Annual Securities Report

(The English translation of the "*YUKASHOKEN-HOKOKUSHO*"
for the fiscal year ended March 31, 2010)

NEC Mobiling, Ltd.

Table of Contents

Company Information

I. Overview of NEC Mobiling, Ltd.

1. Trends in principal management benchmarks

(1) Management benchmarks (consolidated)

Term	34th business year	35th business year	36th business year	37th business year	38th business year
Accounting period	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
Net sales (Millions of yen)	–	–	–	–	–
Ordinary income (Millions of yen)	–	–	–	–	–
Net income (Millions of yen)	–	–	–	–	–
Net assets (Millions of yen)	–	–	–	–	34,818
Total assets (Millions of yen)	–	–	–	–	67,233
Net assets per share (Yen)	–	–	–	–	2,396.38
Net income per share (Yen)	–	–	–	–	–
Net income per share, fully diluted (Yen)	–	–	–	–	–
Equity ratio (%)	–	–	–	–	51.8
Return on equity (ROE) (%)	–	–	–	–	–
Price earnings ratio (PER) (Times)	–	–	–	–	–
Net cash provided by (used in) operating activities (Millions of yen)	–	–	–	–	–
Net cash provided by (used in) investing activities (Millions of yen)	–	–	–	–	–
Net cash provided by (used in) financing activities (Millions of yen)	–	–	–	–	–
Cash and cash equivalents at end of period (Millions of yen)	–	–	–	–	–
Number of employees [Separately, average number of temporary employees] (Person)	– [–]	– [–]	– [–]	– [–]	1,213 [2,076]

(Notes) 1. Because the fiscal year ended March 31, 2010 was the first business year for the NEC Mobiling Group (the Group) to report results on a consolidated basis to reflect its acquisition of a certain company, whose deemed acquisition date fell on the last day of the said fiscal year, only the balance sheet section is reported on a consolidated basis. Therefore, only consolidated balance sheet items and number of employees are presented.

2. The number of employees refers to full-time employees (excluding those seconded out of the Group and including those seconded into the Group) and the number of temporary employees (those from temporary staffing agencies, etc.) presented separately in brackets is that of the filing company.

(2) Filing company's management benchmarks (non-consolidated)

Term	34th business year	35th business year	36th business year	37th business year	38th business year
Accounting period	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
Net sales (Millions of yen)	127,590	130,253	129,028	124,501	117,587
Ordinary income (Millions of yen)	4,078	5,641	5,845	6,745	8,224
Net income (Millions of yen)	2,117	3,222	3,389	3,319	4,605
Capital stock (Millions of yen)	2,371	2,371	2,371	2,371	2,371
Number of shares issued (Share)	14,529,400	14,529,400	14,529,400	14,529,400	14,529,400
Net assets (Millions of yen)	23,994	26,573	29,056	31,164	34,818
Total assets (Millions of yen)	56,465	61,832	58,638	60,267	65,642
Net assets per share (Yen)	1,651.43	1,828.94	1,999.81	2,144.91	2,396.38
Dividends per share [Interim dividends per share] (Yen)	45.00 [22.50]	47.50 [22.50]	55.00 [27.50]	60.00 [30.00]	85.00 [35.00]
Net income per share (Yen)	145.71	221.76	233.26	228.41	316.93
Net income per share, fully diluted (Yen)	–	–	–	–	–
Equity ratio (%)	42.5	43.0	49.6	51.7	53.0
Return on equity (ROE) (%)	9.1	12.7	12.2	11.0	14.0
Price earnings ratio (PER) (Times)	16.20	10.08	5.98	6.68	7.08
Dividend payout ratio (%)	30.88	21.42	23.58	26.27	26.82
Net cash provided by (used in) operating activities (Millions of yen)	4,324	5,580	3,726	7,062	5,096
Net cash provided by (used in) investing activities (Millions of yen)	(1,941)	(1,304)	(3,511)	(2,093)	(5,386)
Net cash provided by (used in) financing activities (Millions of yen)	(659)	(653)	(762)	(847)	(963)
Cash and cash equivalents at end of period (Millions of yen)	13,880	17,501	16,947	21,068	19,814
Number of employees [Separately, average number of temporary employees] (Person)	1,169 [1,058]	1,121 [1,395]	1,057 [1,810]	1,018 [1,970]	1,027 [2,076]

(Notes) 1. Net sales do not include consumption taxes.
2. Diluted net income per share is not presented because there were no potential shares such as bonds with subscription rights to shares.

3. The number of employees refers to full-time employees (excluding those seconded from the Company to other companies and including those seconded to the Company from other companies) and temporary employees (those from temporary staffing agencies, etc.) are presented separately in brackets as an annual average.
4. From the 35th business year, “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Statement No. 5, December 9, 2005) and “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Guidance No. 8, December 9, 2005) have been applied.
5. Amounts corresponding to account items appearing in the financial statements of the Company or other items were previously represented in units of one-thousand yen, however, this was changed to units of one-million yen from the 37th business year. To facilitate comparisons, results for the 36th business year and before are presented in units of one-million yen.

2. History

Date	Event
December 1972	The Company is established as "NEC Mobile Radio Service, Ltd." in Minato-ku, Tokyo. Capitalized at ¥20 million, it initiates operations involving sales and maintenance services for mobile communications equipment and systems, design and contracting of works related to its equipment and sales of its equipment and parts, etc.
	Begins providing repair and maintenance services for pagers in Tokyo and Osaka areas.
	Begins maintenance services for train radio systems as its private mobile radio business.
May 1973	Begins providing system engineering and maintenance services for mobile communications base stations, including on-site installation and tuning of base station systems.
June 1973	Begins selling mobile and other communications equipment and systems.
December 1979	Begins maintenance services for car phones in Tokyo area.
June 1981	Begins developing software for mobile communications equipment and systems as its mobile software business.
March 1982	Obtains general license for "telecommunications installation work" from the Ministry of Construction.
May 1987	Moves the head office to Kohoku-ku, Yokohama-shi, Kanagawa.
April 1990	Changes its name to "NEC Mobile Communications, Ltd."
April 1992	Enters into distributorship agreement with the current NTT DOCOMO, Inc. and begins selling mobile phones and other related items.
November 1992	Opens Nishi-Ikebukuro shop in Toshima-ku, Tokyo and begins retailing mobile phones and other related items at the shop.
March 1994	Establishes retailing network for mobile phones and other related items in nine regions across the country.
October 1994	Obtains ISO 9001 certification, an international standard for quality management systems.
January 2000	Obtains ISO 14001 certification, an international standard for environmental management systems.
July 2001	Changes its name to "NEC Mobiling, Ltd."
February 2002	Lists shares on the Second Section of the Tokyo Stock Exchange.
March 2003	Lists shares on the First Section of the Tokyo Stock Exchange.
June 2003	Takes over mobile phone sales business from NEC CustomMax, Ltd. (current NEC Personal Products, Ltd.)
April 2004	Establishes Shanghai Mobiling, Ltd. in the People's Republic of China.
February 2005	Obtains PrivacyMark certification, Japanese Industrial Standards for personal information protection management systems.
April 2006	Transfers its mobile software business to NEC Communication Systems, Ltd.
April 2007	Transfers its private mobile radio business to NEC Network and Sensor Systems, Ltd.
March 2010	Acquires all shares of Matsuhaya Corporation, making it a consolidated subsidiary.

3. Business contents

The NEC Mobiling Group (the Group) is composed of NEC Mobiling, Ltd. (the Company) and its subsidiaries, and its parent company is NEC Corporation (NEC).

The Company conducts two businesses, Mobile Sales Business and Mobile Service Business. In the Mobile Sales Business, it sells mobile communications terminals, etc. In the Mobile Service Business, it provides system engineering services for mobile communications systems and maintenance services for mobile communications terminals and base stations.

Mobile Sales Business

In its role as a primary distributor for mobile network operators such as NTT DOCOMO, Inc. (NTT DOCOMO), the Company is engaged in subscriptions for mobile phone and other related services, selling communications terminals and providing subscriber-related support services such as repairs and user fee collection. To achieve its business objectives, the Company undertakes activities including the operation of direct-sales shops across the country, primarily DOCOMO shops, and partner shops under third-party agreements between mobile network operators, the Company and secondary distributors, as well as the organization of sales channels.

(Note) Mobile network operators are Type 1 telecommunications enterprises engaged in telecommunications business under their own telecommunication facilities, providing mobile communications services for mobile phones, etc.

Mobile Service Business

In this business, the Company provides system engineering services (system design, selection of base station sites, testing of radio wave propagation, installation works, on-site testing, system optimization, system operation and repair and maintenance services, etc.) for mobile communications base station systems owned by mobile network operators.

The Company also provides maintenance services including failure diagnosis, repairs and sales of parts for mobile communications terminals, either under subcontracting agreements with NEC and its subsidiaries or under direct agreements with mobile network operators. To provide these services, the Company has established service centers in Sapporo, Tokyo, Yokohama, Osaka and Fukuoka.

4. Status of parent company and subsidiaries

Name	Location	Capital (Millions of yen)	Principal operations	Ownership [possession] ratio of voting rights (%)	Relationship
(Parent company)					
NEC Corporation	Minato-ku, Tokyo	397,199	Manufacture and sales of computers, communications equipment and software as well as provision of related services	[51.00]	Contracting of installation and maintenance services for mobile communications equipment Interlocking directors
(Consolidated subsidiary)					
Matsuhaya Corporation	Nagasaki-shi, Nagasaki	10	Mobile Sales Business	100.00	Operation of partner shops from April 1, 2010 Interlocking directors
Other 2 companies					

(Notes) 1. NEC Corporation files annual securities reports.
2. Description in the "Principal operations" section for the consolidated subsidiary is the name of the business segment.

5. Status of employees

(1) Consolidated companies

As of March 31, 2010

Name of business segment	Number of employees (Person)
Mobile Sales Business	834 [1,746]
Mobile Service Business	250 [310]
Corporate (common)	129 [20]
Total	1,213 [2,076]

(Notes) 1. The number of employees refers to full-time employees (excluding those seconded out of the Group and including those seconded into the Group) and temporary employees (those from temporary staffing agencies, etc.) are presented separately in brackets as an annual average. Because the fiscal year ended March 31, 2010 was the first business year for the Group to report results on a consolidated basis to reflect its acquisition of a certain company, whose deemed acquisition date fell on the last day of the said fiscal year, the number of temporary employees is that of the filing company.
2. The number of employees presented in the "Corporate (common)" section is the number of those working for the administrative division, which is unclassifiable to specific segments.

(2) Filing company (NEC Mobiling, Ltd.)

As of March 31, 2010

Number of employees (Person)	Average age (Year old)	Average year of service (Year)	Average annual salary (Yen)
1,027 [2,076]	40.5	14.5	6,645,303

(Notes) 1. The number of employees refers to full-time employees (excluding those seconded from the Company to other companies and including those seconded to the Company from other companies) and temporary employees (those from temporary staffing agencies, etc.) are presented separately in brackets as an annual average.
2. The Company has adopted a 60-year mandatory retirement age system. However, among individuals who desire employment beyond the age of 60, those who satisfy certain criteria shall be employed for a set period.
3. The average annual salary is the average annual amount including extra wages and bonuses, including taxes.
4. As of March 31, 2010, the Company had 47 employees (including 18 in managerial posts) seconded from the NEC Group.

