

Interim Consolidated Financial Statements (Unaudited)

For the Six Months Ended September 30, 2017

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries
**Interim Consolidated Balance Sheets
September 30, 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)
	September 30, 2017	March 31, 2017	September 30, 2017		September 30, 2017	March 31, 2017	September 30, 2017
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 216,639	¥ 376,635	\$ 1,921,758	Short-term bank loans	¥ 195,711	¥ 144,435	\$ 1,736,106
Lease receivables and investments in leases	491,138	481,356	4,356,768	Current portion of long-term borrowings	54,461	30,988	483,112
Trade accounts receivable:				Current portion of bonds	19,999	54,522	177,409
Installment sales	90,100	84,227	799,262	Commercial papers	-	15,000	-
Loans (Note 3)	1,305,356	1,321,243	11,579,492	Trade notes and accounts payable	22,475	20,184	199,374
Other loans (Note 3)	66,627	44,792	591,034	Accounts payable - other	435,172	437,274	3,860,310
Rents	22,631	22,160	200,756	Accrued income taxes	4,162	239	36,923
Credit cards	51,846	49,029	459,916	Unearned profit on installment sales	3,034	2,762	26,916
Billing	307,809	113,626	2,730,500	Deposits received	87,131	141,220	772,917
Allowance for doubtful receivables	(18,149)	(19,738)	(160,999)	Deposits received from shareholders, directors or employees	818,774	910,810	7,263,150
Investments in venture businesses	1,932	2,230	17,147	Asset retirement obligations	82	-	734
Securities	11,563	1,905	102,581	Other	16,496	16,517	146,338
Other	54,846	37,755	486,527				
				Total current liabilities	1,657,502	1,773,956	14,703,295
Total current assets	2,602,343	2,515,224	23,084,745				
PROPERTY AND EQUIPMENT, NET:				LONG-TERM LIABILITIES:			
Leased assets	29,520	30,710	261,865	Bonds	282,429	236,388	2,505,359
Assets held for own use	4,261	4,205	37,803	Long-term borrowings	658,531	495,348	5,841,666
				Accrued directors' retirement benefits	-	45	-
Total property and equipment, net	33,781	34,916	299,669	Provision for loss on system use agreements	2,831	3,180	25,113
INTANGIBLE ASSETS—Assets held for own use	2,294	2,169	20,351	Defined benefit liability	23,754	23,497	210,719
				Asset retirement obligations	2,059	2,116	18,270
INVESTMENTS AND OTHER ASSETS:				Other	12,533	12,525	111,180
Investment securities	103,926	99,745	921,906				
Other (Note 3)	21,411	21,286	189,940	Total long-term liabilities	982,138	773,101	8,712,309
Allowance for doubtful receivables	(3,365)	(3,252)	(29,854)				
				Total liabilities	2,639,641	2,547,058	23,415,605
Total investments and other assets	121,972	117,779	1,081,991	NET ASSETS:			
				Shareholders' equity (Note 5):			
				Common stock—authorized, 80,000 shares;			
				issued, 51,960 shares as of September 30 and March 31, 2017	16,770	16,770	148,771
				Capital surplus	15,950	15,950	141,492
				Retained earnings	88,819	91,270	787,894
				Treasury stock; 595 shares as of September 30 and March 31, 2017	(1,126)	(1,126)	(9,997)
				Total shareholders' equity	120,413	122,865	1,068,160
				Accumulated other comprehensive income/(loss):			
				Unrealized gain/(loss) on available-for-sale securities	1,074	1,022	9,529
				Foreign currency translation adjustments	300	300	2,667
				Remeasurements of defined benefit plans	(1,378)	(1,466)	(12,224)
				Total accumulated other comprehensive income/(loss)	(3)	(143)	(26)
				Non-controlling interests	340	308	3,018
				Total net assets	120,751	123,030	1,071,152
TOTAL ASSETS	¥ 2,760,392	¥ 2,670,089	\$ 24,486,757	TOTAL LIABILITIES AND NET ASSETS	¥ 2,760,392	¥ 2,670,089	\$ 24,486,757
See notes to interim consolidated financial statements.							

