

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
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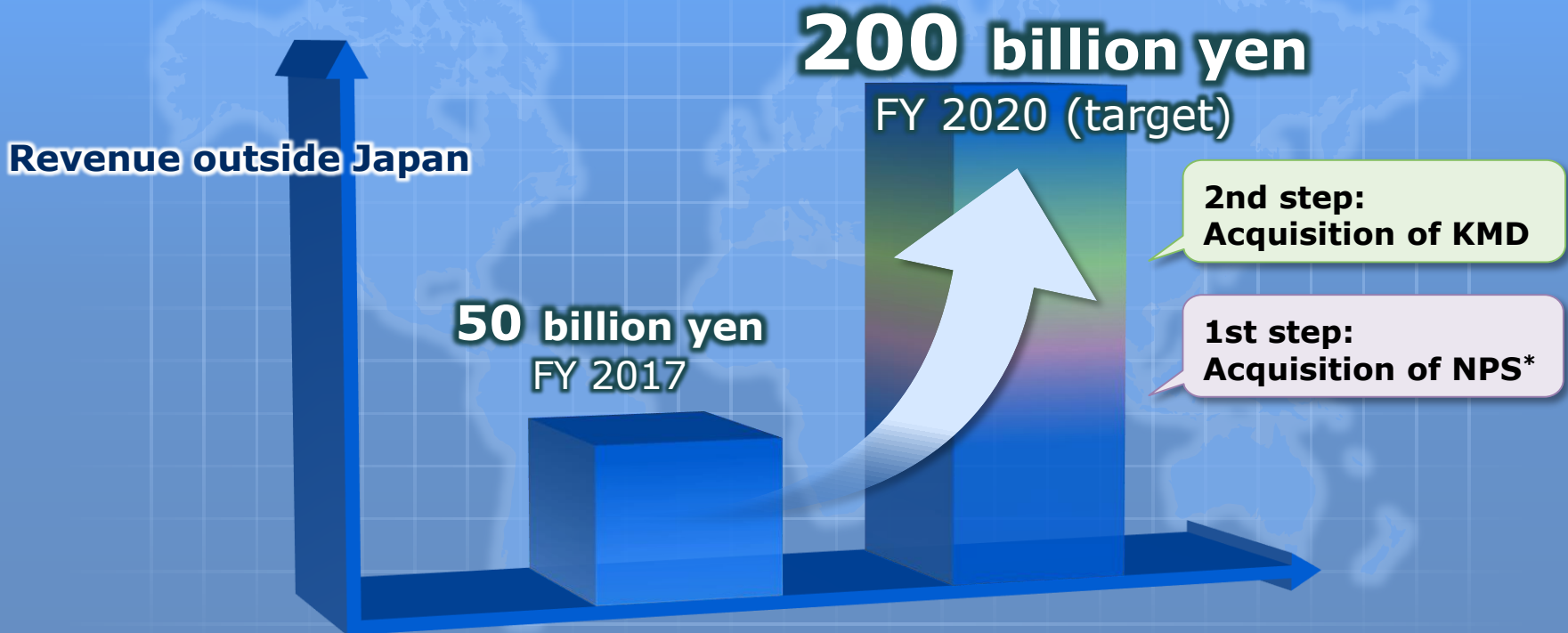
Focus on safety business as a growth engine

