

# KMD Holdco 4 A/S

Lautrupparken 40

2750 Ballerup

CVR No. 31872677

## Annual Report 2018/19

Årsrapporten er fremlagt og  
godkendt på selskabets  
generalforsamling.

Dato: 5. juli 2019

  
Dirigent: Jacob A. Drøhse

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## Management's Statement

The Executive Board and the Board of Directors have today discussed and approved the annual report for the financial year 1 January 2018 - 31 March 2019 for KMD Holdco 4 A/S.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements provide a fair presentation of the Company's assets, liabilities and financial position at 31 March 2019 and of the results of the Company's operations for the financial year 1 January 2018 - 31 March 2019.

In our opinion the Management's review provides a fair account of the circumstances discussed.

It is recommended that the annual report be approved by the Annual General Meeting.

Ballerup, 5 July 2019

### Executive Board

Eva Berneke  
Man. Director

Nobuhiko Nakatsu  
Director

Jannich Kiholm Lund  
CFO

### Board of Directors

Masakazu Yamashina  
Chair

Jens Due Olsen

Tomoki Kubo

Toshiyuki Otake

Megumi Yamamoto

Henrik Harder Olsen

Thomas Bisballe

Kim Skovgaard

## Independent Auditor's Report

### To the shareholders of KMD Holdco 4 A/S

#### Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31-03-2019 and of the results of its operations and cash flows for the financial year 01-01-2018 - 31-03-2019 in accordance with the Danish Financial Statements Act.

We have audited the financial statements of KMD Holdco 4 A/S for the financial year 01-01-2018 - 31-03-2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

#### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

#### Management's responsibility for the financial statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Independent Auditor's Report

### The auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- \* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- \* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- \* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- \* Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- \* Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 5 July 2019

**PricewaterhouseCoopers**  
**Statsautoriseret Revisionspartnerskab**  
CVR-no. 33771231

Tue Stensgård Sørensen  
State Authorised Public Accountant  
mne32200

Leif Ulbæk Jensen  
State Authorised Public Accountant  
mne23327

## KMD Holdco 4 A/S

### Company details

<b>Company</b>	KMD Holdco 4 A/S Lautrupparken 40 2750 Ballerup
CVR No.	31872677
Date of formation	1 December 2008
Registered office	Ballerup
Financial year	1 January 2018 - 31 March 2019
<b>Board of Directors</b>	Masakazu Yamashina, Chair Jens Due Olsen Tomoki Kubo Toshiyuki Otake Megumi Yamamoto Henrik Harder Olsen Thomas Bisballe Kim Skovgaard
<b>Executive Board</b>	Eva Berneke, Man. Director Nobuhiko Nakatsu, Director Jannich Kiholm Lund, CFO
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerskab Strandvejen 44 2900 Hellerup CVR-no.: 33771231

## Management's Review

### **The Company's principal activities**

The Company's principal activities comprise the holding of shares in KMD A/S, which is 100% owned.

### **Development in activities and financial matters**

NEC Corporation has acquired the KMD Group from the global private equity firm Advent International and the Danish pension fund Sampension in February 2019.

The acquisition of the KMD Group is part of NEC's growth strategy and expansion of the group's global competencies within software development. The KMD transaction is the biggest company acquisition for NEC and one of the biggest Japanese acquisitions of a foreign software company in the past decade.

As part of the acquisition by NEC, the Company's external debt has been repaid and the company has been capitalized through equity contribution by AI Keyemde 3 ApS.

The Company's Income Statement of the financial year 1 January 2018 - 31 March 2019 shows a result of TDKK -57.074 and the Balance Sheet at 31 March 2019 a balance sheet total of TDKK 2.399.922 and an equity of TDKK 2.067.648.

## Accounting Policies

### Reporting Class

The Annual Report of KMD Holdco 4 A/S for 2018/19 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

Due to the acquisition of the KMD Group by NEC, the company has changed its fiscal year to align with the fiscal year in the NEC Group. As a result the fiscal year for 2018/19 includes 15 months, and the fiscal year going forward will be from 1 April - 31 March.

