

Interim Consolidated Financial Statements (Unaudited)

For the Three Months Ended June 30, 2018

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Balance Sheets
June 30, 2018 as compared with March 31, 2018—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, 2018	March 31, 2018	June 30, 2018		June 30, 2018	March 31, 2018	June 30, 2018
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 115,023	¥ 148,805	\$ 1,040,562	Short-term bank loans	¥ 125,637	¥ 126,124	\$ 1,136,576
Lease receivables and investments in leases	534,659	529,612	4,836,797	Current portion of long-term borrowings	106,243	116,656	961,133
Trade accounts receivable:				Current portion of bonds	62,106	61,247	561,849
Installment sales	107,084	98,026	968,743	Commercial papers	418,000	39,000	3,781,436
Loans	1,685,430	1,474,956	15,247,249	Trade notes and accounts payable	20,226	24,334	182,979
Other loans	54,896	60,096	496,616	Accounts payable - other	433,551	432,638	3,922,126
Rents	23,730	23,777	214,677	Accrued income taxes	2,389	6,458	21,612
Credit cards	69,324	53,066	627,147	Unearned profit on installment sales	3,656	3,427	33,076
Billing	299,345	296,609	2,708,027	Deposits received	248,176	112,992	2,245,128
Allowance for doubtful receivables	(16,527)	(16,627)	(149,512)	Deposits received from shareholders, directors or employees	566,839	828,811	5,127,910
Investments in venture businesses	3,448	1,758	31,192	Asset retirement obligations	-	56	-
Securities	4,189	11,532	37,903	Other	15,769	17,252	142,654
Other	36,732	31,419	332,297				
Total current assets	2,917,338	2,713,032	26,391,702	Total current liabilities	2,002,596	1,769,001	18,116,485
PROPERTY AND EQUIPMENT, NET:				LONG-TERM LIABILITIES:			
Leased assets	27,191	27,500	245,983	Bonds	257,325	269,836	2,327,899
Assets held for own use	4,256	4,510	38,510	Long-term borrowings	664,093	672,843	6,007,720
Total property and equipment, net	31,447	32,010	284,494	Provision for loss on system use agreements	1,983	2,287	17,939
INTANGIBLE ASSETS—Assets held for own use	3,362	2,753	30,421	Defined benefit liability	23,309	23,220	210,870
INVESTMENTS AND OTHER ASSETS:				Asset retirement obligations	2,004	2,005	18,129
Investment securities	112,207	110,107	1,015,083	Other	14,095	13,645	127,517
Other	23,040	23,605	208,435	Total long-term liabilities	962,811	983,838	8,710,076
Allowance for doubtful receivables	(3,413)	(3,451)	(30,879)	Total liabilities	2,965,408	2,752,839	26,826,561
Total investments and other assets	131,834	130,261	1,192,640	NET ASSETS:			
				Shareholders' equity (Note 4):			
				Common stock—authorized, 80,000 shares;			
				issued, 51,960 shares as of June 30 and March 31, 2018	16,770	16,770	151,718
				Capital surplus	15,950	15,950	144,296
				Retained earnings	84,829	92,992	767,410
				Treasury stock; 595 shares as of June 30 and March 31, 2018	(1,126)	(1,126)	(10,195)
				Total shareholders' equity	116,424	124,586	1,053,230
				Accumulated other comprehensive income/(loss):			
				Unrealized gain/(loss) on available-for-sale securities	2,199	966	19,893
				Foreign currency translation adjustments	243	10	2,201
				Remeasurements of defined benefit plans	(687)	(717)	(6,221)
				Total accumulated other comprehensive income/(loss)	1,754	258	15,873
				Non-controlling interests	397	373	3,592
				Total net assets	118,575	125,218	1,072,696
TOTAL ASSETS	¥ 3,083,983	¥ 2,878,058	\$ 27,899,257	TOTAL LIABILITIES AND NET ASSETS	¥ 3,083,983	¥ 2,878,058	\$ 27,899,257

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

**Interim Consolidated Statements of Income
Three-Month Periods Ended June 30, 2018 and 2017—Unaudited**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2018	2017	2018
REVENUE	¥ 111,186	¥ 103,821	\$ 1,005,848
COST OF SALES	<u>75,255</u>	<u>67,683</u>	<u>680,799</u>
Gross profit/(loss)	35,930	36,138	325,049
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>29,038</u>	<u>30,375</u>	<u>262,696</u>
Operating income/(loss)	<u>6,892</u>	<u>5,763</u>	<u>62,352</u>
OTHER INCOME:			
Interest income	0	0	1
Dividend income	55	31	499
Foreign exchange gain	447	42	4,049
Gain on bad debts recovered	143	109	1,298
Equity in earnings of affiliates	12	25	109
Other	<u>3</u>	<u>17</u>	<u>34</u>
Total other income	662	226	5,993
OTHER EXPENSES:			
Interest expense	22	28	199
Bond issuance costs	23	117	213
Loss on retirement of assets held for own use	101	1	914
Other	<u>1</u>	<u>1</u>	<u>11</u>
Total other expenses	<u>148</u>	<u>148</u>	<u>1,339</u>
EXTRAORDINARY LOSSES:			
Loss on valuation of investment securities	<u>433</u>	-	<u>3,925</u>
Total extraordinary losses	433	-	3,925
PROFIT/(LOSS) BEFORE TAXES	<u>6,972</u>	<u>5,840</u>	<u>63,080</u>
INCOME TAXES	2,290	1,864	20,724
PROFIT/(LOSS)	<u>4,682</u>	<u>3,976</u>	<u>42,356</u>
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	29	22	267
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	<u>¥ 4,652</u>	<u>¥ 3,953</u>	<u>\$ 42,088</u>

