

# Interim Consolidated Financial Statements (Unaudited)

For the Three Months Ended June 30, 2017

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Balance Sheets  
June 30, 2017 as compared with March 31, 2017—Unaudited

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	June 30, 2017	March 31, 2017	June 30, 2017		June 30, 2017	March 31, 2017	June 30, 2017
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and cash equivalents	¥ 375,727	¥ 376,635	\$ 3,354,706	Short-term bank loans	¥ 139,090	¥ 144,435	\$ 1,241,881
Lease receivables and investments in leases	479,536	481,356	4,281,573	Current portion of long-term borrowings	44,508	30,988	397,395
Trade accounts receivable:				Current portion of bonds	59,527	54,522	531,495
Installment sales	86,190	84,227	769,557	Commercial papers	70,000	15,000	625,000
Loans	1,319,021	1,321,243	11,776,976	Trade notes and accounts payable	14,131	20,184	126,177
Other loans	51,806	44,792	462,559	Accounts payable - other	433,480	437,274	3,870,358
Rents	22,163	22,160	197,886	Accrued income taxes	2,074	239	18,521
Credit cards	48,536	49,029	433,357	Unearned profit on installment sales	2,887	2,762	25,777
Billing	111,777	113,626	998,014	Deposits received	277,407	141,220	2,476,849
Allowance for doubtful receivables	(18,882)	(19,738)	(168,595)	Deposits received from shareholders, directors or employees	562,291	910,810	5,020,456
Investments in venture businesses	1,906	2,230	17,020	Asset retirement obligations	28	-	256
Securities	4,264	1,905	38,075	Other	15,129	16,517	135,083
Other	37,351	37,755	333,494				
<b>Total current assets</b>	<b>2,519,398</b>	<b>2,515,224</b>	<b>22,494,625</b>	<b>Total current liabilities</b>	<b>1,620,556</b>	<b>1,773,956</b>	<b>14,469,252</b>
<b>PROPERTY AND EQUIPMENT, NET:</b>				<b>LONG-TERM LIABILITIES:</b>			
Leased assets	30,058	30,710	268,377	Bonds	277,385	236,388	2,476,659
Assets held for own use	4,129	4,205	36,871	Long-term borrowings	618,253	495,348	5,520,116
<b>Total property and equipment, net</b>	<b>34,187</b>	<b>34,916</b>	<b>305,248</b>	Accrued directors' retirement benefits	-	45	-
<b>INTANGIBLE ASSETS—Assets held for own use</b>	<b>2,012</b>	<b>2,169</b>	<b>17,966</b>	Provision for loss on system use agreements	3,035	3,180	27,098
<b>INVESTMENTS AND OTHER ASSETS:</b>				Defined benefit liability	23,589	23,497	210,622
Investment securities	99,061	99,745	884,478	Asset retirement obligations	2,117	2,116	18,909
Other	21,551	21,286	192,423	Other	11,839	12,525	105,713
Allowance for doubtful receivables	(3,543)	(3,252)	(31,638)	<b>Total long-term liabilities</b>	<b>936,221</b>	<b>773,101</b>	<b>8,359,119</b>
<b>Total investments and other assets</b>	<b>117,069</b>	<b>117,779</b>	<b>1,045,263</b>	<b>Total liabilities</b>	<b>2,556,777</b>	<b>2,547,058</b>	<b>22,828,371</b>
<b>TOTAL ASSETS</b>	<b>¥ 2,672,667</b>	<b>¥ 2,670,089</b>	<b>\$ 23,863,104</b>	<b>NET ASSETS:</b>			
				Shareholders' equity (Note 4):			
				Common stock—authorized, 80,000 shares;			
				issued, 51,960 shares as of June 30 and March 31, 2017	16,770	16,770	149,740
				Capital surplus	15,950	15,950	142,415
				Retained earnings	84,132	91,270	751,181
				Treasury stock; 595 shares as of June 30 and March 31, 2017	(1,126)	(1,126)	(10,062)
				Total shareholders' equity	115,726	122,865	1,033,274
				Accumulated other comprehensive income/(loss):			
				Unrealized gain on available-for-sale securities	1,020	1,022	9,109
				Foreign currency translation adjustments	233	300	2,083
				Remeasurements of defined benefit plans	(1,422)	(1,466)	(12,698)
				Total accumulated other comprehensive income/(loss)	(168)	(143)	(1,505)
				Non-controlling interests	331	308	2,963
				<b>Total net assets</b>	<b>115,890</b>	<b>123,030</b>	<b>1,034,732</b>
<b>TOTAL ASSETS</b>	<b>¥ 2,672,667</b>	<b>¥ 2,670,089</b>	<b>\$ 23,863,104</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>¥ 2,672,667</b>	<b>¥ 2,670,089</b>	<b>\$ 23,863,104</b>

