

# Interim Consolidated Financial Statements (Unaudited)

For the Six Months Ended September 30, 2015

<Under Japanese GAAP>

NTT FINANCE CORPORATION

This document has been translated and reclassified from a part of the Japanese quarterly securities report for reference purposes only. In the event of any discrepancy between this document and the Japanese original securities report, the original shall prevail. The Company assumes no responsibility for this document or for direct, indirect or any other forms of damages arising from the document.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Balance Sheets  
September 30, 2015 as compared with March 31, 2015—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)
	September 30, 2015	March 31, 2015	September 30, 2015		September 30, 2015	March 31, 2015	September 30, 2015
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and cash equivalents	¥ 379,641	¥ 313,636	\$ 3,164,735	Short-term bank loans	¥ 35,000	¥ 34,000	\$ 291,763
Leases receivable and investments in leases	409,282	403,757	3,411,823	Current portion of long-term borrowings	46,933	45,336	391,240
Trade accounts receivable:				Current portion of bonds	41,198	44,998	343,431
Installment sales	62,198	57,657	518,495	Commercial papers	244,991	206,993	2,042,276
Loans (Note 4)	1,143,420	967,036	9,531,683	Trade notes and accounts payable	15,582	22,341	129,896
Other loans (Note 4)	52,591	55,135	438,407	Accounts payable - other	440,165	432,857	3,669,265
Rents	19,892	19,568	165,829	Accrued income taxes	2,891	2,709	24,103
Credit cards	48,818	48,701	406,959	Unearned profit on installment sales	2,060	1,832	17,174
Billing	140,932	142,412	1,174,831	Deposits received	379,791	301,640	3,165,985
Allowance for doubtful receivables	(24,844)	(25,233)	(207,107)	Deposits received from shareholders, directors or employees	196,237	187,112	1,635,861
Investments in venture businesses	2,010	2,043	16,760	Current portion of long-term deposits received from shareholders, directors or employees	240,000	240,000	2,000,666
Securities	9,036	11,801	75,330	Asset retirement obligations	41	61	342
Other	48,368	48,588	403,207	Other	21,444	22,054	178,760
<b>Total current assets</b>	<b>2,291,350</b>	<b>2,045,105</b>	<b>19,100,956</b>	<b>Total current liabilities</b>	<b>1,666,336</b>	<b>1,541,938</b>	<b>13,890,769</b>
<b>PROPERTY AND EQUIPMENT, NET:</b>				<b>LONG-TERM LIABILITIES:</b>			
Leased assets	33,993	34,782	283,374	Bonds	204,461	219,691	1,704,415
Assets held for own use	4,373	4,779	36,454	Long-term borrowings	420,807	277,709	3,507,899
<b>Total property and equipment, net</b>	<b>38,366</b>	<b>39,562</b>	<b>319,828</b>	Net defined benefit liability	8,316	7,861	69,327
<b>INTANGIBLE ASSETS—Assets held for own use</b>	<b>3,931</b>	<b>4,383</b>	<b>32,772</b>	Accrued directors' retirement benefits	40	47	333
<b>INVESTMENTS AND OTHER ASSETS:</b>				Asset retirement obligations	2,195	2,189	18,303
Investment securities	75,999	69,471	633,544	Other	9,783	8,831	81,557
Other (Note 4)	19,745	19,872	164,600	<b>Total long-term liabilities</b>	<b>645,605</b>	<b>516,331</b>	<b>5,381,837</b>
Allowance for doubtful receivables	(3,679)	(4,557)	(30,673)	<b>Total liabilities</b>	<b>2,311,942</b>	<b>2,058,269</b>	<b>19,272,607</b>
Allowance for investment loss	-	(1)	-	<b>NET ASSETS:</b>			
<b>Total investments and other assets</b>	<b>92,065</b>	<b>84,784</b>	<b>767,470</b>	Shareholders' equity (Note 6):			
				Common stock—authorized, 80,000 shares; issued, 51,960 shares as of June 30 and March 31, 2015	16,770	16,770	139,804
				Capital surplus	15,950	15,950	132,965
				Retained earnings	78,773	80,209	656,662
				Treasury stock; 595 shares as of September 30 and March 31, 2015	(1,126)	(1,126)	(9,394)
				Total shareholders' equity	110,367	111,803	920,037
				Accumulated other comprehensive income:			
				Unrealized gain on available-for-sale securities	881	1,275	7,350
				Foreign currency translation adjustments	998	968	8,326
				Remeasurements of defined benefit plans	782	816	6,524
				Total accumulated other comprehensive income	2,663	3,061	22,201
				Non-controlling interests	741	701	6,181
				<b>Total net assets</b>	<b>113,772</b>	<b>115,566</b>	<b>948,420</b>
<b>TOTAL ASSETS</b>	<b>¥ 2,425,714</b>	<b>¥ 2,173,836</b>	<b>\$ 20,221,028</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>¥ 2,425,714</b>	<b>¥ 2,173,836</b>	<b>\$ 20,221,028</b>

