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

(2nd edition)

NEC Mobiling, Ltd.

Note: This document is 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, 2013 ［Japanese GAAP］

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Scheduled Date of Quarterly Securities Report Filing: February 7, 2013
Date of Publication: January 29, 2013
Listed Exchanges: Tokyo Stock Exchange
Stock Code: 9430
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1. Consolidated Financial Results for the Third Quarter ended December 31, 2012

(1) Consolidated Business Results

(Units: Millions of yen)

	Nine months ended December 31, 2011		Nine months ended December 31, 2012	
		% change		% change
Net Sales	90,525	(2.4％)	104,126	15.0%
Operating Income	7,563	1.9%	7,842	3.7%
Ordinary Income	7,720	1.6%	7,878	2.0%
Net Income	4,047	(2.5%)	4,542	12.2%
Net Income per Share (Yen)	278.56		312.64	
Net Income per Share, fully diluted (Yen)	--		--	

Note: Comprehensive income: Nine months ended December 31, 2011: 3,793 < -5.8%>
Nine months ended December 31, 2012: 4,479 <18.1%>

(2) Consolidated Financial Position

(Units: Millions of yen)

	As of March 31, 2012	As of December 31, 2012
Total Assets	77,676	78,856
Net Assets	42,590	45,253
Equity Ratio	54.8%	57.4%

2. Dividends

(Units: Yen)

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

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

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

(Units: Millions of yen)

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

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

※ Notes

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

(2) Application of special accounting methods for quarterly consolidated financial statements:
The simplified method is applied to tax effect accounting.

(3) Changes in accounting policies, changes in accounting estimates and restatements:
1. Changes in accounting policies caused by revision of accounting standards: None
2. Changes in accounting policies other than above: None
3. Changes in accounting estimates: None
4. Restatements: None

(4) Number of shares outstanding

1. Shares outstanding at the end of term:	As of March 31, 2012:	14,529,400
	As of December 31, 2012:	14,529,400
2. Treasury stocks at the end of term:	As of March 31, 2012:	70
	As of December 31, 2012:	143
3. Average number of shares outstanding during the term:	Nine months ended December 31, 2011:	14,529,330
	Nine months ended December 31, 2012:	14,529,284

・At the time of this report’s release, the quarterly review procedures under the Financial Instruments and Exchange Law are not completed.

Forecasts related to future business performance, one aspect of the current strategies, plans and awareness at NEC Mobiling, Ltd. described in this document, 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, trends 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 customes' requests. Factors with an impact on business performance are not limited to those herein described.

Analyses of Operating Results

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

1. General Overview

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

	Year to date (April 1- December 31, 2011)	Year to date (April 1- December 31, 2012)	YoY (%)
Net Sales	90,525	104,126	15.0 %
Operating Income	7,563	7,842	3.7 %
Ordinary Income	7,720	7,878	2.0 %
Net Income	4,047	4,542	12.2 %

In the nine-month period ended December 31, 2012, Japan's economy continued to move along a mild recovery trajectory on the back of post-quake reconstruction demand, but difficult environments persisted. Japan's economic outlook remained clouded despite the stock market rally and the yen's slide in anticipation of an economic recovery.

The mobile phone sales market grew, as mobile network operators enhanced their smartphone lines and ran aggressive marketing promotions. As a result, smartphones now account for about 60% of overall mobile phone sales.

In this operating environment, the NEC Mobiling Group, which consists of NEC Mobiling and its consolidated subsidiaries ("the Company"), redoubled its efforts to improve the service quality offered to customers at shops and to actively capture replacement demand by encouraging a shift to handsets with advanced functions, such as smartphones. NEC Mobiling stepped up its effort to strengthen its sales channels by making NANGOKU Telephone, Ltd. a subsidiary effective October 1, 2012. The robust sales market was translated into diminishing demand for maintenance services, as consumers increasingly opted to replace rather than to have their old handsets repaired. To cope with this trend, the Company undertook actions aimed at cost reduction and improved operational efficiency.

As a result of the foregoing, the Company posted net sales of ¥104,126 million (up 15.0% year-on-year) in the period under review. Stronger sales reflected a 15% increase, on a year-on-year basis, in unit sales of handsets to 1.29 million units, which more than compensated for the lower demand for maintenance services.

Operating income and ordinary income came in at ¥7,842 million (up 3.7% year-on-year) and ¥7,878 million (up 2.0%), respectively, on the back of growing unit sales and successful cost reductions and other measures aimed at improved operational efficiency. Net income was ¥4,542 million (up 12.2%), which reflected smaller income tax payments, among other factors.

