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

(2nd 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 Second Quarter of the Fiscal Year ending March 31, 2011

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1. Consolidated Financial Results for the Second Quarter ended September 30, 2010

(1) Consolidated Business Results

(Units: Millions of yen)

	Six months ended September 30, 2009		Six months ended September 30, 2010	
		% change		% change
Net Sales	--	--%	62,958	--%
Operating Income	--	--%	4,726	--%
Ordinary Income	--	--%	4,841	--%
Net Income	--	--%	2,604	--%
Net Income per Share (Yen)	--		179.20	
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 second 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 September 30, 2010	As of March 31, 2010
Total Assets	63,549	67,233
Net Assets	36,567	34,818
Net Assets Ratio	57.5%	51.8%
Net Assets per Share (Yen)	2,516.77	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	--	--	
Second Quarter	35.00	50.00	
Third Quarter	--		--
Year-end	50.00		50.00

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

(Units: Millions of yen)

	Full Year ending March 31, 2011	
		% change
Net Sales	127,000	--
Operating Income	9,000	--
Ordinary Income	9,100	--
Net Income	5,000	--
Net Income per share (Yen)	344.13	

Notes: 1. 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.

2. The Company has revised its forecast for the full year ending March 31, 2011 as follows.

(Units: Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
Previous forecast (A) (Announced on May 11, 2010)	127,000	8,300	8,400	4,800	330.37
Revised forecast (B)	127,000	9,000	9,100	5,000	344.13
Change (B-A)	--	700	700	200	13.76
Rate of change (%)	--%	8.4%	8.3%	4.2%	4.2%

4. Other information

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

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

(3) Changes to accounting procedures: none

(4) Number of shares outstanding

1. Shares outstanding at end of term:	As of Sept. 30, 2010:	14,529,400
	As of March 31, 2010:	14,529,400
2. Treasury stocks at end of term:	As of Sept. 30, 2010:	70
	As of March 31, 2010:	70
3. Average number of shares outstanding during the term:	Six months ended Sept. 30, 2010:	14,529,330
	Six months ended Sept. 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 second quarter that ended September 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 year under review. For the presentation of results of the second quarter of the previous fiscal year, non-consolidated quarterly statements of income and non-consolidated 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 second 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 for the second quarter ended September 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 through September 30, 2010)
Net Sales	62,958
Operating Income	4,726
Ordinary Income	4,841
Net Income	2,604

In the first half of the consolidated fiscal year under review, Japan's economy remained in a difficult environment, despite continued undertones of economic recovery. Plagued by a high level of unemployment and persistent deflationary forces throughout the period, the economy lacked momentum to drive a full-fledged recovery.

In the mobile phone sales market, the popularity of smartphones helped stop declining overall unit sales, which rose on a year-on-year basis; however, the market remained stagnant.

In this operating environment, NEC Mobiling (hereinafter, the “Company”) re-doubled its efforts to improve the service quality offered to customers at shops and to actively capture replacement demand by encouraging a shift to handsets with advanced functions, such as smartphones, while boosting its ability to meet growing demand for maintenance services and elevating operational efficiency.

As a result, the Company posted net sales of ¥62,958 million, operating income of ¥4,726 million, ordinary income of ¥4,841 million, and net income of ¥2,604 million on a consolidated basis in the six-month period ended September 30, 2010.

Please note that no year-on-year comparisons with the first six months of the previous fiscal year are made 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 through September 30, 2010)
Net Sales	44,830
Operating Income	1,461

The six-month period ended September 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 with quicker shutter response. 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 communication products with Wi-Fi router functionality, offered along with downward revisions of fixed-rate data communication charges.

In this business environment, the Company stepped up efforts to increase sales of handsets with advanced functions, such as smartphones and handsets with Wi-Fi functionality. As a result, the Company sold 687,000 handsets in the period under review (or an increase of 7% from the same period in the previous year based on the parent-only unit 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 amounted to ¥44,830 million. Operating income stood at ¥1,461 million, buoyed by strong net sales, the positive effects of Matsuhaya Corporation's inclusion in the Company's consolidated scope, and stronger business improvement measures, including greater sales of mobile phone-related items, efforts by individual shops for profit maximization and loss minimization, and undertakings to bolster low-profit business, despite the negative consequences of new commission schedules imposed by mobile phone network operators on mobile phone distributors.

