

# Interim Consolidated Financial Statements (Unaudited)

For the Nine Months Ended December 31, 2019

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Balance Sheets  
December 31, 2019 as compared with March 31, 2019—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, 2019	March 31, 2019	December 31, 2019		December 31, 2019	March 31, 2019	December 31, 2019
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and cash equivalents	¥ 146,868	¥ 134,929	\$ 1,340,526	Short-term bank loans	¥ 511,231	¥ 143,767	\$ 4,666,226
Lease receivables and investments in leases	642,616	601,519	5,865,430	Current portion of long-term borrowings	85,748	88,430	782,666
Trade accounts receivable:				Current portion of bonds	61,178	39,998	558,397
Installment sales	136,537	129,337	1,246,234	Commercial papers	1,096,992	263,000	10,012,705
Loans	2,652,724	1,759,168	24,212,530	Trade notes and accounts payable	33,161	32,978	302,676
Other loans	46,651	56,625	425,810	Accounts payable - other	473,159	413,941	4,318,727
Rents	25,266	24,998	230,620	Accrued income taxes	2,603	1,916	23,760
Credit cards	71,595	67,772	653,484	Unearned profit on installment sales	4,019	3,957	36,690
Billing	314,074	271,325	2,866,692	Deposits received	398,079	350,929	3,633,434
Allowance for doubtful receivables	(24,014)	(20,017)	(219,192)	Deposits received from shareholders, directors or employees	142,713	556,689	1,302,605
Investments in venture businesses	4,008	2,500	36,588	Provision for loss on system use agreements	422	946	3,851
Securities	15,400	9,125	140,570	Asset retirement obligations	14	4	127
Other	62,421	46,725	569,750	Other	17,383	17,826	158,666
<b>Total current assets</b>	<b>4,094,152</b>	<b>3,084,010</b>	<b>37,369,046</b>	<b>Total current liabilities</b>	<b>2,826,706</b>	<b>1,914,386</b>	<b>25,800,538</b>
<b>PROPERTY AND EQUIPMENT, NET:</b>				<b>LONG-TERM LIABILITIES:</b>			
Leased assets	21,889	30,256	199,793	Bonds	197,648	244,119	1,804,023
Assets held for own use	4,695	4,185	42,861	Long-term borrowings	1,068,568	940,230	9,753,276
<b>Total property and equipment, net</b>	<b>26,585</b>	<b>34,442</b>	<b>242,655</b>	Defined benefit liability	25,589	24,709	233,566
<b>INTANGIBLE ASSETS—Assets held for own use</b>	<b>5,227</b>	<b>5,152</b>	<b>47,709</b>	Asset retirement obligations	1,887	1,951	17,232
				Other	18,065	16,354	164,894
<b>INVESTMENTS AND OTHER ASSETS:</b>				<b>Total long-term liabilities</b>	<b>1,311,761</b>	<b>1,227,364</b>	<b>11,972,993</b>
Investment securities	112,202	119,410	1,024,115	<b>Total liabilities</b>	<b>4,138,468</b>	<b>3,141,751</b>	<b>37,773,531</b>
Other	28,399	26,719	259,218	<b>NET ASSETS:</b>			
Allowance for doubtful receivables	(3,268)	(3,039)	(29,828)	Shareholders' equity (Note 4):			
<b>Total investments and other assets</b>	<b>137,333</b>	<b>143,089</b>	<b>1,253,504</b>	Common stock—authorized, 80,000 shares; issued, 51,960 shares as of December 31 and March 31, 2019	16,770	16,770	153,075
				Capital surplus	15,950	15,950	145,586
				Retained earnings	91,403	91,938	834,281
				Treasury stock; 595 shares as of December 31 and March 31, 2019	(1,126)	(1,126)	(10,286)
				<b>Total shareholders' equity</b>	<b>122,998</b>	<b>123,533</b>	<b>1,122,657</b>
				Accumulated other comprehensive income/(loss):			
				Unrealized gain/(loss) on available-for-sale securities	2,541	2,031	23,192
				Foreign currency translation adjustments	(40)	172	(368)
				Remeasurements of defined benefit plans	(848)	(963)	(7,741)
				<b>Total accumulated other comprehensive income/(loss)</b>	<b>1,652</b>	<b>1,240</b>	<b>15,083</b>
				Non-controlling interests	180	169	1,644
				<b>Total net assets</b>	<b>124,831</b>	<b>124,944</b>	<b>1,139,385</b>
<b>TOTAL ASSETS</b>	<b>¥ 4,263,299</b>	<b>¥ 3,266,695</b>	<b>\$ 38,912,916</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>¥ 4,263,299</b>	<b>¥ 3,266,695</b>	<b>\$ 38,912,916</b>

