or about July 2, 2024.

*Joint Lead Managers and Joint Bookrunners*

**J.P. Morgan**

**BNP PARIBAS**

**Nomura**

**Mizuho**

**Citigroup**

**SMBC NIKKO**

**BofA Securities**

**Barclays**

**Daiwa Capital Markets**

The date of this offering circular is June 25, 2024.

No person has been authorized in connection with the offering to give any information or to make any representations not contained in this offering circular. If given or made, any such information or representations must not be relied upon as having been authorized by us, any initial purchaser or any person affiliated with the initial purchasers. No action has been, or will be, taken to permit a public offering of the notes in any jurisdiction where action would be required for that purpose. Accordingly, the notes offered hereby may not be offered or sold, directly or indirectly, and this offering circular may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof.

**IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF US AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE UNDER THE LAWS OF THE UNITED STATES.**

We are furnishing this offering circular solely for the purpose of enabling prospective investors to consider the purchase of the notes in connection with an offering not registered under the Securities Act. The information contained in this offering circular has been provided by us and other sources identified in this offering circular. Any reproduction or distribution of this offering circular, in whole or in part, and any disclosure of its contents or use of any information contained in it for any purpose other than considering an investment in the notes offered hereby is prohibited. Each offeree of the notes, by accepting delivery of this offering circular, agrees to the foregoing.

No representation or warranty is made by the initial purchasers or any of their agents, affiliates or advisors as to the accuracy or completeness of the information contained in this offering circular and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation by the initial purchasers or their agents, affiliates or advisors.

The notes have not been and will not be registered under the Securities Act, or with any securities authority of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The notes are being offered:

- in the United States, only to persons reasonably believed to be both (1) QIBs in reliance on the exemption from registration requirements of the notes provided by Rule 144A and (2) QPs in reliance on the exemption from registration requirements of NTT Finance as an investment company provided by Section 3(c)(7) of the Investment Company Act; or
- in offshore transactions to persons other than U.S. persons in reliance on Regulation S.

You are hereby notified that sellers of the notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

**CERTAIN VOLCKER RULE CONSIDERATIONS**—NTT Finance has not been and will not be registered as an “investment company” under the Investment Company Act, in reliance on the exception provided by Section 3(c)(7) thereof. Consequently, NTT Finance will likely be a “covered fund” for purposes of the “Volcker Rule.” See “Risk Factors—Risks Relating to the Notes—The Volcker Rule treatment of the notes may change or affect the ability of banking entities to purchase or retain the notes.”

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA, and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended), or the Special Taxation Measures Act. The notes may not be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used in this sentence means any person resident of Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with,

the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. The notes are not, as part of the distribution by the initial purchasers pursuant to the purchase agreement dated the date of this offering circular at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than a beneficial owner that is, (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with NTT Finance as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, or a specially-related person of NTT Finance, or (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Order for Enforcement of the Act on Special Measures Concerning Taxation of Japan (Cabinet Order No. 43 of 1957, as amended) (the “Cabinet Order”), relating to Article 6, Paragraph (11) of the Special Taxation Measures Act. **BY SUBSCRIBING FOR THE NOTES, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS A PERSON WHO FALLS INTO THE CATEGORY OF (i) OR (ii) ABOVE.**

Interest payments on the notes will generally be subject to Japanese withholding tax unless it is established that such notes are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of NTT Finance, or (ii) a Japanese designated financial institution described in Article 6, Paragraph (11) of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph or (iii) a Japanese public corporation, financial institution or financial instruments business Operator described in Article 3-3, Paragraph (6) of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph.

Interest payments on the notes to an individual resident of Japan, to a Japanese corporation not described in the preceding paragraph, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of NTT Finance will be subject to deduction in respect of Japanese income tax at a current rate of 15.315% of the amount of such interest.

Each prospective investor who places an order for the notes consents to the disclosure by the initial purchasers to us of the prospective investor’s identity, the details of such order and the actual amount of notes subscribed, if any.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS**—The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014, (as amended, the “PRIIPs Regulation”), for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS**—The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the domestic laws of the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended the “EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the domestic laws of the UK by virtue of the EUWA. Consequently, no key information document required by PRIIPs Regulation as it forms part of the domestic laws of the UK by virtue of the EUWA, (as amended, the “UK PRIIPs Regulation”), for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

In the UK, this offering circular is for distribution to, and is only directed at, persons who are qualified investors (as defined under Article 2 of Regulation (EU) 2017/1129 as it forms part of the domestic laws of the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended, the “UK Prospectus Regulation”) who also (i) have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (as amended, the “FPO”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the FPO, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all of these persons together being referred to as “relevant persons”). This offering circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering circular relates is available only to relevant persons and will be engaged in only with relevant persons.

For a further description of restrictions on the offer and sale of the notes, see “Transfer Restrictions” and “Plan of Distribution.”

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## AVAILABLE INFORMATION

We have agreed that so long as any of the notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, we will, at any time we are not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, nor exempt from the reporting requirements under the Exchange Act pursuant to Rule 12g3-2(b) under the Exchange Act, provide to each holder of restricted securities and to each prospective purchaser (as designated by the holder) of restricted securities, upon request of the holder or prospective purchaser, the information required to be provided by Rule 144A(d)(4)(i) under the Securities Act.

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

In this offering circular, “we,” “us,” “our,” “our group,” and “NTT Finance” refer to NTT FINANCE CORPORATION and its consolidated subsidiaries and affiliates accounted for by the equity method, taken as a whole, except as otherwise expressly stated or as the context requires. The “Parent” and “NTT” refer to NIPPON TELEGRAPH AND TELEPHONE CORPORATION, and “NTT Group” refers to NIPPON TELEGRAPH AND TELEPHONE CORPORATION and its consolidated subsidiaries and affiliates accounted for by the equity method, taken as a whole, except as otherwise expressly stated or as the context requires. References to “NTT DOCOMO” are to NTT DOCOMO, INC., references to “NTT East” are to NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, references to “NTT West” are to NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, and references to “NTT Business Associe” are to NTT BUSINESS ASSOCIE Corporation, which was integrated with NTT Learning Systems Corporation to form NTT ExCPartner Corporation in July 2023.

In this offering circular, when information has been extracted from our financial statements and is presented in millions or billions of yen, amounts of less than one million or one billion, as the case may be, have been truncated unless otherwise specified. With respect to information extracted from the financial statements of NTT presented in millions or billions of yen in “NTT Group,” amounts of less than one million or one billion, as the case may be, have been rounded unless otherwise specified. In this offering circular, where information is presented as percentages, amounts less than one-tenth of one percent or one-hundredth of one percent, as the case may be, have been rounded unless otherwise specified. Accordingly, figures presented in tables in this offering circular may not total due to such truncating or rounding. In this offering circular, references to “yen,” or “¥” are to the lawful currency of Japan; references to “\$,” “US\$,” “U.S. dollar,” “United States dollar” or “USD” are to the lawful currency of the United States of America; and references to “€,” “EUR” or “euro” are to the lawful currency of those member states of the European Union that are participating in the European Economic and Monetary Union pursuant to the Treaty on European Union. References to “£” are to the lawful currency of the United Kingdom, references to “S\$” are to the lawful currency of Singapore. Our fiscal year end is March 31. Unless otherwise specified, the financial information set forth herein is presented on a consolidated basis.

Our audited consolidated financial statements as of and for the years ended March 31, 2022, 2023 and 2024 included elsewhere in this offering circular have been prepared in accordance with accounting principles generally accepted in Japan, or Japanese GAAP. Financial information with respect to NTT included in this offering circular is derived from NTT’s consolidated financial statements for the years ended March 31, 2022, 2023 and 2024 not included in this offering circular that have been prepared in accordance with International Financial Reporting Standards, or IFRS. Financial figures prepared in accordance with Japanese GAAP are not comparable to financial figures prepared in accordance with IFRS.

## **THIRD-PARTY INFORMATION**

We make statements in this offering circular about the NTT Group’s competitive position in the telecommunications, IT and ICT markets. In addition, we include statistics relating to industry and general economic trends. Where indicated, these statements are made on the basis of statistics and other information we have obtained from third-party sources, such as governmental agencies, research institutes and industry or general publications that we believe are reliable. Although we have no reason to believe any of this information is inaccurate in any material respect, we have not independently verified and cannot assure the accuracy of any data provided by or derived from such third-party sources. In addition, where indicated, these statements are made on the basis of our own internal analyses of third-party statistics and other information as well as other information available to us. Such internal analyses have not been verified by any third party and are inherently subject to speculation and uncertainty.

## **FORWARD-LOOKING STATEMENTS**

This offering circular contains forward-looking statements. These statements appear in a number of places in this offering circular and include statements regarding the intent, belief or current and future expectations of our management with respect to our business, financial condition and results of operations. You can identify forward-looking statements by discussions of strategy, plans or intentions. In many cases, but not all, we use such words as “aim,” “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “may,” “outlook,” “plan,” “potential,” “predict,” “probability,” “project,” “risk,” “seek,” “should,” “target,” “will,” “would” and similar expressions in relation to us or our management to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate.

Potential risks and uncertainties include, without limitation, those identified in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” “NTT Group” and elsewhere in this offering circular. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this offering circular. We disclaim any obligation to update, or to announce publicly any revision to, any of the forward-looking statements contained in this offering circular to reflect future actual events or developments.

## **ENFORCEABILITY OF CIVIL LIABILITIES**

We are a Japanese joint stock corporation incorporated under the laws of Japan. The majority of our Directors, Corporate Auditors reside in Japan, and a substantial portion of our assets and of such persons are located outside the United States. As a result, it may not be possible for holders or beneficial owners of the notes to effect service of process within the United States or elsewhere outside Japan upon us or such persons or to enforce against us or such persons judgments obtained in U.S. courts or elsewhere, whether or not predicated upon the civil liability provisions of the U.S. federal or state securities laws or other laws of the United States or elsewhere. Mori Hamada & Matsumoto, our Japanese counsel, has advised us that, in original actions or in actions for enforcement of judgments of U.S. federal or state courts brought before Japanese courts, there is in general doubt as to the enforceability of liabilities based solely on U.S. federal and state securities laws.

## GLOSSARY

The following terms used in this offering circular have the meanings indicated below:

Term	Description
5G .....	Fifth-generation mobile telecommunications systems (“5G”) with high-speed and large-capacity transmission and low latency properties. 5G-enabled mobile devices connect to 5G frequencies for data throughput, but continue to use older 4G systems for non-data features, such as connecting to the Base stations and servers. Operators in Japan launched 5G services in 2020 in selected locations, with service expanding over time.
6G .....	Sixth-generation mobile telecommunications systems (“6G”) with very high speed, very large-capacity transmission and very low latency properties.
AI .....	<i>Artificial intelligence.</i>
Broadband .....	A descriptive term for evolving digital technologies that provide consumers with a signal-switched facility offering integrated access to voice, high-speed data service, video-on-demand services and interactive delivery services.
DX .....	<i>Digital transformation.</i> Digital transformation is a strategy of enabling business innovation based on the incorporation of digital technologies into operational processes, solutions, and customer interactions.
ESG .....	<i>Environmental, Social and Governance.</i> Three key factors when measuring the sustainability and ethical impact on an investment in a business or company.
ICT .....	<i>Information and communication technology.</i>
Interconnection .....	The connection of one telecommunications carrier’s network to another or of a piece of telephone equipment to the telephone network.
IoT .....	<i>Internet of Things.</i> A network of physical devices, including vehicles, home appliances and other items with built-in sensors which are able to connect to each other over the internet and exchange data.
IOWN .....	<i>Innovative Optical and Wireless Network.</i> An innovative network and information processing platform featuring ultra-high capacity, ultra-low power consumption and ultra-low latency, built around a breakthrough photonic technology, optimizing the individual with the whole based on all kinds of information and creating a society open to diversity.
IP .....	<i>Internet protocol.</i> The protocol for exchanging data between computers, mobile devices and other devices such as “IP phones” over the internet.
MIC .....	<i>Ministry of Internal Affairs and Communications</i> of Japan, or the responsible government minister thereof, as the context requires.

Term	Description
MNO .....	<i>Mobile network Operator.</i> An MNO is an operator of a mobile telecommunications business that provides mobile telecommunications services and which establishes or operates its own radio stations for mobile telecommunications services.
MVNO .....	<i>Mobile virtual network operator.</i> MVNO refers to a telecommunications business operator that provides mobile telecommunications services by using mobile telecommunications services provided by an MNO or by connecting to an MNO instead of establishing or operating its own radio stations related to the mobile telecommunications services.
OTT .....	<i>Over-the-top.</i> An over-the-top is a streaming media service offered directly to viewers via the Internet.
SIM .....	Subscriber identity module. SIM often refers to subscriber identity module cards, which are cards that record information that identifies the person that has entered into a subscription agreement with the mobile service provider and that is inserted into a mobile device such as a smartphone. “Electronic SIM,” “embedded SIM” or “eSIM” technology, which is becoming more widespread, enables a subscriber to access mobile services without the need to insert SIM card provided by the mobile service provider.
Spectrum .....	A range of the electromagnetic spectrum, particularly the range with frequencies from 3 Hz to 300 GHz that is widely used in modern technology such as telecommunication. The spectrum is strictly regulated by national laws, which are coordinated by the International Telecommunication Union, in order to prevent interference between users. In the United States and the United Kingdom, spectrum for mobile phones is generally allotted based on auctions. In Japan, however, the MIC determines a spectrum-allotment policy based on usage plans submitted by operators seeking an allotment. Such plans are then examined by the Radio Regulatory Council and, upon receiving a report on these deliberations from the Radio Regulatory Council, the MIC allots spectrum to the operators.

## SUMMARY

*The following summary is qualified in its entirety by, and is subject to, the detailed information and financial statements and related notes contained elsewhere in this offering circular. Prospective investors should carefully consider the information set forth under the caption “Risk Factors” and all other information set forth in this offering circular.*

### NTT Finance

#### Overview

We are a wholly-owned finance subsidiary of NTT. As the sole finance subsidiary within the NTT Group, we have a strong business foundation occupying a central role in the provision of financing solutions to companies within the NTT Group, and of cash management, accounting and tax and billing and collection services to companies within the NTT Group. In addition, we are engaged in providing finance and accounting-related services to third parties, as described below.

We organize and report our operations based on the following three business segments:

- **Billing Business.** The Billing Business segment comprises billing and collection services for clients’ customer charges, mainly for telecommunication services charges of NTT Group companies. Our Billing Business segment had revenue of ¥180,230 million (excluding inter-segment transactions) and segment profit of ¥4,857 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2024, which respectively accounted for 59.7% of our total revenue from external customers and 19.7% of our total segment profit for the fiscal year.
- **Credit Card Business.** The Credit Card Business segment comprises billing services for client’s customer charges paid by credit card, mainly for telecommunication services charges of NTT Group companies, as well as credit card issuing, merchant acquisition and payment processing. Our Credit Card Business had revenue of ¥6,344 million (excluding inter-segment transactions, or ¥62,255 million including revenue attributable to inter-segment transactions) and segment profit of ¥4,208 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2024, which respectively accounted for 2.1% of our total revenue from external customers (or 17.4% including revenue attributable to inter-segment transactions) and 17.1% of our total segment profit for the fiscal year.
- **Accounting/Finance Business.** The Accounting/Finance Business segment comprises provision of loans to, or investments in, NTT Group companies as well as provision of accounting, consulting, tax and training services primarily to NTT Group companies. Our Accounting/Finance Business segment had revenue of ¥112,973 million (excluding inter-segment transactions, or ¥112,992 million including revenue attributable to inter-segment transactions) and segment profit of ¥15,541 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2024, which respectively accounted for 37.4% of our total revenue from external customers (or 31.6% including revenue attributable to inter-segment transactions) and 63.1% of our total segment profit for the fiscal year.

We also classify certain revenue and profit that are not attributable to our reportable segments as “Other.” “Other” revenue and profit accounted for ¥2,218 million, or 0.7% of our total revenue from external customers, and ¥41 million, or 0.2% of our total segment profit, respectively for the fiscal year ended March 31, 2024. For more detailed operating results of each segment, see Note 16 of our audited consolidated financial statements as of and for the fiscal years ended March 31, 2023 and 2024 included elsewhere in this offering circular.

Our close integration with the diversified operating businesses of the NTT Group through each of our three business segments provides us with access to strong sources of cash derived from the group and contributes to our creditworthiness. Leveraging this close integration with the NTT Group, we have maintained a strong balance sheet and financial position. In recent years, we and the NTT Group have expanded our service capabilities through centralization of accounting and tax functions of the NTT Group within our business. Following the spin-off of our leasing business in July 2020 and the transfer of the accounting and tax businesses of the NTT Group to us in July 2021, we are in the final stages of centralizing the group’s finance operations within our business. In our position as the group’s sole finance arm, we also aim to contribute to the financial stability of the group by steadily reducing debt levels.

## **Our Strengths**

### ***Strong Business Foundation and Positioning as the NTT Group's Sole Finance Subsidiary***

We are the sole finance subsidiary of the NTT Group, a leader in the telecommunications and ICT fields both in Japan and globally and the largest provider of telecommunications and ICT services in Japan in terms of operation revenues in the fiscal year ended March 31, 2024. We raise capital through diverse methods for the NTT Group in a centralized manner to ensure a stable supply of funds for NTT Group companies, as well as provide advanced financing solutions for both NTT Group companies and third-party customers. Our comprehensive and centralized advanced financial solutions include billing and collection services in our Billing business and credit card services in our Credit Card business, and also include accounting and other financial services business in our Accounting/Finance business. Accordingly, we perform a variety of critical functions and have a solid business foundation as a comprehensive payment and financial platform for the NTT Group.

### ***Close Integration with the NTT Group Provides Access to Strong Sources of Cash and Contributes to Creditworthiness***

In light of our close integration with the NTT Group and primary responsibility for its financing functions, we believe we are in a position equivalent to the "Finance Department" for the entire NTT Group, and have been a wholly-owned subsidiary of the Parent from September 2020. Along with our taking over the accounting and tax businesses of other group companies since 2021, we believe we are now at the final stage of centralizing the NTT Group's finance operations into our business. This role provides us with centralized access to the group's cash. Through our billing and collection services, we assume customer receivables for telecommunications and other services provided by the group, which provides us with direct access to cash flows from the group's customers. We also have access to group surplus cash through our cash management systems for lending funds and holding surplus cash within the group. In addition, we have taken over the accounting business from NTT Business Associe, leveraging a high level of accounting expertise in order to support the settlement of accounts of the NTT Group companies and work to improve the efficiency and quality of financial operations as the financial manager of the NTT Group as a whole.

We believe that our close integration with the NTT Group's businesses and centralized access to the group's cash flows contribute to our strong financial position and creditworthiness. The NTT Group has a strong ability to generate stable and significant cash flows, supported by its strong performance and positioning in a wide range of markets. As an indication of its strong performance, the NTT Group generated consolidated operating profit of ¥1.5 trillion or more and Adjusted EBITDA of ¥3 trillion or more for each of the three fiscal years ended March 31, 2024. See "NTT Group—IFRS Selected Financial Data of the NTT Group."

We have received credit ratings of A from S&P Global Ratings Japan Inc., or S&P, A1 from Moody's Japan K.K., or Moody's, AAA from Japan Credit Rating Agency, Ltd., or JCR, and AA+ from Rating and Investment Information, Inc., or R&I. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. S&P, Moody's and JCR have provided the same ratings to both us and the Parent, which we believe shows the important role and central functions we play within the NTT Group.

### ***Strong Balance Sheet and Financial Position***

A substantial majority of our assets consists of loans to NTT Group companies, which we believe contributes to maintaining a strong and stable financial condition both for us and the NTT Group more generally. As of March 31, 2024, approximately 97% of our operating assets, which we define as the total of trade accounts receivable (net of allowance for doubtful receivables) and investments in venture businesses, were loans to the Parent and other operating companies within the NTT Group. We believe that our group loan counterparties have excellent creditworthiness and access to cash flows. The NTT Group has a strong revenue base due to its attractive positioning in large and stable markets and its expansive business portfolio comprising four business segments: Integrated ICT Business (including mobile telecommunications), Regional Communications Business, Global Solutions Business and Others including real estate and energy. See "NTT Group—Overview" for a description of these business segments.

In addition, in July 2020, we spun off our leasing business and a substantial part of our international business to a newly established company, NTT TC Leasing Co., Ltd. ("NTT TC Leasing"), with us retaining 10% of the company's shares. We believe that the spin-off has helped improve the stability of our business by reducing our exposure to the volatility associated with the spun-off businesses.

## **Our Strategies**

### ***Further Improve the Efficiency of the NTT Group's Finance Operations***

We and the NTT Group aim to realize more efficient finance operations by leveraging close integration with the group as its sole finance subsidiary. Specifically, we believe that our further integration with the NTT Group will be beneficial in the following ways:

- *Optimization of surplus cash.* In addition to raising capital through diverse methods, we will continue to consolidate the NTT Group's surplus cash. Our central position enables us to continually use such cash in an optimal manner by making loans to NTT Group companies and reducing interest-bearing debt as a whole.
- *Finance cost reduction.* We will further aim to lower financing costs and foster sophistication of our financial services by leveraging both the scale of the group's operations as we further integrate our business with the group, as well as our financial position and reputation in the capital markets.
- *Enhance administrative efficiencies.* We will aim to increase efficiency by reducing the administrative burden for the group's other companies by further centralizing the group's finance-related operations, including accounting and tax functions, into our operations.

### ***Enhance Billing and Payment Solutions through DX***

Through further enhancement and expansion of our billing and payment solutions, we intend to contribute not only to streamlining the billing and payment operations of NTT Group companies, but also to improving our productivity and the productivity of the NTT Group as a whole. To improve both the efficiency and quality of our solutions, in addition to establishing a new shared billing system for the NTT Group, we will accelerate DX by expanding the functions of our web billing platform, further digitizing invoices and expanding AI customer support. To meet the increasingly diverse billing needs of businesses and other organizations, we will expand our billing solution services such as "Billing One," "Rakuraku Cloud Payment Service" and "Paysol" in collaboration with our customers. For more information on these services, see "Business—Our Business Operations—Billing Business."

### ***Maintain and Enhance Financial Soundness by Improved Cash Generation, Including from Increased Investment in Growth Areas***

Building on the NTT Group's stable and strong cash flow generated through its robust businesses and financial base, we seek to further strengthen our and the group's financial position by supporting the NTT Group's investments, including in growth areas. Under its new medium-term management strategy "New Value Creation & Sustainability 2027 Powered by IOWN" announced in May 2023, the NTT Group seeks to expand its business based on themes of new value creation and global sustainability. In particular the NTT Group aims to expand its cash-generating capabilities by investing approximately ¥8 trillion in growth areas, generally consisting of IOWN, digital/data centers, power/energy, Smart Life (which comprises NTT DOCOMO's non-telecommunications businesses), real estate and AI/robots over the five years ending March 31, 2028, representing a roughly 50% increase in yearly investments in such growth areas as compared to the fiscal year ended March 31, 2023. Together with this approximately ¥8 trillion to be invested in growth areas, the NTT Group plans to make investments of approximately ¥4 trillion in existing areas (which are NTT DOCOMO's consumer telecommunications businesses and the businesses of NTT East and NTT West) for a total planned investment amount of ¥12 trillion. As we manage the overall financing operations of the NTT Group, we will support these planned investments by providing a stable supply of funds. Including by strengthening its cash-generating capabilities through such investments, the NTT Group aims to lower its ratio of interest-bearing debt to Adjusted EBITDA from 2.5x as of March 31, 2023 to roughly 2.0x by March 31, 2028.

*The information above contains forward-looking statements, which are based upon the NTT Group's current expectations, assumptions, estimates and projections. In particular, the goals and targets and underlying assumptions are subject to various risks, uncertainties and subjectivity, and the NTT Group's actual results may differ materially such goals and targets. See "Risk Factors."*

## **Company Information**

Our headquarters is located at Shinagawa Season Terrace, 1-2-70 Konan, Minato-ku, Tokyo 108-0075, Japan. Our main telephone number is +81-3-6455-8810. Our corporate internet website is <https://www.ntt-finance.co.jp/eng/index.html>. The information on our website does not constitute a part of this offering circular.

## Summary Risk Factors

Investing in the notes involves a number of risks, and prospective investors are urged to carefully consider the matters discussed under “Risk Factors” prior to making an investment in the notes. Such risks include, but are not limited to:

- Our business and financial condition are dependent on the operations of the NTT Group.
- Our finance business exposes us to the credit risk of NTT Group companies to which we have provided or may in the future provide loans.
- There is no assurance that the Parent will continue to position us as the sole finance subsidiary of the NTT Group or maintain our current business arrangements with the NTT Group.
- We engage in transactions with NTT Group companies in various aspects of our business, and NTT Group companies may be subject to conflicts of interest in engaging in these transactions.
- Our Billing Business exposes us to the credit risk of the NTT Group’s customers.
- Our Credit Card Business exposes us to various risks, including increases in interchange and other fees we must pay in connection with credit card transactions we process, pressure on interchange fees we receive, cardmember credit risk, and competition with other credit card companies and forms of payment.
- Increases in prevailing market interest rates could increase our interest expense and adversely affect our financial condition and results of operations.
- Our results of operations could be adversely affected by negative economic, social and geopolitical conditions in our main operating markets and globally.
- If we are not able to invest successfully in and introduce digital and other technological developments across all our businesses, our financial performance may suffer.
- We rely on third parties to provide products and services for the operation of our business, and the failure or inability of such parties to provide products and services or defects therein could adversely affect our business.
- Our systems may be the target of potential cyber-attacks or other security breaches that could have significant negative consequences.
- We may be subject to liability and regulatory action or suffer reputational damage if we are unable to maintain the privacy of our data or maintain effective policies and procedures for the storage, management, usage and protection of personal, confidential or sensitive information.
- Our indebtedness could materially adversely affect our business, financial condition or results of operations.
- Fluctuations in currency exchange rates may adversely affect our business and result of operations.
- Our risk management strategies may not be fully effective in mitigating our risk exposures in all market environments or against all types of risk.
- We are subject to extensive laws, government regulations and licensing regimes that restrict and may impose new restrictions on our business.
- Our business may be affected by natural disasters, climate change, geopolitical crises, public health crises or other unexpected events.
- We may have difficulties or incur significant costs in recruiting and retaining skilled employees; and
- From time to time, we may become involved in legal proceedings, which could adversely affect our business.

In addition, as the sole finance subsidiary of the NTT Group, we engage in significant transactions with the NTT Group across our businesses, including extending loans to NTT Group companies, purchasing and servicing accounts receivables from NTT Group companies and other transactions. We are accordingly exposed to the performance of the NTT Group’s businesses, and any risks associated with these businesses could adversely

impact our business. The key risks faced by the NTT Group include, but are not limited to, those described below.

- The NTT Group faces intense competition in its businesses, and such competition may intensify.
- The NTT Group operates in industries characterized by rapid technological development, and may be unable to respond effectively to changes in technologies and business models in its industries.
- The NTT Group's business depends on its ability to maintain and improve its network, and any network failures or delays or errors in transmissions could cause the group to lose customers and expose it to potential liability.
- The NTT Group may be unable to secure adequate radio frequency spectrum to support its operations.
- The NTT Group's investments, acquisitions, alliances and corporate collaborations may not be successful.
- The NTT Group's medium-term management strategy and ESG-related initiatives may not achieve their targeted results on the anticipated timings or at all.
- The NTT Group relies on third parties to provide products and services for the operation of its business, and the failure or inability of such parties to provide products and services or defects therein could adversely affect its business.
- The NTT Group faces risks associated with its international operations.
- The NTT Group is subject to extensive laws, government regulations and licensing regimes that restrict and may impose new restrictions on its business.
- The NTT Group is subject to additional regulations due to its history as a government-affiliated group and its continuing role as the owner and direct operator of substantially all of Japan's wired telecommunications infrastructure.
- The Japanese government is the Parent's largest shareholder and has the ability to exercise significant influence over the Parent's business, and thus indirectly over our business, and its interests may differ from those of typical shareholders of a public company.; and
- The NTT Group is subject to a range of other operational and market risks.

For a discussion of these and other risks you should consider before making an investment in the notes, see the section entitled "Risk Factors."

## The Offering

Issuer: .....	NTT FINANCE CORPORATION
Securities Offered: .....	<p>\$600,000,000 aggregate principal amount of 5.104% senior notes due 2027.</p> <p>\$900,000,000 aggregate principal amount of 5.110% senior notes due 2029.</p> <p>\$850,000,000 aggregate principal amount of 5.136% senior notes due 2031.</p>
Issue Price: .....	<p>100.000% plus accrued interest, if any, from July 2, 2024.</p> <p>100.000% plus accrued interest, if any, from July 2, 2024.</p> <p>100.000% plus accrued interest, if any, from July 2, 2024.</p>
Maturity Date: .....	<p>July 2, 2027.</p> <p>July 2, 2029.</p> <p>July 2, 2031.</p>
Status of the Notes: .....	Each series of the notes will be the Issuer's direct, unsecured and unsubordinated general obligations and will have the same rank in liquidation as all of the Issuer's other unsecured and unsubordinated debt (except for statutorily preferred obligations) and without any preference among themselves. <b>The notes do not benefit from any guarantee or other credit support from the Parent or any other member of the NTT Group.</b>
Minimum Denomination: .....	Each series of the notes will be in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.
Payments of Principal and Interest on the Notes: .....	<p>The 2027 notes will bear interest at an annual rate of 5.104%, the 2029 notes will bear interest at an annual rate of 5.110%, and the 2031 notes will bear interest at an annual rate of 5.136%. The 2027 notes will bear interest accruing from July 2, 2024, payable semi-annually in arrears on January 2 and July 2 of each year, with the first interest payment to be made on January 2, 2025. The 2029 notes will bear interest accruing from July 2, 2024, payable semi-annually in arrears on January 2 and July 2 of each year, with the first interest payment to be made on January 2, 2025. The 2031 notes will bear interest accruing from July 2, 2024, payable semi-annually in arrears on January 2 and July 2 of each year, with the first interest payment to be made on January 2, 2025. Interest on the notes will accrue from and including the date of original issuance or, if interest has already been paid, from and including the date it was most recently paid. Interest on the notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months.</p> <p>Principal will be repaid at a price of 100% of the principal amount of the notes on the applicable maturity date.</p> <p>If any date for payment of principal, premium (if any) or interest (or additional amounts, if any) in respect of the notes falls on a day that is not a business day, then such payment need not be made on such date but may be made on the next succeeding business day. Any payment made on such next succeeding business day shall have the same force and effect as if made on the original due date, and no additional interest shall accrue with respect to such payment for the period after such original due date.</p> <p>See "Description of the Notes—Principal and Maturity" and "Description of the Notes—Interest."</p>

Additional Amounts: . . . . . All payments of principal, premium (if any) and interest in respect of the notes by the Issuer shall be made without withholding or deduction for, or on account of, taxes imposed by or within Japan, unless such withholding or deduction is required by law. If the payments are subject to such withholding or deduction, the Issuer shall pay such additional amounts (subject to certain exceptions) in respect of Japanese taxes as will result in the payment of amounts otherwise receivable absent any withholding or deduction on account of such Japanese taxes. See “Description of the Notes—Taxation and Additional Amounts.”

References to principal or interest in respect of the notes shall be deemed to include any additional amounts which may be payable as set forth in the indenture.

See “Description of the Notes—Taxation and Additional Amounts.”

Optional Redemption: . . . . . Prior to the maturity date, for the 2027 notes, June 2, 2029 (one month prior to the maturity date) (the “2029 Par Call Date”), for the 2029 notes, or May 2, 2031 (two months prior to the maturity date) (the “2031 Par Call Date” and, together with the 2029 Par Call Date, each, a “Par Call Date”), for the 2031 notes, the Issuer may redeem the notes of each series at its option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

(i)(a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the notes matured on the applicable Par Call Date, in the cases of the 2029 notes and the 2031 notes) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 10 basis points, for the 2027 notes, at the Treasury Rate plus 15 basis points, for the 2029 notes, and at the Treasury Rate plus 15 basis points, for the 2031 notes, less (b) interest accrued to the date of redemption, and

(ii) 100% of the principal amount of the notes to be redeemed,

*plus*, in either case, accrued and unpaid interest thereon to the redemption date.

On or after the applicable Par Call Date in the cases of the 2029 notes and the 2031 notes, the Issuer may redeem the 2029 notes and the 2031 notes, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest thereon to the redemption date.

See “Description of the Notes—Optional Redemption.”

Optional Tax Redemption: . . . . . Each series of the notes may be redeemed at any time, at the option and sole discretion of the Issuer, in whole, but not in part, and upon giving not less than 10 days’ nor more than 60 days’ notice of redemption to the holders (which notice shall be irrevocable) and the trustee at a redemption price equal to 100% of the principal amount of the notes of such series together with interest accrued to (but excluding) the date fixed for redemption and any additional amounts thereon, if the Issuer has or will become obliged to pay additional amounts with respect to such series of notes as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the notes.

See “Description of the Notes—Optional Tax Redemption.”

Use of Proceeds: ..... We intend to use the net proceeds from the offering of the notes for general corporate purposes. See “Use of Proceeds.”

Global Notes: ..... Each series of the notes will be initially represented by one or more global notes in fully registered form without interest coupons. The global notes will be deposited upon issuance with the custodian for DTC and registered in the name of DTC or its nominee. Beneficial interests in the global notes may be held only through DTC (or any successor clearing system that holds global notes) and its participants, including Euroclear and Clearstream.

The security numbers for the notes are:

*For the notes sold under Regulation S:*

2027 notes:

CUSIP No:	ISIN:	Common Code:
J5S39RAL8	USJ5S39RAL81	282964945

2029 notes:

CUSIP No:	ISIN:	Common Code:
J5S39RAM6	USJ5S39RAM64	282964929

2031 notes:

CUSIP No:	ISIN:	Common Code:
J5S39RAN4	USJ5S39RAN48	285423228

*For the notes sold under Rule 144A:*

2027 notes:

CUSIP No:	ISIN:	Common Code:
62954WAL9	US62954WAL90	282964953

2029 notes:

CUSIP No:	ISIN:	Common Code:
62954WAM7	US62954WAM73	282965224

2031 notes:

CUSIP No:	ISIN:	Common Code:
62954WAN5	US62954WAN56	282964902

Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by the depositaries and their participants. The sole holder of the notes represented by one or more global notes will at all times be DTC or its nominee (or a successor of DTC or its nominee), and voting and other consensual rights of holders of the notes will be exercisable by beneficial owners of the notes only indirectly through the rules and procedures of the depositaries from time to time in effect. Beneficial interests in the global notes may not be exchanged for definitive notes except in the limited circumstances described under “Description of the Notes—Book-Entry; Delivery and Form—Exchange of Global Notes for Definitive Notes.”

Transfer Restrictions: ..... The offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction. Accordingly, the notes may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except (a) to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A that are also qualified purchasers (as defined in Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder) and (b) outside the U.S. to persons other than “U.S. persons” (as defined in Rule 902 under the Securities Act) in offshore transactions in compliance with Regulation S. See “Transfer Restrictions.”

To enforce the restrictions on transfers of the notes and interests therein, the Issuer has the right to require any holder of a note offered in reliance on Rule 144A (or beneficial interest therein) that is a U.S. person and is determined not to have been both (i) a qualified institutional buyers and (ii) a qualified purchasers at the time of acquisition of such note (or such beneficial interest therein) or is otherwise determined to be in breach, at the time given, of any of the representations and agreements contained in “Transfer Restrictions” to transfer such note (or such beneficial interest therein), within 30 days after notice of the sale requirement is given, to a transferee acceptable to the Issuer who is able to and who does make all of the representations and agreements set forth in “Transfer Restrictions.”

Governing Law: ..... The notes and the indenture will be governed by and construed in accordance with the laws of the State of New York.

Ratings: ..... It is expected that the notes will be rated A1 by Moody’s and A by S&P.  
A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing and Trading: ..... Approval in-principle has been received for the listing and quotation of the notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the notes to the official list of the SGX-ST is not to be taken as an indication of the merits of us or the notes.

So long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require, NTT Finance shall appoint and maintain a paying agent in Singapore where the notes may be presented or surrendered for payment or redemption, in the event that a global note is exchanged for definitive notes. In addition, in the event that a global note is exchanged for definitive notes, an announcement of such exchange shall be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

The notes are expected to be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies) for so long as such notes are listed on the SGX-ST.

Trustee, DTC Paying Agent, DTC  
Transfer Agent and DTC

Registrar: ..... The Bank of New York Mellon

London Paying Agent: ..... The Bank of New York Mellon, London Branch

Dublin Transfer Agent and

Registrar: ..... The Bank of New York Mellon SA/NV, Dublin Branch

## RISK FACTORS

*Prior to making an investment decision, you should carefully consider the following risks, along with the other information in this offering circular, including our consolidated financial statements and related notes and other financial information, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”*

*Our business, financial condition and results of operations could be materially and adversely affected by the factors discussed below. This offering circular also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this offering circular. See “Forward-Looking Statements.”*

### **Risks Relating to Our Reliance on the NTT Group**

***Our business and financial condition are dependent on the operations of the NTT Group.***

As the sole finance arm of the NTT Group, we are substantially reliant on the NTT Group for a significant part of our existing business as well as for new business generation. In particular, in our Billing Business we generate revenue primarily through commissions we receive from NTT Group companies for assuming their receivables from customers, and in our Accounting/Finance Business, we provide interest-bearing loans, cash management and other finance and accounting services to NTT Group companies. In addition, a substantial part of the revenue from the Credit Card Business consists of commissions we receive from NTT Group companies for processing payment of telecommunication charges made through credit cards. For the fiscal year ended March 31, 2024, we derived a substantial majority of our revenue from NTT Group companies, including 40.2% of our revenue from NTT DOCOMO. In addition, as of March 31, 2024, approximately 96.9% of our operating assets, which we define as the total of trade accounts receivable (net of allowance for doubtful receivables) and investments in venture businesses, were loans to the Parent and other operating companies of the NTT Group.

Accordingly, any change in conditions adversely affecting the NTT Group as a whole or any of its significant companies could have a significant impact on our business and results of operations. Factors that may affect the NTT Group include, but are not limited to, the following:

- intense competition in the telecommunications, ICT and other industries in which the NTT Group operates;
- rapid technological development in the NTT Group’s industries, to which it may be unable to effectively respond;
- the NTT Group’s dependence on its ability to maintain and improve its telecommunications network;
- any inability to secure adequate radio frequency spectrum;
- failure of investments, acquisitions, alliances and corporate collaborations;
- reliance on third parties to provide products and services for the Operation of its businesses;
- risks associated with international operations, including with respect to monitoring and coordination, laws and regulations, political and economic instability and uncertain business environments, and labor and personnel matters;
- regulation of the Parent and the NTT Group’s businesses; and
- a range of other operational and market risks including the NTT Group’s failure to execute its business strategies, cost overruns, and economic, social and geo-political conditions in Japan and globally.

See “—Risk Factors Relating to Our Exposure to the Operation and Financial Condition of the NTT Group” for further description of risks affecting the NTT Group’s other businesses, any of which could directly or indirectly adversely affect us. In addition, negative developments affecting the reputation or financial condition of the NTT Group could cause damage to our own corporate image or reputation and have an adverse effect on our results of operations. Such negative developments could be caused by external factors, such as the effect of market, political or economic disruptions, or by employee misfeasance or malfeasance or other factors affecting conditions among the NTT Group.

Any of the foregoing factors may cause a material reduction in our revenue and adversely affect our business, financial condition and results of operations.

***Our finance business exposes us to the credit risk of NTT Group companies to which we have provided or may in the future provide loans.***

In our finance business, we provide debt financing to companies within the NTT Group, and we generally engage in and manage all debt financing from external financial institutions as well as the capital markets for the NTT Group. Because we use the proceeds of such debt financing to provide financing to companies in the NTT Group, we have substantial exposure to the credit risk of the other NTT Group companies. As of March 31, 2024, 99.9% of our total trade accounts receivable (loans) of ¥9,157,878 million comprised loans to NTT Group companies, which primarily included loans to the Parent accounting for 62.0% of our total trade accounts receivable (loans) (a significant portion of which were incurred in connection with the financing of its acquisition of the remaining public shares of NTT DOCOMO in December 2020, March 2021 and July 2021). Accordingly, any of the factors that could adversely affect the NTT Group's business, including but not limited to those described in "—Risk Factors Relating to Our Exposure to the Operation and Financial Condition of the NTT Group," would also be likely to adversely affect NTT Group's credit risk, which in turn could expose us to losses to the extent that any of the relevant companies experience difficulty in repaying the loans, increases in allowances for doubtful receivables or defaults by such companies on their loans. Any of the foregoing may in turn cause us to experience difficulty in repaying our third-party borrowings, including the notes, and performing our other obligations to third parties, which could have a material and adverse effect on our business, financial condition and results of operations and the business, financial condition and results of operations of the NTT Group as a whole. See "—Risks Relating to Our Business—Our indebtedness could materially adversely affect our business, financial condition or results of operations."

In addition, to the extent that the Parent has indebtedness that is senior to our loans to the Parent in terms of priority, payment of such senior indebtedness would have priority over our loans to the Parent. For example, under the Act on Nippon Telegraph and Telephone Corporation, etc. of Japan (Act No. 85 of 1984, as amended) (the "NTT Act"), holders of debt securities issued by the Parent which are classified as "*shasai*" under the meaning of the NTT Act have the preferential right (*ippan-tanpo*) to be paid prior to other unsecured indebtedness of the Parent, including its indebtedness to us. As of March 31, 2024, the Parent had no such "*shasai*" debt securities outstanding.

***There is no assurance that the Parent will continue to position us as the sole finance arm of the NTT Group or maintain our current business arrangements with the NTT Group.***

We are a wholly-owned subsidiary of the Parent, and the Parent substantially controls our business both directly and indirectly through its control over our counterparties within the NTT Group. While the Parent has positioned us as its sole finance subsidiary and aims to further leverage us to consolidate the NTT Group's intragroup finance-related services such as accounting and tax, the Parent is under no obligation to maintain our position within the NTT Group, and it may create other group finance, cash management, accounting or tax subsidiaries or partially or completely distribute any or all such functions or other businesses among the NTT Group's operating companies in the future. Similarly, while we currently perform billing and payment services on behalf of the NTT Group's operating subsidiaries, pursuant to the relevant agreements with these companies, which are generally subject to renewable one year terms, the Parent or such subsidiaries could discontinue these arrangements for any reason upon their expiration.

Moreover, while the Parent made us its wholly owned subsidiary in September 2020, it is under no obligation to continue to hold all or any of our outstanding shares. If the Parent were to dispose of some or all of our shares, we may be unable to maintain our role as the central provider of billing and payment, finance and other services for the NTT Group on the same terms or at all, and we would likely lose access to other forms of support such as those discussed immediately below in "—We engage in transactions with NTT Group companies in various aspects of our business, and NTT Group companies may be subject to conflicts of interest in engaging in these transactions."

Any of the foregoing factors may affect our ability to maintain our business as currently conducted and adversely affect our business, financial condition and results of operations.

***We engage in transactions with NTT Group companies in various aspects of our business, and NTT Group companies may be subject to conflicts of interest in engaging in these transactions.***

We engage in a wide range of transactions with NTT Group across a variety of areas of our business. As described above, we generate a substantial portion of our revenue from providing billing, finance and accounting and tax services to NTT Group companies. We also rely on NTT Group companies in a variety of other aspects of our business. In particular:

- In March 2009, we received an equity injection of ¥19,994 million from the Parent in response to our incurring significant losses during that fiscal year. In addition, as of March 31, 2024, NTT fully and unconditionally guaranteed our outstanding notes in a total amount of \$5.5 billion and €2 billion. There is, however, no other guarantee or keepwell arrangement in place between us and the Parent or any other member of the NTT Group in relation to supporting us financially. There is no assurance that the Parent or any other member of the NTT Group will provide such support to us in the future.
- As a consequence of our history and positioning within the NTT Group, all of our current directors and a significant proportion of our current managers have in the past worked for, and some directors are currently senior managers at, other companies within the NTT Group. Furthermore, although we have an agreement in place with the Parent in relation to our management as part of the NTT Group, with the aim of maximizing the corporate value of each NTT Group company while respecting each NTT Group company's autonomy and independence, such agreement may not ensure that we are operated independently from the interests of the NTT Group as a whole or other NTT Group companies.
- The Parent currently holds all of our outstanding voting rights and has the ability to control our management as our sole shareholder. While we expect the Parent to respect our autonomy and independence as a company, the Parent is nonetheless in a position to take actions that may be in the interest of the NTT Group but not necessarily in our best interest on a standalone basis.

We also make use of many of the NTT Group's IT and ICT-related services such as various internet and data processing and storage services used in providing our billing and credit card services to NTT Group customers, mobile and fixed-line telephone and data services, server-related services, internal web-based training services, office automation services, remote work-related services, deposit and withdrawal services.

Our policy is that transactions with affiliates are to be conducted on an arm's-length basis and on terms as favorable to us as with non-affiliates. While we believe our current arrangements with NTT Group companies have terms as beneficial to us as our arrangements with unaffiliated third parties, there can be no assurance that all our future transactions with NTT Group companies will be beneficial to us, particularly as we are a wholly owned subsidiary of the Parent, and the Parent may manage us in a manner that may be in the interest of the Parent or the NTT Group but not necessarily in our best interest.

## **Risks Relating to Our Business**

### ***Our Billing Business exposes us to the credit risk of the NTT Group's customers.***

In our Billing Business, we are exposed to credit risks on the portfolio of receivables transferred to us from NTT Group companies, thus transferring the credit risk with respect to such receivables from the operating NTT Group company to us. We are paid commissions for assuming such receivables, which are calculated based on our analysis of the credit risk associated with such receivables taking into account the historical record of the collectability of certain groups of customers. Any sudden increase in defaults under such receivables may therefore cause our actual credit loss to exceed estimates, or decrease in the commissions we receive, which would adversely affect our results of operations. Changes in the credit risk associated with such receivables can be affected by a number of factors including global, country, industry and customer specific economic conditions, including sudden shifts in regional or global economic activity, which in turn may impact individual customers' finances and business customers' working capital and their ability to make scheduled payments on the receivables we hold. In addition, customer disputes regarding product quality, service delivery, amounts due to us or other circumstances, may cause customers to delay scheduled payments when due. If we are unable to collect receivables, we may be unable to generate sufficient cash to meet our business obligations, including servicing our debt, which may force us to enter into additional financing arrangements that may not be favorable to us or otherwise negatively impact our business, results of operations and financial condition.

The NTT Group's customer base includes individuals, primarily of the mobile and fixed-line telecommunications services of NTT DOCOMO, NTT East and NTT West, as well as a variety of enterprises,

from small and medium businesses to large organizations and governmental entities. We perform regular credit evaluations of the financial condition of our customers. These credit evaluations rely in part on third-party information, including information provided by such customers, and may not successfully predict customers' financial conditions or detect and prevent fraud or misconduct with respect to such information or by other third parties, including the use of fabricated or otherwise fraudulent information in the application process. Any such fraud or misconduct could have a significant impact on our ability to collect receivables, which in turn could result in an increase allowance for doubtful accounts. Within the NTT Group, for example, there have been recent instances reported of fraudulent transactions relating to NTT DOCOMO's *d-Barai* digital wallet service. Although we are generally able to pass on increases in collection costs, including increases in allowance for doubtful accounts in connection with receivables relating to services of other NTT Group companies, in the form of higher commissions from such NTT Group companies, we are directly exposed to increases in collection costs and losses in connection with the services we operate. For example, in the fiscal year ended March 31, 2024, the amount of fraudulent credit card transactions in our Credit Card Business was higher than in previous years partly due to an increase in incidents of fraud following the termination of NTT Group Card services. If we become aware of information related to the creditworthiness of a customer, or if actual default rates on receivables in the future differ from those currently anticipated, we may need to adjust our allowance for credit losses, which could affect our financial condition and results of operations. In addition, see “—Our Credit Card Business exposes us to various risks, including increases in interchange and other fees we must pay in connection with credit card transactions we process, pressure on interchange fees we receive, cardmember credit risk, and competition with other credit card companies and forms of payment” for a description of risks related to the portion of our Billing Business invoices that customers pay using credit cards.

***Our Credit Card Business exposes us to various risks, including increases in interchange and other fees we must pay in connection with credit card transactions we process, pressure on interchange fees we receive, cardmember credit risk, and competition with other credit card companies and forms of payment.***

In our role as payment processor and merchant acquirer for NTT Group customer telecommunications invoices paid with credit card, card issuer of NTT Finance-branded credit card, merchant acquirer to third parties, and the provider of the payment processing service Paysol, we are exposed to various risks.

In our role as payment processor and merchant acquirer for NTT Group customer telecommunications invoices paid with credit cards, which accounted for 89.8% of our Credit Card Business's revenue for the fiscal year ended March 31, 2024 due to inter-segment transfers from our Billing Business, we are required to pay interchange fees set by the payment networks of invoiced customers' credit cards. From time to time, the payment networks may increase the interchange fees and other fees that they charge. At their sole discretion, other credit card issuers have the right to pass any increases in interchange and other fees on to us and they have consistently done so in the past. Under the contracts into which we enter, we are generally permitted to, and in the past have been able to, pass these fee increases along to our merchants, including the NTT Group operating companies, through corresponding increases in our processing fees. However, if we are unable to pass through these and other fees in the future, or if the relevant NTT Group companies and other merchants' businesses are adversely affected by such fee increases, it could have a material adverse effect on our business, financial condition and results of operations.

At the same time, due to our role as credit card issuer, our revenue and profitability may be adversely affected by pressure to reduce interchange fees. Legislative and regulatory bodies in a number of countries are seeking to reduce interchange fees through legislation, competition-related regulatory proceedings, voluntary agreements, central bank regulation and/or litigation, and legislative and regulatory bodies such as the Japan Fair Trade Commission may also seek such reductions in Japan in the future. In addition to this regulatory activity, merchants are also seeking avenues to reduce interchange fees, including bargaining for lower interchange fees and lobbying for legal restrictions. In addition, retailers may also bring legal proceedings against MasterCard and Visa and their card-issuing partners, claiming that their practices toward merchants, including interchange and similar fees, violate antitrust laws. Merchants may also promote new or alternative forms of payment with lower fees or seek to impose surcharges at the point of sale for use of credit cards, potentially leading to issuer transaction fees or the displacement of credit cards as a payment method.

Like other credit card issuers, we face the risk that our customers will not repay their balances on time or at all. A customer's ability and willingness to repay us can be adversely affected by decreases in their income or increases in their payment obligations to other lenders, whether as a result of higher debt levels or rising interest rates, by rising levels of inflation, or by restricted availability of credit generally. We may fail to quickly identify and reduce our exposure to customers that are likely to default on their payment obligations, whether by closing the relevant account or restricting authorizations. Our ability to manage the credit risk is also affected by legal or

regulatory changes, competitors' actions and consumer behavior, and depends on the effectiveness of our collections staff, techniques and models. In addition, our ability to accurately assess the creditworthiness of our customers may diminish, which could result in an increase in our credit losses and a deterioration of our returns.

The credit quality of our customers can have a significant impact on our results of operations. We establish an allowance for doubtful accounts against credit risks based on our assessment of expected credit losses in our Credit Card Business. This process requires complex judgments, including forecasts of economic conditions. We may underestimate our expected losses and fail to hold an allowance sufficient to account for these losses. Rising losses or leading indicators of rising losses may also require us to increase our allowance for doubtful accounts, which would decrease our profitability if we are unable to raise revenue or reduce costs to compensate for higher losses. In addition, we face the risk that consumer and commercial customer behavior may change (for example, an increase in the unwillingness or inability of customers to repay debt, which may be heightened by increasing interest rates or levels of consumer debt), causing a long-term rise in delinquencies and charge-offs.