### Consolidated Financial Statements

With reference to § 112 of the Danish Financial Statements Act, no Consolidated Financial Statement have been prepared because the Group enterprises are included in the consolidated financial statements of KMD Holding ApS.

### Reporting currency

The Annual Report is presented in Thousand Danish kroner (t.kr.).

## General Information

### Basis of recognition and measurement

Revenue is recognized in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortized cost. Moreover, all expenses incurred to achieve the revenue for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions, as well as reversals as a result of changes to accounting estimates previously recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the company, and the value of the liability can be measured reliably.

Assets and liabilities are initially recognized at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortized cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortized cost is calculated as original cost less any repayments with addition/deduction of the cumulative amortization of any difference between cost and the nominal amount. Any exchange gains and losses are recognized over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the annual report which confirm or refute circumstances existing at the balance sheet date.



## Accounting Policies

### Income Statement

#### Other external expenses

Other external expenses include expenses relating to sales and administration.

#### Income from equity investments in group enterprises and associates

Income from equity investments comprises dividends received from group enterprises and associates in so far as they do not exceed the accumulated earnings in the group enterprise or the associate during the ownership period.

#### Financial income and expenses

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year. Financial items comprise interest income and expenses, realized and unrealized exchange gains and losses relating to securities, debt and transactions in foreign currencies, dividends received on other equity investments, amortization of financial assets and liabilities, and additions and reimbursements under the on-account tax scheme.

#### Tax on net profit/loss for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity. The Company and the Danish associates are taxed jointly. The Danish income tax is distributed between profit- and loss-making Danish enterprises in relation to their taxable income (full distribution).

### Balance Sheet

#### Investments

Equity investments in group enterprises and associates are measured at cost. Dividends that exceed accumulated earnings of the group enterprise or the associate during the ownership period are treated as a reduction of the cost. If cost exceeds the net realisable value, a write-down to this lower value will be performed.

#### The derivative financial instruments and hedge accounting:

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in equity in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as financial items.

Amounts recognised in equity are transferred to the income statement when the hedged interest expense is recognised in the incomestatement.

#### Receivables

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

## Accounting Policies

### Equity

Proposed dividend for the year is recognised as a separate item in equity.

### Financial liabilities

Financial liabilities are recognized when a loan is raised at the proceeds received less transaction costs incurred. Interest-bearing debt is subsequently measured at amortized cost on the basis of the effective interest rate on the borrowing date.

Other debt is measured at amortized cost, equivalent to the nominal debt outstanding.

## Income Statement

	Note	2018/19 tkr.	2017 tkr.
Other external expenses		-257	-165
<b>Gross result</b>		<b>-257</b>	<b>-165</b>
Income from investments in group enterprises and associates		0	400.000
Financial income	1	2.109	4.345
Financial expenses	2	-60.193	-58.489
<b>Profit from ordinary activities before tax</b>		<b>-58.341</b>	<b>345.691</b>
Tax expense for the year		1.267	1.080
<b>Profit</b>		<b>-57.074</b>	<b>346.771</b>
<b>Proposed distribution of profit</b>	3		
Retained earnings		-57.074	346.771
		<b>-57.074</b>	<b>346.771</b>

## Balance Sheet as of 31 March

	Note	2019 tkr.	2017 tkr.
<b>Assets</b>			
Long-term investments in group enterprises	4, 5	2.302.099	1.571.482
<b>Investments</b>		<u>2.302.099</u>	<u>1.571.482</u>
<b>Fixed assets</b>		<u>2.302.099</u>	<u>1.571.482</u>
Short-term receivables from group enterprises		95.512	90.837
Short-term tax receivables		1.157	213
<b>Receivables</b>		<u>96.669</u>	<u>91.050</u>
<b>Cash and cash equivalents</b>		<u>1.154</u>	<u>3.053</u>
<b>Current assets</b>		<u>97.823</u>	<u>94.103</u>
<b>Assets</b>		<u>2.399.922</u>	<u>1.665.585</u>

