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YUHO REPORT

Annual

Fiscal Year Ended	**March 31, 2009**
Traded	**TSE1**
Stock Code	**9430**

NEC Mobiling, Ltd.

YUHOREPORT

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This report is based on the Japanese-language annual filing prepared by NEC Mobiling, Ltd. (the "Company") in accordance with accounting principles and practices generally accepted in Japan and the regulations under the Securities and Exchange Law of Japan. The materials from the annual filing have been edited and reorganized in a format more familiar to the international investment community. All information contained in this report is believed to be reliable, but the Company does not guarantee that the contents are error-free. The Company has made every reasonable effort to assure accuracy, but the accuracy of the data and the translation, completeness of the report and timeliness of the information are not warranted by the Company. The Company shall not be responsible for any error or omission or for results obtained from the use of this information.

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Company Profile

Financial highlights

Years ended March 31; Millions of yen	2005	2006	2007	2008	2009	Change 2009/2005
Net sales	140,195	127,590	130,253	129,028	124,501	89%
Ordinary income	3,855	4,078	5,641	5,845	6,745	175%
Net income	2,105	2,117	3,222	3,389	3,319	158%
Equity in earnings of affiliated companies	–	–	–	–	–	
Common stock	2,371	2,371	2,371	2,371	2,371	
Number of shares issued	14,529,400	14,529,400	14,529,400	14,529,400	14,529,400	
Net assets	22,558	23,994	26,573	29,056	31,164	138%
Total assets	50,715	56,465	61,832	58,638	60,267	119%
Net assets per share (Yen)	1,552.57	1,651.43	1,828.94	1,999.81	2,144.91	
Dividends per share (Yen)	45.00	45.00	47.50	55.00	60.00	
Net income per share (Yen)	144.88	145.71	221.76	233.26	228.41	
Net income per share, fully diluted (Yen)	–	–	–	–	–	
Dividend payout ratio (%)	31.06	30.88	21.42	23.58	26.27	
Net cash provided by operating activities	2,550	4,324	5,580	3,726	7,062	
Net cash used in investing activities	(1,029)	(1,941)	(1,304)	(3,511)	(2,093)	
Net cash used in financing activities	(613)	(659)	(653)	(762)	(847)	
Cash and cash equivalents at end of year	12,131	13,880	17,501	16,947	21,068	
Employees	1,494	1,169	1,121	1,057	1,018	68%
[Temporary employees]	1,077	1,058	1,395	1,810	1,970	183%

Business Overview

Description of business

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

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

Mobile Sales

In its role as a primary distributor for mobile network operators such as NTT DoCoMo, Inc. (NTT DoCoMo), the Company is engaged in selling subscriptions for mobile phone and other mobile communication services, selling mobile communications terminals and providing subscriber-related support services such as repairs and user fee collection. To achieve its objectives, the Company operates stores, primarily DoCoMo shops, as a means of directly or indirectly developing distribution channels.

Mobile Service

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

The Company also provides maintenance services, including troubleshooting, repairs and sales of parts for mobile communications terminals, either under subcontracting agreements with NEC or its subsidiaries or under direct agreements with mobile network operators. The Company has established service centers in Sapporo, Sendai, Tokyo, Yokohama, Nagoya, Osaka, Hiroshima and Fukuoka to provide nationwide maintenance services.

Group companies

Name	Operations	Common stock Millions of yen	Percent ownership
(Parent)			
NEC Corporation	Manufacture and sales of computers, communications equipment and software as well as provision of services related to such products	337,940	51.00

History

Year	Month	Event
1972	December	The Company is established as NEC Mobile Radio Service, Ltd. in Minato-ku, Tokyo. Capitalized at 20 million yen, it initiates operations involving sales, repair and maintenance services and other businesses related to mobile communications equipment and systems. Begins providing repair and maintenance services for pagers in Tokyo and Osaka.
1973	May	Establishes Engineering Department, through which it provides system engineering and maintenance services for mobile communications base stations, including on-site installation and tuning of base station systems.
	June	Enters into authorized distributorship agreement with NEC Corp. and begins selling mobile and other communications equipment and systems.
1979	December	Begins maintenance services for car phones in the Tokyo area.
1981	June	Establishes Systems Center, where it begins to develop software for mobile communications equipment and systems.
1982	March	Obtains general license for telecommunications installation work from the Ministry of Construction.
1987	May	Moves head office to Kohoku-ku, Yokohama, Kanagawa Prefecture.
1988	August	Receives order to tune base station systems from Nippon Idou Tsushin Corporation (current KDDI Corporation), which marks the start of its system engineering services for Type I telecommunications enterprises.
1989	July	Establishes Maintenance Center and begins year-round 24-hour maintenance services.
1990	April	Changes its name to NEC Mobile Communications Ltd.; increases capital to 50 million yen.
	September	Begins manufacture of private mobile radio systems, such as emergency radio and railway communications systems.
	October	Increases capital to 100 million yen.
1992	April	Enters into distributorship agreement with the current NTT DoCoMo, Inc. and begins selling mobile phones and other related items.
	November	Opens Nishi-Ikebukuro store in Toshima-ku, Tokyo, and begins retailing mobile phones and other related items at the store.
1994	March	Establishes retailing network for mobile phones and other related items in nine regions spanning the country.
	October	Obtains ISO9001 certification, an international standard for quality control systems.
1997	June	Increases capital to 400 million yen.
1998	March	Obtains license to operate as a recognized certification company for the Type II Examination Service for radio equipment.
1999	June	Obtains license to operate as a recognized certification company for the Examination Service of Specified Radio Equipment.
2000	January	Obtains ISO14001 certification, an international standard for environmental management standards.

Year	Month	Event
2001	February	Increases capital to 600 million yen.
	March	Increases capital to 935.28 million yen.
	May	Signs an agreement to assume sales operations for the NTT DoCoMo mobile phone business in the Kanto Koshinetsu region from NEC Personal Systems, Ltd. (current NEC Personal Products, Ltd.).
	July	Changes its name to NEC Mobiling, Ltd.
2002	February	Lists shares on the Second Section of the Tokyo Stock Exchange and increases capital to 2,370.78 million yen.
	March	Obtains ISO9001 certification (year 2000 version), an international standard for quality management systems.
2003	March	Lists shares on the First Section of the Tokyo Stock Exchange.
	June	Takes over mobile phone sales business from NEC CustomMax, Ltd. (current NEC Personal Products, Ltd.).
2004	April	Establishes Shanghai Mobiling, Ltd. in the People's Republic of China.
2005	February	Obtains Privacy Mark certification, the Japanese Industrial Standard for management systems for personal information protection.
2006	April	Transfers its Mobile Software business to NEC Communication Systems, Ltd.
2007	April	Transfers its private mobile radio business to NEC Network and Sensor Systems, Ltd.

Risk factors

The following is a summary of the significant potential risks to the Company's operations. They include items that, while not directly related to operations, the Company believes merit disclosure considering the importance of investors to its 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 with the Financial Services Agency.

The discussion of risks has been divided into the following categories:

Relationship with NEC Group

Business-related risks

Relationship with NTT DoCoMo

Other risks

In changing its business classifications as noted on page 32-33, the Company made pro forma adjustments to the results for the year to March 2008 for the purpose of calculating year-on-year changes.

Relationship with NEC Group

(1) The Company is a member of the NEC Group (NEC owns 51.00% of the Company's shares).

- The bulk of the orders received by the Mobile Service business come from NEC.
- In the year to March 2008, 14.5% of the Company's total sales were to NEC; in the year to March 2009, the figure was 18.7%.
- Any change in the NEC Group's business policies or in the Company's standing within the NEC Group could consequently adversely affect the Company's financial performance.
- In addition, the Company is licensed to use the "NEC" trademark. If the Company loses the right to use this trademark, or if the NEC brand declines in credibility or prestige, this could have an impact on the Company's financial performance.

(2) Other aspects of the relationship with the NEC Group

- Of the Company's nine directors and corporate auditors, three were concurrently employees of NEC as of March 31, 2009.
- Of the Company's 1,018 employees as of March 31, 2009, a total of 49 were seconded from the NEC Group.
- The seconded employees were, in every sense of the word, working full-time in the Company's operations. As the need arises, the Company may consider gradually hiring these employees directly. At the same time, however, as the Company's own personnel grow in competence and expertise, the need to bring in people from NEC or other NEC Group companies will diminish. The Company intends to restrict use of these types of assigned employees to an absolute minimum hereafter.
- The declining acceptance of employees from NEC or NEC Group companies will not pose an obstacle to the smooth functioning of the Company's operations.

Business-related risks

(1) Mobile Sales

- This business accounted for 83.7% and 79.0% of the Company's sales in the years to March 2008 and March 2009, respectively.
- In selling mobile phones, the Company operates in an environment of intense competition, in which new models are continually being introduced as technologies advance and in which product life cycles are short. Mobile phone prices tend to fall in this environment. On the other hand, distributors

earn commissions and/or incentives on every subscription or sale they obtain from the mobile network operators. This commission income enables them to operate profitably, even when selling mobile phones at below the procurement price.

- Agreements covering such commissions and incentives are subject to change, however, depending on the mobile network operators' policies.
  Any major change in the provisions of services and payment contracts entered into with the operators, which include amounts, payment periods, services to be performed and subscribers' call charge amounts subject to payment of commissions and incentives, could have a significant impact on the Company's financial performance.
- The commissions and incentives received by the Company over the past two years are shown in the following table.

Millions of yen Item	Recognized for accounting purposes as:	2008		2009	
		Amount	Percent	Amount	Percent
Commissions received	Net sales	33,152	31.6%	33,259	43.1%
Incentives received	Cost of sales (deduction)	71,621	68.4%	43,887	56.9%
Total		104,773	100.0%	77,146	100.0%

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

Definitions:

- *Handling commissions: fees received for services rendered on behalf of mobile network operators (writing new subscriber contracts, changing subscriber phones to different models, repairs, etc.)*
- *Stock commissions: fees received for a certain period of time in accordance with the number of customers serviced and the amount of call charges.*
- *Incentives: fees received in accordance with the types and numbers of mobile phones sold.*

- Under distributorship agreements signed with mobile network operators, the Company is obligated to repay a part of the commissions it has received if subscribers cancel within a specified period.
- With the total subscriber base in Japan at 107.49 million as of March 31, 2009, the rate of growth in new subscribers is declining, resulting in increased competition among both mobile network operators and distributors. This intensifying competition may affect the Company's financial performance by reducing profit margins in its Mobile Sales business.
- The Company's store opening plans are determined largely by the regional sales strategies of the mobile network operators. While the Company makes decisions on store openings based on its own analyses of growth potential,

competition, costs, etc., its plans may be overridden by the marketing policies of the operators.