In addition, our Credit Card Business faces competition from other credit card issuers, including those in the banking, retail and distribution and transportation industries. We also face competition from other payment methods such as internet banking, debit and pre-paid and chargeable cards and cash-on-delivery, as well as newer payment methods such as mobile carrier payments, buy-now-pay-later and mobile wallets that consumers fund from sources such as a bank account or credit card, including PayPay and Rakuten Pay. In our role as merchant acquirer, we face competition from other merchant acquirers, including those affiliated with financial institutions and retailers. Competition may intensify in the future, both as emerging technologies continue to enter the market and as large financial incumbents increasingly seek to innovate the services that they offer. Technological advances and the continued growth of e-commerce activities have increased consumers' accessibility to payment products and services and led to the expansion of competition in payment options, including those incorporating new technology.

In order to provide our Credit Card Business, we are registered with the MasterCard and Visa payment networks. We and many of our clients are subject to payment network rules. If we or our associated participants do not comply with the payment network requirements, the payment networks could seek to fine us, suspend us or terminate our registrations. If we are unable to recover fines from or pass through costs to our merchants or other associated participants, we would experience a financial loss. The termination of our registration, or any changes in the payment network rules that would impair our registration, could require us to stop providing credit card service, which would have a material adverse effect on our business, financial condition and results of operations. Payment network rules are established and changed from time to time by each payment network, as they may determine in their sole discretion and with or without advance notice to their participants. Failure to comply in a timely manner with rule changes could result in fines, penalties or reputational damage, and could negatively impact our registration with the payment networks. Any changes in the rules or standards of these payment networks and card schemes, or the way they are implemented, could increase our cost of doing business or limit our ability to provide credit card services to our clients and have a material adverse effect on our business, financial condition and results of operations.

***Increases in prevailing market interest rates could increase our interest expense and adversely affect our financial condition and results of operations.***

As of March 31, 2024, a portion of our outstanding bonds and borrowings was subject to floating interest rates and we were a party to interest rate swap agreements with respect to ¥22,503 million of such bonds and borrowings. Any increase in market interest rates could result in increased interest payments on our borrowings and existing floating-rate bonds and new bonds. Higher interest rates may also limit our capacity for short- and long-term borrowings, which would in turn limit our ability to conduct our group financing activities. While interest rates in Japan generally and also relative to other countries have remained low following downward adjustments by the Bank of Japan as a result of the global financial crisis in 2008, it is possible that stimulus measures implemented by the Bank of Japan could cause interest rates to increase in the future. In particular, in March 2024, the Bank of Japan announced the end of its Quantitative and Qualitative Monetary Easing (QQE) policy framework for monetary easing including the end of its longstanding negative interest rate policy. These changes in monetary policy or any future changes may, among other factors, increase market volatility and result in increased interest rates in Japan in the future.

In addition, market interest rates can be affected by the monetary policy of other countries, including through the impact on foreign exchange rates and the resulting pressures on monetary policy in Japan. In particular, the U.S. and some other major economies have been experiencing persistent inflation in recent years, which central banks in those economies have attempted to curtail through contractionary measures including

increasing policy interest rates. The divergence in monetary policy between Japan and other major economies is believed to have contributed to the significant weakness of the yen since early 2022. However, central banks, including the Bank of Japan despite their aims to counteract future inflation, may not be able to control inflationary trends. In response, central banks may maintain high policy interest rates or further increase policy interest rates, which could have an even more pronounced adverse effect on our financial condition and results of operations. We attempt to mitigate our exposure to interest rate volatility by using interest rate hedging arrangements that convert variable interest rates to fixed interest rates and by diversifying our debt to include more long-term borrowings and bonds with varying maturity dates. However, these measures may not be effective in reducing our exposure to interest rate changes. For example, the counterparties to our hedging arrangements may not honor their obligations. Failure to effectively mitigate our exposure to interest rate volatility may have a material adverse effect on our financial condition and results of operations.

***Our results of operations could be adversely affected by negative economic, social and geopolitical conditions in our main operating markets and globally.***

The performance of our business is generally sensitive to economic, social and geopolitical conditions, particularly in our main operating market of Japan, as well as global economic conditions more generally, including due to the effect of Japanese and global economic conditions on the businesses of the NTT Group. Negative economic conditions may adversely impact demand for the services we or the NTT Group offer or result in downward competitive pressure on the pricing of our services outside the NTT Group or the products and services of the NTT Group. For example, if customers of NTT DOCOMO, NTT East or NTT West cancel or downgrade their subscriptions, or fail to make timely payments, our Billing Business may be adversely affected. In addition, in our Credit Card Business, our customers may reduce their purchasing or fail to make timely payments, which could negatively affect our revenue. Furthermore, our lending to and other business with NTT Group companies may be adversely affected by negative economic conditions to the extent that such conditions cause downturns in their own businesses or if credit markets are adversely affected.

The outlook for the economy in Japan and globally is highly uncertain and could be adversely affected by a range of economic, social and geopolitical developments, including public health issues such as the COVID-19 pandemic that significantly impacted economic conditions in Japan and other major economies. With respect to Japan, the economic environment continues to be challenging due to a number of other factors, including longer-term challenges surrounding the impact of unfavorable demographic trends such as the declining birthrate and the decline and aging of the overall population, depreciation of Japanese yen and the current inflationary environment. The global economy is also subject to a number of potential challenges and uncertainties including the ongoing conflict between Russia and Ukraine, ongoing political disputes and trade tensions between the United States and China and other major trading partners, potential escalation of geopolitical risks associated with the Middle East (including the ongoing military conflict between Israel and certain militant groups) and North Korea, the economic slowdown and downturn in the real estate market in China and the outcome of the presidential election to be held in the United States in November 2024 and any resulting policy changes in the United States. Any economic volatility, whether actual or perceived, in or affecting any of our major operating markets or the global economy due to any of the foregoing factors or otherwise, whether widespread or localized, may reduce demand for our services and adversely affect our business, financial condition and results of operations.

In particular, the prices of energy and commodity have remained at heightened levels, and credit and financial markets have experienced volatility and disruptions due to the current conflict between Ukraine and Russia. This may result in further global economic consequences, including but not limited to the possibility of diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, further increases in inflation rates and uncertainty about economic and political stability. In addition, the United States, Japan and other countries have imposed and may further impose sanctions on Russia, and as a retaliatory measure Russia has imposed and may further impose its own sanctions or launch cyberattacks against the government, infrastructure or businesses in the United States, Japan or other countries perceived to be unfriendly or adversarial. Any of the foregoing consequences, including those we cannot yet predict, may cause our business, financial condition and results of operations to be adversely affected.

In addition, our main sources of outside funding are bank loans and corporate bonds. If changes in economic or financial market conditions continue to cause a rise in interest rates or cause any adverse changes to our creditworthiness, our cost of raising funds could increase which would in turn impact our business, financial condition or results of operations. If share prices decline as a result of deterioration of economic or financial market conditions, we may incur impairment losses which would in turn adversely affect our results of operations and financial condition.

***If we are not able to invest successfully in and introduce digital and other technological developments across all our businesses, our financial performance may suffer.***

Our industry is subject to rapid and significant technological changes and our ability to meet our customers' needs and expectations is key to our ability to maintain and grow revenue and earnings. We expect digital technologies to have a significant impact on the billing, payment, credit card and accounting industries over time. Businesses and consumers expect robust digital experiences from their financial services providers. The ability for customers to make payments, access their accounts and conduct financial transactions using digital technology, including mobile applications, is an important aspect of the financial services industry and financial institutions are rapidly introducing new digital and other technology-driven products and services that aim to offer a better customer experience and to reduce costs. Our continued success depends, in part, upon our ability to address the needs of our customers by using digital technology to provide products and services that meet their expectations. The development and launch of new digital products and services depends in large part on our capacity to invest in and build the technology platforms that can enable them, in a cost effective and timely manner. Any failure to develop and provide our products and services using existing and new digital technology in a cost effective and timely manner may adversely affect our results of operations and financial condition.

***We rely on third parties to provide products and services for the operation of our business, and the failure or inability of such parties to provide products and services or defects therein could adversely affect our business.***

We rely on a variety of third parties to provide various services and products that are critical to operating our businesses. For example, individual customers of NTT Group services such as mobile phone services of NTT DOCOMO and fixed-line telecommunication services of NTT East and NTT West may pay their outstanding balances through in-person transactions at convenience stores, by credit card or through online or in-person retail banking services. A disruption or impairment in the ability of the relevant third parties to facilitate payments to us, or to provide the services or systems we utilize for our business operations, could materially and adversely affect our business, financial condition and results of operations. Also, we rely on certain licensed third-party intellectual property in connection with our businesses. If we are unable to continue to license critical third-party intellectual property on commercially acceptable terms or at all, we may not be able to provide certain services to our customers.

In addition, as described in “—Our Credit Card Business exposes us to various risks, including increases in interchange and other fees we must pay in connection with credit card transactions we process, pressure on interchange fees we receive, cardmember credit risk, and competition with other credit card companies and forms of payment,” our Credit Card Business acquires merchants for and issues credit cards on the MasterCard and Visa networks. Such card payment networks set rules for participating in their networks, and such rules are established and changed from time to time by each network as they may determine in their sole discretion and with or without advance notice to their participants. Failure to comply in a timely manner with rule changes could result in fines, penalties or reputational damage, and changes in the rules of these networks, or the way they are implemented, could increase our cost of doing business or limit our ability to provide transaction processing services to or through our clients.

We do not have direct operational or financial control over these key service providers, and there can be no assurance that such service providers will continue to provide services on attractive terms in the future, if at all. Moreover, our service providers and their ability to supply us with services we require, or our ability to purchase them, may be negatively affected by political, economic or other outside factors, including uncertainty about or negative developments involving global trade or security policy.

Any inability to continue to maintain relationships with our service providers, suppliers and other third parties on which we rely, or any interruption or decline in quality of their services or products could have a material adverse effect on our business, financial condition and results of operations.

***Our systems may be the target of potential cyber-attacks or other security breaches that could have significant negative consequences.***

We collect, possess, manage and handle substantial amount of sensitive and confidential information, including in relation to customers of our Credit Card Business and Billing Business, and we are exposed to a range of cybersecurity and other information security threats in our businesses. These threats continue to become increasingly sophisticated and diversified. Security breaches and other malicious activities including cyber-attacks, computer hackings, computer viruses, worms or other destructive or disruptive software, process

breakdowns and denial of service attacks could cause a degradation or disruption of our services, damage to our properties, equipment and data, or unauthorized disclosure of personal or confidential information of us or our customers. We have experienced attempts to breach our systems in the past and may experience such attempts in the future. Our security measures may also be breached due to employee error, malfeasance or otherwise, and outside parties may attempt to fraudulently induce our employees or customers to disclose sensitive information to gain access to our data or our customers' data, including information subject to data protection laws and regulations. In addition, as we share certain information with certain third-parties, such information is vulnerable to unauthorized access through the systems of these third parties. The risk of these systems-related events and security breaches occurring has intensified, in part because we maintain certain information necessary to conduct our businesses in digital form stored on servers connected to the internet. Also, as a result of the COVID-19 pandemic, many of our employees have spent significantly more time working remotely at locations where they may use less secure computer and networking systems and consequently face a higher risk of exposure to viruses, break-ins or cyberattacks.

While we develop and maintain systems and processes designed to prevent systems-related events and security breaches from occurring, the development and maintenance of these systems and processes are costly and require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. Despite our efforts, there can be no assurance that unauthorized access and security breaches will not occur in the future. In addition, because the techniques used to obtain unauthorized access to systems, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may not be able to anticipate these techniques or implement adequate preventive measures.

Any security breach or unauthorized access could cause significant legal and financial exposure, including lost revenue due to business interruption, increased expenditures on security measures, monetary damages, regulatory enforcement actions, fines or other penalties. In addition, any related damage to our reputation and the market perception of the effectiveness of our security measures could cause us to lose customers. Moreover, the amount and scope of insurance we maintain against losses resulting from unauthorized access or security breaches may not be sufficient to cover our losses or otherwise adequately compensate us for any disruptions to our businesses that may result.

***We may be subject to liability and regulatory action or suffer reputational damage if we are unable to maintain the privacy of our data or maintain effective policies and procedures for the storage, management, usage and protection of personal, confidential or sensitive information.***

Due to the nature of our business operations, we possess a substantial amount of personal, confidential or otherwise sensitive information with respect to current, past or prospective individual and business customers. In some cases, we also rely upon third-party service providers to handle customer information. The requirements under the Act on Protection of Personal Information of Japan (Act No. 57 of 2003, as amended), or the Act on Protection of Personal Information, that apply to our handling and use of personal information in our Japanese operations are stringent. We must also comply with the Payment Card Industry Data Security Standard set by the Payment Card Industry Security Standards Council consisting of major credit card network providers. Certain of these regulations impose fines or direct liability on businesses for data breaches where data security systems are found to be inadequate, in some cases regardless of harm to the affected users, and the potential amount of fines or liability can be substantial.

Compliance with these laws and regulations, the requirements and interpretations of which may differ significantly from country to country, has become more complex in recent years due to the increasing awareness of management of personal, confidential and sensitive information. Accordingly, the cost of complying with these laws and regulations is substantial and has been increasing. In addition, such laws and regulations related to the handling and use of personal, confidential and sensitive information have become stricter in recent years and may become even more stringent in the future, or we may change our policies concerning handling and usage voluntarily or in response to violations of applicable laws and regulations, perceived wrongdoing or for other reasons. As a result, it may become difficult for us to utilize certain information that is critical to our existing products and services or to develop new products and services, which in turn may harm our ability to maintain or grow our business.

Authorities in various countries are considering a number of legislative and regulatory proposals concerning data protection, including measures to ensure that encryption of users' data does not hinder law enforcement agencies' access to that data. In addition, as many consumer and data protection laws and regulations have been

in force for a relatively short period, the interpretation and application of consumer and data protection laws and regulations are often uncertain and in flux, and it is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent with our current data practices. If we fail to comply with any such laws and regulations, we could suffer damage to our reputation and loss of customers. We could also be subject to liability or regulatory investigations or legal or other actions from regulators, users or other third parties relating to actual or alleged violations of laws and regulations surrounding data protection and privacy or otherwise. Any new restrictions or limitations relating to data protection and security may result in the deterioration of the quality of our products and services that rely on data and our overall competitive advantage, and possibly result in a loss of individual users or business clients or necessitate a revision or overhaul of our business models and strategies. See “Business—Regulation.”

***Our indebtedness could materially adversely affect our business, financial condition or results of operations.***

We have significant outstanding indebtedness and debt service obligations. As of March 31, 2024, we had ¥341 billion in short-term bank loans, ¥1,037 billion in commercial papers, ¥1,294 billion in deposits received, ¥3,416 billion in bonds (including current portion) and ¥3,103 billion in long-term borrowings (including current portion), and we anticipate that we will continue to rely on bonds and borrowings as part of our financing strategy going forward. Our substantial indebtedness could have adverse consequences, including, but not limited to:

- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, research and development, business opportunities and other corporate requirements;
- increasing our vulnerability to a downturn in our businesses or economic and market conditions;
- requiring the dedication of a portion of our cash flow from operations to the payment of interest on our indebtedness, thereby reducing the cash flow available to fund our operations, capital expenditures or for other corporate purposes, including contracted payments to NTT Group companies for the products and services they sell to customers for which we perform billing;
- exposing us to higher interest expenses due to market interest rate fluctuations to the extent that we are not able to effectively hedge the portion of our borrowings which are subject to floating interest rates using derivative instruments or otherwise;
- requiring the repayment of maturing indebtedness from our cash flow from operations or the incurring of new indebtedness;
- limiting our flexibility in planning for, or reacting to, changes in our businesses and the competitive environment;
- placing us and the NTT Group at a competitive disadvantage compared to competitors that are not similarly leveraged;
- subjecting us to restrictive financial and other covenants, which may require us to repay some or all of our outstanding indebtedness if we breach any such covenants; and
- a downgrade of our credit ratings, which may result in an increase in our borrowing costs.

Our borrowing costs could increase because of changes in economic or financial market conditions, such as rising interest rates, or any adverse changes to our creditworthiness. In addition, if we are unable to secure funds in the future on favorable terms or at all. As a result of any of the foregoing, we or other NTT Group companies may be unable to make necessary capital expenditures, including to make necessary investments to develop and respond to new technologies or otherwise execute our or their business strategies.

In addition, while we intend to reduce the overall level of indebtedness of the NTT Group by repaying indebtedness using the proceeds of the NTT Group’s planned securitization of certain receivables of NTT DOCOMO and our operating cash flows, there is no assurance that we will be able to achieve this objective. To the extent that we do not reduce the level of indebtedness of the NTT Group, we would continue to be exposed to the risks set forth above and would fail to achieve benefits of lower levels of indebtedness including reducing our interest expenses, and improving our and the NTT Group’s creditworthiness. See “Business—Our Strategies—Maintain and Enhance Financial Soundness by Improved Cash Generation, Including from Increased Investment in Growth Areas.”

As a result of any of the foregoing, our business, financial position and results of operations could be materially and adversely affected.

***Fluctuations in currency exchange rates may adversely affect our business and result of operations.***

As we procure financing and also operate our business internationally, we are exposed to fluctuations in currency exchange rates. In particular, a large portion of our outstanding indebtedness is, and the notes are, denominated in currencies other than the yen, primarily U.S. dollar and Euro, while a substantial majority of our revenues and cash flows are denominated in Japanese yen from transactions with the NTT Group and other counterparties in Japan. The yen has substantially weakened over the past several years, which has increased various costs that are not denominated in Japanese yen, including nearly all of our interest payments on U.S. dollar and Euro denominated indebtedness. In particular, the yen reached a 34-year low against the U.S. dollar in April 2024. A continued weakening of the yen would likely further reduce our ability to make interest payments and repay the principal of such foreign currency indebtedness. In addition, our consolidated financial statements are presented in yen, and by translating the foreign currency financial statements of our foreign subsidiaries into yen, the amounts of our revenue, profit, assets and equity, on a consolidated basis, are affected by prevailing rates of exchange. With respect to such translation risk, we are adversely affected when the yen appreciates against the U.S. dollar and the Euro. Although we attempt to manage our exposure to exchange rate fluctuations by matching the amounts of foreign currency denominated indebtedness with foreign currency denominated assets and employ currency swaps for hedging purposes, such hedging measures do not cover all of our exposures and, even to the extent that they do, they may only delay, or may otherwise be unable to completely eliminate, the impact of fluctuations in foreign currency exchange rates.

***Our risk management strategies may not be fully effective in mitigating our risk exposures in all market environments or against all types of risk.***

Management of market, credit, liquidity, operational and compliance risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. Even though we continue to devote significant resources to developing our risk management framework, our risk management strategies may not be fully effective in identifying and mitigating our risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of our methods of managing these risks are based upon our use of observed historical market behavior and management's judgment. These methods may not accurately predict future exposures, which could be significantly greater than the historical measures indicate and market conditions, particularly during a period of financial market stress, can involve unprecedented dislocations. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the timing of such outcomes. For example, our ability to implement our risk management strategies may be hindered by adverse changes in the volatility or liquidity conditions in certain markets and as a result, may limit our ability to distribute such risks. We may, therefore, incur losses in the course of our risk management or investing activities. We have, and may in the future, enter into new business areas or choose to terminate existing businesses, which could expose us to new or different risks, or change our risk profile.

In addition, in our venture capital business, we are exposed to investment risk relating to a wide range of startups and other businesses based in Japan and overseas. If the businesses in which we invest are affected by economic or geopolitical volatility or other risks and challenges, they may not achieve growth to the extent we expect, or on the timeline we expect, or at all, and in turn our results of operations may be adversely affected.

***We are subject to extensive laws, government regulations and licensing regimes that restrict and may impose new restrictions on our business.***

We are subject to various laws, regulations and licensing regimes pertaining to our Billing and Credit Card Businesses and other businesses. In particular, as a credit card issuer and provider of the payment processing service Paysol, we are subject to various consumer protection laws and other regulatory regimes, including the Installment Sales Act, Money Lending Business Act, Interest Rate Restriction Act, Act on Prevention and Transfer of Criminal Proceeds and Banking Act of Japan. We are also subject to a number of laws and regulations in our businesses, including those relating to personal information and data protection, consumer reporting, labor, social welfare, anti-money laundering, anti-bribery and anti-corruption, taxation and antitrust laws. See “Business—Regulation” for a summary of the key laws and regulations applicable to our business. In addition, our Accounting/Finance Business is also particularly susceptible to changes in applicable accounting and tax regimes. Our business is also affected by legal and regulatory changes affecting the businesses of the NTT Group. See “—Risk Factors Relating to Our Exposure to the Operation and Financial Condition of the NTT Group—The NTT Group is subject to extensive laws, government regulations and licensing regimes that restrict and may impose new restrictions on its business.”

The legal and regulatory structures that apply to our business are complex, and any failure to comply with them could result in fines, penalties, losing permission to operate certain businesses, being ordered to suspend operations, litigation and other legal proceedings and have an adverse effect on our or the group's reputation. If new laws and regulations are introduced in a form we do not expect, or if existing laws and regulations are amended or subject to changes in interpretation or application, the services and products that we and the group are able to offer to customers, or our and their ability to set prices for those services and products, could be limited. We may not be able to accurately predict, prevent or effectively react to new laws and regulations, or new amendments to or interpretations and applications of existing laws and regulations, which could have a material adverse effect on our business, financial condition and results of operations.

***Our business may be affected by natural disasters, climate change, geopolitical crises, public health crises or other unexpected events.***

Our operations and systems are vulnerable to damage or interruption from natural disasters, such as earthquakes, volcanoes, typhoons, heavy rain, heavy snow, fires and floods, including those resulting from climate change, as well as power losses, telecommunications or other infrastructure failures, cyberattacks, terrorist attacks, acts of war, public health crises including pandemics such as the COVID-19 pandemic and other outbreaks of infectious diseases, political crises or instability, human errors, break-ins and other unexpected events. In the case of such an event, we may be unable to continue our operations and may endure system or service interruptions, reputational harm, delays in our provision of services, breaches of data security and loss of critical data, all of which could have an adverse effect on our future operating results.

In addition, massive natural disasters, such as the March 2011 Great East Japan Earthquake and the subsequent tsunami and nuclear accident in Fukushima, the 2024 Noto Peninsula Earthquake and other large-scale crises and unexpected events could have secondary adverse effects, such as mass or long-term devastation to the people or infrastructure, including through the disruption of electric supply and deterioration in economic conditions. Any natural disasters or other large-scale catastrophic events could materially and adversely impact our business and results of operations.

Although we engage in business continuity planning and have developed disaster recovery plans, if such plans are inadequate to ensure that our business functions continue to operate during and after a disaster, or if we fail to successfully execute on those plans in the event of a disaster or emergency, our business and reputation would be harmed.

***We may have difficulties or incur significant costs in recruiting and retaining skilled employees.***

Our ability to attract, retain and motivate our employees is critical to our success. Qualified individuals are limited in number and in high demand, and we may incur significant costs to attract, develop and motivate talented employees. Our future success also depends, in part, on our ability to continue to attract, retain and motivate highly skilled personnel. We face intense competition in hiring talented employees from a broad range of companies, some of which may have more financial and other resources than we do. In order to compete with such companies, we must offer competitive compensation packages and a high-quality work environment to attract, retain and motivate employees. If we are unable to attract qualified personnel to fill key positions and retain and motivate our existing employees, we may be unable to manage our business effectively, which could adversely affect our business, results of operations and financial condition. Even if we were to offer higher compensation and other benefits, people with suitable skills may choose not to join us or not to continue to work for us.

***From time to time, we may become involved in legal proceedings, which could adversely affect our business.***

From time to time, we may become subject to legal proceedings, claims, litigation and government investigations or inquiries, which could be expensive, lengthy or disruptive to normal business operations or affect our corporate image. The outcome of this and any other legal proceedings, claims, litigation, investigations or inquiries may be difficult to predict. We may incur significant expenses in defending against such proceedings, claims, litigation, investigations or inquiries. In addition, we may be required to pay significant awards, settlements or penalties. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

**Risk Factors Relating to Our Exposure to the Operation and Financial Condition of the NTT Group**

*As the sole finance subsidiary of the NTT Group, we engage in significant transactions with NTT Group across our businesses, including extending loans to NTT Group companies, purchasing and servicing accounts*

*receivables from NTT Group companies and other transactions. We are accordingly exposed to the performance of the NTT Group's businesses, and any risks associated with these businesses could adversely impact our business. The key risks faced by NTT Group include, but are not limited to, those described below.*

***The NTT Group faces intense competition in its businesses, and such competition may intensify.***

The NTT Group is subject to intense competition in all of its businesses.

The Japanese telecommunications industry, in which the NTT Group operates its largest business segments, is subject to intense competition, and competition is expected to increase, particularly in the mobile telecommunications industry. The Japanese population is both aging and declining, resulting in decreases in the number of potential new subscribers and the overall number of potential consumers of the telecommunications services the group provides. In addition, the mobile telecommunications market in Japan is relatively saturated in terms of subscriber numbers. The home broadband market is also approaching saturation, while the market for fixed-line telephone services has been shrinking. As a result of the continued decrease in the overall number of potential consumers of telecommunications services in Japan, the group expects that competition in the telecommunications industry for consumer subscriptions will continue to intensify. The NTT Group's domestic ICT and IT services customers are also affected by the changing demographics in Japan, and competition for their business is also intensifying.

In its mobile telecommunications business, the NTT Group's main competitors are the other established MNOs, KDDI Corporation, or KDDI and SoftBank Corp., or SoftBank. In addition, Rakuten Group, Inc., or Rakuten, which previously operated only as an MVNO, has commenced service over its own mobile telecommunications network, and is now operating as an MNO as well as an MVNO, through its subsidiary Rakuten Mobile, Inc. If price competition among MNOs further intensifies and the NTT Group is not able to offer attractive fee plans compared to other MNOs, the group may lose its customers, and even if the NTT Group further reduces fees to maintain its competitive position, its profit margins and results of operations may be significantly impacted.

In the NTT Group's fixed-line telecommunications business, although the group has a unique competitive position as the Operator of the largest nationwide fiber-optics network in Japan and the only Operator of a nationwide fixed-line telephone network in Japan, the group faces competition from a number of competing telecommunications and other service providers. In the broadband internet services market, competition has intensified after the NTT Group began offering wholesale fiber-optics services in 2015, which enabled new market entrants to offer internet services using the group's fiber-optics infrastructure. In the NTT Group's fixed-line telephone business, the market for traditional fixed-line telephones has been shrinking due to the increasing adoption of mobile devices and voice over IP services by both consumers and businesses as replacements for traditional fixed-line telephones. In addition, the NTT Group's fixed-line telecommunications businesses are subject to various laws, regulations and licensing regimes that are intended to secure and enhance fair competition among other domestic telecommunications and other service providers as well as to protect end users. If these laws and regulations are amended in the future in a manner that results in increased competition, the group's results of operations may be adversely affected.

The NTT Group's ICT and IT services, it competes with a number of other ICT solutions providers, both in Japan and in other markets. As the group continues to expand ICT and IT services in overseas markets, the group will be further exposed to new competitors in those markets, many of which may have longer track records and more established positions in such markets.

Changes in the technological, commercial, regulatory or other aspects of the telecommunications industry may result in further competition. For example, in 2019, new regulations aimed at encouraging fair competition in the Japanese mobile telecommunications industry took effect, including, among other things, a prohibition on imposing a penalty fee for canceling a plan that is longer than two years or any penalty fee exceeding ¥1,000. Furthermore, adoption of "electronic SIM" technology has enabled subscribers to switch carriers using an automated process, without directly contacting their current or new carrier as was previously necessary. Any potential further technological, commercial, regulatory or other changes that could further decrease the cost or simplify the process of switching carriers could further intensify competition with established and new MNOs and MVNOs if implemented. Any further changes to the competitive environment stemming from new developments could subject the NTT Group to increased competitive pressure, causing it to lose subscribers, or require it to make other changes to its business, including further altering pricing plans or other aspects.

The NTT Group's competitors may have, or in the future may develop, larger operations or other competitive advantages over the group in terms of, for example, capital available to them for improving or maintaining their networks, services and products, including mobile device selection and network speed, quality or availability (or the amount of capital required to do so), price competitiveness, customer base, sales channels or capability, brand awareness, public recognition or collaborations with third-party service providers for, for example, payment, contents or other value-added services. If the NTT Group's competitors were to sell services or products that harness their competitive advantages to a greater extent than they currently do, the group may be placed at a competitive disadvantage or may be unable to provide services and products or acquire or retain customers as anticipated. Moreover, even if the NTT Group introduces highly competitive services, products or sales methods ahead of its competitors, its competitive advantages may lessen if competitors deploy equivalent or better services, products or sales methods.

Competition in the NTT Group's businesses may intensify as new competitors enter the telecommunications and information services markets. In addition, new services applying advanced technologies such as 5G, virtualization and AI may result in rapid changes to the competitive environment, and market competition is expected to continue to evolve beyond the boundaries of the traditional telecommunications sector as new competitors expand their businesses relating to the telecommunications industry and engage in collaboration with other industry participants to provide new services. For example, in recent years, some OTT service providers that own their own data centers have been entering into business alliances with venture companies which own core technologies for cloud applications for 5G network services. Also, the growth of information service companies overseas, including emerging companies in China and India, is increasing global competition. While the NTT Group seeks to implement various initiatives to collaborate with industry stakeholders and enhance customer experience as a part of its medium-term strategy, there is no assurance that such initiatives will be effective in strengthening the NTT Group's competitiveness. See "NTT Group—Medium-term Management Strategy 'New Value Creation & Sustainability 2027 Powered by IOWN'."

Any inability to effectively react to changes in telecommunications and other services, whether due to disruptions or volatility in the economy, technological advancement, changes in consumer preferences or enterprise needs or other reasons, may weaken the NTT Group's competitive position in the industry and its ability to capture new or maintain existing subscribers, leading to decreased revenue or requiring it to make greater capital or other expenditures.

Any of the above consequences could have a material adverse effect on the NTT Group's business, financial condition and results of operations.

***The NTT Group operates in industries characterized by rapid technological development, and may be unable to respond effectively to changes in technologies and business models in its industries.***

The NTT Group's future success depends, in part, on its ability to anticipate and adapt in a timely manner to the fast-paced changes in technology and business models that characterize the technology industry in general and the telecommunications industry in particular. The group expects that new services, technologies and business models will continue to emerge and that existing services, technologies and business models will also further develop, requiring significant capital expenditures in connection with the deployment of such new or improved technologies. In particular, the group believes that the proliferation and sophistication of 5G network technologies significantly impact the telecommunications industry. If the NTT Group fails to upgrade its existing mobile and fixed-line telecommunications networks or other businesses to allow it to offer reliable 5G mobile services, the NTT Group may lose customers to its competitors, particularly as consumers and businesses increasingly demand faster and seamless usage of video and data across mobile and fixed devices. Moreover, if the NTT Group fails to adapt to the rapidly changing technological development characterized by the introduction and proliferation of 5G or other related technologies or to effectively introduce and market new services based upon such technological innovations, its businesses may become less attractive to consumers. For example, a failure to effectively develop and deploy a viable 5G network could adversely affect the NTT Group's ability to participate in IoT-related businesses, such as new services in entertainment and new solutions in medicine, education and manufacturing, which are expected to rely heavily on the higher speeds and connectivity expected to be inherent in new 5G technologies. In addition, next-generation 6G high-speed network technologies may be developed in the future, and there is no assurance that the NTT Group's efforts to respond to the adoption of 6G or other new technologies will be successful. This could limit the NTT Group's ability to acquire new customers and cause it to lose existing customers to competitors, which could have a material adverse effect on its business, financial condition and results of operations.

The NTT Group could fail to respond to technological changes for a number of reasons, including insufficient or flawed technological research and development, insufficient cash on hand or a lack of ability to borrow or otherwise acquire sufficient funding to make the necessary capital expenditures or failures to make appropriate plans for or anticipate customer demands or expectations for new technologies. Even if the NTT Group is able to introduce new technologies, the total amount of expenditures required to do so successfully may significantly exceed its original expectations. Moreover, despite the group's expectations and those of its competitors, new technologies, including 5G and 6G, may not be as successful with subscribers as it anticipates, including due to technical trade-offs inherent in such technologies such as increased battery drain and decreased coverage or lack of compelling use cases for increased speeds, making it difficult for the NTT Group to grow its subscriber base or recoup investments therein. In addition, there can be no assurance that anticipated new technologies will be developed according to expected schedules or perform according to expectations, or that common standards and specifications will be achieved or achieve commercial acceptance. Any failure of new technologies to meet the NTT Group's expectations, or the failure of any technology to achieve commercial acceptance, could place the group behind its competitors in terms of technological development. Any such factors may adversely affect the NTT Group's business, financial condition and results of operations.

***The NTT Group's business depends on its ability to maintain and improve its network, and any network failures or delays or errors in transmissions could cause the group to lose customers and expose it to potential liability.***

In order for the NTT Group to remain competitive and retain and grow its customer bases, it must undertake continuous maintenance and improvements to its mobile and fixed-line networks to ensure adequate network capacity and capability and to protect against disruptions. As network services have diversified and become more complex and the amount of data being used by various services has expanded, the demands on the group's network have accordingly increased. As the Operator of the largest fixed-line and mobile networks in Japan, the NTT Group requires substantial capital in order to implement required network maintenance and improvements. If the NTT Group is unable to maintain and improve its networks, the quality of its services would be significantly affected, which could result in the loss of customers and damage to its competitive position. In addition, the NTT Group holds significant property, plant and equipment relating to its mobile and fixed-line networks.

The NTT Group's telecommunications services are used broadly across society to support daily activities and to facilitate business activity and transactions. Any unexpected disruptions may significantly inconvenience customers and potentially subject the group to legal claims that customers were harmed, which may impair its ability to attract or maintain customers, harm the NTT brand and reputation and potentially subject the group to legal or regulatory liability. If there is any such disruption in service in the future, the group's business and results of operations could be adversely affected in terms of damage to the NTT brand image, liability to customers or parties affected, payment of financial penalties and cancellation of the allocations of radio frequency spectrum allocated to the NTT Group for use in its services.

Constraints on network capacity or other issues affecting the NTT Group's network including hardware or software malfunctions may cause unanticipated system disruptions and slower response times, adversely affecting data transmission. With respect to network capacity, the group is required to accurately predict its future capacity needs based on present and historical amounts of network traffic. If the NTT Group underestimates the amount of capacity its business requires, or if it is unable to improve its network systems quickly enough to accommodate future traffic levels, avoid obsolescence, successfully integrate newly developed or acquired technology with its existing systems or accommodate the use of new or untested devices on its networks, it could experience issues with service, adverse consequences to its reputation, a reduction in its customer base or difficulties in acquiring new customers, and it may be required to make unanticipated additional capital expenditures.

***The NTT Group may be unable to secure adequate radio frequency spectrum to support its operations.***

The NTT Group heavily depends on the availability of radio frequency spectrum in order to provide its mobile telecommunications services. The level of traffic on the group's mobile telecommunications network continues to increase as subscribers increasingly adopt smartphones for data-intensive functions and applications and due to the increasing demand for streaming video services and the implementation of IoT and other technologies. As a result, the NTT Group expects that it will need to secure additional spectrum as well as enhance the use of its existing allocations by further developing its technologies.

The NTT Group uses radio frequency spectrum bands that are allocated to it by the MIC, which has the authority to reallocate spectrum as it deems necessary to secure an appropriate and reasonable utilization of spectrum, taking into consideration the effect that such actions may have on other spectrum users. If the NTT Group is unable to secure the required spectrum in the future, its service quality may decline relative to its competitors, or it may be unable to develop and enhance its network as planned, which could make it difficult to acquire or retain subscribers, and this may be exacerbated if its current or potential competitors receive more favorable spectrum allocations from the MIC than the group does. For example, the MIC allocated additional 5G spectrum in April 2021 among the MNOs, including Rakuten, and the presence of Rakuten may have caused a proportional reduction in the spectrum the NTT Group would otherwise have been allocated. Additionally, a commitment to pay fees for receiving allocations may be required in the future. In addition, the MIC stated in the Frequency Reorganization Action Plan (fiscal year 2023 version) announced in December 2023 that it would promote amendments to regulations needed to enable conditional spectrum auction system by the fiscal year ending March 31, 2026. If an auction system were to be officially implemented in Japan, or if the MIC were to place a greater emphasis on fees to be paid by network operators for spectrum usage or require payments for the receipt of allocations, the NTT Group may be required to make considerable additional unexpected expenditures, which may adversely affect its business, financial condition and results of operations. Such a change in the spectrum allocation process could also enable new competitors to more easily enter the market.

***The NTT Group's investments, acquisitions, alliances and corporate collaborations may not be successful.***

The NTT Group has engaged in joint ventures, alliances and collaborations, as well as acquisitions and other strategic investments to expand its global business operations, in particular in response to changes in market structure and customers' needs, and may engage in similar transactions in the future. For example, in November and December 2020, the NTT Group acquired all the outstanding shares of NTT DOCOMO that it did not previously own, making NTT DOCOMO its wholly-owned subsidiary, through a tender offer and purchase of the remaining minority stake through a statutory demand to purchase the shares for ¥4,254 billion, and in connection therewith, we engaged in a number of financing transactions, including the provision of a substantial loan to the Parent.

Assessing a potential growth opportunity involves, among other things, extensive due diligence. However, the amount of information the NTT Group can obtain about a potential growth opportunity may be limited, and there can be no assurance that any acquisitions, joint ventures and strategic investments will positively affect the group's financial performance or will perform as planned. In addition, there is no assurance that the NTT Group will be able to identify any attractive opportunities or other strategic alliances in the future, or that it will be able to pursue any opportunities it does identify due to the unavailability of adequate financing, the inability to obtain regulatory approvals or other reasons.

The process of integrating acquired companies into the group's operations exposes it to a variety of risks. The NTT Group may not be able to successfully assimilate or integrate companies that it acquires, including their personnel, financial systems, distribution, operations and general operating procedures, or achieve any anticipated business synergies. The group's failure to assimilate or integrate acquired companies successfully could materially impact its business, reputation and results of operations, and it may suffer losses in case of dissolution of alliances or disposition of investments. Likewise, the NTT Group's failure to integrate and manage acquired companies successfully may cause it to recognize a reduction in their expected future cash flows and lead to impairment of any associated goodwill and intangible assets. With respect to joint ventures, the NTT Group is also exposed to the ongoing risk that its relationship with third-party partners may deteriorate, or that the business or financial condition of its partners could decline, which could in turn negatively impact the joint venture and also directly and adversely affect the group's reputation.

Furthermore, the recent increase in the number of overseas subsidiaries within the group may result in increased fragmentation within the group and render a common understanding difficult to achieve. There may be occasions when it is difficult for the NTT Group to exert the control over its overseas subsidiaries necessary to oversee their business and operations.

The realization of any of the foregoing risks could have a material adverse effect on the NTT Group's business, financial condition or results of operations.

***The NTT Group's medium-term management strategy and ESG-related initiatives may not achieve their targeted results on the anticipated timings or at all.***

Pursuant to the NTT Group's medium-term management strategy, "New Value Creation & Sustainability 2027 Powered by IOWN," the NTT Group aims to, among other initiatives, expand its cash-generating capabilities by investing approximately ¥8 trillion in growth areas, generally consisting of IOWN, digital/data centers, power/energy, Smart Life, real estate and AI/robotics, over the five years ending March 31, 2028, as well as approximately ¥4 trillion in existing areas. See "NTT Group—Medium-term Management Strategy 'New Value Creation & Sustainability 2027 Powered by IOWN'." As we manage the overall financing operations of the NTT Group, we expect to support these planned investments by providing funds to the relevant group companies. The NTT Group also seeks to reduce its leverage as measured by its ratio of interest-bearing debt to Adjusted EBITDA. However, there can be no assurance that investments in such growth areas, or any of the other initiatives under the management strategy, will achieve their targeted results, including with respect to cash generation or amount of leverage, on the anticipated timing or at all, particularly as investments in certain growth areas such as IOWN, AI and robotics, may be more speculative or carry higher risks than more traditional business areas. See "NTT Group—Medium-term Management Strategy 'New Value Creation & Sustainability 2027 Powered by IOWN'." Any failure of the initiatives under the medium-term management strategy could have a material adverse effect on the NTT Group's business, financial condition or results of operations.

In addition, although the NTT Group has established a number of ESG-related initiatives aimed at reducing its environmental impact, including those set forth in "NTT Group—Environmental, Social and Governance Policies of the NTT Group," there can be no assurance that the NTT Group will be successful in implementing these initiatives and achieving its targeted results. For example, although NTT Group's "NTT Green Innovation toward 2040" initiative identifies targets for the NTT Group to reduce its greenhouse gas emissions over the medium to long term, there can be no assurance that the NTT Group will be able to reduce its emissions in the targeted amounts or at all, particularly as the targets depend on the assumed adoption of technologies such as the IOWN concept that are not yet fully developed and whose climate-related benefits cannot yet be known with any certainty. In addition, the NTT Group has assumed it will be able to obtain a substantial majority of its future energy needs from renewable sources, including projects currently under development, but such projects may not be able to economically produce energy in the anticipated amounts or at all, including because climate change could have unpredictable effects on energy produced in the locations where such projects are concentrated due to factors such as changes in cloud cover (with respect to solar energy) or wind patterns (with respect to wind energy). In addition, the NTT Group anticipates it would rely heavily on third parties for the provision of renewable energy, there is no assurance that the NTT Group will be able to economically obtain renewable energy in the anticipated amounts or at all. Moreover, the greenhouse gas emission reduction targets depend on assumptions related to the NTT Group's energy demand for many years in the future, which is impossible to predict with any certainty, including due to any future changes in the nature of its service offerings, unforeseen technological developments and regulatory changes. Targets under NTT Group's ESG-related initiatives are based upon its current expectations, assumptions, estimates and projections, and there is no guarantee that they may not be changed in the future due to changes in its business strategy, developments in the political, economic, technological, social and market environments or other factors. There is no assurance that such targets will be sufficient or be perceived to be sufficient by investors or other stakeholders in meeting relevant environmental, social or governance goals. Furthermore, measuring progress towards such goals, including the accurate calculation of greenhouse gas emissions by NTT Group companies or (with respect to Scope 3 emissions) supply chain partners and other third parties, is subject to inherent uncertainty, including due to differing methodologies for measurement or calculation, and is also susceptible to human, technological and other errors. Any future changes to NTT Group's targets, any failure of such targets to meet or be perceived as meeting relevant environmental, social or governance goals or any disputes relating to the methodologies for calculation or errors in the measurement of relevant outcomes could adversely impact the NTT Group's business in various ways including through impacts on its reputation, ability to obtain "green" financing in the future and costs of compliance with environmental regulations. See "NTT Group—Environmental, Social and Governance Policies of the NTT Group."

***The NTT Group relies on third parties to provide products and services for the operation of its business, and the failure or inability of such parties to provide products and services or defects therein could adversely affect its business.***

The NTT Group relies on a variety of third parties to provide various products and services that are critical to operating its businesses. For example, the group procures telecommunications equipment, network devices, mobile phones, other mobile devices and various other hardware, software, support and services from a variety of

vendors. With respect to its mobile telecommunications business in particular, the ability to provide popular and in-demand mobile phones or other mobile devices has been and will continue to be critical to the group's ability to acquire and retain subscribers. Although the NTT Group generally expects vendors to supply products and services in a timely manner and in sufficient volume, in accordance with the specifications contained in its agreements with such vendors, the group may be unable to switch suppliers or equipment in a timely or cost-efficient manner in case problems occur. Similarly, the group expects products and services to be delivered free of defects to its reasonable satisfaction, and to be replaced in case of defects; however, there can be no assurance that this will be the case. The NTT Group does not have direct operational or financial control over these key vendors, and there can be no assurance that such vendors will continue to provide equipment and services at attractive prices or that the group will be able to obtain such equipment and services in the future from those or other providers, on the scale and within the time frames that it requires, if at all. Moreover, the group's vendors and their ability to supply it with required products and services, or the group's ability to purchase them, may be negatively affected by political, economic or other outside factors, including uncertainty about or negative developments involving global trade or security policy. For instance, the NTT Group has ensured that it does not use in any of its critical operations equipment provided by companies connected to the Chinese military as determined under the U.S. National Defense Authorization Act. Changes to these or other similar regulations may cause the group to restrict or terminate its relationships with other suppliers or vendors in the future.

In addition, the NTT Group consigns sales activities, product servicing, acquisition and retention of customers and the execution of other related operations in whole or in part to subcontractors, including dealers and third-party sales agents. The group's business development could therefore be impacted if these subcontractors, including dealers and third-party sales agents, are unable to execute their duties in line with the group's expectations, and the group may not be able to find suitable replacements for these third-party providers in a timely manner or at all. Damage to the credibility or reputation of these subcontractors could also have a negative impact on the NTT Group's credibility or corporate image.

Any inability of the NTT Group to continue to maintain relationships with its suppliers, service providers and other third parties on which it relies could have a material adverse effect on its business, financial condition and results of operations.

***The NTT Group faces risks associated with its international operations.***

The NTT Group has extensive international operations and operates in more than 190 countries across the world. In particular, NTT DOCOMO plans to establish a new subsidiary, NTT DOCOMO GLOBAL, Inc., in July 2024. NTT DOCOMO GLOBAL, Inc. is expected to offer new services in Southeast Asia and North America in the first phase and then to Europe and the Middle East thereafter. The group's international operations expose it to a number of risks, including but not limited to the following:

- difficulties in monitoring and coordinating operations across a large number and wide range of jurisdictions;
- risks related to compliance with laws, regulations and policies, including trade, capital and exchange controls, in the markets in which the group operates, and any subsequent changes thereto;
- changes with respect to taxation, including impositions or increases of withholding and other taxes on remittances and other payments by the group's overseas subsidiaries;
- varying standards and practices in the legal, regulatory and business cultures in the jurisdictions in which the group operates, including with respect to the enforcement of contracts and protection of intellectual property rights;
- trade restrictions, including with respect to sensitive technologies, and changes in tariffs;
- risks related to political instability and uncertain business environments;
- changes in the political or economic relationship among Japan and the other countries and regions in which the group operates;
- acts of terrorism, war, epidemics and other sources of social disruption;
- differences in business culture and customs, including contract practices; and
- difficulties associated with labor relations including managing local personnel and preventing misconduct, including by local third-party alliance or joint venture partners.

Any one or more of these or other factors could increase the NTT Group's costs, reduce its net sales, disrupt its operations or damage its reputation, which could result in material adverse effects on the group's business, financial condition and results of operations.

***The NTT Group is subject to extensive laws, government regulations and licensing regimes that restrict and may impose new restrictions on its business.***

NTT Group companies are subject to various laws, regulations and licensing regimes pertaining to their telecommunications and other businesses as well as to general corporate business activities. In particular, the NTT Act, the Telecommunications Business Act of Japan (Act No. 86 of 1984, as amended) (the "TBA") and the Radio Act of Japan (Act No. 131 of 1950, as amended) (the "Radio Act"), which govern its telecommunications businesses, the relevant guidelines under each Act formulated by the MIC and the regimes that govern the spectrum allocated to it by the MIC, govern the way it is able to conduct its mobile telecommunications businesses, including the services it provides and the ways in which it markets and prices these services. In addition, the Parent and certain of its subsidiaries are subject to additional requirements and restrictions that do not apply to other telecommunications carriers. Many of the licenses and permits that NTT Group companies require to provide telecommunications services are subject to various conditions and other requirements and there is no assurance that they will be able to satisfy such conditions or other requirements. The NTT Group is also subject to regulations relating to providing the payment service *d-Barai* offered by NTT DOCOMO. Furthermore, in January 2024 NTT DOCOMO entered into online brokerage business by acquiring an indirect 49% interest in Monex, Inc., a Japanese online brokerage company, resulting in Monex, Inc. becoming its consolidated subsidiary. This acquisition subjects NTT DOCOMO to laws and regulations that govern securities and related business activities, and exposes NTT DOCOMO to other risks relating to engaging in the online brokerage business. As we depend upon NTT Group companies in our business, any adverse impact on such companies due to these or other regulations may also indirectly cause a material and adverse impact on our business, financial condition and results of operations. In particular, the group's businesses are subject to stringent laws and regulations relating to the environment, such as those governing the reduction of greenhouse gas emissions, energy conservation, waste disposal and harmful substance removal. In response to the increasing importance of environmental sustainability, more stringent laws, regulations or other requirements may be adopted or imposed in the future. In such case, the NTT Group may incur significant expenditures in order to comply with such laws, regulations or requirements which in turn could adversely affect its, and directly or indirectly our, results of operations and financial condition. As environmental matters are the subject of increasing attention by security holders and the public, if the NTT Group is perceived as making inadequate efforts at regulatory compliance or voluntary environmental protection measures, its business may be impacted due to a deterioration in its relationships with security holders, customers, local communities or employees. Additionally, the NTT Group has been subject to administrative guidance in the past and any future breaches of relevant regulations may subject it to further administrative guidance or administrative sanctions by government agencies, which could hinder its business development, harm its reputation or create financial burdens that could negatively affect the group's business, financial condition and results of operations.

In particular, as mobile phones, and particularly smartphones, become increasingly integral to modern society, Japanese mobile telecommunications service operators have come under stricter supervision by regulatory authorities in recent years, and NTT DOCOMO, KDDI and SoftBank have all revised their respective service offerings in the past in part in response to such supervision. For example, the Japan Fair Trade Commission, which is responsible for enforcing the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade of Japan (Act No. 54 of 1947, as amended), released a study in June 2018 that viewed negatively the competitive impact of two-year consumer subscriber contracts on the Japanese mobile telecommunications industry. Following further regulatory and legislative deliberations, in October 2019, new regulations aimed at encouraging fair competition in the mobile telecommunications business took effect, including, among other things, a prohibition on imposing a penalty fee for canceling a plan that is longer than two years or any penalty fee exceeding ¥1,000. In response, NTT DOCOMO eliminated penalty fees for early termination of two-year contracts for users meeting certain requirements. At the same time, the MIC also enacted requirements capping the amount of carrier subsidies that can be offered on handset sales at ¥20,000 and requiring unbundling of handsets and telecommunications fees. In addition, charging customers for switching to another service provider while retaining their mobile telephone numbers has been banned and service providers are required to take measures to enable customers to cancel contracts without delay. Furthermore, the Japan Fair Trade Commission released a study regarding ultra-low-price sales of handsets in February 2023. In December 2023, the MIC amended requirements capping the amount of carrier subsidies to regulate ultra-low-price sales of handsets, while raising the cap amount of carrier subsidies on handset sales to ¥40,000. Any new policies or recommendations enacted or proposed as a result of similar activities by regulatory authorities may materially

and adversely affect NTT DOCOMO's, and thus the Parent's and our, business, results of operations or financial condition. Furthermore, public officials and prominent politicians have, in the past, expressed personal or informal views regarding the state of the Japanese telecommunications industries in public settings. Statements by public officials, as well as speculation about the potential direction of any government regulations, policies or other actions with respect to the mobile telecommunications business, may have an impact on prices of equity or debt securities of the companies involved in the Japanese mobile telecommunications industry, potentially including the notes.

The legal and regulatory structures that apply to the NTT Group's businesses are complex, and any failure to comply with them could result in fines, penalties, losing permission to operate certain businesses, being ordered to suspend operations, litigation and other legal proceedings and have an adverse effect on the group's reputation.

If new laws and regulations are introduced in a form the NTT Group does not expect, or if existing laws and regulations are amended or subject to changes in interpretation or application, the services and products that the group is able to offer to customers, or its ability to set prices for those services and products, could be limited. The NTT Act was recently amended in April 2024, and the next proposal for amendment is expected to be submitted to the National Diet in 2025. In connection with the most recent amendment, further potential amendment or abolishment of the NTT Act were raised for consideration. If the NTT Act is further amended to eliminate the requirement that the Japanese government is required to hold shares of the Parent or if it is entirely abolished, the Japanese government could decide to sell the Parent's shares currently held by it, which could in turn adversely affect the NTT Group's business. See “—The Japanese government is the Parent's largest shareholder and has the ability to exercise significant influence over the Parent's business, and thus indirectly over our business, and its interests may differ from those of typical shareholders of a public company.” The group may not be able to accurately predict, prevent or effectively react to new laws and regulations, or new amendments to or interpretations and applications of existing laws and regulations, which could have a material adverse effect on its business, financial condition and results of operations.

