

# Interim Consolidated Financial Statements (Unaudited)

For the Nine Months Ended December 31, 2013

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Balance Sheet  
December 31, 2013 as compared with March 31, 2013—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, 2013	March 31, 2013	December 31, 2013		December 31, 2013	March 31, 2013	December 31, 2013
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and cash equivalents	¥ 140,309	¥ 184,988	\$ 1,331,331	Short-term borrowings	¥ 389,785	¥ 50,712	\$ 3,698,500
Leases receivable and investments in leases	359,383	357,404	3,410,029	Current portion of long-term debt	77,675	93,482	737,024
Trade accounts receivable:				Trade notes and accounts payable	15,688	14,876	148,856
Installment sales	32,516	21,082	308,530	Accounts payable - other	431,947	414,757	4,098,557
Loans	743,991	658,254	7,059,407	Accrued income taxes	539	8,961	5,114
Rents	18,077	18,246	171,524	Deposits received	131,301	225,391	1,245,858
Credit cards	39,898	39,995	378,574	Deposits received from shareholders, directors or employees	67,510	269,924	640,573
Billing	334,800	325,728	3,176,771	Other	20,808	30,619	197,438
Others	45,525	52,381	431,966				
Allowance for doubtful receivables	(34,863)	(26,275)	(330,799)	<b>Total current liabilities</b>	<b>1,135,256</b>	<b>1,108,726</b>	<b>10,771,951</b>
Investments in venture businesses	1,245	1,155	11,813				
Securities	4,013	2,381	38,077	<b>LONG-TERM LIABILITIES:</b>			
Other	55,623	48,220	527,782	Long-term debt	336,338	311,029	3,191,365
<b>Total current assets</b>	<b>1,740,521</b>	<b>1,683,564</b>	<b>16,515,048</b>	Accrued retirement benefits	7,809	7,108	74,096
				Accrued directors' retirement benefits	49	58	464
<b>PROPERTY AND EQUIPMENT, NET:</b>				Long-term deposits received from shareholders, directors or employees	240,000	240,400	2,277,255
Leased assets	8,316	8,842	78,906	Reserve for loss on business of affiliates	175	524	1,660
Assets held for own use	5,401	4,640	51,247	Asset retirement obligations	2,231	878	21,168
<b>Total property and equipment, net</b>	<b>13,717</b>	<b>13,482</b>	<b>130,154</b>	Other	7,113	5,394	67,492
				<b>Total long-term liabilities</b>	<b>593,718</b>	<b>565,394</b>	<b>5,633,532</b>
<b>INTANGIBLE ASSETS—Assets held for own use</b>	<b>5,622</b>	<b>6,539</b>	<b>53,344</b>	<b>Total liabilities</b>	<b>1,728,974</b>	<b>1,674,120</b>	<b>16,405,484</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>				<b>NET ASSETS:</b>			
Investment securities	55,485	47,405	526,473	Shareholders' equity:			
Other	23,473	29,423	222,725	Common stock—authorized, 80,000 shares; issued, 51,960 shares as of December 31 and March 31, 2013	16,770	16,770	159,123
Allowance for doubtful receivables	(6,372)	(7,439)	(60,461)	Capital surplus	15,950	15,950	151,342
Allowance for investment loss	(95)	(81)	(901)	Retained earnings	70,122	65,093	665,357
<b>Total investments and other assets</b>	<b>72,490</b>	<b>69,308</b>	<b>687,826</b>	Treasury stock, 595 shares and none as of December 31 and March 31, 2013	(1,126)	-	(10,684)
				<b>Total shareholders' equity</b>	<b>101,717</b>	<b>97,814</b>	<b>965,148</b>
				Accumulated other comprehensive income/(loss):			
				Unrealized gain on available-for-sale securities	967	799	9,175
				Foreign currency translation adjustments	49	(476)	464
				<b>Total accumulated other comprehensive income</b>	<b>1,017</b>	<b>323</b>	<b>9,649</b>
				Minority interests	643	635	6,101
				<b>Total net assets</b>	<b>103,377</b>	<b>98,773</b>	<b>980,899</b>
<b>TOTAL ASSETS</b>	<b>¥ 1,832,352</b>	<b>¥ 1,772,894</b>	<b>\$ 17,386,393</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>¥ 1,832,352</b>	<b>¥ 1,772,894</b>	<b>\$ 17,386,393</b>

