

# Global Business

September 16, 2021

Akihiko Kumagai, Senior Executive Vice President

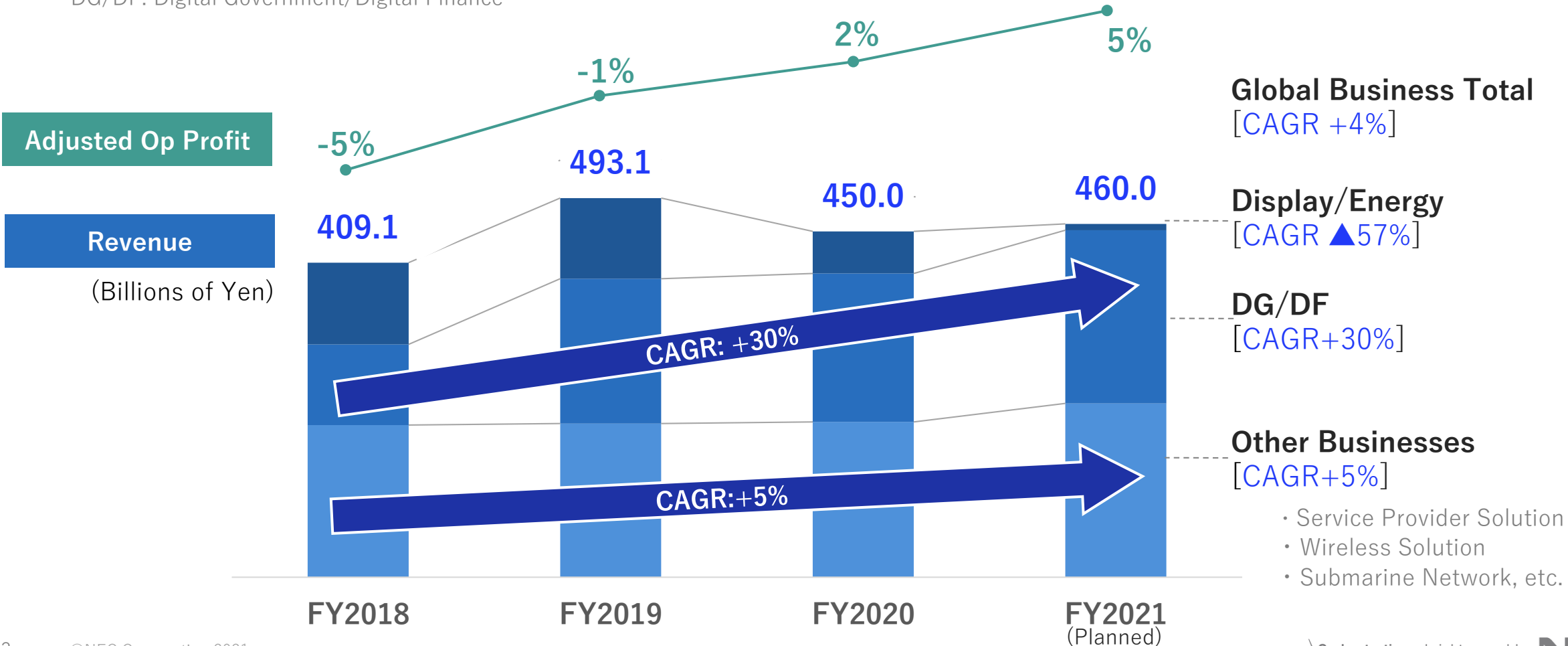
# \Orchestrating a brighter world

NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.