***The NTT Group is subject to additional regulations due to its history as a government-affiliated group and its continuing role as the owner and direct operator of substantially all of Japan's wired telecommunications infrastructure.***

In addition to the regulations discussed under “—The NTT Group is subject to extensive laws, government regulations and licensing regimes that restrict and may impose new restrictions on its business,” the Parent, NTT East and NTT West are subject to further regulatory requirements and restrictions on their businesses due to the Parent's history as a government-owned enterprise and the group's continuing role after its privatization as the largest owner and direct operator of wired telecommunications infrastructure in Japan, including infrastructure for fixed-line telephones and related services and for optical fiber internet connections. As long as these regulatory restrictions apply to its businesses, it may be unable to effectively compete with other companies that are not subject to these restrictions. The additional regulatory restrictions and requirements that apply only to the NTT Group include, but are not limited to:

- The Parent is required to obtain approval from the MIC with respect to certain matters, including the issuance of new shares and changes to its business operation plan or the business operation plan of NTT East or NTT West.
- NTT East and NTT West are obligated to provide universal telephone services in Japan, including remote villages and islands, for which they receive compensation to cover the associated costs from the Universal Services Fund.
- NTT East and NTT West are required to obtain approval from the MIC for interconnection agreements, and such approval is subject to the condition that interconnection rates are set in a manner consistent with regulated rates.
- The Parent is required to hold all shares issued by NTT East and NTT West, and NTT East and NTT West are each required to engage in certain regional telecommunications businesses in specified regions of Japan.
- The Parent is required to notify the MIC of the terms and conditions of its telecommunication services.
- NTT East and NTT West are required to notify the MIC if the fees of its telecommunication services are below the standard price index specified by the MIC, and such fees must be approved by the MIC if they exceed the standard price index.

- The Japanese government is required to own one third or more of the issued shares of the Parent's common stock.
- The Parent is prohibited from registering foreign ownership in its shares if the ratio of foreign ownership would be equal to or exceed one third in terms of total voting rights.

***The Japanese government is the Parent's largest shareholder and has the ability to exercise significant influence over the Parent's business, and thus indirectly over our business, and its interests may differ from those of typical shareholders of a public company.***

As of March 31, 2024, the Japanese government, through the Minister of Finance, owned 34.7% of the issued shares of the Parent's common stock excluding treasury stock and, pursuant to the NTT Act, is in general required to continue to own one third or more of the issued shares of the Parent's common stock. As the Parent's largest shareholder, the Japanese government has the ability to control matters that require supermajority shareholder approval through a special resolution, including mergers, the reduction of capital stock and any amendment of the Parent's articles of incorporation. The Japanese government may also exercise control over certain matters under the NTT Act, which requires the Parent to obtain approval from the MIC in connection with certain actions. The interests of the Japanese government may in large part be based upon broader public policy considerations, rather than economic or other considerations that apply to other shareholders. As a result, the Japanese government may exercise control or influence over the Parent, and indirectly over us, in a manner different from typical shareholders of a public company, including with respect to matters affecting the notes.

***The NTT Group is subject to a range of other operational and market risks.***

In addition to the risks described above, the NTT Group is subject to a range of other operational and market risks, including but not limited to the following;

- failure to execute the growth strategies of the group;
- cost overruns or losses under contracts in its system integration business;
- negative economic, social and geopolitical conditions in its main operating markets and globally;
- potential cyber-attacks and other security breaches that could have significant negative consequences;
- liability and regulatory action or reputational damage resulting from the inability to maintain the privacy of data or maintain effective policies and procedures for the storage, management, usage and protection of personal, confidential or sensitive information;
- failure to adequately protect its intellectual property and other proprietary rights, or actual or alleged infringement of such rights held by others;
- natural disasters such as earthquakes or other unexpected disruptions; and
- difficulties or significant costs in recruiting and retaining skilled employees.

## **Risks Relating to the Notes**

***The notes constitute obligations solely of us and are not guaranteed by the Parent or any other NTT Group.***

The notes will constitute unsubordinated and unsecured obligations solely of us. Although the Parent has guaranteed certain notes issued by us in the past, the notes issued hereby do not benefit from any guarantee or other credit support from the Parent or any other member of the NTT Group or from any other party nor is there any general guarantee or other credit support arrangement between us and the Parent or any other member of the NTT Group. Therefore, you are dependent upon our ability to effectively manage our business to generate sufficient cash flow, including cash flow from our financing activities, for the repayment of principal at maturity and the ongoing payment of interest on the notes.

***There is no prior market for the notes, and the notes may have limited liquidity.***

There is no existing market for the notes. Approval in-principle has been received for the listing and quotation of the notes on the SGX-ST, but there can be no assurance that any active trading market for the notes will develop or be sustained or whether, or at what price, holders of the notes will be able to sell or otherwise transfer their notes. The liquidity of any trading market for the notes will depend upon the number of holders of notes, our financial condition and results of operations, the market for similar securities, the interest of securities

dealers in making a market in the notes and other factors. Although the initial purchasers have informed us that they intend to make a market in the notes, the initial purchasers are not obligated to do so, and any such market-making activity will be subject to the limits imposed by applicable law and may be interrupted or discontinued at any time without notice. If an active trading market for the notes does not develop or is not sustained, the market price and liquidity of the notes may be adversely affected and you may be unable to resell the notes or may only be able to sell them at a substantial discount.

***The notes are unsecured obligations.***

The notes are unsecured obligations and repayment of the notes may be compromised if, among other things:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- we default in the payment of our secured indebtedness or other unsecured indebtedness; or
- any of our indebtedness is accelerated.

If any of these events occurs, then our assets may be insufficient to pay amounts due on the notes.

***The indenture and the notes contain very limited restrictive covenants and provide no protection in the event of a change in control or a change in our position or role within the NTT Group.***

The indenture and the notes do not contain any financial covenants or other restrictions on our ability to securitize our assets, pay dividends on our shares of common stock, incur unsecured indebtedness or issue new securities, or repurchase our outstanding securities. In addition, there are only limited restrictions on our ability to pledge assets to secure other indebtedness or to sell or otherwise dispose of our assets. These or other actions by us could adversely affect our ability to pay amounts due on the notes. Furthermore, claims of the creditors of our subsidiaries will generally have priority with respect to the assets of such subsidiaries over the claims of holders of the notes. Accordingly, the notes will be effectively subordinated to the obligations of our subsidiaries. In addition, the indenture and the notes do not contain any covenants or other provisions that prevent a change in control or require us to repurchase the notes in the event of a change in control. In addition, the Parent and other NTT Group companies are not parties to the indenture or the notes nor are they subject to any covenants or restrictions, including any obligation to continue to maintain our position as the sole finance subsidiary of the NTT Group. Therefore, there is no guarantee that our role as the sole finance subsidiary, including being the centralized finance organization with global cash management responsibilities, of the NTT Group will be maintained in the future.

***The ratings of the notes could be lowered.***

It is expected that the notes will be rated A1 by Moody's and A by S&P. In addition, our long-term issuer rating is A1 (negative outlook) from Moody's and A (stable outlook) from S&P. Other rating agencies may also assign credit ratings to the notes without solicitation from or provision of information by us. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but reflect only the view of each rating agency at the time the rating is issued. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. In February 2024, Moody's assigned a negative outlook to our credit rating primarily due to a temporary increase in interest-bearing debt. Rating agencies may view our creditworthiness as linked to that of the NTT Group, and any negative factors affecting NTT Group or its ratings, even those that may not directly impact our business, including a ratings action taken with respect to Japan, or any change to our role as the sole finance subsidiary of the NTT Group or to the support or perceived support received by us from NTT Group, could result in credit rating agencies deciding to lower our credit rating. A downgrade or potential downgrade in our credit ratings or the assignment of new ratings that are lower than existing ratings could reduce the population of potential investors in the notes and adversely affect the price and liquidity of the notes. A rating is based upon information furnished by us or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time.

***We may redeem the notes prior to maturity.***

We may redeem the notes, in whole or in part, at our option at any time and from time to time. See "Description of the Notes—Optional Redemption." In the event we choose to redeem the notes, the holders of such notes may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the notes.

***The notes are subject to transfer restrictions.***

The notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to persons reasonably believed to be both (1) QIBs within the meaning of Rule 144A and (2) QPs within the meaning of Section 2(a)(51)(A) under the Investment Company Act and the rules and regulations promulgated thereunder, or to persons other than U.S. persons in offshore transactions outside the United States in reliance on Regulation S. In addition, subject to the conditions set forth herein and in the indenture, the notes may be transferred only if the principal amount of the notes transferred is at least \$200,000. It is the obligation of holders of the notes to ensure that their offers and sales of the notes comply with applicable securities laws and the applicable transfer restrictions.

To enforce the restrictions on transfers of the notes and interests therein, we may demand that any holder of notes or interests therein who is not (i) a QP and a QIB or (ii) a non-U.S. person sell to a holder that meets such criteria. If a holder of notes or interests therein is forced to sell its note or interest therein, the price such noteholder may receive for the sale could be lower than the price such holder paid for the note. For further discussion of the transfer restrictions applicable to the notes, see “Transfer Restrictions.” See “Description of the Notes—Issuer Right to Require Resale.”

***The Volcker Rule treatment of the notes may change or affect the ability of banking entities to purchase or retain the notes.***

Section 13 of the Bank Holding Company Act and regulations adopted by U.S. banking and markets regulators to implement the statute (colloquially known as the “Volcker Rule”), among other things, prohibits “banking entities” from engaging in certain proprietary trading activities (known as the proprietary trading provisions) and restricts banking entities from sponsorship or acquiring or retaining “ownership interests” in “covered funds” (known as the covered fund provisions). The definition of “covered fund” in the Volcker Rule includes (generally) any entity that would be an investment company under the Investment Company Act but for the exemption provided under Sections 3(c)(1) or 3(c)(7) thereunder. Because we will rely on Section 3(c)(7) of the Investment Company Act, we are expected to be a “covered fund” within the meaning of the Volcker Rule. We do not expect, however, that the notes would be viewed as “ownership interests,” and thus the purchase or retention of the notes by a banking entity should not trigger application of the covered fund provisions of the Volcker Rule.

However, the Volcker Rule and interpretations thereunder are still uncertain. Each investor in the notes must make its own determination as to whether it is subject to the Volcker Rule, whether its investment in the notes would be restricted or prohibited under the Volcker Rule, and the potential impact of the Volcker Rule on its investment and any liquidity required in connection therewith and on its portfolio generally. Investors in the notes are responsible for analyzing their own regulatory position and none of us, the initial purchasers nor any of their affiliates makes any representation to any prospective investor or purchaser of the notes regarding the application of the Volcker Rule to us, or to such investor’s investment in the offered securities on the closing date or at any time in the future.

## **USE OF PROCEEDS**

We expect that the aggregate net proceeds from the notes offered hereby will be approximately \$2,338 million, after deducting the initial purchasers' discounts and estimated offering expenses payable by us. We intend to use the net proceeds from the offering of the notes for general corporate purposes.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated capitalization and indebtedness as of March 31, 2024 on an actual basis and on an adjusted basis to give effect to the offering and sale of the notes.

The information in the table below should be read together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes included elsewhere in this offering circular.

	As of March 31, 2024	
	Actual	As Adjusted <sup>(1)</sup>
	(in millions of yen)	
Current liabilities:		
Short-term bank loans	¥ 341,721	¥ 341,721
Current portion of long-term borrowings	403,972	403,972
Current portion of bonds	336,172	336,172
Commercial papers	1,037,428	1,037,428
Non-current liabilities:		
Bonds	3,079,876	3,079,876
Long-term borrowings	2,699,677	2,699,677
Notes offered hereby <sup>(2)</sup>	—	353,997
Total borrowings	<u>7,898,846</u>	<u>8,252,843</u>
Equity:		
Common stock	16,770	16,770
Authorized—80,000 shares		
Issued—51,960 shares		
Capital surplus	15,950	15,950
Retained earnings	52,891	52,891
Treasury stock—595 shares	(1,126)	(1,126)
Total shareholders’ equity	<u>84,486</u>	<u>84,486</u>
Total capitalization and indebtedness	<u>¥7,983,332</u>	<u>¥8,337,329</u>

### Notes:

- (1) We issued an aggregate of ¥290 billion of yen-denominated unsecured notes in June 2024. The issuance of these notes is not reflected in the table above.

In April and May 2024, we experienced seasonal increases in demand for funding from NTT Group companies driven by factors such as the payment of income taxes for the previous fiscal year and payments for capital expenditures and other investments determined at the end of the prior fiscal year. In order to meet these funding needs, we conducted short-term financing, resulting in our short-term bank loans increasing to ¥954,721 million and our commercial papers increasing to ¥2,506,380 million as of May 31, 2024. These increases are not reflected in the table above.

- (2) Translation of the U.S. dollar amounts of the notes into yen has been made at the rate of ¥151.41, the actual yen-dollar exchange rate prevailing as of March 31, 2024.

Except as set forth above, there has been no material change in our consolidated capitalization and indebtedness since March 31, 2024.

## SELECTED FINANCIAL DATA AND OTHER INFORMATION

### Japanese GAAP Selected Financial Data and Other Data

Financial information as of and for the years ended March 31, 2022, 2023 and 2024 is derived from and should be read together with our audited consolidated financial statements as of and for the years ended March 31, 2022, 2023 and 2024, including the notes thereto, which are included elsewhere in this offering circular. Financial information as of and for the years ended March 31, 2020 and 2021 is derived from our audited consolidated financial statements as of and for the years ended March 31, 2020 and 2021, which are not included in this offering circular.

We spun off our leasing business and a substantial part of our international business in July 2020, and therefore our financial information as of and for the years ended March 31, 2021, 2022, 2023 and 2024 are not directly comparable with the financial information as of and for the years ended before March 31, 2021. In addition, we acquired accounting business of NTT Business Associe (which was subsequently integrated with NTT Learning Systems Corporation to form NTT ExCPartner Corporation in July 2023) in July 2021. Due to the impact of the acquisition of accounting business, the financial information as of and for the years ended March 31, 2022, 2023 and 2024 are also not directly comparable with the financial information as of and for the years ended before March 31, 2022. See “Business—Our History.”

	As of and for the year ended March 31,				
	2020	2021	2022	2023	2024
	(in millions of yen, except for percentages)				
<b>Selected Statement of Income Data:</b>					
Revenue . . . . .	¥ 453,809	¥ 250,619	¥ 189,882	¥ 226,403	¥ 301,767
Gross profit (loss) . . . . .	133,412	104,495	93,179	103,582	127,865
Gross profit margin <sup>(1)</sup> . . . . .	29.4%	41.7%	49.1%	45.8%	42.4%
Operating income (loss) . . . . .	18,221	13,825	5,881	10,948	16,427
Operating income (loss) margin <sup>(2)</sup> . . . . .	4.0%	5.5%	3.1%	4.8%	5.4%
Profit (loss) before income taxes . . . . .	18,288	13,631	9,196	13,010	18,319
Profit (loss) attributable to owners of parent . . . . .	12,771	9,146	6,687	9,949	13,221
Profit (loss) attributable to owners of parent margin <sup>(3)</sup> . . . . .	2.8%	3.6%	3.5%	4.4%	4.4%

### Selected Balance Sheet Data:

Cash and cash equivalents . . . . .	¥ 452,674	¥ 408,851	¥ 364,567	¥ 290,025	¥ 203,247
Trade accounts receivable:					
Loans . . . . .	2,735,599	7,369,961	8,107,979	8,724,163	9,157,878
Other loans . . . . .	32,954	965	929	—	—
Credit cards . . . . .	62,153	61,096	58,990	59,295	52,870
Billing . . . . .	85,428	85,682	85,644	93,913	264,771
Allowance for doubtful receivables . . . . .	(26,089)	(15,811)	(15,748)	(21,072)	(40,027)
Total current assets . . . . .	4,263,521	7,955,791	8,654,368	9,200,965	9,710,435
Total investments and other assets . . . . .	144,938	34,024	38,005	34,641	39,049
Total assets . . . . .	4,450,840	8,007,672	8,716,293	9,254,513	9,768,120
Short-term bank loans . . . . .	680,691	2,006,041	299,688	400,169	341,721
Current portion of long-term borrowings . . . . .	37,594	22,099	144,043	60,797	403,972
Current portion of bonds . . . . .	71,191	108,508	179,188	329,601	336,172
Commercial papers . . . . .	662,984	536,495	404,726	600,605	1,037,428
Accounts payable—other . . . . .	422,293	415,480	412,714	427,968	431,972
Deposits received . . . . .	402,687	1,332,072	2,316,897	1,811,338	1,294,173
Total current liabilities . . . . .	2,916,422	4,428,623	3,769,736	3,642,663	3,872,786
Bonds . . . . .	258,903	2,351,736	2,816,633	2,697,794	3,079,876
Long-term borrowings . . . . .	1,104,031	1,126,029	2,025,584	2,805,261	2,699,677
Total long-term liabilities . . . . .	1,408,338	3,503,290	4,868,750	5,524,771	5,798,401
Total liabilities . . . . .	4,324,761	7,931,914	8,638,487	9,167,435	9,671,188
Common stock . . . . .	16,770	16,770	16,770	16,770	16,770
Total shareholders' equity . . . . .	124,543	72,833	71,472	78,588	84,486

As of and for the year ended March 31,					
	2020	2021	2022	2023	2024
(in millions of yen, except for percentages)					
<b>Cash Flows Data:</b>					
Net cash provided by (used in) operating activities .....	¥ (774,825)	¥(4,192,485)	¥ (692,891)	¥ (525,193)	¥ (430,267)
Net cash provided by (used in) investing activities .....	(6,280)	52,991	(5,132)	(702)	(3,963)
Net cash provided by (used in) financing activities .....	1,098,912	4,096,492	653,565	449,391	347,624

Notes:

- (1) Gross profit margin is calculated as gross profit divided by revenue.
- (2) Operating income (loss) margin is calculated as operating income divided by revenue.
- (3) Profit (loss) attributable to owners of parent margin is calculated as profit attributable to owners of parent divided by revenue.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this offering circular. Unless otherwise specified, financial information presented herein is on a consolidated basis. Our financial statements are prepared in conformity with Japanese GAAP, which differs in certain significant respects from accounting principles generally accepted in other jurisdictions, including U.S. GAAP and IFRS. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions, and are subject to the qualifications set forth under "Forward-Looking Statements." Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those set forth under "Risk Factors" and elsewhere in this offering circular.*

### Overview

We are a wholly-owned finance subsidiary of NTT. As the sole finance subsidiary within the NTT Group, we have a strong business foundation occupying a central role in the provision of financing solutions to companies within the NTT Group, and of cash management, accounting and tax and billing and collection services to companies within the NTT Group. In addition, we are engaged in providing finance and accounting-related services to third parties, as described below.

We organize and report our operations based on the following three business segments:

- **Billing Business.** The Billing Business segment comprises billing and collection services for clients' customer charges, mainly for telecommunication services charges of NTT Group companies. Our Billing Business segment had revenue of ¥180,230 million (excluding inter-segment transactions) and segment profit of ¥4,857 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2024, which respectively accounted for 59.7% of our total revenue from external customers and 19.7% of our total segment profit for the fiscal year.
- **Credit Card Business.** The Credit Card Business segment comprises billing services for client's customer charges paid by credit card, mainly for telecommunication services charges of NTT Group companies, as well as credit card issuing, merchant acquisition and payment processing. Our Credit Card Business had revenue of ¥6,344 million (excluding inter-segment transactions, or ¥62,255 million including revenue attributable to inter-segment transactions) and segment profit of ¥4,208 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2024, which respectively accounted for 2.1% of our total revenue from external customers (or 17.4% including revenue attributable to inter-segment transactions) and 17.1% of our total segment profit for the fiscal year.
- **Accounting/Finance Business.** The Accounting/Finance Business segment comprises provision of loans to, or investments in, NTT Group companies as well as provision of accounting, consulting and tax services primarily to NTT Group companies. Our Accounting/Finance Business segment had revenue of ¥112,973 million (excluding inter-segment transactions, or ¥112,992 million including revenue attributable to inter-segment transactions) and segment profit of ¥15,541 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2024, which respectively accounted for 37.4% of our total revenue from external customers (or 31.6% including revenue attributable to inter-segment transactions) and 63.1% of our total segment profit for the fiscal year.

We also classify certain revenue and profit that are not attributable to our reportable segments as "Other." "Other" revenue and profit accounted for ¥2,218 million, or 0.7% of our total revenue from external customers, and ¥41 million, or 0.2% of our total segment profit, respectively for the fiscal year ended March 31, 2024. For more detailed operating results of each segment, see Note 16 of our audited consolidated financial statements as of and for the fiscal years ended March 31, 2023 and 2024 included elsewhere in this offering circular.

### Factors Affecting Our Financial Results

#### *Factors Affecting the Billing Business Segment*

In the Billing Business segment, our revenue consists of the commissions we receive from our clients, mainly NTT Group companies, for billing their customers and collecting the related charges. We generally assume the accounts receivable in connection with such charges from our clients, but we also provide billing

collection agency services where we collect charges on behalf of our clients without assuming accounts receivable. As a substantial part of the commissions are derived from the collection of accounts receivable we assume from clients, the amount of receivables we assume from clients in connection with charges is a key indicator of our revenue base.

In particular, as we primarily assume receivables relating to telecommunication service charges from the other NTT Group companies, the amount of receivables we assume is affected by the sales of such other NTT Group companies, including primarily NTT DOCOMO, NTT East and NTT West. The sales of the NTT Group are in turn affected by a number of factors, including the number of subscriptions of the mobile, fixed-line telephone, internet communication or the other services as well as the average monthly operating revenues on a per subscriber (user), or ARPU. For example, revenue in our Billing Business segment may be affected by any decrease in ARPU of NTT DOCOMO in the future due to the recent introduction by NTT DOCOMO of lower cost mobile telecommunications fee plans or other reasons.

Any increase or decrease in sales of NTT DOCOMO, NTT East and NTT West would result in a corresponding increase or decrease in the customer receivables that we assume from these companies, which would in turn affect the revenue we generate from assuming such receivables. The sales of the NTT Group are also impacted by a number of factors including general economic conditions, competitive environment among mobile communications and broadband service providers surrounding NTT Group companies.

We set the commissions to be received from our clients, including NTT Group companies, based on our analysis of the credit risk associated with such receivables taking into account the historical record of the collectability of certain groups of customers as well as the general cost we incur in connection with our billing operations, including postage, printing and personnel cost, billing system expense and payment processing fees for third-party payment services. This commissions structure generally allows us to pass on increases in billing and collection costs, including increases in allowance for doubtful accounts, to NTT Group companies by increasing our commissions.

#### ***Factors Affecting the Credit Card Business Segment***

In the Credit Card Business segment, we receive fees from merchant clients, including NTT Group companies in connection with the payment of telecommunication charges and from third party merchants for credit card charges for the purchase of goods or services. As an issuer of NTT Finance Biz cards, we also receive membership fees and fees and interest for revolving loans and consumer finance from card holders.

Accordingly, we receive commissions from NTT Group companies when customers of telecommunication services of NTT Group companies pay their charges using credit cards. As these commissions from NTT Group companies are derived from our billing services, revenue and segment profit associated with such transactions are transferred to our Credit Card Business segment from our Billing Business segment. Such inter-segment revenue accounted for 89.8% of our Credit Card Business revenue for the fiscal year ended March 31, 2024.

When customers pay using credit cards that we have not issued, we act as a merchant acquirer and payment processor and thus pay interchange fees to card issuers and network fees to network providers such as MasterCard and Visa and others. In some cases, we receive interchange fees from other merchant acquirers and payment processors when holders of NTT Finance Biz cards make payment at a third party merchant using credit cards we issued. As we issue credit cards on the MasterCard and Visa networks, we pay network fees to MasterCard and Visa.

We also receive fees from clients for our Paysol's payment processing services. See "Business—Our Business Operations—Credit Card Business" for a description of Paysol.

The volume of transactions we process for our credit card services is a key indicator of our revenue base. We define the volume of transaction as a total of the amount of charges we process for credit card payments and the amount of loans we provided to our credit card customers. The volume of transactions is affected by a number of factors, including general economic conditions and the level of household income. In particular, as a substantial part of transaction volume we process consists of the payments on telecommunication charges from the NTT Group, including NTT DOCOMO, NTT East and NTT West, the volume of transactions is affected by the sale of services of the NTT Group.

We set the amount of commission we receive from merchant clients, including NTT Group companies, based on the billing amount multiplied by commission rate. The commission rate is determined based on the credit cost which reflects our analysis on the collectability of credit card charges taking into account of the

historical record of certain customer group, fees to be paid to the credit card networks or interchange fees to be paid to the other credit card issuers, as applicable, and other general costs we incur for our Credit Card Business operations, including postage, printing and personnel cost and billing system expenses.

### ***Factors Affecting the Accounting/Finance Business Segment***

The revenue of Accounting/Finance Business is primarily generated from our finance business and our accounting business.

In our finance business, we generate revenue from interest income in connection with loans we extend primarily to NTT Group companies. Accordingly, the amount of loans we provide is a key indicator of our revenue in the Accounting/Finance Business segment. The amount of loans provided is affected by the cash demands of NTT Group companies for their operations.

The principal capital and liquidity needs of the NTT Group are for operating cash, capital expenditures, research and development, strategic acquisitions and investments and dividend payments. NTT Group requires significant capital resources in order to make capital investments across its businesses. In particular, NTT Group has historically made significant capital expenditures to maintain and upgrade its network infrastructure, including its mobile communications network and its fixed-line fiber and telephone networks. In addition, NTT required a large amount of cash in connection with its acquisition of NTT DOCOMO.

The interest rate for the loans to the NTT Group is calculated by adding a target margin rate set by NTT Group to the finance cost we incur to procure funds. The target margin rate is set by taking into consideration the optimal balance between the benefit on NTT Group companies from stable and low cost funding and profit for us in terms of sustainable operation of our business as the sole finance subsidiary within the NTT Group.

In our accounting business, we generate revenue primarily from fixed monthly fees charged for providing accounting services to NTT Group companies and other third parties.

### **Description of Key Line Items**

#### ***Revenue***

##### ***Billing Business***

In the Billing Business, we primarily generate revenue when we collect charges which we assumed primarily from the other NTT Group companies. Revenue is recognized for an amount corresponding to the commissions we receive when we collect accounts receivable from customers of our clients. In some cases, we receive commissions from our clients for billing collection agency services where we do not assume accounts receivable.

##### ***Credit Card Business***

The revenue for this segment consists of commissions paid by our merchant clients, including NTT Group companies and third party merchants. The revenue also includes interchange fees paid by merchant acquirers and payment processors in cases where holders of NTT Finance Biz cards make payment at a third party merchant, as well as fees and interest for revolving loans and consumer finance loans received from holders of credit cards we issued. Also, the segment's revenue includes commissions paid by clients for our Paysol's payment processing services.

Commissions we receive from other NTT Group companies when customers of telecommunication services of NTT Group companies pay their charges using credit cards are first recorded in our Billing Business segment and then transferred to our Credit Card Business segment.

##### ***Accounting/Finance Business***

The revenue of this segment consists primarily of revenue from our finance business that mainly comprises interest paid by NTT Group companies in connection with the loans we extend to these companies. Revenue in our finance business also includes investment income generated from our venture capital business. In our accounting business, we record revenue for accounting services provided to NTT Group companies as well as from consulting and training services provided to NTT Group companies and third parties.

### ***Cost of Sales***

Cost of sales for our Billing Business and Credit Card Business primarily consists of bad debt expenses which reflect credit risk associated with assumed receivables as well as general costs we incur in connection with our operations of Billing and Credit Card Business, including postage, printing and personnel costs, billing system expenses and payment processing fees. We record trade accounts receivable (credit cards) or trade accounts receivable (billing), as the case may be, for the amount corresponding to the amount of accounts receivable.

Cost of sales for our Credit Card Business also includes interchange fees paid to other card issuers and fees paid to the credit card network providers. Cost of sales for our Accounting/Finance Business primarily consists of finance costs including interest expenses and other operational costs such as personnel costs.

### ***Selling, General and Administrative Expenses***

Our selling, general and administrative expenses include primarily the following:

- *Personnel expenses.* Personnel expenses consist primarily of employee compensation and benefits expenses.
- *Expenses for outsourcing services.* Expenses for outsourcing services comprise primarily outsourcing expenses in connection with issuing invoices in our Billing Business.
- *Provision for allowance for doubtful receivables.* Provision for allowance for doubtful receivables is recognized at an amount sufficient to cover probable losses on collection. It consists of estimated uncollectible amount with respect to certain identified doubtful receivables.
- *Other expenses.* Other categories of selling, general and administrative expenses include rent for office properties as well as depreciation and amortization of property, plant and equipment.

### ***Critical Accounting Policies and Estimates***

In the preparation of our consolidated financial statements, management makes judgments, estimates and assumptions that affect the carrying amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the end of the reporting period and the amounts of revenue and expenses reported. Judgments made by management in the application of accounting policies have a significant effect on the amounts recognized in the consolidated financial statements.

These judgments are based on the best estimates and assumptions of the management in light of the historical experience and various factors deemed to be reasonable. Given their nature, actual results may differ from those estimates and assumptions. The estimates and assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognized in the period of the change and/or future periods.

Among the above estimates and assumptions, the following items are those that may have a material effect on the amounts recognized in our consolidated financial statements in future periods.

#### ***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.

Allowance for doubtful billing receivables is recognized based on the historical rate of credit 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 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. Since the respective estimates can be affected by uncertain future events such as changes in economic conditions, the estimates could have a significant impact on the business results in future fiscal years if the actual defaults on billing receivables differ from the estimates. See Note 2 to our audited consolidated financial statements as of and for the years ended March 31, 2023 and 2024 included elsewhere in this offering circular.

### ***Retirement Benefit Plans***

We have 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.

### ***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. See Note 2 to our audited consolidated financial statements as of and for the years ended March 31, 2023 and 2024 included elsewhere in this offering circular.

### **Results of Operations**

The following table shows our consolidated financial data for the years ended March 31, 2022, 2023 and 2024.

	Year ended March 31,		
	2022	2023	2024
	(in millions of yen)		
Revenue .....	¥189,882	¥226,403	¥301,767
Cost of sales .....	96,702	122,821	173,902
Gross profit (loss) .....	93,179	103,582	127,865
Selling, general and administrative expenses .....	87,297	92,633	111,437
Operating income (loss) .....	5,881	10,948	16,427
Other income .....	5,809	2,963	3,925
Other expenses .....	210	160	153
Extraordinary losses .....	2,284	741	1,878
Profit (loss) before income taxes .....	9,196	13,010	18,319
Income taxes .....	2,509	3,060	5,098
Profit (loss) attributable to owners of parent .....	6,687	9,949	13,221

### ***Comparison of the Year Ended March 31, 2024 and the Year Ended March 31, 2023***

#### ***Revenue***

The following table shows revenue for each business segment for the years ended March 31, 2023 and 2024:

	For the year ended March 31,	
	2023	2024
	(in millions of yen)	
<b>Revenue:</b>		
Billing Business:		
Revenue from external customers .....	¥157,061	¥180,230
Intersegment revenue or transfers .....	—	—
Total .....	157,061	180,230
Credit Card Business:		
Revenue from external customers .....	5,509	6,344
Intersegment revenue or transfers .....	50,851	55,911
Total .....	56,360	62,255

	For the year ended March 31,	
	2023	2024
	(in millions of yen)	
Accounting/Finance Business:		
Revenue from external customers .....	61,629	112,973
Intersegment revenue or transfers .....	22	18
Total .....	61,651	112,992
Other <sup>(1)</sup> :		
Revenue from external customers .....	2,202	2,218
Intersegment revenue or transfers .....	—	—
Total .....	2,202	2,218
Total:		
Revenue from external customers .....	¥226,403	¥301,767
Intersegment revenue or transfers .....	50,873	55,930
Total .....	¥277,276	¥357,697

Note:

(1) “Other” represents the business not attributable to reportable segments and mainly includes revenue and profit arising from services under “Common Operation services agreement” and “System services agreement” concluded between NTT TC Leasing and us.

Revenue in the year ended March 31, 2024 increased 33.3% from the previous fiscal year to ¥301,767 million. This increase was due to the factors described below, the most significant of which was an increase in revenue from Accounting/Finance Business resulting primarily from rising market interest rates and an increase in the amount of loans to other NTT Group companies.

Changes in revenue by operating segment were as follows:

- Revenue from Billing Business (excluding intersegment transactions) for the year ended March 31, 2024 increased 14.8% from the previous fiscal year to ¥180,230 million due primarily to an increase in commissions for providing billing and collection services to NTT Group companies. This increase was due to a 2.5% increase in the amount of accounts receivable assumed from clients, to ¥6,300,093 million, compared to the previous fiscal year. This increase in the amount of accounts receivable assumed from clients was primarily due to an increase in accounts receivable assumed from NTT DOCOMO due to its strong business performance resulting in increased accounts receivables from its customers that were transferred to us. This increase was partially offset by a slight decrease in accounts receivable assumed from NTT East and NTT West as sales of these companies from fixed voice-related services decreased due to the continuous decrease in the number of subscriptions of fixed-line telephone service.
- Revenue from Credit Card Business (including revenue attributable to intersegment transactions) for the year ended March 31, 2024 increased 10.5% from the previous fiscal year to ¥62,255 million. This was due to an increase in the volume of telecommunication charges we processed for credit card payments and an increase in commissions we received for our Paysol service. The volume of transactions we processed for credit card payments increased 9.4% from the previous fiscal year to ¥3,879,105 million. This increase was due primarily to the increase in credit card payments processed relating to telecommunications and other charges paid by users of NTT Group companies’ services for which we provide billing and collection services, which increased due to the factors described above.
- Revenue from Accounting/Finance Business (excluding intersegment transactions) for the year ended March 31, 2024 increased 83.3% from the previous fiscal year to ¥112,992 million. This increase was due to an increase in interest received in connection with an increase in the amount of loans provided to other NTT Group companies as well as rising market interest rates. The amount of the loans provided to other NTT Group companies increased 17.8% from the previous fiscal year to ¥7,457,228 million, primarily due to increased capital needs from NTT Group companies increased investments, especially in growth areas.

### *Cost of Sales*

Cost of sales in the year ended March 31, 2024 increased 41.6% from the previous fiscal year to ¥173,902 million. The increase was primarily due to increased financing costs relating to our increase in lending to NTT Group companies.

### *Gross Profit*

As a result of the foregoing, gross profit for the year ended March 31, 2024 increased 23.4% from the previous fiscal year to ¥127,865 million.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses for the year ended March 31, 2024 increased 20.3% from the previous fiscal year to ¥111,437 million. This increase was primarily due to an increase in allowance for doubtful accounts, primarily for our Billing Business.

### *Operating Income*

As a result of the foregoing, operating income for the year ended March 31, 2024 increased 50.0% from the previous fiscal year to ¥16,427 million.

The following table shows segment profit for each business segment (including profit attributable to inter-segment transactions) for the years ended March 31, 2023 and 2024:

	For the year ended March 31,	
	2023	2024
	(in millions of yen)	
<b>Segment Profit<sup>(1)</sup></b>		
Billing Business . . . . .	¥ 3,665	¥ 4,857
Credit Card Business . . . . .	3,782	4,208
Accounting/Finance Business . . . . .	10,278	15,541
Other <sup>(2)</sup> . . . . .	21	41
Corporate expenses <sup>(3)</sup> . . . . .	(6,799)	(8,221)
Operating income . . . . .	¥10,948	¥16,427

#### Notes:

- (1) Segment profit includes inter-segment transactions.
- (2) “Other” represents the business not attributable to reportable segments and mainly includes revenue and profit arising from services under “Common Operation services agreement” and “System services agreement” concluded between NTT TC Leasing and us.
- (3) Corporate expenses mainly represent general and administrative expenses not attributable to reportable segments.

Changes in profit by operating segment were as follows:

- Profit from Billing Business for year ended March 31, 2024 increased 32.5% from the previous fiscal year to ¥4,857 million. This increase was due to the increase in Billing Business revenue described above as well as cost reductions in our billing and collection operations, including through increased digitalization.
- Profit from Credit Card Business for year ended March 31, 2024 increased 11.3% from the previous fiscal year to ¥4,208 million. This increase was primarily due to the increase in Credit Card Business revenue described above, which was partially offset by an increase allowance for doubtful accounts resulting from an increase in fraudulent charges.
- Profit from Accounting/Finance Business for year ended March 31, 2024 increased 51.2% from the previous fiscal year to ¥15,541 million. This increase was due to the increase in Accounting/Finance Business revenue described above, which was partially offset by an increase in financing costs due to the increase in market interest rates.

### *Other Income*

Other income for the year ended March 31, 2024 increased 32.5% from the previous fiscal year to ¥3,925 million. This increase was due to an increase in foreign exchange gain resulting from the depreciation of the Japanese yen against other currencies during the year ended March 31, 2024.

### *Other Expenses*

Other expenses for the year ended March 31, 2024 decreased 4.4% from the previous fiscal year to ¥153 million. This decrease was primarily due to a decrease in loss on retirement of assets held for own use.

### *Extraordinary Losses*

Extraordinary losses for the year ended March 31, 2024 increased 153.4% from the previous fiscal year to ¥1,878 million. This increase was due to an increase in loss on termination of card business service in connection with the termination of the NTT Group Card service, expenses associated with renewal of core accounting system and provision reserve for loss on system use agreements.

### *Profit before Income Taxes*

As a result of the foregoing, profit before income taxes for the year ended March 31, 2024 increased 40.8% from the previous fiscal year to ¥18,319 million.

### *Income Taxes*

In the year ended March 31, 2024, income taxes increased 66.6% from the previous fiscal year to ¥5,098 million. Average effective tax rates for the year ended March 31, 2024 and for the year ended March 31, 2023 were 27.8% and 23.5%, respectively.

### *Profit Attributable to Owners of Parent*

Profit attributable to owners of parent for the year ended March 31, 2024 increased 32.9% from the previous fiscal year to ¥13,221 million.

## **Comparison of the Year Ended March 31, 2023 and the Year Ended March 31, 2022**

### *Revenue*

The following table shows revenue for each business segment for the years ended March 31, 2022 and 2023:

	For the year ended March 31,	
	2022	2023
	(in millions of yen)	
<b>Revenue:</b>		
Billing Business:		
Revenue from external customers . . .	¥150,567	¥157,061
Intersegment revenue or transfers . . .	—	—
Total . . . . .	150,567	157,061
Credit Card Business:		
Revenue from external customers . . .	5,205	5,509
Intersegment revenue or transfers . . .	46,563	50,851
Total . . . . .	51,768	56,360
Accounting/Finance Business:		
Revenue from external customers . . .	31,836	61,629
Intersegment revenue or transfers . . .	14	22
Total . . . . .	31,851	61,651
Other <sup>(1)</sup> :		
Revenue from external customers . . .	2,271	2,202
Intersegment revenue or transfers . . .	—	—
Total . . . . .	2,271	2,202
Total:		
Revenue from external customers . . .	¥189,882	¥226,403
Intersegment revenue or transfers . . .	46,578	50,873
Total . . . . .	¥236,460	¥277,276

Note:

- (1) “Other” represents the business not attributable to reportable segments and mainly includes revenue and profit arising from services under “Common Operation services agreement” and “System services agreement” concluded between NTT TC Leasing and us.

Revenue in the year ended March 31, 2023 increased 19.2% from the previous fiscal year to ¥226,403 million. This increase was due to the factors described below, the most significant of which was an increase in revenue from Accounting/Finance Business resulting primarily from rising market interest rates and an increase in the amount of loans to other NTT Group companies.

Changes in revenue by operating segment were as follows:

- Revenue from Billing Business (excluding intersegment transactions) for the year ended March 31, 2023 increased 4.3% from the previous fiscal year to ¥157,061 million due primarily to an increase in commissions for providing billing and collection services to NTT Group companies. This increase was primarily due to an increase of 2.2% in the amount of accounts receivable assumed from clients, to ¥6,148,437 million, compared to the previous fiscal year. This increase in the amount of accounts receivable assumed from clients was primarily due to an increase in accounts receivable assumed from NTT DOCOMO due to its strong business performance resulting in increased accounts receivables from its customers that were transferred to us. This increase was partially offset by a slight decrease in accounts receivable assumed from NTT East and NTT West as sales of these companies from fixed voice-related services decreased due to the continuous decrease in the number of subscriptions of fixed-line telephone service.
- Revenue from Credit Card Business (including revenue attributable to intersegment transactions) for the year ended March 31, 2023 increased 8.9% from the previous fiscal year to ¥56,360 million. This was due to an increase in the volume of telecommunication charges we processed for credit card payments and an increase in commissions we received for our Paysol service. The volume of transactions we processed for credit card payments increased 7.6% from the previous fiscal year to ¥3,544,283 million. This increase was due primarily to the increase in credit card payments processed relating to telecommunications and other charges paid by users of NTT Group companies' services for which we provide billing and collection services, which increased due to the factors described above.
- Revenue from Accounting/Finance Business (excluding intersegment transactions) for the year ended March 31, 2023 increased 93.6% from the previous fiscal year to ¥61,651 million. This increase was due to an increase in interest received in connection with an increase in the amount of loans provided to other NTT Group companies as well as rising market interest rates. The amount of the loans provided to other NTT Group companies increased 15.5% from the previous fiscal year to ¥6,329,144 million, primarily due to NTT Group's increased investments, especially in growth areas.

#### *Cost of Sales*

Cost of sales in the year ended March 31, 2023 increased 27.0% from the previous fiscal year to ¥122,821 million. The increase was primarily due to an increased financing costs resulting from our increase in lending to NTT Group companies.

#### *Gross Profit*

As a result of the foregoing, gross profit for the year ended March 31, 2023 increased 11.2% from the previous fiscal year to ¥103,582 million.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses for the year ended March 31, 2023 increased 6.1% from the previous fiscal year to ¥92,633 million. This increase was primarily due to an increase in allowance for doubtful accounts for our Billing Business.

#### *Operating Income*

As a result of the foregoing, operating income for the year ended March 31, 2023 increased 86.2% from the previous fiscal year to ¥10,948 million.

The following table shows segment profit for each business segment (including profit attributable to inter-segment transactions) for the years ended March 31, 2022 and 2023:

	For the year ended	
	March 31,	
	2022	2023
	(in millions of yen)	
<b>Segment Profit<sup>(1)</sup></b>		
Billing Business .....	¥ 3,906	¥ 3,665
Credit Card Business .....	2,747	3,782
Accounting/Finance Business .....	3,956	10,278
Other <sup>(2)</sup> .....	22	21
Corporate expenses <sup>(3)</sup> .....	(4,750)	(6,799)
Operating income .....	¥ 5,881	¥10,948

Notes:

- (1) Segment profit includes inter-segment transactions.
- (2) “Other” represents the business not attributable to reportable segments and mainly includes revenue and profit arising from services under “Common Operation services agreement” and “System services agreement” concluded between NTT TC Leasing and us.
- (3) Corporate expenses mainly represent general and administrative expenses not attributable to reportable segments.

Changes in profit by operating segment were as follows:

- Profit from Billing Business for year ended March 31, 2023 decreased 6.2% from the previous fiscal year to ¥3,665 million. This decrease was due to increased costs associated with internal systems introduced in October 2021, which was partially offset by cost reductions in our billing and collection operations, including through increased digitalization and the increase in Billing Business revenue described above.
- Profit from Credit Card Business for year ended March 31, 2023 increased 37.7% from the previous fiscal year to ¥3,782 million. This increase was due to the increase in Credit Card Business revenue described above as well as one-time impairment of certain card issuance-related software and fixed assets during the year ended March 31, 2022.
- Profit from Accounting/Finance Business for year ended March 31, 2023 increased 159.8% from the previous fiscal year to ¥10,278 million. This increase was due to the increase in Accounting/Finance Business revenue described above, while we had relatively low interest rate financing compared to the interest that formed our revenue.

#### *Other Income*

Other income for the year ended March 31, 2023 decreased 49.0% from the previous fiscal year to ¥2,963 million. This decrease was primarily due to a decrease in share of profit of equity-accounted investees, as an equity-method affiliate recorded a significant gain on sale of property during the fiscal year ended March 31, 2022.

#### *Other Expenses*

Other expenses for the year ended March 31, 2023 decreased 23.8% from the previous fiscal year to ¥160 million. This decrease was primarily due to decreases in interest expense and loss on retirement of assets held for own use.

#### *Extraordinary Losses*

Extraordinary losses for the year ended March 31, 2023 decreased 67.6% from the previous fiscal year to ¥741 million. This decrease was due to our recording a significant provision reserve for loss on system use agreements during the year ended March 31, 2022 due to the termination of the NTT Group card service, which was partially offset by loss on termination of card business service and loss on realization of foreign currency translation adjustments due to liquidation of foreign subsidiary during the year ended March 31, 2023.

#### *Profit before Income Taxes*

As a result of the foregoing, profit before income taxes for the year ended March 31, 2023 increased 41.5% from the previous fiscal year to ¥13,010 million.

### *Income Taxes*

In the year ended March 31, 2023, income taxes increased 22.0% from the previous fiscal year to ¥3,060 million. Average effective tax rates for the year ended March 31, 2023 and for the year ended March 31, 2022 were 23.5% and 27.3%, respectively.

### *Profit Attributable to Owners of Parent*

Profit attributable to owners of parent for the year ended March 31, 2023 increased 48.8% from the previous fiscal year to ¥9,949 million.

## **Financial Condition**

### *Assets*

The following table shows condition of our assets as of March 31, 2022, 2023 and 2024.

	As of March 31,		
	2022	2023	2024
	(in millions of yen)		
<b>Current Assets:</b>			
Cash and cash equivalents	¥ 364,567	¥ 290,025	¥ 203,247
Trade accounts receivable:			
Loans	8,107,979	8,724,163	9,157,878
Other loans	929	—	—
Credit cards	58,990	59,295	52,870
Billing	85,644	93,913	264,771
Investment in venture businesses	6,245	6,912	8,698
Other	45,759	47,727	62,997
Allowance for doubtful receivables	(15,748)	(21,072)	(40,027)
<b>Non-Current Assets:</b>			
Property and Equipment	6,205	5,720	5,707
Intangible assets	10,536	6,869	6,419
Investments and other assets:			
Investment securities	19,037	16,465	17,681
Defined benefit asset	1,837	2,101	2,670
Deferred tax assets	10,939	9,726	12,059
Other	6,598	6,815	7,113
Allowance for doubtful receivables	(406)	(467)	(475)
<b>Deferred Assets</b>			
Bond issuance expenses	7,177	6,316	6,509
<b>Total Assets</b>	<b>8,716,293</b>	<b>9,254,513</b>	<b>9,768,120</b>

### ***Comparison of the Year Ended March 31, 2024 and the Year Ended March 31, 2023***

#### *Cash and cash equivalents*

Cash and cash equivalents as of March 31, 2024 decreased 29.9% from the previous fiscal year to ¥203,247 million. The decrease was in connection with lower cash deposits due to bank holidays at the end of the fiscal year ended March 31, 2024.

#### *Trade accounts receivable*

Changes in trade accounts receivable were as follows:

- Accounts receivable for loans as of March 31, 2024 increased 5.0% from the previous fiscal year to ¥9,157,878 million. This increase was primarily due to an increase in the amount of loans to NTT Anode Energy and NTT Limited.
- Accounts receivable for credit cards as of March 31, 2024 decreased 10.8% from the previous fiscal year to ¥52,870 million. This decrease was mainly due to termination of the NTT Group card service.

- Accounts receivable for billing as of March 31, 2024 increased 181.9% from the previous fiscal year to ¥264,771 million. This increase was due to an increase in the amount of accounts receivable assumed from clients due to decreased collections resulting from the last day of the fiscal year being a bank holiday.

#### *Investment securities*

Investment securities as of March 31, 2024 increased 7.4% from the previous fiscal year to ¥17,681 million. This increase was primarily due to an increase in shares of our equity method affiliate, NTT TC Leasing, due to profit recorded by such affiliate.

### ***Comparison of the Year Ended March 31, 2023 and the Year Ended March 31, 2022***

#### *Cash and cash equivalents*

Cash and cash equivalents as of March 31, 2023 decreased 20.4% from the previous fiscal year to ¥290,025 million. The decrease was in connection with a decrease in account balances held at banks in connection with revision of our funding plans.

#### *Trade accounts receivable*

Changes in trade accounts receivable were as follows:

- Accounts receivable for loans as of March 31, 2023 increased 7.6% from the previous fiscal year to ¥8,724,163 million. This increase was due to an increase in the amount of loans to NTT and NTT Limited.
- Accounts receivable for credit cards as of March 31, 2023 increased 0.5% from the previous fiscal year to ¥59,295 million. This increase was due to an increase in the amount of receivables transferred to us in our Billing Business segment, including in connection with receivables from non-NTT credit card issuers for credit card payments.
- Accounts receivable for billing as of March 31, 2023 increased 9.7% from the previous fiscal year to ¥93,913 million. This increase was due to an increase in the amount of accounts receivable assumed from clients.

#### *Investment securities*

Investment securities as of March 31, 2023 decreased 13.5% from the previous fiscal year to ¥16,465 million. This decrease was due to an increase in new investments.

### ***Loans to NTT Group***

The following table shows the outstanding amount of loans we provided to other NTT Group companies as of March 31, 2023 and 2024.

	As of March 31,	
	2023	2024
	(in millions of yen)	
NIPPON TELEGRAPH AND TELEPHONE CORPORATION .....	¥6,154,752	¥5,679,567
NTT DATA Group Corporation .....	—	150
NTT DATA Corporation .....	530,399	504,032
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION ....	—	61,093
NTT Urban Development Corporation .....	630,304	777,046
NTT Limited <sup>(1)</sup> .....	202,605	705,817
Other .....	130,499	382,444
Total .....	<u>¥7,648,559</u>	<u>¥8,110,151</u>

Note:

(1) The amount shows the total of the loans provided by us and our consolidated subsidiaries.

## Liabilities

The following table shows our liabilities as of March 31, 2022, 2023 and 2024.

	As of March 31,		
	2022	2023	2024
	(in millions of yen)		
<b>Current Liabilities:</b>			
Short-term bank loans	¥ 299,688	¥ 400,169	¥ 341,721
Current portion of long-term borrowings	144,043	60,797	403,972
Current portion of bonds	179,188	329,601	336,172
Commercial papers	404,726	600,605	1,037,428
Lease obligations	1	4	4
Accounts payable—other	412,714	427,968	431,972
Accrued income taxes	205	230	5,966
Deposits received	2,316,897	1,811,338	1,294,173
Deposits received from shareholders, directors or employees	85	106	118
Asset retirement obligations	137	—	—
Other	12,048	11,841	21,257
<b>Long-Term Liabilities:</b>			
Bonds	¥2,816,633	¥2,697,794	¥3,079,876
Long-term borrowings	2,025,584	2,805,261	2,699,677
Lease obligations	3	6	2
Provision for loss on system use agreements	2,380	1,752	1,577
Defined benefit liability	21,819	18,346	15,434
Asset retirement obligations	1,333	1,315	1,323
Deferred tax liabilities	0	—	—
Other	995	295	510
<b>Total Liabilities</b>	<b>¥8,638,487</b>	<b>¥9,167,435</b>	<b>¥9,671,188</b>

## Comparison of the Year Ended March 31, 2024 and the Year Ended March 31, 2023

### Short-term bank loans

Short-term bank loans as of March 31, 2024 decreased 14.6% from the previous fiscal year to ¥341,721 million. This decrease was due to refinancing of short-term bank loans in the form of corporate bonds and long-term borrowings.

### Current portion of long-term borrowings

Current portion of long-term borrowings as of March 31, 2024 increased 564.5% from the previous fiscal year to ¥403,972 million. This increase was a result of a portion of long-term borrowings becoming current portion of long-term borrowings.

