

Interim Consolidated Financial Statements (Unaudited)

For the Three Months Ended June 30, 2014

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Balance Sheet
June 30, 2014 as compared with March 31, 2014—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, 2014	March 31, 2014	June 30, 2014		June 30, 2014	March 31, 2014	June 30, 2014
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 444,520	¥ 373,295	\$ 4,385,565	Short-term bank loans	¥ 132,822	¥ 90,127	\$ 1,310,399
Leases receivable and investments in leases	372,066	376,242	3,670,746	Current portion of long-term borrowings	49,642	47,503	489,759
Trade accounts receivable:				Current portion of bonds	44,998	39,998	443,947
Installment sales	41,809	38,364	412,482	Commercial papers	302,990	54,999	2,989,252
Loans	962,997	948,401	9,500,761	Trade notes and accounts payable	11,764	22,874	116,068
Other loans	43,021	47,288	424,442	Accounts payable - other	428,569	423,178	4,228,189
Rents	18,691	18,308	184,407	Accrued income taxes	2,237	1,161	22,074
Credit cards	41,835	41,195	412,740	Deferred profit on installment sales	1,175	1,142	11,600
Billing	152,771	153,835	1,507,219	Deposits received	130,169	267,749	1,284,233
Allowance for doubtful receivables	(31,455)	(30,687)	(310,338)	Deposits received from shareholders, directors or employees	367,195	447,387	3,622,690
Investments in venture businesses	1,560	1,594	15,391	Other	20,746	22,489	204,681
Securities	14,005	4,008	138,174				
Other	56,084	52,083	553,319	Total current liabilities	1,492,312	1,418,612	14,722,897
Total current assets	2,117,908	2,023,928	20,894,914	LONG-TERM LIABILITIES:			
PROPERTY AND EQUIPMENT, NET:				Bonds	195,454	185,469	1,928,320
Leased assets	7,954	8,180	78,479	Long-term borrowings	158,697	152,963	1,565,685
Assets held for own use	5,027	5,256	49,600	Net defined benefit liability	7,854	8,322	77,491
Total property and equipment, net	12,982	13,436	128,080	Accrued directors' retirement benefits	35	53	353
INTANGIBLE ASSETS—Assets held for own use	5,286	5,582	52,151	Long-term deposits received from shareholders, directors or employees	240,000	240,000	2,367,797
INVESTMENTS AND OTHER ASSETS:				Reserve for loss on business of affiliates	75	129	746
Investment securities	57,845	58,518	570,694	Asset retirement obligations	2,243	2,239	22,134
Other	22,766	25,123	224,609	Other	7,844	7,212	77,392
Allowance for doubtful receivables	(5,779)	(6,003)	(57,024)	Total long-term liabilities	612,206	596,391	6,039,922
Allowance for investment loss	(60)	(93)	(595)	Total liabilities	2,104,519	2,015,004	20,762,820
Total investments and other assets	74,771	77,544	737,684	NET ASSETS:			
TOTAL ASSETS	¥ 2,210,948	¥ 2,120,491	\$ 21,812,830	Shareholders' equity (Note 5):			
				Common stock—authorized, 80,000 shares; issued, 51,960 shares as of June 30 and March 31, 2014	16,770	16,770	165,459
				Capital surplus	15,950	15,950	157,364
				Retained earnings	72,835	71,885	718,580
				Treasury stock; 595 shares as of June 30 and March 31, 2014	(1,126)	(1,126)	(11,118)
				Total shareholders' equity	104,429	103,480	1,030,285
				Accumulated other comprehensive income/(loss):			
				Unrealized gain on available-for-sale securities	1,264	1,177	12,471
				Foreign currency translation adjustments	(62)	57	(619)
				Remeasurements of defined benefit plans	108	108	1,070
				Total accumulated other comprehensive income	1,309	1,343	12,922
				Minority interests	689	664	6,802
				Total net assets	106,429	105,487	1,050,010
TOTAL ASSETS	¥ 2,210,948	¥ 2,120,491	\$ 21,812,830	TOTAL LIABILITIES AND NET ASSETS	¥ 2,210,948	¥ 2,120,491	\$ 21,812,830

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income
Three-Month Periods Ended June 30, 2014 and 2013—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2014	2013	2014
REVENUE	101,865	101,937	1,004,987
COST OF SALES	58,992	59,458	582,006
Gross profit	42,873	42,479	422,980
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	37,447	36,491	369,448
Operating income	5,426	5,988	53,532
OTHER INCOME:			
Interest income	0	0	0
Dividend income	53	21	524
Gain on bad debts recovered	75	27	747
Equity in earnings of affiliates	9	17	94
Foreign exchange gain	-	74	-
Other	19	14	189
Total other income	157	155	1,556
OTHER EXPENSES:			
Interest expense	62	76	612
Bond issuance costs	87	54	866
Other	77	7	762
Total other expenses	227	138	2,242
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	5,356	6,005	52,846
INCOME TAXES	1,937	2,287	19,111
INCOME BEFORE MINORITY INTERESTS	3,419	3,717	33,734
MINORITY INTERESTS IN INCOME/(LOSS)	25	(1)	249
NET INCOME	¥ 3,394	¥ 3,719	\$ 33,485

NTT FINANCE CORPORATION and Consolidated Subsidiaries

**Interim Consolidated Statements of Income
Three-Month Periods Ended June 30, 2014 and 2013—Unaudited**

	Yen		U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2014	2013	2014
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,365	51,960	
Basic net income	¥ 66,078.02	¥ 71,581.92	\$ 651.91

