Global Business

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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

Adjusted Op Profit

Revenue
(Billions of Yen)

Adjusted Op Profit

Revenue
(Billions of Yen)

Global Business Total
[CAGR +4%]

Display/Energy
[CAGR ▲57%]

DG/DF
[CAGR+30%]

Other Businesses
[CAGR+5%]

- Service Provider Solution
- Wireless Solution
- Submarine Network, etc.
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.

Display Business

FY19
One-time Costs
+9.0
▲6.0
FY19 Adjusted OP
-3.2

▲6.0

Business Profitability Improvement

One-time Costs
▲3.0

OSS/BSS*: Increase in GP margin
Submarine Network: Increase in revenue
SGA reduction

Avaloq consolidation
+0.9

FY20 Adjusted OP
7.5

[450.0] (▲9%)

* OSS/BSS: Operation Support System/Business Support System
## 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**
Target 5% operating profit through Avaloq consolidation and improvement of Submarine Network business profitability

- FY20 Adjusted OP: 7.5
- FY21 Adjusted OP: 22.0

- Display/Energy Business Improvement: +10.0
- Structural Reform and IT related Costs: ▲3.5
- Risk Countermeasures: ▲2.0

FY20 One-time Costs: +3.0

Revenue (YoY): [450.0] (Billions of Yen)

FY21 Adjusted OP: [460.0] (+2%)
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**
- Invest in focused growth segments (to become the Thought Leader)
  - Digital Government/Digital Finance
  - Submarine Network

**Become a Truly Global Company**
- 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**

- **Energy, Display**
  - FY2020: [Graph]
  - FY2025: [Graph]
  - CAGR: +4~5%

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

*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

*COE(Center of Excellence): Organization where key functions and personnel of business activities are integrated, in order to support business operations in every country, accumulate operational know-how, implement business model transformation such as the shift to service-based business, and allow quick local decision-making. It also aims to simplify and streamline operational processes through clarification of the roles of Tokyo, COE, and the regions.
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

<table>
<thead>
<tr>
<th>Best Talents</th>
<th>Borderless Organization</th>
<th>Global Growth Opportunities</th>
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<tbody>
<tr>
<td>Best talents in the right places worldwide regardless of nation of origin</td>
<td>Overcome organizational and national barriers and make the most of organizational capabilities as One Global Team</td>
<td>Opportunities for career development open to anyone from anywhere in the world</td>
</tr>
</tbody>
</table>

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

Current status in 2021:
- 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

* Survey results by Kincentric
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