

Interim Consolidated Financial Statements (Unaudited)

For the Three Months Ended June 30, 2015

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Balance Sheets
June 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)
	June 30, 2015	March 31, 2015	June 30, 2015		June 30, 2015	March 31, 2015	June 30, 2015
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 370,605	¥ 313,636	\$ 3,026,589	Short-term bank loans	¥ 83,128	¥ 34,000	\$ 678,875
Leases receivable and investments in leases	401,581	403,757	3,279,557	Current portion of long-term borrowings	65,219	45,336	532,617
Trade accounts receivable:				Current portion of bonds	39,997	44,998	326,644
Installment sales	59,393	57,657	485,044	Commercial papers	395,982	206,993	3,233,828
Loans	1,085,833	967,036	8,867,563	Trade notes and accounts payable	10,886	22,341	88,902
Other loans	55,007	55,135	449,220	Accounts payable - other	434,380	432,857	3,547,413
Rents	19,659	19,568	160,550	Accrued income taxes	1,681	2,709	13,735
Credit cards	48,599	48,701	396,890	Unearned profit on installment sales	1,959	1,832	16,001
Billing	141,568	142,412	1,156,135	Deposits received	272,606	301,640	2,226,270
Allowance for doubtful receivables	(25,317)	(25,233)	(206,760)	Deposits received from shareholders, directors or employees	161,668	187,112	1,320,281
Investments in venture businesses	2,092	2,043	17,085	Current portion of long-term deposits received from shareholders, directors or employees	240,000	240,000	1,959,983
Securities	11,868	11,801	96,921	Asset retirement obligations	22	61	186
Other	48,680	48,588	397,550	Other	20,037	22,054	163,635
Total current assets	2,219,571	2,045,105	18,126,348	Total current liabilities	1,727,570	1,541,938	14,108,378
PROPERTY AND EQUIPMENT, NET:				LONG-TERM LIABILITIES:			
Leased assets	34,670	34,782	283,138	Bonds	200,179	219,691	1,634,782
Assets held for own use	4,516	4,779	36,886	Long-term borrowings	300,517	277,709	2,454,202
Total property and equipment, net	39,187	39,562	320,025	Net defined benefit liability	8,049	7,861	65,735
INTANGIBLE ASSETS—Assets held for own use	4,173	4,383	34,084	Accrued directors' retirement benefits	36	47	299
INVESTMENTS AND OTHER ASSETS:				Asset retirement obligations	2,218	2,189	18,119
Investment securities	82,509	69,471	673,819	Other	9,169	8,831	74,882
Other	21,613	19,872	176,506	Total long-term liabilities	520,170	516,331	4,248,022
Allowance for doubtful receivables	(4,636)	(4,557)	(37,867)	Total liabilities	2,247,741	2,058,269	18,356,400
Allowance for investment loss	-	(1)	-	NET ASSETS:			
Total investments and other assets	99,485	84,784	812,459	Shareholders' equity (Note 5):			
				Common stock—authorized, 80,000 shares; issued, 51,960 shares as of June 30 and March 31, 2015	16,770	16,770	136,961
				Capital surplus	15,950	15,950	130,261
				Retained earnings	79,448	80,209	648,825
				Treasury stock; 595 shares as of June 30 and March 31, 2015	(1,126)	(1,126)	(9,203)
				Total shareholders' equity	111,043	111,803	906,844
				Accumulated other comprehensive income:			
				Unrealized gain on available-for-sale securities	1,028	1,275	8,400
				Foreign currency translation adjustments	1,079	968	8,814
				Remeasurements of defined benefit plans	800	816	6,540
				Total accumulated other comprehensive income	2,908	3,061	23,756
				Non-controlling interests	724	701	5,916
				Total net assets	114,676	115,566	936,517
TOTAL ASSETS	¥ 2,362,417	¥ 2,173,836	\$ 19,292,917	TOTAL LIABILITIES AND NET ASSETS	¥ 2,362,417	¥ 2,173,836	\$ 19,292,917

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income
Three-Month Periods Ended June 30, 2015 and 2014—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2015	2014	2015
REVENUE	¥ 97,547	¥ 101,865	\$ 796,631
COST OF SALES	<u>57,779</u>	<u>58,992</u>	<u>471,859</u>
Gross profit	39,768	42,873	324,772
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>34,639</u>	<u>37,447</u>	<u>282,888</u>
Operating income	<u>5,128</u>	<u>5,426</u>	<u>41,883</u>
OTHER INCOME:			
Interest income	0	0	0
Dividend income	23	53	189
Gain on bad debts recovered	97	75	793
Equity in earnings of affiliates	32	9	262
Foreign exchange gain	108	-	882
Other	<u>16</u>	<u>19</u>	<u>132</u>
Total other income	276	157	2,261
OTHER EXPENSES:			
Interest expense	55	62	453
Bond issuance costs	-	87	-
Loss on retirement of assets held for own use	58	18	480
Other	<u>2</u>	<u>59</u>	<u>20</u>
Total other expenses	<u>116</u>	<u>227</u>	<u>954</u>
PROFIT BEFORE TAXES	<u>5,288</u>	<u>5,356</u>	<u>43,190</u>
INCOME TAXES	1,921	1,937	15,690
PROFIT	<u>3,367</u>	<u>3,419</u>	<u>27,500</u>
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	22	25	187
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	<u>¥ 3,344</u>	<u>¥ 3,394</u>	<u>\$ 27,313</u>

