

# Interim Consolidated Financial Statements (Unaudited)

For the Six Months Ended September 30, 2018

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Balance Sheets  
September 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)
	September 30, 2018	March 31, 2018	September 30, 2018		September 30, 2018	March 31, 2018	September 30, 2018
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and cash equivalents	¥ 144,777	¥ 148,805	\$ 1,274,787	Short-term bank loans	¥ 125,744	¥ 126,124	\$ 1,107,202
Lease receivables and investments in leases	554,322	529,612	4,880,890	Current portion of long-term borrowings	109,700	116,656	965,925
Trade accounts receivable:				Current portion of bonds	62,713	61,247	552,198
Installment sales	112,635	98,026	991,767	Commercial papers	-	39,000	-
Loans (Note 3)	1,616,368	1,474,956	14,232,353	Trade notes and accounts payable	22,445	24,334	197,637
Other loans (Note 3)	61,328	60,096	540,003	Accounts payable - other	435,913	432,638	3,838,277
Rents	24,090	23,777	212,118	Accrued income taxes	4,268	6,458	37,589
Credit cards	69,455	53,066	611,564	Unearned profit on installment sales	3,799	3,427	33,458
Billing	297,952	296,609	2,623,512	Deposits received	231,380	112,992	2,037,337
Allowance for doubtful receivables	(17,040)	(16,627)	(150,041)	Deposits received from shareholders, directors or employees	863,190	828,811	7,600,511
Investments in venture businesses	3,522	1,758	31,019	Asset retirement obligations	-	56	-
Securities	7,286	11,532	64,160	Other	17,099	17,252	150,564
Other	51,431	31,419	452,858				
<b>Total current assets</b>	<b>2,926,130</b>	<b>2,713,032</b>	<b>25,764,994</b>	<b>Total current liabilities</b>	<b>1,876,256</b>	<b>1,769,001</b>	<b>16,520,701</b>
<b>PROPERTY AND EQUIPMENT, NET:</b>				<b>LONG-TERM LIABILITIES:</b>			
Leased assets	26,864	27,500	236,543	Bonds	266,329	269,836	2,345,071
Assets held for own use	4,254	4,510	37,461	Long-term borrowings	786,803	672,843	6,927,914
<b>Total property and equipment, net</b>	<b>31,118</b>	<b>32,010</b>	<b>274,005</b>	Provision for loss on system use agreements	1,665	2,287	14,660
<b>INTANGIBLE ASSETS—Assets held for own use</b>	<b>4,959</b>	<b>2,753</b>	<b>43,666</b>	Defined benefit liability	23,972	23,220	211,079
				Asset retirement obligations	1,987	2,005	17,496
				Other	14,766	13,645	130,023
				<b>Total long-term liabilities</b>	<b>1,095,524</b>	<b>983,838</b>	<b>9,646,246</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>				<b>Total liabilities</b>	<b>2,971,780</b>	<b>2,752,839</b>	<b>26,166,947</b>
Investment securities	109,718	110,107	966,086	<b>NET ASSETS:</b>			
Other (Note 3)	26,144	23,605	230,206	Shareholders' equity (Note 5):			
Allowance for doubtful receivables	(3,394)	(3,451)	(29,888)	Common stock—authorized, 80,000 shares;			
<b>Total investments and other assets</b>	<b>132,468</b>	<b>130,261</b>	<b>1,166,404</b>	issued, 51,960 shares as of September 30 and March 31, 2018	16,770	16,770	147,670
				Capital surplus	15,950	15,950	140,446
				Retained earnings	89,005	92,992	783,709
				Treasury stock; 595 shares as of September 30 and March 31, 2018	(1,126)	(1,126)	(9,923)
				<b>Total shareholders' equity</b>	<b>120,600</b>	<b>124,586</b>	<b>1,061,903</b>
				Accumulated other comprehensive income/(loss):			
				Unrealized gain/(loss) on available-for-sale securities	2,135	966	18,800
				Foreign currency translation adjustments	414	10	3,645
				Remeasurements of defined benefit plans	(657)	(717)	(5,789)
				<b>Total accumulated other comprehensive income/(loss)</b>	<b>1,891</b>	<b>258</b>	<b>16,656</b>
				Non-controlling interests	404	373	3,562
				<b>Total net assets</b>	<b>122,896</b>	<b>125,218</b>	<b>1,082,122</b>
<b>TOTAL ASSETS</b>	<b>¥ 3,094,676</b>	<b>¥ 2,878,058</b>	<b>\$ 27,249,070</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>¥ 3,094,676</b>	<b>¥ 2,878,058</b>	<b>\$ 27,249,070</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, 2018 and 2017—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2018	2017	2018
REVENUE	¥ 214,872	¥ 202,138	\$ 1,891,982
COST OF SALES	143,722	130,698	1,265,498
Gross profit/(loss)	71,149	71,440	626,483
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	58,580	59,202	515,805
Operating income/(loss)	12,569	12,237	110,677
OTHER INCOME:			
Interest income	0	0	2
Dividend income	55	31	486
Foreign exchange gain	660	229	5,812
Gain on bad debts recovered	280	217	2,471
Equity in earnings of affiliates	105	86	933
Other	11	37	99
Total other income	1,113	602	9,806
OTHER EXPENSES:			
Interest expense	35	47	312
Bond issuance costs	35	127	309
Loss on retirement of assets held for own use	105	32	925
Other	2	1	22
Total other expenses	178	208	1,570
EXTRAORDINARY LOSSES:			
Loss on valuation of investment securities	433	-	3,821
Total extraordinary losses	433	-	3,821
PROFIT/(LOSS) BEFORE TAXES	13,071	12,631	115,093
INCOME TAXES	4,205	3,960	37,027
PROFIT/(LOSS)	8,865	8,671	78,065
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	37	31	326
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 8,828	¥ 8,640	\$ 77,738

