Thanks, Warren, and good afternoon, everyone. We're very pleased to report another strong quarter with record revenues as the demand for smartphones across an array of geographies and tiers continues to grow. Our product leadership and expanding set of industry partnerships position us to benefit from the strong secular trends in wireless. And as a consequence, we are raising our revenue and earnings guidance for the fiscal year. It's been another very successful quarter for Qualcomm, there's a lot to be excited about.

At the Mobile World Congress, we announced a variety of new industry-leading multi-mode modems and a new advanced micro-architecture for our Snapdragon family of processors, which we believe will continue to extend our power in performance leadership position in mobile computing. Our new architecture supports single-, dual- and quad-core processor-integrated solutions, as well as discrete application processor chipset, which will further expand addressable opportunity for our products. And as the first chipset provider for Windows Phone 7, we are pleased to see the announcement that Nokia would be adopting the Windows phone operating system and look forward to supporting that new collaboration.

Snapdragon family has been designed to help our customers efficiently support a range of device tiers and to speed time-to-market with features like software and hardware compatibility across chipsets. We're also pleased to be working closely with Microsoft on their announced plans to port the next version of Windows to ARM, further evidencing the accelerating convergence of mobility and computing.

On the Licensing front, I'm also pleased to report that we have resolved our dispute with Panasonic. We've now resolved the two disputes which had been impacting our ability to fully reflect the operational performance of QTL, and Derek will talk more about this later.

In terms of CDMA-based device-demand trends, the key drivers remain healthy and intact for the continued growth of our business. Demand for smartphones remains strong across multiple geographies around the world. According to Gartner, in the fourth quarter of 2010, sales of smartphones exceeded all PC shipments for the first time in history. And looking ahead, they're forecasting that sales of smartphones will exceed 1 billion units in 2015. Driven by an increased demand for smartphones around the world, wireless data traffic continues to accelerate.

According to Strategy Analytics, mobile data traffic more than doubled in 2010. They're expected to grow by 10x to 12x through 2015. To address the growth in wireless data, operators continue to make network investments in the latest radio technologies for both existing and new spectrum. According to the GSA, in the past year, commercial HSPA+ deployments rose 136%, and the number of LTE commitments grew to almost 200%, including the launch of 18 commercial LTE networks. According to CDG, there are now 13 operators committed to launching EV-DO Rev. B networks. And the migration from 2G to 3G continues around the world with Wireless Intelligence reporting that at the end of March, there are approximately 1.3 billion 3G subscriptions globally, up approximately 30% from a year ago.

In developed regions, we continue to see strong transfer smartphone adoption. According to CTIA research, as of the fourth quarter of 2010, the number of smartphones reported on North American carriers' network was approximately $78 million, representing a 57% increase from the year prior. Verizon Wireless recently launched the LTE-capable HTC Thunderbolt demonstrating our leadership in LTE smartphones and multi-mode technology. And additionally in North America, we're beginning to see the influence of affordable smartphones in the prepaid segment as smartphone penetration rates ramped at Leap and MetroPCS. According to GfK, in key Western European countries, smartphones with high-level operating systems accounted for 74% of 3G phones sold in December 2010, up from 44% a year ago. And in Korea, since the beginning of this year, each operator has announced plans to introduce 20 or more new smartphone models.

With respect to Japan, we're of course saddened by the recent tragic events. But despite this disruption, we have received reports that wireless technology, combined with social networking services and an early earthquake warning system, played a critical role for communication and safety of the people in the affected regions. Preliminary indications are that demand has held up fairly well, similar to what we have seen in other past events of this nature. So although there is some uncertainty, we do not foresee any significant impact on the overall demand profile for wireless devices.

Turning to China. China Telecom recently reached 100 million CDMA subscribers, and expect that 50% of their new subscribers will use EV-DO this year, up from approximately 25% in 2010. Additionally, according to Sino MR, of the 3G phones, excluding 1X phones sold in February in China, 46% we're smartphones, representing more than 300% increase from a year ago.

In India, all operators with new 3G spectrum licenses have now launched with HSPA+ networks and together cover more than 100 cities. Mobile broadband continues to gain momentum with expansion of EV-DO Revision A networks reaching more than 500 cities. And demand for smartphones in India continues to grow with 10 new Snapdragon-based smartphone launches in January and February alone.

And a couple of other items of note. We're pleased to announce the creation of the Qualcomm Foundation, the charitable organization which will focus on education, health services, sustainability and the arts. Qualcomm has a long history of philanthropy and service and the foundation is another way that we can give back to our communities around the world. And finally, we will be hosting our second annual Uplinq conference on June 1 and 2. And as many of you know, Uplinq's unique in that it brings together developers, device manufacturers, mobile operators and technology providers to help identify opportunities across multiple operating systems. It should be another great event and I look forward to seeing many of you there.

That concludes my comments, and I will now turn the call over to Derek Aberle.

Derek Aberle

Thank you, Paul, and good afternoon, everyone. We continue to see favorable industry trends that are driving growth in the Licensing business. These trends include solid unit shipments during the December quarter, positive handset ASP trends within both developed and emerging regions and growth in sales of incremental connected devices. These trends help drive record unit shipments and total reported device sales during the December quarter. Going forward, we expect to continue to see strength in handset ASPs in developed and emerging regions, driven by growth in smartphones, including greater penetration into mid and lower tiers; a richer mix of devices in emerging regions such as China and India; and continued growth in tablet volumes.