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Six-Month Periods Ended September 30, 2015 and 2014—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2015	2014	2015
REVENUE	¥ 192,025	¥ 200,882	\$ 1,600,746
COST OF SALES	113,450	116,008	945,739
Gross profit	78,574	84,874	655,006
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	69,116	75,056	576,161
Operating income	9,458	9,817	78,844
OTHER INCOME:			
Interest income	0	0	2
Dividend income	23	53	193
Gain on bad debts recovered	190	158	1,590
Equity in earnings of affiliates	82	32	686
Foreign exchange gain	-	119	-
Other	23	34	192
Total other income	319	398	2,666
OTHER EXPENSES:			
Interest expense	115	110	966
Bond issuance costs	-	101	-
Loss on retirement of assets held for own use	122	18	1,024
Other	59	23	499
Total other expenses	298	254	2,490
EXTRAORDINARY LOSSES:			
Loss on valuation of investment securities	3,491	-	29,106
Total extraordinary losses	3,491	-	29,106
PROFIT BEFORE TAXES	5,987	9,961	49,914
INCOME TAXES	3,278	3,491	27,331
PROFIT	2,709	6,469	22,583
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	40	24	333
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	¥ 2,669	¥ 6,445	\$ 22,249

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Interim Consolidated Statements of Income**

**Six-Month Periods Ended September 30, 2015 and 2014—Unaudited**

	Yen		U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2015	2014	2015
<b>PER SHARE OF COMMON STOCK:</b>			
Weighted average number of shares outstanding	51,365	51,365	
Basic earnings per share	¥ 51,962.37	¥ 125,478.08	\$ 433.16

See notes to interim consolidated financial statements.

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Interim Consolidated Statements of Comprehensive Income  
Six-Month Periods Ended September 30, 2015 and 2014—Unaudited**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2015	2014	2015
PROFIT	¥ 2,709	¥ 6,469	\$ 22,583
OTHER COMPREHENSIVE INCOME:			
Net unrealized gain on available-for-sale securities	(394)	52	(3,284)
Foreign currency translation adjustments	(10)	273	(85)
Remeasurements of defined benefit plans, net of tax	(33)	0	(282)
Share of other comprehensive income of affiliates accounted for using equity method	40	(74)	336
Total other comprehensive income	(397)	251	(3,315)
COMPREHENSIVE INCOME	¥ 2,311	¥ 6,721	\$ 19,267
Comprehensive income attributable to:			
Owners of the parent	¥ 2,271	¥ 6,696	\$ 18,933
Non-controlling interests	40	24	333

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Cash Flows

Six-Month Periods Ended September 30, 2015 and 2014—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2015	2014	2015
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	¥ 5,987	¥ 9,961	\$ 49,914
Adjustments for:			
Depreciation of leased assets and assets held for own use	2,473	2,002	20,620
Loss on retirement of leased assets and assets held for own use	212	73	1,771
Decrease in allowance for investment loss	(1)	(92)	(10)
Decrease in net defined benefit asset	14	-	122
Increase in net defined benefit liability	401	321	3,347
Decrease in accrued directors' retirement benefits	(7)	(14)	(63)
Decrease in allowance for doubtful receivables	(1,266)	(293)	(10,558)
Decrease in reserve for loss on business of affiliates	-	(69)	-
Interest and dividend income	(23)	(53)	(196)
Financing costs and interest expense	2,852	2,452	23,778
Foreign exchange loss (gain)	51	(119)	429
Equity in earnings of affiliates	(82)	(32)	(686)
Loss on valuation of investment securities	3,492	1	29,114
Bond issuance costs	-	101	-
Increase in leases receivable and investments in leases	(5,529)	(424)	(46,093)
Increase in trade accounts receivable - installment sales	(4,541)	(7,558)	(37,856)
(Increase)/decrease in trade accounts receivable - loans	(176,498)	51,194	(1,471,307)
Decrease/(increase) in trade accounts receivable - other loans	2,530	(856)	21,092
Increase in trade accounts receivable - rents	(324)	(190)	(2,706)
Increase in trade accounts receivable - credit cards	(117)	(2,249)	(980)
Decrease in trade accounts receivable - billing	1,480	984	12,337
Decrease/(increase) in investments in venture businesses	39	(467)	326
(Increase)/decrease in other securities to earn financial income for operating purpose	(7,799)	282	(65,015)
Purchases of leased assets	(278)	(10,460)	(2,325)
Decrease in trade notes and accounts payable	(6,759)	(7,140)	(56,346)
Increase in accounts payable - other	7,307	2,220	60,916
Other—net	(1,388)	11,613	(11,576)
Subtotal	(177,774)	51,186	(1,481,949)
Interest and dividend income received	66	79	554
Interest expense paid	(2,687)	(2,501)	(22,406)
Income taxes paid	(3,125)	(887)	(26,051)
Net cash (used in)/provided by operating activities— (Forward)	¥ (183,521)	¥ 47,877	\$ (1,529,853)