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%**

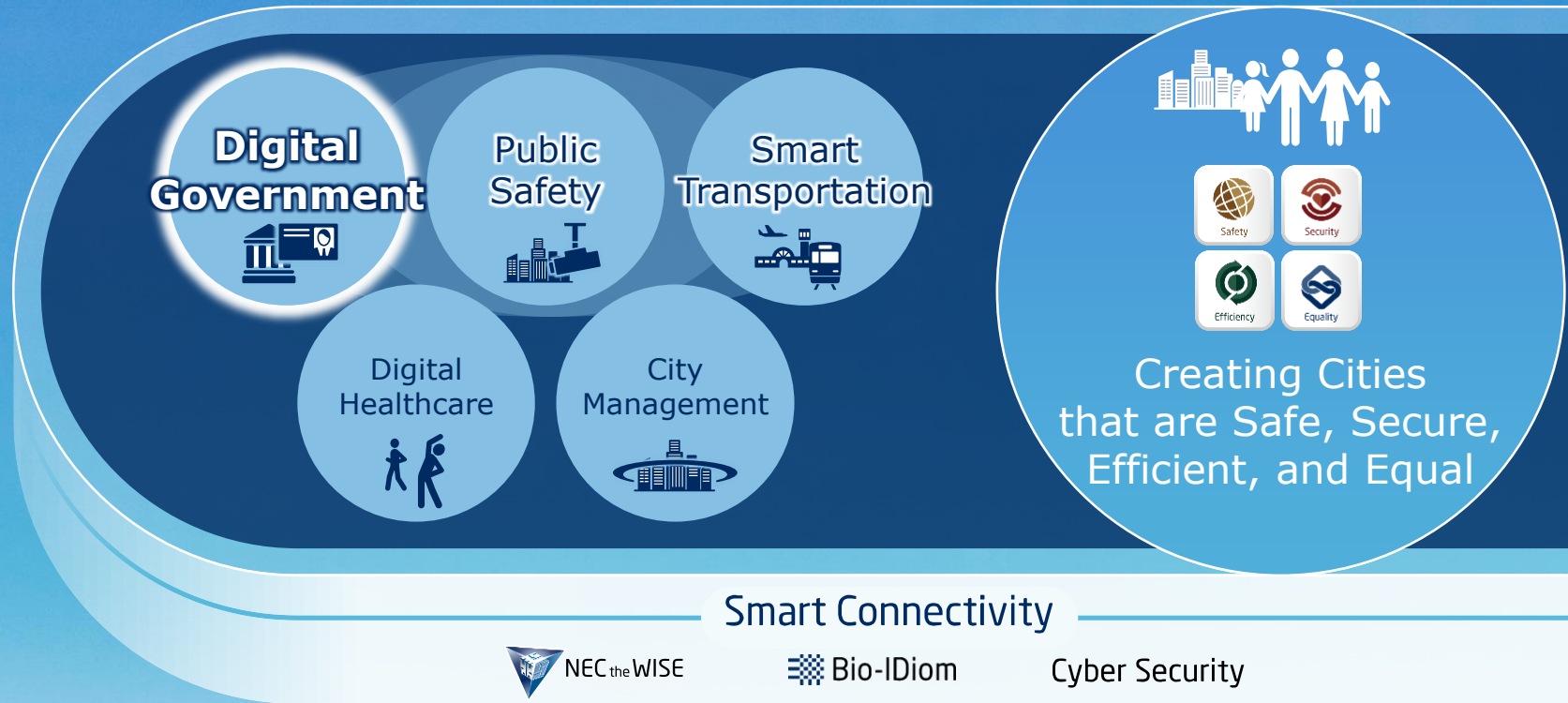
Expand business domain

Development and reinforcement of platforms that are fit for horizontal deployment



