

Quarterly Securities Report

Quarterly Consolidated Financial Statements
for the First Quarter of the 28th Term
(From April 1, 2012 to June 30, 2012)

<under Japanese GAAP>

NTT FINANCE CORPORATION

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Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2012	As of June 30, 2012
Assets		
Current assets		
Cash and deposits	49,446	51,201
Accounts receivable-installment sales	20,562	19,197
Lease receivables and investment assets	389,164	373,564
Accounts receivable-operating loans	450,480	380,436
Accounts receivable-other loans to customers	59,864	57,477
Accounts receivable-lease	19,791	19,281
Accounts receivable-other of card business	34,605	34,894
Operational investment securities	1,351	1,559
Short-term investment securities	26,210	7,769
Other	21,676	14,694
Allowance for doubtful accounts	(18,132)	(17,394)
Total current assets	1,055,019	942,682
Noncurrent assets		
Property, plant and equipment		
Property for lease	9,384	9,219
Own-used assets	924	1,347
Total property, plant and equipment	10,309	10,566
Intangible assets		
Own-used assets	4,734	6,956
Total intangible assets	4,734	6,956
Investments and other assets		
Investment securities	37,281	36,028
Other	23,149	24,270
Allowance for doubtful accounts	(9,313)	(8,884)
Allowance for investment loss	(587)	(564)
Total investments and other assets	50,529	50,849
Total noncurrent assets	65,573	68,373
Total assets	1,120,593	1,011,055

(Millions of yen)

	As of March 31, 2012	As of June 30, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,538	10,559
Short-term loans payable	41,643	43,764
Current portion of long-term loans payable	50,661	63,327
Current portion of bonds	39,998	39,998
Commercial papers	–	55,998
Income taxes payable	1,905	783
Deferred profit on installment sales	688	639
Deposits received from shareholders, directors or employees	392,249	261,584
Asset retirement obligations	3	3
Other	140,698	136,330
Total current liabilities	680,388	612,991
Noncurrent liabilities		
Bonds payable	164,969	144,972
Long-term loans payable	165,830	147,341
Provision for retirement benefits	5,002	5,059
Provision for directors' retirement benefits	40	44
Provision for loss on business of subsidiaries and affiliates	869	761
Asset retirement obligations	197	213
Other	15,691	15,731
Total noncurrent liabilities	352,602	314,124
Total liabilities	1,032,990	927,116
Net assets		
Shareholders' equity		
Capital stock	16,770	16,770
Capital surplus	15,950	15,950
Retained earnings	55,149	51,232
Total shareholders' equity	87,870	83,953
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	237	507
Foreign currency translation adjustment	(1,135)	(1,154)
Total accumulated other comprehensive income	(897)	(647)
Minority interests	629	631
Total net assets	87,602	83,938
Total liabilities and net assets	1,120,593	1,011,055

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

Quarterly consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2011	Three months ended June 30, 2012
Net sales	60,843	54,530
Cost of sales	52,518	46,643
Gross profit	8,325	7,886
Selling, general and administrative expenses	4,565	5,746
Operating income	3,759	2,140
Non-operating income		
Interest income	0	0
Dividends income	14	11
Equity in earnings of affiliates	21	27
Gain on compensation for damage	62	1
Gain on bad debts recovered	49	69
Office relocation supplementation money	–	125
Other	11	13
Total non-operating income	159	246
Non-operating expenses		
Interest expenses	143	95
Bond issuance cost	53	4
Consumption tax	20	89
Other	6	19
Total non-operating expenses	224	208
Ordinary income	3,694	2,178
Extraordinary loss		
Impairment loss	33	–
System migration expense	–	751
Total extraordinary losses	33	751
Income before income taxes and minority interests	3,660	1,427
Income taxes	778	796
Income before minority interests	2,881	630
Minority interests in income	13	2
Net income	2,868	627

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2011	Three months ended June 30, 2012
Income before minority interests	2,881	630
Other comprehensive income		
Valuation difference on available-for-sale securities	151	269
Foreign currency translation adjustment	(64)	(77)
Share of other comprehensive income of associates accounted for using equity method	11	58
Total other comprehensive income	98	250
Comprehensive income	2,979	881
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,966	878
Comprehensive income attributable to minority interests	13	2

