

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

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

## **NEC Mobiling, Ltd.**

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

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

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## 1. Consolidated Financial Results for the Third Quarter ended December 31, 2010

### (1) Consolidated Business Results

(Units: Millions of yen)

	Nine months ended December 31, 2009		Nine months ended December 31, 2010	
		% change		% change
Net Sales	--	-- %	92,764	--%
Operating Income	--	-- %	7,424	--%
Ordinary Income	--	-- %	7,595	--%
Net Income	--	-- %	4,152	--%
Net Income per Share (Yen)	--		285.76	
Net Income per Share, fully diluted (Yen)	--		--	

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

### (2) Consolidated Financial Position

(Units: Millions of yen)

	As of December 31, 2010	As of March 31, 2010
Total Assets	66,418	67,233
Net Assets	37,392	34,818
Net Assets Ratio	56.3%	51.8%
Net Assets per Share (Yen)	2,573.55	2,396.38

## 2. Dividends

(Units: Yen)

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

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

(Units: Millions of yen)

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

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

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

### 4. Other information

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

(2) Item in preparation method for quarterly financial results:

The simplified method is applied to tax effect accounting except for some subsidiaries.

(3) Changes to accounting procedures: None

(4) Number of shares outstanding

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

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

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

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

**1. Qualitative information pertaining to consolidated operating results for the third quarter ended December 31, 2010**

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

**1) General overview**

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

	Year to Date (April 1 through December 31, 2010)
Net Sales	92,764
Operating Income	7,424
Ordinary Income	7,595
Net Income	4,152

The first nine months of the fiscal year under review witnessed improving corporate performance and other signs indicating an economic recovery. However, the positive factors fell short of completely dispelling uncertain outlook, which was fueled by market concerns over the stronger yen together with the persistently high unemployment rate.

The mobile phone sales market enjoyed higher unit sales year-on-year, bolstered by an enhanced lineup and strong sales of smartphones.

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

As a result, the company posted net sales of ¥92,764 million, operating income of ¥7,424 million, ordinary income of ¥7,595 million, and net income of ¥4,152 million on a consolidated basis in the nine-month period ended December 31, 2010.

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

**2) Segment overview**

**(a) Mobile sales business**

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

	Year to Date (April 1 through December 31, 2010)
Net Sales	65,763
Operating Income	2,602

The nine-month period ended December 31, 2010 saw an enhanced lineup of mobile phones, which now include smartphones, tablet PCs, and mobile phones with Wi-Fi connectivity. The major mobile network operators stepped up efforts to win and retain data communications service users and to encourage data communication usage. This was achieved through the release of smartphones with e-wallet and other capabilities for popular services available through the Japanese mobile network operators, along with downward revisions of fixed-rate data communication charges and the launch of LTE services.

In this business environment, the company stepped up efforts to increase sales of smartphones and other handsets with advanced functions. As a result, the company sold 1,008,000 handsets in the period under review (or an increase of 7% from the same period in the previous year based on the parent-only unit sales of the previous fiscal year), which partially reflected an increase attributable to the company's acquisition of Matsuhaya Corporation on March 31, 2010.

Net sales generated by this business amounted to ¥65,763 million. Operating income came in at ¥2,602 million. Solid net sales, the positive effects of Matsuhaya Corporation's inclusion in the company's consolidated scope, and stronger business improvement measures, including greater sales of mobile

phone-related items, efforts by individual retail shops for profit maximization and loss minimization, and undertakings to rev-up low-profit business, contributed to the figure. This is despite the negative consequences of new commission schedules imposed by mobile phone network operators on mobile phone distributors.

**(b) Mobile service business**

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

	Year to Date (April 1 through December 31, 2010)
Net Sales	27,001
Operating Income	4,822

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

Net sales generated by this business amounted to ¥27,001 million, while operating income came in at ¥4,822 million on improved operational efficiency.

