

**Financial Results for  
the First Quarter of the Fiscal Year  
ending March 31, 2010**

**(2<sup>nd</sup> edition)**

**NEC Mobiling, Ltd.**

*Note: This document has been prepared as a guide to non-Japanese analysts for their convenience only and is a translation summary of the Japanese language original. The company does not assure the accuracy of the translation. All numbers are rounded off to the nearest unit in accordance with standard Japanese practice. This document contains forward-looking statements that are based on assumptions and projection at the date of publication. A number of factors could cause actual results to differ materially from expectations.*

## Financial Results for the First Quarter of the Fiscal Year ending March 31, 2010

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 Stock Code: 9430  
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### 1. Financial Results for the First Quarter ended June 30, 2009

#### (1) Business Results

(Units: Millions of yen)

|   | Three months ended<br>June 30, 2008 |          | Three months ended<br>June 30, 2009 |          |
|---|-------------------------------------|----------|-------------------------------------|----------|
|   |                                     | % change |                                     | % change |
| Net Sales                                 | 29,807                              | -- %     | 28,006                              | (6.0 %)  |
| Operating Income                          | 1,269                               | -- %     | 1,791                               | 41.1 %   |
| Ordinary Income                           | 1,352                               | -- %     | 1,874                               | 38.6 %   |
| Net Income                                | 771                                 | -- %     | 1,068                               | 38.5 %   |
| Net Income per Share (Yen)                | 53.04                               |          | 73.49                               |          |
| Net Income per Share, fully diluted (Yen) | --                                  |          | --                                  |          |

Note: Percentages for Net Sales, Operating Income, Ordinary Income and Net Income represent change from the same term of the previous fiscal year.

#### (2) Financial Position

(Units: Millions of yen)

|                            | As of<br>June 30, 2009 | As of<br>March 31, 2009 |
|----------------------------|------------------------|-------------------------|
| Total Assets               | 57,878                 | 60,267                  |
| Net Assets                 | 32,013                 | 31,164                  |
| Net Assets Ratio           | 55.3%                  | 51.7%                   |
| Net Assets per Share (Yen) | 2,203.31               | 2,144.91                |

### 2. Dividends

(Units: Yen)

|                            | Full Year ended<br>March 31, 2009 | Full Year ending<br>March 31, 2010 |            |
|----------------------------|-----------------------------------|------------------------------------|------------|
|                            |                                   |                                    | (Forecast) |
| Annual Dividends per Share | 60.00                             |                                    | 70.00      |
| First Quarter              | --                                | --                                 |            |
| Second Quarter             | 30.00                             |                                    | 35.00      |
| Third Quarter              | --                                |                                    | --         |
| Year-end                   | 30.00                             |                                    | 35.00      |

### 3. Forecast for the Fiscal Year ending March 31, 2010

(Units: Millions of yen)

|                            | First Half ending<br>September 30, 2009 |          | Full Year ending<br>March 31, 2010 |          |
|----------------------------|---|----------|------------------------------------|----------|
|                            |   | % change |                                    | % change |
| Net Sales                  | 58,500                                  | (2.3%)   | 120,000                            | (3.6%)   |
| Operating Income           | 3,000                                   | 0.1%     | 6,550                              | 0.4%     |
| Ordinary Income            | 3,100                                   | (1.9%)   | 6,750                              | 0.1%     |
| Net Income                 | 1,750                                   | (4.7%)   | 3,800                              | 14.5%    |
| Net Income per share (Yen) | 120.45                                  |          | 261.54                             |          |

Notes: 1. Percentages for Net Sales, Operating Income, Ordinary Income and Net Income represent change from the same term of the previous fiscal year.

2. The above mentioned forecast was disclosed on May 11, 2009.

### 4. Other information

(1) Item(s) in preparation method for quarterly financial results:

The simplified method is applied to tax effect accounting.

(2) Changes to accounting procedures: none

(3) Number of shares outstanding

|  |                                   |            |
|--|-----------------------------------|------------|
| 1. Shares outstanding at end of term:                    | As of June 30, 2009:              | 14,529,400 |
|  | As of March 31, 2009:             | 14,529,400 |
| 2. Treasury stocks at end of term:                       | As of June 30, 2009:              | 70         |
|  | As of March 31, 2009:             | 70         |
| 3. Average number of shares outstanding during the term: | Three months ended June 30, 2009: | 14,529,330 |
|  | Three months ended June 30, 2008: | 14,529,354 |

*Forecasts related to future business performance, one aspect of the current strategies, plans and awareness at NEC Mobiling, Ltd. described in these materials, involve risks and uncertain factors. It should be noted that actual business performance may differ greatly from these forecasts due to a variety of factors. Primary factors with an impact on actual business performance include economic conditions and social trends affecting the scope of business of the Company, trend in demand for products and services provided by the Company, pressures for price reductions due to enhanced competition, and the ability of the Company's technological capability to respond to the customer's requests. Factors with an impact on business performance are not limited to those herein described.*

## **Qualitative Information and Financial Statements**

### **1. Qualitative information pertaining to operating results**

#### **(1) General overview**

During the first quarter, which ended on June 30, 2009, Japan's economy remained in a difficult environment, which caused a significant drop in capital expenditure and corporate profit, despite some signs of a turnaround, albeit uneven, in personal consumption, exports and production.

