

Interim Consolidated Financial Statements (Unaudited)

For the Nine Months Ended December 31, 2018

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries
**Interim Consolidated Balance Sheets
December 31, 2018 as compared with March 31, 2018—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, 2018	March 31, 2018	December 31, 2018		December 31, 2018	March 31, 2018	December 31, 2018
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 122,665	¥ 148,805	\$ 1,105,096	Short-term bank loans	¥ 116,543	¥ 126,124	\$ 1,049,938
Lease receivables and investments in leases	562,027	529,612	5,063,314	Current portion of long-term borrowings	81,080	116,656	730,451
Trade accounts receivable:				Current portion of bonds	62,197	61,247	560,337
Installment sales	122,219	98,026	1,101,079	Commercial papers	497,996	39,000	4,486,453
Loans	2,018,011	1,474,956	18,180,279	Trade notes and accounts payable	23,215	24,334	209,152
Other loans	60,316	60,096	543,390	Accounts payable - other	455,603	432,638	4,104,539
Rents	24,059	23,777	216,749	Accrued income taxes	2,309	6,458	20,803
Credit cards	69,857	53,066	629,344	Unearned profit on installment sales	3,924	3,427	35,359
Billing	311,774	296,609	2,808,782	Deposits received	289,978	112,992	2,612,420
Allowance for doubtful receivables	(17,574)	(16,627)	(158,332)	Deposits received from shareholders, directors or employees	723,320	828,811	6,516,400
Investments in venture businesses	2,367	1,758	21,326	Asset retirement obligations	-	56	-
Securities	7,375	11,532	66,446	Other	16,380	17,252	147,570
Other	55,899	31,419	503,601				
				Total current liabilities	2,272,550	1,769,001	20,473,427
Total current assets	3,338,999	2,713,032	30,081,078				
				LONG-TERM LIABILITIES:			
PROPERTY AND EQUIPMENT, NET:				Bonds	244,788	269,836	2,205,299
Leased assets	25,087	27,500	226,015	Long-term borrowings	825,015	672,843	7,432,570
Assets held for own use	4,247	4,510	38,263	Provision for loss on system use agreements	1,311	2,287	11,810
				Defined benefit liability	24,222	23,220	218,223
Total property and equipment, net	29,334	32,010	264,278	Asset retirement obligations	2,000	2,005	18,019
				Other	15,231	13,645	137,224
INTANGIBLE ASSETS—Assets held for own use	5,083	2,753	45,797	Total long-term liabilities	1,112,569	983,838	10,023,147
INVESTMENTS AND OTHER ASSETS:				Total liabilities	3,385,119	2,752,839	30,496,575
Investment securities	113,775	110,107	1,025,006				
Other	26,275	23,605	236,716	NET ASSETS:			
Allowance for doubtful receivables	(3,246)	(3,451)	(29,246)	Shareholders' equity (Note 4):			
				Common stock—authorized, 80,000 shares;			
Total investments and other assets	136,805	130,261	1,232,477	issued, 51,960 shares as of December 31 and March 31, 2018	16,770	16,770	151,089
				Capital surplus	15,950	15,950	143,698
				Retained earnings	92,175	92,992	830,408
				Treasury stock; 595 shares as of December 31 and March 31, 2018	(1,126)	(1,126)	(10,153)
				Total shareholders' equity	123,769	124,586	1,115,042
				Accumulated other comprehensive income/(loss):			
				Unrealized gain/(loss) on available-for-sale securities	1,587	966	14,300
				Foreign currency translation adjustments	218	10	1,967
				Remeasurements of defined benefit plans	(627)	(717)	(5,651)
				Total accumulated other comprehensive income/(loss)	1,178	258	10,616
				Non-controlling interests	155	373	1,397
				Total net assets	125,103	125,218	1,127,057
TOTAL ASSETS	<u>¥ 3,510,223</u>	<u>¥ 2,878,058</u>	<u>\$ 31,623,632</u>	TOTAL LIABILITIES AND NET ASSETS	<u>¥ 3,510,223</u>	<u>¥ 2,878,058</u>	<u>\$ 31,623,632</u>

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries
Interim Consolidated Statements of Income
Nine-Month Periods Ended December 31, 2018 and 2017—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2018	2017	2018
REVENUE	¥ 320,384	¥ 302,322	\$ 2,886,348
COST OF SALES	215,385	197,120	1,940,412
Gross profit/(loss)	104,998	105,202	945,936
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	87,818	88,912	791,155
Operating income/(loss)	17,180	16,289	154,780
OTHER INCOME:			
Interest income	0	0	4
Dividend income	64	39	578
Foreign exchange gain	441	219	3,981
Gain on bad debts recovered	418	368	3,768
Equity in earnings of affiliates	131	114	1,186
Other	31	48	287
Total other income	1,088	791	9,805
OTHER EXPENSES:			
Interest expense	48	75	432
Bond issuance costs	35	220	316
Loss on retirement of assets held for own use	148	149	1,336
Other	4	4	39
Total other expenses	235	450	2,125
EXTRAORDINARY LOSSES:			
Loss on valuation of investment securities	433	-	3,909
Total extraordinary losses	433	-	3,909
PROFIT/(LOSS) BEFORE TAXES	17,599	16,631	158,551
INCOME TAXES	5,600	5,204	50,458
PROFIT/(LOSS)	11,998	11,426	108,093
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	0	41	2
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 11,998	¥ 11,384	\$ 108,091