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Interim Consolidated Statements of Income**

**Six-Month Periods Ended September 30, 2018 and 2017—Unaudited**

	Yen		U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 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	¥ 171,883.22	¥ 168,214.57	\$ 1,513.45

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, 2018 and 2017—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2018	2017	2018
PROFIT/(LOSS)	¥ 8,865	¥ 8,671	\$ 78,065
OTHER COMPREHENSIVE INCOME/(LOSS):			
Unrealized gain/(loss) on available-for-sale securities	1,168	51	10,293
Foreign currency translation adjustments	479	31	4,223
Remeasurements of defined benefit plans	60	88	532
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	(76)	(31)	(671)
Total other comprehensive income/(loss)	1,632	140	14,377
COMPREHENSIVE INCOME/(LOSS)	¥ 10,498	¥ 8,811	\$ 92,443
Comprehensive income/(loss) attributable to:			
Owners of parent	¥ 10,461	¥ 8,780	\$ 92,116
Non-controlling interests	37	31	326

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, 2018 and 2017—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2018	2017	2018
OPERATING ACTIVITIES:			
Profit before taxes	¥ 13,071	¥ 12,631	\$ 115,093
Adjustments to reconcile profit before taxes to net cash provided by operating activities:			
Depreciation of leased assets and assets held for own use	2,011	1,968	17,715
(Gain)/loss on retirement of leased assets and assets held for own use	166	134	1,469
(Increase)/decrease in defined benefit asset	(31)	(70)	(279)
Increase/(decrease) in defined benefit liability	865	391	7,618
Increase/(decrease) in accrued directors' retirement benefits	-	(45)	-
Increase/(decrease) in allowance for doubtful receivables	349	(1,474)	3,077
Increase/(decrease) in provision for loss on system use agreements	(622)	(349)	(5,476)
Interest and dividend income	(55)	(31)	(488)
Financing costs and interest expense	7,371	5,149	64,904
Foreign exchange (gain)/loss	17,606	8,170	155,031
Equity in (earnings)/losses of affiliates	(105)	(86)	(933)
(Gain)/loss on valuation of investment securities	433	-	3,821
(Gain)/loss on sales of shares of subsidiaries and associates	1	-	9
Bond issuance costs	35	127	309
(Increase)/decrease in leases receivable and investments in leases	(24,337)	(9,776)	(214,295)
(Increase)/decrease in trade accounts receivable - installment sales	(14,608)	(5,873)	(128,633)
(Increase)/decrease in trade accounts receivable - loans	(134,076)	16,325	(1,180,560)
(Increase)/decrease in trade accounts receivable - other loans	(940)	(21,812)	(8,283)
(Increase)/decrease in trade accounts receivable - rents	(312)	(470)	(2,752)
(Increase)/decrease in trade accounts receivable - credit cards	(16,388)	(2,817)	(144,306)
(Increase)/decrease in trade accounts receivable - billing	(1,343)	(194,183)	(11,826)
(Increase)/decrease in investments in venture businesses	51	70	453
(Increase)/decrease in other securities to earn financial income for operating purpose	4,470	(13,532)	39,361
Purchases of leased assets	(68)	(40)	(603)
Increase/(decrease) in trade notes and accounts payable	(1,888)	2,290	(16,631)
Increase/(decrease) in accounts payable - other	3,272	(2,101)	28,813
Increase/(decrease) in deposits received - billing	(7,375)	(73,261)	(64,940)
Other—net	(23,071)	1,954	(203,151)
Subtotal	(175,520)	(276,714)	(1,545,485)
Interest and dividend income received	55	31	488
Interest expense paid	(6,942)	(4,483)	(61,128)
Income taxes refund/(paid)	(6,238)	1,120	(54,928)
Net cash provided by/(used in) operating activities	¥ (188,645)	¥ (280,046)	\$ (1,661,053)

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Interim Consolidated Statements of Cash Flows**