# FY2018-FY2021 Results & Outlook

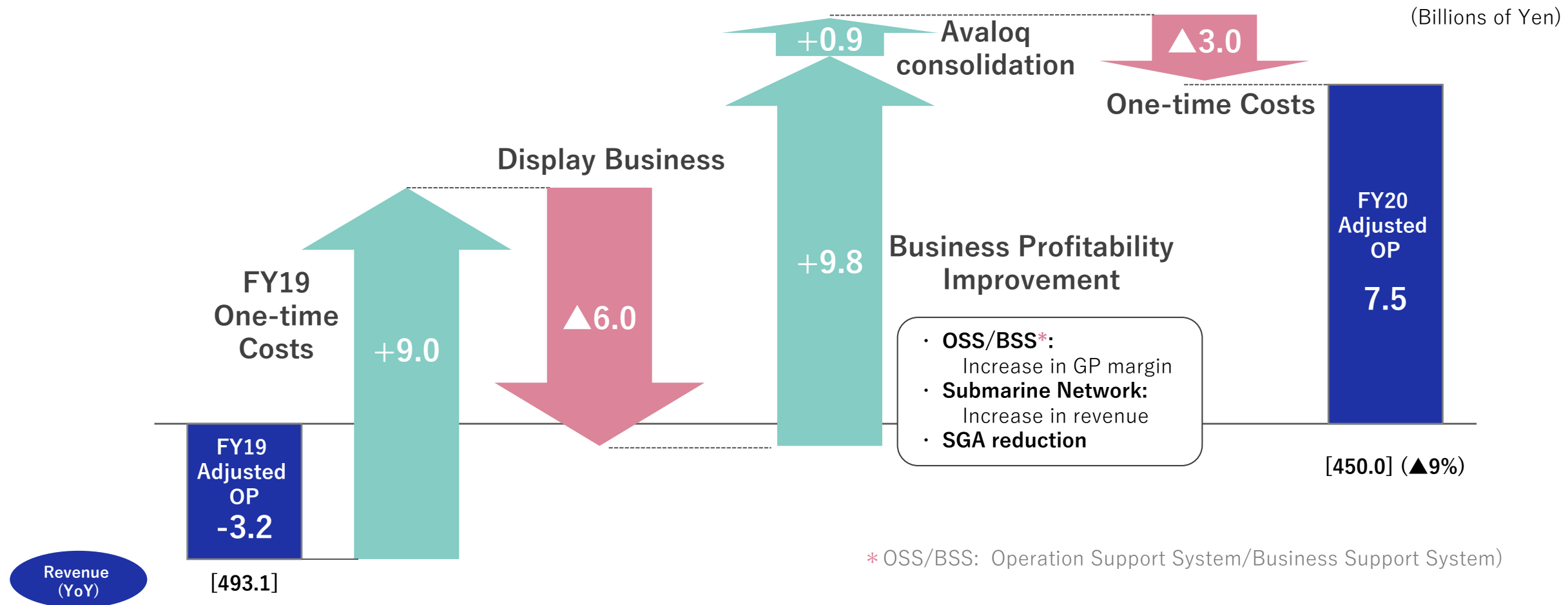
- Plan to grow DG/DF\* by +30% CAGR and other businesses by +5% (excl. Display / Energy Business)
- Improved profitability through portfolio changes. Achieved positive profit in FY2020

\* DG/DF: Digital Government/Digital Finance



# FY2020 Results

Display business profit fell sharply due to Covid-19 and increased competition. Surplus achieved through SGA reduction and improved profitability in Service Provider Solution and Submarine Network business



# FY2020 Summary

## Completed business portfolio changes, built strong foundation to achieve Profitable Growth

### Key Achievements

#### ■ Investment in Growth Business

- Acquisition of Avaloq and completion of PMI 100-day plan
- Expansion of submarine cable production capacity
- Software development for OSS/BSS cloud

#### ■ Improved profitability

- Sale of Display business and wind down of Energy business
- Reduction of SGA across all businesses and regions