※Northgate Public Services

NEC Safer Cities



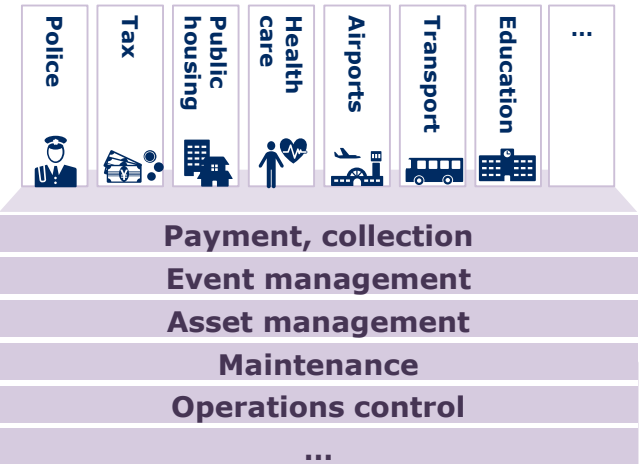
New business model based on 3 platforms

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



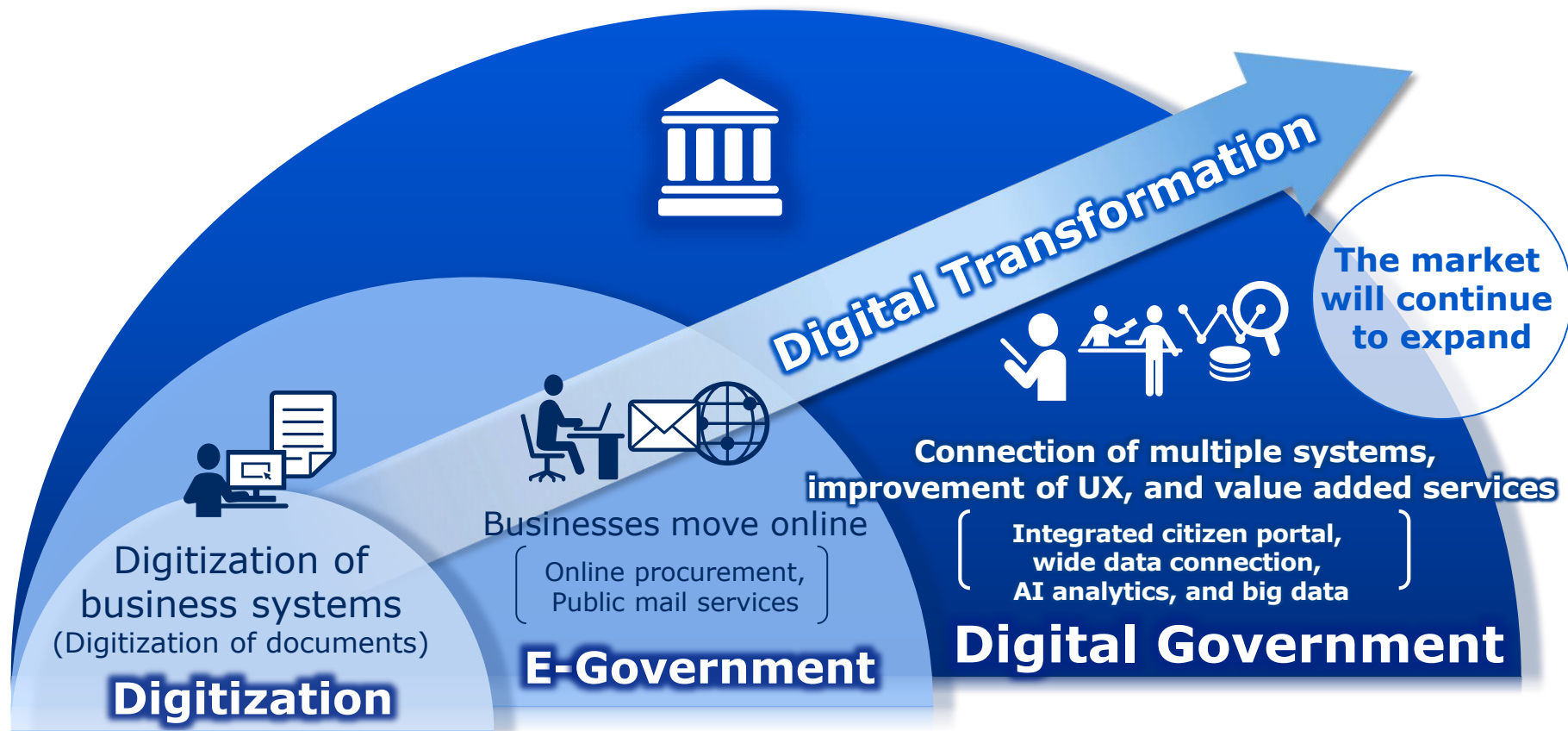
Data platform

Collection and integration of data

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Expansion and acceleration of digital government business



