NEC IR Day 2025 – National Security Q&A

Date/Time: Thursday, November 13, 2025 10:35-11:35 JST
Format: Live online streaming from NEC Headquarters, Tokyo
Presenters: Masakazu Yamashina, Corporate Senior Executive Vice President and Co-COO (Executive Officer)
Hiroyuki Nagano, Corporate Executive Vice President (Executive Officer), President of Aerospace and National Security Business Unit

Questioner A

Q: Could you please explain what government support you receive for the submarine cable business and how it contributes to expanding your market share?

A: I will refrain from providing specific details. There is a nationwide initiative to support the submarine cable business. For example, we receive assistance for owning cable-laying ships, which are in tight supply globally, as well as support for developing world-class technologies we possess, such as multi-core fiber.

Q. The market share of the defense business appears to be increasing. I also expect that the investment ratio in fields in which NEC excels may rise over the next five years. If, for example, the government were to double its budget, could NEC increase its market share even more?

A: The Ministry of Defense is currently focusing most on space, cyber, and electromagnetic warfare. NEC excels in all of these areas. Capturing demand in these fields is important, and if the government prioritizes investment in them, I believe that NEC could increase its market share.

Questioner B

Q: I understand that the Ministry of Defense has a policy of purchasing from 2 companies. Could you please tell us how NEC will increase its market share?

A: NEC has built a system that combines IT, networks, and sensors to ensure reliable data exchange. Therefore, we believe that we are in a very strong position.

Q: Could you please discuss NEC's intent to own submarine cable-laying ships and the associated cost burden?

A: For example, competitors own 9 or 10 ships and are further increasing their numbers. We also intend to own such ships. Until now, we have relied on charter ships, but we estimate that we will need up to around 5 ships over the next 5 years. The backdrop is that the added value in the submarine cable business has shifted from simply supplying cables and equipment to providing everything in an integrated manner. Relying on charter ships reduces our capability in the most

critical construction work, weakening our competitiveness. That said, if we own ships, we must ensure a sufficient utilization rate or we will incur losses, making this a very difficult management challenge. From here on, we intend to take on the challenges of this area.

Questioner C

Q: In the defense business, how much potential does NEC have to pursue high profitability and returns, and how does it plan to achieve this?

A: Until several years ago, an upper limit had been set for profit margins, and margins on developed products were around 5% to 7%. If we exceeded the upper limit, we returned the excess under contracts that included an excess-profit return clause. Profit margins were so low that many companies were considering withdrawing from the business, and in response to major companies actually exiting, the Ministry of Defense changed its policy several years ago. Although strict conditions remain, profit margins of 10% plus an additional 5%, for a maximum of 15%, are now permitted. NEC has begun to achieve profit margins exceeding 10%.

That said, many companies in the U.S. generate profit margins of around 20%, and we intend to continue to convey our wishes for profit margins to be raised to comparable levels. Since certain offerings for the civil sector can generate profit margins of 20% to 30%, we will also improve profits by applying technologies developed in the defense sector to the civil sector through dual use.

Questioner D

Q: Please discuss NEC's involvement in satellite constellations. Will there be no major contributions for the next few years, with more business opportunities emerging once operations begin in 2030 onward? What kinds of investments are you now making toward that end? Also, I believe this will also lead to private-sector space business. Could you please share your outlook for that area as well?

A: It is true that we regard this area as a major pillar, but we are not at a stage where we can make an announcement. We are currently considering what kinds of initiatives we should undertake for the future. Specifically, although mainstream optical terminals currently operate at 2.5 Gbps, if we start making 2.5 Gbps devices now, we will fall behind the competition. We therefore aim to develop 100 Gbps devices in a few years and are currently conducting optical communication experiments in phases. We expect optical communication networks to be realized from FY2030 onward, and we hope to be able to contribute when that time comes. In addition, we are also considering dual use. Satellite constellations are not only for Japan but can be used in countries on the opposite side of the globe, so we believe that it will be necessary to formulate a large-scale vision in cooperation with Europe and the U.S.

Next, the important issue is how satellite constellations will be used and how they will generate earnings. Together with various companies, including banks and electric utilities, we are exploring new businesses for the period after satellite constellations are realized. Rather than simply building satellite constellation infrastructure, it is essential to consider how it will be used and how it will generate earnings.

Q: The Japanese government has announced that it aims to strengthen cybersecurity not only within ministries and agencies but also on a nationwide level. There are also human resource shortages. What kind of support will the government provide?

A: New laws are being established, such as the Active Cyber Defense (ACD) Act. These are government-led initiatives, and I believe that 257 private-sector companies are currently subject to them. However, almost all these companies still have vulnerabilities in their cybersecurity. We have established an organization that enables these companies and NEC to work together and consider these issues, and we have also set up a new Security Operation Center (SOC) in Kawasaki. At a level that far exceeds government standards, we are developing a mechanism that allows us to survive even when attacked, while fully understanding the very high standards required of both companies and the government, and working together to protect them.

In terms of human resources development, while we are recruiting externally, we have also established internal training frameworks and are making use of alliances. While forming alliances with other companies, NEC intends to take the lead in protecting Japan.

Questioner E

Q: With respect to dual use, could you tell us about the areas where you can target high profit margins as well as your track record in those areas?

A: For example, we have repurposed the foundational technology used in highly complex radar systems developed for the Ministry of Defense for civilian use, and this technology has been rolled out to the Civil Aviation Bureau and other entities. In cybersecurity as well, although profit margins for Ministry of Defense projects are fixed, there are cases in the civil sector in which profit margins have become very high, even if the monetary scale is small. In addition, with respect to the satellite constellations mentioned earlier, we will consider ways to secure high profit margins in dual-use applications.