

**Consolidated Financial Results for  
the Second Quarter of the Fiscal Year  
ending March 31, 2013**

**(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 Second Quarter of the Fiscal Year ending March 31, 2013

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Scheduled Date of Quarterly Securities Report Filing:  
November 8, 2012

Date of Publication: October 24, 2012

Listed Exchanges: Tokyo Stock Exchange

Stock Code: 9430

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

Scheduled Date of Dividend Payment: December 3, 2012

## 1. Consolidated Financial Results for the Second Quarter ended September 30, 2012

### (1) Consolidated Business Results

(Units: Millions of yen)

	Six months ended September 30, 2011		Six months ended September 30, 2012	
		% change		% change
Net Sales	61,418	(2.4%)	68,032	10.8%
Operating Income	4,904	3.8%	5,481	11.8%
Ordinary Income	5,006	3.4%	5,499	9.8%
Net Income	2,705	3.9%	2,990	10.5%
Net Income per Share (Yen)	186.16		205.78	
Net Income per Share, fully diluted (Yen)	--		--	

Notes: Comprehensive income: Six months ended September 30, 2011: 2,569 (3.8%)

Six months ended September 30, 2012: 3,043 (18.5%)

### (2) Consolidated Financial Position

(Units: Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Total Assets	77,676	73,343
Net Assets	42,590	44,760
Equity Ratio	54.8%	61.0%

## 2. Dividends

(Units: Yen)

	Fiscal Year ended March 31, 2012	Forecast for Fiscal Year ending March 31, 2013	
			(Planned)
Annual Dividends per Share	120.00		130.00
First Quarter	--	--	
Second Quarter	60.00	65.00	
Third Quarter	--		--
Year-end	60.00		65.00

Note: Revision of dividends forecasts during the quarter under review: None

### 3. Consolidated Financial Forecast for the Fiscal Year ending March 31, 2013

(Units: Millions of yen)

	Fiscal Year ending March 31, 2013	
		% change
Net Sales	136,000	7.9
Operating Income	10,500	0.6
Ordinary Income	10,600	(0.1)
Net Income	6,200	26.8
Net Income per share (Yen)	426.72	

Note: Revision of dividends forecasts during the quarter under review: None

#### ※ Notes

- (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.
- (3) Changes in accounting policies, changes in accounting estimates and restatements
  1. Changes in accounting policies caused by revision of accounting standards: None
  2. Changes other than above: None
  3. Changes in accounting estimates: None
  4. Restatements: None
- (4) Number of shares outstanding
  1. Shares outstanding at the end of term:
 

As of March 31, 2012:	14,529,400
As of Sept. 30, 2012:	14,529,400
  2. Treasury stocks at the end of term:
 

As of March 31, 2012:	70
As of Sept. 30, 2012:	143
  3. Average number of shares outstanding during the term:
 

Six months ended Sept. 30, 2011:	14,529,330
Six months ended Sept. 30, 2012:	14,529,298

- At the time of this report's release, the quarterly review procedures under the Financial Instruments and Exchange Law have not been completed.

*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.*

## Analyses of Operating Results

### 1) Operating Results for the Second Quarter of the Fiscal Year Ending March 31, 2013

#### 1. General Overview

Consolidated operating results for the fiscal year ending March 31, 2013 (in millions of yen)

	Year to date (April 1- September 30, 2011)	Year to date (April 1- September 30, 2012)	YoY (%)
Net Sales	61,418	68,032	10.8%
Operating Income	4,904	5,481	11.8%
Ordinary Income	5,006	5,499	9.8%
Net Income	2,705	2,990	10.5%

In the six-month period ended September 30, 2012, Japan's economy continued to move along a mild recovery trajectory on the back of post-quake reconstruction demand, but difficult environments persisted. The sluggish tone of personal consumption, combined with concerns over the European debt crisis, the strong yen, and the economic slowdown overseas, have clouded future outlook, overshadowing some positive signs of turnaround in capital investment.

In the mobile phone sales market, smartphone unit sales grew faster than the rest, as mobile network operators enhanced their smartphone lines and rolled out aggressive marketing promotions. Market size has grown, and smartphones now account for over 50% of unit sales.

