

Acquisition of a leading financial software company in Switzerland, Avaloq

- Powerful entry into the global digital finance market -

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October 5, 2020



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.

Outline of today's announcement

1. Powerful entry into digital finance market

- Digital finance market trends
- Entering global financial asset management market

2. Acquisition of a leading financial software company in Switzerland, Avaloq

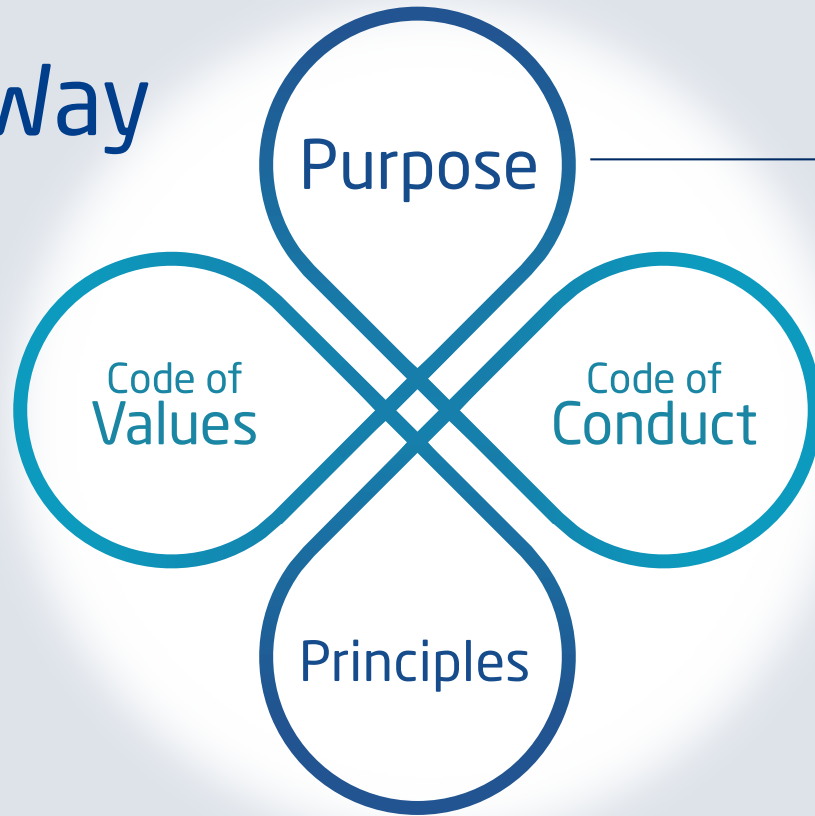
- Overview and strengths of Avaloq
- Strategic rationale of Avaloq acquisition

3. Becoming a top player in software businesses for the public sector

- Synergies with Avaloq
- Growth driven by both digital government and digital finance

1. Powerful entry into digital finance market

NEC Way



\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.

NEC's focus on digital finance for its significant contributions to the society and business

Digital finance market trends

Prolonged low-interest rate policy

- Slowing growth in conventional services

Progress of regulatory reforms

- Shift to open banking (API)

Development of digital technologies

- eKYC, AI, Blockchain, etc.

**Acquire new
revenue sources by
creating new
services**

**Prompt delivery
of new services**

Software utilization
(SaaS)

Data utilization and
external collaboration

Asset tokenization

API : Application Programming Interface
eKYC : electronic Know Your Customer
SaaS : Software as a Service

Powerful entry into digital finance through Avaloq

avalog



Financial asset
management

Loan, Lease

Digital Finance



Insurance

Securities

Banking



Government
agencies



Educational
institutions



Healthcare
services

Digital Government



Police, public safety,
judiciary



Public
housing

Promoting a safe, secure, fair, and efficient society

Entering global financial asset management market

Fields for strengthening the profitability of financial services in the future

Potential for growth in the flow from cash to operations

Digital fields

Advisory, tokenization, etc.
Compatibility with AI, blockchain, etc.