II. Review of operations

The fiscal year (FY) ended March 31, 2010 was the first business year for the NEC Mobiling Group (the Group) to report results on a consolidated basis to reflect its acquisition of a certain company, whose deemed acquisition date fell on the last day of the said FY. Due to these timing factors, only the balance sheet section is reported on a consolidated basis, while the statement of income, the statement of changes in net assets, and the statement of cash flows remain on a non-consolidated basis. It should also be noted that no comparisons between the consolidated FY under review and the preceding consolidated FY are provided in the section of “II. Review of operations” in the absence of consolidated figures prior to the FY under review.

1. Overview of operating results

(1) Operating results

In the FY ended March 31, 2010, Japan’s economy, despite some signs of recovery in export and production sectors induced by the economic strength of newly industrialized nations, remained in a difficult environment, and was underscored by the strong yen and deflationary forces that impacted corporate profitability, on top of weak employment and sluggish personal consumption.

The mobile phone sales market remained weak, as characterized by a year-on-year (YoY) drop of about 10% in the number of mobile phones sold during the FY under review. The decrease was largely due to a longer replacement cycle of handsets and lower churn rates experienced by the major mobile phone network operators, in addition to the weak economy.

In this business environment, the Company redoubled its efforts to improve service quality offered to customers at points of sales, actively sought to spark replacement demand, and embarked on measures aimed at improved operational efficiency.

As a result, the Company posted net sales of ¥117,587 million (down 5.6% YoY), reflecting a decrease in the number of mobile phone handsets sold in the Mobile Sales Business, which canceled out an increase in demand for maintenance services experienced by the Mobile Service Business. Profits, on the other hand, were strongly fueled by actions aimed at greater operational efficiency and especially by an enhanced staff assessment system designed to better motivate employees, in addition to higher demand for maintenance services. As a result, operating income rose 24.4%, to ¥8,119 million, and ordinary income increased 21.9%, to ¥8,224 million. Net income also increased 38.8%, to ¥4,605 million, on lower extraordinary losses reported for the FY under review.

Mobile Sales Business

The FY under review was underscored by an enhanced mobile phone lineup, including various smartphones, mobile phones with Wi-Fi connectivity, as well as high-end models allowing GPS- and e-wallet-enabled applications for life-assistance services and video downloading. Parallel to this were stepped-up efforts by the major mobile phone network operators to win new customers and halt churn, as demonstrated by the price slashing of communications charges, including lower flat-rate charges for data communications plans and special sales promotions offering PC purchasers incentives to obtain data communications cards alongside being qualified for a discount of their PCs. Despite these attempts, the number of mobile phone handsets sold remained low throughout the FY, due to diminished consumer perception of affordability in the wake of the launch of the “separation plan” (the separation of handset prices and communications charges), which in effect means higher handset prices for consumers.

In this operating environment, the Company focused strongly on measures aimed at greater sales of smartphones and other high-end models, as well as data communications cards, while expanding sales channels. However, the number of mobile phone handsets sold fell more than 10% YoY, to 1,318 thousand units, reflecting the overall sluggishness of the market.

As a result, net sales came in at ¥84,464 million, or down 14.1% YoY. Operating income, in contrast, rose 15.6% to ¥3,196 million, reflecting improved profitability posted by low-profit businesses, successful measures carried out by individual shops for profit maximization and loss minimization, and managerial undertakings designed to motivate employees through an enhanced staff assessment system, among others.

Mobile Service Business

The Mobile Service Business was buoyed by greater demand for maintenance services, which was attributable in part to enhanced guarantees extended by mobile phone network operators, in contrast to the declining sales of mobile phone handsets and diminishing replacement demand for newer models.

As a result, net sales rose 26.6% YoY, to ¥33,123 million, despite a decrease in demand related to the maintenance services for mobile communications base station systems for mobile phone network operators. An increase in net sales and greater operational efficiency also boosted operating income by 30.9%, to ¥4,923 million.

(2) Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) decreased ¥1,254 million from March 31, 2009, to ¥19,814 million. The decrease was due to a greater disbursement of funds for investing activities in conjunction with the acquisition of a subsidiary.

Cash flows from operating activities

Cash provided by operating activities during the FY under review amounted to ¥5,096 million (down 27.8% from the previous FY).

This result was attributable to cash-increasing factors, including the posting of income before income taxes, depreciation and amortization, and an increase in notes and accounts payable-trade, which more than offset cash-decreasing factors, such as increase in inventories and income taxes paid.

The inflow was ¥1,966 million less than the inflow during the previous FY. Factors contributing to this included an impact of changes in the Company’s assets/liabilities and an increase in income taxes paid.

Cash flows from investing activities

During the FY under review, cash used in investing activities amounted to ¥5,386 million (up 157.3% from the previous FY).

This was primarily attributable to purchase of stocks of subsidiaries and affiliates.

This acquisition was the primary factor behind the YoY increase in disbursements by ¥3,293 million.

Cash flows from financing activities

Cash decreased ¥963 million (up 13.8% from the previous FY) in conjunction with financing activities, due largely to the payment of year-end dividends declared for the 37th business year and of interim dividends for the 38th business year.

The outflow, which was ¥116 million more than the outflow posted in the previous FY, was due largely to an increase in dividends per share.

2. Issues to be addressed

Currently, the mobile communications market is undergoing substantial changes as seen in the increasing popularity of smartphones and handsets with open platforms, the advancement of policies by the Ministry of Internal Affairs and Communications that encourage competition as characterized by demands for the abolishment of SIM (Subscriber Identity Module) lock (*), as well as stiffer competition among mobile phone network operators vying to capture users and accelerated reorganization of sales channels, among others. For distributors, although competition is intensifying amongst them, these environmental changes will likely to generate many new markets and business opportunities.

The Company will operate steadily in the mobile phone sales with a focus on replacement demand and handsets maintenance services business, and open potential new markets for mobile communications services and fixed broadband services, which are combining efforts more than ever to expand, with the aim of creating a sophisticated ICT (Information and Communication Technology) Society.

To support these activities, the Company will strengthen its consulting capabilities to facilitate the proposal of optimal ways for customers to utilize mobile environments, fortify its planning capabilities to facilitate discovery and commercialization of emerging new business opportunities in the sophisticated ICT Society of fixed mobile convergence (“FMC”) and develop human resources and operating bases required for further growth of these businesses. These issues are of paramount importance and, towards these ends, the Company will make effective use of its resources in sales, maintenance and engineering services and invest in the development of human resources.

(*) Restriction of the use of mobile phones to specific mobile phone network operators with whom handset purchasers signed communications contracts at the time of their handset purchases.

3. Business and related risks

The following is a summary of the significant potential risks to the Group's operations. From the viewpoint of information disclosure to investors, they include items that are not directly related to operations but deemed important to investors in their decision-making process.

The summary includes forward-looking statements that reflect the opinions of the Company as of the day of filing of the Japanese original of this report.

(1) Relationship with the NEC Group

As of March 31, 2010, NEC is the parent company owning 51.00% of the Company's outstanding shares. Its relationship with the Company is as follows.

1) Position within the NEC Group

The Company belongs to the NEC Group, a corporate group headed by NEC, the parent company. The NEC Group's domestic and overseas business include the "IT Services Business," "IT Products Business," "Network Systems Business," "Social Infrastructure Business," "Personal Solutions Business" and "Electron Devices Business." Among these, the Company belongs to the "Personal Solutions Business" and is in charge of operations relating to the communications equipment field, particularly mobile communications typified by mobile phones.

2) Personal relationship

- Concurrent positions held by directors and corporate auditors

Of the Company's ten directors and corporate auditors, three were concurrently serving as employees of NEC as of March 31, 2010.

- Acceptance of employees

As of March 31, 2010, among the 1,027 employees of the Company, 47 were seconded from NEC, and accepted by the Company out of necessity. 19 were placed in the "Mobile Sales Business," 15 in the "Mobile Service Business" and 13 in "common sections." The seconded employees were practically working full-time in the Company's operations. As the need arises, the Company may consider hiring these employees directly. At the same time, however, as the Company's own personnel grow in competence and expertise, the need to bring seconded employees from outside is diminishing. The Company intends to restrict the acceptance of such employees to an absolute minimum in the future. The declining acceptance of employees from outside will not pose an obstacle to the stable operation of the Company's business.

3) Business relationship

- Sales dependence

The bulk of the businesses received by the Mobile Service Business come from NEC as consignment. Therefore, these are accounted for as net sales to NEC.

In the FY ended March 31, 2009, net sales to NEC was ¥23,284 million accounting for 18.7% of the total net sales. In the FY ended March 31, 2010, net sales to NEC was ¥28,616 million accounting for 24.3% of the total net sales. Therefore, any change in the NEC Group's business policies or in the Company's standing within the NEC Group could consequently affect the Company's operating results. Regarding these sales transactions, estimates are submitted for every business on the basis of which negotiations take place and contract prices are determined, which is the same as under general business conditions.

- Business relationship with the NEC Group

  Including the above, the major transactions between the Company and NEC and its subsidiaries during the FY under review are presented on page 42.

- License for the use of marks

  The Company is licensed to use the “NEC” marks. If the Company loses the right to use “NEC” brand marks, or if the “NEC” brand declines in credibility or prestige, this could have an impact on the Company’s operating results.

(2) “Mobile Sales Business”

The “Mobile Sales Business” accounted for 79.0% and 71.8% of the Company’s net sales in the FYs ended March 31, 2009 and March 31, 2010, respectively. As its principal operations, the Company is engaged in subscriptions for mobile phone and other related services, selling communications terminals and providing subscriber-related support services such as repairs and user fee collection, in its role as a primary distributor for mobile network operators such as NTT DOCOMO. To achieve its business objectives, the Company undertakes activities including the operation of direct-sales shops across the country, primarily DOCOMO shops, and partner shops under third-party agreements between mobile network operators, the Company and secondary distributors, as well as the organization of sales channels.

As of March 31, 2010, the Company operated 229 shops nationwide (120 direct-sales shops and 109 partner shops).

(*) The 120 direct-sales shops include those operated by Matsuhaya Corporation.

1) Sales of mobile communications terminals

In the sales of mobile communications terminals, although sales are effected at the price below the procurement price, commissions from mobile network operators are received for mobile communications service contracts concluded at the same time as terminals sales. This commission income enables profitable operation, even when selling terminals at the price below the procurement price.

2) Commissions, etc. from mobile network operators

The Company receives commissions from mobile network operators as consideration for subscription contracts concluded for mobile communications services provided by mobile network operators.

Terms of transactions, etc., such as the amount of commissions, etc., payment periods, services subject to payments and percentage against call charge, etc. among others, change in accordance with business policies etc., of mobile network operators. Any major change in terms of transactions could have a significant impact on the Company’s operating results.

The commissions, etc. received from mobile network operators over the past two years are as shown below.