In this operating environment, the NEC Mobiling Group, which consists of NEC Mobiling and its consolidated subsidiaries ("the Company"), redoubled 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. The robust sales market was translated into diminishing demand for maintenance services, as consumers increasingly opted to replace rather than to have their old handsets repaired. To cope with this trend, the Company undertook actions aimed at cost reduction and improved operational efficiency.

As a result of the foregoing, the Company posted net sales of ¥68,032 million (up 10.8% year-on-year) in the period under review. Stronger sales reflected a 14% increase, on a year-on-year basis, in unit sales of handsets to 870,000 units, which more than compensated for the lower demand for maintenance services.

Operating income and ordinary income came in at ¥5,481 million (up 11.8% year on year) and ¥5,499 million (up 9.8%), respectively. The positive results were attributable to an increase in unit sales and the successful cost reductions and other measures aimed at improved operational efficiency. Net income was ¥2,990 million (up 10.5%), reflecting loss on the valuation of investment securities and income tax payments, among others.

## 2. Segment Overview

From the fiscal year starting April 1, 2012, the business segments has been changed. The “Mobile Service Business” has been changed to the “Mobile Solutions Business,” combined with the mobile handset sales for enterprise related business, which was formerly included in the “Mobile Sales Business.”

Please note that the segment information for the second quarter of the last fiscal year is based on the new reporting segments recently adopted.

### (a) Mobile Sales Business

Consolidated operating results for the fiscal year ending March 31, 2013 (in millions of yen)

	Year to date (April 1- September 30, 2011)	Year to date (April 1- September 30, 2012)	YoY (%)
Net Sales	42,785	53,687	25.5 %
Operating Income	1,658	2,529	52.5 %

In the six-month period, the sales market continued to grow, as mobile network operators launched new models to their popular lines of smartphones with high-speed computing capacity, complemented by the aggressive marketing promotions of mobile network operators and the greater availability of LTE (long-term evolution) and other high-speed, large-capacity communications services.

In this operating environment, the NEC Mobiling Group rolled out a variety of measures aimed at improving customer satisfaction, including the launch of new shops and the relocation/renovation of existing shops, the installation (at shop locations) of the unique Smartphone Concierge Service (see Note) terminals, the sale of accessories and peripheral devices for handsets, and the provision of advice regarding smartphone applications. Undertaken in an attempt to achieve greater sales of smartphones and other mobile handsets with advanced functions, these measures successfully boosted sales during the summer sales season, which were translated into an increase in unit sales of handsets, accompanied by an increase in sales of peripheral goods for the period under review.

Net sales increased 25.5% year-on-year to ¥53,687 million. Operating income rose 52.5% year-on-year to ¥2,529 million, reflecting higher unit sales and stronger initiatives for operational efficiency, such as actions to improve profits by individual shops.

Note: Smartphone Concierge Service: Assistance provided to customers for the initial setup of a smartphone

### (b) Mobile Solutions Business

Consolidated operating results for the fiscal year ending March 31, 2013 (in millions of yen)

	Year to date (April 1- September 30, 2011)	Year to date (April 1- September 30, 2012)	YoY (%)
Net Sales	18,633	14,345	(23.0 %)
Operating Income	3,246	2,952	(9.1 %)

While replacement demand continued to grow, bolstered by the aggressive smartphone promotional efforts of mobile network operators, the demand for maintenance services diminished in the period under review.

Net sales decreased 23.0% year-on-year to ¥14,345 million. Operating income came in at ¥2,952 million (down 9.1%) as a result of stepped-up efforts for greater operational efficiency including cost reduction through better repair technology and more maintenance service wins for handsets manufactured overseas.

## 2) Analyses of the Consolidated Financial Position

### Position as of June 30, 2012

#### Assets, Liabilities, and Net Assets

Total assets stood at ¥73,343 million, as of September 30, 2012, reflecting a decrease of ¥4,333 million from the end of the previous fiscal year on March 31, 2012, due largely to a decrease in notes and accounts receivable — trade and a decrease in accounts receivables — other. Total liabilities decreased ¥6,503 million over the same period to ¥28,583 million. The decrease was primarily attributable to lower notes and accounts payable — trade and accrued expenses. Meanwhile, total net assets increased ¥2,170 million to ¥44,760 million. Factors that contributed to the change

included the posting the quarterly net income and a distribution of retained earnings as dividends. These changes brought equity ratio to 61.0%.