- To expand the Mobile Sales business, the Company may invest in or acquire other mobile sales companies or the mobile sales divisions 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 that it hoped to realize. Poor financial performance by the acquired companies or divisions may also prevent it from recovering its invested capital. Either outcome could affect both the Company's financial performance and its business plans.
- The Mobile Business Revitalization Plan announced by the MIC (Ministry of Internal Affairs and Communications) in September 2007 requested mobile network operators to introduce a new subscription scheme (separation plan) which separates the handset prices and service charges to be borne in order to assure transparency for subscribers. As a result, the mobile network operators implemented the new subscription scheme 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 financial performance.
- The Company, for its part, will continue to pursue strategies for its sales and sales channels that are in accord with the policies and strategies of the network operators. New service charge plans, an increasing diversification of network services, and a trend toward phones with more highly advanced functions make it increasingly important for the Company to develop staff with the requisite skills to explain and introduce products to customers. The Company will consequently endeavor to strengthen its educational and support capabilities with a view to enhancing the skills of its staff and acquiring certification from mobile network operators.

(2) Mobile Service

- This business accounted for 16.3% and 21.0% of the Company's sales in the years to March 2008 and March 2009, respectively.
- The Company provides system engineering for mobile communications base stations. Its financial performance could consequently be affected by the capital investment trends of mobile network operators.

Relationship with NTT DoCoMo

(1) High dependence on the NTT DoCoMo brand

- As of March 31, 2009, the Company operated 212 stores in its Mobile Sales business, of which 204 were DoCoMo Shops.
- In the year ended March 2008, 96.4% of products procured for mobile phone sales were from NTT DoCoMo; in the year ended March 2009, the corresponding figure was 96.6%.
- The Company's financial performance could consequently be affected by procurement-related conditions set by NTT DoCoMo, by the market's reactions to NTT DoCoMo's new mobile phones and services, or by NTT DoCoMo's competitive position vis-à-vis other mobile network operators.

(2) Distributorship agreements with NTT DoCoMo

- The Company's DoCoMo shops 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 provide a consistently high level of service.
- Cancellation of a distributorship agreement with NTT DoCoMo could undermine the Company's ability to remain in business.

(3) Shop development

- As described above in the discussion of risks related to Mobile Sales, the opening of DoCoMo shops is essentially determined in accordance with strategies adopted by NTT DoCoMo.
- Decisions on issues such as location, shop size and operating hours are reached through discussions with NTT DoCoMo. For strategic reasons, NTT DoCoMo may request that existing shops be relocated or expanded in size.
- Thus, the strategies and policies of NTT DoCoMo with respect to shop openings could have an impact the Company's financial performance.

(4) MNP and the entry of new operators into the market

If MNP (mobile number portability) and competition from new mobile network operators result in a significant change in the market share of NTT DoCoMo, it could have an impact on the Company's financial performance.

Other risks

(1) Legal environment

- As an installer of mobile base station systems, the Company is subject to the Construction Business Act and is required to take environmental issues into consideration during construction.
- Maintenance services for mobile communications terminals are subject to the Electrical Appliance and Material Safety Law.
- The Company is subject to the provisions of other laws related to retailing, including the Telecommunication Business Law, Anti-Monopoly Act, Premiums and Representations Act, Specified Commercial Transactions Law, Consumer Contract Act, Law for Worker Dispatching and Dispatched Workers and Personal Information Protection Law. 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.
- By the very nature of their operations, distributors handle the private information of countless customers. Despite the best efforts of the Company to ensure the security of such information, leaks and other unauthorized use may occur. In this event, the Company could be liable for damages, which could affect its financial performance.

(2) Human resources

- In a business environment characterized by a constant flow of new products and services generated by rapid 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.
- In addition to its regularly scheduled recruitment of new graduates, the Company accordingly hires people with experience in the business on an ongoing basis throughout the year. It endeavors to sharpen the skills of newly

hired personnel, moreover, through on-the-job training, educational courses and other post-hiring programs.

- If the Company is unable to hire and train the kind of employees it seeks, however, or if it is unable to hire the number of people it requires to support business expansion, this could affect its financial performance through reductions in work efficiency.

Analysis of financial condition and results of operations

Analysis of financial performance (year-on-year percentage changes)

(1) Net sales

- Sales decreased by 3.5%, or 4,527 million yen, to 124,501 million yen.
  - Mobile Sales: Sales declined by 8.9% to 98,347 million yen; although the average sales price per unit increased as a result of the implementation of the "separation plan," a new subscription scheme requiring the separation of handset prices and service charges, weaker demand in the overall market for mobile phones led to lower sales.
  - Mobile Service: Sales increased by 24.2% to 26,154 million yen; although demand for base station-related maintenance declined, demand for repairs increased as customers reacted to higher phone prices by their existing phones repaired.

(2) Cost of sales and SG&A expenses

- In an environment of lower sales, the cost of sales decreased by 5,033 million yen to 109,899 million yen, leading to a 0.8 point improvement in the cost-of-sales ratio to 88.3%. This improvement was due primarily to an increase in the average sales price per phone.
- SG&A expenses declined by 277 million yen to 8,078 million yen, primarily as a result of lower expenses related to new business development.

(3) Non-operating income and expenses

- 363 million yen in non-operating income, primarily interest and dividend income.
- 142 million yen in non-operating expenses, primarily a loss on retirement of fixed assets.

(4) Extraordinary gains and losses

- Gains: 60 million yen in compensation payments for the relocation of mobile phone sales outlets
- Losses: 997 million yen in impairment losses related to securities held by the Company

Analysis of sources of capital and liquidity (year-on-year comparison)

(1) Cash provided by operations increased by 3,336 million yen to 7,062 million yen. Despite an increase in trade receivables, cash from operations increased because of a larger increase in trade payables.

(2) Cash used in investing activities decreased by 1,418 million yen to 2,093 million yen. The decline resulted from lower expenditures for the acquisition of both investment securities and fixed assets.

(3) Under financing activities, the Company spent 847 million yen in cash for dividend payments. This was 85 million yen more than in the previous fiscal year, reflecting an increase in dividends paid per share.

Corporate governance

Basic views regarding corporate governance

(1) The Company recognizes that healthy, effective corporate governance is an important means of enhancing corporate value and that achieving this kind of governance depends critically on the following:

- Protecting the rights of shareholders
- Establishing a proper awareness of corporate social responsibility
- Developing effective management supervision

(2) Current policies regarding governance

- To protect shareholders' rights, the Company considers it necessary to create an environment that facilitates shareholders' participation in its General Meeting of Shareholders through such means as the following:
  - Holding the General Meeting of Shareholders at an early date
  - Distributing notifications of the General Meeting of Shareholders electronically and enabling shareholders to vote on resolutions electronically

  - Sending out notifications of the General Meeting of Shareholders well in advance

- With respect to corporate social responsibility, the Company recognizes that it must improve transparency by:
  - Creating a proper compliance system
  - Creating systems that enable timely disclosure of all information required of a listed company
- Management supervision: The Company believes that performance by the Board of Directors, the Corporate Auditors and the Board of Corporate Auditors of their oversight and supervisory functions in accordance with their respective roles provides assurance of the following:
  - Effective execution of business operations
  - Compliance with relevant laws and ordinances
  - Reliability of accounting practices

Specific measures taken with regard to governance

(1) Management organizations involved in decision-making, execution of operations and supervision

- Corporate institutions and internal control systems:
  - Monthly Board of Directors meetings, at which decisions are made by directors fully versed in the various businesses
  - Important, objective advice provided by outside directors
  - Supervision of management through a system of corporate auditors comprising four corporate auditors, three of whom are outside auditors.
  - Besides conducting regular internal audits, the corporate auditors participate in Board of Directors' meetings, where they express opinions concerning the legality of the issues discussed.
- Advice from consulting attorneys who provide the Company with timely, appropriate and necessary advice on the legality of issues related to management and to overall operations
- The introduction in June 2005 of a system of corporate executive officers to strengthen the management supervision function of the Board of Directors

- A decision by the Board of Directors in May 2006 on a basic policy regarding improvement of the Company's existing system of internal controls, which addressed the issue of controls from the following perspectives: compliance, information management and control, and risk management as well as operating efficiency and improved supervision by the corporate auditors.
- Risk management: In accordance with its basic regulations concerning risk management, the Company identifies individual risks and assigns a specific administrative division and deliberative committee to manage them.
  - To ensure ethical and legal compliance:
    - a) The Company requires all directors and employees to adhere scrupulously to the NEC Mobiling Code of Behavior.
    - b) To ensure that all corporate behavior is ethical and carried out in a spirit of respect for the law, the Company established a Business Ethics and Compliance Committee in October 2003. The Committee's role is to plan and deliberate basic policies regarding compliance and to promote compliance throughout the Company.
    - c) The Company established the NEC Mobiling Help Line whistleblower system in March 2004 as a means of detecting potential risks at an early stage. The system allows employees to pass on information both inside and outside the Company.
- Internal audits; audits by corporate auditors; financial statement audits
  - Internal Auditing Division
    - a) To prevent corporate misconduct, the Internal Auditing Division (seven-person staff) reporting directly to the president
    - b) Performs periodic internal audits of the Company's operations and of accounting activities, in general, examining the appropriateness of the procedures followed and employees' observance of laws and regulations and internal company rules.
  - Corporate auditors
    - a) All corporate auditors attend Board of Directors' meetings; two standing corporate auditors also attend all other important management meetings and engage in audits based on interviews and examinations of documents related to decision-making.

b) Regular exchange of information by corporate auditors with the Internal Audit Division through operations reports, etc.

– Financial statement audits

a) Conducted by KPMG AZSA & Co.

b) The auditing firm responsible for auditing the Company, the names of the CPAs engaged in the auditing, etc., are shown in the table below. Two CPAs and ten others also assisted in the most recent audit.

c) The financial auditor and the corporate auditors also meet regularly to discuss annual auditing plans, auditing policies, ongoing audits and the results of audits.

Names of CPAs engaged in auditing	Name of auditing firm	No. 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.	–

Information concerning years of auditing has been omitted because both CPAs have participated in the audits for seven consecutive years or less.

(2) Relationships between the Company and its outside directors and outside corporate auditors (personal, share-ownership-based, commercial or other)

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

(3) Actions over the past year contributing to the enhancement of corporate governance (fiscal year basis)

- 14 meetings of the Board of Directors
- Efforts led by the Compliance Promotion staff were made to disseminate and follow up on compliance throughout the organization and to improve risk management.
- Education offered to all employees in the following areas: the Company's code of conduct; information security; protection of personal information; prevention of insider trading; enhancing awareness of human rights; environmental activities; and transaction-related best practices

Compensation for Directors and Corporate Auditors

- Compensation paid to directors: 47 million yen (of which 1 million yen paid to outside directors)
- Compensation paid to corporate auditors: 27 million yen

Maximum number of directors

The Company has stipulated in its Articles of Incorporation that it will have no more than 10 directors.

