

# Summary of Operating Results for the First Half of the Fiscal Year ending March 31, 2013

October 24, 2012  
NEC Mobiling, Ltd.

The forecasts related to future business performance stated in the current strategies, plans, and general awareness of NEC Mobiling, Ltd., as described in these materials, involve risks and uncertain factors. It should be noted that actual business performance may differ greatly from these forecasts due to a variety of factors. Primary factors that may influence actual business performance include but are not limited to: 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 Company's technological capability to meet customer requests.

- \* This document has been prepared as a guide to non-Japanese analysts for their convenience only and is a translation summary of the original Japanese text.
- \* All brand names, product names, and company names/trademarks or registered trademarks are the property of their respective owners. The symbols “TM” and “®” etc., are not used in this document.

1. FY2013/03 1H Overview of Operating Results
2. FY2013/03 Business Development

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# 1. FY2013/03 1H Overview of Operating Results

## Overview of Operating Results for the First Half: Major Indexes

Both sales and profits exceeded initial projections

(Billions of Yen)

	FY2012/03	FY2013/03			
	1H	1H	YOY	Previous forecast as of April 25	Change from the previous forecast
<b>Net Sales</b>	<b>61.4</b>	<b>68.0</b>	<b>+11%</b>	<b>60.7</b>	<b>7.3</b>
<b>Operating Income</b>	<b>4.90</b>	<b>5.48</b>	<b>+12%</b>	<b>5.00</b>	<b>0.48</b>
<b>(%)</b>	<b>(8.0%)</b>	<b>(8.1%)</b>	<b>—</b>	<b>(8.2%)</b>	
<b>Ordinary Income</b>	<b>5.01</b>	<b>5.50</b>	<b>+10%</b>	<b>5.05</b>	<b>0.45</b>
<b>(%)</b>	<b>(8.2%)</b>	<b>(8.1%)</b>	<b>—</b>	<b>(8.3%)</b>	
<b>Net Income</b>	<b>2.71</b>	<b>2.99</b>	<b>+11%</b>	<b>2.95</b>	<b>0.04</b>
<b>(%)</b>	<b>(4.4%)</b>	<b>(4.4%)</b>	<b>—</b>	<b>(4.9%)</b>	
<b>ROE (%)</b>	<b>13.6%</b>	<b>13.7%</b>		<b>—</b>	
<b>Free Cash Flows</b>	<b>2.27</b>	<b>4.13</b>		<b>—</b>	
<b>Dividend per Share (Yen)</b>	<b>60</b>	<b>65</b>	<b>5</b>	<b>65</b>	<b>—</b>
<b>Number of Employees</b>	<b>1,232</b>	<b>1,228</b>			

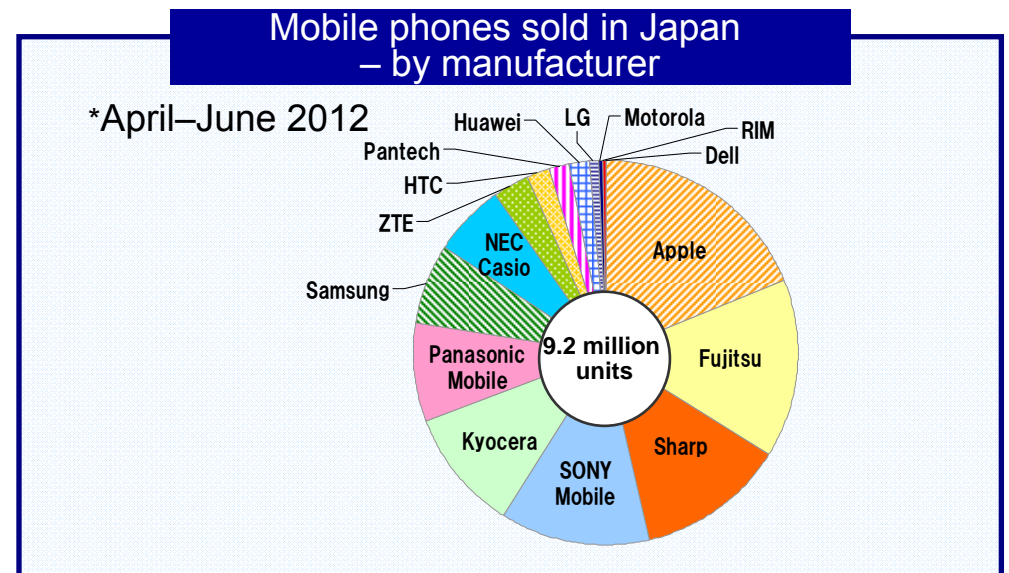
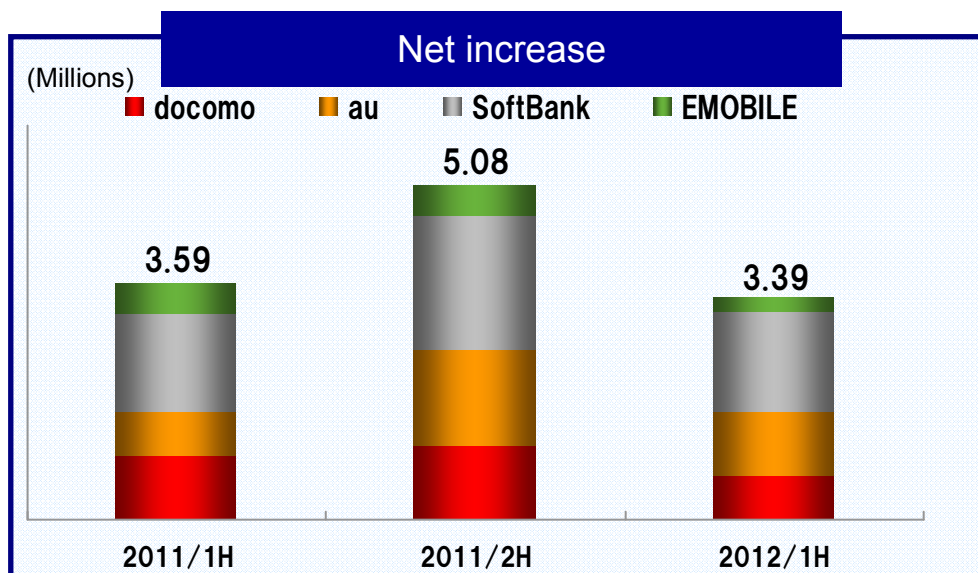
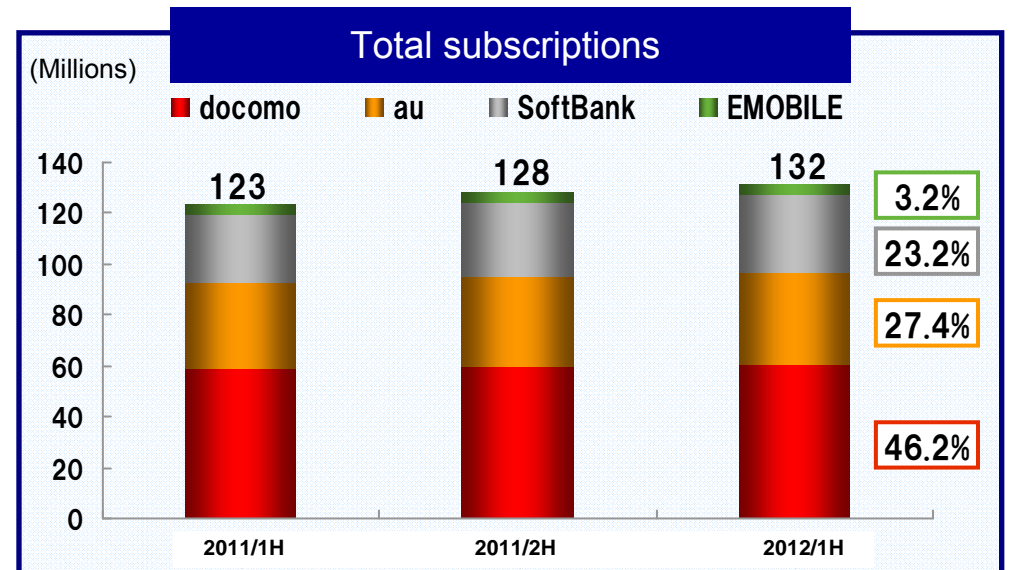
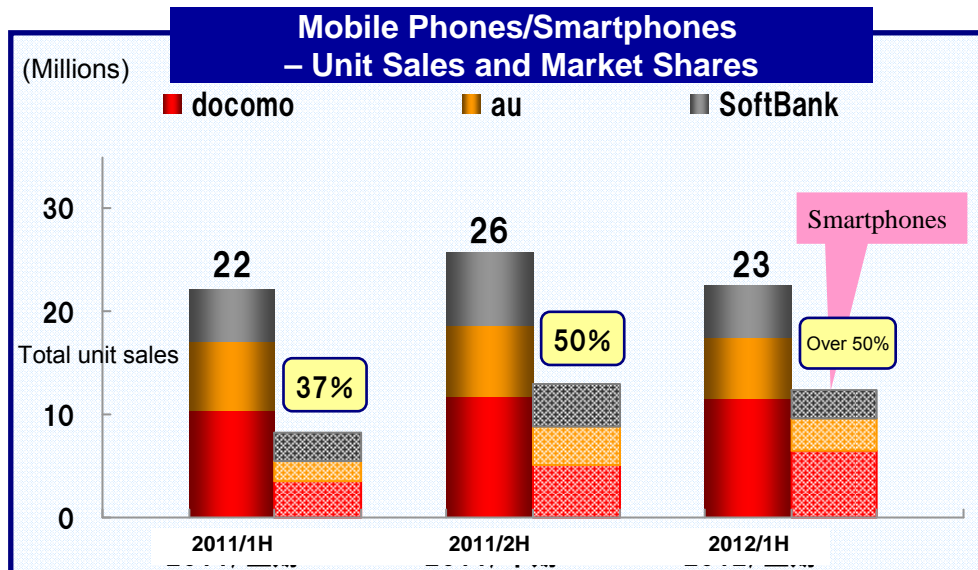
# Overview of Operating Results for 1H – by Business Segment

