Acquisition of
UK-based IT Services Company
Northgate Public Services
-Accelerating the expansion of global safety business -

Takashi Niino
President and CEO (Representative Director)
NEC Corporation
January 9, 2018
NEC brings together and integrates technology and expertise to create the ICT-enabled society of tomorrow.

We collaborate closely with partners and customers around the world, orchestrating each project to ensure all its parts are fine-tuned to local needs.

Every day, our innovative solutions for society contribute to greater safety, security, efficiency and equality, and enable people to live brighter lives.
Outline of today’s announcement

1. Expansion of NEC’s safety business
   - Expansion of domain to include safety & security, efficiency & equality
   - New business model based on three platforms

2. Acquisition of UK-based IT services company catering to the public sector, Northgate Public Services
   - Overview of Northgate Public Services (NPS)
   - NPS’ strengths

3. Towards further growth of NEC’s safety business
   - Synergy between NPS and NEC
   - Further growth of NEC’s safety business
1. Expansion of NEC’s Safety Business

- Expansion of domain to include safety & security, efficiency & equality
- New business model based on three platforms
Expand global safety business to become a pillar of NEC growth

Shift to business model with high profitability and sales growth

Development and reinforcement of platforms that are fit for horizontal deployment

Approx. 100B JPY (FY2017)

1st step: Acquisition of NPS

International

Domestic
Safety business that provides “safety & security”

Business expansion based on Biometrics (Bio-IDiom)

- Criminal fingerprint matching
- Watch list face recognition
- Immigration Control
- Urban surveillance

- Fingerprint
- Face
- Palm print
- Iris
- Voiceprint
- Otoacoustic

- National ID
- Driver’s license
- Police, public safety, judiciary
- Trains, buses
- Airports
- Safety
- Security
- Cities
Safety business that provides “safety & security”

Business expansion based on Biometrics (Bio-IDiom)

Deployment of more than 700 systems in 70+ countries over 40 years
Safety business that provides “safety & security”

Business expansion based on Biometrics (Bio-IDiom)

- Criminal fingerprint matching
- Watch list face recognition
- Immigration Control
- Urban surveillance

Biometric technologies:
- Fingerprint
- Face
- Palm print
- Iris
- Voiceprint
- Otoacoustic

Applications:
- Police, public safety, judiciary
- Trains, buses
- Airports
- Safety
- Security
- National ID Driver’s license
- Cities
Expand scope of safety business to "safety, security, efficiency & equality"

Biometrics (Bio-IDiom) + AI technologies

Provide advanced safety solutions

- Criminal fingerprint matching
- Watch list face recognition
- Immigration Control
- Urban surveillance
- Fingerprint
- Face
- Palm print
- Iris
- Voiceprint
- Otoacoustic

Prevention of identity theft
- National ID
- Driver's license
- Police, public safety, judiciary

Detection of fraud
- Educational institutions
- Government agencies

Trends analysis
- Events prediction

Realize a safe & secure + efficient & equal society
- Safety
- Security
- Efficiency
- Equality

- Healthcare Services
- Public housing
- Cities
- Educational institutions
- Government agencies
- Healthcare Services
- Public housing
- Cities
- Educational institutions
- Government agencies
- Healthcare Services
- Public housing
- Cities
New business model based on three platforms

Shift into a ‘software + service’ business model that combines horizontally deployable software (platforms) in addition to individual SI-based services.

Common business platform
Horizontally deployable common business functions

Analysis platform
Analysis of data, future forecasts

Data platform
Collection and integration of data

Bio-IDiom
NEC the WISE

Payment, collection
Event management
Asset management
Maintenance
Operations control

Police
Tax
Public housing
Healthcare
Airports
Transport
Education

In-house data
Open data
Purchase data
2. Acquisition of UK-based IT services company catering to the public sector, Northgate Public Services

- Expansion from the digitally advanced UK to the global market
- Overview and strengths of NPS
Global trend in digitalization of governments

UK
No. 1 digitally advanced nation*
Improvement of convenience and reduction of costs through visualization of administrative costs and bringing services online

Establish safety solutions in the UK

Roll out to Commonwealth countries
Similar legal systems, also digitally advanced
(Digitally advanced nations*: No. 2, Australia; No. 4, Singapore)

Significance of NPS acquisition

Establish ‘safety solutions’ and ‘business models’ in the digitally advanced UK. Roll out to global markets focusing on Commonwealth countries.