		FY ended March 31, 2009		FY ended March 31, 2010	
Item	Accounting segmentation	Amount (Millions of yen)	Composition (%)	Amount (Millions of yen)	Composition (%)
Commissions received	Net sales	33,259	43.1%	28,486	42.1%
Incentives received	Cost of sales (deduction)	43,887	56.9%	39,236	57.9%
Total		77,146	100.0%	67,722	100.0%

(Note) Commissions comprising of handling commissions and stock commissions are recognized as net sales and incentives are recognized as deductions (*) from the cost of sales.

Handling commissions: Commissions received for services such as new subscriber contracts, switching of mobile phone models for existing subscribers, various service changes and repairs, etc., rendered on behalf of mobile network operators.

Stock commissions: Commissions continuously received for a certain period of time in accordance with the number of line subscriptions intermediated, the number of customers served for after-purchase servicing and the amount of call charges.

Incentives: Incentives received in accordance with mobile phone models and the number of mobile phones sold.

(*) In the sales of mobile communications terminals, while sales are effected at the price below the procurement price, it is believed that mobile network operators adjust procurement prices with a portion of commissions instead of lowering wholesale prices (procurement prices for distributor agents). Because of this, the Company considers incentives received as procurement price reductions on products, therefore it is recognized as reduction item of cost of sales, not net sales.

3) Competition in the industry

As mobile network operators accelerate their move towards high-end models, the number of subscribers of mobile phones in Japan increased significantly to 112.18 million as of March 31, 2010. However, as the penetration rate increases, the number of new users is expected not to increase greatly. We believe the level of competition among distributors including the Company will intensify in much the same way as the competition between mobile network operators for new mobile phone users.

The mobile communications market is thus very competitive and any decrease in profit margin resulting from the intensification of the competition may affect the Company’s operating results.

4) Shop opening policy

The Company’s shop opening plans are based on the regional sales strategies of the mobile network operators with which the Company entered into distributorship agreement. Shop openings involve the selection on the part of mobile network operators of primary distributors from among multiple candidates including the Company based on an examination of shop opening plans. Closures are also determined upon consultation with mobile network operators.

For shop development, it is the policy of the Company to revise, as needed, the marketability, competition environment, profitability and other factors in areas where shops are to be opened, as well as to expand and revise its sales channels. However, this policy may not proceed as planned due to mobile network operators’ shop opening policies and other policies, etc.

5) Future business expansion through M&A, etc.

To expand its Mobile Sales Business, the Company may invest in or acquire other companies in the same business or mobile sales businesses of such companies. Depending on how the market evolves or on how the economy changes, the Company may not be able to generate the payoffs it initially hoped to realize. Poor operating results by the acquired companies or businesses may also prevent the invested capital to be recovered. Either outcome could affect both the Company’s operating results and its business plans.

6) Ministry of Internal Affairs and Communications (MIC)’s competition policy

The “Mobile Business Revitalization Plan” announced by the MIC in September 2007 requested mobile network operators to introduce a new subscription scheme (separation plan) which separates the handset prices and communications charges to be borne in order to assure transparency for subscribers. As a result, mobile network operators implemented new subscription schemes in accordance with the MIC’s request, together with installment payments for handsets.

In this way, the sales and rate strategies of mobile network operators could be affected by new government policies, which could, in turn, impact the Company’s operating results.

7) Legal restrictions, etc.

Distributorship operations of mobile network operators are subject to the “Telecommunications Business Act,” “Antimonopoly Act” (the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade), “Premiums and Representations Act” (Act against Unjustifiable Premiums and Misleading Representations), “Act on Specified Commercial Transactions,” “Consumer Contract Act,” “Act for Worker Dispatching and Dispatched Workers” (Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers) and “Personal Information Protection Act.” It is also subject to the Ministry of Internal Affairs and Communication’s “Guidelines on the Protection of Personal Information in the Telecommunications Business” and to “ethical guidelines concerning distributorship operations” adopted by the Telecommunications Carriers Association. The Company adheres to all relevant laws and regulations when conducting sales operations.

Due to the very nature of its operations, the Company handles personal information of countless customers. The Company follows the regulations and manuals of mobile network operators and, as part of its company-wide personal information protection management system, formulates a wide spectrum of rules from basic regulations to detailed manuals and safety guidelines and a director of the Company is appointed as “Personal Information Protection Officer.” Periodical training and information sharing sessions are effected as well as management cycles such as management reviews and personal information review.

As a result of undertaking such measures, the Company received recognition for its conformity with JIS Q15001 from Japan Information Processing Development Corporation (JIPDEC). We were one of the first in the industry to obtain the PrivacyMark for the mobile phone business field.

Despite the best efforts of the Company to implement measures such as above, leaks and other unauthorized use of personal information may occur. In such event, the Company could be liable for damages, which could affect its operating results.

(3) Relationship with NTT DOCOMO

1) Sales and procurement dependence

As of March 31, 2010, the Company operated 229 shops in its "Mobile Sales Business," of which 222 were "DOCOMO shops." Consequently, in terms of sales, the ratio of DOCOMO brand mobile phones is high.

Regarding procurement, 96.6% of total products procured for "mobile phone sales" in the "Mobile Sales Business" in the FY ended March 31, 2009, which amounted to ¥69,762 million or 82.5% of total procurement, were from NTT DOCOMO. For the FY ended March 31, 2010, the procurement from NTT DOCOMO amounted to ¥59,579 million, representing 95.3% of total products procured for "mobile phone sales" in the "Mobile Sales Business" or 74.3% of the total corporate procurement.

The Company's operating results could consequently be affected by procurement-related conditions set by NTT DOCOMO or trends of the commissions, etc, the market's reactions to NTT DOCOMO's new products and services, or by NTT DOCOMO's competitive position vis-à-vis other mobile network operators.

2) Distributorship agreements

The Company's "DOCOMO shops" in the "Mobile Sales Business" are operated on the basis of distributorship agreements with NTT DOCOMO. These agreements are automatically renewed each year, but they are subject to cancellation following advance notice at any time by NTT DOCOMO.

In addition to this risk of contract cancellation, the distributorship agreements also permit NTT DOCOMO to cancel an agreement if there is a major change in the structure of the Company's shareholders, or if NTT DOCOMO determines that the Company is no longer able to constantly provide a high level of service. Cancellation of a distributorship agreement with NTT DOCOMO could undermine the Company's ability to operate its business.

(4) "Mobile Service Business"

The Company's Mobile Service Business accounted for 21.0% and 28.2% of the Company's net sales in the FYs ended March 31, 2009 and March 31, 2010, respectively. This business involves the provision of construction, integration and maintenance services for mobile communications systems.

1) Effects of the trends of capital investment for base station facilities of mobile network operators

In the "Mobile Service Business," the Company provides system engineering for mobile communications systems such as mobile communications base station systems owned by mobile network operators.

Therefore, the Company's operating results could consequently be affected by the trends of capital investment for the base station facilities of mobile network operators.

2) Legal regulations

The "Mobile Service Business" involves the installation works, etc. of mobile communications base station systems owned by mobile network operators, therefore the Company is subject to the "Construction Business Act." The Company also takes environmental issues into consideration when effecting such installations.

Maintenance services for mobile communications terminals are subject to the "Electrical Appliance and Material Safety Law."

(5) Securement and development of human resources

In a business environment characterized by a rapid flow of new products and services generated by constant advances in technology, the Company must be able to hire employees who possess a wide range of capabilities and skills in marketing and other areas to ensure its ability to attract new customers and expand its sales channels. The securement and development of such human resources is essential for the future strength of our operating base, therefore, in addition to the periodical hiring of new graduates, we are also recruiting experienced mid-career professionals throughout the year. The Company endeavors to sharpen the skills of newly hired employees through on-the-job training, educational courses and other post-hiring programs.

However, if the Company is unable to hire and train the kind of human resources it seeks or if it is unable to secure human resources it requires to support business expansion, which results in reductions in work efficiency, it could affect the Company’s operating results.

4. Analysis of financial conditions, business results and status of cash flows

The forward-looking statements appearing herein were determined by the Group at end of the FY under review.

(1) Important accounting policies and estimates

The consolidated financial statements of the Group and the non-consolidated financial statements of the Company are prepared in accordance with generally accepted accounting principles in Japan. In the preparation of these consolidated financial statements, etc., estimates required for certain items were effected based on reasonable criteria such as past performance.

(2) Analysis of business results for the FY under review

1) Net sales

During the FY under review, net sales in the Mobile Service Business increased by ¥6,969 million YoY to ¥33,123 million thanks to an increase in demand for maintenance services of mobile phone handsets. However, net sales in the Mobile Sales Business decreased by ¥13,883 million YoY to ¥84,464 million as a result of a decrease in the number of mobile phone handsets sold.

Total net sales was ¥117,587 million, a decrease of ¥6,914 million YoY.

2) Operating income

Operating income for the FY under review increased by ¥1,595 million YoY to ¥8,119 million reflecting the effects from actions aimed at greater operational efficiency and an enhanced staff assessment system designed to better motivate employees, etc.

3) Ordinary income

Ordinary income for the FY under review increased by ¥1,479 million YoY to ¥8,224 million as a result of recording of non-operating income of ¥274 million and non-operating expenses of ¥169 million as well as an increase in operating income.

4) Net income

Net income for the FY under review increased by ¥1,286 million from the previous FY to ¥4,605 million due to a YoY decrease in extraordinary loss in addition to an increase in ordinary income.

(3) Analysis of financial conditions at the end of the FY under review

At the end of the FY under review, current assets amounted to ¥53,112 million and noncurrent assets amounted to ¥14,121 million, totaling ¥67,233 million in total assets. Total liabilities were ¥32,415 million, including ¥28,121 million in current liabilities and ¥4,294 million in noncurrent liabilities. Total net assets were ¥34,818 million, with an equity ratio of 51.8%.

(4) Analysis of status of cash flows for the FY under review

Please refer to “Company Information, II. Review of operations, 1. Overview of operating results, (2) Cash flows” for information regarding status of cash flows.

(5) Factors significantly impacting business results

In the mobile phone sales business, the Group's principal business, we focused on the abolishment of SIM lock which will lead to full-fledged penetration of smartphones and open up a new horizon of utilization for mobile phones. From this, competition among distributor agents is also likely to intensity, resulting in accelerated restructuring.

The Group is proactively driving business operation, capturing a greater sales share and strengthening its position as the forefront of mobile phone sales. Parallel emphasis will be placed on new business creation and expansion, in addition to the launch of new service undertakings.

III. Facilities

1. Outline of capital investments, etc.

The Company used ¥733 million on capital investments during the FY under review, mainly for information systems designed to improve operational efficiency and for shop relocations and renovations in the Mobile Sales Business. These investments broke down as follows: ¥343 million for buildings and structures; ¥158 million for tools, furniture and fixtures; and ¥222 million for software.

Because the FY ended March 31, 2010 was the first business year for the Group to report results on a consolidated basis to reflect its acquisition of a certain company, whose deemed acquisition date fell on the last day of the said FY, the amount of capital investments presented is of the Company's on a non-consolidated basis.

There were no significant disposals or sales of assets during the FY under review.

2. Plan for installation and disposal, etc. of facilities

The Company's capital investment plans take into consideration economic forecasts, industry trends, forecasted earnings, returns on investment, etc. The investment plan for major facilities is to spend ¥1,000 million before March 2011 on the following. The Company plans to use own funds to finance such capital investments.

