

## NEC IR Day 2022 Core DX Business Q&A

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### **Questioner A**

*Q: On page 20 of the presentation under "New Business Opportunities," your plan calls for a significant increase in the area of cooperated infrastructure coordination mobility. What business model do you envision for this, and under which segment will this business be recorded?*

A: Infrastructure coordination mobility will require providing new facilities and creating services that go beyond the bounds of existing segments. The key to creating this business model will lie in who bears the costs and who will benefit from it. We are considering a business model that, in addition to local governments, will include providing services to the private sector, and to do that we are currently developing a consortium and advancing demonstration tests. Note that targets in the business plan are calculated from market size. Going forward, we will disclose our progress not only during IR Day, but as appropriate.

### **Questioner B**

*Q: The Japanese government has promoted its cloud-first policy and plans a shift to the cloud. I think this represents a business opportunity for the Core DX Business. How do you view the potential of cloud business for the government leveraging your collaborative relationships with hyperscalers?*

A: We have positioned Amazon Web Services (AWS) as the cloud platform serving as the foundation of our core business domain, and Microsoft Azure as the cloud platform focused primarily on the office domain. We are also providing our own proprietary cloud services. We also expect to see moves toward adopting domestic cloud platforms, so we will develop a multi-cloud strategy that includes AWS and Microsoft Azure while strengthening our own offering. Most of our cloud-based revenue through last year was recorded in the Enterprise segment. As we announced in our "DX Solutions for Government" in January of this year, which supports the digitalization of government, going forward we will develop hybrid IT for government, in other words, a multi-cloud business that includes operations.

*Q: While the shift to the cloud will produce some positive effects, there will also be negative impacts, such as a reduction in on-premises operations. Given its high share of government business, how does NEC envision the net impact of these positive and negative effects in the Mid-term Management Plan?*

A: In the public cloud domain, we do not expect the scale of business to change significantly, as

the reductions in current on-premises business will shift to the cloud. While the shift to a service-based model may have an impact—for example, by reducing the volume of high-margin mainframe business—the shift from on-premise to open systems will require not only equipment, but also peripheral professional and outsourcing services. We believe that by increasing these kinds of service businesses, it will be possible to maintain and increase revenue and profitability.

#### **Questioner C**

*Q: Can you explain the factors behind the significant increase in Shared Platform revenue over the past two years as described on page 10 of the presentation? Also, what will drive growth toward achieving the FY2025 plan?*

A: Revenue growth is being driven by cloud services. Some services have doubled in the last fiscal year. Security is another driver. Going forward, in addition to the PaaS and SaaS domains, we expect to see growth in the Network and Edge domains—in other words, the IoT domain, including local 5G. While on-premises work will decline, we believe the shift to the cloud will accelerate and demand will grow, including in peripheral service domains.

#### **Questioner D**

*Q: Does the increase in DX human resources noted on page 24 of the presentation—from the current level of less than 6,000 to 10,000 in FY2025—include ABeam Consulting? What about other Group companies?*

A: This does not include ABeam Consulting. This figure is for personnel covered by NEC's human resource development skills management program, and includes subsidiaries of the NEC Group that share functions, such as NEC Solution Innovators and NEC Communication Systems. ABeam Consulting has its own development programs as an independent business, and including its 5,000 consultants, the Group as a whole already has in excess of 10,000 personnel in this field.

*Q: Page 24 of the presentation offers a breakdown of DX human resources by technical domain. Can you explain the background behind these ratios?*

A: First, many of them are in cloud-based services because we began developing human resources in this area back around 2016 to accommodate the shift to the cloud. Since cloud transformation deals centered on cloud lift and cloud shift are showing the greatest growth, we are focusing on human resource development in this domain. In new business domains, we are increasing the number of people to keep pace with business expansion, as we will need human resources in specialties such as digital ID utilizing biometrics, video analysis technology, and data scientists. And while we increased cybersecurity professionals considerably in the last fiscal year, we believe we will need to increase them further in anticipation of business growth going forward. In the area of consultants, we have begun putting strategy consultants in place

at NEC itself, and we plan to expand our business through cooperation between strategy consultants at NEC and ABeam Consulting. Going forward, we will continue to develop and invest in human resources in line with business expansion.