

Q&A at IR Briefing for Financial Results for the Fiscal Year Ended March 31, 2017

May 9, 2017

NEC Networks & System Integration Corporation

Date: Tuesday, May 9, 2017

\*The current fiscal year: the fiscal year ending March 31, 2018

The previous fiscal year: the fiscal year ended March 31, 2017

Questioner A

Q : Regarding the large-scale solar power generation plant project for which you received the order last fiscal year, you explained that it would make a limited contribution to your profit. What is the premise on which this is based?

A : We expect sales of 8 billion yen from the solar power generation plant projects of X-ELIO in this fiscal year, but we do not expect much profit because the percentage of construction, including civil engineering work, is high in this fiscal year. We plan to make efforts to increase profitability as we proceed with these projects. We are focusing on building a track record in the field of large-scale mega solar power plants, using these projects as a step forward.

Q : I would like to know about the future outlook of the Carrier Networks business.

A : We think that the Carrier Networks business has bottomed out but remains weak, and we do not expect any substantial improvement.

Q : Work style innovation is currently attracting public attention. Have there been any changes in customers or responses in business negotiations as compared to previously?

Are there any solutions and initiatives related to telecommuting that are different from those currently employed?

A : Visitors to EmpoweredOffice, which the Company is currently practicing, have been increasing steadily in number, and in particular, visitors from public offices have recently been increasing and visitors from the management of corporations have also been increasing. We feel that public and private have gathered momentum for work style innovation, and that this provides a boost to the Company.

One of the areas of work style innovation that is attracting attention is telework such as telecommuting, but when companies actually start telework, personnel system reform, etc. is also necessary, which sets a high hurdle. The Company has been continuing to undertake demonstration experiments on telework, and

has identified issues and effects. With these results, we are launching telework as our actual system during this fiscal year. We have an advantage in the proposal of solutions based on the actual practice of this system of ours, and are considering speeding up our initiatives in this field.

Questioner B

Q : Regarding dividends, what level of DOE are you considering? The dividend payout ratio has exceeded 50% in the past three years; what are your thoughts about that?

You have increased your cash reserves. What are you planning to spend the money on, other than dividends?

A : We consider DOE to be about 3.8%, which was the level in the previous two fiscal years. On the other hand, the dividend payout ratio is about 55%, both in terms of last year's result and the estimate for this fiscal year. This is a result of reflecting DOE, but not reflecting the dividend payout ratio of more than 50% as a target.

Cash reserves are for the return to stockholders and growth investment including M&A. The issue for the Company is topline growth. We are considering using the cash reserves proactively for these purposes.

Q : In terms of the cost structural reform, what efforts have you made?

A : In the past one to two years, the biggest issue was the unexpected decline in the Carrier Networks business. We implemented a dynamic, optimal allocation of resources to address this issue. The core of the Company is its employees, and we have allocated them to the growth areas, changing the profit structure. We also improved profitability by reducing subcontracting costs through in-house manufacturing and material costs. With these measures, the gross margin of the Carrier Networks business has been improved substantially.

Q : Are there any initiatives on work style innovation other than EmpoweredOffice? Are there any changes such the increasing needs from industry sectors and regions that have not been interested in such reform?

A : The Company has advocated and practiced EmpoweredOffice since 2007, with the Company itself working on work style innovation, and there have been no any major changes in our understanding of such reform. These days, encouraged by the government, attention is increasingly paid to work style innovation, but in fact, many of our customers (companies) have the greatest difficulty in finding a method of taking initiatives for such reform. To assist them, we invite them to visit our office to directly experience our efforts. We propose

a solution so that our customers can actually take initiatives in terms of their work style innovation.

Regarding industry sectors, all industry sectors are interested in such reform and visitors from companies based in regions have increased, but recently, public offices have been making proactive efforts, and we have won contracts related to public offices.

Questioner C

Q : You are going to have a new president who has spent his entire career with the NEC Networks & System Integration group, and not from one from NEC Corp. What do you think of that?

A : In selecting candidates for a new president, we consider whether they are suited to taking responsibility for the management of NEC Networks & System Integration Corporation as president, not from the standpoint of their background with the company. Mr. Ushijima, the candidate for the next president, has sufficient capability as he has also experienced management with Q&A Corporation, our group company. We believe that with his vitality, he will lead the Company toward future growth.

Q : You are going to have a new outside director, Ms. Hirono (President, 21 Lady Co., Ltd.). What do you expect from Ms. Hirono as a new outside director, and can you also explain the basic idea for the appointment of outside officers?

A : Ms. Hirono is a corporate manager who has experience in turnaround management, etc. and has a different viewpoint from the Company regarding consumer business through her management of Hirota Co. Ltd., renowned for its cream buns, in the 21 Lady group. By adding this new viewpoint, we expect that our management will be enhanced.

Since the Company introduced an independent officer in 2006, earlier than other companies, we have been increasing the number of independent officers. With the increase of an outside director this time, we have a total of five independent officers including corporate auditors, which is more than one third of all officers. As a result, we believe that governance that is conscious of minority shareholders will be further enhanced.

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