

Interim Consolidated Financial Statements (Unaudited)

For the First Quarter of the 29th Term
(From April 1, 2013 to June 30, 2013)

<under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Balance Sheet
June 30, 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)
	June 30, 2013	March 31, 2013	June 30, 2013		June 30, 2013	March 31, 2013	June 30, 2013
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 112,015	¥ 184,988	\$ 1,136,169	Short-term borrowings	¥ 271,257	¥ 50,712	\$ 2,751,364
Leases receivable and investments in leases	355,520	357,404	3,606,045	Current portion of long-term debt	79,517	93,482	806,542
Trade accounts receivable:				Trade notes and accounts payable	11,064	14,876	112,222
Installment sales	22,209	21,082	225,266	Accounts payable - other	415,731	414,757	4,216,766
Loans	671,765	658,254	6,813,723	Accrued income taxes	2,322	8,961	23,552
Rents	18,249	18,246	185,099	Other	253,098	525,935	2,567,177
Credit cards	40,310	39,995	408,864				
Billing	334,917	325,728	3,397,068	Total current liabilities	1,032,992	1,108,726	10,477,654
Others	48,981	52,381	496,815				
Allowance for doubtful receivables	(30,161)	(26,275)	(305,923)	LONG-TERM LIABILITIES:			
Investments in venture businesses	1,136	1,155	11,522	Long-term debt	333,829	311,029	3,386,033
Securities	981	2,381	9,950	Accrued retirement benefits	7,276	7,108	73,800
Other	58,042	48,220	588,720	Accrued directors' retirement benefits	39	58	395
				Long-term deposits received from shareholders, directors or employees	240,400	240,400	2,438,381
Total current assets	1,633,969	1,683,564	16,573,374	Reserve for loss on business of affiliates	282	524	2,860
				Asset retirement obligations	893	878	9,057
PROPERTY AND EQUIPMENT, NET (Note 6):				Other	5,720	5,394	58,018
Leased assets	8,635	8,842	87,584				
Assets held for own use	4,652	4,640	47,185	Total long-term liabilities	588,441	565,394	5,968,566
Total property and equipment, net	13,287	13,482	134,770	Total liabilities	1,621,433	1,674,120	16,446,221
INTANGIBLE ASSETS—Assets held for own use	6,247	6,539	63,363	NET ASSETS:			
				Shareholders' equity:			
INVESTMENTS AND OTHER ASSETS:				Common stock—authorized, 80,000 shares; issued, 51,960 shares as of June 30 and March 31, 2013	16,770	16,770	170,098
Investment securities	50,886	47,405	516,137	Capital surplus	15,950	15,950	161,781
Other	23,142	29,423	234,729	Retained earnings	65,249	65,093	661,821
Allowance for doubtful receivables	(7,033)	(7,439)	(71,335)	Total shareholders' equity	97,971	97,814	993,721
Allowance for investment loss	(81)	(81)	(821)	Accumulated other comprehensive income/(loss):			
				Unrealized gain on available-for-sale securities	615	799	6,237
Total investments and other assets	66,914	69,308	678,709	Foreign currency translation adjustments	(235)	(476)	(2,383)
				Total accumulated other comprehensive income	380	323	3,854
				Minority interests	634	635	6,430
				Total net assets	98,985	98,773	1,004,006
TOTAL ASSETS	¥ 1,720,419	¥ 1,772,894	\$ 17,450,238	TOTAL LIABILITIES AND NET ASSETS	¥ 1,720,419	¥ 1,772,894	\$ 17,450,238

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income
Three-Month Periods Ended June 30, 2013 and 2012—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2013	2012	2013
REVENUE:			
Lease	¥ 43,440	¥ 48,149	\$ 440,612
Loan	1,658	1,390	16,817
Investment	870	588	8,824
Credit card	1,295	2,215	13,135
Billing	54,674	2,187	554,559
TOTAL REVENUE	101,937	54,530	1,033,948
COSTS:			
Lease	38,106	42,638	386,509
Loan	769	694	7,799
Investment	9	92	91
Credit card	6,145	1,031	62,328
Billing	14,426	2,187	146,323
TOTAL COSTS	59,458	46,643	603,083
Gross profit	42,479	7,886	430,865
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	36,491	5,835	370,128
Operating income	5,988	2,050	60,736
OTHER INCOME/(EXPENSES):			
Interest and dividend income	21	11	213
Interest expense	(76)	(95)	(770)
Bond issuance costs	(54)	(4)	(547)
Equity in earnings of affiliates	17	27	172
Foreign exchange gain/(loss)	74	(4)	750
Compensation for office transfer	-	125	-
System migration expense	-	(751)	-
Other—net	34	68	344
Other income/(expenses)—net	17	(623)	172
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	6,005	1,427	60,908
INCOME TAXES	2,287	796	23,197
INCOME BEFORE MINORITY INTERESTS	3,717	630	37,701
MINORITY INTERESTS IN (LOSS)/INCOME	(1)	2	(10)
NET INCOME	¥ 3,719	¥ 627	\$ 37,721