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income  
 Nine-Month Periods Ended December 31, 2013 and 2012—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2013	2012	2013
REVENUE:			
Lease	¥ 126,976	¥ 137,755	\$ 1,204,820
Loan	5,212	4,286	49,454
Investment	3,131	1,752	29,708
Credit card	3,807	4,951	36,122
Billing	162,882	123,894	1,545,516
TOTAL REVENUE	302,010	272,640	2,865,641
COSTS:			
Lease	112,065	122,083	1,063,336
Loan	2,437	2,078	23,123
Investment	371	343	3,520
Credit card	18,592	13,009	176,411
Billing	41,365	40,377	392,494
TOTAL COSTS	174,832	177,893	1,658,905
Gross profit	127,178	94,747	1,206,736
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	113,142	74,113	1,073,555
Operating income	14,035	20,633	133,172
OTHER INCOME/(EXPENSES):			
Interest and dividend income	26	15	246
Interest expense	(195)	(302)	(1,850)
Bond issuance costs	(108)	(142)	(1,024)
Equity in earnings of affiliates	72	70	683
Foreign exchange gain	171	74	1,622
Gain on bad debts recovered	108	143	1,024
Compensation for office transfer	-	125	-
System migration expense	-	(794)	-
Loss on reversal of foreign currency translation adjustments due to liquidation of foreign subsidiary	-	(247)	-
Other—net	(33)	(143)	(313)
Other income/(expenses)—net	40	(1,202)	379
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	14,075	19,430	133,551
INCOME TAXES	5,476	8,284	51,959
INCOME BEFORE MINORITY INTERESTS	8,599	11,146	81,592
MINORITY INTERESTS IN INCOME/(LOSS)	7	(3)	66
NET INCOME	¥ 8,592	¥ 11,150	\$ 81,525

**NTT FINANCE CORPORATION and Consolidated Subsidiaries**

**Interim Consolidated Statements of Income**

**Nine-Month Periods Ended December 31, 2013 and 2012—Unaudited**

	Yen		U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2013	2012	2013
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,752	51,960	
Basic net income	¥ 166,030.96	¥ 214,601.27	\$ 1,575.39

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, 2013 and 2012—Unaudited**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2013	2012	2013
INCOME BEFORE MINORITY INTERESTS	¥ 8,599	¥ 11,146	\$ 81,592
OTHER COMPREHENSIVE INCOME:			
Net unrealized gain on available-for-sale securities	168	385	1,594
Foreign currency translation adjustments	386	348	3,662
Share of other comprehensive income of affiliates accounted for using equity method	138	11	1,309
Total other comprehensive income	693	745	6,575
COMPREHENSIVE INCOME	¥ 9,293	¥ 11,892	\$ 88,177
Comprehensive income attributable to:			
Owners of the parent	¥ 9,285	¥ 11,896	\$ 88,101
Minority interests	7	(3)	66

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 ¥105.39 to \$1.00, the approximate rate of exchange at December 30, 2013, 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, 2013.

### 3. CHANGE IN ACCOUNTING POLICY

#### *Methods to Account for Prior Service Costs Related to Retirement Benefit Accounting*

Previously, the full amount of the Company’s prior service costs related to retirement benefit accounting were charged to income in the fiscal year they occurred. However, from the third quarter of the year ending March 31, 2014, the Company changed the method to one where prior service costs are amortized by the straight-line method over a period of years based on the average remaining years of service of the employees at the time such prior service costs occurred.

This change was triggered by the significantly increased number of employees of the Company due to the start of a service business for the billing and collection of communication service charges, etc. in July 2012 in

addition to the realization of prior service costs in the third quarter of the year ending March 31, 2014 accompanying the restructuring of the system that determines how regular employees for the entire NTT Group are treated and the partial transition to a defined contribution pension plan. The purpose of the change was to more appropriately present the Company's financial position and results of operations after the launch of the aforementioned service business.

This change in methods to account for prior service costs has not been applied retrospectively to the consolidated financial statements in prior periods because the effects of this change cannot be exactly calculated as the average remaining years of service of the employees pertaining to a contract-type corporate pension plan, etc., exceeds 10 years, which is the statutory preservation period of books, and because the effects are insignificant even when calculated using the available data.

As a result, compared to the case where the previous method was applied, retirement benefit costs increased by ¥693 million (\$6,575 thousand), and operating income and income before income taxes and minority interests both decreased by ¥693 million (\$6,575 thousand).

#### ***Methods to Account for Actuarial Gains or Losses Related to Retirement Benefit Accounting***

In the fourth quarter of the year ended March 31, 2013, the Company changed the methods to account for actuarial gains or losses related to retirement benefit accounting. Whereas, previously, actuarial gains or losses were fully charged to income when incurred, they are now amortized by the straight-line method over periods based on the average remaining years of service of the employees in the fiscal year such gains or losses occur commencing from the following fiscal year. Accordingly, there is a difference between accounting policies applied to comparative information included in the accompanying interim consolidated financial statements for the nine-month period ended December 31, 2013 and those applied to the comparable interim consolidated financial statements for the nine-month period ended December 31, 2012.

