NEC’s Global Safety Business

September 14, 2016
NEC Corporation
Senior Vice President
Masakazu Yamashina
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.
Business Overview
NEC Mid-term Management Targets

(Billions of Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2016/3 Actual</th>
<th>FY2019/3 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2,824.8</td>
<td>3,000.0</td>
</tr>
<tr>
<td>Operating profit</td>
<td>91.4</td>
<td>150.0</td>
</tr>
<tr>
<td>(Operating profit ratio)</td>
<td>3.2%</td>
<td>5%</td>
</tr>
<tr>
<td>Net profit</td>
<td>75.9</td>
<td>85.0</td>
</tr>
</tbody>
</table>

*Target figures are as of April 28, 2016*
Key Businesses in Mid-term Management Plan 2018

2018 Market Volume

<table>
<thead>
<tr>
<th>Business</th>
<th>2018 Market Volume</th>
<th>(Billions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety Surveillance, Cyber Security</td>
<td>IVS*: US$ 26B*</td>
<td>142.0</td>
</tr>
<tr>
<td></td>
<td>CS**: US$ 92B*</td>
<td>42.0</td>
</tr>
<tr>
<td>Global Carrier Networks</td>
<td>TOMS, SDN/NFV</td>
<td>120.0</td>
</tr>
<tr>
<td>Retail IT Services</td>
<td></td>
<td>160.0</td>
</tr>
<tr>
<td></td>
<td>SFN*</td>
<td>134.0</td>
</tr>
<tr>
<td></td>
<td>NFV*</td>
<td>210.0</td>
</tr>
</tbody>
</table>

*Estimated by NEC

*IVS: Intelligent video surveillance
**CS: Cyber Security

*Target figures are as of April 28, 2016
NEC Global Safety Business Domain

- Boarder control
- e-Gate solution
- Airport surveillance

- Access control
- Video surveillance

- Automated biometrics identification solution
- National ID

- Harbor surveillance
- Railway network systems
- Video surveillance

- Critical infrastructure

- Government agencies

- Harbors
- Railways
- Roads
- Police

- Airports

- Plant

- Municipalities

- City surveillance

- Traffic surveillance and control systems
Global Safety Business – by region (excl. Japan)

Sales by region (FY2016/3)

- Asia: 60%
- LATAM: 25%
- US: 10%
- Others: 5%

CAGR 18%

[Billions of Yen]

FY2014/3: 30
FY2015/3: 35
FY2016/3: 42
Global Safety Business –by solution

Identification
- Main Customer: Government Agencies (Police/Internal Affairs)
- Solutions: Forensic, Immigration and National ID systems supported by face recognition, fingerprint recognition and other technologies.

Video Surveillance
- Main Customer: Municipalities
- Solutions: City surveillance / video analysis system and services for monitoring illegal, suspicious or dangerous behavior

Sales by solution (FY2016/3)
Global footprint of biometrics solutions

700+ systems deployment in 70+ countries worldwide through 40 years of business development

- Fingerprint/ Face recognition systems for forensic
- Immigration system with fingerprint identification
- National ID system with deployment of multiple identification technologies
- Intelligent city surveillance through face recognition and behavior analysis
- Video Surveillance
- Integrated solutions to support international sports competition

Identification: Forensic
Identification: Immigration
Identification: National ID
Integrated Solutions

Argentina
Brazil
India
Singapore
U.S.
NEC Biometric Customers in North America

- Over 1/3 of US state police & law enforcement agencies deployed NEC biometrics solution
National ID system for India

Unique Identification Authority of India (UIDAI)

- World’s largest National ID program with over 1 Billion unique IDs
- Multiple biometrics technologies (Face, Fingerprint and Iris recognition)
  - Avoid duplication of applicants
Singapore Immigration Gate Control System

- Immigration control for daily approx. 70,000 persons
- Fingerprint identification technology
- Only 8 seconds or less per person for processing

Identification: Immigration

Fingerprint data

Fingerprint Recognition

Immigration Gate

Biometrics Recognition system

Immigration database
Tigre city in Argentina: City Surveillance

- **Video analysis solution to automate detection of illegal/suspicious/dangerous behaviors**
- **Customized function to meet customer requirement** (detect tandem riding, recognize vehicle registration number, etc.)
- **Recurring revenue**

Detect tandem ride of motor cycle. (possibly bag snatchers)

Monitor platform to alert when someone intrudes railway path
Business cases in Brazil

- **ICT infrastructure at Rio Galeão International Airport**
  IP Network, WiFi, PBX, CCTV, Access Control, Public Address, Fire Detection and Alarm, Flight Information Display

- **ICT infrastructure at aquatics center**
  (Fire detection, video monitor and sound systems for the facility)

- **Walk-through face recognition system trial**
  at “Japan House”, a media center
NEC demonstration for safety solutions at Japan Fair

- Face/Fingerprint Recognition
- Crowd Behavior Analysis
- Behavior Detection
- etc.

NEC Face Recognition system for video surveillance recognized President Uhuru Kenyatta and Prime Minister Shinzo Abe.