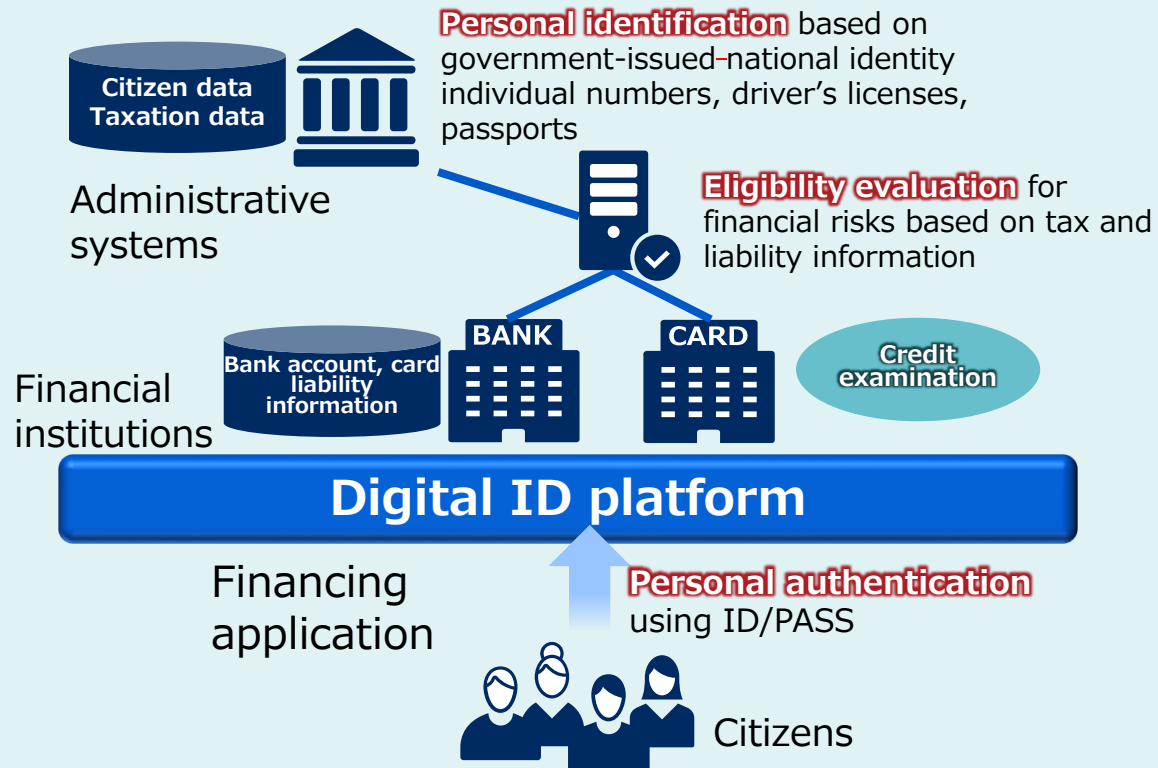
**NEC
Strength**



Market growth by expanding asset wealth management consultation and asset trading

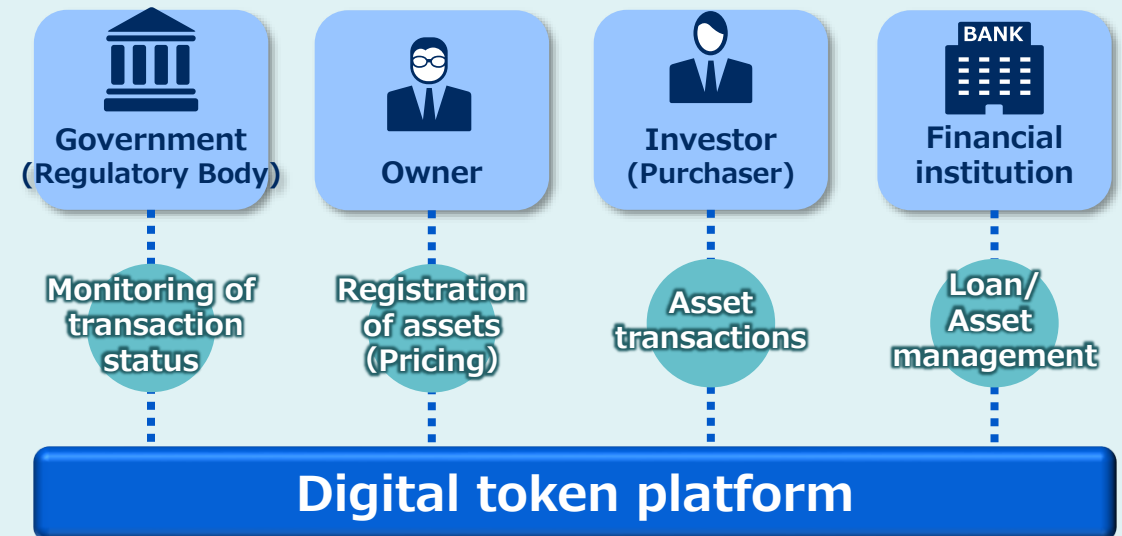
New innovations through digital IDs and digital tokens

