

Q&A at IR Briefing for Financial Results for the Fiscal Year Ended March 31,
2014 (FY 2013)

NEC Networks & System Integration Corporation

Date and Time: Thursday, May 8, 2014 from 10:30-11:30

(The current fiscal year refers to the fiscal year ending March 31, 2015 and the preceding fiscal year refers to the fiscal year ended March 31, 2014)

Questioner A

Q: With respect to the contributions made by the business and the subsidiaries that were acquired as a result of M&A during the preceding fiscal year ended March 31, 2014, am I right to understand that the base station-related business taken over from the former NEC Mobiling, Ltd. (now MX Mobiling Co., Ltd.) will not be a factor for higher sales and profit in the current fiscal year ending March 31, 2015 as the business was already reflected in the consolidated accounts for the entire period of the preceding fiscal year from April 2013? Meanwhile, Q&A Corporation (QAC) and NEC Magnus Communications, Ltd. (NEC Magnus) began to be consolidated from the second quarter and the second half of the preceding fiscal year, respectively, which will presumably help the group's higher sales for the current fiscal year as well. Please give us your rough estimate as to how much the impact would be in yen value. Am I right to understand that the aforementioned two subsidiaries will make almost no contribution to profit for the current fiscal year?

A: As you have kindly pointed out, the acquisition of the base station-related business will not be a factor for higher sales and profit for the current fiscal year.

QAC and NEC Magnus together will make a 10 billion yen plus contribution in sales for the current fiscal year. In the preceding fiscal year, QAC made almost no contribution in profit, which reflected the amortization cost of goodwill. Meanwhile, NEC Magnus managed to exceed breakeven despite the weaker yen having an adverse impact on the company's business.

Given the situation, we do not expect that the two subsidiaries will be a noticeable factor for higher profit in the current fiscal year.

Q: Please elaborate on how you will achieve an improvement in profit for QAC and NEC Magnum in the context of your medium-term management plan.

A: We believe that there is still quite a bit of room for improvement in profitability as far as the two subsidiaries are concerned. To achieve higher profitability, we are committed to expanding sales volume as well as improving operational efficiency using the strength of internal efforts. Our aim is to increase profits in terms of an absolute amount first, and in doing so improve profitability with the help of M&A activities. We believe that our efforts are beginning to pay off in getting us on track towards that end.

Q: Do you plan to actively undertake more M&A deals going forward or slow down M&A deals after the three deals during the preceding fiscal year?

A: We believe it is important for us to enhance synergy effects such as profitability improvement in the M&A deals undertaken thus far. Meanwhile, we will be actively engaged in M&A activities in the future whenever beneficial acquisition opportunities match our corporate strategy and can enhance synergism.

Q: I understand that business related to the digitization of fire-fighting systems will increase further in the current fiscal year. Please explain why you are expecting a year-on-year decline in order inflows for the Social Infrastructure business in the current fiscal year.

A: With the accelerated execution to implement the shift to digital fire and emergency radio systems, orders received for the systems appear to have peaked in the preceding fiscal year. We expect that the demand will generally level off in the second half of the current fiscal year. Sales of these digital systems, on the other hand, will continue to increase for the current fiscal year thanks to the lag in revenue recognition for the high amount of orders received in the preceding fiscal year. With respect to the Social Infrastructure business sales, installation of platinum band base stations are expected to

decrease, partially offsetting higher sales of digital fire and emergency radio systems and others.

Q: Please elaborate on the profitability of your overseas business.

A: I respectfully decline to comment on individual profitability. But I hereby assure you that our overseas business is profitable and being managed properly by each local subsidiary.

Questioner B

Q: According to the explanations on the operating income by segment for the preceding fiscal year ended March 31, 2014 on page 9 of the presentation material, the Enterprises Networks business saw higher profit while profit margin declined. Meanwhile, the Social Infrastructure business experienced a substantial improvement in both its profit amount and profit margin. Please give us the reasons behind these phenomena.

A: Lower profitability for the Enterprises Networks business in the preceding fiscal year was largely impacted by QAC, a subsidiary newly consolidated in this segment in the preceding fiscal year, which has yet to begin making a decent profit contribution. While the 4th quarter witnessed a last minute rush in demand ahead of the consumption tax hike, related sales were mainly for procurement and sales of products, which were low added value/less profitable businesses, and this was another factor for the segment's lower profitability on the whole.

The Social Infrastructure segment is experiencing an improvement in profitability, largely helped by an expansion in business scale and volume of materials procurement, which have facilitated a sales cost reduction and increased operational efficiency in terms of achieving a lower ratio of sales and general administrative expenses to total sales.

Q: Currently, investment in the shift to digital fire and emergency radio systems is significant. Please elaborate on your public sector business other than the fire-fighting digital radio systems that you expect to grow under the theme of digitization.

A: In recent years, the Company has been engaged in television broadcasting and the digital fire and emergency radio systems business under the theme of digitization. Going forward, we believe digitalization of disaster prevention administration radio systems will provide great business opportunities. Even now, some of the local authorities do not have decent disaster prevention broadcast systems in place. This provides a great investment opportunity for the Company under the theme of establishing a disaster resilient country. No rapid expansion in demand is expected in this business as there is no time limit for system establishment that encourages spending as experienced in the fire-fighting system digitization initiatives. We expect that the demand in this business will emerge rather slowly but steadily.