[Questioner A]

Q1. Can you explain the reason for revenue growth and demand trends in the telecom carrier market in relation to your FY03/19 earnings forecast?

A1. Revenues from telecom carriers declined slightly YoY in FY03/18, but orders grew somewhat in Q4 FY03/18, which should contribute toward revenue in FY03/19. Regarding demand trends, we do not expect an increase in Internet infrastructure-related orders going forward. In the 5G business, we do not handle 5G mobile phone base stations and we do not expect network capex for connecting to these base stations to be particularly high, because prices have fallen as a result of steep improvement in the performance of router switches. We have also lowered expectations of capex related to backbone network integration, which will likely progress over the next few years. Given these changes, we see no road to success for a business model involving distributors in Internet infrastructure investment.

Q2. Do you expect recent trends in the public market to continue?

A2. The public sector was brisk in FY03/17, due in part to the impact of the supplementary budget on local governments. In FY03/18 revenue was up YoY due to expansion of solutions for users other than local governments and stronger-than-expected local government demand. With sustained social infrastructure-related demand in areas such as education and healthcare, we expect revenue from the Public sector (including local governments) in FY03/19 to be about the same as in FY03/18.

Q3. You are planning a dividend increase in FY03/19 because of a commemorative dividend. What is your dividend policy going forward?

A3. We will be formulating our next medium-term business plan in 2H FY03/19. We will discuss our dividend policy as part of the plan.
Q4. What specific actions are you taking to improve your gross profit margin and cut costs in FY03/19?
A4. We will improve profit margins by increasing the share of services, which have higher profit margins than hardware sales. We plan to improve margins on services by adding more value-added services. With regard to SG&A expenses, we are not planning major changes in our workforce. Our aim is to raise our operating income margin by improving employees’ productivity and expanding high value-added services.

Q5. Do you mean that operating income of ¥11 billion is achievable in FY03/19 as a result of ongoing efforts to improve your corporate structure and product mix improvement?
A5. That’s correct. We aim to raise productivity by improving the business processes of employees, who are the users of backbone systems that are in operation.

Q6. Can we assume that your outsourcing costs are under control?
A6. Costs are mostly under control. What’s important is to review the way our employees work. The main theme for FY03/19 is to reform internal business processes to increase the time they spend with our customers.