Requirements for resolutions electing directors

The Company has stipulated in its Articles of Incorporation that resolutions regarding the election of directors shall require that shareholders representing at least one-third of all exercisable voting rights be present and that the resolutions be adopted by a majority of the voting rights represented.

Delegation of authority to the Board of Directors

The Company has stipulated in its Articles of Incorporation that, except when expressly stipulated otherwise by law, decisions concerning dividends on surpluses and other matters provided for under Article 459-1 of the Corporation Law shall be made by a resolution of the Board of Directors and not by a resolution of the General Meeting of Shareholders. The aim of providing the Board of Directors with this authority is to enable the Company to carry out agile shareholder and financing strategies as well as flexible dividend-related strategies.

With respect to the acquisition of its own shares, the Company has also stipulated in its Articles of Incorporation that it may acquire such shares through market transactions approved by a resolution of the Board of Directors. This stipulation is based on the provisions of Article 165-2 and is aimed at enabling the Company to carry out agile shareholding and financing strategies.

Requirements for special resolutions by the General Meeting of Shareholders

The Company has stipulated in its Articles of Incorporation that, to facilitate smooth operation of the General Meeting of Shareholders, special resolutions provided for under Article 309-2 of the Corporation Law shall require that Shareholders representing at least one-third of all exercisable voting rights be present and that the resolution be adopted by at least two-thirds of the voting rights represented.

Professional fees paid to financial statement auditors

- Compensation paid to CPAs and accounting firms

	2008		2009	
Millions of yen	Financial audit services	Non-audit services	Financial audit services	Non-audit services
The Company	–	–	59	–

- Compensation policy for financial statement audit services

  The Company reaches a decision on professional fees paid to certified public accountants after reviewing and receiving explanations on an auditing plan that is prepared by the financial auditor. A final decision is also subject to approval by the Board of Corporate Auditors.

Directors

Name	Title	Date joined company	Previous or current employers/occupations	Date of birth	Term	Shares
Katsuhiro Nakagawa	President	Apr-08	NEC Corp.	3-Jan-49	1 year from the General Meeting of Shareholders (GMS) held June 19, 2009	1,400
Yuichi Kimura	Member of the Board	Jun-06	NEC Corp. (present)	6-Mar-59	1 year from GMS held June 19, 2009	–
Masaru Nagashima	Senior Vice President and Member of the Board	Jun-08	NEC Corp.	26-May-53	1 year from GMS held June 19, 2009	–
Hiromi Orikasa	Associate Senior Vice President and Member of the Board	Jun-04	NEC Corp.	1-Nov-48	1 year from GMS held June 19, 2009	2,000
Shuji Niwano	Associate Senior Vice President and Member of the Board	May-07	NEC Corp.	24-Mar-55	1 year from GMS held June 19, 2009	200
Kenichi Ando	Associate Senior Vice President and Member of the Board	Apr-09	NEC Corp.	28-Sep-56	1 year from GMS held June 19, 2009	–
Keiichi Takahashi	Corporate Auditor	Jun-08	NEC Corp.	20-Feb-49	4 years from GMS held June 20, 2008	200
Masujiro Sato	Corporate Auditor	Apr-08	NEC Corp.	1-Mar-52	4 years from GMS held June 20, 2008	400
Shigeyuki Fujii	Corporate Auditor	Jun-06	NEC Corp. (present)	12-Nov-59	4 years from GMS held June 23, 2006	–
Masayuki Sato	Corporate Auditor	Jun-08	NEC Corp. (present)	2-May-55	4 years from GMS held June 20, 2008	–
						4,200

Date joined Company indicates the latest month and year in which a director joined the Company.

Current assignment and previous positions in the Company have been omitted.

Employees

	Total or average
Number	1,018
	[1,970]
Average age	40.0
Average years of service	14.0
Average annual salary (Yen)	6,791,716

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); temporary employees (those from temporary staffing agencies, etc.) are shown separately in brackets as an annual average.

The average annual salary includes bonuses.

As of March 31, 2009, the Company had 49 employees seconded from NEC Corp.

Union

The Company has no labor union and enjoys amicable labor relations.

Cash Flows

Nonconsolidated statements of cash flows

Years ended March 31; Millions of yen	2008	2009
Cash flows from operating activities		
Income before income taxes	5,845	5,808
Depreciation	834	706
Increase (decrease) in allowance for doubtful accounts	2	45
Increase (decrease) in accrued pension and severance costs	132	95
Interest and dividend income	(263)	(356)
Interest expenses	1	2
Foreign exchange loss (gain)	7	1
Loss on sales of property and equipment	0	–
Loss on retirement of property and equipment	20	109
Loss on retirement of intangible assets	27	9
Loss on devaluation of property and equipment	10	–
Loss on devaluation of intangible assets	102	–
Loss on devaluation of investment securities	–	997
(Increase) decrease in notes and accounts receivable, trade	3,954	(251)
(Increase) decrease in inventories	212	182
(Increase) decrease in accounts receivable, other	1,116	1,835
Increase (decrease) in notes and accounts payable, trade	(4,426)	1,068
Increase (decrease) in accrued expenses	(1,619)	(1,454)
Increase (decrease) in consumption tax payable	48	85
Increase (decrease) in deposits received	(156)	(46)
Other	127	32
Sub-total	5,973	8,867
Proceeds from interest and dividend income	263	356
Payments for interest expenses	(1)	(2)
Payments for income taxes and others	(2,509)	(2,159)
Net cash provided by operating activities	3,726	7,062
Cash flows from investing activities		
Purchases of property and equipment	(479)	(367)
Proceeds from sales of property and equipment	1	3
Purchases of intangible assets	(463)	(199)
Payments for transfer of business	(171)	–
Purchases of investment securities	(2,392)	(1,227)
Other	(7)	(303)
Net cash used in investing activities	(3,511)	(2,093)

Years ended March 31; Millions of yen	2008	2009
Cash flows from financing activities		
Dividends paid	(762)	(834)
Repayments of lease obligations	–	(13)
Purchase of treasury stock	–	(0)
Net cash used in financing activities	(762)	(847)
Effect of exchange rate changes on cash and cash equivalents	(7)	(1)
Increase (decrease) in cash and cash equivalents	(554)	4,121
Cash and cash equivalents at beginning of year	17,501	16,947
Cash and cash equivalents at end of year	16,947	21,068

Relationship between balance of cash and cash equivalents as of year-end and balance sheet items

Year ended March 31; Millions of yen	2008	2009
Cash on hand and in banks	10,948	11,069
Marketable securities	999	998
Affiliated company deposits	5,000	9,001
Cash and cash equivalents at end of year	16,947	21,068

Capital expenditures

The Company expended 689 million yen on capital investments during the year, mainly for information systems designed to improve management efficiency and for store renovations and relocations in the Mobile Sales business. These expenditures broke down as follows:

- Buildings and structures: 367 million yen
- Tools, furniture and fixtures: 78 million yen
- Software: 238 million yen

There were no significant disposals or sales of assets during the year.

Capital expenditure and disposal plans

The Company's capital investment plans take into consideration economic forecasts, industry trends, forecasted earnings, returns on investment, etc. For the year to March 2010, the Company is planning to spend 800 million yen on the following major capital investments, which it will finance internally.

Millions of yen	Budgeted amount	Expenditures to date	Date commenced	Date completed
Head office				
Business management systems, etc.	50	–	2009/4	2010/3
Maintenance facilities, etc.	250	–	2009/4	2010/3
Head office and Kanto Koshinetsu region, etc.				
Opening, relocation and renovation of stores, etc.	500	–	2009/4	2010/3
	800	–	–	–

Dividend policy

The Company's policy with respect to dividends is to maintain stable payouts, while considering a payout ratio of around 30%. This reflects its commitment not only to ensuring ample retained earnings to strengthen its base of operations and expand its business, but also to according respect and importance to shareholders as a major management priority.

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

The decision-making body with respect to dividends is the Board of Directors. The Company has stipulated in its Articles of Incorporation that "in accordance with Article 459-1 of the Corporation Law, the Company shall be authorized to pay dividends based on resolutions adopted by the Board of Directors and not by the General Meeting of Shareholders." The Company has also stipulated in its Articles of Incorporation that the dates of record for dividends 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 foregoing policy, the Company has determined that the dividend for the fiscal year under review shall be 60 yen per share (of which 30 yen was paid as an interim dividend).

With respect to the use of retained earnings, the Company's policy will be to invest in the following areas: expansion into new arenas, including projects related to the FMC (Fixed Mobile Convergence) market; developing mobile phone sales channels; quality control; and personnel training and development.

Date of decision	Dividend payout	Dividend per share
	(Millions of yen)	(Yen)
October 29, 2008 Resolution of Board of Directors	436	30.00
May 11, 2009 Resolution of Board of Directors	436	30.00

Operations

Nonconsolidated statements of income

Years ended March 31; Millions of yen	2008	2009
Net sales		
Mobile Sales	108,168	98,347
Mobile Integration & Support	20,860	–
Mobile Service	–	26,154
	129,028	124,501
Cost of sales		
Mobile Sales	99,291	88,725
Mobile Integration & Support	15,641	–
Mobile Service	–	21,174
	114,932	109,899
Gross profit	14,096	14,602
Selling, general and administrative expenses	8,355	8,078
Operating income	5,741	6,524
Non-operating income		
Interest income	74	85
Dividend income	189	271
Other	14	7
	277	363
Non-operating expenses		
Interest expenses	1	2
Loss on retirement of fixed assets	47	118
Loss on devaluation of fixed assets	112	–
other	13	22
	173	142
Ordinary income	5,845	6,745
Extraordinary gains		
Compensation for transfer	–	60
	–	60
Extraordinary losses		
Loss on devaluation of investment securities	–	997
	–	997
Income before income taxes	5,845	5,808
Corporate, inhabitant and enterprise taxes	2,052	2,627
Deferred income taxes	404	(138)
	2,456	2,489
Net income	3,389	3,319