Information by business segment and on capacity increase after completion is omitted due measurement difficulties.

Office (Location)	Contents of facilities	Planned investment amount		Fund procurement	Commencement date and planned completion date	
		Total amount (Millions of yen)	Amount already spent (Millions of yen)		Commencement	Completion
Head office (Kohoku-ku, Yokohama-shi)	Operation management systems, etc.	200	–	Own funds	April 2010	March 2011
Head office (Kohoku-ku, Yokohama-shi), Kanto Koshinetsu area	Opening, relocation and renovation of shops, etc.	400	–	Own funds	April 2010	March 2011
Head office (Kohoku-ku, Yokohama-shi)	Maintenance facilities, etc.	400	–	Own funds	April 2010	March 2011
Total		1,000	–	–	–	–

(Notes) 1. The above figures do not include consumption taxes.
2. There are no plans for repairs or disposals of important facilities except for those for the purpose of regular renewal of facilities.

IV. Filing company

1. Information on the Company's shares

(1) Total number of shares authorized, etc.

1) Total number of shares authorized

Class	Total number of shares authorized (Share)
Common stock	48,000,000
Total	48,000,000

2) Number of shares issued

Class	Number of shares issued (as of March 31, 2010)	Number of shares issued (as of the date of filing: June 18, 2010)	Name of financial instruments exchange where the stock of the Company is traded or the name of authorized financial instruments firms association where the Company is registered	Details
Common stock	14,529,400	Same as left	Tokyo Stock Exchange (First Section)	Trading unit: 100 shares
Total	14,529,400	Same as left	–	–

(2) Trends in total number of shares issued, capital stock, etc.

Date	Fluctuation in the number of shares issued (Share)	Balance of total number of shares issued (Share)	Fluctuation in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Fluctuation in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
February 22, 2002 (Note)	2,250,000	14,529,400	1,436	2,371	2,372	2,707

(Note) Public offering using the book-building formula
Issue price: ¥1,800
Amount incorporated into capital: ¥638

(3) Shareholder composition

As of March 31, 2010

Category	Shareholder composition (trading unit: 100 shares)								Shares less than one unit (Share)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors, etc.		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders (Person)	–	28	29	65	159	1	6,830	7,112	–
Number of shares held (Trading unit)	–	22,528	994	76,435	19,470	1	25,854	145,282	1,200
Ownership ratio of shares (%)	–	15.50	0.68	52.62	13.40	0.00	17.80	100.00	–

(Note) 70 shares of treasury stock are included in the "Shares less than one unit."

(4) Status of major shareholders

As of March 31, 2010

Name of shareholders	Address	Number of shares held (Thousands of shares)	Ownership ratio of shares to the total number of shares issued (%)
NEC Corporation	7-1, Shiba 5-chome, Minato-ku, Tokyo	7,410	51.00
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	745	5.13
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	554	3.82
MELLON BANK, N.A. TREATY CLIENT OMNIBUS (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	ONE MELLON BANK CENTER, PITTSBURGH, PENNSYLVANIA (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo)	468	3.23
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	235	1.62
NEC Mobiling Employees' Stockholding Association	4-18, Shin-Yokohama 2-chome, Kohoku-ku, Yokohama-shi, Kanagawa	219	1.51
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement & Clearing Services Division)	ONE BOSTON PLACE BOSTON, MA 02108 (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo)	123	0.85
The Nomura Trust and Banking Co., Ltd. (Investment Trust Accounts)	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo	119	0.82
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	114	0.79
HIKARI TSUSHIN, INC.	16-15, Minami-Ikebukuro 1-chome, Toshima-ku, Tokyo	104	0.72
Total	–	10,096	69.49

(Note) Number of shares held is presented after rounding off amounts less than 1,000 shares.

2. Dividend policy

The Company's policy is to maintain stable payouts, while considering a payout ratio of around 30%. This reflects its commitment to place high priority to respect and focus on shareholders as well as ensuring ample retained earnings to strengthen its operating bases and expand its business.

The Company's basic policy is to pay dividends from surplus twice a year in the form of an interim dividend and a year-end dividend.

The decision-making body with respect to dividends from surplus is the Board of Directors. The Company has stipulated in its Articles of Incorporation that "in accordance with Article 459-1 of the Companies Act, the Company may pay dividends from surplus based on a resolution of the Board of Directors without a resolution of a General Meeting of Shareholders."

The Company has also stipulated in its Articles of Incorporation that the record dates for dividends from surplus shall be March 31 of each year for the year-end dividend and September 30 of each year for the interim dividend.

Based on the above policy, the Company paid the dividend of ¥85 per share (of which, ¥35 was paid as an interim dividend) for the FY under review.

With respect to the use of retained earnings, the Company's policy is to invest in the following areas: expansion into new fields where future development is expected; developing sales channels; quality control; and personnel training and development.

The dividend for the FY under review is as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Board of Directors meeting held on October 29, 2009	509	35.00
Board of Directors meeting held on May 11, 2010	726	50.00

3. Status of directors and corporate auditors

Position	Title	Name	Date of birth	Career summary		Number of shares held (Share)
Representative Director	President	Katsuhiro Nakagawa	January 3, 1949	April 1971 April 2008 June 2008	Joined NEC Corporation Joined the Company President of the Company (present)	3,200
Member of the Board	Senior Vice President	Masaru Nagashima	May 26, 1953	April 1977 June 2008 June 2009	Joined NEC Corporation Joined the Company Member of the Board and Senior Vice President of the Company (present)	200
Member of the Board	Associate Senior Vice President	Shuji Niwano	March 24, 1955	April 1977 May 2007 June 2009	Joined NEC Corporation Joined the Company Member of the Board and Associate Senior Vice President of the Company (present)	300
Member of the Board	Associate Senior Vice President	Kenichi Ando	September 28, 1956	April 1981 April 2009 April 2010	Joined NEC Corporation Joined the Company Member of the Board and Associate Senior Vice President of the Company (present)	–
Member of the Board	Associate Senior Vice President	Kazuhito Kojima	July 6, 1954	April 1979 November 2003 June 2010	Joined NEC Corporation Joined the Company Member of the Board and Associate Senior Vice President of the Company (present)	–
Member of the Board		Keita Satoh	December 15, 1957	April 2007 June 2010	Executive Vice President of TOMY COMPANY, LTD. (present) Member of the Board of the Company (present)	–
Member of the Board		Hajime Matsukura	December 12, 1961	April 1985 April 2008 June 2010	Joined NEC Corporation General Manager of Corporate Planning Division of NEC Corporation (present) Member of the Board of the Company (present)	–
Standing Corporate Auditor		Kazuki Fukuda	November 15, 1950	April 1974 June 2010	Joined NEC Corporation Corporate Auditor of the Company (present)	–
Standing Corporate Auditor		Masujiro Sato	March 1, 1952	April 1976 April 2008 June 2008	Joined NEC Corporation Joined the Company Corporate Auditor of the Company (present)	1,000
Corporate Auditor		Fukutaka Hashimoto	July 6, 1954	April 1979 June 2007 June 2010	Registered as attorney Member of The Central Third-Party Committee to Check Pension Records (present) Corporate Auditor of the Company (present)	–

Position	Title	Name	Date of birth	Career summary		Number of shares held (Share)
Corporate Auditor		Koki Kawakami	October 22, 1956	April 1980	Joined NEC Corporation	–
				October 2007	General Manager of Personal Solution Planning Division of NEC Corporation (present)	
				June 2010	Corporate Auditor of the Company (present)	
Total						4,700

(Notes) 1. Directors Keita Satoh and Hajime Matsukura are Outside Directors provided for by Article 2, item 15 of the Companies Act.

2. Corporate Auditors Kazuki Fukuda, Fukutaka Hashimoto and Koki Kawakami are Outside Corporate Auditors provided for by Article 2, item 16 of the Companies Act.

3. Corporate Officers of the Company are as follows:

President	Katsuhiro Nakagawa
Senior Vice President	Masaru Nagashima
Associate Senior Vice President	Shuji Niwano
Associate Senior Vice President	Kenichi Ando
Associate Senior Vice President	Kazuhito Kojima
Associate Senior Vice President	Tetsuo Tanaka
Associate Senior Vice President	Toshihiro Mori
Associate Senior Vice President	Kazuhito Okue
Associate Senior Vice President	Nobuyuki Sakai
Associate Senior Vice President	Ryuichi Takanohashi

4. Status of corporate governance, etc.

(1) Status of corporate governance

1) Basic views on corporate governance

The Company recognizes that enhancing the corporate governance is an important challenge in order to enhancing corporate value. Achieving this depends critically on the protecting the rights of shareholders, awareness of corporate social responsibility and management supervision. To protect shareholders' rights, the Company considers it necessary to develop an environment that facilitates their participation in General Meetings of Shareholders through such means as holding of meetings at an early date, electronic distribution of convocations and exercise of voting rights electronically and sending out hard copies of convocations well in advance. With respect to corporate social responsibility, the Company recognizes that it must improve transparency by improving the compliance system and developing systems that enable timely disclosure of information as a listed company. Regarding management monitoring, the Company believes that the performance of supervisory and monitoring functions by the Board of Directors, corporate auditors and the Board of Corporate Auditors in accordance with their respective roles provides assurance of effective execution of business operations, compliance with relevant laws and regulations and reliability of accounting practices. The Company will strengthen its corporate governance through the implementation of the above measures.

2) Implementation status of measures concerning corporate governance

(a) Overview of the Company's corporate governance structure and other matters regarding corporate governance

