

NEC IR Day 2020 Q&A

Further Improvement in R&D Capabilities and Challenge to Speed

Date/Time: September 14, 2020 12:40-13:10 JST

Location: NEC Headquarters, Tokyo

Presenters: Motoo Nishihara, Executive Vice President, CTO (Chief Technology Officer) and Member of the Board

Questioner A

Q. Let me ask about the connection between R&D and corporate value. I recognize that basically, R&D represents a competitive advantage in each segment, which is posted as earnings and leads to corporate value. At the same time, I also understand the approach by which ecosystem-type R&D and business incubation directly lifts corporate value through R&D. That method of measuring business value as an indicator seems unusual; can you explain its implications and the specific methods you use? And what is your strategy going forward for enhancing business value through IPOs and carve-outs?

A. NEC's efforts to use business value as a performance indicator are being advanced through collaboration between the Business Innovation Unit and the R&D Unit. In the R&D ecosystem--in short, when collaborating with partners outside NEC—we make use of outside resources including venture and capitalist funds and human resources. When launching a new business, it will not work as part of the ecosystem unless we keep business value in mind and bring together quality personnel and funding. This is why NEC has introduced business value as a new concept. We have also introduced the concept of business value in our deal with dotData and other projects currently underway.

Q. dotData has conducted large-scale fund-raising and shifted to equity method affiliate status; does this mean it has become independent of

NEC?

A. dotData runs its business independently. That said, NEC is authorized to utilize dotData's technology in Japan. The over 50 companies currently being provided commercial services include customers who have important relationships with NEC.

With regards to BIRD INITIATIVE launched last week, the company has vowed to create six new businesses by 2025 through carve-outs. NEC believes several of those are achievable, and we will continue working to strengthen that effort.