

Quarterly Securities Report

Quarterly Consolidated Financial Statements
for the First Nine Months of the 28th Term
(From April 1, 2012 to December 31, 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 December 31, 2012
Assets		
Current assets		
Cash and deposits	49,446	152,345
Accounts receivable-installment sales	20,562	20,313
Lease receivables and investment assets	389,164	352,104
Accounts receivable-operating loans	450,480	521,363
Accounts receivable-other loans to customers	59,864	58,749
Accounts receivable-lease	19,791	18,208
Accounts receivable of card business	34,605	37,889
Accounts receivable of billing business	–	319,612
Operational investment securities	1,351	1,422
Short-term investment securities	26,210	75,774
Other	21,676	60,847
Allowance for doubtful accounts	(18,132)	(21,666)
Total current assets	1,055,019	1,596,965
Noncurrent assets		
Property, plant and equipment		
Property for lease	9,384	8,812
Own-used assets	924	4,364
Total property, plant and equipment	10,309	13,176
Intangible assets		
Own-used assets	4,734	6,821
Total intangible assets	4,734	6,821
Investments and other assets		
Investment securities	37,281	45,592
Other	23,149	24,043
Allowance for doubtful accounts	(9,313)	(7,875)
Allowance for investment loss	(587)	(72)
Total investments and other assets	50,529	61,688
Total noncurrent assets	65,573	81,686
Total assets	1,120,593	1,678,651

(Millions of yen)

	As of March 31, 2012	As of December 31, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,538	11,858
Short-term loans payable	41,643	52,615
Current portion of long-term loans payable	50,661	66,803
Current portion of bonds	39,998	39,998
Commercial papers	–	224,991
Accounts payable-other	52,598	472,741
Income taxes payable	1,905	6,680
Deferred profit on installment sales	688	651
Deposits received from shareholders, directors or employees	392,249	143,874
Asset retirement obligations	3	–
Other	88,099	163,086
Total current liabilities	680,388	1,183,302
Noncurrent liabilities		
Bonds payable	164,969	164,410
Long-term loans payable	165,830	143,205
Provision for retirement benefits	5,002	5,512
Provision for directors' retirement benefits	40	53
Provision for loss on business of subsidiaries and affiliates	869	598
Asset retirement obligations	197	862
Other	15,691	85,756
Total noncurrent liabilities	352,602	400,399
Total liabilities	1,032,990	1,583,702
Net assets		
Shareholders' equity		
Capital stock	16,770	16,770
Capital surplus	15,950	15,950
Retained earnings	55,149	61,755
Total shareholders' equity	87,870	94,476
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	237	623
Foreign currency translation adjustment	(1,135)	(775)
Total accumulated other comprehensive income	(897)	(152)
Minority interests	629	625
Total net assets	87,602	94,949
Total liabilities and net assets	1,120,593	1,678,651

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

Quarterly consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Net sales	171,483	272,640
Cost of sales	148,119	177,893
Gross profit	23,364	94,747
Selling, general and administrative expenses	12,566	74,113
Operating income	10,797	20,633
Non-operating income		
Interest income	0	0
Dividends income	18	14
Equity in earnings of affiliates	90	70
Gain on investments in silent partnership	110	-
Gain on bad debts recovered	138	143
Office relocation supplementation money	-	125
Other	165	86
Total non-operating income	523	441
Non-operating expenses		
Interest expenses	400	302
Bond issuance cost	108	142
Other	45	110
Total non-operating expenses	553	556
Ordinary income	10,766	20,519
Extraordinary loss		
Impairment loss	75	-
System migration expense	-	794
Reversal of foreign currency translation adjustment due to liquidation of foreign subsidiary	-	247
Other	-	45
Total extraordinary losses	75	1,088
Income before income taxes and minority interests	10,691	19,430
Income taxes	2,885	8,284
Income before minority interests	7,805	11,146
Minority interests in income (loss)	34	(3)
Net income	7,770	11,150

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Income before minority interests	7,805	11,146
Other comprehensive income		
Valuation difference on available-for-sale securities	177	385
Foreign currency translation adjustment	(144)	348
Share of other comprehensive income of associates accounted for using equity method	(50)	11
Total other comprehensive income	(17)	745
Comprehensive income	7,787	11,892
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,752	11,896
Comprehensive income attributable to minority interests	34	(3)

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.

In addition, NTTL CAYMAN, LTD. was excluded from the scope of consolidation in the third quarter ended December 31, 2012 as it was liquidated in the period.

(2) Significant changes in scope of equity method

No items to report

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 December 31, 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 December 31, 2012	
Konami Sports & Life Co., Ltd.	454	Konami Sports & Life Co., Ltd.	435
SEKISUI CHEMICAL CO., LTD.	288	SEKISUI CHEMICAL CO., LTD.	257
Morinaga Milk Industry Co., Ltd.	36	Morinaga Milk Industry Co., Ltd.	31
Total	780	Total	724

b. Guarantee of property lease contracts

(Millions of yen)

As of March 31, 2012		As of December 31, 2012	
NTT Worldwide Telecommunications Corporation	867	NTT Worldwide Telecommunications Corporation	731
NTT America, Inc.	123	NTT America, Inc.	129
Total	991	Total	861

c. Guarantee of bank loans

(Millions of yen)

As of March 31, 2012		As of December 31, 2012	
DEUTSCHE BANK AG *	3,202	DEUTSCHE BANK AG *	3,008
Total	3,202	Total	3,008

* 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 December 31, 2012	
Other	1,005	Other	1,570
Total	1,005	Total	1,570

(Quarterly consolidated statements of cash flows)

Quarterly consolidated statements of cash flows for the nine months ended December 31, 2012 are not prepared. Depreciation of property for lease and own-used assets were as follows:

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Depreciation of property for lease and own-used assets	1,125	2,349

(Shareholders' equity)**I Nine months ended December 31, 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 Nine months ended December 31, 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 Nine months ended December 31, 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	158,947	4,352	1,508	6,456	171,264	219	171,483	-	171,483
Intersegment sales or transfers	-	-	-	-	-	-	-	-	-
Total	158,947	4,352	1,508	6,456	171,264	219	171,483	-	171,483
Segment profit (loss)	12,221	1,604	603	759	15,189	(79)	15,109	(4,312)	10,797

(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 ¥4,312 million for adjustments of segment profit represents corporate expenses not allocated to reportable segments.
Corporate expenses are mainly 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 deem 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 ¥75 million for the nine months ended December 31, 2011.

(Significant changes in the amount of goodwill)

No items to report

(Significant gain on negative goodwill)

No items to report

II Nine months ended December 31, 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	137,730	4,138	1,746	4,951	123,894	272,461	179	272,640	–	272,640
Intersegment sales or transfers	–	–	–	12,321	72	12,394	–	12,394	(12,394)	–
Total	137,730	4,138	1,746	17,272	123,967	284,855	179	285,034	(12,394)	272,640
Segment profit	10,298	393	1,068	1,663	12,239	25,662	63	25,725	(5,091)	20,633

- (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 ¥5,091 million for adjustments of segment profit represents corporate expenses not allocated to reportable segments. Corporate expenses are mainly 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 nine months ended December 31, 2011, which is disclosed in this report, is prepared based on the segmentation of reportable segments applicable for the nine months ended December 31, 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 third 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:

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Net income per share (Yen)	149,552.33	214,601.27
(Basis for computing)		
Net income (Millions of yen)	7,770	11,150
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common stock (Millions of yen)	7,770	11,150
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