Nonconsolidated statements of changes in net assets

Years ended March 31; Millions of yen	2008	2009
Shareholders' equity		
Common stock		
Balance at end of previous year	2,371	2,371
Changes in items during the year		
Total changes in items during the year	–	–
Balance at end of current year	2,371	2,371
Additional paid-in capital		
Additional paid-in capital		
Balance at end of previous year	2,707	2,707
Changes in items during the year		
Total changes in items during the year	–	–
Balance at end of current year	2,707	2,707
Total additional paid-in capital		
Balance at end of previous year	2,707	2,707
Changes in items during the year		
Total changes in items during the year	–	–
Balance at end of current year	2,707	2,707
Retained earnings		
Legal reserves		
Balance at end of previous year	21	21
Changes in items during the year		
Total changes in items during the year	–	–
Balance at end of current year	21	21
Other retained earnings		
General reserves		
Balance at end of previous year	17,860	20,260
Changes in items during the year		
Provision for general reserves	2,400	2,500
Total changes in items during the year	2,400	2,500
Balance at end of current year	20,260	22,760
Retained earnings brought forward		
Balance at end of previous year	3,629	3,856
Changes in items during the year		
Provision for general reserves	(2,400)	(2,500)
Dividends from surplus	(762)	(836)
Net income	3,389	3,319
Total changes in items during the year	227	(17)
Balance at end of current year	3,856	3,839

Years ended March 31; Millions of yen	2008	2009
Total retained earnings		
Balance at end of previous year	21,510	24,137
Changes in items during the year		
Provision for general reserves	–	–
Dividends from surplus	(762)	(836)
Net income	3,389	3,319
Total changes in items during the year	2,627	2,483
Balance at end of current year	24,137	26,620
Treasury stock		
Balance at end of previous year	(0)	(0)
Changes in items during the year		
Purchase of treasury stock	–	(0)
Total changes in items during the year	–	(0)
Balance at end of current year	(0)	(0)
Total shareholders' equity		
Balance at end of previous year	26,588	29,215
Changes in items during the year		
Dividends from surplus	(762)	(836)
Net income	3,389	3,319
Purchase of treasury stock	–	(0)
Total changes in items during the year	2,627	2,483
Balance at end of current year	29,215	31,698
Valuation and translation adjustments		
Unrealized gains (losses) on marketable securities		
Balance at end of previous year	(15)	(159)
Changes in items during the year		
Net changes in items other than shareholders' equity	(144)	(375)
Total changes in items during the year	(144)	(375)
Balance at end of current year	(159)	(534)
Total valuation and translation adjustments		
Balance at end of previous year	(15)	(159)
Changes in items during the year		
Net changes in items other than shareholders' equity	(144)	(375)
Total changes in items during the year	(144)	(375)
Balance at end of current year	(159)	(534)

Years ended March 31; Millions of yen	2008	2009
Total net assets		
Balance at end of previous year	26,573	29,056
Changes in items during the year		
Dividends from surplus	(762)	(836)
Net income	3,389	3,319
Purchase of treasury stock	–	(0)
Net changes in items other than shareholders' equity	(144)	(375)
Total changes in items during the year	2,483	2,108
Balance at end of current year	29,056	31,164

Cost of goods sold

Years ended March 31; Millions of yen	2008	2009
Cost of sales - Mobile Sales		
Mobile terminal sales		
Merchandise at beginning of year	4,149	3,643
Purchases of merchandise	97,216	72,237
Incentives received	(71,621)	(43,887)
	29,744	31,993
Merchandise at end of year	3,643	2,844
Transfers to other accounts		
Selling, general and administrative expenses	19	17
Store operation expenses	57	340
Other	5	9
	81	366
	26,020	28,783
Sales commissions paid	62,098	48,534
Difference from reversal of write-downs of inventories	–	49
Cost of sales related to mobile terminal equipment	88,118	77,366
Store operation expenses	9,950	9,915
Cost of mobile terminal sales	98,068	87,281
(Breakdown of store operation expenses)		
Wages and salaries	3,906	4,317
Overhead expenses		
Subcontracting expenses	5,287	4,754
Rental expenses	1,841	2,031
Transportation costs	187	126
Sales promotion expenses	961	1,064
Other	1,424	1,859
Reimbursement of operating expenses	(3,656)	(4,236)
	6,044	5,598
	9,950	9,915

Years ended March 31; Millions of yen	2008	2009
Other sales (non-mobile terminal sales)		
Raw materials at beginning of year	0	0
Purchases of raw materials	575	434
	575	434
Raw materials at end of year	0	19
Cost of raw materials	575	415
Manufacturing overhead		
Subcontracting expenses	52	9
Taxes and public dues	5	3
Travel expenses	0	–
Supplies	16	15
Rental expenses	3	2
Commissions paid	124	181
Other	19	0
	219	210
Manufacturing costs	794	625
Semifinished components and work in process at beginning of year	6	6
	800	631
Semifinished components and work in process at end of year	6	5
Transfers to other accounts		
Selling, general and administrative expenses	15	–
Research and development expenses	10	–
	25	–
Transfers to other divisions	–	1
Production costs	769	625
Merchandise at beginning of year	97	153
Finished products at beginning of year	2	–
Purchases of merchandise	518	904
	1,386	1,682
Merchandise at end of year	153	317
Transfers to other accounts		
Selling, general and administrative expenses	9	0
Other	1	–
	10	0
Transfers to other divisions	–	0
	1,223	1,365
Deductions from cost of merchandise based on revaluations in accordance with lower-of-cost-or-market method	(0)	–
Difference from reversal of write-downs of inventories	–	79
Cost of other sales (non-mobile terminal sales)	1,223	1,444
Cost of sales - Mobile Sales	99,291	88,725

Years ended March 31; Millions of yen	2008	2009
Cost of sales - Mobile Integration & Support		
Raw materials at beginning of year	261	375
Purchases of raw materials	5,956	–
	6,217	375
Raw materials at end of year	375	–
Transfers to other divisions	–	375
Cost of raw materials	5,842	–
Cost of labor	2,206	–
Manufacturing overhead		
Outsourcing expenses	5,193	–
Rental expenses	638	–
Subcontracting expenses	1,065	–
Travel expenses	150	–
Other	878	–
	7,924	–
Manufacturing costs	15,972	–
Semifinished components and work in process at beginning of year	418	457
	16,390	457
Semifinished components and work in process at end of year	457	–
Transfers to other accounts		
Manufacturing costs	202	–
Other	82	–
	284	–
Transfers to other divisions	–	457
Production costs	15,649	–
Merchandise at beginning of year	0	0
Purchases of merchandise	1	–
	15,650	0
Merchandise at end of year	0	–
Transfers to other divisions	–	0
	15,650	–
Deductions from cost of merchandise based on revaluations in accordance with lower-of-cost-or-market method	(0)	–
Deductions from cost of raw materials based on revaluations in accordance with lower-of-cost-or-market method	(9)	–
Cost of sales - Mobile Integration & Support	15,641	–

Years ended March 31; Millions of yen	2008	2009
Cost of sales - Mobile Service		
Purchases of raw materials	–	10,973
	–	10,973
Raw materials at end of year	–	976
Transfers from other divisions	–	375
Cost of raw materials	–	10,372
Cost of labor	–	2,320
Manufacturing overhead		
Outsourcing expenses	–	5,286
Rental expenses	–	676
Subcontracting expenses	–	1,257
Travel expenses	–	126
Other	–	1,119
	–	8,464
Manufacturing costs	–	21,156
	–	21,156
Semifinished components and work in process at end of year	–	685
Transfers to other accounts		
Manufacturing costs	–	59
Other	–	2
	–	61
Transfers from other divisions	–	458
Production costs	–	20,868
Purchases of merchandise	–	1
	–	20,869
Merchandise at end of year	–	0
Transfers from other divisions	–	0
	–	20,869
Difference from reversal of write-downs of inventories	–	305
Cost of sales - Mobile Service	–	21,174

Results of operations

Fiscal year ended March 31, 2009

Economic and other factors affecting operations (year-on-year percentage changes)

(1) Slowdown in Japanese economy in global recessionary environment stemming from the U.S. financial crisis, characterized by:

- Declining corporate profits
- Slumping consumer spending and deteriorating employment conditions

(2) In the mobile phone industry, a more than 20-percent decline in handsets sold as a result of:

- Higher prices for handsets due to the “separation plan,” a new subscription scheme requiring the separation of handset prices and service charges
- Slowdown in demand arising from the transition to 3G services, as the transition runs its course
- Decline in churn rates among major mobile network operators

Strategic responses by the Company

(1) Proactive initiatives to capture replacement demand

(2) Efforts to improve operating efficiencies

Financial highlights

(1) Sales: decreased by 3.5% to 124,501 million yen, reflecting:

- Lower sales of handsets in Mobile Sales operations
- Increased demand for repairs of handsets in the Mobile Service business

(2) Profits: benefited from greater operating efficiencies.

- Operating income: up 13.6% to 6,524 million yen
- Ordinary income: up 15.4% to 6,745 million yen
- Net income declined by 2.1% to 3,319 million yen, however, due to valuation losses on investment securities.

Segment information

During the year under review, the Company changed the way it classifies its businesses, dividing them into Mobile Sales and Mobile Service.

(1) Mobile Sales: sales declined by 8.9% to 98,347 million yen; operating income increased by 11.4% to 2,764 million yen.

- Despite replacement demand for high-function phones—those offering one-segment digital terrestrial TV reception, music playback, electronic money payment and GPS—the market for mobile handsets weakened due to the price impacts of the separation plan, the peaking of the 3G transition, etc.
- Despite efforts to increase sales of high-function phones and to expand and bolster sales channels, market weakness led to a more than 20% decline in sales of handsets, to 1,484 thousand units.
- The increase in operating income reflected higher average sales prices and an improvement in operating efficiencies.

(2) Mobile Service: sales increased by 24.2% to 26,154 million yen; operating income grew by 15.3% to 3,760 million yen.

- As replacement demand weakened in the face of higher sales prices for phones, demand for repairs of existing phones increased.
- This stronger demand for repairs also offset a decline in demand for base station-related maintenance.

Change in business classifications: in the year under review, mobile solution services, such as ASP services for mobile phones included in the mobile sales, were reclassified into the Mobile Service category; in calculating year-on-year percentage changes, the Company also adjusted the way sales and expenses were categorized in the year ended March 2008 to make this year's comparisons valid.

Issues requiring action

(1) Assessment of the environment: ongoing transformation of the mobile communications market characterized by:

- Government policies that encourage competition, epitomized by the Mobile Business Revitalization Plan
- Increasingly severe competition among mobile network operators seeking to capture and retain subscribers
- An accelerating reorganization of sales channels
- Generation, at the same time, of new markets and business opportunities

(2) Actions by the Company:

- In mobile phone sales, a focus on replacement demand
- Measures to ensure steady growth in phone-related repairs and maintenance
- Efforts aimed at developing markets related to Fixed Mobile Convergence ("FMC")

(3) The Company must deal with the following issues in order to support these activities:

- Strengthening of its consulting capabilities to facilitate proposal of optimal ways for customers to utilize mobile environments
- Strengthening of its planning capabilities to facilitate discovery and commercialization of emerging new business opportunities in the area of FMC services
- Development of the human resources and operating assets required for further growth of these businesses

(4) Toward these ends, the Company must:

- Make effective use of its resources in sales, maintenance and engineering services
- Invest in the development of human resources

Production and sales

As noted on page 33, in changing its business classifications, the Company made pro forma adjustments to the results for the year to March 2008 for the purpose of calculating year-on-year changes.

