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

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NEC Corporation

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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

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# 1. Expansion of NEC's Safety Business

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

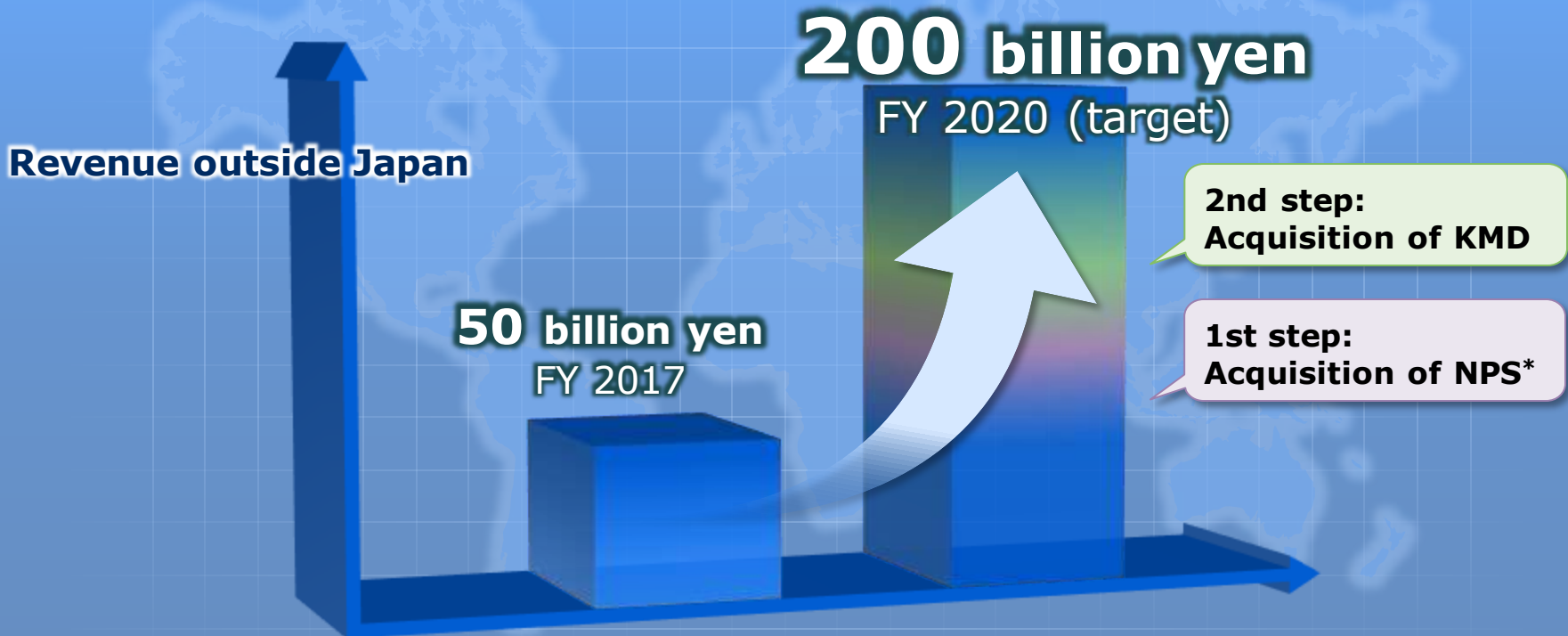Orchestrating a brighter world

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# 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**