a. Overview of corporate bodies and status of internal control system

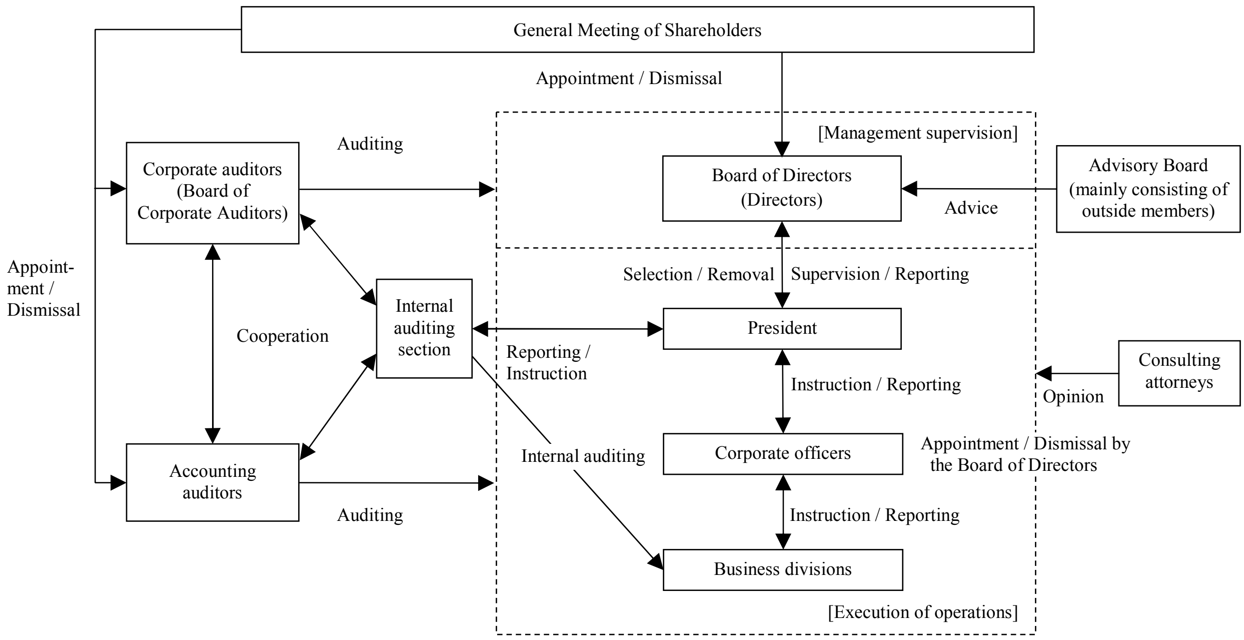
The Company's corporate governance structure during the FY under review consisted of a Board of Directors with six members, including one outside director, and a Board of Corporate Auditors with four corporate auditors, three of whom are outside corporate auditors. Regarding directors, at the 38th Ordinary General Meeting of Shareholders held on June 18, 2010, one independent officer with no risk of conflicts of interest with general shareholders as stipulated by the Tokyo Stock Exchange where the Company's stock is listed (hereinafter, "independent officer"), was added as an outside director, bringing the total to seven directors, including two outside directors (one of whom is an independent officer), as of the day of filing of the Japanese original of this report. Regarding corporate auditors, one of the three outside corporate auditors appointed at the said General Meeting of Shareholders is an independent officer, bringing the total to four corporate auditors including three outside corporate auditors (one of whom is an independent officer) as of the day of filing of the Japanese original of this report.

The Company has in place an Advisory Board as a consultative body to the Board of Directors, serving for the purpose of ensuring transparency and objectivity of management. The Advisory Board is composed mainly of experts from outside the Company who provide advice and suggestions on important matters regarding corporate governance, etc.

In addition, the Company introduced a corporate officer system in June 2005. For important matters on the execution of operations, a preliminary deliberation is conducted by the Executive Management Committee consisting of corporate officers before being placed to the Board of Directors for consideration. The Executive Management Committee convenes, in principle, twice a month.

Regarding management monitoring, in addition to four corporate auditors, the Company has in place the Internal Auditing Division as an internal auditing section reporting directly to the President (see (b) below for details). It receives, as necessary, opinions from the consulting attorneys on the legality of the management and overall operations.

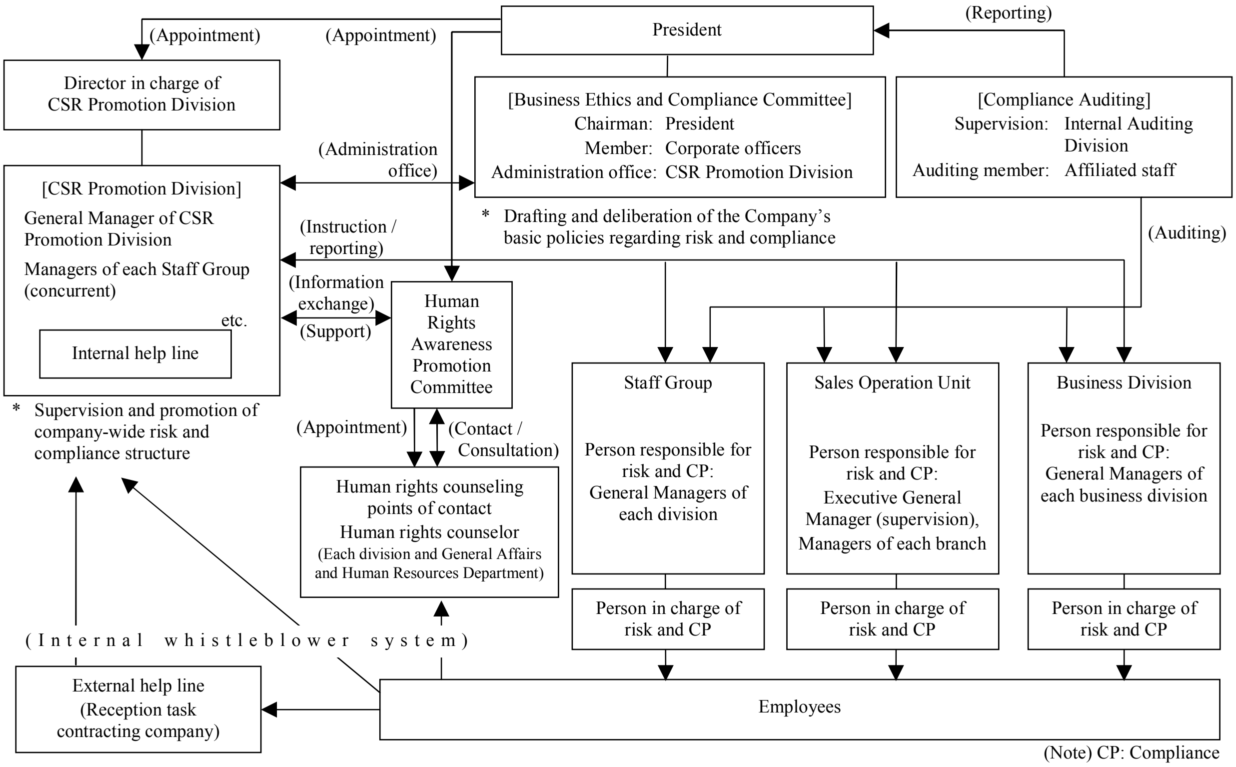
The Company's corporate governance structure is as follows.



b. Overview of risk and compliance structure

In accordance with its Basic Risk Management Policy and Management Crisis Response Policy, the Company has in place company-wide basic policies on risk management as well as risk management system, and performs day-to-day risk management through guidelines, training and periodical audits, among others. The Company established the NEC Mobiling Code of Conduct to thoroughly instill corporate ethics and legal compliance in directors and corporate auditors and employees. In addition, it formulated the Basic Compliance Policy and established the "Business Ethics and Compliance Committee" made up of corporate officers, to draft and deliberate basic policies regarding risk and compliance as well as promoting related measures. The Company established the "NEC Mobiling Help Line" as its internal whistleblower system. Points of contact were established both internally and externally, as a means of detecting potential risks and compliance information at an early stage.

The Company's risk and compliance structure is as follows.



c. Reasons for adoption of current corporate governance structure

The Company has adopted the current corporate governance structure because it believes that its monitoring and supervisory functions with respect to management are effectively carried out by the aforementioned appointment of independent officers, establishment of the Advisory Board, introduction of the corporate officer system, formulation of the auditing structure under corporate auditors and the internal auditing section as well as the formulation of the risk and compliance structure.

(b) Status of internal audits, audits by corporate auditors and accounting audits

a. Status of internal audits

To prevent corporate misconduct, the Company has in place the Internal Auditing Division (seven staff) as an internal auditing section reporting directly to the President. By collecting information, etc. from business divisions, risk and compliance promotion section and accounting section, etc., the Internal Auditing Division performs periodical internal audits of the Company's operations, risk and compliance as well as internal financial controls and accounting activities in general, examining the appropriateness of the procedures and observance of laws and regulations and internal policies.

b. Status of audits by corporate auditors

The Board of Corporate Auditors of the Company for the FY under review consisted of four members, three of whom are outside corporate auditors. Each outside corporate auditor has many years of experience in accounting operations at NEC, the Company's parent company, and its subsidiaries. Because of their knowledge and experience accumulated throughout their careers, they possess adequate knowledge on financial and accounting matters. Three outside corporate auditors were replaced by three new candidates at the 38th Ordinary General Meeting of Shareholders held on June 18, 2010. One of the three outside corporate auditors elected has many years of experience in accounting operations at NEC, the Company's parent company, and its subsidiaries and, because of his knowledge and experience accumulated throughout his career, possesses adequate knowledge on financial and accounting matters. Also, one outside corporate auditor among the other two is an attorney serving as independent officer.

Regarding audits by corporate auditors, in addition to attending the Board of Directors meetings, the standing corporate auditors also participate in Executive Management Committee meetings, the Business Ethics and Compliance Committee and other important meetings, conducts interviews with each division such as risk and compliance promotion section, carries out research of settlement documents, etc. Corporate auditors and the Internal Auditing Division cooperate by sharing information in operational reports, etc. periodically.

c. Status of accounting audits

Accounting audits are conducted by KPMG AZSA & Co. The names of the certified public accountants (CPAs) conducting audits, the auditing firm to which the CPAs belong to, and the number of consecutive years of auditing of the Company are as follows. Three CPAs and nine others also assisted in the auditing. The auditing firm and the corporate auditors conduct meetings periodically to discuss annual auditing plans, auditing policies, status of audits and results of audits.

Name of CPAs conducting audits	Name of the auditing firm to which the CPAs belong to	Number of consecutive years of auditing (Note)
Hidetoshi Fukuda Designated and engagement partner	KPMG AZSA & Co.	–
Masafumi Tanabe Designated and engagement partner	KPMG AZSA & Co.	–
Wataru Kurita Designated and engagement partner	KPMG AZSA & Co.	–

(Note) The number of consecutive years of auditing has been omitted because all CPAs have not participated in the audits for more than seven years.

(c) Number of outside directors and outside corporate auditors, and overview of personal relationship, capital relationship, business relationship and other interests between the Company and its outside directors and outside corporate auditors

a. Number of outside directors and outside corporate auditors, and their personal relationship, etc. with the Company

One outside director of the Company for the FY under review is concurrently serving as an employee of NEC, the Company's parent company. Of the Company's three outside corporate auditors, two non-standing corporate auditors are also concurrently serving as employees of NEC, while one standing corporate auditor is a former employee of NEC.

Regarding outside directors, the addition of one outside director at the 38th Ordinary General Meeting of Shareholders held on June 18, 2010 resulted in a total of two outside directors as of the day of filing of the Japanese original of this report, one of whom is serving as independent officer and the other is concurrently serving as an employee of NEC. Also, regarding outside corporate auditors, all three were newly elected at the said General Meeting of Shareholders. One of the outside corporate auditors newly elected is serving as independent officer and one of the other two is serving as non-standing corporate auditor, concurrently serving as an employee of NEC, with the other serving as standing corporate auditor who is a former employee of NEC.

b. Functions and roles, etc. to be fulfilled in relation to corporate governance by outside directors and outside corporate auditors

Outside director concurrently serving as an employee of NEC possesses ability to provide valuable advice from a neutral and specialized perspective without focusing on parent company profits for the enhancement of the Company's corporate value, and he fulfills the roles and functions expected of outside director. Also, outside corporate auditor concurrently serving as an employee of NEC possesses ability to provide opinions necessary for ensuring the effectiveness of the Company's corporate governance from a perspective specialized in finance and accounting, and he fulfills the roles and functions expected of outside corporate auditor.

