

Q&A at IR Briefing for Consolidate Financial Results
for the First Half of Fiscal Year 2010 ending March 31, 2011

November 17, 2010
NEC Networks & System Integration Corporation

Date: November 17, 2010

Venue: Bunkyo-ku, Tokyo

Questioner A

Q: You expect net sales for the second half to grow 20% but operating income to increase only slightly. Does this mean that you have a conservative profit outlook, or have you set a challenging sales target?

A: For the current fiscal year, we are looking to follow our basic policy of bolstering net sales while achieving year-on-year profit growth. To increase orders and net sales in a business environment without a drastic recovery, we need, for example, to attract customers of other companies. Although we will not accept orders that will generate a loss, we must prepare for a situation in which customer requirements, including prices, could be more stringent. We are preparing a plan that assumes this severe competitive environment. We are also fundamentally reviewing our management innovation activities and striving to exceed our profit forecasts as much as possible.

Q: According to your announcement yesterday about the acquisition of shares in DAI-ICHI ADSYSTEM, Inc., you said that you would expand sales in the service business by 50%. That seems a fairly ambitious target and assumes that you will be unable to achieve the target only by expanding the contact center business through the acquisition of shares in DAI-ICHI ADSYSTEM. In what domains do you think you will expand the service business? Do you also have your sights set on more M&A?

A: We have both organic growth and non-organic growth, including M&A, in mind.

For example, we have established a base for cloud services for the west Japan area, with the aim of expanding business like business process outsourcing (in which we accept business processing combined with system operation on a contract basis). While NEC excels at doing business with large companies, NEC Networks & System Integration aims to provide outsourcing and cloud services, targeting small and midsize

customers. While the business approach is different from providing services to large companies, I believe that we will be able to double or triple sales in the service business from the present level in the west Japan area. The contact center business is one domain, and we will grow the service business as a key ingredient of medium-term growth by expanding in other domains as well.

We will also be proactive in our approach to M&A as another avenue for growth.

Questioner B

Q: For the Enterprises Networks business, you plan to increase sales significantly in the second half (from 39.9 billion yen for the second half of fiscal 2009 to 48.2 billion yen for the second half of fiscal 2010). Please tell me the reasons? Do you anticipate a recovery in investments by exiting customers, or are you factoring in the development of new customers or more M&A?

A: With respect to M&A, we have already announced the consolidation of DAI-ICHI ADSYSTEM, and the contribution of the consolidation will be around one billion yen this fiscal year.

As the recovery in investment is noticeable in services for financial customers, partly in reaction to the investment slowdown in the wake of the Lehman Brothers bankruptcy, we sense a strong response in our network business. We have been expanding the scope of proposals from services centering on traditional PBX and LAN to security and environmental solutions, as represented by EmpoweredOffice. We have made a plan for the second half that centers on this deep cultivation of existing customers.

Q: What impact do you expect on the Social Infrastructures business of the end of investment in local information networks, with the completion of the shift to terrestrial digital broadcasting in July 2011?

A: Although we have not yet determined a specific number, we expect that the impact will be in the order of several billion yen. We play to offset this with the expansion of other fields, such as the wider area coverage of fire-fighting systems, which we will be promoting more vigorously in the years to come.

Questioner C

Q: How has the recovery in capital investment been in industries other than

the financial sector? Personally, I do not see any recovery. What is your view? If you are anticipating a recovery, when and how do you expect that investments will rebound?

A: I feel that investment is improving in almost all industries. Overall, although large-scale projects have yet to emerge, we are seeing more small and midsize projects in the area of network-related investments, which is our area, and we are achieving steady growth on the strength of these comparatively smaller projects. Particularly in Tokyo and Kansai, these services for the corporate sector are solid. As I mentioned earlier, given this trend as well as recovering investment in the financial sector, we are anticipating a rise in orders in the Enterprises Networks business.

Q: Japanese companies are advancing into overseas markets, regardless of their industry sectors. How does NEC Networks & System Integration view its overseas operations?

A: We are currently reviewing our overseas operations. There is no question that the business for constructing infrastructure, which has been the core of our overseas operations, will be difficult if Indian, Chinese, and Vietnamese companies expand their operations rapidly going forward. We will shift our business to the provision of services to Japanese companies that have advanced into overseas markets, while maintaining the status quo. For example, our local subsidiary in Guangzhou, China is strengthening support services in the area of office ICT (information and communication technology) for Japanese companies building a presence in China, in cooperation with the Chinese subsidiaries of NEC. As described, we are considering expansion mainly in systems integration and support services for Japanese companies overseas.