**200 billion yen**
FY 2020 (target)

**Revenue outside Japan**

**50 billion yen**
FY 2017

2nd step:
Acquisition of KMD

1st step:
Acquisition of NPS*

※Northgate Public Services

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# NEC Safer Cities

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**Digital Government**

Public Safety

Smart Transportation

Digital Healthcare

City Management

Creating cities that are Safe, Secure, Efficient, and Equal
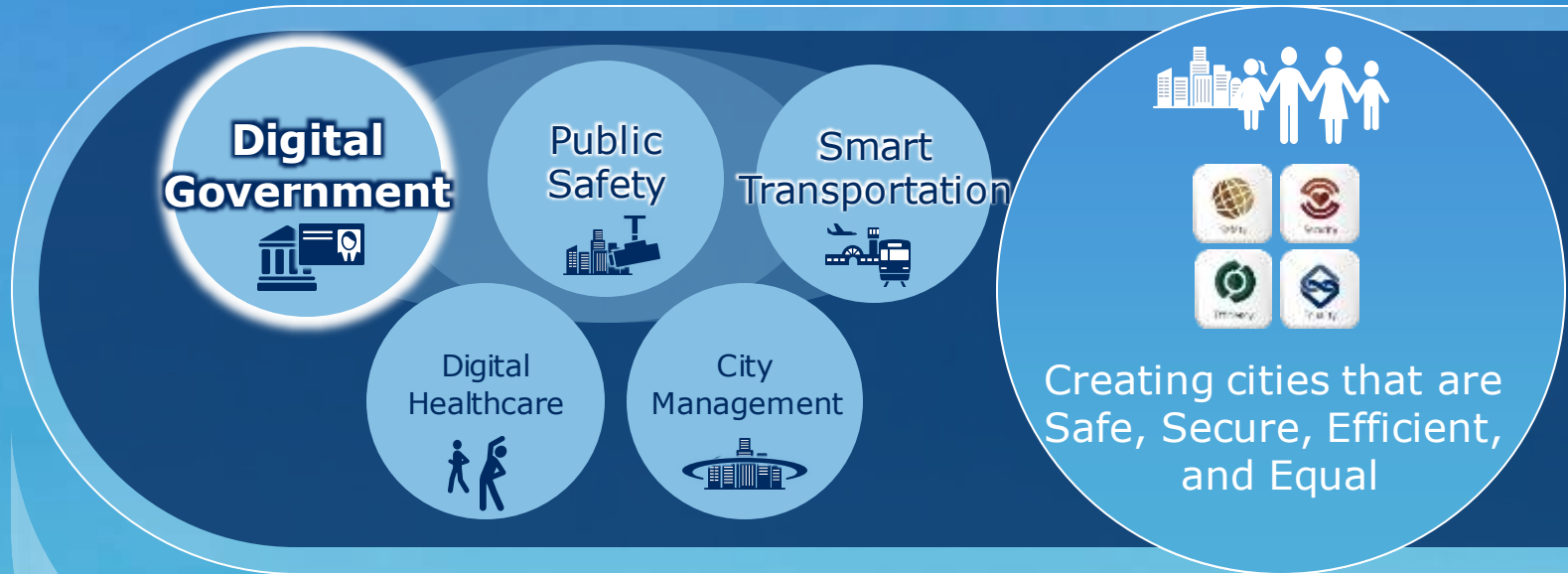
## Smart Connectivity

NEC the WISE          Bio-IDiom          Cyber Security

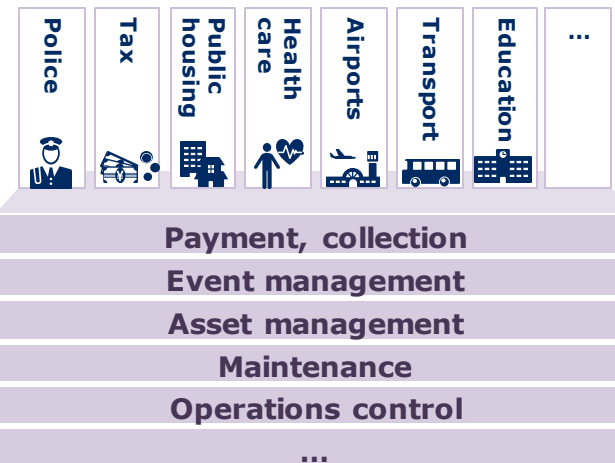\Orchestrating a brighter world    **NEC**

# 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**

Police | Tax | Public housing | Health care | Airports | Transport | Education | ...

Payment, collection
Event management
Asset management
Maintenance
Operations control
...