The mobile phone sales market also continued to exhibit weakness in the same period, as characterized by a year-on-year drop of more than 10% in the number of mobile phones sold. The decline was primarily attributable to a longer replacement cycle of handsets and lower churn rates experienced by major mobile network operators, in addition to the persistent sluggishness of the overall economy.

Within this operating environment, the Company redoubled its efforts to spark replacement demand for mobile handsets with advanced functions, while embarking on measures targeting higher operational efficiency.

As a result, the Company posted net sales of ¥2,806 million (down 6.0% year on year). The result primarily reflected a decrease in the number of mobile handsets sold by the Mobile Service Business, which was offset, to an extent, by an increase in demand for maintenance services for mobile handsets enjoyed by the Mobile Service Business. In terms of profit, the Company posted operating income of ¥1,791 million (up 41.1% year-on-year), ordinary income of ¥1,874 million (up 38.6%) and net income of ¥1,068 million (up 38.5%), fueled by greater operational efficiency and higher demand for maintenance services, among others.

#### **(2) Segment overview**

##### **(Mobile Sales Business)**

Despite the release of new models, predominantly with high-end functions, such as one-segment TV broadcasting, GPS, music streaming, electronic wallet and water-proofing, the mobile phone sales market remained slow throughout the first quarter.

Under these circumstances, the Company redoubled efforts to increase sales of handsets with advanced functions and to expand sales channels. However, the Company's unit sales fell more than 10% year on year to 317 thousand units, impacted by the overall market sluggishness.

As a result, net sales of the Business came in at ¥20,899 million (down 15.0% year on year). Operating income, conversely, rose 59.6%, to ¥690 million, due to the success of measures designed for higher operational efficiency.

##### **(Mobil Service Business)**

In the first quarter, which ended on June 30, 2009, demand for maintenance services rose on a year-on-year basis, in contrast to the declining unit-sales of handsets.

The Business consequently achieved net sales of ¥7,107 million (up 36.1% year on year), despite a decrease in demand related to the maintenance of mobile communications base station systems for mobile network operators. Operating income, boosted by higher net sales and improved operational efficiency, also rose 31.5%, to ¥1,101 million.

## **2. Qualitative information pertaining to the financial standing of the Company**

Total assets stood at ¥57,878 million at the end of the first quarter, reflecting a decrease of ¥2,389 million from the end of the previous fiscal year.

Total liabilities decreased ¥3,238 million to ¥25,865 million, and total net assets increased ¥849 million, to ¥32,013 million.

Consequently, the Company's equity ratio improved 3.6 points from the end of the previous fiscal year, to 55.3%.

Cash flows provided from operating activities were ¥659 million.

The result was attributable to cash increasing factors, such as the posting of net income before taxes and lower trade and non-trade receivables, which more than offset cash decreasing factors such as higher inventories, lower non-trade payables and payment of income taxes.

The inflow was ¥363 million less than the inflow of the first quarter of the previous fiscal year, reflecting the effects of changes in assets and liabilities and higher income taxes paid, which exceeded the year-on-year increase in net income before taxes.

Cash used by investing activities amounted to ¥242 million.

The number primarily represented disbursements linked to the acquisition of fixed assets.

The outflow was ¥1,402 million less than that experienced during the first quarter of the previous fiscal year, in which the Company incurred disbursements linked to the acquisition of investment securities.

Cash decreased ¥430 million in conjunction with financing activities, which consisted principally of the payment of end-of-year dividends for the 37<sup>th</sup> business year.

The outflow during the first quarter was ¥41 million more than the amount recorded for the same period in the previous fiscal year, reflecting the higher per-share dividend payment.

Cash and cash equivalents as of the end of the first quarter stood at ¥21,055 million, down ¥13 million from the end of the preceding fiscal year, as a result of the above activities.

## **3. Qualitative information pertaining to earnings forecasts**

No revision has been made to the earnings forecast figures announced by the Company on May 11, 2009.