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Nine-Month Periods Ended December 31, 2019 and 2018—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2019	2018	2019
REVENUE	¥ 339,080	¥ 320,384	\$ 3,094,927
COST OF SALES	238,660	215,385	2,178,353
Gross profit/(loss)	100,419	104,998	916,573
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	84,386	87,818	770,230
Operating income/(loss)	16,033	17,180	146,342
OTHER INCOME:			
Interest income	0	0	4
Dividend income	53	64	492
Foreign exchange gain	-	441	-
Gain on bad debts recovered	425	418	3,885
Equity in earnings of affiliates	216	131	1,976
Other	15	31	141
Total other income	712	1,088	6,500
OTHER EXPENSES:			
Interest expense	18	48	165
Bond issuance costs	19	35	175
Foreign exchange loss	152	-	1,395
Loss on retirement of assets held for own use	81	148	741
Other	13	4	125
Total other expenses	285	235	2,603
EXTRAORDINARY LOSSES:			
Loss on valuation of investment securities	243	433	2,220
Total extraordinary losses	243	433	2,220
PROFIT/(LOSS) BEFORE TAXES	16,217	17,599	148,019
INCOME TAXES	4,974	5,600	45,401
PROFIT/(LOSS)	11,242	11,998	102,618
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	16	0	147
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 11,226	¥ 11,998	\$ 102,470

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Interim Consolidated Statements of Income**

**Nine-Month Periods Ended December 31, 2019 and 2018—Unaudited**

	Yen		U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2019	2018	2019
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	51,365
Basic earnings per share	¥ 218,567.27	¥ 233,586.24	\$ 1,994.95

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, 2019 and 2018—Unaudited**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31	
	2019	2018	2019	
PROFIT/(LOSS)	¥ 11,242	¥ 11,998	\$	102,619
OTHER COMPREHENSIVE INCOME/(LOSS):				
Unrealized gain/(loss) on available-for-sale securities	509	621		4,646
Foreign currency translation adjustments	(83)	303		(766)
Remeasurements of defined benefit plans	115	90		1,051
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	(128)	(95)		(1,173)
Total other comprehensive income/(loss)	411	919		3,758
COMPREHENSIVE INCOME/(LOSS)	¥ 11,654	¥ 12,918	\$	106,377
Comprehensive income/(loss) attributable to:				
Owners of parent	¥ 11,638	¥ 12,917	\$	106,229
Non-controlling interests	16	0		148

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 interim 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 interim 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 ¥109.56 to \$1.00, the approximate rate of exchange at December 31, 2019, 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, 2019.

From the first quarter of the year ending March 31, 2020, NTT Finance UK Limited and NTT Finance Netherlands B.V. were included in the scope of consolidation due to the establishment and the increased materiality, respectively.

From the first quarter of the year ending March 31, 2020, NTT Global Data Centers Corporation was included in the scope of the equity method due to the acquisition of shares.

### 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, 2019.

#### 4. EQUITY

##### *Dividends*

The following dividends are paid during the nine-month periods ended December 31, 2019 and 2018:

Nine-Month Period Ended December 31, 2019								
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 13, 2019	Common stock	¥ 11,761	\$ 107,347	¥228,985.00	\$ 2,090.04	March 31, 2019	June 14, 2019	Retained earnings

Nine-Month Period Ended December 31, 2018								
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 22, 2018	Common stock	¥ 12,813		¥249,454.00		March 31, 2018	June 25, 2018	Retained earnings

#### 5. DEPRECIATION

Depreciation of leased assets and assets held for own use for the nine-month periods ended December 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2019	2018	2019
Leased assets and assets held for own use	¥ 3,338	¥ 3,074	\$ 30,470

#### 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, 2019 do not change significantly compared to those as of March 31, 2019.