### **Cash Flows**

Cash and cash equivalents (hereinafter referred to as "cash") stood at ¥30,922 million, as of September 30, 2012, up ¥3,223 million from the end of the previous consolidated fiscal year.

#### **Cash flow from operating activities**

Cash flow provided by operating activities in the six months period ended September 30, 2012, amounted to ¥4,120 million (up 66.5% year-on-year).

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 exceeded the cash-decreasing factors, such as lower trade payables, lower accrued expenses, and income tax payments.

The cash inflow reported in the period under review was ¥1,645 million more than the inflow posted in the same period last year. Factors contributing to this included the impact of higher net income before taxes on a year-on-year basis and changes in the Company's assets and liabilities.

#### **Cash flows from investing activities**

Cash provided by investing activities amounted to ¥9 million, as opposed to the cash outflow of ¥203 million posted in the same period last year.

This was primarily attributable to proceeds obtained from the sale of investment securities, which exceeded disbursements caused by purchases of property, plants, and equipment.

Smaller cash outflows linked to the acquisition of property, plants, and equipment, combined with the posting of proceeds from the sale of investment securities resulted in a net cash inflow, which was ¥212 million more than the same period last year.

#### **Cash flows from financing activities**

Cash used by financing activities amounted to ¥905 million (up 20.3% year-on-year), which consisted largely of the payment of the dividends and the repayments of lease obligations.

Cash used by financing activities, which was 152 million more than the cash outflow reported in the same period last year, was primarily attributable to an increase in dividend payments.

### **3) Outlook for the Fiscal Year Ending March 2013**

#### **Qualitative information pertaining to consolidated earnings forecasts**

As announced in the revised earnings forecasts released on October 17, 2012, NEC Mobiling has raised its full-year forecast for net sales to ¥136 billion (up ¥9.5 billion from the initial forecast). The revised forecast reflects the higher-than-expected sales achieved during the six months under review on the back of robust demand for smartphones and the higher average unit retail price.

The full-year forecasts for operating income, ordinary income, and net income remain unchanged from the initial announcement.

## Other information

### 1) Important changes in subsidiaries during the six-month period ended September 30, 2012

None

### 2) Summary of 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 are estimated reasonably upon the application of tax effect accounting to income before income taxes of the current consolidated fiscal year.

Deferred income taxes is included in income taxes.

### 3) Changes in accounting policy, changes in accounting estimates, and the restatements

None

## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Units: Millions of yen)

Items	Term	As of	As of
		March 31, 2012	September 30, 2012
		Amount	Amount
<b>Assets</b>			
Cash and deposits		7,841	11,058
Notes and accounts receivable—trade		17,967	13,881
Short-term investment securities		10,997	10,997
Merchandise and finished goods		4,477	4,785
Work in process		1,237	1,755
Raw materials and supplies		682	476
Accounts receivable—other		11,095	8,103
Deposit paid in subsidiaries and affiliates		9,000	9,000
Other		2,249	2,210
Allowance for doubtful accounts		(5)	(5)
<b>Current assets</b>		<b>65,540</b>	<b>62,260</b>
Property, plant and equipment		2,625	2,610
Intangible assets			
Goodwill		1,435	1,197
Other		417	383
Total intangible assets		1,852	1,580
Investments and other assets		7,659	6,893
<b>Non-current assets</b>		<b>12,136</b>	<b>11,083</b>
<b>Total assets</b>		<b>77,676</b>	<b>73,343</b>
<b>Liabilities</b>			
Notes and accounts payable—trade		14,338	9,731
Income taxes payable		2,272	2,169
Accrued expenses		11,739	10,146
Other		2,025	1,704
<b>Current liabilities</b>		<b>30,374</b>	<b>23,750</b>
Provision for retirement benefits		3,971	4,085
Other		741	748
<b>Non-current liabilities</b>		<b>4,712</b>	<b>4,833</b>
<b>Total liabilities</b>		<b>35,086</b>	<b>28,583</b>
<b>Shareholders' equity</b>			
Capital stock		2,371	2,371
Capital surplus		2,707	2,707
Retained earnings		37,614	39,731
Treasury stocks		(0)	(0)
<b>Total shareholders' equity</b>		<b>42,692</b>	<b>44,809</b>
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities		(102)	(49)
<b>Total accumulated other comprehensive income</b>		<b>(102)</b>	<b>(49)</b>
<b>Total net assets</b>		<b>42,590</b>	<b>44,760</b>
<b>Total liabilities and net assets</b>		<b>77,676</b>	<b>73,343</b>