Collaboration between government and finance through digital IDs



Collaboration between government and finance through digital tokens

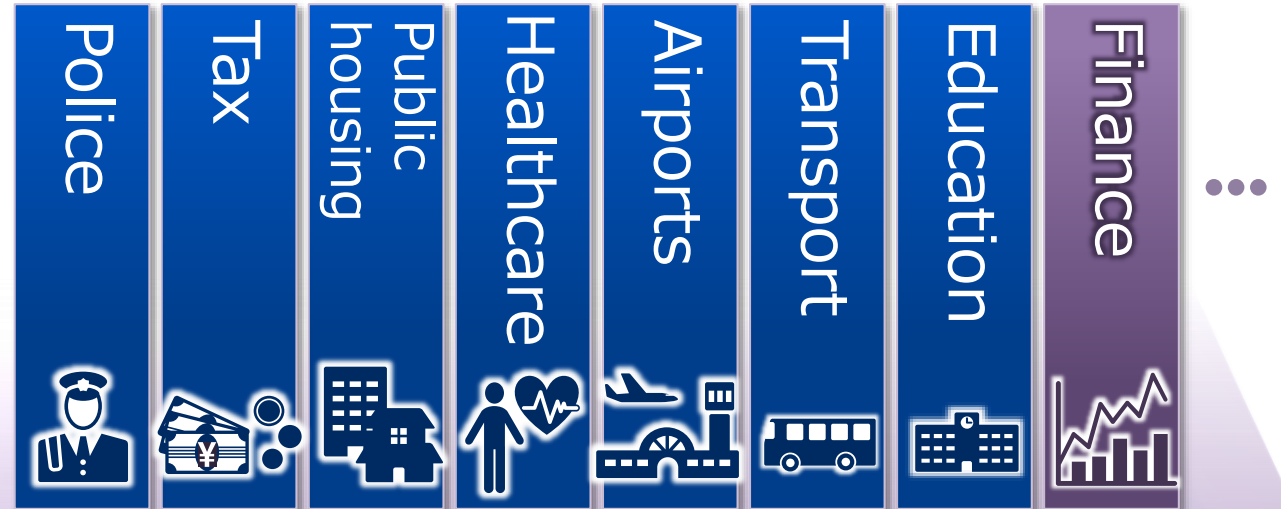
Real estate transactions and registration management through digital assets



Business development utilizing software platforms

Deliver digital technology such as biometrics, AI, and blockchain to global market with acquired software and domain knowledge in digital finance

Establish reference cases in developed countries as springboard for global development