Accordingly, as Bill will discuss, we are raising our fiscal 2011 ASP estimate range from $190 to $200 to $199 to $209. We also expect the volume and breadth of new connected devices to continue to grow. In addition to tablets and e-readers, we are encouraged to see the emergence of new connected device categories such as the recently-announced 3G-enabled Sony NGP gaming device.

As Paul mentioned, we are pleased to report that we have now resolved our dispute with Panasonic. As you may recall, the arbitration had been proceeding in phases. In the first phase, which was the only phase that had been completed as of the time of the settlement, the arbitrator had rejected Panasonic's claims that Qualcomm breached the license agreement. We are pleased with the terms of the resolution, which reflect the established value of our patent portfolio.

Over the last few months, we have now successfully resolved both disputes that had been impacting our ability to fully reflect the operating performance of QTL. Accordingly, our second fiscal quarter results include the recognition of revenue attributable to these resolutions, including approximately $400 million in revenue related to prior periods.

In closing, we are very pleased with the industry trends that are helping to drive our Licensing business, as well as the successful resolutions we have recently achieved. QTL continues to be well positioned for strong growth ahead in a very dynamic global wireless industry.

Thank you, and I'll now turn the call over to Steve Mollenkopf.

Steven Mollenkopf

Thank you, Derek, and good afternoon, everyone. The QCT business executed well and very much in line with our expectations this quarter. We shipped approximately 118 million MSMs, just above the high end of our prior guidance, driven by strong demand for products across the chipset portfolio. As we forecasted previously, our results this quarter show a trend very similar to last year, with annual customer pricing resets and seasonal operating expense increases typical for this time of year. Consistent with this trend, both our average revenue per MSM and our operating margins were down sequentially. But in absolute terms, our revenue and earnings before tax were well above the same period last year, with revenue up 28% and earnings up 21%.

The trends and requirements for OEMs to succeed in wireless are aligning well with the strengths of our business, particularly in the areas where we continue to make significant investments. First, our platform approach is a strategic advantage for us and our broad chipset roadmap has helped us grow across multiple device tiers. Second, the importance of integrated chipset solutions for our OEM partners is clearly accelerating due to the superior performance, lower power consumption and time-to-market advantages it delivers. Our 7000- and 8000-series chip shipments are up 70% in the first half of this fiscal year as compared to the last half of fiscal 2010, growing faster than the Wireless Device segment and demonstrating that integration is the leading choice for mass-market and high-end smartphones.

The range of Snapdragon devices continues to grow as well. Our customers announced the 100th Snapdragon power device this quarter, and the pipeline of devices and design has increased to approximately 200. We continued to expand our portfolio in the growing Tablet category as well. There are now eight different Snapdragon power tablets announced from mobility and computing leaders like HTC, HP, Acer and ASUS with approximately 30 additional designs in process. Our LTE solutions lead the industry and continue to build momentum. Our LTE chipsets power the HTC Thunderbolt, various USB dongles and newly launched LTE hotspots from Samsung and NovAtel, which also incorporate our wireless LAN products. We're also seeing many devices and design that are pairing our application processors and LTE technologies together, demonstrating that OEMs value a complete solution for processing and connectivity.

At Mobile World Congress, we announced eight new chipsets as we continue to quickly drive technology across our modems, application processors, graphics and connectivity solutions. We expanded our overall leadership in 3G and LTE multi-mode modems announcing several new chipsets that redefine performance at the high end and take the latest 3G and LTE technology to mass-market price points. We also announced our next-generation mobile application processor architecture for the Snapdragon family, which will again redefine performance for the industry by delivering 150% higher overall performance as well as 65% lower power than currently available ARM-based CPU cores. This chipset architecture is based on 28-nanometer technology, which enables us to cost-effectively integrate LTE, 3G, wireless LAN, Bluetooth, FM and GPS in single-, dual- or quad-core designs for smartphones and next-generation computing devices.

The first chipset in this next-generation Snapdragon architecture is our industry-leading multi-mode 3G, LTE, MSM8960 chipset, which is on track to sample this quarter. Our leadership in graphics and the strength of our gaming ecosystem continues to grow this quarter. We announced an agreement with SRS Labs, which allows us to bring HD and 3D audio to movies and games, as well as a strategic relationship with Gameloft to deliver an enhanced mobile gaming experience on Snapdragon devices for the top game titles. We now have over 100 HD and casual games optimized for our GPU and expect this number to continue to grow.

The year is progressing much as expected. As we commented on in the past two quarters, we expect to see an increase in the variety and tiering of smartphones, specifically a greater mix of mass-market smartphones. Our integrated solutions are well suited for these devices, and we continue to price in order to grow share in this environment.

With respect to our semiconductor supply chain, we do not foresee any significant impact in our ability to supply product to our customers as a result of the recent events in Japan. Our scale and broad set of OEM customers provides us a unique perspective on industry trends and enables us to better address short-term fluctuations in demand.

Finally, with respect to the Atheros acquisition, we met key milestones this quarter, including approval of the transaction by Atheros to shareholders, as well as the successful completion of Hart-Scott-Rodino review. We continue to expect the transaction to close this quarter subject to receiving one remaining foreign regulatory approval.

In summary, QCT executed well this quarter. Our solutions approach and focus on integration across the broad roadmap of chipset products has enabled us to grow across multiple product categories and price points, as well as expand our pipeline of design wins. These wins are across an increasing variety of device segments, OEM customers and regions, positioning us to continue to grow share in this dynamic environment.

That concludes my comments. I will turn the call over to Bill Keitel.