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>

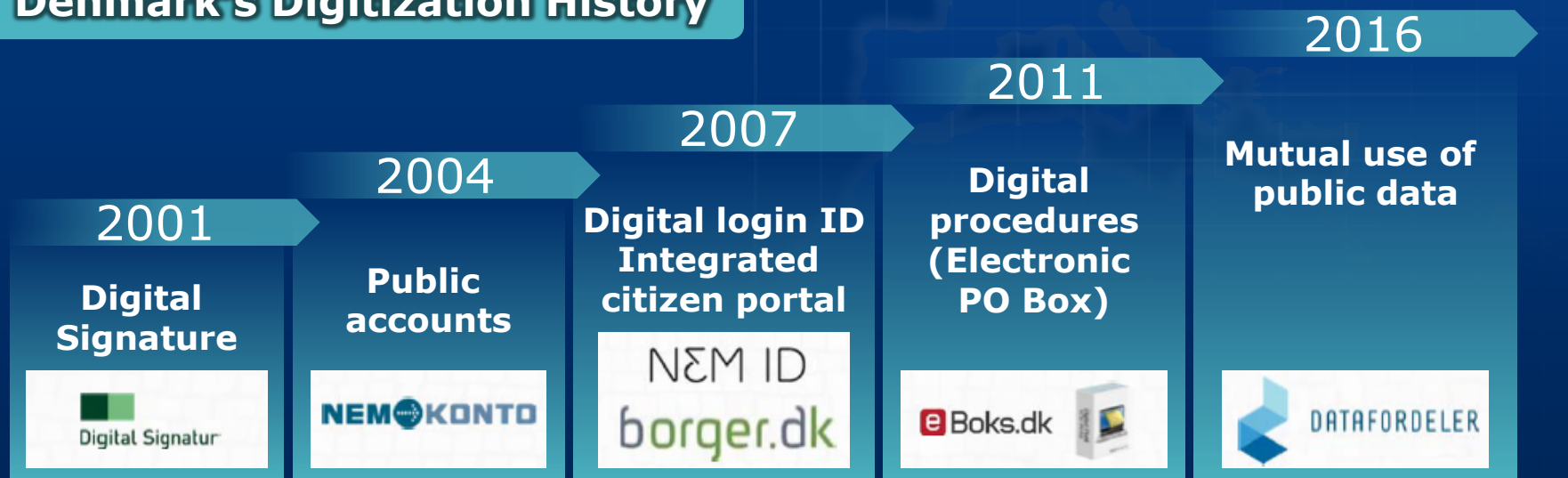
Further growth of Europe's digital government market

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



Source : UNITED NATIONS E-GOVERNMENT SURVEY

Denmark's Digitization History



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



Analytics



NEC the WISE

**Global
deployment
capability**

NEC



An NEC Company

Outline of KMD and acquisition amount

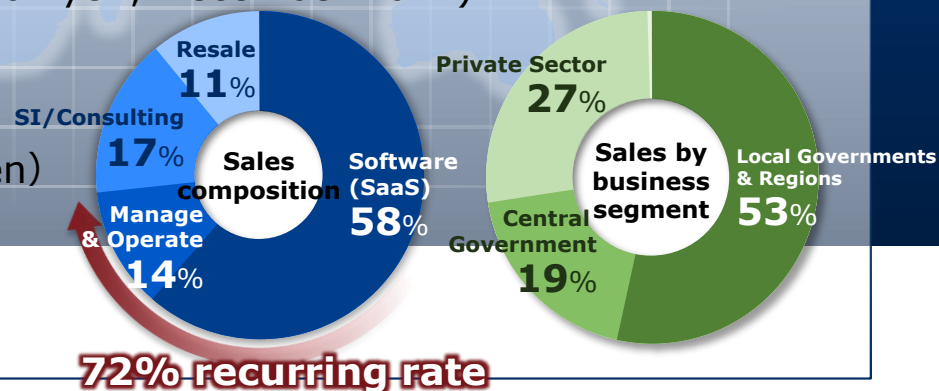


Robust operations with high recurring rate and business scale expansion through aggressive M&A