#### 7. DERIVATIVES

The amounts of derivatives including contract amounts as of December 31, 2019 do not change significantly compared to those as of March 31, 2019.

#### 8. COMMITMENTS AND CONTINGENCIES

Contingent liabilities as of December 31, 2019 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 22,295	\$ 203,499

## 9. SEGMENT INFORMATION

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

With the development of NTT Group's global operations, the Company has proactively been strengthening its global operations to enhance the support system for NTT Group, e.g. by establishing a new business office in the U.S. and new subsidiaries in Europe.

To provide more appropriate information reflecting these business activities and environment, the Company changed its business segments from the previous five segments ("Lease business," "Loan business," "Investment business," "Credit card business" and "Billing business") to the new five segments ("Leasing business," "International business," "Finance business," "Credit card business" and "Billing business"), effective April 1, 2019.

The segment information for the nine-month period ended December 31, 2018, is also disclosed using the new business segments.

The following tables represent information about revenue and profit by reportable segment for the nine-month periods ended December 31, 2019 and 2018.

	Millions of Yen					
	Nine-Month Period Ended December 31, 2019					
	Reportable Segment					
	Leasing	International	Finance	Credit Card	Billing	Total
Revenue from external customers	¥ 186,819	¥ 15,617	¥ 10,204	¥ 4,022	¥ 122,416	¥ 339,080
Intersegment revenue or transfers	-	-	-	29,045	169	29,214
Total	¥ 186,819	¥ 15,617	¥ 10,204	¥ 33,067	¥ 122,585	¥ 368,294
Segment profit	¥ 9,854	¥ 2,122	¥ 1,589	¥ 2,676	¥ 6,085	¥ 22,328

  

	Thousands of U.S. Dollars					
	Nine-Month Period Ended December 31, 2019					
	Reportable Segment					
	Leasing	International	Finance	Credit Card	Billing	Total
Revenue from external customers	\$ 1,705,179	\$ 142,545	\$ 93,144	\$ 36,715	\$ 1,117,343	\$ 3,094,927
Intersegment revenue or transfers	-	-	-	265,107	1,545	266,652
Total	\$ 1,705,179	\$ 142,545	\$ 93,144	\$ 301,822	\$ 1,118,888	\$ 3,361,579
Segment profit	\$ 89,946	\$ 19,370	\$ 14,505	\$ 24,432	\$ 55,545	\$ 203,801



	Millions of Yen					
	Nine-Month Period Ended December 31, 2018					
	Reportable Segment					
	Leasing	International	Finance	Credit Card	Billing	Total
Revenue from external customers	¥ 165,125	¥ 15,372	¥ 8,432	¥ 4,061	¥ 127,392	¥ 320,384
Intersegment revenue or transfers	-	-	-	26,483	175	26,658
Total	¥ 165,125	¥ 15,372	¥ 8,432	¥ 30,544	¥ 127,567	¥ 347,043
Segment profit	¥ 9,617	¥ 3,196	¥ 1,357	¥ 2,658	¥ 6,508	¥ 23,339

***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
	2019	2018	2019
Segment profit:			
Reportable segments total	¥ 22,328	¥ 23,339	\$ 203,801
Corporate expenses (Note)	(6,295)	(6,158)	(57,458)
Operating income in the interim consolidated statements of income	¥ 16,033	¥ 17,180	\$ 146,342

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***

In the segment “International,” the carrying amount of the certain leased assets was reduced to the recoverable amount due to the declined profitability resulting from the decreased expected future cash flow. Such reduction was recognized in the same amount as impairment loss under the “Cost of Sales.”

For the nine-month periods ended December 31, 2019, the respective impairment loss amounted to ¥1,220 million (\$11,137 thousand).

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

For the nine-month periods ended December 31, 2019 and 2018, there is no applicable information to disclose.

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

For the nine-month periods ended December 31, 2019 and 2018, there is no applicable information to disclose.

