

# Quarterly Securities Report

Quarterly Consolidated Financial Statements  
for the First Six Months of the 28<sup>th</sup> Term  
(From April 1, 2012 to September 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 September 30, 2012
<b>Assets</b>		
Current assets		
Cash and deposits	49,446	148,890
Accounts receivable-installment sales	20,562	19,948
Lease receivables and investment assets	389,164	360,358
Accounts receivable-operating loans	*2 450,480	*2 438,509
Accounts receivable-other loans to customers	*2 59,864	*2 61,833
Accounts receivable-lease	19,791	18,090
Accounts receivable of card business	34,605	39,286
Accounts receivable of billing business	–	337,324
Operational investment securities	1,351	1,424
Short-term investment securities	26,210	35,694
Other	21,676	12,572
Allowance for doubtful accounts	(18,132)	(19,342)
Total current assets	1,055,019	1,454,591
Noncurrent assets		
Property, plant and equipment		
Property for lease	9,384	8,988
Own-used assets	924	4,575
Total property, plant and equipment	10,309	13,563
Intangible assets		
Own-used assets	4,734	6,981
Total intangible assets	4,734	6,981
Investments and other assets		
Investment securities	37,281	41,704
Other	*2 23,149	*2 24,662
Allowance for doubtful accounts	(9,313)	(8,516)
Allowance for investment loss	(587)	(559)
Total investments and other assets	50,529	57,290
Total noncurrent assets	65,573	77,836
Total assets	1,120,593	1,532,428

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	12,538	12,209
Short-term loans payable	41,643	49,166
Current portion of long-term loans payable	50,661	64,025
Current portion of bonds	39,998	39,999
Commercial papers	–	97,997
Accounts payable-other	52,598	485,008
Income taxes payable	1,905	4,516
Deferred profit on installment sales	688	663
Deposits received from shareholders, directors or employees	392,249	217,236
Asset retirement obligations	3	–
Other	88,099	122,888
Total current liabilities	680,388	1,093,712
Noncurrent liabilities		
Bonds payable	164,969	184,401
Long-term loans payable	165,830	141,876
Provision for retirement benefits	5,002	5,383
Provision for directors' retirement benefits	40	49
Provision for loss on business of subsidiaries and affiliates	869	675
Asset retirement obligations	197	836
Other	15,691	15,699
Total noncurrent liabilities	352,602	348,921
Total liabilities	1,032,990	1,442,634
Net assets		
Shareholders' equity		
Capital stock	16,770	16,770
Capital surplus	15,950	15,950
Retained earnings	55,149	57,272
Total shareholders' equity	87,870	89,993
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	237	404
Foreign currency translation adjustment	(1,135)	(1,245)
Total accumulated other comprehensive income	(897)	(841)
Minority interests	629	641
Total net assets	87,602	89,794
Total liabilities and net assets	1,120,593	1,532,428

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

**Quarterly consolidated statements of income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net sales	117,295	165,158
Cost of sales	101,522	114,325
Gross profit	15,772	50,832
Selling, general and administrative expenses	*1 8,339	*1 38,864
Operating income	7,432	11,968
Non-operating income		
Interest income	0	0
Dividends income	14	11
Equity in earnings of affiliates	47	44
Gain on investments in silent partnership	110	–
Foreign exchange gains	90	35
Gain on bad debts recovered	92	107
Office relocation supplementation money	–	125
Other	66	6
Total non-operating income	422	332
Non-operating expenses		
Interest expenses	273	204
Bond issuance cost	53	142
Other	16	11
Total non-operating expenses	344	358
Ordinary income	7,511	11,942
Extraordinary loss		
Impairment loss	43	–
System migration expense	–	762
Total extraordinary losses	43	762
Income before income taxes and minority interests	7,467	11,180
Income taxes	1,435	4,499
Income before minority interests	6,031	6,680
Minority interests in income	31	12
Net income	6,000	6,667

## Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Income before minority interests	6,031	6,680
Other comprehensive income		
Valuation difference on available-for-sale securities	38	166
Foreign currency translation adjustment	(173)	(121)
Share of other comprehensive income of associates accounted for using equity method	(14)	11
Total other comprehensive income	(150)	56
Comprehensive income	5,881	6,736
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,850	6,724
Comprehensive income attributable to minority interests	31	12

### (3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	7,467	11,180
Depreciation of leased and own-used assets	731	1,437
Impairment loss	43	–
Loss on retirement of leased and own-used assets	90	87
Increase (decrease) in allowance for investment loss	(36)	(28)
Increase (decrease) in provision for retirement benefits	102	380
Increase (decrease) in provision for directors' retirement benefits	(11)	8
Increase (decrease) in allowance for doubtful accounts	(4,956)	405
Increase (decrease) in provision for loss on business of subsidiaries and affiliates	(349)	(194)
Interest and dividends income	(15)	(11)
Capital cost and interest expenses	3,222	2,667
Foreign exchange losses (gains)	(90)	(35)
Equity in (earnings) losses of affiliates	(47)	(44)
Loss (gain) on valuation of investment securities	0	1
Loss (gain) on investment in silent partnership	(110)	–
Bond issuance cost	53	142
System migration expense	–	762
Decrease (increase) in receivables-installment	4,114	613
Net decrease (increase) in lease receivables and investment assets	46,863	28,682
Decrease (increase) in operating loans receivable	(32,681)	9,198
Decrease (increase) in other operating loans receivable	8,533	(2,251)
Decrease (increase) in accounts receivable-lease	470	1,700
Decrease (increase) in accounts receivable of card business	(1,525)	(4,681)
Decrease (increase) in accounts receivable of billing business	–	(337,324)
Decrease (increase) in investment securities for sale	334	(126)
Decrease (increase) in securities for sale	(9,367)	(3,202)
Purchase of assets for rent	(157)	(133)
Increase (decrease) in provision for notes payable-trade and accounts payable-trade	(1,336)	(329)
Increase (decrease) in accounts payable-other	(2,793)	432,401
Other, net	154	62,545
Subtotal	18,701	203,851
Interest and dividends income received	28	31
Interest expenses paid	(3,311)	(2,588)
Income taxes paid	(3,208)	(1,956)
Amount of payment of system migration expense	–	(753)
Net cash provided by (used in) operating activities	12,209	198,584

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net cash provided by (used in) investing activities		
Payments into time deposits	–	(388)
Purchase of investment securities	(6)	(502)
Payments for investments in capital of subsidiaries and affiliates	(181)	–
Purchase of own-used assets	(409)	(5,727)
Payments for investments in capital	–	(2,878)
Other, net	491	60
Net cash provided by (used in) investing activities	(105)	(9,435)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(38,500)	7,523
Net increase (decrease) in commercial papers	(164,989)	97,997
Proceeds from long-term loans payable	32,422	9,026
Repayment of long-term loans payable	(42,774)	(15,475)
Increase (decrease) in fluidity lease receivables	(2,000)	–
Proceeds from issuance of bonds	19,938	39,279
Redemption of bonds	(18,000)	(20,000)
Cash dividends paid	(779)	(4,545)
Increase (decrease) in deposits received	174,878	(194,787)
Proceeds from long-term deposits received	400	–
Repayments of long-term deposits received	–	(10,000)
Other, net	(14)	(5)
Net cash provided by (used in) financing activities	(39,419)	(90,986)
Effect of exchange rate change on cash and cash equivalents	(88)	(99)
Net increase (decrease) in cash and cash equivalents	(27,403)	98,062
Cash and cash equivalents at beginning of period	66,563	80,443
Cash and cash equivalents at end of period	*1 39,160	*1 178,506

### **Changes in scope of consolidation or equity method**

(1) Significant changes in scope of consolidation

APRICOT SHIP HOLDING S.A. was included in the scope of consolidation in the second quarter ended September 30, 2012 as it was newly established in the period.

