

Interim Consolidated Financial Statements (Unaudited)

For the Three Months Ended June 30, 2019

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries
**Interim Consolidated Balance Sheets
June 30, 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)
	June 30, 2019	March 31, 2019	June 30, 2019		June 30, 2019	March 31, 2019	June 30, 2019
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 165,954	¥ 134,929	\$ 1,539,609	Short-term bank loans	¥ 127,023	¥ 143,767	\$ 1,178,437
Lease receivables and investments in leases	594,819	601,519	5,518,321	Current portion of long-term borrowings	79,999	88,430	742,177
Trade accounts receivable:				Current portion of bonds	75,699	39,998	702,282
Installment sales	132,317	129,337	1,227,551	Commercial papers	984,988	263,000	9,138,032
Loans	2,129,467	1,759,168	19,755,702	Trade notes and accounts payable	22,222	32,978	206,160
Other loans	54,985	56,625	510,121	Accounts payable - other	461,341	413,941	4,280,000
Rents	24,689	24,998	229,047	Accrued income taxes	1,150	1,916	10,671
Credit cards	72,948	67,772	676,765	Unearned profit on installment sales	4,006	3,957	37,169
Billing	309,943	271,325	2,875,439	Deposits received	406,715	350,929	3,773,225
Allowance for doubtful receivables	(20,622)	(20,017)	(191,316)	Deposits received from shareholders, directors or employees	224,111	556,689	2,079,151
Investments in venture businesses	2,615	2,500	24,269	Provision for loss on system use agreements	576	946	5,343
Securities	7,496	9,125	69,543	Asset retirement obligations	23	4	217
Other	56,703	46,725	526,052	Other	16,305	17,826	151,274
Total current assets	3,531,319	3,084,010	32,761,107	Total current liabilities	2,404,163	1,914,386	22,304,145
PROPERTY AND EQUIPMENT, NET:				LONG-TERM LIABILITIES:			
Leased assets	23,865	30,256	221,410	Bonds	203,004	244,119	1,883,334
Assets held for own use	4,076	4,185	37,815	Long-term borrowings	945,513	940,230	8,771,811
				Defined benefit liability	24,752	24,709	229,638
Total property and equipment, net	27,941	34,442	259,225	Asset retirement obligations	1,884	1,951	17,482
				Other	16,665	16,354	154,612
INTANGIBLE ASSETS—Assets held for own use	5,022	5,152	46,591	Total long-term liabilities	1,191,821	1,227,364	11,056,879
INVESTMENTS AND OTHER ASSETS:				Total liabilities	3,595,984	3,141,751	33,361,025
Investment securities	125,814	119,410	1,167,216				
Other	25,331	26,719	235,005	NET ASSETS:			
Allowance for doubtful receivables	(3,129)	(3,039)	(29,030)	Shareholders' equity (Note 4):			
				Common stock—authorized, 80,000 shares;			
Total investments and other assets	148,016	143,089	1,373,191	issued, 51,960 shares as of June 30 and March 31, 2019	16,770	16,770	155,589
				Capital surplus	15,950	15,950	147,977
				Retained earnings	83,284	91,938	772,656
				Treasury stock; 595 shares as of June 30 and March 31, 2019	(1,126)	(1,126)	(10,455)
				Total shareholders' equity	114,879	123,533	1,065,767
				Accumulated other comprehensive income/(loss):			
				Unrealized gain/(loss) on available-for-sale securities	2,203	2,031	20,439
				Foreign currency translation adjustments	(19)	172	(180)
				Remeasurements of defined benefit plans	(924)	(963)	(8,580)
				Total accumulated other comprehensive income/(loss)	1,258	1,240	11,678
				Non-controlling interests	177	169	1,644
				Total net assets	116,315	124,944	1,079,090
TOTAL ASSETS	¥ 3,712,300	¥ 3,266,695	\$ 34,440,115	TOTAL LIABILITIES AND NET ASSETS	¥ 3,712,300	¥ 3,266,695	\$ 34,440,115

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Three-Month Periods Ended June 30, 2019 and 2018—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2019	2018	2019
REVENUE	¥ 119,229	¥ 111,186	\$ 1,106,127
COST OF SALES	85,594	75,255	794,084
Gross profit/(loss)	33,635	35,930	312,043
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	28,919	29,038	268,296
Operating income/(loss)	4,715	6,892	43,746
OTHER INCOME:			
Interest income	0	0	1
Dividend income	43	55	404
Foreign exchange gain	-	447	-
Gain on bad debts recovered	149	143	1,385
Equity in earnings of affiliates	41	12	381
Other	4	3	37
Total other income	238	662	2,210
OTHER EXPENSES:			
Interest expense	0	22	5
Bond issuance costs	19	23	178
Foreign exchange loss	374	-	3,470
Other	48	102	450
Total other expenses	442	148	4,104
EXTRAORDINARY LOSSES:			
Loss on valuation of investment securities	243	433	2,257
Total extraordinary losses	243	433	2,257
PROFIT/(LOSS) BEFORE TAXES	4,267	6,972	39,594
INCOME TAXES	1,147	2,290	10,642
PROFIT/(LOSS)	3,120	4,682	28,951
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	13	29	123
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	¥ 3,107	¥ 4,652	\$ 28,828