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 (Approx. 95.8 billion yen; December 2017) ● EBITDA margin: 19%*
Total consideration	8 billion krone (Approx. 136.0 billion yen)

*EBITDA (excluding non-recurring items)

1 Danish krone = 17 yen





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

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
ANALYTICS AND DATA SERVICES

KMD strengths ③



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

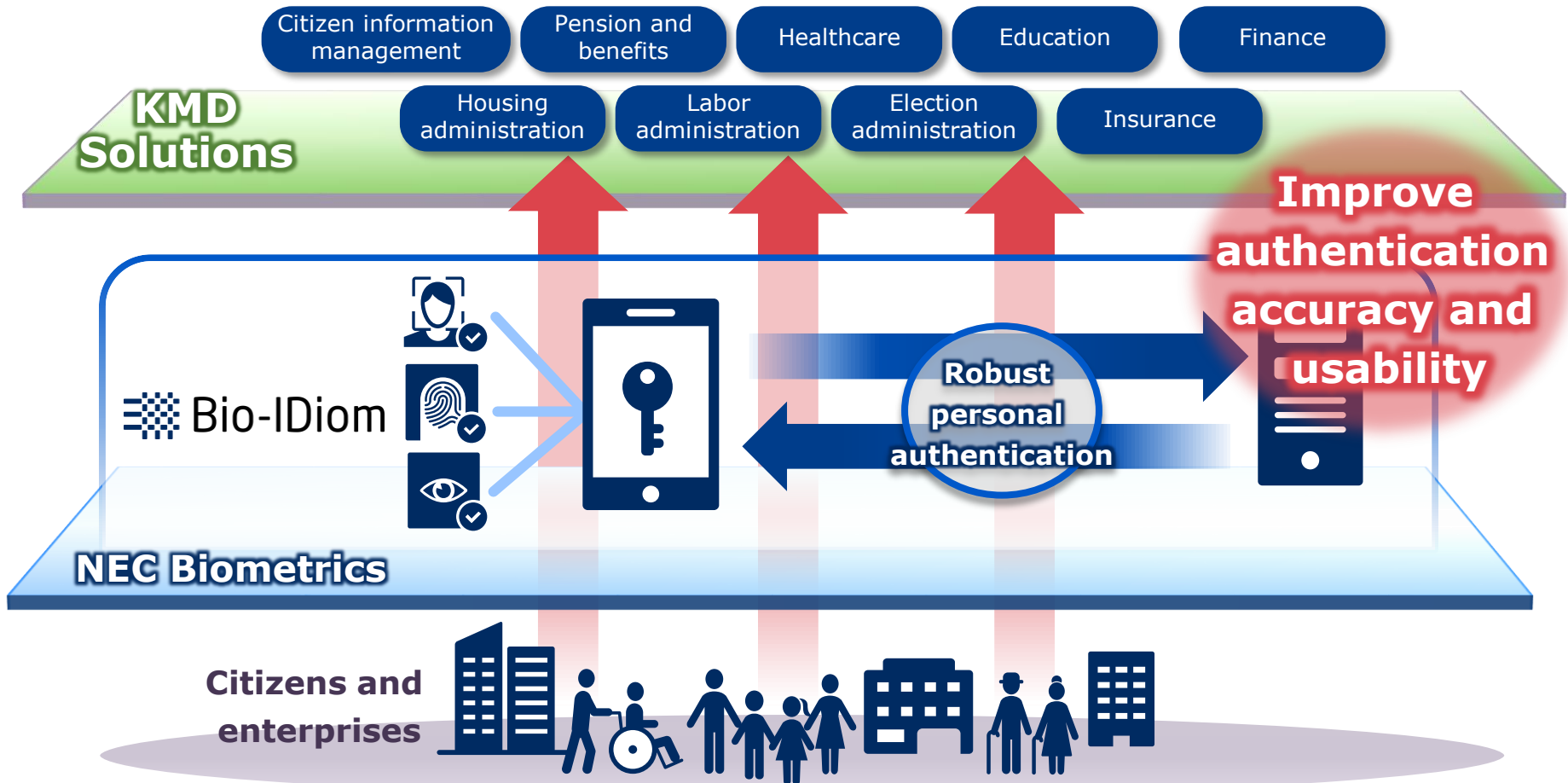
- Demand forecast and optimization for energy companies
- Financial cost optimization for central governments
- Decision-making support, personnel data analysis, etc. for local governments