(2) Significant changes in scope of equity method

No items to report

### **Additional information**

On July 1, 2012, the Company launched new services for the billing and collection of telecommunications service charges on behalf of service providers (Billing business). In the provision of these services, telecommunications service charges receivable held by each of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, NTT Communications Corporation and NTT DOCOMO, INC. are purchased by the Company, and the billing and collection of telecommunications service charges for each of these counterparties is outsourced to the Company. Consequently, consolidated net sales of ¥63,888 million from the Billing business have been recorded in the six months ended September 30, 2012.



## Notes to quarterly consolidated financial statements

### (Quarterly consolidated balance sheets)

#### 1. 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 September 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 September 30, 2012	
Konami Sports & Life Co., Ltd.	454	Konami Sports & Life Co., Ltd.	441
SEKISUI CHEMICAL CO., LTD.	288	SEKISUI CHEMICAL CO., LTD.	268
Morinaga Milk Industry Co., Ltd.	36	Morinaga Milk Industry Co., Ltd.	33
Total	780	Total	743

##### b. Guarantee of property lease contracts

(Millions of yen)

As of March 31, 2012		As of September 30, 2012	
NTT Worldwide Telecommunications Corporation	867	NTT Worldwide Telecommunications Corporation	710
NTT America, Inc.	123	NTT America, Inc.	116
Total	991	Total	826

##### c. Guarantee of bank loans

(Millions of yen)

As of March 31, 2012		As of September 30, 2012	
DEUTSCHE BANK AG *	3,202	DEUTSCHE BANK AG *	2,806
Total	3,202	Total	2,806

\* 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 September 30, 2012	
Other	1,005	Other	1,586
Total	1,005	Total	1,586

\*2. Status of nonperforming loans related to accounts receivable-operating loans, and accounts receivable-other loans to customers

The status of nonperforming loans based on the classification under Article 9 of the “Cabinet Office Ordinance on Reorganization of Accounting Methods for Specified Finance Companies, etc.” (Ordinance of the General Administrative Agency of the Cabinet and the Ministry of Finance No. 32 of May 19, 1999) is as shown below.

The figures below include the amounts of accounts receivable-operating loans, and accounts receivable-other loans to customers that are included in “Other” (claims provable in bankruptcy, claims provable in rehabilitation and other) under investments and other assets.

(1) Claims to borrowers in bankruptcy

(Millions of yen)		
	As of March 31, 2012	As of September 30, 2012
Claims to borrowers in bankruptcy	582	533

Claims to borrowers in bankruptcy are loans receivable for which accrued interest was not recognized based on our judgment that collection or receiving payments of principal and/or interests is no longer expected because of the reasons, including, but not limited to, the delay of principal and/or interest payments continued for a reasonable period of time (hereinafter “non-accrual loans”) regarding which the events set forth in Article 96, paragraph 1, item 3 (a) to (e) of the Order for Enforcement of the Corporation Tax Act of Japan have occurred.

(2) Past due loans

(Millions of yen)		
	As of March 31, 2012	As of September 30, 2012
Past due loans	8,241	7,701

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.

(3) Delinquent loans contractually past due three months or more

(Millions of yen)		
	As of March 31, 2012	As of September 30, 2012
Delinquent loans contractually past due three months or more	-	-

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.”

(4) Restructured loans

(Millions of yen)		
	As of March 31, 2012	As of September 30, 2012
Restructured loans	1,380	1,328

Restructured loans are loans of which the Group restructured the terms in favor of borrowers, such as a reduction of the original interest rate, forbearance of interest and/or principal payments, and renunciation of claims 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.

