

# **Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 31, 2011**

**(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.*

## Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 31, 2011

### Company Name: NEC Mobiling, Ltd.

Head Office: Yokohama, Japan

President: Katsuhiro Nakagawa

Inquiries: Public and Investor Relations Office

Telephone: +81 45 476 6622

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Stock Code: 9430

Homepage: <http://www.nec-mobiling.com/>

## 1. Consolidated Financial Results for the First Quarter ended June 30, 2010

### (1) Consolidated Business Results

(Units: Millions of yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010
	% change	% change
Net Sales	-- -- %	31,884 --%
Operating Income	-- -- %	2,115 --%
Ordinary Income	-- -- %	2,153 --%
Net Income	-- -- %	1,170 --%
Net Income per Share (Yen)	--	80.56
Net Income per Share, fully diluted (Yen)	--	--

Note: The Company began its reporting on a consolidated basis on March 31, 2010, and only balance sheets were prepared on such basis. Therefore, neither numbers relating to the first quarter of the previous fiscal year nor the percentage changes in such numbers from the corresponding period in the previous fiscal year are presented.

### (2) Consolidated Financial Position

(Units: Millions of yen)

	As of June 30, 2010	As of March 31, 2010
Total Assets	62,954	67,233
Net Assets	35,148	34,818
Net Assets Ratio	55.8%	51.8%
Net Assets per Share (Yen)	2,419.13	2,396.38

## 2. Dividends

(Units: Yen)

	Full Year ended March 31, 2010	Full Year ending March 31, 2011	
			(Forecast)
Annual Dividends per Share	85.00	--	100.00
First Quarter	--	--	50.00
Second Quarter	35.00	--	--
Third Quarter	--	--	50.00
Year-end	50.00	--	--

### 3. Consolidated Financial Forecast for the Fiscal Year ending March 31, 2011

(Units: Millions of yen)

	First Half ending September 30, 2010		Full Year ending March 31, 2011	
		% change		% change
Net Sales	62,600	--	127,000	--
Operating Income	4,300	--	8,300	--
Ordinary Income	4,350	--	8,400	--
Net Income	2,480	--	4,800	--
Net Income per share (Yen)	170.69		330.37	

Notes: 1. Revision of earnings forecast during the quarter under review: None

2. The Company began its reporting on a consolidated basis on March 31, 2010, and only balance sheets were prepared on such basis. Therefore, no year-on-year percentage changes in numbers from the previous fiscal year or from the corresponding period in the previous fiscal year are presented.

### 4. Other information

(1) Important changes in scope of consolidation during period: None

(2) Item(s) in preparation method for quarterly financial results:  
The simplified method is applied to tax effect accounting.

(3) Changes to accounting procedures: None

(4) Number of shares outstanding

1. Shares outstanding at the end of term:	As of June 30, 2010:	14,529,400
	As of March 31, 2010:	14,529,400
2. Treasury stocks at the end of term:	As of June 30, 2010:	70
	As of March 31, 2010:	70
3. Average number of shares outstanding during the term:	Three months ended June 30, 2010:	14,529,330
	Three months ended June 30, 2009:	--

Notes: The Company began its reporting on a consolidated basis on March 31, 2010, and only balance sheets were prepared on such basis. Therefore, the average number of shares outstanding during the first quarter that ended June 30, 2009 is not provided above.

- At the time of this report's release, the quarterly review procedures under the Financial Instruments and Exchange Law have not been completed.
- The NEC Mobiling Group's quarterly financial statements on a consolidated basis are available only for the period beginning the first quarter under review. For the presentation of results of the first quarter of the previous fiscal year, non-consolidated quarterly statements of income and non-consolidated quarterly statements of cash flows for the prior fiscal year are provided separately in the section on Non-consolidated Financial Statements (for reference) on the pages immediately following the consolidated financial statements for the first quarter under review.