Notes to quarterly consolidated financial statements

(Quarterly consolidated balance sheets)

Guarantee obligation

(1) Guarantee obligation related to subsidiaries and affiliates

Commitment to guarantee of borrowings from banks

(Millions of yen)

As of March 31, 2012		As of June 30, 2012	
Cosmos Posts and Telecommunications International Leasing Co., Ltd.	31	Cosmos Posts and Telecommunications International Leasing Co., Ltd.	–
Total	31	Total	–

(2) Other

a. Guarantee of penalty for breach of lease contracts

(Millions of yen)

As of March 31, 2012		As of June 30, 2012	
Konami Sports & Life Co., Ltd.	454	Konami Sports & Life Co., Ltd.	448
SEKISUI CHEMICAL CO., LTD.	288	SEKISUI CHEMICAL CO., LTD.	278
Morinaga Milk Industry Co., Ltd.	36	Morinaga Milk Industry Co., Ltd.	34
Total	780	Total	761

b. Guarantee of property lease contracts

(Millions of yen)

As of March 31, 2012		As of June 30, 2012	
NTT Worldwide Telecommunications Corporation	867	NTT Worldwide Telecommunications Corporation	781
NTT America, Inc.	123	NTT America, Inc.	118
Total	991	Total	900

c. Guarantee of bank loans

(Millions of yen)

As of March 31, 2012		As of June 30, 2012	
DEUTSCHE BANK AG *1	3,202	DEUTSCHE BANK AG *1	2,980
Total	3,202	Total	2,980

*1. Guarantee of the Company for money lending extended by DEUTSCHE BANK AG.

d. Other guarantee obligations

(Millions of yen)

As of March 31, 2012		As of June 30, 2012	
Other	1,005	Other	1,066
Total	1,005	Total	1,066

(Quarterly consolidated statements of cash flows)

Quarterly consolidated statements of cash flows for the three months ended June 30, 2012 are not prepared. Depreciation of property for lease and own-used assets were as follows:

(Millions of yen)

	Three months ended June 30, 2011	Three months ended June 30, 2012
Depreciation of property for lease and own-used assets	362	540

(Shareholders' equity)

I Three months ended June 30, 2011

Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
Annual shareholders meeting held on June 22, 2011	Common stock	779	15,000	March 31, 2011	June 23, 2011	Retained earnings

II Three months ended June 30, 2012

Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividends
Annual shareholders meeting held on June 20, 2012	Common stock	4,545	87,472	March 31, 2012	June 21, 2012	Retained earnings

(Segment information, etc.)

Segment information

I Three months ended June 30, 2011

1. Information regarding amounts of net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment					Other (Note)	Total
	Lease	Loan	Investment	Credit card	Sub-total		
Net sales							
Net sales to external customers	56,865	1,427	363	2,116	60,773	69	60,843
Intersegment sales or transfers	–	–	–	–	–	–	–
Total	56,865	1,427	363	2,116	60,773	69	60,843
Segment profit (loss)	4,544	645	147	55	5,393	(0)	5,393

(Note) “Other” includes business segments not identified as reportable segment, including cash management business, guarantee business and insurance agent business for the NTT Group.

2. Reconciliation between total profit (loss) for reportable segments and amount on the quarterly consolidated statements of income (adjustment of these differences)

(Millions of yen)

Profit (loss)	Amount
Reportable segments total	5,393
Loss included in “Other”	(0)
Corporate expenses (Note)	(1,633)
Operating income on the quarterly consolidated statements of income	3,759

(Note) Corporate expenses mainly represent general and administrative expenses not attributable to reportable segment.

3. Information regarding impairment loss on noncurrent assets, goodwill and negative goodwill, etc. by reportable segment

(Significant impairment loss on noncurrent assets)

In the “Credit card business” segment, cash flows have been negative for consecutive periods, and future cash flows also deemed to be negative during the estimated useful lives of assets for business. Consequently, the Company recorded the value of the asset group as impairment loss under extraordinary loss because the recovery of the value of use of the asset group deems to be difficult. The amount of impairment loss was ¥33 million for the three months ended June 30, 2011.