William Keitel

Thank you, Steve, and good afternoon, everyone. Today, we reported record revenues of $3.9 billion and non-GAAP earnings per share of $0.86 for our fiscal second quarter. We are also pleased to be raising our revenue and earnings guidance for the fiscal year. Our better-than-expected results were driven by a number of positive items. Most importantly, our core licensing and chip businesses contributed strong results. 3G device sales grew significantly with total reported device sales up 18% sequentially and with an average selling price per device of approximately $200 to $206. QCT's 118 million MSM chipset shipments were above the high end of our prior guidance.

During the second quarter, we resolved outstanding license disputes with Panasonic and another licensee, which we discussed during last quarter's earnings call. Since our non-GAAP earnings per share of $0.86 was significantly higher than the $0.79 midpoint of our previous guidance, I thought it would be helpful to provide an earnings walk of the $0.07 increase in non-GAAP earnings per share. First, stronger non-GAAP earnings per share were not entirely driven by the dispute resolutions, although they did contribute approximately $0.06 and were driven primarily by the Panasonic license dispute resolution. Recall that our prior guidance took into account resolution of the other license dispute.

Second, we achieved a further $0.06 of earnings improvement from our core operations, driven primarily by the strong demand for 3G devices and increased demand for our chipsets, as well as a bit stronger investment income.

Third, we restructured our Firethorn business during the second quarter and significantly reduced the run rate of its operating expenses. As a result of the restructuring and the reappraisal of the Firethorn business, we recorded impairment charges of approximately $120 million.

Fourth, we established a new Qualcomm charitable foundation, to which we made an initial $50 million contribution. The combination of the Firethorn impairment and charitable-giving decreased earnings per share by approximately $0.05.

Investors can find this earnings walk on our Investor Relations website. You can also find on the website an earnings walk from the year-ago quarter, and that earnings walk distinguishes the approximately $400 million in QTL revenues related to the prior periods that were recognized this quarter due to the resolution of licensee disputes.

Now turning to our updated financial guidance. We estimate that approximately 646 million to 663 million CDMA-based devices shipped during calendar 2010, an increase of approximately 29% year-over-year at the midpoint. We continue to see healthy growth in global 3G sales. And as you would expect, we are monitoring the events in Japan very closely. As you heard from Paul, we do not, at this time, see an impact on end consumer demand for CDMA-based wireless devices. It is worth noting that if not for the uncertainty of component supply from Japan for 3G device manufacturers, we would have an even greater upward bias in our calendar 2011 CDMA-based device estimates, given improving trends on consumers upgrading their 3G devices.

As such, we are reaffirming our estimate of between 750 million and 800 million CDMA-based device shipments in calendar 2011. Using the midpoint of our guidance, we estimate that in 2011, the number of CDMA-based devices will increase approximately 18% year-over-year. We now estimate the average selling price of CDMA-based devices for fiscal 2011 will be approximately $199 to $209. The $204 midpoint is above our prior year $195 midpoint estimate, driven by the trends that Derek mentioned earlier and a couple of dollars of favorable foreign exchange impact.

We now expect fiscal 2011 revenues to be in the range of approximately $14.1 billion to $14.7 billion, up approximately 31% year-over-year at the midpoint. Of the approximate $500 million increase in our fiscal 2011 revenue guidance range midpoint, approximately $200 million reflects additional QTL revenues attributable to our recently settled licensee disputes. Improved outlooks for QCT and QTL drove the remaining $300 million increase. We anticipate non-GAAP earnings per share to be in the range of $3.05 to $3.13, up 26% year-over-year at the midpoint.

In QCT, our operating margin estimate is consistent with our previous guidance for the range of 22% to 24% expected for fiscal 2011. We expect the combination of non-GAAP R&D and SG&A expense to grow approximately 15% to 16% year-over-year. Specific to the third quarter of fiscal 2011, we estimate revenues to be in the range of approximately $3.35 billion to $3.65 billion, up approximately 30% year-over-year at the midpoint. We estimate non-GAAP earnings per share for the third fiscal quarter to be approximately $0.68 to $0.72, up approximately 23% year-over-year at the midpoint.

We estimate that our subscriber licensees will report total reported device sales of approximately $35.5 billion to $38.5 billion in the June quarter for shipments they made in the March quarter, down sequentially, reflecting postholiday seasonality typical for this time of year. We anticipate shipments of approximately 115 million to 119 million MSM units during the June quarter, with revenue per MSM up a bit sequentially. And then we expect a greater mix of chipsets targeted for mass-market smartphones consistent with our prior expectations. We believe our visibility on fiscal third quarter chipsets, both supply and demand, is relatively quite good.

We estimate the CDMA inventory channel will exit the fiscal year at the low end of the historical 15- to 20-week range consistent with our prior estimates. Our forecast anticipates a small breed of channel inventory in the short term, which we expect to be replenished prior to the end of our fiscal year. We anticipate third fiscal quarter of non-GAAP R&D and SG&A expenses combined will decrease sequentially approximately 7%.

That concludes my comments. I will now turn the call back to Warren Kneeshaw.

Warren Kneeshaw

Thank you, Bill. Operator, we are ready for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Brian Modoff from Deutsche Bank.

Brian Modoff - Deutsche Bank AG

[Audio Gap]

And second question is on the application processor market share. While you're approaching 50% of the WCDMA market for baseband, what do you think your market share is in that processors and what do you think it's going to be six months to a year from now?

Paul Jacobs

Brian, we didn't hear the first question. Could you repeat that one please?