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Six-Month Periods Ended September 30, 2017 and 2016—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2017	2016	2017
REVENUE	¥ 202,138	¥ 196,516	\$ 1,793,120
COST OF SALES	130,698	120,255	1,159,392
Gross profit/(loss)	71,440	76,260	633,728
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	59,202	64,996	525,169
Operating income/(loss)	12,237	11,264	108,558
OTHER INCOME:			
Interest income	0	0	2
Dividend income	31	22	279
Foreign exchange gain	229	-	2,037
Gain on bad debts recovered	217	217	1,925
Equity in earnings of affiliates	86	61	770
Other	37	19	328
Total other income	602	321	5,343
OTHER EXPENSES:			
Interest expense	47	88	417
Bond issuance costs	127	177	1,128
Other	34	935	302
Total other expenses	208	1,201	1,847
EXTRAORDINARY LOSSES:			
Head office transfer cost	-	709	-
Total extraordinary losses	-	709	-
PROFIT/(LOSS) BEFORE TAXES	12,631	9,674	112,054
INCOME TAXES	3,960	3,034	35,129
PROFIT/(LOSS)	8,671	6,639	76,924
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	31	34	278
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 8,640	¥ 6,605	\$ 76,646

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Six-Month Periods Ended September 30, 2017 and 2016—Unaudited

	Yen		U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2017	2016	2017
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	51,365
Basic earnings per share	¥ 168,214.57	¥ 128,590.25	\$ 1,492.18

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, 2017 and 2016—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2017	2016	2017
PROFIT/(LOSS)	¥ 8,671	¥ 6,639	\$ 76,924
OTHER COMPREHENSIVE INCOME/(LOSS):			
Net unrealized gain/(loss) on available-for-sale securities	51	19	455
Foreign currency translation adjustments	31	(629)	282
Remeasurements of defined benefit plans	88	132	783
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	(31)	(311)	(278)
Total other comprehensive income/(loss)	140	(789)	1,243
COMPREHENSIVE INCOME/(LOSS)	¥ 8,811	¥ 5,850	\$ 78,168
Comprehensive income/(loss) attributable to:			
Owners of the parent	¥ 8,780	¥ 5,815	\$ 77,890
Non-controlling interests	31	34	278

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, 2017 and 2016—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2017	2016	2017
OPERATING ACTIVITIES:			
Profit before taxes	¥ 12,631	¥ 9,674	\$ 112,054
Adjustments for:			
Depreciation of leased assets and assets held for own use	1,968	2,641	17,458
(Gain)/loss on retirement of leased assets and assets held for own use	134	283	1,189
(Increase)/decrease in net defined benefit asset	(70)	(39)	(629)
Increase/(decrease) in net defined benefit liability	391	897	3,472
Increase/(decrease) in accrued directors' retirement benefits	(45)	(9)	(401)
Increase/(decrease) in allowance for doubtful receivables	(1,474)	(1,122)	(13,083)
Increase/(decrease) in provision for loss on system use agreements	(349)	-	(3,095)
Interest and dividend income	(31)	(22)	(281)
Financing costs and interest expense	5,149	2,831	45,678
Foreign exchange (gain)/loss	8,170	(26,631)	72,480
Equity in earnings of affiliates	(86)	(61)	(770)
Loss on valuation of investment securities	-	5	-
Bond issuance costs	127	177	1,128
(Increase)/decrease in leases receivable and investments in leases	(9,776)	(6,296)	(86,727)
(Increase)/decrease in trade accounts receivable - installment sales	(5,873)	(7,504)	(52,009)
(Increase)/decrease in trade accounts receivable - loans	16,325	(77,857)	144,818
(Increase)/decrease in trade accounts receivable - other loans	(21,812)	11,671	(193,492)
(Increase)/decrease in trade accounts receivable - rents	(470)	(366)	(4,176)
(Increase)/decrease in trade accounts receivable - credit cards	(2,817)	345	(24,989)
(Increase)/decrease in trade accounts receivable - billing	(194,183)	3,205	(1,722,551)
(Increase)/decrease in investments in venture businesses	70	29	621
(Increase)/decrease in other securities to earn financial income for operating purpose	(13,532)	(2,337)	(120,046)
Purchases of leased assets	(40)	(555)	(360)
Increase/(decrease) in trade notes and accounts payable	2,290	(4,949)	20,319
Increase/(decrease) in accounts payable - other	(2,101)	1,008	(18,640)
Increase/(decrease) in deposits received - billing	(73,261)	997	(649,881)
Other—net	1,954	3,348	17,342
Subtotal	(276,714)	(90,637)	(2,454,664)
Interest and dividend income received	31	57	281
Interest expense paid	(4,483)	(2,506)	(39,775)
Income taxes refund/(paid)	1,120	(1,897)	(9,938)
Net cash provided by/(used in) operating activities	¥ (280,046)	¥ (94,983)	\$ (2,484,219)