(Billions of Yen)

	FY2012/03 1H <Reclassified>	FY2013/03		
		1H	YoY	
<b>Net Sales</b>	<b>61.4</b>	<b>68.0</b>	<b>6.6</b>	<b>+11%</b>
<b>Mobile Sales</b>	<b>42.8</b>	<b>53.7</b>	<b>10.9</b>	<b>+26%</b>
<b>Mobile Solutions</b>	<b>18.6</b>	<b>14.3</b>	<b>-4.3</b>	<b>-23%</b>
<b>Operating Income</b>	<b>4.90</b>	<b>5.48</b>	<b>0.58</b>	<b>+12%</b>
<b>Mobile Sales</b>	<b>1.66</b>	<b>2.53</b>	<b>0.87</b>	<b>+53%</b>
<b>Mobile Solutions</b>	<b>3.24</b>	<b>2.95</b>	<b>-0.29</b>	<b>-9%</b>

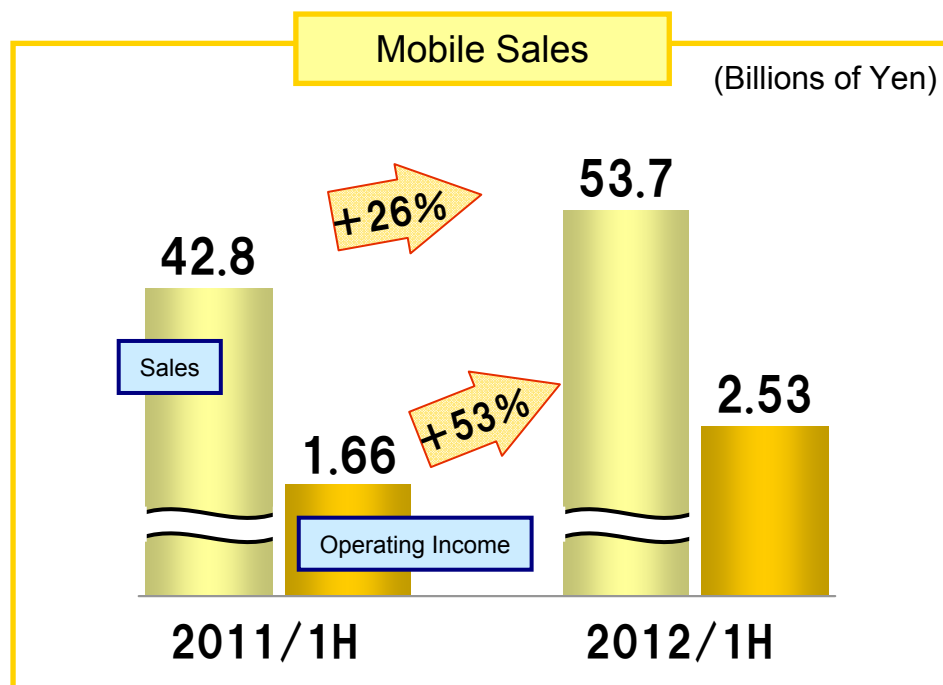
From the fiscal year starting April 1, 2012, the business segments has been changed. The “Mobile Service Business” has been changed to the “Mobile Solutions Business,” combined with the mobile handset sales for enterprise related business, which was formerly included in the “Mobile Sales Business.”

# Business Environments – Operational Indicators of Key Operators



Sources: TCA, corporate IR data, MM Research Institute, and NEC Mobiling estimates

# Overview of Operating Results for 1H: by Business Segment

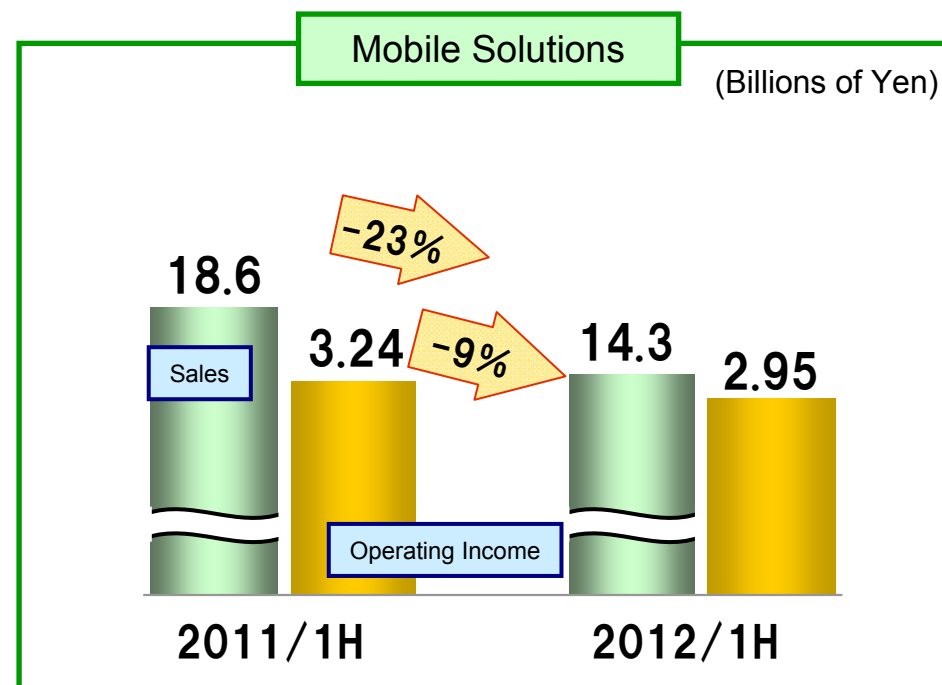


## Sales

- Increase in the number of sales of smartphones
- The higher average retail price per unit was attributable to a growing sales share of mobile phones with advanced functions, which come with higher wholesale price tags.

## Operating Income

- Increase in units sold
- Efforts by individual retail shops to maximize profit
- Increase through extensive sales of accessories, peripherals, and other mobile phone-related goods



## Sales

- Decrease in demand for handset repairs
- Increase in volume for handset repairs made by overseas manufactures

