

NEC IR Day 2020 Q&A
Digital Platform Strategy

Date/Time: September 14, 2020 15:30-16:00 JST

Location: NEC Headquarters, Tokyo

Presenters: Hiroshi Kodama, Executive Vice President

Questioner A

Q. FIWARE is a standard originating in Europe, and there have recently been a number of examples of its deployment in Japan. In terms of competition, what other kinds of standards are out there? Will FIWARE be a promising solution as Japan faces the issue of building regional data platforms? Are there alternatives to FIWARE as part of the move toward domestic data integration?

A. FIWARE is a platform for smart cities that underpins the foundation of data coordination and utilization, and thus far has been deployed in 11 cities in Japan. FIWARE is very powerful in terms of connecting municipalities and driving value creation. NEC was quick to focus on this capability, and as we work to build a track record and develop FIWARE as a de facto standard in Japan, we think this will become an enormous business. NEC's development team has launched FIWARE labs in India and other countries, and we believe this platform can be utilized not only in Japan, but globally. A variety of standards exist in each country in the area of smart cities, but ultimately nothing will move forward if we wait for all of these standards to be unified. It is important that we work effectively with this leading standard, FIWARE has what is needed as a data linkage platform and we think we can also collaborate with other standards.

Questioner B

Q. Can you tell me how NEC defines "DX"? Can you also explain the DX indices NEC has disclosed and other information that can be verified externally?

A. At this point, NEC defines and tracks DX as including AI, imaging technology, security and other areas. Going forward, a governance code will be established, and NEC is working in compliance with that code to further clarify a common, company-wide definition of DX and DX human resources. Our mid-term management plans and growth strategies will be formulated based on that definition.

Q. In the briefing materials, you describe hardware, and certain middleware, as products that will support NEC's digital platform. I think the outlook for hardware will become more difficult as cloud services develop further; can you share your comments on this view?

A. What is important is not hardware as a stand-alone offering, but how to provide value in combination with software and services. NEC hopes to focus primarily on incorporating hardware that allows us to differentiate. That said, the hardware segment as a whole cannot be strengthened without a certain level of resources, and knowledge of hardware is what makes it possible to take full advantage of software. We hope to leverage our hardware development capabilities as a strength going forward.

Questioner C

Q. I am struggling with the question of how to understand DX as part of NEC. If you are unable to provide a direct answer in terms of sales and profit, can you describe any indices that might allow us to measure your efforts in DX—such as the number of people working on DX and the capital invested—and the scale of the structure involved? Also, on page 14 of the briefing materials there is a wide-ranging chart describing NEC's strengths in DX. What distinguishes the contents of that chart when compared to your domestic competitors? Is it the breadth of NEC's structure, or its depth? Please share any comments you have on comparability within the current competitive environment.

A. Regarding NEC's efforts in terms of DX human resources and capital, we are focused first on putting together a base of personnel and refining their consulting capabilities, and, since this is a field that will require a certain amount of trial and error, building a store of knowledge. Due in part to the impact of COVID-19, DX will see enormous growth going forward. In anticipation of that growth, we will be clarifying key indices and other information in our next mid-term management plan and sharing more about what DX means for NEC, our focus areas and the scale of those efforts. Regarding examples of NEC's offerings, we are focused on value chain innovation and NEC Safer Cities connecting companies and industries, and on what DX can do to enhance the value of those offerings. This is where NEC is marking its competitive advantage as we put these solutions together. Other companies will also be assembling both comprehensive and more pointed solutions, but it is not a question of what other companies do. With the impact of COVID-19, I think Japan faces a very challenging situation in which the economy cannot function unless the country as a whole uses DX to improve society's productivity. I think this will require a society-wide effort, including collaboration. Today, we are enhancing our DX offerings to scale up further in the areas of value chain innovation and NEC Safer Cities.