(b) Mobile service business

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

	Year-to-date (April 1 through September 30, 2010)
Net Sales	18,128
Operating Income	3,265

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 mobile communications base station systems also rose, due to stepped-up efforts by mobile network operators to improve their network quality.

Net sales generated by this business amounted to ¥18,128 million, while operating income came in at ¥3,265 million on improved operational efficiency.

3) Qualitative information pertaining to the consolidated financial standing of the Company

(1) Assets, liabilities, and net assets

Total assets stood at ¥63,549 million, as of September 30, 2010, reflecting a decrease of ¥3,684 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 ¥5,433 million over the same period to ¥26,982 million, which was primarily attributable to lower trade payables and accrued expenses. Total net assets increased ¥1,749 million to ¥36,567 million. Factors that contributed to the change included a distribution of retained earnings as dividends and the posting of quarterly net income.

These changes brought the Company's equity ratio to 57.5%.

(2) Cash flows

Cash and cash equivalents (hereinafter referred to as "cash") stood at ¥21,403 million, as of September 30, 2010, up ¥816 million from the end of the previous consolidated fiscal year.

Cash flow from operating activities:

Cash flow provided by operating activities in the six-month period ended September 30, 2010 amounted to ¥2,662 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 lower trade payables, lower accrued expenses, and corporate tax payments.

Cash flow from investing activities:

Cash flow used by investing activities in the six-month period amounted to ¥1,105 million.

The outflow largely represented disbursements linked to the acquisition of fixed assets and the purchase of shares in an affiliated Company.

Cash flows from financing activities:

Cash decreased ¥740 million in conjunction with financing activities, which consisted largely of the payment of the end-of-year dividends for the 38th business year.

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

4) Qualitative information pertaining to consolidated earnings forecasts

Sales remained solid throughout the six-month period ended September 30, 2010, and net sales for the six-month period were virtually in line with the forecast made in the beginning of the consolidated fiscal year under review. Operating income exceeded the Company's forecast on improved operational efficiency (e.g., greater sales of mobile phone-related items, efforts by individual shops toward profit maximization and loss minimization, and cost-of-sales reductions), despite the adverse consequences of a new commissions schedule payable by mobile phone network operators to the distributors.

The Company's full-year forecast for net sales announced in the beginning of the fiscal year has been reiterated, given the net sales achieved in the six-month period under review, which virtually met the initial forecast. The Company has decided to revise its full-year forecast for operating income upward by ¥700 million to ¥9,000 million, based on its new expectation that additional profits will be secured by carrying on with the successful initiatives that have been rolled out by the end of the period.

Changes from the full-year forecasts announced in the consolidated financial results dated May 11, 2010 are summarized below (full year).

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous Forecast (A)	127,000	8,300	8,400	4,800	330.37
Revised Forecast (B)	127,000	9,000	9,100	5,000	344.13
Change (B-A)	―	700	700	200	13.76
Change (%)	―	8.4	8.3	4.2	4.2
Previous Fiscal Year (Actual)	―	―	―	―	―

Note: The Company began financial reporting on a consolidated basis on March 31, 2010. Therefore, no results for the previous fiscal year are presented.

2. Other information

1) Important changes in subsidiaries during the second quarter

None

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

・Calculation of tax expenses

With the exception of certain consolidated subsidiaries, the Company calculates tax expenses 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 the 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 of the current fiscal year, 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 ¥39 million each, while lowering income before income taxes by ¥147 million. It also changed the balance of the asset retirement obligations of the Company by ¥243 million.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Units: Millions of yen)

Items \ Term	As of September 30, 2010	As of March 31, 2010
	Amount	Amount
Assets		
Cash and deposits	8,554	8,731
Notes and accounts receivable-trade	14,366	16,054
Short-term investment securities	3,999	2,998
Merchandise and Finished goods	3,535	3,714
Work in process	2,029	1,537
Raw materials and supplies	851	881
Accounts receivable-other	4,774	7,989
Deposit paid in subsidiaries and affiliates	9,000	9,000
Other	2,229	2,215
Allowance for doubtful accounts	(7)	(7)
Current assets	**49,330**	**53,112**
Property, plant and equipment	2,297	2,120
Intangible assets		
Goodwill	2,149	2,291
Other	796	885
Total Intangible asset	2,945	3,176
Investments and other assets	8,977	8,825
Noncurrent assets	**14,219**	**14,121**
Total assets	**63,549**	**67,233**
Liabilities		
Notes and accounts payable-trade	11,561	14,034
Income taxes payable	1,963	2,566
Provision for loss on subleases	44	42
Accrued expenses	7,135	9,307
Other	1,666	2,172
Current liabilities	**22,369**	**28,121**
Provision for retirement benefits	3,762	3,650
Provision for directors' retirement benefits	58	55
Provision for loss on subleases	12	67
Other	781	522
Noncurrent liabilities	**4,613**	**4,294**
Total liabilities	**26,982**	**32,415**