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

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

Total assets stood at ¥66,418 million as of December 31, 2010, reflecting a decrease of ¥815 million from the end of the previous fiscal year on March 31, 2010, attributable primarily to a decrease in cash and deposits/trade and non-trade receivables. Total liabilities decreased ¥3,389 million over the same period to ¥29,026 million, due to lower income taxes payable and lower accrued expenses, among other factors. Total net assets increased ¥2,574 million to ¥37,392 million. Factors that contributed to the change included distributions of retained earnings as dividends and the posting of quarterly net income.

These changes brought the company's equity ratio to 56.3%.

**2) Cash flow**

Cash and cash equivalents (hereinafter referred to as "cash") stood at ¥20,329 million as of December 31, 2010, down ¥258 million from the end of the previous consolidated fiscal year.

**Cash flow from operating activities:**

Cash flow provided by operating activities in the nine-month period ended December 31, 2010 amounted to ¥2,414 million.

The inflow was mainly attributable to cash-increasing factors, such as the posting of quarterly net income before income taxes and lower trade and non-trade receivables, which exceeded cash-decreasing factors, including higher inventories, lower accrued expenses, and income tax payments.

**Cash flow from investing activities:**

Cash flow used by investing activities in the nine-month period amounted to ¥1,202 million.

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

**Cash flow from financing activities:**

Cash decreased ¥1,469 million in conjunction with financing activities, which consisted largely of the payment of the end-of-year dividends for the 38<sup>th</sup> business year and the interim dividends for the 39<sup>th</sup> business year.

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

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

No revision has been made on the consolidated earnings forecasts announced on October 27, 2010.

The company is on solid track to achieve its full-year forecasts, as demonstrated by the progress rates of, as of December 31, 2010, 73.0% against its net sales forecast and 82.5% against its operating income forecast.

**2. Other Information**

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

None

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

• Calculation of tax expenses

With the exception of certain consolidated subsidiaries, the group calculates tax expenses by multiplying quarterly income before income taxes by an effective tax rate, which is estimated reasonably upon the application of tax effect accounting to income before the income taxes of the current consolidated fiscal year.

Deferred income tax is included in income taxes.

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

• Application of accounting standards for asset retirement obligations

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

This adoption had the effect of lowering operating income, ordinary income, and net income before income taxes by ¥73 million, ¥74 million, and ¥182 million, respectively. It also changed the balance of the asset retirement obligations of the company by ¥243 million.

## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Units: Millions of yen)

Items	Term	As of	As of
		December 31, 2010	March 31, 2010
		Amount	Amount
<b>Assets</b>			
Cash and deposits		6,480	8,731
Notes and accounts receivable-trade		15,336	16,054
Short-term investment securities		4,999	2,998
Merchandise and Finished goods		5,057	3,714
Work in process		1,774	1,537
Raw materials and supplies		853	881
Accounts receivable-other		6,458	7,989
Deposit paid in subsidiaries and affiliates		9,000	9,000
Other		2,237	2,215
Allowance for doubtful accounts		(8)	(7)
<b>Current assets</b>		<b>52,186</b>	<b>53,112</b>
Property, plant and equipment		2,480	2,120
Intangible assets			
Goodwill		2,030	2,291
Other		729	885
Total intangible assets		2,759	3,176
Investments and other assets		8,993	8,825
<b>Noncurrent assets</b>		<b>14,232</b>	<b>14,121</b>
<b>Total assets</b>		<b>66,418</b>	<b>67,233</b>
<b>Liabilities</b>			
Notes and accounts payable-trade		13,695	14,034
Income taxes payable		1,197	2,566
Provision for bonuses		636	--
Provision for loss on subleases		35	42
Accrued expenses		6,540	9,307
Other		2,304	2,172
<b>Current liabilities</b>		<b>24,407</b>	<b>28,121</b>
Provision for retirement benefits		3,790	3,650
Provision for directors' retirement benefits		59	55
Provision for loss on subleases		1	67
Other		769	522
<b>Noncurrent liabilities</b>		<b>4,619</b>	<b>4,294</b>
<b>Total liabilities</b>		<b>29,026</b>	<b>32,415</b>