Common Business platforms

Horizontal deployment of common business functions

Analysis platforms

Analysis of data, future forecasts



NEC the WISE



Bio-IDiom



Blockchain

Data platforms

Collection and integration of data



Data Utilization Platforms

2. Acquisition of a leading financial software company in Switzerland, Avaloq

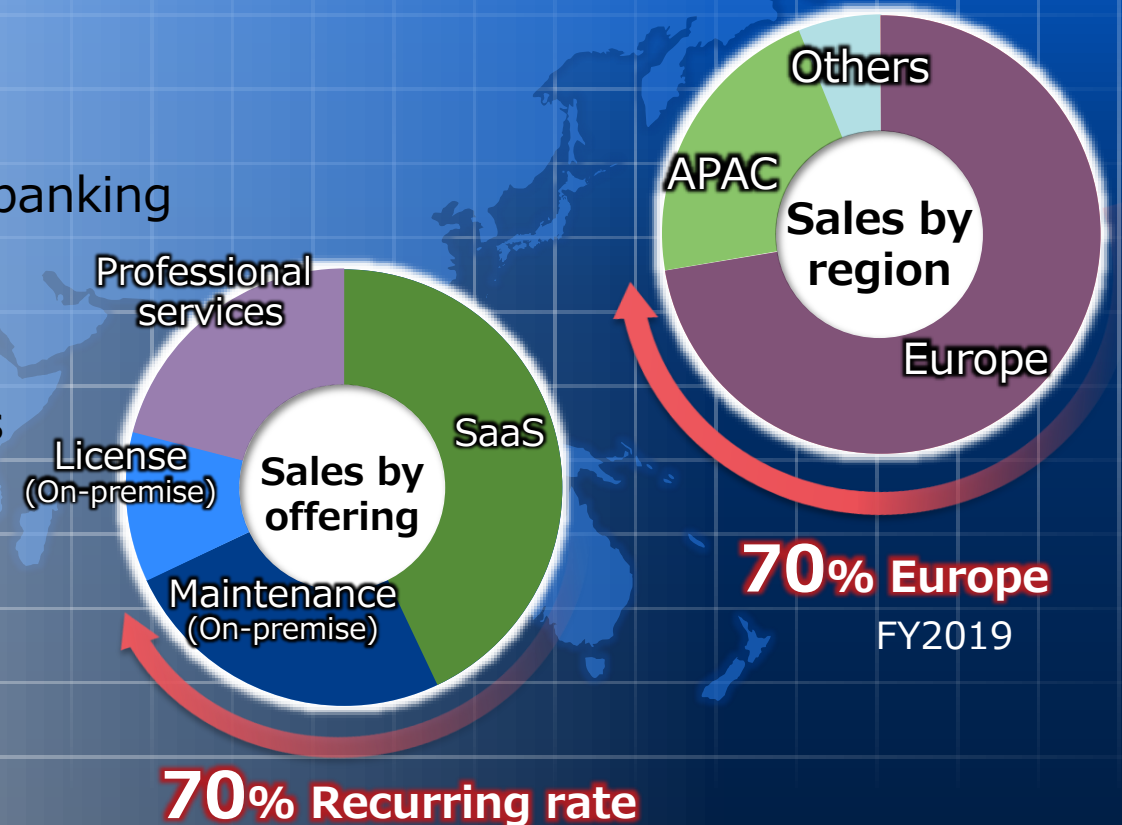
Overview of Avaloq and acquisition amount



**#1 share in Europe and #2 share in APAC
for financial asset management software**

Company name	Avaloq
Headquarters	Switzerland
No. of employees	Approx. 2,300
Business outline	Providing software and services for core banking systems/financial asset management
CEO	Jürg Hunziker
Business performance	<ul style="list-style-type: none">● Sales: Approx. 540 million Swiss francs (Approx. 61.5 billion yen; July 2020)● EBITDA margin: 16%*
Total consideration	2.05 billion Swiss francs (Approx. 236 billion yen)

* EBITDA (excluding non-recurring items) ● 1 Swiss franc = 115 yen



Key strengths of Avaloq

Value-added digital products and core banking systems



Core banking systems underpinning bank services

- Used by more than 150 financial institutions in 30 countries
- Strength in financial asset management
- Highly regarded for stable operations, high quality, cloud support, multi-countries support and scalability



Personalized advisory

- Asset management advice optimized for each user
- Recommendations based on data analysis in collaboration with external institutions
- Excellent UX that also supports autonomous operations



Communication in response to customer needs

- Mobile chat with experts
- Real-time information notification through collaboration with messaging app
- Supports auditing

Proactive incorporation of the latest technologies

Technology introduction through strategic partnerships



Digital identity verification (eKYC)



Blockchain



Cybersecurity



Biometrics

Strategic rational for the Acquisition



Robust customer
base

Platform for Digital
finance

Data analytics
solutions

Reinforced by acquisition

Acquire a platform in Europe, advanced regions for digital finance.
Lead digital government x digital finance sector
in Europe, Japan, and around the globe.

