

Interim Consolidated Financial Statements (Unaudited)

For the Nine Months Ended December 31, 2014

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Balance Sheet
December 31, 2014 as compared with March 31, 2014—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)
	December 31, 2014	March 31, 2014	December 31, 2014		December 31, 2014	March 31, 2014	December 31, 2014
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 237,597	¥ 373,295	\$ 1,970,942	Short-term bank loans	¥ 172,913	¥ 90,127	\$ 1,434,371
Leases receivable and investments in leases	384,439	376,242	3,189,047	Current portion of long-term borrowings	59,364	47,503	492,445
Trade accounts receivable:				Current portion of bonds	44,998	39,998	373,274
Installment sales	54,307	38,364	450,500	Commercial papers	331,980	54,999	2,753,879
Loans	918,010	948,401	7,615,181	Trade notes and accounts payable	19,034	22,874	157,894
Other loans	56,037	47,288	464,847	Accounts payable - other	445,085	423,178	3,692,124
Rents	19,040	18,308	157,949	Accrued income taxes	3,290	1,161	27,294
Credit cards	47,639	41,195	395,182	Deferred profit on installment sales	1,669	1,142	13,847
Billing	332,593	153,835	2,758,963	Deposits received	172,244	267,749	1,428,826
Allowance for doubtful receivables	(28,718)	(30,687)	(238,226)	Deposits received from shareholders, directors or employees	97,531	447,387	809,054
Investments in venture businesses	2,271	1,594	18,845	Asset retirement obligations	198	-	1,649
Securities	7,370	4,008	61,139	Other	101,125	22,489	838,869
Other	45,533	52,083	377,713				
Total current assets	2,076,122	2,023,928	17,222,085	Total current liabilities	1,449,436	1,418,612	12,023,531
PROPERTY AND EQUIPMENT, NET:				LONG-TERM LIABILITIES:			
Leased assets	36,958	8,180	306,584	Bonds	219,763	185,469	1,823,005
Assets held for own use	4,850	5,256	40,239	Long-term borrowings	239,863	152,963	1,989,741
Total property and equipment, net	41,809	13,436	346,824	Net defined benefit liability	8,182	8,322	67,872
INTANGIBLE ASSETS—Assets held for own use	4,553	5,582	37,776	Accrued directors' retirement benefits	43	53	362
				Reserve for loss on business of affiliates	-	129	-
				Asset retirement obligations	2,180	2,239	18,091
				Other	168,623	247,212	1,398,786
				Total long-term liabilities	638,657	596,391	5,297,861
INVESTMENTS AND OTHER ASSETS:				Total liabilities	2,088,093	2,015,004	17,321,392
Investment securities	64,325	58,518	533,596	NET ASSETS:			
Other	20,300	25,123	168,403	Shareholders' equity (Note 5):			
Allowance for doubtful receivables	(4,599)	(6,003)	(38,151)	Common stock—authorized, 80,000 shares;			
Allowance for investment loss	(1)	(93)	(10)	issued, 51,960 shares as of December 31 and March 31, 2014	16,770	16,770	139,120
Total investments and other assets	80,025	77,544	663,838	Capital surplus	15,950	15,950	132,314
				Retained earnings	80,028	71,885	663,862
				Treasury stock; 595 shares as of December 31 and March 31, 2014	(1,126)	(1,126)	(9,348)
				Total shareholders' equity	111,623	103,480	925,948
				Accumulated other comprehensive income:			
				Unrealized gain on available-for-sale securities	1,179	1,177	9,780
				Foreign currency translation adjustments	819	57	6,797
				Remeasurements of defined benefit plans	109	108	904
				Total accumulated other comprehensive income	2,107	1,343	17,483
				Minority interests	687	664	5,700
				Total net assets	114,417	105,487	949,131
TOTAL ASSETS	¥ 2,202,511	¥ 2,120,491	\$ 18,270,524	TOTAL LIABILITIES AND NET ASSETS	¥ 2,202,511	¥ 2,120,491	\$ 18,270,524