Brian Modoff - Deutsche Bank AG

Yes, the first question, sorry about that, was around Japan. Have any of your customers implied any -- it is difficult to procure parts out of Japan. Obviously, you guys don't have an issue, but have you heard anything from any of your customers.

Steven Mollenkopf

Sure. This is Steve. Typical with these type of events, we have been communicated with from the customer. And some of them had indicated that they don't have the ability to ship, I think pretty consistent with what Bill said also on his view of the market. And I think we've reflected that in our guidance and our unit guidance as well. We are, of course, building to a number that's larger than that, anticipating that they may be able to resolve those disputes, or the disputes with those supply chain constraints, as we would in this type of situation. I don't think it's a huge situation right now compared to what people think about in terms of Japan. Your second question was about application processor share and other segments, I'm sorry, I didn't get all of it.

Brian Modoff - Deutsche Bank AG

Yes, potentially you have about 50% of share or you're approaching 50% share of WCDMA baseband. What do you think your share of application processors is now and what do you think it will be in six months to a year?

Steven Mollenkopf

Well, Brian it's pretty difficult to go with exact number just because they're so -- there are very different ways that people cut up the market share calculation. I would say this, we're very pleased with the trajectory of how things have gone particularly in the Application Processor business. If you look at where we were, let's say, in the 2007 timeframe, when we really started to start to ship our first 7000-based devices to where we are now, we've grown quite strong in terms of using that technology. As you are aware, we have been investing both in additional application processor hardware designs but also into different software platforms, and that's really to enable us to continue to add new customers actually. So as things progress throughout the years, we are positive in terms of how things look for share in those areas. And I think that's really consistent with our view that the integrated approach is the one that will win long-term, particularly as a lot of the growth starts to happen in the more mass-market or the feature phone replacement tiers.

Operator

Mike Walkley from Canaccord.

T. Michael Walkley - Canaccord Genuity

Steve, just following up on some of Brian's questions, could you update us on the competitive landscape that you're seeing on future modem technology such as HSPA+ and LTE? And as it relates to your relationship with Nokia, how soon do you think one of your competitors could support Nokia's transition to Windows Phone 7? And then maybe just for Paul, given Qualcomm's early leadership position in LTE, how do you see the competitive environment? Do you think it will be consolidation among your competitors and is that something you would look at also?

Steven Mollenkopf

Mike, this is Steve. I'll take the first half of that. So as we have been saying, we really have thought of LTE, and really all of the modem transitions, has been important to have a multi-mode solution, and that has been the case in our view with the transition into LTE. And as you're aware, we've been shipping LTE solutions, not only in the United States but also worldwide into Japan and across multiple customers. We are seeing, I think, some strong traction not just in the data-centric devices now but forward-looking in our product portfolio that combines both our application processor and our modem solution. Just like with WCDMA, during the initial days, there were a number of folks who worked on initial designs. But it was, I think, difficult to stay with the investment required in order to maintain really the feature roadmap that's required, I think, to deliver high-end modems. So we think that it'll probably play out in a similar way with this transition as well.

Paul Jacobs

In terms of consolidation, I'll echo what Steve was saying, we see different people coming at it, right? You have the in-house solution. We've seen some of those already not gain traction and people come to us to get support. You see some of the companies that started out, for example, WiMAX trying to make their way into LTE and some acquisitions and consolidation happened because of that. And obviously, it's not just LTE that's causing it, it's just the pace of operator rollout of new technology, whether it's HSPA+ or LTE or as we drive forward on the new technologies, supplemental downlink we've talked about, LTE Advanced. We're going to try and keep the pressure on keeping investments going in those areas to make sure that we have a leadership position and just continue to force the competition to keep up and I do think that will create a more difficult dynamic for them and which will certainly can lead to consolidation or those people sort of dropping out of the business.

Operator

Tim Long from Bank of Montreal.

Tim Long - BMO Capital Markets U.S.

Just two if I could. First, I just want to follow up on the $40 billion reported for the December quarter. I think the guidance was $36.5 billion to $38.5 billion. So should we take to mean that the underestimation by you was in ASPs and maybe related to that, tell us how we should think about, you said good visibility into chips, how we feel about visibility into the $35.5 billion to $38.5 billion? And then, Bill, just a quick on, if you could just update us on what Panasonic means to that, the royalty rate numbers that you said we'd be at 3.4% to 3.5%, how much do that change that?

William Keitel

I'll take the TRDS, your first question there, the $40 billion number. The ASPs did come in much stronger. Volume was healthy, but the upside, Tim, was, we think, was more so driven by stronger ASPs. The upgrade rate on the consumer end seems to be very, very strong, which if not for the Japan matter would -- that was a prime driver to what we're seeing behind higher consumer demand in that end market. But we thought it best to be cautious there given the Japan matter. So upgrades are going strong and that's showing through in strong ASPs. I don't recall the second question.

Tim Long - BMO Capital Markets U.S.

Well, related to that, the visibility into the $35.5 billion to $38.5 billion, and then just a quick one, the royalty rate?

William Keitel

Sorry Tim, what was your specific question on the royalty rate?

Tim Long - BMO Capital Markets U.S.

You had guided I think 3.4% to 3.5%. I'm wondering how the changes now that Panasonic is fully being recorded?