*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.*

## 1. Qualitative information pertaining to consolidated operating results of the first quarter ended June 30, 2010

### (1) Qualitative information pertaining to consolidated operating results

#### 1) General overview

Consolidated operating results for the fiscal year ending March 31, 2011 (in millions of yen)

	Year to Date (April 1–June 30, 2010)
Net Sales	31,884
Operating Income	2,115
Ordinary Income	2,153
Net Income	1,170

In the first consolidated quarter, which ended on June 30, 2010, Japan's economy remained in a difficult environment, despite undertones of economic recovery. A full-fledged upturn in personal consumption remained to be seen, while employment outlook was uncertain, with a high level of unemployment experienced throughout the period.

The mobile phone sales market remained lethargic in general, due to a longer replacement cycle of handsets and lower churn rates experienced by the major mobile network operators, although some positive signs signaling a turnaround in unit sales began to emerge in the first quarter.

In this operating environment, the NEC Mobiling group (the Company and its subsidiary companies) redoubled its efforts to improve service quality offered to customers at stores, actively sought to spark replacement demand, and encouraged a shift to handsets with advanced functions, such as smartphones. Meanwhile, on the other hand, it positioned itself to better address greater demand for maintenance services and boosted operational efficiency.

As a result, the Company posted net sales of ¥31,884 million, operating income of ¥2,115 million, ordinary income of ¥2,153 million, and net income of ¥1,170 million, all on a consolidated basis during the first quarter under review.

Please note that no comparisons with the first quarter of the previous fiscal year are presented, in the absence of consolidated financial statements for said period.

#### 2) Segment overview

##### (a) Mobile sales business

Consolidated operating results for the fiscal year ending March 31, 2011 (in millions of yen)

	Year to Date (April 1–June 30, 2010)
Net Sales	23,391
Operating Income	719

The first consolidated quarter that ended on June 30, 2010 witnessed an enhanced lineup of mobile phones, which now include various smartphones, mobile phones with Wi-Fi connectivity, and high-end models featuring high-speed HD cameras. Of particular note were tactics employed by the major mobile network operators to win and retain data communications service users and to encourage data communication usage through the release of mobile phone handsets and data communications products with Wi-Fi router functionality, offered along with downward revisions of basic charges for fixed-rate data communication plans.

In this business environment, the Company focused strongly on sales of handsets with advanced functions, such as smartphones and handsets with Wi-Fi router functionality, and, as a result, sold 345,000 units (or up 9% from the same period in the previous fiscal year based on parent-only units sales of the previous fiscal year), which partially reflected an increase attributable to the Company's acquisition of Matsuhaya Corporation on March 31, 2010.

Net sales generated by this business came in at ¥23,391 million. Stronger net sales, the positive effects of Matsuhaya Corporation's inclusion in the Company's consolidated scope, and successful undertakings aimed at higher operational performance, including initiatives carried out by individual retail outlets for profit maximization and loss minimization, resulted in operating income of ¥719 million.

**(b) Mobile service business**

Consolidated operating results for the fiscal year ending March 31, 2011 (in millions of yen)

	Year to Date (April 1–June 30, 2010)
Net Sales	8,493
Operating Income	1,396

The mobile service business benefited from greater demand for mobile handset maintenance services, which was attributable in part to enhanced guarantees extended by mobile network operators. In addition, demand related to the mobile communications base station systems also rose, due to stepped-up efforts by mobile network operators to improve their network quality.

Net sales stood at ¥8,493 million, while operating income came in at ¥1,396 million on improved agility to higher service demand as well as higher operational efficiency.

**(2) Qualitative information pertaining to the consolidated financial standing of the Company**

**1) Assets, liabilities, and net assets**

Total assets stood at ¥62,954 million as of June 30, 2010, reflecting a decrease of ¥4,279 million from the end of the previous fiscal year on March 31, 2010, due largely to a decrease in trade and non-trade receivables. Total liabilities decreased ¥4,609 million over the same period to ¥27,806 million, which was primarily attributable to lower accrued corporate taxes and accrued expenses.

