

**Q&A Regarding Financial Results
for the Third Quarter of the Fiscal Year Ending March 31, 2026**

Date/Time: Thursday, January 29, 2026, 17:00-18:00 JST

Format: Live online streaming from NEC Headquarters, Tokyo

Presenter: Osamu Fujikawa, Corporate Executive Vice President and CFO (Representative Executive Officer), Member of the Board

Questioner A

Q: In which segment will surplus human resources arising from NEC's withdrawal from the conventional business for base stations be redeployed? In addition, is there any possibility of incurring additional costs from Q4 onward?

A: As has been done over the past two years, no additional costs or special measures will be required to shift personnel to the Aerospace and National Security (ANS) business and other businesses. For Q4, we do not expect to record any additional structural reform-related expenses in connection with this matter.

Q: I understand that global 5G was an unprofitable business. Am I correct in understanding that the withdrawal from this business will contribute positively to operating profit in the next fiscal year?

A: We will terminate conventional dedicated hardware-based base station sales (RUs and CUs) by the end of FY26/3. The impact on revenue in the next fiscal year is negligible. In terms of operating profit/loss, we expect a sustained improvement of just over ¥5.0 billion from the current fiscal year onward.

Q: In previous fiscal years, NEC tended to implement structural reforms in Q4. What are your plans this year? In addition, will upfront investments and structural reform expenses continue to occur in the next fiscal year, the first year of the next mid-term management plan?

A: If there are additional matters that need to be addressed in Q4, we will address them appropriately. At this time, we do not anticipate structural reforms from the next fiscal year onward. However, we will make decisions as needed regarding the measures necessary to ensure business soundness and improve future profitability, including business portfolio realignment.

Questioner B

Q: As Japan's defense-related industry expands internationally, is it fair to assume that NEC's IT systems, networks, and sensors have considerable potential to capture demand abroad as is, with their existing specifications?

A: Although future developments will depend on individual projects, based on two projects that have already been implemented, we believe expansion will proceed gradually through the international rollout of products developed in Japan as is.

Q: Bookings in the Public business seem to have decreased as municipal standardization and fire/disaster prevention projects have peaked out. What is your outlook for the next fiscal year?

A: The total value of bookings as of the end of December in the current fiscal year exceeds the

same period of the previous fiscal year. Looking at FY27/3, although there is a pullback from the strong performance in municipal standardization and fire/disaster prevention projects in 1H FY26/3, the pipeline through the beginning of the next fiscal year suggests momentum that nearly catches up to the current fiscal year's level. Excluding the impact of a decline in low-margin projects, we view the overall direction as positive. In FY27/3, business is expected in which new applications and services are built on platforms such as municipal DX services. FY27/3 will be the first year of this phase, and by steadily capturing demand in FY27/3 and FY28/3, we anticipate significant expansion by 2030. Therefore, we view the outlook very positively.

Questioner C

Q: Could you please discuss your outlook for IT demand in 2026, based on trends in each sector?

A: Excluding the large wave of demand from municipal standardization and fire/disaster prevention in the Public business, as well as the impact of low-profitability businesses such as business PC projects and license-related projects in the Enterprise business, growth is in line with the market. While our top line continues to expand, we are shifting toward higher-margin, higher-quality work through initiatives such as NEC BluStellar Scenario, and we believe that the content of our project portfolio is improving.

Excluding low-profitability businesses, bookings for Domestic IT Services as a whole grew 4% year on year. Bookings in the Public business declined by around 4%. Bookings in the Enterprise business increased by around 15% overall, of which Finance rose 13%, Retail/Services increased 27%, and Manufacturing decreased 4%, due partly to the shift to a scenario approach. ABeam Consulting also grew by 11%, maintaining very strong performance. In some areas, growth is outpacing the market. We believe this trend will continue.

Questioner D

Q: The impact of surging memory prices has been drawing attention. Could you please tell us the scale of NEC's revenue from PCs and servers? Please also discuss your countermeasures and approach to the risk of memory shortages heading into FY27/3, including the possibility of severe procurement shortages.

A: The products that could be affected include servers, storage, and subsidiary-manufactured home routers. PCs are already outside our business scope, so there is no impact. The revenue scale is approximately ¥150.0 billion. We have already secured the necessary procurement for the current fiscal year, so there will be no impact on financial results. From the next fiscal year onward, we are taking measures such as securing orders in advance in line with next fiscal year's revenue outlook, increasing inventory levels as a preventive step, and establishing a system that enables dynamic pricing. Taking into account our response to foreign exchange fluctuations as well, we believe there will be almost no impact on financial results.

Questioner E

Q: The Japanese Electrical Electronic & Information Union is reportedly preparing to demand a base pay increase of ¥18,000 or more. Are you considering wage increases at the same record-high level as in the previous fiscal year, or even higher?

A: We have not yet determined the amount. As with the current mid-term management plan, we are assuming wage increases in the next mid-term management plan at least in line with the market, or higher.

Q: As generative AI becomes increasingly used in system development, how do you think this will change the portfolio of human resources you recruit going forward?

A: We believe that the growing adoption of new technologies such as generative AI, AI agents, and physical AI will become deeply integrated into software development sites and many other fields, driving not only efficiency gains but also a wide range of transformation. We aim to both develop and acquire human resources to respond flexibly to these changes. We will promote reskilling and other initiatives across our internal workforce so that we can stay ahead of change and drive transformation that delivers greater results and value.

Questioner F

Q: What is the scale of the existing base station business within the overall Telecom Services business?

A: We have already reduced this business to an appropriate level, so its scale within the overall Telecom Services business is not very large.

Q: Will tighter rare earth export controls have an impact on your defense business?

A: At this point, the risk has not materialized. While we cannot rule out the possibility that export controls could persist or that indirect impacts may arise through the supply chain, we will respond in the same manner as we did with the memory issue discussed earlier.

Questioner H

Q: Were there any irregular revenues or expenses in the submarine cable business in Q3?

A: Costs worsened by approximately ¥2.0 billion in Q3. Project delays and contractual issues stemming from problems that occurred from two years ago to last year led to higher costs. Since the autumn two years ago, we have been shifting to a new contract structure to improve the situation. However, long-term projects under the former contract structure still remain. In Q4, we foresee a potential cost impact of up to approximately ¥5.0 billion, but we will work to minimize this through project management.

New contracts incorporate risk assumptions and are structured to improve margins, so we expect the business to return to profitability in a few years. Even if additional costs associated with risks arise, we believe the business as a whole will become profitable, and margins should increase as new projects replace older ones.

Q: In the revised plan, ANS profits were revised upward. Is my understanding correct that weakness in the submarine cable business can be offset by strong performance in the defense business?

A: Even if risks in submarine systems materialize at the maximum level, the impact can be fully absorbed by growth in Aerospace/Defense.