Advanced solutions, global deployment capability



Biometrics



Analytics



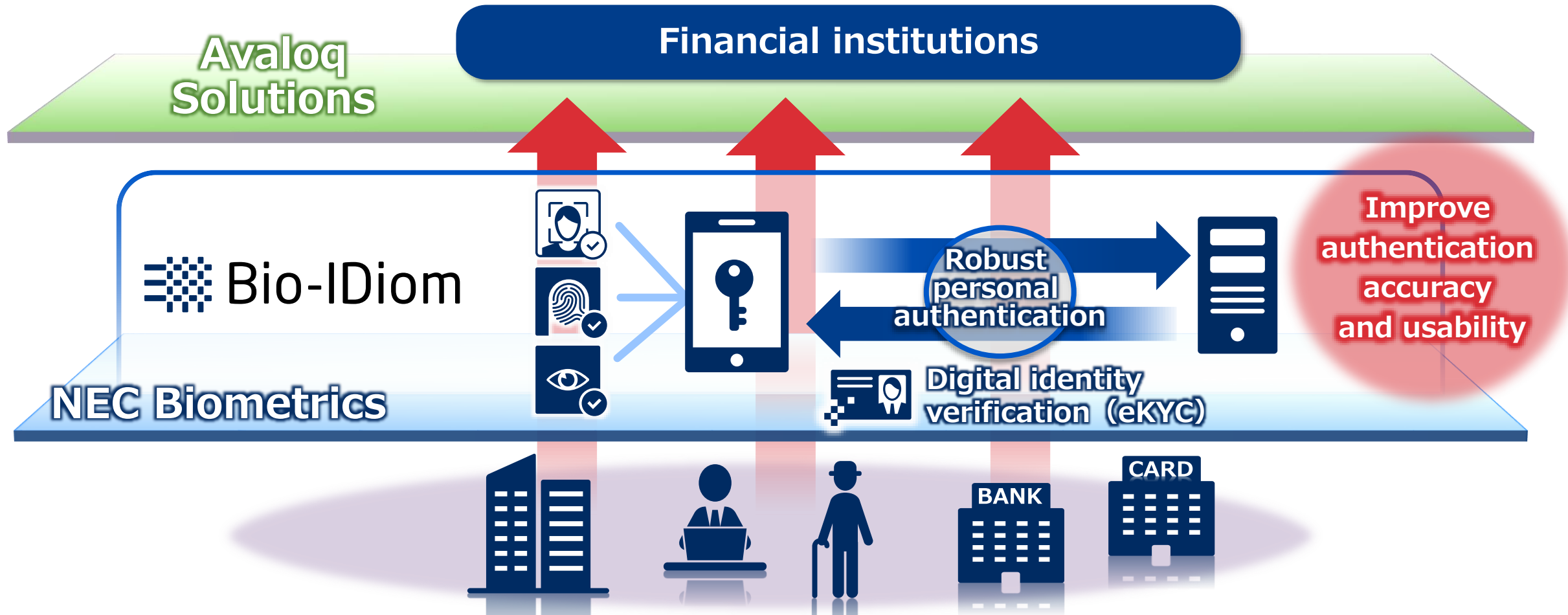
Blockchain

Global
deployment
capability

3. Becoming a top player in software businesses for the public sector

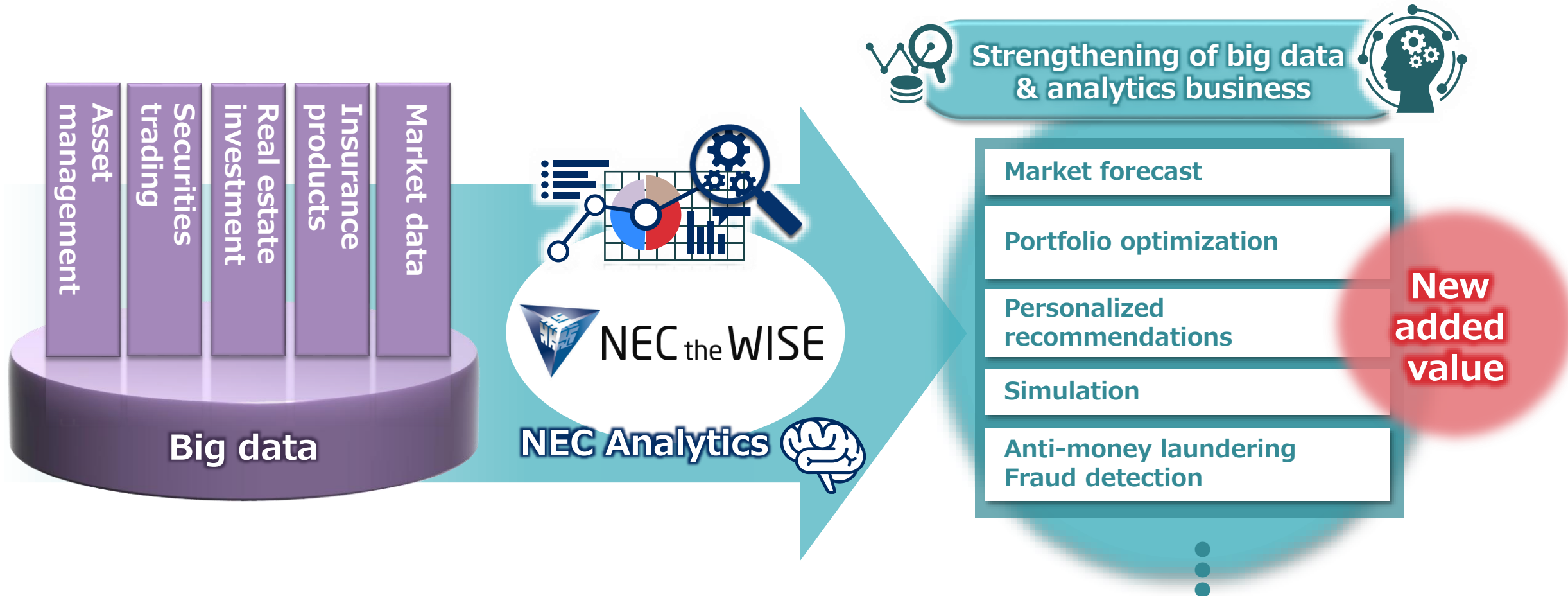
Synergy ①: Biometrics

NEC biometrics technologies help create solutions with the added value of enhanced safety and security for financial institutions requiring robust security.