Steven Mollenkopf

Yes. Again, I think we've cautioned a bit about the reliance upon the implied rate, although we did talk a bit about it on the last call. The two data points, I think, we gave last call was with the resolution of the first licensee dispute, we expected the full year fiscal year to be in the range of 3.5%. And then we said exiting the year, we were expecting something in the range of 3.4% to 3.5%. And I think now with the resolution of Panasonic, we would expect the full year implied rate to be a bit higher than the 3.5%. And I think although you have to remember that there's fluctuations quarter-over-quarter and a lot of moving pieces here, we're still comfortable sort of what the exit range of 3.4% to 3.5%.

Paul Jacobs

Tim on your confidence question, our guidance for TRDS for fiscal Q3, our tier confidence is quite high. Obviously, the ASPs have trended higher, we've incorporated that into our estimates. Our licensees -- a lot of our licensees share their forecast with us, and so we're well aligned with them. Yes, we typically do see a seasonal decline at this time of the year, but other than that, I'd say our confidence is fairly high.

Operator

Tim Luke from Barclays Capital.

Timothy Luke - Barclays Capital

Steve, looking forward for the year for your business, after a strong quarter this quarter, you're guiding kind of flattish for June. How do you see the shape of the year developing as you move through the year? And how have you seen or expecting to see the broad ASP development? And if I might, also for Bill just to clarify from your guidance, of the $401 million of incremental revenue for the settlement, how much was included in the prior guidance for the quarter, if any, of that $401 million?

Steven Mollenkopf

Tim, this is Steve. On the first question, we really see the year unfolding pretty much the way that we had said all along since really November. And of course, we improved it a bit a couple of times here. But it's really unfolding pretty much the way that we have discussed. We think that right now, you'll continue to see the mix of mass-market smartphones probably a bit stronger than the high tier devices that really dominated in the first half or the first quarter of the year. We will continue to, as you know, invest in the business because we believe this is a very, very important time in terms of where we can position the business down the road. And Paul mentioned a number of very exciting things that are happening from new customer acquisition as well as the migration of, I think, the mainline computing to OSs that will enable us to really grow our market up into the computing space. So we'll continue to make those investments into the portfolio, and I think you'll see that continuing the results this year. But we still feel very good about how the year's unfolding and pretty much in line with as we discussed.

William Keitel

Tim, on the $400 million revenue question, again, those are revenues that we booked in the second quarter related to resolution of the licensee disputes. It's revenues specifically that apply to prior periods. Last quarter, at this time, when we had just resolved one of the disputes, we had guided an expectation of about $250 million that we will report this quarter related to prior periods. So obviously, there's about $151 million increment now, now that we have the second licensee dispute resolved. I would say, though, that although the $250 million estimate was reasonably accurate, it was not exact. And so it's not a pure split that you can take -- you can't just take $151 million assign it that to the new dispute and $250 million to the prior, but our prior guidance was in the range.

Operator

Ehud Gelblum from Morgan Stanley.

Ehud Gelblum - Morgan Stanley

A couple of things as fast as I could. The guidance of shipments being relatively flattish, 118 million this quarter, and kind of as the other guidance, 115 million to 119 million for next quarter, sequentially. Historically, that's been up quarter in June and I know there are a lot of other extenuating circumstances going on right now. But can you just, Steve, kind of give a little background as to why you wouldn't expect to see shipments possibly going up from the March quarter into the June quarter? Could it be several -- I mean, are you looking at several one or more devices that you were shipping into that possibly may have been pushed out a little bit, giving a little bit of caution in terms of what the shipment number is or just understanding that? And then on QTL operating margin, if you do normalize for the $400 million, for Derek and for Bill, you still got a QTL operating margin of 87%, not the 90% posted but 87%, which is still the strongest, I calculated, you had in over two years. Should we be looking for as revenue continues to pile on top of QTL that we could be looking for higher operating margin just from pure leverage perspective at this point? Or you think 87% is the right number or you think it kind of comes down from there?

Steven Mollenkopf

Ehud, on the sequential shipments, I would say you probably answered it in your question to some degree. It is a little bit unusual year because of the events. Also, you should remember too that there's a pretty big transition happening in the industry as we move to smartphones and LTE and things, and those technology transitions also come along with some OEM juggling as well. And so it's probably a little bit less seasonal in terms of the March to the June quarter probably than what you've seen in the more established pattern. We probably saw a little bit, also, at the end of this quarter, where some customers were looking to get parts because of the events in Japan. That probably had a very small impact in terms of the audit of the numbers. I don't think it really had a great impact in terms of the financials, though.

Ehud Gelblum - Morgan Stanley

So if we are to look at what this means for the following quarter, it sounds like it's more to do with the OEMs that you're selling into than the markets, then we shouldn't necessarily look at the market being flat in the June quarter that goes into your September revenues corresponding your chips. It sounded like more of the particular OEMs that you're going into is more flat, not the market? You see I'm saying...

Steven Mollenkopf

I'm sorry, what I was trying to say there is, there's really some transitions going on in the industry with LTE and the smartphone transition happening in some of the other markets. So I'm not sure we're really trying to make a commentary on the broader market, outside of what Bill mentioned.

Ehud Gelblum - Morgan Stanley

And QTL operating margin?

Derek Aberle

Yes, this is Derek. I'll take that one. I think as you said, if you normalize Q2 for the past amounts, we're about 87% operating margin as compared around 84% from Q1. I think we do expect that the margin will be higher than the 84% run rate we had before. Whether it will be probably the 87%, we'll have to see. You've got to remember the December quarter is historically a high quarter, because of the December sales drive a big number. So if revenue comes down a bit in Q3 and Q4, you would expect that to affect the margin a bit.

Operator

Simona Jankowski from Goldman Sachs.