#### **4. CHANGE IN PRESENTATION**

Previously, the Company presented the breakdowns of revenue and costs in the consolidated statements of income to correspond to the asset items in the consolidated balance sheets, including the "other." However, effective from the year ending March 31, 2014, due to the abolishment of "other" segment in the segment information, the Company has changed the presentation of the breakdowns thereof to correspond to the revenue of the respective segments.

#### **5. 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, 2013.

#### **6. EQUITY**

##### ***Dividends***

The following dividends were paid during the nine-month periods ended December 31, 2013 and 2012:

Nine-Month Period Ended December 31, 2013								
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 21, 2013	Common stock	¥ 3,563	\$ 33,807	¥68,572.00	\$ 650.64	March 31, 2013	June 24, 2013	Retained earnings

Nine-Month Period Ended December 31, 2012

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, 2012	Common stock	¥ 4,545	¥87,472.00	March 31, 2012	June 21, 2012	Retained earnings

**7. DEPRECIATION**

Depreciation of leased assets and assets held for own use for the nine-month periods ended December 31, 2013 and 2012 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2013	2012	2013
Leased assets and assets held for own use	¥ 2,977	¥ 2,349	\$ 28,247

**8. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

The amounts of financial instruments including carrying amounts on the accompanying interim consolidated balance sheet do not change significantly compared to those as of March 31, 2013.

**9. DERIVATIVES**

The amounts of derivatives including contract amounts as of December 31, 2013 do not change significantly compared to those as of March 31, 2013.

**10. COMMITMENTS AND CONTINGENCIES**

As of December 31, 2013, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantee of penalties for breach of lease contracts	¥ 649	\$ 6,158
Guarantee of property lease contracts	745	7,068
Guarantee of bank loans	3,038	28,826
Other guarantees	1,222	11,595



## 11. 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, 2013 and 2012.

	Millions of Yen					
	Nine-Month Period Ended December 31, 2013					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 126,976	¥ 5,212	¥ 3,131	¥ 3,807	¥ 162,882	¥ 302,010
Intersegment revenue or transfers	-	-	-	19,585	171	19,757
Total	¥ 126,976	¥ 5,212	¥ 3,131	¥ 23,393	¥ 163,053	¥ 321,767
Segment profit	¥ 9,572	¥ 1,978	¥ 2,381	¥ 2,163	¥ 3,601	¥ 19,696

	Thousands of U.S. Dollars					
	Nine-Month Period Ended December 31, 2013					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	\$1,204,820	\$ 49,454	\$ 29,708	\$ 36,122	\$1,545,516	\$2,865,641
Intersegment revenue or transfers	-	-	-	185,833	1,622	187,465
Total	\$1,204,820	\$ 49,454	\$ 29,708	\$ 221,966	\$1,547,139	\$3,053,107
Segment profit	\$ 90,824	\$ 18,768	\$ 22,592	\$ 20,523	\$ 34,168	\$ 186,886

	Millions of Yen					
	Nine-Month Period Ended December 31, 2012					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 137,755	¥ 4,286	¥ 1,752	¥ 4,951	¥ 123,894	¥ 272,640
Intersegment revenue or transfers	-	-	-	12,321	72	12,394
Total	¥ 137,755	¥ 4,286	¥ 1,752	¥ 17,272	¥ 123,967	¥ 285,034
Segment profit	¥ 10,311	¥ 438	¥ 1,073	¥ 1,663	¥ 12,239	¥ 25,725

***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
	2013	2012	2013
Segment profit:			
Reportable segments total	¥ 19,696	¥ 25,725	\$ 186,886
Corporate expenses (Note)	(5,660)	(5,091)	(53,705)
Operating income in the interim consolidated statements of income	¥ 14,035	¥ 20,633	\$ 133,172

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, 2013 and 2012, 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, 2013 and 2012, there is no applicable information to disclose.

***Significant gain on bargain purchase by reportable segment***

For the nine-month periods ended December 31, 2013 and 2012, there is no applicable information to disclose.

***Information about changes in reportable segments***

Effective April 1, 2013, the “other” segment has been abolished due to a change in corporate structure, and the businesses included in “other” have been consolidated into the compatible segments, including non-life insurance agent business consolidated into “lease” and cash management business for NTT Group and guarantee business consolidated into “loan.”

Segment information for the nine-month period ended December 31, 2012 is prepared based on the reportable segments for the nine-month period ended December 31, 2013.

## 12. SUBSEQUENT EVENTS

There are no significant subsequent events to disclose.

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