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

(Units: Millions of yen)

Items	Term	As of December 31, 2010	As of March 31, 2010
		Amount	Amount
<b>Net assets</b>			
Capital stock		2,371	2,371
Capital surplus		2,707	2,707
Retained earnings		32,979	30,280
Treasury stocks		(0)	(0)
<b>Total shareholders' equity</b>		<b>38,057</b>	<b>35,358</b>
Valuation difference on available-for-sale securities		(665)	(540)
<b>Valuation and translation adjustments</b>		<b>(665)</b>	<b>(540)</b>
<b>Total net assets</b>		<b>37,392</b>	<b>34,818</b>
<b>Total liabilities and net assets</b>		<b>66,418</b>	<b>67,233</b>



**(2) Consolidated Statements of Income**

(Units: Millions of yen)

Items	Term	Nine months ended December 31, 2010
		Amount
<b>Net sales</b>		<b>92,764</b>
Cost of sales		77,110
<b>Gross profit</b>		<b>15,654</b>
Selling, general and administrative expenses		8,230
<b>Operating income</b>		<b>7,424</b>
Non-operating income		
Interest income		31
Dividend income		154
Rent income		43
Other		15
Total Non-operating income		243
Non-operating expenses		
Interest expense		2
Rent expenses		38
Loss on retirement of fixed assets		25
Other		7
Total Non-operating expenses		72
<b>Ordinary income</b>		<b>7,595</b>
Extraordinary gains		
Reversal of provision for loss on subleases		47
Reversal of allowance for doubtful accounts		13
Gain on sales of investment securities		2
Total extraordinary gains		62
Extraordinary losses		
Loss on adjustment for changes of accounting standard for asset retirement obligations		108
Head office transfer cost		137
Total extraordinary losses		245
<b>Income before income taxes</b>		<b>7,412</b>
Income taxes		3,260
<b>Income before minority interests</b>		<b>4,152</b>
<b>Net income</b>		<b>4,152</b>

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

(Units: Millions of yen)

Items	Term	Nine months ended December 31, 2010
<b>Cash flow from operating activities</b>		
Income before income taxes		7,412
Depreciation and amortization		691
Amortization of goodwill		350
Increase (decrease) in allowance for doubtful accounts		(19)
Increase (decrease) in provision for retirement benefit		116
Increase (decrease) in provision for directors' retirement benefit		5
Increase (decrease) in provision for loss on subleases		(75)
Interest and dividend income		(186)
Interest expense		2
Foreign exchange losses (gains)		1
Loss on retirement of fixed assets		25
Loss (gain) on sales of investment securities		(2)
Loss on adjustment for changes of accounting standard for asset retirement obligations		108
Head office transfer cost		137
(Increase) decrease in notes and accounts receivable-trade		718
(Increase) decrease in inventories		(1,528)
(Increase) decrease in accounts receivable-other		1,539
Increase (decrease) in notes and accounts payable-trade		(331)
Increase (decrease) in accrued expenses		(2,767)
Increase (decrease) in accrued consumption taxes		44
Increase (decrease) in deposits received		505
Other, net		(33)
<b>Sub-total</b>		<b>6,712</b>
Interest and dividend income received		186
Interest expense paid		(2)
Income taxes paid		(4,482)
<b>Net cash provided by (used in) operating activities</b>		<b>2,414</b>
<b>Cash flow from investing activities</b>		
Purchases of property and equipment		(616)
Purchases of intangible assets		(203)
Proceeds from sales of investment securities		4
Purchase of stocks of subsidiaries and affiliates		(330)
Payments for transfer of business		(129)
Other, net		72
<b>Net cash provided by (used in) investing activities</b>		<b>(1,202)</b>
<b>Cash flows from financing activities</b>		
Cash dividends paid		(1,446)
Repayments of lease obligations		(23)
<b>Net cash provided by (used in) financing activities</b>		<b>(1,469)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(1)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(258)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>20,587</b>
<b>Cash and cash equivalents at end of period</b>		<b>20,329</b>