NTT FINANCE CORPORATION and Consolidated Subsidiaries

**Interim Consolidated Statements of Income
Three-Month Periods Ended June 30, 2018 and 2017—Unaudited**

	Yen		U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2018	2017	2018
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	51,365
Basic earnings per share	¥ 90,576.20	¥ 76,966.65	\$ 819.39

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, 2018 and 2017—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2018	2017	2018
PROFIT/(LOSS)	¥ 4,682	¥ 3,976	\$ 42,356
OTHER COMPREHENSIVE INCOME/(LOSS):			
Unrealized gain/(loss) on available-for-sale securities	1,232	(2)	11,152
Foreign currency translation adjustments	278	(11)	2,519
Remeasurements of defined benefit plans	30	44	273
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	(45)	(55)	(412)
Total other comprehensive income/(loss)	1,495	(25)	13,532
COMPREHENSIVE INCOME/(LOSS)	¥ 6,177	¥ 3,950	\$ 55,888
Comprehensive income/(loss) attributable to:			
Owners of parent	¥ 6,148	¥ 3,928	\$ 55,620
Non-controlling interests	29	22	267

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 ¥110.54 to \$1.00, the approximate rate of exchange at June 30, 2018, 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, 2018.

From the first quarter of the year ending March 31, 2019, NTT Finance Germany GmbH was included in the scope of consolidation due to the increased materiality.

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, 2018.

4. EQUITY

Dividends

The following dividends are paid during the three-month periods ended June 30, 2018 and 2017:

Three-Month Period Ended June 30, 2018								
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 22, 2018	Common stock	¥ 12,813	\$ 115,914	¥249,454.00	\$ 2,256.68	March 31, 2018	June 25, 2018	Retained earnings

Three-Month Period Ended June 30, 2017								
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 16, 2017	Common stock	¥ 11,091		¥215,943.00		March 31, 2017	June 19, 2017	Retained earnings

5. DEPRECIATION

Depreciation of leased assets and assets held for own use for the three-month periods ended June 30, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2018	2017	2018
Leased assets and assets held for own use	¥ 1,001	¥ 1,051	\$ 9,060

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, 2018 do not change significantly compared to those as of March 31, 2018.

7. DERIVATIVES

The amounts of derivatives including contract amounts as of June 30, 2018 do not change significantly compared to those as of March 31, 2018.

8. COMMITMENTS AND CONTINGENCIES

Contingent liabilities as of June 30, 2018 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 14,849	\$ 134,337

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, 2018 and 2017.

	Millions of Yen					
	Three-Month Period Ended June 30, 2018					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 60,700	¥ 4,766	¥ 871	¥ 1,357	¥ 43,491	¥ 111,186
Intersegment revenue or transfers	-	-	-	8,701	58	8,760
Total	¥ 60,700	¥ 4,766	¥ 871	¥ 10,058	¥ 43,549	¥ 119,946
Segment profit	¥ 3,128	¥ 1,306	¥ 450	¥ 949	¥ 3,099	¥ 8,933

	Thousands of U.S. Dollars					
	Three-Month Period Ended June 30, 2018					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	\$ 549,125	\$ 43,120	\$ 7,880	\$ 12,281	\$393,441	\$1,005,848
Intersegment revenue or transfers	-	-	-	78,716	531	79,248
Total	\$ 549,125	\$ 43,120	\$ 7,880	\$ 90,998	\$ 393,973	\$1,085,097
Segment profit	\$ 28,299	\$ 11,819	\$ 4,071	\$ 8,585	\$ 28,043	\$ 80,819

	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

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
	2018	2017	2018
Segment profit:			
Reportable segments total	¥ 8,933	¥ 7,947	\$ 80,819
Corporate expenses (Note)	(2,041)	(2,184)	(18,466)
Operating income in the interim consolidated statements of income	¥ 6,892	¥ 5,763	\$ 62,352

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, 2018 and 2017, 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, 2018 and 2017, there is no applicable information to disclose.

Significant gain on bargain purchase by reportable segment

For the three-month periods ended June 30, 2018 and 2017, there is no applicable information to disclose.

10. SUBSEQUENT EVENTS

There are no significant subsequent events to disclose.

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