

NEC IR Day 2022 Public Infrastructure Business Q&A

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Presenter: Masakazu Yamashina, Executive Vice President

Questioner A

Q: Given that revenue growth targets are more or less level from FY2020 to FY2025, could you explain the factors that led you to increase the CAGR from FY2022 to FY2025 to +6%?

A: First, in terms of market conditions, orders in the defense domain are increasing. In the aerospace domain also, investment is on an increasing trend, which is providing a tailwind. Moreover, in the government and public domains, we are seeing an increase in DX and data linkage projects. Internally, I believe that our technology and human resource capabilities are at a higher level than other companies achieving growth on the same scale. We are also working to change employees' mindset towards taking up the challenge of a higher target.

Q: You have said the recent defense budget increase has not been factored into your targets. If it were, would we be able to expect results to exceed the targets even further?

A: It is not currently clear how the defense budget increase is to be used, so we have not factored it into our targets. However, the fields in which we are able to contribute are quite broad. The challenge is securing resources. Bolstering our DX human resources and project management capabilities is the sure way to win orders.

Questioner B

Q: Page 18 of the presentation shows examples of optical communications in space. You've explained that communication speeds have increased dramatically, but there are many cases in the network domain where revenue does not change even though communication speeds increase. Could you explain how this will translate into revenue? Furthermore, space communications are also a subject of interest in the consumer domain. Is this also tied up with the Network Services Business?

A: We believe the price per unit of communication capacity will fall, and the price per satellite is also falling. However, on the other hand, since the domain for consumer use is expected to expand significantly going forward, we believe there are many business opportunities in the Network Services Business as well. We think a very important aspect is in how we collect and analyze the data obtained from the satellite communication system and use it to generate value. Realizing this requires new technologies, and our engineers in the aerospace and defense business and the Network Services Business will work together to develop them.

Questioner C

Q: There has been an increasing focus on cybersecurity recently. Does this represent a significant business opportunity for NEC?

A: We have advanced technologies and expert resources, and we provide specialized cybersecurity solutions, such as cyberattack diagnostic services. Recently, cyberattacks on Japanese society have been increasing, and we believe this is a significant business opportunity for NEC.