**(4) Supplementary information**

(Units: Millions of yen)

	<b>Nine months ended December 31, 2009 &lt;Non-consolidated&gt;</b>	<b>Nine months ended December 31, 2010 &lt;Consolidated&gt;</b>
	<b>Amount</b>	<b>Amount</b>
Net sales	85,993	92,764
Operating income	6,644	7,424
%	7.7	8.0
Ordinary income	6,763	7,595
%	7.9	8.2
Net income	3,868	4,152
%	4.5	4.5
Net Income per Share (Yen)	266.23	285.76

## &lt; Business Segment Information &gt;

		<b>Nine months ended December 31, 2009 &lt;Non-consolidated&gt; (adjusted)</b>	<b>Nine months ended December 31, 2010 &lt;Consolidated&gt;</b>
		<b>Amount</b>	<b>Amount</b>
<b>Mobile Sales Business</b>	Net sales	61,950	65,763
	Operating income	2,617	2,602
	%	4.2	4.0
<b>Mobile Service Business</b>	Net sales	24,043	27,001
	Operating income	4,027	4,822
	%	16.8	17.9
<b>Total</b>	Net sales	85,993	92,764
	Operating income	6,644	7,424
	%	7.7	8.0

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

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

[Reference]

**Non-consolidated Statements of Income**

(Units: Millions of yen)

Items	Term	Nine months ended December 31, 2009
		Amount
<b>Net sales</b>		<b>85,993</b>
Cost of sales		73,197
<b>Gross profit</b>		<b>12,796</b>
Selling, general and administrative expenses		6,152
<b>Operating income</b>		<b>6,644</b>
Non-operating income		
Interest income		49
Dividend income		159
Other		6
Total Non-operating income		214
Non-operating expenses		
Interest expense		2
Loss on retirement of fixed assets		88
Other		5
Total Non-operating expenses		95
<b>Ordinary income</b>		<b>6,763</b>
<b>Income before income taxes</b>		<b>6,763</b>
Income taxes		2,895
<b>Net income</b>		<b>3,868</b>

[Reference]

**Non-consolidated Statements of Cash Flows**

(Units: Millions of yen)

Items	Term	Nine months ended December 31, 2009
<b>Cash flow from operating activities</b>		
Income before income taxes		6,763
Depreciation and amortization		541
Increase (decrease) in allowance for doubtful accounts		(3)
Increase (decrease) in provision for retirement benefits		110
Interest and dividend income		(208)
Interest expense		2
Foreign exchange losses (gains)		1
Loss on retirement of fixed assets		88
(Increase) decrease in notes and accounts receivable-trade		901
(Increase) decrease in inventories		(1,905)
(Increase) decrease in accounts receivable-other		1,055
Increase (decrease) in notes and accounts payable-trade		(417)
Increase (decrease) in accrued expenses		(2,863)
Increase (decrease) in accrued consumption taxes		14
Increase (decrease) in deposits received		302
Other, net		414
<b>Sub-total</b>		<b>4,795</b>
Interest and dividend income received		208
Interest expense paid		(2)
Income taxes paid		(2,997)
<b>Net cash provided by (used in) operating activities</b>		<b>2,004</b>
<b>Cash flow from investing activities</b>		
Purchases of property, plant and equipment		(248)
Purchases of intangible assets		(172)
Proceeds from sales of investment securities		46
Other, net		11
<b>Net cash provided by (used in) investing activities</b>		<b>(363)</b>
<b>Cash flows from financing activities</b>		
Cash dividends paid		(939)
Repayments of lease obligations		(14)
<b>Net cash provided by (used in) financing activities</b>		<b>(953)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(1)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>687</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>21,068</b>
<b>Cash and cash equivalents at end of period</b>		<b>21,755</b>