**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

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# 2. Acquisition of the largest Danish IT company, KMD

- Expansion of NEC's digital government market footprint in Europe
- Overview and strengths of KMD

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# Expansion and acceleration of digital government business



**Digital Transformation**

The market will continue to expand

Digitization of business systems
(Digitization of documents)
**Digitization**

Businesses move online
Online procurement, Public mail services
**E-Government**

Connection of multiple systems, improvement of UX, and value added services
Integrated citizen portal, wide data connection, AI analytics, and big data
**Digital Government**

# Progress of digitization in government (defined in 3 phases*)

*From the OECD White papers: http://www.oecd.org/gov/digital-government/Digital-Government-Strategies-Welfare-Service.pdf

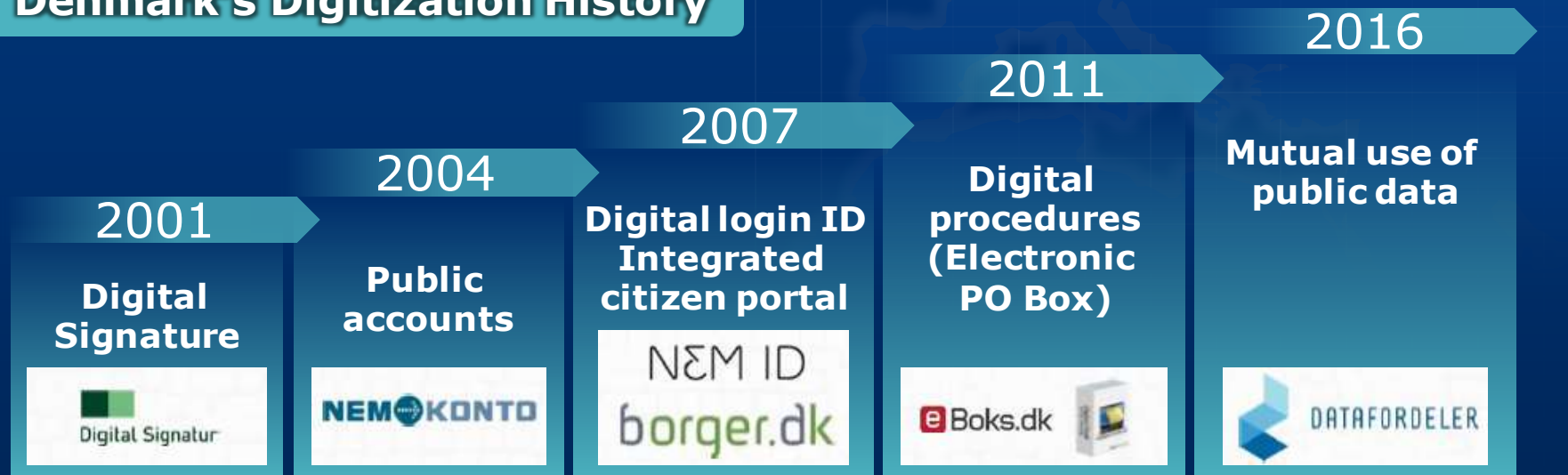\Orchestrating a brighter world    **NEC**

# Further growth of Europe's digital government market

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

5th Sweden

6th Finland

1st Denmark

UN e-Government Survey Ranking

4th UK

Source : UNITED NATIONS E-GOVERNMENT SURVEY

## Denmark's Digitization History

**2001**

**Digital Signature**

Digital Signatur

**2004**

**Public accounts**

NEM KONTO

**2007**

**Digital login ID Integrated citizen portal**

NEM ID
borger.dk

**2011**

**Digital procedures (Electronic PO Box)**

eBoks.dk

**2016**

**Mutual use of public data**

DATAFORDELER

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# Significance of KMD acquisition

**KMD**

| 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 |

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**KMD**

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

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

*EBITDA (excluding non-recurring items)

1 Danish krone = 17 yen

**Sales composition**
- Resale 11%
- SI/Consulting 17%
- Manage & Operate 14%
- Software (SaaS) 58%

**72% recurring rate**

**Sales by business segment**
- Private Sector 27%
- Local Governments & Regions 53%
- Central Government 19%

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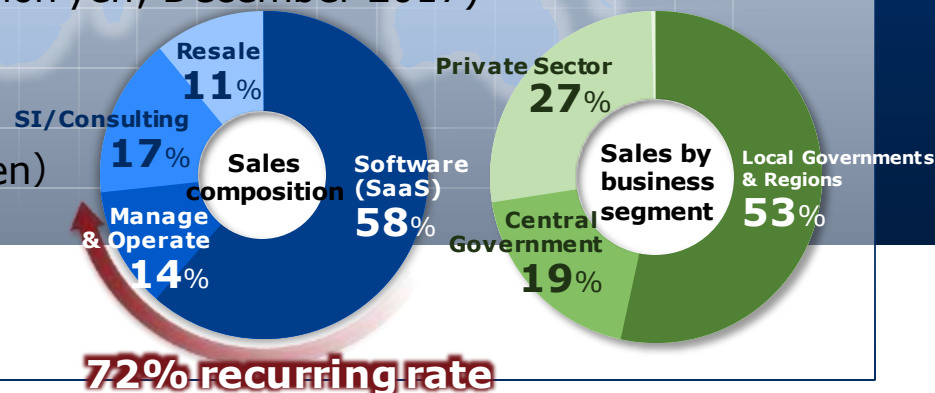
# Central and local government solutions business