Simona Jankowski - Goldman Sachs Group Inc.

Just a couple of questions. The first one is on ASPs. Obviously, they're very strong in the royalty side of the business. For the chipset side, they're diverse a little bit and they were down 7% sequentially. So can you just comment on why the strength in the broader market is not directly transferable into the trends in the Chipset business? And in particular, is that a function more of mix versus pricing versus any other factor there? And then just the second question is on OpEx, which I think came in a little bit higher than you had guided, and it seems like that's pretty much flowing into the Chipset business. Can you just comment on what drove that accelerated investment in that area?

William Keitel

This is Bill. On the ASP, you're right, they have been very strong in the market, reflecting upgrades in the smartphones as we all know. It does diverge a bit in the chipset, and I think this is consistent with our strategy where we're pricing pretty aggressively this year to open up the broader market of smartphones to the mass market. And so yes, I think that divergence, we recognize it. I think it's conscious on our part to be driving some of that divergence. On the OpEx side, we did come in a bit higher. If you put aside the starting of the charitable foundation, it did come in a bit higher. We're expecting it a bit higher for the year putting that aside as well. With the increased revenues, there is a small amount of our operating expenses that tend to be variable with the revenues, but nothing I would regard as a significant change.

Operator

Ittai Kidron with Oppenheimer.

Ittai Kidron - Oppenheimer & Co. Inc.

A couple of questions from me. First, Steve, for you, on QCT margins, you've kept the margin target for the year unchanged 22% to 24%. If you just take a look at the first two quarters, that implies that for the next two remaining in the fiscal year, you're looking at essentially flat margins. Can you give us a little bit more of the dynamics why is that the case, why margins shouldn't improve at least somewhat sequentially into the next two quarters, which, I don't know, it just seems a little bit unreasonable. And second, for Bill, your profits from your portfolio, it looks like $100 million, about $100 million this quarter. Can you give us an estimate at this point of what is the balance of your unrealized gains in your portfolio at this point and sort of what is the pace by which you think we'll see them flowing through your P&L going forward?

Steven Mollenkopf

Ittai, it's Steve. Yes, we did not change the guidance in terms of operating margin for QCT for the year. There's been some change, but I don't think enough to really bump us into another range. Pretty much the same as we've said consistently the entire year. We really expect that the mix of more mass-market smartphones tend to be the dominant shipments here throughout the year as some of these migrations occur. And really, the feature phone gets converted into the smartphone, which we think really plays into our advantages in terms of integration. We want to take advantage of that. That enables us, I think, to really grow our position in some of these new accounts, and both up and down. When some of the things that we talked about in terms of these new customers and LTE and some of the higher tier products tend to become a little bit more as a higher percentage of a mix, we think that will change, but I just don't think that's going to happen in the existing fiscal year.

William Keitel

Ittai, on the investment portfolio, there's about a 5% net unrealized gain on the portfolio. So just a little more of $1 billion unrealized net gain. Looking forward on that, the bulk of that gain resides in fixed income instruments managed by select people that we utilize. And it's really -- it's going to be a function of what they see their opportunities to either capture or transition their fixed income investments. So it's pretty much in their hands. Other than that, I think as you know, on a forward-guidance basis, we only include a forecast of realized gains to the extent we're highly confident that they're going to happen. For this quarter, we did include -- in our guidance, there is an amount of that. That going forward, it's kind of just we'll have to see how it goes as to what might the incremental above that.

Operator

Rod Hall from JPMorgan.

Rod Hall - JP Morgan Chase & Co

I just want to put a couple of things together that have been asked before with regards to the QCT business. So The unit volumes that you're forecasting are pretty flat for Q3. And yet, you guys have taken this big hit on margins. I think the strategy was to try to reduce margins in order to pump up the unit volume and get access to this rapidly growing market, particularly the lower-priced smartphones. But it doesn't -- if we just take the data you presented us with, it doesn't feel like that strategy is working. So I guess one of two think are going to happen, either Q4 we're going to see a very rapid ramp of unit volumes on QCT, which will make up for the difference or this pricing strategy is not working, maybe pricing is more aggressive out there from competitors than you guys had expected or something else is going on? So I just wonder if you guys could just talk through what is going on with chip pricing out there? Are people more aggressive than you expected? Or do you think that everything's on track and we ought to see some payback for the reduced margins the next couple of quarters?

Steven Mollenkopf

Sure, Rod, this is Steve. So in general, I'd say, really, the year and the pricing environment and, really, the mix in the market is playing out pretty much the way that we had thought. And if you look at, I think, what's happening for us, we really feel like the strategy is working. It's enabling us to maintain or grow share through the market as the -- as really there's been a pretty big mix in terms of which OEMs are shipping and then across different tiers. And we really consider the game now has moved from providing one or two chipsets to providing a portfolio of chipsets on the smartphone side. And in some quarters, I think you'll see a bigger mix of emerging market or mass-market smartphones. In some quarters, you'll start to see more developed market or higher-end smartphones depending on what happens in a particular area. And you've seen both of those type of quarters, I think, in our results. And I think if you just look at it over a longer period of time, not just one quarter, I would hope that you would come to the same conclusion. But we definitely feel pretty good about how the strategy is playing out. It's also enabling us to acquire new customers, which we think also will pay dividends down the road as well.

Rod Hall - JP Morgan Chase & Co

So okay, Steve, you don't feel like you need to reduce pricing another notch to keep things moving. You feel like the pricing levels you're running at now are the right levels, I guess?