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Nine-month Periods Ended December 31, 2014 and 2013—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-month Period Ended December 31		Nine-month Period Ended December 31
	2014	2013	2014
REVENUE	¥ 299,922	¥ 302,010	\$ 2,487,948
COST OF SALES	174,019	174,832	1,443,547
Gross profit	125,902	127,178	1,044,400
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	110,111	113,142	913,413
Operating income	15,790	14,035	130,987
OTHER INCOME:			
Interest income	0	0	1
Dividend income	58	26	485
Gain on bad debts recovered	251	108	2,085
Equity in earnings of affiliates	61	72	510
Foreign exchange gain	324	171	2,692
Other	39	47	324
Total other income	735	425	6,099
OTHER EXPENSES:			
Interest expense	166	195	1,381
Bond issuance costs	155	108	1,293
Other	65	81	541
Total other expenses	387	385	3,217
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	16,138	14,075	133,869
INCOME TAXES	5,527	5,476	45,853
INCOME BEFORE MINORITY INTERESTS	10,610	8,599	88,015
MINORITY INTERESTS IN INCOME	22	7	190
NET INCOME	¥ 10,587	¥ 8,592	\$ 87,825

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Nine-month Periods Ended December 31, 2014 and 2013—Unaudited

	Yen		U.S. Dollars (Note 1)
	Nine-month Period Ended December 31		Nine-month Period Ended December 31
	2014	2013	2014
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,752	
Basic net income	¥ 206,120.71	¥ 166,030.96	\$ 1,709.83

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

**Interim Consolidated Statements of Comprehensive Income
Nine-month Periods Ended December 31, 2014 and 2013—Unaudited**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-month Period Ended December 31		Nine-month Period Ended December 31
	2014	2013	2014
INCOME BEFORE MINORITY INTERESTS	¥ 10,610	¥ 8,599	\$ 88,015
OTHER COMPREHENSIVE INCOME:			
Net unrealized gain on available-for-sale securities	1	168	14
Foreign currency translation adjustments	735	386	6,101
Remeasurements of defined benefit plans, net of tax	0	-	6
Share of other comprehensive income of affiliates accounted for using equity method	26	138	220
Total other comprehensive income	764	693	6,342
COMPREHENSIVE INCOME	¥ 11,374	¥ 9,293	\$ 94,358
Comprehensive income attributable to:			
Owners of the parent	¥ 11,351	¥ 9,285	\$ 94,168
Minority interests	22	7	190

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 ¥120.55 to \$1.00, the approximate rate of exchange at December 31, 2014, 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, 2014.

NTT Leasing Singapore Pte. Ltd. and ACHERNAR LTD., that are both newly established companies, have been included in the scope of consolidation from the first and third quarter of the year ending March 31, 2015, respectively.

3. CHANGE IN ACCOUNTING POLICY

Application of Accounting Standard for Retirement Benefits

The Company has applied the main clause of Paragraph 35 of the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 26, issued on May 17, 2012) (the “Accounting Standard”) and the main clause of Paragraph 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, issued on May 17, 2012) (the “Guidance”) from the first quarter of the year ending March 31, 2015. Consequently, the method of attributing expected benefit to periods was

changed from straight-line basis to benefit formula basis. The method of determining the discount rate was also changed.

In accordance with the transitional treatment provided for in Paragraph 37 of the Accounting Standard, the amount of financial impact resulting from the change in the calculation method of retirement benefit obligations and service costs was added to, or deducted from, retained earnings as of April 1, 2014.

As a result of this change, net defined benefit liability decreased by ¥586 million (\$4,863 thousand) and retained earnings increased by ¥378 million (\$3,140 thousand) as of April 1, 2014. The effects on operating income and income before income taxes and minority interests, however, were immaterial for the nine-month period ended December 31, 2014.

