

Q&A at IR Briefing for Financial Results for the
First Half of Fiscal Year Ending March 31, 2018

NEC Networks & System Integration Corporation

Date: November 1, 2017

Questioner A

Q: The EmpoweredOffice business has been growing continuously. Please describe your activities in this business again. You seem to be planning to focus on teleworking from now on. In what areas will you make use of the efforts you have made in the past?

A: EmpoweredOffice started out in 2007 with the idea of how we could make our work-styles more efficient. To resolve the issues that arose in this initiative, we developed the use of ICT on our own and applied the results to our customers. Teleworking is currently attracting attention, and despite the difference between the inside and outside of an office, the idea of how we can work more efficiently is the same. Nevertheless, going outside an office generates new issues, and we will develop this business while incorporating new ideas and products. While teleworking is attracting attention as a solution to the issue of nursing care and childcare, it is also effective in different aspects such as business continuity plans, and we also intend to develop new uses for teleworking.

Q: From a medium- to long-term perspective, which indicator, net sales or profit, do you, as the president, prefer to prioritize?

A: Of course, I consider both indicators to be important. However, profit, in particular, is the compensation for our businesses, and I think that the services we provide to our customers must be attractive and competitive for us to make a profit. I consider profit as one of the indicators of our business strength, and will continue to focus on it. If such strong businesses are appreciated and supported by our customers, I think that our top line will naturally increase; therefore, I would first like to focus on developing strong businesses.

Q: How do you plan to achieve growth in each business segment?

A: In the Enterprise Networks business, we will focus on work-style innovation with the aim of establishing a high position. For this purpose, we are preparing competitive services and will actively adopt new technologies such as AI and face recognition. In the Carrier Networks business, although we have not identified any immediate major topic concerning the services for telecommunications carriers, we are

considering maintaining the business volume by expanding it into non-telecom markets such as hotels and education using our resources and knowhow in this business.

In the Social Infrastructures business, there are promising topics such as responses to the next-generation 4K and 8K broadcasting and disaster prevention, and the mega-solar industry also presents a growing market in which social infrastructures plays an important role. We have the resources to respond to this demand, and we believe that the way we expand this business from the second half of the fiscal year is important. The performance of the overseas business fluctuates depending on the timing of receiving orders for projects such as the off-season of projects in Saudi Arabia. However, we are working to stabilize our business, particularly in ASEAN, based on which we aim to steadily grow our businesses.

Q: While the progress in receiving orders is seemingly delayed due to factors such as the reactionary fall from the orders for large solar power construction projects received in the previous year and the impact of the difference in periods for recording performance, you may be expecting to receive orders such as new mega-solar projects in the second half of the fiscal year. What are your prospects for the second half of the fiscal year?

A: The orders received decreased year on year in the first half of the fiscal year, which was partly caused by the delay in periods for bidding for projects. In the second half of the year, projects in the solar power business have been gradually materialized for receiving orders and there are also other large projects, for which we are aiming to consistently receive orders. In the Social Infrastructures business, most orders come at the end of fiscal years due to the nature of the business, and we plan to reach our annual targets overall by tightly controlling the business.

Questioner B

Q: Your parent company, NEC, positions its overseas business as the basis of growth. Please tell us the direction of NESIC's overseas businesses.

A: The current ratio of the overseas business is small, and our business is operated largely in Japan. We therefore consider that our first priority is to develop growth businesses in Japan. The company's development will be limited if it is based only on the domestic business, however. We would therefore like to grow our overseas businesses led by our local subsidiaries, particularly in ASEAN, which is experiencing rapid economic development, by horizontally applying the technologies and expertise we have developed in Japan. In the future, we will develop growth strategies for the overseas businesses.

Q: Do you expect changes in your relationship with the NEC Group?

A: We do not expect changes in our relationship with NEC, even though I am a president who has spent entire career with NESIC. While we respect each other's position as an independent company, the NEC Group's assets are very important in creating new services and technologies, and we would like to actively use such assets to strengthen our businesses.

Q: You have introduced venture technologies in the past. How do you plan to improve them in the future?

A: Innovative technologies emerge into the world at a rapid pace. Although it is difficult for us alone to create such new things, we have assets that allow us to provide services across Japan from design to development, operation, and maintenance, and to promote sales. We will be creating new services by combining these and venture technologies. We have deployed personnel for the U.S. and established specialized organizations to discover such technologies in the past. We would like to enhance this system and accelerate the introduction of new technologies and services.

Questioner C

Q: Please tell us about the subsequent progress and inquiries about the delivery robot, Relay, which was described as an example of venture technology introduction.

A: Relay has been used by the Shinagawa Prince Hotel since last month, and we have received a number of inquiries from many other hotels as well. The construction of new hotels is currently increasing in Japan. While the freshness of using a robot is attractive, hotels are more interested in using robots as a solution to their labor shortage.

Relay is used also at our EmpoweredOffice Center. Please visit us there to see it in person.

Q: I have heard that Zoom can be used to attend to customers in remote areas from a showroom. How do you use the service, specifically? Do we need to have our customers install special facilities on their side?

A: Zoom is a service that is already used by more than 750,000 businesses and organizations around the world, and it is attracting significant attention in Japan as well. The key difference from an ordinary teleconference is that Zoom does not require special devices, but users can use the service on their smartphone, tablet PC, or PC that they already have by downloading the application. Licensed users can let their outside partners access the service; it is therefore a system suited to

joint projects both inside and outside a company. The service also features high quality, which allows interaction through high picture quality that is appropriate for business while adjusting to different devices such as large screens or smartphones. By using this tool, we can show our newest services and technologies to customers all over Japan without requiring them to travel to our head office as was previously necessary.