Acquisition of the largest Danish IT company, KMD
- Expansion of digital government business in Europe -

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Orchestrating a brighter world

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 business domains to realize NEC Safer Cities
   - New business model based on three platforms

2. Acquisition of the largest Danish IT company, KMD
   - Expansion of NEC’s digital government market footprint in Europe
   - Overview and strengths of KMD

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

- Expansion of business domains to realize NEC Safer Cities
- New business model based on three platforms
Focus on safety business as a growth engine

Set Safety Business as an engine for global growth, and aim to become the global leader in the category.

Shift to a business model with high profit margin while realizing growth, and achieve operating profit ratio of over 5% and EBITDA ratio of over 20%.

Expand business domain
Development and reinforcement of platforms that are fit for horizontal deployment.

Revenue outside Japan

50 billion yen
FY 2017

200 billion yen
FY 2020 (target)

1st step:
Acquisition of NPS*

2nd step:
Acquisition of KMD

※ Northgate Public Services
NEC Safer Cities

Creating cities that are Safe, Secure, Efficient, and Equal

Smart Connectivity

NEC the WISE  Bio-IDiom  Cyber Security
New business model based on 3 platforms

Shift from an individual SI sales business, to a business model based on software platforms

Establish reference cases in developed countries as a springboard for global deployment

**Common business platform**
- Horizontally deployable common business functions

**Analysis platform**
- Analysis of data, future forecasts
  - NEC the WISE
  - Bio-IDiom

**Data platform**
- Collection and integration of data

- Payment, collection
- Event management
- Asset management
- Maintenance
- Operations control
- ...
2. Acquisition of the largest Danish IT company, KMD

- Expansion of NEC’s digital government market footprint in Europe
- Overview and strengths of KMD
Progress of digitization in government (defined in 3 phases*)

Digitization of EU governments started in 2000 and came into full swing in 2010, with Denmark and UK leading the way to serve as role models.

**Denmark’s Digitization History**

- **2001**: Digital Signature
  - **Digital Signatur**
- **2004**: Public accounts
  - **NEM KONTO**
  - **borger.dk**
- **2007**: Digital login ID Integrated citizen portal
  - **NEM ID**
  - **eBoks.dk**
- **2011**: Digital procedures (Electronic PO Box)
  - DATAFØRDELAR
- **2016**: Mutual use of public data

Source: UNITED NATIONS E-GOVERNMENT SURVEY
Significance of KMD acquisition

- **Robust customer base**
- **Wide-ranging platforms**
- **UX, data analysis solutions**

Reinforce by acquisition

Acquire “platforms” and “business models” in Denmark, the leader in digitization of government.

Establish top position in Europe, and expand globally

Advanced solutions and global deployment capability

- **Biometrics**
  - Bio-IDiom
- **Analytics**
  - NEC the WISE
- **Global deployment capability**
Outline of KMD and acquisition amount

Robust operations with high recurring rate and business scale expansion through aggressive M&A

<table>
<thead>
<tr>
<th>Company name</th>
<th>KMD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Denmark (Ballerup)</td>
</tr>
<tr>
<td>No. of employees</td>
<td>Approx. 3,200</td>
</tr>
<tr>
<td>Business outline</td>
<td>Provide software and IT services for the public sector</td>
</tr>
<tr>
<td>CEO</td>
<td>Eva Berneke</td>
</tr>
<tr>
<td>Business performance</td>
<td>● Sales: Approx. 5.6 billion krone (Approx. 95.8 billion yen; December 2017) ● EBITDA margin: 19%*</td>
</tr>
<tr>
<td>Total consideration</td>
<td>8 billion krone (Approx. 136.0 billion yen)</td>
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</table>

* EBITDA (excluding non-recurring items)

1 Danish krone = 17 yen
KMD strengths

Central and local government solutions business

Stable business with a no.1 share built on 40+ years of achievement and trust

Business for central government
17% share

Leverage in-house platforms
Customized content management platforms for each ministry

System development for ministries
● Core tax administration office system
● Common infrastructure of the National Bank

Business for local governments
43% share

Health care/social security solutions
Provide platforms for nursing/home health care (includes care plans, communications and subsidy management)

Learning management solution
Manage learning plans & provide communications platforms for students, teachers and guardians
Finance and insurance solutions business

Enter new business areas by acquisition, provide solutions in more countries

KMD strengths ②

Asset management/
WEB payment solutions

Provision of platforms for the management of collateral assets for car loans and the platforms for WEB / mobile payments.

Focus business expansion in Norway and Sweden.

Business for insurance/pensions

Provision of integrated platforms for asset management, contract preparation, insurance fee calculations, customer portfolio management, etc.

BanQsoft

edlund
UX, data and analytics business

Increase value provided to customers in combination with KMD platforms

Provide for user experience

Provide customer communication management with sophisticated UI and Omni-channels

- UX design for mobile applications for major banks
- UX design for WEB services for central governments
- Support for local government services with speech recognition, etc.

Data analysis and AI business

Provide value added solutions, such as spend analysis, and data utilization consulting

- Demand forecast and optimization for energy companies
- Financial cost optimization for central governments
- Decision-making support, personnel data analysis, etc. for local governments
3. Towards further growth of NEC’s safety business

- Synergy between NEC/NPS and KMD
- Further growth of NEC’s safety business
Through NEC’s biometrics technologies, create solutions with the added value of safety and security to the administrative, financial, and other platforms offered by KMD.
Synergy ② : Analytics

Provide new added value to customers while strengthening the data and analytics business in combination with the platforms provided by KMD and NEC the WISE.

- Fraud detection
- Predictive medicine
- Credit analysis etc.

- Energy
- Finance
- Education
- Healthcare
- Government

Big data

NEC Analytics

NEC the WISE

Strengthening of data & analytics business

New added value
Synergy ③: Cross-selling with NEC/NPS

Combine complementary platforms of KMD and NPS*1 and deploy them globally by leveraging NEC’s worldwide locations and resources.

※: Northgate Public Services
Synergy ③: Cross-selling with NEC/NPS

Combine complementary platforms of KMD and NPS*¹ and deploy them globally by leveraging NEC’s worldwide locations and resources.

※: Northgate Public Services

Leverage NEC’s worldwide deployment strength.
Sales expansion and profit improvement of global safety business

Accelerate both organic and synergistic growth and continue to acquire platforms while monitoring cash flow

Revenue outside Japan

50 billion yen
FY2017

85 billion yen
FY 2018 (forecast)

200 billion yen
FY 2020 (target)

Growth through M&A and mutual synergies

Organic growth

20% growth in the 1st half

Revenue outside Japan