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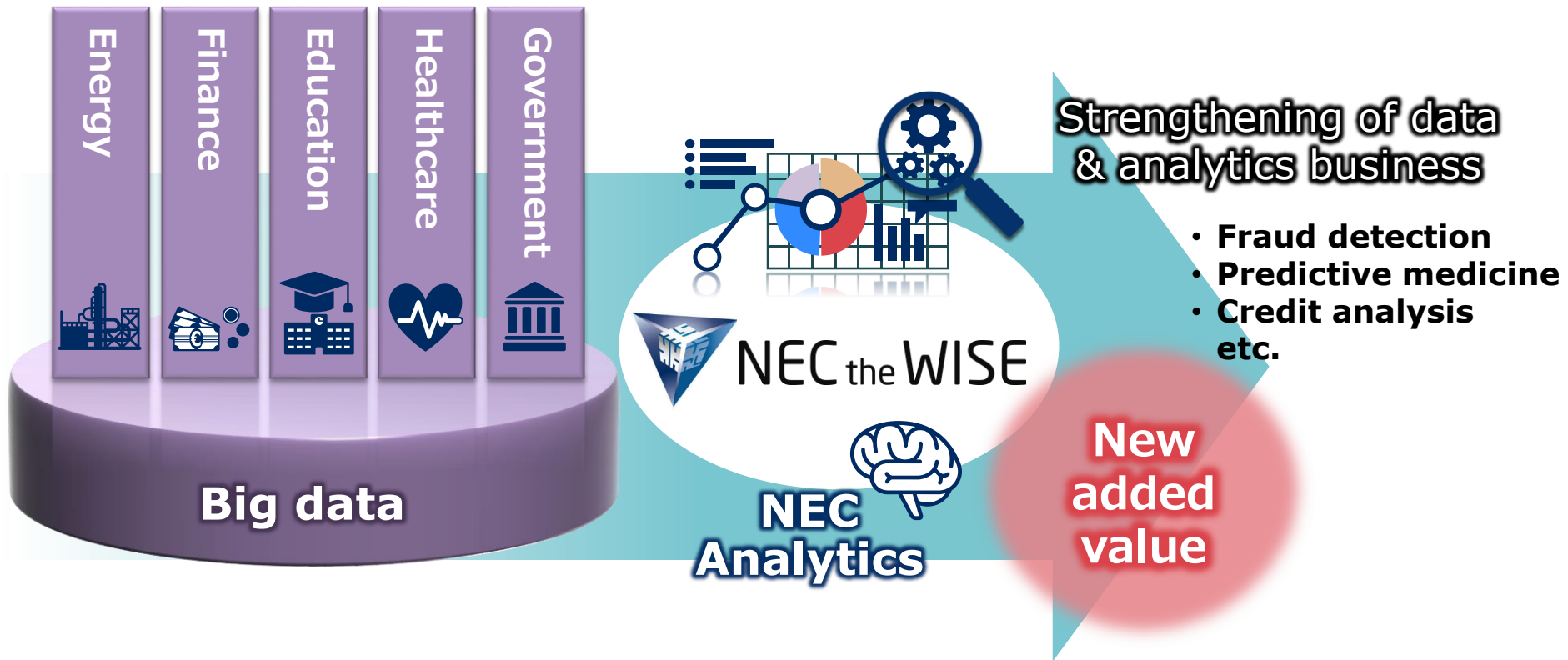
Synergy ① : Biometrics

