

Interim Consolidated Financial Statements (Unaudited)

For the Six Months Ended September 30, 2013

<Under Japanese GAAP>

NTT FINANCE CORPORATION

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Balance Sheet
September 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)
	September 30, 2013	March 31, 2013	September 30, 2013		September 30, 2013	March 31, 2013	September 30, 2013
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 357,427	¥ 184,988	\$ 3,656,542	Short-term borrowings	¥ 212,842	¥ 50,712	\$ 2,177,411
Leases receivable and investments in leases	355,436	357,404	3,636,173	Current portion of long-term debt	88,947	93,482	909,943
Trade accounts receivable:				Trade notes and accounts payable	14,893	14,876	152,358
Installment sales	27,116	21,082	277,401	Accounts payable - other	417,946	414,757	4,275,662
Loans (Note 5)	851,623	658,254	8,712,255	Accrued income taxes	3,658	8,961	37,421
Rents	17,818	18,246	182,281	Deposits received from shareholders, directors or employees	340,181	269,924	3,480,112
Credit cards	37,927	39,995	388,000	Other	218,317	256,010	2,233,421
Billing	162,531	325,728	1,662,721				
Others (Note 5)	44,589	52,381	456,153	Total current liabilities	1,296,787	1,108,726	13,266,363
Allowance for doubtful receivables	(33,597)	(26,275)	(343,703)				
Investments in venture businesses	1,272	1,155	13,012	LONG-TERM LIABILITIES:			
Securities	4,018	2,381	41,104	Long-term debt	320,397	311,029	3,277,718
Other	58,900	48,220	602,557	Accrued retirement benefits	7,624	7,108	77,994
				Accrued directors' retirement benefits	44	58	450
Total current assets	1,885,063	1,683,564	19,284,531	Long-term deposits received from shareholders, directors or employees	240,000	240,400	2,455,242
				Reserve for loss on business of affiliates	231	524	2,363
PROPERTY AND EQUIPMENT, NET:				Asset retirement obligations	2,223	878	22,741
Leased assets	8,469	8,842	86,639	Other	6,600	5,394	67,519
Assets held for own use	5,694	4,640	58,250				
				Total long-term liabilities	577,122	565,394	5,904,061
Total property and equipment, net	14,163	13,482	144,890				
				Total liabilities	1,873,909	1,674,120	19,170,424
INTANGIBLE ASSETS—Assets held for own use	5,967	6,539	61,043				
				NET ASSETS:			
INVESTMENTS AND OTHER ASSETS:				Shareholders' equity:			
Investment securities	50,828	47,405	519,979	Common stock—authorized, 80,000 shares; issued, 51,960 shares as of September 30 and March 31, 2013	16,770	16,770	171,560
Other (Note 5)	24,053	29,423	246,066	Capital surplus	15,950	15,950	163,171
Allowance for doubtful receivables	(6,609)	(7,439)	(67,611)	Retained earnings	66,867	65,093	684,061
Allowance for investment loss	(81)	(81)	(828)	Treasury stock, 595 shares and none as of September 30 and March 31, 2013	(1,126)	-	(11,519)
				Total shareholders' equity	98,461	97,814	1,007,273
Total investments and other assets	68,191	69,308	697,606	Accumulated other comprehensive income/(loss):			
				Unrealized gain on available-for-sale securities	573	799	5,861
				Foreign currency translation adjustments	(206)	(476)	(2,107)
				Total accumulated other comprehensive income	366	323	3,744
				Minority interests	649	635	6,639
				Total net assets	99,478	98,773	1,017,677
TOTAL ASSETS	¥ 1,973,387	¥ 1,772,894	\$ 20,188,102	TOTAL LIABILITIES AND NET ASSETS	¥ 1,973,387	¥ 1,772,894	\$ 20,188,102

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2013	2012	2013
REVENUE:			
Lease	¥ 85,723	¥ 93,869	\$ 876,961
Loan	3,406	2,819	34,843
Investment	1,331	945	13,616
Credit card	2,539	3,650	25,974
Billing	109,401	63,874	1,119,191
TOTAL REVENUE	202,403	165,158	2,070,618
COSTS:			
Lease	75,572	83,093	773,115
Loan	1,604	1,374	16,409
Investment	169	226	1,728
Credit card	12,348	6,978	126,322
Billing	27,949	22,652	285,923
TOTAL COSTS	117,644	114,325	1,203,519
Gross profit	84,758	50,832	867,089
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	75,719	38,864	774,618
Operating income	9,039	11,968	92,470
OTHER INCOME/(EXPENSES):			
Interest and dividend income	21	11	214
Interest expense	(140)	(204)	(1,432)
Bond issuance costs	(54)	(142)	(552)
Equity in earnings of affiliates	43	44	439
Foreign exchange gain	27	35	276
Compensation for office transfer	-	125	-
System migration expense	-	(762)	-
Other—net	32	103	327
Other expenses—net	(68)	(788)	(695)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	8,970	11,180	91,764
INCOME TAXES	3,620	4,499	37,033
INCOME BEFORE MINORITY INTERESTS	5,350	6,680	54,731
MINORITY INTERESTS IN INCOME	13	12	132
NET INCOME	¥ 5,337	¥ 6,667	\$ 54,598

