Q&A at IR Briefing for Financial Results for the Fiscal Year Ended March 31, 2018

May 8, 2018
NEC Networks & System Integration Corporation

Date and Time: Tuesday, May 8, 2018 from 10:30-11:15
*The current fiscal year: the fiscal year ending March 31, 2019
The previous fiscal year: the fiscal year ended March 31, 2018

Questioner A

Q : You predict a substantial rise in order receipts in your carrier networks business forecasts for the fiscal year ending March 31, 2019. There are other telecommunications engineering companies constructing mobile communications base stations that have been performing strongly. Why do you think order receipts at NESIC will expand substantially, as projected in your forecasts? In which area do you expect orders to expand – mobile communications base stations or core networks?

A : We achieved good results, including profitability improvement, in the last few years by reducing our business systems for telecommunications carriers in stages, including a resource shift to the area of social infrastructures business, in response to their capital investment controls. However, a number of problems, such as the inability to sufficiently meet demand for building mobile communications base stations, arose in the fiscal year ended March 31, 2018 as demand recovered more quickly than we had anticipated. We are thinking about increasing our order receipts this fiscal year by rebuilding our business systems and dealing effectively with the recovery in capital investment centered on mobile communications base stations.

Additionally, our forecasts for the current fiscal year reflected our prediction that we would receive large maintenance orders for one full year, even though orders received declined due to the absence of large maintenance orders as we had received orders for two years at once in the year before (the fiscal year ended March 31, 2017).

Finally, we assumed factors outside our telecommunications carrier business, such as the effects the rescheduling of tenders for hotels and others to this fiscal year are likely to have on our results.

Q : You explained that income would increase just slightly due to investment for growth despite of expected improvement by absence of losses and sales growth. In which specific area will you invest in growth this fiscal year?

A : As investment for growth, we are thinking about allocating approximately 2 billion yen to areas centered on R&D for developing digital transformation (DX) and other new services, various expenses associated with their development, including the cost of retraining engineers, and informatization.

Q : Which will be your areas of focus when you think about your medium- and long-term growth?

A : We started discussing our next medium-term management plan just recently. We are thinking about discussing ways to develop our operations in areas related to state-of-the-art technologies such as DX in order to supply “No.1” or “Only 1” services. We believe we can develop services of higher levels in the future because we are currently assembling in-house technologies and business knowhow through a cross-segment project. We think DX technologies will start showing their effects in the area of work style innovaton before anywhere else. We began verifying this in our offices that had been renewed with the introduction of these technologies and approaches. We believe we will become able to apply these state-of-the-art technologies to areas such as social infrastructures and local government in the future.

Moreover, we are planning to advance our overseas business in which projects have started to be activated this fiscal year, reversing the difficult situation in the previous fiscal year, which was a project off-year.

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