## Balance Sheet as of 31 March

	Note	2019 tkr.	2017 tkr.
<b>Liabilities and equity</b>			
Share capital		10.000	10.000
Retained earnings		2.057.648	496.548
<b>Equity</b>		<b>2.067.648</b>	<b>506.548</b>
Provisions for deferred tax		113	113
<b>Provisions</b>		<b>113</b>	<b>113</b>
Debt to banks		0	880.727
<b>Long-term liabilities other than provisions</b>		<b>0</b>	<b>880.727</b>
Debt to banks		0	29.279
Payables to group enterprises		331.846	248.707
Other payables		315	211
<b>Short-term liabilities other than provisions</b>		<b>332.161</b>	<b>278.197</b>
<b>Liabilities and equity</b>		<b>2.399.922</b>	<b>1.665.585</b>
Significant events occurring after end of reporting period	6		
Contingent liabilities	7		
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## KMD Holdco 4 A/S

### Statement of changes in Equity

	Share capital	Retained earnings	Total
Equity 1 January 2018	10.000	496.548	506.548
Profit (loss)		-57.074	-57.074
Contribution from group		1.618.174	1.618.174
<b>Equity 31 March 2019</b>	<b>10.000</b>	<b>2.057.648</b>	<b>2.067.648</b>

The share capital has remained unchanged for the last 5 years. The share capital comprise 1 share class.

## Notes

	2018/19	2017		
<b>1. Finance income</b>				
	<b>2018/19</b>	<b>2017</b>		
Other finance income	486	316		
Other finance income from group enterprises	1.623	4.029		
	<b>2.109</b>	<b>4.345</b>		
<b>2. Financial expenses</b>				
Finance expenses arising from group enterprises	-9.837	-15.725		
Other finance expenses	-50.356	-42.764		
	<b>-60.193</b>	<b>-58.489</b>		
<b>3. Distribution of profit</b>				
Retained earnings	-57.074	346.771		
	<b>-57.074</b>	<b>346.771</b>		
<b>4. Long-term investments in group enterprises</b>				
Cost at the beginning of the year	1.605.821	1.605.821		
Addition during the year, incl. improvements	730.617			
<b>Cost at the end of the year</b>	<b>2.336.438</b>	<b>1.605.821</b>		
Value adjustments at the beginning of the year	-34.339	-34.339		
<b>Value adjustments at the end of the year</b>	<b>-34.339</b>	<b>-34.339</b>		
<b>Carrying amount at the end of the year</b>	<b>2.302.099</b>	<b>1.571.482</b>		
<b>5. Disclosure in long-term investments in group enterprises and associates</b>				
<i>Group enterprises</i>				
<b>Name</b>	<b>Registered office</b>	<b>Share held in %</b>	<b>Equity</b>	<b>Profit</b>
KMD A/S	Ballerup	100,00	1.417.297	-242.999
			<b>1.417.297</b>	<b>-242.999</b>

**6. Significant events occurring after end of reporting period**

No events significant to the Company's financial position have occurred since the end of the financial year.

**7. Contingent liabilities**

The Company is jointly taxed with the other Danish companies in the KMD Holding Group. The joint taxation also covers withholding tax in the form of tax on dividends, royalties and interest. The Danish companies are jointly and severally liable for the joint taxation. Any subsequent corrections to the taxable income subject to joint taxation or withholding taxes may lead to a higher liability.

**8. Collaterals and securities**

No securities or mortgages exist at the balance sheet date.

**Notes**

**9. Related parties**

KMD Holdco 4 ApS is 100% owned by AI Keyemde 3 ApS and is included in the consolidated financial statements of KMD Holding ApS. A copy of the consolidated financial statements is available by contacting, Group Secretariat, Lautrupparken 40, 2750 Ballerup, Denmark.

KMD Holding ApS is 100% owned by Soleil ApS. Soleil ApS is 100% owned by NEC Corporation, which is the ultimate parent company of the KMD Group.