Production

Millions of yen	2009	
	Amount	Year-on-year comparison (%)
Mobile Sales	536	72.8
Mobile Service	25,948	123.1
	26,484	121.4

Procurement

Millions of yen	2009	
	Amount	Year-on-year comparison (%)
Mobile Sales	73,141	74.8
Mobile Service	1	174.4
	73,142	74.8

Orders

Millions of yen	2009			
	Orders		Orders outstanding	
	Amount	Year-on-year comparison (%)	Amount	Year-on-year comparison (%)
Mobile Sales	819	90.1	4	36.4
Mobile Service	25,929	122.6	437	66.1
	26,748	121.2	441	65.6

Net sales

Millions of yen	2009	
	Amount	Year-on-year comparison (%)
Mobile Sales	98,347	91.1
Mobile Service	26,154	124.2
	124,501	96.5

Principal customers of net sales

Millions of yen	2008		2009	
	Amount	% of net sales	Amount	% of net sales
NTT DoCoMo, Inc.	33,438	25.9%	32,929	26.5%
NEC Corporation	18,691	14.5%	23,284	18.7%

Main items involved in selling, general and administrative expenses

Years ended March 31; Millions of yen	2008	2009
Salaries and allowances	2,483	2,497
Employees' bonuses	797	809
Pension and severance costs	222	223
Welfare expenses	443	467
Rental expenses	778	774
Depreciation expenses	544	379
Subcontracting expenses	1,534	961
Provision of allowance for doubtful accounts	–	52

Leases

Under generally accepted accounting principles in Japan, finance leases that do not transfer ownership were accounted for in the same manner as operating leases when "as if capitalized" information was disclosed until the year ended March 2008.

Such treatment is no longer applicable, however, and legal provisions require that leasing transactions be accounted for in the same manner as general sales and purchasing transactions beginning with the year started on/after April 1, 2008.

Year to March 2009

The Company's main finance lease contracts are as follows:

Millions of yen	Current payments	Rent or lease
Buildings	2,275	Rent
Tools, furniture and fixtures	353	Lease

Finance leases (as lessee)

Finance leases that do not transfer ownership include the following leases whose lease terms began before March 31, 2008. The information on such leases is as shown below.

Millions of yen	2009
Tools, furniture and fixtures	
Acquisition cost	862
Accumulated depreciation	481
Net leased property	381
Future minimum lease payments, including interest portion	
Due within one year	197
Due after one year	193
	390
Lease payments; reversal of liability for leased asset impairment; amount equivalent to depreciation and interest expenses; and impairment losses	
Lease payments	233
Pro forma depreciation expenses (assuming straight-line method)	223
Pro forma interest expenses	12
Operating leases	
Due within one year	205
Due after one year	458
	663

(Regarding impairment losses)

The Company has not recognized any impairment losses on its lease assets.

Year to March 2008

Pro forma information on leased property is as follows:

Millions of yen	**2008**
Vehicles and delivery equipment	
Acquisition cost	5
Accumulated depreciation	5
Net leased property	0
Tools, furniture and fixtures	
Acquisition cost	999
Accumulated depreciation	395
Net leased property	604
Total	
Acquisition cost	1,004
Accumulated depreciation	400
Net leased property	604
Future minimum lease payments, including interest portion	
Due within one year	222
Due after one year	390
	612
Lease payments; reversal of liability for leased asset impairment; amount equivalent to depreciation and interest expenses; and impairment losses	
Lease payments	261
Pro forma depreciation expenses (assuming straight-line method)	250
Pro forma interest expenses	14

(Regarding impairment losses)

The Company has not recognized any impairment losses on its lease assets.

Capital Structure

Nonconsolidated balance sheets

Assets

Years ended March 31; Millions of yen	2008	2009
Current assets		
Cash on hand and in banks	10,948	11,069
Accounts receivable, trade	15,592	15,843
Marketable securities	999	998
Merchandise	3,796	–
Semifinished components	2	–
Merchandise and finished products	–	3,085
Work in process	461	654
Raw materials	365	–
Raw materials and supplies	–	704
Prepaid expenses	208	224
Deferred tax assets	858	1,055
Accounts receivable, other	9,111	7,277
Affiliated company deposits	5,000	9,001
Other	193	242
Allowance for doubtful accounts	(5)	(6)
	47,528	50,146
Fixed assets		
Property and equipment		
Buildings	1,483	1,666
Accumulated depreciation	(655)	(736)
Buildings, net	828	930
Structures	322	322
Accumulated depreciation	(150)	(165)
Structures, net	172	157
Machinery and equipment	22	29
Accumulated depreciation	(5)	(11)
Machinery and equipment, net	17	18
Tools, furniture and fixtures	869	845
Accumulated depreciation	(538)	(567)
Tools, furniture and fixtures, net	331	278
Lease assets	–	91
Accumulated depreciation	–	(27)
Lease assets, net	–	64
Construction in progress	8	6
	1,356	1,453

Years ended March 31; Millions of yen	2008	2009
Intangible assets		
Goodwill	28	10
Trademarks	6	0
Software	1,116	932
Other	8	98
	1,158	1,040
Investments and other assets		
Investment securities	4,165	2,735
Investments in affiliated company	164	164
Long-term loans receivable	–	151
Long-term loans to employees	1	0
Receivables from companies in bankruptcy and reorganization	40	84
Long-term prepaid expenses	19	40
Deferred tax assets	1,303	1,500
Lease deposits	2,313	2,347
Prepaid pension and severance costs	629	669
Other	0	20
Allowance for doubtful accounts	(38)	(82)
	8,596	7,628
Total fixed assets	11,110	10,121
Total assets	58,638	60,267

Liabilities and net assets

Years ended March 31; Millions of yen	2008	2009
Current liabilities		
Notes payable, trade	329	492
Accounts payable, trade	11,303	12,166
Lease obligations	–	20
Accounts payable, other	1,422	624
Accrued expenses	10,867	9,413
Accrued corporate taxes	1,174	1,650
Advances received	179	239
Deposits received	671	625
	25,945	25,229
Long-term liabilities		
Lease obligations	–	63
Accrued pension and severance costs	3,383	3,400
Deposits received for guarantee	254	–
Other	–	411
	3,637	3,874
Total liabilities	29,582	29,103
Net assets		
Shareholders' equity		
Common stock	2,371	2,371
Additional paid-in capital		
Additional paid-in capital	2,707	2,707
	2,707	2,707
Retained earnings		
Legal reserve	21	21
Other retained earnings		
General reserve	20,260	22,760
Retained earnings brought forward	3,856	3,839
	24,137	26,620
Treasury stock	(0)	(0)
Total shareholders' equity	29,215	31,698
Valuation and translation adjustments		
Unrealized gains (losses) on marketable securities	(159)	(534)
	(159)	(534)
Total net assets	29,056	31,164
Total liabilities and net assets	58,638	60,267

Trade credits

Accounts receivable, trade

Millions of yen	2009
NEC Corporation	5,226
NTT DoCoMo, Inc.	4,000
Konan Hanbai Co., Ltd.	511
Business Service Co., Ltd.	482
Best Denki Co., Ltd.	380
Other	5,244
	15,843

Turnover of accounts receivable, trade

Millions of yen	2009
Beginning balance	15,592
Increase	126,351
Collected	126,100
Ending balance	15,843
Turnover	88.8%
Average days for collection	45.4 days

Notes payable, trade

Millions of yen	2009
Toppan Printing Co., Ltd.	107
HIC Co., Ltd.	77
SUNARROW LIMITED	68
TAKAGI SEIKO CORPORATION	39
Sky Techno Co., Ltd.	25
Other	176
	492

Accounts payable, trade

Millions of yen	2009
NTT DoCoMo, Inc.	7,285
NEC Capital Solutions Limited	2,249
NEC Saitama, Ltd.	755
KDDI CORPORATION	184
NEC Corporation	160
Other	1,533
	12,166

Market value of securities

Other quoted securities

	2008			2009		
Millions of yen	Cost of acquisition	Book value	Unrealized gain (loss)	Cost of acquisition	Book value	Unrealized gain (loss)
Securities valued on the balance sheet at amounts exceeding the purchase cost						
Shares	–	–	–	–	–	–
Bonds						
JGB, local government bonds, etc.	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Other	–	–	–	–	–	–
Other	–	–	–	–	–	–
	–	–	–	–	–	–
Securities valued on the balance sheet at amounts not exceeding the purchase cost						
Shares	1,372	1,333	(39)	574	573	(1)
Bonds						
JGB, local government bonds, etc.	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Other	–	–	–	–	–	–
Other	3,015	2,787	(228)	3,015	2,117	(898)
	4,387	4,120	(267)	3,589	2,690	(899)
	4,387	4,120	(267)	3,589	2,690	(899)

The term "cost of acquisition" in the table refers to book value after writedowns for impairment losses. In the year under review, the Company accounted for the impairment of securities held and recognized a valuation loss of 997 million yen as a consequence.

Major investment securities without market prices

Millions of yen	2008	2009
Other securities		
Commercial paper	999	998
Unlisted stocks	45	45
	1,044	1,043

Scheduled redemptions of bonds with maturity dates and bonds being held to maturity (among holdings in the "other securities" account)

Millions of yen	Up to 1 year	More than 1 and up to 5 years	More than 5 and up to 10 years	More than 10 years
2008				
Bonds				
Commercial paper	999	–	–	–
	999	–	–	–
2009				
Bonds				
Commercial paper	998	–	–	–
	998	–	–	–

Facilities

Millions of yen	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Lease assets	Software	Total book value	Number of employees
Head office Equipment appurtenant to buildings Testing equipment Software Manufacturing equipment	154	17	46	58	931	1,206	466
Hokkaido region Hokkaido branch and 3 stores 1 service center 1 project office Equipment appurtenant to buildings Store furnishings Testing equipment	11	–	1	–	–	12	13
Tohoku region Tohoku branch and 8 stores 1 service center 1 project office Equipment appurtenant to buildings Store furnishings Testing equipment	56	–	9	–	–	65	28
Kanto Koshinetsu region Tokyo branch and 71 stores 1 service center Equipment appurtenant to buildings Store furnishings Software	570	–	139	6	1	716	272
Tokai region Chubu branch and 11 stores 1 service center 1 project office Equipment appurtenant to buildings Store furnishings Testing equipment Manufacturing equipment	79	1	19	–	–	99	38