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

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# Finance and insurance solutions business

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

## 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.

**BanQsoft**

## Business for insurance/pensions

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

**edlund**

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# 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

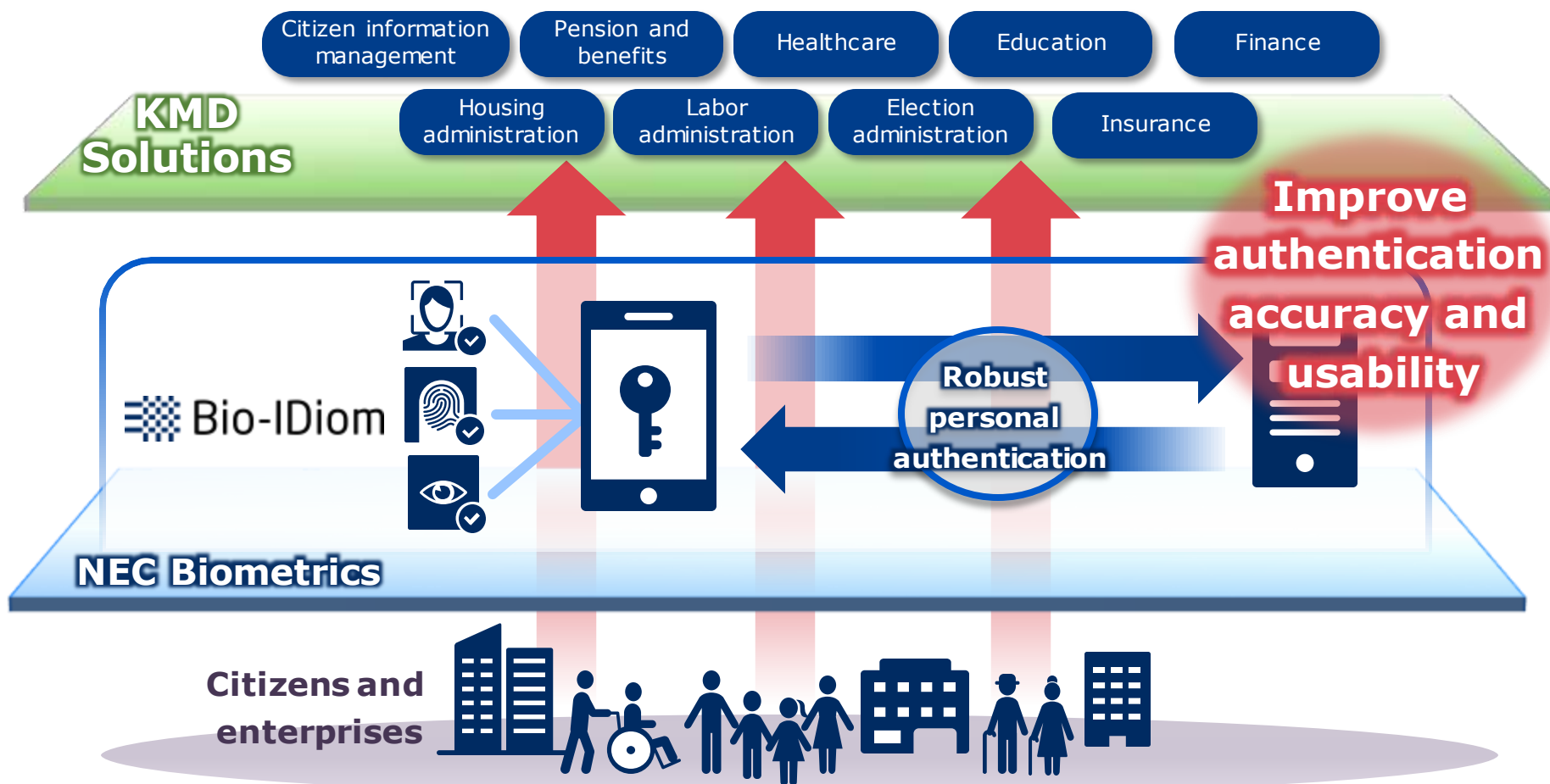Provide value added solutions, such as spend analysis, and data utilization consulting