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Cash Flows

Six-Month Periods Ended September 30, 2017 and 2016—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2017	2016	2017
Net cash provided by/(used in) operating activities	¥ (280,046)	¥ (94,983)	\$ (2,484,219)
INVESTING ACTIVITIES:			
Payments into time deposits	(20,000)	-	(177,415)
Payments for purchases of assets held for own use	(958)	(911)	(8,502)
Proceeds from liquidating dividends of investment securities	0	-	7
Proceeds from redemption of investments in capital	-	3,187	-
Other—net	(19)	(162)	(172)
Net cash provided by/(used in) investing activities	(20,977)	2,114	(186,082)
FINANCING ACTIVITIES:			
Increase/(decrease) in short-term bank loans	50,708	56,204	449,824
Increase/(decrease) in commercial papers	(15,000)	-	(133,061)
Increase/(decrease) in long-term borrowings	196,374	42,498	1,741,988
Repayments of long-term borrowings	(16,760)	(24,183)	(148,681)
Increase/(decrease) in payables associated with securitization of receivables	-	(2,500)	-
Proceeds from issuance of bonds	65,282	78,152	579,104
Redemption of bonds	(54,530)	(21,046)	(483,722)
Cash dividends paid	(11,091)	(3,113)	(98,393)
Increase/(decrease) in deposits received	(73,971)	(73,922)	(656,186)
Repayments of long-term deposits received	-	(400)	-
Other—net	(5)	(3)	(46)
Net cash provided by/(used in) financing activities	141,005	51,684	1,250,824
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	22	132	197
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(159,995)	(41,052)	(1,419,279)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	376,635	530,173	3,341,037
CASH AND CASH EQUIVALENTS, END OF PERIOD	¥ 216,639	¥ 489,120	\$ 1,921,758

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 ¥112.73 to \$1.00, the approximate rate of exchange at September 30, 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. LOANS AND OTHERS

Loans and others as of September 30 and March 31, 2017 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 U.S. Dollars
	September 30, 2017	March 31, 2017	September 30, 2017
Claims to borrowers in bankruptcy (Note a)	¥ 111	¥ 109	\$ 986
Past due loans (Note b)	1,119	1,098	9,929
Delinquent loans contractually past due three months or more (Note c)	-	-	-
Restructured loans (Note d)	23	22	210

- 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, 2017.

5. EQUITY

Dividends

The following dividends are paid during the six-month periods ended September 30, 2017 and 2016:

Six-Month Period Ended September 30, 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	\$ 98,393	¥215,943.00	\$ 1,915.57	March 31, 2017	June 19, 2017	Retained earnings

Six-Month Period Ended September 30, 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

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, 2017 do not change significantly compared to those as of March 31, 2017.

7. DERIVATIVES

The amounts of derivatives including contract amounts as of September 30, 2017 do not change significantly compared to those as of March 31, 2017.

8. COMMITMENTS AND CONTINGENCIES

Contingent liabilities as of September 30, 2017 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 12,787	\$ 113,437

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, 2017 and 2016.

	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

	Thousands of U.S. Dollars					
	Six-Month Period Ended September 30, 2017					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	\$ 905,139	\$ 68,082	\$ 15,054	\$ 23,971	\$ 780,873	\$1,793,120
Intersegment revenue or transfers	-	-	-	151,087	1,084	152,172
Total	\$ 905,139	\$ 68,082	\$ 15,054	\$ 175,059	\$ 781,958	\$1,945,293
Segment profit	\$ 50,165	\$ 18,708	\$ 6,741	\$ 13,882	\$ 54,950	\$ 144,447

Millions of Yen						
Six-Month Period Ended September 30, 2016						
Reportable Segment						
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 93,163	¥ 4,668	¥ 1,321	¥ 2,669	¥ 94,693	¥ 196,516
Intersegment revenue or transfers	-	-	-	16,253	127	16,381
Total	¥ 93,163	¥ 4,668	¥ 1,321	¥ 18,923	¥ 94,820	¥ 212,897
Segment profit	¥ 5,524	¥ 1,936	¥ 686	¥ 1,240	¥ 6,378	¥ 15,766

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
	2017	2016	2017
Segment profit:			
Reportable segments total	¥ 16,283	¥ 15,766	\$ 144,447
Corporate expenses (Note)	(4,045)	(4,501)	(35,889)
Operating income in the interim consolidated statements of income	¥ 12,237	¥ 11,264	\$ 108,558

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

Significant gain on bargain purchase by reportable segment

For the six-month periods ended September 30, 2017 and 2016, there is no applicable information to disclose.

10. SUBSEQUENT EVENTS

There are no significant subsequent events to disclose.

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