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Income

Six-Month Periods Ended September 30, 2013 and 2012—Unaudited

	Yen		U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2013	2012	2013
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,947	51,960	
Basic net income	¥ 102,741.99	¥ 128,325.21	\$ 1,051.06

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

**Interim Consolidated Statements of Comprehensive Income
Six-Month Periods Ended September 30, 2013 and 2012—Unaudited**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2013	2012	2013
INCOME BEFORE MINORITY INTERESTS	¥ 5,350	¥ 6,680	\$ 54,731
OTHER COMPREHENSIVE INCOME:			
Net unrealized (loss)/gain on available-for-sale securities	(226)	166	(2,312)
Foreign currency translation adjustments	126	(121)	1,289
Share of other comprehensive income of affiliates accounted for using equity method	143	11	1,462
Total other comprehensive income	43	56	439
COMPREHENSIVE INCOME	¥ 5,394	¥ 6,736	\$ 55,181
Comprehensive income attributable to:			
Owners of the parent	¥ 5,380	¥ 6,724	\$ 55,038
Minority interests	13	12	132

See notes to interim consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Cash Flows

Six-Month Periods Ended September 30, 2013 and 2012—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 8,970	¥ 11,180	\$ 91,764
Adjustments for:			
Depreciation of leased assets and assets held for own use	2,025	1,437	20,716
Loss on retirement of leased assets and assets held for own use	158	87	1,616
Decrease in allowance for investment loss	-	(28)	-
Increase in accrued retirement benefits	515	380	5,268
Increase in allowance for doubtful receivables	6,496	405	66,455
Decrease in reserve for loss on business of affiliates	(292)	(194)	(2,987)
Interest and dividend income	(21)	(11)	(214)
Financing costs and interest expense	2,543	2,667	26,015
Foreign exchange gain	(27)	(35)	(276)
Equity in earnings of affiliates	(43)	(44)	(439)
Bond issuance costs	54	142	552
System migration expense	-	762	-
Decrease in leases receivable and investments in leases	2,036	28,682	20,828
Increase in trade accounts receivable	(23,676)	(332,744)	(242,209)
Increase in investments in venture businesses	(134)	(126)	(1,370)
Increase in other securities to earn financial income for operating purpose	(5,118)	(3,202)	(52,358)
Purchases of leased assets	(192)	(133)	(1,964)
Increase/(decrease) in trade notes and accounts payable	16	(329)	163
Increase in accounts payable - other	3,188	432,401	32,613
Other—net	60,607	62,555	620,020
Subtotal	57,106	203,851	584,204
Interest and dividend income received	47	31	480
Interest expense paid	(2,402)	(2,588)	(24,572)
Income taxes paid	(8,826)	(1,956)	(90,291)
Payments for system migration expense	-	(753)	-
Net cash provided by operating activities—(Forward)	¥ 45,925	¥ 198,584	\$ 469,820

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Interim Consolidated Statements of Cash Flows

Six-Month Periods Ended September 30, 2013 and 2012—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2013	2012	2013
Net cash provided by operating activities—(Forward)	¥ 45,925	¥ 198,584	\$ 469,820
INVESTING ACTIVITIES:			
Payments into time deposits	-	(388)	-
Proceeds from withdrawal of time deposits	517	-	5,289
Payments for purchases of investment securities	(299)	(502)	(3,058)
Payments for purchases of assets held for own use	(748)	(5,727)	(7,652)
Payments for purchases of investments in capital	(1,500)	(2,878)	(15,345)
Other—net	144	60	1,473
Net cash used in investing activities	(1,886)	(9,435)	(19,294)
FINANCING ACTIVITIES:			
Increase in short-term borrowings	161,932	105,520	1,656,593
Increase in long-term debt	52,505	48,305	537,135
Repayments of long-term debt	(52,302)	(35,475)	(535,058)
Decrease in payables associated with securitization of receivables	(1,000)	-	(10,230)
Payments for purchases of treasury stock	(1,126)	-	(11,519)
Cash dividends paid	(3,563)	(4,545)	(36,450)
Decrease in deposits received	(28,422)	(194,787)	(290,762)
Repayments of long-term deposits received	-	(10,000)	-
Other—net	3	(5)	30
Net cash provided by/(used in) financing activities	128,025	(90,986)	1,309,718
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	374	(99)	3,826
NET INCREASE IN CASH AND CASH EQUIVALENTS	172,439	98,062	1,764,081
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	184,988	80,443	1,892,460
CASH AND CASH EQUIVALENTS, END OF PERIOD	¥ 357,427	¥ 178,506	\$ 3,656,542