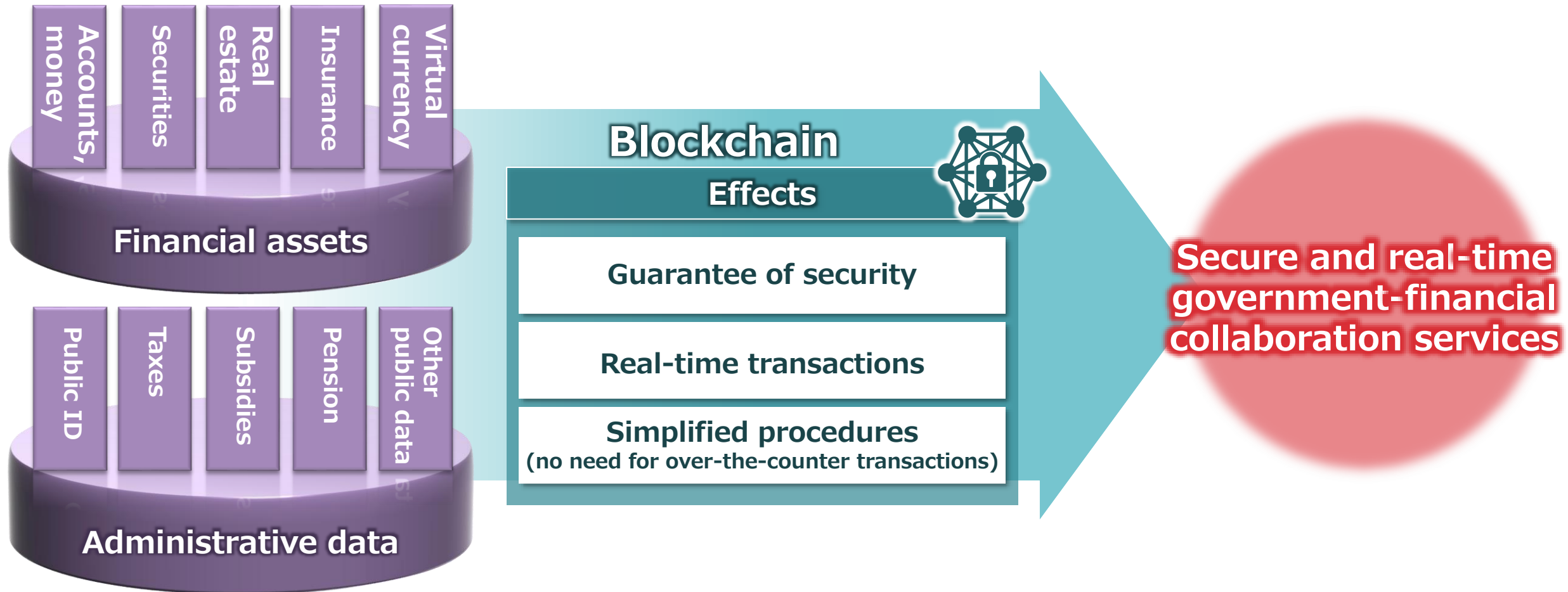
Synergy ②: Big Data & Analytics

Offer new added value to customers by combining Avaloq's sophisticated advisory offerings and NEC the WISE



Synergy ③: Government-financial collaboration services through blockchain

Develop administrative and financial data as digital assets using NEC's blockchain technologies to offer safe, secure, and convenient services in real time.