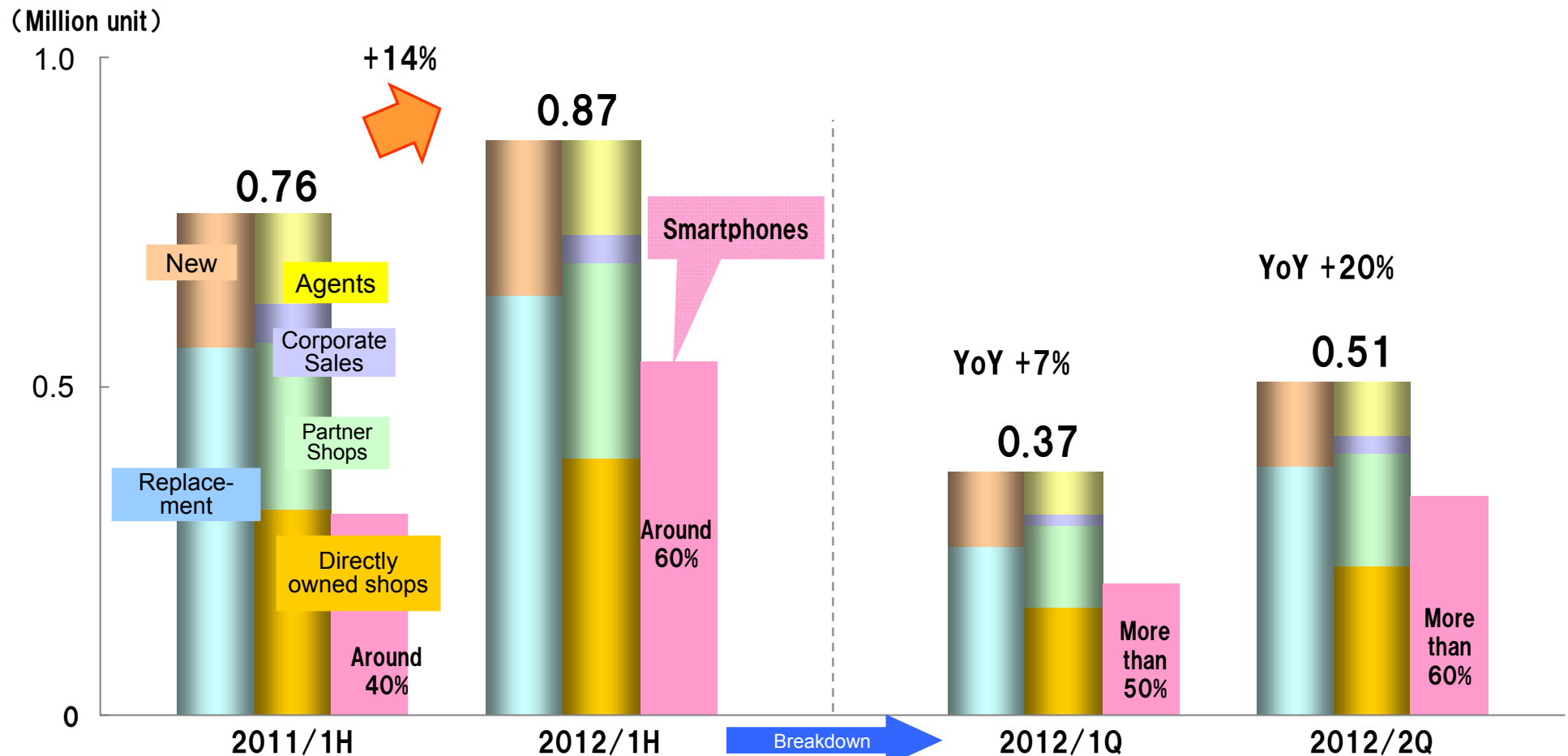
## Operating Income

- Decrease in sales
- Strengthened effort to reduce costs



# Mobile Sales Business: Number of Mobile Phones Sold

- The smartphone segment continued to grow
- Strong sales in summer models led to a YoY increase of 20% in sales unit for 2Q



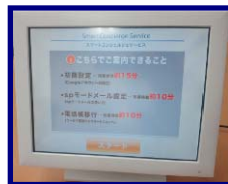
# Mobile Sales Business: Action to capture the greater needs of smartphone users

Delivery of an extensive range of customer support, from assistance in getting started with smartphones to the utilization of application services

## Smartphone Concierge Service

The customer can easily set up the smartphones by themselves, resulting in reduced waiting time.

- Initial setup using a touch panel
- Installation of a “Smartphone Concierge Service” at 98 out of 126 directly owned docomo Shops across Japan



docomo Shop Machida

## Related merchandise



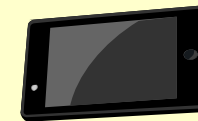
Memory Cards



Speakers



Protective Cases



Wireless headset



Screen Protectors



Projection Keyboards

## Recommending apps that meet customers needs

- Apps handpicked by NEC Mobiling from among the countless apps available

### apps

Games,  
Entertainment, Tools,  
Books, Education  
others



## Mobile Sales Business: Measures to cope with higher demand for smartphones

Overhauled training for shop personnel led to higher service quality delivered to customers

### Group training for new recruits



- Concentrated know-how is passed on to new recruits during intensive training to prime them to become full-fledged, contributing staff early on.
- Individual shops are partially released from offering their own training to their staff.



### Tools for use by individual staff



- A tablet has been distributed to each staff member.
- Tablets are used for training and communication to cross-share the latest information.



# Mobile Sales Business – Reinforcing the Sales Platform

## Expansion and upgrading of shops

- Launch of one new directly managed docomo Shop

## Proactive investment for better retail environments and higher CS

- A total of 16 shops underwent relocation or renovation

More booth seats for improved interfacing with customers



Enhanced array of accessories



More space for the area where try-before-you-buy demo models are displayed



docomo Shop at Fujisawa Station South Exit  
(Opened on June 7)



docomo Shop at Kurume Kushihara  
(Reopened after relocation on June 15)



docomo Shop at Ofuna Station Kasama Exit  
(Reopened after relocation on Aug. 24)



docomo Shop at Okamoto  
(Reopened after relocation on Sept. 14)



docomo shop at Matsudo Goko  
(Reopened after relocation on Sept. 28)



# Mobile Sales Business: Measures to strengthen our “Sales Platforms”

## M&A execution: Acquisition of Nangoku Telephone Co., Ltd.

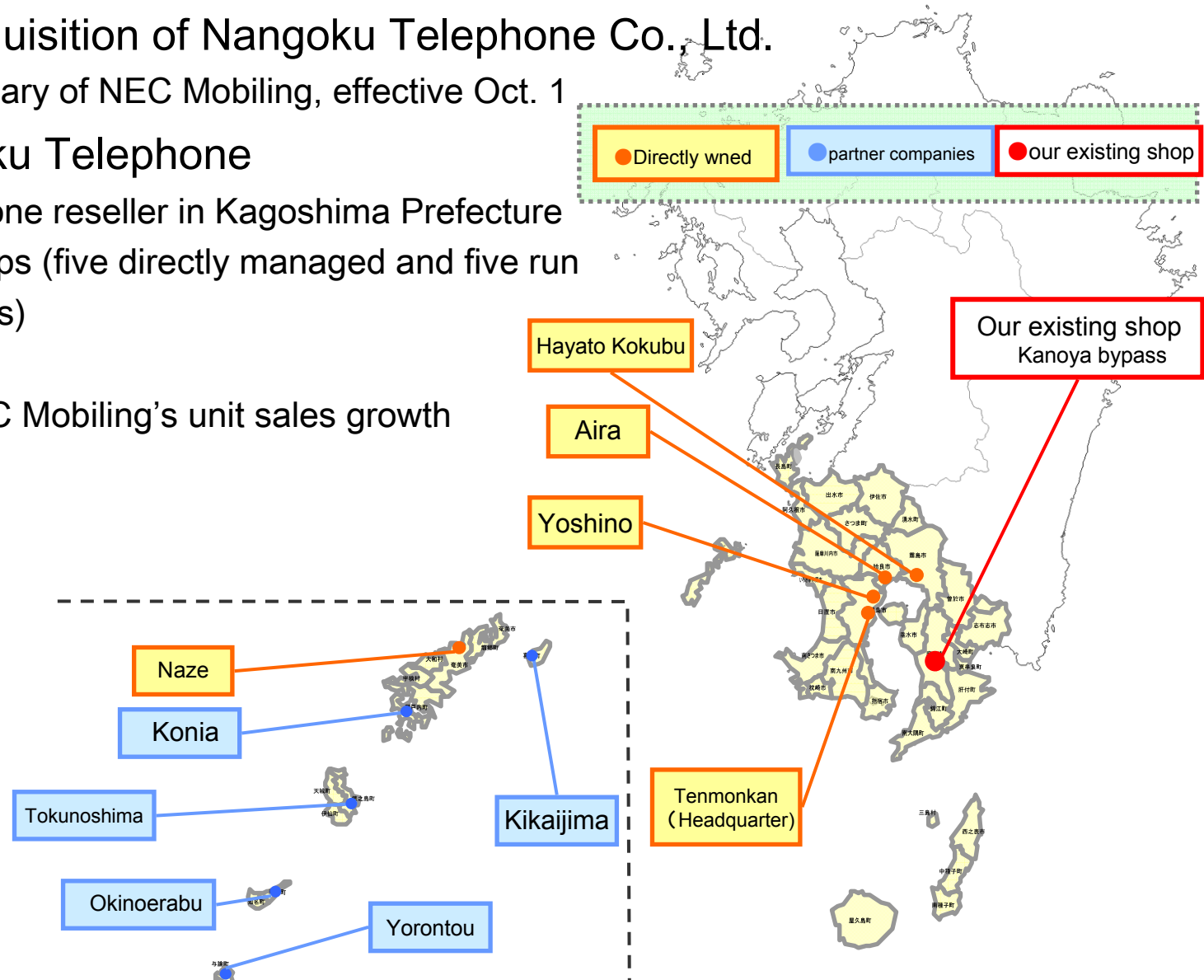
- 100%-owned subsidiary of NEC Mobiling, effective Oct. 1

## Summary of Nangoku Telephone

- A leading mobile phone reseller in Kagoshima Prefecture with 10 docomo Shops (five directly managed and five run by partner companies)



