Q&A at IR Briefing for Financial Results for the Fiscal Year Ended March 31, 2019

May 8, 2019
NEC Networks & System Integration Corporation

Date and Time: Wednesday, May 8, 2019 from 10:00-11:10
*The current fiscal year: the fiscal year ending March 31, 2020
The previous fiscal year: the fiscal year ended March 31, 2019

Questioner A

Q：What expenses for growth do you expect for the current fiscal year, in comparison with 2.0 billion yen in the previous fiscal year? In the final year of the medium-term management plan, you anticipate that Others/ Elimination will improve from the forecast value for the current fiscal year of -11.5 billion yen to -10.0 billion yen. What are the factors for this?

A：We will increase ongoing spending on growth, which was equivalent to 2.0 billion yen in the previous fiscal year, by 1.0 billion yen in the current fiscal year, to 3 billion yen. In addition, we anticipate about 2 billion yen as an office realignment cost at Tokyo area to accelerate our own innovations, and so combined, expenditure on growth is expected to increase 3 billion yen from the previous year, to 5 billion yen. Because this office realignment cost is transient for the current fiscal year, it has become a factor for an improvement in Others/Elimination in the final year of the medium-term management plan of 1.5 billion yen from the forecast value for the current fiscal year.

Q：In your plan, the profitability of the Engineering & Support Services Business will improve significantly. Is it achievable if you are able to remove unprofitable projects in the previous fiscal year?

A：We anticipate an improvement of unprofitable projects by about 1.0 billion yen, but on top of this, we think that we will be able to eliminate inefficiency caused by dispersed resources, which had been a challenge until the previous fiscal year, and enhance resource control over the volatility of individual businesses by consolidating resources. We will also proceed with an initiative to cultivate multi-skilled engineers, which proved effective in improving profitability in the past. This time, we will cultivate multi-skilled engineers by consolidating technical resources so that these initiatives will lead to a significant improvement in profitability. In addition, we also anticipate a contribution made by new businesses.

Q：You expect orders in the Network Infrastructures Business to increase 8% in the current fiscal year, but what areas will grow amid concerns about the impact of the reduction of communication charges on telecom carriers? What are your thoughts about orders?

A：We have factored in growth in the marine business, in addition to the contribution to sales made by K&N System Integrations Corporation, a joint venture with KDDI Corporation, which will gather momentum in the current fiscal year. While we do not expect a large number for 5G because there are still some uncertainties, we think that demand for 5G migration will emerge in the core network area in the years ahead.

Q：Will growth in sales of K&N System Integrations Corporation come from the increased capital expenditure of the telecom carrier? Or is it due to the expansion of market share?

A：We would rather aim to increase sales by expanding market share.

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