**(2) Consolidated Statements of Income and Comprehensive Income  
(Consolidated Statements of Income)**

(Units: Millions of yen)

Items	Term	Six months ended September 30, 2011	Six months ended September 30, 2012
		Amount	Amount
<b>Net sales</b>		<b>61,418</b>	<b>68,032</b>
Cost of sales		50,476	56,966
<b>Gross profit</b>		<b>10,942</b>	<b>11,066</b>
Selling, general and administrative expenses		6,038	5,585
<b>Operating income</b>		<b>4,904</b>	<b>5,481</b>
Non-operating income			
Interest income		22	24
Dividend income		86	59
Other		55	34
Total Non-operating income		163	117
Non-operating expenses			
Interest expense		2	2
Loss on retirement of non-current assets		19	72
Other		40	25
Total Non-operating expenses		61	99
<b>Ordinary income</b>		<b>5,006</b>	<b>5,499</b>
Extraordinary losses			
Loss on valuation of investment securities		--	294
Loss on sales of investment securities		--	30
Loss on sales of non-current assets		24	--
Office transfer cost		57	--
Loss on liquidation of business		37	--
Total extraordinary losses		118	324
<b>Income before income taxes</b>		<b>4,888</b>	<b>5,175</b>
Income taxes		2,183	2,185
<b>Income before minority interests</b>		<b>2,705</b>	<b>2,990</b>
<b>Net income</b>		<b>2,705</b>	<b>2,990</b>

**(Consolidated Statements of Comprehensive Income)**

(Units: Millions of yen)

Items	Term	Six months ended September 30, 2011	Six months ended September 30, 2012
		Amount	Amount
<b>Net income</b>		<b>2,705</b>	<b>2,990</b>
<b>Other comprehensive income</b>			
Valuation difference on available-for-sale securities		(136)	53
Total other comprehensive income		(136)	53
<b>Comprehensive income</b>		<b>2,569</b>	<b>3,043</b>

(Comprehensive income attributable)

Comprehensive income attributable to owners of the parent

2,569

3,043

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

(Units: Millions of yen)

Term	Six months ended September 30, 2011	Six months ended September 30, 2012
<b>Items</b>		
<b>Cash flow from operating activities</b>		
Income before income taxes	4,888	5,175
Depreciation and amortization	420	321
Amortization of goodwill	238	238
Increase (decrease) in allowance for doubtful accounts	(52)	(2)
Increase (decrease) in provision for retirement benefits	108	173
Increase (decrease) in provision for directors' retirement benefits	(50)	--
Increase (decrease) in provision for loss on subleases	(24)	--
Interest and dividends income	(108)	(83)
Interest expenses	2	2
Foreign exchange (gains) losses	0	1
Loss on retirement of property, plant and equipment	19	72
(Gain) loss on sales of non-current assets	24	--
(Gain) loss on sales of investment securities	--	30
Loss (gain) on valuation of investment securities	--	294
Head office transfer cost	57	--
Loss on liquidation of business	37	--
(Increase) decrease in notes and accounts receivable—trade	1,281	4,086
(Increase) decrease in inventories	(77)	(620)
(Increase) decrease in accounts receivable—other	2,555	3,118
Increase (decrease) in notes and accounts payable—trade	(3,274)	(4,607)
Increase (decrease) in accrued expenses	(1,461)	(1,593)
Increase (decrease) in accrued consumption taxes	(19)	(83)
Increase (decrease) in deposits received	100	(112)
Other, net	(10)	(84)
<b>Sub-total</b>	<b>4,654</b>	<b>6,326</b>
Interest and dividend income received	108	83
Interest expenses paid	(2)	(2)
Income taxes paid	(2,269)	(2,287)
Other, net	(16)	--
<b>Net cash provided by (used-in) operating activities</b>	<b>2,475</b>	<b>4,120</b>