Expected to boost NEC Mobiling's unit sales growth by 2% annually



# Mobile Sales Business: Sales Channels

## Number of shops

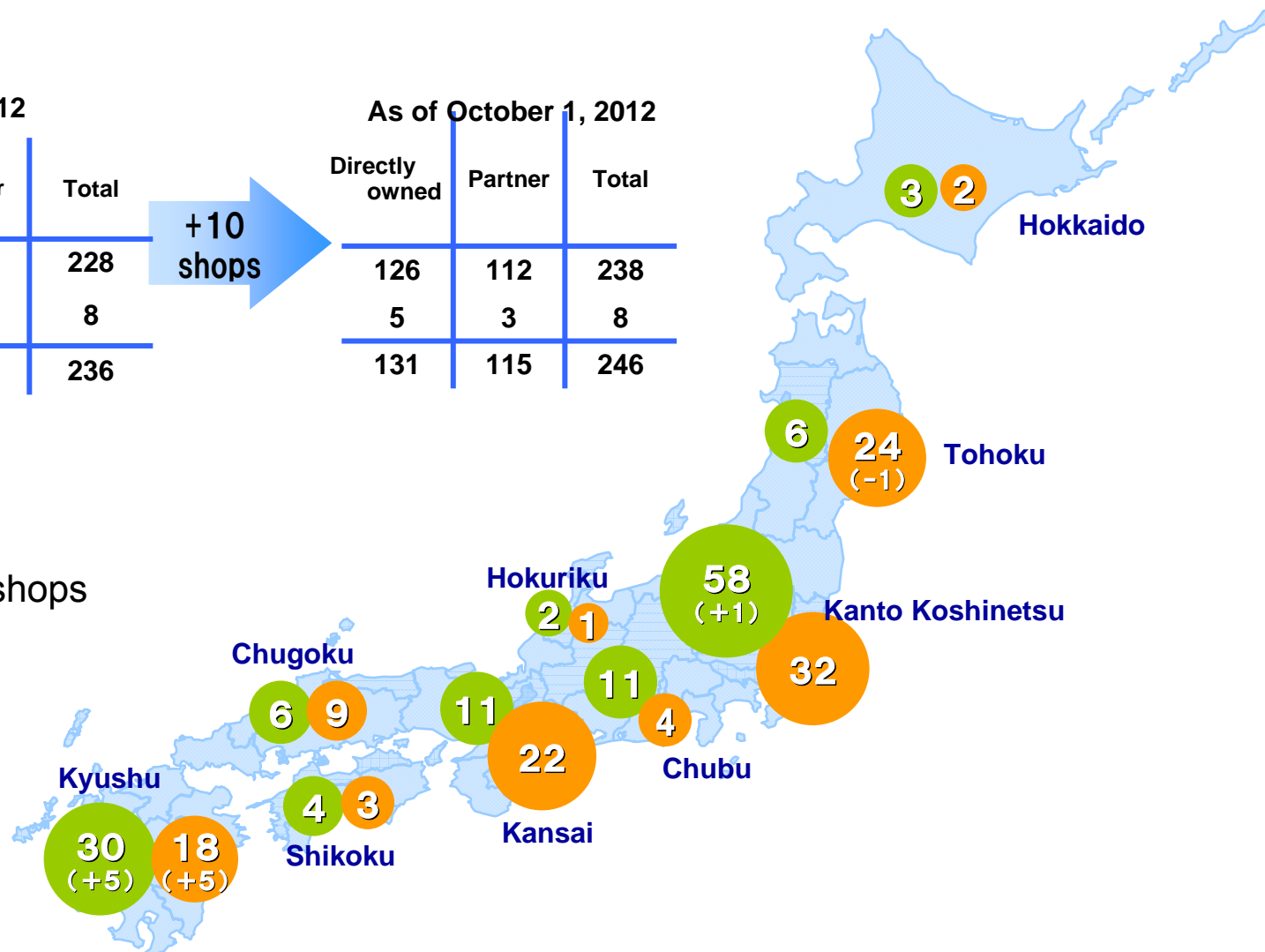
	As of March 2012				As of October 1, 2012		
	Directly owned	Partner	Total		Directly owned	Partner	Total
docomo Shops	120	108	228	+10 shops	126	112	238
au shops, and SoftBank shops	5	3	8		5	3	8
<b>Total</b>	<b>125</b>	<b>111</b>	<b>236</b>		<b>131</b>	<b>115</b>	<b>246</b>

## Shop network

131 : Directly owned shops

115 : Partner shops

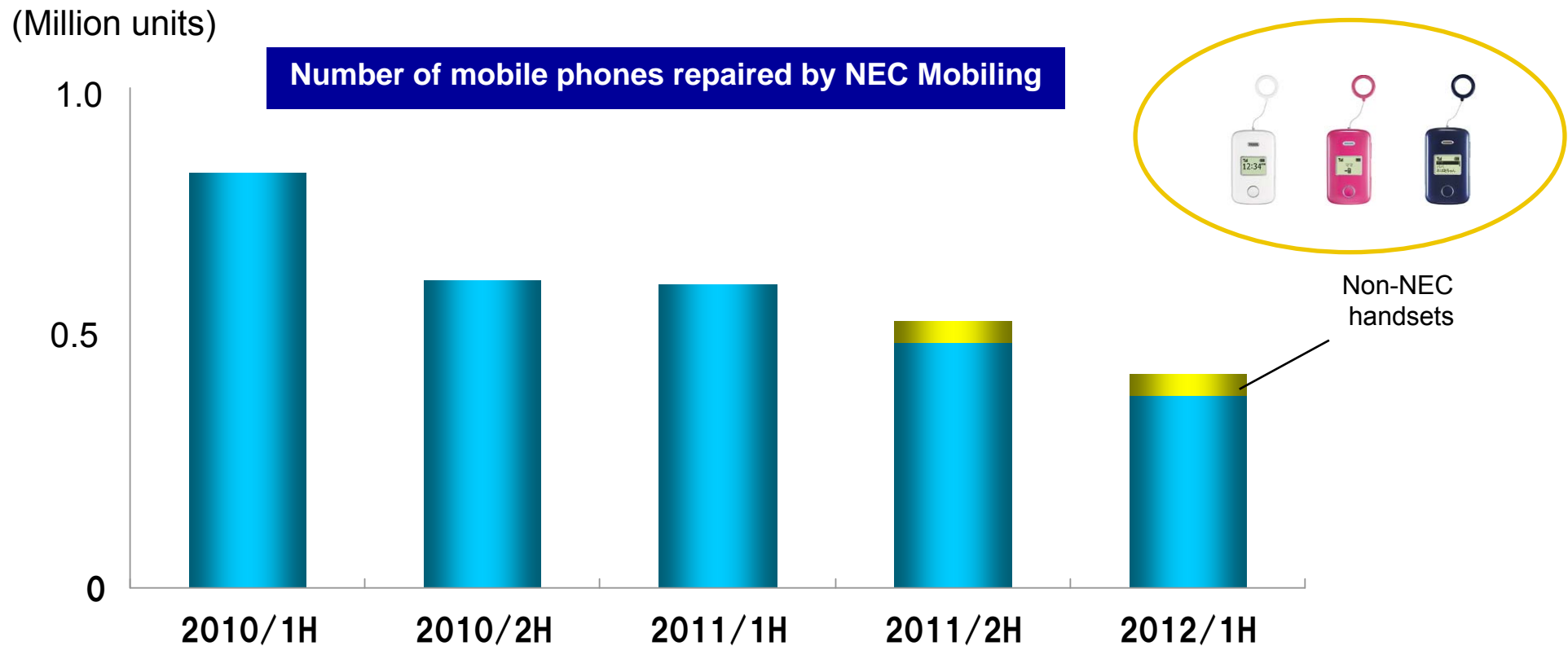
(246 shops in total)



\*A total of 13 shops in Kyushu, operated by our consolidated subsidiary Matsuhaya Corporation and five shops in Kyushu, operated by Nangoku Telephone Corporation, are included in "Directly owned shops."

# Mobile Services Business: Mobile Phone Repairs

- Customers increasingly opt to replace their handsets with smartphones rather than having old handsets serviced.
- Repairs for handsets made by ZTE Corporation were steady



# FY2013/03 1H: Key Achievements

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## Stronger measures designed to ride the smartphone boom

- Measures to deliver higher satisfaction to customers and to increase unit sales
  - Strengthened customer skills offered by shop personnel
  - Installed Smartphone Concierge Service terminals to slash wait times for customers
  - Added counter seats for customers through shop relocation and renovation
- Locations run by the “Camera-no-Kitamura” chain, NEC Mobiling’s partner in a different trade and which sells mobile phones, have doubled in number.
- Launched an ASP service for businesses wishing to deliver sales promotional information to smartphone users



## M&A of Nangoku Telephone, which is now a subsidiary of NEC Mobiling (October)

## Solid flow of requests for engineering services from operators wishing to improve area network quality and cope with a sharp rise in data traffic