(Units: Millions of yen)

Items / Term	As of September 30, 2010	As of March 31, 2010
	Amount	Amount
Net assets		
Capital stock	2,371	2,371
Capital surplus	2,707	2,707
Retained earnings	32,158	30,280
Treasury stocks	(0)	(0)
Total shareholders' equity	**37,236**	**35,358**
Valuation difference on available-for-sale securities	(669)	(540)
Valuation and translation adjustments	**(669)**	**(540)**
Total net assets	**36,567**	**34,818**
Total liabilities and net assets	**63,549**	**67,233**

(2) Consolidated Statements of Income

(Units: Millions of yen)

Items / Term	Six months ended September 30, 2010
	Amount
Net sales	**62,958**
Cost of sales	52,761
Gross profit	**10,197**
Selling, general and administrative expenses	5,471
Operating income	**4,726**
Non-operating income	
Interest income	22
Dividend income	111
Rent income	29
Other	10
Total Non-operating income	172
Non-operating expenses	
Interest expense	2
Rent expenses	30
Loss on retirement of fixed assets	22
Other	3
Total Non-operating expenses	57
Ordinary income	**4,841**
Extraordinary income	
Reversal of provision for loss on subleases	39
Reversal of allowance for doubtful accounts	10
Gain on sales of investment securities	1
Total extraordinary income	50
Extraordinary loss	
Loss on adjustment for changes of accounting standard for asset retirement obligations	108
Head office transfer cost	137
Total extraordinary loss	245
Income before income taxes	**4,646**
Income taxes	2,042
Income before minority interests	**2,604**
Net income	**2,604**

〔Reference〕

Non-consolidated Statements of Income

(Units: Millions of yen)

Items / Term	Six months ended September 30, 2009
	Amount
Net sales	**57,719**
Cost of sales	49,337
Gross profit	**8,382**
Selling, general and administrative expenses	4,104
Operating income	**4,278**
Non-operating income	
Interest income	36
Dividend income	117
Other	4
Total Non-operating income	157
Non-operating expenses	
Interest expense	1
Loss on retirement of fixed assets	67
Other	2
Total Non-operating expenses	70
Ordinary income	**4,365**
Income before income taxes	**4,365**
Income taxes	1,868
Net income	**2,497**

(3) Consolidated Statements of Cash Flows

(Units: Millions of yen)

Items / Term	Six months ended September 30, 2010
Cash flow from operating activities	
Income before income taxes	4,646
Depreciation and amortization	441
Amortization of goodwill	231
Increase (decrease) in allowance for doubtful accounts	(11)
Increase (decrease) in provision for retirement benefits	96
Increase (decrease) in provision for directors' retirement benefits	3
Increase (decrease) in provision for loss on subleases	(54)
Interest and dividend income	(133)
Interest expense	2
Foreign exchange losses (gains)	1
Loss on retirement of fixed assets	22
Loss (gain) on sales of investment securities	(1)
Loss on adjustment for changes of accounting standard for asset retirement obligations	108
Head office transfer cost	137
(Increase) decrease in notes and accounts receivable-trade	1,688
(Increase) decrease in inventories	(257)
(Increase) decrease in accounts receivable-other	3,221
Increase (decrease) in notes and accounts payable-trade	(2,454)
Increase (decrease) in accrued expenses	(2,307)
Increase (decrease) in accrued consumption taxes	(1)
Increase (decrease) in deposits received	143
Other, net	(466)
Sub-total	**5,055**
Interest and dividend income received	133
Interest expense paid	(2)
Income taxes paid	(2,524)
Net cash provided by (used in) activities	**2,662**
Cash flow from investing activities	
Purchases of property, plant and equipment	(537)
Purchases of intangible assets	(161)
Proceeds from sales of investment securities	1
Purchase of stocks of subsidiaries and affiliates	(330)
Payments for transfer of business	(129)
Other, net	51
Net cash provided by (used in) investing activities	**(1,105)**
Cash flows from financing activities	
Cash dividends paid	(726)
Repayments of lease obligations	(14)
Net cash provided by (used in) financing activities	**(740)**
Effect of exchange rate changes on cash and cash equivalents	**(1)**
Net increase (decrease) in cash and cash equivalents	**816**
Cash and cash equivalents at beginning of period	**20,587**
Cash and cash equivalents at end of period	**21,403**