⇒ **Achieved positive profit in a tough Covid-19 environment**

### Challenges

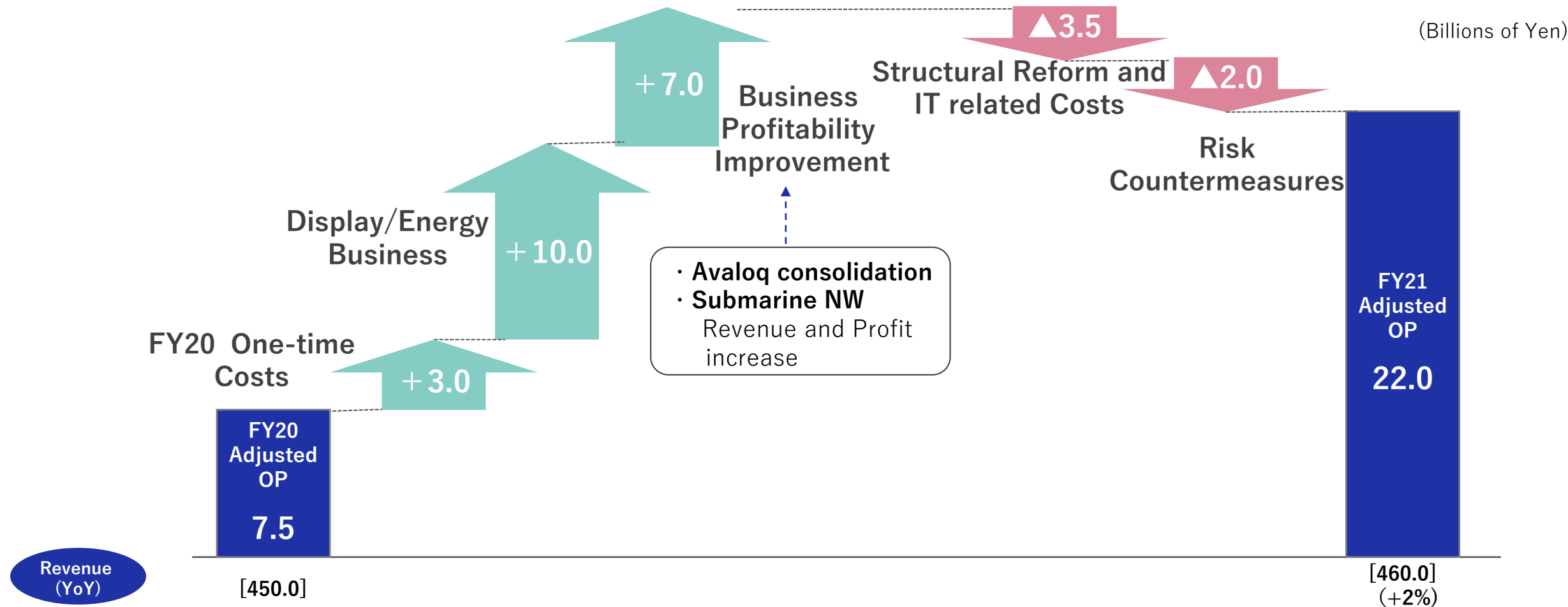
#### ■ DG/DF: Maximization of synergies (acceleration of global expansion)

#### ■ Submarine NW: Strengthen business operation capability (implement several large-scale projects simultaneously)

#### ■ Wireless: Break away from volume-dependent profitability model

# FY2021 Outlook

Target 5% operating profit through Avaloq consolidation and improvement of Submarine Network business profitability



# FY2021 Business Strategy (including Mid-term Management Plan)

## Growth Domains

### ■ DG/DF:

- Acceleration of synergy (global expansion and cost reduction)
- Acceleration of organic growth (continuous investment in focused area)

### ■ Submarine Network:

- Market share expansion through projects in Americas and Atlantic
- Continuous investment for technical differentiation(shift to multi-core), production facilities and human resource expansion

## Base Domains

### ■ OSS/BSS:

- Shift to cloud-based business
- Collaboration with Global 5G Open RAN business

### ■ Wireless:

- Focus on high margin and consistent profitability (promotion of high value-add and paid services)
- Enhancement of millimetre wave product line-up (preparation for increased transmission volume coming from shift to 5G)

# Mid-term Management Plan

## FY2025 Numerical Targets

Revenue  
CAGR  
(FY20-FY25)

Approx. **4 ~ 5**%

Adjusted  
Operating  
Profit

Approx. **10 ~ 11**%

- Focus on IT Solutions and Telecommunications
- Become a Truly Global Company

■ Invest in focused growth segments  
(to become the Thought Leader)