## Initiated an overseas training program to foster personnel with global horizons



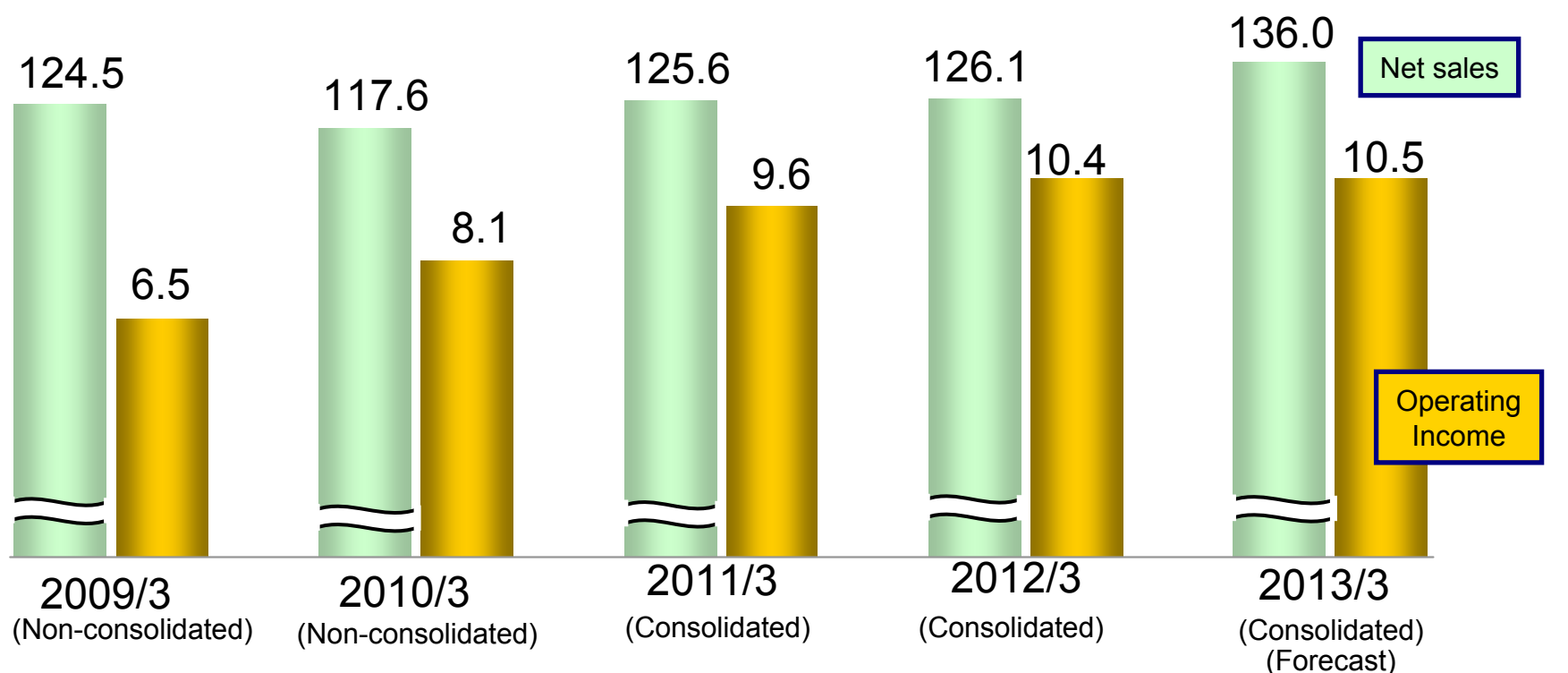
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## 2. FY2013/03 Business Development

Aiming to be a company that sparkles within the  
advent of a highly sophisticated ICT society

### Striving for sustained growth

Measures to strengthen existing business areas  
New business creation and development



\* Forecast as of October 24, 2012

## FY2013/03 Fiscal Earnings Forecast: Major indexes

Forecasts for net sales have been revised upward to reflect robust demand for smartphones.

(Millions of Yen)

	FY2012/03	FY2013/03			
	Full year	Current forecast	YOY	Previous forecast as of April 25	Change from the previous forecast
Net sales	126.1	136.0	+8%	126.5	9.5
Operating income (%)	10.44 (8.3%)	10.50 (7.7%)	+1% —	10.50 (8.3%)	—
Ordinary income (%)	10.61 (8.4%)	10.60 (7.8%)	0% —	10.60 (8.4%)	—
Net income (%)	4.89 (3.9%)	6.20 (4.6%)	+27% —	6.20 (4.9%)	—
ROE(%)	12.0%	13.8%		13.8%	
Free cash flows	6.13	5.50		5.50	
Dividend per share (yen)	120	130	10	130	—
Employees	1,227	1,350			

\* Forecast as of October 24, 2012

# FY2013/03 Fiscal Earnings Forecast: by Business Segment

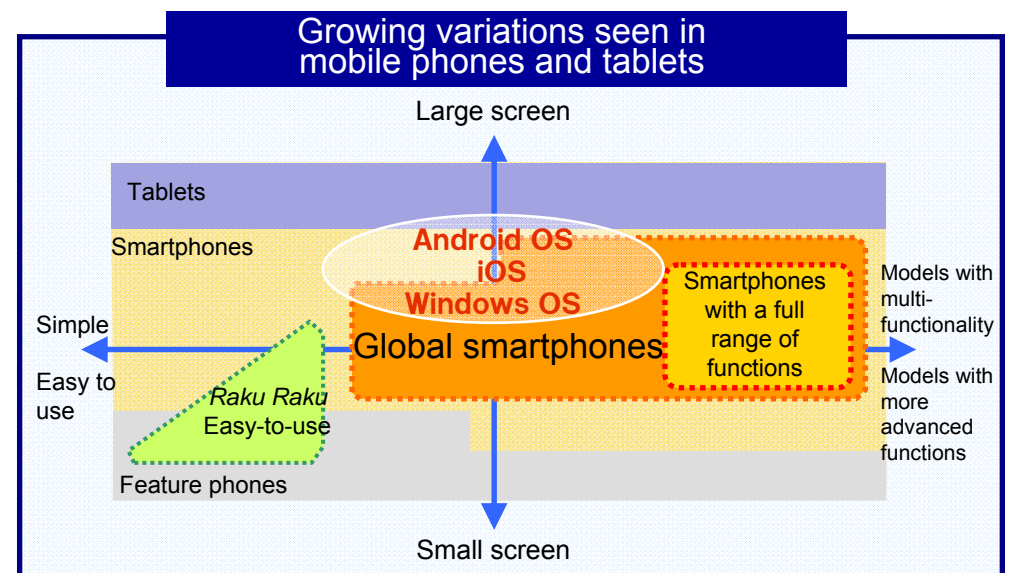
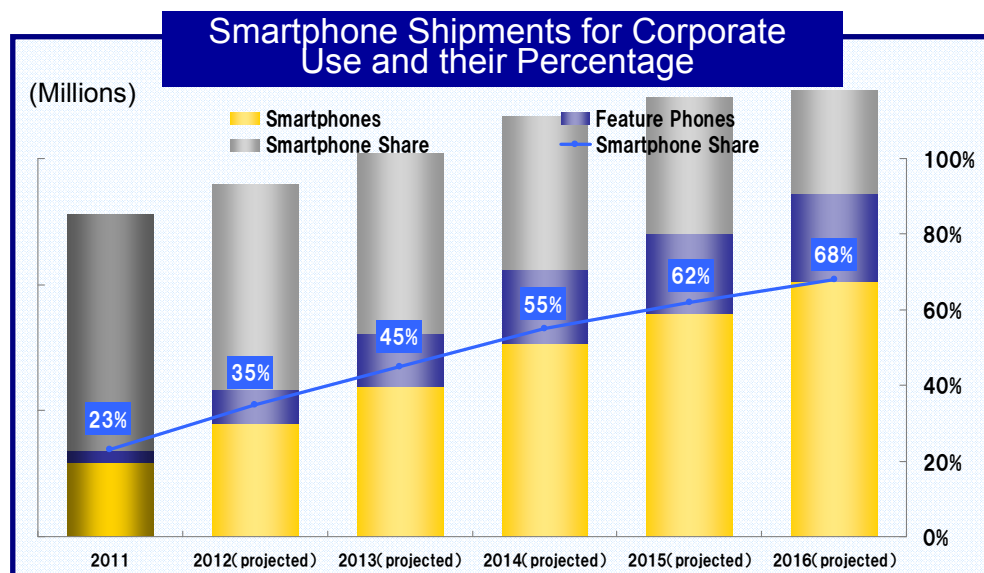
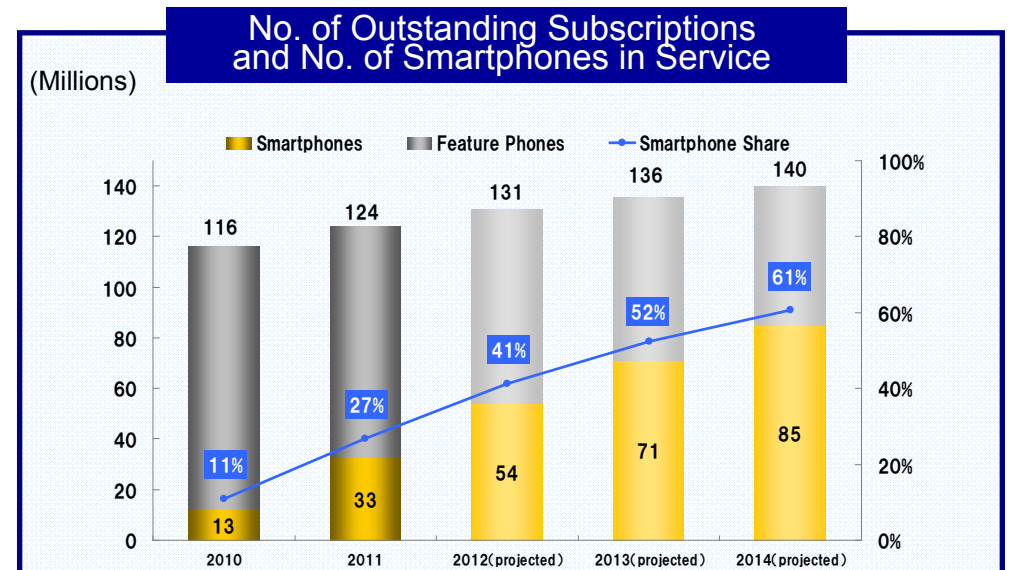
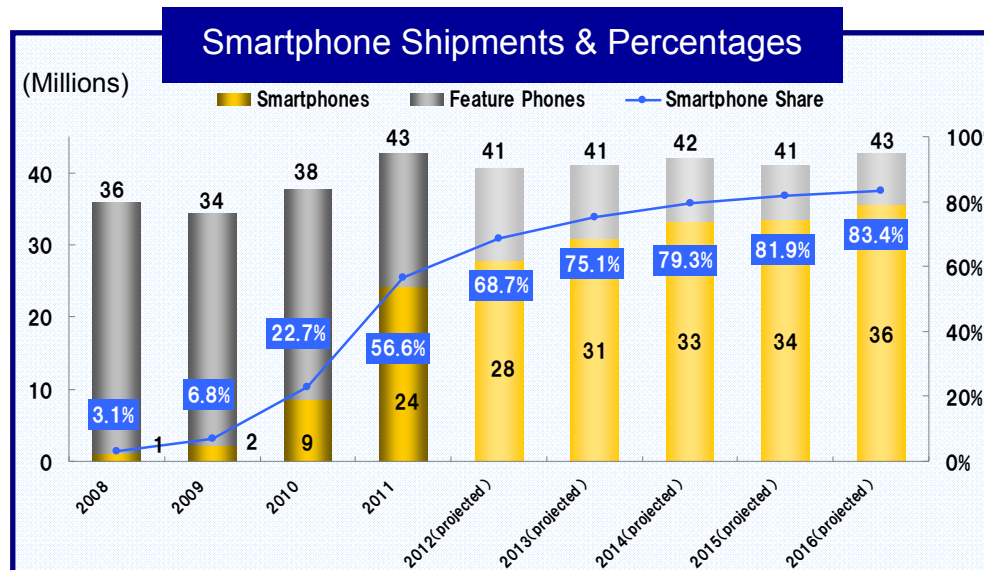
(Millions of Yen)

