

Interim Consolidated Financial Statements (Unaudited)

For the Nine Months Ended December 31, 2015

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries
Interim Consolidated Balance Sheets
December 31, 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)
	December 31, 2015	March 31, 2015	December 31, 2015		December 31, 2015	March 31, 2015	December 31, 2015
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 125,724	¥ 313,636	\$ 1,042,407	Short-term bank loans	¥ 35,000	¥ 34,000	\$ 290,191
Leases receivable and investments in leases	418,104	403,757	3,466,583	Current portion of long-term borrowings	44,046	45,336	365,199
Trade accounts receivable:				Current portion of bonds	61,202	44,998	507,438
Installment sales	68,529	57,657	568,193	Commercial papers	133,999	206,993	1,111,017
Loans	1,169,233	967,036	9,694,334	Trade notes and accounts payable	17,327	22,341	143,663
Other loans	55,774	55,135	462,434	Accounts payable - other	449,681	432,857	3,728,396
Rents	20,149	19,568	167,062	Accrued income taxes	5,211	2,709	43,207
Credit cards	49,872	48,701	413,502	Unearned profit on installment sales	2,261	1,832	18,750
Billing	330,572	142,412	2,740,840	Deposits received	448,397	301,640	3,717,745
Allowance for doubtful receivables	(25,229)	(25,233)	(209,179)	Deposits received from shareholders, directors or employees	247,565	187,112	2,052,613
Investments in venture businesses	2,201	2,043	18,249	Current portion of long-term deposits received from shareholders, directors or employees	160,000	240,000	1,326,589
Securities	6,327	11,801	52,460	Asset retirement obligations	267	61	2,219
Other	52,175	48,588	432,594	Other	21,582	22,054	178,942
Total current assets	2,273,436	2,045,105	18,849,483	Total current liabilities	1,626,543	1,541,938	13,485,975
PROPERTY AND EQUIPMENT, NET:				LONG-TERM LIABILITIES:			
Leased assets	33,443	34,782	277,284	Bonds	164,634	219,691	1,365,015
Assets held for own use	4,242	4,779	35,174	Long-term borrowings	477,910	277,709	3,962,444
Total property and equipment, net	37,685	39,562	312,459	Net defined benefit liability	19,266	7,861	159,744
INTANGIBLE ASSETS—Assets held for own use	3,599	4,383	29,841	Accrued directors' retirement benefits	43	47	359
INVESTMENTS AND OTHER ASSETS:				Asset retirement obligations	1,997	2,189	16,563
Investment securities	83,158	69,471	689,483	Other	10,242	8,831	84,925
Other	22,755	19,872	188,669	Total long-term liabilities	674,095	516,331	5,589,052
Allowance for doubtful receivables	(3,498)	(4,557)	(29,006)	Total liabilities	2,300,639	2,058,269	19,075,028
Allowance for investment loss	-	(1)	-	NET ASSETS:			
Total investments and other assets	102,415	84,784	849,146	Shareholders' equity (Note 5):			
				Common stock—authorized, 80,000 shares; issued, 51,960 shares as of December 31 and March 31, 2015	16,770	16,770	139,051
				Capital surplus	15,950	15,950	132,248
				Retained earnings	81,530	80,209	675,985
				Treasury stock; 595 shares as of December 31 and March 31, 2015	(1,126)	(1,126)	(9,344)
				Total shareholders' equity	113,125	111,803	937,941
				Accumulated other comprehensive income:			
				Unrealized gain on available-for-sale securities	902	1,275	7,480
				Foreign currency translation adjustments	948	968	7,865
				Remeasurements of defined benefit plans	765	816	6,348
				Total accumulated other comprehensive income	2,616	3,061	21,694
				Non-controlling interests	755	701	6,266
				Total net assets	116,497	115,566	965,901
TOTAL ASSETS	¥ 2,417,136	¥ 2,173,836	\$ 20,040,930	TOTAL LIABILITIES AND NET ASSETS	¥ 2,417,136	¥ 2,173,836	\$ 20,040,930

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries
Interim Consolidated Statements of Income
Nine-Month Periods Ended December 31, 2015 and 2014—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2015	2014	2015
REVENUE	¥ 286,992	¥ 299,922	\$ 2,379,512
COST OF SALES	170,627	174,019	1,414,704
Gross profit	116,365	125,902	964,807
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	102,874	110,111	852,954
Operating income	13,490	15,790	111,853
OTHER INCOME:			
Interest income	0	0	1
Dividend income	28	58	239
Gain on bad debts recovered	299	251	2,481
Equity in earnings of affiliates	128	61	1,064
Foreign exchange gain	-	324	-
Other	28	39	239
Total other income	485	735	4,026
OTHER EXPENSES:			
Interest expense	171	166	1,425
Bond issuance costs	-	155	-
Loss on retirement of assets held for own use	129	35	1,076
Other	78	30	652
Total other expenses	380	387	3,155
EXTRAORDINARY LOSSES:			
Loss on valuation of investment securities	3,491	-	28,949
Total extraordinary losses	3,491	-	28,949
PROFIT BEFORE TAXES	10,104	16,138	83,775
INCOME TAXES	4,623	5,527	38,333
PROFIT	5,480	10,610	45,442
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	54	22	450
PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	¥ 5,426	¥ 10,587	\$ 44,991