- Digital Government/Digital Finance
- Submarine Network

■ Improve Profitability of Base Business  
(to strengthen service business)

- Service Provider Solution (IP/Optical, OSS/BSS)
- Wireless

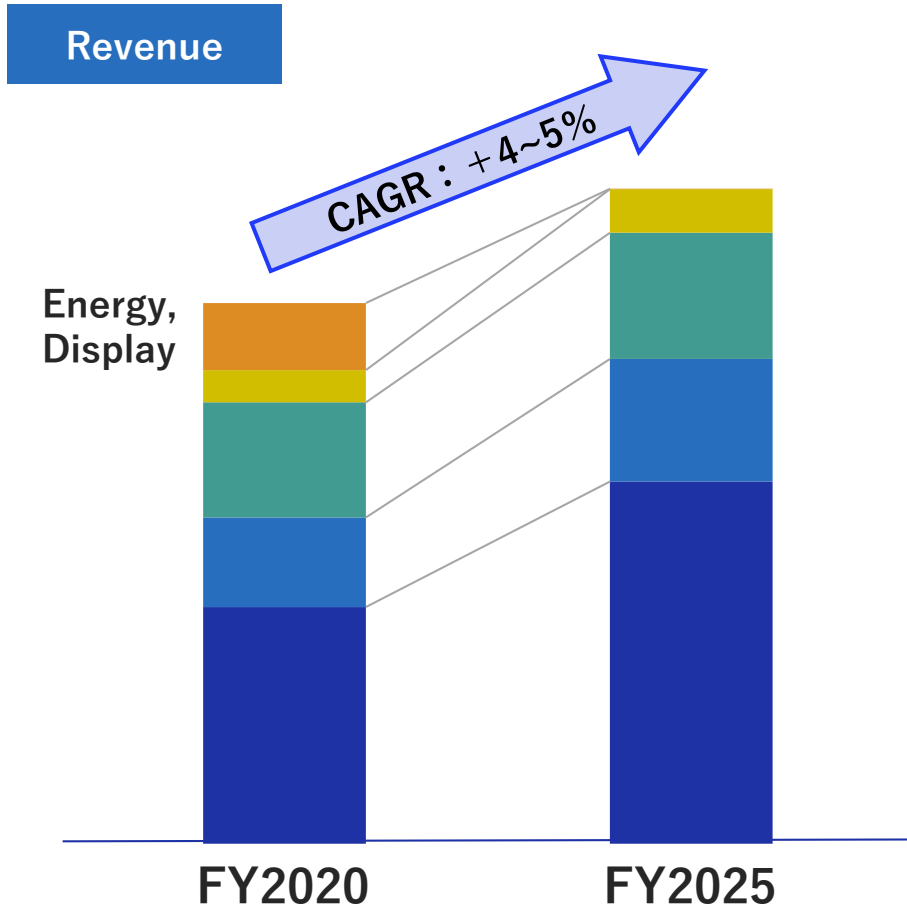
■ Globalization

(to transform organization and culture)

- Optimal distribution of global functions
- Global HR and IT strategy, organizational culture reform



# FY2025 Numerical Targets Image



	Revenue CAGR	FY2025 OP Margin*1	OP Margin*1 Improvement
Wireless	5 ~ 7%	4~6%	Medium
Service Provider	1 ~ 3%	11~13%	Small
Submarine Network	5 ~ 7%	10~12%	Small
DG/DF (financial reporting basis)	9%	12%	Large
Global Biz. Overall	4~5%*2	10~11%*3	

