

Q&A at TSE Media Conference for the Financial Results for the First Three Quarters
of the Fiscal Year Ending March 31, 2016

NEC Networks & System Integration Corporation

Date and Time: Thursday, January 28, 2016 from 11:40-12:00

Q: The full-year financial forecasts appear to be difficult to achieve if we look at the progress up to the third quarter. How do you view the situation?

A: As you have pointed out, the full-year targets appear to be difficult to achieve, given our slow progress. As the fourth quarter makes up an extremely large percentage of our financial results, we will make efforts to achieve the targets in the remaining two months. However, given that orders received declined by around JPY25 billion year on year and operating income for the nine-month period fell by JPY1.8 billion year on year, we do not believe that it will be easy in the fourth quarter to make up for the declines that occurred up to the third quarter.

Q: Please tell us more about your view on the full-year operating income by segment.

A: In the first three quarters, the carrier networks business saw a significant decline in operating income, but operating income remained the same or higher than the year-ago level in other segments. We believe that the basic trends will be similar in the full-year operating income. With respect to the carrier networks business, we will continue to take remedial measures, but we believe that the business environment will remain difficult. In the enterprises networks business, however, we will continue to work on improving profitability as the strong operating environment will continue.

Q: What are the basic trends for the next fiscal year? Will it be difficult to increase sales, given the financial results for the current fiscal year?

A: Although we are in the process of considering the financial results for the next fiscal year in our budget, we are aware that it will be difficult for the results in the carrier networks business to recover significantly, even though a decline as seen in the current fiscal year is unlikely. In the social infrastructure business, the peaked-out digitalization of fire-fighting radio systems is anticipated to have an impact on sales, as projected from the beginning. In the enterprises networks business, we expect that we will remain able to expand the financial results steadily, but we believe that it will be difficult to grow the results as significantly as in recent years as a whole.

Q: Will it be it possible to increase profits in the next fiscal year?

A: We believe that the key points are the expansion of the enterprises networks business and an improvement in profitability in the carrier networks business. We are still in discussions about the plan for the next fiscal year, and we are holding discussions including strategies with the aim of increasing profits from the current fiscal year as much as possible.

Q: In terms of dividends, do you have any basic indicators such as a dividend payout ratio? Please also tell us your view on dividends for the next fiscal year.

A: We are not committed to paying dividends based on the payout ratio, and our basic policy is to pay stable dividends. Under these circumstances, we plan to increase dividends for the ninth consecutive year in the current fiscal year, taking into account the improvement in earnings to date. We will consider dividends in the next fiscal year according to our basic stance of not decreasing them, although it will depend on the level of profits we can expect.