

Q&A at IR Briefing for Financial Results for the

Fiscal Year Ended March 31, 2022

Date: Tuesday, May 10, 2022

NEC Networks & System Integration Corporation

Questioner A

Q: What are your assumptions for the current fiscal year regarding the shortages of semiconductors and other materials? Am I correct in assuming that the situation has been severe in the first half but will improve in the second half?

A: As far as we are concerned, the shortage of materials, including semiconductors, became apparent in the second quarter of the previous fiscal year. Since then, some materials showed improvements, but new shortage appeared for other materials. Our assumptions are that these shortages will have the same level of impact as in the previous year, and that the impact will persist to some degree throughout the current fiscal year.

Q: In conjunction with your approach regarding the improvement of profit rate in the medium-term management plan, please tell us the focus for improvements for entire businesses and by segment.

A: Our major direction is toward the improvement of profitability by increasing the added value provided by expanding spiral/recurring-type businesses through the enhanced consulting capability. We have been already making progress in customer acquisition based on consulting. By making profitable DX the core business we will accelerate the transformation to this business model while at the same time developing human resources that will lead.

In the DX Solutions (DXS) Business, we will conduct an offering, or a proposal-oriented consulting service, to increase the added value for customers with a focus on the network operation area. We will create a spiral/recurring cycle in which we acquire customers by accelerating service proposal efforts and then propose improvements with a view toward the provision of new services. On the efficiency side, we aim to reduce costs by creating a scheme in which projects that we have been working on individually can be facilitated on common platforms.

In the Network Solutions (NWS) Business, we will accelerate the improvement of the efficiency of internal operations through DX, and also expand SI and service businesses, especially those with even higher added-value, to respond to demand arising due to the expected increase of the use of open architecture and virtualization by carriers going forward and the wider use of DX. Through efforts such as these, we will improve profitability.

In the Environmental & Social Solutions (ESS) Business, we will improve profitability by leveraging and expanding our strengths, namely our SI, construction and maintenance capabilities in public DX, an area that is expected to grow going forward, as well as enhancing both our construction and maintenance capabilities through DX.

Questioner B

Q: What is your goal for the improvement of gross margin during the new medium-term management plan?

A: Our goal is to improve a little less than one percent per year on an average, as a group.

Q: What area or areas do you expect to be growth drivers in the individual segments during the new medium-term management plan?

A: We have, so far, operated the DXS business with a focus on the area for infrastructure, which is common area among each industry. Moving forward, we will pay a little more attention to the business from an industry-type perspective and focus on the smart industry area by featuring IoT for the manufacturing industry in particular, as well as the utilization of data derived from them. In addition, DX/workstyle innovation business for governments and municipalities are also focus areas. Orders that we have received and processed so far include orders from a large local government and a central government agency. Building on these achievements, we will also promote the business to small and medium-sized local governments.

In the NWS business, we will increase sales through the expansion of the SI area in 5G for carriers and local 5G and our entry into the offshore wind power generation area harnessing our expertise in submarine communication systems.

In the ESS business, one of the areas that we will focus on is community development. We will contribute to the creation of smart communities and the facilitation of public DX. The other area includes the environment and energy. In addition to providing services and systems for conserving electricity in a range of fields, we will increase our efforts in the area of managed electricity services with an option in mind to conduct business as a PPA-based operator (PPA-based operator: an operator that installs, free of charge, clean energy equipment in facilities owned by other parties such as electricity users and sells the power generated by this equipment to electricity users), and facilitate the expansion of business.

Q: I have been paying attention to local 5G because it is considered as an area where NESIC can demonstrate its strengths. What is your timeline for the expansion of business in the area? Also, how do you intend to leverage the cooperative relationship with NEC in this area?

A. Regarding local 5G, our intent is to expand the business, which was billions yen in size in the previous year, to tens of billions of yen in the final year of the new medium-term management plan. The key point in the ubiquitization and expansion of this service is pricing. However, with product prices unlikely to fall anytime soon due to materials shortages, the weakening yen and other factors, we are faced with challenges. We will operate businesses in cooperation with NEC by sharing the portfolio of local 5G products and other information.

#### Questioner C

Q: In conjunction with the strengthening of human resources for DX, do you intend to secure the targeted number of personnel through the acquisition of these personnel externally, as well as internal training?

A: Not only through our in-house trainings, our stance is to actively recruit experienced personnel in addition to welcoming new employees.

Q. Regarding the energy business, am I correct in understanding that you will focus on areas such as energy management instead of the construction of mega solar plants, a business that you promoted in the past?

A: We are thinking of simultaneously tapping into the demand-based and supply-based markets. For the demand-based market, we will respond to needs regarding electricity-conserving measures by, for example, facilitating datacenters' conservation of electricity through liquid immersion cooling and by visualizing the use of electricity while also promoting the DX of building management facilities. For the supply-based market, in which we have already been providing services, we will provide smart site controls combining renewable energy and the energy management system (EMS), and strengthen the managed electricity service business.

Q: You said that the impact of the shortage of materials including semiconductors is assumed to be the same as the previous year. Am I correct in understanding that the 26 billion yen operating profit forecast for the current year includes this?

A. Your understanding is correct. Our forecasts assume that the impact of the shortages of semiconductors and other materials will be the same as the previous year.

#### Questioner D

Q: For DX measures, etc., it appears that each NEC Group company targets similar business areas. What is your position regarding the provision of these services? Do you have sales and other targets for your own businesses?

A: When we established the medium-term management plan, rather than considering the

position we should take as the NEC Group and other factors, we examined the direction that we should pursue. Having said that, our stance is to operate cooperatively to make the most of NEC group's advantages such as its excellent technologies.

NEC-related sales, which account for a little less than 30% at the present time, are just results. Not much attention has been paid to the sales breakdown. We will seek to simultaneously increase NEC-related businesses and our own businesses.

Questioner E

Q: Your goal is to increase operating profit from the 26 billion yen projected for the current year to 34 billion yen in the final year of the medium-term management plan, an increase of 8 billion in two years. Are you anticipating a linear increase of 4 billion yen per year?

A. Looking at the business environment, we see many uncertain factors such as materials shortages and the instability of global conditions that have been occurring in the first half of the period of the medium-term management plan. Therefore, we cannot deny that these factors will affect our businesses.

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