〔Reference〕

Non-consolidated Statements of Cash Flows

(Units: Millions of yen)

Items / Term	Six months ended September 30, 2009
Cash flow from operating activities	
Income before income taxes	4,365
Depreciation and amortization	356
Increase (decrease) in allowance for doubtful accounts	(2)
Increase (decrease) in provision for retirement benefits	56
Interest and dividend income	(153)
Interest expense	1
Foreign exchange losses (gains)	1
Loss on retirement of fixed assets	67
(Increase) decrease in notes and accounts receivable-trade	1,433
(Increase) decrease in inventories	(803)
(Increase) decrease in accounts receivable-other	2,587
Increase (decrease) in notes and accounts payable-trade	(1,902)
Increase (decrease) in accrued expenses	(2,323)
Increase (decrease) in accrued consumption taxes	(53)
Increase (decrease) in deposits received	(21)
Other, net	(111)
Sub-total	**3,498**
Interest and dividend income received	153
Interest expense paid	(1)
Income taxes paid	(1,651)
Net cash provided by (used in) activities	**1,999**
Cash flow from investing activities	
Purchases of property, plant and equipment	(196)
Purchases of intangible assets	(119)
Proceeds from sales of investment securities	46
Other, net	(0)
Net cash provided by (used in) investing activities	(269)
Cash flows from financing activities	
Cash dividends paid	(436)
Repayments of lease obligations	(10)
Net cash provided by (used in) financing activities	**(446)**
Effect of exchange rate changes on cash and cash equivalents	(1)
Net increase (decrease) in cash and cash equivalents	1,283
Cash and cash equivalents at beginning of period	**21,068**
Cash and cash equivalents at end of period	**22,351**

(4) Supplementary information

(Units: Millions of yen)

	Six months ended September 30, 2009 <Non-consolidated>	Six months ended September 30, 2010 <Consolidated>
	Amount	**Amount**
Net sales	57,719	62,958
Operating income	4,278	4,726
%	7.4	7.5
Ordinary income	4,365	4,841
%	7.6	7.7
Net income	2,497	2,604
%	4.3	4.1
Net Income per Share (Yen)	171.84	179.20

＜**Business Segment Information**（**Results**）＞

		Six months ended September 30, 2009 <Non-consolidated> (adjusted)	Six months ended September 30, 2010 <Consolidated>
		Amount	**Amount**
Mobile Sales Business	Net sales	41,614	44,830
	Operating income	1,692	1,461
	%	4.1	3.3
Mobile Service Business	Net sales	16,105	18,128
	Operating income	2,586	3,265
	%	16.1	18.0
Total	Net sales	57,719	62,958
	Operating income	4,278	4,726
	%	7.4	7.5

Notes; 1.The NEC Mobiling Group did not prepare quarterly financial statements on a consolidated basis for the second 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 year under review.
The numbers for the second quarter of the previous year given here are post-adjustment numbers to ensure accurate comparison.

＜Business Segment Information（Forecast）＞

		Full Year ended March 31, 2010 <Non-consolidated> (adjusted)	Full Year ending March 31, 2011 <Consolidated>（forecast）
		Amount	Amount
Mobile Sales Business	Net sales	84,837	92,070
	Operating income	3,045	2,950
	%	3.6	3.2
Mobile Service Business	Net sales	32,750	34,930
	Operating income	5,074	6,050
	%	15.5	17.3
Total	Net sales	117,587	127,000
	Operating income	8,119	9,000
	%	6.9	7.1

Notes; 1.The NEC Mobiling Group did not prepare quarterly financial statements on a consolidated basis for the second 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 year under review.
The numbers of the previous year given here are post-adjustment numbers to ensure accurate comparison.