Meanwhile, total net assets increased ¥330 million to ¥35,148 million. Factors that contributed to the change included a distribution of retained earnings as dividends and the posting of net income for the quarter.

These changes brought the Company's equity ratio to 55.8%.

**2) Cash flows**

Cash and cash equivalents (hereinafter referred to as "Cash") stood at ¥19,698 million as of June 30, 2010, down ¥889 million from the end of the previous fiscal year.

**(Cash flows from operating activities)**

Cash flows provided by operating activities in the three-month period ended June 30, 2010 amounted to ¥91 million. The inflow was primarily attributable to cash-increasing factors, such as the posting of income before income taxes and lower trade and non-trade receivables, which exceeded cash-decreasing factors, such as higher inventories, lower accrued expenses, and corporate tax payments.

**(Cash flows from investing activities)**

Cash used by investing activities amounted to ¥301 million, which represented disbursements linked to the acquisition of fixed assets, among others.

**(Cash flows from financing activities)**

Cash decreased ¥679 million in conjunction with financing activities, which consisted largely of the payment of end-of-year dividends for the 38<sup>th</sup> business year.

Please note that no year-on-year comparisons with the first quarter of the previous fiscal year are made in the absence of quarterly financial statements on a consolidated basis for said period.

**(3) Qualitative information pertaining to consolidated earnings forecasts**

No revision has been made on the earnings forecasts released on May 11, 2010.

**2. Other Information**

**(1) Important changes in subsidiaries during the first quarter**

None

**(2) Summary of simplified accounting procedures and special accounting procedures applied to the consolidated financial statements**

- Calculation of tax expenses

Tax expenses are calculated by multiplying quarterly income before income taxes by an effective tax rate, which is estimated reasonably upon the application of tax effect accounting to income before income taxes of the current consolidated fiscal year.

Deferred income tax is included in income taxes.

**(3) Summary of changes in accounting policies, procedures, and presentation**

- Application of accounting standards for asset retirement obligations

Beginning the first consolidated quarter under review, the Company has adopted ASBJ (Accounting Standards Board of Japan) Statement No. 18 (March 31, 2008) "Accounting Standards for Asset Retirement Obligations" and ASBJ Guidance No. 21 (March 31, 2008) "Guidance on Accounting Standards for Asset Retirement Obligations".

This adoption had the effect of lowering operating income and ordinary income by ¥9 million each while lowering income before income taxes by ¥117 million. It also changed the balance of asset retirement obligations of the Company by ¥243 million.

## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Units: Millions of yen)

Items	Term	As of June 30, 2010	As of March 31, 2010
		Amount	Amount
<b>Assets</b>			
<b>Current assets</b>			
Cash on hand and in banks		7,842	8,731
Notes and accounts receivable, trade		14,308	16,054
Marketable securities		2,999	2,998
Merchandise and Finished products		4,519	3,714
Work in process		1,781	1,537
Raw materials and Supplies		999	881
Accounts receivable, other		5,355	7,989
Affiliated Company deposits		9,000	9,000
Other		2,209	2,215
Allowance for doubtful accounts		(7)	(7)
<b>Current assets</b>		<b>49,005</b>	<b>53,112</b>
Property and equipment		2,294	2,120
Intangible assets			
Goodwill		2,177	2,291
Other		823	885
Total intangible assets		3,000	3,176
Investments and other assets		8,655	8,825
<b>Fixed assets</b>		<b>13,949</b>	<b>14,121</b>
<b>Total assets</b>		<b>62,954</b>	<b>67,233</b>
<b>Liabilities</b>			
Notes and accounts payable, trade		13,634	14,034
Accrued corporate taxes		898	2,566
Provision for bonuses		752	--
Accrued loss on subleases		41	42
Accounts payable, other		5,671	9,307
Other		2,252	2,172
<b>Current liabilities</b>		<b>23,248</b>	<b>28,121</b>
Accrued pension and severance costs		3,709	3,650
Accrued for directors' retirement benefits		57	55
Accrued loss on subleases		20	67
Other		772	522
<b>Total long-term liabilities</b>		<b>4,558</b>	<b>4,294</b>
<b>Total liabilities</b>		<b>27,806</b>	<b>32,415</b>

Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 31, 2011

(Units: Millions of yen)

Items	Term	As of June 30, 2010	As of March 31, 2010
		Amount	Amount
<b>Net assets</b>			
Common stock		2,371	2,371
Additional paid-in capital		2,707	2,707
Retained earnings		30,724	30,280
Treasury stocks		(0)	(0)
<b>Total shareholders' equity</b>		<b>35,802</b>	<b>35,358</b>
Unrealized gains (losses) on marketable securities		(654)	(540)
<b>Valuation and translation adjustments</b>		<b>(654)</b>	<b>(540)</b>
<b>Total net assets</b>		<b>35,148</b>	<b>34,818</b>
<b>Total liabilities and net assets</b>		<b>62,954</b>	<b>67,233</b>



**(2) Consolidated Statements of Income**

(Units: Millions of yen)

Items	Term	Three months ended June 30, 2010
		Amount
<b>Net sales</b>		<b>31,884</b>
Cost of sales		27,088
<b>Gross profit</b>		<b>4,796</b>
Selling, general and administrative expenses		2,681
<b>Operating income</b>		<b>2,115</b>
Non-operating income		
Interest income		11
Dividend income		43
Rent income		14
Miscellaneous income		4
Total Non-operating income		72
Non-operating expenses		
Interest expense		1
Rent expenses		30
Miscellaneous expenses		3
Total Non-operating expenses		34
<b>Ordinary income</b>		<b>2,153</b>
Extraordinary gains		
Reversal of accrued loss on subleases		39
Reversal of allowance for doubtful accounts		2
Total extraordinary gains		41
Extraordinary losses		
Loss on adjustment for changes of accounting standard for asset retirement obligations		108
Total extraordinary losses		108
<b>Income before income taxes</b>		<b>2,086</b>
Income taxes		916
<b>Income before minority interests</b>		<b>1,170</b>
<b>Net income</b>		<b>1,170</b>

[ Reference ]

**Non-consolidated Statements of Income**

(Units: Millions of yen)

Items	Term	Three months ended June 30, 2009
		Amount
<b>Net sales</b>		<b>28,006</b>
Cost of sales		24,158
<b>Gross profit</b>		<b>3,848</b>
Selling, general and administrative expenses		2,057
<b>Operating income</b>		<b>1,791</b>
Non-operating income		
Interest income		19
Dividend income		74
Miscellaneous income		2
Total Non-operating income		95
Non-operating expenses		
Interest expense		1
Loss on retirement of fixed assets		11
Miscellaneous expenses		0
Total Non-operating expenses		12
<b>Ordinary income</b>		<b>1,874</b>
<b>Income before income taxes</b>		<b>1,874</b>
Income taxes		806
<b>Net income</b>		<b>1,068</b>

**(3) Consolidated Statements of Cash Flows**

(Units: Millions of yen)

Items	Term	Three months ended June 30, 2010
<b>Cash flow from operating activities</b>		
Income before income taxes		2,086
Depreciation		208
Amortization of goodwill		114
Increase (decrease) in allowance for doubtful accounts		(3)
Increase (decrease) in accrued pension and severance costs		59
Increase (decrease) in accrued for directors' retirement benefits		2
Increase (decrease) in accrued for loss on subleases		(48)
Interest and dividend income		(53)
Interest expense		1
Foreign exchange (gains) loss		0
Loss on retirement of fixed assets		2
Loss on adjustment for changes of accounting standard for asset retirement obligations		108
(Increase) decrease in notes and accounts receivable, trade		1,746
(Increase) decrease in inventories		(1,167)
(Increase) decrease in accounts receivable, other		2,636
Increase (decrease) in notes and accounts payable, trade		(444)
Increase (decrease) in accrued expenses		(2,312)
Increase (decrease) in consumption tax payable		(40)
Increase (decrease) in deposits received		315
Other		(650)
<b>Sub-total</b>		<b>2,560</b>
Proceeds from interest and dividend income		53
Payments for interest expense		(1)
Payments for income taxes and other		(2,521)
<b>Net cash provided by operating activities</b>		<b>91</b>
<b>Cash flow from investing activities</b>		
Purchases of property and equipment		(216)
Purchases of intangible assets		(115)
Other		30
<b>Net cash used in investing activities</b>		<b>(301)</b>
<b>Cash flows from financing activities</b>		
Dividends paid		(672)
Repayments of lease obligations		(7)
<b>Net cash used in financing activities</b>		<b>(679)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(0)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(889)</b>
<b>Cash and cash equivalents at beginning of term</b>		<b>20,587</b>
<b>Cash and cash equivalents at end of term</b>		<b>19,698</b>