### Current portion of bonds

Current portion of bonds as of March 31, 2024 increased 2.0% from the previous fiscal year to ¥336,172 million. This increase was a result of a portion of long-term bonds becoming current portion of bonds.

### Commercial papers

Commercial papers as of March 31, 2024 increased 72.7% from the previous fiscal year to ¥1,037,428 million. This increase was due to a decrease in the amount of excess funds received from NTT Group companies resulting in an increased need for short-term financing from outside the NTT Group.

### Deposits received

Deposits received as of March 31, 2024 decreased 28.6% from the previous fiscal year to ¥1,294,173 million. This decrease was due to a decrease in the amount of excess funds received from NTT Group companies.

### *Bonds*

Bonds as of March 31, 2024 increased 14.2% from the previous fiscal year to ¥3,079,876 million. This increase was due to issuance of yen-denominated green bonds in July and November 2023 and Euro-denominated bonds in March 2024.

### *Long-term borrowings*

Long-term borrowings as of March 31, 2024 decreased 3.8% from the previous fiscal year to ¥2,699,677 million. This decrease was primarily a result of a portion of long-term borrowings becoming current portion of long-term borrowings.

## ***Comparison of the Year Ended March 31, 2023 and the Year Ended March 31, 2022***

### *Short-term bank loans*

Short-term bank loans as of March 31, 2023 increased 33.5% from the previous fiscal year to ¥400,169 million. This increase was due to a decrease in the amount of excess funds received from NTT Group companies resulting in an increased need for short-term financing from outside the NTT Group.

### *Current portion of long-term borrowings*

Current portion of long-term borrowings as of March 31, 2023 decreased 57.8% from the previous fiscal year to ¥60,797 million. This decrease was a result of repayments of long-term borrowings.

### *Current portion of bonds*

Current portion of bonds as of March 31, 2023 increased 83.9% from the previous fiscal year to ¥329,601 million. This increase was a result of a portion of long-term bonds becoming current portion of bonds.

### *Commercial papers*

Commercial papers as of March 31, 2023 increased 48.4% from the previous fiscal year to ¥600,605 million. This increase was due to a decrease in the amount of excess funds received from NTT Group companies resulting in an increased need for short-term financing from outside the NTT Group.

### *Deposits received*

Deposits received as of March 31, 2023 decreased 21.8% from the previous fiscal year to ¥1,811,338 million. This decrease was due to a decrease in the amount of excess funds received from NTT Group companies.

### *Bonds*

Bonds as of March 31, 2023 decreased 4.2% from the previous fiscal year to ¥2,697,794 million. This decrease was primarily due to repayments of bonds.

### *Long-term borrowings*

Long-term borrowings as of March 31, 2023 increased 38.5% from the previous fiscal year to ¥2,805,261 million. This increase was due to an increase in the amount of long-term borrowings to provide funding to NTT Group companies.

## **Liquidity and Capital Resources**

### ***Capital Requirements***

As the sole financing arm of the NTT Group and as a part of our Accounting/Finance Business, our principal capital and liquidity needs are to provide finance to NTT Group companies for its operating cash, capital expenditures, research and development, strategic acquisitions and investments and dividend payments. We also need capital and liquidity in order to purchase accounts receivable from clients including NTT Group companies and extend consumer loans to our credit customers in connection with the Billing Business and Credit Card Business. The following table shows the breakdown by maturity period of the outstanding amount of our trade accounts receivables (loans) on non-consolidated basis.

	<u>Year ended March 31, 2024</u>	
	<u>(in millions of yen, except for percentages)</u>	
Less than 1 year .....	¥2,052,287	23.72%
1 to 5 years .....	2,644,602	30.57%
5 to 10 years .....	3,786,042	43.76%
10 to 15 years .....	169,160	1.95%
15 to 20 years .....	—	—
20 to 25 years .....	—	—
More than 25 years .....	—	—
Total .....	¥8,652,092	100.00%

Note:

- (1) The figures of the table include loans to borrowers other than the NTT Group companies such as consumer loans to our credit card holders.

### *Contractual Obligations*

Our existing contractual obligations as of March 31, 2024 are summarized as follows:

	Payments due by period						
	Total	Less than one year	One to two years	Two to Three Years	Three to Four Years	Four to Five Years	More than five years
	(in millions of yen)						
Short-term borrowings . . . . .	¥ 341,721	¥ 341,721	—	—	—	—	—
Current portion of long-term borrowings . . . . .	403,972	403,972	—	—	—	—	—
Bonds . . . . .	3,416,049	336,172	¥452,438	¥548,300	¥276,052	¥482,945	¥1,320,140
Long-term borrowings . . . . .	2,699,677	—	595,575	499,913	506,006	443,282	654,901
Other interest-bearing liabilities:							
Commercial papers . . . . .	1,037,428	1,037,428	—	—	—	—	—
Deposits received from NTT Group companies . . . . .	1,222,540	1,222,540	—	—	—	—	—

### *Capital Resources*

We believe that the net cash we expect to generate from operating activities, financing from banks and other financial institutions and/or offerings of debt securities in the capital markets will provide the requisite financial resources to meet our currently capital requirements.

As of March 31, 2024, we had cash and cash equivalents balance at the end of the fiscal year of ¥203,247 million, a decrease of ¥86,778 million compared to the balance of ¥290,025 million as of March 31, 2023, which includes the impact of the fiscal period end date being a non-business day. Cash equivalents represent a temporary cash surplus used to repay debts and make capital investments, among other factors, and are used as working capital. Accordingly, the balance of cash equivalents fluctuates each fiscal year depending on particular financing and working capital requirements.

In order to raise working capital efficiently, we utilize unsecured and secured short-term and long-term loans as well as the issuance of commercial paper and corporate bonds.

We also accept excess funds from the other NTT Group companies primarily by inter-company loans in order to optimize the allocation of group funds and to reduce financing cost. The following table shows the outstanding amount of loans provided by other NTT Group companies as of each date indicated.

	<u>Year ended March 31,</u>	
	<u>2023</u>	<u>2024</u>
	<u>(in millions of yen)</u>	
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION .....	¥ 117,394	—
NTT DOCOMO, INC .....	1,033,878	¥ 795,405
Other .....	503,373	427,135
Total .....	¥1,654,645	¥1,222,540

The following table summarizes our maturity schedule under our outstanding corporate bonds as of March 31, 2024 based on the issue amount, as well as domestic bonds we issued in June 2024. Specifically, we issued an aggregate of ¥290 billion of yen-denominated unsecured notes, consisting of three-year notes in the amount of ¥25,000 million, five-year notes in the amount of ¥150,000 million, seven-year notes in the amount of ¥15,000 million and 10-year notes in the amount of ¥100,000 million.

Year ending March 31,	Domestic bonds	US\$ and EUR notes <sup>(1)</sup> (in millions of yen)	Total
2025	¥115,000	¥261,799	¥376,799
2026	300,000	181,811	481,811
2027	230,000	454,230	684,230
2028	225,000	82,512	307,512
2029	205,000	375,663	580,663
2030	155,000	163,240	318,240
2031	520,000	114,268	634,268
2032	170,000	151,410	321,410
2033	10,000	—	10,000
2034	380,000	—	380,000

Note:

- (1) Translation of the U.S. dollar amounts of the notes into yen has been made at the rate of ¥151.41, and translation of the EUR amounts of the notes into yen has been made at the rate of ¥163.24, the actual yen-dollar and yen-euro exchange rate prevailing as of March 31, 2024.

In order to provide liquidity, we also maintain committed credit facilities with financial institutions.

We are in compliance with all of the restrictive covenants in our existing loan agreements as of the date of this offering circular and do not expect any of these covenants to restrict our operations in our foreseeable future, absent extraordinary events affecting our business.

### Credit Ratings

As of the date of this offering circular, our credit ratings, which reflect each rating agency's opinion of our financial strength, operating performance and ability to meet our obligations, are as follows:

Rating Agency	Category	Rating (outlook)
Moody's Japan K.K.	Long-term issuer rating	A1 (Negative)
S&P Global Ratings Japan Inc.	Long-term issuer rating	A (Stable)
Japan Credit Rating Agency, Ltd.	Long-term issuer rating	AAA (Stable)
Rating and Investment Information	Long-term issuer rating	AA+ (Stable)

In addition, the credit ratings of NTT are as follows:

Rating Agency	Category	Rating (outlook)
Moody's Japan K.K.	Long-term issuer rating	A1 (Negative)
S&P Global Ratings Japan Inc.	Issuer rating	A (Stable)
Japan Credit Rating Agency, Ltd.	Long-term issuer rating	AAA (Stable)

The ratings are not a recommendation to buy, sell or hold securities. The ratings are subject to revision or withdrawal at any time by the assigning rating agency. Each of the financial strength ratings should be evaluated independently.

### Off-Balance Sheet Arrangements

We provide guarantees to the other NTT Group companies, primarily as part of our Accounting/Finance Business, and in some cases in our Billing Business. The outstanding amount of guarantee liabilities was ¥62,424 million as of March 31, 2024 and ¥52,243 million as of March 31, 2023. In addition, we enter into commitment loan agreements with NTT Group companies, and we offer consumer loans to holders of NTT Finance Biz cards. The balance of unexecuted loan commitments was ¥5,426,246 million as of March 31, 2024 and ¥3,802,600 million as of March 31, 2023.

## Cash Flows

The following table presents our consolidated cash flows for the years ended March 31, 2022, 2023 and 2024.

	Year ended March 31,		
	2022	2023	2024
	(in millions of yen)		
Cash flows provided by (used in) operating activities .....	¥(692,891)	¥(525,193)	¥(430,267)
Cash flows provided by (used in) investing activities .....	(5,132)	(702)	(3,963)
Cash flows provided by (used in) financing activities .....	653,565	449,391	347,624
Cash and cash equivalents, end of year .....	364,567	290,025	203,247

### *Comparison of the Year Ended March 31, 2024 and the Year Ended March 31, 2023*

Cash flows used in operating activities during the year ended March 31, 2024 amounted to ¥430,267 million, a decrease of ¥94,926 million from ¥525,193 million in the year ended March 31, 2023. This decrease was due to, among other factors, a relatively smaller increase in the amount of loans extended to NTT Group companies compared to the prior year.

Cash flows used in investing activities during the year ended March 31, 2024 amounted to ¥3,963 million, an increase of ¥3,261 million from ¥702 million in the year ended March 31, 2023. This increase was due to, among other factors, proceeds from liquidation of affiliates of ¥2,190 million in the year ended March 31, 2023, which we did not receive in the following year, and an increase of ¥874 million in our purchase of assets held for own use.

Cash flows provided by financing activities during the year ended March 31, 2024 amounted to ¥347,624 million, a decrease of ¥101,767 million from ¥449,391 million in the year ended March 31, 2023. This decrease was due to, among other factors, a decrease of ¥525,922 million in new long-term borrowings compared to the prior year, which was only partially offset by increases in other types of borrowings and bonds.

### *Comparison of the Year Ended March 31, 2023 and the Year Ended March 31, 2022*

Cash flows used in operating activities during the year ended March 31, 2023 amounted to ¥525,193 million, a decrease of ¥167,698 million from ¥692,891 million in the year ended March 31, 2022. This decrease was due to, among other factors, a relatively smaller increase in the amount of loans extended to NTT Group companies compared to the prior year.

Cash flows used in investing activities during the year ended March 31, 2023 amounted to ¥702 million, a decrease of ¥4,430 million from ¥5,132 million in the year ended March 31, 2022. This decrease was due to, among other factors, a decrease of ¥2,342 million in our purchase of assets held for own use, as well as proceeds from liquidation of affiliates of ¥2,190 million in the year ended March 31, 2023.

Cash flows provided by financing activities during the year ended March 31, 2023 amounted to ¥449,391 million, a decrease of ¥204,174 million from ¥653,565 million in the year ended March 31, 2022. This decrease was due to, among other factors, a decrease in deposits received of ¥503,568 million, as compared to an increase of ¥995,756 million in the prior year due to decreased deposits received from NTT Group companies.

## Quantitative and Qualitative Disclosure about Market Risk

We are exposed to financial risks (credit risk, liquidity risk, and market risk) in conducting business activities. In order to avoid or reduce such risks, we manage risks based on certain policies. In addition, we report on the status of major financial risk management to our management. For more information, also see Note 11 to our audited consolidated financial statements as of and for the years ended March 31, 2023 and 2024 contained elsewhere in this offering circular.

### *Credit Risk*

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in a loss to us. Our main exposure to credit risk is with counterparties under loans, which primarily include NTT Group

companies, and counterparties under accounts receivable we assume from NTT Group, which primarily include customers of NTT Group services. In accordance with internal rules, we strive to promptly identify and reduce concerns about collection status on our receivables and the credit status of the counterparties, and renegotiate transaction terms or move to preserve the receivables.

### ***Foreign Currency Risk***

Our consolidated financial statements are presented in yen, and by translating the foreign currency financial statements of our foreign subsidiaries into yen, the amounts of our revenue, profit, assets and equity, on a consolidated basis, are affected by prevailing rates of exchange. In particular, we are adversely affected by translation risk when the yen appreciates against the U.S. dollar and the euro.

Pursuant to our treasury policy, we utilize certain hedging measures, including currency forward contracts for foreign currency transactions with our customers, and currency swaps for our foreign currency borrowings. However, such hedging measures do not cover all of our exposures and, even to the extent that they do, they may only delay, or may otherwise be unable to completely eliminate, the impact of fluctuations in foreign currency exchange rates.

### ***Interest Rate Risk***

As of March 31, 2024, a portion of our outstanding bonds and borrowings were subject to floating interest rates and we were party to interest rate swap agreements with respect to ¥22,503 million of our bonds and borrowings. If market interest rates increase, the applicable interest rate on our floating interest rate debt will increase, resulting in an increase in our interest expenses. We use derivative financial instruments such as interest rate swaps, but such efforts may not fully mitigate the impact of interest rate fluctuations. In addition, with respect to our debt that is subject to fixed interest rates, increases in market interest rates could increase our interest expenses when we refinance such debt.

### ***Liquidity Risk***

Liquidity risk is the risk that we will encounter difficulty in settling our financial obligations with cash or another financial asset. We manage our liquidity risk by following our cash management plan based on our treasury policy and expect that we will have sufficient cash to settle our financial obligations as they come due. In order to further mitigate this risk, we also maintain a revolving facility.

## BUSINESS

### Overview

We are a wholly-owned finance subsidiary of NTT. As the sole finance subsidiary within the NTT Group, we have a strong business foundation occupying a central role in the provision of financing solutions to companies within the NTT Group, and of cash management, accounting and tax and billing and collection services to companies within the NTT Group. In addition, we are engaged in providing finance and accounting-related services to third parties, as described below.

We organize and report our operations based on the following three business segments:

- *Billing Business.* The Billing Business segment comprises billing and collection services for clients' customer charges, mainly for telecommunication services charges of NTT Group companies. Our Billing Business segment had revenue of ¥180,230 million (excluding inter-segment transactions) and segment profit of ¥4,857 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2024, which respectively accounted for 59.7% of our total revenue from external customers and 19.7% of our total segment profit for the fiscal year.
- *Credit Card Business.* The Credit Card Business segment comprises billing services for client's customer charges paid by credit card, mainly for telecommunication services charges of NTT Group companies, as well as credit card issuing, merchant acquisition and payment processing. Our Credit Card Business had revenue of ¥6,344 million (excluding inter-segment transactions, or ¥62,255 million including revenue attributable to inter-segment transactions) and segment profit of ¥4,208 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2024, which respectively accounted for 2.1% of our total revenue from external customers (or 17.4% including revenue attributable to inter-segment transactions) and 17.1% of our total segment profit for the fiscal year.
- *Accounting/Finance Business.* The Accounting/Finance Business segment comprises provision of loans to, or investments in, NTT Group companies as well as provision of accounting, consulting, tax and training services primarily to NTT Group companies. Our Accounting/Finance Business segment had revenue of ¥112,973 million (excluding inter-segment transactions, or ¥112,992 million including revenue attributable to inter-segment transactions) and segment profit of ¥15,541 million including profit attributable to inter-segment transactions for the fiscal year ended March 31, 2024, which respectively accounted for 37.4% of our total revenue from external customers (or 31.6% including revenue attributable to inter-segment transactions) and 63.1% of our total segment profit for the fiscal year.

We also classify certain revenue and profit that are not attributable to our reportable segments as "Other." "Other" revenue and profit accounted for ¥2,218 million, or 0.7% of our total revenue from external customers, and ¥41 million, or 0.2% of our total segment profit, respectively for the fiscal year ended March 31, 2024. For more detailed operating results of each segment, see Note 16 of our audited consolidated financial statements as of and for the fiscal years ended March 31, 2023 and 2024 included elsewhere in this offering circular.

Our close integration with the diversified operating businesses of the NTT Group through each of our three business segments provides us with access to strong sources of cash derived from the group and contributes to our creditworthiness. Leveraging this close integration with the NTT Group, we have maintained a strong balance sheet and financial position. In recent years, we and the NTT Group have expanded our service capabilities through centralization of accounting and tax functions of the NTT Group within our business. Following the spin-off of our leasing business in July 2020 and the transfer of the accounting and tax businesses of the NTT Group to us in July 2021, we are in the final stages of centralizing the group's finance operations within our business. In our position as the group's sole finance arm, we also aim to contribute to the financial stability of the group by steadily reducing debt levels.

### Our Purpose, Vision and Values

Our purpose is to support society and create a prosperous future with the power of trust. Our vision is to serve as NTT Group's comprehensive payment and finance platformer.

Our core values are:

- *Sincerity.* As a financial business operator, we will continue to build trust with our customers by working diligently with high ethical standards.

- *Challenge.* Each of us will continue to grow and evolve, taking on challenges without fear of failure.
- *Professionalism.* We will continue to hone our skills, deepen our knowledge and provide our customers with the best service.
- *Teamwork.* We will recognize diversity and continue to maximize our strength by leveraging the synergy between individuals and teams.
- *Transformative power.* We will continue to create new value by constantly thinking and taking action in a future-oriented manner.

## **Our History**

We were established in 1985 under the name NTT Leasing Co., Ltd. as a subsidiary of NTT to engage in the leasing of telecommunication equipment sold by NTT Group companies. In 2004, we became a subsidiary of the Parent and other companies of the NTT Group as part of a strategy by the NTT Group to facilitate the efficient use of financial resources and strengthen the financial infrastructure within the NTT Group. In 2005, we merged with NTT FINANCE JAPAN CO., LTD., which until that time had undertaken the role of raising funds for, and lending on to, NTT's subsidiaries and affiliates, except for NTT East, NTT West and NTT Communications. In July 2006, we changed our corporate name to NTT FINANCE CORPORATION.

Effective on July 1, 2020, we spun off our leasing business and a substantial part of our international business to NTT TC Leasing, and sold 50% of the shares of NTT TC Leasing to Tokyo Century Corporation, and have since focused mainly on providing services to companies of the NTT Group. As a result of this transaction, our business segments were restructured to Billing Business, Credit Card Business and Finance Business beginning from the three-month period ended June 30, 2021. In addition, in September 2020, we became a wholly-owned subsidiary of the Parent. In July 2021, the accounting business of NTT Business Associe (which was subsequently integrated with NTT Learning Systems Corporation to form NTT ExCPartner Corporation) was transferred to us. As a result, we renamed our Finance Business segment as our Accounting/Finance Business segment beginning from the three-month period ended September 30, 2021.

## **Our Strengths**

### ***Strong Business Foundation and Positioning as the NTT Group's Sole Finance Subsidiary***

We are the sole finance subsidiary of the NTT Group, a leader in the telecommunications and ICT fields both in Japan and globally and the largest provider of telecommunications and ICT services in Japan in terms of operation revenues in the fiscal year ended March 31, 2024. We raise capital through diverse methods for the NTT Group in a centralized manner to ensure a stable supply of funds for NTT Group companies, as well as provide advanced financing solutions for both NTT Group companies and third-party customers. Our comprehensive and centralized advanced financial solutions include billing and collection services in our Billing business and credit card services in our Credit Card business, and also include accounting and other financial services business in our Accounting/Finance business. Accordingly, we perform a variety of critical functions and have a solid business foundation as a comprehensive payment and financial platform for the NTT Group.

### ***Close Integration with the NTT Group Provides Access to Strong Sources of Cash and Contributes to Creditworthiness***

In light of our close integration with the NTT Group and primary responsibility for its financing functions, we believe we are in a position equivalent to the "Finance Department" for the entire NTT Group, and have been a wholly-owned subsidiary of the Parent from September 2020. Along with our taking over the accounting and tax businesses of other group companies since 2021, we believe we are now at the final stage of centralizing the NTT Group's finance operations into our business. This role provides us with centralized access to the group's cash. Through our billing and collection services, we assume customer receivables for telecommunications and other services provided by the group, which provides us with direct access to cash flows from the group's customers. We also have access to group surplus cash through our cash management systems for lending funds and holding surplus cash within the group. In addition, we have taken over the accounting business from NTT Business Associe, leveraging a high level of accounting expertise in order to support the settlement of accounts of the NTT Group companies and work to improve the efficiency and quality of financial operations as the financial manager of the NTT Group as a whole.

We believe that our close integration with the NTT Group's businesses and centralized access to the group's cash flows contribute to our strong financial position and creditworthiness. The NTT Group has a strong ability to generate stable and significant cash flows, supported by its strong performance and positioning in a wide range of markets. As an indication of its strong performance, the NTT Group generated consolidated operating profit of ¥1.5 trillion or more and Adjusted EBITDA of ¥3 trillion or more for each of the three fiscal years ended March 31, 2024. See "NTT Group—IFRS Selected Financial Data of the NTT Group."

We have received credit ratings of A from S&P, A1 from Moody's, AAA from JCR and AA+ from R&I. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. S&P, Moody's and JCR have provided the same ratings to both us and the Parent, which we believe shows the important role and central functions we play within the NTT Group.

### ***Strong Balance Sheet and Financial Position***

A substantial majority of our assets consists of loans to NTT Group companies, which we believe contributes to maintaining a strong and stable financial condition both for us and the NTT Group more generally. As of March 31, 2024, approximately 96.9% of our operating assets, which we define as the total of trade accounts receivable (net of allowance for doubtful receivables) and investments in venture businesses, were loans to the Parent and other operating companies within the NTT Group. We believe that our group loan counterparties have excellent creditworthiness and access to cash flows. The NTT Group has a strong revenue base due to its attractive positioning in large and stable markets and its expansive business portfolio comprising four business segments: Integrated ICT Business (including mobile telecommunications), Regional Communications Business, Global Solutions Business and Others including real estate and energy. See "NTT Group—Overview" for a description of these business segments.

In addition, in July 2020, we spun off our leasing business and a substantial part of our international business to a newly established company, NTT TC Leasing, with us retaining 10% of the company's shares. We believe that the spin-off has helped improve the stability of our business by reducing our exposure to the volatility associated with the spun-off businesses.

### **Our Strategies**

#### ***Further Improve the Efficiency of the NTT Group's Finance Operations***

We and the NTT Group aim to realize more efficient finance operations by leveraging close integration with the group as its sole finance subsidiary. Specifically, we believe that our further integration with the NTT Group will be beneficial in the following ways:

- *Optimization of surplus cash.* In addition to raising capital through diverse methods, we will continue to consolidate the NTT Group's surplus cash. Our central position enables us to continually use such cash in an optimal manner by making loans to NTT Group companies and reducing interest-bearing debt as a whole.
- *Finance cost reduction.* We will further aim to lower financing costs and foster sophistication of our financial services by leveraging both the scale of the group's operations as we further integrate our business with the group, as well as our financial position and reputation in the capital markets.
- *Enhance administrative efficiencies.* We will aim to increase efficiency by reducing the administrative burden for the group's other companies by further centralizing the group's finance-related operations, including accounting and tax functions, into our operations.

#### ***Enhance Billing and Payment Solutions through DX***

Through further enhancement and expansion of our billing and payment solutions, we intend to contribute not only to streamlining the billing and payment operations of NTT Group companies, but also to improving our productivity and the productivity of the NTT Group as a whole. To improve both the efficiency and quality of our solutions, in addition to establishing a new shared billing system for the NTT Group, we will accelerate DX by expanding the functions of our web billing platform, further digitizing invoices and expanding AI customer support. To meet the increasingly diverse billing needs of businesses and other organizations, we will expand our billing solution services such as "Billing One," "Rakuraku Cloud Payment Service" and "Paysol" in collaboration with our customers. For more information on these services, see "—Our Business Operations—Billing Business."

## ***Maintain and Enhance Financial Soundness by Improved Cash Generation, Including from Increased Investment in Growth Areas***

Building on the NTT Group's stable and strong cash flow generated through its robust businesses and financial base, we seek to further strengthen our and the group's financial position by supporting the NTT Group's investments, including in growth areas. Under its new medium-term management strategy "New Value Creation & Sustainability 2027 Powered by IOWN" announced in May 2023, the NTT Group seeks to expand its business based on themes of new value creation and global sustainability. In particular the NTT Group aims to expand its cash-generating capabilities by investing approximately ¥8 trillion in growth areas, generally consisting of IOWN, digital/data centers, power/energy, Smart Life (which comprises NTT DOCOMO's non-telecommunications businesses), real estate and AI/robots over the five years ending March 31, 2028, representing a roughly 50% increase in yearly investments in such growth areas as compared to the fiscal year ended March 31, 2023. Together with this approximately ¥8 trillion to be invested in growth areas, the NTT Group plans to make investments of approximately ¥4 trillion in existing areas (which are NTT DOCOMO's consumer telecommunications businesses and the businesses of NTT East and NTT West) for a total planned investment amount of ¥12 trillion. As we manage the overall financing operations of the NTT Group, we will support these planned investments by providing a stable supply of funds. Including by strengthening its cash-generating capabilities through such investments, the NTT Group aims to lower its ratio of interest-bearing debt to Adjusted EBITDA from 2.5x as of March 31, 2023 to roughly 2.0x by March 31, 2028.

*The information above contains forward-looking statements, which are based upon the NTT Group's current expectations, assumptions, estimates and projections. In particular, the goals and targets and underlying assumptions are subject to various risks, uncertainties and subjectivity, and the NTT Group's actual results may differ materially such goals and targets. See "Risk Factors."*

## **Our Business Operations**

### ***Billing Business***

In our Billing Business segment, we provide billing and collection services primarily in relation to charges for the communications services provided by NTT DOCOMO, NTT East, NTT West and NTT Communications. We purchase accounts receivable of these NTT Group companies, and we receive commissions in connection with the transfer of these accounts receivable calculated based on the estimated credit risk associated with such receivables and a certain premium to compensate us for providing billing and collection services.

We offer a number of services to customers to improve the billing experience including the following:

- *Invoice consolidation.* To provide more user-friendly services to customers and improve and streamline the billing and collection operations, we offer a bill consolidation service that enables customers to choose to have separate invoices from the above NTT Group entities consolidated in a single invoice. Customers may also choose to consolidate the invoices for certain utility payments, Internet access charges, newspaper subscription fees, fees for the reception of public broadcasting and other services with the invoices of the above NTT Group entities, to the extent the provider of such services has entered into an appropriate arrangement with us.
- *Web billing.* We provide a convenient web billing system that allows customers to access billing information for NTT Group services, manage payment options, print invoices and other documents and set up email notifications.
- *"Billing One" service.* Our "Billing One" service is a service for corporate clients that allows them to consolidate all their communications service charges from NTT Group companies and other communications companies into a single invoice, which can reduce the burden of managing payments for multiple services. This service also provides tools that enable clients to analyze and search the details of their charges for these services and automatically categorize charges by department or other division within their organization. Clients can download data from this service for use in their accounting systems, which can help clients increase efficiency in recording costs in their accounting records.

We aim to increase user adoption of these consolidation services, while at the same time seeking to streamline operational costs relating to billing and collection in order to establish a stable and efficient business foundation.

We also offer billing and collection services to business clients outside the NTT Group. Our business clients provide us with billing information for their users, and we issue a consolidated invoice to users including charges for our clients' services together with charges for using NTT Group services. We can accommodate payments from users through a variety of payment methods, including major credit cards, major mobile payment apps, convenience store payments and other digital payment services. In addition, we also offer a cloud-based billing and collection platform called "Rakuraku Cloud Payment Service" that allows businesses to easily manage user information and submit the relevant billing information to us for processing. Furthermore, we offer "Rakuraku Cloud Electronic Document Management System by ClimberCloud" to handle bookkeeping information, allowing for reduced printing and storage costs and supporting digital transformation of back-office operations.

### ***Credit Card Business***

In our Credit Card Business segment, we provide credit settlement services, sales financing and consumer loans and facilitate payment of telecommunications bills through credit cards issued to corporate customers. Revenue for this segment consists primarily of commissions we receive from other NTT Group companies in respect of credit card payments of invoices by customers of the NTT Group's telecommunications services, which are first recorded in our Billing Business segment and then transferred to our Credit Card Business segment. Such commissions accounted for 89.8% of the segment's revenue for the fiscal year ended March 31, 2024.

We also receive interchange fees set by the MasterCard and Visa networks as a card issuer, merchant commissions when we act as a merchant acquirer and processing fees when we act separately as a payment processor, and cardholder fees and interest on sales financing and consumer loans. Our primary customer-facing products in this segment are as follows:

- *NTT Finance Biz cards.* For small- and medium-sized businesses and sole proprietorship customers, we offer the NTT Finance Biz regular card, which has no annual fee, and the NTT Finance Biz gold card, which offers more premium features such as airport lounge access for a low annual fee. Our NTT Finance Biz cards also feature an online statement editing service that makes it possible to divide card statements between business and personal transactions.
- *Card settlement solution service "Paysol."* For businesses, especially those that periodically bill their customers such as insurers or subscription services, we provide the high-quality card payment solution service "PaySol" that complies the Installment Sales Act of Japan and international brand rules, simplifying their compliance with industry regulations regarding transaction authorization, customer data storage and security. Our proprietary system safely manages credit card data while also enabling speedy processing, even for vast quantities of transactions.

### ***Accounting/Finance Business***

In our Accounting/Finance Business segment, we provide loans, cash management and other financial services for the NTT Group, and engage in certain investment business. We also provide accounting, consulting, tax and training services for NTT Group companies and third parties.

To improve fund management and operational efficiency of the NTT Group and to reduce finance costs, the debt financing function of the group has been centralized to us and we are, in principle, in charge of all debt financing from external financial institutions as well as from the capital markets as the sole benchmark issuer within the NTT Group. As of March 31, 2024, we had trade accounts receivable (loans) of ¥9,157,878 million, 99.9% of which was pursuant to loans to NTT Group companies. This amount primarily consists of loans to the Parent. The interest rate for the loans to NTT Group companies is calculated by adding a target margin rate set by NTT Group to the finance cost we incurred to procure funds. As the target margin rate is set by taking into consideration the optimal balance between the benefit on NTT Group companies from stable and low cost funding and profit for us in terms of sustainable operation of our business. For more information regarding our current group finance transactions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Loans to NTT Group."

We provide cash management services to the NTT Group in Japan and globally, closely integrating us with the NTT Group's operating companies through intra-group loans and deposits received. We maintain our Cash Management System (CMS) with respect to the NTT Group's domestic businesses, including the Parent, and our Global Cash Management System (GCMS) with respect to the group's businesses outside Japan.

In July 2021, the accounting business of NTT Business Associe was transferred to us. As a result, we renamed our Finance Business segment as our Accounting/Finance Business segment beginning from the three-month period ended September 30, 2021. The accounting business performs the accounting and book closing of other NTT Group companies, and provides accounting consulting, tax, accounting training and other services related to internal controls and accounting system development for NTT Group companies and third parties.

Under the Accounting/Finance Business segment, we also operate our venture capital business. We invest in a wide range of startups and other businesses based within and outside Japan, especially those we expect synergistic effects with NTT Group companies. Current focus areas of the businesses in which we invest include: service and content providers, software, telecommunication devices and semiconductor and components. We also promote value enhancement of investee companies through initiatives such as connecting them to NTT Group companies to conduct demonstrations and providing advice on the development of new businesses. Our investment strategy is a combination of seeking strategic returns in the form of technical information and collaboration and financial returns from the sale of our interest when we exit the investment.

### ***Other***

We classify certain of our revenue and its associated expenses as “other” as they are not attributable to our reportable segments. For the fiscal years ended March 31, 2023 and 2024, this mainly consisted of revenue and profit arising from a common operation services agreement and system services agreement which are transitional service agreements entered into between NTT TC Leasing and us.

### **Relationships with NTT Group Companies**

As the sole finance subsidiary within the NTT Group, we have a strong business foundation occupying a central role in the provision of financing solutions to companies within the NTT Group, and of cash management, accounting and tax and billing and collection services to companies within the NTT Group. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Financial Results” and “Related Party Transactions” for information regarding our most significant relationships with NTT Group companies.

We have entered into an agreement with NTT in relation to our management as part of the NTT Group, with the aim of maximizing the corporate value of each NTT Group company while respecting each NTT Group company’s autonomy and independence.

### **Regulation**

Our business is subject to, among other laws and regulations, the following key laws and regulations:

#### ***The Installment Sales Act***

The Installment Sales Act (Act No. 159 of 1961, as amended) applies to intermediaries of installment sales transactions, including credit card issuers who pay the purchase price for goods and services to merchants on behalf of their cardholders and collect such amounts from the cardholders via installment payments.

In respect of our services as merchant acquirer, and provider of the payment processing service Paysol, we are registered with METI as a business operator concluding contracts handling credit card information. Under this Act, a registered business operator concluding contracts handling credit card information is under certain obligations such as the obligations to inspect merchants (i) whom they intend to conclude contracts with to see whether these merchants are carrying out necessary measures to appropriately manage and control credit card information and, if the measures turn out to be insufficient or are suspected to be insufficient, not conclude contracts with such merchants; and (ii) whom they have concluded contracts with to periodically see whether these merchants are continuously implementing such measures and, as necessary, take actions to ensure their compliance (such as providing instructions to meet the security standards provided under the Installment Sales Act and cancelling the contracts with non-complying merchants). Failure to fulfill these obligations may result in business improvement orders by METI and failure to comply the business improvement orders may result in cancellation of registration by METI.

#### ***The Money Lending Business Act***

The Money Lending Business Act (Act No. 32 of 1983, as amended) governs operators of money lending businesses, requiring them to register and adhere to certain strict business regulations.

In accordance with this Act, we are registered as a moneylender with the Financial Services Authority, or the FSA. The FSA has the authority under this Act to issue business improvement orders when it deems necessary, and to suspend our businesses and to cancel our registration as a moneylender upon substantial non-compliance with this Act and failure to comply with certain administrative orders. Our operations are regularly inspected by the FSA.

In respect of our consumer finance service through our issued credit cards and providing loans with NTT Group companies, under this Act, registered moneylenders are required to deliver a written notice of: (a) the terms and conditions of the loan agreement to borrowers and guarantors at the time of, and promptly after, execution of the loan agreement or any guarantee agreement; and (b) repayment amounts received by the lender and the application of those amounts to the principal and interest owed, as well as the borrower's remaining balance immediately after each repayment, to a person who has made such repayment.

In addition, prior to exercise of a loan, registered moneylenders are required to investigate the ability of borrowers to repay. If the abovementioned investigation finds that the execution of a loan exceeds repayment capacity of a borrower, such execution of a loan to the borrower is not permitted.

### ***The Interest Rate Restriction Act***

The Interest Rate Restriction Act (Act No. 100 of 1954, as amended) sets limits on the maximum interest rates permissible on loans. Any agreement providing for payment of interest at a rate exceeding the statutory limits is void with respect to the portion of any interest in excess of such limits.

### ***The Act on Prevention of Transfer of Criminal Proceeds***

Under the Act on Prevention of Transfer of Criminal Proceeds (Act No. 22 of 2007, as amended), credit card issuers are required to perform customer identification procedure and keep records of customer identifications and transactions with customers as prescribed by a ministerial ordinance. Under this Act, credit card issuers are also required to report to a competent authority if they suspect that any property accepted from a customer has been obtained illegally or the customer conducts certain criminal acts.

### ***The Banking Act***

The Banking Act of Japan (Act No. 59 of 1981, as amended) governs any business operator which engages in an "Electronic Payment Service," including a business the operator of which receives orders from its customers to conduct settlement transactions to transfer funds relating to such customers' accounts and communicates those orders to banks upon entrustment from its customers who are bank depositors and by a method using an electronic data processing system such as application programming interface provided by banks. In accordance with this Act, we are registered as an electronic payment service provider with the FSA.

Before conducting an Electronic Payment Service, an electronic payment service provider must enter into contracts therefor with banks, and such contracts must provide, among other things, for the allocation of indemnity liabilities between the banks and the electronic payment service provider for any loss or damage incurred by customers in connection with the relevant Electronic Payment Service. An electronic payment service provider must also provide its customers with certain prescribed information, including policies regarding compensation for loss or damage to its customers.

The FSA has the authority to issue a business improvement order when it deems necessary, and to suspend our business and to cancel our registration as an electronic payment service provider upon non-compliance with this Act and failure to comply with certain administrative orders.

### ***Act on the Protection of Personal Information***

The Act on the Protection of Personal Information (Act No. 57 of 2003, as amended) and related guidelines covers all business operators which utilize or maintain databases containing personal information. Pursuant to this Act, such business operators are required to (i) specify and notify or publish the purpose of the use of the personal information prior to handling such information, (ii) refrain from using the personal information beyond such purpose without obtaining the prior consent of the person to whom such information relates, except in cases permitted under this Act, (iii) refrain from providing the personal information to a third party without obtaining

the prior consent of the person to whom such information relates, except in cases permitted under this Act, and (iv) take necessary and appropriate measures to securely manage and prevent leakage, damage, and loss of the personal information.

Under this Act, the Personal Information Protection Commission has the authority, upon violation of certain requirements under this Act, to issue a recommendation to the business operator to suspend such violation or take other necessary action to rectify the violation. The Commission also has the authority to order the business operator who does not follow such recommendation to take action pursuant to the said recommendation or suspend such violation or take other necessary action to rectify the violation, subject to certain conditions. Noncompliance with such order will subject the ordered business operator to criminal sanctions.

## **Competition**

As the services in our Billing Business (including credit card transactions transferred to our Credit Card Business) and Accounting/Finance Business are primarily provided to NTT Group companies, we do not face significant competition in either of these segments as a whole. However, we do market our billing and accounting services to unrelated third parties, and face competition from other companies operating in these markets. In particular, in our Billing Business we compete for third-party customers with other settlement companies, especially with respect to our Billing One service, Rakuraku Cloud Payment Service and Rakuraku Cloud Electronic Document Management System by ClimberCloud.

Our Credit Card Business faces competition from other credit card issuers, including those in the banking, retail and distribution and transportation industries. We also face competition from other payment methods such as internet banking, debit and pre-paid and chargeable cards and cash-on-delivery, as well as newer payment methods such as mobile carrier payments, buy-now-pay-later and mobile wallets that consumers fund from sources such as a bank account or credit card, including PayPay and Rakuten Pay. In our role as merchant acquirer, we face competition from other merchant acquirers, including those affiliated with financial institutions and retailers. Competition may intensify in the future, both as emerging technologies continue to enter the market and as large financial incumbents increasingly seek to innovate the services that they offer. Technological advances and the continued growth of e-commerce activities have increased consumers' accessibility to payment products and services and led to the expansion of competition in payment options, including those incorporating new technology.

In addition, see “Risk Factors—Risk Factors Relating to Our Exposure to the Operation and Financial Condition of the NTT Group—The NTT Group faces intense competition in its businesses, and such competition may intensify” for a discussion of competition faced by NTT Group in its main business lines.

## **Insurance**

To the extent that it is reasonably available, we maintain insurance policies, which have policy specifications and insured limits that are adequate and appropriate for our business. Like many other companies in Japan, risks are covered by our fire insurance policies. We also maintain a range of insurance policies for our directors and officers that are appropriate for our business.

## **Facilities**

We own an office building for our corporate headquarters in Tokyo, Japan. Also, we and our subsidiaries own a number of offices in Japan primarily handling billing and credit card business in each region.

## Employees

As of March 31, 2024, we had 3,160 full-time employees on a consolidated basis. The following table shows a breakdown of our employees in each business segment, with the number of full-time employees as of March 31, 2024, and the average annual number of part-time employees for the fiscal year ended March 31, 2024.

<u>Business segment</u>	<u>Number of full-time employees</u>	<u>Average number of part-time employees</u>
Billing <sup>(1)</sup> .....	2,706	629
Credit Card <sup>(1)</sup> .....	82	16
Accounting/Finance <sup>(1)</sup> .....	255	52
Group-wide <sup>(1)(2)</sup> .....	117	17
Total .....	<u>3,160</u>	<u>713</u>

Notes:

- (1) Our employees are engaged in one or more business segments.
- (2) Shows the number of employees engaged in administrative divisions that are not categorized to any business segment.

As of March 31, 2024, a substantial portion of our employees were members of the All NTT Workers Union of Japan. We believe our labor relations are stable.

## Legal Proceedings

We are routinely involved in litigation and other legal proceedings in connection with our ordinary course business activities. We are not currently involved in any litigation or other legal proceedings that, if determined adversely to us, would individually or in the aggregate be expected to have a material adverse effect on our financial condition or results of operations.

## MANAGEMENT

### Directors and Corporate Auditors

Our articles of incorporation provide for a board of directors consisting of not more than 20 members. Currently, we have 12 directors, referred to as “Members of the Board.” The Members of the Board are elected at our general meeting of shareholders. The normal term of office for Members of the Board expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within two years after such Member of the Board’s election, although Members of the Board may serve any number of consecutive terms. By resolution, the Board shall designate, from among its members, one President, who have the authority to represent us generally in the conduct of its affairs and may designate, from among its members, one or more representative directors. Our Board may appoint one or more Vice President and one or more Senior Executive Directors.

The Board is responsible for decisions regarding important management issues and other matters, and for supervising the directors’ execution of their duties. Generally, the Board meets once a month. Under the Companies Act, directors are prohibited from engaging in any transaction in competition with any of our businesses for themselves or on behalf of any third party, and from engaging in certain other transactions involving a conflict with our interests, unless the transaction is approved by a board resolution. No director may vote on a proposal in which that director is deemed to be materially interested. In addition, the Companies Act requires a resolution of the board to decide on material business matters including, but not limited to, acquisitions or disposals of material assets, substantial borrowings, issuances of bonds and establishment of internal control systems for the business group.

Our articles of incorporation provide for not more than four corporate auditors, referred to as “Corporate Auditors.” Currently, we have three Corporate Auditors. Under the Companies Act, the Corporate Auditors are not required to be certified public accountants. The corporate auditors may not at the same time be directors, managers or any other type of employees of ours or any of our subsidiaries or accounting advisors (*kaikai sanyo*) or executive officers of any of our subsidiaries. Corporate Auditors are elected at our general meeting of shareholders. The normal term of office for Corporate Auditors expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within four year after such Corporate Auditor’s election, although Corporate Auditors may serve any number of consecutive terms.

Under the Companies Act, corporate auditors have the duty to examine our annual consolidated and non-consolidated financial statements and business reports to be submitted by a representative director at general meetings of shareholders and, based on such examination and a report of an accounting auditor referred to below, to individually prepare their audit reports. They also have the statutory duty to supervise the administration by the board members of our affairs. In addition, corporate auditors are obligated to attend meetings of the board of directors and, if necessary, to express their opinion at such meetings. Corporate auditors, however, are not entitled to vote at such meetings.

We have set up an internal control system under which the internal audit department has the responsibility of implementing internal audits in accordance with our internal control rules and frameworks. The legal and internal audit division evaluates the effectiveness of the internal control systems based on internal audits regarding high risk matters affecting the entire our group, and shall make sure that necessary corrective measures and improvements are implemented.

We must appoint a certified public accountant or an audit corporation as independent auditor, in addition to Corporate Auditors. Such independent auditor has the statutory duty of examining the financial statements prepared in accordance with the Companies Act and other related laws and regulations, to be submitted by Directors to general meetings of shareholders and preparing an audit report thereon. Our independent auditor for such purposes is KPMG AZSA LLC.

The following are our directors and corporate auditors as at the date of this offering circular:

Name	Title	Director or Corporate Auditor Since
Shozo Ito . . . . .	President	October 2020
Takashi Nakamura . . . .	Senior Executive Vice President	June 2021
Masahiro Abe . . . . .	Senior Executive Vice President	June 2024
Katsuya Maeda . . . . .	Senior Vice President	June 2021
Masaya Fujimoto . . . . .	Senior Vice President	June 2022
Seiichi Hashimoto . . . . .	Senior Vice President	June 2022
Keiichi Enomoto . . . . .	Senior Vice President	June 2022
Katsuyuki Isomura . . . .	Senior Vice President	June 2022
Toshikazu Nishimura . .	Senior Vice President	June 2023
Kiyoshi Kawabe . . . . .	Senior Vice President	June 2024
Kentaro Arima . . . . .	Senior Vice President	June 2024
Tetsuya Yasuda . . . . .	Senior Vice President	June 2024
Tsukasa Komeda . . . . .	Corporate Auditor	June 2023
Yutaka Arai . . . . .	Corporate Auditor	June 2022
Shuichi Sumita . . . . .	Corporate Auditor	August 2022

*Shozo Ito* was appointed President of NTT FINANCE CORPORATION in June 2021 and has previously served as Vice President. Mr. Ito started his career at NTT PUBLIC CORPORATION in April 1984. Mr. Ito joined NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, where he served in a number of key positions, including Director & Executive Manager of Human Resources Department; Director & Executive Manager of Corporate Strategy Planning Department; Director, Executive Manager of Corporate Strategy Planning Department & Executive Manager of Finance Department; and Executive Vice President & Senior Executive Manager of Alliance Sales Department.

*Takashi Nakamura* was appointed Senior Executive Vice President & Senior Executive Manager of Finance and Accounting Business Headquarters, Finance Department and Business Promotion Department of NTT FINANCE CORPORATION in June 2022. Mr. Nakamura was previously appointed as Managing Director; Managing Director & Senior Executive Manager of Finance Department; and Vice President & Senior Executive Manager of Finance Department. Mr. Nakamura started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1987, where he served as Manager of Finance Department. Mr. Nakamura joined NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in April 2005, where he served as Manager of Finance Department and Manager of Human Resources Department (secondment to NTT BUSINESS ASSOCIE Corporation). Mr. Nakamura has also served as Executive Officer & Executive Manager of Finance Department of NTT DATA Corporation.

*Masahiro Abe* was appointed Senior Executive Vice President & Senior Executive Manager of Billing Business Headquarters, Credit Card Business Headquarters, IT Department of NTT FINANCE CORPORATION in June 2024. Mr. Abe started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1990. Mr. Abe joined NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in July 2007, where he served as Manager of Human Resources Department (secondment to NTT Solmare Corporation); Executive Manager of Sales Department and Alliance Sales Department of Kyushu Business Headquarters; Manager of Human Resources Department; Senior Vice President & Senior Executive Manager of Tokai Business Headquarters; Executive Officer & Senior Executive Manager of Tokai Business Headquarters; and Executive Officer & General Manager of Tokai Branch.

*Katsuya Maeda* was appointed Senior Vice President & Executive Manager, Business Planning Department of NTT FINANCE CORPORATION in June 2024. Mr. Maeda started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1991. Mr. Maeda joined NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in July 2009, where he served as Executive Manager of Sales Department, Tokushima Branch; Manager of Planning Department, Corporate Sales Headquarters; Manager of Planning Department, Business & Sales Headquarters; Manager of Human Resources Department (secondment to NTT Business Solutions Corporation); Manager of Management & Planning; and Senior Executive Manager of Shikoku Business Headquarters. Mr. Maeda was appointed Director of NTT FINANCE CORPORATION in June 2021 and also served as Executive Manager of Business Promotion Department, Finance Headquarters.

*Masaya Fujimoto* was appointed Senior Vice President & Executive Manager of Billing Platform Department, Billing Business Headquarters of NTT FINANCE CORPORATION in July 2022. Mr. Fujimoto started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1991, where he served as Manager of Corporate Planning Division. After joining NTT Communications Corporation in July 2009, he served as Manager of Corporate Planning Department; Executive Manager of Finance Department; Senior Executive Manager of First Sales Headquarters; and Executive Manager of Procurement & Billing Department. He has also served as Senior Vice President & PT Manager of Development and Implementation of Next Billing System of NTT FINANCE CORPORATION.

*Seiichi Hashimoto* was appointed Senior Vice President & Executive Manager of Group Treasury Department, Finance and Accounting Business Headquarters of NTT FINANCE CORPORATION in June 2022. Mr. Hashimoto started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1992, where he served as Manager of Finance Department and Director, Office of Audit & Supervisory Board Members from 2020. Mr. Hashimoto joined NTT DATA Corporation in July 2009 where he served as Executive Manager of Global IT Service Business Promotion Department, Senior Specialist of Global Business General Headquarters (secondment to NTT DATA EUROPE GmbH & Co. KG) and Senior Specialist of Global Business Headquarters (secondment to NTT DATA EMEA LTD.).

*Keiichi Enomoto* was appointed Senior Vice President & Executive Manager of General Affairs and Personnel Department of NTT FINANCE CORPORATION in June 2022. Mr. Enomoto started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1992 and joined NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, where he served as Executive Manager of Planning Department, Hokkaido Branch; Executive Manager of General Affairs Department, Hokkaido Branch; Manager of General Affairs and Human Resources Department (Executive Manager of Planning Department of NTT-ME); Manager of General Affairs and Human Resources Department; and General Manager of Saitama Business Department, Nagano Branch.

*Katsuyuki Isomura* was appointed Senior Vice President & Executive Manager of Billing Solution Department, Billing Business Headquarters of NTT FINANCE CORPORATION in June 2022. Mr. Isomura started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1992. After joining NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, Mr. Isomura served as Manager of Business Partner Sales Department, Sales Headquarters; Executive Manager of Sales Department, Hokuriku Business Headquarters; Manager of Hikari Collaboration Sales Department, Alliance Sales Headquarters; Executive Manager of Smart Business Promotion Department, Business Sales Headquarters; and Executive Manager of Smart Business Sales Department, Business Sales Headquarters.

*Toshikazu Nishimura* was appointed Senior Vice President & Executive Manager of Billing Services Promotion Department, Billing Business Headquarters of NTT FINANCE CORPORATION in June 2023. Mr. Nishimura started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1989 and started working at NTT DOCOMO, INC., where he served as Manager of Kobe Branch, Kansai Division; Director of Central Sales Department; and Manager of Front Support Department. After joining DOCOMO Support Inc., he served as Head of Advanced Information Center, Operation Support Division, East Japan; and Manager of Business Promotion Department, Contact Business Headquarters.

*Kiyoshi Kawabe* was appointed Senior Vice President & Executive Manager of Business Planning Department, Billing Business Headquarters of NTT FINANCE CORPORATION in June 2024. Mr. Kawabe started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1994 and started working at NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in October 2012, where he served as Manager of Marketing Department, Sales Headquarters; Manager of General Affairs Department, Hiroshima Branch (secondment to China Branch); Manager of Sales Department, Chinese Business Headquarters; and Manager of Human Resources Department. After joining NTT FINANCE CORPORATION in July 2018, he has served as Executive Manager of Business Planning Department, Billing Business Headquarters and Executive Manager of Corporate Planning Department.

*Kentaro Arima* was appointed Senior Vice President & Executive Manager of Accounting Department, Finance and Accounting Business Headquarters of NTT FINANCE CORPORATION in June 2024. Mr. Arima started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1995 and started working at NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION in July 2014, where he served as Manager of Business Sales Department, Business & Office Business Sales Promotion Headquarters (secondment to Minami Kanto Branch); Manager of Public Sales Department, Business & Office Business Sales

Promotion Headquarters (secondment to Minami Kanto Branch); and Manager of General Affairs & Human Resources Department (secondment to NTT BUSINESS ASSOCIE Corporation). Mr. Arima started working for NIPPON TELEGRAPH AND TELEPHONE CORPORATION in July 2019, where he served as Manager of Finance Department; and Internal Control Office Manager, General Affairs Department.