Steven Mollenkopf

Yes. I think we see the environment pretty much in line with what we expected throughout the year, really.

Operator

Parag Agarwall from UBS.

Parag Agarwal - UBS Investment Bank

First question, this is for you, Steve. One of your competitors or your potential competitor is very aggressive on lead [indiscernible] transition. So one thing, what your plans are there now that you are shipping -- I mean, sampling 28-nanometer. And are you guys working on any 22-nanometer products? And the second question is for Derek, any interesting Nortel LTE portfolio? And lastly, any update on mirasol?

Steven Mollenkopf

Sure, I'll take the first question. You got broken up a little bit, but I think the question was about our technology or node transition. And so we feel actually very confident in what we're getting from our fabless suppliers in terms of technology at the transistor level. As I'm sure you are aware, we actually feel that we're in the front in terms of the 28-nanometer transition. I should make sure everyone's aware, though, that we have the option to select, even today and in the past, a more higher performing transistor if we need to. But we actually don't because we think that our combination of our mobile platforms or our mobile-centric solutions require a particular type of transistor that is a little bit different match between performance and power. And so we actually have the ability, even within the nodes that we're in today, to select a more powerful transistor and we don't, because we think we have the right trade-off. So we feel very comfortable on that. Now, of course, we are pushing very hard to continue to keep the fabless semiconductor manufacturers and suppliers moving along the node transition. And I would say over the last two years, the environment, with the addition of Samsung and Global Foundries to the fabless world, really created I think much more investment in that area. And we feel probably more comfortable about where we sit today than where we sat two years ago because of that addition. So we're getting good service, we think, from our fabless foundry partners and we continue to move forward with the system approach.

Derek Aberle

This is Derek. I think you had a question about the Nortel portfolio. As you know, I think we believe we have an extremely strong and valuable LTE portfolio and obviously WCDMA portfolio of our own, which has been validated through the agreements we've already signed. And, we really just don't see the need for sort of the increment that with something like the Nortel portfolio. And we have taken a look at it and I think certainly at the price points, that it looks like it's going to sell forward, it's really not of interest to us at this point.

Paul Jacobs

In terms of mirasol, this is Paul, we're in the process of building the fab shell in Taiwan right now and have first phase of tools on order. There is some impact of the situation in Japan on the ability of the tool suppliers to supply. That pushed out some of the investment that we thought would fall into this fiscal year into the next fiscal year. In terms of the displays and sales, we're continuing to work with customers on launch devices. The key for us is to ensure that we and our customers bring out a very solid e-reader device to market when we launched that. And as we've said before, the volumes are going to be quite small until the new fab gets online. So really, the first products are in some sense almost a beta for us to get the manufacturing processes going. And then we'd expect to see that ramp up significantly with the new fab.

Operator

Mark Sue from RBC Capital Markets.

Mark Sue - RBC Capital Markets, LLC

Supporting Nokia and Windows, does that mean one token device or should we look for a family of design wins for Qualcomm? And with the progress you've made so far, is there anything that might limit Qualcomm's ability to have Nokia deliver these Windows phones by the holidays?

Steven Mollenkopf

Mark, this is Steve. I want to be careful of course to protect the product plans of Nokia and timing and such, so I'll try not to do that. But what I can say is that I think it's -- we're actually very pleased that they made the decision and obviously, we have a unique offering in the industry, which is the ability to provide our solution across a tier of products. And I think that's one of the things that Nokia as well as other OEMs find useful. How that will play out in the market, how that will be received -- I mean, there's obviously a lot written about that and we continue to invest very heavily in that account and optimistic as to how it will play out. But obviously, you need to see how it goes and they'll continue to have our strong support.

Mark Sue - RBC Capital Markets, LLC

And Steve, as a follow-up, since you have now worked with so many different platforms, are you finding that there's less customization required, so it becomes more an easy plug-and-play as you work with more and more vendors?

Steven Mollenkopf

It's a good question. I think every OEM is unique in terms of what they go after and what they value. So it's hard to say. They all have different strategies and require, in some cases, different approaches. But in all cases, I think they value a scale that we can bring to the business, and that seems to be one of the things that the execution that we've been able to build together across multiple years has been beneficial. But I don't expect it to be any different here with this account. You should know too that we have been working with them for a couple of years, actually. So we do know each other quite well at the development level.

Mark Sue - RBC Capital Markets, LLC

And Atheros, Bill, if I can ask, is that all on target?

William Keitel

Atheros, we've got one more regulatory -- international regulatory agency to get through. And beyond that, there's been a lot of preparation for the closing. Yes, we still do expect to close in this fiscal quarter.

Operator

James Faucette from Pacific Crest.

James Faucette - Pacific Crest Securities, Inc.

Just wanted to ask a couple of clarifying questions. First, for you, Steve, you indicated that part of the reason why we're seeing flat sequential chipset shipment forecast for the June quarter was due to a little bit different seasonality of your customers and basically development of the global market. But you also seem to indicate that there was maybe some of your customers weren't able to take as many chips as they maybe would like right now because of supply-chain issues that they're having outside of your own. And so I'm just trying to understand maybe what the individual contribution of those two elements are if I'm understanding this correctly? And then maybe for you, Bill, in terms of the better ASP forecast for fiscal 2011, or I'm sorry, for calendar 2011, how much of that is due to better-than-expected upgrade activity, say, in developed markets versus the pricing environment and what consumers are willing to pay in the developing markets where you're seeing 3G handset buys for the first time?