The crowd behavior analysis technology delivers alerts when predetermined threshold levels are exceeded.
World’s leading biometrics technology

Technology leadership proven by NIST* benchmark tests

**Face Recognition**

Awarded as winner at international vendor test in three consecutive competitions

- Multiple Biometric Grand Challenge 2009
- Multiple Biometrics Evaluation 2010
- Face Recognition Vendor Test 2013

**Fingerprint Recognition**

History of No.1 benchmark records

Summary of 2013 test Results

<table>
<thead>
<tr>
<th>Matching Error rate</th>
<th>Speed (Number of matches per second)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3%</td>
<td>100K</td>
</tr>
<tr>
<td>5%</td>
<td>1Mil</td>
</tr>
<tr>
<td>10%</td>
<td>3Mil</td>
</tr>
<tr>
<td>30%</td>
<td>100K</td>
</tr>
<tr>
<td>50%</td>
<td>1Mil</td>
</tr>
</tbody>
</table>

- Company(FR)
- Company(DE)
- Company(LT)
- University(CN)
- Company(US)
- Company(JP)
- University(CN)

NIST: National Institute of Standards and Technology
Safety Market and NEC’s Strategy
NEC’s addressable market

Safety ICT spending in target countries will be US$26B in 2018

Safety ICT budget in target countries amounts: US$26B

*Based on studies for CY2018 national budgets
Global business expansion – focus areas

Focus on Asia/Latin America/Middle-East & Africa markets

- **Middle-East & Africa**
  - India: Identification (National ID)
  - Singapore: Identification (Immigration)
  - Argentina: Video Surveillance
  - Brazil: Integrated Solutions

- **US**: Identification (Forensic)

- **Asia Pacific**
  - US: Identification (Forensic)
  - India: Identification (National ID)
  - Singapore: Identification (Immigration)

- **Latin America**
Mid-term business target

- **Focus on target areas:**
  - Asia/LATAM/MEA: high market growth

- **Enhanced Solutions**
  - Identification and video surveillance
  - Integrated solution
    - Prediction, AI

- **Partnership**

*Target figures are as of April 28, 2016*
Orchestrating a brighter world

NEC
Cautionary Statement with Respect to Forward-Looking Statements

This material contains forward-looking statements regarding estimations, forecasts, targets and plans in relation to the results of operations, financial conditions and other overall management of the NEC Group (the “forward-looking statements”). The forward-looking statements are made based on information currently available to NEC and certain assumptions considered reasonable as of the date of this material. These determinations and assumptions are inherently subjective and uncertain. These forward-looking statements are not guarantees of future performance, and actual operating results may differ substantially due to a number of factors.

The factors that may influence the operating results include, but are not limited to, the following:

- Effects of economic conditions, volatility in the markets generally, and fluctuations in foreign currency exchange and interest rate
- Trends and factors beyond the NEC Group’s control and fluctuations in financial conditions and profits of the NEC Group that are caused by external factors
- Risks arising from acquisitions, business combinations and reorganizations, including the possibility that the expected benefits cannot be realized or that the transactions may result in unanticipated adverse consequences
- Developments in the NEC Group’s alliances with strategic partners
- Effects of expanding the NEC Group’s global business
- Risk that the NEC Group may fail to keep pace with rapid technological developments and changes in customer preferences
- Risk that the NEC Group may lose sales due to problems with the production process or due to its failure to adapt to demand fluctuations
- Defects in products and services
- Shortcomings in material procurement and increases in delivery cost
- Acquisition and protection of intellectual property rights necessary for the operation of business
- Risk that intellectual property licenses owned by third parties cannot be obtained and/or are discontinued
- Risk that the NEC Group may be exposed to unfavorable pricing environment due to intensified competition
- Risk that a major customer changes investment targets, reduces capital investment and/or reduces the value of transactions with the NEC Group
- Risk that the NEC Group may be unable to provide or facilitate payment arrangements (such as vendor financing) to its customers on terms acceptable to them or at all, or risk that the NEC Group’s customers are unable to make payments on time, due to the customers’ financial difficulties or otherwise
- Risk that the NEC Group may experience a substantial loss of, or an inability to attract, talented personnel
- Risk that the NEC Group’s ability to access the commercial paper market or other debt markets are adversely affected due to a downgrade in its credit rating
- Risk that the NEC Group may incur large costs and/or liabilities in relation to internal control, legal proceedings, laws and governmental policies, environmental laws and regulations, tax practice, information management, and human rights and working environment
- Consequences of natural and fire disasters
- Changes in methods, estimates and judgments that the NEC Group uses in applying its accounting policies
- Risk that the NEC Group may incur liabilities and losses in relation to its retirement benefit obligations

The forward-looking statements contained in this material are based on information that NEC possesses as of the date hereof. New risks and uncertainties come up from time to time, and it is impossible for NEC to predict these events or how they may affect the NEC Group. NEC does not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Note: In this presentation, the accounting periods of the fiscal years for March 31, 2015 and 16 were referred as FY2015/3 and FY2016/3 respectively. Any other fiscal years would be referred similarly.