*Tetsuya Yasuda* was appointed Senior Vice President of NTT FINANCE CORPORATION in June 2024. Mr. Yasuda started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1997, where he served as Section Manager and Manager of Finance Department. Mr. Yasuda joined NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in July 2013 and July 2019, where he served as Section Manager of Corporate Planning Department; Manager of Human Resources Department (secondment to NTT BUSINESS ASSOCIE Corporation); and Manager of Finance and Legal Department. Mr. Yasuda currently serves as Manager of Financer Department at NIPPON TELEGRAPH AND TELEPHONE CORPORATION.

*Tsukasa Komeda* was appointed Corporate Auditor of NTT FINANCE CORPORATION in June 2023. Mr. Komeda started his career at NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1988, where he served as Manager of Public Relations Department, First Division. After joining NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in July 2005, he served as Manager of Personnel Department (secondment to NTT Marketing Act Corporation); Manager of Corporate Planning Department; Planning Manager of Business Sale Headquarters; Director of Hokuriku Business Headquarters & Head of Kanazawa Branch; and Director and Manager of Finance Department. Mr. Komeda also served as Vice President & Representative Director of NTT Printing Corporation.

*Yutaka Arai* was appointed Corporate Auditor of NTT FINANCE CORPORATION in June 2022. Mr. Arai started his career at the Administrative Management Agency in April 1983. Mr. Arai has served as Director of Administrative Evaluation Bureau and Director-General for Policy Planning at the Ministry of Internal Affairs and Communications. Mr. Arai also served as Advisor and Executive Director of Coastal Development Institute of Technology.

*Shuichi Sumita* was appointed Corporate Auditor of NTT FINANCE CORPORATION in August 2022. Mr. Sumita started his career at NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in April 2000, where he served as Section Manager, General Affairs Department, Ehime Branch; and Section Manager, Sales Department, Shikoku Business Headquarters. He joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION in July 2016 and served as Section Manager, Corporate Planning Department. Mr. Sumita currently serves as Manager of Corporate Planning Department at NIPPON TELEGRAPH AND TELEPHONE CORPORATION.

## **Executive Compensation**

The aggregate compensation to the Directors during the year ended March 31, 2024 was ¥97 million and the aggregate compensation to the Corporate Auditors was ¥36 million.

## RELATED PARTY TRANSACTIONS

We are engaged in a variety of transactions with NTT and its consolidated subsidiaries. Such transactions include extending loans to NTT and its consolidated subsidiaries as well as providing services related to billing and collection of charges on behalf of NTT and its consolidated subsidiaries. We also accept excess funds from the other NTT Group companies in order to optimize the allocation of group funds and to reduce financing cost. In addition, NTT has granted guarantees to certain of our notes.

Transactions with our affiliates and jointly controlled entities are conducted based on arm's length prices. For more information, see Note 17 of our audited consolidated financial statements as of and for the years ended March 31, 2023 and 2024 included elsewhere in this offering circular.

For the status of our loans to the other NTT Group companies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Loans to NTT Group," and for the status of acceptance of excess funds from other NTT Group companies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources."

The following table shows the summary of transactions between NTT Finance and NTT Group companies listed in the table below related to our Billing Business on a non-consolidated basis (including transactions ultimately transferred to our Credit Card Business) as of and for the years ended March 31, 2023 and 2024.

	As of, or for the year ended March 31,	
	2023	2024
	(in millions of yen)	
<b>NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION:</b>		
Amount of receivables transferred to NTT Finance . . . . .	¥ 488,092	¥ 460,861
Revenue related to billing business . . . . .	25,945	25,518
Balance of accounts payable . . . . .	26,105	24,712
Balance of deposit . . . . .	59,738	21,555
Balance of accounts receivable . . . . .	848	3,270
<b>NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION:</b>		
Amount of receivables transferred to NTT Finance . . . . .	¥ 448,639	¥ 420,892
Revenue related to billing business . . . . .	24,484	23,655
Balance of accounts payable . . . . .	23,170	22,031
Balance of deposit . . . . .	19,181	10,399
Balance of accounts receivable . . . . .	857	3,039
<b>NTT DOCOMO, INC.:</b>		
Amount of receivables transferred to NTT Finance . . . . .	¥5,201,976	¥5,409,304
Revenue related to billing business . . . . .	96,309	120,419
Balance of accounts payable . . . . .	345,050	354,219
Balance of deposit . . . . .	22,427	7,113
Balance of accounts receivable . . . . .	15,180	16,911

## SUBSIDIARIES AND AFFILIATES

As of March 31, 2024, we had four consolidated subsidiaries and three affiliates. The following tables present our parent company, subsidiaries and other affiliates as of March 31, 2024:

Company Name	Location	Issued Capital	Percentage of outstanding shares held by the parent company (%)	Principal Business
<b>Parent company:</b>				
NIPPON TELEGRAPH AND TELEPHONE CORPORATION . . . . .	Tokyo, Japan	¥937,950 million	100.00	Basic research & development, management of the NTT Group
Company Name	Location	Issued Capital	Percentage of outstanding shares held by us (%)	Principal Business
<b>Consolidated subsidiaries:</b>				
NTT Finance Americas Inc. . . . .	Delaware, USA	US\$17,050 thousand	100.00	Leasing, business loans and bond investments in the U.S. and other countries
NTT Finance Germany GmbH . . . . .	Düsseldorf, Germany	€25 thousand	100.00	Lease & financing business in Germany
NTT Finance UK Limited . . . .	London, UK	£3,500 thousand	100.00	Lease & financing business in the U.K.
NTT Finance Israel L.P. . . . .	British Virgin Islands	US\$10,000 thousand	100.00	Venture capital business in Israel
<b>Equity method affiliates:</b>				
Cosmos Posts & Telecommunications International Leasing Co., Ltd . . . . .	Beijing, China	US\$21,556 thousand	42.50	Leasing business in China
NTT Global Data Centers Corporation . . . . .	Tokyo, Japan	¥7,250 million	10.00	Overseas data center business
NTT TC Leasing Co., Ltd. . . . .	Tokyo, Japan	¥10,000 million	10.00	Leasing & financing business

## NTT GROUP

*As the sole finance subsidiary of the NTT Group, we engage in significant transactions with the NTT Group across our businesses, including extending loans to NTT Group companies, purchasing and servicing accounts receivables from NTT Group companies and other transactions. Due to our extensive relationships with the NTT Group and exposure to NTT Group's businesses, we have included certain information about NTT Group that we believe may be useful in assessing our business and exposure to NTT Group.*

*Financial information with respect to the NTT Group included in this offering circular are derived from financial statements that have been prepared in accordance with IFRS not included in this offering circular, whereas financial information with respect to NTT Finance included in this offering circular are derived from financial statements that have been prepared in accordance with Japanese GAAP. Financial figures prepared in accordance with Japanese GAAP are not comparable to financial figures prepared in accordance with IFRS.*

*The notes will constitute unsubordinated and unsecured obligations solely of us. The notes do not benefit from any guarantee or other credit support from NTT or any other member of the NTT Group. Accordingly, prospective investors should not place undue reliance on the information set forth below.*

### Overview

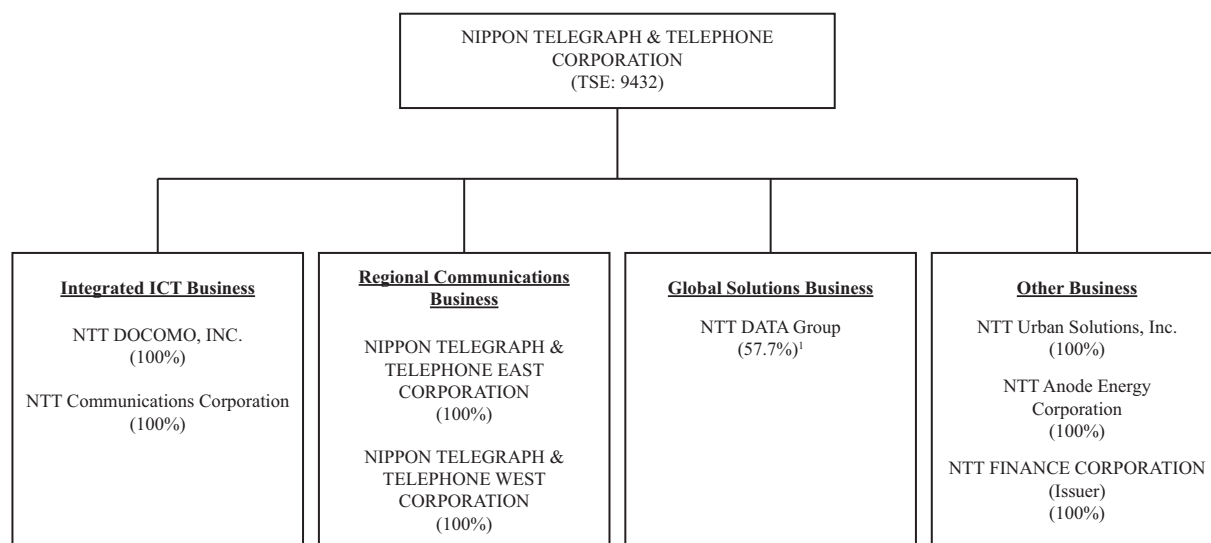
The NTT Group is a leading provider of comprehensive ICT and system integration solutions globally, with operations in more than 190 countries. The NTT Group is also one of Japan's largest telecommunications providers, offering a wide range of high-quality mobile and fixed-line telecommunications services and products to consumers and enterprises domestically. In addition, certain of NTT Group companies and affiliates engage in real estate development and urban renewal, clean power development and financial services, among other businesses.

The four business segments of the NTT Group are summarized as follows:

- *Integrated ICT.* In the Integrated ICT Business segment, the NTT Group offers mobile phone services, domestic inter-prefectural communications services, international communications services, solutions services, system development services and related services conducted through NTT DOCOMO and other subsidiaries. The Integrated ICT Business segment had segment operating revenues of ¥5,864 billion (excluding inter-segment transactions) and segment operating profit of ¥1,144 billion (including inter-segment transactions) for the year ended March 31, 2024, which accounted for 43.8% of the total segment operating revenues of the NTT Group and 59.5% of the total segment operating profit of the NTT Group for the fiscal year.
- *Regional Communications.* The principal services in the Regional Communications Business segment are domestic intra-prefectural communication services and related ancillary services conducted by NTT East and NTT West and other subsidiaries. The Regional Communications Business segment had segment operating revenues of ¥2,489 billion (excluding inter-segment transactions) and segment operating profit of ¥438 billion (including inter-segment transactions) for the year ended March 31, 2024, which accounted for 18.6% of the total segment operating revenues and 22.8% of the total segment operating profit of the NTT Group for the fiscal year.
- *Global Solutions.* The Global Solutions Business segment comprises system integration services, network system services, cloud services, global data center services and related services conducted by NTT DATA Group Corporation, NTT Data, Inc. and other subsidiaries. The Global Solutions Business segment had segment operating revenues of ¥4,176 billion (excluding inter-segment transactions) and segment operating profit of ¥310 billion (including inter-segment transactions) for the year ended March 31, 2024, which accounted for 31.2% of the total segment operating revenues of the NTT Group and 16.1% of the total segment operating profit of the NTT Group for the fiscal year.
- *Other.* The Other Business segment principally comprises real estate business, energy business and our own businesses (our billing business, credit card business and accounting and finance business). The businesses other than ours are conducted through NTT Urban Solutions, Inc., NTT Anode Energy Corporation and other subsidiaries. The Other Business segment had segment operating revenues of ¥844 billion (excluding inter-segment transactions) and segment operating profit of ¥60 billion (including inter-segment transactions) for the year ended March 31, 2024, which accounted for 6.3% of the total segment operating revenues of the NTT Group and 3.1% of the total segment operating profit of the NTT Group for the fiscal year.

## NTT Group Structure, History and International Business Restructuring

The following chart is a simplified summary of the corporate structure of the NTT Group as of March 31, 2024. The percentages shown in parentheses indicate the direct and indirect percentage of the total voting shares held by NTT. The following chart does not include all of NTT's subsidiaries.



Note:

- (1) As of March 31, 2024, NTT holds 57.7% of NTT DATA Group Corporation, which is the holding company for NTT Data Japan Corporation and NTT Data, Inc.

NTT Group began business operations in August 1952 as NTT PUBLIC CORPORATION, a government monopoly owning and operating Japan's telecommunications infrastructure. NTT Group was privatized as NIPPON TELEGRAPH AND TELEPHONE CORPORATION in April 1985 pursuant to the NTT Act, which requires the government of Japan to own at least one-third of its issued shares. In 1987, NTT completed its initial public offering and was listed on the Tokyo Stock Exchange and other stock exchanges in Japan. NTT Group continued to own and operate Japan's fixed-line telecommunications infrastructure after its privatization and the NTT Act obligated NTT Group to maintain fixed-line telephone service throughout the country.

NTT was reorganized as a holding company in July 1999 through amendments to the NTT Act, and the group's intra-prefectural communications services were transferred to NTT East and NTT West and the group's inter-prefectural communications services were transferred to NTT Communications Corporation. The amended NTT Act requires that NTT own all of the shares issued by NTT East and NTT West, to ensure appropriate and reliable provision of telecommunications services by these companies, and to engage in research activities relating to telecommunications technologies that form the foundation for telecommunications in Japan. The NTT Act also requires NTT East and NTT West to manage regional telecommunications businesses as joint-stock companies, to ensure fixed-line telephone service, public telephones and emergency call services provided throughout Japan including its remote islands and villages, and to lease their unused optical fiber to other carriers at regulated rates.

In December 2020, NTT completed the acquisition of the shares of NTT DOCOMO that it did not already own through a tender offer and subsequent a statutory demand for share cash out and NTT DOCOMO became a wholly-owned subsidiary of the NTT Group. The total purchase price for the shares of NTT DOCOMO acquired in the tender offer and the subsequent share cash out was ¥4,254 billion.

In May 2022, NTT announced a plan to restructure its international businesses for business customers that had been separately conducted by NTT DATA Corporation, NTT, Inc., which changed its name to NTT DATA, Inc. as of October 1, 2022, and NTT Ltd. Under this business restructuring, effective October 1, 2022, (A) NTT, Inc. distributed all shares it holds of NTT DATA Corporation to NTT, as a result of which NTT DATA Corporation became a direct subsidiary of NTT, (B) NTT DATA Corporation transferred its global business to NTT, Inc. by an absorption-type company split, and (C) NTT transferred a portion of the shares it holds of NTT, Inc. to NTT DATA Corporation, as a result of which NTT owns 45% of the shares of NTT, Inc. and NTT DATA Corporation owns the other 55% of the shares. Further, NTT DATA Corporation established a new domestic operating company, and the domestic business previously operated by NTT DATA Corporation was transferred

to such new operating company, NTT DATA Japan Corporation, on July 1, 2023, upon which NTT DATA Corporation changed its name to NTT DATA Group Corporation. As a result of this restructuring, NTT DATA Group Corporation became a holding company under which the overseas business are operated by NTT DATA, Inc. and its subsidiary, NTT Ltd., and the domestic business are operated by NTT DATA Japan Corporation. After this restructuring, NTT also acquired 49,672,800 shares of NTT DATA Group Corporation through market transactions.

### **Medium-term Management Strategy “New Value Creation & Sustainability 2027 Powered by IOWN”**

In May 2023, the NTT Group announced its medium-term management strategy, “New Value Creation & Sustainability 2027 Powered by IOWN,” covering the five fiscal years ending March 31, 2028, seeking to expand its business as a new value creator and accelerator of a global sustainable society. In line with this objective, the NTT Group aims to expand its cash-generating capabilities by investing approximately ¥8 trillion in growth areas, generally consisting of IOWN, digital/data centers, power/energy, Smart Life, real estate and AI/robots over the five years ending March 31, 2028, as well as a total of approximately ¥4 trillion in existing areas. This would constitute a roughly 50% increase in yearly investments in such growth areas as compared to the fiscal year ended March 31, 2023. In particular, the NTT Group seeks to employ the following strategies to create new value and accelerate global sustainability:

- *Create New Value Driven by IOWN (from concept to commercialization)* by establishing a manufacturing company for photonic-electronic convergence devices, and accelerating IOWN research and development and commercialization.
- *Create New Value Driven by Data* by strengthening the personal business (including NTT DOCOMO’s Smart Life business), strengthening the use of DX and data in society and industry, and expanding and upgrading of data center infrastructure.
- *Strive for a Society with a Circular Economy* by developing sustainability solutions for customers, creating circular economy businesses, and progressing towards our goal of net zero GHG emissions.
- *Further Strengthen Business Foundations.*

In order to support and further accelerate these initiatives, the NTT Group also seeks to enhance customer experiences (CX) through its Research and Development Market Strategy Division, which was established in June 2023. This Division is a fusion of research and development with a market-focused strategy, and aims to strengthen services that put the customer experience as its priority. To achieve this, the Division promotes collaborations with strategic partners and customers as well as various stakeholders. At the same time, NTT Group will also pursue improvements in employee experiences (EX) through furthering an open and innovative corporate culture, supporting career growth and improving global benefits for employees and their families.

The NTT Group believes that IOWN has the ability to achieve significant gains in power efficiency by using all photonics networks (APN) and servers, potentially up to 100 times compared to prior technologies for all photonics-applied areas. At the same time, the NTT Group believes that IOWN can achieve significant capacity gains, potentially up to 125 times compared to prior technologies, while sustaining low latency levels. By the end of the fiscal year ended March 31, 2024, the NTT Group’s major data centers were connected via IOWN APN. Starting from the fiscal year ending March 31, 2025, the NTT Group aims to further extend connections to regional data centers, thereby building distributed data centers.

### **IFRS Selected Financial Data of the NTT Group**

The following tables show selected financial data of the NTT Group as of and for the years indicated. Financial data of the NTT Group as of and for the years ended March 31, 2022, 2023 and 2024 is derived from the consolidated financial statements of the NTT Group not included in this offering circular that have been prepared in accordance with IFRS.

The notes will constitute unsubordinated and unsecured obligations solely of us. The notes do not benefit from any guarantee or other credit support from NTT or any other member of the NTT Group. Accordingly, prospective investors should not place undue reliance on the information set forth below.

	As of and for the year ended March 31,		
	2022	2023	2024
	(in billions of yen, except for percentages)		
<b>Selected Statement of Profit or Loss Data:</b>			
Operating revenues . . . . .	¥12,156	¥13,136	¥13,375
Integrated ICT business <sup>(1)</sup> . . . . .	5,582	5,778	5,864
Regional Communications business <sup>(1)</sup> . . . . .	2,499	2,482	2,489
Global Solutions business <sup>(1)</sup> . . . . .	3,416	3,897	4,176
Other business <sup>(1)(2)</sup> . . . . .	660	979	844
Operating expenses . . . . .	10,388	11,307	11,452
Operating profit . . . . .	1,769	1,829	1,923
Operating profit margin . . . . .	14.5%	13.9%	14.4%
Integrated ICT business <sup>(1)</sup> . . . . .	1,073	1,094	1,144
Regional Communications business <sup>(1)</sup> . . . . .	440	420	438
Global Solutions business <sup>(1)</sup> . . . . .	211	266	310
Other business <sup>(1)(2)</sup> . . . . .	73	67	60
Profit before taxes . . . . .	1,796	1,818	1,980
Profit . . . . .	1,256	1,293	1,345
Profit attributable to NTT . . . . .	1,181	1,213	1,280
Profit attributable to NTT margin <sup>(3)</sup> . . . . .	9.7%	9.2%	9.6%
Profit attributable to Non-controlling interests . . . . .	75	80	66
Percentage of operating revenue . . . . .	13.9%	14.2%	15.4%

**Selected Statement of Financial Position Data:**

Cash and cash equivalents	¥ 835	¥ 794	¥ 983
Total assets	23,862	25,309	29,604
Finance business <sup>(4)</sup>	n.a.	916	2,311
Data Center business <sup>(5)</sup>	n.a.	1,898	2,526
Current liabilities: Short-term borrowings	1,647	1,840	2,543
Non-current liabilities: Long-term borrowings	5,717	6,390	7,048
Total liabilities	14,844	15,958	18,711
Finance business <sup>(4)</sup>	n.a.	916	2,198
Data Center business <sup>(5)</sup>	n.a.	1,376	1,969
Common stock	938	938	938
Retained earnings	7,294	8,150	9,078
Treasury stock	(226)	(737)	(937)
Total equity	9,018	9,350	10,893

**Cash Flows Data:**

Net cash provided by operating activities	¥ 3,010	¥ 2,261	¥ 2,567 <sup>(8)</sup>
Net cash used in investing activities	(1,699)	(1,737)	(1,989)
Net cash used in financing activities	(1,438)	(590)	(234)

**Other Data:**

Interest-bearing debt <sup>(6)</sup>	¥ 7,364	¥ 8,231	¥ 9,591
Finance business <sup>(4)</sup>	n.a.	224	562
Data Center business <sup>(5)</sup>	n.a.	955	1,461
Other	n.a.	7,051	7,568
Free cash flows <sup>(7)</sup>	¥ 1,311	¥ 524	¥ 578 <sup>(8)</sup>
Capital investment	1,688	1,862	2,063

**Notes:**

- (1) Revenue for each segment exclude inter-segment transactions. Profit for each segment includes inter-segment transactions.
- (2) The accounting method for certain expense-related line items under “Others” and “Elimination of inter-segment transactions” was revised from the fiscal year ended March 31, 2024. In connection with this

change, such segment information for the fiscal year ended March 31, 2023 has been restated to give effect to this change in accounting method. Segment information for the fiscal year ended March 31, 2022 has not been restated and accordingly is not comparable with segment information of subsequent fiscal years.

- (3) Profit attributable to NTT margin is calculated as profit attributable to NTT divided by operating revenues.
- (4) The scope of aggregation for each of the figures presented for “Finance business” is internal management figures of finance business in Smart Life of NTT DOCOMO Group in the Integrated ICT Business segment. Such figures include those calculated based on certain assumptions, are not audited and are provided for reference only. Figures for each company are added together before the elimination of internal transactions. The financial positions as of March 31, 2024 of Docomo Monex Holdings, Inc. and ORIX Credit Corporation are included. The NTT Group has disclosed figures for “Finance business” from the fiscal year ended March 31, 2023 and has not disclosed figures for prior fiscal years.
- (5) The scope of aggregation for each of the figures presented for “Data Center business” is internal management figures of the data center business division of NTT Ltd. Group in the Global Solutions Business segment, NTT Communications Group in the Integrated ICT Business segment, and NTT East and NTT West in the Regional Communications Business segment. Such figures include those calculated based on certain assumptions, are not audited and are provided for reference only. Figures for each company are added together before the elimination of internal transactions. The NTT Group has disclosed figures for “Data Center business” from the fiscal year ended March 31, 2023 and has not disclosed figures for prior fiscal years.
- (6) Sum of short-term borrowings and long-term borrowings.
- (7) Sum of net cash provided by operating activities and net cash used in investing activities.
- (8) Excludes the impact of the last day of the fiscal year ended March 31, 2024 having been a non-business day, resulting in the due date for certain accounts receivable being set to the first business day of the following month. For the fiscal year ended March 31, 2024, cash flows provided by operating activities including the impact of non-business days was ¥2,374 billion, and free cash flows including the impact of non-business days was ¥385 billion.

## **Non-IFRS Measures**

In addition to NTT Group’s reported financial results prepared under IFRS, NTT Group also uses non-IFRS performance measures as supplementary information to evaluate its performance and financial condition. As described in more detail below, these non-IFRS measures reflect adjustments for a number of items that NTT Group believes are useful to separate so that key trends driving the performance of its business can be more clearly identified by investors. However, non-IFRS measures have a number of important limitations, including those described below, and should not be viewed as a substitute for financial information prepared in accordance with IFRS. It is important to note that these non-IFRS measures have no standardized meanings prescribed by IFRS and may not be comparable to the calculation of similar measures of other companies. Due to the limitations inherent in non-IFRS measures, investors should not solely rely on non-IFRS measures in assessing the performance and financial condition of the NTT Group.

## ***Adjusted EBITDA***

NTT Group calculates Adjusted EBITDA as profit, plus income taxes, minus or plus share of profit or loss of entities accounted for using equity method, minus or plus finance income or costs, plus depreciation and amortization, minus depreciation of right-of-use assets, plus losses on sales and retirement of property, plant and equipment and intangible assets and plus impairment losses. As IFRS 16 (Leases) became effective on April 1, 2019, NTT Group has changed the method of accounting for lease payments under operating leases from expenses to depreciation. Accordingly, the amount of depreciation and amortization used in the calculation of Adjusted EBITDA below includes additional depreciation of right-of-use assets due to the adoption of IFRS 16. However, NTT Group has included an additional adjustment to the calculation of Adjusted EBITDA in order to exclude such additional depreciation of right-of-use assets. Adjusted EBITDA is not a financial measure prescribed by IFRS but is a supplemental financial measure that NTT Group believes is useful for management and investors to assess the operating performance and profitability of its business and to facilitate comparison of its operating performance to that of other companies in the same industry and other industries.

Adjusted EBITDA should not be considered as an alternative to the measures presented in accordance with IFRS, as it has important limitations as an analytical tool, because it excludes some, but not all, items that affect its reported profit. NTT Group’s definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies in its industry, which may define these or similarly titled measures differently,

thereby diminishing its utility. The table below sets forth a reconciliation of its profit to Adjusted EBITDA for the periods indicated.

	For the year ended March 31,		
	2022	2023	2024
	(in billions of yen, except for percentages)		
<b>Reconciliation of Adjusted EBITDA:</b>			
Profit .....	¥1,256	¥1,293	¥1,345
Add: Income taxes .....	540	525	635
Subtract/add: Share of (profit) loss of entities accounted for using equity method .....	(20)	(14)	(24)
Subtract/add: Finance (income) costs .....	(7)	25	(33)
Operating profit .....	1,769	1,829	1,923
Add: Depreciation and amortization .....	1,561	1,583	1,629
Subtract: Depreciation of right-of-use assets .....	(183)	(187)	(196)
Add: Losses on sales and retirement of property, plant and equipment and intangible assets .....	62	50	48
Add: Impairment losses .....	38	16	14
<b>Adjusted EBITDA</b> .....	<b>¥3,247</b>	<b>¥3,290</b>	<b>¥3,418</b>
Operating profit margin .....	14.5%	13.9%	14.4%
Adjusted EBITDA margin <sup>(1)</sup> .....	26.7%	25.0%	25.6%

Note:

(1) Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by operating revenues.

## Environmental, Social and Governance Policies of the NTT Group

The following summarizes certain policies of the NTT Group relating to environmental, social and governance matters. The information on the NTT Group policies below contains forward-looking statements, which are based upon the NTT Group's current expectations, assumptions, estimates and projections. In particular, the goals and targets described below and underlying assumptions are subject to various risks, uncertainties and subjectivity, and the NTT Group's actual results may differ materially such goals and targets. See "Risk Factors."

### NTT Group Global Sustainability Charter

To help realize a harmonious society, the NTT Group restructured its existing CSR Charter and established the NTT Group Global Sustainability Charter (the "Sustainability Charter") in November 2021 which it believes meets the global standard by including SDGs, ESG and CSV initiatives. Eligible projects under the Green Finance Framework on which our green bonds are based are evaluated and selected by way of discussion and consideration of the conformity to the Sustainability Charter, which serves as a basic guideline for the group, by our Group Treasury Department's Finance and Accounting Business Headquarters and the Parent after a project is identified by a NTT Group operating company.

Pursuant to the Sustainability Charter, which was amended in April 2024, the NTT Group will promote sustainable initiatives to achieve growth while simultaneously contributing to resolving social issues. The charter addresses nine challenges and 18 specific activities, with the nine challenges in three broad themes as follows, which will be supported by NTT's IOWN concept, based on high ethical standards, and depending on cutting-edge technologies and innovation.

3 Themes	9 Challenges	18 Activities
Ensuring the positive coexisting of nature and humanity . . . . .	<ul style="list-style-type: none"> <li>• Moving towards a decarbonized society</li> <li>• A commitment to a resource-recycling future</li> <li>• A future where people and nature are in harmony</li> </ul>	<ol style="list-style-type: none"> <li>1. Achieve our decarbonization goals through energy conservation, implementing IOWN and other innovative technologies, developing and expanding renewable energy usage</li> <li>2. Implement decarbonization requirements for partners throughout the supply chain</li> <li>3. Increase the reuse and recycling of all technology equipment</li> <li>4. Ensure proper treatment, storage and management of hazardous waste</li> <li>5. Promote increased biodiversity, natural ecosystems and conservation</li> <li>6. Appropriate and efficient management of water resources</li> </ol>
Improving prosperity for all people and cultures . . . . .	<ul style="list-style-type: none"> <li>• Establish shared ethical standards</li> <li>• Prepare for a new future with the power of technology</li> <li>• Moving towards a safe, secure, and resilient society</li> </ul>	<ol style="list-style-type: none"> <li>7. Develop and enforce thoroughly the code of ethics including conduct risk, compliance, and governance</li> <li>8. Share high ethical standards with business partners</li> <li>9. Ensure continuous improvement of services and support to meet the evolving needs of customers, communities and corporations</li> <li>10. Protection and respect of intellectual property</li> <li>11. Ensure the stability and reliability of services</li> <li>12. Strengthen information security and personal information protection</li> </ol>

3 Themes	9 Challenges	18 Activities
Maximizing wellbeing for all .....	<ul style="list-style-type: none"> <li>• Respect for human rights</li> <li>• Diversity &amp; Inclusion</li> <li>• Creating new work style models</li> </ul>	13. Compliance with the NTT Group Human Rights Policy 14. Encourage human rights and respect for the individual across our organization, customers, and partners 15. Attract and retain diverse human resources 16. Support flexible work life balance choices and support an inclusive work environment 17. Support diverse work styles for health and wellbeing management 18. Encourage independent and personal skill development

In order to realize the three themes of the Sustainability Charter, the NTT Group has established key indicators. The indicators that are reflected in executive compensation include greenhouse gas (“GHG”) emission volume, rate of appointment of women among newly appointed managers, employee engagement rate and customer engagement rate. Employee engagement rate is a composite indicator using four metrics: employees’ willingness to contribute voluntarily; how proud employees are to work for NTT Group; how likely employees are to recommend NTT Group company as a workplace to others; and employees’ sense of fulfillment in the workplace. Customer engagement rate is a composite indicator consisting of two metrics of equal weight: Next Purchase Intention (“NPI”), which measures customers’ intent to continue purchasing NTT Group’s services, and Net Promoter Score (“NPS”), which measures how likely the customers are to recommend NTT Group’s services to others.

### ***NTT Green Innovation toward 2040***

In September 2021, the NTT Group refined the objectives of its previous “Environment and Energy Vision” and set and released its new environmental energy vision of “NTT Green Innovation toward 2040,” a goal of realizing carbon neutrality by 2040, including an action plan and interim GHG emission reduction targets. The NTT Group aims to reduce its Scope 1 and Scope 2 GHG emissions primarily through (i) increasing use of renewable energy (including actual renewable energy through Non-Fossil Fuel Certificates) and (ii) development and introduction of technologies employing the IOWN concept, which it believes will lead to a significant reduction in power consumption with an aim to realize energy saving beginning from the mid to late 2020s. Each of the two initiatives seeks to contribute a GHG emissions reduction of 45% by the fiscal year ending March 31, 2041, as compared to an estimated hypothetical base case where the group made no reduction efforts since the fiscal year ended March 31, 2014.

In particular, by the fiscal year ending March 31, 2031, the NTT Group aims to reduce its overall GHG emissions by 80% compared to the fiscal year ended March 31, 2014, and reduce its mobile (consisting of 15 companies in the NTT DOCOMO Group as of September 28, 2021) and data center GHG emissions to net zero. This reduction target encompasses both “Scope 1” emissions—which are the group’s own direct greenhouse gas emissions—and “Scope 2” emissions—which are indirect emissions associated with the purchase of electricity, heat and steam that are provided by other companies calculated based on the GHG Protocol. By the fiscal year ending March 31, 2041, the NTT Group aims to reduce its overall Scope 1 and Scope 2 GHG emissions to net zero, along with “Scope 3” GHG emissions—which are the GHG emissions in the supply chain relating to business activities. Scope 3 emissions of the NTT Group includes, for example, estimated emissions from devices and services purchased by customers, uses of telecommunication infrastructure, deliveries and shipments, leased assets and third-party sales agencies, among others. NTT Group’s Scope 3 emissions are certified by Sustainability Accounting, Co., Ltd., an independent third-party analyst.

The NTT Group estimates that its Scope 1 and 2 group-wide GHG emissions for the fiscal year ended March 31, 2024 were 2.42 million tons, as compared to a target amount of 2.47 million tons to reach net zero. Accordingly, the group believes it is making good progress toward eliminating Scope 1 and 2 GHG emissions. The NTT Group estimates that its Scope 1, 2 and 3 GHG emissions for the fiscal year ended March 31, 2024 were 21.31 million tons. By encouraging and supporting suppliers with their emissions reduction efforts and emissions data visualization, and by providing renewable energy onboarding support for customers, among other initiatives, the group aims to achieve an interim target reduction in Scope 1, 2 and 3 GHG emissions to 17 million tons by the fiscal year ending March 31, 2031, which would be 40% lower than the fiscal year ended March 31, 2019.

In addition, as of June 2023, the annual estimated renewable energy generation output of the projects the group has under construction was 2.69 billion kWh. In addition, in August 2023, NTT Anode Energy Corporation and its joint venture partner JERA Co., Inc. acquired Green Power Investment Corporation and other renewable energy businesses in Japan. The NTT Group estimates that such acquisitions, comprising projects in operation, construction and development, and including those for which project-specific generation estimates have not yet been made, could generate a further maximum annual renewable energy output of up to 5.0 billion kWh. Based on the projects under development and acquired, the NTT Group believes it is possible to achieve the target of renewable energy generation output of 8.0 billion kWh by the fiscal year ending March 31, 2031.

## DESCRIPTION OF THE NOTES

*The following is a summary of the detailed provisions of the notes and the Indenture (as defined below). It does not purport to be complete. This summary is subject to and is qualified in its entirety by reference to all the provisions of the notes and the Indenture, including the definitions of certain terms used therein. You are urged to read those documents in their entirety prior to making an investment decision because they, and not this description, define the rights of holders of the notes. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. You may request copies of those documents upon written request from the corporate trust office of the trustee located at 240 Greenwich Street, New York, NY 10286, United States of America. The holders of the notes are deemed to have notice of all the provisions of the notes and the Indenture.*

The notes will be issued pursuant to an indenture to be dated on or around July 2, 2024 (the “Indenture”) among the Issuer, The Bank of New York Mellon, as trustee, DTC paying agent, DTC transfer agent and DTC registrar, The Bank of New York Mellon, London Branch, as London paying agent and The Bank of New York Mellon SA/NV, Dublin Branch, as Dublin transfer agent and registrar.

### General

The notes will be issued only in fully registered form without interest coupons in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof. The notes will be represented by one or more registered notes in global form without coupons and in certain circumstances may be represented by registered notes in definitive form.

The Indenture and the notes do not contain any financial covenants or restrictions on the Issuer’s ability to pay dividends on its common stock, incur additional indebtedness, including other senior indebtedness (other than as set forth below under “—Negative Pledge”), or issue new securities or repurchase its existing securities. In addition, there are only limited restrictions on the Issuer’s ability to pledge assets or secure other indebtedness. The Indenture, and the notes do not contain any covenants or other provisions to afford more than limited protection to holders of the notes in the event of a highly leveraged transaction or a change in control of the Issuer.

The notes are being offered and sold without being registered under the Securities Act, in reliance upon an exemption therefrom, and the exception provided by Section 3(c)(7) of the Investment Company Act, (i) in the United States to persons reasonably believed to be both a QIB within the meaning of Rule 144A in transactions pursuant to Rule 144A and a QP as defined in Section 2(a)(51) of the Investment Company Act and the rules and regulations thereunder and (ii) outside the United States in offshore transactions to persons other than U.S. persons in reliance on Regulation S. Accordingly, the Indenture is not required to be, and will not be, qualified under the U.S. Trust Indenture Act of 1939, as amended.

### Status of the Notes

The notes will be the Issuer’s direct, unsecured and unsubordinated general obligations and will have the same rank in liquidation as all of the Issuer’s other unsecured and unsubordinated debt (except for statutorily preferred obligations) and without any preference among themselves. **The notes do not benefit from any guarantee or other credit support from the Parent or any other member of the NTT Group.**

### Principal and Maturity

The initial aggregate principal amount of the 2027 notes is \$600,000,000, the 2029 notes is \$900,000,000 and the 2031 notes is \$850,000,000. The 2027 notes will mature on July 2, 2027, the 2029 notes will mature on July 2, 2029 and the 2031 notes will mature on July 2, 2031.

The notes of each series will be repaid at maturity at a price of 100% of the principal amount thereof. The notes will not be redeemable prior to maturity, except as set forth below under “—Optional Redemption” and “—Optional Tax Redemption,” and will not be subject to any sinking fund.

### Interest

The notes will bear interest at the applicable rates *per annum* shown on the cover page of this offering circular. Interest will be paid on the notes semi-annually in arrears on January 2 and July 2 of each year (each an “Interest Payment Date”), beginning on January 2, 2025. We will pay interest to the holders of record of the notes as at 5:00 p.m. (New York City time) on the day that is 15 calendar days immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

Interest on the notes will accrue from and including the date of original issuance or, if interest has already been paid, from and including the date it was most recently paid and will be paid to but excluding the relevant Interest Payment Date. Interest on the notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest will be computed by rounding the resultant figure to the nearest cent, half a cent being rounded upwards.

If any date for payment of principal, premium (if any) or interest (or Additional Amounts (as defined below), if any) in respect of the notes falls on a day that is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such next succeeding Business Day shall have the same force and effect as if made on the original due date, and no additional interest shall accrue with respect to such payment for the period after such original due date.

“Business Day” means, for the purpose of the Indenture and the notes, a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in The City of New York or Tokyo.

### **Repurchases of the Notes**

The Issuer or any of its subsidiaries may at any time purchase any or all of the notes in the open market or otherwise at any price. Subject to applicable law, none of the Issuer or any of its subsidiaries shall have any obligation to offer to purchase any notes held by any holder as a result of its purchase or offer to purchase notes held by any other holder in the open market or otherwise. Any notes so repurchased shall be cancelled.

### **Optional Redemption**

Prior to the maturity date, for the 2027 notes, the 2029 Par Call Date, for the 2029 notes, or the 2031 Par Call Date, for the 2031 notes, the Issuer may redeem the notes of each series at its option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

- (i) (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the notes matured on the applicable Par Call Date, for the 2029 notes and the 2031 notes) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 10 basis points, for the 2027 notes, at the Treasury Rate plus 15 basis points, for the 2029 notes, and at the Treasury Rate plus 15 basis points, for the 2031 notes, less (b) interest accrued to the date of redemption, and
- (ii) 100% of the principal amount of the notes to be redeemed,

*plus*, in either case, accrued and unpaid interest thereon to the redemption date.

On or after the applicable Par Call Date, the Issuer may redeem the 2029 notes and the 2031 notes, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest thereon to the redemption date.

“*Treasury Rate*” means, with respect to any redemption date, the yield determined by the Issuer in accordance with the following two paragraphs.

The Treasury Rate shall be determined by the Issuer after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the redemption date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as “Selected Interest Rates (Daily)—H.15” (or any successor designation or publication) (“H.15”) under the caption “U.S. government securities—Treasury constant maturities—Nominal” (or any successor caption or heading) (“H.15 TCM”). In determining the Treasury Rate, the Issuer shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the redemption date to the maturity date, for the 2027 notes, or the applicable Par Call Date, for the 2029 notes and the 2031 notes (the “Remaining Life”); or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields—one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life—and shall interpolate to the maturity date, for the 2027 notes, or the applicable Par Call Date, for the 2029 notes and the 2031 notes, on a straight-line basis (using the actual

number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third business day preceding the redemption date H.15 TCM is no longer published, the Issuer shall calculate the Treasury Rate based on the rate *per annum* equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to, the maturity date, for the 2027 notes, or the applicable Par Call Date, for the 2029 notes and the 2031 notes, as applicable. If there is no United States Treasury security maturing on the maturity date, for the 2027 notes, or the applicable Par Call Date, for the 2029 notes and the 2031 notes, but there are two or more United States Treasury securities with a maturity date equally distant from the maturity date, for the 2027 notes, or the applicable Par Call Date, for the 2029 notes and the 2031 notes, one with a maturity date preceding the maturity date, for the 2027 notes, or the applicable Par Call Date, for the 2029 notes and the 2031 notes and one with a maturity date following the maturity date, for the 2027 notes, or the applicable Par Call Date, for the 2029 notes and the 2031 notes, the Issuer shall select the United States Treasury security with a maturity date preceding the maturity date, for the 2027 notes, or the applicable Par Call Date, for the 2029 notes and the 2031 notes. If there are two or more United States Treasury securities maturing on the maturity date, for the 2027 notes, or the applicable Par Call Date, for the 2029 notes and the 2031 notes, or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Issuer shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

The Issuer's actions and determinations in determining the redemption price shall be conclusive and binding for all purposes, absent manifest error.

Notice of any redemption will be mailed or electronically delivered (or otherwise transmitted in accordance with the depository's procedures) at least 10 days but not more than 60 days before the redemption date to each holder of notes to be redeemed and the trustee.

In the case of a partial redemption, selection of the notes for redemption will be made pro rata, by lot or by such other method as the Trustee in its sole discretion deems appropriate and fair. No notes of a principal amount of \$200,000 or less will be redeemed in part. If any note is to be redeemed in part only, the notice of redemption that relates to the note will state the portion of the principal amount of the note to be redeemed. A new note in a principal amount equal to the unredeemed portion of the note will be issued in the name of the holder of the note upon surrender for cancellation of the original note. For so long as the notes are held by DTC (or another depository), the redemption of the notes (including for the avoidance of doubt selection of the notes in the case of a partial redemption) shall be done in accordance with the policies and procedures of the depository.

Unless the Issuer defaults in payment of the redemption price, on and after the redemption date interest will cease to accrue on the notes or portions thereof called for redemption.

### **Optional Tax Redemption**

The notes of any series may be redeemed at any time, at the option and sole discretion of the Issuer, in whole, but not in part, and upon giving not less than 10 days' nor more than 60 days' prior notice of redemption to the holders (which notice shall be irrevocable) and the trustee, at a redemption price equal to 100% of the principal amount of the relevant series of notes then outstanding together with interest accrued to (but excluding) the date fixed for redemption and any Additional Amounts (as defined below) thereon, if the Issuer has or will become obliged to pay any Additional Amounts with respect to such series of notes as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the notes and such obligation cannot be avoided through the taking of reasonable measures available to the Issuer (an "Additional Amounts Event").

Prior to the giving of any notice of such redemption, the Issuer shall deliver to the trustee (i) a certificate signed by an authorized officer of the Issuer stating that the conditions precedent to the right to so redeem the notes have been fulfilled and (ii) an opinion of independent legal advisors of recognized standing confirming that an Additional Amounts Event has occurred. The trustee shall be entitled to conclusively rely on and accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the holders of the relevant series of the notes.

No notice of redemption for an Additional Amounts Event shall be given sooner than 90 days prior to the earliest date on which the Issuer (or the successor entity) would actually be obliged to pay such Additional Amounts on a payment with respect to the relevant series of the notes.

### **Taxation and Additional Amounts**

All payments of principal, premium (if any) and interest in respect of the notes by the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments, levies or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision of, or any authority in, or of, Japan having power to tax (“Japanese Taxes”), unless such withholding or deduction is required by law. In such event, the Issuer shall pay to the holder of each note such additional amounts (all such amounts being referred to herein as “Additional Amounts”) as may be necessary so that the net amounts received by such holder after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of such note in the absence of such withholding or deduction.

However, no such Additional Amounts shall be payable in relation to any such withholding or deduction in respect of any payment on any note:

- (i) to or for the benefit of a holder or beneficial owner of a note who is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Japanese Taxes in respect of such note by reason of its (A) having some present or former connection with Japan other than the mere holding of such note or (B) being a person having a special relationship with the Issuer as described in Article 6, Paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the “Special Taxation Measures Act”) and Article 3-2-2, Paragraphs (5) to (7) of the Order for Enforcement of the Act on Special Measures Concerning Taxation of Japan (Cabinet Order No. 43 of 1957, as amended) (the “Cabinet Order”) (a “Specially-related Person of the Issuer”);
- (ii) to or for the benefit of a holder or beneficial owner of a note who would otherwise be exempt from any such withholding or deduction but (A) who fails to comply with any applicable requirement to provide certification, information, documents or other evidence concerning its nationality, residence, identity or connection with Japan, including any requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to the Issuer or the paying agent, as appropriate, or (B) whose Interest Recipient Information is not duly communicated through the Participant (as defined below) and the relevant international clearing organization to the paying agent;
- (iii) to or for the benefit of a holder or beneficial owner of a note who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation who duly notifies (directly, or through the Participant or otherwise) the paying agent of its status as not being subject to Japanese Taxes to be withheld or deducted by the Issuer by reason of such individual resident of Japan or Japanese corporation receiving interest on the relevant note through a payment handling agent in Japan appointed by it);
- (iv) to or for the benefit of a holder or beneficial owner of a note who presents the note for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below), except to the extent that such holder or beneficial owner of the note would have been entitled to such Additional Amounts on presenting the same for payment on any date during such 30-day period;
- (v) to or for the benefit of a holder or beneficial owner of a note who is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, any note, where Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each

case, who would not have been entitled to such Additional Amounts had it been the holder of such note; or

(vi) any combination of (i) through (v) above.

None of the Issuer, the trustee, any paying agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any note pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended, commonly referred to as FATCA, any law, regulation or other official guidance implementing FATCA, or an intergovernmental agreement with respect thereto, or any agreement between the Issuer, the trustee or a paying agent and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

Where a note is held through a participant of an international clearing organization or a financial intermediary (each, a “Participant”), in order to receive payments free of withholding or deduction by the Issuer for, or on account of, Japanese Taxes, if the relevant beneficial owner of the note is (a) an individual non-resident of Japan or a non-Japanese corporation that in either case is not a Specially-related Person of the Issuer or (b) a Japanese financial institution (a “Designated Financial Institution”) falling under certain categories prescribed by Article 6, Paragraph (11) of the Special Taxation Measures Act, and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder, the “Act”), all in accordance with the Act, such beneficial owner of the note must, at the time of entrusting a Participant with the custody of the relevant note, provide certain information prescribed by the Act to enable the Participant to establish that such beneficial owner of the note is exempted from the requirement for Japanese Taxes to be withheld or deducted (the “Interest Recipient Information”), and advise the Participant if the beneficial owner of the note ceases to be so exempted, including the case where the relevant beneficial owner of the note who is an individual non-resident of Japan or a non-Japanese corporation becomes a Specially-related Person of the Issuer.

Where a note is not held by a Participant, in order to receive payments free of withholding or deduction by the Issuer for, or on account of, Japanese Taxes, if the relevant beneficial owner of the note is (a) an individual non-resident of Japan or a non-Japanese corporation that in either case is not a Specially-related Person of the Issuer or (b) a Designated Financial Institution, all in accordance with the Act, such beneficial owner of the note must, prior to each date on which it receives interest, submit to the Issuer or a paying agent, as appropriate, a written application for tax exemption (*hikazei tekiyo shinkokusho*) (a “Written Application for Tax Exemption”) in the form obtainable from the Issuer or any paying agent, as appropriate, stating, among other things, the name and address (and, if applicable, the Japanese individual or corporation ID number) of such beneficial owner of the note, the title of the notes, the relevant Interest Payment Date, the amount of interest payable and the fact that such beneficial owner of the note is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence. If the relevant beneficial owner of the note provides to a paying agent the information required to be stated in the Written Application for Tax Exemption in an electronic form prescribed by the Act, such beneficial owner of the note will be deemed to have submitted the Written Application for Tax Exemption to the paying agent.

As used herein, the “Relevant Date” means the date on which any payment in respect of a note first becomes due, except that, if the full amount of the moneys payable has not been duly received by the paying agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of the notes in accordance with the Indenture.

By subscribing for the notes, an investor will be deemed to have represented that it is a beneficial owner that is, (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-related Person of the Issuer; or (ii) a Designated Financial Institution. For more details regarding Japanese withholding tax, see “Taxation—Japanese Taxation.”

The Issuer will make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. The Issuer will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, the Issuer will use reasonable efforts to obtain other evidence satisfactory to the paying agent, and the paying agent shall make such certified copies or other evidence available to the holders or the beneficial owners of the notes upon request.

The obligation to pay Additional Amounts shall not apply to (A) any estate, inheritance, gift, excise, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (B) any tax, duty, assessment, fee or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal or interest on the notes. Except as otherwise set forth in the notes and in the Indenture, the Issuer shall pay all stamp, court, excise or other documentary taxes, charges or similar levies which may be imposed by Japan, the United States or any respective political subdivision or any taxing authority thereof or therein, with respect to the execution of the Indenture or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the notes.

References to principal, premium (if any) or interest in respect of the notes shall be deemed to include any Additional Amounts due which may be payable as set forth in the notes and the Indenture.

### **Merger, Consolidation, Sale or Disposition**

The Indenture contains provisions permitting the Issuer, without the consent of the holders of the notes, to merge or consolidate with or merge into, or sell, assign, transfer, lease or convey all or substantially all of its properties or assets to any person or persons, provided that (a) the Issuer is the surviving party of such consolidation, merger, sale, assignment, transfer, lease or conveyance, or (b) the entity formed by such consolidation or into which the Issuer is merged, or the entity that acquires by conveyance or transfer of all or substantially all of the properties and assets of the Issuer is a joint stock company (*kabushiki kaisha*) incorporated with limited liability under the laws of Japan and expressly assumes the Issuer's obligations under the Indenture and on all series of securities issued thereunder and certain other conditions are met, including that, immediately after giving effect to such transaction, no event of default under the Indenture has occurred and is continuing. Before the consummation of the proposed consolidation, merger, sale, assignment, transfer, lease or conveyance, the Issuer shall deliver an officer's certificate, and an opinion of counsel, to the effect that the conditions set forth above and in the Indenture have been met. The trustee shall be entitled to rely conclusively upon such officer's certificate and opinion of counsel.

### **Negative Pledge**

So long as any of the notes remain outstanding, the Issuer will not create or permit to subsist any Lien (as defined below) on any of its property, assets or revenues, present or future, to secure, for the benefit of the holders of Public External Indebtedness (as defined below), payment of any sum owing in respect of any such Public External Indebtedness, any payment under any guarantee of any such Public External Indebtedness or any payment under any indemnity or other like obligation relating to any such Public External Indebtedness, unless contemporaneously therewith effective provision is made to secure the notes equally and ratably with such Public External Indebtedness with a similar Lien on the same property, assets or revenues securing such Public External Indebtedness for so long as such Public External Indebtedness are secured by such Lien. Notwithstanding the foregoing, this restriction will not apply to Liens on money paid to or money or securities deposited by the Issuer with a fiscal agent, trustee or depository to pay, defease or discharge in full over time its obligations in respect of other Public External Indebtedness (provided that such money or securities so paid or deposited, and the proceeds therefrom, will be sufficient to pay or discharge such obligations in full).

"Lien" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom, prior to any general creditor of the owner thereof.

"Public External Indebtedness" means bonds, debentures, notes or other similar investment securities of the Issuer or any other person evidencing indebtedness for borrowed moneys of, or any guarantees thereof, which (a) are either (i) by their terms payable, or confer a right to receive payment, in any currency other than Japanese yen or (ii) denominated in Japanese yen and more than 50% of the aggregate principal amount thereof is initially distributed outside of Japan by or with the authorization of the issuer thereof; and (b) are capable of being or are intended to be, quoted, listed, ordinarily dealt in or traded on a stock exchange or over-the-counter or other securities market outside Japan.