Steven Mollenkopf

James, on the first question, it's pretty hard to break apart the different items. I think what I was trying to say in my comments is that you should -- this year is a little bit different than I think other years just due to a number of different changes that are happening as everyone is trying to migrate their businesses through the feature phone, the smartphone transition. Then on top of that, you have transition to LTE depending on what their product strategy. Then you have the events in Japan. So it's not inconsistent with that to see some units move around from quarter-to-quarter. And so we don't -- I think it will be difficult for me to break them out. I think the one trend, though, that does tie them together to some degree is that we are seeing that broad demand across the portfolio and across different OEMs. It's just a barrier there. I think if you play it back for several years, it's hard to find a pattern.

William Keitel

And James on the ASP increase we're expecting for this year, it's very broad across all the geographies we track, both developing regions and developed. In fact, in the developing area, the percentage increase that we're seeing in the ASP is much more significant relative to developed world because you might imagine that you're coming off of a somewhat a voice-centric low data-centric focus now into a smartphone and say a DO-Rev. A and HSDPA or UPA capability. And so the percentage increase on the ASP is pretty substantial in the developing markets. But I think the key point is that we're seeing it broadly across all the regions we track.

Operator

Craig Berger with FBR Capital Markets.

Craig Berger - FBR Capital Markets & Co.

Can you just explain why you're better positioned on the Microsoft platform than competitors and what some of those barriers to those competitors being able to supply into the Microsoft platform are so we understand your competitor dynamics?

Steven Mollenkopf

Sure, I think there are really two key elements. This is Steve. The first one is, obviously, first mover advantage, which is we've been working with Microsoft for some time. They have, as I'm sure you're aware, really limited the number of silicon partners that they worked on with Windows Phone 7 in order to make sure that they had a very consistent and well-tailored software experience to the hardware that we could provide. So you have that number one. The second part that I think we're probably better positioned than other folks is we have a bit of a broader technology portfolio, and that means really two things to the OEM. The first thing is it means that they can deliver products across multiple tiers or different price points with the same or at least a very leveraged investment. The other thing that we have I think that's a bit unique is the ability to support CDMA, LTE and WCDMA ecosystems, either separately or in the same device. And so that those advantages really open up multiple markets with one investment, and it's really -- it's a statement of scale. So we think that, in this account, is a very key thing. And by the way, that's something that we use in many different accounts in order to grow our place there. So we think we're pretty well positioned there. But as I always tell the team internally, you have to earn it every day, so we have to go through the launches and make sure that we keep ourselves and our customers in the lead.

Craig Berger - FBR Capital Markets & Co.

And then just a quick follow-up. Can you remind us about your sort of new commitment to the merchant ship suppliers, some of these non-cellular markets? And as you think abut integrating Atheros, sort of maybe what end markets or products might be most interesting for you to pursue besides the obvious Atheros businesses?

Steven Mollenkopf

Sure. So as we said some on earlier calls, as the market moves and the 2G to 3G migration happens in some of the other geographies that are served in markets where the operator may not be as strong, as typically is the case, whether there's not an OEM or a strong OEM channel, it requires us to evolve our business model a bit and to line up more partners who can help us deliver chipsets into those geographies. So we have evolved our product portfolio to provide a bit more of a reference design through partners. So that's continuing to progress well. We are I think timing the entry into those markets the same time the 2G, 3G transition is occurring, as well as the migration of the mass-market smartphones. But it's not a big portion of the business yet, that particular delivery of solutions.

Paul Jacobs

Let me just add. This is Paul. The Atheros acquisition really lays the groundwork for us as we look forward to machine-to-machine world, which people call a thousand radios per person or the Internet of things were all these ideas. But fundamentally, the idea is that wireless is going to be an enabling technology into a lot of industries, into a lot of devices, whether its Smart Grid, and radios embedded into lighting and HVAC and thermostats and these kinds of things or healthcare or obviously the consumer electronics businesses, the network businesses that Atheros is in right now. But this is early days for machine-to-machine. It's got a lot of hype around it. We're well positioned because, in fact, Qualcomm started out as a machine-to-machine company with our OmniTracks business way back when. But we just -- we see this as a trend going forward. We see it as a significant growth opportunity going forward and we wanted to make sure that we were well positioned from the very start of this opportunity.

Operator

And ladies and gentlemen, we have reached the end of the allotted time for questions and answers. Dr. Jacobs, would you like to add anything further before adjourning today's call?

Paul Jacobs

Yes, I want to say thanks to everybody for joining. We felt like it was very strong quarter for the business, for the core businesses. And you saw QCT with growth and good mix and new customers, QTL with growth also. And getting some of these disputes behind us certainly makes us feel good. The world's clearly coming our direction. The investments that we've made in the past, I think, are paying off well with smartphones and significant data demand, changes in mobile computing. And we talked about a number of growth drivers at the meeting we had in New York, 2G to 3G continuing to go strong. Obviously, smartphones, we've talked about. Emerging markets, we're very, very happy with what we're seeing in terms of new technologies going into the emerging markets, allowing those markets to bridge the digital divide and really leapfrog. Lots of excitement around new devices. Obviously, tablets are the ones that capture the most attention but we talked abut a number of others. And then just as data demand driving the advanced technologies out there, so making our leadership position with the R&D that we do and the expertise we have on the radio side, be that much more valuable. And of course, we're now becoming experts in a lot of other areas because the phone is getting so much capability built into it. So we continue to see significant opportunities to innovate and lead and be a great partner to new customers and, of course, a great partner to our existing customers. So thanks very much for joining us.