2. Segment Overview

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

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

(a) Mobile Sales Business

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

	Year to date (April 1- December 31, 2011)	Year to date (April 1- December 31, 2012)	YoY (%)
Net Sales	62,836	82,843	31.8 %
Operating Income	2,433	3,727	53.2 %

In the nine-month period under review, the sales market was bolstered by the release of more smartphone models with attractive specs, such as longer-lasting batteries, larger display areas, and high-speed computing capacity, which was complemented further by the aggressive marketing promotions of mobile network operators and the greater availability of LTE (long-term evolution) and other high-speed, large-capacity communications services.

In this operating environment, the NEC Mobiling Group undertook measures to strengthen its sales channels. This included the acquisition of NANGOKU Telephone, which is now a subsidiary of NEC Mobiling, in a bid to gain more exposure to the customer base, and the relocation and renovation of existing shops. To boost sales of smartphones and other mobile handsets with advanced functions, as well as to elevate customer satisfaction, NEC Mobiling installed its proprietary Smartphone Concierge Service (see note) terminals to its shops, enhanced the accessory and peripheral product lines for handsets, and expanded an app recommendation service.

As a result of the foregoing, net sales rose 31.8% year-on-year to ¥82,843 million, which also reflected a higher cost of goods sold resulting in higher retail prices, in addition to an increase in unit sales. Operating income rose 53.2% year-on-year to ¥3,727 million, reflecting higher unit sales and stronger initiatives for operational efficiency, such as actions to improve profits by individual shops.

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

(b) Mobile Solutions Business

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

	Year to date (April 1- December 31, 2011)	Year to date (April 1- December 31, 2012)	YoY (%)
Net Sales	27,689	21,283	(23.1 %)
Operating Income	5,130	4,115	(19.8 %)

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

Net sales decreased 23.1% year-on-year to ¥21,283 million. Operating income came in at ¥4,115 million (down 19.8%) as a result of stepped-up efforts for greater operational efficiency including cost reduction through better repair technology and more maintenance service wins for handsets made by overseas manufacturers.

2) Analyses of the Consolidated Financial Position
Position as of December 31, 2012

Total assets at the end of the consolidated third quarter stood at ¥78,856 million, representing an increase of ¥1,180 million from the end of the previous fiscal year on March 31, 2012. The result was due largely to an increase in merchandise and finished goods and the posting of goodwill associated with the newly consolidated subsidiary, which more than offset a decrease in notes and accounts receivable – trade and the effect of the sales of investment securities. Total liabilities decreased ¥1,483 million over the same period to ¥33,603 million. Among the factors that contributed to the change were a decrease in income taxes payable and a decrease in accrued expenses, which more than compensated for an increase in notes and accounts payable – trade. Meanwhile, total net assets increased ¥2,663 million to ¥45,253 million. Factors that contributed to the change included the posting the quarterly net income and a distribution of retained earnings as dividends.

These changes brought equity ratio to 57.4%.

3) Outlook for the Fiscal Year Ending March 2013
Qualitative information pertaining to consolidated earnings forecasts

No revision has been made on the earnings forecasts announced on October 24, 2012.

Progress toward the full-year earnings forecasts was on schedule, as the Company achieved 76.6% and 74.7% of the full-year targets for net sales and operating income, respectively, in the nine-month period under review.

Other information

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

None

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

・ Calculation of tax expenses

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

Deferred income taxes is included in income taxes.

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

None

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Units: Millions of yen)

Items / Term	As of March 31, 2012 Amount	As of December 31, 2012 Amount
Assets		
Cash and deposits	7,841	7,061
Notes and accounts receivable－trade	17,967	16,144
Short-term investment securities	10,997	10,997
Merchandise and finished goods	4,477	7,620
Work in process	1,237	1,551
Raw materials and supplies	682	514
Accounts receivable－other	11,095	11,246
Deposit paid in subsidiaries and affiliates	9,000	9,000
Other	2,249	2,218
Allowance for doubtful accounts	(5)	(5)
Current assets	**65,540**	**66,346**
Property, plant and equipment	2,625	3,179
Intangible assets		
Goodwill	1,435	2,705
Other	417	368
Total intangible assets	1,852	3,073
Investments and other assets	7,659	6,258
Non-current assets	**12,136**	**12,510**
Total assets	**77,676**	**78,856**
Liabilities		
Notes and accounts payable－trade	14,338	15,376
Income taxes payable	2,272	1,063
Provision for bonuses	--	874
Accrued expenses	11,739	9,123
Other	2,025	2,265
Current liabilities	**30,374**	**28,701**
Provision for retirement benefits	3,971	4,153
Other	741	749
Non-current liabilities	**4,712**	**4,902**
Total liabilities	**35,086**	**33,603**
Shareholders' equity		
Capital stock	2,371	2,371
Capital surplus	2,707	2,707
Retained earnings	37,614	40,340
Treasury stocks	(0)	(0)
Total shareholders' equity	**42,692**	**45,418**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(102)	(165)
Total accumulated other comprehensive income	**(102)**	**(165)**
Total net assets	**42,590**	**45,253**
Total liabilities and net assets	**77,676**	**78,856**