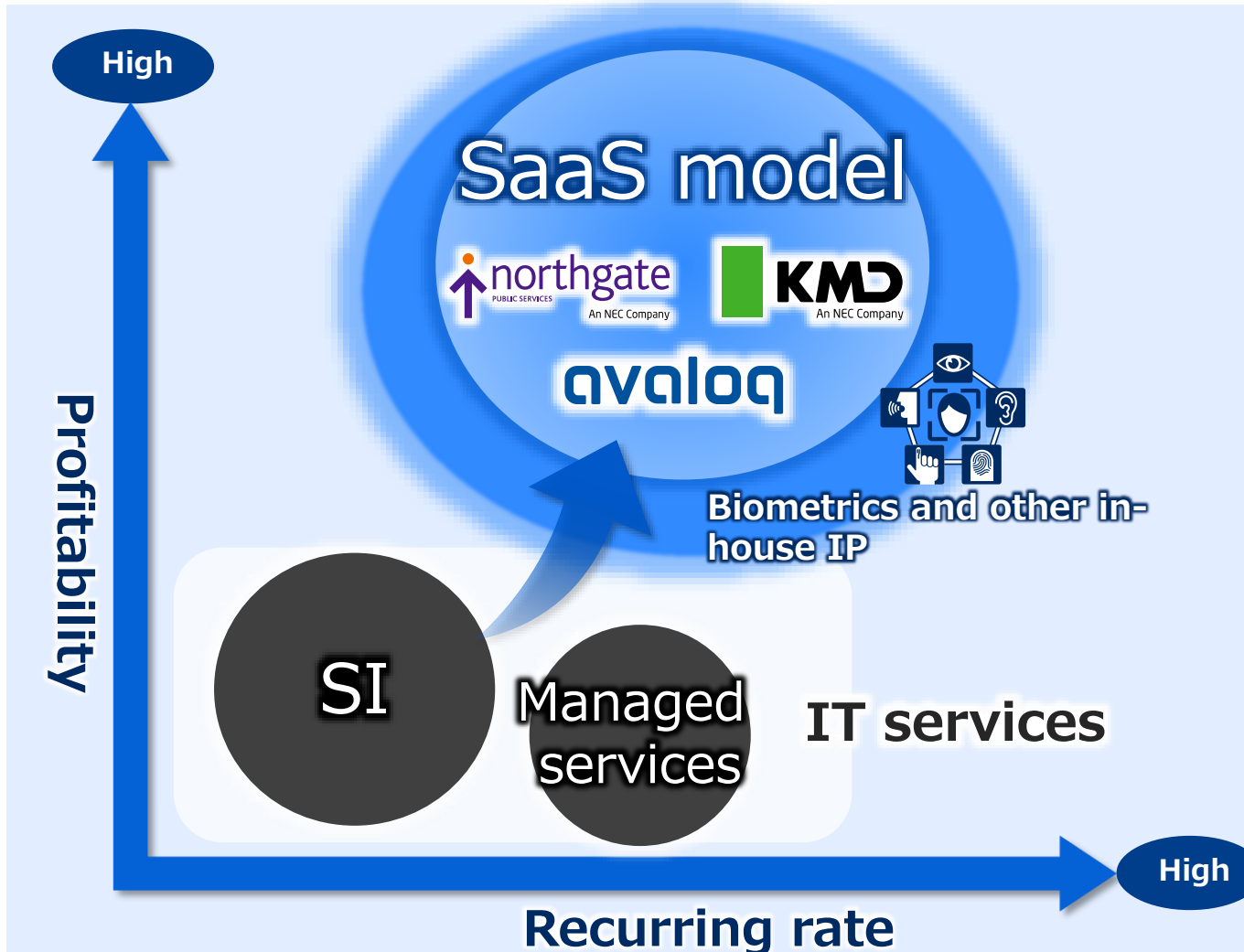
Synergy ④: Upsell opportunities for Avaloq software through NEC and KMD

Expand business in Japan, APAC and the US by leveraging NEC's customer base, and acquire customers in Northern Europe through KMD (Banqsoft).



Global development through SaaS business

Focus on scalable businesses with high customer value and aim for improvement in profitability.





- Global deployment with SaaS model as the core business
- Shift from IT services to SaaS model
 - Leverage NPS*, KMD and Avalog assets
 - Offer new customer experience using biometrics and other in-house IP (Aviation, etc.)