Millions of yen	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Lease assets	Software	Total book value	Number of employees
Hokuriku region							
Hokuriku branch and 2 stores							
Equipment appurtenant to buildings	13	–	4	–	–	17	8
Store furnishings							
Kansai region							
Osaka office and 15 stores							
1 service center							
1 project office							
Equipment appurtenant to buildings	99	–	22	–	–	121	86
Store furnishings							
Testing equipment							
Chugoku region							
Chugoku branch and 6 stores							
1 service center							
1 project office							
Equipment appurtenant to buildings	35	–	10	–	–	45	23
Store furnishings							
Testing equipment							
Shikoku region							
Shikoku branch and 4 stores							
Equipment appurtenant to buildings	17	–	2	–	–	19	10
Store furnishings							
Kyushu region							
Kyushu branch and 14 stores							
1 service center							
1 project office							
Equipment appurtenant to buildings	53	–	26	–	–	79	74
Store furnishings							
Testing equipment							
Hong Kong branch							
–	–	–	–	–	–	–	0
	1,087	18	278	64	932	2,379	1,018

Securities

Marketable and investment securities

Millions of yen		
Shares	**Number of shares**	**Book value**
Investment securities		
Other securities		
Best Denki Co., Ltd.	2,000,000	566
Trinity, Inc.	600	45
Other (1 company's stocks)	50	7
	2,000,650	618
Bonds	**Total face value**	**Book value**
Marketable securities		
Other securities	1,000	998
Others	**Units invested (10 thousand)**	**Book value**
Investment securities		
Other securities	285,412	2,117

Fixed assets

Millions of yen	Beginning of year	Increase	Decrease	End of year	Depreciation		End of year, net
					Accumulated	Current	
Property and equipment							
Buildings	1,483	330	147	1,666	736	176	930
Structures	322	39	39	322	165	39	157
Machinery and equipment	22	7	–	29	11	6	18
Tools, furniture and fixtures	869	78	102	845	567	112	278
Lease assets	–	91	–	91	27	27	64
Construction in progress	8	452	454	6	–	–	6
	2,704	997	742	2,959	1,506	360	1,453
Intangible assets							
Goodwill	256	–	223	33	23	18	10
Trademarks	17	–	17	0	0	0	0
Software	1,648	170	125	1,693	761	319	932
Other	8	272	182	98	0	0	98
	1,929	442	547	1,824	784	337	1,040
Long-term prepaid expenses	34	34	–	68	28	13	40

Retirement benefits

Outline of retirement benefit system

The Company has established the following defined-benefit pension plans: a corporate pension system; a contract-based defined-benefit pension plan; and a system under which it pays lump-sum benefits upon retirement.

The Company's corporate pension fund is a part of the NEC corporate pension fund established in December 2003.

The Company's contract-based defined-benefit pension plan replaced its previously existing tax-qualified pension plan in April 2005.

The Company may pay additional retirement benefits to employees.

In April 2008, the Company amended its system of lump-sum retirement payments by partially incorporating a defined contribution pension system.

Items related to retirement benefit obligations

Millions of yen	2008	2009
1. Benefit obligations	(5,992)	(6,182)
2. Pension assets	2,361	2,112
3. Unfunded benefit obligations (1+2)	(3,631)	(4,070)
4. Unrecognized actuarial losses	1,065	1,509
5. Unrecognized prior service costs	(188)	(170)
6. Amounts recognized on balance sheets (3+4+5)	(2,754)	(2,731)
7. Prepaid pension and severance costs	629	669
8. Accrued pension and severance costs (6-7)	(3,383)	(3,400)

Items related to pension and severance costs

Millions of yen	2008	2009
Service costs	376	338
Interest expenses	152	150
Expected return on pension fund assets (subtraction)	68	60
Amortization of unrecognized service costs (subtraction)	17	17
Amortization of unrecognized actuarial losses	72	98
Premiums contributed to defined contribution pension plan	–	55
Additional retirement benefits	37	0
	552	564

Assumptions underlying the calculation of retirement benefit obligations

	2008	2009
Discount rate	2.5%	Same as 2008
Expected rate of return	2.5%	Same as 2008
Method of allocating prospective retirement benefits to each term	Point basis	Same as 2008
Amortization period for prior service costs	15 years	Same as 2008
Amortization period for actuarial loss	15 years	Same as 2008

Deferred taxes

Millions of yen	2008	2009
Deferred tax assets	2,161	2,555
Percentage		
Statutory tax rate		40.63
<Adjustment>		
Expenses not deductible for tax purposes (such as entertainment expenses)		0.76
Per capita inhabitant tax		1.57
Others		(0.10)
Income tax and others accompanying adoption of tax effect accounting		42.86

March 2008 term

The difference between the effective tax rate as stipulated by law and the corporate tax rate after application of interperiod tax allocation is less than 5 percent. No breakdown is shown in this section.

Reserves

Millions of yen	Beginning of year	Increase	Decrease	End of year
Allowance for doubtful accounts	43	88	43	88

Related Parties

Transactions with related parties

March 31; Millions of yen	Address	Capital or investment	% of voting rights held (held by others)	Relationship: Director	Relationship: Business relationship	Type of transaction	Value of transactions	Accounting classification	Balance at term-end
2008									
Parent company and primary institutional shareholders, etc.									
NEC Corporation	Minato-ku, Tokyo	337,940	Direct: 51.00	4	Installation and maintenance of mobile communications equipment, etc.	Installation and maintenance of mobile communications equipment, etc.	18,691	Accounts receivable, trade	4,085
						Deposits held by parent company	–	Affiliated company deposit	5,000
Partner companies, etc.									
Subsidiary of parent company									
NEC Saitama, Ltd.	Kamikawa-machi, Kodama-gun, Saitama	200	None	3	Procurement of parts and components for repair of mobile communications equipment, etc.	Purchases of parts for maintenance, etc.	4,266	Accounts payable, trade	461

March 31; Millions of yen	Address	Capital or investment	% of voting rights held (held by others)	Relationship with related party	Type of transaction	Value of transactions	Accounting classification	Balance at term-end
2009								
Parent company and primary institutional shareholders, etc.								
NEC Corporation	Minato-ku, Tokyo	337,940	Direct: 51.00	Installation and maintenance of mobile communications equipment, etc. Interlocking directors	Installation and maintenance of mobile communications equipment, etc.	23,284	Accounts receivable, trade	5,226
					Deposits held by parent company	4,001	Affiliated company deposit	9,001
Companies sharing the same parent company as the Company submitting the financial statements; and subsidiaries of other companies that are related to the Company submitting the financial statements								
Subsidiary of parent company								
NEC Saitama, Ltd.	Kamikawa-machi, Kodama-gun, Saitama	200	None	Procurement of parts and components for repair of mobile communications equipment, etc. Interlocking directors	Purchases of parts for maintenance, etc.	7,749	Accounts payable, trade	755
NEC Facilities, Ltd.	Minato-ku, Tokyo	240	None	Building leasing, etc.	Building leasing Payment of lease deposits	2,177 140	Lease deposits	622

Accounting Policies

Summary of accounting policies: nonconsolidated

Basis of presentation	Japanese GAAP
Marketable securities and investments in securities	Other securities: Quoted securities: the market value method is applied, based on the market value as of the fiscal year-end. The entire positive or negative valuation difference from the purchase price is booked directly as net assets, and the cost of securities sold is calculated using the moving-average method. Unquoted securities: valued at cost using the moving-average method
Inventories	Valued at cost (write-downs to net selling value regarded as decreased profitability) Merchandise, finished products, semifinished components and raw materials: based on a FIFO basis Work in process: based on the specific identification method
Depreciation	Property and equipment: declining-balance method Intangible assets (except lease assets): straight-line method Software for internal use: amortized on a straight-line basis (based on the length of useful internal life (mainly 5 years)) Lease assets: leased assets related to finance leases that do not transfer ownership The Company used lease terms for years of useful life and assumed that residual values would be zero; depreciation was assumed to be on a declining-balance basis. All lease transactions related to finance leases that do not transfer ownership entered into before March 31, 2008 continued to be treated as ordinary rental transactions.
Allowance for doubtful accounts	To provide for potential losses from doubtful accounts, the Company recognizes an amount calculated on the basis of a historical bad debt ratio for general accounts receivable, plus an amount for specific accounts for which collection appears doubtful.
Accrued pension and severance costs	To provide for employees' retirement benefits, the Company recognizes an amount based on retirement benefit obligations and estimated pension assets as of the end of the fiscal year to March 2009.
Opinion of independent auditors	Auditors: KPMG AZSA & Co. Opinion: unqualified

Share-related Information

Shares in issue

Class of shares	Common
Registered or bearer	Registered
Number of shares authorized	48,000,000
Issued	
As of March 31, 2009	14,529,400
As of June 19, 2009	14,529,400
Stock exchange listings	Tokyo Stock Exchange, First Section
Comments	100-share minimum trading unit

Changes in common stock and number of shares issued

Shares Millions of yen Date	Shares outstanding		Common stock		Additional paid-in capital		
	Increase or decrease	Balance	Increase or decrease	Balance	Increase or decrease	Balance	Remarks
February 22, 2002	2,250,000	14,529,400	1,436	2,371	2,372	2,707	Public offering of shares (public offering using the book-building formula)

Shareholders by type of investor

Type of investor	Number of shareholders	Number of units owned	% owned
National and local government agencies	–	–	–
Financial institutions	22	22,272	15.32
Financial instrument firms	21	537	0.37
Businesses and other corporations	71	75,790	52.18
Non-residents: businesses and corporations	88	14,806	10.19
Non-residents: individuals	3	4	0.00
Individuals and others	7,717	31,875	21.94
	7,922	145,284	100.00
Number of shares less than one unit	–	1,000	–