(Significant changes in the amount of goodwill)

No items to report

(Significant gain on negative goodwill)

No items to report

II Three months ended June 30, 2012

1. Information regarding amounts of net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment					Other (Note)	Total
	Lease	Loan	Investment	Credit card	Sub-total		
Net sales							
Net sales to external customers	48,138	1,327	586	2,215	52,268	2,262	54,530
Intersegment sales or transfers	–	–	–	–	–	–	–
Total	48,138	1,327	586	2,215	52,268	2,262	54,530
Segment profit (loss)	3,871	39	407	292	4,610	(813)	3,797

(Note) “Other” includes business segments not identified as reportable segment, including cash management business, guarantee business and insurance agent business for the NTT Group.

2. Reconciliation between total profit (loss) for reportable segments and amount on the quarterly consolidated statements of income (adjustment of these differences)

(Millions of yen)

Profit (loss)	Amount
Reportable segments total	4,610
Loss included in “Other”	(813)
Corporate expenses (Note)	(1,657)
Operating income on the quarterly consolidated statements of income	2,140

(Note) Corporate expenses mainly represent general and administrative expenses not attributable to reportable segment.

3. Information regarding impairment loss on noncurrent assets, goodwill and negative goodwill, etc. by reportable segment

(Significant impairment loss on noncurrent assets)

No items to report

(Significant changes in the amount of goodwill)

No items to report

(Significant gain on negative goodwill)

No items to report

4. Matters regarding changes in reportable segment, etc.

Effective April 1, 2012, “Venture capital” was integrated into “Investment” as a result of consideration of the affinity between the two segments and a decrease in assets in the venture capital segment. Consequently, although the reportable segments previously consisted of five segments, namely, “Lease,” “Loan,” “Venture capital,” “Investment” and “Credit card,” they now consist of four segments, namely, “Lease,” “Loan,” “Investment” and “Credit card.”

The segment information for the three months ended June 30, 2011, which is disclosed in this report, is prepared based on the segmentation of reportable segments applicable for the three months ended June 30, 2012.

(Financial instruments)

With regard to the amounts presented in the quarterly consolidated balance sheets and other amounts of financial instruments, there were no substantial changes from the end of the previous fiscal year.

(Securities)

With regard to the amounts presented in the quarterly consolidated balance sheets and other amounts of securities, there were no substantial changes from the end of the previous fiscal year.

(Derivatives)

With regard to the amounts of contracts and others related to derivatives as of the end of the first quarter, there were no substantial changes from the end of the previous fiscal year.

(Per share information)

Net income per share and its basis for computing are as follows:

	Three months ended June 30, 2011	Three months ended June 30, 2012
Net income per share (Yen)	55,202.37	12,084.46
(Basis for computing)		
Net income (Millions of yen)	2,868	627
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common stock (Millions of yen)	2,868	627
Average number of common shares during the period (Thousands of shares)	51	51

(Note) Diluted net income per share is not disclosed because no potentially dilutive securities are outstanding.

(Significant subsequent events)

On June 29, 2012, the Company entered into service provider contracts such as an “Agreement for the Transfer of Receivables” and an “Agent Service Agreement for Telecommunications Service Charges,” and launched new services (i.e., billing and collection of telecommunications service charges on behalf of service providers) based on the said contracts from July 1, 2012.

(1) Purpose of the services

To enhance convenience of customers of telecommunications service providers, and to improve quality and efficiency of billing and collection of telecommunications service charges.

(2) Names of counterparties of the services

NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, NTT Communications Corporation and NTT DOCOMO, INC.

(3) Outline of the services

Based on the “Agreement for the Transfer of Receivables,” in conducting billing and collection of telecommunications service charges, the Company shall purchase and pay for telecommunications service charges receivable held by each of the above counterparties, and receive the relevant factoring charges.

Based on the “Agent Service Agreement for Telecommunications Service Charges,” the billing and collection of telecommunications service charges performed by each of the above counterparties shall be outsourced to the Company, and the Company shall receive the relevant agent fees.

(4) Significant effect of the launch of the services of the Company

As the contracts came into effect, the Company expects consolidated net sales of ¥180,400 million from these services for the fiscal year ending March 31, 2013. However, the effect of this on operating income, ordinary income and income before income taxes and minority interests is expected to be immaterial.

In line with the launch of these services, the “Billing business” will be additionally disclosed as a new reportable segment from the six months ending September 30, 2012.