**Non-consolidated Financial Statements**  
**(1) Balance Sheets**

(Units: Millions of yen)

| Items  | Term | As of         | As of          |
|--|------|---------------|----------------|
|  |      | June 30, 2009 | March 31, 2009 |
|  |      | Amount        | Amount         |
| <b>Assets</b>                                      |      |               |                |
| Cash on hand and in banks                          |      | 11,056        | 11,069         |
| Notes and Accounts receivable, trade               |      | 13,756        | 15,843         |
| Marketable securities                              |      | 999           | 998            |
| Merchandise and Finished products                  |      | 4,319         | 3,085          |
| Work in process                                    |      | 921           | 654            |
| Raw materials and Supplies                         |      | 1,193         | 704            |
| Accounts receivable, other                         |      | 4,875         | 7,277          |
| Affiliated company deposits                        |      | 9,000         | 9,001          |
| Other  |      | 1,537         | 1,521          |
| Allowance for doubtful accounts                    |      | (5)           | (6)            |
| <b>Current assets</b>                              |      | <b>47,651</b> | <b>50,146</b>  |
| Property and equipment                             |      | 1,434         | 1,453          |
| Intangible assets                                  |      | 959           | 1,040          |
| Investments and other assets                       |      | 7,834         | 7,628          |
| <b>Fixed assets</b>                                |      | <b>10,227</b> | <b>10,121</b>  |
| <b>Total assets</b>                                |      | <b>57,878</b> | <b>60,267</b>  |
| <b>Liabilities</b>                                 |      |               |                |
| Notes and accounts payable, trade                  |      | 13,391        | 12,658         |
| Accrued corporate taxes                            |      | 778           | 1,650          |
| Provision for bonuses                              |      | 571           | --             |
| Accounts payable, other                            |      | 5,834         | 9,413          |
| Other  |      | 1,425         | 1,508          |
| <b>Current liabilities</b>                         |      | <b>21,999</b> | <b>25,229</b>  |
| Accrued pension and severance costs                |      | 3,388         | 3,400          |
| Other  |      | 478           | 474            |
| <b>Long-term liabilities</b>                       |      | <b>3,866</b>  | <b>3,874</b>   |
| <b>Total liabilities</b>                           |      | <b>25,865</b> | <b>29,103</b>  |
| <b>Net assets</b>                                  |      |               |                |
| Common stock                                       |      | 2,371         | 2,371          |
| Additional paid-in capital                         |      | 2,707         | 2,707          |
| Retained earnings                                  |      | 27,252        | 26,620         |
| Treasury stocks                                    |      | (0)           | (0)            |
| <b>Total shareholders' equity</b>                  |      | <b>32,330</b> | <b>31,698</b>  |
| Unrealized gains (losses) on marketable securities |      | (317)         | (534)          |
| <b>Valuation and translation adjustments</b>       |      | <b>(317)</b>  | <b>(534)</b>   |
| <b>Total net assets</b>                            |      | <b>32,013</b> | <b>31,164</b>  |
| <b>Total liabilities and net assets</b>            |      | <b>57,878</b> | <b>60,267</b>  |

**(2) Statements of Income**

(Units: Millions of yen)

| Items  | Term | Three months ended<br>June 30, 2008 | Three months ended<br>June 30, 2009 |
|--|------|-------------------------------------|-------------------------------------|
|  |      | Amount                              | Amount                              |
| <b>Net sales</b>                             |      | <b>29,807</b>                       | <b>28,006</b>                       |
| Cost of sales                                |      | 26,614                              | 24,158                              |
| <b>Gross profit</b>                          |      | <b>3,193</b>                        | <b>3,848</b>                        |
| Selling, general and administrative expenses |      | 1,924                               | 2,057                               |
| <b>Operating income</b>                      |      | <b>1,269</b>                        | <b>1,791</b>                        |
| Non-operating income                         |      | 93                                  | 95                                  |
| Interest income                              |      | 13                                  | 19                                  |
| Dividend income                              |      | 74                                  | 74                                  |
| Miscellaneous income                         |      | 6                                   | 2                                   |
| Non-operating expenses                       |      | 10                                  | 12                                  |
| Interest expense                             |      | 0                                   | 1                                   |
| Loss on disposal of fixed assets             |      | 9                                   | 11                                  |
| Miscellaneous expenses                       |      | 1                                   | 0                                   |
| <b>Ordinary income</b>                       |      | <b>1,352</b>                        | <b>1,874</b>                        |
| <b>Income before income taxes</b>            |      | <b>1,352</b>                        | <b>1,874</b>                        |
| Income taxes                                 |      | 581                                 | 806                                 |
| <b>Net income</b>                            |      | <b>771</b>                          | <b>1,068</b>                        |