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Cash Flows  
Six-Month Periods Ended September 30, 2015 and 2014—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2015	2014	2015
Net cash (used in)/provided by operating activities— (Forward)	¥ (183,521)	¥ 47,877	\$ (1,529,853)
<b>INVESTING ACTIVITIES:</b>			
Proceeds from withdrawal of time deposits	-	2	-
Payments for purchases of shares of subsidiaries and associates	(18)	(9)	(150)
Payments for purchases of assets held for own use	(775)	(411)	(6,468)
Payments for purchases of investments in capital	(1,500)	-	(12,504)
Proceeds from redemption of investments in capital	1,523	4,234	12,697
Other—net	(265)	(90)	(2,209)
Net cash (used in)/provided by investing activities	(1,035)	3,725	(8,634)
<b>FINANCING ACTIVITIES:</b>			
Increase in short-term bank loans	1,569	2,480	13,081
Increase in commercial papers	37,997	47,999	316,755
Increase in long-term borrowings	182,777	72,277	1,523,657
Repayments of long-term borrowings	(32,290)	(26,982)	(269,180)
Decrease in payables associated with securitization of receivables	(500)	-	(4,168)
Proceeds from issuance of bonds	6,057	55,200	50,495
Redemption of bonds	(25,000)	(20,000)	(208,402)
Cash dividends paid	(4,105)	(2,823)	(34,220)
Increase/(decrease) in deposits received	85,129	(157,216)	709,645
Other—net	(15)	35	(131)
Net cash (used in)/provided by financing activities	251,620	(29,028)	2,097,532
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(1,057)	72	(8,816)
NET INCREASE IN CASH AND CASH EQUIVALENTS	66,005	22,647	550,228
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	313,636	373,295	2,614,506
CASH AND CASH EQUIVALENTS, END OF PERIOD	¥ 379,641	¥ 395,942	\$ 3,164,735

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 ¥119.96 to \$1.00, the approximate rate of exchange at September 30, 2015, 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, 2015.

### 3. CHANGE IN ACCOUNTING POLICY

#### *Accounting Standards for Business Combinations and Consolidated Financial Statements*

The Company has applied the revised “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 21, issued on September 13, 2013), the revised “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on September 13, 2013) and the revised “Accounting Standards for Business Divestitures” (ASBJ Statement No. 7, issued on September 13, 2013), etc. from the first quarter of the year ending March 31, 2016. Under the revised accounting standard, the difference arising from the change in the Company’s ownership interest in subsidiaries is accounted for as capital surplus as long as the Company retains control over its subsidiaries, and acquisition-related costs are accounted for as expenses in the consolidated fiscal year in which the costs are incurred. Furthermore, adjustments of provisional accounting treatments for a business combination due to the completed



measurement are retrospectively reflected as if the accounting for the business combination had been completed at the acquisition date, effective for a business combination which occurs on or after the beginning of the three-month period ended June 30, 2015. In addition, in the consolidated balance sheet, the appellation “minority interest” has been changed to “non-controlling interests.” In the consolidated statement of income, “income before minority interest” has been changed to “profit,” and “net income” has been changed to “profit attributable to owners of parent.” Certain reclassifications have been made to the interim consolidated financial statements for the six-month period ended September 30, 2014 and the consolidated financial statements for the year ended March 31, 2015 to reflect these presentation changes.

In accordance with the transitional treatment provided for in Paragraph 58-2 (4) of the revised “Accounting Standard for Business Combinations,” in Paragraph 44-5 (4) of the revised “Accounting Standard for Consolidated Financial Statements” and in Paragraph 57-4 (4) of the revised “Accounting Standards for Business Divestitures,” the revised accounting standards have been applied from April 1, 2015. These changes have no effects on profit for the six-month period ended September 30, 2015.