Largest shareholders

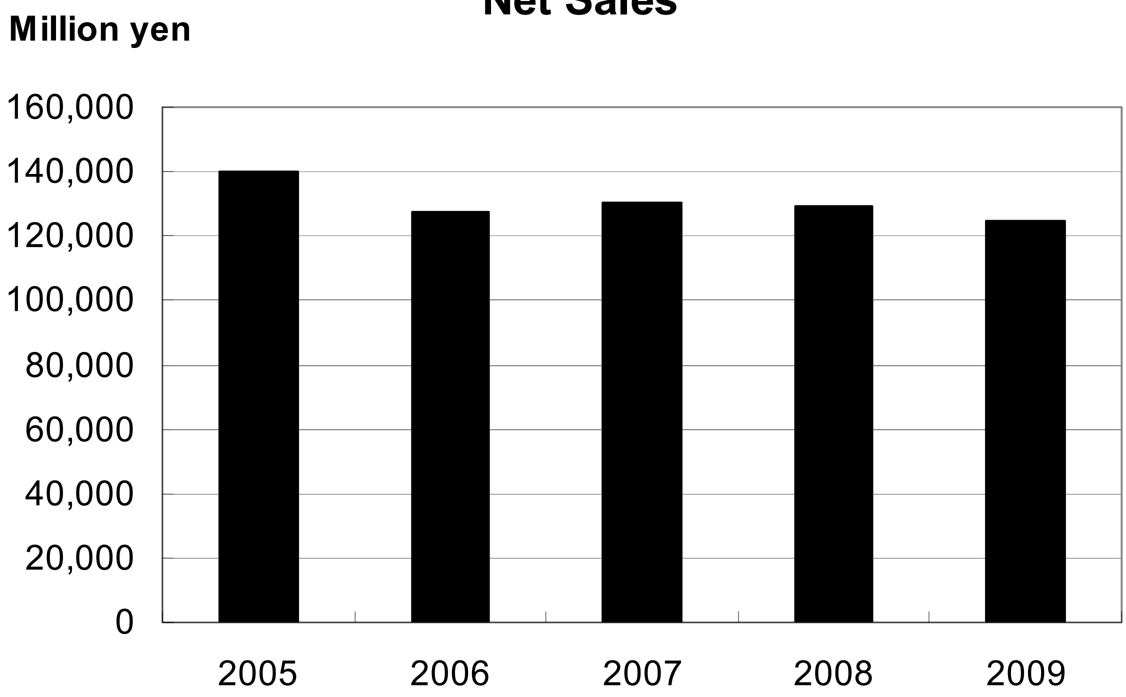
Name	Thousands of shares owned	% of shares outstanding
NEC Corporation	7,410	51.00
Japan Trustee Services Bank, Ltd. (Trust Account)	751	5.17
The Master Trust Bank of Japan, Ltd. (Trust Account)	655	4.51
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	457	3.15
Melon Bank NA Treaty Clients Omnibus	400	2.75
Employees' stockholding association	230	1.59
BNY for GCM Client Accounts JP REC ITIC	135	0.93
Trust & Custody Services Bank, Ltd.	106	0.74
Melon Bank NA AS Agent for ITS Client Melon Omnibus US Pension	94	0.65
Morgan Stanley & Co. International PLC	81	0.56
	10,324	71.05

Share information

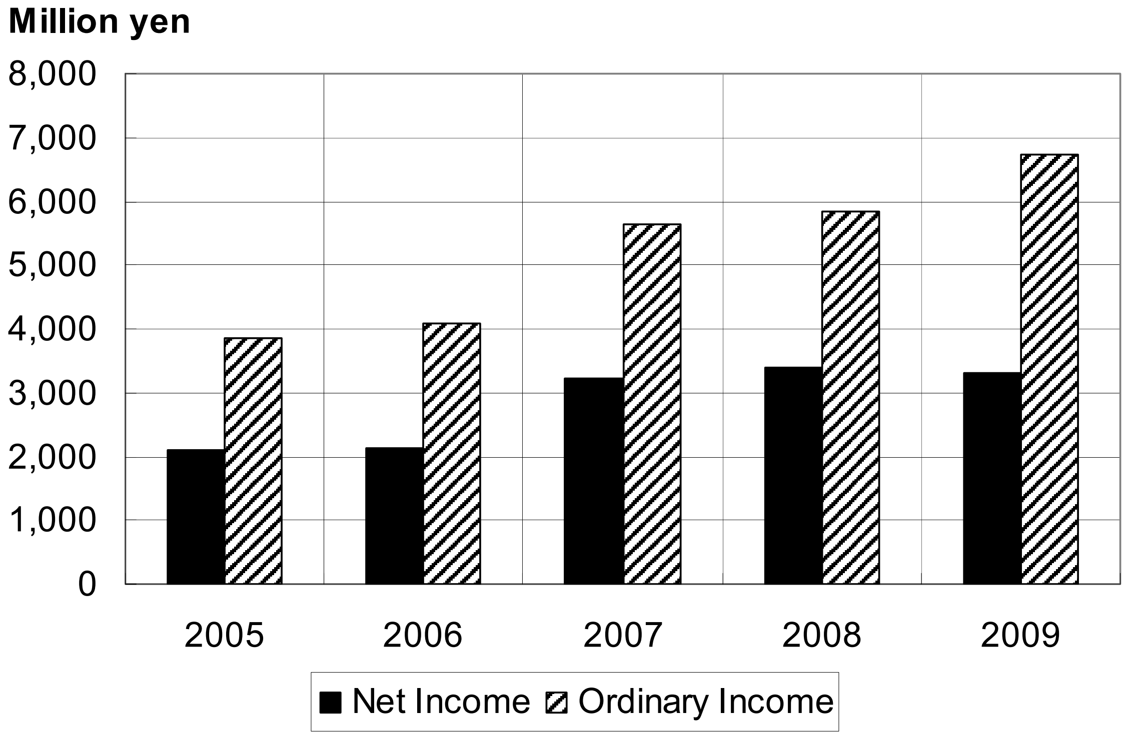
Business year	April 1 to March 31
Ex-rights date	March 31
Dates of record for dividends	September 30 and March 31
Annual General Meeting of Shareholders	June
Trading unit	100 shares
Transfer agent	The Sumitomo Trust & Banking Co., Ltd. 3-1, Yaesu 2-chome, Chuo-ku, Tokyo
Publication of record	Electronic method In the event of an accident or other unavoidable circumstance, notices will be published in *The Nihon Keizai Shimbun*. URL for announcements: http://www.nec-mobiling.com