Reinforce by acquisition

Advanced solutions and global deployment capability

- Robust customer base
- Common business platforms
- Delivery resources

- Biometrics (Bio-IDiom)
- Analytics
- AI technologies
- Global deployment capability
### Achieved high profitability in business catering to UK public sector
No. 7 share in local government market in UK

<table>
<thead>
<tr>
<th>Company name</th>
<th>Northgate Public Services Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Head Office: UK (Hertfordshire)</td>
</tr>
<tr>
<td></td>
<td>Branch Offices: UK, Australia, India</td>
</tr>
<tr>
<td>No. of employees</td>
<td>Approx. 2,000</td>
</tr>
<tr>
<td>Business outline</td>
<td>Proprietary software &amp; services for the public sector</td>
</tr>
<tr>
<td>CEO</td>
<td>Stephen Callaghan</td>
</tr>
<tr>
<td>Business performance</td>
<td>• Sales: GBP 163.5M (April 2017)</td>
</tr>
<tr>
<td></td>
<td>• EBITDA margin: 21.5%*</td>
</tr>
<tr>
<td>Total consideration</td>
<td>GBP 475M</td>
</tr>
</tbody>
</table>

*Underlying EBITDA (EBITDA before non-recurring items)
**Police solutions business**

Robust customer base and common business platforms

- **Criminal case management platform**
  - CONNECT
  - U.K Share: **29%**

- **Automatic number plate recognition system**
  - Falcon-i
  - Reads **47M plates/day**

- **Penalty notice processing system**
  - PentiP
  - Processing of fines **£ 120M/year**
Central and local government solutions business

No.1 share in UK for tax collection and social security payment solutions

Usage share of NPS’ tax collection and social security benefit payment solutions

45% of local governments

Exclusive provider

Road user levy collection system applied to heavy goods vehicles (non-UK registered) by the Department for Transport

- Licensing management system
- Document management system
- BPO/ITO
Public housing solutions business

No.1 share in UK for housing management solutions

Usage of NPS solutions

Approx. 200 companies

2M households

Housing management solution platform

NPS Housing

Deployed to UK, Ireland, Canada, Australia, New Zealand
3. Towards further growth of NEC’s safety business

- Synergy between NPS and NEC
- Further growth of NEC’s safety business
Synergy between NPS and NEC

Generate synergy by combining NPS’ and NEC’s strengths

- Biometrics
  - Bio-IDiom
- Analytics
- Global deployment capability

Police
Central and Local Governments
Public Housing

Synergy Creation

© NEC Corporation 2018
Synergy: Biometrics

Enhance added value of applications for citizens offered by NPS through NEC’s biometrics technologies.
Synergy: Analytics

Realize safer lives for citizens through NEC’s biometrics technologies. Create new value for realizing equality among citizens, such as prevention of payment oversights.

Safety of citizens
- Police
- Facility management
- Disaster prevention

Citizen services
- Public housing management
- Payment, collection

NPS Customer Base

NEC Analytics
- Face recognition
- Behavior analysis
- Intrusion detection
- Profiling Across Spatio-Temporal Data
- Anomaly detection model

Authentication, analytics, and video platforms
Synergy: International business expansion leveraging NEC’s global deployment capability

Leverage NEC’s global deployment capability for the international expansion of reinforced common business platforms

Common business platforms

Police  Government  Public housing

North America  China, East Asia  APAC  Latin America  EMEA

Leverage NEC’s global deployment capability
Platforms to be acquired through the acquisition of NPS

Acquire common business platforms which utilize customer data

Common business platform: Horizontally deployable common business functions

Data platform: Collection and integration of data

Customer (police, government) data

Payment and collection
Event management
Asset management
Platforms to be acquired through the acquisition of NPS

Acquire common business platforms which utilize customer data

Create new added value by combining NEC’s analysis platforms

Common business platform
- Horizontally deployable common business functions

Analysis platform
- Analysis of data, future forecasts

Data platform
- Collection and integration of data

Customer (police, government) data

Payment and collection
Event management
Asset management

Bio-IDiom

NEC the WISE

Police
Tax
Public housing
Healthcare

Case data
Asset data
Tax collection, benefit payment data

northgate
The three platforms will be further enhanced going forward.

Common business platform
Horizontally deployable common business functions

Analysis platform
Analysis of data, future forecasts

Data platform
Collection and integration of data

Bio-IDiom
NEC the WISE

Customer data
XXX data
YYY data
Operations control data
Asset data
Case data
Tax collection, benefit payment data
Maintenance data
Further growth of NEC’s safety business

Sales expansion and profit improvement of global safety business

- **FY2020**
  - OP margin $\geq 5\%$
  - EBITDA margin $\geq 20\%$

**Advancement of safety business**

- Development and reinforcement of the three platforms through partnering/M&A
- First step: NPS acquisition

**Global deployment of platforms**
Summary of today’s announcement

1. Expansion of safety business domain
   (From safety & security to include efficiency & equality)

2. Creation of new business model through three platforms

3. Acquisition of Northgate Public Services to expand from digitally advanced nations to the global market

4. NPS’ strengths, synergy with NEC, advancement of NEC’s safety business

5. Achieve $\geq 5\%$ OP ratio and $\geq 20\%$ EBITDA ratio in global safety business in FY2020 through global deployment of platforms
Orchestrating a brighter world

NEC