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 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 ¥97.75 to \$1.00, the approximate rate of exchange at September 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

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 six-month period ended September 30, 2013 and those applied to the comparable interim consolidated financial statements for the six-month period ended September 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. LOANS AND OTHERS

Loans and others as of September 30 and March 31, 2013 include claims to borrowers in bankruptcy and past due loans as follows:

	Millions of Yen		Thousands of
	September 30, 2013	March 31, 2013	U.S. Dollars September 30, 2013
Claims to borrowers in bankruptcy (Note a)	¥ 1,152	¥ 1,221	\$ 11,785
Past due loans (Note b)	6,692	6,865	68,460
Delinquent loans contractually past due three months or more (Note c)	-	-	-
Restructured loans (Note d)	2,877	3,114	29,432

- Notes:
- Claims to borrowers in bankruptcy represent non-accrual loans which are defined in Article 96, Paragraph (1) (iii) of the Order for Enforcement of the Corporation Tax Act of Japan.
 - 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.
 - 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.”
 - Restructured loans are loans of which the Group restructured the terms, such as a reduction of the original interest rate, forbearance of interest and/or principal payments, an extension of the maturity date or debt forgiveness 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.

6. 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.

7. EQUITY

Dividends

The following dividends were paid during the six-month periods ended September 30, 2013 and 2012:

Six-Month Period Ended September 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	\$ 36,450	¥68,572.00	\$ 701.50	March 31, 2013	June 24, 2013	Retained earnings

Six-Month Period Ended September 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 September 30, 2013 do not change significantly compared to those as of March 31, 2013.

10. COMMITMENTS AND CONTINGENCIES

As of September 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	¥ 668	\$ 6,833
Guarantee of property lease contracts	762	7,795
Guarantee of bank loans	2,965	30,332
Other guarantees	1,429	14,618

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 six-month periods ended September 30, 2013 and 2012.

	Millions of Yen					
	Six-Month Period Ended September 30, 2013					
	Reportable Segment					
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 85,723	¥ 3,406	¥ 1,331	¥ 2,539	¥ 109,401	¥ 202,403
Intersegment revenue or transfers	-	-	-	12,987	114	13,101
Total	¥ 85,723	¥ 3,406	¥ 1,331	¥ 15,527	¥ 109,515	¥ 215,505
Segment profit	¥ 6,825	¥ 1,309	¥ 941	¥ 1,484	¥ 2,202	¥ 12,763

Thousands of U.S. Dollars						
Six-Month Period Ended September 30, 2013						
Reportable Segment						
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	\$ 876,961	\$ 34,843	\$ 13,616	\$ 25,974	\$1,119,191	\$2,070,618
Intersegment revenue or transfers	-	-	-	132,859	1,166	134,025
Total	\$ 876,961	\$ 34,843	\$ 13,616	\$ 158,843	\$1,120,358	\$2,204,654
Segment profit	\$ 69,820	\$ 13,391	\$ 9,626	\$ 15,181	\$ 22,526	\$ 130,567

Millions of Yen						
Six-Month Period Ended September 30, 2012						
Reportable Segment						
	Lease	Loan	Investment	Credit Card	Billing	Total
Revenue from external customers	¥ 93,869	¥ 2,819	¥ 945	¥ 3,650	¥ 63,874	¥ 165,158
Intersegment revenue or transfers	-	-	-	5,997	14	6,012
Total	¥ 93,869	¥ 2,819	¥ 945	¥ 9,647	¥ 63,888	¥ 171,170
Segment profit	¥ 7,337	¥ 447	¥ 542	¥ 828	¥ 6,158	¥ 15,315

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
	Six-Month Period Ended September 30		Six-Month Period Ended September 30
	2013	2012	2013
Segment profit:			
Reportable segments total	¥ 12,763	¥ 15,315	\$ 130,567
Corporate expenses (Note)	(3,723)	(3,345)	(38,086)
Operating income in the interim consolidated statements of income	¥ 9,039	¥ 11,968	\$ 92,470

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 six-month periods ended September 30, 2013 and 2012, there is no applicable information to disclose.

Significant change in the amount of goodwill by reportable segment

For the six-month periods ended September 30, 2013 and 2012, there is no applicable information to disclose.

Significant gain on bargain purchase by reportable segment

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

12. SUBSEQUENT EVENTS

There are no significant subsequent events to disclose.

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