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Nine-Month Periods Ended December 31, 2015 and 2014—Unaudited

	Yen		U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2015	2014	2015
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	
Basic earnings per share	¥ 105,645.25	¥ 206,120.71	\$ 875.92

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, 2015 and 2014—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2015	2014	2015
PROFIT	¥ 5,480	¥ 10,610	\$ 45,442
OTHER COMPREHENSIVE INCOME:			
Net unrealized gain on available-for-sale securities	(373)	1	(3,097)
Foreign currency translation adjustments	21	735	177
Remeasurements of defined benefit plans, net of tax	(50)	0	(421)
Share of other comprehensive income of affiliates accounted for using equity method	(41)	26	(343)
Total other comprehensive income	(444)	764	(3,685)
COMPREHENSIVE INCOME	¥ 5,036	¥ 11,374	\$ 41,756
Comprehensive income attributable to:			
Owners of the parent	¥ 4,981	¥ 11,351	\$ 41,306
Non-controlling interests	54	22	450

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 ¥120.61 to \$1.00, the approximate rate of exchange at December 31, 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 nine-month period ended December 31, 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 nine-month period ended December 31, 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 nine-month periods ended December 31, 2015 and 2014:

Nine-Month Period Ended December 31, 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	\$ 34,036	¥79,920.00	\$ 662.63	March 31, 2015	June 22, 2015	Retained earnings

Nine-Month Period Ended December 31, 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 nine-month periods ended December 31, 2015 and 2014 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2015	2014	2015
Leased assets and assets held for own use	¥ 3,736	¥ 3,208	\$ 30,980

7. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

8. DERIVATIVES

The amounts of derivatives including contract amounts as of December 31, 2015 do not change significantly compared to those as of March 31, 2015.

9. COMMITMENTS AND CONTINGENCIES

Contingent liabilities as of December 31, 2015 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 10,693	\$ 88,658

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, 2015 and 2014.

	Millions of Yen					
	Nine-Month Period Ended December 31, 2015					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 130,673	¥ 6,787	¥ 1,818	¥ 3,902	¥ 143,811	¥ 286,992
Intersegment revenue or transfers	-	-	-	23,324	199	23,523
Total	¥ 130,673	¥ 6,787	¥ 1,818	¥ 27,227	¥ 144,010	¥ 310,516
Segment profit	¥ 8,911	¥ 2,734	¥ 792	¥ 1,945	¥ 5,570	¥ 19,954

Thousands of U.S. Dollars						
Nine-Month Period Ended December 31, 2015						
Reportable Segment						
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	\$1,083,435	\$ 56,273	\$ 15,076	\$ 32,359	\$1,192,366	\$2,379,512
Intersegment revenue or transfers	-	-	-	193,389	1,650	195,039
Total	<u>\$1,083,453</u>	<u>\$ 56,273</u>	<u>\$ 15,076</u>	<u>\$ 225,749</u>	<u>\$1,194,016</u>	<u>\$2,574,551</u>
Segment profit	\$ 73,886	\$ 22,670	\$ 6,572	\$ 16,131	\$ 46,183	\$ 165,443

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	<u>¥ 126,756</u>	<u>¥ 5,910</u>	<u>¥ 2,049</u>	<u>¥ 24,847</u>	<u>¥ 161,627</u>	<u>¥ 321,192</u>
Segment profit	¥ 9,263	¥ 3,358	¥ 1,194	¥ 1,848	¥ 6,376	¥ 22,041

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
	2015	2014	2015
Segment profit:			
Reportable segments total	¥ 19,954	¥ 22,041	\$ 165,443
Corporate expenses (Note)	<u>(6,463)</u>	<u>(6,250)</u>	<u>(53,589)</u>
Operating income in the interim consolidated statements of income	<u>¥ 13,490</u>	<u>¥ 15,790</u>	<u>\$ 111,853</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 nine-month periods ended December 31, 2015 and 2014, 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, 2015 and 2014, there is no applicable information to disclose.

Significant gain on bargain purchase by reportable segment

For the nine-month periods ended December 31, 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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