	FY2012/03 <Reclassified>	FY2013/03			
		Forecast	YoY		Change from the previous forecast
<b>Net Sales</b>	<b>126.1</b>	<b>136.0</b>	<b>9.9</b>	<b>+8%</b>	<b>9.5</b>
<b>Mobile Sales</b>	<b>90.0</b>	<b>107.4</b>	<b>17.4</b>	<b>+19%</b>	<b>11.4</b>
<b>Mobile Solutions</b>	<b>36.1</b>	<b>28.6</b>	<b>-7.5</b>	<b>-21%</b>	<b>-1.9</b>
<b>Operating Income</b>	<b>10.44</b>	<b>10.50</b>	<b>0.06</b>	<b>+1%</b>	<b>-</b>
<b>Mobile Sales</b>	<b>3.83</b>	<b>5.00</b>	<b>1.17</b>	<b>+31%</b>	<b>-</b>
<b>Mobile Solutions</b>	<b>6.61</b>	<b>5.50</b>	<b>-1.11</b>	<b>-17%</b>	<b>-</b>

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.”

\* Forecast as of October 24, 2012

# Business Environments – Mobile Phone Market Underscored by Continuing Shift to Smartphones



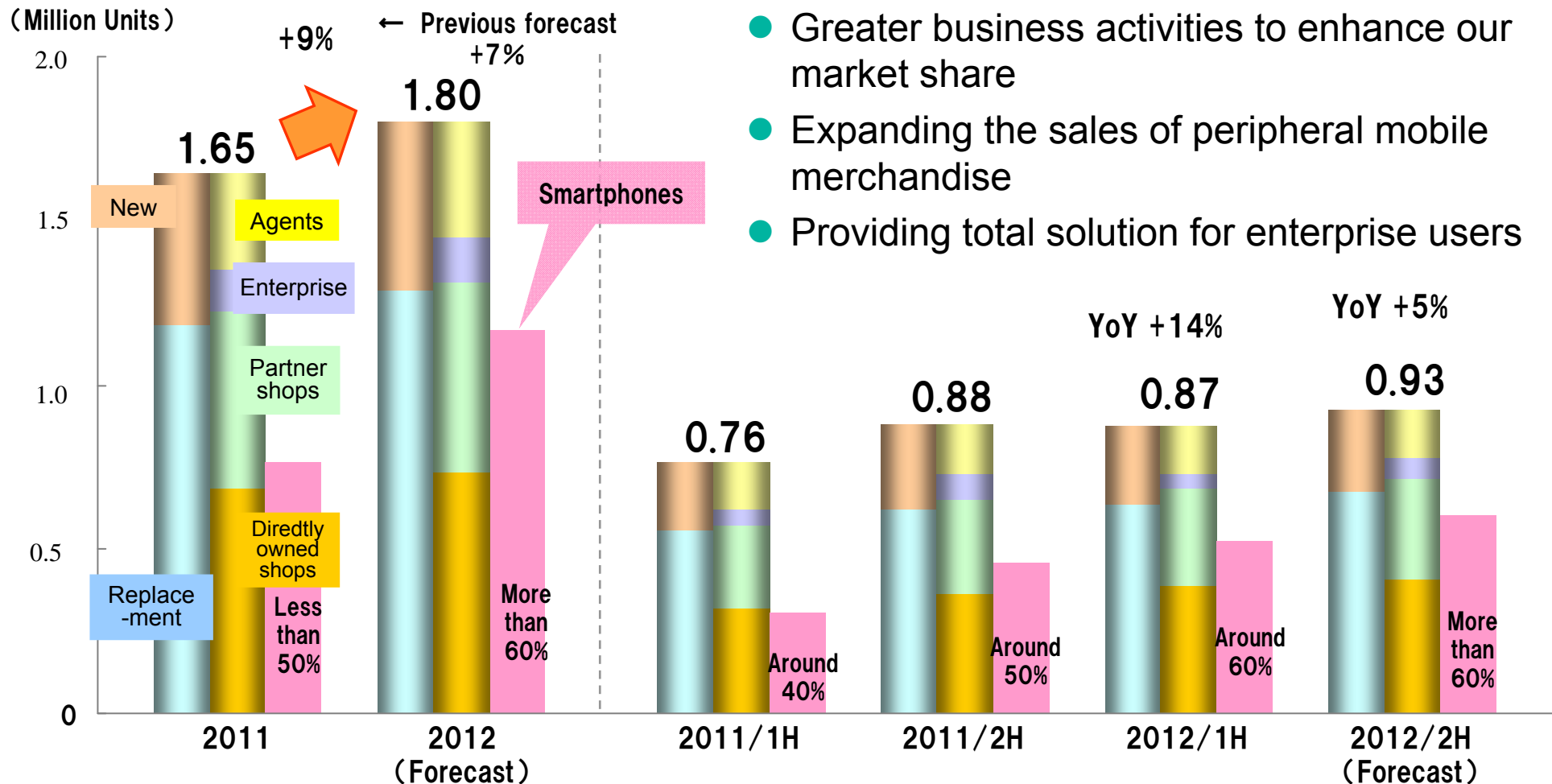
Sources: TCA, corporate IR data, MM Research Institute, Seed Planning, and NEC Mobiling estimates

# Key Activities: Sales of Mobile Handsets

Number of mobile phones sold by NEC Mobiling

## Actions toward expansion for the smartphones market

- Greater business activities to enhance our market share
- Expanding the sales of peripheral mobile merchandise
- Providing total solution for enterprise users

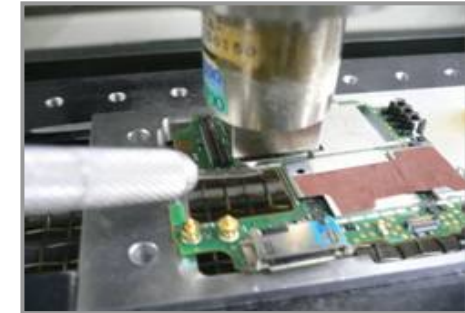


\* Forecast as of October 24, 2012

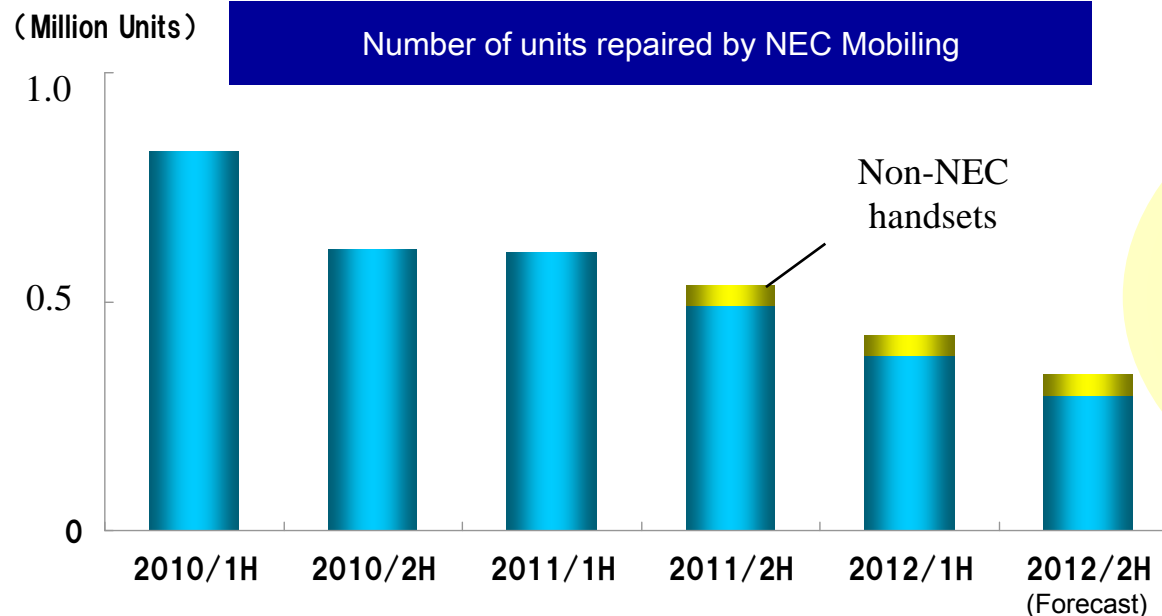
# Key Action Initiatives: Mobile Phone Repairs