NTT FINANCE CORPORATION and Consolidated Subsidiaries

**Interim Consolidated Statements of Income
Three-Month Periods Ended June 30, 2015 and 2014—Unaudited**

	Yen		U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2015	2014	2015
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	
Basic earnings per share	¥ 65,112.56	¥ 66,078.02	\$ 531.74

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, 2015 and 2014—Unaudited**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	Three-Month Period Ended June 30		Three-Month Period Ended June 30	
	2015	2014	2015	
PROFIT	¥ 3,367	¥ 3,419	\$ 27,500	
OTHER COMPREHENSIVE INCOME:				
Net unrealized gain on available-for-sale securities	(247)	86	(2,018)	
Foreign currency translation adjustments	109	(63)	894	
Remeasurements of defined benefit plans, net of tax	(15)	0	(127)	
Share of other comprehensive income of affiliates accounted for using equity method	1	(56)	8	
Total other comprehensive income	(152)	(33)	(1,242)	
COMPREHENSIVE INCOME	¥ 3,215	¥ 3,386	\$ 26,258	
Comprehensive income attributable to:				
Owners of the parent	¥ 3,192	¥ 3,360	\$ 26,070	
Non-controlling interests	22	25	187	

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 ¥122.45 to \$1.00, the approximate rate of exchange at June 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 three-month period ended June 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 three-month period ended June 30, 2015.

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, 2015.

5. EQUITY

Dividends

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

Three-Month Period Ended June 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	\$ 33,524	¥79,920.00	\$ 652.67	March 31, 2015	June 22, 2015	Retained earnings
Three-Month Period Ended June 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

6. DEPRECIATION

Depreciation of leased assets and assets held for own use for the three-month periods ended June 30, 2015 and 2014 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2015	2014	2015
Leased assets and assets held for own use	¥ 1,228	¥ 961	\$ 10,029

7. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

9. COMMITMENTS AND CONTINGENCIES

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

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 4,231	\$ 34,553

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 three-month periods ended June 30, 2015 and 2014.

	Millions of Yen					
	Three-Month Period Ended June 30, 2015					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 45,061	¥ 2,093	¥ 664	¥ 1,269	¥ 48,458	¥ 97,547
Intersegment revenue or transfers	-	-	-	7,639	66	7,706
Total	¥ 45,061	¥ 2,093	¥ 664	¥ 8,908	¥ 48,525	¥ 105,253
Segment profit	¥ 3,277	¥ 695	¥ 272	¥ 651	¥ 2,358	¥ 7,255

	Thousands of U.S. Dollars					
	Three-Month Period Ended June 30, 2015					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	\$368,002	\$ 17,098	\$ 5,424	\$ 10,364	\$ 395,741	\$ 796,631
Intersegment revenue or transfers	-	-	-	62,391	544	62,935
Total	<u>\$368,002</u>	<u>\$ 17,098</u>	<u>\$ 5,424</u>	<u>\$ 72,755</u>	<u>\$ 396,286</u>	<u>\$859,567</u>
Segment profit	\$ 26,766	\$ 5,676	\$ 2,227	\$ 5,319	\$ 19,260	\$ 59,251

	Millions of Yen					
	Three-Month Period Ended June 30, 2014					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 43,642	¥ 1,843	¥ 666	¥ 1,272	¥ 54,440	¥ 101,865
Intersegment revenue or transfers	-	-	-	6,935	120	7,055
Total	<u>¥ 43,642</u>	<u>¥ 1,843</u>	<u>¥ 666</u>	<u>¥ 8,207</u>	<u>¥ 54,560</u>	<u>¥ 108,921</u>
Segment profit	¥ 3,359	¥ 1,143	¥ 350	¥ 614	¥ 1,996	¥ 7,464

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
	2015	2014	2015
Segment profit:			
Reportable segments total	¥ 7,255	¥ 7,464	\$ 59,251
Corporate expenses (Note)	<u>(2,126)</u>	<u>(2,038)</u>	<u>(17,368)</u>
Operating income in the interim consolidated statements of income	<u>¥ 5,128</u>	<u>¥ 5,426</u>	<u>\$ 41,883</u>

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, 2015 and 2014, 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, 2015 and 2014, there is no applicable information to disclose.

Significant gain on bargain purchase by reportable segment

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

11. SUBSEQUENT EVENTS

There are no significant subsequent events to disclose.

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