※:Northgate Public Services

SI : System Integration

Progress on the previous cross-border acquisitions

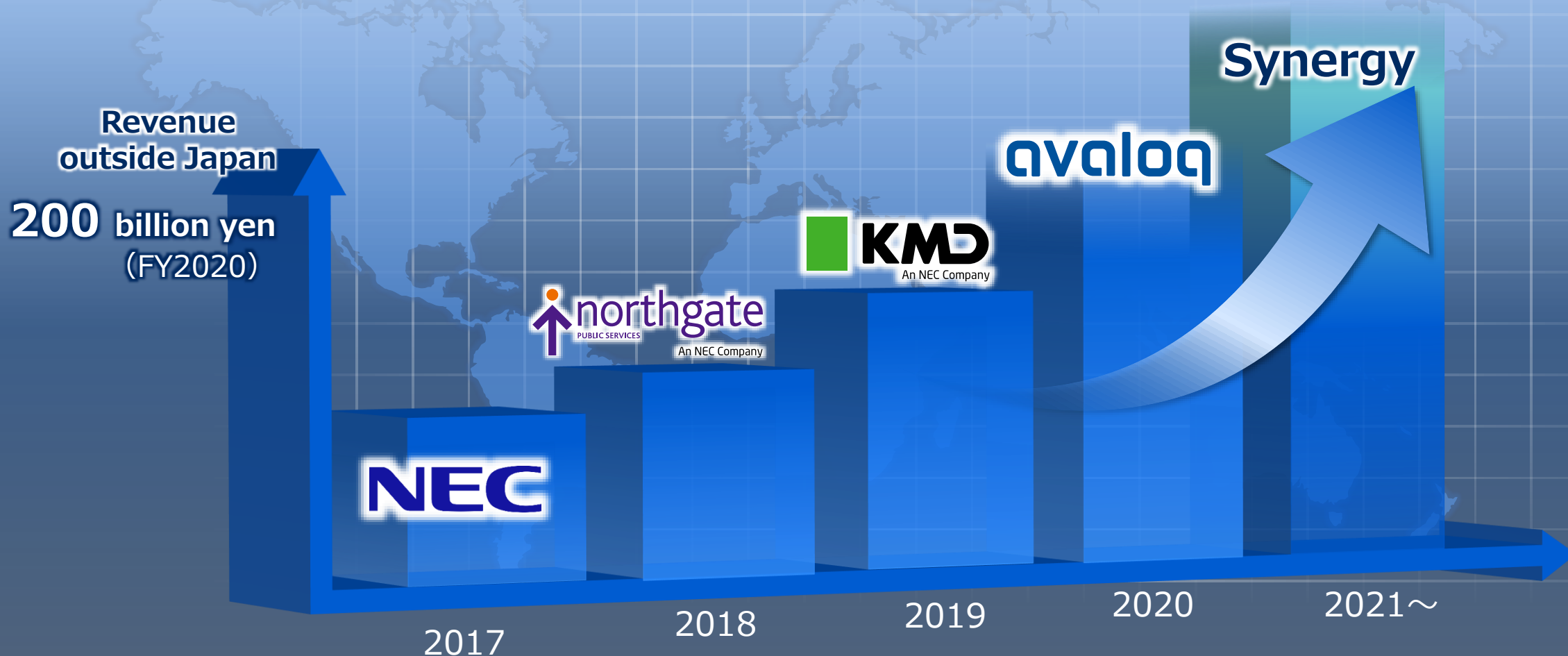
Smooth progress of PMI contributing to company-wide profits. Further expansion of business through bolt-on acquisitions.

Acquired companies (Date completed)	Business domain	Post-acquisition synergy	Adjusted OP Margin FY2019 results*
 <p>An NEC Company (UK: Jan 2018)</p>	UK, Commonwealth Digital government market Public safety market	<ul style="list-style-type: none"> ● Gained majority of market for criminal case management systems in UK (Metropolitan Police Service, etc.) ● Expansion of business in judiciary and healthcare, in addition to police domain through M&A ● Joint utilization of NPS development resources in India 	13%
 <p>An NEC Company (Denmark: Feb 2019)</p>	Europe Digital government market Digital finance market	<ul style="list-style-type: none"> ● Expansion of business through M&A in finance domain, and deployment to Northern European countries ● Targeting business for administrative and financial software market in APAC region 	7%

*Excluding special factors

Becoming a top player in software businesses for the public sector

Promote growth driven by both digital government and digital finance
Continue to create synergies with acquired companies



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