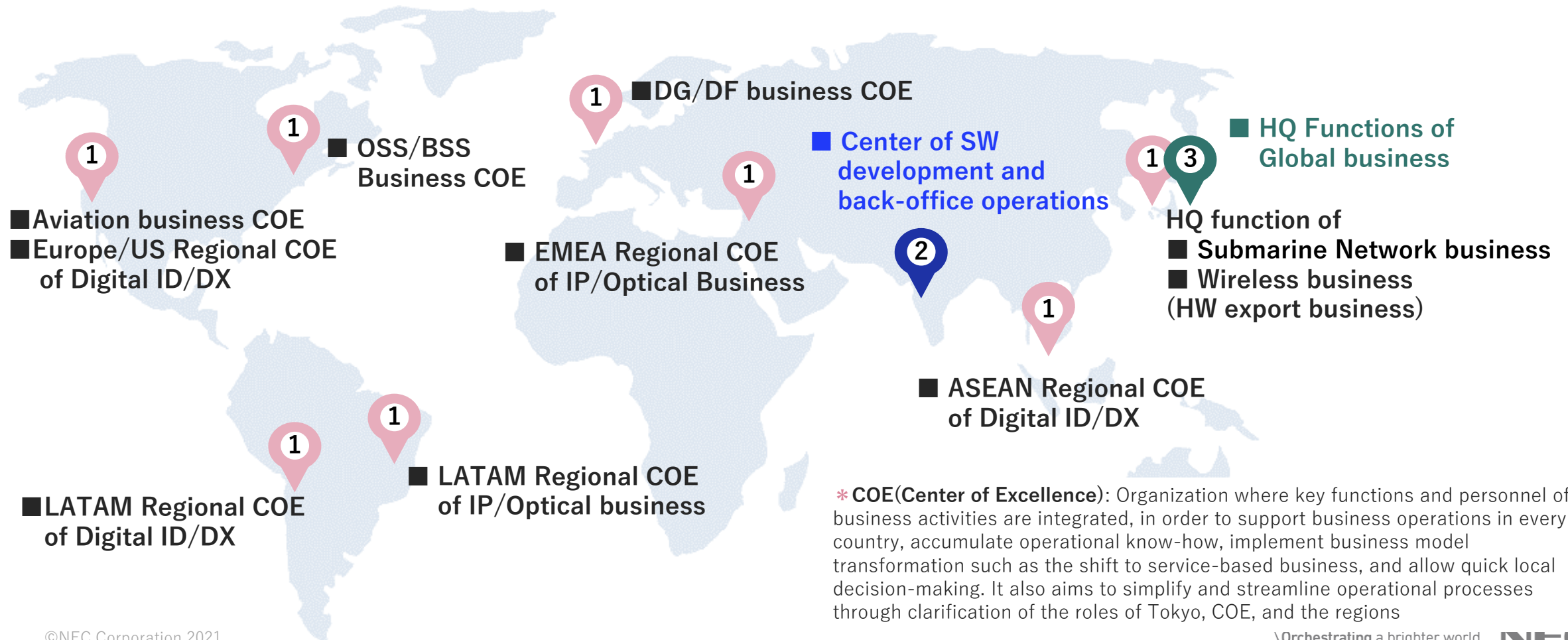
\*1: Adjusted Operating Profit Margin

\*2: including reduced portion in Energy and Display

\*3: including expenses shared among global BU

# Optimal Distribution of Global Functions

1. Optimal distribution of COE\* functions in Japan and overseas to best meet business demands
2. Centralized Software development and back-office operations in India
3. Global HR strategy/ global IT strategy led by Japan HQ



# Global HR Strategy

## Build an organization that can win globally

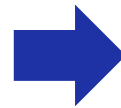
Implement Global HR strategy & policy formulated last year in accordance with the new business strategy

Maximize capabilities of organizations and talents globally



### Current status in 2021:

- Globalization of the leadership team
- Understanding local needs and quick execution
- Enhancement of motivation of global employees



- Ratio of non-Japanese in GM positions: 28%, +10pts
- COEs established in various global locations
- Formed Global Communications Group
- Renewed leadership training program
- Engagement score\*: 54, +5 pts

# Summary

## Establish business that can win globally

### 2018–2020 MTP: **Fix & Build**

Turned to positive profit, implemented M&A, changed business portfolio, established a strong foundation

### 2021–2025 MTP: **Profitable Growth & Globalization**

Become a highly profitable business focusing on growth segments, leveraging technology and globalization

\Orchestrating a brighter world

**NEC**