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



Synergy ② : Analytics

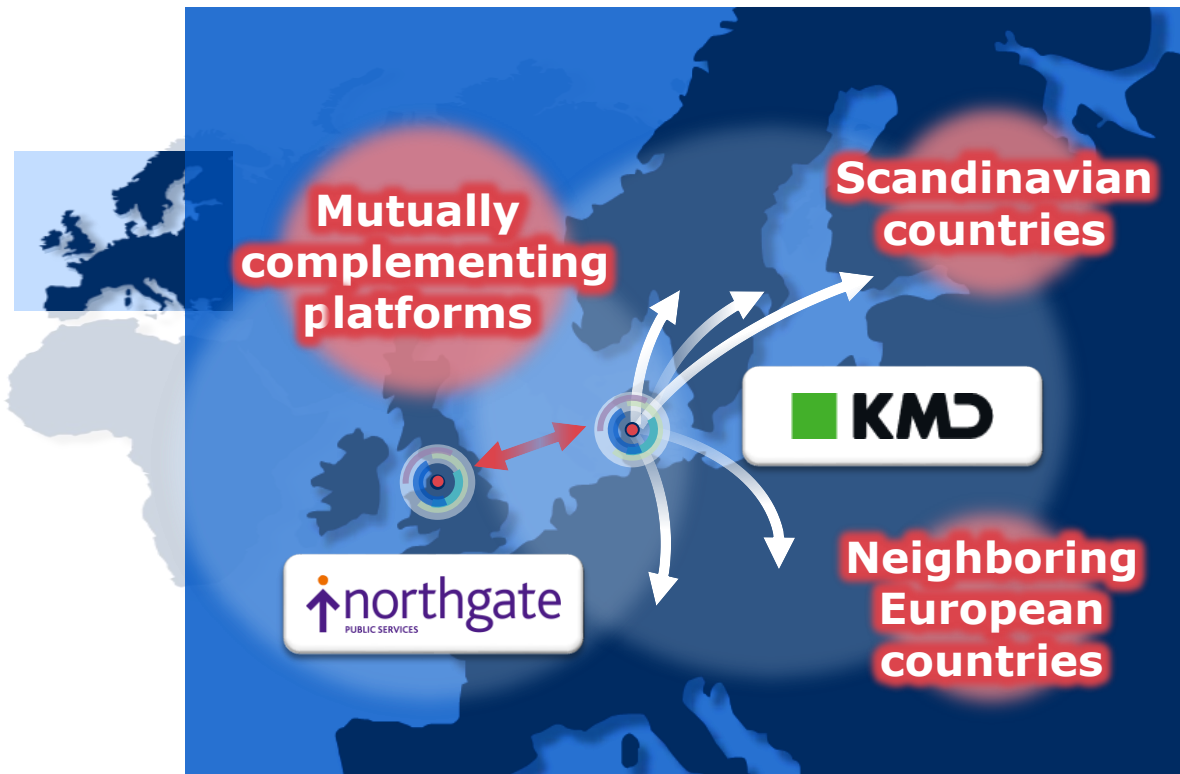
Provide new added value to customers while strengthening the data and analytics business in combination with the platforms provided by KMD and NEC the WISE



