

Interim Consolidated Financial Statements (Unaudited)

For the Nine Months Ended December 31, 2017

<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
December 31, 2017 as compared with March 31, 2017—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, 2017	March 31, 2017	December 31, 2017		December 31, 2017	March 31, 2017	December 31, 2017
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 107,743	¥ 376,635	\$ 953,480	Short-term bank loans	¥ 193,561	¥ 144,435	\$ 1,712,937
Lease receivables and investments in leases	503,021	481,356	4,451,521	Current portion of long-term borrowings	81,947	30,988	725,196
Trade accounts receivable:				Current portion of bonds	39,999	54,522	353,978
Installment sales	94,567	84,227	836,883	Commercial papers	106,000	15,000	938,053
Loans	1,642,200	1,321,243	14,532,744	Trade notes and accounts payable	24,413	20,184	216,050
Other loans	58,972	44,792	521,876	Accounts payable - other	436,661	437,274	3,864,258
Rents	22,778	22,160	201,576	Accrued income taxes	5,111	239	45,234
Credit cards	49,972	49,029	442,233	Unearned profit on installment sales	3,258	2,762	28,839
Billing	300,545	113,626	2,659,695	Deposits received	83,145	141,220	735,797
Allowance for doubtful receivables	(17,354)	(19,738)	(153,583)	Deposits received from shareholders, directors or employees	883,842	910,810	7,821,613
Investments in venture businesses	1,973	2,230	17,467	Asset retirement obligations	82	-	728
Securities	15,325	1,905	135,620	Other	16,217	16,517	143,520
Other	36,566	37,755	323,599				
Total current assets	2,816,312	2,515,224	24,923,117	Total current liabilities	1,874,241	1,773,956	16,586,209
PROPERTY AND EQUIPMENT, NET:				LONG-TERM LIABILITIES:			
Leased assets	29,183	30,710	258,256	Bonds	290,760	236,388	2,573,105
Assets held for own use	4,309	4,205	38,136	Long-term borrowings	652,471	495,348	5,774,081
Total property and equipment, net	33,492	34,916	296,393	Accrued directors' retirement benefits	-	45	-
INTANGIBLE ASSETS—Assets held for own use	2,339	2,169	20,702	Provision for loss on system use agreements	2,570	3,180	22,743
INVESTMENTS AND OTHER ASSETS:				Defined benefit liability	24,038	23,497	212,733
Investment securities	112,736	99,745	997,669	Asset retirement obligations	2,018	2,116	17,864
Other	21,199	21,286	187,605	Other	13,261	12,525	117,356
Allowance for doubtful receivables	(3,100)	(3,252)	(27,441)	Total long-term liabilities	985,120	773,101	8,717,884
Total investments and other assets	130,835	117,779	1,157,832	Total liabilities	2,859,362	2,547,058	25,304,094
TOTAL ASSETS	¥ 2,982,979	¥ 2,670,089	\$ 26,398,046	NET ASSETS:			
				Shareholders' equity (Note 4):			
				Common stock—authorized, 80,000 shares;			
				issued, 51,960 shares as of December 31 and March 31, 2017	16,770	16,770	148,415
				Capital surplus	15,950	15,950	141,154
				Retained earnings	91,563	91,270	810,299
				Treasury stock; 595 shares as of December 31 and March 31, 2017	(1,126)	(1,126)	(9,973)
				Total shareholders' equity	123,158	122,865	1,089,896
				Accumulated other comprehensive income/(loss):			
				Unrealized gain/(loss) on available-for-sale securities	1,070	1,022	9,471
				Foreign currency translation adjustments	371	300	3,285
				Remeasurements of defined benefit plans	(1,333)	(1,466)	(11,804)
				Total accumulated other comprehensive income/(loss)	107	(143)	953
				Non-controlling interests	350	308	3,102
				Total net assets	123,616	123,030	1,093,952
TOTAL ASSETS	¥ 2,982,979	¥ 2,670,089	\$ 26,398,046	TOTAL LIABILITIES AND NET ASSETS	¥ 2,982,979	¥ 2,670,089	\$ 26,398,046

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income
Nine-Month Periods Ended December 31, 2017 and 2016—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2017	2016	2017
REVENUE	¥ 302,322	¥ 294,978	\$ 2,675,423
COST OF SALES	197,120	181,405	1,744,431
Gross profit/(loss)	105,202	113,572	930,991
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	88,912	95,486	786,832
Operating income/(loss)	16,289	18,085	144,159
OTHER INCOME:			
Interest income	0	0	3
Dividend income	39	29	346
Foreign exchange gain	219	341	1,944
Gain on bad debts recovered	368	323	3,264
Equity in earnings of affiliates	114	91	1,015
Other	48	24	429
Total other income	791	811	7,004
OTHER EXPENSES:			
Interest expense	75	132	669
Bond issuance costs	220	177	1,951
Loss on retirement of assets held for own use	149	107	1,319
Other	4	40	43
Total other expenses	450	458	3,984
EXTRAORDINARY LOSSES:			
Head office transfer cost	-	709	-
Total extraordinary losses	-	709	-
PROFIT/(LOSS) BEFORE TAXES	16,631	17,728	147,179
INCOME TAXES	5,204	5,557	46,059
PROFIT/(LOSS)	11,426	12,171	101,119
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	41	31	368
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 11,384	¥ 12,140	\$ 100,751