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, 2014 and 2013—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2014	2013	2014
INCOME BEFORE MINORITY INTERESTS	¥ 3,419	¥ 3,717	\$ 33,734
OTHER COMPREHENSIVE INCOME:			
Net unrealized gain/(loss) on available-for-sale securities	86	(183)	856
Foreign currency translation adjustments	(63)	154	(629)
Remeasurements of defined benefit plans, net of tax	0	-	2
Share of other comprehensive income of affiliates accounted for using equity method	(56)	85	(556)
Total other comprehensive income	(33)	56	(327)
COMPREHENSIVE INCOME	<u>¥ 3,386</u>	<u>¥ 3,774</u>	<u>\$ 33,407</u>
Comprehensive income attributable to:			
Owners of the parent	¥ 3,360	¥ 3,776	\$ 33,158
Minority interests	25	(1)	249

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 ¥101.36 to \$1.00, the approximate rate of exchange at June 30, 2014, 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, 2014.

From the first quarter of the year ending March 31, 2015, NTT Leasing Singapore Pte. Ltd., a newly established company, was included in the scope of consolidation.

3. CHANGE IN ACCOUNTING POLICY

Application of Accounting Standard for Retirement Benefits

The Company has applied the main clause of Paragraph 35 of the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 26, issued on May 17, 2012) (the “Accounting Standard”) and the main clause of Paragraph 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, issued on May 17, 2012) (the “Guidance”) from the first quarter of the year ending March 31, 2015. Consequently, the method of attributing expected benefit to periods was

changed from straight-line basis to benefit formula basis. The method of determining the discount rate was also changed.

In accordance with the transitional treatment provided for in Paragraph 37 of the Accounting Standard, the amount of financial impact resulting from the change in the calculation method of retirement benefit obligations and service costs was added to, or deducted from, retained earnings as of April 1, 2014.

As a result of this change, net defined benefit liability decreased by ¥586 million (\$5,784 thousand) and retained earnings increased by ¥378 million (\$3,734 thousand) as of April 1, 2014. The effects on operating income and income before income taxes and minority interests, however, were immaterial for the three-month period ended June 30, 2014.

Accounting treatment of past service costs

From the third quarter of the previous fiscal year, the Company has changed the accounting treatment of past service costs related to retirement benefit accounting from one where the past service costs are fully charged to income in the fiscal year they occurred to one where past 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 past service costs occurred

Therefore, the relevant accounting policy applied for the first quarter of the year ended March 31, 2015 is different from one applied for the corresponding quarter of the year ended March 31, 2014 presented herein as comparative information.

4. 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, 2014.

5. EQUITY

Dividends

The following dividends are paid during the three-month periods ended June 30, 2014 and 2013:

Three-Month Period Ended June 30, 2014								
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 20, 2014	Common stock	¥ 2,823	\$ 27,851	¥54,960.00	\$ 542.22	March 31, 2014	June 23, 2014	Retained earnings
Three-Month Period Ended June 30, 2013								
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 21, 2013	Common stock	¥ 3,563		¥68,572.00		March 31, 2013	June 24, 2013	Retained earnings

6. DEPRECIATION

Depreciation of leased assets and assets held for own use for the three-month periods ended June 30, 2014 and 2013 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2014	2013	2014
Leased assets and assets held for own use	¥ 961	¥ 878	\$ 9,481

7. 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, 2014.

8. DERIVATIVES

The amounts of derivatives including contract amounts as of June 30, 2014 do not change significantly compared to those as of March 31, 2014.

9. COMMITMENTS AND CONTINGENCIES

As of June 30, 2014, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees in the ordinary course of business	¥ 5,034	\$ 49,665

10. SEGMENT INFORMATION

Information about revenue and profit by reportable segment

The following tables represent information about revenue and profit by reportable segment for the three-month periods ended June 30, 2014 and 2013.

	Millions of Yen					
	Three-Month Period Ended June 30, 2014					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 43,642	¥ 1,843	¥ 666	¥ 1,272	¥ 54,440	¥ 101,865
Intersegment revenue or transfers	-	-	-	6,935	120	7,055
Total	¥ 43,642	¥ 1,843	¥ 666	¥ 8,207	¥ 54,560	¥ 108,921
Segment profit	¥ 3,359	¥ 1,143	¥ 350	¥ 614	¥ 1,996	¥ 7,464

Thousands of U.S. Dollars						
Three-Month Period Ended June 30, 2014						
Reportable Segment						
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	\$ 430,571	\$ 18,189	\$ 6,574	\$ 12,553	\$ 537,097	\$1,004,987
Intersegment revenue or transfers	-	-	-	68,421	1,188	69,609
Total	\$ 430,571	\$ 18,189	\$ 6,574	\$ 80,975	\$ 538,286	\$1,074,597
Segment profit	\$ 33,148	\$ 11,282	\$ 3,454	\$ 6,060	\$ 19,698	\$ 73,644

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

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
	2014	2013	2014
Segment profit:			
Reportable segments total	¥ 7,464	¥ 7,690	\$ 73,644
Corporate expenses (Note)	(2,038)	(1,702)	(20,112)
Operating income in the interim consolidated statements of income	¥ 5,426	¥ 5,988	\$ 53,532

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, 2014 and 2013, 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, 2014 and 2013, there is no applicable information to disclose.

Significant gain on bargain purchase by reportable segment

For the three-month periods ended June 30, 2014 and 2013, there is no applicable information to disclose.

11. SUBSEQUENT EVENTS

There are no significant subsequent events to disclose.

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