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income  
Three-Month Periods Ended June 30, 2017 and 2016—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2017	2016	2017
REVENUE	¥ 103,821	¥ 100,126	\$ 926,977
COST OF SALES	<u>67,683</u>	<u>61,723</u>	<u>604,314</u>
Gross profit	36,138	38,402	322,662
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>30,375</u>	<u>33,115</u>	<u>271,205</u>
Operating income	<u>5,763</u>	<u>5,287</u>	<u>51,456</u>
OTHER INCOME:			
Interest income	0	0	0
Dividend income	31	22	281
Gain on bad debts recovered	109	94	975
Equity in earnings of affiliates	25	35	228
Other	<u>60</u>	<u>13</u>	<u>535</u>
Total other income	226	166	2,020
OTHER EXPENSES:			
Interest expense	28	51	254
Bond issuance costs	117	-	1,051
Other	<u>2</u>	<u>779</u>	<u>24</u>
Total other expenses	<u>148</u>	<u>831</u>	<u>1,329</u>
EXTRAORDINARY LOSSES:			
Head office transfer cost	<u>-</u>	<u>653</u>	<u>-</u>
Total extraordinary losses	-	653	-
PROFIT BEFORE TAXES	<u>5,840</u>	<u>3,968</u>	<u>52,147</u>
INCOME TAXES	1,864	1,244	16,644
PROFIT	<u>3,976</u>	<u>2,724</u>	<u>35,503</u>
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	22	21	204
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	<u>¥ 3,953</u>	<u>¥ 2,703</u>	<u>\$ 35,298</u>

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Interim Consolidated Statements of Income  
Three-Month Periods Ended June 30, 2017 and 2016—Unaudited**

	Yen		U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2017	2016	2017
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	51,365
Basic earnings per share	¥ 76,966.65	¥ 52,625.67	\$ 687.20

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Comprehensive Income  
Three-Month Periods Ended June 30, 2017 and 2016—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2017	2016	2017
PROFIT	¥ 3,976	¥ 2,724	\$ 35,503
OTHER COMPREHENSIVE INCOME/(LOSS):			
Net unrealized gain/(loss) on available-for-sale securities	(2)	4	(23)
Foreign currency translation adjustments	(11)	(532)	(100)
Remeasurements of defined benefit plans	44	66	394
Share of other comprehensive income of affiliates accounted for using equity method	(55)	(106)	(497)
Total other comprehensive income/(loss)	(25)	(567)	(226)
COMPREHENSIVE INCOME	¥ 3,950	¥ 2,156	\$ 35,276
Comprehensive income attributable to:			
Owners of the parent	¥ 3,928	¥ 2,135	\$ 35,071
Non-controlling interests	22	21	204

See notes to interim consolidated financial statements.

# **NTT FINANCE CORPORATION and Consolidated Subsidiaries**

## **Notes to Interim Consolidated Financial Statements—Unaudited**

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

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

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

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

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

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

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, and has been made at the rate of ¥112.00 to \$1.00, the approximate rate of exchange at June 30, 2017, and then the translated amounts have been rounded down to the nearest thousand. As a result, the totals shown in the accompanying interim consolidated financial statements in U.S. dollar do not necessarily agree with the sums of the individual amounts. Such translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

Substantially the same accounting policies have been followed in these interim consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended March 31, 2017.

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

The amounts of securities, investment securities and investments in venture businesses including carrying amounts on the accompanying interim consolidated balance sheet do not change significantly compared to those as of March 31, 2017.