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Nine-Month Periods Ended December 31, 2018 and 2017—Unaudited

	Yen		U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2018	2017	2018
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	51,365
Basic earnings per share	¥ 233,586.24	¥ 221,646.34	\$ 2,104.38

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, 2018 and 2017—Unaudited

	Millions of Yen				Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31				Nine-Month Period Ended December 31
	2018		2017		2018
PROFIT/(LOSS)	¥	11,998	¥	11,426	\$ 108,093
OTHER COMPREHENSIVE INCOME/(LOSS):					
Unrealized gain/(loss) on available-for-sale securities		621		47	5,595
Foreign currency translation adjustments		303		47	2,733
Remeasurements of defined benefit plans		90		132	816
Share of other comprehensive income/(loss) of affiliates accounted for using equity method		(95)		23	(861)
Total other comprehensive income/(loss)		919		250	8,284
COMPREHENSIVE INCOME/(LOSS)	¥	12,918	¥	11,677	\$ 116,378
Comprehensive income/(loss) attributable to:					
Owners of parent	¥	12,917	¥	11,635	\$ 116,376
Non-controlling interests		0		41	2

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 ¥111.00 to \$1.00, the approximate rate of exchange at December 31, 2018, 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, 2018.

From the first quarter of the year ending March 31, 2019, NTT Finance Germany GmbH was included in the scope of consolidation due to the increased materiality.

From the third quarter of the year ending March 31, 2019, the silent partnership operated by Scoter Ltd. was excluded from the scope of consolidation due to the liquidation.

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, 2018.

4. EQUITY

Dividends

The following dividends are paid during the nine-month periods ended December 31, 2018 and 2017:

Nine-Month Period Ended December 31, 2018								
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 22, 2018	Common stock	¥ 12,813	\$ 115,434	¥249,454.00	\$ 2,247.33	March 31, 2018	June 25, 2018	Retained earnings

Nine-Month Period Ended December 31, 2017								
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 16, 2017	Common stock	¥ 11,091		¥215,943.00		March 31, 2017	June 19, 2017	Retained earnings

5. DEPRECIATION

Depreciation of leased assets and assets held for own use for the nine-month periods ended December 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2018	2017	2018
Leased assets and assets held for own use	¥ 3,074	¥ 2,860	\$ 27,700

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, 2018 do not change significantly compared to those as of March 31, 2018.

7. DERIVATIVES

The amounts of derivatives including contract amounts as of December 31, 2018 do not change significantly compared to those as of March 31, 2018.

8. COMMITMENTS AND CONTINGENCIES

Contingent liabilities as of December 31, 2018 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 19,499	\$ 175,669

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, 2018 and 2017.

Millions of Yen						
Nine-Month Period Ended December 31, 2018						
Reportable Segment						
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 170,152	¥ 15,179	¥ 3,598	¥ 4,061	¥ 127,392	¥ 320,384
Intersegment revenue or transfers	-	-	-	26,483	175	26,658
Total	¥ 170,152	¥ 15,179	¥ 3,598	¥ 30,544	¥ 127,567	¥ 347,043
Segment profit	¥ 8,202	¥ 3,878	¥ 2,090	¥ 2,658	¥ 6,508	¥ 23,339

Thousands of U.S. Dollars						
Nine-Month Period Ended December 31, 2018						
Reportable Segment						
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	\$1,532,908	\$ 136,754	\$ 32,423	\$ 36,586	\$1,147,676	\$2,886,348
Intersegment revenue or transfers	-	-	-	238,592	1,577	240,169
Total	\$1,532,908	\$ 136,754	\$ 32,423	\$ 275,178	\$1,149,254	\$3,126,518
Segment profit	\$ 73,900	\$ 34,939	\$ 18,835	\$ 23,954	\$ 58,637	\$ 210,265

	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

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
	2018	2017	2018
Segment profit:			
Reportable segments total	¥ 23,339	¥ 22,289	\$ 210,265
Corporate expenses (Note)	(6,158)	(5,999)	(55,485)
Operating income in the interim consolidated statements of income	¥ 17,180	¥ 16,289	\$ 154,780

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, 2018 and 2017, 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, 2018 and 2017, there is no applicable information to disclose.

Significant gain on bargain purchase by reportable segment

For the nine-month periods ended December 31, 2018 and 2017, there is no applicable information to disclose.

10. SUBSEQUENT EVENTS

There are no significant subsequent events to disclose.

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