

Q&A Regarding Financial Results for the Fiscal Year Ended March 31, 2026

Date/Time: Tuesday, April 28, 2026, 16:30-17:30 JST

Format: Live online streaming from NEC Headquarters, Tokyo

Presenters: Takayuki Morita, President and CEO (Representative Executive Officer), Member of the Board; Kunikazu Amemiya, Corporate Senior Executive Vice President and CFO (Representative Executive Officer)

Questioner A

Q: Regarding the FY27/3 Domestic IT forecast, revenue is expected to decrease by ¥100.0 billion due to fire/disaster prevention and local government-related projects peaking out, and NEC has also included a ¥100.0-billion allowance for macroeconomic effects, so would it be correct to view this as a conservative forecast? Additionally, if revenues exceed expectations, is it possible that the operating profit margin will rise above 15.3%?

A: Recently, the delivery situation, including that for CPUs, memory, and storage, has remained difficult to read. The rising cost of parts and the impact of the situation in the Strait of Hormuz are also adding to this uncertainty. We think this unpredictability in the supply chain will begin to clear up by summer this year, leading to a gradual alleviation of the risk factors we have been seeing across the Company. Therefore, we expect to be able to make gains in revenue and profit.

Q: The FY27/3 forecast for Non-GAAP operating profit in Telecom Services shows a YoY increase of ¥18.9 billion. This includes a profit contribution of around ¥21.0 billion, taking into account factors such as the ¥18.0 billion in costs associated with structural reforms of legacy base stations, which were explained in the 3Q financial results and ¥3.0 billion related to unprofitable projects. Recognizing a reduction in fixed costs of about ¥5.0 billion from the effects of these structural reforms, this represents an increase of around ¥26.0 billion attributable to costs alone. Please explain the disparity between this and the ¥18.9-billion increase.

A: The ¥18.0 billion one-off loss recognized in 3Q is the figure for adjusted operating profit. This translates to ¥10.0 billion when calculated on a Non-GAAP basis. The factors behind the ¥18.9 billion increase projected for FY27/3 include this ¥10.0 billion one-off expense, plus the effects of structural reforms and improvements in unprofitable projects.

Questioner B

Q: Please explain the costs incurred by international unprofitable projects in FY26/3 in detail.

A: This does not refer to three European companies but to projects already underway in Asia. Following a fundamental review of the business, we have already recognized provisions for all potential risk costs through to project completion. We do not expect to see any recurrences. This business project is entirely unrelated to the three European companies, and the recorded amount is ¥5.0 billion.

Q: Newspaper reports cited concerns that the advanced investment of ¥100.0 billion on initiatives such as submarine cables might become a cost burden, but there does not seem to have been much of an impact. How should we interpret that? Is it that despite being a cash outflow, the long depreciation period means that the cost burden for each individual year is diminished?

A: That's right. We are also in talks with the Japanese government with the expectation that we will be able to reduce the impact on cash flow by a certain amount.

Questioner C

Q: How do you view these financial results in comparison to other companies?

A: We are moving forward with the actions we should be taking. In our international businesses in particular, we aim to build business structures that leverage our unique strengths. In addition to the DGDF business in Europe, we plan to acquire and consolidate US-based CSG Systems International, Inc. once we have clearance from the authorities. This is a business that generates an annual revenue of around ¥180.0 billion and adjusted operating profit of around ¥30.0 billion. We believe that this acquisition will allow us to establish a solid global presence.

Q: Recently, it is being said that the SaaS business model is reaching its limits. What kind of impact do you think this will have on your service-offering businesses, such as NEC BluStellar?

A: We see this as a strong tailwind. The market is growing and the social application of AI is accelerating. Our recently announced global alliance with Anthropic is a key step aligned with this trend.

Questioner D

Q: Please tell us NEC's investment approach regarding AI.

A: First of all, as technology development is one of our core strengths, we will continue to strengthen our AI-development supercomputer initiative. This represents a strategic investment in R&D and the core of our business. Secondly, we will invest in applying AI to various in-house scenarios through the so-called "client zero" approach. Thirdly, we will invest in human resources, including recurrent education.

Q: Looking at the recent geopolitical situation, it seems like the Aerospace and National Security business will become a growth business in the future. Although the market is large, I think there is potential for it to lead to weapons exports. How do you plan to approach this business in the medium term?

A: The scope of national security is broadening. Dual-use application of cutting-edge technologies is moving forward and we are in an era of acceleration for both spin-on and spin-off companies and technologies. Within this environment, we will position AI and security as primary dual-use technologies. Furthermore, we believe that digital infrastructure will become vital to national strength itself. This specifically includes communication infrastructure, submarine cables, and space technologies, which have traditionally been viewed as components of economic security. NEC is the only company in Japan, and one of only a few in the world, that operates across all these domains, including cybersecurity. We see these fields as offering huge opportunities, including for creating synergies with AI.

Questioner E

Q: President Morita, please share your outlook for the domestic IT market in FY3/27.

A: I believe 2026 will be a major turning point. We are entering an era that will see the fully fledged application of AI throughout society. In this era, in addition to the LLM field, important

fields will include the realization of a secure cloud for applying these LLMs, AI-driven data organization, AI platforms for operating task-specific agents, and domain knowledge. Japan has strengths in the domain knowledge field in particular. I think we will see advancements in the application of AI and DX outside of the internet, an area which is still underdeveloped.