**Six-Month Periods Ended September 30, 2018 and 2017—Unaudited**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2018	2017	2018
Net cash provided by/(used in) operating activities	¥ (188,645)	¥ (280,046)	\$ (1,661,053)
<b>INVESTING ACTIVITIES:</b>			
Payments into time deposits	-	(20,000)	-
Payments for purchases of assets held for own use	(2,880)	(958)	(25,359)
Payments for investments in capital	(3,000)	-	(26,415)
Purchase of shares of subsidiaries and associates	(6)	-	(56)
Proceeds from liquidating dividends of investment securities	-	0	-
Proceeds from sales of shares of subsidiaries and associates	3	-	34
Other—net	(153)	(19)	(1,355)
Net cash provided by/(used in) investing activities	(6,036)	(20,977)	(53,151)
<b>FINANCING ACTIVITIES:</b>			
Increase/(decrease) in short-term bank loans	(6,530)	50,708	(57,502)
Increase/(decrease) in commercial papers	(39,000)	(15,000)	(343,401)
Increase/(decrease) in long-term borrowings	134,000	196,374	1,179,889
Repayments of long-term borrowings	(40,796)	(16,760)	(359,220)
Proceeds from issuance of bonds	15,538	65,282	136,818
Redemption of bonds	(20,000)	(54,530)	(176,102)
Cash dividends paid	(12,813)	(11,091)	(112,822)
Increase/(decrease) in deposits received	159,969	(73,971)	1,408,551
Other—net	(4)	(5)	(39)
Net cash provided by/(used in) financing activities	190,362	141,005	1,676,169
<b>EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS</b>	<b>259</b>	<b>22</b>	<b>2,285</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(4,060)</b>	<b>(159,995)</b>	<b>(35,750)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>148,805</b>	<b>376,635</b>	<b>1,310,253</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY</b>	<b>32</b>	<b>-</b>	<b>283</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>¥ 144,777</b>	<b>¥ 216,639</b>	<b>\$ 1,274,787</b>

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 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 ¥113.57 to \$1.00, the approximate rate of exchange at September 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. LOANS AND OTHERS

Loans and others as of September 30 and March 31, 2018 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, 2018	March 31, 2018	U.S. Dollars September 30, 2018
Claims to borrowers in bankruptcy (Note a)	¥ 108	¥ 109	\$ 959
Past due loans (Note b)	1,144	1,076	10,075
Delinquent loans contractually past due three months or more (Note c)	-	-	-
Restructured loans (Note d)	29	30	262

- 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.

### 4. 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.

## 5. EQUITY

### *Dividends*

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

Six-Month Period Ended September 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	\$ 112,822	¥249,454.00	\$ 2,196.47	March 31, 2018	June 25, 2018	Retained earnings

Six-Month Period Ended September 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

## 6. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The amounts of financial instruments including carrying amounts on the accompanying interim consolidated balance sheet as of September 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 September 30, 2018 do not change significantly compared to those as of March 31, 2018.

## 8. COMMITMENTS AND CONTINGENCIES

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

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Guarantees in the ordinary course of business	¥ 19,874	\$ 175,000

## 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 six-month periods ended September 30, 2018 and 2017.

	Millions of Yen					
	Six-Month Period Ended September 30, 2018					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 113,913	¥ 9,841	¥ 2,227	¥ 2,702	¥ 86,186	¥ 214,872
Intersegment revenue or transfers	-	-	-	17,546	117	17,663
Total	¥ 113,913	¥ 9,841	¥ 2,227	¥ 20,248	¥ 86,303	¥ 232,535
Segment profit	¥ 5,690	¥ 2,619	¥ 1,368	¥ 1,827	¥ 5,168	¥ 16,675

  

	Thousands of U.S. Dollars					
	Six-Month Period Ended September 30, 2018					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	\$1,003,028	\$ 86,654	\$ 19,616	\$ 23,795	\$758,887	\$1,891,982
Intersegment revenue or transfers	-	-	-	154,498	1,030	155,529
Total	\$1,003,028	\$ 86,654	\$ 19,616	\$ 178,293	\$ 759,918	\$2,047,512
Segment profit	\$ 50,107	\$ 23,066	\$ 12,053	\$ 16,087	\$ 45,513	\$ 146,827

Millions of Yen						
Six-Month Period Ended September 30, 2017						
Reportable Segment						
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 102,036	¥ 7,674	¥ 1,697	¥ 2,702	¥ 88,027	¥ 202,138
Intersegment revenue or transfers	-	-	-	17,032	122	17,154
Total	¥ 102,036	¥ 7,674	¥ 1,697	¥ 19,734	¥ 88,150	¥ 219,292
Segment profit	¥ 5,655	¥ 2,108	¥ 759	¥ 1,564	¥ 6,194	¥ 16,283

***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
	2018	2017	2018
Segment profit:			
Reportable segments total	¥ 16,675	¥ 16,283	\$ 146,827
Corporate expenses (Note)	(4,105)	(4,045)	(36,150)
Operating income in the interim consolidated statements of income	¥ 12,569	¥ 12,237	\$ 110,677

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

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

For the six-month periods ended September 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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