

NEC Networks & System Integration Corporation
Q&A at IR Briefing for Consolidated Financial Results
for the Fiscal Year Ended March 31, 2012

April 27, 2012

- Question
 - Answer provided by the Company
 - (* Current fiscal year: Fiscal year ending March 31, 2013;
Previous fiscal year: Fiscal year ended March 31, 2012)

Questioner A

- With respect to business forecasts for the current fiscal year, I thought both the latest forecast net sales and operating income were more realistic, compared with the previous forecasts in which target net sales tended to be high. In addition, the details of the medium-term plan are no longer presented either in the financial statements or in the presentation materials. Do these changes derive from the policy in which the Company now manages businesses without paying too much attention to figures?
 - I would not say we are no longer paying attention to the figures, but given the recent economic environment, the implementation of the government's budget, and other external factors, we held internal discussions in which we decided that we needed to review the Company's goals from scratch, and establish goals that can meet shareholders' needs without fail. I believe that a company that does not grow will deteriorate. Therefore, we have not changed our policy of continually striving to achieve growth with the results for the fiscal year ended March 31, 2012 as a bottom. We will also review our medium-term plan.

- The Company apparently will significantly increase dividend payments to ¥38 per share. Please explain the Company's dividend policy in the future. Moreover, even if its performance slows, will the Company maintain a dividend at ¥38 per share?
 - We decided on this increase because the Company has developed greater financial strength, and has now secured the funds necessary for managing operations, and because we believed that the Company has grown strong enough to be able to respond to opinions expressed that its dividend was too low. We will increase returns to shareholders as much as possible.

Meanwhile, the Company was transferred from the construction industry category to the information and communication industry at the Tokyo Stock Exchange in October 2011. To improve awareness in the capital market about the Company in this sector, we are also looking at paying as high a dividend as possible. Although it will be difficult to immediately commit ourselves to a specific dividend payout ratio, we are planning to maintain actual payments of ¥38 per share for as long as possible.

- The Company expects that the Social Infrastructure business, which has been underperforming, will recover in the current fiscal year. Do you see any signs that the Company will be able to correct the underperformance of this segment in the fiscal year?
 - Our positive expectation about the Social Infrastructure business is attributable to two factors, one external and one internal. The internal factor is that the Social Infrastructures business did not in the past have a structure that could deal with changes in the operating environment. During the previous fiscal year, however, senior management, including myself, was directly involved in the operations of the business and comprehensively reformed all issues, including management methods, organizational management, and operating methods. We received a strong response to this initiative, and the Social Infrastructure business actually recorded encouraging results in the fourth quarter of the previous fiscal year.
 - As for the external factor, with the commencement of the supplementary budget, we are now seeing several large-scale projects and the volume of orders has been rising. Considering these factors, I believe that the latest forecasts are targets that we can achieve.
- From when do you think the partnership with MOSHI MOSHI HOTLINE, INC. will start to contribute to the Company's earnings?
 - The essence of the partnership with MOSHI MOSHI HOTLINE, INC (MHL) is that MHL can use the Company's superior capabilities in developing and managing BPO related ICT systems, while the Company accesses the capabilities of BPO services that MHL possesses. We are not yet in a position to make any statements about earnings from this partnership. However, taking this opportunity, we will aggressively promote BPO-related cloud computing services in the future. In addition to this partnership, by developing other partnerships, we will seek to expand the Company's cloud computing business and new service businesses.

Questioner B

- A 3% increase in orders received by the Carrier Networks for the current fiscal year seems to be rather conservative. What are your thoughts on this?
 - We decided on this plan because, although overall investments by telecommunication carriers are likely to remain steady, we cannot anticipate in which sectors the investments will be specifically made. As the Company has started to take steps in new service businesses by collaborating with telecommunications carriers, if the opportunity arises, we would like to further increase orders received without being restricted by the plan.
- Despite investing in growth, including an increase in the number of sales staff, selling, general, and administrative expenses did not increase. Please explain your cost cutting methods.
 - The Company has been striving to cut costs by cutting both costs and indirect costs.
 - As for cost cutting, we have been taking steps to streamline expenses in line with the spirit of Toyota's production innovation. We also adopted these initiatives when we streamlined the Social Infrastructures business in the previous fiscal year. One key point is to control unnecessary expenses in outsourcing and equipment procuring, as these items account for a majority of expenses. To deal with the current severe fall in sale prices, we are working to cut costs a further 1%.
 - To cut indirect costs, while we allocate expenses to sales activities that will expand the business, we have been striving to further streamline expenses for backyard activities. I believe that it is important to make steady efforts by doing what is required using a logical approach.
- NEC, the parent company has been working on refining its business focus. Please explain the effects of this initiative on the Company.
 - Now only about 40% of the Company's sales are from NEC. The business areas the Company operates are also regarded as important business areas by NEC. Moreover, the energy-related businesses that NEC has positioned as a new business opportunity are areas where the Company can demonstrate its superior abilities.
 - Meanwhile, in the field of direct sales to customers, we will strengthen and expand businesses in which the Company can best harness its unique abilities, by focusing on low costs, flexibility, and other customer requirements that a company the size of NEC cannot closely attend to.
 - For these reasons, I believe that the business direction of the Company is

in tandem with that of NEC.

Questioner C

- KDDI plans to undertake LTE investments earlier than it originally planned. Will that contribute to the expansion of base stations and facilities?
 - I think that this development is like a tailwind for us. We have to date been experiencing a fall in unit prices, due to progress in miniaturization, but innovation has progressed sufficiently as well. Although we still do not know the scale and specific details of investments, we will respond vigorously to all business opportunities that arise. I believe that we will be able to see more specific developments over time, so we will explain the details when we know them.
- What is the estimated gross margin on sales for the current fiscal year?
 - We expect 15.5%, compared with 15.7% for the previous fiscal year.
 - This includes increasing investments in growth and continued activities to support the reconstruction of the disaster afflicted areas, even though the gross margin of such activities is low.