Outside corporate auditor serving as a standing corporate auditor participates in Executive Management Committee meetings, the Business Ethics and Compliance Committee and other important meetings, conducts interviews with each division such as risk and compliance promotion section, carries out research of settlement documents, etc. At the same time, he keeps in mutual cooperation with the internal auditing section and the accounting auditors by sharing information periodically. At the Board of Directors meetings, outside directors and outside corporate auditors receive reports on the status of risk and compliance and internal financial controls and provide advice and suggestions from a neutral and specialized perspective.

As mentioned above, the Company believes that a structure necessary for monitoring and supervision of operations is set up through the appointment of outside directors and outside corporate auditors.

(d) Status of implementation of measures for enhancement of corporate governance over the past year (fiscal year basis)

The Board of Directors met 18 times during the FY under view, at which the attendance rate of directors and corporate auditors was high. Matters stipulated in laws and regulations as well as important matters regarding operations were determined and the supervision of the status of execution of duties was effected. Also, as part of establishing risk and compliance structure, the Company formulated its "Basic Risk Management Policy" in March 2010 and established company-wide basic policies on risk management as well as risk management system. On the educational front, trainings, etc. were offered to all employees on compliance, information security, protection of personal information, environmental activities and proper transactions, among others.

3) Compensation for directors and corporate auditors

(a) Basic policies

a. Allows for securement of talented human resources to enhance the corporate value of the Company

b. Inspires motivation in management by reflecting performance results

(b) Composition

a. Fixed compensation: Determined based on the roles and scope of responsibilities of each director

b. Performance compensation: Determined based on corporate results using evaluation indicators such as operating income growth rate and individual results of the director

(c) Total amount of compensation, etc. by category of the filing company, total amount of compensation, etc. by type and number of directors and corporate auditors subject to compensation

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation, etc. by type (Millions of yen)		Number of directors and corporate auditors subject to compensation (Person)
		Fixed compensation	Performance compensation	
Director (excluding outside director)	59	39	20	6
Corporate auditor (excluding outside corporate auditor)	13	13	–	1
Outside director	1	1	–	1
Outside corporate auditor	16	16	–	3

(d) Total amount of compensation, etc. on a consolidated basis by each director and corporate auditor of the filing company

Information is omitted as director and corporate auditor with a total amount of compensation, etc. on a consolidated basis of ¥100 million or more does not exist.

(2) Contents of audit remunerations, etc.

Contents of audit remunerations paid to auditing CPAs, etc.

Filing company

FY ended March 31, 2009	
Remuneration for audit attestation services (Millions of yen)	Remuneration for non-audit services (Millions of yen)
59	–

Classification	FY ended March 31, 2010	
	Remuneration for audit attestation services (Millions of yen)	Remuneration for non-audit services (Millions of yen)
Filing company	53	–
Consolidated subsidiaries	–	–
Total	53	–

V. Accounting

Because the FY ended March 31, 2010 was the first business year for the Group to report results on a consolidated basis to reflect its acquisition of a certain company, whose deemed acquisition date fell on the last day of the said FY, only the balance sheet section is reported on a consolidated basis for the FY under review and consolidated statement of income, consolidated statement of changes in net assets or consolidated statement of cash flows are not prepared.

1. Consolidated financial statements, etc.

Consolidated financial statements

1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2010
Assets	
Current assets	
Cash and deposits	8,731
Notes and accounts receivable-trade	16,054
Short-term investment securities	2,998
Merchandise and finished goods	3,714
Work in process	1,537
Raw materials and supplies	881
Deferred tax assets	1,626
Accounts receivable-other	7,989
Deposit paid in subsidiaries and affiliates	9,000
Other	589
Allowance for doubtful accounts	(7)
Total current assets	53,112
Noncurrent assets	
Property, plant and equipment	
Buildings and structures	3,072
Accumulated depreciation	(1,450)
Buildings and structures, net	1,622
Machinery, equipment and vehicles	37
Accumulated depreciation	(19)
Machinery, equipment and vehicles, net	18
Tools, furniture and fixtures	942
Accumulated depreciation	(633)
Tools, furniture and fixtures, net	309
Land	122
Lease assets	94
Accumulated depreciation	(56)
Lease assets, net	38
Construction in progress	11
Total property, plant and equipment	2,120
Intangible assets	
Goodwill	2,291
Other	885
Total intangible assets	3,176
Investments and other assets	
Investment securities	2,689
Deferred tax assets	2,013
Other	4,245
Allowance for doubtful accounts	(122)
Total investments and other assets	8,825
Total noncurrent assets	14,121
Total assets	67,233

(Millions of yen)

	As of March 31, 2010
Liabilities	
Current liabilities	
Notes and accounts payable-trade	14,034
Income taxes payable	2,566
Provision for loss on subleases	42
Accrued expenses	9,307
Other	2,172
Total current liabilities	28,121
Noncurrent liabilities	
Provision for retirement benefits	3,650
Provision for directors' retirement benefits	55
Provision for loss on subleases	67
Other	522
Total noncurrent liabilities	4,294
Total liabilities	32,415
Net assets	
Shareholders' equity	
Capital stock	2,371
Capital surplus	2,707
Retained earnings	30,280
Treasury stock	(0)
Total shareholders' equity	35,358
Valuation and translation adjustments	
Valuation difference on available-for-sale securities	(540)
Total valuation and translation adjustments	(540)
Total net assets	34,818
Total liabilities and net assets	67,233

[Significant matters providing the basis for the preparation of consolidated financial statements]

Item	FY ended March 31, 2010
1. Scope of consolidation	(1) Number of consolidated subsidiaries: 3 Name of consolidated subsidiaries: Matsuhaya Corporation Matsuhaya Shoji Co., Ltd. Honda Matsuhaya, Co., Ltd. (2) Major unconsolidated subsidiary: Shanghai Mobiling, Ltd.
2. Application of equity method	Unconsolidated subsidiary not accounted for by the equity method: Shanghai Mobiling, Ltd.
3. Accounting policies	
(1) Policy and methods to evaluate significant assets	i. Securities 1) Available-for-sale securities: • Securities with market value: Stated at fair market value based on market prices at the balance sheet date. (Valuation difference is reported as a component of net assets, with the cost of securities sold being calculated by the moving-average method.) • Securities without market value: Stated at cost determined by the moving-average method. ii. Inventories Valued at cost (write-downs to net selling value regarded as decreased profitability) • Merchandise, finished goods, semi-finished goods, raw materials: Based on a first-in, first-out method • Work in process: Based on the specific identification method
(2) Depreciation methods for significant depreciable assets	i. Property, plant and equipment (excluding lease assets) Depreciated principally using the declining-balance method. However, buildings held by consolidated subsidiaries (excluding facilities accompanying buildings) are depreciated using the straight-line method. Useful lives of main assets are as follows: Buildings and structures: 3 to 45 years Machinery, equipment and vehicles: 2 to 9 years Tools, furniture and fixtures: 2 to 24 years ii. Intangible assets (excluding lease assets) Amortized using the straight-line method. Software products for own use are amortized over their estimated useful lives in the Company (usually 5 years) by using the straight-line method. iii. Lease assets Lease assets in finance lease transactions that do not transfer ownership are depreciated by the declining-balance method, defining the lease term of respective assets as their useful lives, without residual value. Among lease assets in finance lease transactions that do not transfer ownership, lease transactions that commenced on or before March 31, 2008 are accounted for in a manner similar to ordinary rental transactions.

Item	FY ended March 31, 2010
(3) Accounting standards for significant allowances and provisions	i. Allowance for doubtful accounts To provide for potential loss on notes and accounts receivable-trade and other loans, the Company makes an allowance for the expected amount of uncollectable loans. Allowances for ordinary bad debts are computed based on the historical rate of default, and for specific debts where recovery is doubtful, the Company considers the likelihood of recovery on an individual basis. ii. Provision for loss on subleases In connection with the closing of shops, etc., some leased properties were subleased until the maturity of original lease contracts. When the total amount of lease obligations exceed the total amount of receivables from sublease contracts during the corresponding sublease terms, the excess amount is recorded as provision for loss on subleases. iii. Provision for retirement benefits To provide for employees' retirement benefits, the Company makes a provision for estimated retirement benefits for the FY based on the projected retirement benefit obligations and related pension assets as of the end of the FY. Prior service costs are charged to expenses, using the straight-line method, over the determined years that are no longer than the average remaining service years of the employees at the time of occurrence. Actuarial differences are amortized evenly using the straight-line method over the determined years that are no longer than the average remaining service years of employees, beginning from the FY following the time of occurrence. iv. Provision for directors' retirement benefits The Company makes provisions for a necessary amount of retirement benefits for directors of subsidiaries at the end of each FY, in accordance with the Company's internal rules.
4. Amortization of goodwill and negative goodwill	Goodwill is amortized equally over 5 years

(Lease transactions)

FY ended March 31, 2010

1. Finance leases

Future minimum lease payments, etc.

Future minimum lease payments

Due in one year or less	¥148	million
Due over one year	¥76	million
Total	¥224	million
Accumulated impairment loss on leased assets at end of FY	¥10	million

2. Operating lease transactions

Future minimum lease payments related to noncancellable operating leases

Due in one year or less	¥405 million
Due over one year	¥965 million
Total	¥1,370 million

(Securities)

FY ended March 31, 2010

1. Available-for-sale securities

	Type	As of March 31, 2010		
		Amount on the consolidated balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Net unrealized gains (losses) (Millions of yen)
Amount on the consolidated balance sheet greater than acquisition cost	(1) Stocks	–	–	–
	(2) Bonds			
	1) Government / municipal	–	–	–
	2) Corporate	–	–	–
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	–	–	–
Amount on the consolidated balance sheet not greater than acquisition cost	(1) Stocks	465	574	(109)
	(2) Bonds			
	1) Government / municipal	–	–	–
	2) Corporate	–	–	–
	3) Other	–	–	–
	(3) Other	2,213	3,015	(802)
	Subtotal	2,678	3,589	(911)
Total		2,678	3,589	(911)

(Note) Unlisted shares (amount on consolidated balance sheet: ¥10 million) is not included in "Available-for-sale securities" above as they do not have a quoted market price in an active market and it appears to be extremely difficult to determine their fair values.

2. Available-for-sales securities sold during the FY (from April 1, 2009 to March 31, 2010)

Type	Amount of proceeds (Millions of yen)	Total gains on sales (Millions of yen)	Total losses on sales (Millions of yen)
Stocks	46	–	–
Total	46	–	–

(Employee retirement benefits)

1. Overview of employee retirement benefit plans

The Company has defined-benefit retirement plans, including a corporate pension plan, a contract-type defined-benefit corporate pension plan and a lump-sum retirement benefit plan.

Regarding the corporate pension plan, the Company participates in the NEC Welfare Pension Fund established in December 2003. The contract-type defined-benefit corporate pension plan was transferred from the tax-qualified pension plan in April 2005. Also, extra retirement benefits may be paid to employees at retirement.

A portion of the lump-sum retirement benefit plan was transferred to the defined-contribution retirement plan in April 2008.

Consolidated subsidiaries adopt the tax-qualified pension plan.

(Additional information)

Because the company existing prior to the establishment of Matsuhaya Corporation on March 31, 2010 by an incorporation-type company split participated in a multi-employer pension fund, Matsuhaya Corporation is considering to participate in the fund.