### **Issuer Right to Require Resale**

Any purported sale or transfer of a note (or beneficial interest therein) which is not made in compliance with the transfer restrictions set forth under "Transfer Restrictions" herein will be void and will not be honored by the

Issuer. The Issuer has the right under the Indenture to require any holder of a note (or beneficial interest therein) that is a U.S. person and is determined not to have been both a QIB and a QP at the time of acquisition of such note (or such beneficial interest therein) or is otherwise determined to be in breach, at the time given, of any of the representations and agreements set forth under “Transfer Restrictions” herein to sell such note (or such beneficial interest therein), within 30 days after notice of the sale requirement is given, to a transferee acceptable to the Issuer who is able to and who does make all of the representations and agreement set forth in “Transfer Restrictions” herein. Pending such transfer, such holder will be deemed not to be the holder of such notes for any purpose, including but not limited to receipt of principal and interest payments on such notes, and such holder will be deemed to have no interest whatsoever in such notes except as otherwise required to sell its interest therein as described in this paragraph. See “Transfer Restrictions—Compliance Procedures for Purpose of Section 3(c)(7) of the Investment Company Act—Forced Sale for Non-QIBs/QPs.”

## Events of Default

Holders of the notes of a series will have certain rights if an event of default occurs. References to an event of default mean any of the following:

- (i) default is made in the payment of any interest or Additional Amounts, if any, on any of the notes of such series when it becomes due and payable, and such default continues for a period of 30 days thereafter;
- (ii) default is made in the payment of the principal of or any premium on any of the notes of such series when it becomes due and payable;
- (iii) default by the Issuer in the performance or observance of any other obligation applicable to such series of the notes and such default shall continue for 60 days after the Issuer’s receipt of written notice requiring such default to be remedied from the trustee, or holders of not less than 25% in aggregate outstanding principal amount of the notes of such series;
- (iv) (a) any indebtedness for borrowed monies contracted or incurred by the Issuer exceeding in the aggregate US\$10,000,000 (or its equivalent in any other relevant currency or currencies) is accelerated as a result of a default by any person or any event treated in effect as a default; or (b) the Issuer defaults in the repayment or discharge of any such indebtedness when due or, if later, at the expiration of any grace period originally applicable thereto; or (c) the Issuer shall have failed to pay when due or, if later, at the expiration of any grace period originally applicable thereto any guarantee exceeding in the aggregate US\$10,000,000 (or its equivalent in any other relevant currency or currencies) contracted or incurred by it in respect of any indebtedness for borrowed monies in accordance with the terms of any such guarantee;
- (v) A final and non-appealable order of a court of competent jurisdiction is made or an effective resolution of the Issuer is passed for its winding-up or dissolution except for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction under which the continuing corporation or the corporation formed as a result thereof effectively assumes the Issuer’s entire obligations under the Indenture in relation to the notes;
- (vi) An encumbrancer shall have taken possession, or a trustee or receiver shall have been appointed, in bankruptcy, civil rehabilitation, reorganization or insolvency of the Issuer, of all or substantially all of the Issuer’s assets and undertakings and such possession or appointment shall have continued undischarged and unstayed for a period of 60 days;
- (vii) The Issuer stops payment (within the meaning of the bankruptcy laws of Japan) or ceases to carry on business or is unable to pay its debts generally as and when they fall due;
- (viii) A decree or order by any court having jurisdiction shall have been issued adjudging the Issuer bankrupt or insolvent, or approving a petition seeking with respect to the Issuer a reorganization or liquidation under bankruptcy, civil rehabilitation, reorganization or insolvency laws of Japan, and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or
- (ix) The Issuer initiates or consents to proceedings relating to it under bankruptcy, civil rehabilitation, reorganization or insolvency law of Japan or shall make a conveyance or assignment for the benefit of, or shall enter into any composition with, the Issuer’s creditors generally.

If an event of default with respect to the notes of a series occurs and is continuing, then in every such case (other than an event of default specified in (v), (vi) or (viii) above) the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding notes of each affected series may, and the trustee at the written

request of such holders shall (subject to receiving indemnity and/or security and/or pre-funding to its satisfaction), declare the principal amount of all the notes of such affected series to be due and payable immediately, by a notice in writing to the Issuer (and to the trustee if given by holders), and upon any such declaration such principal amount together with all accrued and unpaid interest, and Additional Amounts, if any, shall become immediately due and payable.

The trustee and the agents need not do anything to ascertain whether any event of default has occurred or is continuing and will not be responsible to holders or any other person for any loss arising from any failure by it to do so, and the trustee or the agents may assume that no default or event of default has occurred and that the Issuer is performing its obligations under the Indenture and the notes unless a Responsible Officer of the trustee or, as the case may be, the agents have received written notice of the occurrence of such default or event of default or facts establishing that the Issuer is not performing its obligations under the Indenture or the notes or a default or an event of default has occurred. Neither the trustee nor the agents shall be required to verify any information in such notice.

“Responsible Officer” means, when used with respect to the trustee, any managing director, vice president, trust associate, relationship manager, transaction manager, client service manager, any trust officer or any other officer located at the Specified Corporate Trust Office who customarily performs functions similar to those performed by any persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject and in each such case, who shall have direct responsibility for the day to day administration of this Indenture.

“Specified Corporate Trust Office” means The Bank of New York Mellon, Singapore Branch located at One Temasek Avenue, #02-01 Millenia Tower, Singapore 039192; Attention: Global Corporate Trust—NTT Finance; E-mail: Ctsingaporegcs@bnymellon.com.

Notwithstanding the foregoing, in the case of an event of default arising under (v), (vi) or (viii) above, the principal of and interest on the outstanding notes will become immediately due and payable without further action by the trustee or the holders or notice.

### **Limitation on Suits**

Other than the right to institute a suit for the enforcement of the payment of principal, premium (if any) or interest (including, in each case, any Additional Amounts, if applicable) in respect of the notes of any series after the applicable due date specified in the notes of such series, no holder of any note of such series has any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture, unless:

- such holder has previously given written notice to the trustee of a continuing event of default;
- the holders of not less than 25% in aggregate principal amount of the notes of such series shall have made written request to the trustee to institute proceedings in respect of such event of default in its own name as trustee;
- such holder or holders have offered to the trustee indemnity and/or security and/or pre-funding satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such written request;
- the trustee for 60 days after its receipt of such written notice, request and offer of indemnity and/or security and/or pre-funding satisfactory to the trustee has failed to institute any such proceeding; and
- no direction inconsistent with such written request has been given to the trustee during such 60-day period by the holders of a majority in aggregate principal amount of the notes of such series.

### **Discharge, Defeasance and Covenant Defeasance**

The Issuer has the ability to eliminate most or all of its obligations on any series of the notes prior to maturity if the Issuer complies, among other conditions, with the following provisions:

*Discharge of Indenture.* The Issuer may discharge all of its obligations with respect to a series of the notes, other than as to transfers and exchanges, under the Indenture after it has:

- (i) paid or caused to be paid the principal of and any premium and interest on all of the outstanding notes of such series, in accordance with their terms;

- (ii) delivered to the paying agent for cancellation all of the outstanding notes of such series; or
- (iii) irrevocably deposited with the trustee (or its agent) cash or U.S. government obligations in trust for the benefit of the holders of any such series of notes that have either become due and payable, or are by their terms due and payable, or are scheduled for redemption, within one year, in an amount certified by an accounting or financial firm of international standing to be sufficient to pay on each date that they become due and payable, the principal of and any premium and interest on those notes. However, the deposit of cash or U.S. government obligations for the benefit of holders of a series of notes that are due and payable, or are scheduled for redemption, within one year will discharge obligations under the Indenture relating only to such series of notes.

*Defeasance of a Series of the Notes at Any Time.* The Issuer may also discharge all of its obligations, other than as to transfers and exchanges, under any series of the notes at any time, which is referred to in this offering circular as defeasance. Alternatively, the Issuer may be released with respect to any outstanding series of notes from the obligations imposed by the covenants described above limiting consolidations, mergers, transfers of assets and the creation of security interests, and elect not to comply with those sections without creating an event of default. Discharge under those procedures is called covenant defeasance.

Defeasance or covenant defeasance may be effected only if, among other things:

- (i) the Issuer irrevocably deposits with the trustee (or its agent) cash or U.S. government obligations, as trust funds in an amount certified to be sufficient to pay on each date that they become due and payable, the principal of and any premium or interest on the notes of such series; and
- (ii) the Issuer delivers to the trustee an opinion of counsel of recognized standing to the effect that:
  - a. the beneficial owners of the series of the notes being defeased will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance or covenant defeasance; and
  - b. the beneficial owners of the notes being defeased will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred.

In the case of a defeasance, the opinion must be based on a ruling of the U.S. Internal Revenue Service or a change in U.S. federal income tax law occurring after the issuance of the notes of such series.

### **Further Issuances**

The Issuer reserves the right, from time to time, without the consent of the holders of the notes, to issue additional notes on terms and conditions identical to those of the notes of a series offered hereby (other than the issue date, the issue price and, in some cases, the first interest payment date), which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the notes of the relevant series; provided, however, that if any additional notes are not fungible with the notes of the relevant series offered hereby for U.S. federal income tax purposes, such additional notes will be issued as a separate series under the Indenture and will have a separate CUSIP, ISIN, Common Code or similar identifying number from the notes of the relevant series offered hereby.

### **Indemnification of Judgment Currency**

The Issuer will indemnify the trustee and each holder of a note to the full extent permitted by applicable law against any loss incurred by the trustee and the holder as a result of any judgment or order being given or made for any amount due under the notes and the judgment or order being expressed and paid in a currency, referred to as judgment currency, other than U.S. dollars and as a result of any variation as between (a) the rate of exchange at which the U.S. dollar is converted into the judgment currency for the purpose of the judgment or order and (b) the spot rate of exchange in The City of New York at which the trustee and the holder on the Business Day after such payment is made pursuant to the judgment or order is able to purchase U.S. dollars with the amount of the judgment currency actually received by the trustee and the holder.

### **Modification and Waiver**

Modification and amendment of the notes of any series and the Indenture may be made by the Issuer and the trustee with the written consent of the holders of at least a majority in aggregate principal amount of the

outstanding notes of each affected series; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding note affected thereby:

- (i) change the maturity date of the principal or payment date of any interest or change any obligation of the Issuer to pay any Additional Amounts;
- (ii) reduce the principal amount of, or rate of interest on, any of the notes;
- (iii) reduce any amount payable on redemption of any of the notes;
- (iv) affect the rights of holders of less than all the outstanding notes;
- (v) change the place of payment where, or the coin or currency in which, any of the notes or interest thereon is payable; or
- (vi) impair the right of a holder to institute suit for the enforcement of any payment on or with respect to any of the notes on or after the date when due;

provided, further, that no such modification may, without the consent of the holders of all of the notes of the affected series outstanding at the time, alter the respective percentages of outstanding notes necessary, pursuant to the Indenture, to modify the terms of the notes, waive past defaults or accelerate the payment of the principal amount of the notes.

It shall not be necessary for any act of holders under the relevant section of the Indenture to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

Notwithstanding the foregoing, without the consent of any holders of the notes of a particular series, the Issuer and the trustee, at any time and from time to time, may enter into one or more supplemental indentures to the Indenture, in form satisfactory to the trustee, for any of the following purposes:

- (i) to secure the notes or any other series of debt securities issued under the Indenture, provided it does not breach the negative pledge described above under “—Negative Pledge”;
- (ii) to evidence the succession of another corporation, entity or person to the Issuer and the assumption by any such successor of the Issuer’s covenants in the Indenture and the notes;
- (iii) to add to the Issuer’s covenants or to surrender any right or power in the Indenture conferred upon the Issuer for the benefit of the holders of the notes;
- (iv) to evidence and provide for the acceptance of appointment under the Indenture by a successor trustee;
- (v) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be defective or inconsistent with any other provision in the Indenture or applicable laws, or to make any other provisions with respect to matters or questions arising under the Indenture, provided that such action shall not adversely affect the interests of the holders of the notes in any material respect;
- (vi) to establish the forms or terms of any subsequent series of debt securities to be issued under the Indenture;
- (vii) to effect any changes to the Indenture in a manner necessary to comply with the procedures of any applicable clearing system, provided that such action shall not adversely affect the interests of the holders of the notes in any material respect; or
- (viii) to make any other change that does not adversely affect the interests of the holders of the notes in any material respect.

#### **Paying Agent, Transfer Agent and Notes Registrar**

The Bank of New York Mellon, located in 240 Greenwich Street, New York, NY 10286, United States of America, will initially act as paying agent, transfer agent and registrar (collectively, the “agents”) for the notes. The Issuer may change the paying agent, transfer agent or registrar without prior notice to the holders of the notes, and the Issuer or any of its subsidiaries may act as paying agent, transfer agent or registrar.

#### **The Trustee**

The trustee, The Bank of New York Mellon, is a banking corporation incorporated and existing under the laws of the United States of America, with its registered office located in 240 Greenwich Street, New York, NY

10286, United States of America. The Indenture provides that during the existence of an event of default with respect to the notes, the trustee will exercise the rights and powers vested in it by the Indenture, and use the same degree of care and skill in the exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. In the absence of an event of default with respect to the notes, the trustee need only perform the duties specifically set forth in the Indenture.

The Indenture does not contain limitations on the rights of the trustee under the Indenture, should it be or become a creditor of the Issuer, to obtain payment of claims. The trustee is not precluded from engaging in other transactions with the Issuer.

The trustee will be under no obligation to exercise any rights or powers vested in it by the Indenture at the request or direction of any holder, unless the requisite number of holders of such series have instructed the trustee in writing and offered to the trustee security and/or indemnity and/or pre-funding satisfactory to it against the costs, expenses (including the fees and properly incurred expenses of its counsel) and liabilities which might be incurred by it in compliance with such request or direction.

### **Successor Trustee**

Any successor trustee appointed pursuant to the terms of the Indenture shall have a combined capital and surplus of not less than \$50,000,000 and shall be a bank or trust company organized and doing business under the laws of the United States or of the State of New York, in good standing and having an office in the Borough of Manhattan, The City of New York.

### **Repayment of Funds**

Any money deposited by the Issuer with the trustee or a paying agent in trust for payment of principal of or interest and any Additional Amounts on any note which remains unclaimed for two years after such principal, interest or Additional Amounts have become due and payable and paid to the trustee shall, upon the written request of the Issuer, be repaid to the Issuer and all liability of the trustee or such paying agent with respect to such payments will cease, and to the extent permitted by law, the holder of that note shall thereafter look only to the Issuer for payment thereof.

### **Reporting Requirements**

For as long as any notes are outstanding, the Issuer will promptly furnish to the trustee (for the benefit of the holders of the notes):

- (i) within three months after the end of each fiscal year, English translations of consolidated balance sheets and consolidated statements of income, changes in net assets and cash flows of the Issuer prepared in accordance with Japanese GAAP and audited by independent auditors; and
- (ii) as soon as practicable after any interim fiscal period (other than the fourth quarter of each fiscal year), English translations of any interim consolidated balance sheets and consolidated statements of income and cash flows of the Issuer prepared in accordance with Japanese GAAP for such interim fiscal period that are required to be published pursuant to applicable Japanese laws and regulations or are otherwise published by the Issuer.

To the extent any reports or other documents are published by the Issuer on its investor relations website for such reports or documents or any other publicly available electronic medium, such reports or other documents shall be deemed to have been furnished to the holders of the notes.

### **Governing Law; Consent to Jurisdiction and Service of Process; Communications**

The Indenture is and the notes will be governed by, and construed in accordance with, the laws of the State of New York.

The Issuer has irrevocably submitted to the non-exclusive jurisdiction of the courts of any New York State or United States federal court sitting in the Borough of Manhattan, The City of New York with respect to any action that may be brought in connection with the Indenture or the notes. As long as any of the notes remain outstanding, the Issuer will at all times have an authorized agent with an office in the Borough of Manhattan, The City of New York upon whom process may be served in any action arising out of or relating to the Indenture or

the notes. The Issuer has appointed Cogeneity Global Inc. with offices located at 122 East 42nd Street, 18<sup>th</sup> Floor, New York, NY 10168 as its initial agent for such purpose.

### **Methods of Receiving Payments**

The principal of, and interest and Additional Amounts on, the notes represented by global notes will be payable in U.S. dollars. The paying agent will hold all sums received by it for the payment of the principal and interest on the notes in trust for the benefit of the holders of the notes. The Issuer will cause the trustee or the paying agent to pay such amounts, on the dates on which payment is to be made, directly to DTC.

### **Book-Entry; Delivery and Form**

The notes will initially be issued to investors only in book-entry form. The notes sold in offshore transactions to persons other than U.S. persons in reliance on Regulation S will be initially in the form of one or more fully-registered global notes (the “Regulation S Global Notes”), and the notes sold to persons reasonably believed to be QIBs who are also QPs in reliance on Rule 144A will initially be in the form of one or more fully-registered global notes (the “Rule 144A Global Notes” and, together with the Regulation S Global Notes, the “Global Notes”). The Global Notes will be issued and registered in the name of Cede & Co., acting as nominee for DTC, which will act as securities depository for the notes. The Global Notes will initially be deposited with The Bank of New York Mellon, acting as custodian for DTC.

The notes (including beneficial interests in the Global Notes) will be subject to certain restrictions on transfer set forth in the notes and the Indenture and will bear a legend regarding the restrictions as set forth under “Transfer Restrictions.” Under certain circumstances, transfers may be made only upon receipt by the trustee of a written certification or certifications (in the form provided in the Indenture).

Prior to the fortieth day after the later of the commencement of the offering and the date of the issuance of the notes, beneficial interests in a Regulation S Global Note may be transferred within the United States to a person who takes delivery in the form of an interest in the related Rule 144A Global Note only upon receipt by the transfer agent of a written certification (in the form provided in the Indenture) (a) from the transferee to the effect that such transferee (i) is a QIB who is also a QP purchasing for its own account (or for the account of one or more QIBs who are QPs over which account it exercises sole investment discretion) and (ii) agrees to comply with the restrictions on transfer set forth under “Transfer Restrictions,” and (b) from the transferor to the effect that the transfer was made to a person whom the transferor reasonably believes is a QIB who is also a QP acquiring for its own account or the account of a QIB who is also a QP and that the transferor has notified the transferee of the restrictions on transfer set forth under “Transfer Restrictions.” After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions set forth under “Transfer Restrictions.”

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only upon receipt by the transfer agent of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in compliance with the restrictions on transfer set forth under “Transfer Restrictions” and pursuant to and in accordance with Rule 903 or 904 of Regulation S.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note without any written certification from the transferor or the transferee, but such transfers will continue to be subject to the transfer restrictions contained in the legend regarding such restrictions set forth under “Transfer Restrictions.”

Any beneficial interest in one of the Global Notes that is transferred to an entity that takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interest in such other Global Note for as long as it remains such an interest.

Persons that acquire beneficial ownership interests in the Global Notes will hold their interests through DTC in the United States or through Euroclear or Clearstream in Europe, if they are participants of those systems, or indirectly through organizations that are participants in those systems. Euroclear and Clearstream will hold omnibus positions on behalf of their participants through customers’ securities accounts in Euroclear’s and

Clearstream's names on the books of their respective depositories, which in turn will hold those positions in customers' securities accounts in the depositories' names on the books of DTC. Unless and until notes in definitive form ("Definitive Notes") are issued, the only holder of the notes will be Cede & Co., as nominee of DTC, or the nominee of a successor depository. Beneficial owners will be permitted to exercise their rights only indirectly through DTC, Euroclear, Clearstream and their participants. In considering the interests of holders of the notes while title to the Global Notes is registered in the name of a nominee of DTC or in the name of a successor depository, the trustee or the agents may rely conclusively upon any information made available to it by DTC or such successor depository as to the identity (either individually or by category) of its participants with entitlements to the Global Notes and may consider such interests as if such participants were the holders of the notes.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with it. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in its participants' accounts, thereby eliminating the need for physical movement of securities certificates. Participants in DTC include Euroclear and Clearstream, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to others, such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions among its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries.

Euroclear is operated by Euroclear Bank SA/NV (the "Euroclear Operator"), under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation (the "Cooperative"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the initial purchasers or their affiliates. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear Operator is regulated and examined by the Belgian Banking and Finance Commission. Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law. These Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding securities through Euroclear participants.

Under Belgian law, the Euroclear Operator is required to pass on the benefits of ownership in any interests in securities on deposit with it, such as dividends, voting rights and other entitlements, to any person credited with such interests in securities on its records.

Clearstream is a limited liability company organized under Luxembourg law. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. Clearstream is registered as a bank in Luxembourg, and as such is subject to regulation by the

Luxembourg Commission de Surveillance du Secteur Financier. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with a Clearstream participant.

Purchases of notes within the DTC system must be made by or through the DTC participants, which will receive a credit for the notes on DTC's records and on the records of Euroclear or Clearstream, if applicable. The ownership interest of each actual purchaser of notes, a beneficial owner of an interest in a Global Note, is in turn to be recorded on the DTC participants' and indirect participants' records.

Beneficial owners of interests in a Global Note will not receive written confirmation from DTC, Euroclear or Clearstream of their purchases, but they are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the DTC participants or indirect participants through which they purchased the notes. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of the DTC participants and indirect participants acting on behalf of beneficial owners of interests in a Global Note. Beneficial owners of interests in a Global Note will not receive certificates representing their ownership interests in the notes unless use of the book-entry system for the notes is discontinued.

### ***Transfers among DTC, Euroclear and Clearstream***

Transfers between DTC participants will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes, cross-market transfers between persons holding, directly or indirectly through DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant European depositary; however, those crossmarket transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the relevant European depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the European depositaries.

Because of time zone differences, credits of securities received in Euroclear or Clearstream as a result of a transaction with a person that does not hold the notes through Euroclear or Clearstream will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Euroclear or Clearstream as a result of sales of securities by or through a Euroclear participant or a Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

### ***Limitations on Responsibilities***

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a Global Note. DTC's records reflect only the identity of the DTC participants to whose accounts those notes are credited, which may or may not be the beneficial owners of interests in a Global Note. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts those notes are credited, which also may or may not be the beneficial owners of interests in a Global Note. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

### ***DTC's Procedures for Notices, Voting and Payments***

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or that nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the Global Note for all

purposes under the notes and the Indenture. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture.

DTC has advised that it will take any action permitted to be taken by a holder of notes, including the presentation of notes for exchange as described below, only at the direction of one or more of its participants to whose account DTC's interests in the Global Notes are credited and only in respect of that portion of the aggregate principal amount of notes as to which that participant or participants has or have given the direction.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of interests in a Global Note will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The paying agent will make payments of principal of, and premium and interest on the notes and send any notices in respect of the notes held in book-entry form to Cede & Co. Payment of principal of, and premium and interest on the notes held in book-entry form will be made to Cede & Co. or another nominee of DTC in immediately available funds. DTC's practice is to credit its participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on that payment date. Payments by DTC's participants and indirect participants to beneficial owners of interests in a Global Note will be governed by standing instructions and customary practices, and will be the responsibility of those participants and indirect participants and not of DTC or the Issuer, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal of, and premium and interest on the notes or other amounts to DTC is the responsibility of the Issuer, disbursement of these payments to participants is the responsibility of DTC, and disbursement of those payments to the beneficial owner of an interest in a Global Note is the responsibility of participants and indirect participants.

Except as described in this offering circular, a beneficial owner of an interest in a Global Note will not be entitled to receive physical delivery of notes. Accordingly, each beneficial owner of an interest in a Global Note must rely on the procedures of DTC to exercise any rights under the notes.

The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of beneficial owners of interests in a Global Note to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants, none of them is under any obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time. Neither the Issuer, the trustee nor any agent will have any responsibility for the performance by DTC, Euroclear, Clearstream or their participants or indirect participants under the rules and procedures governing them. DTC, Euroclear and Clearstream may discontinue providing their services as securities depository with respect to the notes at any time by giving notice to the Issuer. Under those circumstances, Definitive Notes would be delivered as described below.

The information in this section concerning DTC, Euroclear and Clearstream and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer does not take responsibility for the accuracy thereof.

#### ***Exchange of Global Notes for Definitive Notes***

No Definitive Notes will be issued in exchange for the Global Notes unless (i) DTC is at any time unwilling or unable to continue as a depository for the Global Notes or has ceased to be qualified to act as such as required by the Indenture and a successor depository is not appointed within 90 days or (ii) there shall have occurred and be continuing an event of default with respect to the notes. Definitive Notes delivered in exchange for beneficial interests in any Global Note will be registered in such names, and issued in such approved denominations, as directed by DTC or the successor depository, in accordance with its customary procedures, and will be issued without coupons.

The principal amount of the Definitive Notes will be payable by the paying agent by wired transfer, upon presentation and surrender of the notes at the offices of the Issuer or at the principal office of the paying agent in The City of New York or at such other place or places in the Borough of Manhattan, The City of New York as the trustee shall designate by notice to the holders of the notes. If the Issuer acts as its own paying agent, interest on the Definitive Notes will be payable by check, drawn on a bank in The City of New York, mailed to the persons in whose names the notes, or one or more predecessor notes, are registered on each interest payment record date. Notwithstanding the foregoing, the person in whose name a note is registered may elect to receive payments of principal or interest by wire transfer in immediately available funds to a bank account in The City of New York designated by such person in a written notice received by the trustee (a) in the case of a payment of interest, no later than 15 calendar days prior to the Interest Payment Date on which such payment is due and (b) in the case of payment of principal on the maturity date, no later than 15 calendar days prior to the maturity date, provided that in the case of such payment of principal, the note shall have been surrendered to the paying agent for payment together with such notice.

### ***Enforcement***

For the purposes of enforcement of the provisions of the Indenture against the trustee, the persons named in a certificate of the holder of any Global Note in respect of which a Global Note is issued will be recognized as the beneficiaries of the Indenture, to the extent of the principal amounts of their interests in the notes set out in the certificate of the holder, as if they were themselves the holders of the notes in such principal amounts.

### **Clearance and Settlement**

The notes have been accepted for clearance through DTC, Euroclear and Clearstream.

### **Minimum Board Lot Size on the SGX-ST**

The notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies) for so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require.

## TAXATION

The following summaries are not intended to be a complete analysis of the tax consequences under Japanese or United States law as a result of the acquisition, ownership and sale of notes by investors. Potential investors should consult their own tax advisers on the tax consequences of acquisition, ownership, sale, and other relevant circumstances concerning the notes, including specifically the applicable tax consequences under Japanese or United States law, the law of the jurisdiction of their country of residence (if different) and any tax treaty between Japan and their country of residence.

### Japanese Taxation

*The following is a general description of certain aspects of Japanese taxation applicable to the notes. It does not purport to be a comprehensive description of the tax aspects of the notes. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.*

*Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on current tax laws and regulations in Japan and current income tax treaties executed by Japan all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statements in this offering circular are to be regarded as advice on the tax position of any beneficial owner of the notes or any person purchasing, selling or otherwise dealing in the notes or any tax implication arising from the purchase, sale or other dealings in respect of the notes.*

### The Notes

The notes do not fall under the concept of so called “taxable linked notes” as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, being notes of which the amount of interest is to be calculated or determined by reference to certain indicators (as prescribed in the Cabinet Order) in respect of the issuer of such notes or any other person who has a special relationship with such issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is directly or indirectly controlled by a person who also directly or indirectly controls, such issuer) as described in Article 6, Paragraph (4) of the Special Taxation Measures Act and Article 3-2-2, Paragraphs (5) to (7) of the Cabinet Order.

### Interest Payments on the Notes

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the notes, where the notes are issued by us outside Japan and payable outside Japan. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

#### 1) Non-Resident Holders that are not Specially-Related Persons

If the recipient of interest on the notes is a holder or beneficial owner of the notes that is, for Japanese tax purposes, an individual non-resident of Japan or a non-Japanese corporation, or a non-resident holder, as described below, the Japanese tax consequences to such non-resident holder are significantly different depending upon whether such non-resident holder is a specially-related person. Most importantly, if such non-resident holder is a specially-related person, income tax at the rate of 15.315% of the amount of such interest will be withheld by us under Japanese tax law.

- a. If the recipient of interest on the notes is a non-resident holder that is not a specially-related person having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the notes is not attributable to such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding, deduction or otherwise, if such recipient complies with certain requirements, inter alia:
  - (i) if the relevant notes are held through certain participants in an international clearing organization such as DTC, Euroclear and Clearstream or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder), or the Law in this Japanese taxation section, the requirement to provide, at the time of entrusting a “participant” within the meaning of each such participant or financial intermediary with the custody of the relevant notes the Interest Recipient Information (as

defined in “Description of the Notes—Taxation and Additional Amounts”), and to advise the participant if such non-resident holder ceases to be so exempted (including the case where it became a specially-related person); and

- (ii) if the relevant notes are not held through a participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) or certain information to be stated in such written application in an electronic form (the “Written Application for Tax Exemption”) together with certain documentary evidence. Failure to comply with the foregoing requirements (including the case where the Interest Recipient Information is not duly communicated through a participant or to the relevant paying agent as required under the Law) will result in the withholding by us of income tax at the rate of 15.315% of the amount of such interest.
- b. If the recipient of interest on the notes is a non-resident holder having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315% withholding tax by us, if the recipient provides the Interest Recipient Information or submits the written application for tax exemption as set out in paragraph (a) above. Failure to do so will result in the withholding by us of income tax at the rate of 15.315% of the amount of such interest. The amount of such interest will be aggregated with the recipient’s other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

## 2) Resident Holders, and Non-Resident Holders that are Specially-Related Persons

Payments of interest on the notes to be made to a holder or beneficial owner of the notes that is, for Japanese tax purposes, an individual resident of Japan or a Japanese corporation, or a resident holder (except for (a) a designated financial institution which has complied with the requirements under Article 6 of the Special Taxation Measures Act and (b) a public corporation, a financial institution, a financial instruments business Operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act which has received interest through a payment handling agent in Japan as defined in Article 3-3, Paragraph (1) of the Special Taxation Measures Act and Article 2-2, Paragraph (2) of the Cabinet Order), or to a non-resident holder that is a specially-related person will be subject to deduction in respect of Japanese income tax at the rate of 15.315%.

For an individual resident of Japan and an individual non-resident of Japan that is a specially-related person having a permanent establishment in Japan, interest on the notes in general constitutes taxable income, together with other interest, dividends and capital gains arising from certain specified notes and listed shares, and is subject to income taxation by reporting at the rate of 15.315%. Such interest income may be offset against capital losses arising from sale of certain specified notes or listed shares by filing a tax return. The withholding tax referred to above will in general be credited against their income tax liability reportable by their tax return. Alternatively, they may elect to finalize their income tax liability only by the withholding tax referred to above without filing a tax return.

For an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially related person having no permanent establishment in Japan, the Japanese taxation is finalized only by the withholding tax referred to above.

Under the Law, if a non-resident holder becomes a specially-related person, and if the notes are held through a participant, then such non-resident holder is required to notify the participant of such change in status by the immediately following interest payment date of the notes. As the status of such non-resident holder as a specially-related person for Japanese withholding tax purposes is determined based on the status as at the beginning of our fiscal year in which the relevant interest payment date falls, such non-resident holder should, by such notification, identify and advise the participant of the specific interest payment date on which Japanese withholding tax commences to apply with respect to such non-resident holder as being a specially-related person.

The Japanese withholding tax imposed upon interest on the notes paid to a non-resident holder that is a specially-related person as mentioned above may be reduced or exempted by an income tax treaty between Japan and the country of residence of such non-resident holder in accordance with its terms.

## ***Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax***

Gains derived from the sale of notes outside Japan by an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the notes in connection with the issue of the notes, nor will such taxes be payable by holders of the notes in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired notes from another individual as legatee, heir or donee.

### **United States Federal Income Taxation**

The following is a summary of United States federal income tax considerations generally applicable to the ownership and disposition of notes by a “U.S. holder” (as defined below) who acquires our notes upon original issuance at their initial offering price and who holds the notes as “capital assets” (generally, property held for investment) for United States federal income tax purposes. This summary is based upon the Internal Revenue Code of 1986, as amended (the “Code”), United States Treasury regulations, judicial decisions, published positions of the Internal Revenue Service (“IRS”), and other applicable authorities, all as in effect as of the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of those set forth below. This summary does not discuss all aspects of United States federal income taxation which may be important to particular investors in light of their individual investment circumstances, such as investors subject to special tax rules (e.g., banks or other financial institutions, insurance companies, broker-dealers, traders in securities that have elected the mark-to-market method of accounting, partnerships (or other pass-through entities) and their partners, real estate investment trusts, regulated investment companies, controlled foreign corporations, passive foreign investment companies, pension plans, cooperatives, tax-exempt organizations (including private foundations)), investors who are not U.S. holders, certain United States expatriates, investors subject to any minimum tax, investors who hold notes as part of a straddle, hedge, constructive sale or other integrated security transaction, investors required to accelerate the recognition of any item of gross income with respect to the notes as a result of such income being recognized on an applicable financial statement, or investors whose functional currency is not the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not address any state, local, non-United States, or non-income tax (such as United States federal gift and estate tax) considerations or the Medicare surtax on net investment income. You are urged to consult your tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our notes.

For purposes of this summary, a “U.S. holder” is a beneficial owner of our notes that is, for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation created in, or organized under the laws of, the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has an election in effect under applicable United States Treasury regulations to be treated as a United States person.

If a partnership or other entity treated as a partnership is a beneficial owner of the notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner of a partnership holding the notes, you are urged to consult your tax advisers regarding the United States federal income tax considerations of an investment in the notes.

### ***Payments of Interest***

The gross amount of any interest on the notes (including any Japanese or other foreign taxes withheld from the interest payments and any additional amounts paid in respect of such taxes withheld) will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for United States federal income tax purposes.

Interest income in respect of the notes will generally constitute foreign-source income for purposes of computing the foreign tax credit allowable under the United States federal income tax laws. The rules governing the foreign tax credit are complex. U.S. holders should consult their own tax advisors regarding the availability of foreign tax credits or deductions in respect of foreign taxes paid or accrued and the treatment of additional amounts (if any).

***Sale, Exchange or Other Disposition of the Notes***

Upon the sale, exchange or other taxable disposition of a note, you will generally recognize gain or loss equal to the difference between the amount realized upon the sale, exchange or other disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as ordinary interest income, as described in “—Payments of Interest” above, to the extent not previously included in income) and your tax basis in the note. Your tax basis in a note will generally be the purchase price for the note reduced by any principal payments previously received with respect to the note. Any gain or loss recognized on the sale, exchange or other taxable disposition will be capital gain or loss and will be long-term capital gain or loss if the note was held for more than one year. Certain non-corporate U.S. holders (including individuals) may qualify for preferential rates of United States federal income taxation in respect of long-term capital gains. The deductibility of capital losses is subject to certain limitations. Any gain or loss recognized by a U.S. holder on the sale, exchange, redemption, retirement or other disposition of a note will generally be treated as U.S.-source gain or loss, as the case may be. U.S. holders should consult their own tax advisors regarding the tax consequences of the sale, exchange or other taxable disposition of a note under their particular circumstances.

## CERTAIN ERISA AND BENEFIT PLAN CONSIDERATIONS

The following is a summary of certain considerations associated with an investment in the notes (including any interest in a note) by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, (“ERISA”), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the U.S. Internal Revenue Code (the “Code”), or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (“Similar Laws”), and entities whose underlying assets are considered to include “plan assets” of any such employee benefit plan, account or arrangement (each, a “Plan”).

### General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code, (a “Covered Plan”), and prohibit certain transactions involving the assets of a Covered Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of a Covered Plan or the management or disposition of the assets of a Covered Plan, or who renders investment advice for a fee or other compensation to a Covered Plan, is generally considered to be a fiduciary of the Covered Plan. The fiduciary to a Covered Plan responsible with respect to the investment in notes should note, and will be deemed to acknowledge, that (unless an exemption applies under ERISA) neither we, the initial purchasers nor any of our and their affiliates and agents are undertaking or will undertake to provide advice in a fiduciary capacity to the Covered Plan in connection with the Covered Plan’s investment in the notes.

In considering an investment in the notes of a portion of the assets of any Plan, a fiduciary should determine, among other things, that the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary’s duties to the Plan including, without limitation, as applicable, the prudence, diversification, delegation of control, conflict of interest and prohibited transaction provisions of ERISA and the Code with respect to Covered Plans, and any other applicable Similar Laws.

### Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit Covered Plans from engaging in specified transactions involving plan assets with persons or entities who are “parties in interest,” within the meaning of ERISA, or “disqualified persons,” within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the Covered Plan that engages in such a non-exempt prohibited transaction may also be subject to penalties and other liabilities under ERISA and the Code. For example, the acquisition and/or holding of the notes (including any interest in a note) by a Covered Plan with respect to which we or an initial purchaser or any of our or their affiliates (collectively, “the Transaction Parties”) are considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the notes are acquired and held in accordance with an applicable statutory, class or individual prohibited transaction exemption.

In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions (“PTCEs”), that may potentially apply to prohibited investments in the notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Covered Plan involved in the transaction and provided further that the Covered Plan pays no more than adequate consideration in connection with the transaction. There can be no assurance that any of the above-described exemptions or any other exemption will apply to any or all transactions in connection with an investment in the notes by a Covered Plan that may otherwise be prohibited, or that all of the conditions of any such exemptions or any other exemption will be satisfied.

Governmental plans, church plans and non-U.S. plans while generally not subject to ERISA but may be subject to Similar Law. Plans that are subject to Similar Law may purchase or hold a note or interest therein only in compliance with such Similar Law, including any applicable statutory or administrative prohibited transaction exemption available under such Similar Law.

## **Representation**

Accordingly, by acceptance of the notes (including any interest in a note), each purchaser and subsequent transferee of the notes will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the notes (including any interest in a note) constitutes assets of any Plan or (ii) the purchase, holding and subsequent disposition of the notes (including any interest in a note) by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Laws, and none of the Transaction Parties has acted or will act as the Plan's fiduciary in connection with the Plan's acquisition of the notes in this offering.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions or other violations, it is particularly important that fiduciaries, or other persons considering purchasing the notes or any interest in a note on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be necessary, and if so, applicable with regards to the purchase and holding of the notes (or any interest therein). The sale of notes (or any interest in a note) to a Plan is in no respect a representation to any purchaser or subsequent transferee by any of the Transaction Parties that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or a representation or that such an investment is appropriate for Plans generally or any particular Plan. Further, nothing herein should be considered a recommendation or advice with respect to the acquisition or holding of a note (or any interest in a note) by a Plan. Purchasers of notes (including any interest in a note) have the exclusive responsibility for ensuring, to the extent applicable, that their investment in the notes complies with the fiduciary responsibility rules of ERISA and does not violate the prohibited transaction rules of ERISA, the Code or any applicable Similar Laws.

## TRANSFER RESTRICTIONS

*Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the notes.*

The offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction. Accordingly, the notes may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except (a) to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A that are also qualified purchasers (as defined in Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder) and (b) outside the U.S. to persons other than “U.S. persons” (as defined in Rule 902 under the Securities Act) in offshore transactions in compliance with Regulation S.

For a discussion of the requirements to effect exchanges or transfers of interests in the Global Notes, see “Description of the Notes—Book-Entry; Delivery and Form.”

### Rule 144A Notes

Each purchaser of the notes (including the registered holders and beneficial owners of the notes as they exist from time to time, including as a result of transfers, in each case, as of the time of purchase) offered hereby in reliance on Rule 144A (the “Rule 144A Notes”) must be able to and will be deemed to have represented and agreed, on its own behalf and on behalf of each account for which it is purchasing, as follows:

1. It is a QIB who is also a QP; is aware the resale of the notes to it is being made in reliance on Rule 144A; is acquiring such notes for its own account or the account of a QIB who is also a QP as to which the purchaser exercises sole investment discretion; and it and each such account:
  - is not a broker-dealer which owns and invests on a discretionary basis less than US\$25,000,000 in securities of unaffiliated issuers;
  - is not formed for the purpose of investing in the Issuer (unless all of its beneficial owners are QIBs who are also QPs);
  - has not invested more than 40% of its assets in the notes (or beneficial interests therein) and/or other securities of the Issuer after giving effect to the purchase of the notes (or beneficial interests therein) (unless all of its beneficial owners are QIBs who are also QPs);
  - is not a participant-directed employee plan, such as a 401(K) plan, or a trust holding the asset of such a plan, unless the investment decisions with respect to such plan are made solely by the fiduciary, trustee or sponsor of such plan;
  - is not a partnership, common trust fund or corporation, special trust, pension fund or retirement plan, or other entity, in which the partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners, as the case may be, may designate the particular investment to be made, or the allocation thereof, unless all such partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners are QIBs who are also QPs;
  - will provide notice of the transfer restrictions described in this “Transfer Restrictions” to any subsequent transferees, who will be deemed to make the same representations contained in this “Transfer Restrictions”;
  - acknowledges that the Issuer may receive a list of participants holding positions in the Rule 144A Global Notes from one or more book-entry depositaries; and
  - if it is a Section 3(c)(1) or Section 3(c)(7) investment company, or a Section 7(d) foreign investment company relying on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act with respect to its U.S. holders and was formed on or before April 30, 1996, it has received the necessary consent from its beneficial owners as required by the Investment Company Act.
2. It understands that if at any time the Issuer determines in good faith that a holder of a note (or beneficial interest therein) that is a U.S. person and is determined not to have been both (i) a QIB and (ii) a QP at the time of acquisition of such note or is otherwise determined to be in breach, at the time given, of any of the representations and agreements contained in this “Transfer Restrictions,” the Issuer

has the right to require such holder to transfer such note (or beneficial interest therein) to a transferee acceptable to the Issuer who is able to and who does make all of the representations and agreements set forth in this “Transfer Restrictions.” Pending such transfer, such holder will be deemed not to be the holder of such notes for any purpose, including but not limited to receipt of principal and interest payments on such notes, and such holder will be deemed to have no interest whatsoever in such notes except as otherwise required to sell its interest therein as described in this paragraph.

3. It understands that the Issuer is not required to be registered as an “investment company” under the Investment Company Act.
4. It understands and acknowledges that such Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States, within the meaning of the Securities Act, and the Rule 144A Notes offered hereby have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred except to a person who the seller reasonably believes is both a QIB and a QP in a transaction meeting the requirements of Rule 144A, or to a non-U.S. person in an offshore transaction in accordance with Regulation S, in each case in accordance with all applicable securities laws of the states of the United States.
5. It understands and acknowledges that Rule 144A Notes (or any interest therein) may be held, purchased, sold, pledged or otherwise transferred only in minimum principal amounts of US\$200,000 and integral multiples of US\$1,000 in excess thereof.
6. It understands that each Global 144A Note, and each Definitive Note issued in exchange for all or part of a Global 144A Note or an interest therein, will bear a legend to the following effect, unless the Issuer determines otherwise in compliance with applicable law:

THE NOTES MAY BE PURCHASED AND TRANSFERRED ONLY IN MINIMUM PRINCIPAL AMOUNTS OF US\$200,000 AND INTEGRAL MULTIPLES OF US\$1,000 IN EXCESS THEREOF. IF AT ANY TIME THE ISSUER DETERMINES IN GOOD FAITH THAT A HOLDER OR BENEFICIAL OWNER OF THIS NOTE OR BENEFICIAL INTERESTS HEREIN IS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE, THE ISSUER SHALL REQUIRE SUCH HOLDER TO TRANSFER THIS NOTE (OR INTEREST HEREIN) TO A TRANSFEREE ACCEPTABLE TO THE ISSUER WHO IS ABLE TO AND WHO DOES SATISFY ALL OF THE REQUIREMENTS SET FORTH HEREIN AND IN THE INDENTURE. PENDING SUCH TRANSFER, SUCH HOLDER WILL BE DEEMED NOT TO BE THE HOLDER OF THIS NOTE (OR INTEREST HEREIN) FOR ANY PURPOSE, INCLUDING BUT NOT LIMITED TO RECEIPT OF PRINCIPAL AND INTEREST PAYMENTS ON THE NOTE, AND SUCH HOLDER WILL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THE NOTE EXCEPT AS OTHERWISE REQUIRED TO SELL ITS INTEREST THEREIN AS DESCRIBED HEREIN.

THE NOTES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE SECURITIES LAW. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”). ACCORDINGLY, OFFERS AND SALES OF THE NOTES MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS IN THE UNITED STATES OR THE APPLICABLE SECURITIES LAWS OF ANY OTHER JURISDICTION AND IN A TRANSACTION THAT DOES NOT CAUSE THE ISSUER TO BE REQUIRED TO REGISTER UNDER THE INVESTMENT COMPANY ACT. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT (I) IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE ISSUER AND THE NOTES, (II) IT IS NOT ACQUIRING SUCH NOTE WITH A VIEW TO ANY DISTRIBUTION THEREOF, (III) IT IS A QUALIFIED INSTITUTIONAL BUYER (“QIB”) (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND A QUALIFIED PURCHASER (“QP”) (AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT AND RELATED RULES), IN EACH CASE PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QIB WHO IS ALSO A QP AS TO WHICH THE PURCHASER EXERCISES SOLE INVESTMENT DISCRETION, IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A, (IV) IT IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US\$25,000,000 IN

SECURITIES OF ISSUERS THAT ARE NOT ITS AFFILIATED PERSONS, (V) IT IS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER, (VI) IT HAS NOT INVESTED MORE THAN 40% OF ITS ASSETS IN THE NOTES (OR BENEFICIAL INTERESTS THEREIN) AND/OR OTHER SECURITIES OF THE ISSUER AFTER GIVING EFFECT TO THE PURCHASE OF THE NOTES (OR BENEFICIAL INTERESTS THEREIN) (UNLESS ALL OF ITS BENEFICIAL OWNERS ARE QIBS WHO ARE ALSO QPS); (VII) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN, OR A TRUST HOLDING THE ASSET OF SUCH A PLAN, UNLESS THE INVESTMENT DECISIONS WITH RESPECT TO SUCH PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN; (VIII) IT IS NOT A PARTNERSHIP, COMMON TRUST FUND OR CORPORATION, SPECIAL TRUST, PENSION FUND OR RETIREMENT PLAN, OR OTHER ENTITY, IN WHICH THE PARTNERS, BENEFICIARIES, BENEFICIAL OWNERS, PARTICIPANTS, SHAREHOLDERS OR OTHER EQUITY OWNERS, AS THE CASE MAY BE, MAY DESIGNATE THE PARTICULAR INVESTMENT TO BE MADE, OR THE ALLOCATION THEREOF, UNLESS ALL SUCH PARTNERS, BENEFICIARIES, BENEFICIAL OWNERS, PARTICIPANTS, SHAREHOLDERS OR OTHER EQUITY OWNERS ARE QIBS WHO ARE ALSO QPS; (IX) IT, AND EACH ACCOUNT FOR WHICH IT IS PURCHASING, WILL HOLD AND TRANSFER AT LEAST THE MINIMUM DENOMINATION OF SECURITIES, (X) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN THIS NOTE FROM ONE OR MORE BOOK-ENTRY DEPOSITARIES, (XI) IF IT IS A SECTION 3(C)(1) OR SECTION 3(C)(7) INVESTMENT COMPANY, OR A SECTION 7(D) FOREIGN INVESTMENT COMPANY RELYING ON SECTION 3(C)(1) OR SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT WITH RESPECT TO ITS U.S. HOLDERS AND WAS FORMED ON OR BEFORE APRIL 30, 1996, IT HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS AS REQUIRED BY THE INVESTMENT COMPANY ACT, AND (XII) IT MUST BE ABLE TO AND WILL BE DEEMED TO REPRESENT THAT IT AGREES TO COMPLY WITH THE APPLICABLE TRANSFER RESTRICTIONS, AND WILL NOT TRANSFER THIS NOTE OR ANY BENEFICIAL INTERESTS HEREIN EXCEPT TO A PURCHASER WHO CAN MAKE THE SAME REPRESENTATIONS AND AGREEMENTS ON BEHALF OF ITSELF AND EACH ACCOUNT FOR WHICH IT IS PURCHASING OR TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 OF REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT, AND IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. AS A CONDITION TO THE REGISTRATION OF THE TRANSFER HEREOF, THE ISSUER OR THE TRANSFER AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT AND THE INVESTMENT COMPANY ACT.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ONLY ON THE CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN.

7. It understands that no representation can be made as to the availability of the exemption provided by Rule 144 for resales of the notes offered hereby.
8. It acknowledges that the Trustee and the transfer agent for the notes will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to the Issuer, the Trustee and the transfer agent that the restrictions set forth herein have been complied with.
9. Either: (i) no portion of the assets used by it to acquire or hold the notes (including any interest in a note) constitutes assets of any Plan, or (ii) the purchase and holding of the notes (including any interest in a note) by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Laws, and none of the Transaction Parties has acted or will act as its fiduciary in connection with its investment in the notes.
10. It acknowledges that the Issuer, the initial purchasers, the transfer agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by

its purchase of the notes are no longer accurate, it shall promptly notify the Issuer, the transfer agent and the initial purchasers. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

### **Compliance Procedures for Purposes of Section 3(c)(7) of the Investment Company Act**

The following procedures will be taken in respect of all notes that are Rule 144A Notes:

#### ***Reminder notices***

At least annually, and each time the Issuer sends a periodic reports to holders of notes, the Issuer will send to all holders of the notes a reminder notice stating that: (i) each beneficial holder that is a U.S. person is required to be both a QIB and a QP that can make the representations and agreements set forth under the caption “Transfer Restrictions” herein, (ii) the notes can be transferred only to another U.S. person that is both a QIB and a QP that can make such representations and agreements or to a non-U.S. person in an offshore transaction in accordance with Regulation S and (iii) any such transfer not in accordance with such provisions is void ab initio and the Issuer has the right to force any beneficial holder who is in breach of any such representations and agreements to sell its notes. The Issuer will send the annual or periodic report, together with the reminder notice, to each subsequent purchaser with a request that such subsequent purchaser pass the notifications along to beneficial owners of notes; provided, that so long as the notes are in the form of Global Notes (as defined below), the Issuer may instead arrange for an “Important Notice” to be sent to participants identified by the book-entry system(s) in which the notes are deposited with a request that participants pass them along to beneficial owners.

#### ***DTC actions with respect to the notes***

The Issuer will instruct DTC to take the following (or substantially similar) steps with respect to the notes:

1. to include a “3c7” marker that indicates that sales, resales, pledges, exchanges or other transfers of beneficial interests to U.S. persons are limited to QIBs that are also QPs in the DTC 20-character descriptor for the notes and the 48-character additional descriptor;
2. to cause each (i) physical order ticket that DTC delivers after settlement for the notes to have the 20-character descriptor printed on it and (ii) where the deliver order ticket is electronic, to have a “3c7” indicator and a related user manual for participants, which will contain a description of the relevant restrictions;
3. to send an “Important Notice” outlining the 3(c)(7) and other transfer restrictions with respect to the Global Notes to all DTC participants in connection with the initial offering, and up to one time per year, to re-issue the “Important Notice”;
4. to include in its “Reference Directory” that DTC makes available to its participants the name of the Issuer on the list of all issuers who have advised DTC that they are 3(c)(7) issuers, the CUSIP number of the Global Notes and a paragraph explaining the transfer restrictions for the Global Notes in more detail.

Upon request of the Issuer, DTC will provide to the Issuer a list of all DTC participants holding interests in the Global Notes.

#### ***Bloomberg screens, etc.***

The Bloomberg screen containing information about any note will include appropriate legends regarding Rule 144A and Section 3(c)(7) restrictions. In the event that Telekurs, Reuters or any other information service provider becomes an important source of information in the secondary market for the notes, any screen of any such provider containing information about any notes will include substantially similar language.

#### ***CUSIP***

The confirmations relating to trades of the notes sold in reliance on Rule 144A will contain a CUSIP number which has a fixed field attached thereto containing “Section 3(c)(7)” and “Rule 144A” indicators.

## ***Legends***

The Issuer will not remove the legends or portion thereof relating to Section 3(c)(7) of the Investment Company Act described under “Transfer Restrictions” from the notes sold in reliance on Rule 144A so long as the Issuer is relying on the exemption from registration under the Investment Company Act provided by Section 3(c)(7) thereof.