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Nine-Month Periods Ended December 31, 2017 and 2016—Unaudited

	Yen		U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2017	2016	2017
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	51,365
Basic earnings per share	¥ 221,646.34	¥ 236,355.30	\$ 1,961.47

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, 2017 and 2016—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31	
	2017	2016	2017	
PROFIT/(LOSS)	¥ 11,426	¥ 12,171	\$ 101,119	
OTHER COMPREHENSIVE INCOME/(LOSS):				
Unrealized gain/(loss) on available-for-sale securities	47	(229)	419	
Foreign currency translation adjustments	47	207	423	
Remeasurements of defined benefit plans	132	198	1,172	
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	23	(346)	205	
Total other comprehensive income/(loss)	250	(168)	2,220	
COMPREHENSIVE INCOME/(LOSS)	¥ 11,677	¥ 12,002	\$ 103,340	
Comprehensive income/(loss) attributable to:				
Owners of parent	¥ 11,635	¥ 11,971	\$ 102,971	
Non-controlling interests	41	31	368	

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 ¥113.00 to \$1.00, the approximate rate of exchange at December 31, 2017, 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, 2017.

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, 2017.

4. EQUITY

Dividends

The following dividends are paid during the nine-month periods ended December 31, 2017 and 2016:

Nine-Month Period Ended December 31, 2017								
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 16, 2017	Common stock	¥ 11,091	\$ 98,158	¥215,943.00	\$ 1,911.00	March 31, 2017	June 19, 2017	Retained earnings

Nine-Month Period Ended December 31, 2016								
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 17, 2016	Common stock	¥ 3,113		¥60,620.00		March 31, 2016	June 20, 2016	Retained earnings

5. DEPRECIATION

Depreciation of leased assets and assets held for own use for the nine-month periods ended December 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2017	2016	2017
Leased assets and assets held for own use	¥ 2,860	¥ 3,913	\$ 25,311

6. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The amounts of financial instruments including carrying amounts on the accompanying interim consolidated balance sheet as of December 31, 2017 do not change significantly compared to those as of March 31, 2017.

7. DERIVATIVES

The amounts of derivatives including contract amounts as of December 31, 2017 do not change significantly compared to those as of March 31, 2017.

8. COMMITMENTS AND CONTINGENCIES

Contingent liabilities as of December 31, 2017 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 14,179	\$ 125,485

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 nine-month periods ended December 31, 2017 and 2016.

	Millions of Yen					
	Nine-Month Period Ended December 31, 2017					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 153,705	¥ 12,027	¥ 2,579	¥ 4,052	¥ 129,957	¥ 302,322
Intersegment revenue or transfers	-	-	-	25,567	182	25,750
Total	¥ 153,705	¥ 12,027	¥ 2,579	¥ 29,620	¥ 130,140	¥ 328,073
Segment profit	¥ 8,174	¥ 3,483	¥ 1,303	¥ 2,506	¥ 6,821	¥ 22,289

	Thousands of U.S. Dollars					
	Nine-Month Period Ended December 31, 2017					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	\$1,360,227	\$ 106,440	\$ 22,824	\$ 35,865	\$1,150,065	\$2,675,423
Intersegment revenue or transfers	-	-	-	226,263	1,615	227,879
Total	\$1,360,227	\$ 106,440	\$ 22,824	\$ 262,129	\$1,151,681	\$2,903,302
Segment profit	\$ 72,344	\$ 30,830	\$ 11,535	\$ 22,178	\$ 60,364	\$ 197,253

	Millions of Yen					
	Nine-Month Period Ended December 31, 2016					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 140,201	¥ 7,604	¥ 2,450	¥ 4,030	¥ 140,691	¥ 294,978
Intersegment revenue or transfers	-	-	-	24,518	190	24,708
Total	¥ 140,201	¥ 7,604	¥ 2,450	¥ 28,548	¥ 140,881	¥ 319,687
Segment profit	¥ 8,234	¥ 3,265	¥ 1,481	¥ 1,809	¥ 10,025	¥ 24,816

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
	2017	2016	2017
Segment profit:			
Reportable segments total	¥ 22,289	¥ 24,816	\$ 197,253
Corporate expenses (Note)	(5,999)	(6,730)	(53,094)
Operating income in the interim consolidated statements of income	¥ 16,289	¥ 18,085	\$ 144,159

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, 2017 and 2016, 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, 2017 and 2016, there is no applicable information to disclose.

Significant gain on bargain purchase by reportable segment

For the nine-month periods ended December 31, 2017 and 2016, there is no applicable information to disclose.

10. SUBSEQUENT EVENTS

There are no significant subsequent events to disclose.

* * * * *