[ Reference ]

**Non-consolidated Statements of Cash Flows**

(Units: Millions of yen)

Items	Term	Three months ended June 30, 2009
<b>Cash flow from operating activities</b>		
Income before income taxes		1,874
Depreciation		175
Increase (decrease) in allowance for doubtful accounts		3
Increase (decrease) in accrued pension and severance costs		1
Interest and dividend income		(93)
Interest expense		1
Foreign exchange (gains) loss		0
Loss on retirement of fixed assets		11
(Increase) decrease in notes and accounts receivable, trade		2,087
(Increase) decrease in inventories		(1,992)
(Increase) decrease in accounts receivable, other		2,402
Increase (decrease) in notes and accounts payable, trade		709
Increase (decrease) in accrued expenses		(3,579)
Increase (decrease) in consumption tax payable		(86)
Increase (decrease) in deposits received		235
Other		470
<b>Sub-total</b>		<b>2,218</b>
Proceeds from interest and dividend income		93
Payments for interest expense		(1)
Payments for income taxes and other		(1,651)
<b>Net cash provided by operating activities</b>		<b>659</b>
<b>Cash flow from investing activities</b>		
Purchases of property and equipment		(158)
Purchases of intangible assets		(97)
Other		13
<b>Net cash used in investing activities</b>		<b>(242)</b>
<b>Cash flows from financing activities</b>		
Dividends paid		(425)
Repayments of lease obligations		(5)
<b>Net cash used in financing activities</b>		<b>(430)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(0)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(13)</b>
<b>Cash and cash equivalents at beginning of term</b>		<b>21,068</b>
<b>Cash and cash equivalents at end of term</b>		<b>21,055</b>

**(4) Supplementary information**

(Units: Millions of yen)

	Three months ended June 30, 2009 <Non-consolidated>	Three months ended June 30, 2010 <Consolidated>
	Amount	Amount
Net sales	28,006	31,884
Operating income	1,791	2,115
%	6.4	6.6
Ordinary income	1,874	2,153
%	6.7	6.8
Net income	1,068	1,170
%	3.8	3.7
Net Income per Share (Yen)	73.49	80.56

< Business Segment Information >

		Three months ended June 30, 2009 <Non-consolidated> (adjusted)	Three months ended June 30, 2010 <Consolidated>
		Amount	Amount
<b>Mobile Sales Business</b>	Net sales	20,976	23,391
	Operating income	642	719
	%	3.1	3.1
<b>Mobile Service Business</b>	Net sales	7,030	8,493
	Operating income	1,149	1,396
	%	16.3%	16.4%
<b>Total</b>	Net sales	28,006	31,884
	Operating income	1,791	2,115
	%	6.4	6.6

Notes: 1. The NEC Mobiling Group did not prepare quarterly financial statements on a consolidated basis for the first quarter of the previous fiscal year. Parent-only figures for that period are presented here for reference purposes only.

2. ASP services for mobile phones and other mobile solutions services, which were included in the Mobile Service Business until the end of the previous fiscal year, have been reclassified and are now under the Mobile Sales Business, effective the first quarter under review. The numbers for the first quarter of the previous year given here are post-adjustment numbers to ensure accurate comparison.