## ***Forced Sale for Non-QIBs/QPs***

The Issuer has the right under the Indenture to require any holder of a note (or beneficial interest therein) that is a U.S. person and is determined not to have been both (i) a QIB and (ii) a QP at the time of acquisition of such note (or such beneficial interest therein) or is otherwise determined to be in breach, at the time given, of any of the representations and agreements contained in this “Transfer Restrictions” to transfer such note (or such beneficial interest therein), within 30 days after notice of the sale requirement is given, to a transferee acceptable to the Issuer who is able to and who does make all of the representations and agreements set forth in this “Transfer Restrictions.” Pending such transfer, such holder will be deemed not to be the holder of such notes for any purpose, including but not limited to receipt of principal and interest payments on such notes, and such holder will be deemed to have no interest whatsoever in such notes except as otherwise required to sell its interest therein as described in this paragraph. See “Description of the Notes—Issuer Right to Require Resale.”

## **Regulation S Notes**

Each purchaser of notes other than the Rule 144A Notes (“Regulation S Notes”) must be able to and will be deemed to have represented and agreed as follows:

1. It is a non-U.S. person who is acquiring such Regulation S Notes in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.
2. It understands that such Regulation S Notes are being offered only outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act and that the Regulation S Notes offered hereby have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons except as permitted by the legend set forth in paragraph (5) below.
3. It agrees that it will deliver to each person to whom it transfers the Regulation S Notes notice of any restrictions on transfer of such Regulation S Notes.
4. It understands that each Global Regulation S Note, and each Definitive Note issued in exchange for all or part of a Global Regulation S Note or interest therein, will bear a legend to the following effect, unless the Issuer determines otherwise in compliance with applicable law:

THE NOTES MAY BE PURCHASED AND TRANSFERRED ONLY IN MINIMUM PRINCIPAL AMOUNTS OF \$200,000 AND INTEGRAL MULTIPLES OF \$1,000 IN EXCESS THEREOF.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. THE ISSUER HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE DATE OF ISSUANCE OF THE NOTES.

5. It acknowledges that the Trustee and the transfer agent for the notes will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to the Issuer, the Trustee and the transfer agent that the restrictions set forth herein have been complied with.
6. Either: (i) no portion of the assets used by it to acquire or hold the notes (including any interest in a note) constitutes assets of any Plan, or (ii) the purchase and holding of the notes (including any interest in a note) by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Laws, and none of the Transaction Parties has acted or will act as its fiduciary in connection with its investment in the notes.

7. It acknowledges that the Issuer, the initial purchasers, the transfer agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the notes are no longer accurate, it shall promptly notify the Issuer, the transfer agent and the initial purchasers. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

## PLAN OF DISTRIBUTION

Under the terms and subject to the conditions set forth in a purchase agreement, dated June 25, 2024, or the purchase agreement, between us and the initial purchasers named below, the initial purchasers have severally, and not jointly, agreed to purchase, and we have agreed to sell to the initial purchasers, the respective principal amount of the notes listed opposite their names below.

<u>Initial purchasers</u>	<u>Principal amount of 2027 notes</u>	<u>Principal amount of 2029 notes</u>	<u>Principal amount of 2031 notes</u>
J.P. Morgan Securities LLC .....	\$138,000,000	\$207,000,000	\$195,500,000
BofA Securities, Inc. ....	\$102,000,000	\$153,000,000	\$144,500,000
BNP Paribas Securities Corp. ....	\$ 72,000,000	\$108,000,000	\$102,000,000
Citigroup Global Markets Inc. ....	\$ 72,000,000	\$108,000,000	\$102,000,000
Barclays Capital Inc. ....	\$ 72,000,000	\$108,000,000	\$102,000,000
Nomura Securities International, Inc. ....	\$ 36,000,000	\$ 54,000,000	\$ 51,000,000
Mizuho Securities USA LLC .....	\$ 36,000,000	\$ 54,000,000	\$ 51,000,000
SMBC Nikko Securities America, Inc. ....	\$ 36,000,000	\$ 54,000,000	\$ 51,000,000
Daiwa Capital Markets America Inc. ....	\$ 36,000,000	\$ 54,000,000	\$ 51,000,000
Total .....	<u>\$600,000,000</u>	<u>\$900,000,000</u>	<u>\$850,000,000</u>

The initial purchasers have advised us that they propose initially to offer each series of the notes at the issue prices listed on the cover page of this offering circular. After the initial offering, the issue prices, concessions or any other term of the offering may be changed. The initial purchasers have agreed to purchase each series of the notes from us at a purchase price that reflects a discount from the issue price, and the initial purchasers will retain the difference between such purchase price and issue price as compensation.

The initial purchasers are entitled to be released and discharged from their obligations under, and to terminate, the purchase agreement in certain circumstances prior to paying us for the notes. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased. The initial purchasers are offering the notes subject to their acceptance of the notes from us and subject to prior sale. The purchase agreement provides that the obligations of the several initial purchasers to pay for and accept delivery of the notes are subject to approval of certain legal matters by their counsel and to certain other conditions.

The purchase agreement provides that we will indemnify the initial purchasers and their affiliates against specified liabilities, including liabilities under the Securities Act, in connection with the offer and sale of the notes, and will contribute to payments the initial purchasers and their affiliates may be required to make in respect of those liabilities.

The notes are being offered by the initial purchasers or affiliates of certain of the initial purchasers outside the United States in offshore transactions to persons other than U.S. persons in reliance on Regulation S and by the initial purchasers or affiliates of certain of the initial purchasers inside the United States to persons reasonably believed to be both (1) QIBs as defined in Rule 144A and (2) QPs as defined in Section 2(a)(51)(A) under the Investment Company Act and the rules and regulations promulgated thereunder.

### No Sale of Similar Securities

The Issuer has agreed that, during a period from the date hereof and through and including the date that is one day after the closing date of this offering, it will not, without the prior written consent of the initial purchasers, offer, sell, contract to sell or otherwise dispose of any U.S. dollar-denominated senior debt securities issued or guaranteed by the Issuer and having a maturity greater than one year.

### Short Positions

In connection with this offering, the initial purchasers may purchase and sell the notes in the open market, subject to applicable laws and regulations. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sales of notes in excess of the principal amount of notes to be purchased by the initial purchasers in this offering, which creates a short position for the initial purchasers. Syndicate covering transactions involve purchases of the notes in the open market after the

distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

The initial purchasers make no representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, the initial purchasers have no obligation to engage in these transactions, and these transactions, once commenced, may be discontinued at any time.

### **New Issue of the Notes**

The notes are a new issue of securities with no established trading market. In addition, the notes are subject to certain restrictions on resale and transfer as described under “Certain ERISA and Benefit Plan Considerations” and “Transfer Restrictions.” Approval in-principle has been received for the listing and quotation of the notes on the SGX-ST. The notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies) for so long as the notes are listed on the SGX-ST. The initial purchasers have advised us that they presently intend to make a market in the notes after completion of this offering. Such market-making activity will be subject to the limits imposed by applicable laws. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. A liquid or active public trading market for any of the notes may not develop. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If such notes are traded, they may trade at a discount from the initial issue price, depending on the market for similar securities, our performance and other factors. See “Risk Factors—Risks Related to the Notes—There is no prior market for the notes, and the notes may have limited liquidity.”

### **Settlement**

We expect that delivery of the notes will be made to investors on or about July 2, 2024, which will be the 5th New York business day following the date of this offering circular (such settlement being referred to as “T+5”). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in one business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

### **Selling Restrictions**

#### ***General***

No action has been or will be taken by us that would permit a public offering of the notes, or possession or distribution of this offering circular, any amendment or supplement thereto, or any other offering or publicity material relating to the notes in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the notes may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering or publicity material relating to the notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

#### ***United States***

The notes have not been, and will not be, registered under the Securities Act or any state securities laws, in reliance on the exemption from registration requirements provided by Rule 144A, and the Issuer has not been registered, and will not register, as an investment company under the Investment Company Act, in reliance on the exemption from registration provided by Section 3(c)(7) of the Investment Company Act. Accordingly, the notes may not be offered or sold within the United States (as defined in Regulation S) or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except to persons reasonably believed to be both QIBs (as defined in Rule 144A) and QPs (as defined in Section 2(a)(51)(A) under the Investment Company Act and the

rules and regulations promulgated thereunder). The initial purchasers or U.S. affiliates of the initial purchasers may arrange for the sale of a portion of the notes in the United States exclusively to persons reasonably believed by them to be both QIBs and QPs in reliance on the exemption from registration provided by Rule 144A under the Securities Act and the exemption from registration provided by Section 3(c)(7) of the Investment Company Act, and each purchaser of the notes that is a U.S. person is hereby notified that the offer and sale of the notes to it is being made in reliance upon such exemptions. The offering of the notes to persons other than U.S. persons will be made outside the United States in offshore transactions in compliance with Regulation S.

In addition, until 40 days after the closing date of the offering, an offer or sale of the notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer is made otherwise than pursuant to Rule 144A under the Securities Act or another exemption from registration under the Securities Act.

Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under “Transfer Restrictions.”

**CERTAIN VOLCKER RULE CONSIDERATIONS**—The Issuer has not been and will not be registered as an “investment company” under the Investment Company Act, in reliance on the exception provided by Section 3(c)(7) thereof. Consequently, the Issuer will likely be a “covered fund” for purposes of the “Volcker Rule”. See “Risk Factors—Risks Relating to the Notes—The Volcker Rule treatment of the notes may change or affect the ability of banking entities to purchase or retain the notes.”

### *Canada*

The notes may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and that are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts, or NI 33-105, the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### *Japan*

The notes have not been and will not be registered under the FIEA, and are subject to the Special Taxation Measures Act. Each of the initial purchasers has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any of the notes in Japan or to, or for the benefit of, any resident of Japan (which term as used in this item (i) means any person that is a resident of Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan; and (ii) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any notes as part of its distribution pursuant to the purchase agreement at any time, to, or for the benefit of, any person other than a beneficial owner that is (a) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of NTT Finance, (b) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order that will hold notes for its own proprietary account or (c) an individual resident of Japan or a Japanese corporation whose receipt of interest on the notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph (2) of the Cabinet Order.

### ***Member States of the European Economic Area***

This offering circular has been prepared on the basis that all offers of the notes in any member state (the “Member States” and each, a “Member State”) of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce or publish a prospectus. Accordingly, any person making or intending to make any offer within a Member State of the notes may only do so in circumstances in which no obligation arises for the Issuer or any initial purchaser to produce or publish a prospectus pursuant to Article 3 of the Prospectus Regulation in relation to such offer. Neither the Issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of the notes in circumstances in which an obligation arises for the Issuer or any initial purchaser to publish a prospectus for such offer. The Issuer does not consent to the use of this offering circular in any other circumstances. The Issuer has not authorized and does not authorize the making of any offer of the notes through any financial intermediary, other than offers made by the initial purchasers resulting in sales constituting the final placement of the notes contemplated in this offering circular.

The notes may not be offered, sold or otherwise made available and will not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by the PRIIPs Regulation, for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

### ***United Kingdom***

This offering circular has been prepared on the basis that all offers of the notes in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to produce or publish a prospectus. Accordingly, any person making or intending to make any offer in the UK of the notes may only do so in circumstances in which no obligation arises for the Issuer or any initial purchaser to produce or publish a prospectus pursuant to Article 3 of the UK Prospectus Regulation in relation to such offer. Neither the Issuer nor the initial purchaser have authorized, nor do they authorize, the making of any offer of the notes in circumstances in which an obligation arises for the Issuer or any initial purchaser to publish a prospectus for such offer.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Consequently, no key information document required by the UK PRIIPs Regulation for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to us, and all applicable provisions of the FSMA have been complied with and will be complied with in respect to anything done in relation to the notes in, from or otherwise involving the UK.

### ***Hong Kong***

The contents of this offering circular have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this offering circular, you should obtain independent professional advice.

The notes have not been, and will not be, offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571, the laws of Hong Kong) (the “SFO”), and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, the laws of Hong Kong) (the “C(WUMP)O”) or which do not otherwise constitute an offer to the public within the meaning of the C(WUMP)O.

No advertisement, invitation or document relating to the notes has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### ***Notice to Prospective Investors in Singapore***

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

### ***Switzerland***

This offering circular is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, sold or advertised, directly or indirectly, in or into Switzerland within the meaning of the Swiss Financial Services Act (“FinSA”), except under the following exemptions under the FinSA:

- (a) to any investor that qualifies as a professional client within the meaning of the FinSA;
- (b) to fewer than 500 investors (other than professional clients within the meaning of the FinSA); or
- (c) in any other circumstances falling within article 36 of the FinSA;

provided, in each case, that no such offer of notes referred to in (a) through (c) above shall require the publication of a prospectus for offers of notes pursuant to the FinSA.

The notes will not be listed or admitted to trading on the SIX Swiss Exchange or on any other trading venue in Switzerland. Neither this offering circular nor any other offering or marketing material relating to the offering, the notes or us constitutes a prospectus as such term is understood pursuant to the FinSA, and neither this offering circular nor any other offering or marketing material relating to the offering, the notes or us may be distributed or otherwise made available in Switzerland in a manner which would require the publication of a prospectus in Switzerland pursuant to the FinSA.

Neither this offering circular nor any other offering or marketing material relating to the offering, the notes or us have been or will be filed with or approved by any Swiss regulatory authority.

## **Stamp Taxes and Other Charges**

Purchasers of the notes offered by this offering circular may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase and in addition to the issue price on the cover page of this offering circular.

## **Other Relationships**

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking and commercial banking services for us or our subsidiaries and affiliates, for which they received or will receive customary fees and expenses.

In particular, Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation are some of NTT Group's principal bank lenders. Mizuho Bank, Ltd. is an affiliate of Mizuho Securities USA LLC, one of the joint lead managers and bookrunners for the offering. Sumitomo Mitsui Banking Corporation is an affiliate of SMBC Nikko Securities America, Inc., one of the joint lead managers and bookrunners for the offering. We may also engage in a currency hedging transaction and/or an interest rate hedging transaction directly or indirectly with one or more of the initial purchasers in connection with the issue and offering of the notes.

In addition, in the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), financial instruments (including bank loans), currencies and commodities for their own account (including purchasing the notes for their own account) and for the accounts of their customers, and such investment and securities activities may involve securities, instruments or assets of ours or related to our business. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their respective affiliates may also make investment recommendations and may publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **LEGAL MATTERS**

The validity of the notes and certain legal matters will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP and for the initial purchasers by Davis Polk & Wardwell LLP. Certain Japanese legal matters will be passed upon by Mori Hamada & Matsumoto, our Japanese counsel.

## **INDEPENDENT AUDITORS**

The consolidated financial statements of NTT FINANCE CORPORATION and consolidated subsidiaries as of March 31, 2024 and 2023 and the years then ended and the consolidated financial statements of NTT FINANCE CORPORATION and consolidated subsidiaries as of March 31, 2023 and 2022 and the years then ended, included in this offering circular, have been audited by KPMG AZSA LLC, independent auditors, as stated in their reports appearing herein.

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## **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, 2024 and 2023, 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, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

#### **Basis for Opinion**

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

#### **Key Audit Matter**

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.

Appropriateness of the historical rate of credit losses for general receivables	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of NTT FINANCE CORPORATION (“the Company”) and its consolidated subsidiaries as of March 31, 2024, billing receivables of ¥264,771 million were recognized related to telecommunication service charges transferred from NTT Group companies. In addition, as described in Note “2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, t. Significant accounting estimates” to the consolidated financial statements, allowance for doubtful receivables related to billing receivables of ¥39,296 million was provided mostly for general receivables.</p> <p>The Company recognizes allowance for doubtful receivables for general receivables based on the historical rate of credit losses to cover probable losses on collection.</p> <p>The historical rate of credit losses is calculated based on the historical credit losses for each number of elapsed months of billing receivables according to the management’s judgment that probable credit losses approximate the historical credit losses. In addition, given the significant amounts of general receivables, the appropriateness of the historical rate of credit losses may have a significant effect on the determination of allowance for doubtful receivables for general receivables.</p> <p>We, therefore, determined that our assessment of the appropriateness of the historical rate of credit losses for general receivables was the most significant in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the appropriateness of the historical rate of credit losses for general receivables included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to calculating the historical rate of credit losses. In this assessment, we focused our testing on the internal controls relevant to the accuracy of the aggregation of general receivables and historical credit losses and the calculation of the historical rate of credit losses.</p> <p>(2) Assessment of the appropriateness of the historical rate of credit losses for general receivables</p> <p>We inquired of the management regarding the basis for the judgment that probable credit losses approximate the historical credit losses. In addition, we assessed the reasonableness of the management’s judgment by comparing the amounts recognized as allowance for doubtful receivables in the prior years with the corresponding actual amounts of credit losses and examining the causes of any variances between them.</p>

## Other Information

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal

control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

From the matters communicated with corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **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 78 million yen and 10 million yen, respectively. Such fees for the previous year are 84 million yen and 25 million yen, respectively.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

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

/S/ Atsunori Sadahiro  
Designated Engagement Partner  
Certified Public Accountant

/S/ Koichi Hamaguchi  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
June 19, 2024

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Consolidated Balance Sheets**

**March 31, 2024 and 2023**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2024	2023	2024
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	¥ 203,247	¥ 290,025	\$ 1,342,362
Trade accounts receivable:			
Loans (Notes 11 and 17)	9,157,878	8,724,163	60,483,973
Credit cards	52,870	59,295	349,187
Billing (Notes 14 and 17)	264,771	93,913	1,748,703
Allowance for doubtful receivables	(40,027)	(21,072)	(264,363)
Investments in venture businesses (Notes 3 and 11)	8,698	6,912	57,447
Other (Note 14)	62,997	47,727	416,071
Total current assets	9,710,435	9,200,965	64,133,382
PROPERTY AND EQUIPMENT, NET (Note 4):	5,707	5,720	37,694
INTANGIBLE ASSETS—Assets held for own use	6,419	6,869	42,397
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 3, 5 and 11)	17,681	16,465	116,776
Defined benefit asset (Note 7)	2,670	2,101	17,638
Deferred tax assets (Note 9)	12,059	9,726	79,649
Other (Notes 5 and 11)	7,113	6,815	46,979
Allowance for doubtful receivables	(475)	(467)	(3,140)
Total investments and other assets	39,049	34,641	257,903
<b>DEFERRED ASSETS</b>			
Deferred charges	6,509	6,316	42,989
Total deferred assets	6,509	6,316	42,989
<b>TOTAL ASSETS</b>	<b>¥ 9,768,120</b>	<b>¥ 9,254,513</b>	<b>\$ 64,514,366</b>

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND NET ASSETS	2024	2023	2024
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Note 6)	¥ 341,721	¥ 400,169	\$ 2,256,926
Current portion of long-term borrowings (Notes 6 and 11)	403,972	60,797	2,668,069
Current portion of bonds (Notes 6 and 11)	336,172	329,601	2,220,280
Commercial papers (Note 6)	1,037,428	600,605	6,851,782
Lease obligations (Note 6)	4	4	26
Accounts payable - other (Note 17)	431,972	427,968	2,852,997
Accrued income taxes	5,966	230	39,405
Deposits received (Note 17)	1,294,173	1,811,338	8,547,478
Deposits received from shareholders, directors or employees	118	106	780
Other	21,257	11,841	140,394
Total current liabilities	3,872,786	3,642,663	25,578,141
<b>LONG-TERM LIABILITIES:</b>			
Bonds (Notes 6 and 11)	3,079,876	2,697,794	20,341,303
Long-term borrowings (Notes 6 and 11)	2,699,677	2,805,261	17,830,248
Lease obligations (Note 6)	2	6	16
Provision for loss on system use agreements	1,577	1,752	10,415
Defined benefit liability (Note 7)	15,434	18,346	101,936
Asset retirement obligations	1,323	1,315	8,739
Other	510	295	3,369
Total long-term liabilities	5,798,401	5,524,771	38,296,029
Total liabilities	9,671,188	9,167,435	63,874,171
<b>NET ASSETS:</b>			
Shareholders' equity (Notes 8 and 18):			
Common stock—authorized, 80,000 shares; issued, 51,960 shares in 2024 and 2023	16,770	16,770	110,765
Capital surplus	15,950	15,950	105,346
Retained earnings	52,891	46,993	349,329
Treasury stock; 595 shares in 2024 and 2023	(1,126)	(1,126)	(7,443)
Total shareholders' equity	84,486	78,588	557,997
Accumulated other comprehensive income/(loss):			
Unrealized gain/(loss) on available-for-sale securities	2,803	2,374	18,517
Deferred gain/(loss) on hedges	(120)	-	(794)
Foreign currency translation adjustments	4,406	2,203	29,100
Remeasurements of defined benefit plans	5,355	3,912	35,373
Total accumulated other comprehensive income/(loss)	12,445	8,490	82,197
Total net assets	96,931	87,078	640,195
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>¥ 9,768,120</b>	<b>¥ 9,254,513</b>	<b>\$ 64,514,366</b>

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Consolidated Statements of Income**  
**Years Ended March 31, 2024 and 2023**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
REVENUE (Note 16):	¥ 301,767	¥ 226,403	\$ 1,993,047
COST OF SALES	173,902	122,821	1,148,551
Gross profit/(loss)	127,865	103,582	844,495
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	111,437	92,633	736,000
Operating income/(loss) (Note 16)	16,427	10,948	108,494
OTHER INCOME:			
Interest income	0	0	0
Dividend income	23	21	157
Share of profit of equity-accounted investees	1,679	1,838	11,092
Foreign exchange gain	2,146	1,073	14,177
Other	75	29	496
Total other income	3,925	2,963	25,924
OTHER EXPENSES:			
Interest expense	72	25	478
Loss on retirement of assets held for own use	63	124	420
Other	17	10	117
Total other expenses	153	160	1,016
EXTRAORDINARY LOSSES:			
Loss on termination of card business service	926	384	6,116
Loss on realization of foreign currency translation adjustments due to liquidation of foreign subsidiary	-	356	-
Expenses associated with renewal of core accounting system	448	-	2,962
Provision reserve for loss on system use agreements	504	-	3,328
Total extraordinary losses	1,878	741	12,408
PROFIT/(LOSS) BEFORE INCOME TAXES	18,319	13,010	120,994
INCOME TAXES (Note 9):			
Current	8,199	2,404	54,154
Deferred	(3,101)	656	(20,481)
Total income taxes	¥ 5,098	¥ 3,060	\$ 33,672

(Continued)

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Consolidated Statements of Income**  
**Years Ended March 31, 2024 and 2023**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
PROFIT/(LOSS)	¥ 13,221	¥ 9,949	\$ 87,322
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 13,221	¥ 9,949	\$ 87,322
	Yen		U.S. Dollars (Note 1)
	2024	2023	2024
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	
Basic earnings per share	¥ 257,402.93	¥ 193,708.73	\$ 1,700.04
Cash dividends applicable to the year (Note 18)	152,855.00	142,106.00	1,009.54

See notes to consolidated financial statements.

(Concluded)

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Consolidated Statements of Comprehensive Income**  
**Years Ended March 31, 2024 and 2023**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
PROFIT/(LOSS)	¥ 13,221	¥ 9,949	\$ 87,322
OTHER COMPREHENSIVE INCOME/(LOSS) (Note 15):			
Unrealized gain/(loss) on available-for-sale securities	372	(140)	2,460
Deferred gain/(loss) on hedges	(120)	-	(794)
Foreign currency translation adjustments	1,954	1,007	12,911
Remeasurements of defined benefit plans	1,438	1,327	9,502
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	309	(38)	2,043
Total other comprehensive income/(loss)	3,955	2,156	26,123
COMPREHENSIVE INCOME/(LOSS)	¥ 17,176	¥ 12,106	\$ 113,445
Comprehensive income/(loss) attributable to:			
Owners of parent	¥ 17,176	¥ 12,106	\$ 113,445

See notes to consolidated financial statements.

# **NTT FINANCE CORPORATION and Consolidated Subsidiaries**

## **Consolidated Statements of Changes in Equity Years Ended March 31, 2024 and 2023**

	Millions of Yen											
Number of Shares of Common Stock Outstanding	Shareholders' Equity					Accumulated Other Comprehensive Income/(Loss)						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gain/(Loss) on Available-for- Sale Securities	Deferred gain/ (loss) on hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income/(Loss)	Total Net Assets	
BALANCE, April 1, 2022	51,365	¥ 16,770	¥ 15,950	¥ 39,877	¥(1,126)	¥ 71,472	¥ 2,762	¥ -	¥ 989	¥ 2,582	¥ 6,334	¥ 77,806
Cash dividends, ¥54,798.00 per share				(2,833)		(2,833)						(2,833)
Profit attributable to owners of parent				9,949		9,949						9,949
Net changes of items other than shareholders' equity							(387)		1,213	1,330	2,156	2,156
BALANCE, March 31, 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				(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
Thousands of U.S. Dollars (Note 1)												
	Shareholders' Equity					Accumulated Other Comprehensive Income/(Loss)						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gain/(Loss) on Available-for- Sale Securities	Deferred gain/ (loss) on hedges	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income/(Loss)	Total Net Assets	
BALANCE, April 1, 2023	\$ 110,765	\$ 105,346	\$ 310,374	\$(7,443)	\$ 519,042	\$ 15,680	\$ -	\$ 14,551	\$ 25,842	\$ 56,074	\$ 575,116	
Cash dividends, \$938.55 per share			(48,367)		(48,367)							(48,367)
Profit attributable to owners of parent			87,322		87,322							87,322
Net changes of items other than shareholders' equity						2,836	(794)	14,549	9,531	26,123	26,123	26,123
BALANCE, March 31, 2024	\$ 110,765	\$ 105,346	\$ 349,329	\$(7,443)	\$ 557,997	\$ 18,517	\$(794)	\$ 29,100	\$ 35,373	\$ 82,197	\$ 640,195	\$ 640,195

See notes to consolidated financial statements.

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**
**Consolidated Statements of Cash Flows**  
**Years Ended March 31, 2024 and 2023**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
OPERATING ACTIVITIES:			
Profit before income taxes	¥ 18,319	¥ 13,010	\$ 120,994
Adjustments to reconcile profit before income taxes to net cash provided by/(used in) operating activities:			
Depreciation of assets held for own use	3,743	6,902	24,725
(Gain)/loss on retirement of assets held for own use	58	122	383
(Increase)/decrease in defined benefit asset	(217)	(203)	(1,435)
Increase/(decrease) in defined benefit liability	(1,190)	(1,620)	(7,862)
Increase/(decrease) in allowance for doubtful receivables	18,963	5,385	125,243
Increase/(decrease) in provision for loss on system use agreements	(175)	(628)	(1,155)
Interest and dividend income	(23)	(21)	(157)
Financing costs and interest expense	77,549	37,072	512,184
Foreign exchange (gain)/loss	96,667	40,603	638,447
Share of (profit)/loss of equity-accounted investees	(1,679)	(1,838)	(11,092)
(Gain)/loss on sales of investment securities	(6)	-	(40)
(Gain)/loss on sales of shares of affiliates	0	1	5
Bond issuance costs	1,880	1,883	12,416
Loss on realization of foreign currency translation adjustments due to liquidation of foreign subsidiary	-	356	-
(Increase)/decrease in lease receivables and investments in leases	575	425	3,801
(Increase)/decrease in trade accounts receivable - loans	(357,434)	(593,488)	(2,360,708)
(Increase)/decrease in trade accounts receivable - other loans	-	929	-
(Increase)/decrease in trade accounts receivable - credit cards	6,425	(304)	42,435
(Increase)/decrease in trade accounts receivable - billing	(170,857)	(8,268)	(1,128,444)
(Increase)/decrease in investments in venture businesses	(1,396)	(683)	(9,222)
Increase/(decrease) in accounts payable - other	3,088	17,167	20,399
Increase/(decrease) in deposits received - billing	(85,976)	(2,227)	(567,839)
Other—net	10,857	(833)	71,710
Subtotal	(380,827)	(486,256)	(2,515,210)
Interest and dividend income received	661	1,736	4,371
Interest expense paid	(48,216)	(35,616)	(318,449)
Income taxes refund/(paid)	(1,885)	(5,056)	(12,451)
Net cash provided by/(used in) operating activities	¥ (430,267)	¥ (525,193)	\$ (2,841,739)

(Continued)

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Consolidated Statements of Cash Flows**  
**Years Ended March 31, 2024 and 2023**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
Net cash provided by/(used in) operating activities	¥ (430,267)	¥ (525,193)	\$ (2,841,739)
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sale and redemption of investment securities	6	-	41
Proceeds from sales of shares of affiliates	2	3	13
Proceeds from liquidation of affiliates	-	2,190	-
Payments for purchases of assets held for own use	(3,553)	(2,679)	(23,471)
Other—net	(417)	(216)	(2,759)
Net cash provided by/(used in) investing activities	(3,963)	(702)	(26,175)
<b>FINANCING ACTIVITIES:</b>			
Increase/(decrease) in short-term bank loans	(84,449)	83,986	(557,756)
Increase/(decrease) in commercial papers	307,706	181,680	2,032,275
Increase in long-term borrowings	284,078	810,000	1,876,217
Repayments of long-term borrowings	(99,474)	(147,449)	(656,988)
Proceeds from issuance of bonds	712,320	206,712	4,704,577
Redemption of bonds	(330,128)	(179,150)	(2,180,357)
Cash dividends paid	(7,299)	(2,814)	(48,208)
Increase/(decrease) in deposits received	(435,124)	(503,568)	(2,873,817)
Other—net	(4)	(4)	(26)
Net cash provided by/(used in) financing activities	347,624	449,391	2,295,915
<b>EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS</b>	(171)	1,961	(1,134)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(86,778)	(74,542)	(573,134)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	290,025	364,567	1,915,496
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	¥ 203,247	¥ 290,025	\$ 1,342,362

See notes to consolidated financial statements.

# NTT FINANCE CORPORATION and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements Years Ended March 31, 2024 and 2023

### 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 ¥151.41 to \$1.00, the approximate rate of exchange at March 31, 2024, 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, 2024 include the accounts of the Company and its 4 significant subsidiaries, such as NTT Finance Americas Inc. (together, the “Group”). NTT Finance Investment, Inc. was excluded from the scope of consolidation because it is small in scale in terms of its total assets, net sales, profit, retained earnings, etc., and these items as a whole do not significantly affect the consolidated financial statements.

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 8 to 18 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 2 to 7 years.
- f. **Goodwill**—Goodwill is amortized using the straight-line method over the period where the respective goodwill is considered to be effective.
- g. **Long-Lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured at the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- h. **Bond Issuance Costs**—Bond issuance costs were amortized using the interest method over the bond redemption period.
- i. **Allowance for Doubtful Receivables**—Allowance for doubtful receivables is provided for at an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables such as due from debtors likely to become bankrupt and/or from debtors in bankruptcy and reorganization based on the examination on their financial conditions and the amount calculated based on the historical rate of losses for the other regular receivables.
- j. **Provision for Loss on System Use Agreements**—Provision for loss on system use agreements is recognized based on the estimated loss amount as of the balance sheet date to provide for the loss associated with unavoidable expenses incurring for remaining periods of system use agreements related to the telephone fee combined services.
- k. **Retirement Benefit Plans**—The Company has funded and unfunded defined benefit plans. In determining retirement benefit obligations, the benefit formula basis is used for the method of attributing expected benefit to periods. Past service costs are amortized by the straight-line method over the average remaining years of service of the employees when such past service costs occur. Actuarial gains or losses are amortized by the straight-line method over periods based on the average remaining years of service of the employees in the fiscal year when such gains or losses occur, commencing from the following fiscal year.
- l. **Asset Retirement Obligations**—Asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized in the period when a reasonable estimate of the asset retirement obligation can be made.

Upon initial recognition of liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability.

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

**m. Revenue Recognition on Finance Lease Transactions**—Revenues from finance lease contracts and corresponding costs are recognized at the time of actual collection of the payments.

**n. Revenue Arising from Contracts with Customers**—Major contents of performance obligations relating to revenue arising from contracts with customers of the Group and timing of the satisfaction of performance obligations (timing of revenue recognition) are as follows:

(a) Billing business

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

(b) Credit card business

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

(c) Accounting and finance business

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

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

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

**q. Foreign Currency Financial Statements**—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.

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

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

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

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

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

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

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

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

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

- t. **Significant Accounting Estimates**

Accounting estimates recognized in the consolidated financial statements for the year ended March 31, 2024 could have a significant impact on the consolidated financial statements for the year ending March 31, 2025. 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, 2024 and 2023

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Allowance for doubtful billing receivables	¥ 39,296	¥ 20,287	\$ 259,535

- (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, 2025 in case the actual defaults on billing receivables will differ from the estimates.

**u. Accounting Standards Issued but not yet Applied**

- Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

**(a) Overview**

ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting and other guidances were issued in February 2018, and the relocation of the practical guidelines related to tax effect accounting, issued by The Japanese Institute of Certified Public Accountants (“JICPA”), from the JICPA to the ASBJ, was completed. The following two topics, which were to be reviewed again after the issuance of ASBJ Statement No. 28 in the course of discussions for the relocation, were discussed and issued at this time.

- Classification of income taxes (when taxes are imposed on other comprehensive income)
- Tax effects related to the sale of shares in subsidiaries and affiliates when the corporate group tax system is applied

**(b) Scheduled date of application**

The above standards and guidance are scheduled to be applied from the beginning of the fiscal year ending March 31, 2025.

**(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, 2024 and 2023 are as follows:

		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

Thousands of U.S. Dollars			
2024			
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	\$ 23,250	\$ 2,361	\$ 20,888
Sub-total	23,250	2,361	20,888
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	\$ 23,250	\$ 2,361	\$ 20,888

Millions of Yen			
2023			
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 3,582	¥ 353	¥ 3,228
Sub-total	3,582	353	3,228
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	¥ 3,582	¥ 353	¥ 3,228

As of March 31, 2024 and 2023, unlisted equity securities of ¥2,862 million (\$18,908 thousand) and ¥1,484 million and investments in partnerships of ¥3,289 million (\$21,724 thousand) and ¥2,696 million are excluded from the above table because they do not have readily determinable market values.

Securities sold during the years ended March 31, 2024 and 2023 are as follows:

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

Thousands of U.S. Dollars			
2024			
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	\$ 750	\$ 640	\$ -

Millions of Yen			
2023			
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	¥ 3	¥ -	¥ 1

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, 2024 and 2023 were nil and ¥325 million, respectively.

#### 4. PROPERTY AND EQUIPMENT, NET

Accumulated depreciation of assets held for own use as of March 31, 2024 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Assets held for own use	¥ 5,438	¥ 6,852	\$ 35,918

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

Investments in non-consolidated subsidiaries and affiliates as of March 31, 2024 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Investment securities	¥ 16,706	¥ 15,614	\$ 110,341
Other under investments and other assets	3,338	3,033	22,051

Investment securities include investments in jointly controlled entities in the amount of ¥15,205 million (\$100,429 thousand) and ¥14,130 million for the years ended March 31, 2024 and 2023, respectively.

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

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

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

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

Short-term and long-term debts as of March 31, 2024 and 2023 consisted of the following:

	Interest Rate (%) (Notes a, b, c and d)	Millions of Yen		Thousands of U.S. Dollars
		2024	2023	2024
Short-term debt:				
Short-term bank loans	5.414	¥ 341,721	¥ 400,169	\$ 2,256,926
Commercial papers	3.785	1,037,428	600,605	6,851,782
Short-term borrowings		1,379,149	1,000,775	9,108,708
Lease obligations, current portion	-	4	4	26
Deposits received from NTT Group companies, including current portion of long-term deposits received from NTT Group companies	0.365	1,222,540	1,654,645	8,074,373
Long-term debt:				
Long-term borrowings	0.927%	3,103,650	2,866,059	20,498,317
Unsecured bonds	0.001 – 4.372	3,376,594	2,968,859	22,300,999
Bonds issued under Euro Medium Term Note Program	0.332 – 1.302	39,455	58,535	260,584
Sub-total		6,519,699	5,893,454	43,059,902
Less current portion	0.641%	740,145	390,398	4,888,349
Long-term debt		5,779,554	5,503,055	38,171,552
Lease obligations, excluding current portion	-	2	6	16

- Notes:
- Interest rate represents a weighted-average rate of interest on the outstanding balance of debt (excluding bonds and finance lease obligations) as of March 31, 2024.
  - Interest rate for unsecured bonds represents the range of annual coupon rates rounded down to the nearest hundredth percent.
  - Interest rate for bonds issued under Euro Medium Term Note Program represents the range of annual coupon rates rounded down to the nearest hundredth percent.
  - Interest rate for finance lease obligations is not disclosed since lease obligations are recorded on the consolidated balance sheets in the amount not deducting the amount equivalent to interest that is included in the total lease payment.

The annual maturities of long-term borrowings, bonds payable, and lease obligations over 1 year through 5 years as of March 31, 2024 are summarized as follows:

	Millions of Yen			
	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years
March 31, 2024				
Long-term borrowings	¥595,575	¥ 499,913	¥ 506,006	¥ 443,282
Bonds payable	452,438	548,300	276,052	482,945
Lease obligations	1	0	-	-
	Thousands of U.S. Dollars			
	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years
March 31, 2024				
Long-term borrowings	\$3,933,530	\$3,301,720	\$3,341,962	\$2,927,693
Bonds payable	2,988,167	3,621,293	1,823,209	3,189,656
Lease obligations	10	5	-	-

## 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
	2024	2023	2024
Retirement benefit obligations at beginning of year	¥ 39,851	¥ 43,924	\$ 263,204
Current service costs	1,088	1,263	7,189
Interest costs	519	383	3,431
Actuarial gains and losses arising during year	(1,152)	(2,604)	(7,608)
Retirement benefits paid	(2,849)	(3,306)	(18,822)
Succession due to transfer	351	192	2,320
Retirement benefit obligations at end of year	¥ 37,809	¥ 39,851	\$ 249,714

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

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Plan assets at beginning of year	¥ 23,606	¥ 23,941	\$ 155,910
Expected return on plan assets	414	419	2,738
Actuarial gains and losses arising during year	1,446	(355)	9,555
Contribution from employer	303	297	2,003
Retirement benefits paid	(776)	(697)	(5,127)
Succession due to transfer	63	13	416
Other	(12)	(12)	(82)
Plan assets at end of year	¥ 25,045	¥ 23,606	\$ 165,416

(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
	2024	2023	2024
Retirement benefit obligations of funded plans	¥ 25,848	¥ 26,873	\$ 170,719
Plan assets	(25,045)	(23,606)	(165,416)
	803	3,267	5,303
Retirement benefit obligations of unfunded plans	11,960	12,978	78,994
Net balance of liability and asset recorded on the consolidated balance sheet	12,763	16,245	84,298
Defined benefit liability	15,434	18,346	101,936
Defined benefit asset	(2,670)	(2,101)	(17,638)
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 12,763	¥ 16,245	\$ 84,298

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

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Current service costs	¥ 1,088	¥ 1,263	\$ 7,189
Interest costs	519	383	3,431
Expected return on plan assets	(414)	(419)	(2,738)
Amortization of actuarial gains and losses	(476)	(271)	(3,145)
Amortization of past service costs	(48)	(64)	(321)
Retirement benefit costs on defined benefit plans	¥ 668	¥ 891	\$ 4,415

(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
	2024	2023	2024
Past service costs	¥ (48)	¥ (64)	\$ (321)
Actuarial gains and losses	2,122	1,977	14,018
Total	¥ 2,073	¥ 1,913	\$ 13,697

(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
	2024	2023	2024
Unrecognized past service costs	¥ 50	¥ 99	\$ 335
Unrecognized actuarial gains and losses	7,649	5,527	50,522
Total	¥ 7,700	¥ 5,626	\$ 50,858

(g) *Breakdown of plan assets*

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

	2024	2023
Cash and cash equivalents	2.23%	3.49%
Debt securities	39.51	40.63
Equity securities	11.82	12.26
Beneficiary certificates of securities investment trust	17.75	18.04
Jointly managed money trust	11.82	7.70
General account of life insurance	12.56	13.65
Other	4.31	4.23
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*

	2024	2023
Actuarial assumptions at end of year:		
Discount rate	0.9 - 1.6%	0.9 - 1.3%
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 ¥204 million (\$1,349 thousand) and ¥193 million, for the years ended March 31, 2024 and 2023, respectively.

## 8. EQUITY

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

**a. Dividends**

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

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

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

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the total of

aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

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

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

The following dividends were paid during the years ended March 31, 2024 and 2023:

**(1) Dividends paid in cash**

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	\$ 48,208	¥142,106.00	\$ 938.55	March 31, 2023	June 19, 2023
Year Ended March 31, 2023							
Resolution	Class of Shares	Total Dividends (Millions of Yen)	Total Dividends (Thousands of U.S. Dollars)	Dividends per Share (Yen)	Dividends per Share (U.S. Dollars)	Record Date	Effective Date
Annual shareholders' meeting held on June 17, 2022	Common stock	¥ 2,814	\$18,589	¥54,798.00	\$361.92	March 31, 2022	June 20, 2022

**(2) Dividends paid other than in cash**

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	\$158	¥ -	\$-	April 21, 2023	May 12, 2023

Year Ended March 31, 2023								
Resolution	Class of Shares	Class of Dividend Property	Carrying Amount of Dividend Property (Millions of Yen)	Carrying Amount of Dividend Property (Thousands of U.S. Dollars)	Dividends per Share (Yen)	Dividends per Share (U.S. Dollars)	Record Date	Effective Date
Annual shareholders' meeting held on June 17, 2022	Common stock	Available-for-sale securities	¥19	\$126	¥ -	\$-	June 17, 2022	June 30, 2022

## 9. INCOME TAXES

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

The tax effects of significant temporary differences which resulted in net deferred tax assets as of March 31, 2024 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deferred tax assets:			
Accrued enterprise taxes	¥ 369	¥ 52	\$ 2,437
Accrued bonuses	365	460	2,413
Accounts payable - other	390	327	2,580
Allowance for doubtful receivables	7,672	3,944	50,674
Accrued retirement benefits	4,657	5,618	30,758
Loss on valuation of investment securities	466	499	3,079
Provision for loss on system use agreements	482	536	3,189
Others	1,025	1,167	6,772
Sub-total	15,429	12,606	101,904
Valuation allowance	(888)	(919)	(5,868)
Total deferred tax assets	14,540	11,687	96,036
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(1,299)	(1,134)	(8,582)
Others	(1,181)	(826)	(7,805)
Total deferred tax liabilities	(2,481)	(1,961)	(16,387)
Net deferred tax assets	¥ 12,059	¥ 9,726	\$ 79,649

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, 2024 and 2023 is as follows:

	2024	2023
Statutory tax rate	30.6%	30.6%
Tax on undistributed profits for a family corporation	1.2	0.7
Per capita inhabitant tax	0.3	0.6
Changes in valuation allowance	0.3	0.2
Difference in tax rates of consolidated subsidiaries	(1.8)	(3.4)
Share of profit of equity-accounted investees	(2.8)	(4.3)
Others	0.0	(0.9)
Actual effective tax rate	27.8%	23.5%

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).

## 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
	2024	2023	2024
Due in 1 year or less	¥ 581	¥ 578	\$ 3,843
Due after 1 year	186	422	1,232
Total	¥ 768	¥ 1,001	\$ 5,076

## 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.

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

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

##### *Risks of price fluctuations*

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, 2024 and 2023 is estimated to decrease market value of the Group's net financial assets by ¥75 million (\$499 thousand) and ¥35 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, 2024 and 2023 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*

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)

March 31, 2024	Thousands of U.S. Dollars			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Investments in venture businesses and investment securities:				
Available-for-sale securities				
Equity securities	\$ 23,250	\$ -	\$ -	\$ 23,250
Debt securities	-	-	-	-
Other securities	-	-	-	-
Total assets	\$ 23,250	\$ -	\$ -	\$ 23,250
Derivative transactions (Notes a and b):				
Currency related	\$ -	\$ -	\$ -	\$ -
Interest related	-	(926)	-	(926)
Total derivative transactions	\$ -	\$ (926)	\$ -	\$ (926)

March 31, 2023	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	¥3,582	¥ -	¥ -	¥3,582
Debt securities	-	-	-	-
Other securities	-	-	-	-
Total	¥3,582	¥ -	¥ -	¥3,582

- Notes:
- Receivables and payables arising from derivative transactions are presented on a net basis.
  - 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,” “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, 2024	Millions of Yen					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
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

March 31, 2024	Thousands of U.S. Dollars					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
Loans receivable	\$ -	\$ -	\$59,906,529	\$ 59,906,529	\$ 60,483,973	\$ (577,443)
Total assets	\$ -	\$ -	\$59,906,529	\$ 59,906,529	\$ 60,483,973	\$ (577,443)
Bonds payable	\$ -	\$ 24,013,878	\$ -	\$ 24,013,878	\$ 22,561,584	\$ 1,452,294
Long-term borrowings	-	20,399,555	-	20,399,555	20,498,317	(98,762)
Total liabilities	\$ -	\$ 44,413,433	\$ -	\$ 44,413,433	\$ 43,059,902	\$ 1,353,531
Derivative transactions (Notes a and b):						
Interest related	\$ -	\$ 1,771,564	\$ -	\$ 1,771,564	\$ -	\$ 1,771,564
Currency related	-	5,077	-	5,077	-	5,077
Total derivative transactions	\$ -	\$ 1,776,641	\$ -	\$ 1,776,641	\$ -	\$ 1,776,641

	Millions of Yen							
	Fair Value					Carrying		
March 31, 2023	Level 1	Level 2	Level 3	Total	Amount	Difference		
Loans receivable	¥ -	¥ -	¥ 8,641,653	¥ 8,641,653	¥ 8,724,163	¥(82,509)		
Total assets	¥ -	¥ -	¥ 8,641,653	¥ 8,641,653	¥ 8,724,163	¥(82,509)		
Bonds payable	¥ -	¥ 3,049,352	¥ -	¥ 3,049,352	¥ 3,027,395	¥ 21,956		
Long-term borrowings	-	2,833,299	-	2,833,299	2,866,059	(32,759)		
Total liabilities	¥ -	¥ 5,882,651	¥ -	¥ 5,882,651	¥ 5,893,454	¥(10,802)		
Derivative transactions (Notes a and b):								
Interest related	¥ -	¥ 78,982	¥ -	¥ 78,982	¥ -	¥ 78,982		
Currency related	-	1,079	-	1,079	-	1,079		
Total derivative transactions	¥ -	¥ 80,062	¥ -	¥ 80,062	¥ -	¥ 80,062		

- Notes:
- Receivables and payables arising from derivative transactions are presented on a net basis.
  - 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, 2024 and 2023. The information on available-for-sale securities as of March 31, 2024 and 2023 is as follows:

Acquisition cost or amortized cost, fair value and difference by types of available-for-sale securities as of March 31, 2024 and 2023 are as follows. Total sales amount and gain on sale of available-for-sale securities for the year ended March 31, 2024 were ¥113 million (\$750 thousand) and ¥96 million (\$640 thousand), respectively. Total sales amount and loss on sale of available-for-sale securities for the year ended March 31, 2023 were ¥3 million and ¥1 million, respectively.

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

Thousands of U.S. Dollars			
2024			
	Acquisition Cost/ Amortized Cost	Fair Value	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	\$ 2,361	\$ 23,250	\$ 20,888
Sub-total	2,361	23,250	20,888
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	\$ 2,361	\$ 23,250	\$ 20,888

Millions of Yen			
2023			
	Acquisition Cost/ Amortized Cost	Fair Value	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 353	¥ 3,582	¥ 3,228
Sub-total	353	3,582	3,228
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	¥ 353	¥ 3,582	¥ 3,228

There were no securities for which the holding purpose had been changed during the years ended March 31, 2024 and 2023.

### 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, 2024 and 2023 are summarized as follows. These instruments are excluded from investments in venture businesses and investment securities in the above tables.

Classification	Type	Carrying Amount		
		Millions of Yen		Thousands of U.S. Dollars
		2024	2023	2024
Investments in affiliates	Unlisted equity securities	¥ 16,706	¥ 15,614	\$ 110,341
Available-for-sale securities	Unlisted equity securities	2,862	1,484	18,908
	Investments in partnerships	3,289	2,696	21,724
	Total available-for-sale securities	¥ 6,152	¥ 4,180	\$ 40,632

### **(6) Maturity Analysis for Monetary Claims**

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
March 31, 2024						
Loans receivable	¥ 2,859,222	¥1,013,202	¥1,213,065	¥1,207,955	¥ 839,241	¥ 2,025,191
	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
March 31, 2024						
Loans receivable	\$18,883,972	\$6,691,779	\$8,011,789	\$7,978,039	\$5,542,841	\$13,375,549
	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
March 31, 2023						
Loans receivable	¥ 2,560,776	¥ 816,528	¥ 999,961	¥1,170,586	¥1,208,244	¥ 1,968,065

### **(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, 2024 and 2023 are summarized as follows.

		Millions of Yen			
		Contract Amount			Fair Value
	Hedged Item	Total	Due after 1 Year		
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
		Thousands of U.S. Dollars			
March 31, 2024					
Interest rate swaps (Note a)					
(Pay fixed rate, receive variable rate)	Long-term borrowings	\$ 310,000	\$ 310,000	\$	(926)
Interest rate swaps (Note b)					
(Pay fixed rate, receive variable rate)	Long-term borrowings	148,625	148,625		5,077
Currency swaps (Note c)					
(Pay fixed rate, receive variable rate)	Long-term borrowings	313,173	313,173		25,188
(Pay fixed rate, receive fixed rate)	Bonds payable	9,143,744	7,834,155		1,730,762
Foreign exchange forward contracts					
(Buy Euro)	Commercial paper	1,703,352	-		15,613
Total		\$ 11,618,895	\$ 8,605,953	\$	1,775,715
		Millions of Yen			
March 31, 2023					
Interest rate swaps (Note b) (Pay fixed rate, receive variable rate)	Long-term borrowings	¥ 20,088	¥ 20,088	¥	1,079
Currency swaps (Note c)					
(Pay fixed rate, receive variable rate)	Long-term borrowings	47,417	47,417		1,993
(Pay fixed rate, receive fixed rate)	Bonds payable	1,376,308	1,270,208		76,847
Foreign exchange forward contracts (Buy Euro)	Commercial paper	14,374	-		140
Total		¥ 1,458,189	¥ 1,337,714	¥	80,062

- Notes:
- Deferral hedge accounting is applied to these contracts.
  - These contracts are not remeasured at market value, but the net amount to be paid or received under the swap agreements are recognized and included in cost of sales.
  - Hedged items are translated at the foreign exchange rates stipulated in the contracts, and gains or losses on swap transactions are deferred until the gains or losses on the corresponding hedged items are recognized in income.

### 13. COMMITMENTS AND CONTINGENCIES

As of March 31, 2024 and 2023, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Guarantees in the ordinary course of business	¥ 62,424	¥ 52,243	\$ 412,290
Unexecuted loan commitments (Note)	5,426,246	3,802,600	35,838,095

Note: The Group enters into loan commitment agreements with customers. As of March 31, 2024 and 2023, loan commitments given to customers were ¥7,466,198 million (\$49,311,135 thousand) and ¥5,894,180 million, of which ¥2,039,952 million (\$13,473,039 thousand) and ¥2,091,580 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, 2024 and 2023, the Group had the following receivables arising from contracts with customers:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Billing receivables	¥ 6,330	¥ 4,180	\$ 41,809
Current assets – Other	365	241	2,413
Receivables arising from contracts with customers	¥ 6,695	¥ 4,422	\$ 44,223

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

## 15. COMPREHENSIVE INCOME

Reclassification adjustments and related income tax effect on other comprehensive income for the years ended March 31, 2024 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrealized gain/(loss) on available-for-sale securities:			
Gains/(losses) arising during the year	¥ 427	¥ (320)	\$ 2,822
Reclassification adjustments	109	150	723
Amount before income tax effect	536	(170)	3,546
Income tax effect	(164)	29	(1,086)
Unrealized gain/(loss) on available-for-sale securities	372	(140)	2,460
Deferred gain/(loss) on hedges:			
Gains/(losses) arising during the year	(39)	-	(263)
Reclassification adjustments	(112)	-	(742)
Amount before income tax effect	(152)	-	(1,005)
Income tax effect	31	-	211
Deferred gain/(loss) on hedges	(120)	-	(794)
Foreign currency translation adjustments:			
Gains/(losses) arising during the year	1,954	650	12,911
Reclassification adjustments	-	356	-
Foreign currency translation adjustments	1,954	1,007	12,911
Remeasurements of defined benefit plans:			
Gains/(losses) arising during the year	2,598	2,249	17,164
Reclassification adjustments	(524)	(335)	(3,467)
Amount before income tax effect	2,073	1,913	13,697
Income tax effect	(635)	(585)	(4,194)
Remeasurements of defined benefit plans	1,438	1,327	9,502
Share of other comprehensive income (loss) of affiliates accounted for using equity method:			
Gains/(losses) arising during the year	309	(38)	2,043
Total other comprehensive income/(loss)	¥ 3,955	¥ 2,156	\$ 26,123

## 16. SEGMENT INFORMATION

### *Description of reportable segments*

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

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

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

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

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

The amounts of segment assets are not disclosed since the assets have not been allocated to the reportable segments after the absorption-type company split during the second quarter of the year ended March 31, 2021 where the rights and obligations of leasing business and part of international business of the Company 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, 2024 and 2023.