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, 2014.

5. EQUITY

Dividends

The following dividends are paid during the nine-month periods ended December 31, 2014 and 2013:

Nine-month Period Ended December 31, 2014								
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 20, 2014	Common stock	¥ 2,823	\$ 23,417	¥54,960.00	\$ 455.91	March 31, 2014	June 23, 2014	Retained earnings
Nine-month Period Ended December 31, 2013								
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 21, 2013	Common stock	¥ 3,563		¥68,572.00		March 31, 2013	June 24, 2013	Retained earnings

6. DEPRECIATION

Depreciation of leased assets and assets held for own use for the nine-month periods ended December 31, 2014 and 2013 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Nine-month Period Ended December 31		Nine-month Period Ended December 31
	2014	2013	2014
Leased assets and assets held for own use	¥ 3,208	¥ 2,977	\$ 26,618

7. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The amounts of financial instruments including carrying amounts on the accompanying interim consolidated balance sheet do not change significantly compared to those as of March 31, 2014.

8. DERIVATIVES

The amounts of derivatives including contract amounts as of December 31, 2014 do not change significantly compared to those as of March 31, 2014.

9. COMMITMENTS AND CONTINGENCIES

Contingent liabilities as of December 31, 2014 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 4,619	\$ 38,322

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 nine-month periods ended December 31, 2014 and 2013.

	Millions of Yen					
	Nine-month Period Ended December 31, 2014					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 126,756	¥ 5,910	¥ 2,049	¥ 3,832	¥ 161,373	¥ 299,922
Intersegment revenue or transfers	-	-	-	21,015	254	21,269
Total	¥ 126,756	¥ 5,910	¥ 2,049	¥ 24,847	¥ 161,627	¥ 321,192
Segment profit	¥ 9,263	¥ 3,358	¥ 1,194	¥ 1,848	¥ 6,376	¥ 22,041

Thousands of U.S. Dollars						
Nine-month Period Ended December 31, 2014						
Reportable Segment						
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	\$1,051,483	\$ 49,029	\$ 17,002	\$ 31,788	\$1,338,643	\$2,487,948
Intersegment revenue or transfers	-	-	-	174,333	2,107	176,441
Total	\$1,051,483	\$ 49,029	\$ 17,002	\$ 206,121	\$1,340,751	\$2,664,389
Segment profit	\$ 76,845	\$ 27,857	\$ 9,907	\$ 15,335	\$ 52,893	\$ 182,840

Millions of Yen						
Nine-month Period Ended December 31, 2013						
Reportable Segment						
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 126,976	¥ 5,212	¥ 3,131	¥ 3,807	¥ 162,882	¥ 302,010
Intersegment revenue or transfers	-	-	-	19,585	171	19,757
Total	¥ 126,976	¥ 5,212	¥ 3,131	¥ 23,393	¥ 163,053	¥ 321,767
Segment profit	¥ 9,572	¥ 1,978	¥ 2,381	¥ 2,163	¥ 3,601	¥ 19,696

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
	Nine-month Period Ended December 31		Nine-month Period Ended December 31
	2014	2013	2014
Segment profit:			
Reportable segments total	¥ 22,041	¥ 19,696	\$ 182,840
Corporate expenses (Note)	(6,250)	(5,660)	(51,853)
Operating income in the interim consolidated statements of income	¥ 15,790	¥ 14,035	\$ 130,987

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 nine-month periods ended December 31, 2014 and 2013, there is no applicable information to disclose.

Significant change in the amount of goodwill by reportable segment

For the nine-month periods ended December 31, 2014 and 2013, there is no applicable information to disclose.

Significant gain on bargain purchase by reportable segment

For the nine-month periods ended December 31, 2014 and 2013, there is no applicable information to disclose.

11. SUBSEQUENT EVENTS

There are no significant subsequent events to disclose.

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