- Demand forecast and optimization for energy companies
- Financial cost optimization for central governments
- Decision-making support, personnel data analysis, etc. for local governments

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# 3.Towards further growth of NEC's safety business

- Synergy between NEC/NPS and KMD
- Further growth of NEC's safety business

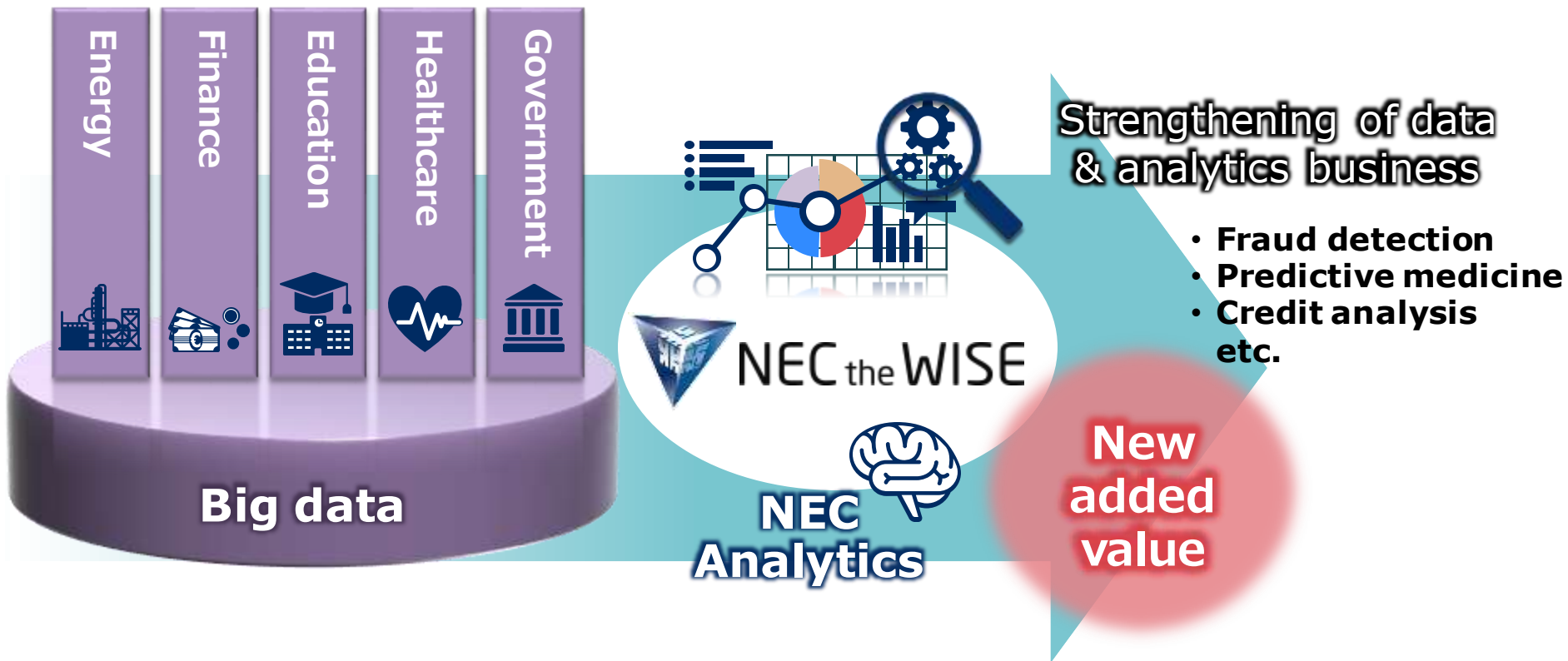Orchestrating a brighter world    **NEC**