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

(Units: Millions of yen)

Items / Term	Nine months ended December 31, 2011 Amount	Nine months ended December 31, 2012 Amount
Net sales	**90,525**	**104,126**
Cost of sales	74,083	88,080
Gross profit	**16,442**	**16,046**
Selling, general and administrative expenses	8,879	8,204
Operating income	**7,563**	**7,842**
Non-operating income		
Interest income	33	36
Dividend income	129	73
Other	82	53
Total Non-operating income	244	162
Non-operating expenses		
Interest expense	3	3
Loss on retirement of non-current assets	29	91
Other	55	32
Total Non-operating expenses	87	126
Ordinary income	**7,720**	**7,878**
Extraordinary losses		
Loss on sales of investment securities	--	43
Impairment loss	--	33
Loss on cancellation of leasehold contracts	--	14
Loss on sales of non-current assets	24	--
Office transfer cost	122	--
Loss on liquidation of business	41	--
Total extraordinary losses	187	90
Income before income taxes	**7,533**	**7,788**
Income taxes	3,486	3,246
Income before minority interests	**4,047**	**4,542**
Net income	**4,047**	**4,542**

(Consolidated Statements of Comprehensive Income)

(Units: Millions of yen)

Items / Term	Nine months ended December 31, 2011	Nine months ended December 31, 2012
	Amount	Amount
Net income	**4,047**	**4,542**
Other comprehensive income		
Valuation difference on available-for-sale securities	(254)	(63)
Total other comprehensive income	(254)	(63)
Comprehensive income	**3,793**	**4,479**
(Comprehensive income attributable)		
Comprehensive income attributable to owners of the parent	3,793	4,479

(3) Notes regarding Going Concern Assumption

None

(4) Material Changes in Shareholders' Equity

None

(5) Business combinations

Business combination through acquisition

1. Outline of business combination

1) Name and business of the acquired company

Name: NANGOKU Telephone, Ltd.

Business: Mobile phone sales

2) Main reason for business combination

To improve corporate value by expanding the market share of the Group's mobile phone sales business

3) Date of business combination

October 1, 2012 (share acquisition date)

November 30, 2012 (deemed acquisition date)

4) Legal form of business combination

Acquisition of shares for cash

5) Name of the company acquired after business combination

No change

6) Ratio of voting rights of the company acquired

100%

7) Main reason to decide the acquiring company

NEC Mobiling acquired all voting rights of NANGOKU Telephone, Ltd.

2. Period of the acquired company's financial results included in the consolidated statement of income

From December 1, 2012 to December 31, 2012

3. Acquisition cost for the company acquired and breakdown

Acquisition cost	Shares of NANGOKU Telephone, Ltd.	¥3,000 million
Direct expenditure for the acquisition	Advisory fees, etc.	¥24 million
Total acquisition cost		¥3,024 million

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

1) Amount of goodwill

¥1,641 million

2) Reasons for recognizing goodwill

Primarily, the excess earning power of NANGOKU Telephone, Ltd.

3) Method and period of amortization

Amortized equally over 10 years

(6) Major Subsequent Event

None

Supplementary Information

(Units: Millions of yen)

	Nine months ended December 31, 2011	**Nine months ended December 31, 2012**	**% Change**
Net sales	90,525	104,126	15.0
Operating income	7,563	7,842	3.7
%	8.4	7.5	
Ordinary income	7,720	7,878	2.0
%	8.5	7.6	
Net income	4,047	4,542	12.2
%	4.5	4.4	
Net Income per Share (Yen)	278.56	312.64	

＜Business Segment Information＞

(Units: Millions of yen)

		Nine months ended December 31, 2011 (Reclassified)		**Nine months ended December 31, 2012**		**% Change**
		Amount	**%**	**Amount**	**%**	
Mobile Sales Business	Net sales	62,836	69.4	82,843	79.6	31.8
	Operating income	2,433	32.2	3,727	47.5	53.2
	%	3.9		4.5		
Mobile Solutions Business	Net sales	27,689	30.6	21,283	20.4	(23.1)
	Operating income	5,130	67.8	4,115	52.5	(19.8)
	%	18.5		19.3		
Total	Net sales	90,525	100.0	104,126	100.0	15.0
	Operating income	7,563	100.0	7,842	100.0	3.7
	%	8.4		7.5		

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