**(3) Statements of Cash Flows**

(Units: Millions of yen)

| Term  | Three months ended<br>June 30, 2008 | Three months ended<br>June 30, 2009 |
|---|-------------------------------------|-------------------------------------|
| <b>Items</b>  |                                     |                                     |
| <b>Cash flow from operating activities</b>                          |                                     |                                     |
| Income before income taxes  | 1,352                               | 1,874                               |
| Depreciation  | 162                                 | 175                                 |
| Increase (decrease) in allowance for doubtful accounts              | 1                                   | 3                                   |
| Increase (decrease) in accrued pension and severance costs          | 12                                  | 1                                   |
| Interest and dividend income  | (87)                                | (93)                                |
| Interest expense  | 0                                   | 1                                   |
| Foreign exchange (gains) loss                                       | (3)                                 | 0                                   |
| Loss on disposal of fixed assets                                    | 9                                   | 11                                  |
| (Increase) decrease in notes and accounts receivable, trade         | 2,458                               | 2,087                               |
| (Increase) decrease in inventories                                  | (892)                               | (1,992)                             |
| (Increase) decrease in accounts receivable, other                   | 2,392                               | 2,402                               |
| Increase (decrease) in notes and accounts payable, trade            | (407)                               | 709                                 |
| Increase (decrease) in accrued expenses                             | (3,184)                             | (3,579)                             |
| Increase (decrease) in consumption tax payable                      | 26                                  | (86)                                |
| Increase (decrease) in deposits received                            | 201                                 | 235                                 |
| Other   | 55                                  | 470                                 |
| <b>Sub-total</b>  | <b>2,095</b>                        | <b>2,218</b>                        |
| Proceeds from interest and dividend income                          | 87                                  | 93                                  |
| Payments for interest expense                                       | (0)                                 | (1)                                 |
| Payments for income taxes and other                                 | (1,160)                             | (1,651)                             |
| <b>Net cash provided by operating activities</b>                    | <b>1,022</b>                        | <b>659</b>                          |
| <b>Cash flow from investing activities</b>                          |                                     |                                     |
| Purchases of property and equipment                                 | (147)                               | (158)                               |
| Purchases of intangible assets                                      | (61)                                | (97)                                |
| Purchases of investment securities                                  | (1,227)                             | --                                  |
| Other   | (209)                               | 13                                  |
| <b>Net cash used in investing activities</b>                        | <b>(1,644)</b>                      | <b>(242)</b>                        |
| <b>Cash flows from financing activities</b>                         |                                     |                                     |
| Dividends paid  | (387)                               | (425)                               |
| Repayments of lease obligations                                     | (2)                                 | (5)                                 |
| Purchase of treasury stock  | (0)                                 | --                                  |
| <b>Net cash used in financing activities</b>                        | <b>(389)</b>                        | <b>(430)</b>                        |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> | <b>3</b>                            | <b>(0)</b>                          |
| <b>Increase (decrease) in cash and cash equivalents</b>             | <b>(1,008)</b>                      | <b>(13)</b>                         |
| <b>Cash and cash equivalents at beginning of term</b>               | <b>16,947</b>                       | <b>21,068</b>                       |
| <b>Cash and cash equivalents at end of term</b>                     | <b>15,939</b>                       | <b>21,055</b>                       |

**(4) Business Segment Information**

(Units: Millions of yen)

|                                    |                     | Three months ended<br>June 30, 2008 |       | Three months ended<br>June 30, 2009 |       | Change |
|------------------------------------|---------------------|-------------------------------------|-------|-------------------------------------|-------|--------|
|                                    |                     | Amount                              | %     | Amount                              | %     | %      |
| <b>Mobile Sales<br/>Business</b>   | Net sales           | 24,586                              | 82.5  | 20,899                              | 74.6  | (15.0) |
|                                    | Operating<br>income | 432                                 | 34.0  | 690                                 | 38.5  | 59.6   |
|                                    | %                   | 1.8%                                |       | 3.3%                                |       |        |
| <b>Mobile Service<br/>Business</b> | Net sales           | 5,221                               | 17.5  | 7,107                               | 25.4  | 36.1   |
|                                    | Operating<br>income | 837                                 | 66.0  | 1,101                               | 61.5  | 31.5   |
|                                    | %                   | 16.0%                               |       | 15.5%                               |       |        |
| <b>Total</b>                       | Net sales           | 29,807                              | 100.0 | 28,006                              | 100.0 | (6.0)  |
|                                    | Operating<br>income | 1,269                               | 100.0 | 1,791                               | 100.0 | 41.1   |
|                                    | %                   | 4.3%                                |       | 6.4%                                |       |        |