## Efforts to cope with the declining number of serviced handsets

- Further cost reductions through improved repair technology
- More repairs to be performed on non-NEC products
  - A two-fold increase from the previous year is planned for repairs performed on ZTE products.
  - Additional business sought by new customer wins
- Development of support service business



< Removing an IC from the substrate >



## NEC Mobiling's Strengths

### Comprehensive post-sale support

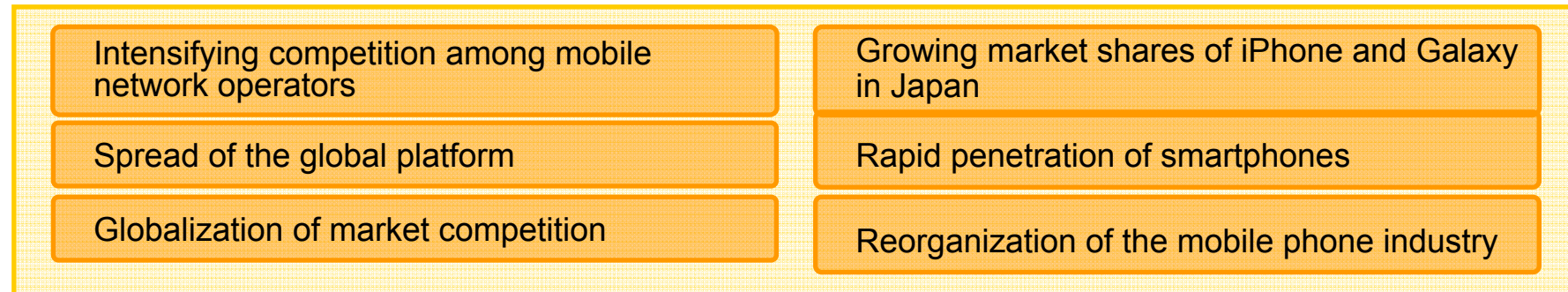
- Repair and refurbishment technology for high-density, multi-layer substrates
- Superior repair quality
- Short TAT (turnaround time) on repairs
- Repair progress tracking by IT infrastructure
- Excellent grasp of mobile phone operator needs

\* Forecast as of October 24, 2012



# Growth Strategy – Changing Market and NEC Mobiling's Strengths

## Magnitude and Speed of Market Change



## Business development that best takes advantage of NEC Mobiling's competencies

### Competencies of NEC Mobiling

Position

Superior technology

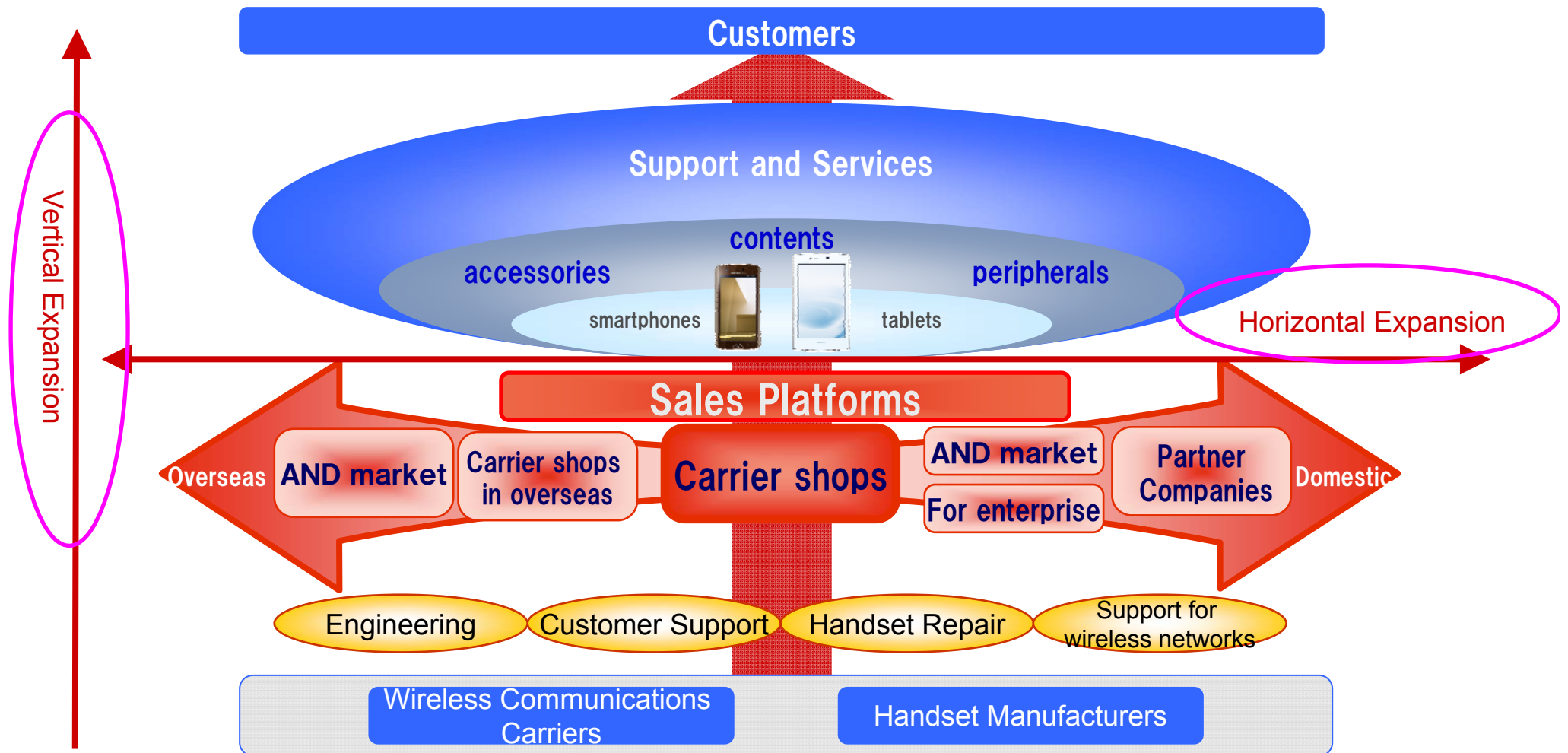
Service delivery capabilities at points of contact with customers

- Active participant in the growing mobile industry
- Its primary dealership position allows for direct interactions with mobile network carriers.
- Owns technological resources for wireless communication
- Interrelationships with the NEC Group
- Interpersonal and marketing skills from the perspective of customers
- Ability to solve customer problems
- Strong drive to bring improvements and efficiency



## Future Business Development – Sales Platforms

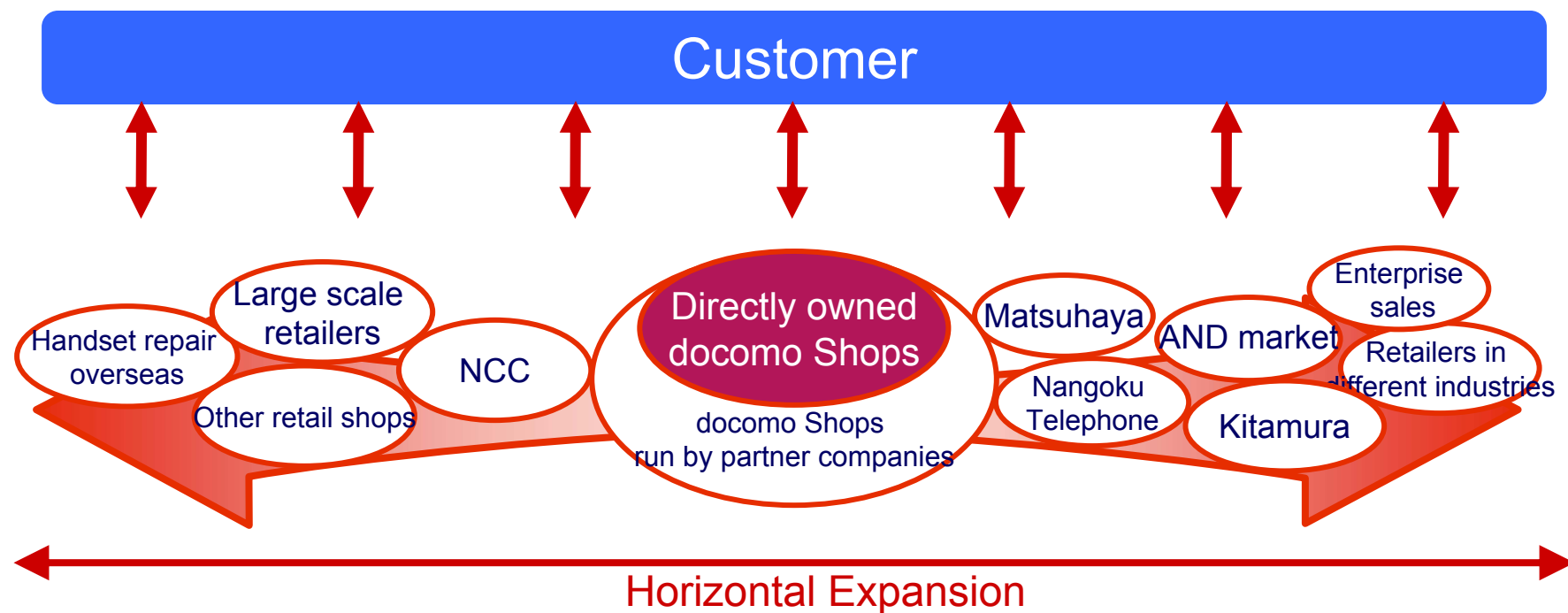
Our core competencies: Business development based on our sales platforms