## 10. SUBSEQUENT EVENTS

### *Resolution regarding absorption-type company split agreement*

The Company at the Board of Directors meeting held on February 6, 2020, passed a resolution to conclude an absorption-type company split (the “Company Split”) agreement with the NTT TC Leasing Co., Ltd., planned to be established by the Company as a wholly owned subsidiary (the “New Company”), where the rights and obligations of part of the leasing business and international business of the Company will be assumed by the New Company. The resolution is subject to approval and adoption at the Annual Shareholders’ Meeting of the Company to be held in June 2020.

#### (1) Purpose

As of February 6, 2020, Nippon Telegraph and Telephone Corporation (the parent company of the Company, “NTT”) and Tokyo Century Corporation (“Tokyo Century”) concluded a capital and business tie-up agreement.

As the first step in the capital and business tie-up, NTT and Tokyo Century decided to spin off part of the leasing business and international business of NTT Finance Corporation (“NTT Finance”), the core financial company in the NTT Group, and establish it as a joint venture of the three companies NTT, NTT Finance, and Tokyo Century, in order to bolster and augment their leasing and financial business in Japan and other countries.

In specific terms, the New Company established by NTT Finance will first succeed to part of the leasing business and international business of NTT Finance by the method of absorption-type split upon spin-off, and then Tokyo Century will transform the New Company into a joint venture by acquiring shares in it. To ensure that the NTT Group and Tokyo Century have the same level of interest in the New Company, Tokyo Century intends to acquire shares equivalent to 50 percent of the total number of outstanding shares.

The two sides will endeavor to heighten the corporate value of the New Company by fusing the credibility and research and development powers of the NTT Group, the leasing business capabilities nurtured by NTT Finance, and, Tokyo Century’s know-how in the area of financial and other service solutions and its ability to provide them. At the same time, they are going to take approaches to effective use of the assets of the NTT Group.

#### (2) Outline

##### a. Legal form of the Company Split

Absorption-type company split with the Company as the splitting company and the New Company as the succeeding company.

##### b. Corporate name of the succeeding company

NTT TC Leasing Co., Ltd. (planned)

##### c. Description of succeeding businesses (reportable segment including the succeeding businesses)

Leasing businesses, international businesses

##### d. Accounting treatment

In accordance with “Accounting Standard for Business Combinations” and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures,” the Company Split will be treated as a transaction under common control.

##### e. Schedule, etc. of the agreement

Date of resolution at the Board of Directors meeting:	February 6, 2020
Date of conclusion of the agreement:	Late February 2020 (planned)
Effective date:	July 1, 2020 (planned)

### *Succession of corporate bonds*

The Company at the Board of Directors meeting held on February 6, 2020, passed a resolution to conclude an agreement with NTT Urban Development Corporation where all the rights and obligations related to the corporate bonds issued by NTT Urban Development Corporation will be succeeded by the Company.

(1) Purpose

Through succession of the respective corporate bonds, the Company aims to position itself as the issuing entity within the NTT Group and to strengthen its group finance function.

(2) Schedule, etc. of the agreement

Date of resolution at the Board of Directors meeting: February 6, 2020  
Date of conclusion of the agreement: February 6, 2020  
Effective date of succession: March 31, 2020 (planned)

(3) Corporate bonds to be succeeded

Bond name	Repayment amount in total (Millions of Yen)	Repayment date
10th Series Unsecured Corporation Bond (with inter-bond pari passu clause)	¥ 10,000	September 18, 2020
11th Series Unsecured Corporation Bond (with inter-bond pari passu clause)	10,000	September 17, 2021
12th Series Unsecured Corporation Bond (with inter-bond pari passu clause)	5,000	September 19, 2031
13th Series Unsecured Corporation Bond (with inter-bond pari passu clause)	10,000	September 20, 2022
14th Series Unsecured Corporation Bond (with inter-bond pari passu clause)	10,000	September 20, 2023
15th Series Unsecured Corporation Bond (with inter-bond pari passu clause)	5,000	September 20, 2028
17th Series Unsecured Corporation Bond (with inter-bond pari passu clause)	15,000	September 20, 2024
18th Series Unsecured Corporation Bond (with inter-bond pari passu clause)	5,000	September 20, 2029
Total	¥ 70,000	

Note: Succession of corporate bonds shall be undertaken in accordance with the respective absorption-type company split agreement.

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