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
Thousands of U.S. Dollars					
2024					
Reportable Segment					
	Billing	Credit Card	Accounting and Finance	Other (Note)	Total
Revenue:					
Revenue arising from contracts with customers	\$ 249,465	\$ 3,484	\$ 98,344	\$ 14,655	\$ 365,949
Other revenue	940,883	38,416	647,797	-	1,627,097
Revenue from external customers	1,190,349	41,900	746,141	14,655	1,993,047
Intersegment revenue or transfers	-	369,273	124	-	369,397
Total	\$ 1,190,349	\$ 411,174	\$ 746,266	\$ 14,655	\$2,362,445
Segment profit	\$ 32,080	\$ 27,792	\$ 102,645	\$ 274	\$ 162,792

Millions of Yen					
2023					
Reportable Segment				Other (Note)	Total
Billing	Credit Card	Accounting and Finance			
Revenue:					
Revenue arising from contracts with customers	¥ 38,012	¥ 524	¥10,356	¥2,202	¥ 51,095
Other revenue	119,049	4,985	51,272	-	175,307
Revenue from external customers	157,061	5,509	61,629	2,202	226,403
Intersegment revenue or transfers	-	50,851	22	-	50,873
Total	¥157,061	¥56,360	¥61,651	¥2,202	¥277,276
Segment profit	¥ 3,665	¥ 3,782	¥10,278	¥ 21	¥ 17,748

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
	2024	2023	2024
Revenue:			
Reportable segments total	¥355,478	¥275,074	\$2,347,790
Segment “Other”	2,218	2,202	14,655
Intersegment eliminations	(55,930)	(50,873)	(369,397)
Revenue in the consolidated statements of income	¥301,767	¥226,403	\$1,993,047
Segment profit:			
Reportable segments total	¥ 24,606	¥ 17,726	\$ 162,517
Segment “Other”	41	21	274
Corporate expenses (Note)	(8,221)	(6,799)	(54,297)
Operating income in the consolidated statements of income	¥ 16,427	¥ 10,948	\$ 108,494

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, 2024 and 2023 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Revenue from external customers:			
Financial service	¥ 115,192	¥ 63,831	\$ 760,796
Credit card	6,344	5,509	41,900
Billing	180,230	157,061	1,190,349
Total	¥ 301,767	¥ 226,403	\$ 1,993,047

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

	Millions of Yen	Thousands of U.S. Dollars
Revenue:		
Japan	¥230,970	\$1,525,461
Overseas:		
Asia	2,819	18,624
North America	6,347	41,921
Europe	60,025	396,442
Other	1,604	10,597
Total	70,797	467,586
Consolidated total	¥301,767	\$1,993,047

- Notes:
- Revenue is classified by country or region based on the location of customers.
  - Revenue in the United Kingdom of ¥57,103 million (\$377,147 thousand) is included in Europe.

Disclosures on information about revenue by geographical area for the year ended March 31, 2023 are omitted, as revenue from external customers in Japan exceeds 90% of consolidated revenue.

Disclosures on information about property and equipment by geographical area for the years ended March 31, 2024 and 2023 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, 2024 is as follows:

	Revenue		Related Segments
	Millions of Yen	Thousands of U.S. Dollars	
NTT DOCOMO, INC.	¥ 121,259	\$ 800,870	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	31,093	205,361	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	28,198	186,236	Billing and Accounting and Finance

Information about revenue by major customer for the year ended March 31, 2023 is as follows:

	Revenue Millions of Yen	Related Segments
NTT DOCOMO, INC.	¥ 96,811	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	28,993	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	27,129	Billing and Accounting and Finance

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

For the years ended March 31, 2024 and 2023, 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, 2024 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Transactions:			
Execution of loans	¥ 5,645,014	¥ 5,691,476	\$ 37,282,971
Debt guarantee granted (Note)	1,741,630	1,947,730	11,502,740
Account balances:			
Loans receivable	5,679,567	6,154,752	37,511,177

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, 2024 and 2023 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Transactions:			
Execution of loans	¥ 2,096,451	¥ 1,540,976	\$ 13,846,191
Acceptance of excess funds	317,963	934,366	2,100,018
Transactions related to transferred receivables	6,291,058	6,138,709	41,549,823
Billing-related revenue	169,593	146,739	1,120,097
Receipt of interest	23,612	6,988	155,948
Account balances:			
Billing receivables	23,221	16,887	153,367
Accounts payable - other	400,964	394,326	2,648,201
Deposits received	834,472	1,252,620	5,511,343
Loans receivable	2,430,584	1,493,807	16,053,000

18. SUBSEQUENT EVENTS

*Appropriations of Retained Earnings*

The following appropriation of retained earnings at March 31, 2024 was approved at the Company’s shareholders meeting held on June 14, 2024:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥152,855.00 (\$1,009.54) per share	¥ 7,851	\$ 51,855

\* \* \* \* \*

## **Independent Auditor's Report**

To the Board of Directors of NTT FINANCE CORPORATION:

### **Opinion**

We have audited the accompanying consolidated financial statements of NTT FINANCE CORPORATION (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

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

### **Key Audit Matter**

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.

Appropriateness of the historical rate of credit losses for general receivables	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of NTT FINANCE CORPORATION (“the Company”) and its consolidated subsidiaries as of March 31, 2023, billing receivables of ¥93,913 million were recognized related to telecommunication service charges transferred from NTT Group companies. In addition, as described in Note “2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, t. Significant accounting estimates” to the consolidated financial statements, allowance for doubtful receivables related to billing receivables of ¥20,287 million was provided mostly for general receivables.</p> <p>The Company recognizes allowance for doubtful receivables for general receivables based on the historical rate of credit losses to cover probable losses on collection.</p> <p>The historical rate of credit losses is calculated based on the historical credit losses for each number of elapsed months of billing receivables according to the management’s judgment that probable credit losses approximate the historical credit losses. In addition, given the significant amounts of general receivables, the appropriateness of the historical rate of credit losses may have a significant effect on the determination of allowance for doubtful receivables for general receivables.</p> <p>We, therefore, determined that our assessment of the appropriateness of the historical rate of credit losses for general receivables was the most significant in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the appropriateness of the historical rate of credit losses for general receivables included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to calculating the historical rate of credit losses. In this assessment, we focused our testing on the internal controls relevant to the accuracy of the aggregation of general receivables and historical credit losses and the calculation of the historical rate of credit losses.</p> <p>(2) Assessment of the appropriateness of the historical rate of credit losses for general receivables</p> <p>We inquired of the management regarding the basis for the judgment that probable credit losses approximate the historical credit losses. In addition, we assessed the reasonableness of the management’s judgment by comparing the amounts recognized as allowance for doubtful receivables in the prior years with the corresponding actual amounts of credit losses and examining the causes of any variances between them.</p>

## Other Information

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

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

/S/ Atsunori Sadahiro  
Designated Engagement Partner  
Certified Public Accountant

/S/ Koichi Hamaguchi  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
June 15, 2023

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

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

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Consolidated Balance Sheets**  
**March 31, 2023 and 2022**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2023	2022	2023
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	¥ 290,025	¥ 364,567	\$ 2,171,986
Trade accounts receivable:			
Loans (Notes 11 and 17)	8,724,163	8,107,979	65,334,855
Other loans	-	929	-
Credit cards	59,295	58,990	444,062
Billing (Notes 14 and 17)	93,913	85,644	703,312
Allowance for doubtful receivables	(21,072)	(15,748)	(157,807)
Investments in venture businesses (Notes 3 and 11)	6,912	6,245	51,765
Other (Note 14)	47,727	45,759	357,432
Total current assets	9,200,965	8,654,368	68,905,607
PROPERTY AND EQUIPMENT, NET (Note 4):	5,720	6,205	42,842
INTANGIBLE ASSETS—Assets held for own use	6,869	10,536	51,447
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 3, 5 and 11)	16,465	19,037	123,311
Defined benefit asset (Note 7)	2,101	1,837	15,736
Deferred tax assets (Note 9)	9,726	10,939	72,838
Other (Notes 5 and 11)	6,815	6,598	51,040
Allowance for doubtful receivables	(467)	(406)	(3,501)
Total investments and other assets	34,641	38,005	259,425
<b>DEFERRED ASSETS</b>			
Deferred charges	6,316	7,177	47,303
Total deferred assets	6,316	7,177	47,303
<b>TOTAL ASSETS</b>	<u>¥ 9,254,513</u>	<u>¥ 8,716,293</u>	<u>\$ 69,306,626</u>

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND NET ASSETS	2023	2022	2023
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Note 6)	¥ 400,169	¥ 299,688	\$ 2,996,852
Current portion of long-term borrowings (Notes 6 and 11)	60,797	144,043	455,311
Current portion of bonds (Notes 6 and 11)	329,601	179,188	2,468,367
Commercial papers (Note 6)	600,605	404,726	4,497,905
Lease obligations (Note 6)	4	1	30
Accounts payable - other (Note 17)	427,968	412,714	3,205,038
Accrued income taxes	230	205	1,723
Deposits received (Note 17)	1,811,338	2,316,897	13,565,031
Deposits received from shareholders, directors or employees	106	85	797
Asset retirement obligations	-	137	-
Other	11,841	12,048	88,679
Total current liabilities	3,642,663	3,769,736	27,279,739
<b>LONG-TERM LIABILITIES:</b>			
Bonds (Notes 6 and 11)	2,697,794	2,816,633	20,203,655
Long-term borrowings (Notes 6 and 11)	2,805,261	2,025,584	21,008,471
Lease obligations (Note 6)	6	3	49
Provision for loss on system use agreements	1,752	2,380	13,120
Defined benefit liability (Note 7)	18,346	21,819	137,397
Asset retirement obligations	1,315	1,333	9,852
Deferred tax liabilities (Note 9)	-	0	-
Other	295	995	2,213
Total long-term liabilities	5,524,771	4,868,750	41,374,760
Total liabilities	9,167,435	8,638,487	68,654,499
<b>NET ASSETS:</b>			
Shareholders' equity (Notes 8 and 18):			
Common stock—authorized, 80,000 shares; issued, 51,960 shares in 2023 and 2022	16,770	16,770	125,596
Capital surplus	15,950	15,950	119,452
Retained earnings	46,993	39,877	351,934
Treasury stock; 595 shares in 2023 and 2022	(1,126)	(1,126)	(8,440)
Total shareholders' equity	78,588	71,472	588,543
Accumulated other comprehensive income/(loss):			
Unrealized gain/(loss) on available-for-sale securities	2,374	2,762	17,780
Foreign currency translation adjustments	2,203	989	16,499
Remeasurements of defined benefit plans	3,912	2,582	29,302
Total accumulated other comprehensive income/(loss)	8,490	6,334	63,582
Total net assets	87,078	77,806	652,126
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>¥ 9,254,513</b>	<b>¥ 8,716,293</b>	<b>\$ 69,306,626</b>

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Consolidated Statements of Income**  
**Years Ended March 31, 2023 and 2022**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
REVENUE (Note 16):	¥ 226,403	¥ 189,882	\$ 1,695,524
COST OF SALES	122,821	96,702	919,802
Gross profit/(loss)	103,582	93,179	775,721
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	92,633	87,297	693,729
Operating income/(loss) (Note 16)	10,948	5,881	81,991
OTHER INCOME:			
Interest income	0	0	0
Dividend income	21	24	161
Share of profit of equity-accounted investees	1,838	3,705	13,769
Gain on bad debts recovered	-	566	-
Foreign exchange gain	1,073	1,373	8,040
Other	29	140	223
Total other income	2,963	5,809	22,194
OTHER EXPENSES:			
Interest expense	25	50	189
Loss on retirement of assets held for own use	124	155	932
Other	10	4	76
Total other expenses	160	210	1,198
EXTRAORDINARY LOSSES:			
Restructuring expenses	-	166	-
Provision reserve for loss on system use agreements	-	2,118	-
Loss on termination of card business service	384	-	2,879
Loss on realization of foreign currency translation adjustments due to liquidation of foreign subsidiary	356	-	2,673
Total extraordinary losses	741	2,284	5,552
PROFIT/(LOSS) BEFORE INCOME TAXES	13,010	9,196	97,434
INCOME TAXES (Note 9):			
Current	2,404	3,639	18,006
Deferred	656	(1,130)	4,914
Total income taxes	¥ 3,060	¥ 2,509	\$ 22,920

(Continued)

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Consolidated Statements of Income**  
**Years Ended March 31, 2023 and 2022**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
PROFIT/(LOSS)	¥ 9,949	¥ 6,687	\$ 74,513
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 9,949	¥ 6,687	\$ 74,513
	Yen		U.S. Dollars (Note 1)
	2023	2022	2023
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	
Basic earnings per share	¥ 193,708.73	¥ 130,188.48	\$ 1,450.68
Cash dividends applicable to the year (Note 18)	142,106.00	54,798.00	1,064.23

See notes to consolidated financial statements.

(Concluded)

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Consolidated Statements of Comprehensive Income**  
**Years Ended March 31, 2023 and 2022**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
PROFIT/(LOSS)	¥ 9,949	¥ 6,687	\$ 74,513
OTHER COMPREHENSIVE INCOME/(LOSS) (Note 15):			
Unrealized gain/(loss) on available-for-sale securities	(140)	349	(1,053)
Foreign currency translation adjustments	1,007	608	7,546
Remeasurements of defined benefit plans	1,327	2,124	9,939
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	(38)	326	(285)
Total other comprehensive income/(loss)	2,156	3,409	16,147
COMPREHENSIVE INCOME/(LOSS)	¥ 12,106	¥ 10,096	\$ 90,661
Comprehensive income/(loss) attributable to:			
Owners of parent	¥ 12,106	¥ 10,096	\$ 90,661

See notes to consolidated financial statements.

# **NTT FINANCE CORPORATION and Consolidated Subsidiaries**

## **Consolidated Statements of Changes in Equity Years Ended March 31, 2023 and 2022**

Millions of Yen											
Shareholders' Equity						Accumulated Other Comprehensive Income/(Loss)					
Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gain/(Loss) on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Re-measurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income/(Loss)	Total Net Assets	
BALANCE, April 1, 2021											
	51,365	¥ 16,770	¥ 15,950	¥ 41,239	¥ (1,126)	¥ 72,833	¥ 2,458	¥ 12	¥ 453	¥ 2,924	¥ 75,758
Cash dividends, ¥156,698.00 per share				(8,048)	(8,048)						(8,048)
Profit attributable to owners of parent				6,687	6,687						6,687
Net changes of items other than shareholders' equity							303	977	2,128	3,409	3,409
BALANCE, March 31, 2022											
	51,365	16,770	15,950	39,877	(1,126)	71,472	2,762	989	2,582	6,334	¥ 77,806
Cash dividends, ¥54,798.00 per share				(2,833)	(2,833)						(2,833)
Profit attributable to owners of parent				9,949	9,949						9,949
Net changes of items other than shareholders' equity							(387)	1,213	1,330	2,156	2,156
BALANCE, March 31, 2023											
	51,365	¥ 16,770	¥ 15,950	¥ 46,993	¥ (1,126)	¥ 78,588	¥ 2,374	¥ 2,203	¥ 3,912	¥ 8,490	¥ 87,078

	Thousands of U.S. Dollars (Note 1)									
	Shareholders' Equity				Accumulated Other Comprehensive Income/(Loss)					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gain/(Loss) on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Re measurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income/(Loss)	Total Net Assets
BALANCE, April 1, 2022	\$ 125,596	\$ 119,452	\$ 298,643	\$ (8,440)	\$ 535,252	\$ 20,686	\$ 7,409	\$ 19,339	\$ 47,435	\$ 582,687
Cash dividends, \$410.38 per share			(21,222)		(21,222)					(21,222)
Profit attributable to owners of parent			74,513		74,513					74,513
Net changes of items other than shareholders' equity						(2,905)	9,089	9,963	16,147	16,147
BALANCE, March 31, 2023	\$ 125,596	\$ 119,452	\$ 351,934	\$ (8,440)	\$ 588,543	\$ 17,780	\$ 16,499	\$ 29,302	\$ 63,582	\$ 652,126

See notes to consolidated financial statements.

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**
**Consolidated Statements of Cash Flows**  
**Years Ended March 31, 2023 and 2022**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING ACTIVITIES:			
Profit before income taxes	¥ 13,010	¥ 9,196	\$ 97,434
Adjustments to reconcile profit before income taxes to net cash provided by/(used in) operating activities:			
Depreciation of assets held for own use	6,902	5,776	51,692
(Gain)/loss on retirement of assets held for own use	122	149	916
(Increase)/decrease in defined benefit asset	(203)	(158)	(1,520)
Increase/(decrease) in defined benefit liability	(1,620)	1,530	(12,139)
Increase/(decrease) in allowance for doubtful receivables	5,385	(103)	40,329
Increase/(decrease) in provision for loss on system use agreements	(628)	1,839	(4,703)
Interest and dividend income	(21)	(24)	(161)
Financing costs and interest expense	37,072	17,235	277,637
Foreign exchange (gain)/loss	40,603	41,415	304,076
Share of (profit)/loss of equity-accounted investees	(1,838)	(3,705)	(13,769)
(Gain)/loss on sales of investment securities	-	(121)	-
(Gain)/loss on sales of shares of affiliates	1	0	13
Bond issuance costs	1,883	1,486	14,106
Loss on realization of foreign currency translation adjustments due to liquidation of foreign subsidiary	356	-	2,673
(Increase)/decrease in lease receivables and investments in leases	425	(2,744)	3,187
(Increase)/decrease in trade accounts receivable - loans	(593,488)	(712,950)	(4,444,606)
(Increase)/decrease in trade accounts receivable - other loans	929	36	6,958
(Increase)/decrease in trade accounts receivable - credit cards	(304)	2,105	(2,283)
(Increase)/decrease in trade accounts receivable - billing	(8,268)	37	(61,923)
(Increase)/decrease in investments in venture businesses	(683)	(963)	(5,115)
Increase/(decrease) in trade notes and accounts payable	-	(45)	-
Increase/(decrease) in accounts payable - other	17,167	(6,363)	128,565
Increase/(decrease) in deposits received - billing	(2,227)	(10,785)	(16,681)
Other—net	(833)	(18,577)	(6,241)
Subtotal	(486,256)	(675,733)	(3,641,554)
Interest and dividend income received	1,736	554	13,006
Interest expense paid	(35,616)	(13,063)	(266,731)
Income taxes refund/(paid)	(5,056)	(4,649)	(37,869)
Net cash provided by/(used in) operating activities	¥ (525,193)	¥ (692,891)	\$ (3,933,148)

(Continued)

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Consolidated Statements of Cash Flows**  
**Years Ended March 31, 2023 and 2022**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
Net cash provided by/(used in) operating activities	¥ (525,193)	¥ (692,891)	\$ (3,933,148)
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sale and redemption of investment securities	-	257	-
Proceeds from sales of shares of affiliates	3	0	23
Proceeds from liquidation of affiliates	2,190	-	16,404
Payments for purchases of assets held for own use	(2,679)	(5,021)	(20,066)
Other—net	(216)	(367)	(1,624)
Net cash provided by/(used in) investing activities	(702)	(5,132)	(5,263)
<b>FINANCING ACTIVITIES:</b>			
Increase/(decrease) in short-term bank loans	83,986	(1,722,773)	628,970
Increase/(decrease) in commercial papers	181,680	(133,357)	1,360,594
Increase in long-term borrowings	810,000	1,013,511	6,066,052
Repayments of long-term borrowings	(147,449)	(23,446)	(1,104,241)
Proceeds from issuance of bonds	206,712	640,390	1,548,057
Redemption of bonds	(179,150)	(108,467)	(1,341,646)
Cash dividends paid	(2,814)	(8,048)	(21,079)
Increase/(decrease) in deposits received	(503,568)	995,756	(3,771,202)
Other—net	(4)	(0)	(30)
Net cash provided by/(used in) financing activities	449,391	653,565	3,365,474
<b>EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS</b>	<b>1,961</b>	<b>38</b>	<b>14,692</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(74,542)</b>	<b>(44,420)</b>	<b>(558,244)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>364,567</b>	<b>408,851</b>	<b>2,730,230</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS FROM ABSORPTION TYPE COMPANY SPLIT</b>	<b>-</b>	<b>136</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>¥ 290,025</b>	<b>¥ 364,567</b>	<b>\$ 2,171,986</b>

See notes to consolidated financial statements.

# NTT FINANCE CORPORATION and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements Years Ended March 31, 2023 and 2022

### 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 ¥133.53 to \$1.00, the approximate rate of exchange at March 31, 2023, 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, 2023 include the accounts of the Company and its 5 significant subsidiaries, such as NTT Finance Americas Inc. (together, the “Group”). NTT Finance 2007 L.P. and NTT Leasing Capital (U.S.A.), Inc. were excluded from the scope of consolidation as they were liquidated. NTTL Holdings, Inc. was excluded from the scope of consolidation as it was absorbed in the absorption-type merger with the Company’s consolidated subsidiary NTT Finance Americas Inc., the surviving company.

Investments in 3 affiliates are accounted for by the equity method. V Lease Ltd. was excluded from the scope of applying the equity method of accounting as it was liquidated.

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

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

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

- (a) Billing business

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

- (b) Credit card business

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

- (c) Accounting and finance business

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

- o. Income Taxes*—Provision for income taxes is computed based on taxable income and charged to income on an accrual basis. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- p. Foreign Currency Transactions*—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by foreign exchange forward contracts.
- q. Foreign Currency Financial Statements*—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.
- r. Derivatives and Hedge Accounting*—All derivatives, except for certain contracts described below, are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income. For derivatives which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until the gains or losses on the corresponding hedged items are recognized in income.

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

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

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

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

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

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

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

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

t. **Significant Accounting Estimates**

Accounting estimates recognized in the consolidated financial statements for the year ended March 31, 2023 could have a significant impact on the consolidated financial statements for the year ending March 31, 2024. 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, 2023 and 2022

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Allowance for doubtful billing receivables	¥ 20,287	¥ 14,915	\$ 151,931

- (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, 2024 in case the actual defaults on billing receivables will differ from the estimates.

**u. Accounting Standards Issued but not yet Applied**

- Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

**(a) Overview**

ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting and other guidances were issued in February 2018, and the relocation of the practical guidelines related to tax effect accounting, issued by The Japanese Institute of Certified Public Accountants (“JICPA”), from the JICPA to the ASBJ, was completed. The following two topics, which were to be reviewed again after the issuance of ASBJ Statement No. 28 in the course of discussions for the relocation, were discussed and issued at this time.

- Classification of income taxes (when taxes are imposed on other comprehensive income)
- Tax effects related to the sale of shares in subsidiaries and affiliates when the corporate group tax system is applied

**(b) Scheduled date of application**

The above standards and guidance are scheduled to be applied from the beginning of the fiscal year ending March 31, 2025.

**(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, 2023 and 2022 are as follows:

		Millions of Yen		
		2023		
		Acquisition Cost/ Amortized Cost	Difference	
	Fair Value			
Securities with fair values exceeding acquisition costs or amortized costs:				
Equity securities	¥ 3,582	¥ 353	¥	3,228
Sub-total	3,582	353		3,228
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-		-
Total	¥ 3,582	¥ 353	¥	3,228

Thousands of U.S. Dollars			
2023			
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	\$ 26,829	\$ 2,648	\$ 24,180
Sub-total	26,829	2,648	24,180
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	\$ 26,829	\$ 2,648	\$ 24,180

Millions of Yen			
2022			
	Fair Value	Acquisition Cost/ Amortized Cost	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 4,005	¥ 353	¥ 3,651
Sub-total	4,005	353	3,651
Securities with fair values not exceeding acquisition costs or amortized costs:			
Debt securities	10,000	10,000	-
Sub-total	10,000	10,000	-
Total	¥ 14,005	¥ 10,353	¥ 3,651

As of March 31, 2023 and 2022, unlisted equity securities of ¥1,484 million (\$11,120 thousand) and ¥1,321 million and investments in partnerships of ¥2,696 million (\$20,190 thousand) and ¥1,926 million are excluded from the above table because they do not have readily determinable market values.

Securities sold during the years ended March 31, 2023 and 2022 are as follows:

Millions of Yen			
2023			
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	¥ 3	¥ -	¥ 1
Thousands of U.S. Dollars			
2023			
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	\$ 23	\$ -	\$ 13
Millions of Yen			
2022			
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	¥ 257	¥ 121	¥ 0

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

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

Losses on impairment of available-for-sale securities for the years ended March 31, 2023 and 2022 were ¥325 million (\$2,437 thousand) and ¥298 million, respectively.

#### 4. PROPERTY AND EQUIPMENT, NET

Accumulated depreciation of assets held for own use as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2023	2022	2023	
Assets held for own use	¥ 6,852	¥ 6,050	\$ 51,314	

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

Investments in non-consolidated subsidiaries and affiliates as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2023	2022	2023	
Investment securities	¥ 15,614	¥ 18,029	\$ 116,937	
Other under investments and other assets	3,033	2,728	22,715	

Investment securities include investments in jointly controlled entities in the amount of ¥14,130 million (\$105,821 thousand) and ¥13,549 million for the years ended March 31, 2023 and 2022, respectively.

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

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

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

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

Short-term and long-term debts as of March 31, 2023 and 2022 consisted of the following:

	Interest Rate (%) (Notes a, b, c and d)	Millions of Yen		Thousands of U.S. Dollars
		2023	2022	2023
Short-term debt:				
Short-term bank loans	4.596	¥ 400,169	¥ 299,688	\$ 2,996,852
Commercial papers	1.774	600,605	404,726	4,497,905
Short-term borrowings		1,000,775	704,414	7,494,757
Lease obligations, current portion	-	4	1	30
Deposits received from NTT Group companies, including current portion of long-term deposits received from NTT Group companies	0.091	1,654,645	2,158,174	12,391,567
Long-term debt:				
Long-term borrowings	0.7389%	2,866,059	2,169,628	21,463,783
Unsecured bonds	0.001 – 4.372	2,968,859	2,940,910	22,233,651
Bonds issued under Euro Medium Term Note Program	0.260 – 1.302	58,535	54,912	438,371
Sub-total		5,893,454	5,165,450	44,135,806
Less current portion	0.9400%	390,398	323,232	2,923,679
Long-term debt		5,503,055	4,842,217	41,212,127
Lease obligations, excluding current portion	-	6	3	49

- Notes:
- Interest rate represents a weighted-average rate of interest on the outstanding balance of debt (excluding bonds and finance lease obligations) as of March 31, 2023.
  - Interest rate for unsecured bonds represents the range of annual coupon rates rounded down to the nearest hundredth percent.
  - Interest rate for bonds issued under Euro Medium Term Note Program represents the range of annual coupon rates rounded down to the nearest hundredth percent.
  - Interest rate for finance lease obligations is not disclosed since lease obligations are recorded on the consolidated balance sheets in the amount not deducting the amount equivalent to interest that is included in the total lease payment.

The annual maturities of long-term borrowings, bonds payable, and lease obligations over 1 year through 5 years as of March 31, 2023 are summarized as follows:

	Millions of Yen			
	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years
March 31, 2023				
Long-term borrowings	¥ 393,205	¥ 463,112	¥ 515,013	¥ 505,929
Bonds payable	333,787	452,438	488,300	275,321
Lease obligations	4	1	0	-
	Thousands of U.S. Dollars			
	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years
March 31, 2023				
Long-term borrowings	\$2,944,695	\$3,468,228	\$3,856,914	\$3,788,883
Bonds payable	2,499,721	3,388,291	3,656,856	2,061,870
Lease obligations	30	12	6	-

## 7. RETIREMENT BENEFITS

### (1) Overview of Retirement Benefit Plans

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

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

### (2) Defined Benefit Plans

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Retirement benefit obligations at beginning of year	¥ 43,924	¥ 44,739	\$ 328,945
Current service costs	1,263	1,316	9,459
Interest costs	383	259	2,868
Actuarial gains and losses arising during year	(2,604)	(3,218)	(19,507)
Retirement benefits paid	(3,306)	(1,863)	(24,760)
Succession due to transfer	192	2,690	1,440
Retirement benefit obligations at end of year	¥ 39,851	¥ 43,924	\$ 298,447

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Plan assets at beginning of year	¥ 23,941	¥ 23,065	\$ 179,298
Expected return on plan assets	419	401	3,139
Actuarial gains and losses arising during year	(355)	(153)	(2,663)
Contribution from employer	297	281	2,230
Retirement benefits paid	(697)	(704)	(5,225)
Succession due to transfer	13	1,063	102
Other	(12)	(12)	(94)
Plan assets at end of year	¥ 23,606	¥ 23,941	\$ 176,787

(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
	2023	2022	2023
Retirement benefit obligations of funded plans	¥ 26,873	¥ 28,883	\$ 201,254
Plan assets	(23,606)	(23,941)	(176,787)
	3,267	4,942	24,466
Retirement benefit obligations of unfunded plans	12,978	15,040	97,193
Net balance of liability and asset recorded on the consolidated balance sheet	16,245	19,982	121,660
Defined benefit liability	18,346	21,819	137,397
Defined benefit asset	(2,101)	(1,837)	(15,736)
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 16,245	¥ 19,982	\$ 121,660

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Current service costs	¥ 1,263	¥ 1,316	\$ 9,459
Interest costs	383	259	2,868
Expected return on plan assets	(419)	(401)	(3,139)
Amortization of actuarial gains and losses	(271)	63	(2,035)
Amortization of past service costs	(64)	(64)	(480)
Retirement benefit costs on defined benefit plans	¥ 891	¥ 1,173	\$ 6,672

(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
	2023	2022	2023
Past service costs	¥ (64)	¥ (64)	\$ (480)
Actuarial gains and losses	1,977	3,128	14,808
Total	¥ 1,913	¥ 3,064	\$ 14,327

(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
	2023	2022	2023
Unrecognized past service costs	¥ 99	¥ 163	\$ 744
Unrecognized actuarial gains and losses	5,527	3,549	41,392
Total	¥ 5,626	¥ 3,713	\$ 42,136

(g) *Breakdown of plan assets*

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

	2023	2022
Cash and cash equivalents	3.49%	4.99%
Debt securities	40.63	39.51
Equity securities	12.26	13.17
Beneficiary certificates of securities investment trust	18.04	16.84
Jointly managed money trust	7.70	7.85
General account of life insurance	13.65	14.24
Other	4.23	3.41
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*

	2023	2022
Actuarial assumptions at end of year:		
Discount rate	0.9 - 1.3%	0.5 - 0.9%
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 ¥193 million (\$1,448 thousand) and ¥178 million, for the years ended March 31, 2023 and 2022, respectively.

## 8. EQUITY

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

a. *Dividends*

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

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

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

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the total of

aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

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

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

The following dividends were paid during the years ended March 31, 2023 and 2022:

**(1) Dividends paid in cash**

Year Ended March 31, 2023							
Resolution	Class of Shares	Total Dividends (Millions of Yen)	Total Dividends (Thousands of U.S. Dollars)	Dividends per Share (Yen)	Dividends per Share (U.S. Dollars)	Record Date	Effective Date
Annual shareholders' meeting held on June 17, 2022	Common stock	¥ 2,814	\$21,079	¥ 54,798.00	\$410.38	March 31, 2022	June 20, 2022

Year Ended March 31, 2022							
Resolution	Class of Shares	Total Dividends (Millions of Yen)		Dividends per Share (Yen)		Record Date	Effective Date
Annual shareholders' meeting held on June 18, 2021	Common stock	¥ 8,048		¥156,698.00		March 31, 2021	June 21, 2021

**(2) Dividends paid other than in cash**

Year Ended March 31, 2023								
Resolution	Class of Shares	Class of Dividend Property	Carrying Amount of Dividend Property (Millions of Yen)	Carrying Amount of Dividend Property (Thousands of U.S. Dollars)	Dividends per Share (Yen)	Dividends per Share (U.S. Dollars)	Record Date	Effective Date
Annual shareholders' meeting held on June 17, 2022	Common stock	Available-for-sale securities	¥19	\$143	¥ -	\$-	June 17, 2022	June 30, 2022

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

## 9. INCOME TAXES

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

The tax effects of significant temporary differences which resulted in net deferred tax assets as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Accrued enterprise taxes	¥ 52	¥ 43	\$ 394
Accrued bonuses	460	435	3,449
Accounts payable - other	327	421	2,452
Allowance for doubtful receivables	3,944	3,758	29,540
Accrued retirement benefits	5,618	6,682	42,077
Loss on valuation of investment securities	499	1,267	3,739
Provision for loss on system use agreements	536	728	4,018
Others	1,167	438	8,739
Sub-total	12,606	13,776	94,411
Valuation allowance	(919)	(885)	(6,886)
Total deferred tax assets	11,687	12,890	87,525
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(1,134)	(1,164)	(8,499)
Others	(826)	(787)	(6,187)
Total deferred tax liabilities	(1,961)	(1,952)	(14,687)
Net deferred tax assets	¥ 9,726	¥ 10,938	\$ 72,838

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, 2023 and 2022 is as follows:

	2023	2022
Statutory tax rate	30.6%	30.6%
Tax on undistributed profits for a family corporation	0.7	0.8
Per capita inhabitant tax	0.6	0.8
Changes in valuation allowance	0.2	0.1
Difference in tax rates of consolidated subsidiaries	(3.4)	-
Share of profit of equity-accounted investees	(4.3)	(4.2)
Others	(0.9)	(0.8)
Actual effective tax rate	23.5%	27.3%

The Company and some of its domestic consolidated subsidiaries have applied the group tax sharing system from the year ended March 31, 2023. 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).

## 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
	2023	2022	2023
Due in 1 year or less	¥ 578	¥ 802	\$ 4,334
Due after 1 year	422	969	3,165
Total	¥ 1,001	¥ 1,772	\$ 7,499

## 11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

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

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

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

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

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

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

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

The Group uses hedging derivatives such as interest rate swaps, currency swaps and foreign exchange forward contracts. Moreover, credit derivatives could be used to avoid credit risk of assets held by the Group, if appropriate. Hedging derivatives are exposed to risk associated with fluctuations in market

prices and risk attributable to counterparties' default, but the Group considers that market risk and credit risk are extremely low because fair value of such derivatives is highly correlated with that of hedged item and the counterparty is limited to creditworthy financial institutions with limited risk of default.

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

#### *Credit risk management*

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

#### *Liquidity risk management on financing*

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

#### *Market risk management*

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

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

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

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

##### *Risks of price fluctuations*

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

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

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

Effects of interest rate fluctuations on these financial instruments, which are measured based on the maximum interest rate change observed during a certain period after the zero-interest-rate policy ended, are used in quantitative analysis for managing interest rate risk. In measuring the effects, financial instruments subject to this analysis are classified into two kinds: those with fixed rates and with variable rates. Each of them is further broken down by maturity in order to apply relevant interest rate change corresponding to maturity. Increase in interest rate by one basis point (0.01%) as of March 31, 2023 and 2022 is estimated to decrease market value of the Group's net financial assets by ¥35 million (\$267 thousand) and ¥35 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, 2023 and 2022 are as follows. Equity securities without market price and investments in partnerships are not included in the following table; information on such instruments is presented in the table (b) below.

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

March 31, 2023	Millions of Yen			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Investments in venture businesses, securities and investment securities:				
Available-for-sale securities				
Equity securities	¥ 3,582	¥ -	¥ -	¥ 3,582
Debt securities	-	-	-	-
Other securities	-	-	-	-
Total	¥ 3,582	¥ -	¥ -	¥ 3,582

March 31, 2023	Thousands of U.S. Dollars			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Investments in venture businesses, securities and investment securities:				
Available-for-sale securities				
Equity securities	\$ 26,829	\$ -	\$ -	\$ 26,829
Debt securities	-	-	-	-
Other securities	-	-	-	-
Total	\$ 26,829	\$ -	\$ -	\$ 26,829

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

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

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

Millions of Yen							
March 31, 2023	Fair Value				Carrying Amount	Difference	
	Level 1	Level 2	Level 3	Total			
Loans receivable	¥ -	¥ -	¥ 8,641,653	¥ 8,641,653	¥ 8,724,163	¥ (82,509)	
Total assets	¥ -	¥ -	¥ 8,641,653	¥ 8,641,653	¥ 8,724,163	¥ (82,509)	
Bonds payable	¥ -	¥ 3,049,352	¥ -	¥ 3,049,352	¥ 3,027,395	¥ 21,956	
Long-term borrowings	-	2,833,299	-	2,833,299	2,866,059	(32,759)	
Total liabilities	¥ -	¥ 5,882,651	¥ -	¥ 5,882,651	¥ 5,893,454	¥ (10,802)	
Derivative transactions (Notes a and b):							
Interest related	¥ -	¥ 78,982	¥ -	¥ 78,982	¥ -	¥ 78,982	
Currency related	-	1,079	-	1,079	-	1,079	
Total derivative transactions	¥ -	¥ 80,062	¥ -	¥ 80,062	¥ -	¥ 80,062	

Thousands of U.S. Dollars							
March 31, 2023	Fair Value				Carrying Amount	Difference	
	Level 1	Level 2	Level 3	Total			
Loans receivable	\$ -	\$ -	\$64,716,944	\$64,716,944	\$65,334,855	\$(617,911)	
Total assets	\$ -	\$ -	\$64,716,944	\$64,716,944	\$65,334,855	\$(617,911)	
Bonds payable	\$ -	\$22,836,457	\$ -	\$22,836,457	\$22,672,023	\$ 164,434	
Long-term borrowings	-	21,218,446	-	21,218,446	21,463,783	(245,336)	
Total liabilities	\$ -	\$44,054,904	\$ -	\$44,054,904	\$44,135,806	\$ (80,902)	
Derivative transactions (Notes a and b):							
Interest related	\$ -	\$ 591,497	\$ -	\$ 591,497	\$ -	\$ 591,497	
Currency related	-	8,084	-	8,084	-	8,084	
Total derivative transactions	\$ -	\$ 599,582	\$ -	\$ 599,582	\$ -	\$ 599,582	

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

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

### Assets

#### Loans Receivable

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

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

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

The Group does not hold trading purpose securities and held-to-maturity debt securities as of March 31, 2023 and 2022. The information on available-for-sale securities as of March 31, 2023 and 2022 is as follows:

Acquisition cost or amortized cost, fair value and difference by types of available-for-sale securities as of March 31, 2023 and 2022 are as follows. Total sales amount and loss on sale of available-for-sale securities for the year ended March 31, 2023 were ¥3 million (\$23 thousand) and ¥1 million (\$13 thousand), respectively. Total sales amount and gain on sale of available-for-sale securities for the year ended March 31, 2022 were ¥257 million and ¥121 million, respectively.

Millions of Yen			
2023			
	Acquisition Cost/ Amortized Cost	Fair Value	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 353	¥ 3,582	¥ 3,228
Sub-total	353	3,582	3,228
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	¥ 353	¥ 3,582	¥ 3,228

Thousands of U.S. Dollars			
2023			
	Acquisition Cost/ Amortized Cost	Fair Value	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	\$ 2,648	\$ 26,829	\$ 24,180
Sub-total	2,648	26,829	24,180
Securities with fair values not exceeding acquisition costs or amortized costs:	-	-	-
Total	\$ 2,648	\$ 26,829	\$ 24,180

Millions of Yen			
2022			
	Acquisition Cost/ Amortized Cost	Fair Value	Difference
Securities with fair values exceeding acquisition costs or amortized costs:			
Equity securities	¥ 353	¥ 4,005	¥ 3,651
Sub-total	353	4,005	3,651
Securities with fair values not exceeding acquisition costs or amortized costs:			
Debt securities	10,000	10,000	-
Sub-total	10,000	10,000	-
Total	¥ 10,353	¥ 14,005	¥ 3,651

There were no securities for which the holding purpose had been changed during the year ended March 31, 2023.

## Liabilities

### Bonds Payable

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

### Long-term Borrowings

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

### Derivative Transactions

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

Carrying amounts of equity securities without market price and investments in partnerships as of March 31, 2023 and 2022 are summarized as follows. These instruments are excluded from investments in venture businesses, securities and investment securities in the above tables.

Classification	Type	Carrying Amount		
		Millions of Yen		Thousands of U.S. Dollars
		2023	2022	2023
Investments in affiliates	Unlisted equity securities	¥ 15,614	¥ 18,029	\$ 116,937
Available-for-sale securities	Unlisted equity securities	1,484	1,321	11,120
	Investments in partnerships	2,696	1,926	20,190
	Total available-for-sale securities	¥ 4,180	¥ 3,248	\$ 31,310

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

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
March 31, 2023						
Loans receivable	¥ 2,560,776	¥ 816,528	¥ 999,961	¥1,170,586	¥1,208,244	¥ 1,968,065
	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
March 31, 2023						
Loans receivable	\$19,177,533	\$6,114,945	\$7,488,664	\$8,766,471	\$9,048,490	\$14,738,748
	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
March 31, 2022						
Loans receivable	¥ 2,899,252	¥ 461,678	¥ 673,005	¥ 805,234	¥ 852,242	¥ 2,416,566
Investments in venture businesses, securities and investment securities:						
Available-for-sale securities with contractual maturities	10,000	-	-	-	-	-

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

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

**12. DERIVATIVES**

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

Derivative instruments which qualify as hedging instruments as of March 31, 2023 and 2022 are summarized as follows.

		Millions of Yen			
		Contract Amount			
	Hedged Item	Total	Due after 1 Year	Fair Value	
<u>March 31, 2023</u>					
Interest rate swaps (Note a)					
(Pay fixed rate, receive variable rate)	Long-term borrowings	¥ 20,088	¥ 20,088	¥	1,079
Currency swaps (Note b)					
(Pay fixed rate, receive variable rate)	Long-term borrowings	47,417	47,417		1,993
(Pay fixed rate, receive fixed rate)	Bonds payable	1,376,308	1,270,208		76,847
Foreign exchange forward contracts					
(Buy Euro)	Commercial paper	14,374	-		140
Total		¥ 1,458,189	¥ 1,337,714	¥	80,062
		Thousands of U.S. Dollars			
<u>March 31, 2023</u>					
Interest rate swaps (Note a)					
(Pay fixed rate, receive variable rate)	Long-term borrowings	\$ 150,439	\$ 150,439	\$	8,084
Currency swaps (Note b)					
(Pay fixed rate, receive variable rate)	Long-term borrowings	355,107	355,107		14,931
(Pay fixed rate, receive fixed rate)	Bonds payable	10,307,113	9,512,535		575,510
Foreign exchange forward contracts					
(Buy Euro)	Commercial paper	107,652	-		1,055
Total		\$ 10,920,313	\$ 10,018,082	\$	599,582
		Millions of Yen			
<u>March 31, 2022</u>					
Interest rate swaps (Note a)					
(Pay fixed rate, receive variable rate)	Long-term borrowings	¥ 18,844	¥ 18,844	¥	(100)
Currency swaps (Note b)					
(Pay fixed rate, receive variable rate)	Long-term borrowings	47,417	47,417		(1,098)
(Pay fixed rate, receive fixed rate)	Bonds payable	1,327,723	1,168,573		72,504
Foreign exchange forward contracts					
(Buy Euro)	Commercial paper	39,388	-		1,422
Total		¥ 1,433,374	¥ 1,234,836	¥	72,727

- Notes:
- These contracts are not remeasured at market value, but the net amount to be paid or received under the swap agreements are recognized and included in cost of sales.
  - Hedged items are translated at the foreign exchange rates stipulated in the contracts, and gains or losses on swap transactions are deferred until the gains or losses on the corresponding hedged items are recognized in income.

### 13. COMMITMENTS AND CONTINGENCIES

As of March 31, 2023 and 2022, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Guarantees in the ordinary course of business	¥ 52,243	¥ 53,533	\$ 391,247
Unexecuted loan commitments (Note)	3,802,600	3,566,146	28,477,498

Note: The Group enters into loan commitment agreements with customers. As of March 31, 2023 and 2022, loan commitments given to customers were ¥5,894,180 million (\$44,141,247 thousand) and ¥6,027,990 million, of which ¥2,091,580 million (\$15,663,749 thousand) and ¥2,461,843 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, 2023 and 2022, the Group had the following receivables arising from contracts with customers:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Billing receivables	¥ 4,180	¥ 4,534	\$ 31,307
Current assets – Other	241	218	1,808
Receivables arising from contracts with customers	¥ 4,422	¥ 4,753	\$ 33,116

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

## 15. COMPREHENSIVE INCOME

Reclassification adjustments and related income tax effect on other comprehensive income for the years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized gain/(loss) on available-for-sale securities:			
Gains/(losses) arising during the year	¥ (320)	¥ 415	\$ (2,403)
Reclassification adjustments	150	74	1,125
Amount before income tax effect	(170)	490	(1,278)
Income tax effect	29	(141)	224
Unrealized gain/(loss) on available-for-sale securities	(140)	349	(1,053)
Foreign currency translation adjustments:			
Gains/(losses) arising during the year	650	608	4,873
Reclassification adjustments	356	-	2,673
Foreign currency translation adjustments	1,007	608	7,546
Remeasurements of defined benefit plans:			
Gains/(losses) arising during the year	2,249	3,064	16,843
Reclassification adjustments	(335)	(0)	(2,516)
Amount before income tax effect	1,913	3,064	14,327
Income tax effect	(585)	(939)	(4,387)
Remeasurements of defined benefit plans	1,327	2,124	9,939
Share of other comprehensive income (loss) of affiliates accounted for using equity method:			
Gains/(losses) arising during the year	(38)	326	(285)
Total other comprehensive income/(loss)	¥ 2,156	¥ 3,409	\$ 16,147

## 16. SEGMENT INFORMATION

### *Description of reportable segments*

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

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

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

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

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

The amounts of segment assets are not disclosed since the assets have not been allocated to the reportable segments after the absorption-type company split during the second quarter of the year ended March 31, 2021 where the rights and obligations of leasing business and part of international business of the Company 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, 2023 and 2022.

Millions of Yen					
2023					
Reportable Segment					
	Billing	Credit Card	Accounting and Finance	Other (Note)	Total
Revenue:					
Revenue arising from contracts with customers	¥ 38,012	¥ 524	¥ 10,356	¥ 2,202	¥ 51,095
Other revenue	119,049	4,985	51,272	-	175,307
Revenue from external customers	157,061	5,509	61,629	2,202	226,403
Intersegment revenue or transfers	-	50,851	22	-	50,873
Total	¥ 157,061	¥ 56,360	¥ 61,651	¥ 2,202	¥ 277,276
Segment profit	¥ 3,665	¥ 3,782	¥ 10,278	¥ 21	¥ 17,748
Thousands of U.S. Dollars					
2023					
Reportable Segment					
	Billing	Credit Card	Accounting and Finance	Other (Note)	Total
Revenue:					
Revenue arising from contracts with customers	\$ 284,672	\$ 3,928	\$ 77,559	\$ 16,494	\$ 382,655
Other revenue	891,555	37,334	383,978	-	1,312,868
Revenue from external customers	1,176,228	41,263	461,537	16,494	1,695,524
Intersegment revenue or transfers	-	380,820	166	-	380,987
Total	\$ 1,176,228	\$ 422,084	\$ 461,704	\$ 16,494	\$2,076,511
Segment profit	\$ 27,451	\$ 28,326	\$ 76,974	\$ 162	\$ 132,914
Millions of Yen					
2022					
Reportable Segment					
	Billing	Credit Card	Accounting and Finance	Other (Note)	Total
Revenue:					
Revenue arising from contracts with customers	¥ 37,660	¥ 495	¥ 7,718	¥ 2,271	¥ 48,145
Other revenue	112,907	4,710	24,118	-	141,736
Revenue from external customers	150,567	5,205	31,836	2,271	189,882
Intersegment revenue or transfers	-	46,563	14	-	46,578
Total	¥ 150,567	¥ 51,768	¥ 31,851	¥ 2,271	¥ 236,460
Segment profit	¥ 3,906	¥ 2,747	¥ 3,956	¥ 22	¥ 10,632

***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
	2023	2022	2023
Revenue:			
Reportable segments total	¥ 275,074	¥ 234,188	\$ 2,060,017
Segment "Other"	2,202	2,271	16,494
Intersegment eliminations	(50,873)	(46,578)	(380,987)
Revenue in the consolidated statements of income	¥ 226,403	¥ 189,882	\$ 1,695,524
Segment profit:			
Reportable segments total	¥ 17,726	¥ 10,609	\$ 132,751
Segment "Other"	21	22	162
Corporate expenses (Note)	(6,799)	(4,750)	(50,922)
Operating income in the consolidated statements of income	¥ 10,948	¥ 5,881	\$ 81,991

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, 2023 and 2022 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Revenue from external customers:			
Financial service	¥ 63,831	¥ 34,108	\$ 478,031
Credit card	5,509	5,205	41,263
Billing	157,061	150,567	1,176,228
Total	¥ 226,403	¥ 189,882	\$ 1,695,524

Disclosures on information about revenue by geographical area for the years ended March 31, 2023 and 2022 are omitted, as revenue from external customers in Japan exceeds 90% of consolidated revenue.

Disclosures on information about property and equipment by geographical area for the years ended March 31, 2023 and 2022 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, 2023 is as follows:

	Revenue		
	Millions of Yen	Thousands of U.S. Dollars	Related Segments
NTT DOCOMO, INC.	¥ 96,811	\$ 725,013	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	28,993	217,132	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	27,129	203,172	Billing and Accounting and Finance

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

	Revenue Millions of Yen	Related Segments
NTT DOCOMO, INC.	¥ 87,113	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION	29,122	Billing and Accounting and Finance
NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION	28,791	Billing and Accounting and Finance

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

For the years ended March 31, 2023 and 2022, 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, 2023 and 2022 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Transactions:			
Execution of loans	¥ 5,691,476	¥ 5,483,745	\$ 42,623,204
Debt guarantee granted (Note)	1,947,730	2,106,880	14,586,459
Account balances:			
Loans receivable	6,154,752	5,801,610	46,092,654

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, 2023 and 2022 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Transactions:			
Execution of loans	¥ 1,540,976	¥ 1,526,643	\$ 11,540,299
Acceptance of excess funds	934,366	1,038,008	6,997,426
Transactions related to transferred receivables	6,138,709	6,003,245	45,972,511
Billing-related revenue	146,739	140,529	1,098,924
Receipt of interest	6,988	-	52,337
Account balances:			
Billing receivables	16,887	15,179	126,467
Accounts payable - other	394,326	377,384	2,953,089
Deposits received	1,252,620	1,902,428	9,380,820
Loans receivable	1,493,807	1,504,293	11,187,057

## 18. SUBSEQUENT EVENTS

### *Appropriations of Retained Earnings*

The following appropriation of retained earnings at March 31, 2023 was approved at the Company's shareholders meeting held on June 16, 2023:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥142,106.00 (\$1,064.23) per share	¥ 7,299	\$ 54,663

\* \* \* \* \*

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