# Future Business Development – Horizontal Development

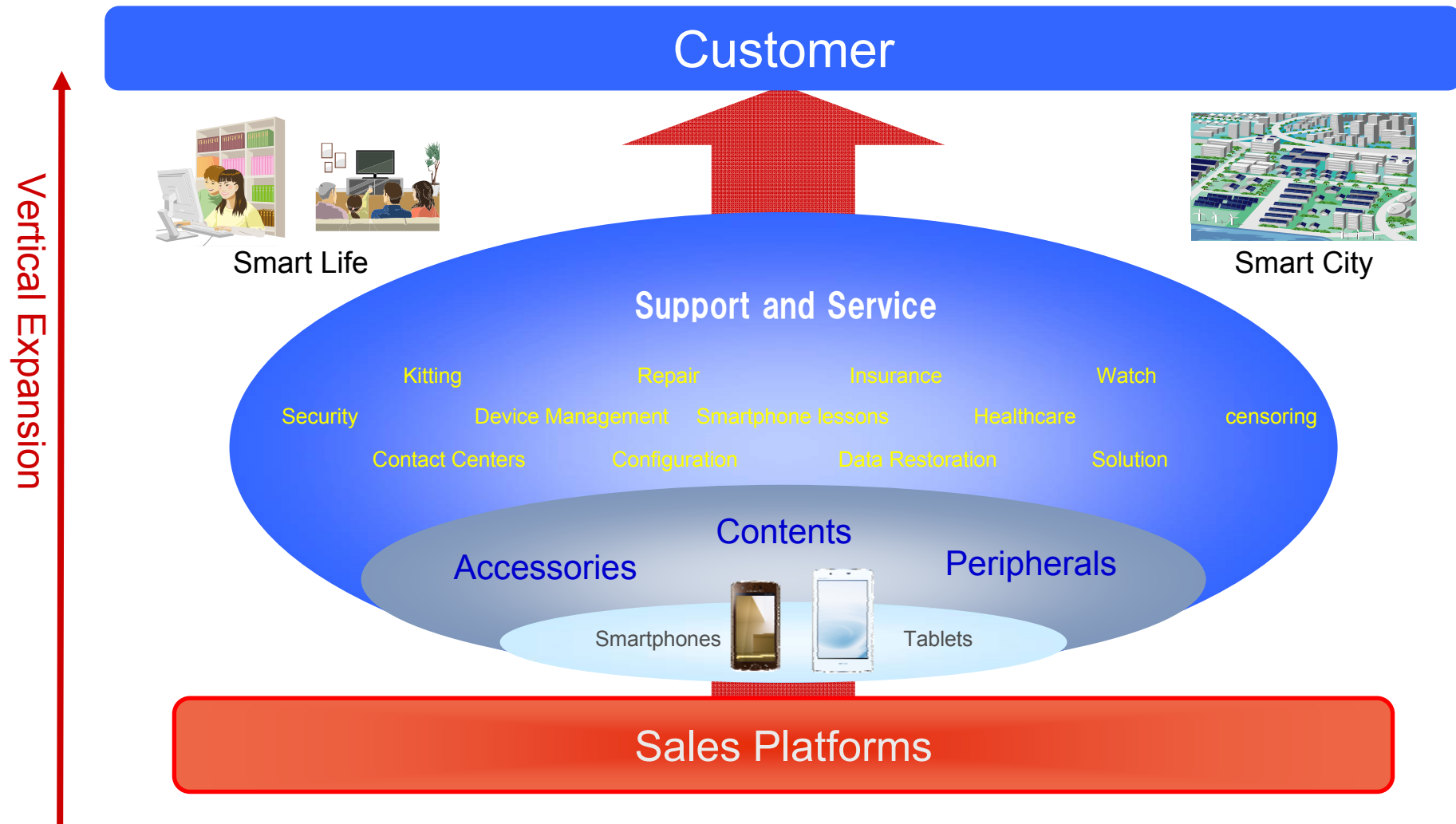
More points of contact with customers through the expansion of the sales platform

- Stronger collaboration with partners
- More partnerships and accelerated M&As
- Expansion of the corporate customer base
- Overseas expansion



# Future Business Development – Vertical Development

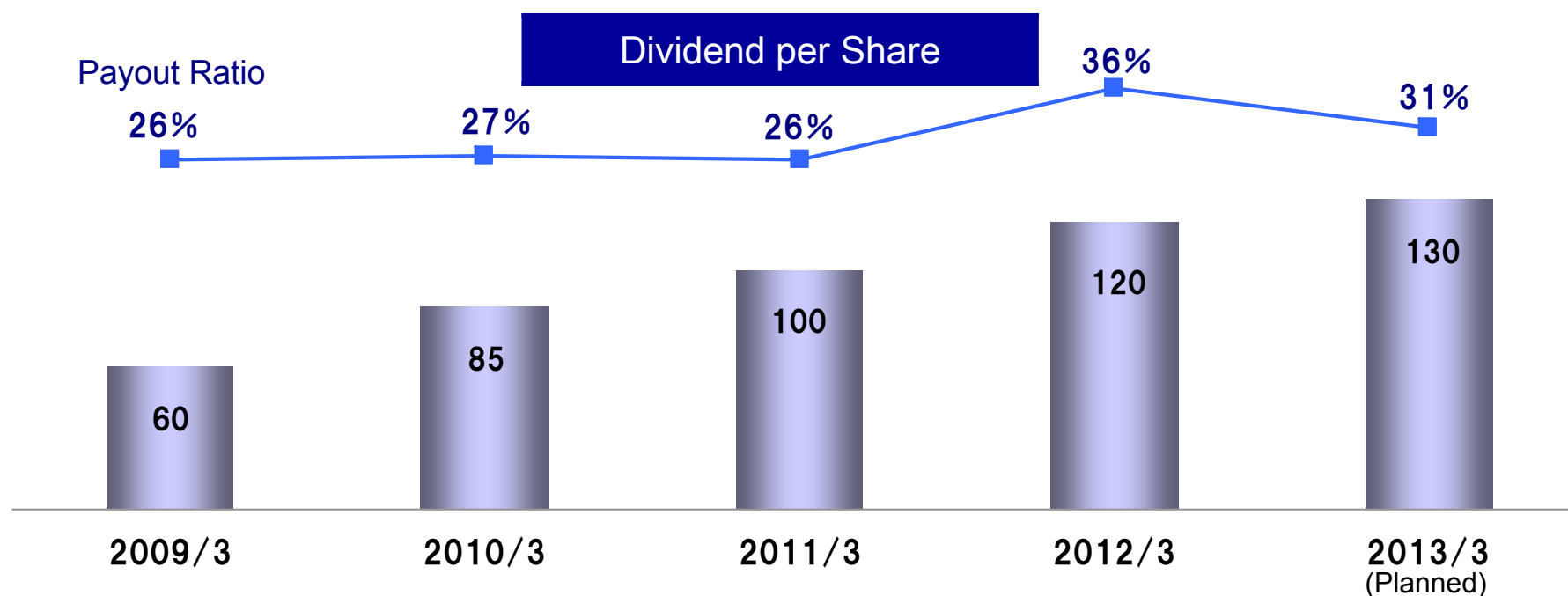
## Expansion toward support and services



## Dividend Policy — Planed to increase dividend for seven consecutive years

### Policy

- Stable dividend payouts considering about 30% to be maintained, reflecting the company's major management priority of according respect and importance to valued shareholders
- An annual dividend of 130 yen per share (an increase of 10 yen over the previous fiscal year), with maintaining 30% payout ratio is planned for the fiscal year ending March 31, 2013.



\* Forecast as of October 24, 2012

Empowered by Innovation

**NEC**