(Units: Millions of yen)

Term	Six months ended September 30, 2011	Six months ended September 30, 2012
<b>Items</b>		
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(354)	(267)
Proceeds from sales of non-current assets	159	--
Purchase of intangible assets	(112)	(79)
Proceeds from sales of investment securities	--	376
Proceeds from transfer of business	86	--
Other, net	18	(21)
<b>Net cash provided by (used in) investing activities</b>	<b>(203)</b>	<b>9</b>
<b>Cash flows from financing activities</b>		
Cash dividends paid	(726)	(871)
Repayments of lease obligations	(27)	(34)
Purchase of treasury stock	--	(0)
<b>Net cash provided by (used in) financing activities</b>	<b>(753)</b>	<b>(905)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(0)</b>	<b>(1)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,519</b>	<b>3,223</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>23,240</b>	<b>27,699</b>
<b>Cash and cash equivalents at end of period</b>	<b>24,759</b>	<b>30,922</b>

**(4) Going Concern Assumption**

None

**(5) Material Changes in Shareholders' Equity**

None

**(6) Subsequent Event**

None

## Supplementary Information

(Units: Millions of yen)

	Six months ended September 30, 2011 <Consolidated>	Six months ended September 30, 2012 <Consolidated>	% Change
Net sales	61,418	68,032	10.8
Operating income	4,904	5,481	11.8
%	8.0	8.1	
Ordinary income	5,006	5,499	9.8
%	8.2	8.1	
Net income	2,705	2,990	10.5
%	4.4	4.4	
Net Income per Share (Yen)	186.16	205.78	

## &lt; Business Segment Information &gt;

(Units: Millions of yen)

		Six months ended September 30, 2011 <Consolidated> (Reclassified)		Six months ended September 30, 2012 <Consolidated>		% Change
		Amount	%	Amount	%	
<b>Mobile Sales Business</b>	Net sales	42,785	69.7	53,687	78.9	25.5
	Operating income	1,658	33.8	2,529	46.1	52.5
	%	3.9		4.7		
<b>Mobile Solutions Business</b>	Net sales	18,633	30.3	14,345	21.1	(23.0)
	Operating income	3,246	66.2	2,952	53.9	(9.1)
	%	17.4		20.6		
<b>Total</b>	Net sales	61,418	100.0	68,032	100.0	10.8
	Operating income	4,904	100.0	5,481	100.0	11.8
	%	8.0		8.1		

Note: From the fiscal year starting April 1, 2012, the business segments has been changed. The "Mobile Service Business" has been changed to the "Mobile Solutions Business," combined with the mobile handset sales for enterprise related business, which was formerly included in the "Mobile Sales Business."

(Units: Millions of yen)

	Fiscal Year ended March 31, 2012 <Consolidated>	Fiscal Year ending March 31, 2013 <Consolidated> (forecast)	% Change
Net sales	126,084	136,000	8
Operating income	10,438	10,500	1
%	8.3	7.7	
Ordinary income	10,613	10,600	(0)
%	8.4	7.8	
Net income	4,888	6,200	27
%	3.9	4.6	
Net Income per Share (Yen)	336.45	426.72	

&lt; Business Segment Information (Forecast) &gt;

(Units: Millions of yen)

		Full Year ended March 31, 2012 <Consolidated> (Reclassified)		Full Year ending March 31, 2013 <Consolidated> (forecast)		% Change
		Amount	%	Amount	%	
<b>Mobile Sales Business</b>	Net sales	90,015	71.4	107,400	79.0	19
	Operating income	3,827	36.7	5,000	47.6	31
	%	4.3		4.7		
<b>Mobile Solutions Business</b>	Net sales	36,069	28.6	28,600	21.0	(21)
	Operating income	6,611	63.3	5,500	52.4	(17)
	%	18.3		19.2		
<b>Total</b>	Net sales	126,084	100.0	136,000	100.0	8
	Operating income	10,438	100.0	10,500	100.0	1
	%	8.3		7.7		

Note: The numbers of the previous year given here are post-adjustment numbers to ensure accurate comparison.