#### 4. LOANS AND OTHERS

Loans and others as of September 30 and March 31, 2015 include claims to borrowers in bankruptcy and past due loans as follows. The amounts below are based on the non-consolidated financial statements of the Company:

	Millions of Yen		Thousands of
	September 30, 2015	March 31, 2015	U.S. Dollars September 30, 2015
Claims to borrowers in bankruptcy (Note a)	¥ 291	¥ 341	\$ 2,429
Past due loans (Note b)	1,261	1,580	10,512
Delinquent loans contractually past due three months or more (Note c)	-	-	-
Restructured loans (Note d)	17	9	144

- Notes:
- Claims to borrowers in bankruptcy represent non-accrual loans which are defined in Article 96, Paragraph (1) (iii) of the Order for Enforcement of the Corporation Tax Act of Japan.
  - Past due loans are non-accrual loans other than “claims to borrowers in bankruptcy” and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulty.
  - Delinquent loans contractually past due three months or more are loans for which the payment of principal and/or interest was contractually past due three months or more, excluding “claims to borrowers in bankruptcy” and “past due loans.”
  - Restructured loans are loans for which the terms are restructured, such as a reduction of the original interest rate, forbearance of interest and/or principal payments, an extension of the maturity date or debt forgiveness in order to support borrowers in their financial recovery or restructuring, excluding “claims to borrowers in bankruptcy,” “past due loans” and “delinquent loans contractually past due three months or more” mentioned above.

#### 5. 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, 2015.

## 6. EQUITY

### *Dividends*

The following dividends are paid during the six-month periods ended September 30, 2015 and 2014:

Six-Month Period Ended September 30, 2015								
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 19, 2015	Common stock	¥ 4,105	\$ 34,220	¥79,920.00	\$ 666.22	March 31, 2015	June 22, 2015	Retained earnings

  

Six-Month Period Ended September 30, 2014						
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 20, 2014	Common stock	¥ 2,823	¥54,960.00	March 31, 2014	June 23, 2014	Retained earnings

## 7. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The amounts of financial instruments including carrying amounts on the accompanying interim consolidated balance sheet as of September 30, 2015 do not change significantly compared to those as of March 31, 2015.

## 8. DERIVATIVES

The amounts of derivatives including contract amounts as of September 30, 2015 do not change significantly compared to those as of March 31, 2015.

## 9. COMMITMENTS AND CONTINGENCIES

Contingent liabilities as of September 30, 2015 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 3,433	\$ 28,623

## 10. SEGMENT INFORMATION

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

The following tables represent information about revenue and profit by reportable segment for the six-month periods ended September 30, 2015 and 2014.

Millions of Yen						
Six-Month Period Ended September 30, 2015						
Reportable Segment						
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 87,184	¥ 4,249	¥ 1,357	¥ 2,592	¥ 96,642	¥ 192,025
Intersegment revenue or transfers	-	-	-	15,454	133	15,587
Total	¥ 87,184	¥ 4,249	¥ 1,357	¥ 18,046	¥ 96,775	¥ 207,613
Segment profit	¥ 6,166	¥ 1,625	¥ 638	¥ 1,249	¥ 4,114	¥ 13,793

Thousands of U.S. Dollars						
Six-Month Period Ended September 30, 2015						
Reportable Segment						
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	\$ 726,779	\$ 35,422	\$ 11,315	\$ 21,608	\$ 805,619	\$1,600,746
Intersegment revenue or transfers	-	-	-	128,831	1,110	129,941
Total	\$ 726,779	\$ 35,422	\$ 11,315	\$ 150,440	\$ 806,730	\$1,730,688
Segment profit	\$ 51,408	\$ 13,549	\$ 5,319	\$ 10,413	\$ 34,295	\$ 114,986

Millions of Yen						
Six-Month Period Ended September 30, 2014						
Reportable Segment						
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 84,661	¥ 3,799	¥ 1,209	¥ 2,547	¥ 108,663	¥ 200,882
Intersegment revenue or transfers	-	-	-	13,870	187	14,057
Total	¥ 84,661	¥ 3,799	¥ 1,209	¥ 16,418	¥ 108,850	¥ 214,940
Segment profit	¥ 6,165	¥ 2,394	¥ 644	¥ 1,273	¥ 3,585	¥ 14,062

***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
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2015	2014	2015
Segment profit:			
Reportable segments total	¥ 13,793	¥ 14,062	\$ 114,986
Corporate expenses (Note)	(4,335)	(4,244)	(36,141)
Operating income in the interim consolidated statements of income	¥ 9,458	¥ 9,817	\$ 78,844

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 six-month periods ended September 30, 2015 and 2014, there is no applicable information to disclose.

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

For the six-month periods ended September 30, 2015 and 2014, there is no applicable information to disclose.

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

For the six-month periods ended September 30, 2015 and 2014, there is no applicable information to disclose.

**11. SUBSEQUENT EVENTS**

There are no significant subsequent events to disclose.

\* \* \* \* \*