# Synergy ① : Biometrics

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

**KMD Solutions**

- Citizen information management
- Pension and benefits
- Healthcare
- Education
- Finance
- Housing administration
- Labor administration
- Election administration
- Insurance

**Improve authentication accuracy and usability**

**NEC Biometrics**

Bio-IDiom

**Robust personal authentication**

**Citizens and enterprises**

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# 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

Energy

Finance

Education

Healthcare

Government

**Big data**

**NEC the WISE**

**NEC Analytics**

**Strengthening of data & analytics business**

- **Fraud detection**
- **Predictive medicine**
- **Credit analysis etc.**

**New added value**

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Combine complementary platforms of KMD and NPS[1] and deploy them globally by leveraging NEC's worldwide locations and resources

※: Northgate Public Services



**Mutually complementing platforms**

**Scandinavian countries**

**KMD**

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**Neighboring European countries**

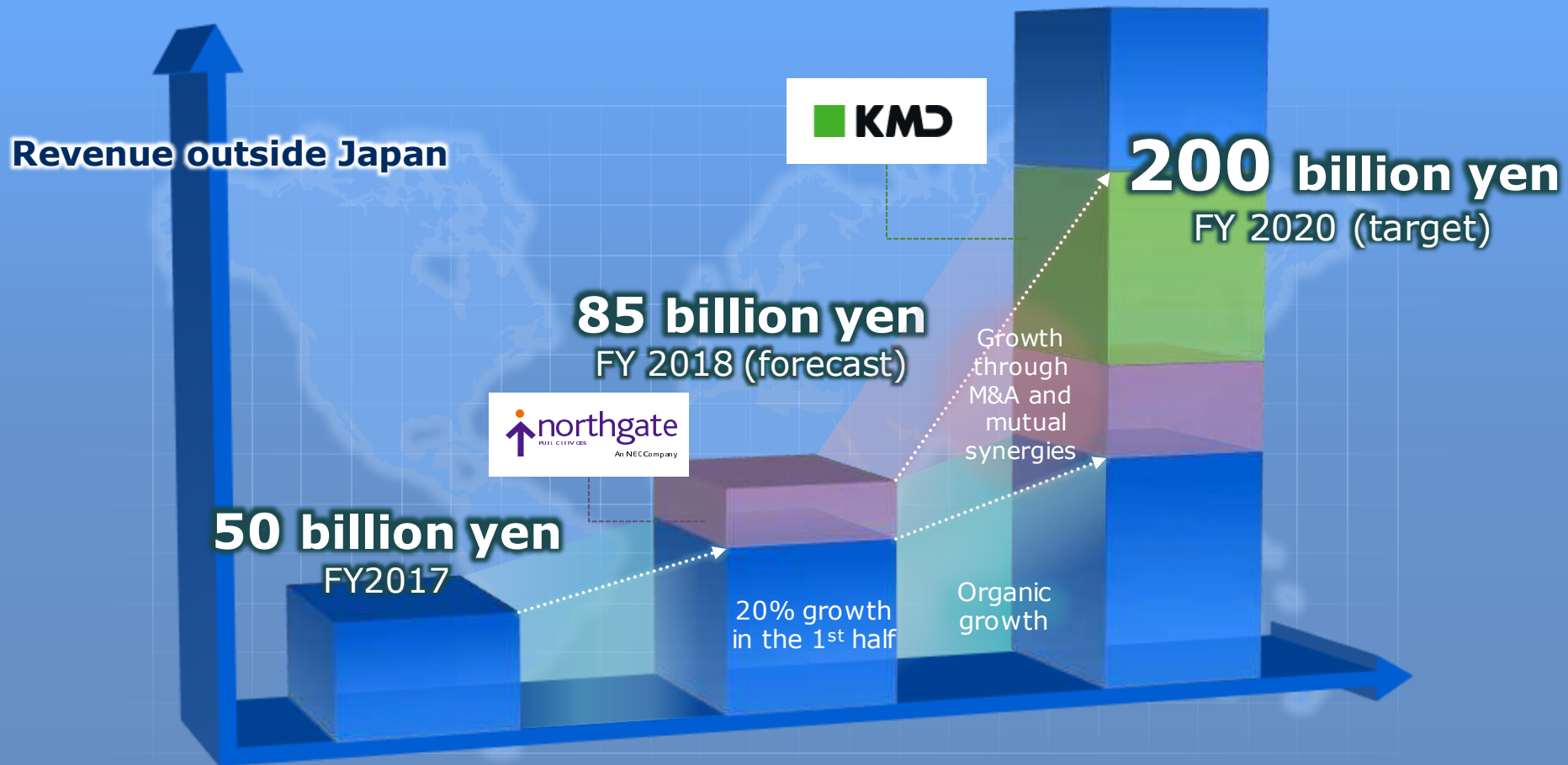\Orchestrating a brighter world　**NEC**

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**

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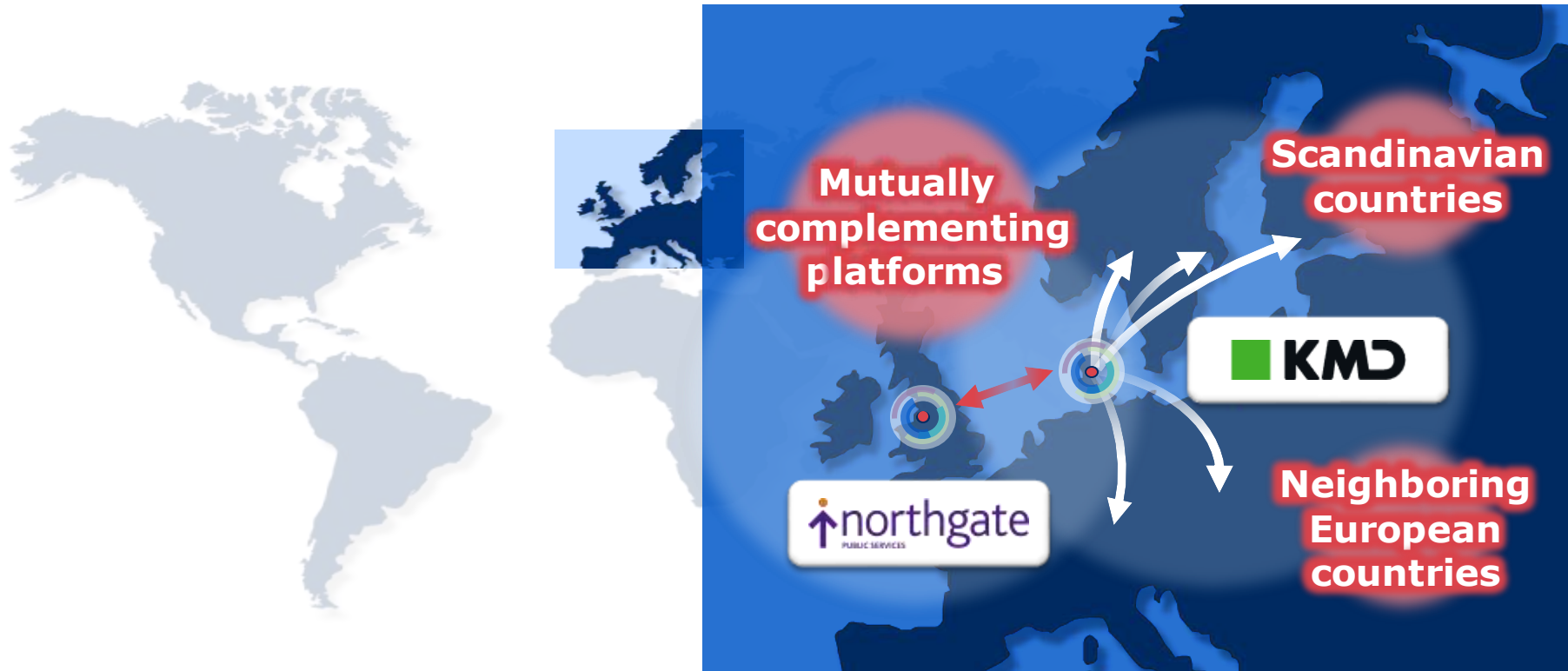
# Sales expansion and profit improvement of global safety business

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



**Revenue outside Japan**

KMD

**200 billion yen**
FY 2020 (target)

**85 billion yen**
FY 2018 (forecast)

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**50 billion yen**
FY2017

Growth through M&A and mutual synergies

20% growth in the 1st half

Organic growth

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