NTT FINANCE CORPORATION and Consolidated Subsidiaries

**Interim Consolidated Statements of Income
Three-Month Periods Ended June 30, 2013 and 2012—Unaudited**

	Yen		U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2013	2012	2013
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,960	51,960	
Basic net income	¥ 71,581.92	¥ 12,084.46	\$ 726.05

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, 2013 and 2012—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2013	2012	2013
INCOME BEFORE MINORITY INTERESTS	¥ 3,717	¥ 630	\$ 37,701
OTHER COMPREHENSIVE INCOME:			
Net unrealized (loss)/gain on available-for-sale securities	(183)	269	(1,856)
Foreign currency translation adjustments	154	(77)	1,562
Share of other comprehensive income of affiliates accounted for using equity method	85	58	862
Total other comprehensive income	56	250	568
COMPREHENSIVE INCOME	¥ 3,774	¥ 881	\$ 38,279
Comprehensive income attributable to:			
Owners of the parent	¥ 3,776	¥ 878	\$ 38,300
Minority interests	(1)	2	(10)

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 ¥98.59 to \$1.00, the approximate rate of exchange at June 28, 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

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 three-month period ended June 30, 2013 and those applied to the comparable interim consolidated financial statements for the three-month period ended June 30, 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. PROPERTY AND EQUIPMENT, NET

Accumulated depreciation of leased assets and assets held for own use as of June 30, 2013 and 2012 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2013	2012	2013
Leased assets and assets held for own use	¥ 878	¥ 540	\$ 8,905

7. EQUITY

Dividends

The following dividends are paid during the three-month periods ended June 30, 2013 and 2012:

Three-Month Period Ended June 30, 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	\$ 36,139	¥68,572.00	\$ 695.52	March 31, 2013	June 24, 2013	Retained earnings
Three-Month Period Ended June 30, 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

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 June 30, 2013 do not change significantly compared to those as of March 31, 2013.

10. COMMITMENTS AND CONTINGENCIES

As of June 30, 2013, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantee of penalties for breach of lease contracts	¥ 687	\$ 6,968
Guarantee of property lease contracts	840	8,520
Guarantee of bank loans	3,137	31,818
Other guarantees	1,565	15,873

11. SEGMENT INFORMATION

Information about revenue and profit (loss) by reportable segment

The following tables represent information about revenue and profit (loss) by reportable segment for the three-month periods ended June 30, 2013 and 2012.

	Millions of Yen					
	Three-Month Period Ended June 30, 2013					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 43,440	¥ 1,658	¥ 870	¥ 1,295	¥ 54,674	¥ 101,937
Intersegment revenue or transfers	-	-	-	6,454	56	6,511
Total	¥ 43,440	¥ 1,658	¥ 870	¥ 7,749	¥ 54,730	¥ 108,449
Segment profit	¥ 3,542	¥ 637	¥ 755	¥ 754	¥ 2,000	¥ 7,690

	Thousands of U.S. Dollars					
	Three-Month Period Ended June 30, 2013					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	\$ 440,612	\$ 16,817	\$ 8,824	\$ 13,135	\$ 554,559	\$1,033,948
Intersegment revenue or transfers	-	-	-	65,463	568	66,041
Total	\$ 440,612	\$ 16,817	\$ 8,824	\$ 78,598	\$ 555,127	\$1,100,000
Segment profit	\$ 35,926	\$ 6,461	\$ 7,657	\$ 7,647	\$ 20,286	\$ 77,999

	Millions of Yen					
	Three-Month Period Ended June 30, 2012					
	Reportable Segment					Total
Lease	Loan	Investment	Credit Card	Billing (Note)		
Revenue from external customers	¥ 48,149	¥ 1,390	¥ 588	¥ 2,215	¥ 2,187	¥ 54,530
Intersegment revenue or transfers	-	-	-	-	-	-
Total	¥ 48,149	¥ 1,390	¥ 588	¥ 2,215	¥ 2,187	¥ 54,530
Segment profit/(loss)	¥ 3,813	¥ 38	¥ 405	¥ 280	¥ (828)	¥ 3,708

Note: “Billing” mainly includes revenue from contracted business related to establishment of the billing business.

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
	2013	2012	2013
Segment profit:			
Reportable segments total	¥ 7,690	¥ 3,708	\$ 77,999
Corporate expenses (Note)	(1,702)	(1,657)	(17,263)
Operating income in the interim consolidated statements of income	¥ 5,988	¥ 2,050	\$ 60,736

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

Significant gain on bargain purchase by reportable segment

For the three-month periods ended June 30, 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 three-month period ended June 30, 2012 is prepared based on the reportable segments for the three-month period ended June 30, 2013.

Effective July 1, 2012, “billing” has been newly added as a reportable segment due to newly-launched services for billing and collection of communication service charges.

Therefore, segment information for the three-month period ended June 30, 2012, which is disclosed as comparative information of segment information for the three-month period ended June 30, 2013, is prepared based on the changed reportable segments that are different from the reportable segments disclosed for the three-month period ended June 30, 2012.

12. SUBSEQUENT EVENTS

There are no significant subsequent events to disclose.

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