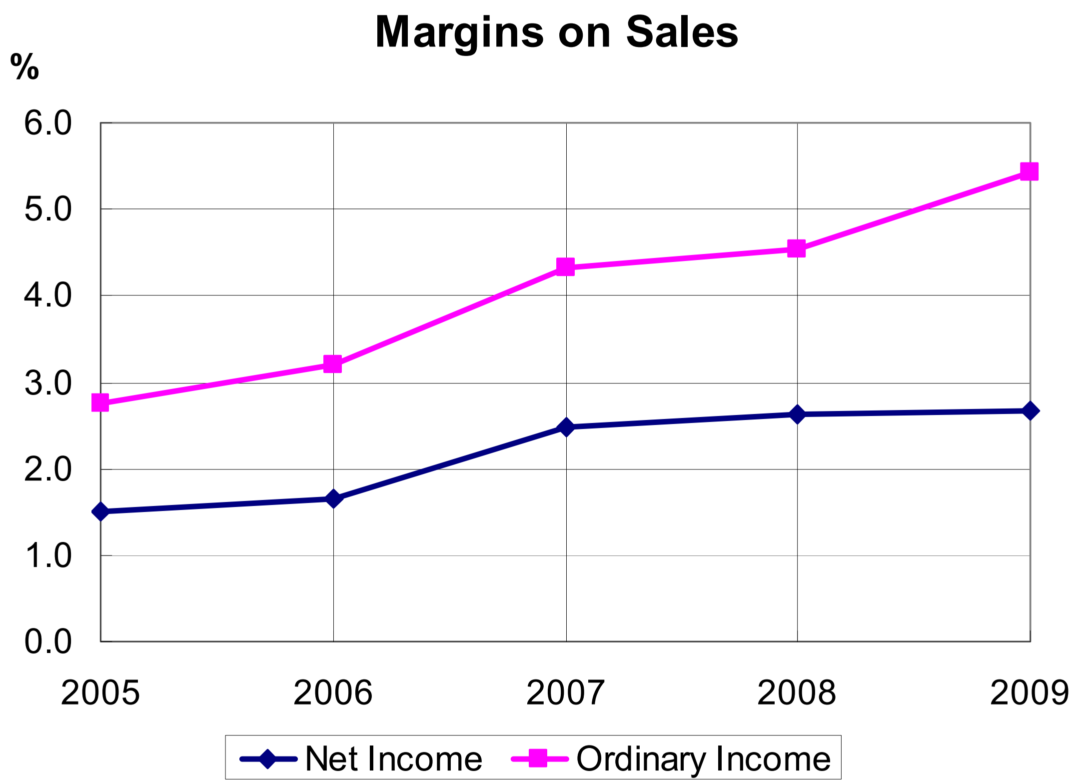
Performance in Graphs

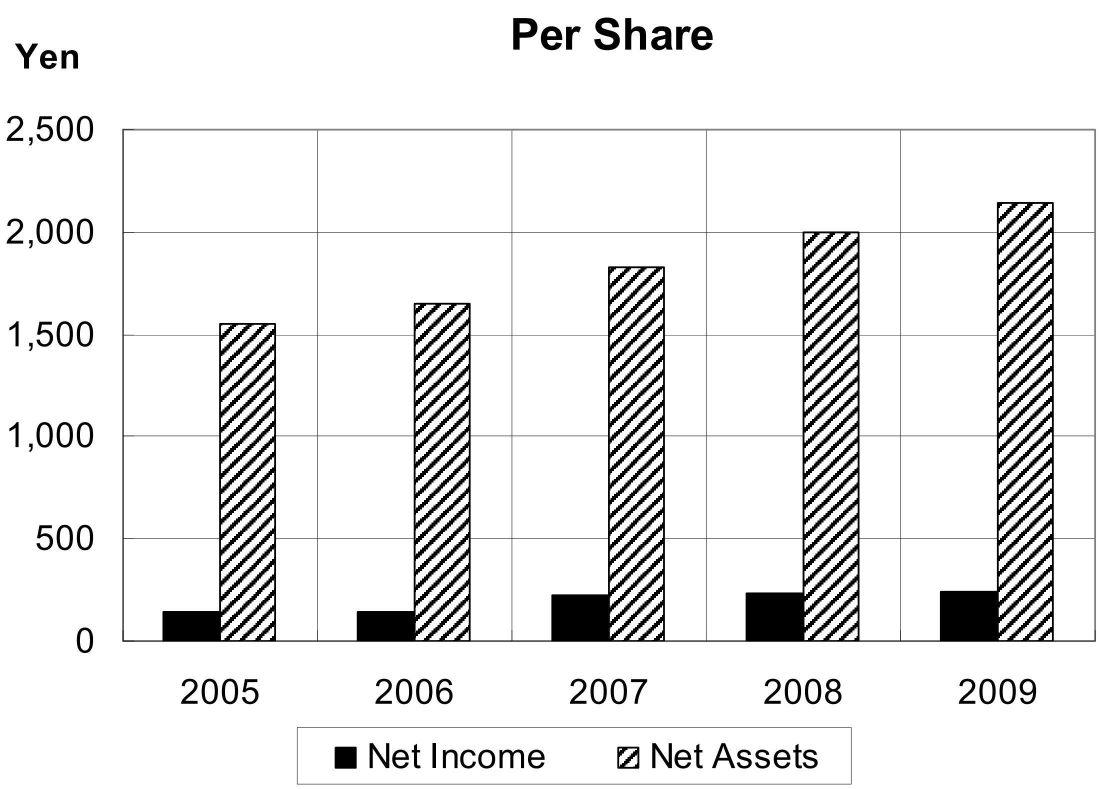
Net Sales



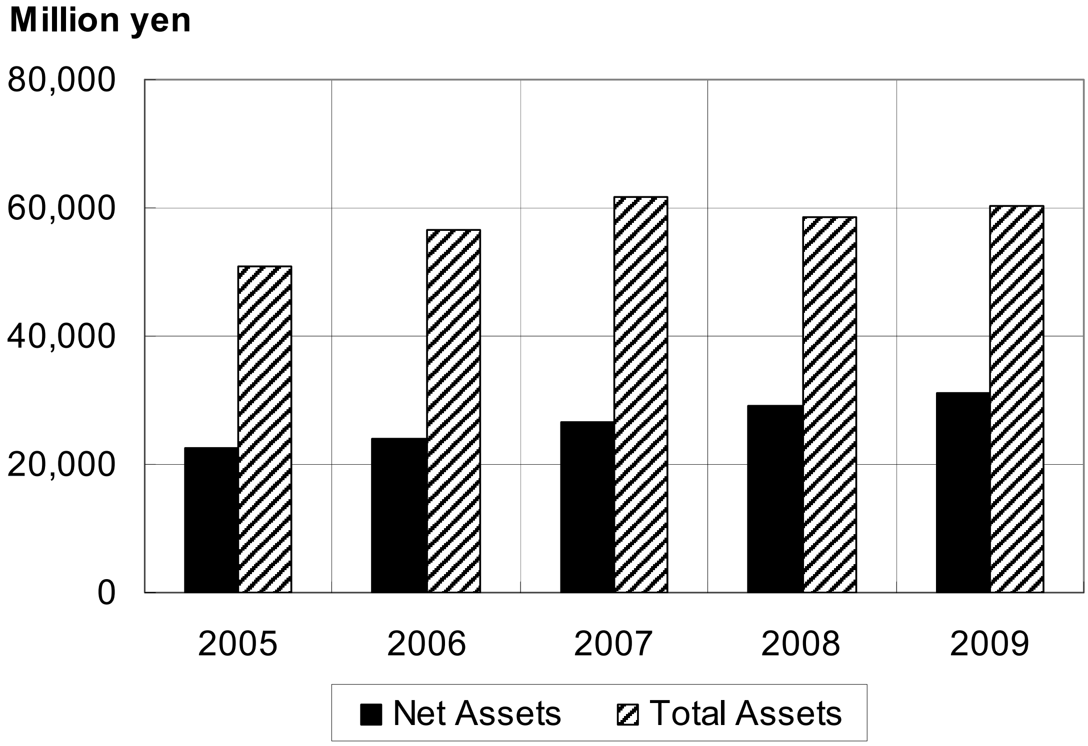
Net Income and Ordinary Income



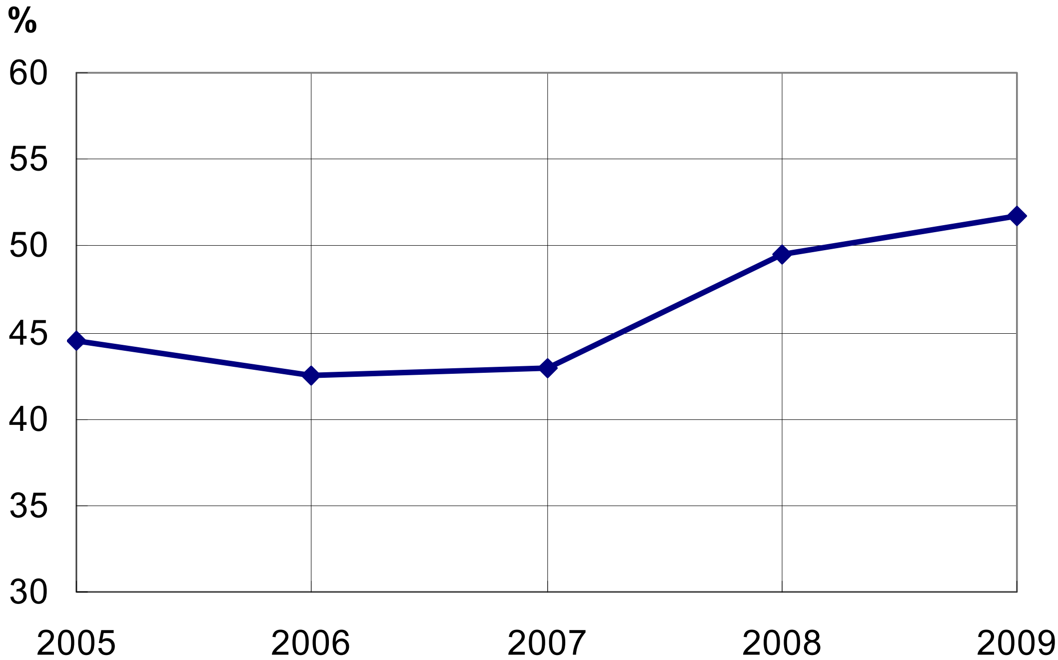

Margins on Sales
%
6.0
5.0
4.0
3.0
2.0
1.0
0.0
2005
2006
2007
2008
2009
Net Income
Ordinary Income

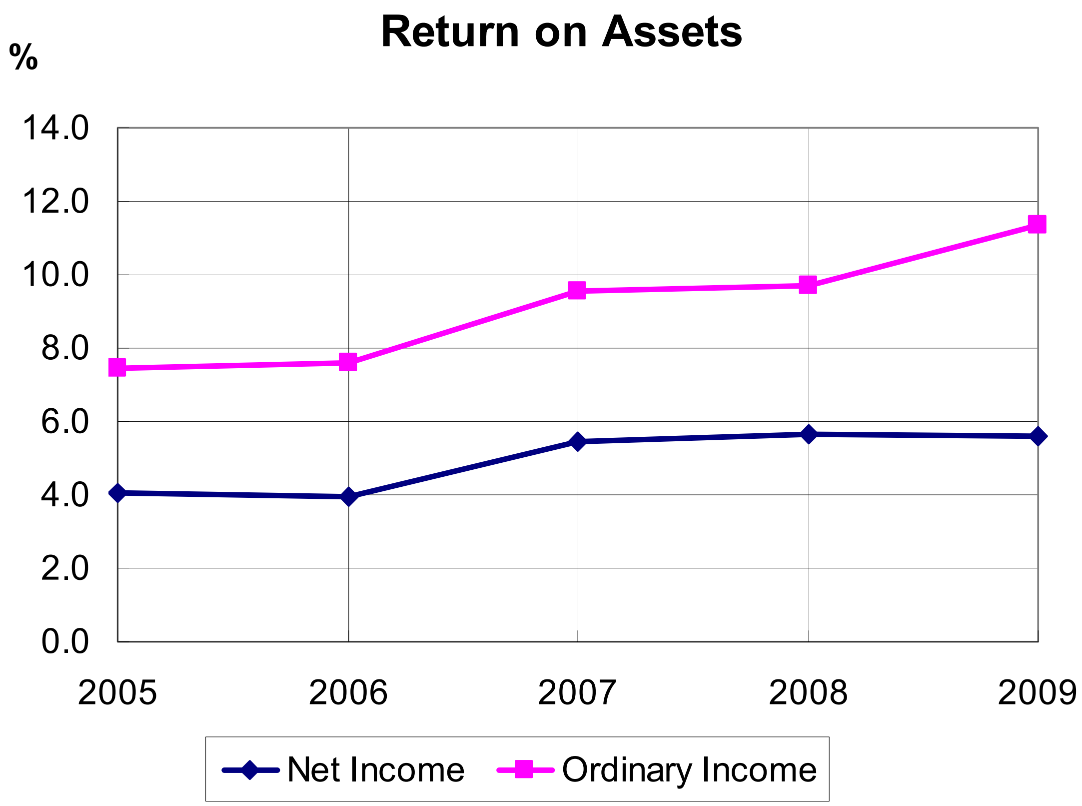

Per Share
Yen
2,500
2,000
1,500
1,000
500
0
2005
2006
2007
2008
2009
Net Income
Net Assets

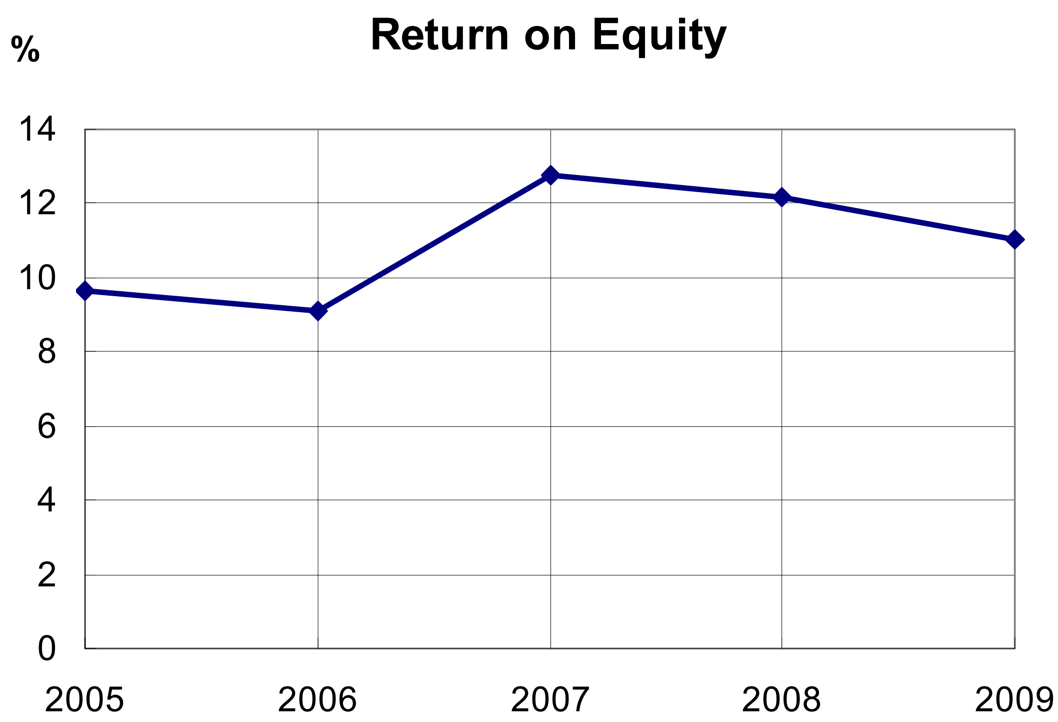
Net Assets and Total Assets



Equity Ratio




Return on Assets
%
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
2005
2006
2007
2008
2009
Net Income
Ordinary Income


Return on Equity
%
14
12
10
8
6
4
2
0
2005
2006
2007
2008
2009

Contact

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