#### 4. EQUITY

##### *Dividends*

The following dividends are paid during the three-month periods ended June 30, 2017 and 2016:

Three-Month Period Ended June 30, 2017								
Resolution	Class of Shares	Total Dividends (Millions of Yen)	Total Dividends (Thousands of U.S. Dollars)	Dividends per Share (Yen)	Dividends per Share (U.S. Dollars)	Record Date	Effective Date	Source of Dividends
Annual shareholders' meeting held on June 16, 2017	Common stock	¥ 11,091	\$ 99,034	¥215,943.00	\$ 1,928.06	March 31, 2017	June 19, 2017	Retained earnings

Three-Month Period Ended June 30, 2016								
Resolution	Class of Shares	Total Dividends (Millions of Yen)		Dividends per Share (Yen)		Record Date	Effective Date	Source of Dividends
Annual shareholders' meeting held on June 17, 2016	Common stock	¥ 3,113		¥60,620.00		March 31, 2016	June 20, 2016	Retained earnings

#### 5. DEPRECIATION

Depreciation of leased assets and assets held for own use for the three-month periods ended June 30, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2017	2016	2017
Leased assets and assets held for own use	¥ 1,051	¥ 1,335	\$ 9,390

#### 6. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The amounts of financial instruments including carrying amounts on the accompanying interim consolidated balance sheet as of June 30, 2017 do not change significantly compared to those as of March 31, 2017.

#### 7. DERIVATIVES

The amounts of derivatives including contract amounts as of June 30, 2017 do not change significantly compared to those as of March 31, 2017.

#### 8. COMMITMENTS AND CONTINGENCIES

Contingent liabilities as of June 30, 2017 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 10,198	\$ 91,060

## 9. SEGMENT INFORMATION

### *Information about revenue and profit by reportable segment*

The following tables represent information about revenue and profit by reportable segment for the three-month periods ended June 30, 2017 and 2016.

	Millions of Yen					
	Three-Month Period Ended June 30, 2017					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 53,499	¥ 3,734	¥ 1,115	¥ 1,351	¥ 44,120	¥ 103,821
Intersegment revenue or transfers	-	-	-	8,477	61	8,538
Total	¥ 53,499	¥ 3,734	¥ 1,115	¥ 9,828	¥ 44,182	¥ 112,360
Segment profit	¥ 2,859	¥ 1,226	¥ 495	¥ 748	¥ 2,618	¥ 7,947

  

	Thousands of U.S. Dollars					
	Three-Month Period Ended June 30, 2017					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	\$ 477,674	\$ 33,342	\$ 9,960	\$ 12,063	\$ 393,936	\$ 926,977
Intersegment revenue or transfers	-	-	-	75,690	548	76,239
Total	\$ 477,674	\$ 33,342	\$ 9,960	\$ 87,754	\$ 394,485	\$1,003,217
Segment profit	\$ 25,529	\$ 10,952	\$ 4,424	\$ 6,679	\$ 23,375	\$ 70,961

	Millions of Yen					
	Three-Month Period Ended June 30, 2016					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 48,265	¥ 2,270	¥ 614	¥ 1,305	¥ 47,669	¥ 100,126
Intersegment revenue or transfers	-	-	-	8,081	64	8,145
Total	¥ 48,265	¥ 2,270	¥ 614	¥ 9,387	¥ 47,734	¥ 108,271
Segment profit	¥ 2,838	¥ 910	¥ 292	¥ 629	¥ 3,021	¥ 7,690

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

	Millions of Yen		Thousands of U.S. Dollars
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2017	2016	2017
Segment profit:			
Reportable segments total	¥ 7,947	¥ 7,690	\$ 70,961
Corporate expenses (Note)	(2,184)	(2,403)	(19,504)
Operating income in the interim consolidated statements of income	¥ 5,763	¥ 5,287	\$ 51,456

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

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

For the three-month periods ended June 30, 2017 and 2016, there is no applicable information to disclose.

***Significant change in the amount of goodwill by reportable segment***

For the three-month periods ended June 30, 2017 and 2016, there is no applicable information to disclose.

***Significant gain on bargain purchase by reportable segment***

For the three-month periods ended June 30, 2017 and 2016, there is no applicable information to disclose.

**10. SUBSEQUENT EVENTS**

There are no significant subsequent events to disclose.

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