**(Quarterly consolidated statements of income)**

\*1 Principal items of selling, general and administrative expenses are as follows:

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Employees' salaries and bonuses	3,173	7,539
Retirement benefit expenses	261	304
Provision for directors' retirement benefits	6	8
Operations consignment expenses	2,430	9,302
Rent expenses	621	1,657
Depreciation and amortization of own-used assets	193	997
Provision of allowance for doubtful accounts and bad debts expenses	(1,733)	2,466

**(Quarterly consolidated statements of cash flows)**

\*1 The reconciliation of "Cash and cash equivalents" in the quarterly consolidated statements of cash flows and "Cash and deposits" in the quarterly consolidated balance sheets as of September 30, 2011 and 2012 was as follows:

(Millions of yen)

	As of September 30, 2011	As of September 30, 2012
Cash and deposits	39,157	148,890
Time deposits due over 3 months	(2)	(390)
Securities accounts	–	35,694
Bonds with redemption period over 3 months	–	(5,694)
Other current assets	11,088	12,572
Accrued income, advances paid, etc.	(11,083)	(12,566)
Cash and cash equivalents	39,160	178,506

**(Shareholders' equity)**

I Six months ended September 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 Six months ended September 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 Six months ended September 30, 2011

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

(Millions of yen)

	Reportable segment					Other (Note 1)	Total	Adjustments (Note 2)	Amount on the quarterly consolidated statements of income (Note 3)
	Lease	Loan	Investment	Credit card	Sub-total				
Net sales									
Net sales to external customers	109,072	2,852	947	4,277	117,150	145	117,295	–	117,295
Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	109,072	2,852	947	4,277	117,150	145	117,295	–	117,295
Segment profit (loss)	8,512	1,183	383	310	10,390	(1)	10,389	(2,956)	7,432

(Notes) 1. “Other” includes business segments not identified as reportable segment, including cash management business, guarantee business and insurance agent business for the NTT Group.

2. Negative ¥2,956 million for adjustments of segment profit represents corporate expenses not allocated to reportable segments.

Corporate expenses mainly are general and administrative expenses not attributable to reportable segments.

3. Segment profit is adjusted with operating income in the quarterly consolidated statements of income.

##### 2. 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 seem 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 seems to be difficult. The amount of impairment loss was ¥43 million for the six months ended September 30, 2011.

###### (Significant changes in the amount of goodwill)

No items to report

###### (Significant gain on negative goodwill)

No items to report

## II Six months ended September 30, 2012

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

(Millions of yen)

	Reportable segment						Other (Note 1)	Total	Adjust- ments (Note 2)	Amount on the quarterly consolidated statements of income (Note 3)
	Lease	Loan	Invest- ment	Credit card	Billing	Sub- total				
Net sales										
Net sales to external customers	93,849	2,715	942	3,650	63,874	165,031	126	165,158	–	165,158
Intersegment sales or transfers	–	–	–	5,997	14	6,012	–	6,012	(6,012)	–
Total	93,849	2,715	942	9,647	63,888	171,044	126	171,170	(6,012)	165,158
Segment profit	7,325	436	539	828	6,158	15,289	25	15,315	(3,345)	11,968

(Notes) 1. “Other” includes business segments not identified as reportable segment, including cash management business, guarantee business and insurance agent business for the NTT Group.

2. Negative ¥3,345 million for adjustments of segment profit represents corporate expenses not allocated to reportable segments.

Corporate expenses mainly are general and administrative expenses not attributable to reportable segments.

3. Segment profit is adjusted with operating income in the quarterly consolidated statements of income.

### 2. 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

### 3. Matters regarding changes in reportable segments, etc.

(Changes in reportable segments)

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.

(Addition to reportable segments)

Effective July 1, 2012, our new reportable segment “Billing” was added to the reportable segments as a result of our launch of new services for the billing and collection of telecommunications service charges.

Consequently, although the reportable segments previously consisted of five segments, namely, “Lease,” “Loan,” “Venture capital,” “Investment” and “Credit card,” they now consist of five segments, namely, “Lease,” “Loan,” “Investment,” “Credit card” and “Billing.”

The segment information for the six months ended September 30, 2011, which is disclosed in this report, is prepared based on the segmentation of reportable segments applicable for the six months ended September 30, 2012 (except “Billing,” which was added effective July 1, 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 second 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:

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net income per share (Yen)	115,490.12	128,325.21
(Basis for computing)		
Net income (Millions of yen)	6,000	6,667
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common stock (Millions of yen)	6,000	6,667
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)**

No items to report