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

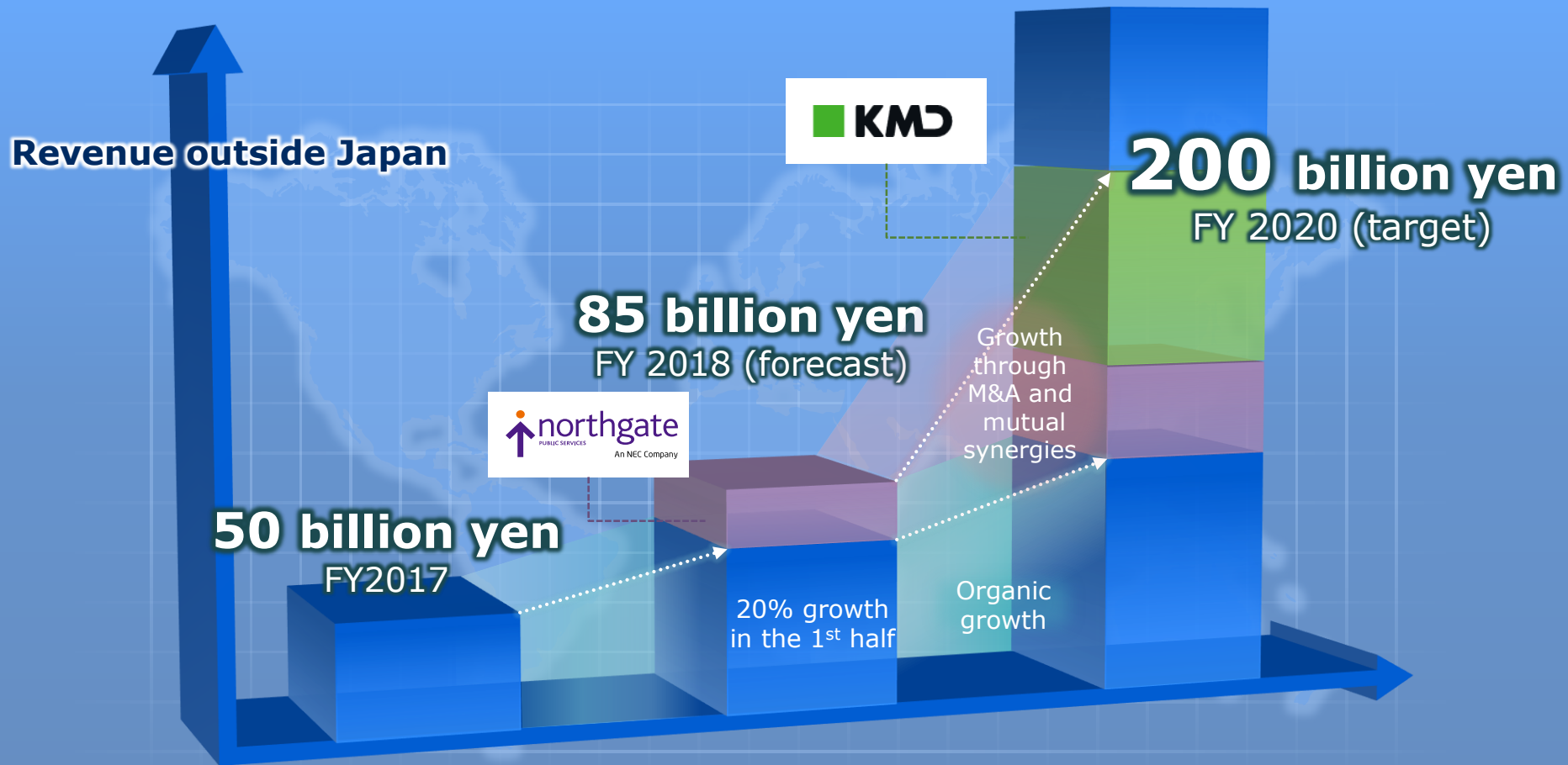
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Sales expansion and profit improvement of global safety business

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



 **Orchestrating** a brighter world

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