2. Retirement benefit obligations

(Millions of yen)

	As of March 31, 2010
(1) Retirement benefit obligations	(6,745)
(2) Pension assets	2,649
(3) Unfunded retirement benefit obligations (1)+(2)	(4,096)
(4) Unrecognized actuarial differences	1,252
(5) Unrecognized prior service cost	(152)
(6) Net amount on the consolidated balance sheet (3)+(4)+(5)	(2,996)
(7) Prepaid pension cost	654
(8) Provision for retirement benefits (6) – (7)	(3,650)

(Note) The above retirement benefit obligations include the amount measured by consolidated subsidiaries under the conventional method.

3. Breakdown of retirement benefit expenses

(Millions of yen)

	FY ended March 31, 2010
Retirement benefit expenses	631
(1) Service cost	338
(2) Interest cost	157
(3) Expected return on plan assets	56
(4) Amortization of prior service cost	17
(5) Amortization of actuarial differences	134
(6) Contribution to defined-contribution retirement plan	57
(7) Extra retirement benefits	18

(Note) The table shown above is based on non-consolidated figures since the deemed acquisition date of consolidated subsidiaries fell on the last day of the FY and the consolidated statement of income was not prepared for the said FY.

4. Assumptions used in the calculation of retirement benefit obligations

	As of March 31, 2010
(1) Discount rate (%)	2.5
(2) Expected rate of return on plan assets (%)	2.5
(3) Method of attributing the projected benefits to periods of service	Point-base
(4) Years for amortizing prior service cost (Years)	15
(5) Years for amortizing actuarial differences (Years)	15

(Tax effect accounting)

As of March 31, 2010	
1. Breakdown of deferred tax assets and liabilities	
	(Millions of yen)
Deferred tax assets	
Provision for retirement benefits	1,228
Accrued bonuses	604
Valuation difference on available-for-sale securities	370
Loss on valuation of inventories	266
Asset adjustment	806
Loss on valuation of noncurrent assets	235
Accrued enterprise taxes	200
Other	564
Subtotal	4,273
Valuation allowance	(189)
Total deferred tax assets	4,084
Deferred tax liabilities	
Special distributions	(193)
Loans to subsidiaries and affiliates	(252)
Total deferred tax liabilities	(445)
Net deferred tax assets	3,639
2. Major factors of differences between the statutory tax rate and the effective income tax rate of consolidated financial statements after tax effect accounting application Disclosure is omitted because the consolidated statement of income was not prepared.	

(Business combinations)

FY ended March 31, 2010

Purchase method was applied.

1. Name and business of the acquired company, main reason for business combination, date of business combination, legal form of business combination and name and ratio of voting rights of the company acquired after business combination

(1) Name and business of the acquired company

Name: Matsuhaya Corporation

Business: Mobile phone sales

(2) Main reason for business combination

Improve corporate value by expanding the market share of the Group’s mobile phone sales business

(3) Date of business combination

March 31, 2010

(4) Legal form of business combination

Acquisition of shares

(5) Name of the company acquired after business combination

No change

(6) Ratio of voting rights of the company acquired

100%

2. Operating results of acquired company which are included in the consolidated financial statements

Operating results were not included in the consolidated financial statements because March 31, 2010 was to be the deemed acquisition date.

3. Acquisition cost of the company acquired and breakdown

Acquisition cost	Shares of Matsuhaya Corporation	¥5,234 million
Direct expenditure for acquisition	Advisory fees, etc.	¥46 million
Total acquisition cost		¥5,280 million

4. Amount of goodwill generated, reason thereof, and method and period of amortization

(1) Amount of goodwill

¥2,286 million

(2) Reason for goodwill

Primarily, the excess earnings power of Matsuhaya Corporation and its two subsidiaries' acquired business

(3) Method and period of amortization

Amortized equally over 5 years

5. Assets acquired and liabilities assumed at the date of business combination are as follows:

Current assets	¥2,728 million
Noncurrent assets	¥1,846 million
Total assets	¥4,574 million
Current liabilities	¥1,268 million
Noncurrent liabilities	¥312 million
Total liabilities	¥1,580 million

[Related party information]

FY ended March 31, 2010

1. Related party transactions

Transactions between the company filing the consolidated financial statements and its related parties

i. Parent company and major corporate shareholder, etc. of the company filing the consolidated financial statements

Type	Company name	Location	Capital or investments (Millions of yen)	Principal operations	Ownership [possession] ratio of voting rights	Relationship of related party	Nature of transactions	Transaction amount (Millions of yen)	Accounts	Balance at the end of FY (Millions of yen)
Parent company	NEC Corporation	Minato-ku, Tokyo	397,199	Manufacture and sales of computers, communications equipment and software as well as provision of related services	Owned directly: 51.00%	Contracting of installation and maintenance services for mobile communications equipment, etc. Interlocking directors	Contracting of installation and maintenance services for mobile communications equipment, etc.	28,616	Accounts receivable-trade	5,875
							Deposits of fund Interest income	(1) 51	Deposit paid in subsidiaries and affiliates	9,000

ii. Companies which has the same parent company with the company filing the consolidated financial statements and subsidiaries of affiliated companies of the company filing the consolidated financial statements

Type	Company name	Location	Capital or investments (Millions of yen)	Principal operations	Ownership [possession] ratio of voting rights	Relationship of related party	Nature of transactions	Transaction amount (Millions of yen)	Accounts	Balance at the end of FY (Millions of yen)
Company which has the same parent company	NEC Saitama, Ltd.	Kamikawa-machi, Kodama-gun, Saitama	200	Development, design, manufacture and sales of mobile communications equipment and related equipment	None	Procurement of parts and components for maintenance of mobile communications equipment, etc. Interlocking directors	Procurement of parts and components for maintenance	10,165	Accounts payable-trade	970
Company which has the same parent company	NEC Facilities, Ltd.	Minato-ku, Tokyo	240	Design of construction and environmental systems, etc., construction management, building and repairs and facility management as well as insurance agency and real estate management	None	Building rental, etc.	Building rental Payment of deposits	2,269 28	Lease and guarantee deposits	650

(Notes) 1. Above transaction amounts do not include consumption taxes except balance at the end of FY in accounts receivable-trade and accounts payable-trade.

2. Conditions of transaction and transaction policies
   1) Regarding contracting of installation and maintenance services for mobile communications equipment, estimates are submitted for every business on the basis of which negotiations take place and contract prices are determined, which is the same as under general business conditions.
   2) Procurement prices of parts and components for maintenance are determined by price negotiation based upon the quoted price.
   3) Building rental fee is determined based on market prices.
   4) Interest rate on deposits of fund is determined by taking the market rates into consideration.

2. Notes concerning the parent company or significant affiliates

Parent company information

NEC Corporation (listed on the Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange, Fukuoka Stock Exchange and Sapporo Securities Exchange)

2. Non-consolidated financial statements, etc.

Non-consolidated financial statements

1) Non-consolidated balance sheets

(Millions of yen)

	37th business year (As of March 31, 2009)	38th business year (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	11,069	7,816
Accounts receivable-trade	15,843	15,843
Short-term investment securities	998	2,998
Merchandise and finished goods	3,085	3,059
Work in process	654	1,537
Raw materials and supplies	704	879
Prepaid expenses	224	246
Deferred tax assets	1,055	1,389
Accounts receivable-other	7,277	7,373
Deposit paid in subsidiaries and affiliates	9,001	9,000
Other	242	251
Allowance for doubtful accounts	(6)	(7)
Total current assets	50,146	50,384
Noncurrent assets		
Property, plant and equipment		
Buildings	1,666	1,721
Accumulated depreciation	(736)	(831)
Buildings, net	930	890
Structures	322	327
Accumulated depreciation	(165)	(189)
Structures, net	157	138
Machinery and equipment	29	34
Accumulated depreciation	(11)	(17)
Machinery and equipment, net	18	17
Tools, furniture and fixtures	845	871
Accumulated depreciation	(567)	(583)
Tools, furniture and fixtures, net	278	288
Lease assets	91	94
Accumulated depreciation	(27)	(56)
Lease assets, net	64	38
Construction in progress	6	11
Total property, plant and equipment	1,453	1,382
Intangible assets		
Goodwill	10	5
Right of trademark	0	0
Software	932	766
Other	98	105
Total intangible assets	1,040	876

(Millions of yen)

	37th business year (As of March 31, 2009)	38th business year (As of March 31, 2010)
Investments and other assets		
Investment securities	2,735	2,678
Stocks of subsidiaries and affiliates	–	5,280
Investments in capital of subsidiaries and affiliates	164	164
Long-term loans receivable	151	118
Long-term loans receivable from employees	0	0
Claims provable in bankruptcy, claims provable in rehabilitation and other	84	78
Long-term prepaid expenses	40	18
Deferred tax assets	1,500	1,602
Lease and guarantee deposits	2,347	2,469
Prepaid pension cost	669	654
Other	20	17
Allowance for doubtful accounts	(82)	(78)
Total investments and other assets	7,628	13,000
Total noncurrent assets	10,121	15,258
Total assets	60,267	65,642
Liabilities		
Current liabilities		
Notes payable-trade	492	101
Accounts payable-trade	12,166	13,261
Lease obligations	20	21
Accounts payable-other	624	1,202
Accrued expenses	9,413	8,887
Income taxes payable	1,650	2,561
Advances received	239	213
Deposits received	625	607
Total current liabilities	25,229	26,853
Noncurrent liabilities		
Lease obligations	63	45
Provision for retirement benefits	3,400	3,521
Other	411	405
Total noncurrent liabilities	3,874	3,971
Total liabilities	29,103	30,824

(Millions of yen)

	37th business year (As of March 31, 2009)	38th business year (As of March 31, 2010)
Net assets		
Shareholders' equity		
Capital stock	2,371	2,371
Capital surplus		
Legal capital surplus	2,707	2,707
Total capital surplus	2,707	2,707
Retained earnings		
Legal retained earnings	21	21
Other retained earnings		
General reserve	22,760	25,060
Retained earnings brought forward	3,839	5,199
Total retained earnings	26,620	30,280
Treasury stock	(0)	(0)
Total shareholders' equity	31,698	35,358
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(534)	(540)
Total valuation and translation adjustments	(534)	(540)
Total net assets	31,164	34,818
Total liabilities and net assets	60,267	65,642

2) Non-consolidated statements of income

(Millions of yen)

	37th business year (From April 1, 2008 to March 31, 2009)	38th business year (From April 1, 2009 to March 31, 2010)
Net sales		
Mobile Sales Business	98,347	84,464
Mobile Service Business	26,154	33,123
Total net sales	124,501	117,587
Cost of sales		
Mobile Sales Business	88,725	74,014
Mobile Service Business	21,174	26,879
Total cost of sales	109,899	100,893
Gross profit	14,602	16,694
Selling, general and administrative expenses	8,078	8,575
Operating income	6,524	8,119
Non-operating income		
Interest income	85	64
Dividends income	271	203
Other	7	7
Total non-operating income	363	274
Non-operating expenses		
Interest expenses	2	2
Loss on retirement of noncurrent assets	118	156
Other	22	11
Total non-operating expenses	142	169
Ordinary income	6,745	8,224
Extraordinary income		
Compensation for transfer	60	–
Total extraordinary income	60	–
Extraordinary loss		
Loss on valuation of investment securities	997	–
Impairment loss	–	174
Total extraordinary losses	997	174
Income before income taxes	5,808	8,050
Income taxes-current	2,627	3,876
Income taxes-deferred	(138)	(431)
Total income taxes	2,489	3,445
Net income	3,319	4,605