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Three-Month Periods Ended June 30, 2019 and 2018—Unaudited

	Yen		U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2019	2018	2019
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,365	51,365
Basic earnings per share	¥ 60,497.25	¥ 90,576.20	\$ 561.25

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Comprehensive Income
Three-Month Periods Ended June 30, 2019 and 2018—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2019	2018	2019
PROFIT/(LOSS)	¥ 3,120	¥ 4,682	\$ 28,951
OTHER COMPREHENSIVE INCOME/(LOSS):			
Unrealized gain/(loss) on available-for-sale securities	171	1,232	1,588
Foreign currency translation adjustments	(231)	278	(2,149)
Remeasurements of defined benefit plans	38	30	355
Share of other comprehensive income/(loss) of affiliates accounted for using equity method	40	(45)	372
Total other comprehensive income/(loss)	18	1,495	167
COMPREHENSIVE INCOME/(LOSS)	¥ 3,138	¥ 6,177	\$ 29,119
Comprehensive income/(loss) attributable to:			
Owners of parent	¥ 3,125	¥ 6,148	\$ 28,996
Non-controlling interests	13	29	123

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 ¥107.79 to \$1.00, the approximate rate of exchange at June 30, 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 three-month periods ended June 30, 2019 and 2018:

Three-Month Period Ended June 30, 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	\$ 109,117	¥228,985.00	\$ 2,124.36	March 31, 2019	June 14, 2019	Retained earnings

Three-Month Period Ended June 30, 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 three-month periods ended June 30, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2019	2018	2019
Leased assets and assets held for own use	¥ 1,112	¥ 1,001	\$ 10,325

6. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The amounts of financial instruments including carrying amounts on the accompanying interim consolidated balance sheet as of June 30, 2019 do not change significantly compared to those as of March 31, 2019.

7. DERIVATIVES

The amounts of derivatives including contract amounts as of June 30, 2019 do not change significantly compared to those as of March 31, 2019.

8. COMMITMENTS AND CONTINGENCIES

Contingent liabilities as of June 30, 2019 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 24,171	\$ 224,247

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 three-month periods ended June 30, 2018, is also disclosed using the new business segments.

The following tables represent information about revenue and profit by reportable segment for the three-month periods ended June 30, 2019 and 2018.

Millions of Yen						
Three-Month Period Ended June 30, 2019						
Reportable Segment						
	Leasing	International	Finance	Credit Card	Billing	Total
Revenue from external customers	¥ 65,184	¥ 8,993	¥ 3,394	¥ 1,359	¥ 40,296	¥ 119,229
Intersegment revenue or transfers	-	-	-	9,452	57	9,509
Total	¥ 65,184	¥ 8,993	¥ 3,394	¥ 10,811	¥ 40,353	¥ 128,738
Segment profit	¥ 3,437	¥ 1,211	¥ 467	¥ 885	¥ 829	¥ 6,832
Thousands of U.S. Dollars						
Three-Month Period Ended June 30, 2019						
Reportable Segment						
	Leasing	International	Finance	Credit Card	Billing	Total
Revenue from external customers	\$ 604,739	\$ 83,439	\$ 31,492	\$ 12,610	\$ 373,845	\$1,106,127
Intersegment revenue or transfers	-	-	-	87,690	528	88,219
Total	\$ 604,739	\$ 83,439	\$ 31,492	\$ 100,301	\$ 374,374	\$1,194,346
Segment profit	\$ 31,893	\$ 11,243	\$ 4,337	\$ 8,213	\$ 7,699	\$ 63,387

	Millions of Yen					
	Three-Month Period Ended June 30, 2018					
	Reportable Segment					
	Leasing	International	Finance	Credit Card	Billing	Total
Revenue from external customers	¥ 56,858	¥ 6,936	¥ 2,542	¥ 1,357	¥ 43,491	¥ 111,186
Intersegment revenue or transfers	-	-	-	8,701	58	8,760
Total	¥ 56,858	¥ 6,936	¥ 2,542	¥ 10,058	¥ 43,549	¥ 119,946
Segment profit	¥ 3,512	¥ 930	¥ 441	¥ 949	¥ 3,099	¥ 8,933

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
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2019	2018	2019
Segment profit:			
Reportable segments total	¥ 6,832	¥ 8,933	\$ 63,387
Corporate expenses (Note)	(2,117)	(2,041)	(19,641)
Operating income in the interim consolidated statements of income	¥ 4,715	¥ 6,892	\$ 43,746

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 three-month periods ended June 30, 2019 and 2018, there is no applicable information to disclose.

Significant change in the amount of goodwill by reportable segment

For the three-month periods ended June 30, 2019 and 2018, there is no applicable information to disclose.

Significant gain on bargain purchase by reportable segment

For the three-month periods ended June 30, 2019 and 2018, there is no applicable information to disclose.

10. SUBSEQUENT EVENTS

There are no significant subsequent events to disclose.

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