3) Non-consolidated statements of changes in net assets

(Millions of yen)

	37th business year (From April 1, 2008 to March 31, 2009)	38th business year (From April 1, 2009 to March 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	2,371	2,371
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	2,371	2,371
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	2,707	2,707
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	2,707	2,707
Total capital surplus		
Balance at the end of previous period	2,707	2,707
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	2,707	2,707
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	21	21
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	21	21
Other retained earnings		
General reserve		
Balance at the end of previous period	20,260	22,760
Changes of items during the period		
Provision of general reserve	2,500	2,300
Total changes of items during the period	2,500	2,300
Balance at the end of current period	22,760	25,060
Retained earnings brought forward		
Balance at the end of previous period	3,856	3,839
Changes of items during the period		
Provision of general reserve	(2,500)	(2,300)
Dividends from surplus	(836)	(945)
Net income	3,319	4,605
Total changes of items during the period	(17)	1,360
Balance at the end of current period	3,839	5,199
Total retained earnings		
Balance at the end of previous period	24,137	26,620
Changes of items during the period		
Provision of general reserve	–	–
Dividends from surplus	(836)	(945)
Net income	3,319	4,605
Total changes of items during the period	2,483	3,660
Balance at the end of current period	26,620	30,280

(Millions of yen)

	37th business year (From April 1, 2008 to March 31, 2009)	38th business year (From April 1, 2009 to March 31, 2010)
Treasury stock		
Balance at the end of previous period	(0)	(0)
Changes of items during the period		
Purchase of treasury stock	(0)	–
Total changes of items during the period	(0)	–
Balance at the end of current period	(0)	(0)
Total shareholders' equity		
Balance at the end of previous period	29,215	31,698
Changes of items during the period		
Dividends from surplus	(836)	(945)
Net income	3,319	4,605
Purchase of treasury stock	(0)	–
Total changes of items during the period	2,483	3,660
Balance at the end of current period	31,698	35,358
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(159)	(534)
Changes of items during the period		
Net changes of items other than shareholders' equity	(375)	(6)
Total changes of items during the period	(375)	(6)
Balance at the end of current period	(534)	(540)
Total valuation and translation adjustments		
Balance at the end of previous period	(159)	(534)
Changes of items during the period		
Net changes of items other than shareholders' equity	(375)	(6)
Total changes of items during the period	(375)	(6)
Balance at the end of current period	(534)	(540)
Total net assets		
Balance at the end of previous period	29,056	31,164
Changes of items during the period		
Dividends from surplus	(836)	(945)
Net income	3,319	4,605
Purchase of treasury stock	(0)	–
Net changes of items other than shareholders' equity	(375)	(6)
Total changes of items during the period	2,108	3,654
Balance at the end of current period	31,164	34,818

4) Non-consolidated statements of cash flows

(Millions of yen)

	37th business year (From April 1, 2008 to March 31, 2009)	38th business year (From April 1, 2009 to March 31, 2010)
Net cash provided by (used in) operating activities		
Income before income taxes	5,808	8,050
Depreciation and amortization	706	741
Increase (decrease) in allowance for doubtful accounts	45	(3)
Increase (decrease) in provision for retirement benefits	95	114
Interest and dividends income	(356)	(267)
Interest expenses	2	2
Foreign exchange losses (gains)	1	1
Loss on retirement of property, plant and equipment	109	151
Loss on retirement of intangible assets	9	4
Loss (gain) on valuation of investment securities	997	–
Impairment loss	–	174
Decrease (increase) in notes and accounts receivable-trade	(251)	0
Decrease (increase) in inventories	182	(1,034)
Decrease (increase) in accounts receivable-other	1,835	(96)
Increase (decrease) in notes and accounts payable-trade	1,068	686
Increase (decrease) in accrued expenses	(1,454)	(526)
Increase (decrease) in accrued consumption taxes	85	(24)
Increase (decrease) in deposits received	(46)	(19)
Other, net	32	(125)
Subtotal	8,867	7,829
Interest and dividends income received	356	267
Interest expenses paid	(2)	(2)
Income taxes paid	(2,159)	(2,998)
Net cash provided by (used in) operating activities	7,062	5,096
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(367)	(252)
Proceeds from sales of property, plant and equipment	3	0
Purchase of intangible assets	(199)	(207)
Purchase of investment securities	(1,227)	–
Proceeds from sales of investment securities	–	46
Purchase of stocks of subsidiaries and affiliates	–	(4,950)
Other, net	(303)	(23)
Net cash provided by (used in) investing activities	(2,093)	(5,386)
Net cash provided by (used in) financing activities		
Cash dividends paid	(834)	(944)
Repayments of lease obligations	(13)	(19)
Purchase of treasury stock	(0)	–
Net cash provided by (used in) financing activities	(847)	(963)
Effect of exchange rate change on cash and cash equivalents	(1)	(1)
Net increase (decrease) in cash and cash equivalents	4,121	(1,254)
Cash and cash equivalents at beginning of period	16,947	21,068
Cash and cash equivalents at end of period	21,068	19,814

[Significant accounting policies]

Item	FY ended March 31, 2010
1. Policy and methods to evaluate securities	(1) Available-for-sale securities: Securities with market value: Stated at fair market value based on market prices at the balance sheet date. (Valuation difference is reported as a component of net assets, with the cost of securities sold being calculated by the moving-average method.) Securities without market value: Stated at cost determined by the moving-average method. (2) Stocks of subsidiaries: Stated at cost determined by the moving-average method.
2. Policy and methods to evaluate inventories	Valued at cost (write-downs to net selling value regarded as decreased profitability) Merchandise, finished goods, semi-finished goods, raw materials: Based on a first-in, first-out method. Work in process: Based on the specific identification method.
3. Depreciation methods for noncurrent assets	(1) Property, plant and equipment (excluding lease assets) Depreciated using the declining-balance method. Useful lives of main assets are as follows: Buildings: 3 to 18 years Structures: 8 to 21 years Machinery and equipment: 9 years Tools, furniture and fixtures: 2 to 20 years (2) Intangible assets (excluding lease assets) Amortized using the straight-line method. Software products for own use are amortized over their estimated useful lives in the Company (usually 5 years) by using the straight-line method. (3) Lease assets Lease assets in finance lease transactions that do not transfer ownership are depreciated by the declining-balance method, defining the lease term of respective assets as their useful lives, without residual value. Among lease assets in finance lease transactions that do not transfer ownership, lease transactions that commenced on or before March 31, 2008 are accounted for in a manner similar to ordinary rental transactions.
4. Accounting standards for allowances and provisions	(1) Allowance for doubtful accounts To provide for potential loss on notes and accounts receivable-trade and other loans, the Company makes an allowance for the expected amount of uncollectable loans. Allowances for ordinary bad debts are computed based on the historical rate of default, and for specific debts where recovery is doubtful, the Company considers the likelihood of recovery on an individual basis. (2) Provision for retirement benefits To provide for employees' retirement benefits, the Company makes a provision for estimated retirement benefits for the FY based on the projected retirement benefit obligations and related pension assets as of the end of the FY. Prior service costs are charged to expenses, using the straight-line method, over the determined years that are no longer than the average remaining service years of the employees at the time of occurrence. Actuarial differences are amortized evenly using the straight-line method over the determined years that are no longer than the average remaining service years of employees, beginning from the FY following the time of occurrence.

Item	FY ended March 31, 2010
	(Changes in accounting policy) From the FY ended March 31, 2010, “Partial Amendment to the Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19, July 31, 2008) has been applied. This change had no effect on profit and loss.

[Notes to non-consolidated financial statements]

(Notes to non-consolidated statements of income)

FY ended March 31, 2010

1. Major items and amounts in selling, general and administrative expenses are as follows:

Salaries and allowances	¥2,594 million
Employees' bonuses	862
Retirement benefit expenses	255
Welfare expenses	521
Rent expenses	784
Depreciation	403
Business consignment expenses	1,021
Provision of allowance for doubtful accounts	2

The portion of selling expenses and general and administrative expenses is approximately as follows:

Selling expenses	Approximately 65%
General and administrative expenses	Approximately 35%

2. Impairment loss

The Company recorded the following impairment losses for the FY ended March 31, 2010.

(1) Major assets recognized as having suffered impairment

Usage	Business place, shops
Type	Buildings, etc.
Location	Yokohama-shi, Kanagawa Machida-shi, Tokyo Musashimurayama-shi, Tokyo, etc.
Number of business place	1
Number of shops	19

(2) Background for the recognition of impairment loss

Since operating losses had been continuously generated though the sales operation at shops where sundry goods were sold, the Company considered it should not be possible to recover the book value of the noncurrent assets in the asset group then recognized impairment loss of the asset group.

(3) Amounts of impairment loss

Buildings	¥86 million
Tools, furniture and fixtures	¥28 million
Other	¥60 million
Total	¥174 million

(4) Method of grouping assets

Upon the adoption of accounting for impairment loss, the Company determines the asset group based on the business unit or area unit in accordance with the classification used for the management accounting purpose.

(5) Calculation method of recoverable amount

The Company considers the recoverable amount to be the values in use.

Since the expected future cash flows are negative for business subject to impairment loss, the Company does not precisely measure the discount rate.

(Notes to non-consolidated statements of cash flows)

FY ended March 31, 2010

Relationship between the balance of cash and cash equivalents at the end of FY and the amount of balance sheet items.

	(As of March 31, 2010)
Cash and deposits	¥7,816 million
Short-term investment securities	2,998
Deposit paid in subsidiaries and affiliates	9,000
Cash and cash equivalents	19,814

VI. Outline of administrative matters concerning the filing company's shares

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record dates for dividends from surplus	September 30 March 31
Share trading unit	100 shares
Purchase of shares less than one unit:	
Office for handling business	(Special account) 3-1, Yaesu 2-chome, Chuo-ku, Tokyo The Sumitomo Trust and Banking Co., Ltd. Stock Transfer Agency Department
Shareholder registry administrator	(Special account) 5-33, Kitahama 4-chome, Chuo-ku, Osaka The Sumitomo Trust and Banking Co., Ltd.
Forwarding office	–
Handling charge for purchase	Amount separately specified as an amount equivalent to the fees pertaining to the entrustment of sale and purchase of shares
Method of public notice	Electronic public notice Electronic public notice will be notified at: http://www.nec-mobiling.com However, if the Company is unable to make electronic public notice due to an accident or any other compelling reason, it will make an alternative public notice on "The Nikkei" newspaper.
Special benefits for shareholders	Not applicable

(Note) According to the Company's Articles of Incorporation, the holder of shares less than one unit does not have any right other than the rights stipulated in each item of Article 189-2 of the Companies Act and the right to subscribe for new shares or new share subscription rights in proportion to the number of the shares owned by said shareholder.